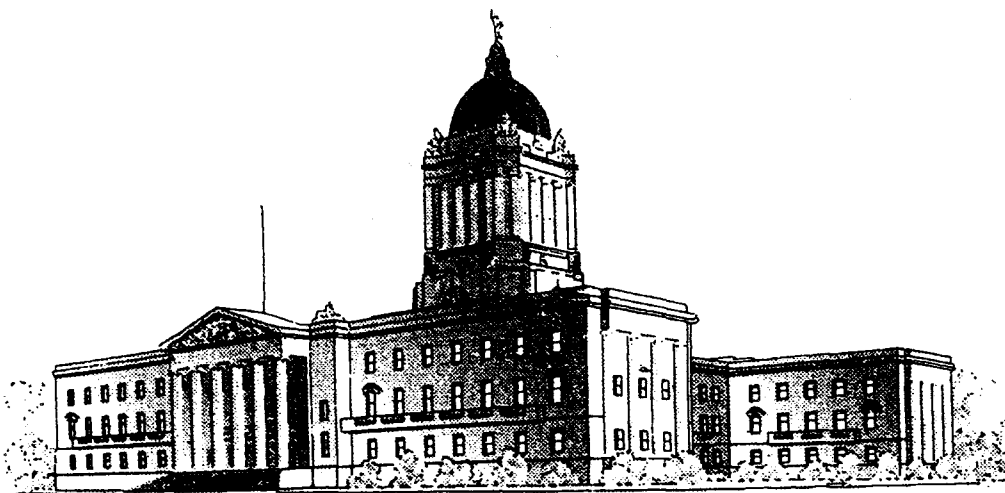




Fifth Session - Thirty-Fifth Legislature
of the
Legislative Assembly of Manitoba

**Standing Committee
on
Public Utilities
and Natural Resources**

*Chairperson
Mr. Marcel Laurendeau
Constituency of St. Norbert*



Vol. XLIII No. 1 - 10 a.m., Tuesday, May 17, 1994

MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Fifth Legislature

Members, Constituencies and Political Affiliation

NAME	CONSTITUENCY	PARTY
ASHTON, Steve	Thompson	NDP
BARRETT, Becky	Wellington	NDP
CARSTAIRS, Sharon	River Heights	Liberal
CERILLI, Marianne	Radisson	NDP
CHOMIAK, Dave	Kildonan	NDP
CUMMINGS, Glen, Hon.	Ste. Rose	PC
DACQUAY, Louise	Seine River	PC
DERKACH, Leonard, Hon.	Roblin-Russell	PC
DEWAR, Gregory	Selkirk	NDP
DOER, Gary	Concordia	NDP
DOWNEY, James, Hon.	Arthur-Virden	PC
DRIEDGER, Albert, Hon.	Steinbach	PC
DUCHARME, Gerry, Hon.	Riel	PC
EDWARDS, Paul	St. James	Liberal
ENNS, Harry, Hon.	Lakeside	PC
ERNST, Jim, Hon.	Charleswood	PC
EVANS, Clif	Interlake	NDP
EVANS, Leonard S.	Brandon East	NDP
FILMON, Gary, Hon.	Tuxedo	PC
FINDLAY, Glen, Hon.	Springfield	PC
FRIESEN, Jean	Wolseley	NDP
GAUDRY, Neil	St. Boniface	Liberal
GILLESHAMMER, Harold, Hon.	Minnedosa	PC
GRAY, Avis	Crescentwood	Liberal
HELWER, Edward R.	Gimli	PC
HICKES, George	Point Douglas	NDP
KOWALSKI, Gary	The Maples	Liberal
LAMOUREUX, Kevin	Inkster	Liberal
LATHLIN, Oscar	The Pas	NDP
LAURENDEAU, Marcel	St. Norbert	PC
MACKINTOSH, Gord	St. Johns	NDP
MALOWAY, Jim	Elmwood	NDP
MANNES, Clayton, Hon.	Morris	PC
MARTINDALE, Doug	Burrows	NDP
McALPINE, Gerry	Sturgeon Creek	PC
McCORMICK, Norma	Osborne	Liberal
McCRAE, James, Hon.	Brandon West	PC
McINTOSH, Linda, Hon.	Assiniboia	PC
MITCHELSON, Bonnie, Hon.	River East	PC
ORCHARD, Donald, Hon.	Pembina	PC
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PENNER, Jack	Emerson	PC
PLOHMAN, John	Dauphin	NDP
PRAZNIK, Darren, Hon.	Lac du Bonnet	PC
REID, Daryl	Transcona	NDP
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RENDER, Shirley	St. Vital	PC
ROBINSON, Eric	Rupert'sland	NDP
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ROSE, Bob	Turtle Mountain	PC
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VODREY, Rosemary, Hon.	Fort Garry	PC
WOWCHUK, Rosann	Swan River	NDP

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

Tuesday, May 17, 1994

TIME — 10 a.m.

LOCATION — Winnipeg, Manitoba

**CHAIRPERSON — Mr. Marcel Laurendeau
(St. Norbert)**

ATTENDANCE - 9 — QUORUM - 6

Members of the Committee present:

Hon. Mr. Findlay

Messrs. Dewar, Leonard Evans, Lamoureux,
Laurendeau, McAlpine, Pallister, Mrs.
Render, Mr. Rose

APPEARING:

Tom Stefanson, Chairperson of the Board,
Manitoba Telephone System

Oz Pedde, President and Chief Executive
Officer, Manitoba Telephone System

MATTERS UNDER DISCUSSION:

Annual Report of the Manitoba Telephone
System for the fiscal year ended December
31, 1993

* * *

Mr. Chairperson: Good morning. Will the Standing Committee on Public Utilities and Natural Resources please come to order. This morning the committee will be considering the December 31, 1993, Annual Report of the Manitoba Telephone System.

Did the minister responsible have an opening statement, and would he please introduce the representatives present from MTS.

Hon. Glen Findlay (Minister responsible for the administration of The Manitoba Telephone Act): Thank you, Mr. Chairperson. Yes, I will introduce members first: Chairperson, Mr. Tom Stefanson; President, Mr. Oz Pedde; Vice-

President, Finance, Mr. Bill Fraser; Heather Nault, Vice-President, Corporate and Regulatory Affairs; and June Kirby of Communications.

Mr. Chairperson, I will have a brief comment followed by Mr. Stefanson and then Mr. Pedde. Members of the committee will be aware that we are here to consider the 1993 Annual Report of the Manitoba Telephone System which describes the financial and operational activity of the corporation for the period ending December 31, 1993.

I am confident that the members are giving this report particular scrutiny for a number of reasons. In addition to recognizing the importance of MTS to the life of the province and its citizens, they also are taking new interest in the increasing exciting business of telecommunications as well as the innovations that are coming to Manitoba through this sector.

Since our last review, we have seen growing numbers of articles and announcements about the emerging information highway. Stentor, the national alliance of Canada's major telecommunications companies, including MTS, anticipates a national information highway that is capable of carrying voice, text, data, graphics and video services to and from all Canadians and that provides universal access to basic and advanced telecommunications and information services through a network of many networks owned and operated by different service providers.

In April, Stentor announced its intention to make its vision a reality through upgrading its facilities and creating the means to develop services to be provided on the highway. This project is called the Beacon Initiative. A highway capable of carrying so much information among all Canadians has

great potential for improving old services and carrying new ones. In fact, the highway will combine the power of new technology and new ways of bringing people together. That combination always has provided fertile ground for business people to develop enterprises that now only can be imagined. For this reason, the information highway holds great promise for creating new wealth, just as rails and concrete highways did in the past, and this is why governments at the federal and provincial levels are paying close attention to the possibilities inherent in this new national communications infrastructure.

Manitoba most certainly is cognizant of the potential economic benefits to be gained through the promotion of telecommunications. Over the past several years, that recognition has revealed itself in clear, positive and progressive policies designed to bring the province into the context and realities of national developments, practices and regulation.

Members of this committee will recall in particular that I have described the measured steps we have taken to introduce competition in telecommunications in Manitoba. Competition is now a reality, and from the act of widespread advertising as evident in our province, it is plain, as we predicted, consumers and businesses will be the beneficiaries. At the same time, this commitment to open telecommunication markets in Manitoba has resulted in investments in new business such as call centres. It is attracting growing interest in the province for future investments.

We have encouraged such interest in investments and they are most promising. One of the most important ones was announced recently and involves MTS and Manitoba Cable Television Association bringing Manitoba's practices in line with that of other areas of the country. Cable operators will own all parts of the cable distribution system, elements of which were formerly leased to them by MTS. Because of this step, the cable operators will be making an investment of some \$35 million to modernize their

networks in Winnipeg and rural communities, including \$3.5 million to construct and activate a multipoint microwave distribution system currently known as MMDS to provide wireless cable TV to rural and regional centres in Manitoba. Cable operators also could invest an additional hundred million to bring the services of its information highway to its customers over the next few years.

If members have not seen it, there was an interesting editorial in the Boissevain Recorder. I can read just a couple of sentences out of it referring to the cable television announcement of two or three weeks ago: This is now an absolute necessity as cable TV is no longer simply a source of entertainment. It will become an essential service that a person can no longer live without, something similar to the introduction of hydro in the 1940s and '50s. That is a rural point of view.

* (1010)

The success of this policy also can be seen in the fact that it has laid the groundwork for building the information highway. If the core of the highway is a complex of networks owned and operated by different service providers, its heart and soul will be the free play of competitive market forces. This is precisely what our policy has accomplished, and those forces now are at work forging new opportunities for the future. We are pleased with the success of our policy in achieving tangible results from Manitoba consumers and businesses. We are sensitive to the fact that it has presented MTS with significant challenges.

Members will recall that last year I said, and I quote from last year's comments: We do not suggest that the changes the company has made in the past have been easy, or that those it must make in the future will be any less difficult. What is obvious and undeniable, however, is that change in telecommunications is part and parcel of what the industry is all about. Of equal importance, telecommunications is a national and global business—when significant changes take place anywhere, they eventually take place everywhere. Manitoba is not an island that can or should resist change. Our province and our government are

intent on ensuring that Manitobans will be able to reap all the benefits that these inevitable changes will permit while giving MTS the policy direction and support that will allow it to succeed in this new environment.

Just in closing, I would like to congratulate MTS on some of the comments and numbers you will see in the annual report. If you would turn to page 32, there are some fairly revealing numbers on that page. First I would like to compliment MTS on its net earnings at \$20 million, up some \$14 million from the year before. If you look back over the past five years, net earnings have averaged in the \$20 million to \$22 million range.

Secondly, you will see that the debt equity ratio is down again from 82 to 80.9. When we came into government in 1988, the debt equity ratio was 91 percent. Certainly it is significantly good news to be able to improve that.

You will notice the long-term debt has been stabilized around \$900 million and also notice that around \$170 million the very bottom line of capital investment occurred last year, and this is principally investment in the service of the future.

I would like to inform the committee members that in terms of converting the 47,000 party lines to private lines, we are 70 percent complete at this time, and about 85 percent of our switches are digital across the province of Manitoba. So this positions us well for the opportunities of the future. Now I would like to turn the comments over to Mr. Stefanson.

Mr. Chairperson: We thank the minister for those remarks.

Does the critic from the official opposition party, Mr. Dewar, have an opening statement?

Mr. Gregory Dewar (Selkirk): Well, is it possible to listen to the statements of the chairman and the president before?

Mr. Chairperson: If it is the will of the committee, that is the way it will be. Is it the will of the committee that we hear from the staff first? [agreed] Then if we could have Mr. Stefanson with his opening statement.

Mr. Tom Stefanson (Chairperson of the Board, Manitoba Telephone System): Mr. Chairperson, this is the fifth time I have had the opportunity to participate in the annual review of MTS activities and progress. I believe that the minister in his opening remarks has given you a brief glimpse of what progress is coming to mean in the high-tech world of telecommunications.

There are some commentators who believe that the information highway, not only will create new business opportunities, but also will change the way most of us go about our daily lives. It is difficult to say how far the information highway will take us, but there seems to be little doubt that it will have the kind of historic impact that the television and the computer have had.

MTS, as a member of Stentor, has every intention of playing a part in these new developments. For example, when the beacon initiative was announced, we emphasized that our fibre optics network, which will be one of the critical networks of the information highway, now totals close to 50,000 kilometres and that another key element, digital switching, will be universal in the province by 1996.

MTS needs to make these kinds of investments in the future. At the same time, however, it has an equal obligation to maintain prudent and sensible business practices that address immediate needs. Members of this committee will be aware that for some time I have stressed the importance of putting the corporation's finances on a sound and stable basis. This has been a continuing and major goal of the MTS Board of Commissioners, and in pursuing it, the board not only recognizes the economic realities but also the service requirements of all Manitobans.

In 1993, I described the corporation's position on the management of its finances and my testimony before the Public Utilities Board. I told the board that MTS would not propose to generate the funds necessary to address the reduction of the company's debt by seeking significant increases in the rates paid by our monopoly service customers. I said that instead we advocate an approach that is sensitive to the desires of our customers, our owner

and the PUB itself. It requested increases equivalent to about 1 percent on the average bill of a residential customer. We were assuring our customers that MTS has taken all reasonable steps to control its own costs before it asks them to pay high rates and to assure them as well of our intent to keep those increases close to the level of inflation.

We were, of course, pleased and gratified that the PUB, not only approved our proposed modest rate increases, but also endorsed our financial management goals and efforts. Members of the committee will be aware that MTS recently announced that it would give notice to the Canada Labour Board of its intention to lay off close to 200 MTS employees. This, of course, was a most difficult decision and no doubt of interest to you.

Those of you who participated in last year's review may recall that I emphasized, as a part of the corporation's long-term efforts to manage its finances, that MTS was downsizing its staff complement. I reported that as a result of the changing telecommunications environment, fewer people are needed to run MTS and that our plan was to reduce the size of our staff complement through normal attrition and retirement programs. This still is our plan.

But at meetings held over a year ago, it also was stressed that in the reality of a highly competitive environment, MTS employees could not have a guarantee of employment. It had been our hope that the unions would join us to avoid layoffs by allowing us all, staff and management, to join hands, to spread and share the burden of cost control. Their first reaction was to reject this position, which resulted in the layoff announcement. At this time, I am pleased to report that two of the three bargaining units are reconsidering their position. I think that is good news.

I am equally pleased to say that MTS is meeting the challenges of the rapid and dramatic changes that are taking place in the telecommunications industry. While building a new infrastructure and managing our finances, we also are improving the way we work and the quality of the services we

provide. So long as we continue to do these important things, we are confident that we will be able to provide significant career opportunities for employees and value service to our customers.

I would now ask Oz Pedde, our president and CEO, to offer his comments on the activities of the corporation during 1993.

Mr. Chairperson: Thank you, Mr. Stefanson.

Mr. Oz Pedde (President and Chief Executive Officer, Manitoba Telephone System): Thank you, Mr. Chairperson. This is the third time I have appeared before the committee, and it has been my pleasure to note the highlights of our annual report. Because of their critical importance, I want to make special mention of the financial results for 1993.

The total operating revenues were \$538.6 million, which is an increase from 1992 figures of \$527.4 million. This is an encouraging result, given that revenues were virtually flat in the last two years. Total operating expenses were \$445.8 million in 1993 compared to \$449.3 million in 1992. This kind of absolute reduction in operating expenditures is part and parcel of our financial management efforts that have been mentioned by Mr. Stefanson, and it is our goal to repeat this performance in 1994.

MTS's net income in 1993 was \$20 million, as the minister mentioned, compared to \$6 million in 1992. We were pleased to be able to report that in addition to cost control, this improved performance also can be attributed to increases in long distance revenues.

Net construction expenditures were \$169.5 million in 1993 while they were \$172 million in 1992. This modest reduction in capital expenditures came about through setting careful priorities and economies realized in the way we are proceeding with our modernization program.

Because members will have read the annual report, they will be aware of the service initiatives MTS took in 1993 which included reductions in long distance rates, major discount plans such as Advantage; low-entry 800 service; Faxcom and HyperStream data transmission.

Because the details are in the report, I need not dwell on them here; however, I would like to emphasize that the number and variety of these initiatives will continue to grow as MTS, on its own initiative and in partnership with the other members of Stentor, work to meet competitors in the marketplace.

Indeed, I should emphasize that the marketplace is now where MTS lives and breathes. In a relatively short span of time we have moved from a position where we delivered most of our services on a monopoly basis to today where more than 75 percent of our revenues are derived from customers who have the option of going elsewhere.

I want to take just a moment to underscore some of the comments made by the minister. I would like to stress that the emergence of the information highway reflects not only the reality of a competitive marketplace in Manitoba and the rest of Canada but also the changing structure of the industry as a whole throughout the world.

* (1020)

It should be understood as well that it has become part of a much better picture. What is new is that the communications infrastructure we have fashioned now is being used to create a new global economy which is making new demands on the providers of telecommunications products and services.

One senior telecommunications executive described the process this way, and I quote. The most important trend is the coming together or convergence of all categories in our industry including telephony, broadcasting, cable TV, cellular, satellites, personal communications and many others. The result is a blurring of the distinctions between products and services that each of these offer. End of quote.

It is a dramatic, historic and growing cycle. Communications helps to create a new global economy which in turn forces changes in the structure of the industry that has helped lay the foundations of that economy. It is obvious that the convergence of formally separate categories of

sectors of the communications industry will occur on the information highway.

As MTS takes steps to be at this new crossroads, it is very much aware that it has to maintain its commitment to well-established values which include fair and honest dealing with our employees, suppliers and competitors, exercising prudent management and delivering high quality services to its customers.

By planning carefully, investing wisely and pursuing these tried and true values, we are confident that MTS will have earned the respect and loyalty of its customers, its employees, its owners, as well as its place on the information highway. Thank you.

Mr. Chairperson: Thank you, Mr. Pedde. Does the critic for the official opposition party have an opening statement?

Mr. Dewar: Yes, I do, Mr. Chairperson. I want to begin by thanking Mr. Pedde and Mr. Stefanson and their staff for joining us here this morning as we review the Annual Report of the Manitoba Telephone System. I guess this would be my fourth year as the critic responsible for the opposition. I have always enjoyed the opportunity to come here and to raise issues of concern.

Of course, we believe very strong on this side of the House that the publicly owned utility must remain that way, and some of the questions that we will be raising as we proceed through this hearing this morning will be dealing with that particular issue.

We are concerned as well about the impacts upon long distance competition on the revenues of the Telephone System and what effects any revenue losses that may result because of the long distance competition may have on the Telephone System in terms of subsidies to keep the subscriber rates low, or of course the impact upon jobs.

Over the last couple of weeks we were informed, like all Manitobans, of the announced 200 layoffs. I believe the first time since the '30s that the Telephone System would be laying off its employees. We are concerned that this is over and above the government's announced rightsizing

program which, when they announced that a number of years ago, they were planning on laying off, I believe, a thousand employees over a period of five years in the middle of a recession. We find it difficult to accept that the government would be laying off its employees at this particular time, especially as we are supposed to be preparing for what is called the information super highway.

We are also concerned about privatization of MTS's revenue-generating operations. We are concerned about the potential sale of the cable wiring, the plans to contract out the 411 service, again, speculation surrounding issues in terms of the Yellow Pages. So these are some of the issues we are going to be raising. I know that my colleague, the member for Brandon East (Mr. Leonard Evans), will be raising some questions concerning his interests in the issue and the effects upon western Manitoba.

We are also quite surprised and relieved, as well, to hear that the Liberals have taken an interest in the issue of the Manitoba Telephone System. The critic, the former member for Osborne, he very much agreed with the policies and the directions of the government in terms of telecommunication policy. We are pleased that they have raised some issues, as well, questioning some of the directions. We hope that they will continue this interest and hope that they will continue to raise concerns along with us.

We are pleased, as well, because we realize that the Telephone System must remain public. The people of Manitoba must continue to own it, and we are pleased that there are other groups out there that share that interest with us.

So with those few words, I will allow my colleague, the member for Inkster, to make a few statements.

Mr. Chairperson: We thank the honourable member for those opening remarks. Did the critic from the second opposition party have an opening statement?

Mr. Kevin Lamoureux (Inkster): Yes, I did, Mr. Chairperson. I guess one could start off by indicating that the Liberal Party has always been concerned about the Manitoba Telephone System.

In fact, we could even go back to the mismanagement of the New Democrats with Saudi Arabia and so forth. I can assure the member for Selkirk (Mr. Dewar) that the Liberal Party's concern about MTS far exceeds the concern —[interjection]

Mr. Chairperson: Order, please. Could I ask the honourable members to not join in this debate at this time. This is the opportunity for Mr. Lamoureux to get his opening statement. I would appreciate to hear it.

Mr. Lamoureux: Mr. Chairperson, I just thought it was in fact important to emphasize that if there has been a political party negligent of MTS, it is likely the New Democrats. The concern has always been there with respect to the Liberal Party and Manitoba Telephone System.

It is with pleasure that I can express some concerns and also to put on the record some comments with respect to MTS, Manitoba Telephone System. I think that the future potentially can be extremely bright. The Manitoba Telephone System has a monopoly as a company. There is a considerable amount of trust that the public has in the Telephone System. I think it is something that is in fact warranted and well deserved.

MTS has done a number of things over the past few years in order to maintain a competitive edge over private companies that are abroad that are looking at coming in. We look forward to seeing MTS pursue aggressively the markets that are in fact out there. As the critic actually for Education, I am especially interested in the potential of distance education. I think that the telephone network and cables and so forth that are out there have an integral role to play in terms of things such as distance education, not only when I talk about distance education in terms of rural Manitoba, but also within the city of Winnipeg.

There is a an overriding concern that the Telephone System reflect on an ongoing basis in terms of what its current mandate is and mission statement, if you like. Because of the situation that MTS is in, we have to ensure that we are providing the basics for the consumers throughout the

province of Manitoba at an acceptable rate of return, if you like, to ensure the long-term viability of Manitoba Telephone System so it is not going to be an over excessively costly venture for the taxpayers. It was indicated through the president's report that in fact revenues have gone up, which means that the reserves will be that much better off.

I did want to talk specifically on two issues, or at least make mention because I am sure that there will be some questions with reference to it. The first one is with respect to the capital tax now that MTS is going to be required to pay. That did raise some concerns a few weeks back when it was first introduced, and the impact that particular tax is going to have on the consumers. Many, including myself, argued that it was in fact a tax increase for those who use the telephones, that in fact it was not a neutral tax, that this is going to result in rates having to go up. That is one of the issues that I am going to want to pursue.

The other issue is the whole question of the layoffs. The president made reference to the number of individuals who were being told they were looking at having to lay off. From the information that was given to myself, there was a significant question mark in terms of whether or not the employees of MTS were aware that had they not agreed to the contract there would have been 200 layoffs.

So now there is this cloud that is going over the MTS employees in terms of who is it going to be, type thing. I am very pleased that two of the three unions are now currently reviewing, but I would argue that they are better informed in terms of what it is that can actually happen if they were to adopt the current position that was formerly adopted. I would argue that they were at a bit of a disadvantage by not knowing as clearly as they could have, had management said, you know that if in fact we do not accept this, we are going to have to do a lay off.

*(1030)

I believe a vast majority of the Manitoba Telephone System employees would like to retain the jobs that are there, and I think that the

government, especially when we are looking at a recession or hopefully getting out of the recession, that we will see jobs being protected first and foremost. I believe that there is a responsibility of Crown corporations and of governments to do what they can to minimize the need to lay off. I anticipate, and I look forward to the response that we might be able to get through some questionings.

There is also some concern with respect to the cable television network and the agreement that was entered into with that particular company. I understand that they are going to be making a significant investment of, I believe it is in and around \$35 million. I was not here for the opening remarks of the minister. I believe it was \$35 million.

It would be good to get some sort of a background in order to substantiate that, you know, based possibly on rates of returns in terms of what it is that MTS is giving up in return to getting that \$35 million investment.

Having said those few words, Mr. Chairperson, I am quite prepared to go on to ask him the questions.

Mr. Chairperson: Thank you, Mr. Lamoureux. How did the committee wish to proceed with the report this morning? Shall we consider the report in its entirety? [agreed]

Mr. Dewar: I want to begin by asking the minister a question, one that I have raised in the past and one I feel it is very important to raise again. My first question is, does the government have any plans on privatizing the Manitoba Telephone System?

Mr. Findlay: No.

Mr. Dewar: Last time when I raised the issue, in the answering to the question they speculated that, well maybe not this year but maybe next year or in the future. Has the government considered that?

Mr. Findlay: No.

Mr. Dewar: Well, we are obviously very relieved to hear that. We know again that the issue, as I mentioned, is of great concern out there as we see

the corporation selling off some of the revenue-generating operations.

Are there any plans to sell any more of those type of operations?

Mr. Findlay: Well, certainly, as all three of us have mentioned, the chairman, the president and myself, there is a lot of opportunity in the telecommunications area. They are many and varied, and we have been very successful in attracting a number of call centres to Manitoba. Certainly we are open to business in terms of trying to attract all the telecommunications activity that we can to the province of Manitoba. It will be an ongoing process using Manitoba Telephone System as a starting block for negotiating with anybody who is interested in coming here and setting up shop, doing business either in competition or in partnership with MTS.

We are in a changing world where now the proper thing to do is to co-operate and work with sometimes your competitors where opportunity exists for joint ventures that lead to jobs and improve the standard of living in terms of offering services to the citizens of Manitoba. Certainly in that context MTS will always play a very important role in this. I think it is fair to say that the vast majority of citizens of Manitoba want to have choice of services, want competition. They want the better services that choice provides, but MTS has competed very, very successfully, whether it is in cellular or whether it is in long distance or in other services where the president indicated that now 75 percent of their revenues come from the competitive area. The revenues on an annual basis continue to grow, even in a recessionary period of time.

Mr. Dewar: I would like to ask the chairman of the board: Has the board discussed the issue of privatization of the Telephone System?

Mr. Stefanson: No, the board has never, never discussed—

Mr. Chairperson: Order, please. I would ask Mr. Dewar to put his comments through the minister, and if the minister were to ask, then we will move it along.

Mr. Stefanson: Mr. Chairperson, in response to Mr. Dewar's question, no, the board has never discussed the issue of privatization of the Manitoba Telephone System.

Firstly, I guess I could say that we do not view this as a part of our responsibility. It is the owner's responsibility as to ownership. Our responsibility, I think, is to set the policy of the corporation, to ensure that the mandate is being followed, to give direction to the management as to our policy and management expectations and to review and monitor.

In regard to the reference to the cable, the cable I personally do not view as getting rid of a part of a business of MTS. I view it as a disposal of an asset. It was an asset that we were leasing to the cable companies. It was not an asset that we were using for our internal needs.

As you are aware, we have a debt of somewhere close to \$900 million, and we need every cent of capital that is available to the development of our own network and the opportunities that are coming down the road, and there will be many, and many choices.

For example, in the past, the Call Management services have been a tremendous success, and I think they are quite profitable for MTS.

The bottom line is that we just do not have the resources to be financing capital expenditures for somebody else. We were looking at \$35 million initially, and we would rather—there is only going to be so much capital available to MTS. From an MTS position, we would rather finance expenditures for assets for our own internal purposes rather than for the cable operator.

Mr. Dewar: I am very pleased with the minister's categorical answer to the question raised, suggesting that there are no plans. I hope that this will be the policy of the government. There are many out there who feel that if the government was to win another term, that one of their plans would be to sell the telephone system. I am pleased that the minister has denied the government is planning on doing that.

I want to follow up on some of the revenue generating assets of the Telephone System, such as the 411 service. What is the status of the 411 service? Has it been sold to private interests? Is it contracted out? Can I just have some clarification on that, please?

Mr. Oz Pedde (President and Chief Executive Officer, Manitoba Telephone System): Mr. Chairperson, 411 service, to my knowledge, was never planned to be sold. There was some discussion to potentially out-source the activity to a call centre operation. That could not be operationalized and we have no plans to out-source 411 services.

Mr. Dewar: You mentioned call service. What was the company?

Mr. Pedde: Mr. Chairperson, it was a call centre operation. The name of the company under discussion that was contemplating this was Faneuil.

Mr. Dewar: How many employees are currently working in the 411 service within MTS?

Mr. Pedde: I believe, because there are a lot of full-time, part-time, casual and temporaries, all the categories, the equivalent full-time employees are close to 170, but that varies by season.

* (1040)

Mr. Dewar: So there are 170 employees currently providing the 411 service. If that service is contracted out, would those employees be then relieved of their jobs?

Mr. Findlay: Mr. Chairperson, the president has indicated that there is no discussion ongoing relative to 411 in terms of contracting out. So the member is asking exceedingly hypothetical questions which should not be allowed in this particular forum.

Mr. Dewar: I would like to follow up on that. Are there any plans to contract this out?

Mr. Pedde: No, there are not.

Mr. Stefanson: Mr. Chairperson, I can advise Mr. Dewar that there are no plans to contract out the 411 service.

Mr. Dewar: What are the revenues realized from providing that 411 service to customers of the Manitoba Telephone System?

Mr. Pedde: Mr. Chairperson, I do not have the exact numbers here, but subject to verification, I believe it will be \$7 million a year.

Mr. Dewar: Again, dealing with this issue, why were there discussions started in the first place? Why were you meeting with the Faneuil firm to discuss this issue?

Mr. Findlay: Well, as I mentioned to the member earlier, when somebody comes forward and offers an opportunity, you get into discussion, and discussion led to the answer that it is not feasible to do it. So discussions have since terminated in that regard.

Mr. Dewar: I will talk about the Yellow Pages now. Does MTS still provide that service?

Mr. Stefanson: Yes, they do.

Mr. Dewar: Are there any plans to sell that service or contract that service out?

Mr. Stefanson: I cannot make any comment on ongoing discussions, but what I can say, if any arrangements are to be made down the road, that MTS would have absolute control of the Yellow Pages and would have absolute—a majority ownership, a very substantial majority ownership.

In other words, what I am suggesting is that we may be prepared to look at a 10 percent or 15 percent partner or something like that, but we are not prepared to look at a 40 or 50 percent partner. We are not prepared to look at giving anybody any control over the operations or direction of the Yellow Pages.

Mr. Dewar: Why is MTS contemplating such a move?

Mr. Stefanson: I never said we were contemplating. I basically said that I am not in any position to discuss it at this time, because if there are ongoing discussions I would only hurt the discussions. Why would we consider it? If somebody has some expertise in marketing or something that can make the Yellow Pages more profitable for us, and if they are to pay, they would have to pay absolute top dollar for the Yellow

Pages. We would not give the Yellow Pages away for one cent below—any little portion of the Yellow Pages—for one cent below that percentage of the total value of the Yellow Pages as determined by outside valuers.

Mr. Dewar: How many employees work within MTS doing the Yellow Pages?

Mr. Findlay: I want to remind the member from Selkirk of comments that we made earlier, and if we are looking at any opportunity to do something, it is to supply further services to customers, if they want—we would prefer that they purchase through MTS—and secondly, to provide more jobs in and around the use of the network. That is the way you look at opportunities, you discuss opportunities when individuals come along. You can see more jobs being created and more services that customers want, if we want them supplied in and through the use of the MTS network.

Mr. Stefanson: Thank you.

Mr. Findlay: Mr. Chairperson, I would just add that in telecommunications, the member must clearly realize that you cannot close the doors on services coming in from wherever, particularly, services that come through the air as opposed to through the lines. So you cannot close the door and say I will not talk to you and I will not allow our customers to have these services.

If these customers want services, and they are available from some other supplier, that customer and supplier will get together. Our preference is that the customer and supplier get together through MTS, and that is why we get involved in these kinds of discussions, to see if there is a service that can be supplied better and more highly technical and let us create the jobs right here in the province of Manitoba, using our system. That is the bottom line.

Mr. Dewar: How many employees work for the Yellow Pages at Manitoba Telephone System providing that service?

Mr. Pedde: Mr. Chairperson, 97 employees work for the Manitoba Telephone System now, but I guess just in case some confusion has arisen, with the Yellow Pages there was no out-sourcing contemplated. There was, as the chairman

identified, hypothetical potential of some value-add that a third party could bring, and if that third party, if they brought something to the table, that would add more employees, because presumably it would stimulate revenue for Manitoba Telephone System.

But there is no work reduction and no out-sourcing contemplated with the Yellow Pages business per se.

Mr. Stefanson: In regard to the employees at the Yellow Pages, taking the hypothetical situation that we are talking about, if a minority partner was to appear on the scene, it would have absolutely no impact on the number of employees Yellow Pages would have. The Yellow Pages, as I said earlier, would be still absolutely controlled by the Manitoba Telephone System, and the Manitoba Telephone System would have a large majority ownership.

So the business would continue on the same basis and should not have any impact on the number of employees, whether we owned 100 percent or whether we owned 80 or 90 percent of the Yellow Pages.

Mr. Dewar: You spoke earlier about the revenues. Could I have the profits from the Yellow Pages for the last five years?

Mr. Pedde: Mr. Chairperson, we can make that as an undertaking. We do not have that here. I should also hasten to add that there are two aspects to the business. We do not create a P and L or an income statement for the Yellow Pages business. We create a contribution statement, and there are two elements that have to be factored out, one of them is the Yellow Pages business does the White Pages production for the Manitoba Telephone System, which is a cost to them, done for the Manitoba Telephone System.

Secondly, Manitoba Telephone System is the owner of the database for them, and that is a value and the regulator ascribes a value to that. The intellectual property that is required to create both the Yellow Pages and the White Pages are the property of the Manitoba Telephone System per se.

I can undertake with those two caveats to provide the information.

Mr. Dewar: An issue that we raised a number of years ago, I want to just follow up on that, and that is the printing of the White Pages, is that done here in Manitoba or by an outside firm?

Mr. Pedde: Mr. Chairperson, I guess I can report two things. First of all, the most important thing critical to MTS is that we once reduced the cost of producing those, which is sort of the No. 1 driver for us.

Secondly, in the second-go-around, we got together with our prairie telco neighbours, and reduced the price some more and have moved the production into Canada from the States. But, thirdly, the Manitoba company that was unsuccessful in that bid are now doing the directory covers for all of the prairie companies and, therefore, there is an offsetting business stimulated for them. So as far as I am concerned, it is a win-win-win situation, everybody wins. It is Canadian jobs, it is Manitoba jobs and the MTS costs have been reduced twice.

Mr. Dewar: What is the cost of printing the White Pages and what contribution of that is spent here in Manitoba, what share of that?

Mr. Pedde: Mr. Chairperson, I do not have the exact number. I will have to take that as an undertaking. I can volunteer some rough numbers, but I think the total production costs I believe are around \$6 million a year. The people that have the production of the covers, I honestly do not know what the exact number is. I would have to take that as an undertaking.

Mr. Dewar: I would like to ask the same series of questions, only this time dealing with the telemarketing division of the Manitoba Telephone System. Does the Telephone System do its own telemarketing?

Mr. Pedde: Yes, we do.

Mr. Dewar: So there is no plans on contracting that service out?

*(1050)

Mr. Pedde: No, there are no plans. In fact, it has been contracted out.

Mr. Dewar: To which firm? Which firm is it that is providing that service?

Mr. Pedde: Faneuil, Mr. Chairperson.

Mr. Dewar: This was at one time, I believe, service provided by the Telephone System. Why did they contract that out to Faneuil?

Mr. Pedde: Mr. Chairperson, that is not correct. We did telemarketing. We did not do the type of telemarketing that we have contracted out to this company. This is a very specially unique product portfolio. We went into long distance competition in December of last year, and we are modelling our prices, our telemarketing, our direct mail, our advertising, according to some advice that the Stentor companies are getting on a national scale, based on experience in the United States, Australia and New Zealand, and it is all to optimize the revenue of the Manitoba Telephone System.

The particular component related to that, the telemarketing component we have not done before. We did not have total competition before. It is a very special scripted and rapid kind of selling application that we have out-sourced, and we believe this is the most cost-effective way to do it.

Mr. Findlay: I think the member might be interested to know that Faneuil has come into Winnipeg, and with this contract, plus other contracts they have achieved, they are supplying 60 jobs now in the city of Winnipeg. So there are 60 more jobs in the telemarketing area in the city of Winnipeg partly associated with this contract to go with the 600, 700 or 800 other telemarketing jobs that have come into Winnipeg and Manitoba over the last year, year and a half. So it is a significant expansion of jobs in that area.

It is a growth area, and we have competed well in getting a lot of those kinds of jobs into Manitoba, and the Telephone System is the backbone. This increases revenue because of the network activity whenever those kind of jobs are here. So the telephone corporation has its reasons for wanting to contract out. The end result is that a company has come into town for that and other contracts, creating 60 direct jobs.

Mr. Dewar: We are pleased to hear that. As the minister would recall, we all spoke in favour of that resolution when it was introduced. The resolution was introduced to the Chamber.

I will talk a bit about the revenues and long distance competition. What impacts or what effects do your studies indicate that the new competitive environment has had on the Manitoba Telephone System?

(Mr. Bob Rose, Acting Chairperson, in the Chair)

Mr. Pedde: I guess the proof of the pudding is in the eating. It is too early to tell, but all indicators are that we are holding our own, that the competition that was introduced by the regulator is such that it ensures affordable local rates because our competitors have to contribute to local service by some formula and compensate for that.

We are optimistic that if we do our part we will keep customers, they will keep on paying their bills and our revenues will hold up, but obviously, with competition we have no illusions that we will not have 100 percent market share. The regulator has predicted that the competitors will take about 30 percent market share by the year 2002. The indications are that that may happen a little earlier, but we are adjusting our long distance pricing. We are advertising, we are telemarketing and we believe we are doing all of the things necessary to succeed.

Our revenue, our total revenue is holding up, and as the committee members know, they are not only dependent on MTS activity, but because of its division of revenue-sharing activity it is equally dependent on what happens in Ontario, Quebec and British Columbia.

Mr. Dewar: You mentioned that the competitor is required to supply a contribution. Is that contribution in relationship to the market share and the revenues associated with that market share that you are losing? Is it an equal amount? How does that balance out?

Mr. Pedde: No, Mr. Acting Chairperson, it is not an equal amount to the contribution we make, because they are disadvantaged in terms of not being able to provide the same level of service as

we can. The regulator thought about this long and hard and sort of said if competition is good for Canada, then you have to create an environment that competitors can actually thrive in. From our perspective, we say they have tilted the playing fields in their favour. The regulator says, we have just created a level playing field. Canada has to have an environment where somebody can compete. That decision is not in our hands, but the regulator has created a mechanism for facility-based carriers and resellers that they make, in their judgment, an appropriate contribution to ensure affordable local rates.

I should hasten to add, the bigger question—and it came up in the preamble, I do not know by which party now—is the question of ensuring universal service and basic rates. Last year, I believe, the Telecommunications Act was enacted in Canada, and in fact affordable basic rates are almost, if you like, enshrined in the Constitution now in the Telecommunications Act. So neither Manitoba Telephone System nor any telephone company can do something untoward in terms of basic rates.

Mr. Dewar: In the actual annual review there were some comments made about seeking alternative sources of revenue. Can you explain what those might be?

Mr. Pedde: Yes, Mr. Acting Chairperson, but not specifically. I think we have, what I call, a full-court press on in finding revenues, and they are largely in the area of trying to get our network hardware and software and the fibre to generate value-added services. Some typical examples might be co-management services, as the chairman mentioned, voice messaging, custom calling services, long distance education. There is a whole bunch. We have a list and we have an objective to, over the next five years, on how much we want to stimulate that and what areas they are, but I believe they are sort of competitively sensitive. I would not like to put them on the public record, but they are in the neighbourhood of \$60 million by 1998. I think that I can mention.

Mr. Dewar: Again, in the annual report on page 3 you mention: strengthening our focus on accounts that generate the largest share of our revenues.

What are some of those accounts which generate the largest share of your revenues?

Mr. Pedde: Mr. Acting Chairperson, I do not think the accounts would like to be mentioned here, but they are all located within a half a mile of Portage and Main or a quarter mile of Portage and Main.

Mr. Dewar: What services are they requiring of the Telephone System? Is this long distance, interprovincial long distance that they are currently using?

* (1100)

Mr. Pedde: Mr. Acting Chairperson, the services, yes, the bread-and-butter services as every business and almost every consumer requires is long distance, and in fact somebody made the startling discovery just recently that long distance is no longer a discretionary service. In terms of our customers, first of all they need voice, data, image, fax, video and any combination of variations. When I say video it is video conferencing, when it is data it is switch data, it is high band with high-powered data and any combination thereof.

In terms of applications, we have very successfully, through our alliance, introduced what are called virtual corporate networks, which are sort of the very hot product today, where businesses can pretend to the rest of the world like if they own their own telecommunications network, because the hardware and software is, in real time, configured as if they had wired their own network for voice data, fax and image and so on, and that is one of the hot sellers.

The other one is just broad band with particular banking institutions, investment dealers, insurance companies and others, not mentioning them by name, have their data business typically growing at 20 percent a year.

Mr. Findlay: I think Mr. Pedde is fairly modest in his comments. I would like to tell the member that the virtual corporate network for all of Canada is run through Manitoba Telephone System, and it has employed some 30 people. So that is quite a success story in terms of the operation of Manitoba Telephone System with this new virtual network system.

Mr. Dewar: We know of course one of your major competitors within long distance is Unitel. Are there any other corporations that are competing against you in this field?

Mr. Pedde: Yes, Mr. Acting Chairperson, there are a whole raft that have indicated their intentions with the Public Utilities Board and subsequently with the federal regulator. They are in the categories of what we call facility-based carriers. They actually provide at least some of their facilities. Unitel is such as an example, and Sprint Canada, which used to be Call-Net, Can-Net, before, is also a facility-based carrier.

Then there are hybrid carriers, and then there are switched resellers. Those are people who aggregate traffic on to their own switches but use the telephone companies' or other facility-based carriers' facilities.

Then lastly, there are what we call switchless resellers or rebillers, which basically, in a nutshell, buy wholesale from MTS and sell somewhere between wholesale and retail to the consumer and provide the billing function and the account function for that customer.

So, in those categories, I believe there are half-a-dozen competitors active in Manitoba right now, in those four categories that I have described.

Mr. Dewar: What was the cost to the Manitoba Telephone System to hook up Unitel and other competitors?

Mr. Pedde: Mr. Acting Chairperson, I do not have the exact number, but I believe we put on the public record that in order to facilitate the long distance competition, as was proposed by Ruling 92-12 of the federal regulator, it would require \$10 million worth of capital in Manitoba. That has not been spent, and it will be spent over a period of time as competition develops.

Mr. Dewar: You mentioned resellers. Can you explain that? You mentioned it a couple of times in your answer there. You often hear about the firms that are reselling. Can you just give us a further explanation of what resellers are? Where do they buy the time from, and who do they buy it from?

Mr. Pedde: Mr. Acting Chairperson, there are two types of resellers, as I mentioned. Not to confuse the issue, one is called a switched reseller. They actually have a box or a switch and they take customers and they route them to that switch and then on to the network, either the telephone network or a facility-based carriers' network, like Unitel, to a certain extent.

Then there are what we call switchless resellers or rebillers. They buy all of the services from Manitoba Telephone System. In fact, they do not own any assets. They buy wholesale from us and they bulk customers together and as a result can provide a greater discount to those customers. We call those switchless resellers or rebillers, and there are two such companies operating in Manitoba.

Mr. Dewar: Would you mind naming those two companies?

Mr. Pedde: Yes, Mr. Acting Chairperson, I do not believe there is any problem. It is on public record. One is called West Can Telecommunications, which is a subsidiary of West Can Gas, I believe, and the other one is Netlinks.

Mr. Dewar: Resellers, now they are allowed to do this because of the recent changes in regulation? You are now regulated by the CRTC and they allowed this? Is that how they were allowed to do this?

Mr. Pedde: Not quite, Mr. Acting Chairperson. We went into this arena while we were still provincially regulated. It was launched while we were provincially regulated and continued when we were federally regulated, so it was both with, if you like, the blessing of the provincial regulator as well as the federal regulator.

Mr. Dewar: I, like many Manitobans, am very impressed with the promotion that MTS is doing, especially the advertising. What is the advertising budget of the Manitoba Telephone System this year and for the last three years?

Mr. Pedde: Mr. Acting Chairperson, the advertising budget for last year was close to \$5 million to this year. It was originally budgeted for \$5 million but it will be closer to \$6 million this year.

Mr. Dewar: What was the budget prior to competition in long distance?

Mr. Pedde: I guess in the previous five years it probably ranged somewhere between \$3 million and \$4 million.

Mr. Dewar: I am quite surprised that the numbers were so modest prior to competition considering the number of television spots that I view.

In terms of Unitel, what areas is Unitel providing service to? Can I, as a resident of Selkirk, contact Unitel and would they provide me long distance access to the Winnipeg exchange?

Mr. Pedde: Yes, Mr. Acting Chairperson, you can contact them and they will contact you. They will not provide you long distance access to the Winnipeg exchange. They will provide you, based on your calling patterns, a proposition which is geared to their network and their promotions, like in any competitive world. Hopefully, they want to appeal to a certain customer base with either prices or features or packages that are different than what MTS can offer.

Mr. Dewar: Of course, I will never do that.

Mr. Pedde: I was wondering for a moment.

Mr. Dewar: No, never would I do that.

I want to talk to you about the cable, I guess, the cable lines that were introduced and all the issues surrounding that. I was wondering what exactly is the price that the cable companies will pay for the existing distribution system?

Mr. Stefanson: The cable distribution system is being sold to the cable operators at a price of \$11.5 million. That does not include the inter-city broad-band network which will be leased to them for approximately \$1.5 million for the next two years.

Mr. Dewar: Who decided that price?

Mr. Stefanson: It was negotiated under normal business practices.

Mr. Dewar: Based upon what, because I was reading reports where it has been suggested that it is worth considerably more than the \$11.5 million?

Mr. Stefanson: Mr. Acting Chairperson, I can assure you that the MTS senior management and

board are more than satisfied with the price. There was an evaluation supplied by an independent firm to the negotiation committee, that is the committee of MTS representatives and the cable operators, which had suggested a price of \$7.5 million. There are an awful lot of issues that go into determining a price, but it was quite intensive negotiation before we arrived at it.

Mr. Dewar: So you are satisfied that the MTS received a fair price for this network?

Mr. Stefanson: Absolutely.

Mr. Findlay: For the member's knowledge, not only a fair price, but a net gain of \$4 million. It was appraised at \$7.5 million, sold at \$11.5 million. That is a net gain of \$4 million.

Mr. Dewar: You mentioned an independent appraiser. Who was that who did that appraisal?

Mr. Stefanson: It was an appraisal done by Deloitte & Touche Chartered Accountants, or Management Consultants.

Mr. Dewar: How much revenue did the system generate for the Manitoba Telephone System?

* (1110)

Mr. Stefanson: The revenue generated from the Manitoba Telephone System should be broken down into two categories. There is an ongoing revenue which we will continue to receive of approximately \$1.5 million to \$2 million which was embedded in any revenue figures that you or anyone else may have seen. In other words that is the revenue that we will be paid for pole attachments.

The other revenue, after deducting all expenses, was approximately \$2 million a year. The \$2 million a year though was at significant risk. We did a lot of homework on this particular issue, and we hired an expert in Ottawa, a former vice-chairman of the CRTC, a guy by the name of Jean-Pierre Mongeau, who is probably considered the leading expert in how this sort of thing would be viewed by the CRTC.

The cable operators were not satisfied with the contracts, and, quite frankly, were going to go to the CRTC. Our information was that those contracts would have been significantly written

down. It would have been written down on the basis that the CRTC would not allow a cross subsidy between a telephone subscriber and a cable subscriber or vice versa. The \$2-million revenue base that we had, it became obvious that it was at risk.

Mr. Dewar: How many employees currently work in this division of the Telephone System?

Mr. Stefanson: Mr. Acting Chairperson, there are not very many employees. I have not got the exact number, but I think it is somewhere around a dozen. The employment of these employees will not be affected. They will be redeployed in other parts of the corporation.

Mr. Dewar: I guess this question should be directed to the minister: Why did the government sell off this cable distribution system? We could talk a lot about the information super highway, I want to know why the government is selling off the highway?

Mr. Findlay: Well, the member does not quite understand the realities that we are living with. Only in Manitoba, no other jurisdiction in Canada, does the telephone company own the cable distribution system. The Telephone System did not supply any content over the system, only owned the distribution system.

Twenty-some years ago, it was an appropriate vehicle to follow. Today that system is old technology; it needs to be upgraded. The cable television service supplied the city of Winnipeg, Brandon, Selkirk. All our towns and villages across the province need to significantly upgraded, both in terms of the number of channels and quality of the signal. Somebody had to make that capital investment. We do not see it as being the mainstream of the Telephone System to be building cable television systems.

Let the cable television industry invest in their product. Let us let the Telephone System invest in the telecommunications with telephone-related types of businesses, like private lines, like digital switches, like the number of services the president talked about, some \$60 million of additional activities they want to go after. You had a group of cable television operators saying, we will not

invest in upgrading our system if we do not own our system. Why would we invest in something that somebody else would own? A pretty common principle. If you wanted to invest in the house you are renting, I am sure you would prefer to buy it before you make the investment, and then let the owner take away that money and sell the house out from under you.

The cable television operators came forward and said, we are prepared to invest the next few years, no more than five, some \$35 million in upgrade of the existing cable systems. In addition, we are prepared to invest in the first one in North America, a microwave cable television system to reach all the farm homes in Manitoba. They do not have cable television right now unless they buy a dish, very expensive. The technology does not work that well anymore because of all the scrambling. Here you have an opportunity for a microwave system that has not been built in North America. They will invest and supply cable television to all our rural farm homes, the same principle, the same farm homes that are now getting individual line services, so it is a win-win for all involved.

The private sector will make the investment. The Manitoba Telephone System receives the revenue for the intercity lines, for the pole attachments. The new network that will be built can be built by purchasing cable from a cable supplier here in Manitoba, with a potential of more jobs created that way, rural farm homes get cable television of a quality equivalent to existing cable subscribers. All existing cable subscribers get a better quality service with a much broader choice of channels.

Let us face it, we do not supply this. If the industry does not supply this, it will come in from American satellites before long. So it was a win-win for all. It saved the corporation and the government the large capital investment that is needed.

MTS and the cable operators are moving into new areas of co-operation and joint ventures, whether it is Distance Education or any new telecom services, teleport, whatever. So it is moving from an old era to a new era for all

involved—the customers, for MTS, for the cable operators, and particularly for those rural farm homes that did not have that service provided before. The new technology and all the research jobs that go with new technology will happen here in Manitoba.

Mr. Dewar: What assurances do you have that the cable companies will invest this \$35 million over the next five years?

Mr. Findlay: At this point, a Memorandum of Understanding has been signed. The final agreement is in the process of negotiation, and you can rest assured there are penalties written into that to achieve those investment guidelines.

Mr. Dewar: Again I would just like to mention the information superhighway. What role does or what role will MTS play in such a system?

Mr. Pedde: Well, Mr. Acting Chairperson, as the minister mentioned and the chairman mentioned and I mentioned, we sang from the same songbook about the superhighway and the Beacon Initiative, and we plan to play a big role and a highly appropriate role, as the minister mentioned, in terms of telecommunications or telephony-related services.

We view our business as the mover of information, not the creator of the information, not manager of the information, but the mover of the information. Our business, what I keep on telling our employees, is a bit business. We are the Reimer Express of the bit business. We move bits, because voice, data, image, video, fax are all—they get digitized and they are just bit streams. Some are very slow bit streams and others very fast bit streams. We route those. We rate those. We switch those. We display those. That is our business.

The information highway is precisely that. As the chairman mentioned in his opening remarks, we have 50,000 kilometres of fibre optics throughout the province. That, plus the digital switches and what are now called ATM switches, asynchronous transfer mode switches, that are coming are the gut items of the information highway.

We plan to be a player in that, but as I mentioned and as the minister mentioned, we certainly do not plan to be the only player in that. Our key role is to provide the information movement capability through bit streams across the nation.

Mr. Dewar: Do you anticipate this to be a profitable undertaking to the Telephone System? It sounds like it would be.

Mr. Pedde: Mr. Acting Chairperson, absolutely, to the extent that some of the services are highly speculative and to the extent that these are discretionary services unless they get decreed as basic services. We would not venture into any of these unless we could make money at this.

Mr. Dewar: Again speaking about revenues, we were pleased that the Telephone System this past year had net earnings of over \$20 million, but we are also deeply concerned about the 200 layoffs that were announced. I was wondering why at this time when the corporation is enjoying such good profits that they are laying off employees?

Mr. Pedde: I guess, Mr. Acting Chairperson, as our chairman mentioned, we may not be laying off 200 employees, but the whole game plan of the Manitoba Telephone System has to be put in perspective of the short term and the longer term, and \$20 million net income on a \$600-million corporation, with an \$850-million, bordering on \$900-million debt is not exactly financial good news.

* (1120)

Now, it is easy to say, any one year, let us not do it this year, let us not fix the leaking boat this year, but the Manitoba Telephone System, as I have said publicly, has an anemic balance sheet. Our board worked out, together with management, a game plan that reduces that debt over a five-year time period. We have put that before our regulator. We have put that before Crown Corporations Council. They all agreed that it was prudent and wise.

Now it is easy to fix it by having dramatic rate increases or some other means, the only means at our disposal. As the chairman mentioned before, if we do anything in rate cases we will make sure that we have our cost structure in order, that we have our capital priorities sorted out, that we are

pushing on all cylinders in terms of new revenues, profitable revenue stimulation. When you add it all up to get our debt equity ratio down by some 10 percent over the next five years, that imposed certain requirements on what we do with revenue, what we do with capital and what we do with expenses. One component of expenses is wages and wage restraints, and we had a game plan that included the assumption of wage restraints as were practised in '93 to continue in '94.

That was the option presented to our unions, and since Mr. Lamoureux also asked the question and he sort of suggested that somehow this was not communicated adequately to the employees, and that may be, but we have a process, and we cannot do an end run on our union leadership. I have no illusions that they in many, many meetings were confronted, starting with December of last year, with a proposition of what the alternatives and what the choices were in a number of meetings.

We were told—for a while we thought they were outside and then we were told that they could not really talk to us until they had a mandate from their membership to talk to us because they had collective agreements. We asked them, would you mind getting that mandate, and they got a mandate not to talk to us. So the option could not be contemplated. I believe we are now going to have them have a mandate to talk to us, and they wanted to, for the last time, understand exactly what the proposition was. So if there was miscommunication on anyone's part, and I am not laying blame anywhere, it is 11:59 and we can still remedy the situation.

Mr. Findlay: The member I think needs to understand what is going on in the overall telecommunications industry. Certainly, automation reduces the number of jobs required to function in the industry, and he may not be aware that AGT has announced 1,500 layoffs. In January, Bell Canada's employees accepted a 10 percent reduction of pay in order to avoid 5,200 people being laid off. If you look at AT&T, they used to handle 37 million calls a day with 44,000 operators, and that is 10 years ago. They now handle 160 million calls in a day. That is four times as many calls with 15,000 operators, a third the

number of operators for four times the number of calls. That is the degree of automation that exists in the system.

I could go on and give you a long list of the reductions in telecommunication jobs in the United States. There is AT&T at 14,000 jobs, Pacific Bell at 10,000 jobs, NYNEX Corporation at 16,000 jobs. That is what is going on in the industry. More value added to higher tech jobs in telecommunications are coming on stream. If the member does a balance sheet of total telecom jobs in the province of Manitoba, he will find it going up. Although MTS has talked about 200 layoffs, as the chairman has said, two unions have decided to reconsider it, to consider the 10 days off to save the jobs, and I congratulate them on doing that. But over the last two years, as I mentioned, some 900 jobs in call centres have occurred in Manitoba. So there is a net gain going on, and I think it is very positive in an environment where telecommunication jobs are going down because of automation across North America, we are actually going up in total telecom jobs.

Mr. Dewar: You mention technological change, but the Telephone System is reducing its workforce by 1,000 employees over, I believe it was, five years, a reduction of about 20 percent of its staff. Based upon the changes in technology, I want to know about these 200 layoffs. Was this a political decision or one that was based on technological changes? We fear that it was a decision—it was political pressure.

Mr. Findlay: I will make a few comments and then the president can comment. Last year the member congratulated MTS for making \$20 million. Part of that \$20 million was cost savings. Part of those cost savings was roughly some \$3 million or \$4 million of savings on salary costs without any layoffs, and that meant the 10 days off, the 3.8 percent less in salary.

So the corporation, as the president said way back in December as part of their budgeting process, had that as part of their budget. We can save the costs on salaries by following this formula again. So through the course of several meetings

with the union leaders, this issue was on the table, an opportunity to save jobs and save costs.

It is critical because, as the president said, \$900 million of debt at a debt-to-equity ratio—although it has been improving—is certainly not a very positive position in comparison to other telecos across the country, so their financial management is responsible to do this. No jobs need be lost. Two unions out of the three have indicated a desire to reconsider and save the jobs, and I congratulate them for that.

Mr. Pedde, if you want to add anything to that.

Mr. Pedde: No, Mr. Acting Chairperson, the minister has pretty well covered it. As I tried to explain earlier, our financial plans call for debt-equity ratio reductions, and costs are a critical component of that. We have to work with certain cost assumptions. We were trying very valiantly to get our net income up. It is not that we pocket that or write somebody a dividend cheque. The net income of Manitoba Telephone System is to fix our anemic balance sheet.

Mr. Dewar: Let us speculate and say that I hope there is an agreement reached, obviously, but we are deeply concerned about the layoffs. We feel that it is politically motivated. Who will be laid off, in what departments will they be laid off, if the layoffs do occur?

Mr. Findlay: I do not like the comment the member makes about politically motivated. The motivation here is to keep the costs down, so the average monthly cost for a telephone is kept under control, and it has been done as well in Manitoba as anywhere else in this country. I think it is fair to say only one jurisdiction that has lower per monthly telephone costs is Alberta. We have not increased telephone costs any more than inflation or less in the last number of years, and the only way you can do that is to keep your costs down. The management that the corporation is using right now is able to achieve that in a very responsible manner.

If we are trying to keep the costs down for our consumers, if that is politically motivated, then that is real good news for the consumer.

Mr. Dewar: Again, which employees will be laid off, if they are laid off?

Mr. Findlay: Mr. Acting Chairperson, again the member is asking hypothetical questions, and it is not appropriate in a committee to do that. All you do is create fear on behalf of those employees. Two of the unions have already indicated very clearly they are prepared to reconsider, so as the process moves along, no jobs will be lost in those two unions, and I hope the third union does the same. So I do not think the member is doing anybody any service by hypothetical questions, and I do not think it is appropriate that the president lay out hypothetical answers.

Mr. Dewar: It is unfortunate, but this is real. The individuals have deep concerns about their futures with the Telephone System.

What is the status of the rightsizing program? What stage are we in on that?

* (1130)

Mr. Pedde: Mr. Acting Chairperson, in terms of the right sizing of regular full-time and regular part-time employees, there was, over the last three years, a reduction of 450. In the other categories of term, casual and part time, there is the equivalent of 400 reductions, so the Manitoba Telephone System has reduced by about 850 in equivalent staff.

That reduction, I stress, is the only way we can do more with less and be competitive and have rates that are comparable to the rest of the industry. It is technologically driven. It is a result of harvesting the benefits of the technological investments. It is streamlining processes; it is not spending foolishly here and there, and stop doing the things that are no longer necessary that seemed to provide some value in the past. In a nutshell, the equivalent reduction since this was announced in late 1991 has been 850.

Mr. Dewar: What percentage of MTS customers signed up for the home wiring maintenance program?

Mr. Pedde: I am sorry, I was listening to the minister.

Mr. Dewar: What percentage of MTS customers signed up for the home maintenance wiring program?

Mr. Pedde: Mr. Acting Chairperson, I do not have the exact number, but the sign-up is greater than we had anticipated. I believe I can get the number. It is either 20,000 or 40,000. Can we get that number? I am mixing it up with another number. If you are referring to both what we call Wire Watch and Wire Watch Plus, I think the sign-up rate is either 20,000 or 40,000. I am not sure which.

I would also like to add that the rightsizing or downsizing, or whatever you wish to call it, has been done through voluntary initiatives in either attrition or early retirement incentives.

Mr. Dewar: Just a few more questions, these related to Selkirk. Last time, I raised the issue of the extension of the 911 service. Do you know when that will happen, Selkirk will be receiving the 911 service, access to that service?

Mr. Pedde: Mr. Acting Chairperson, there have been discussions between us and emergency agencies, the provincial government, as well as a number of the municipalities which have expressed an interest in 911 service. We have identified once we are fully digitalized what will be doable at what cost throughout the province, and the whole subject is under review by the municipalities. If Selkirk wishes to do something on its own, we can handle that. Otherwise, it is under the broader umbrella.

(Mr. Chairperson in the Chair)

A number of communities have sort of a poor man's version of 911. It is called FRED, and that is selling successfully still. When they did not have FRED, FRED was a wonderful solution. Once you have FRED and then you look at 911, you sort of say, I would like to have 911. I do not know about Selkirk specifically, but a number of municipalities have a high level of interest in that.

The highest cost component of 911 is not what Manitoba Telephone System provides, unfortunately; it is the people who take the calls. That is one element, and then secondly or thirdly, the people who respond to the calls. There is no point in taking an emergency call if you do not

have the infrastructure to respond to it, and the municipalities are working through that issue as well. We now know what our component would cost today, as opposed to cost in the future. There is willingness by all parties to provide it, but it is still a fairly expensive proposition. But it is under discussion.

Mr. Findlay: I would like to remind the member that it is Brandon and Winnipeg that currently have 911 service. They are supplied, funded and operated by the municipal governments, Winnipeg and Brandon, and MTS simply provides the network for transmitting the calls.

We have been in discussion now for four, going on five, years as to how it can be economical to provide it across the province. I think it would be a desirable service. Certainly, we have been in discussion with the RCMP in terms of their emergency responses and new systems they might put in and how this all might be dovetailed together to be cost efficient for the entire province.

The other aspect, we have to have digital switches everywhere to make this all work. As I mentioned in my opening comments, some 85 percent of our switches are now digital across the province, so when service in the future is completed, that part will be in place.

But as the president mentioned, if Selkirk, like Portage, wants to have their own service like Brandon and Winnipeg, they, as a municipal government, can supply it.

Mr. Dewar: Do you have any idea what that would cost? What would be the cost to, say, a community like Selkirk to receive this service?

Mr. Pedde: Mr. Chairperson, I can make that an undertaking. We can work out the numbers very quickly.

Mr. Findlay: I would just add that initial discussions indicated—a study we did two or three years ago—it would cost over \$2 per month per home. That seemed to be a little high. We felt it had to be less than a dollar for people to subscribe to it.

We are watching what other provincial governments are doing. I think particularly Nova

Scotia, and maybe there is one other anyway, are looking at doing that and they are trying to keep the cost down around a dollar or less per month. With new technology, a lot of this becomes more possible and more affordable.

Mr. Dewar: The president mentioned FRED, could he explain what or who FRED is?

Mr. Pedde: It is Fire and other Response Emergency and Dispatch system, that is what it stands for. It is an acronym. It is a manual system that people call a seven-digit number on—when it can phone a seven-digit number on, and it is answered by an all-night operator, a 24-hour operator, in many locations of the Manitoba Telephone System, and they then have instructions on how to forward that call.

Mr. Dewar: That is very interesting this. I guess my final question for this session will be, when can Selkirk expect to be hooked up to the Urban Unlimited Program?

Mr. Findlay: I have heard that before.

Mr. Pedde: Well, Mr. Chairperson, not to be flippant, but the tragic mistake with Selkirk was that there is a Lockport in between and if Lockport could be subsumed by Selkirk—our fascinating part is, I am sure the board does not want to know about this or this committee does not want to know about this, is how people who—we do not have too many like that but in other areas—live in Lockport who have free calling to Selkirk and originally wanted, insisted on being on the Selkirk exchange and then when Lockport got Urban Unlimited, all of a sudden they wanted their boundaries changed.

Mr. Dewar: Yes, I do appreciate the president's concerns because I have had inquiries from constituents, 482; they would like the 757 access.

In terms of the Urban Unlimited Program, what is the projected revenues from that program? How successful has it been?

Mr. Pedde: Mr. Chairperson, I believe, and I will have to ask Mr. Fraser to answer that question, but when Urban Unlimited was originally proposed for Winnipeg and Brandon, it was proposed to be financially self-supporting. Part of that made certain assumptions about, No. 1, the Brandon and

Winnipeg people would have to pay an extra dime or is it 90 cents, and they would have unlimited calling out of Brandon and Winnipeg into those first-ring communities and that was for 90 cents per month per phone.

* (1140)

Winnipeg and Brandon did not have a choice in the matter, if you can put it that way. They just sort of said, look, you have got so much additional calling and it is 90 cents a month. The communities in the first ring around Winnipeg and Brandon, as the technology permitted, there was some delay in some of the exchanges, would for a cost of \$18.95 a month have unlimited calling into Winnipeg at their choice.

Those that were to choose not to buy into that would continue to make long distance calls into Winnipeg and Brandon. Those that wanted to avail themselves of this package, so the obvious answer is anybody who makes more than \$19 worth of long distance a month to Winnipeg or Brandon would gravitate to this service.

As it turned out, a lot of households that were only making \$5 or \$8, but the mother could save peace, just go and phone your boyfriend and girlfriend in unlimited fashion, and, therefore, we have had a lot of customers buying that were \$3 or \$4 or \$5 long distance customers and they are paying us \$18.95 a month and do unlimited calling so that is long distance stimulation.

As a result, in fact, the subscription in both Winnipeg and Brandon is greater than we had forecast, but I cannot comment on the profitability of that service per se. If Mr. Fraser wants to take that as notice or if he can answer it right now—I trust that with my rambling I answered most of your questions.

Mr. Dewar: I am just interested in, based upon projections and based upon your experience so far, the revenues generated from Urban Unlimited, would that make up for the revenues lost from the elimination of the long distance charge between, say, Selkirk and Winnipeg?

Mr. Pedde: The answer to the first part is yes; the answer to the second part is no. I believe the

regulator said this has got to be a financially self-supporting issue, and the way the regulator looked at the issue is, here is the capital program that you have to provide additional pipes and additional switching capability because they are going to be on the network more often. Then there is an operating and running cost around that, and then there is the rate setting, and the \$18.95 for those that have it optionally plus the 90 cents mandatory onto Winnipeg and Brandon was to somehow pay for this entire undertaking.

Mr. Dewar: Would it be profitable for the Telephone System to hook Selkirk up to the Urban Unlimited program?

Mr. Pedde: Mr. Chairperson, the answer is no. We probably—this is speculative. If somebody asked the question, well, what if we might have a second ring and what might be the terms and conditions of the second ring, and whether we add places like Steinbach and Selkirk and others to it, and the equivalent of \$18.95 may be \$50 some months on a discretionary basis, but that is only a speculative number.

Mr. Dewar: That concludes my questions for this session. I would like to thank Mr. Pedde and Mr. Stefanson for appearing here and for answering all the questions.

Mr. Lamoureux: Mr. Chairperson, I had a number of fairly specific questions that I would like to ask, the first one dealing with the most recent budget that came down, and there was a new tax that MTS is going to have to pay. The minister had indicated the total amount. I would ask the board or MTS in terms of how much this additional tax is going to cost MTS annually?

Mr. Stefanson: The figure that I have is somewhat less than \$3 million.

Mr. Lamoureux: If we were looking at \$3 million to round it off, I am wondering if you can give some sort of an indication, if you had an expense of \$3 million and you had to approach PUB, what sort of an increase would you be soliciting in order to cover for that \$3 million additional expense?

Mr. Findlay: I would just like to remind the member that the regulator is now CRTC, it is not PUB, but that does not answer the question.

Mr. Stefanson: I do not believe that it would have any impact on any rate application with the regulator. An awful lot of things go into a rate application, \$3 million in the scheme of things in relationship to the overall rate application. If and when one does go to the CRTC next, it would not likely in isolation have any significant impact. I think they look at the overall total revenues of the corporation and the needs of the corporation in arriving at it, and we right now, quite frankly, are not even aware of what the methodology of regulation is going to be with the CRTC. They have always historically based it on a rate of return, but our understanding is that may be changed by the time we go before them for our first rate application.

Mr. Lamoureux: Can Mr. Stefanson indicate in terms of for the consumer, those individuals that have telephones in their homes, what would they anticipate would be necessary in order to collect \$3 million of revenue? What would be expected of each consumer if it was averaged out?

Mr. Stefanson: I quite frankly cannot remember the number of telephones in Manitoba and a breakdown between commercial and residential. The actual \$3 million I do not think would be treated by the regulator in isolation. As I said, we have to present all our expenses, and this particular expense would be lumped in with under miscellaneous, I would presume, and certainly have no direct impact.

Maybe Mr. Pedde can help me out with the number of consumers that we do have in Manitoba, and if you want to do your mathematics from there.

Mr. Findlay: I would just like to remind the members what the president said: that it is part of an overall large package of costs that would be considered by the regulator.

When one looks at the fact that last year, and over the last five years, the net return has been around \$20 million to \$23 million and was at one point as high as \$39 million, I am sure the regulator would look at that \$3 million as being acceptable in terms of not affecting the rates because the net revenues are there to pay for it.

I think the member should also know that there are now four other provinces that charge corporate capital tax to the telephone company. Quebec, Ontario, Saskatchewan and, I believe, B.C., the four provinces now doing it. As the president said earlier, 75 percent of their revenues are now in the competitive area, and those competitors have to pay the corporate capital tax so it does create a level playing field for businesses competing with MTS, both having to pay the corporate capital tax. So I think there is an element of a level playing field, an element of fairness, and it is equivalent to what four other major provinces in this country are doing: Quebec, Ontario, Saskatchewan and B.C.

Mr. Lamoureux: Mr. Chairperson, I wanted to pick up on Mr. Stefanson's remark in terms that there really is no direct impact, at least I believe that is what he had indicated. I am wondering if he put the regulatory board aside, an additional cost of \$3 million, because that is in fact what it is, would that not have an increase or a decrease in revenue, if you like, unless you are prepared to—you have to compensate in other words via some means.

I guess a very specific question is: Will this not ultimately mean that the ratepayers would have to have an increase of some sort? If you are taking \$3 million worth of revenue out of MTS, will you borrow more money to compensate for it? Are you going to increase rates? Are you going to cut back on expenditures?

The bottom line is that it has got to have some sort of an impact. I was just hoping to more or so just get that acknowledged that in fact there would be, if not directly, indirectly, a cost to the consumer because of this new tax.

Mr. Findlay: Well, I think the member needs to reflect on the fact the total revenue is \$538 million, and the total expense is \$445 million, so \$3 million is pretty small. It is less than 1 percent. What the member is asking the president to do is to respond to a speculative, sort of semihypothetical type of question.

The regulator will eventually respond, as they do in the other four provinces, as to the overall package of incomes and expenses, and this will be,

as the chairman said, part of a miscellaneous package of expenses of doing business.

* (1150)

Mr. Lamoureux: I was wondering maybe if Mr. Stefanson might want to comment specifically on the question.

Mr. Stefanson: We are speaking now specifically to the question, excluding the regulator, are we?

Floor Answer: Yes.

Mr. Stefanson: Well, Mr. Chairperson, it is obvious that there is going to be an expense of something less than 3 percent. I might also suggest that through our revenue-sharing plan with the other telecoms in Canada, under the formula that we presently have, they all share in the expense, so I guess as a Manitoban, we are a net gainer.

Specifically to the question, the \$3 million, there would be some very minor cost, but it would be certainly next to nothing and it would be certainly under 5 cents a consumer. I have not done any arithmetic on it, but just, you know, realizing the number of lines that are out there, commercial and residential, I do not think it is really appropriate to apply it across the board to consumers because in any particular business when you have a cost, whether you are manufacturing cornflakes or doing road construction or whatever, I think that you take your expenses as a lump sum and apply it in more general terms than specifically against all the people who buy cornflakes, for example, and I think this is the type of situation we have here. There is definitely an expense.

I think for Manitobans in general there is good news, as I said, with the formula we have with the other telephone companies because they actually participate in the cost.

Mr. Lamoureux: Mr. Chairperson, given the sensitivity of this particular issue, I am quite pleased with the answer that I had received. I wanted to go on in terms of the disposal of an asset. I do not know if it was Mr. Pedde or Mr. Stefanson phrased it in that fashion. I understand there was \$2 million in revenue that was being received for that particular asset at the time of disposal.

Mr. Stefanson: Mr. Chairperson, the revenue at the time of disposal, yes, was \$2 million. I am not 100 percent certain, but I do believe that it also includes the ICBN revenue that we will retain for the next couple of years, as that asset is not part of the deal.

Mr. Lamoureux: I guess one could actually go into the details of the agreement itself, but I choose to believe that what MTS is doing is not from a philosophical approach, and I am sure that there will be a certain amount of scrutiny over the deal itself.

I know we had opportunity to ask questions of it, and I am sure that the Leader of our party will continue to do just that. I guess when we look at \$2 million as a rate of return when you sell the asset for \$11.5 million, you are probably looking at 16 percent, 17 percent, 18 percent return, which is a significant return ratio.

I think there are many businessmen out in the community, not only in Manitoba but across the country, that would be enticed to participate and to take somewhat of a chance on that sort of a return. So not necessarily having all of the details of the agreement, I do not even know if it is an appropriate thing to ask for, as the details that Mr. Stefanson would have signed, but I am wondering if Mr. Stefanson would be able to provide in particular for the Leader of the Liberal Party (Mr. Edwards) some of the details of the agreement.

Mr. Findlay: As I mentioned earlier, the member may or may not have been in the room; what was signed was a Memorandum of Understanding. The final agreement is still being negotiated for the sale of the cable itself, the distribution system, Winnipeg, Brandon and several other centres across Manitoba. The member is worried about \$2 million of lease currently received by MTS, and as the president said earlier—I guess maybe it was the chairman, the cable operators were undoubtedly going to apply to CRTC to have those leases written down.

They seemed to be a little higher than the national average when they looked across the country, but when you sell something for \$11.5 million, you reduce your debt by that amount, so

you save approximately a million dollars in interest. So that is a forever saving for MTS.

The intercity network is going to be leased at \$700,000 a year, which currently is part of the \$2 million lease. They retain that lease of \$700,000, plus the pole attachments. That lease will stay in place.

So on balance, when one looks at it, MTS is no further ahead or behind, but one must never forget that the system was built several years ago, and the cable operators could decide at any time in the future, well, we need a new network, let us just build our own, let us just walk away from the existing one.

So you had no assurance that the existing \$2 million a year would stay in place for very long. Plus, you had all of these relatively unsatisfied customers being potentially enticed in the very near future by U.S. satellite services that would be superior to what they can get here.

So it was absolutely the right time to move, and it was very important that we had the investment from the private sector to do it, as opposed to further liability on behalf of the corporation and eventually the taxpayers of Manitoba. So that is, in a nutshell, the essence behind some of the general financial and operational aspects.

Mr. Stefanson: Just to piggyback on what the minister has said, I can confirm that the board of MTS believed and still does believe that the \$2-million revenue base was not maintainable, that although that was historic, that revenue was not to be there.

I guess the second thing is, I really want to go back to our debt. I agree with Mr. Lamoureux that 16 percent rate of return, if it were maintainable—we do not believe that it was, and we believe that it would have probably been less than the 9 percent that we have to, in fact, pay for our interest.

With the debt that we have and with our desperate need for all of the capital resources that become available to us for our own business, I am not sure that even at 16 percent it would be wise on the part of MTS—most corporations will only

invest in assets for other corporations when they are in a position that they have surplus cash available, and they do not really know what to do with it.

We are in the opposite position to that. We need every penny for our own needs that we can get our hands on. We have worked very hard on the debt, as the president has pointed out, and we have for the last five years reduced it by 10 percent.

I can also tell you that our pension, which our liability is now some \$317 million is practically totally funded. There is only some \$30 million outstanding. So we have also achieved that over the last five years, which I think is a fairly significant achievement.

Mr. Lamoureux: Very significant indeed, especially if you compare it to governments at all levels.

I was going to ask Mr. Stefanson if he could indicate whether or not there are caveats of sorts or some guarantees that if a sale were to materialize, to give access to Manitoba Telephone System so that they are not having to pay what might not necessarily be in the best interests of the taxpayer.

Mr. Stefanson: Mr. Lamoureux is referring to the cable deal. Yes, I think that MTS is fully being protected there. The lawyers are now working out the details. I think in regard to the employees, how the employees may be impacted, that there is good news there. We will probably be doing the maintenance for the cable operators; I think they want us to do this for some time, at regular market rates.

I think there is probably more benefits in the agreement than what we have elaborated here.

Mr. Findlay: I would just like to make the member aware of the job realities of this. Cable operators have indicated that when the system is up and running there will be about 40 high-tech full-time positions here.

One could then speculate that the construction, whether it is the MMDS in rural Manitoba or the upgrade of the existing system in towns, villages and cities, will obviously supply a number of construction jobs over the course of time, plus the

potential of the cable undoubtedly being produced here in Winnipeg; again, further jobs being stimulated by the overall activity in this area.

So there is a lot of job direct and indirect spinoff from the initiative that the cable operators are undertaking here. As the chairman has said, the maintenance contract, again, for MTS.

Mr. Chairperson: The hour being twelve o'clock, what is the will of the committee at this time?

Mr. Lamoureux: I just have one other question that I would like to get an answer on, and then I believe the committee can maybe rise as far as I would be concerned. The member for Brandon might have one or two short questions also.

Point of Order

Mr. Leonard Evans (Brandon East): On a point of order, we do not wish to pass this report today. We are not prepared to pass the report today. I do have a couple of questions regarding the Brandon area that I would like to ask today if that is possible, otherwise we can carry on to another day, presuming the committee will be meeting in the near future. Upon that assumption, otherwise, I would like to ask some questions today about the Brandon situation.

Mr. Chairperson: So if I understand you correctly, Mr. Evans, you are not prepared to pass it today either way.

Mr. Leonard Evans: No.

Mr. Lamoureux: One very quick question, and that was just to confirm that the union was aware towards the end of 1993 that if in fact there were not days off, there would be layoffs.

Mr. Stefanson: The information that I have is that they were aware. I might say that Mr. Pedde, at the end of the year, I think, was hoping for the 3.8 percent, as were most senior people because we—I should not say came to depend on it after last year, but we recognized back in December that if the program was not extended into 1994, we would be

facing some difficulties that the financial objectives that Mr. Pedde would be trying to achieve would put him into a very difficult situation.

So the information I have is that they were aware of it. I do not know, Mr. Pedde, if you have anything to add.

Mr. Pedde: Mr. Chairperson, I have to clarify the question: Was the union aware? As I mentioned earlier in my remarks, it is a question of due process relative to collective agreements, et cetera. What I can categorically state is that the union leadership was aware. I cannot go to the employees and do an end run and so on—absolutely, as of December, reiterated in January, reiterated in February and strongly reiterated in March.

Mr. Chairperson: I still have to establish what the will of the committee is at this time. Committee rise?

Point of Order

Mr. Leonard Evans: On a point of order, I know it is the prerogative of the government House leader, in conjunction with the other House leaders of the opposition parties, to set committee dates, but can the minister give us his assurance that this committee will meet or he will do his best to have this committee meet again in the near future to discuss MTS?

I am particularly concerned about the negative impact of MTS policy on jobs in the city of Brandon and the Westman area generally, which I would like to have an opportunity to raise early.

Mr. Chairperson: Mr. Evans, it was not a point of order, but it was a question.

Mr. Findlay: I can assure the member that we will, I am sure as we always do, talk to our House leaders with the idea of trying to find an early date to reconvene.

Mr. Chairperson: Committee rise.

COMMITTEE ROSE AT: 12:04 p.m.