



**Second Session - Thirty-Sixth Legislature**

**of the**

**Legislative Assembly of Manitoba**

**Standing Committee**

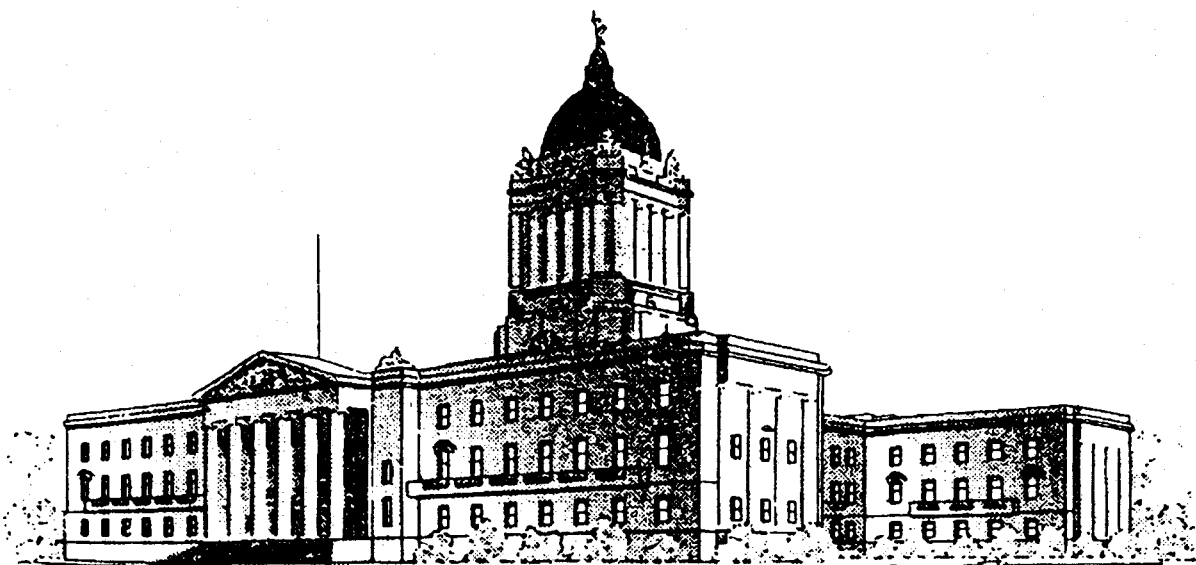
**on**

**Public Utilities**

**and**

**Natural Resources**

*Chairperson*  
*Mr. Frank Pitura*  
*Constituency of Morris*



**MANITOBA LEGISLATIVE ASSEMBLY**  
**Thirty-Sixth Legislature**

**Members, Constituencies and Political Affiliation**

<b>Name</b>	<b>Constituency</b>	<b>Party</b>
ASHTON, Steve	Thompson	N.D.P.
BARRETT, Becky	Wellington	N.D.P.
CERILLI, Marianne	Radisson	N.D.P.
CHOMIAK, Dave	Kildonan	N.D.P.
CUMMINGS, Glen, Hon.	Ste. Rose	P.C.
DACQUAY, Louise, Hon.	Seine River	P.C.
DERKACH, Leonard, Hon.	Roblin-Russell	P.C.
DEWAR, Gregory	Selkirk	N.D.P.
DOER, Gary	Concordia	N.D.P.
DOWNEY, James, Hon.	Arthur-Virden	P.C.
DRIEDGER, Albert, Hon.	Steinbach	P.C.
DYCK, Peter	Pembina	P.C.
ENNS, Harry, Hon.	Lakeside	P.C.
ERNST, Jim, Hon.	Charleswood	P.C.
EVANS, Clif	Interlake	N.D.P.
EVANS, Leonard S.	Brandon East	N.D.P.
FILMON, Gary, Hon.	Tuxedo	P.C.
FINDLAY, Glen, Hon.	Springfield	P.C.
FRIESEN, Jean	Wolseley	N.D.P.
GAUDRY, Neil	St. Boniface	Lib.
GILLESHAMMER, Harold, Hon.	Minnedosa	P.C.
HELWER, Edward	Gimli	P.C.
HICKES, George	Point Douglas	N.D.P.
JENNISSON, Gerard	Flin Flon	N.D.P.
KOWALSKI, Gary	The Maples	Lib.
LAMOUREUX, Kevin	Inkster	Lib.
LATHLIN, Oscar	The Pas	N.D.P.
LAURENDEAU, Marcel	St. Norbert	P.C.
MACKINTOSH, Gord	St. Johns	N.D.P.
MALOWAY, Jim	Elmwood	N.D.P.
MARTINDALE, Doug	Burrows	N.D.P.
McALPINE, Gerry	Sturgeon Creek	P.C.
McCRAE, James, Hon.	Brandon West	P.C.
McGIFFORD, Diane	Osborne	N.D.P.
McINTOSH, Linda, Hon.	Assiniboia	P.C.
MIHYCHUK, MaryAnn	St. James	N.D.P.
MITCHELSON, Bonnie, Hon.	River East	P.C.
NEWMAN, David	Riel	P.C.
PALLISTER, Brian, Hon.	Portage la Prairie	P.C.
PENNER, Jack	Emerson	P.C.
PITURA, Frank	Morris	P.C.
PRAZNIK, Darren, Hon.	Lac du Bonnet	P.C.
RADCLIFFE, Mike	River Heights	P.C.
REID, Daryl	Transcona	N.D.P.
REIMER, Jack, Hon.	Niakwa	P.C.
RENDER, Shirley	St. Vital	P.C.
ROBINSON, Eric	Rupertsland	N.D.P.
ROCAN, Denis	Gladstone	P.C.
SALE, Tim	Crescentwood	N.D.P.
SANTOS, Conrad	Broadway	N.D.P.
STEFANSON, Eric, Hon.	Kirkfield Park	P.C.
STRUTHERS, Stan	Dauphin	N.D.P.
SVEINSON, Ben	La Verendrye	P.C.
TOEWS, Vic, Hon.	Rossmere	P.C.
TWEED, Mervin	Turtle Mountain	P.C.
VODREY, Rosemary, Hon.	Fort Garry	P.C.
WOWCHUK, Rosann	Swan River	N.D.P.

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

**Thursday, October 17, 1996**

**TIME – 10 a.m.**

**LOCATION – Winnipeg, Manitoba**

**CHAIRPERSON – Mr. Frank Pitura (Morris)**

**VICE-CHAIRPERSON – Mr. Marcel Laurendeau  
(St. Norbert)**

**ATTENDANCE - 10 – QUORUM - 6**

*Members of the Committee present:*

Hon. Messrs. Findlay, Reimer, Toews

Messrs. Ashton, Dewar, Helwer, Laurendeau, Pitura,  
Rocan, Ms. Wowchuk

**APPEARING:**

Mr. Tim Sale, MLA for Crescentwood  
Mr. Tom Stefanson, Chairman of the Board,  
Manitoba Telephone System  
Mr. Bill Fraser, President and Chief Executive  
Officer, Manitoba Telephone System

**MATTERS UNDER DISCUSSION:**

Annual Reports of the Manitoba Telephone System for  
the years ended December 31, 1994 and 1995

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**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  
Annual Reports of the Manitoba Telephone System for  
the years ended December 31, 1994, and December 31,  
1995.

However, before the committee can proceed with the  
business before it, it must elect a new Vice-Chairperson.  
Are there any nominations?

**Mr. Edward Helwer (Gimli):** Mr. Chairman, I would  
like to nominate the member for St. Norbert.

**Mr. Chairperson:** The member for St. Norbert (Mr.  
Laurendeau) has been nominated. Are there any further  
nominations? Seeing none, then, I would declare that the  
member for St. Norbert is elected as Vice-Chairperson.

Now, turning to the matters referred to the committee,  
does the Minister responsible for Manitoba Telephone  
System have an opening statement, and would he also  
introduce the officials in attendance from Manitoba  
Telephone System?

**Hon. Glen Findlay (Minister responsible for the  
administration of The Manitoba Telephone Act):** I  
have with me the Chairman of the Board, Mr. Tom  
Stefanson; President and CEO, Mr. Bill Fraser.

Mr. Chairman, I will have brief comments and both of  
those other two individuals will have brief comments,  
and clearly we want to maximize the ability of members  
opposite to ask questions so we can discuss the various  
issues that are many and varied with the Manitoba  
Telephone System.

Clearly these are different and interesting times that we  
live in and to say they are challenging would be a  
significant understatement. I know that we are dealing  
with two reports, '94 and '95, but I think very clearly the  
biggest issue in front of members opposite, the  
government and the citizens of Manitoba are certainly  
about the future of Manitoba Telephone System.

It has done an excellent job since it became a monopoly  
in 1908 in terms of serving the customers of Manitoba  
with affordable rate, high quality telephone service, but  
those were days or, actually, for decades there was a  
significant degree of comfort because it was a true  
monopoly. There was not another service provider.  
Technology did not allow by-pass of the primary system.  
Certainly the MTS and government could invest with  
confidence and the government guarantee was basically  
very secure.

I wanted to relate now some of the events, the facts that we have had to deal with over the course of my tenure as minister over the last eight years. When I came into government, I came into this ministry in 1988, we faced a situation where the debt in the company was 91 percent. That meant there was 9 percent equity. It had moved from approximately 80 percent debt, up to 91 percent over the six years previous to 1988. That six years previous to 1988 the company had lost \$19 million and most importantly had lost some \$48 million in 1986 and '87.

We certainly observed that the pension fund was grossly underfunded to the tune of \$134 million. There was approximately \$60 million in the fund but \$134 million underfunded, in other words, 70 percent underfunded. We were in the process of launching the rural modernization program, the individual line services, full digitalization of all switches across Manitoba. A program that was originally expected to cost around \$800 million ended up costing a little over \$600 million.

On December 31, 1995, if members check the annual report, you will see that the debt was around \$883 million. That had come down from being over \$900 million two or three years previous. We certainly have seen considerable improvement in terms of the debt-equity ratio of 78 percent, and we could look back and say, well, we have done good because we made \$160 million over eight years, in other words an average net return of \$20 million a year.

The company had done an excellent job of funding the pension. They had in the pension fund some \$334 million. It was underfunded to the tune of \$4 million but since has been fully funded. So there is a lot of good news on the horizon but, Mr. Chairman and committee members, I want to now look at what we started to face subsequent to that information.

The Crown Corporations Council put a risk review quarterly report out in August of '95 and I want to read from it because it was in reading it in August of '95 that it was of considerable concern to myself and to the government. Now I will just read a few sentences, Mr. Chairman: The telecommunications industry continues to experience a period of uncertainty primarily due to mounting competition, advancing technologies and the regulatory environment. MTS is being challenged by

aggressive competition and rapid technological change. MTS is aggressively pursuing corporate strategies to compete with other long-distance providers. Further capital investment may be required to enhance infrastructure to meet the competition and to provide additional services to offset the loss of long-distance revenue. Because of the uncertainty in the industry and the high debt-to-equity ratio of the corporation, council assessed the business risk confronting MTS as high and with a negative risk trend.

Mr. Chairman, further to that, on October 19 in committee stage when Mr. Doug Sherwood, President and CEO of the Crown Corporations Council reported to members, I will read his comments about MTS: Starting with the high-risk Crowns first, No. 1 is the Manitoba Telephone System. Our assessment is a high risk and with a negative risk trend. Specifically, although MTS is currently profitable, it faces many business risks. It is an industry facing tremendous technological, competitive and regulatory change. MTS is a small player in an industry dominated more and more by very large global telecommunications companies. In addition to dealing with such significant and rapid changes, the company is burdened by the weakest balance sheet of any telephone company in the Stentor Alliance with \$800 million in net long-term debt.

\* (1010)

Subsequently, certainly the government saw some challenges on the horizon. We had been given clear notice that there was risk ahead, and our mission was to be sure that the Crown corporation, Manitoba Telephone System, was as strong as possible in the future in terms of delivering high quality service to all Manitobans in the years to come.

In late September, October seven potential advisors were interviewed and three were chosen. CIBC Wood Gundy, RBC Dominion Securities and Richardson Greenshields were chosen as the MTS financial advisory group. On November 19, '95, they were instructed to conduct a review of the business operations and financial performance of MTS and to provide advice and recommendations on capital structures, financing and ownership alternatives available to MTS and the province.

On April 30, 1996, the financial advisors delivered a letter of recommendation to the government, and I would

like to read from that letter, from the conclusions. Mr. Chairman, I will this morning give members copies of that letter of recommendation so that they can see it and understand. While I am reading from it I will ask the Clerk to please distribute copies of it to the members opposite.

On the seventh page of this transmittal letter that I am passing out here, the summary of recommendations, and I will read: We believe that the status quo is no long a viable option for the province or MTS. MTS is increasingly affected by forces which are beyond provincial control. The status quo exposes the province to substantial and ongoing financial obligations and increasing business risk. At the same time, it is not providing MTS with sufficient operating and financial flexibility to be most effective in today's competitive telecommunications environment. While recent CRTC actions indicate that local rate increases are inevitable, these are unaffected by ownership structure. In light of the foregoing we recommend the full privatization of MTS through a public share offering and perhaps a sale of a minority interest to a strategic investor. Public offering proceeds to the province on the sale of 100 percent would be in the range of \$700 million to \$750 million before expenses. We recommend a widely distributed national offering, instalment receipt structure for Manitoba residents to encourage wide Manitoba ownership and incentives to encourage employee ownership. We will be pleased to discuss with you the recommendations, and so on.

Mr. Chairman, subsequent to receiving that letter of recommendation, a presentation to cabinet on May 1 ended with the recommendation that we proceed with the public share offering, which we announced to the public on May 2 of this particular year.

Our mission in the eight years and a half that I have been minister responsible has been to consistently improve the capability of MTS to deliver the best high-quality service to all Manitobans. We believe that the government, in introducing the bill that is presently in front of the Legislature, it is designed to do exactly that and build on the strengths that the company has been known to have for many, many years.

Mr. Chairman, I would now turn it over to the chairman of the board.

**Mr. Chairperson:** I will turn it over now to the chairman of the board, Mr. Tom Stefanson, for a few comments.

**Mr. Tom Stefanson (Chairman of the Board, Manitoba Telephone System):** Mr. Chairman, when I appeared before the committee last year, I reported on a major reorganization of MTS that we began in July of 1995. Our objective was to make MTS more efficient and more productive in providing telecommunication services to Manitobans across the province.

I am pleased to report that we have successfully completed our reorganization over the past year. In the process we created four business units, strengthened our management team and invested new resources to compete in our core markets. Our business units are MTS Net for local and network services; MTS Com for long-distance and competitive services; MTS Mobility for wireless services; and MTS Advanced for online multimedia and directory services.

Let me review some of our 1996 highlights. MTS Mobility is the Manitoba leader in the wireless services market. It has the largest cellular customer base in the province, with nearly 80,000 customers today. Today 95 percent of Manitobans have access to cellular service and 100 percent of Manitobans have access to satellite telephone service.

In the long-distance market MTS Com remains the preferred supplier of these services to business and residential customers across Manitoba. MTS Com has an estimated 88 percent market share in this highly competitive business segment.

In the local services market MTS Net has taken action to improve its cost performance and networking capabilities. Today 95 percent of Manitobans have access to call management services on the MTS network.

In MTS Advanced we have been expanding MTS into new online and multimedia businesses. Today toll-free Internet access is available to over 95 percent of Manitobans.

In the past year, we have accomplished a great deal. There is still much more to be done in taking MTS forward into a marketplace characterized by increasing competition.

In our 1995 Annual Report, I talked about the opportunities for MTS and Manitoba in a convergent world. I was referring to a new global industry being created today around the convergent forces of communications, computers and multimedia services.

Our perspective at MTS is that we must be leaders in the province in creating an advanced communications network with online multimedia capabilities. We must use the MTS network to provide Manitobans in all walks of life with access to the opportunities of the information age.

MTS is well prepared to meet the challenge of the convergent world. Today we operate one of the most advanced regional telecom networks in North America. In that respect MTS has a key role in transforming Manitoba into a regional North American information centre. Through our network we are bringing Manitobans to the world and the world to Manitobans. In the future, MTS will be challenged to improve its financial performance and develop new sources of revenue.

We recognize that change is the one main constant in our industry. In that respect we will continue to take actions that position MTS for a promising future as the preferred full-service provider to Manitobans. Thank you, Mr. Chairman.

**Mr. Chairperson:** Thank you, Mr. Stefanson. Mr. Fraser, do you wish to make a comment?

**Mr. Bill Fraser (President and Chief Executive Officer, Manitoba Telephone System):** Yes, Mr. Chairman. As the Chairman has pointed out, significant change has occurred at MTS. Following the restructure on January 1, 1996, MTS is now a dynamic organization comprised of a parent company and four operating entities totally focused on our customer base, on our competition and on the evolution of telecommunications history.

Our financial results in 1995 improved over 1994, reflecting our strategy to manage our business prudently while taking steps to position MTS for new growth. Our revenues were \$540 million in 1995, net earnings were \$15 million, a small increase from 1994. We continued to reduce our debt-equity ratio from 79.3 at the end of 1994 to under 78.4 at the end of 1995. However, we

remained the most heavily indebted telephone company in Canada. Revenues from local telephone service increased by \$8.3 million or 3.9 percent to \$224 million attributable to the introduction and expansion of new service offerings as well as growth in a number of network stations.

Our approved capital expenditures dropped from \$193 million to \$156 million between 1991 and 1995. Our operating expenses did not increase for the four-year period between 1992 and 1995. Net construction expenditures of \$156 million increased \$4.7 million in 1995, reflecting the continued modernization program in the telecommunications network throughout Manitoba.

In 1995, we reduced the number of regular full-time and term employees by approximately 300 employees. Earlier this year we announced a voluntary termination incentive program. Some 340 employees took advantage of the plan saving the corporation \$16 million annually. The restructuring, streamlining and the introduction of new products and services that have been carried out over the past year have helped position MTS for the challenges of the future. We are generating new revenues in a number of areas and we are forecasting stronger revenue growth for 1996.

\* (1020)

I am also pleased to report that MTS is nearing completion of a multiyear modernization program. Except for a few remote communities in the North, Manitoba is now an all-digital province and within a month universal individual line service will have been achieved.

As a result of major investments by MTS, the vast majority of Manitobans enjoy world-class telecommunication service and 95 percent of Manitobans have toll-free access to MTS Internet service and cellular service. By the end of the year, 95 percent of Manitobans will also have access to call management services. Last year, MTS also set in place a high-speed, high-capacity ATM backbone network connecting the main communities of the province and to which the majority of Manitobans will have access.

However, MTS continues to face significant challenges in terms of competition, technological advancement and regulatory change.

Competition in the long-distance market is becoming more intense and continues to erode MTS revenues. In the first six months of 1996, long-distance revenues continued to fall, reflecting market share loss and migration to discount packages. Competition in local service market will be a reality in the near future, which will put further pressure on our main sources of revenue.

At the same time as MTS faces increased levels of competition, the corporation must continue to invest in new technology in order to keep pace with change, seize marketing opportunities and provide Manitobans with the latest technology, products and services so they can compete in a global marketplace.

That, in essence, is the challenge for MTS at this point in its history, to continue to grow our business in an industry and environment that has become intensely competitive and which to ensure viability requires major ongoing capital investments.

**Mr. Chairperson:** Thank you, Mr. Fraser. Did the opposition critic wish to make an opening statement?

**Mr. Steve Ashton (Thompson):** Oh, yes, Mr. Chairperson. I have been waiting for a year to speak in this committee about MTS.

I want to start by saying, what a difference a year makes. One year ago in this committee, I asked the Minister responsible for MTS (Mr. Findlay) whether he and his government had any plans to privatize MTS. It is a similar question I asked to the Premier (Mr. Filmon) in the House in the first Question Period after the election, when he said no. In September of last year, the minister said, no, in fact he said, the only person who is talking about the privatization of MTS, the only people talking about the privatization of MTS are the NDP. Well, what a difference a year makes.

In fact, I think that one of the first things I want to say, and particularly given the fact that we just received a copy of this MTS financial advisory group, you know, I think the irony of this is just the address, because this is how low this government has stooped in terms of its decision-making process—in care of BCE Place, P.O. Box 500, 161 Bay Street, Toronto, Ontario, and this minister said that this was put in place in which month of last year—September—he said this on the record.

In September, I asked this minister in this committee whether he had any plans of selling off MTS and he said, no, and within a matter of days or, at most, weeks, he had this group appointed. Either the minister misled this committee or this minister perhaps did not know what was going on. In either case, I think this minister has been derelict in his duty as Minister responsible for MTS either through being totally out of the picture on these decisions or having misled this committee in September of last year.

I want to begin with that, Mr. Chairperson, and I want to also indicate that there have been some other interesting developments since last year. I think that this government has done one of the most unethical things I have ever seen take place on any public policy matter. It has turned MTS into a mouthpiece for its political agenda. It started—well, members opposite laugh. They are spending \$400,000 of the taxpayers' money, the people of Manitoba's money, to promote their view of the sale of MTS. This, by the way, is an expense, this \$400,000 which has led to such things as the publication of this document which has been sent out throughout rural Manitoba, not under the signature of the minister, but under the signature of Mr. Fraser.

I do not blame Mr. Fraser. He works for MTS. He has to obviously follow in terms of what is being talked about. But I think it is absolutely unethical to be spending this money, engaging in a political debate and, by the way, I question and I will debate and argue with many of the supposed statements in this document and, by the way, they are many of the same things that the minister, the same terminology the minister uses when he is asked questions in the House. It is absolutely unethical for this government to be using MTS as part of a political vehicle.

I would remind the members of this government, there has not been a single vote on MTS in the Manitoba Legislature, not a single vote. The bill selling off MTS has not even gone to second reading. It will not pass until the final minutes or seconds of this session, and we are sitting here until November 7. They are putting out propaganda that is absolutely unethical. This kind of material is absolutely unethical.

I want to go further because, in the past year, we have seen just how far this government will go in terms of its

complete contempt for the democratic process in this province. Well, I mentioned last year, I asked the minister whether there were any plans to sell off MTS. Well, we have seen today that in September they appointed this MTS financial advisory group, CIBC Wood Gundy, RBC Dominion Securities and Richardson Greenshields of Canada, collectively the financial advisers.

Well, Mr. Chairperson, we received a Freedom of Information response just a few days ago. One of the questions we asked was whether MTS had any analysis done on the privatization. Do you know what the response was? None. There is not a single analysis that was done by MTS on the privatization. Decisions on the sale of MTS were made from a group of financial advisers based on Bay Street in Ontario, and there was not a single study done within MTS. Those are not my words, this is the response of MTS, the official response to our Freedom of Information request.

Well, let us go a little bit further because, you know what, Mr. Chairperson, I never believed you or the Premier (Mr. Filmon) when you said you were not going to sell off MTS. I did not believe you when you said you were going to save the Jets, I did not believe a lot of things you said in 1995 and, you know what, we started raising questions in December when we heard that this group, we learned in December that this group was conducting this study. You never announced this publicly, not once. It was only when we raised this in the Legislature that we found this had happened.

Well, let us go one step further in this very sorry period, the past year of Manitoba history. You appointed this group. Where did this group report to? Did it report to the Legislature, to the government caucus, to MTS? It reported to you and to the government, the cabinet. You, on the record in the House, confirmed that the decision made to sell off MTS was made by whom? The cabinet. And the only other person that you indicated being involved in that was the chairperson, Mr. Stefanson.

Mr. Minister, you do not have the moral right to make those kinds of decisions. We have owned Manitoba Telephone System since 1908. It tells, I think, a lot about how much you trust some of the other people who should have been involved in this decision when you did not even involve them in the decision-making process.

You did not take it to your board, you did not take it to your caucus, and you confirmed that in the House.

You announced in May and the Premier announced in May that MTS was being sold off. That is absolutely reprehensible. You know, I have been fortunate to be an MLA in this Legislature through some very interesting times, and I always used to think there was some sense of process in this House that went above whether governments had majorities or who the particular players were. But you know, I have never seen a more offensive process than this.

You on the record in September said you had no plan to sell MTS. You can read that back in the record today if you wish and try and explain however you can, when you had appointed this group in the same month that you stated that in this House. You did not take it to your caucus or the Legislature. You took it to the cabinet and you took it to the chairperson.

In fact, I would like to ask some questions of the chairperson, why he did not say that there was something wrong with this process, because I believe, regardless of how and why you are appointed to a Crown corporation, and I recognize there are political appointments that are made and every government does that. People are appointed who are politically sympathetic to the government. But when you undertake to be chairperson of a board of the Manitoba Telephone System, I believe you owe a responsibility to the board itself and to MTS. Regardless of what your view may be on this, there is a process that has to be followed.

\* (1030)

What amazes me is, if this government has no concern about political ethics, I would like to see in most private companies how you could get away with this type of process. Pretty well any private company I know of, the one decision that has to be put to a vote is a vote of any sale of the assets of the company. No matter whether you are a co-op or a private company, go to a shareholders' vote.

Mr. Chairperson, there has been no shareholders' vote. There has been no vote of the people of Manitoba. They did not vote on this in the election of 1995. The government has rejected having a shareholders' vote. We have a bill on the order paper that is proposing to do that.



But you know what disgusts me is, this minister said in the House, after all was said and done, after the decision had been made by the cabinet, when we were organizing a public campaign throughout this province to save MTS, he said, well, we cannot do anything anyway, that decision has already been made. By whom? By this minister and by, what, 19 cabinet ministers and by the chairperson of the board?

Do you think you have the moral authority to decide on the future of MTS, something that has served us well since 1908, and then turn around before the bill had even been voted on once in the Legislature and say, well, that is it, we cannot do anything, the decision is already made?

You know, Mr. Chairperson, we still live in a democracy in this province, and the sale of MTS will not legally take place until the final day of this session. Whether you have the moral authority to sell it or not, it is not sold. There has not been a single vote.

So I get further in this sad, sad year that we have been faced with. Did the government take the opportunity to at least try and inject some real democracy, at least some level of public debate and discussion in this process? No.

In the summer of this year they initiated a \$400,000 advertising campaign on the issue of the sale of MTS, \$400,000 paid for by the people of Manitoba. The most recent aspect was this. We were in rural Manitoba yesterday, and I can tell you the talk in the post offices in rural Manitoba is that people are really upset at this. They see propaganda when—they know what propaganda is when they see it.

But you know what really offends people, and this is the ordinary people out there, the people of Manitoba, this is not the minister responsible for MTS or Gary Filmon, the real ones who made the decision, it is put out under the signature of Mr. Fraser. And I do not criticize Mr. Fraser for this. But do you know what, Mr. Chairperson? Mr. Fraser works for all of us in the public of Manitoba, and Mr. Stefanson, you work for all of us. That may not be the case when it is a privatized company. But you do not have, I believe, any right whatsoever to use MTS as part of a political propaganda advertising campaign.

If the Conservative Party wants to pay for this or pay for the \$400,000 worth of ads, let them do so. But this is our money, and you have absolutely no right in our province to use our money, you know, what is offensive about this, to try and change people's minds, because you know what people are saying out there and I know what people are saying. I was out in Roblin yesterday, I was out in Virden, I was out in Minnedosa, I was out in Neepawa. We talked to people in coffee shops that were Conservative. We do not think this is right. They said, this is wrong to hand out this kind of information.

So, Mr. Chairperson, this government not only did not tell the truth in the election about MTS, not only did not tell the truth in this committee last year, but has done absolutely everything it could since that time to compound the abuse of the democratic process here in Manitoba.

And I want to say on the record to this minister and to the chairperson of the board and to the MTS financial advisory group, 161 Bay Street, Toronto, Ontario, this government has no mandate to sell off MTS. It has no authority to sell off MTS, and you should perhaps, when you are issuing the shares, issue a bit of a buyer beware warning that that is the case. You should perhaps explain that to the people that might want to buy shares, that this government did not have a mandate, does not have support from the people and has abused its position and authority as a government to sell off MTS, because, Mr. Chairperson, you might also wish to explain that this government will not be a government forever, and in fact if it continues to run roughshod on the democratic process, it will not be the government for even a few years longer after the end of this mandate. You might also wish to warn people that the people of Manitoba, including the New Democratic Party, are saying that if this government does not have the moral authority to sell off MTS, the only just thing to do, when this government is thrown out, will be to get MTS back in public hands.

I went to meetings yesterday all across rural Manitoba. That is what the people are saying. I can tell you that is the position of the New Democratic Party, it was adopted at our convention. We are clearly the alternative to this government and if we do form government you had better warn people. You had better warn the people on Bay Street and all the rest of them that you may be able to sell off MTS in 1996, but they should be aware that the next

government may very well just turn around, in fact, will turn around and reverse that.

And I want to say, Mr. Chairperson, the bottom line is, it may not be the easiest thing in the world thanks to NAFTA, and I think the minister knows this, some of the potential difficulties with NAFTA, but—[interjection] Well, the Minister of Labour (Mr. Toews) talks about, without compensation.

I would suggest the fair thing to do, and this is what someone suggested yesterday in Roblin, Manitoba. They said, what you do is, you just issue a warning to people, you want to buy it, and we will buy it back at the same price you paid for it. You will get compensation, this is for the Minister of Labour, this is not what anyone suggested.

But you know what, it is not just what the New Democratic Party is saying. A lot of people out there who are—we have had people, and Swan River is a good example. Conservatives say, that is the only fair and just thing to do, and that is why I want to say to this minister in this committee, because I want some explanations from this minister on his statements in this committee and from the chairperson of the board. I want this minister to cease and desist this propaganda campaign paid for by the people and I also want the minister to perhaps explain, as I said, to anybody who might want to buy MTS that the people of Manitoba do not agree to this sale and that they want it put back in public hands, and it will be, and this government will have three years to try and drive it into the ground, but after that three years, I can say right now, Mr. Chairperson, that this government will be history and we will do everything possible to try and get MTS back.

I want that on the record, and I want the minister to start trying to explain to the people of Manitoba how he could say what he said last year and the following year prove that he along with his leader in May of last year and his party in the election ran a fraudulent election campaign. They did not tell the truth in this committee last year and, I believe, have lost the respect of many people who, regardless of their political views, have some faith that we are all here to preserve the democratic process.

This last year is one of the sorriest examples that I have ever seen in Manitoba history of, not a democracy, I

could use words like “dictatorship,” and that does not even show it. I will tell you what one person said to us yesterday. You have to invent a new term in Manitoba, “corpocracy.” You know, corporate. The chairperson of the board, Mr. Filmon, sat down with his board members, and they made the decision for one million Manitobans.

Do you know what, Mr. Chairperson? This is a democracy, and all one million of us should be involved in this, and this government is completely failing to do that on MTS. They absolutely have done one of the most reprehensible things in Manitoba history by selling off MTS. Thank you.

**Mr. Chairperson:** We thank the member for your statement. Before we proceed, how does the committee wish to proceed this morning with respect to the reports? Should they be discussed separately or together? What is the agreement of the committee?

**Mr. Ashton:** I want to join them together. I think the minister recognized in his opening statement that many of the questions will relate to the conduct of the government on privatization, and we are prepared to ask questions on that.

\* (1040)

**Mr. Marcel Laurendeau (St. Norbert):** Mr. Chairman, if we are going to be going all over the place, I think it is best we at least pass the '94. We will have the '95, which the minister has already said would be open to all the questions that they have that will reflect upon it, clean up some of the paperwork so that we do not have to chase this paper for another year around the table. Let us deal with the '94, pass it and then move on to the '95.

**Mr. Ashton:** Mr. Chairperson, you might want to give a bit of a wake-up call to the member opposite. As of next year, the company is sold off. We will not have to worry about dealing with MTS to the same degree. So we are prepared to ask general questions. We are not prepared to pass the 1994 report or the 1995 report. I think that is what the minister anticipated in his remarks, which were all related to the recent developments.

I would suggest we worry about passing reports later and get into the discussion about the sale of MTS.

**Mr. Laurendeau:** I have sat in a number of committees. If we are going to deal with report by report, the '94 report is before us. If we want to deal with individual reports, it should be relevant to the '94 report. I do not see anywhere in the '94 report that speaks about some of the questions the member is coming up with. I think we should deal with one report at a time. I think, if the honourable member wants to carry on this way—I talk about democracy. One report at a time, I think, would be appropriate at this time.

**Mr. Ashton:** I do not want any lectures from any Conservative members on democracy. They have no ability to—[interjection] Exactly, you are selling off MTS without any consideration of the public of Manitoba.

I want to say, Mr. Chairperson, one of the reasons we have the 1994 report is because this government has failed to schedule additional committee hearings that we have requested, something that was always common practice in this House. We have been lucky to get one committee at all on major Crown corporations. We are not prepared to pass this report, and we wish to ask questions to the minister and to the chairperson of the board on the sale of MTS.

The member opposite who does chair some of these committees should be aware of that because we want to deal with the issues, and we are not prepared to pass these reports.

**Mr. Chairperson:** Mr. Ashton has brought forth the discussion about taking both reports together accordingly. Is there leave of the committee to consider the reports in their entirety? [agreed]

One other item of housekeeping I would like to bring up at this time is what is the anticipated time of adjournment for this morning.

**Mr. Ashton:** I would suggest we sit until—well, we usually sit until 12:30. There is a lot of discussion on MTS. I suggest we sit until twelve or 12:30.

**Mr. Chairperson:** 12:30 has been suggested. Is there leave to sit till 12:30? [agreed]

There is one other item that has been brought to my attention, as well, is that in regard to the discussion and

the way it is going this morning is that it is really out of order to discuss a bill that is before the House unless there is general leave of the committee to have that discussion take place.

**Mr. Ashton:** Well, Mr. Chairperson, the minister raised the issue of the sale of MTS. I responded. I think it is in the public interest that we talk about those matters and particularly the activities of MTS that are related to that since the last year. We have not sat since September of last year, and the minister just tabled the document related specifically to the sale of MTS. So we are not debating the bill and its specifics, but we are talking about matters that are very relevant to the committee this morning.

**Mr. Chairperson:** Is there leave from the committee to allow this discussion to continue on this basis? [agreed]

Does the minister wish to make a comment?

**Mr. Findlay:** I listened intently to the critic opposite. I guess the unethical response in his comments just rather astounds me that he never addressed the issues faced by MTS, not once, not for a moment did he acknowledge that there is financial challenge, there is competition, there are regulatory changes that are happening. Those are the issues that MTS must deal with. Those are issues government, as the guarantor of the debt, must deal with. We cannot bury our head in the 1970 sands of Saudi Arabia. It is incredible that the member does not want to address what it will take to make MTS strong and viable. We have had a good record of making money in the corporation, no question about it, and to that I congratulate the board and the senior executive and all the people who work for MTS for doing that. They have an excellent record with Manitobans: service delivery, prices, keeping up with technology and, Madam Speaker—Mr. Speaker, I am sorry, Mr. Chairman. He did not even remind me I was saying the wrong thing.

Mr. Chairman, the facts of 1996 are real, they are relevant, and the member tries to swing events together that were not necessarily the way he tries to describe them. We met in committee in September of '95. I want to read to the member. I identified the technology problems, the debt-to-equity ratio, future financial needs. I said, in terms of ownership which he was constantly demanding a comment, I said, the world of never does not

exist anymore, and we entered into an agreement. [interjection] I listened to that member when he was making his illogical statements. I want him to listen now to the response which is the factual comment.

**An Honourable Member:** I want you to read the entire documents, that is all.

**Mr. Findlay:** Well, Mr. Chairman, the member is on his ideology again. If you ignore the world, it can be this way. That is not the way we can save MTS.

**An Honourable Member:** You are talking about ideology and you are selling off MTS because of right-wing ideology. Do not lecture me about ideology.

**Mr. Chairperson:** Order. I am having difficulty hearing the minister make his comments. I would appreciate it if there is one individual at a time speaking on the issue. Mr. Minister, to continue.

**Mr. Findlay:** Well, Mr. Chairman, the member in all his righteousness forgets his own record. In '86 and '87, when they were government—he sat on the upper bench—they lost \$317 million in the Crown corporations. That is on the record, and I would love him to stand up and deny it. He lost \$48 million in the Manitoba Telephone System. That is real money; that is people's money; that is taxpayers' money; that is ratepayers' money. He lost that money. [interjection] We have another member now that has a better view. I would like him to wait and let me have my comments and then he can put his comments on the record. I have no problem dealing with the comments from the members opposite, but when I have heard all these comments that do not made any sense with reality today—

**Mr. Chairperson:** Order. There is a point of order.

#### Point of Order

**Mr. Ashton:** On a point of order, the minister had his opening statement, I had my opening statement. I would just ask that if the minister is now rebutting my opening statement, that we be extended the same courtesy, and other members, particularly when the minister is engaging in direct debate with him. Mr. Chairperson, I am more than willing and I have been trying for close to a year to get this minister to debate the reality of the sale

of MTS, but it is this minister who keeps ducking the debate. They have not had one public meeting; they have not debated this issue anywhere in Manitoba.

In fact, if the minister is concerned about this debate, why do we not decide at this committee to have a public debate anywhere in the province, in fact, I would say everywhere in the province. We will do as many locations as possible, and we can deal with these matters. I mean, I am prepared to debate, but we are in this committee. He had his opening statement and I had mine. I have a whole series of questions that I want the minister to explain his conduct the past year. If he wants to debate this, I just would ask we be given the same right and we perhaps consider sitting later than 12:30 to make up the additional time that is going to be required, because this debate will go on for quite some time, believe you me, Mr. Chairperson, if the minister wishes that debate to go on.

**Mr. Chairperson:** The member does not have a point of order.

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**Mr. Chairperson:** I would like the minister to continue with his remarks.

**Mr. Findlay:** Mr. Chairman, the member talks about decision making. Throughout the campaign in 1995, fiscal responsibility was first and foremost on the agenda of the vast majority of Manitobans. Constantly the statement was, we may not agree with some of the decisions you make, but, please, in terms of fiscal accountability and responsibility, make the tough decisions that must be made to keep this government afloat. That applies to every Crown corporation, and it applies to every department of government, and that is the basis on which we have governed.

I will again remind the member, he lost \$48 million in two years with this Crown corporation, just an unconscionable thing. They left \$27 million in the sands of Saudi Arabia. That is their track record. Ours is profitability, and ours is trying to deal with what the citizens want out there in terms of choice. They want competition, and MTS is well prepared to enter into that environment as it is today and will be in the future, but they need flexibility to respond. The democratic process

said, we had the mandate, we must get on with making some decisions. They all acknowledged, may not agree with some of them, but we must do it to be sure that not only can we deliver telephone services in the case of this Crown corporation today but make it sound and financially viable for the future. If the member reads the letter from the advisers, he will very clearly understand the challenges are real, the level of competition is there. The president has talked about eroding long-distance revenues.

I want to give the member an example of what we get on the telephone and this is drummed up by his comments out there which are really slamming MTS. I do not care how he cuts it, that is what he is doing. He is saying, service will disappear, rates will go up and MTS may disappear. He is making those comments. He is fearmongering with people out in the public.

\* (1050)

#### Point of Order

**Mr. Ashton:** On a point of order, Mr. Chairperson, the only thing I am doing publicly is questioning—and it is not just me, it is a lot of people in Manitoba—the credibility of this minister and this government. I have every confidence in MTS if it remains publicly owned—and I am prepared to talk about some of the alternatives the minister will not talk about, which he has rejected out of hand, which could keep MTS meeting the challenges and publicly owned.

The minister should not suggest in any way, shape or form that I have been criticizing MTS or anyone else has. The reason we want to keep it publicly owned is because we support our telephone system, and we do not like what this government is doing in selling it off to whomever they may wish. If the minister wishes to debate, he should keep his comments factual, something he has failed to do going back to September of last year.

**Mr. Chairperson:** The member does not have a point of order. It is a dispute over the facts.

\* \* \*

**Mr. Chairperson:** The minister, to continue.

**Mr. Findlay:** Well, Mr. Chairman, again, the member fails to ever recognize the reality that the corporation

faces today. He just does not acknowledge the fact that he lost, his government lost \$48 million on this corporation, drove it into the ground, and he says they should stay in operation. He cannot deny that.

We have recovered the corporation to a significant extent and want to make it strong and viable in the future. We have put in place provisions, we want provisions that guarantee Manitobans an opportunity to continue to own it through the public share offering, that the head office stay in Winnipeg and all those sort of processes to give the assurance that Manitobans will continue to own and operate the company. It is essential to the economic well-being in Manitoba that the Manitoba Telephone System be strong and viable, and today this is the way to go.

Again, the member fails to realize that CRTC is the regulator no matter who the owner is [interjection] The member, again, without sort of getting the attention of the Chairman, tries to make allegations that he cannot support and that is that the regulator will not look after the well-being of Manitobans or all Canadians as they have done for decades with seven of the telcos in this country being regulated by CRTC and us becoming the eighth.

Mr. Chairman, these are the 1990s, they are not the 1970s, and we must get on with making sure that MTS can serve Manitobans as well as possible. I am really upset with the comments he makes in the country that denigrate MTS by saying that they will not deliver services in the future and that their prices are going to go through the roof and they will not have universal service. Those are all wrong, wrong, wrong.

**Mr. Ashton:** Mr. Chairperson, what amazes me is the incompetence of this minister for making that statement. All he has to do, which he obviously has not done, is look at the Province of Alberta where they sold off their telephone company the same way they are doing here and look at the CRTC that he keeps talking about and which is put in this document that they sent around rural Manitoba and explain how he can say with a straight face that CRTC is going to treat private and public phone companies in the same fashion.

The minister will have to—I mean, he should look at the decision that we tabled in the House in February of this year. He should phone people in Alberta—I have done that, I have talked to former managers from AGT and from EdTel—and the minister will then perhaps want

to correct the record. In the case of CRTC, he will say to the people of Manitoba that what they do currently is they regulate the rate of return. He will then explain, perhaps, that Alberta and the CRTC decision of early this year, one of the reasons they are getting their \$6 a month increase—they asked for \$12 over a three-year period—was directly related to the tax implications from the sale, the privatization of AGT. Do you know why? Because of those tax implications, the rate of return would have been only 2 percent. The CRTC regulates the rate of return. It regulates the rate of return, the standard public utility regulation in a private sector.

Mr. Chairperson, perhaps he would then care to explain to people that the rate of return achieved by those private phone companies is even higher than the average rate of return, until recently anyway, of the banks. Those are not my statistics, that is from the Canadian Bankers' Association. So he fails to say—he does not want to get into that argument as to why we had a \$2-a-month increase this year, which is largely to do with the deregulation that has taken place, something as well that the government failed to speak out on and why Alberta is faced with a \$6 increase.

I also find it amazing that the minister—and I do not blame Mr. Fraser again. I know this is under his signature. One of the most ironic things about this document is when it talks about, we are not in the time of party lines anymore in Manitoba, crank phones and party lines. Well, you know that is true, we are not in the era of party lines in Manitoba. Do you know why? Because we have a publicly owned phone system.

Do you want to check where the other provinces with private phone companies stand in terms of party lines? Are you aware or are you not telling the people of Manitoba the truth about the fact that essentially the three provinces in the country that have eliminated party lines are Manitoba, publicly owned, Saskatchewan, which is publicly owned, and AGT which used to be publicly owned. Now is that not interesting, Mr. Chairperson.

You said about alternatives. Have you explained to anyone, to the people of Manitoba why your government rejected out of hand the proposal from the government of Saskatchewan to look at amalgamating SaskTel and MTS, two publicly owned phone companies, adjoining provinces, been around for much the same period of time,

something I know the Saskatchewan government has stated publicly was an option they wished to look at.

Mr. Chairperson, did you then perhaps fail to explain to people that in provinces that have privatized them—just take Alberta as an example—they went from a public company to a private company. Not only have rates increased but there have been many concerns expressed about service. I do not know if the minister has bothered to do this, and even before they announced it, I figured, well, they have a Tory government in Alberta; they will probably use a made-in-Alberta solution here—Ralph Klein. It is exactly the same. The bill is exactly the same as their bill there. So why do you not look at it? It is a test case. It has been there five years. You know what? In Alberta, that is what happened in terms of service. I could get into cost of service. We have had people who phoned Alberta to check cost of service, what it is here. You know, if you live outside on a farm in Alberta, good luck to you compared to what you would be faced with here in Manitoba.

If the minister wants to get into all those kinds of issues, no problem, we will debate this, and I have been trying to get this minister to debate this since May. I raised it in the House, I raised it in September, and you know what? They keep hiding behind \$400,000 worth of ads, this latest kind of propaganda piece, and you know, they are not interested in talking about the difficulties, the challenges faced by MTS because they have their mind made up and they do not want to be confused by the facts, and they do not want to know what has happened in Alberta, and they do not want to really look at what is happening with CRTC or what is going to be happening in the next number of years because they have their minds made up and they do not want to hear anything differently.

I have had that trying to read through this document. You know what amazes me is the decision to sell MTS is based on this MTS financial advisory group and the minister said today in this committee, that is what the decision was made from, not on MTS internal studies, and he can twist and turn all he wants about what mandate they received in 1995, when the Premier, when Gary Filmon was asked the question, are you going to sell off MTS? No we do not have any plans to sell off MTS. You have to be pretty creative to read it any other way than saying you promised not to sell MTS. You can

try and change it a bit. You can twist it around. He said the same thing in the House. You said it last year right in this committee. You can try and twist and turn, but you did not tell the truth in the election and you did not tell the truth in this committee when you said you were not going to privatize MTS.

When you broke it into four components, you even sent out more propaganda to the employees and you said, well, this has nothing to do with privatization. I mean, Mr. Chairperson, after a while, if you do not tell the truth, how does anybody expect to know where to begin to believe you? You want to get into a debate about the challenges facing MTS, I will debate it, our caucus will debate it, because we believe there are alternatives. But this minister and this government does not want to hear the alternatives. If they did, they would have held—first of all, they would have said what they were going to do in the election, told the truth; second of all, they would have said, well, maybe we are going to change things a bit here, but we will put it to a vote of the people. They will not do that, but the bare minimum they would have done is they would have gone out and had consultation meetings throughout the province. You know what? They have only had invitation-only meetings to put out their propaganda slant. They have not had meetings. I wonder if they are going to hold committee hearings on MTS throughout the province when they sell it off.

I will tell you, in rural Manitoba yesterday, the one thing people said was, you know, the fair thing to do, whether they are going to push it through or not, is at least come out and listen to us in Virden, in Roblin, in Neepawa and Minnedosa because we are the ones that are concerned the most. Will they do that? I say to the minister, he talks about what we have said publicly. I make no apologies for what we have said publicly, because we said back in December, we do not trust this government; we think they are going to sell it off. We launched the campaign in January in front of the MTS building. We said we do not trust them; they are going to sell it off. We went to Portage, we said we do not trust them, they are going to sell it. We were right. We were absolutely right. They sold it off in May. They announced the sale, and they are ramming it through right now, Mr. Chairperson.

Do you know what? The minister talks about fearmongering. That is an offensive statement from a minister that has hidden in a bunker of his office, hidden behind his \$400,000 propaganda campaign and talks about fearmongering. Do you know what, Mr. Chairperson? All we have done is pointed out what has happened in other jurisdictions, the level of service and the rates and what will happen here. We pointed out—and this is confirmed; you just talk to people who have analyzed in terms of the way the CRTC operates—the facts.

But you know what is interesting, Mr. Chairperson? The fear out there is from the people of Manitoba who do not believe this government anymore and MTS, and I do not understand why the minister does not even accept that, just to say on the record, well, that was then, what we said then was not true but this is what we are going to do now. Why do they not tell the truth to people?

They talk about the risk and all these various things. Mr. Chairperson, the rates will go up for two reasons in Manitoba: one is because of deregulation, which is impacting on all jurisdictions, and the second will be because of the privatization. They will go up. Most people out there say it just makes common sense that a private company is going to have to make their profit somewhere. Why do you not just say that on the record?

Trends of service—do not put out something that talks about party lines. Why do you not just say that we are sorry but a private company may not serve the best interests of rural and northern Manitoba the way the public company has. That is what happens under other private companies. Just talk about what has happened in B.C. and Ontario. Why not put it on the record? Why do you not say in terms of employment, there is no guarantee of rural employment under MTS? You know, it was five years ago we had the government actively proposing moving people to different areas of the province to make sure we had a presence throughout rural Manitoba. There is no guarantee of that. Why do you not point out that in provinces like Ontario with private phone companies—you know what Bell is doing right now? Contracting operator services to Arizona. Put that on the record. Why do you not say that even in your own bill and your documents—and we will get into more details when we debate the bill, I am not trying to get into that—why do you not put in here, when you put out a document that

says Manitobans will be offered an opportunity to purchase a majority interest in MTS, this will be 25 percent foreign ownership.

Why do you not explain the statements that Mr. Stefanson made, not to MTS employees but to the Chamber of Commerce, when he talked about a strategic partner. Who is that strategic partner? Is there one already in mind? Who are we talking about, AT&T, Bell or the Stentor companies? Why do you not explain that what happened in Alberta is that when they sold off AGT—they went through a similar process; they went around and they offered shares throughout the province—certain senior managers at AGT basically arranged to get proxies to buy those shares at every bank in Alberta. I know this because I have talked to a former manager at AGT. And you know what happened? They scooped up the shares so they managed to short-circuit a lot of the restrictions on who was going to have first opportunity to bid on it. You know where those shares sell now? The Toronto Stock Exchange. Well, probably just down the street from this group on Bay Street. This is not fearmongering; this is fact. This is what happened in Alberta when they sold off their phone company. This is the same model you are using here.

You also want to explain to people what is going on in the telecommunications industry. It is interesting. You know, you talk about the 1990s. I would like the minister to explain to me, in a time when we are looking at telephone companies amalgamating—look at what is happening in the so-called baby Bells in the United States, moving to larger markets. Why did we not look at that with SaskTel? Was it because they have an NDP government? Is it because they just ideologically do not want public ownership anymore?

The minister talks about the challenges of the 1990s. I think the only appropriate thing to do—by the way, when I talk about MTS, I do not know what shape MTS will be in in a few years. We are in a market of one million people. We are going to move from the current system of finance.

It is funny, these documents talk about how difficult it is to finance MTS currently, but with a public utility, one million Manitobans back up MTS. In a privately owned company, it is only the shareholders and their ability to raise funds on the bond market. Mr. Chairperson, are

you not going to at least along the way somewhere advise people who might be willing to buy shares in this company that there will be a significant aspect of risk? How about putting on the record that many of the share issues of privatized companies in recent years—do you know what has happened? The first thing that governments do is they discount the price to move the share. And we will be watching that very closely.

**An Honourable Member:** Oh, do not fearmonger.

**Mr. Ashton:** It is not fearmongering again. We are talking here about what has happened in other jurisdictions. But will he also be warning people? I have had people phone me and say, what should I do? I had one woman phone me. She is a senior; she is a widow. She said, I want to make sure I can still have some input. Should I buy some shares? I do not know if she is going to be able to buy one share.

The brokers I talked to say there will be some minimum amount on it. We do not know yet. But is he going to advise the public of Manitoba that many privatized companies have seen the share value drop? Air Canada is a good example. Air Canada, the shares on the exchange have gone nowhere. Is he going to tell about other jurisdictions? In Britain—

**An Honourable Member:** Down 50 percent.

**Mr. Ashton:** Down 50 percent, yes. In Britain they sold off their telephone company. The shares on one of the main issues there is now selling for 35 percent less than people bought it at. This is not fearmongering; this is the reality out there.

I think the appropriate thing for the minister to do would be to lay this down and start admitting to all these facts because, even if we still at the end of the day cannot change the minister's mind and the people of Manitoba cannot change the minister's mind, I think he owes it, as someone who either has this information and knows this information or should know this information, to release that to the people of Manitoba. I am not just talking about the shareholders but the people, because we are entering in—and the minister talks about putting MTS in the history books and the rest of it—if he believes, and if anybody in this room believes that it is going to be the same company after it is privatized, they are wrong.



There will be a lot of good things there. I will tell you what I tell people whenever I go around. I was just in Roblin yesterday, and someone said, well, what happens when it is sold off. Why should we buy from MTS our long-distance service? I said, you know, one of the reasons people bought from MTS is because we own it, but the second reason is because it employs people in your community. And I say to the minister, that is supporting MTS. I think actually the minister underestimates MTS. He is the one who does not have the confidence in it.

I even see in this document our Bay Street—I always talk about the Stentor companies losing more long-distance revenue than was anticipated. Well, is that the case? Is that the case with MTS? Yes, it has been losing market share but its loss of market share has been far less than other Stentor companies. Do you know why? Because we own it. People have a loyalty to it. And it is not going to be there the same way under a privatized company.

I will support it. I will support MTS no matter who owns it because it employs people in my community. But, you know, why does he not put that information out as well, even to the private shareholders, that MTS may not have the same kind of loyalty anymore. In fact, it will not. I have had people tell me that once it is sold off, it is just like any other private company.

So, Mr. Chairperson, I am prepared to debate this, and I am prepared to debate what we should be doing about MTS to meet the challenges it faces. Do you know what? I am not running MTS down. I believe in MTS, and I think most Manitobans do. Do you know what I find is the most interesting thing about the campaign we have run throughout the province of Manitoba is the loyalty to MTS and to our other publicly owned institutions, whether it be hydro or Autopac.

Do you know what? It cuts across political lines. We have had people come to our meetings, a lot of people come up and say, you know, I do not vote for you guys; I do not support you guys, but this is important to us. I think it is the minister and this government that owes a heck of a lot more to those people about MTS than what they are doing currently. Sure, we will debate it, but it is the minister who should start coming clean with the people of Manitoba and warning them of the pluses as he

sees them, but the very clear minuses that we are going to be faced with. It is going to be a different company, a different environment and he knows that.

**Mr. Findlay:** Mr. Chairman, the member probably put 40 questions on the table, but I will respond to two or three of them that are very, very relevant. He talks about Alberta in terms of the \$6 increase. I wish he would do his homework and find out the real reasons why.

Mr. Chairman, I want to tell the member—and just before I do that I want to remind him. I have a little day calendar that has a saying every day and the saying today is, man has no greater mission than to deal with the truth. That is what I am going to deal with here today.

Mr. Chairman, AGT, in their financial assets evaluation, made an error and the federal auditor found that out. They made an error, and I want to assure the member that we did not make that mistake. We did not make that mistake, will not make that mistake, have not made that mistake. That kind of incident will not happen in Manitoba. [interjection] Well, I listened patiently to all the comments the member made, and I am trying to give him some understanding of the reasons why AGT went for the \$6 increase. It had nothing to do with privatization. It had to do with the fact they made an error in their tax assessment process and they lost in the audit process. They lost. We did not make those mistakes.

\* (1110)

Mr. Chairman, the member talks—I think he mentioned seniors once or twice in there. I will ask him why he did not ask a very relevant question over the last year? When the \$2-a-month increase went into being, the hearings were held across the country about rebalancing. That was a \$2 increase in local but a corresponding decrease on long distance, revenue-neutral, which we supported because everybody's phone bill is made up of local, intraprovincial and interprovincial, generally a third, a third, a third or thereabouts. So the average phone bill would not change because it is revenue-neutral.

The federal cabinet received an intervention from Stentor saying, waive the reduction. We took the position, defending the telephone users of Manitoba and particularly the seniors who do a lot of long distance

particularly to their relatives, that it is immoral to take away the downside of that rebalancing. They went ahead and did it anyway, but the member never asked the question, never showed any interest in the issue. All the other provinces sort of said, well, it is okay or do it. But we took the position, you had the hearings on one basis, you should not change the outcome of the hearings after the fact.

The member talks about the ILS program. It is done. It was completed in 1996. That major rural upgrade has been completed and we spent \$600 million, so that is behind us. So do not say, it will not be done in the future. It is done. It does not have to be done now; it has been done.

There is major new technology on the horizon that I know every citizen of Manitoba wants. It has to be paid for somehow. He talks about risks and risks. He fails to realize that, keep it a Crown corporation and all those risks are on the taxpayer. When he left government with a 91 percent debt, he left all the risk on the taxpayer. All that debt was guaranteed by the government, and there is no magic here. I want to ask him, does he believe in Bob White mathematics? That is, you just declare bankruptcy and walk on. Even the Premier of Saskatchewan, the Premier of Ontario and the Premier of B.C., who are all NDP, said that is ludicrous. You cannot walk away from debt. You must repay it. You must service it because the people who put that debt, gave you the money, borrowed, loaned you the money, are people with pension funds particularly. That is how they invest the pension funds. So you cannot walk away from debt; you must deal with it. The taxpayer of Manitoba can only carry so much debt. They have told us very strongly, we have too much debt, we must lower it.

This is one way we can do it. It comes down to, if the telephone user wants to use the system, he must carry the cost for whatever he is using the system for, not have the taxpayer pick it up. We have somebody out there who may use \$20 a month of services, another person who uses \$200,000 of services and they are both equal taxpayers. Should they share equally in carrying the responsibility of debt? I think not, because one uses the system much more than the other, and that is how private ownership will sort that out in the future. I think I will leave it at that at this point.

Oh, one other thing, Mr. Chairman, he mentioned the SaskTel offer. It was reviewed, deemed inappropriate or unable to be accomplished at this time, and I want to tell the member very bluntly, how would you decide who should have the head office? I mean, we have in our undertakings with the legislation a very strong direction that the head office stays here. It shall stay in Manitoba. We do not want to lose it, no way in the world. I will leave the rest at this stage and let the member ask some more questions. Maybe the chairman wants to make some comments.

**Mr. Stefanson:** Mr. Chairman, I thought that I should try to answer Mr. Ashton's questions in regard to MTS's involvement in the process. Yes, I was the leader at MTS in dealing with the issue. Mr. Fraser certainly has a company on a day-to-day basis to run. I did not work in isolation. The board was informed on a continual basis as to my involvement. The senior management, including Mr. Fraser, were involved. As a matter of fact, Mr. Fraser, to some degree, as much as he could afford the time, was involved directly.

I will say that the senior management of MTS are all very, very supportive of the initiative. The reason that they are supportive of initiative is, there is only really one question here to be answered and the question is this, okay, under what kind of structural ownership is the company most likely to be prosperous? When you consider the restrictions put on the Crown corporation in this competitive environment, and I mean the restrictions are such that the game is over by the time we can make a decision, that is absolutely a correct statement. It is not nonsense and the thing is that the restrictions are over.

Our people, when they go out and try to compete in the marketplace, feel handcuffed and they feel handcuffed because of people in society, all our competitors are always crying foul, unlevel playing field, the dominant supplier, the ones owned by the people of Manitoba have this big advantage over the rest of us, so they feel restricted.

Well, this is the truth, and I think, Mr. Ashton, if you went out and talked to some of our employees that you would find—

**An Honourable Member:** I have talked to most of your employees.

**Mr. Stefanson:** The employees which are in the customer service part of our business, which are a direct line with customers, feel restricted in their dealings with the customers because they feel that they cannot go all out because of our dominant position.

Secondly is, would you suggest that maybe one of your car dealerships in Thompson should be owned by the government and the other four of five should be owned privately? I think you would have a lot of problems, okay, with both the Crown corporation government, because they would always be being criticized by those others and they would also, okay, and the four would always feel that the one owned by the government had the unlevel playing field, the advantage on the so-called unlevel field.

Now let me take it a little step further. The reorganization that you talked about was not done for privatization, it was done because we were a bureaucratic, inflexible organization. It had served us well when we were a monopoly, but once we became competitive, okay, we could not respond rapidly enough to the challenges that were there, and our management people have talked to me were encouraging me to try to encourage the government to look at privatization, and I think, if you want to check that out, Mr. Fraser is right here.

The company has a lot better chance to be prosperous, and at the end of the day, a prosperous company will provide better guarantees of service—there is no 100 percent guarantee—and better guarantee of jobs, and jobs in rural Manitoba. There will be no relocation of people at Manitoba Telephone System from rural to urban. That is one commitment that I am making publicly. We can never guarantee that there are going to be 3,700 jobs. There may be 5,000, there may be 2,000 five years from now. We cannot guarantee that, but we can certainly guarantee that there is going to be no relocation of jobs from rural Manitoba to the city. After all, the people in rural Manitoba are our customers, and we want to make sure that we keep them as customers, because if we do not give them the proper service, others will. The fact is that the others are there. So, you tell me how we are going to compete in an environment when we are restricted from moving quickly.

We cannot act very quickly and make decisions at MTS. We have Crown Corporations Council. We have

Provincial Auditor. We have this process. We have accountability to so many people that decisions are being held up every day. They sometimes take eight months when we can make them, you know, in probably eight hours if necessary, because under the new structure, you are only going to have the senior management and the board of directors, and the board of directors are only accountable once a year to the shareholders. If the board of directors is not doing, or the CEO is not doing, what the shareholders want, they kick him out. It is as simple as that, but we do not have to spend hours and hours, and I mean hundreds of hours, answering to organizations such as Crown Corporations Council. That is only one, where there is a whole maze of commissions and organizations that we have to—anything that is involved in government, we have to be accountable to. So we spend all of our life in bureaucratic detail rather than going out and trying to focus on the customer and win the customer, and win the customer's loyalty and to grow the business. That is what growing the business is all about. The only way this company is going to survive is if we grow the business.

\* (1120)

Now, part of the cultural change has been—I think this company has done a very good job on the cost side of the business. We are as cost efficient as any other telephone company in Canada. The revenue side of the business is where we need a little bit of work, and that is where the focus is going to be in the next couple of years. The revenue side of the business comes from a culture that breeds enthusiasm to going out and getting new revenue on the business. The old culture was such that people felt restricted. Well, sands of Saudi Arabia is one of the things that caused people to be restricted. We lost \$27 million. I would suggest to you that the real loss of that is probably a half a billion dollars, because our people were now shell shocked into staying within the boundaries of Manitoba while other telcos like SaskTel went over to the UK, invested in a deal there. They made over \$100 million, just cashed out. They were able to export their expertise.

We have a lot of expertise at Manitoba Telephone System, and we have not exported any expertise from that corporation. We have had opportunities, countless opportunities, to do so. The thing is that we could have made an awful lot of dollars on that. The amount of loss

may be half a billion dollars rather than \$27 million when you consider lost opportunity. The thing is that the reorganization of last year was designed to deal particularly with the culture in the company, to get the individual businesses to be more hands-on, more direct accountability, more empowerment to the people in the businesses. I would say at this time that the reorganization has been working because we see significant improvement in the operations.

It so happened that the privatization issue followed the reorganization, but the reorganization, Mr. Ashton, and I have got evidence to you, that was a private agenda of mine for more than three years prior to actually doing it. I certainly put an awful lot of effort personally into it, as did Mr. Fraser and others, because the thing is it, again, was a situation where it is difficult to move and turn an elephant on a dime. The thing is that the elephant was very, very tough to turn.

To answer Mr. Sales question, yes, there has been a significant change in senior management. The people that were there served the company well over the years. They just all happened to be at the age of about 55 years of age when retirement happens to a lot of us, and the opportunity was there to replace them with people from the private sector. I think that these people from the private sector have—if you have checked around the business community in Winnipeg and other communities in Winnipeg that you will find that the new people are very well respected. We at MTS, our board and our senior management, are certainly very, very pleased.

So I think it really comes down to the bottom line of protecting jobs and service, and I think that the best guarantee that Manitobans have is that we have a thriving, prosperous, energetic MTS, and I think that the only hope for that is to take this next step. I think I can tell you without any question right now that all of the senior management people that I interconnect with at MTS are enthusiastically supportive of this, and that the board of directors is enthusiastically supportive and that the board was certainly kept involved. So I do not know where you got the idea that I, in isolation—well, I guess I am the one who reports to the minister. So maybe that is where the misunderstanding came, but the assurance is that I can tell you that our people, and you can check with Mr. Fraser if you want—

### Point of Order

**Mr. Laurendeau:** On a point of order, Mr. Chairman, I am getting a few concerns here when we start not going through the Chair with our comments, and we start naming either members on that side or people on this side and not going through the Chair. I wonder if you might bring the committee to order on that point. It does help in the decorum if we start going through the Chair and not challenging each other within actual debate.

**Mr. Chairperson:** The member does have a point of order, and I would remind that discussion at the table should all be channelled through the Chair in order to have continuity of flow and to not provoke unnecessary debate.

So, Mr. Stefanson, to continue.

\* \* \*

**Mr. Stefanson:** Yes, Mr. Chairman. Thank you very much. I think I have more or less wrapped up my comments. I have been out in the province as well—and unless I am obviously talking to different people than Mr. Ashton is talking to—because once explained, I am finding a great deal of support for the initiative underway. I think that at the end of the day you will find that Manitobans in general are very supportive. But there is only one question—and I will emphasize it, I have said it twice already: Which is going to be a more thriving, exciting, prosperous, entrepreneurial MTS? Only that kind of an MTS is going to be able to provide the maximum guarantees on jobs and services and, at the end of the day, rates as well because, if you have the business, you are generating on all fronts, you have more revenue.

As I have already stated, our main focus over the next few years is going to be on the revenue side as opposed to the expense side. I think we have done a good job on the expense side to date and, on that note, Mr. Chairman, I would say that I have completed my comments.

**Mr. Ashton:** Mr. Chairperson, I find it rather interesting that Mr. Stefanson is probably giving the best picture of what the Conservative government's agenda is, particularly when Mr. Stefanson is chairperson of the board of MTS, not an elected member, and I appreciate what the chairperson is saying. I am just wondering,

though, why he would talk about the restrictions that people feel, one of which he said was the fact that MTS is the dominant player—

**Mr. Stefanson:** I am talking about our people at MTS.

**Mr. Ashton:** Well, no, but you said, well, you know it was like car dealers in my constituency, whether it would be fair if one was government owned, and you talked about the dominant player. I mean, the fact is, MTS is a dominant player on the market because it has customer loyalty. You are suggesting that it should not be pursuing, or it is not pursuing, maximum market share, say, in long distance or the rest.

**Mr. Stefanson:** Mr. Chairman, what I said was that our people feel restricted because we are the dominant supplier and we are owned by the government and because all our competitors believe that there is no level playing field.

**Mr. Chairperson:** I have to call it to order.

**Mr. Ashton:** Well, I was getting at that, because I am wondering why the chairperson responsible for MTS would be concerned about whether the other competitors have a level playing field. You know what, Mr. Chairperson, I do not really care. It is our phone company.

The chairperson talks about the entrepreneurial spirit. I think if MTS has the bulk of the market share and one of the highest market shares in long distance in the country, that is good for the corporation. So I am wondering—you mentioned about your private agenda. I assume that was to do with the restructuring, but why would you as chairperson of the board not deal with the concerns out there, go out to the employees and say, you have the mandate from MTS and from the people of Manitoba to do whatever it takes to be, you know, the dominant player in the market, which they are in long-distance, which they are, well, they are in local service because they still have the monopoly on local service, they have done very well in cellular.

I am wondering why you as chairperson would even care about the other people in the market. I mean, are we trying to level the playing field for AT&T Canada and Sprint, Mr. Chairperson, or are we trying to do the job

which is to make MTS, you bet, the dominant player in the market, which it has been and including under competition? I would like you to explain that.

**Mr. Stefanson:** Mr. Ashton has put forward a very good question, and the fact of the matter is that we become restricted because of all the external pressures put on us because the people of Manitoba own us, after all. So the thing is, there is a feeling within our corporation that we become restricted in being aggressive going into the marketplace because there is always that feeling amongst our employees and our employees, not one employee has told me this, probably a hundred have told me this, that they feel like they cannot take their gloves off, and in a real, competitive business world, aggression in the marketplace is what it is all about.

\* (1130)

**Mr. Ashton:** Mr. Chairperson, I keep hearing this, well, we feel restricted because we are owned by the people of Manitoba, and I appreciate it. I will tell you, as a private company, you bet, MTS will be able to go to the board, you know, once a year, you bet, it will be a lot easier.

You will not have to come to this committee, or whoever is chairperson of the board, once it becomes a private company. You will not have to be owned by a million people in Manitoba, but Mr. Stefanson—and since you are putting forward this view—have you not read the mandate of MTS, the mission of MTS? Part of the mandate for MTS is to serve the people of Manitoba. Yes, that includes being, if necessary, the dominant player, and I have no problem with that.

I am wondering what difficulty it is in the living up to the mandate that you have and how you can be chairperson of the board when what you are suggesting right now—a lot of what you are suggesting right now might be appropriate if you were chairperson of a private company, but do you not feel there is an inconsistency with your comments on the record today and the mandate of MTS?

**Mr. Stefanson:** I believe that I am speaking on behalf of the senior management and the board at MTS. The thing is that, yes, in regard to the mandate and mission of MTS, that is not going to change. Our mission statement is going to be the same or very similar to what it is right

now, to bring the best possible telecommunication services to the people of Manitoba.

I am not speaking on behalf of the privatization on behalf of Mr. Findlay or the government. I am speaking on behalf of the corporation right now, and it is definitely in the best interest of MTS to go the way of privatization as opposed to staying as a Crown corporation owned by the government. I cannot see one benefit anymore in being owned by the government. There is certainly—I do not want to get into some of the other issues that have been brought forward like the capital risk of owning a company that is almost 80 percent debt-financed in an industry where technology is changing by the minute. Technology is very expensive. You may invest in technology this year, and it may be obsolete 18 months from now. So it is a very, very complicated business.

Thank God we have a lot of talented people like Mr. Fraser and others at MTS to run this business. They have to be in a position where they can make on-the-spot decisions. They should not be in a position whereby they have to do things and go through a process of consulting with about 42 people in organizations before they can do it. Very likely, they have lost their opportunity. They have certainly wasted an awful lot of their time. We are paying these guys to run the company and to make decisions, and if all they are going to do is go through a bunch of bureaucratic bungle and detail, it is very difficult, from my perspective at least, to see how this company is going to be a prosperous, thriving company in the future.

**Mr. Ashton:** Well, I am absolutely amazed, Mr. Chairperson. First of all, I will not get into the hypocrisy of saying that MTS cannot make quick decisions when this chairperson of the board and the cabinet—and, by the way, you should talk to the minister because this is what the Premier (Mr. Filmon) and the Minister responsible for MTS (Mr. Findlay) said, were the people who made the decision. They said on the record that the board—in fact, if you want to clarify whether it was a vote of the board to sell off MTS before the announcement in May, we can deal with that. You will have to clear that up with the minister and the Premier and their version, but I find it absolutely amazing that you are suggesting that if it can be sold off and in such a quick period of time, you would have difficulty with this other process.

I want to ask you, Mr. Stefanson, putting that aside and if you can maybe explain that contradiction, have you raised this with the government because this may come as some surprise here but, you know, would the logical thing not be—since most of your criticism is aimed, I think, at the government, the process they have set up—to go sit down with the minister, instead of saying, hey, we have a difficult decision-making process here, let us sell the company, which is what the argument is, I assume, and I hear from the minister the same sort of argument. Did you go to the minister and suggest that maybe there may be some way of streamlining the process, because despite that fact, MTS is doing well in the market, long distance. It is doing well in the cell phone market. It has moved aggressively in expanding into communities like Thompson and it is going to Flin Flon and The Pas right now. This is despite all these shackles I hear about, but did you ever raise with the minister or with anyone else some suggestions on how to streamline the process rather than throwing the baby out with the bathwater and selling off the entire company?

**Mr. Stefanson:** The only way to streamline the process is if the government operated as a private company, in other words, they were shareholders of a private company and the minister was not subjected to Question Period every day where we had to have people just doing the job of making—and of course, opposition parties also have their analysts and researchers.

But the bottom line is that we are under the microscope daily, and it is quite possible and has happened in the past where things become public debate in the Legislature which are not in the best interests of the corporation. So yes, if it was totally divorced and the government, and I am talking government in totality right now, the opposition and the governing party and everybody else involved, if they behaved like a normal shareholder and had attended a shareholders meeting annually and spoke their piece and that was the process, I would probably say that was workable.

My advice to the minister—and I have had some discussions with him over the years. I think the minister has been quite aware of my viewpoint on this subject and I have continuously talked on behalf of the corporation and on behalf of the people that I identify with at MTS. Short of that, I do not believe that could ever happen, that

the legislators are going to give up the right of daily examination of the Crown corporation.

**Mr. Ashton:** Well, I am absolutely amazed, to the chairperson, I mean, you are the servant, sir, of the Legislature and of the people of Manitoba. Are you suggesting that one of the reasons we should sell off MTS is because you do not like the fact that MTS may be subject to public scrutiny in Question Period in the Legislature? I mean, is it that onerous for MTS to have to do that?

I am wondering what kind of questions were not in the best interests of the corporation that we have asked, if you could perhaps name some that you felt were not in the best interests of the corporation and explain how, as chairperson of the board—you work for us, not for the Conservative Party—how you can suggest that one of the reasons we should sell off MTS, something we have owned since 1908, is because you do not think it is in the best interests of the company to have to be subject to Question Period in the Legislature, I suppose questions in this committee?

You referenced being owned by a million Manitobans. Is it so onerous to have to be subject to that? I suggest to you, sir, would it not be—talk about customer service. Do you not think that some of the loyalty the people have to MTS comes from the fact that they own it and they can have their say? You may have to go around in the meetings that take place in Manitoba, you know, in issues we put in place when we were in government to explain them. Is it that onerous to have to be subjected to questions in Question Period or have to be responsible to one million Manitobans, your customer. I understand it is easier in the corporate sector because you do not have to be responsible to a heck of a lot of people. We know that is the case. But how can you say that as chairperson of the board?

**Mr. Stefanson:** Mr. Chairman, I think you have to appreciate that there is an awful lot of wasted time and effort on behalf of the corporation. The corporation is in a very tough competitive jungle and has to devote every little bit of energy it has got. Also, there are issues that have come up, and I not going to get into them at this meeting, I am quite prepared to talk to you privately about them, but there are issues that have been debated in

front of the Legislature which are to the detriment of MTS, okay, to the corporation.

I have no trouble reporting to this legislative committee on an annual basis as we do right now. I have no problem explaining and being accountable to the shareholders, which are the people of Manitoba, but it is just not working. It is as simple as that.

**Mr. Ashton:** Mr. Chairperson, what is not working? I realize it may be—by the way, I would appreciate it if he would put on the record some of the questions that have been asked in the House that are not in the best interests of the corporation, because I know every single question I have asked. I am trying to think what it might be. I asked questions about the sale of MTS. Is that not in the best interests? Oh, yes, I asked some questions about the salaries of CEOs. Was that not in the best interests, the new four CEOs that were hired? By the way, even private companies in some jurisdictions now have to provide that information, so I am wondering if that is it.

\* (1140)

Would you care to put on the record what questions were not in the best interests to the corporation and how much time and effort MTS has to spend to do, what? Read Hansard and to maybe provide information to the minister who should know the answers to the questions when they are asked. I mean, what is the big difficulty with being responsible to questions through the Manitoba Legislature?

**Mr. Stefanson:** Okay, just to tell you that there are many, and it is not in the best interests of MTS to be discussing them in public because all it does is open them up again for further discussion. When one of the presidents of MTS was appointed, there were five days of character assassination in the Legislature. I do not think that was in the best interests of MTS. That was back in 1991. It monopolized Question Period for five days. The guy was hired and you guys only spent one day on it. It was the other party that spent the five days. It is irrelevant who spent it, but it was a character assassination, and so, coming into MTS, it did the corporation no good.

**Mr. Ashton:** I find it amazing that the chairperson would consider Question Period to be character assassination.

I am wondering if Mr. Stefanson perhaps—look at what happens even with private companies. Increasingly, shareholders themselves and stakeholders are being critical of many senior people in management. I am just wondering why the chairperson of MTS would say it is not working. What is not working? The fact that in 1991, there were a series of questions in Question Period? The fact, what? Is the corporation not working? I mean, we can go through the figures. We are making a profit. We can talk about the debt. We can get into some alternatives in terms of dealing with that, but I am wondering how you, sir, as chairperson at the board, can make those kinds of blanket statements when you are in fact a servant, and I believe that employee of MTS works for the people of Manitoba. By the way, that means once in a while, they may have to be subjected to some questions.

What is the problem with that, and what is not working at MTS under the current structure? If there are problems with the decision-making process, why do you not sit down with the minister? I will tell you what, I will sit down with you and the minister. Let us not sell off MTS because we cannot get the signals straight between the minister and the chairperson of the board. Let us improve the process. We can streamline it. I do not see what the difficulty is.

Most people in Manitoba support MTS having the ability to compete. By the way, we will get into that, too, because I want to ask some questions and the member for Crescentwood (Mr. Sale) wants to ask some questions about why you have actually done the complete opposite. When it came to Faneuil, you stripped away an area that MTS could have been very competitive in. You sold off the cable holdings at a fraction of the book value of it. I mean, you cannot have it both ways. Your track record in terms of MTS, when you have the chance you have tried to strip away its ability to compete. You said on the record a few minutes ago that you were concerned or MTS employees were concerned about it being the dominant player of the market and how that was not fair to the other competitors. Well, sorry, Mr. Chairperson, but too bad.

I am just wondering again if you can straighten this out, and I do not consider this a laughing matter, Mr. Stefanson. You have taken a very public position, I think, that is wrong. I think you work for us. You work

for me too, by the way, as a member of the Legislature and a member of the public of Manitoba. You are putting all sorts of statements out on the record that I think show that you, with this minister, are not even following the mandate of MTS.

You have taken actions with Faneuil and you have taken actions with the cable sale and you are taking actions today that do not do anything to improve the competitive situation of MTS. You are destroying the competitive situation of MTS, and I would suggest what you are doing is you are applying your own personal views, political and personal views, and you are stamping that on MTS. That is not your job. You work for us.

I want to ask you one more time on the record, because I know the member for Crescentwood has some questions on this, what do you say when you say, it is not working? I would suggest the only thing that is not working is the current process we have in place with the government, yourself and the board and that if anyone should accept responsibility it should be you and the board and the minister for not dealing with these problems that you are alleging. Do not throw the blame on members of the Legislature or the public.

I want to ask you, on what basis are you selling off the entire company because you say the process takes too long? Can you not fix the process?

**Mr. Findlay:** Mr. Chairman, I want to comment on the process that the government has to use to be sure we have accountability, we have fiscal responsibility, and I will take the committee back to the NDP days of '86 and '87 when in the five Crown corporations they lost \$317 million. Very clearly there was not an adequate level of accountability in how the government and the Crown corporations were working. Clearly, the public wants greater accountability in the fiscal sense and that requires that we do a lot of scrutiny of all decisions, all expenditures, particularly in every aspect of government.

We have a process where the minister makes application or presentation to Treasury Board, then you go through the cabinet process. That is a long process, but MTS has an even a longer process. Say people in middle management decide they want to go into a particular niche market, and there may be a capital investment here of \$50 million, \$60 million, \$100



million. You cannot make that easily today. They have to go to the executive, the executive goes to the board, the board comes to the minister, the minister then goes to Treasury Board, then it ends up in cabinet. That is a long, difficult process, and I want to remind the member that when the company, when they are in a monopoly, you can wait, because you can wait a year or a year and a half to access that opportunity. When you are in competition, you have to respond very quickly because otherwise somebody out there is going to eat your lunch.

I want to tell the member, I met with a company last night. It is a very innovative, aggressive, very successful company in Winnipeg, headquartered in Winnipeg. They came very close to the edge a few years ago because they had such a bureaucratic, many levelled process. They said, we flattened our company out entirely. We have operating groups that allow decisions to happen when and where they need to be. That is the way they respond to the marketplace today. It is good for the customer in terms of service, it is certainly good for the company in terms of responding and being profitable.

We need to free up the ability of this company to do that. We must if they are going to be able to compete. And government cannot give up the reins of responsibility on expenditure because we are in a different era today demanded by the public, constant accountability, no increase in revenues or taxes that should come to government other than natural growth of existing taxation. It just cannot be flattened out with the government taking the responsibility. When the company and its shareholders have the responsibility, they can make the decisions as to how they are going to improve the responsiveness time to be competitive.

The member mentions the Faneuil deal. Well, I want to remind the member that in the customer-service centre call centre activity in Manitoba, there are 5,000 jobs now and over 80 companies involved, and Faneuil is one of the key ones. It has a high level of credibility in terms of customer service, customer relations of various companies in a specialized new market. It is new jobs and it generates tremendous activity on the network of MTS. So those jobs are real, they are valuable to the economy and they serve the MTS in terms of using the network.

The member talks about the cable deal. We have gone over this many, many times. We had an assessment that

was worth \$7 million; we sold it for 11.5. I want to remind the member, you have to pay attention to the technology that is out there today. We owned cable in the ground or cable hanging on poles. What strategically is it worth today? I had somebody come two or three weeks ago and explain that whole new technology of wireless distribution of all kinds of signals—go right past all that wire, cheaper, higher quality, more cost effective, more responsive.

So you own a wire, what is it worth when that new technology is going to bypass you like crazy? It is not worth a lot, and the example of lack of responsiveness in Canada, I think, is really being played out in the cable television industry. But because we did not make the decisions early enough to allow companies to get into the satellite direct-to-home cable television, we have an incredible gray market in Canada of American signals being received in Canadian locations with an American dish purchased in the U.S., and they have an address in U.S. to pay for the service. We have missed the market as Canadian providers, because we did not open the door for our Canadian companies to get in there and do it. It is an incredible situation to be in.

You might say, well, we should have Canadian content in front of Canadians, but when we close the door to the Canadian provider to get out there and compete in the market through the wireless communication capability, it is a whole new world. You must be responsive, you must be aggressive and you must be financially accountable. That is the world we live in. There is just no way around it.

That is what I want to say. We try to flatten the system out. We cannot do it in government because of our accountability process. We go through a lot of stages to make decisions here. The responsiveness of an aggressive company needs to be faster, quicker and a more direct accountability. I have all the confidence in the world that MTS in the future will be exactly that kind of company. They help create more jobs, because if you go after these new market opportunities that other competitors are picking up today, you create the employment in MTS that are going to employment elsewhere.

Thank you, Mr. Chairman.

\* (1150)

**Mr. Tim Sale (Crescentwood):** Mr. Chairman, I just have a couple of questions. I want to make a comment first through you to Mr. Stefanson. You have no ability, sir, to make any statements about the future mandate of this company. The future mandate of the company will be to maximize the return to shareholders, usually on a quarter-by-quarter basis driven by the stock markets' frenzied concern about small price movements and small movements in the cost of debt. The mandate of any privatized company in today's market, particularly a company like this, is to make money for the shareholders. All you have to do is look at provinces that do not have publicly owned telephone systems to see what the shareholders demand in terms of services for remote and rural areas to find out where their priorities are. Their priorities are on high-volume, high-tech systems and not on service to those million Manitobans who are now, at least through the Crown, the owners of this company.

So you are not in a position to talk about the future mandate. When you privatize a company, the mandate is return on equity, return to the shareholders and unfortunately and increasingly, short-term fluctuations in the value of the share prices on the markets because increasingly short-term return is what people are looking for, not long-term return. So it is simply inappropriate for you to suggest that the mandate will remain unchanged. It will not.

In terms of the actual document, I would like to ask either the minister or Mr. Fraser or Mr. Stefanson, whoever is best, to respond. I want to ask questions about this document that the minister tabled today in which the estimated full value, full return for this company selling 100 percent of it is \$700 million to \$750 million. That is estimated to be the total value that would come from offering all of the shares on the market.

Could someone explain what happens to the \$830 million in debt and why the province feels that it can have a debt repayment schedule that will recover all of that debt at no loss to the taxpayer if the total value of the company is only \$750 million?

**Mr. Fraser:** Mr. Chairman, maybe I can respond to that. The way the transaction is structured is that there is going to be approximately \$400 million of debt assumed by the government as equity and then that equity will be sold in the marketplace. The estimate from the

investment bankers in terms of what the market will pay for that is in the range of \$750 million, but that will fluctuate depending on the interest rates and the equity markets and so on, could be something less or something greater than that.

The government will still hold roughly \$432 million in debt and over time the corporation will pay the government back that debt either in terms of from net income or from refinancing it in the market, so at the end of the day the government, it is estimated, will get approximately \$750 million as a result of the equity issue and another \$432 million roughly in terms of the repayment to the debt which, in total, is roughly \$1.2 billion.

**Mr. Sale:** I wanted to also ask questions about the Faneuil issue in regard to this report. There are a number of references to Faneuil in here. Could the corporation indicate exactly what data are shared with Faneuil pursuant to the data licence subagreement through MTC? What are the actual data elements that are shared with Faneuil on a monthly basis?

**Mr. Fraser:** There are CRTC requirements in terms of what data is public data, and those requirements are being followed in terms of basically, the directory kind of information is what is being provided to Faneuil in terms of the access code. Internally, in terms of doing our own telemarketing, the focus and thrust of that I mean is determined internally with the use of all our data in terms of focusing our telemarketing attention onto the customers where there is the best probability of getting a return for our invested telemarketing dollars.

So there are two aspects. One of them is where they are doing telemarketing for us, and in that sense I mean they are provided with specific criteria in terms of which customers we want telemarketed for what products and services, over what time period and so on. In terms of public information the only information that they have access to, that they could provide to third parties through their business follows the requirements of the regulator and is public information in terms of directory information.

**Mr. Sale:** Mr. Chairperson, I am informed by people who know that every month Faneuil is given the data tape, and the data tape contains all of the elements, all of

the data elements required to create the bill for any user of Manitoba Telephone services in Manitoba. This comes in the form of a magnetic tape which can be mounted on Faneuil's equipment. In fact, it is rather an old style of format that this modern, up-to-date telemarketing company uses but, nevertheless, that is what they get, a monthly data tape that contains every single piece of information that goes to create every single bill—individual, corporate, group, whatever—to the Faneuil corporation.

Would the chair or the president confirm that is in fact what is given to Faneuil every month?

**Mr. Fraser:** They have access to that information exclusively for the telemarketing purposes of MTS, not for distribution to anybody else or for use for any other purpose or sale to any other customer or client or use thereof. It is exclusively for our purposes in terms of the telemarketing services that they are providing to us. If there are other telephone companies that are using Faneuil—AGT has used them, Bell has used them—they provide similar information, and it is consistent with the requirements of the CRTC in terms of providing that specific service. I mean, that information is not for use or for sale in any way, shape or form to anybody for any purpose outside that specific agreement and if that was done it would be in contravention of the agreements that we have with them.

**Mr. Sale:** Mr. Chairperson, can the president tell me what kind of, to quote the jargon of the trade, Chinese firewall there is between the Faneuil access to the data which they have that contains a great deal of private and personal information about individual subscribers and certainly about businesses? What kind of firewall is there and what kind of security can the president give Manitobans to know that in fact their private data are not leaking one way or another into some inappropriate usage?

**Mr. Fraser:** There is segregation in terms of the databases of Faneuil in terms of the information, but I guess the main protection is in terms of the contracts and agreements and legally binding requirements under law that Faneuil has with MTS. In order for them to do something different with that information would be in contravention of those agreements and in contravention of Manitoba law, and the remedies under those laws would be pursued if they were misusing that information.

**Mr. Sale:** Mr. Chairperson, then I take it that the president is saying that he is personally and corporately satisfied that these data are only used for mandated purposes in terms of fulfilling the telemarketing agreement that Faneuil has with the Manitoba Telephone System, a nine-year, not a seven-year agreement, seven years plus cancellation, that that is the only purpose for which this data are used and the president is absolutely confident that the security provisions of the firm are in place.

**Mr. Fraser:** Absolutely, Mr. Chairman. I mean, we have been extremely diligent. We recognize the critical nature of that information. We recognize the requirements of the regulator. We recognize the difficulties with our customers in terms of the privacy of that information, and we have taken every precaution in terms of the agreements that have been struck and the exclusive nature of that information in ensuring that those requirements are followed. If they are not followed, they are in contravention of those agreements and of the laws surrounding those agreements.

\* (1200)

**Mr. Sale:** Mr. Chairperson, then I am very, very puzzled. Let me draw an analogy for the president and the chairperson of the board. If I hire a painter to paint my living room, I do not charge the painter for a key to get into my house. At least, that would be a strange contract if I did. Presumably, I am hiring that painter to paint the living room. You are hiring Faneuil to retain customers and to develop new business, and from all reports, they do that in a competent and credible manner. Why are they paying \$16 million for your database? Why would you charge them \$16 million?

**Mr. Fraser:** They are not paying one nickel for our database. There is absolutely no payment for our database. That database belongs solely to us and the contracts read that there are aspects of that database that can be used by Faneuil solely for our purposes in terms of providing telemarketing services to us.

**Mr. Sale:** Mr. Chairperson, I want to quote for the record Schedule 13, Report of Pitblado and Hoskin dated September 20, 1994, Executive Summary of Sublicence Agreement between Trading and Faneuil, Section 1, pursuant to this section Trading grants Faneuil a

nontransferable royalty free, exclusive sublicense to use the databases. It does not say anything about using the databases for MTS. It just says to use the databases during the initial term, seven years.

Section 2, no equivocation here, Mr. Chairperson. The consideration, payable by Faneuil to Trading is \$16 million. Why would the Faneuil corporation pay \$16 million to use a database to do the job for the Manitoba Telephone System, which job they are already paying—MTS is paying quite handsomely for in terms of \$47 million over seven years, about 60 over the nine will actually take place.

Why would Faneuil pay \$16 million for a licence for a database that is used for legal purposes to telemarket services for MTS? It makes no sense.

**Mr. Fraser:** There are other aspects. Other sections to that agreement. There are a number of agreements that are extremely specific in terms of the use of the data exclusively for MTS purposes, and MTS completely owns that database. Nobody has any rights to it. Nobody has paid anything for it in terms of that. The mechanisms of that particular agreement would have to be looked at, but in terms of the specifics of the cash flow requirements, but I mean it is a financing mechanism not a purchase mechanism whereby they are being given cash flow upfront and the net present value of that cash flow is then paid back by Faneuil at the end through Trading, and so that is a separate financing mechanism. There is absolutely no purchase of one piece of data and any payment whatsoever in terms of that, and the licensing fee in terms of utilizing the data on MTS' behalf, there is a \$10 fee for.

**Mr. Sale:** Mr. Chairperson, I do not want to get the president down the road with documents that he does not have in front of him. The \$10 fee to which he references is the consideration payable by the Trading Corporation as he probably knows to MTS for the licence which Trading then passes on to Faneuil for \$16 million under Schedule 13 of this agreement.

I think the president has answered correctly that he believes and has reason to believe the data are not being used improperly. That is not the question I am asking. I am asking why there should suddenly be the jump in a value of a sublicense agreement which goes to the

Trading Corporation for 10 bucks and then the next moment goes on to Faneuil for \$16 million, and let me suggest that there is one reason for that that is fairly transparent, and that is that \$16 million in consideration, in a very clear way, provides Faneuil with a tax advantage of some significance. It is a purchase of a good which can be shown against the expenses of the company as a legitimate business expense. If the \$16 million were simply the repayment of a loan, it would not fall into that category. I think there is a very significant hidden tax subsidy contained in this agreement. Otherwise, why did you not simply license the data to Faneuil directly for 10 bucks like you did to Trading?

**Mr. Ashton:** I take it, there is no answer to that question, so I will ask perhaps a few other questions. I am wondering if we might—the minister introduced the staff at the table—but introduce some of the other staff who are present. We normally do introduce others who are here.

**Mr. Findlay:** I guess the member knows the committee members.

**Mr. Stefanson:** You are talking MTS staff. There is June Kirby.

**Mr. Ashton:** Well, we usually introduce not only those at the table, but I know there are some fairly senior officials and I am wondering what their position is with MTS who are part of the delegation this morning.

**Mr. Findlay:** Seated here is David Werthman, my policy adviser, and Jules Benson, Secretary of Treasury Board, and legal counsel, Mr. Richard Yaffe.

**Mr. Ashton:** Mr. Benson does not work for MTS. I am just wondering why he is here at the committee, given his role. I was wondering if he had perhaps undertaken some new role with MTS that we were not aware of.

**Mr. Findlay:** I basically understand it is a free world.

**Mr. Ashton:** Mr. Chairperson, but if Mr. Benson is not part of the delegation, he would not be sitting with the delegation. In fact, there have been various requests for information that go back and I am wondering if Mr. Benson has some particular role to play with MTS right now. I personally question whether it is appropriate for

Mr. Benson to be doing anything other than be sitting here like any other individual not connected with MTS, but if he is part of this, and I assume it is probably to do with the sale if Mr. Benson is involved with that. I am wondering if the minister would just explain why Mr. Benson is sitting with the MTS delegation.

**Mr. Findlay:** I think basically we have a debt of \$840 million which the government guarantees. Certainly, the Minister of Finance (Mr. Stefanson) and Treasury Board have a high level of responsibility to look after that debt. That is the issue that certainly occupies Mr. Benson's mind as we continue to move to greater financial responsibility of this government step by step. That is why he is here.

**Mr. Ashton:** Well, Mr. Benson is sort of part of this and sort of not. Okay. Well, I think we got an answer there. I was curious why Mr. Benson was here.

I just want to get back in terms of the document that was tabled from the financial advisory group. I want to clarify then that basically what this document is clarifying, what the member for Crescentwood (Mr. Sale) identified, essentially the initial proceeds of the sale will not net the amount, assuming the sale is subscribed to its entirety, the full amount of the debt and that essentially the arrangement will be that the initial proceeds of the share will deal with only part of the debt and that there is an arrangement that the remaining debt will be repaid and an amount really equivalent to the net equity will be repaid at a subsequent point of time.

Just in comparing the current book value of MTS with this, it appears essentially that the situation, if the share issue is subscribed and the debt is repaid, is that at some point in time the debt will be repaid and there will be a return equivalent to the book value of MTS, nothing more and nothing less. Is that a fair statement? I am trying to get some clarification where sort of the book value, including both the debt and the net equity compares to the share issue and the repayment of the debt.

\* (1210)

**Mr. Findlay:** Well, certainly, I will ask Mr. Fraser to give the accountant point of view because I am not an accountant, but I think the member should also realize

any figures talked about here are extremely approximate. There is no final figure here, and the final figure will not be struck till some time in the future when the offering does take place. Also, I remind the member that as interests rates go down, the value shares go up. Clearly, that is a changing environment on a daily basis. So I will ask Mr. Fraser to further comment, but I think he has already said before, when you take into account debt inequity, you come up with roughly 1.2 billion.

**Mr. Fraser:** Well, maybe, Mr. Chairman, if I could turn to the balance sheet on the 1995 annual report to make sure that we are all talking the same numbers. I believe on page 27 of the '95 annual report is the balance sheet for MTS which, if you refer to that, shows net long-term debt of \$842,752,000, and it shows reinvested earnings of \$232.7 million. That represents the total debt inequity in the corporation on a book value perspective as at December 31, 1995.

As I described a moment ago, what will happen is that \$400 million of that \$842 million in debt will be assumed by the government prior to the IPO issue, and then that \$842 million will be sold in the marketplace. It is anticipated that it will be sold in the range of roughly \$750 million, and that subsequently over time the remaining \$442 million will be repaid to the government. These earnings are out of refinancing, and so the government will end up with approximately, I think, if I have not added them up specifically, but I think it is approximately \$1.2 billion.

The corporation will retain the reinvested earnings to \$232 million, so there is a premium on the sale. It is not the book value that it is being sold for. I mean, it is being sold at more than the book value. So it is roughly, when you take all that into consideration and add back to the \$1.2 billion that the government will get, the fact that the reinvested earnings at this point in time, \$232 million, are still there, you come up to close to a \$1.5 billion as being on that basis.

I would point out, however, that in terms of valuation and sale, that what really the market will pay is not necessarily the book value. The book value is one dimension that they look at. It provides one piece of the framework. If it was a perfect world and you could predict the future, what they really want to know is what the earnings in the future are going to be and capitalize

those earnings at a market rate so that they use a number of ways of valuating the corporation to arrive at their estimate in terms of what the market is willing to pay for it. The government will get more than the book value out of the transaction.

**Mr. Ashton:** Essentially, once it is on the market, it is really the strategic value that will be in place. I am wondering if there has been any analysis done on the strategic value. That was one of the big disputes in terms of cable, the strategic value versus the asset value versus the sale value.

**Mr. Stefanson:** Well, the strategic value, Mr. Chairperson, we have all kinds of appraisal system. The cable issue, we—

**Mr. Ashton:** Just for clarity, I only mentioned that. I did not mean to get into that whole issue.

**Mr. Stefanson:** You do not want it. Okay.

**Mr. Ashton:** The future of MTS, its sale, what is its—

**Mr. Stefanson:** Mr. Chairman, for the record, I want to say quite bluntly that we did very well on the cable deal. The cable that we sold was worth conservatively less than we have advisers' reports to back up that decision.

**Mr. Ashton:** I am asking about the MTS itself. I said I want to get into that and I will, I mean if the Chairperson wants to debate it. But just in terms if there has there been any analysis on the strategic value of MTS or whether there is analysis done in terms of the strategic value of MTS under this format of being sold off, which is the share issue versus other possible ways in which it might have been sold off because obviously this is the Alberta model, the public share issuing with limits on ownership. I was just wondering if there has been any—I know there was no analysis done by MTS on the sale itself, but has there been any analysis on the strategic value and is MTS in position to table that to the committee?

**Mr. Stefanson:** We received advice in that area and the conclusion of the advisers was that the strategic value to some purchasers such as Bell Canada, for example, would not be much different than doing the privatization. We at MTS saw some downsides to that, and I am sure

the government did. The downsides are, I think, obvious to everybody if this company had been sold to Bell or to B.C. Tel or to some American corporation or something like that. I think it was a no-brainer that the decision and the advice of the advisers that the best basis for creating a private corporation was to be widely held, because a more widely held company it is, the more secure it is in regard to Manitobans, and the company is going to be held in majority by Manitobans. The government basically dictated that to us that Manitoba shareholders should be given first preference and the shares will be sold in Manitoba for probably up to three weeks prior to anybody else having an opportunity to buy them. The indications that we had internally at MTS—and that is just our corporate indications from information we have—are that Manitobans are waiting eagerly. Quite frankly, we hope that they buy almost the entire company. If they end up buying a vast majority of the shares in this company and they are widely held and there is no large single shareholders, I think we have a very healthy corporation and in the best interest of Manitoba.

**Mr. Ashton:** I do not want to get into that debate., I mean, so I can get into the fact that—

**Mr. Stefanson:** Well, you wanted to know if we looked at strategic—

**Mr. Ashton:** I can get into discussion about the share issues in provinces. Any jurisdiction where privatization takes place, the most you get in terms of shareholders is one in 10. One out of 10, that is the highest percentage, 10 percent of people who bought shares. You can share what has happened in Alberta, so I do not want to get into this idea. Widely held is widely held in the 10 percent.

I asked the question of the strategic value and whether the—I will tell you the reason I am asking this. We do not have any information on the share issue, and there is not going to be any information made available before the bill passes, which is the case. If we cannot get that information I am asking for, whatever information MTS has done on the strategic value, apart from the part I oppose it being sold off, I think we all have responsibility as members of the Legislature to make sure that no matter what happens that the appropriate due diligence is done, the appropriate estimates are done. That is all I am asking for. If the Chairperson could table whatever

reports have been done. Sorry, we have debated a lot on other issues, but I did not want to get in that issue. Just can you table the documents?

**Mr. Stefanson:** I am just saying that Mr. Fraser and I will take that request back with us.

**Mr. Ashton:** If that means yes or no, I would ask the minister perhaps, because I just want to use the analogy. I think we all are shareholders, and if the decision is made, I think the first thing you do is you share with the shareholders, the current shareholders, the information about not just this very general sketch of what is going to happen but not even the book value specifically. When you are selling off an asset in the private sector you are not going to look obviously at your own books, you are going to look at what the market is likely to buy, and I want to make sure that our assets, if you are going to sell them off and if I cannot persuade you not to that you do not sell them off in the wrong way and the wrong price.

I am wondering if I can get some commitment to have that tabled hopefully before the end of the session. I am not suggesting here but before November 7 whatever internal documents available.

**Mr. Findlay:** Mr. Ashton, I think you referred to comments like the maximum of any local ownership would take place is 10 percent. I want to remind the member that in Alberta some 95 percent of the shares were purchased by Albertans. That is the way it started out. I do not think there is any disputing that fact. Who owns the shares now, that is a different issue.

In a process of what we are looking at here is to maximize the ability of Manitobans to purchase the shares, how they are priced is something that is a little bit out of our control. It will be done through the Securities Commission in due process. Yes, after the bill is passed a lot of things will take place.

I think you can fully understand that the company is only worth what it is worth in the marketplace. You use the words, strategic value. Well, some individual company may see the strategic value to just grab hold of Manitoba. We could sell it to one big company somewhere and probably they would see it as worth more value. But absolutely that is contrary to our intent, and I think it is contrary to what the member's intent would

be, that this should be made available to Manitobans as an investment opportunity. So that is how the value is arrived at.

\* (1220)

That is what is called the recommendations that come from the advisors, to be broadly available to Manitobans, and absolutely broadly available to employees on some kind of purchase options that are attractive to employees so that employees take pride in what they do on a day-to-day basis because there is a net return to them not only in terms of the pay cheque but in terms of the value of their shares if they perform well.

When I talked to Bell Canada employees, that is absolutely the case. It is a motivating factor for better performance on the job and a greater sense of pride at the end of the day that you get rewarded in two ways for doing a good job with your company.

**Mr. Chairperson:** Mr. Stefanson, did you have a comment?

**Mr. Stefanson:** I think our honourable minister has put forward most of what I was going to say. I was just going to try to make sure we had the same understanding of what strategic investor meant, and I think it has been properly explained.

**Mr. Findlay:** Could I just add one more little comment? I think the member did mention strategic investor some time ago. None has come forward, I can tell the member at this stage.

**Mr. Ashton:** I want to discuss again what I talked about in the share issue is that the maximum that has ever been sold is one out of 10 of the members of the general population has bought shares. I am not talking about who buys the shares. I am talking about that the most widely held company in the world that has ever been privatized is held by 10 percent of the population compared to 100 percent. I do not want to get into that debate, but that is what I was talking about.

I want to ask also in terms of the sale itself, if it does proceed, and there has been no vote on it yet, but there is reference here to commissions and expenses. I want to first of all ask whether CIBC Wood Gundy Securities,

RBC Dominion Securities and Richardson Greenshields Securities will have any role in the sale of shares with MTS, given the fact that they produced this report. Some might consider any involvement by them or related companies to be a conflict of interest.

**Mr. Stefanson:** Yes they will. There will be many organizations involved in the sale of MTS. It is in the best interest of MTS to get as many participants as possible, and there are a limited number of participants in Canada who actually work in this kind of a business and have the capabilities to actually do the sale. I would suggest that there is probably going to be somewhere in the neighbourhood, I am just guesstimating now, of about 15 corporations that will participate.

**Mr. Ashton:** Well, I am amazed, Mr. Chairperson, that no one has considered the fact that there might be a conflict of interest. This document dated April 30 was produced by CIBC, Wood Gundy, Richardson Greenshields and RBC Dominion Securities. How ethically can you rely on this report, which is the basis of the decision—the minister indicated this before he tabled it today this is the basis of their report. How can you have these people make the decision, make recommendation to sell it off and then not recognize that there is a distinct conflict of interest when they will benefit from commissions from the sale, because they are allowed to participate in the sale? Does the minister not see some difficulty with that, and perhaps will he indicate, because there is reference again in terms of commissions, just how much of the proceeds of the sale will be going to commissions, whether it be to these groups or other groups.

**Mr. Findlay:** Mr. Chairman, these people were hired to do the analysis that they have done to give us some understanding. We made the decision. They did not make the decision. They made a recommendation. We made the decision. The cycle, the next phase is the share offering which they will conduct for fees that will be negotiated, yet to be determined, and there are industry averages that will be used in the process. But there is nothing unusual about that process. As the chairman said, there are a few companies in Canada that can carry this out properly and responsibly.

I also want to tell the member that the intention is that the investment receipt will be widely available in

financial institutions across Manitoba for Manitobans to have easy access to an opportunity to purchase, plus there is a ceiling of 15 percent for any one purchaser in terms of the shares. So there are a number of checks and balances to maximize the width and breadth of ownership. The member's comment about, well, the most that ever happens is 10 percent of people buy. Well, that is probably a fair statement, but a lot of these are bought by pension funds. It is where they invest, retirement funds are invested. So we are certainly promoting it for Manitobans to purchase shares from a Manitoba company. Manitobans purchase shares and have investments all over the world. We are trying to maximize an opportunity for Manitobans to have confidence in their own company by investing and getting the return on that investment right here in Manitoba.

**Mr. Stefanson:** The firms that were chosen by the government have advised the government for many, many years, have been the chief financial government advisers and strategic advisers, and so it was only natural that they were the ones chosen to give the advice. The distribution though will be spread amongst, as I said, I am not sure how many but probably in the neighbourhood of 15 firms in Canada, some of them situated here in Winnipeg and right across. The reason is that the more people or more organizations you have involved the more we are doing for ourselves in enhancing the value and making sure that the job gets done properly.

Conflict of interest—these are professional organizations such as lawyers and chartered accountants and many others, and I would hope, and I certainly anticipate and believe, that they are not going to make any recommendations that they cannot stand behind or that they think they cannot stand behind. My understanding is, as well, that there, you know, is some financial exposure to their recommendations. So I think we are in good hands personally, and I think I speak on behalf of our president as well that we feel very comfortable.

**Mr. Ashton:** I think it is wrong for this group of investment bankers to be involved in the sale. It is wrong. It is a conflict of interest, and you know we in this Legislature have very strict requirements in terms of that. I think the same thing should apply with MTS, and I really believe this is absolutely wrong. The minister should restrict these companies from being involved in



the sale issue. There are other people out there that can do it who were not involved in that recommendation.

I have one final issue I want to get back to, and this is this particular document and some of the other advertising that has taken place. My understanding is that this is being paid for out of the proceeds of the sale basically by the people of Manitoba, these particular documents and the rest of it, which I consider absolutely unacceptable, and I would move, therefore

THAT this committee censure the Minister responsible for MTS and the chairperson of MTS for allowing MTS to be used as part of the government's political campaign to promote the sell-off of MTS.

**Floor Comment:** Mr. Fraser will speak to it. [interjection] Oh, there is a motion.

**Mr. Chairperson:** There is a motion on the floor. The motion is in order, and the motion reads, I move

THAT this committee censure the Minister responsible for MTS and the chairperson of MTS for allowing MTS to be used as part of the government's political campaign to promote the sell-off of MTS. Does anybody wish to speak to the motion?

**Mr. Findlay:** Well, I am just disappointed the member would bring that forward because the reason that MTS obviously has put that out is they are a little bit disappointed with the positions that the member is advocating out in rural Manitoba, that they are scaring people that MTS will not be there in the future, and MTS wants to tell them—[interjection] No, I am just looking at what is there and I have seen what the member has been saying out there. I know what people are saying, they are concerned, and MTS is concerned that they want to give some understanding to their customer base. [interjection] Mr. Chairman, MTS in my interpretation was to give some comfort to their customers out there that some of the issues that are of concern to them are in good hands in the hands of MTS. I have a 100 percent confidence that MTS can live up to everything that they said there.

\* (1230)

**Mr. Ashton:** Mr. Chairperson, the minister just confirmed what the motion states. He stated that they have done this because of what I have been saying

throughout the province of Manitoba; \$400,000 of the people's money in this kind of document, and they are using MTS to do it. The minister knows that this is part of the Barb Biggar advertising contract. He has already confirmed in the House it is \$400,000, the radio ads, the TV ads, and that is why I said earlier, this is offensive. Because the minister has just put on the record that the reason that they are using MTS—and I would say, abusing MTS here because this goes out under MTS logo, it is paid for by the people of Manitoba, those ads, the radio ads and the TV ads—is because of what I have been saying, as a member of the Legislature, what our caucus has been saying throughout rural Manitoba.

That is the most flagrant abuse I have ever seen; \$400,000 worth of the public's money and they do not even have the guts to put it out under PC—which is what it should be—Party letterhead. They should put it out under the minister's name, the Premier's (Mr. Filmon) name, but they have it going out MTS's name, because of what I have been saying publicly. All of which can be documented, all of which are legitimate concerns and all of which are part of the only public debate that has happened in this province because we are the only ones willing to go out and talk to people. He hides in his office behind the \$400,000 advertising campaign.

By his own admission, right now, this motion is not only in order, Mr. Chairperson, but it is absolutely appropriate, and it is a flagrant abuse of the \$400,000 of money which is the people of Manitoba's money.

**Mr. Findlay:** Mr. Chairman, obviously, the member is saying that MTS has no right to deal with their customer base when comments are being made that cause people to have fear, and they are trying to give comfort to those people that service and rates will not do crazy things like people out in the public are saying. MTS has a right to give some comfort to their customers and I am sorry that the member takes that position.

He talks about \$400,000. Well, it is a stimulation to the media out there. I mean the \$400,000, you have to pay for paper—

**Mr. Ashton:** Job creation, Tory style. Barb Biggar gets the job. I mean, come on.

**Mr. Findlay:** Mr. Chairman, I am really disappointed that that member does not want MTS to deal with their

clients out there, their customers, and to give the assumption that Barb Biggar receives \$400,000 is false. [interjection] Well, the honourable member wants to qualify it now. He keeps trying to qualify his answers when he realizes—

**An Honourable Member:** I said the cost of the campaign is \$400,000, and Barb Biggar is part of that politically directed campaign.

**Mr. Findlay:** It is not a politically directed campaign. We are in the process of dealing in the Legislature with a bill, and MTS is out in the public trying to deal with an understanding with the public that the fears being raised by whomever are not founded.

**Mr. Chairperson:** Are you ready for the question? Mr. Ashton, for a short, quick response.

**Mr. Ashton:** Mr. Chairperson, I cannot believe, now the minister is saying this is stimulating advertising in the province, I mean job creation. Mr. Minister, do you know how much money I have spent and the people fighting MTS have spent, because I know I met with the coalition last week. Less than \$4,000 to go around and hand out some leaflets, talk to people. You know, I stood in front of the MTS building when it was minus 30, when it was minus 38, Portage. I cannot believe that you can sit here with a straight face and say, for stimulating advertising, economy, or whatever, that you have to have \$400,000 of the money the people of Manitoba spent on this kind of stuff. You cannot understand that you have engaged MTS in its final days, if you have your way, in one of the most sorry examples I have seen of a corporation that has an excellent name engaging in the political process.

You said on the record, Sir, that you felt that this was absolutely appropriate as minister because of what I had said throughout the province of Manitoba. Mr. Chairperson, I have never heard a more outrageous statement from a minister, to suggest that it is legitimate because you do not like what I have to say, all of which is documented fact on what the people of Manitoba are saying, and you know that is the case, to spend \$400,000 up against the NDP critic and a group of Manitobans who are fighting back, you know, seniors, people across the—many, by the way, are MTS employees, and rural Manitoba, or here in the city, who are fighting this. Do

you not understand, Sir, that is a flagrant abuse? I mean, fine, you are stimulating the advertising budget by \$400,000, but that is \$400,000 that is a complete and absolute waste.

Quite frankly, in the statements you made today, I really believe that you, along with the chairperson of the board of MTS, should do the right thing on this and resign. You have spoiled the name of a good company, MTS, since 1908. You have involved it in a political debate. Do you know what? After November 7, under your private owners, you can do whatever you want with MTS. I understand that. Maybe MTS can get directly involved in the political process, like many other of the corporations. Maybe they can donate to the Conservative Party. MTS, Mr. Stefanson, and MTS, Mr. Findlay, belongs to the people of Manitoba. You do not have the right to abuse it and use \$400,000 of our money for a political advertising campaign. Mr. Stefanson, I include you in this as well because, until it is sold off, you work for the people of Manitoba, and you, Mr. Findlay, as the Minister responsible for MTS, you owe it to the people of Manitoba to have a fair debate out there and not abuse MTS and soil the very good name of MTS.

I went to rural Manitoba yesterday, and people are incensed. They were picking up their mail. The talk in the coffee shop is more propaganda coming out. They know where it is coming from. The only thing they have done on this is, you have not put the PC logo on it, which you should do. By the way, Mr. Chairperson, I think you should reconsider it. If you will not resign, at least submit the bill to the PC Party of Manitoba because this is government political propaganda, and it is abuse of MTS.

**Mr. Chairperson:** Are you ready for the question? We are past the hour of agreed adjournment.

**Mr. Findlay:** Mr. Chairman, I get quite annoyed that the member stands up there as pompous and righteous as he tries to be when two years before we took government they lost \$48 million of this corporation—

**Mr. Chairperson:** Order, please.

#### Point of Order

**Mr. Ashton:** On a point of order, Mr. Chairperson, if the minister wants to get into those kinds of comments,

pompous, et cetera, I have no intention of doing that. It is absolutely out of order. I am asking him to be, by the way, on the record responsible for his actions. I am not making statements of that nature. I am asking him to be responsible, and I would appreciate if you would ask him not only to not deal with those kind of comments, but if he wants a debate, to debate the issue of the \$400,000. I am quite prepared to sit here for as long as it takes if we want to debate this, but I think he should either stick to the issue or we should vote on this so we find out where the members of this committee stand on \$400,000 of the people's money being spent by MTS as part of this minister's political agenda.

**Some Honourable Members:** Question.

#### Voice Vote

**Mr. Chairperson:** Question? Okay. All those in favour of the motion, please respond by saying yea.

**Some Honourable Members:** Yea.

**Mr. Chairperson:** Those opposed.

**Some Honourable Members:** Nay.

**Mr. Chairperson:** In my opinion, the Nays have it.

**Mr. Ashton:** I request a recorded vote.

**Mr. Chairperson:** A count-out vote has been requested.

*A COUNT-OUT VOTE was taken, the result being as follows: Yeas 3, Nays 6.*

**Mr. Chairperson:** I declare the motion defeated.

The time being past 12:30, what is the wish of the committee? The committee rise.

**COMMITTEE ROSE AT: 12:38 p.m.**