



Legislative Assembly of Manitoba

HEARINGS OF THE STANDING COMMITTEE

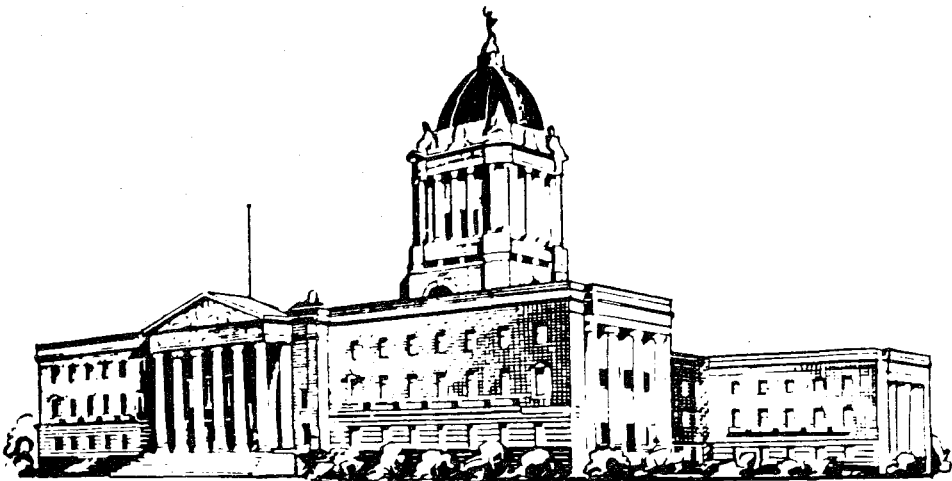
ON

PUBLIC UTILITIES

Chairman

Mr. Harry Shafransky, M.L.A.

Constituency of Radisson



10:00 a.m., Tuesday, March 30, 1976.

THE LEGISLATIVE ASSEMBLY OF MANITOBA
STANDING COMMITTEE ON PUBLIC UTILITIES
10 a.m. Tuesday, March 30, 1976

CHAIRMAN: Mr. Harry Shafransky.

MR. CLERK: Gentlemen may I have your attention. This being the first meeting of the Public Utilities Committee, the first order of business, we'll have the election of your Chairman. Are there any nominations?

MR. JOHANNSON: I'll nominate Mr. Shafransky.

MR. CLERK: Mr. Shafransky has been nominated. Any further nominations? Hearing none, I would ask Mr. Shafransky to take the chair.

MR. CHAIRMAN: The first business is to establish a quorum. There are twelve members on the committee. Would seven members constitute a quorum? Is it agreed? Okay, we'll proceed. I'm going to call upon the Minister responsible for the Manitoba Telephone System to introduce the Chairman of the Manitoba Telephone System. Mr. Turnbull.

MR. TURNBULL: Thank you, Mr. Chairman. I don't have any opening remarks. I think you may as well get into the report right away and ask Gordon Holland the Chairman and General Manager of the Telephone System to make a presentation on behalf of the system and to introduce the members of his staff and the members of the Board who have attended this morning.

MR. CHAIRMAN: Mr. Holland.

MR. GORDON HOLLAND: Good morning, Mr. Chairman. I would like to introduce representatives of the MTS that are here this morning. From our Board Mrs. Laurel Garvey, Mr. Gordon Fines, Mr. Jim Walding, MLA. From our staff, Doug Delgatty. He's the Chief Engineer's associate. Mr. Frank Cavers our Director of Operations. And may I say that Frank Cavers retires tomorrow after 48 years service in the industry, 30 of them at MTS, and even beyond that. I may say that Frank followed his father at MTS. He had an outstanding career and Frank's son is carving out a career today. Bob Neville, our Director of Finance; Ken Beatty, General Council; Gordon Backhouse, a Director of Administration and Marketing, and Keith Axford from my office.

I believe it's usual, Mr. Chairman, to comment briefly on the report under review.

MR. CHAIRMAN: Yes, and then you make general comments on the whole report and then we can go back to page by page review of the Annual Report. Mr. Craik.

MR. CRAIK: I was just wondering if there were any extra copies of the Annual Report here. I know we received this in the mail but some of us didn't bring them with us.

MR. TURNBULL: Well, there's a few extra copies that the staff has.

MR. CHAIRMAN: Yes, Mr. Graham?

MR. GRAHAM: Mr. Chairman, I know that it's maybe just a formality, but I would move that the - oh I can't move either - I would suggest that the proceedings be transcribed.

MR. CHAIRMAN: Yes, that is fine. The proceedings will be transcribed and a transcript made available to all members. You may proceed, Mr. Holland.

MR. HOLLAND: The 1974-75 Annual Report was mailed to all members and has been tabled earlier at this session.

The Capital Construction Program was completed as planned in the amount of \$52,313,000. During the year we experienced a gain of 31,013 telephones, so that at the end of the year we had a total of 551,601 telephones installed in Manitoba.

A brief examination of the financial statistics: Total revenue increased by 15.1 percent. Total expenses increased by 20.6 percent. The net income for the year \$840,000, down \$3,640,000 from the previous year. The total investment in telephone plants at the end of the year was 430,648,000, an average per telephone of \$781.00. That is up from \$568.00 in the year ending 1966 or an increase of more than 37 percent per telephone over that 10-year period.

(MR. HOLLAND cont'd)

The system is 98.6 percent dial-operated. The program to complete conversion of the remaining manual services to dial during the 1976-77 fiscal year is progressing favourably.

Direct Distance Dialing, DDD, was introduced in Winnipeg in 1965 and at the end of that fiscal year covered 86 percent of our customers.

During the year three manual exchanges were converted from manual to dial operation. The new Russell dial office was equipped with C1 EAX, a sophisticated electronic switching system. The Inkster Park exchange in Winnipeg was opened, that being the system's third exchange with computerized switching equipment known as SP1.

More than 2,500 miles of buried wire and cable was placed during the year and five new offerings in data services were introduced during that year.

As we forecast to the committee a year ago the net income for 1974-75 was less than \$1 million. The system filed a rate application with the Manitoba Public Utilities Board on July 3rd, 1975. At that time copies of the application were provided to all members.

The Board issued an order on October 29, ordering interim rate increases which became effective on November 5. I believe the Board's final order should be issued within the next few weeks.

Our most recent forecast for the current year, that is the year ending March 31st, 1976, is for a net income of over \$3 million. A portion of that net income was realized through the non-recurring effects of the postal strike, late last year, on the system's long distance revenues. In a public corporation such as MTS net earnings are reinvested. Indeed, sound financial planning for a capital intensive business such as ours demands a high level of such reinvestment.

The system requires a substantial level of capital expenditures to meet the increasing telecommunications needs of Manitoba. Perhaps the best indicator of our customers' demands for services is provided by the growth in total revenues in recent years. In round figures the system's total revenues increased from \$37 million in 1965-66 to \$67 million in 1971-72, to \$95 million in 1974-75, and revenues for the year just ending are forecast to be \$110 millions. This growth in revenue reflects the strong and continuing demand by the people of Manitoba for the services provided by the system.

Another indicator of customer acceptance is the increase in the number of long distance and local messages each year. For example, the number of long distance calls grew from 9.4 million in 1965 to 31.6 million calls in 1975. That is an increase of 336 percent. To provide for these increased demands for service large capital expenditures are needed each year to supply the necessary microwave systems, telephone switching equipment, cables, telephone lines, not to mention the increases in telephone sets which are necessary to provide the increased network capacity.

Perhaps I could outline a few of the highlights of the system's current year of operations. The first phase of the largest single project ever undertaken by the system, worth about \$10 million, was completed on October 20, 1975, when ten southwestern Manitoba communities received Direct Distance Dialing. The cut-over made possible through the introduction in Brandon of a new electronic switching machine, heads a series of DDD cut-overs that will eventually bring the service to some 70 western area communities.

The machine, an SP1, uses a computer to aid in switching long distance calls and to check its performance. The Brandon office also incorporates a new traffic operator position system, or TOPS, for long distance operators, the first of its kind in Canada. TOPS allows operators to record calling information automatically onto magnetic tape instead of the previous manual procedures, the modern positions also feature video-display terminals that present calling information on television lights screens. With completion of this project in 1979, more than 90 percent of Manitoba's telephones will have access to DDD facilities. Pursuant to enabling legislation the system in September 1975 purchased the assets to the Manitoba Government Computer Centre to form the nucleus of a division at MTS which would provide a computer processing service. The division is known as Manitoba Data Services, the legislation included the necessary initial capitalization for the operations of this new division. We're encouraged by the progress made

(MR. HOLLAND cont'd) towards the MDS goal of rationalization of computer services within the Government of Manitoba. The initial financial statements have of course not yet been published. Due to heavy capital investments, the first three years of MDS operations were projected as a net loss period, with net earnings foreseen subsequently.

The system introduced a new concept in telephone customer service with the opening of a phone centre store in the west-end of Winnipeg in January. The system's provision of phone centre outlets installed in customer residences is an essential component of the new service. We will carefully study the results of the first phone centre operation, the acceptance of the new concept in Winnipeg as well as the experience of other telephone companies before proceeding with further extensions of this kind of service.

Construction has begun on local broad band network facilities in Brandon, Portage la Prairie, and Selkirk with completion scheduled during the upcoming fiscal year. The network is a coaxial cable distribution facility for urban centres with the purpose of providing local exchange network capability for high speed data, video, high speed facsimile, CATV and other purposes.

The system's rate application to the Public Utilities Board has proved to be a valuable experience for the system. It resulted in an in-depth review of our operations and it provided us with clear indications of customer concerns and needs. We have carefully analyzed representations at the provincial hearings of the Public Utilities Board in connection with our rate applications. These hearings took place in Dauphin, Brandon and Morden, in November. As a result, we have enhanced our rural multi-party line service improvement program put forth as a primary concern of those appearing in centres outside Winnipeg. This program began in 1964, up to 1974 the average number of customers per rural line was reduced from 8 to 5.5. During that period, capital expenditures under the program totalled some \$20 million. In 1974 the system began a new phase of the program which will bring individual line service to about 13,000 multi-party customers and will upgrade service for the remaining multi-party customers. The objective is to reduce line loadings to a maximum of four customers per multi-party line.

In 1976-77 our plans call for rural multi-party projects providing improved service for about 6,154 customers. We now envision the completion of this program in 1981 rather than the previous plan, 1984. Those appearing at the provincial hearings also supported our activities to provide extended area service. We agree with the need, and have dealt with it in a plan for meaningful exchange boundaries which I briefly reviewed last year. The planning for MED is continuing. This planning includes discussions with municipalities, opinion leaders and public service organizations throughout the province, in an attempt to create the most effective MED plan for Manitobans.

Our programs to meet the demands from rural Manitoba for fewer persons on multi-party lines and for EAS depend to a large extent on the level of the Capital Construction Program. The Capital Construction Program creates an increasing demand for capital monies at a time when the cost of borrowing money has increased substantially. As we have stated to the Public Utilities Board, MTS does not consider that increases in capital programs to meet service needs should result in a light increase in borrowed funds, responsible long-term fiscal planning requires that the base of revenues be adequate to ensure that a realistic proportion of our capital program is funded from resources generated internally. Our proposal to the PUB and the accompanying financial documentation was based on this premise.

We're in the midst of Phase III of our service program for Northern Manitoba. Phase I was to provide all communities of 50 or more persons with long distance service by means of radio telephone equipment. This phase which began in 1948 was completed in 1971. Phase II involves the provision of equipment and material to communities under the telephone assistance program, beginning in 1966. This second phase is virtually complete with assistance having been provided to 33 communities. Phase III began in 1973, will expand an improved communication services for more than 20,000 residents in 45 communities. All of these communities will receive reliable toll telephone service and many will be provided with regular exchange service as well. Phase III is expected to be largely completed in 1977-78 with a few projects to be carried out during the following two years.

(MR. HOLLAND cont'd)

A major current project in the expansion of northern services is the Lake Winnipeg Microwave Network now under construction. It will connect Winnipeg and Gillam by means of a chain of 19 microwave radio repeaters mostly located on the east side of Lake Winnipeg. This network will be the third microwave system connecting northern and southern Manitoba. It is the second system in which we are associated with our sister utility, Manitoba Hydro.

Another Microwave route now virtually complete will connect Radisson, near Gillam, with Churchill, providing modern high quality voice and data circuits and a television channel to Churchill. Establishment of microwave relay systems for toll telephone service to remote areas and the extensive co-operation of CBC and CTV networks is making it possible for radio and live television programming to be provided to many northern communities. Within the next few years it is expected that 99.9 percent of Manitobans will be able to receive at least one television channel and the majority will receive both CBC and CTV coverage.

As part of its extended service to Northern Manitoba, the system recently expanded its mobile radio telephone service to many areas along heavily travelled northern highways. Mobile telephone facilities for land motor vehicles, boats, and if required for fixed positions, supplement our rapidly growing microwave and land telephone networks in Northern Manitoba. Our projects to bring modern telecommunication services to Northern Manitoba are receiving strong support from all northern residents.

In conclusion, Mr. Chairman, may I emphasize that the progress which the system is making in many areas would not be possible without the strong motivation and the high level of performance of our employees. I hope that the staff of the system continues to merit the support of this committee in its efforts to provide a very effective service at reasonable costs.

MR. CHAIRMAN: Thank you, Mr. Holland. Possibly before we go into page by page review of the Annual Report, we can have general questions on the statement made so far. Mr. Blake.

MR. BLAKE: Thank you, Mr. Chairman. Mr. Holland's probably answered the question I had. It was to do with an announcement made by the First Minister this morning, I'm not aware of what was in it. I've been informed it was to do with Northern Communications and mentioned telephone and hydro. Was this the announcement that you were referring to just in the last few minutes of your statement?

MR. HOLLAND: I believe that would be the announcement.

MR. BLAKE: And you've elaborated on it as much, I suppose, as would be in the announcement. Was there anything else in the announcement that you're aware of cost-wise or . . .

MR. HOLLAND: Yes. I'll cover the . . .

MR. BLAKE: On the radio announcement there was a map?

MR. TURNBULL: No, the telephone system . . .

MR. CHAIRMAN: Mr. Turnbull.

MR. TURNBULL: Maybe the General Manager could provide a copy of the telephone system release which has an accompanying map and that would answer any questions about the route.

MR. HOLLAND: Would you like it read, Mr. Chairman?

MR. CHAIRMAN: Yes, if you would.

MR. BLAKE: Yes, fine, Mr. Chairman. That would be acceptable.

MR. HOLLAND: Manitoba Telephone System and Manitoba Hydro will share a second microwave link to northern communities by late 1977. The new 12.8 million facility now under construction will connect Winnipeg and Gillam via a chain of 19 microwave radio repeaters mostly located in the area east of Lake Winnipeg.

In the joint statement the utilities said a shared system will fully satisfy their requirements and significantly reduce overall costs. In addition to the economic benefit of a single system unnecessary duplication of facilities is avoided. While the new system will be owned and operated by MTS, Hydro will contribute to the operating costs. The system, similar to an earlier one through the Interlake region, will provide improved long distance telephone service to a number of Northern Manitoba communities: Berens River,

(MR. HOLLAND cont'd) Jackhead, Bloodvein, Princess Harbour, Matheson Island, Pine Dock, Little Grand Rapids, Pungassie(?), Poplar River, Big Black River, Ste. Theresa Point, Gardenhill, Wasagamow, Red Sucker Lake, God's Lake Narrows, God's River and Oxford House. Residents in five of these locations, Jackhead, Little Grand Rapids, Wasagamow, God's Lake Narrows and Oxford House will also benefit from live CBC television reception and higher quality radio reception.

In addition the microwave network will permit increased calling capacity in other communities as well as future growth requirements from the north to southern Manitoba. Seven repeater sites will draw power from new diesel generators while the remainder will be fed from existing Manitoba Hydro facilities. In particular, the two most northerly stations will be served via a new distribution line from Iford. Residents of that community have a \$103,000 contract with Hydro to clear some 225 acres of brush and timber for construction of this power line from Iford.

For Manitoba Hydro the microwave link will provide a backup for the control signals originating from the Nelson River Power projects and a higher degree of reliability for telemetry and voice communications. Major construction on the new microwave route is expected to begin next winter when northern winter roads are available. And there is a map showing the route.

MR. CHAIRMAN: The accompanying map would indicate the location of the stations. Mr. Blake.

MR. BLAKE: Well, Mr. Chairman, there may be some more questions on that announcement but just while we're on the opening statement, Mr. Holland mentioned the expansion of regional lines. One of the concerns in my constituency of course is the extension of rural phone areas. He mentioned that this would be reduced to four customers on multi-purpose lines by 1981. This is advancing your previous predictions by what? About three years?

MR. HOLLAND: From 1984, was the previous plan.

MR. BLAKE: It was mentioned I think last year, some of the programs, and I think one in my particular area was programmed for 1977. There's every reason to believe that that could be maybe started this year then for some of the people. Would that be reasonable to assume?

MR. HOLLAND: That would be in the Mimedosa . . .

MR. BLAKE: Yes. I'm thinking more Oak River-Cardale area. There's one area that has been promised some relief on some of the lines.

MR. HOLLAND: Perhaps Mr. Delgatty can check and see if he has that. I would underline, Mr. Chairman, it's a maximum of four per line which is quite a different thing than an average of 5.5 that we have at the moment.

MR. BLAKE: Yes, I think they're as high as ten on some of them in there. When you don't have a phone I suppose that's not bad. I have the other problem, there's a chap that can't get a phone until the weather clears up and that's another matter.

MR. CHAIRMAN: While Mr. Delgatty is getting the . . .

MR. BLAKE: I didn't want to get off the original statement. There may be other questions on the initial statement, Mr. Chairman, so I'll get on to that later.

MR. CHAIRMAN: Fine. Mr. Craik.

MR. CRAIK: Thank you, Mr. Chairman. Mr. Holland, you made reference to the Manitoba Data Service being operated by the Manitoba Telephone System. Is there any particular reason why the Manitoba Telephone System would be taking over this particular operation of government?

MR. HOLLAND: Mr. Chairman, I hope that MTS, as an existing resource, commended itself to the government as opposed to starting an entirely new entity. The other factor is that MTS is vitally interested in data communications offerings, particularly in concert with the participants of Trans-Canada Telephone System. It is a very high growth area. One of the problems is that the national systems are justified only in Winnipeg and recently in Brandon. One of our ambitions is to offer reliable data communication services throughout the province. I think there is a natural affinity between the processing and communications. So much of data processing today is being done remotely.

MR. CRAIK: You say data - you're interested in providing data processing communications throughout the province. Do you also mean that you're interested in providing data processing for customers throughout the province?

MR. HOLLAND: We are interested, Mr. Chairman, in developing a sufficient economic base that we can justify extending reliable data communication services beyond Winnipeg and Brandon. We think that this is one way that that could be promoted.

MR. CRAIK: Do you mean to the general market or for government purposes? What customers do you service at the present time?

MR. HOLLAND: At the present time - and MTS commenced this operation in September of 1975 - we are offering services primarily to government and its agencies. That is the rationalization process that was handed to MTS. So there has been a substantial conversion to the MDS centre. We do and will offer the service to the private sector as well.

MR. CRAIK: You will be offering it to the private sector as well and presumably in addition to providing the communications you'll be in competition with those private services or companies that are presently in the computer business.

MR. HOLLAND: I think that could be qualified somewhat, Mr. Chairman. There are no large computer utilities in Manitoba serving all comers. Generally speaking that service is provided through Data Communications to Calgary, Toronto, Ottawa. We have co-operated with the Service Bureaus locally and they have indicated an interest in using this very sophisticated facility, retailing it on to their customers.

MR. CRAIK: There are companies now though that provide service in the province through the Telephone System for doing computer work, year-end statements, month-end statements, and all sorts of general business requirements . . .

MR. HOLLAND: Yes.

MR. CRAIK: . . . that can be handled by computer. Have you done a feasibility study or do you know what areas you're going to offer services in through your system?

MR. HOLLAND: Mr. Chairman, I would have to say that there have been feasibility studies and some research done. We will be going into that in depth about April, at the start of our new year. Prior to that they were largely broad brush studies but this will be more of a detailed market research.

MR. CRAIK: Well, in taking over the Manitoba Data Services or establishing it, do you have a particular battle plan in mind for offering - I would assume you would in making that size of a decision - a \$4 million operation before you took it over. You must have some sort of battle plan in mind of what you intend to do with an offering such as that.

MR. HOLLAND: Yes, Mr. Chairman. I suppose the battle plan goes roughly like this, that Phase One will be to meet the mandate of rationalization of services. That is to wherever it's economically feasible, use the facilities in this centre and that will take likely two years to complete.

MR. CRAIK: How does Phoenix Data fit into this total picture?

MR. HOLLAND: Phoenix Data is a separate corporation.

MR. CRAIK: Will you be offering services of the same type that Phoenix Data now offer? Will you be in the future offering those types of services?

MR. HOLLAND: I think it's possible that we will be offering similar services. The characteristics of the two companies are different by reason of their capacity and equipment and standards and systems and so on.

MR. CRAIK: Mr. Chairman, you indicated that you took it over and your first and prime responsibility is to rationalize the services that are related to government primarily. But you do intend to go into the private sector to look for further business that will tie in with your telephone system?

MR. HOLLAND: Yes.

MR. CRAIK: Presumably this means that you're then going to be in competition with Phoenix Data and all the other private companies if you so desire.

MR. HOLLAND: Well, Mr. Chairman, we're in competition with CN-CP and others in data communications and we're in competition in many areas and we will be competing with the large private utilities based out of province.

MR. CRAIK: Large private utilities - utilities that are offering computer services as opposed to communication services.

MR. HOLLAND: Yes.

MR. CRAIK: You're in competition with CN-CP on communications now but I'm

(MR. CRAIK cont'd) referring specifically to competition in the field of computer services. At the present time you are rationalizing government requirements for computer. Step 2 or a subsequent step is to go into the private sector to then look for business in the private sector, presumably mainly in the computer field as opposed to the communications field.

MR. HOLLAND: I mentioned earlier, Mr. Chairman, that one of our objectives at MTS would be to develop an economic base such that we could justify reliable data communication services throughout the province. Therefore we will be looking for all types of computer processing services which need particularly data communication services, so that we can offer good service in Portage and Thompson and Dauphin and Swan River.

MR. CRAIK: In processing. In computer work.

MR. HOLLAND: Yes. Offering those communities the full advantage of low cost computer processing services because of the existence of good data communication services.

MR. CRAIK: Isn't there two different parts to this? One is the utility that offers a communication service in the province. The second is a computer business which processes data for any number of different types of customers all the way from their monthly books through to their mathematical equations at Bristol Aircraft, for instance, it's quite a wide spectrum. But aren't those two different things? One's communications and the other is data processing or computer calculating?

MR. HOLLAND: They're distinct services, Mr. Chairman, but they are also very overlapping services because of the great tendency for remote access to computers and remote processing. The great trend is to very high powered computer processing centres which are accessible from all points in the city and elsewhere. So there's a distinct overlapping between the two areas.

MR. CRAIK: What sort of data processing work or computer calculating work will you typically be involving yourself in, apart from what you do for government? What sort of things would you do?

MR. HOLLAND: A great many companies with their own computer today, Mr. Chairman, are finding that it is not advisable for them to upgrade when that time comes, but rather that there is a distinct advantage in being able to rent portions of this high-powered service. We're hoping that that kind of customer will come our way. We're hoping as well that we'll commend ourselves to the service bureaus who are serving a multitude of customers, providing them with software and packages and so on. And that the small service bureaus in Manitoba will use this processing service. Those would be typical areas I think, that we'd be interested in.

MR. CRAIK: I'm not clear what you mean by a service bureau.

MR. HOLLAND: There are a number of computer service bureaus in Manitoba who have a variety of clients and who offer them systems' design and programming, software services, and frequently computer services through their own computer or through rented services. Again because of the great variety of services that we can offer we hope that those service bureaus will be interested in using our centre.

MR. CRAIK: So these service bureaus would essentially be people that are also in the computer business then that are presently offering programming facilities and so on for customers, to set up their system for them and they would end up using your hardware.

MR. HOLLAND: Yes.

MR. CRAIK: Would you also be planning to provide people in the programming area?

MR. HOLLAND: Normally our clients have their own systems' analysts and programmers and we encourage that if their volume of business justifies it. We also have a group of very experienced people who are available to clients who don't have their own resource and their services are rented to our clients.

MR. CRAIK: Do you have an estimated budget for this operation for this year, this group that you've taken over from the government?

MR. HOLLAND: Expenditure budget or projected revenues or both? My recollection - and I must qualify this by saying that my board has not approved the operating program for 1976-77, we'll be doing that in April - my recollection is that revenues are projected at somewhere between nine and ten million dollars.

MR. CRAIK: Do you know what portion of that will come from the Provincial Government?

MR. HOLLAND: The great majority of it at this stage, from the Provincial Government and its agencies.

MR. CRAIK: The last indication of the Provincial Budget was, for Estimates, \$4 million which was last year. Would this be essentially the same this year, then?

MR. HOLLAND: Those would be the estimates for the government computer centre?

MR. CRAIK: Yes.

MR. HOLLAND: Well since it's been moved to MTS there has been a large transfer of business to MDS. Hydro applications and MTS applications. We are phasing out our own computer rapidly. As part of this rationalization process there has been a major shift of business to the centre.

MR. CRAIK: Would the amount that you would collect from the Provincial Government be, as indicated in the former budget of the province, \$4 million, somewhere in there?

MR. HOLLAND: The amount that we collect would be similar for the same profile of service. The profile of service has been altered I believe since the Computer Centre budget was shown.

MR. CRAIK: Is Manitoba Data Centre going to pay its own way or are you going to have to subsidize it from MTS?

MR. HOLLAND: Our projection is that there will be a loss period for up to three years and then it will be profitable after that stage.

MR. CRAIK: Will the services to the Provincial Government be on a basis that makes the Data Centre self-sufficient? Is the government going to be charged out at a rate equivalent to what you would pay or Hydro would pay?

MR. HOLLAND: There will be a standard rate to all of our clients. The rate will be designed to be highly competitive and it will produce over a period a self-sustaining situation.

MR. CRAIK: I notice in your comments that you made reference to the fact that your application to the Public Utilities Board for your rate structure, I think you referred to it as a good experience. Do you imply by this that going to a third party for the hearings that you've held throughout the province in establishing your new rate structure has been one that has been helpful to the Telephone System in setting its rate structures?

MR. HOLLAND: Well, Mr. Chairman, we obviously have no option. It is a provision of legislation that we appear before the Public Utilities Board. I made reference there to the fact that the public hearings had been extremely beneficial to us in gauging the calibre of our services and our customer views that we had capitalized on that and they have been very helpful to us. That despite the fact that the process is exhaustive and exhausting. It's a very detailed review.

MR. CRAIK: I wonder, Mr. Holland, can you indicate has the Telephone System requested to the Provincial Government that it not have to appear before the Public Utilities Board in future?

MR. HOLLAND: No, Mr. Chairman. That would be a matter of policy of the government and the Legislature.

MR. CRAIK: The present speculation on this matter hasn't at least resulted from any desire on the part of the Telephone System to avoid appearing before a Public Utilities Board committee?

MR. HOLLAND: We have never proposed anything in that regard.

MR. CRAIK: That's all I have for the moment.

MR. CHAIRMAN: Mr. Graham.

MR. GRAHAM: Thank you, Mr. Chairman. Mr. Holland, in the establishing of your Computer Centre, will the equipment that you'll be using, will you be purchasing it outright or will you be renting it?

MR. HOLLAND: We have purchased all equipment that was owned by the province and we have assumed responsibility for all leases that were outstanding at the point of take-over.

MR. GRAHAM: Have you established in your own mind a long term program on the advisability of rental versus purchase?

MR. HOLLAND: Mr. Chairman, I would say that that is analysed very carefully each time the situation arises. Recently I can report that there was a detailed analysis done for an upgrade and the decision was made to purchase. But that has to do with volumes and pace at which the technology is changing and many many factors.

MR. GRAHAM: At the present time what do you consider the lifetime life of a computer to be, to remain consistent with its usage?

MR. HOLLAND: We have adopted the practice of depreciating over a six-year period. We feel that the technology is changing at roughly that pace and that that will enable us to take advantage of the best equipment as it becomes available.

MR. GRAHAM: When you say a six-year period is that a time frame that is consistent with the views of others in the computer business?

MR. HOLLAND: It is the usual depreciation period in the computer utility field.

MR. GRAHAM: I was under the impression that it was closer to a three to four-year period.

MR. HOLLAND: My best advice from our accountants is that six is a very usual period.

MR. GRAHAM: In your Annual Statement you made reference - and I want to get away from the computer thing for a minute now - you made reference to interest in Extended Area Service. You have also made reference to the Watt System and the fact that it is available to some people in the province now. Can you explain to me and to members of the committee the differences between Extended Area Service program and the Watts program?

MR. HOLLAND: Just before I ask Mr. Backhouse to deal with the Watts and In-watts Service. Last year we reported that there were over 200 exchanges at the moment and that we were planning for a more rational delineation of exchanges based on the assurance that each telephone subscriber would have reasonable access to basic services in his area. That process is continuing. In the meantime we have placed the highest priority on the extension of individual line service and the reduction of party line to a maximum of four. So our priorities for the coming year have gone to that area. Perhaps Mr. Backhouse would like to explain the Watts and . . .

MR. CHAIRMAN: Mr. Backhouse, you can sit down right here and answer those questions.

MR. BACKHOUSE: Mr. Chairman, in general EAS or MEB plans are applicable to the exchange as a whole whereas Watt service is a service that can be provided on an individual line basis to an individual customer. That's the principal difference. Watt service can be offered as either an incoming Watt service or an outgoing Watt service. The greatest development we have is with the outgoing Watt service and the basis of that service is that somebody subscribing to it rents a special line at a regular monthly rental that permits him to call, on an unlimited basis, over that one line for the area to which he subscribed. When I speak about the area to which he subscribed, we think in terms of seven zones ranging from zone one to zone seven. Zone one covers all of Manitoba, zone seven covers all of Canada. That I think is the principal difference between the two concepts.

MR. CHAIRMAN: Mr. Graham.

MR. GRAHAM: Has there been any concerted information process carried out to apprise users of telephone of the various systems and an explanation of them?

MR. BACKHOUSE: Well I think there were programs carried out on a fairly extensive basis two years ago to seek opinions and information with respect to the general question of EAS or MEB as we now refer to it. Watt service is a service which the System advertises. I should point out that in order to provide Watt service one has to be served from an exchange which has full DDD service.

MR. GRAHAM: At the present time what are your plans or how long will it be before we get complete DDD in the province.

MR. CHAIRMAN: Gentlemen, I don't wish to interrupt but we're told that we should evacuate the building apparently by within 15 minutes. I don't know what the situation is but that is what . . . somebody gave instructions.

Well, let's proceed. Mr. Graham are you finished? Mr. Wilson.

MR. WILSON: Well basically I had a number of my questions answered but I

(MR. WILSON cont'd) couldn't help but be disturbed about this Manitoba Data Services and then, of course, with the note about the bomb it made my stomach really upset. I couldn't help but feel - maybe the Minister should be answering this or Mr. Holland - it seemed to me predicting a three-year loss combined with the purchase price of this computer and if some of the equipment that they have on lease is obsolete because of changing technology or because of poor evaluation on behalf of the government for purchasing this equipment that was obsolete, and also by phasing out your own computer and by phasing out other computers and possibly taking over the Phoenix System, I'm wondering if this type of outlay is not really asking the people who pay for the phone bills - are they not really being subjected to a phone rate increase because of the fact that you've taken over this Data Services.

MR. CHAIRMAN: I suggest this is the instruction for us to leave. I think you have to obey the rules. The Committee is recessed.

MR. CRAIK: Another question, Mr. Chairman. I wanted to ask Mr. Holland about the rate increases that were brought in this year which are probably the largest rate increases that have happened to the Telephone System. I suppose the basic question is why are we getting such a large increase in rates when we've gone along on a fairly steady basis for quite some time, that it should hit this year?

MR. HOLLAND: I think, Mr. Chairman, that it became quite obvious in the fiscal year ending March 31st, 1975, that there had been the turn-around. We were then experiencing several months of expenditure increases substantially over our revenue increases. This was the - Mr. Craik is quite right - the first increase since 1955.

The answers to that are, we think, well documented in our application. It is the rising cost of money, and being a capital intensive industry we require large amounts of capital; rising costs of labour, supplies, really every area. So I think that we were caught up in the same economic momentum as most other large businesses.

MR. CRAIK: You say that it's largely because you're a capital intensive industry. It seems that you really, in comparison to say for instance Hydro, you're pretty low as far as being capital intensive is concerned. In other words the borrowing approvals that are put through by government, Hydro always exceeds telephone by a multiple of five to ten or fifteen in the size of the borrowings that go on.

MR. HOLLAND: It's my understanding, Mr. Chairman, that they are having to adjust their rate as well.

MR. CRAIK: Yes. But I suppose as you say you have to go into your application to the Public Utilities Board to get a full explanation of your increases in rates. What now are your projections? What are we going to be faced with in the next year or two?

MR. HOLLAND: Mr. Chairman, just illustrating, our depreciation expense was \$12,856,000 in 1970 and \$22,016,000 in 1975. Debt charges were \$11,327,000 in 1970 and 1975, \$19,659,000 which does give an indication of the capital load that the system bears.

The projections to the Utility Board were on a three-year cyclical basis so the rates are designed to carry us through the year ending tomorrow, next year and the year after. That is based, of course, on the assumption that our projections of revenues and expenses and so on are accurate.

MR. CRAIK: So they're stable for this year and the year following.

MR. HOLLAND: For the fiscal year ending tomorrow and for next year and the year after. We have forecast a rate structure such that . . .

MR. CRAIK: So it takes you into March 31st, 1978, then.

MR. HOLLAND: Yes.

MR. CRAIK: Do you predict from this rate structure that has now been approved that you're going to be in a profit position? You indicated earlier that this coming year at least, your present Annual Report, you're looking at a profit or a surplus. Is the present approved rate structure then designed as approved to carry you through until then in a profit position or will you be . . .

MR. HOLLAND: The interim rate that was approved and effective on November 5th of last year plus the effects of the mail strike will produce net income in excess of \$3 million for the year ending tomorrow. We're awaiting the final decision of the Utilities Board as to the final rate structure. The fiscal plan is that there should be a much

(MR. HOLLAND cont'd) larger net income next year and then a much reduced in the following year. But over the three-year cycle if it is to carry on.

MR. CRAIK: From your comments then, can you predict into the future that far on a pretty sound basis or is it on the basis that as you indicate, that your costs are influenced very heavily by your capital borrowing? Is that the major thing you have to consider when you predict your costs and your revenues over the next two years or are there other factors that are more important?

MR. HOLLAND: I would say that MTS has quite a good record of predicting volumes of usage and hence revenues. Matters such as the cost of money, the cost of all of our supplies and equipment, is extremely difficult. We're subject to that. I think as I say we can forecast our rate of growth and reproduce our revenue prospects fairly accurately. But we're in the same position as any other large business in the capital side of it in our equipment acquisitions, labour negotiations.

MR. CRAIK: I want to come back to an earlier question on the Manitoba Data Services. You indicated that you would have a complete study some time in April indicating what your plans would be and, I presume, a pro forma statement of operations. You indicate that you're probably going to lose money for the first three years of operation. If it is possible I wonder if copies of that study could be made available to the members of the Legislature. If you can make it available that's the easiest way to do it. If you're not empowered to do that we'll have to put in an Order for Return in order to get it.

MR. HOLLAND: It certainly would be available to our Minister and it would be his . . .

MR. CRAIK: This will be a formal report giving projections for Manitoba Data Centre I presume.

MR. HOLLAND: Right.

MR. CHAIRMAN: Mr. Turnbull.

MR. TURNBULL: Mr. Chairman, assuming that Mr. Craik is talking about the Annual Report which may contain some forecasts or are you talking about a detailed internal working paper?

MR. CRAIK: I gather it's a pro forma statement for the operations of the computer centre, Manitoba Data Services, that was being referred to earlier in the earlier questioning.

MR. TURNBULL: Well, there will be an Annual Report eventually and that certainly will be tabled.

MR. CRAIK: Yes, but that'll be for the year ending sometime back.

MR. TURNBULL: Well, I'd have to see the report and, you know, I think that there is - rather than asking the General Manager here - there is a process by which you can get reports.

MR. CRAIK: Is there an Annual Report due for Manitoba Data Services?

MR. TURNBULL: Well, there will be at the end of their fiscal year. I think that was anticipated. Is that right, Mr. Holland?

MR. HOLLAND: Yes, Mr. Chairman. The Minister gave an undertaking when MDS was established that there would be entirely separate accounting and separate statements will be filed with the Public Utilities Board and the Legislature as required under our Act. So there will be separate statements for Manitoba Data Services.

MR. CRAIK: When is the year end?

MR. HOLLAND: Well the first period will be September through tomorrow. The first six months has obviously been an organizational stage and we've gone through this rationalization process. The first statements will be produced for March 31, 1976.

MR. CRAIK: Then we won't get the report till next Session. We won't have a chance to have a look at it in committee until next Session.

MR. TURNBULL: Well I wouldn't anticipate that we would have the Annual Report for this Session. I mean the one we're looking at now for example of MTS is for the year 1974-75. That would be the normal process.

MR. CRAIK: Well, the problem is, Mr. Chairman, if we can just dwell on this for a minute. We're always dealing with something in committee that's usually at least a year and a half old. At this sitting here today we're dealing with a report that is a year old tomorrow. What I'm interested in getting is information that provides us with

(MR. CRAIK cont'd) some sort of background to a fairly new project by the government which is Manitoba Data Services.

If we can get your feasibility study on it, that's more valuable to us than an Annual Report which comes out a year later.

MR. TURNBULL: Well I can certainly take that under advisement and see what reports we've got and what can be made available and what can be compiled.

MR. CRAIK: Well, Mr. Chairman, just to finalize it then. We'll file an Order for Return on it.

MR. TURNBULL: Thank you.

MR. CHAIRMAN: Mr. Brown.

MR. BROWN: I thank you, Mr. Chairman. One of the complaints that I constantly receive from my constituents is that we need larger toll free areas. The area I represent is the most densely populated area in rural Manitoba and that's the Winkler, Plum Coulee, Altona area - Morden. The towns are approximately seven miles apart and yet each town has its own exchange. When people see that more than half of the population of Manitoba can phone toll free, they have a large area in which they can phone toll free, they are wondering when we're going to get larger toll free areas. So I am wondering whether the Chairman could give us some indication whether the Manitoba Telephone System is moving in that direction.

MR. CHAIRMAN: Mr. Holland.

MR. HOLLAND: Mr. Chairman, we have mentioned our Meaningful Exchange Boundary Program which we are pursuing. There are two very important considerations here. One is that we have given high priority to reducing the multi-party lines and extending individual line service to smaller centres in the province as a first priority.

The second one is that under the Meaningful Exchange Boundary Program we will proceed as capital is available to MTS and we will try and prioritize that, selecting those areas which have the greatest need for it. Those will be communities that do have to use toll services to reach their doctor, the veterinarian, the kids at school, and so on. That likely would mean that centres like Winkler and Morden, which are quite self-sufficient at the moment, will be in low priority in that criteria.

The considerations for MTS are twofold. One is that it takes a considerable amount of capital to reconfigure the exchanges. There's a major investment. The second factor, of course, is that we lose the revenue which has to be found elsewhere. Does that adequately answer . . . ?

MR. CHAIRMAN: Mr. Jorgenson.

MR. JORGENSON: Mr. Chairman, in your statement you noted that the anticipated revenue for this current year, that which will be ending next year, your revenue would be \$3 million. You also made mention of the fact that part of that was because of the postal strike. I wonder if you could estimate how much of that is because of the strike.

MR. HOLLAND: That really would be a guesstimate, Mr. Chairman. But the figure I've heard around the office is a million dollars. Mr. Backhouse, do you wish to qualify that?

MR. BACKHOUSE: Mr. Chairman, no. That's as close as I could deal with it.

MR. JORGENSON: So that the anticipated \$3 million increase would not entirely be as a result of the postal strike then, about one-third of it.

MR. HOLLAND: Oh, yes. Our interim rate increase went in in November of 1975 and we had the benefit of that for five months.

MR. JORGENSON: So that interim rate increase would only generate about \$2 million extra.

MR. HOLLAND: The way it came out, yes.

MR. JORGENSON: One other point, and this is somewhat of a mundane thing, but it is of concern to people in rural areas again. That is the manner in which service is provided. There is another well known public utility in the Province of Manitoba that seems to have the ability to respond very quickly to calls for service. Granted the nature of the service is somewhat different. One is a lot more critical than the other. But is there any good reason why your local telephone repairmen cannot respond to calls for service and installation and things like that without having to go through head office?

(MR. JORGENSEN cont'd) It seems to me that most of them that you have in those areas are perfectly competent to do the kind of responding that most people require without having to go through a head office.

MR. HOLLAND: Mr. Chairman, for clarification, is it resulting in a poorer service or is it the principle of calling head office that . . .

MR. JORGENSEN: The principle of calling head office. The service is not bad once a contact is made. But it would be much easier to just simply make direct contact with the local representative from the Manitoba Telephone System right in the area as we do with the other utility. As a starter maybe you could explain just what authority he does have. My observations are he doesn't have a great deal without going through some kind of a head office.

MR. HOLLAND: Mr. Chairman, maybe I could say first of all that Mr. Jorgenson makes a very good point. We notice a tendency for service levels and satisfaction to be higher if the people are located in the region they're serving and so on. We have a good deal of delegation for instance at Thompson and at Brandon. We have looked at Mr. Jorgenson's area of the province and have considered some decentralization in that area. Capital constraints have not permitted that to this point. The call for service sets off a whole sequence of events, that can be planning the workload X days ahead and allocating workloads, updating our billing and assignment records. Much of that can be done probably more efficiently in a large central office. Mr. Cavers may want to comment on that.

MR. CHAIRMAN: Mr. Cavers, would you care to come forward here and take the mike.

MR. CAVERS: Mr. Chairman, I'm not quite sure what Mr. Jorgenson, what area he is referring to. In general our clearing times on repair are generally pretty good in every area whether it be in Winnipeg or in the province. I assume that he is speaking of clearing times on trouble. Our installation times, generally speaking, are in the order of two days up to four days on installation orders which are generally as good if not better in the industry. The interval can vary depending upon work load. I'm not sure if that is the area which the member is referring to. As far as centralization is concerned it is in administrating a workload much more advantageous to have a centralized dispatch and repair centre. Not only because we know where the people are, but if that man is overloaded we can always call in somebody else from another area to give him assistance. So we have a pretty good track of where and what the individual craft person is doing on a day-to-day basis.

MR. JORGENSEN: Advantageous I presume from the management point of view. How advantageous is it from the customer point of view? This is my main area of concern. It seems to me that the kind of delays that occur in repairs - and it happened to me just not too long ago and it was several days before phone service was restored. Actually the problem was a very minor one that could have been corrected very quickly had I just been able to call the telephone repairman and he had the authority on his own to come over and repair it. I would think that a certain amount of decentralization, at least a certain amount of authority in repairing should be left in the hands of the local MTS representative. Beyond a certain stage I suppose it may be advantageous to have it more centralized. But it does seem to me that in the area of repairing at least, where telephone service has been knocked out for one reason or another, that a call to the local representative would be a lot better than going through the chain of command that exists within the bureaucracy of the telephone system at the present time.

MR. CAVERS: Well I'm sure if anyone contacted our repairman in an area directly, he would do all he could to make those repairs even if he had to notify his dispatcher when he was going out to make those repairs.

MR. JORGENSEN: I wonder then if you could just give me some idea just what authority he does have. What repairs is he authorized to make on his own?

MR. CAVERS: Well he will use a judgment factor in a lot of cases himself I would think, depending upon what he prioritizes himself. One thing about that is that if it's left altogether to the man's judgment he may favour one customer more than another. We feel that the customers are all being treated equally in the area.

MR. JORGENSEN: Well I don't agree with your priority in that respect, but

(MR. JORGENSEN cont'd) you're running the telephone system, not me, I'm just raising the complaint.

MR. CHAIRMAN: Mr. Johannson.

MR. JOHANNSON: Yes. Mr. Holland, could you give me the basic rates that are now charged in every province in the country? In other words, I would like to see how the basic MTS rate compares with the rest of the country.

MR. HOLLAND: Mr. Backhouse, do you have those available?

MR. CHAIRMAN: That question, Mr. Johannson, I don't know unless the . . .

MR. WILSON: It is a loaded one.

MR. CHAIRMAN: Mr. Wilson, I don't think that it is a loaded question but the question will require considerable detail if it is available.

MR. JOHANNSON: Mr. Chairman, I believe I am asking the questions.

MR. CHAIRMAN: Proceed. Mr. Backhouse, do you have those figures?

MR. BACKHOUSE: Mr. Chairman, I think the question was could we give comparable rates all across the country? Could I perhaps suggest that I could pick selected spots which might maybe answer the question. Was there a specific size of community? Because the rates in the communities do vary with the size of the exchange.

MR. JOHANNSON: Well can you give sample rates?

MR. BLAKE: Mr. Chairman, possibly we could have that schedule of rates brought to the committee and that might avoid considerable lengthy discussion in bringing the rates to us.

MR. BACKHOUSE: That could be done.

MR. JOHANNSON: That is quite acceptable to me. Just as long as I can get the

. . .

MR. CHAIRMAN: Okay. We will ask Mr. Backhouse or the Chairman of the Manitoba Telephone System to provide us with the comparison rates of telephones in the various communities of varying sizes. Thank you.

Mr. Johannson, are you finished with your question?

MR. HENDERSON: Yes I would like to ask Mr. Holland about some of these questions that have been asked by the Member from Morris and the Member from Rhineland. He was referring to Extended Area Services. You referred to Morden and Winkler but we really weren't referring to the Town of Morden itself or the Town of Winkler. We were referring to the outlying small towns like Roland, Rosebank and Darlingford, these little areas where they have maybe 60 or 70, or even Winkler or Morden has a chance of having 2,000 or 3,000 maybe on there. But we are talking about places like Roland, places like Miami and places like Snowflake that just have a very small exchange and have to phone long distance all the time. We want to bring them into the larger areas in that area. It has been talked about for years, and I even understood that at one time you had studies done, but we've never got anything further on it. That's one of my questions. Now I'm referring to the little towns on the outside of, we'll say growth centres.

MR. CHAIRMAN: Mr. Turnbull.

MR. TURNBULL: Well, Mr. Chairman, in Capital Supply last Session, I think a statement was made to the effect that there's \$13.1 million set aside for this program over a period of time, and you know, the system will be scheduling, as I'm sure the General Manager will indicate various areas that will get extended exchange areas. But you know that information has been given to the Legislature during Capital Supply.

MR. HENDERSON: Yes, but while we hear you say that it takes more capital and all this, we know that you are going into putting in a Data Centre and all . . . maybe now looking at it from a professional point of view this is a good move for you people, but it is very hard to justify out in the rural areas where you have these little wee hamlets on the outside of a growth center, and it really is a problem for them.

MR. CHAIRMAN: Mr. Holland.

MR. HOLLAND: Mr. Chairman, I can only say again that our immediate program, and it has been increased, is to extend the individual line offerings and to reduce the multi-party line loadings. That is our high priority program. That will mean at least that the customers can reach wherever they want to get.

MR. HENDERSON: But have a long distance call every time?

MR. HOLLAND: Yes. The second problem is the toll areas, the description of the toll areas and we do have a program known as Meaningful Exchange Boundaries which we are starting to take out and discuss with local communities to see which areas fit, have a natural trading and social affinity and so on, trying to hand-fit that to Manitoba custom and practice. That program will proceed as our capital becomes available to implement it.

MR. CHAIRMAN: Mr. Henderson.

MR. HENDERSON: Have you been out to any areas yet to discuss this program?

MR. HOLLAND: My recollection is that there have been a great many meetings on this topic with municipal officials and so on. I have attended a couple in the last four months.

MR. CHAIRMAN: Mr. Backhouse.

MR. BACKHOUSE: Mr. Chairman, my understanding of that is that approximately two years ago when we were examining this question we did have quite an extended series of meetings with interested people in the communities concerned, and one of the things that was made very apparent at those meetings was the fact that while broader pre-calling service was desirable, it had a lower priority that the multi-party rural line problem where customers were concerned that they were having difficulty being able to get on the phone now and that if further extended area service was provided without an accompanying reduction in rural line loading, that the service would be even less available than it is at the present time. That was one of the major considerations that resulted from the discussions that we had with community people about that program.

MR. HENDERSON: Yes, but what Mr. Holland said was that there was meetings going on in connection with bringing small hamlets into larger ones so as they wouldn't be paying the toll fee. Isn't that what you were referring to? About Snowflake in particular.

MR. CHAIRMAN: Mr. Holland.

MR. HOLLAND: I think I indicated, Mr. Chairman, that there have been discussions and questions, these are on-going usually with municipal officials, involving them in this planning.

MR. HENDERSON: I know this is really a problem when you have too many on one line, you will always have problems there as long as you have even three people on one line while some people talk as long as they do, so even cutting it down if you get some steady gossipers on there you will never get rid of it completely.

And the other point I would like to comment on is that your centralization, as you call it, I don't think it has been a good thing for the rural area at all. From an administration point of view I think maybe it has. I know a telephone man can be going out to fix a telephone, if he gets a call from your area, from your office, he's got to go someplace else, he can drive by that place four times in the next week and unless he is told by head office to go there he can't call again, because he is not told. He does what he's told each day, he has his program mapped out for him, and he may have to go as far as 20 miles one way and 20 miles another, they don't leave him the freedom to plan his own days work. Now maybe he thinks he knows better and he will plan it out for him. I don't think you're right, I think you should give your area men more liberty.

And the other thing I was wondering about, is that we hear a lot of talk about unemployment and that. How does your office and your department find it for being able to locate workers to do your work? Have you an employment problem?

MR. HOLLAND: Mr. Chairman, in answer to the first question. We have taken a careful note of those observations and we'll look at our planning on centralization versus decentralization in your area. Employment-wise, I think we can say that we have no difficulties in recruitment at this point at all.

MR. HENDERSON: Okay then, when we have certain people, and I have a few in my area, they have a Versatile Agency, they have a Ford Agency and a couple of other things, and they are on a party line, and they are willing to pay for a separate line but they are told they can't get the help and they can't get the work done. Well what is it then, how come it doesn't get done?

MR. HOLLAND: Well it could be, Mr. Delgatty, a number of reasons, it could be lack of plant facilities to make that offering, that is that it can't be offered until we

(MR. HOLLAND cont'd) have another capital project mounted in that area to expand our facilities.

MR. HENDERSON: I'm talking about somebody that's got such a heavy load, that people can't phone in to get parts, neither can the people that are in there phone out, because they are on party lines. They have a couple of agencies as well as being on a party line; they want a separate line, they're willing to pay for it.

MR. TURNBULL: Where is this, sir?

MR. HENDERSON: Where is it? East of Morden. A place called New Morden, he's got the Versatile, the Ford Agency and right on top of that he's on the boundary between Winkler and Morden.

MR. HOLLAND: What exchange is he in?

MR. HENDERSON: I think it is Morden. I have dealt with the telephone people on this, but they said they can't get the work done. I have another one north of town, where they have an auction mart and they are on a party line. An auction mart, when buyers are phoning in and people are phoning in about what the market is doing, they can't get a single line. I was told they can't get the work done, they haven't got the help. It is either the help or the equipment.

MR. HOLLAND: You mean, we don't have the manpower to do it, is that the reason or?

MR. HENDERSON: I would imagine that's it, that's why I asked about employment. You said then that you didn't have any trouble getting help and here we can't get the work done. So if you can get the help why can't you get the work done?

MR. HOLLAND: May we undertake to look into those situations and provide explanations of what's happened, I'm not familiar with them.

MR. HENDERSON: Well I'll give you the names of the individuals in this particular case, because I know that they are wanting separate lines and they are willing to pay for them and it's just a matter of getting them done.

MR. HOLLAND: If the facilities are available to offer them private lines, individual lines.

MR. HENDERSON: Well I would like a proper explanation of it anyway to see why it isn't done. What is your objective on party line now, for how many people on one party line?

MR. HOLLAND: Our objective is a maximum of four, and we hope to reach that by 1981.

MR. HENDERSON: That's a long time yet. What would you say is the most severe example you have of people on one line?

MR. HOLLAND: I think the most vociferous complaints I have received were reported to have 11 on the line.

MR. HENDERSON: Eleven. Well I can imagine that the people out in the rural areas that are having this problem all right will be wondering why you are putting money into this Data Centre and other things and . . . is the Data Centre necessary in connection with your Head Office work and that, that it is really such an advantage that you go ahead with that when you have so many on lines and people wanting service.

MR. HOLLAND: I think, Mr. Chairman, there is no intention that the Data Service should be subsidized by our usual telephone business. Secondly, they are run administratively quite separate. One of our prime reasons for it was discussed earlier and that is that we hope to provide businesses outside of Winnipeg and Brandon with reliable data communication services which they will almost certainly need in coming years. That is one of our main objectives for affiliating with the computer processing company.

MR. CHAIRMAN: Mr. Wilson.

MR. WILSON: Yes, I wonder if, since we're talking about the Telephone System, I wonder if you could comment, or one of your staff could, on the cost of that garage addition. It seemed to be that as a taxpayer, the Telephone System was one corporation that the employees seemed to have, sort of, an enjoyable surrounding and I wondered if possibly that expenditure was warranted in fact, because the fact that you had a \$110 million in revenues and all of a sudden there's a rent increase and I have to look at the fact that you've built yourself a new parking garage and I've criticized the Minister for Public Works for building one for his employees, and I wondered if you could

(MR. WILSON cont'd) possibly relate the unit cost as per the amount of cars accommodated, maybe comment on the problems of exiting and how do we intend to recover these costs for the taxpayers. Are we going to have the employees pay a proper monthly rate for parking or are they going to be given free parking?

MR. HOLLAND: Mr. Chairman, for quite a number of years MTS rented space across Empress Street at the Polo Park Shopping Centre. It became very clear that that arrangement could not continue. Then there was the problem of having customers and suppliers and employees accommodated on a fairly small plot of land. So the decision was to build the parkade, the employees are charged I believe \$17.50 monthly for the rental space and we intend to keep that related to our costs of maintaining the facility.

MR. WILSON: Well, what would the cost of the garage addition have been? Would somebody know what the total cost of it would have been, an estimated guess?

MR. HOLLAND: Mr. Venables, can you comment on that? Again we have the data, it was supplied to the Public Utilities Board, I believe.

MR. WILSON: All right. Then the other comment is, now that you've increased the rates, these pay phones, will they all have to be replaced? If you're going to have a different coinage, does that mean a capital cost of all brand new machines, are we going to have to put up new phone booths because of . . . What I'm commenting on is now that we've got a rental increase, what about the pay phones? Are they going to have to, because of the increased coinage I imagine there's a lot of different weight between a quarter and a penny and a quarter and a dime, what would happen to the . . . could you give me some idea of how you envision the cost to be and how many phone booths are we going to have to replace and how do we go about replacing them?

MR. HOLLAND: Well, Mr. Chairman, the Public Utilities Board has not approved a change in the coin telephone rate. If they do we will have to modify or replace the telephone sets that are in the pay stations.

MR. WILSON: It seemed to me that there was some study done on the weight and that type of thing and it would I have an estimated thing of about 1,500 phone booths will have to be scrapped in the City of Winnipeg. Would you suggest that this is an exaggeration?

MR. HOLLAND: I don't think we'll scrap the phone booths. We might replace the phones. It may be considered a very good investment at this point. There are new model pay stations in use that are highly damage proof and burglar proof and so on and there's been a good deal of thought given to the wisdom of adopting this new line of pay station.

MR. WILSON: Yes, it would be a chance to upgrade the equipment in conjunction with the new increase if it's granted. The other is I wondered if this computer system that I talked about before we were interrupted, I had suggested that the three years losses that you predicted together with the purchase price from the Manitoba Government - would this not contribute to a phone rate increase as an expenditure of the System? That was basically my thought there.

MR. HOLLAND: Mr. Chairman, it is government policy and has been announced that there will be no subsidy from the telephone business to the computer processing business.

MR. WILSON: Somebody made the comment that the Computer Service was going to be to all of Manitoba. Does this mean that technology will be replacing people throughout the province? If we're talking about a uniform tax bill, a uniform phone bill or whatever to all the little communities, will the people, the clerks that are typing and all that, will they all be replaced? Are we really replacing people with technology? Do you envision this Data Centre as doing all these little jobs?

MR. HOLLAND: Mr. Chairman, that is a very serious social issue, I suppose, the total impact of computer on society. We've observed very closely at MTS the impact of increasing computerization and I think we notice that almost without exception it's the mind-boggling boring jobs, very repetitive tasks that are being eliminated. At least at MTS I think this is the trend. But the facts are that volume of business transactions and complexity and so on really leaves no option.

MR. WILSON: My last question is one of security. What security do you offer to the citizens of Winnipeg that all this data that you gather on them is going to be

(MR. WILSON cont'd) somehow or other prevented from reaching the wrong hands or What I'm saying is that you've gathered all this information for your Data Processing Centre, how do you keep in hand - I was going to say the current government, but how do you keep it out of the hands - what type of security is there? Again maybe the question could be answered by me paying a visit down and looking at the set-up but maybe you could just generalize it.

MR. HOLLAND: Well may we formally extend an invitation to visit the Centre. It is interesting, I think you would appreciate that. There are two aspects of security and one is the physical one. The Centre is located in the Norquay Building at the moment and was not designed for the purpose for which it's being used. There will be a new building developed for it which physically we think will build in all provisions for a physical security in terms of power backup and duplicated tapes and so on.

As far as the information on file goes, we ask the client to specify the provisions he requires, the access to it and so on. Those are then built into our contract with the client and we are then under a legal obligation to observe those terms and conditions. There are many technical impediments built into the machinery as well, but that is our basic arrangement with the client.

MR. WILSON: Well I'm concerned because I remember the Telephone System as I knew it two years ago and now I look at it, it's building a new building for a Data Centre and the whole thing is something which I'm going to have to look into and be convinced that it's the type of thing that we should be doing. Thank you.

MR. CHAIRMAN: Mr. Blake. Mr. Dillen.

MR. DILLEN: No, I have a question when they're finished with the computer.

MR. BLAKE: Mr. Chairman, I would like some assurance from the Minister in view of the debate that developed last year that the Member for Lakeside has got a pay phone booth at the Woodlands Hotel.

MR. TURNBULL: Mr. Chairman, I don't like to enter into deals with members of the Legislature but I was assured and I did write the Member for Lakeside a couple of months after he raised the issue, to tell him that the pay phone had been installed.

MR. BLAKE: That answers one of my questions. Another question, Mr. Chairman, to Mr. Holland. I might have been out when he touched on it. It's the matter of the controversy that developed over the free phones for the employees. Has that been resolved or would you care to comment on how it was resolved? I'd like you to know I have no objection to it, incidentally, I think it's a pretty small fringe benefit for some of your dedicated employees but . . .

MR. HOLLAND: We were instructed by the Public Utilities Board of Manitoba to provide full information to them on our practices in that regard. All of the interrogatory was answered several weeks ago, so we're waiting the views of the Public Utilities Board on that matter.

MR. CHAIRMAN: Mr. Dillen.

MR. DILLEN: Thank you, Mr. Chairman. I have a couple of questions. Mr. Chairman, I understand Mr. Holland made some statements just recently about the availability of employees and I'm wondering what action is being taken to train local people for servicing telephone systems and exchange systems that are being established in northern and remote communities?

MR. HOLLAND: Well, in many cases, Mr. Chairman, this is an entirely new service in the communities and through our Thompson office we have attempted to recruit people from each of those communities who will, we hope, go through our in-house training and development programs and then will carry on our functions in those communities. I believe seven people have been hired and are just commencing their training programs about now.

MR. DILLEN: There was a report came out recently in the press, I think it was a report from Parliament Hill by the Conservative member of Parliament for northern Manitoba who quoted a CRTC spokesman by saying that northern Manitoba was the best serviced area for communications in all of northern Canada. Have you done any studies about the level of service in other parts of Canada that would substantiate that statement?

MR. HOLLAND: None other, Mr. Chairman, than to have received two or

(MR. HOLLAND cont'd) three commendations of that sort with which we were very pleased. I think it's quite well-known that CBC is more accessible to more of the northern communities in Manitoba than any other province. Their accelerated coverage plan is well ahead in Manitoba.

MR. DILLEN: The Member for Minnedosa said that the program didn't start in '69. My understanding is that there has been an accelerated activity on the part of the Manitoba Telephone System in recent years to provide microwave towers into areas of northern Manitoba that would not normally have been serviced, along with those towers that were built by the Manitoba Hydro, and if I'm not mistaken, your program also provides for the use of those microwave towers as a means of providing some remote control systems to Manitoba Hydro. Now my question is this, what comes first, the towers or the television?

MR. HOLLAND: Well, Mr. Dillen, the Phase III program for the north that we discussed earlier is at its peak expenditure in the 1976-77 year, it is our highest expenditure year. I assume, Mr. Delgatty, that the towers come first? They are step one of the process and . . .

MR. DILLEN: Then you have a lease arrangement or some contractual arrangement with the Canadian Broadcasting Corporation to lease or use their facilities? What is the mechanism that you have with the Canadian Broadcasting Corporation?

MR. HOLLAND: Well, when the microwave system goes in we then contract with the CBC to carry their signals. And that includes the French television which is moving north and CTV.

MR. DILLEN: The same contractual arrangement would apply then to CTV or Moffat Television. But the towers were first?

MR. HOLLAND: Yes.

MR. CHAIRMAN: Mr. Craik.

MR. JOHANNSON: Mr. Chairman, it is now 12:30.

MR. CHAIRMAN: Well, I have about three people, possibly we can . . .

MR. CRAIK: I think, Mr. Chairman, we're pretty close to finished. If you want to stretch it a bit it may well be that we can wind up the report.

MR. CHAIRMAN: Fine.

MR. CRAIK: I only have one further question on this. I wanted to ask Mr. Holland, in view of the expansion of wiretapping that is going to come about due to the approval at the federal level and also some awareness here that we have had this going on in Manitoba now in some particular cases or at least one particular case, how do you handle this as a telephone system to keep a hold or a control over the privacy aspect of your system that is assumed by people who, of course, have telephones? Can you advise the committee first of all where is this done? When there's a court order for a wiretap in Manitoba, is it done at one of your regional offices where they can have access to your telephone cables?

MR. HOLLAND: Mr. Chairman, this is done under the purview of our general counsel Ken Beatty. I wonder if it would be more useful if he answered.

MR. CHAIRMAN: Mr. Beatty.

MR. BEATTY: I believe the question was, Mr. Craik, where is it done?

MR. CRAIK: Yes, first of all where is it done. When there is a wiretap order issued, where does this take place?

MR. BEATTY: I'm technically incompetent really to speak to part of that, but I can tell you that the central office of the System is not used by the law enforcement agency who have the authorization. What is done generally is that the System provides rental to the law enforcement agency, certain permanent facilities to exchanges which are leased by them and then the connection for, under a proper authorization, is made in the exchange by our people after an authorization issued by the court is received by us.

MR. CRAIK: Do I gather correctly that you lease facilities on a permanent basis to the law enforcement agency?

MR. BEATTY: That is true in the City of Winnipeg. I'm not familiar that we have any under lease outside of the City of Winnipeg at this time.

MR. CRAIK: So they have access to an office I would presume for administrative purposes.

MR. BEATTY: Their own office.

MR. CRAIK: Their own office in your facility.

MR. BEATTY: Well we have lines running in there, to their office.

MR. CRAIK: So when they want to get access to a particular telephone line in the System, you can actually connect it directly into their office where this can happen?

MR. BEATTY: That is correct. But it is only done when a proper authorization is received in accordance with the Criminal Code.

MR. CRAIK: Does this mean that from that one central spot that they can actually have access to say anywhere in Winnipeg, at least from what I gather your comments are?

MR. BEATTY: I would think that they can access with their present situation, access any exchange located in the City of Winnipeg.

MR. CRAIK: And if they were elsewhere they would have to do it from some other location?

MR. BEATTY: Through some other means.

MR. CRAIK: How do you control it?

MR. TURNBULL: Mr. Chairman, I think I'd like to follow this discussion. Are you talking about control in terms of legally controlled, like court order, or technically I'm not sure what . . .

MR. CRAIK: No. I'm asking about the legal fee in the second question. How do you ensure that there aren't wiretaps happening other than under court order. How do you handle it?

MR. BEATTY: Well, there is only one authority within the system that can authorize any wiretap in the sense of ordering it within the Manitoba Telephone System, and that comes under my responsibility.

MR. CRAIK: That's the Federal Court, is it not?

MR. BEATTY: Well, the court, the order is applied for by either the designated agent of the Attorney-General of the Province of Manitoba or the Solicitor-General of Canada. They will apply for the order and then they provide us with the actual order itself when the order is made by the Judge of the Superior Court.

MR. CRAIK: Well, in the particular case that has been referred to in the House it's been indicated that there's only been wiretap authorizations given to either the RCMP or the Winnipeg Police. Do they come to you or . . . ?

MR. BEATTY: No. Our contact is through the designated authority under the Criminal Code, which is the designated agent or the authority of the Attorney-General of Manitoba or the Solicitor-General of Canada.

MR. CRAIK: Well, just now technically, if the City of Winnipeg Police want authorization for a wiretap what mechanism do they follow?

MR. BEATTY: They I presume - I can't speak personally of what mechanism they follow, all I can tell you is that they would end up by an application being made by the Attorney-General to the court.

MR. CRAIK: They go to the Attorney-General, the Attorney-General applies to the Federal Court, the Federal Court authorizes it and you have a person that only from whom you will accept, and that person is a federal person who is responsible for this court order being fed through?

MR. BEATTY: It could be a federal person or a provincial person in the sense of the Attorney-General's department.

MR. CRAIK: That authorizes it for you?

MR. BEATTY: That provides us with a copy of the order made by the - or the authorization as it's called - made by the Judge.

MR. CRAIK: So the authorization to you could come from the Provincial Attorney-General or from the Federal The authorization through either one of those two sources, comes to you.

MR. BEATTY: Yes. They obtain the order from the Judge and deliver it to us.

MR. CRAIK: And as far as the operation is concerned it's carried out at one spot in a facility which is leased to whoever is carrying this out now?

MR. BEATTY: Yes. By facility I meant the actual telephone lines. These lines go into their own premises in the sense of, let us say the RCMP have a building

(MR. BEATTY cont'd) where they have a room where these lines all lead into, but they cannot be used until they're cross-connected in our central office for whatever line they have the authorization to monitor.

MR. CRAIK: And this facility you referred to as being leased to them is in your building though?

MR. BEATTY: That's right. The facility is not a premise. The facility is the telephone line.

MR. CRAIK: What they do is they lease the lines?

MR. BEATTY: They lease the lines to their building.

MR. CRAIK: Into their building, and then when the court order is issued you are required to make the connection . . .

MR. BEATTY: In accordance with the court order.

MR. CRAIK: . . . of those facilities to feed it into their place?

MR. BEATTY: That's right. That's correct.

MR. CRAIK: Could that also be made into - could this feed then be into the City of Winnipeg Police?

MR. BEATTY: I believe they have a similar circumstance apply to them as applies to the RCMP.

MR. CRAIK: Is this the only condition under which a wiretap would be allowed?

MR. BEATTY: It is the only condition under which the Manitoba Telephone System would allow it to happen.

MR. CRAIK: Have there been any wiretaps here other than wiretaps which have been authorized by a Federal Court Order?

MR. BEATTY: None since the change in the Federal Statute 18 months ago.

MR. CRAIK: Were there some prior to that?

MR. BEATTY: There were none that I was personally aware of. I think that question was asked of me by Mr. Spivak last year and I'd have to give the same answer, that none that we were aware of. But we weren't aware of what was going on - you know, what could be going on outside by law enforcement agencies at that time.

MR. CRAIK: Is it possible for a private expert in this business to wiretap your system external from the facility you've referred to here?

MR. BEATTY: I'm technically incompetent to answer that. Mr. Cavers might be in a position to answer.

MR. CRAIK: Are you aware of its having happened?

MR. BEATTY: No.

MR. CRAIK: There's nothing in the knowledge of experience of the MTS that indicates that this has happened?

MR. BEATTY: I'm not sure I follow your question, but I would say that not to our knowledge, no.

MR. CRAIK: Well, I refer to a television program in the last couple of weeks where a person who was a former RCMP, an electronics specialist, has gone into private business, which is the bugging business, has bared his soul, said he really feels guilty when he does this, but he's obviously making a living from wiretapping. And I've asked you if the Telephone System is one of the victims of the source of his guilt.

MR. BEATTY: I certainly hope not, but I would have to answer that, not to my knowledge. I'm unaware of any such circumstances being discovered by the system and being reported to me.

MR. CRAIK: Is there an increase in the number, is there a general increase as far as you can see in the number of wiretaps that are occurring or are going to occur as a result of the Federal legislation?

MR. BEATTY: The number of authorizations has increased, if you put it on a monthly basis, I would say yes, there's been an increase from the first month of such authorizations to this present time, yes.

MR. CRAIK: Mr. Chairman, I think that's all I have on this.

MR. CHAIRMAN: Mr. Barrow.

MR. BLAKE: Mr. Chairman, if I could just follow one question on the line tapping equipment through the counsel. Who does the actual physical tapping, that is, you cross wires or whatever you do, I don't know. Is it all telephone personnel,

(MR. BLAKE cont'd) telephone technicians or are they technicians employed by the police department, or is there a firm employed to do the actual tapping?

MR. HOLLAND: The cross-connection as I understand it is made in our central office by a telephone system employee.

MR. BLAKE: By MTS technicians?

MR. BEATTY: That's correct.

MR. BLAKE: Fine, thank you.

MR. CHAIRMAN: Mr. Barrow.

MR. BARROW: Mr. Chairman, due to the lateness of the hour and my questions can be answered any time, I'll forego my . . .

MR. CHAIRMAN: Mr. Walding.

MR. WALDING: Mr. Chairman, I have a couple of questions about the MTS application to the Public Utilities Board. Realizing that MTS dealings are not yet finished with the Public Utilities Board I'd like to ask Mr. Holland if he has any rough estimate at all of the cost of such an application.

MR. HOLLAND: I think I would have to answer that "no" at this stage, Mr. Chairman. We will attempt to provide a good estimate of the total cost to our board. I believe at this stage we've only received one billing from the Public Utilities Board which covers part of the period into December, so that we have not been billed for all of the costs to this stage.

MR. WALDING: There was a figure given in the press some time ago of \$60,000. Do you think that's likely to be accurate?

MR. HOLLAND: No, Mr. Chairman.

MR. WALDING: You mention a bill from the Public Utilities Board. What would this cover?

MR. HOLLAND: Under the provisions of the Public Utilities Board Act they recover the costs of the hearings from the applicant.

MR. WALDING: The total cost then would consist of MTS staff plus all of the costs of the Public Utilities Board itself?

MR. HOLLAND: Yes. The billings from the Public Utilities Board cover their consultants and advisers and legal staff.

MR. WALDING: Thank you.

MR. CHAIRMAN: Mr. Henderson.

MR. HENDERSON: Some of your people that collect your bills charge fees and others do not, is that true?

MR. HOLLAND: I believe all of our collection agencies charge 20 cents, 10 cents of which our customer pays directly to the collection agent. There is no charge in our own collection offices.

MR. HENDERSON: Are you real sure that some people do not collect telephone bills and don't charge at all? Is it not optional?

MR. HOLLAND: Yes.

MR. HENDERSON: I have here a letter that says - I was talking to somebody in Mr. Mills' office and it says; "I've been informed by the secretary in Mr. Mills' office that some places charge customers for collecting while others do not."

MR. CHAIRMAN: Well, Mr. Henderson, I believe that that was a circular that was put out through the MTS and the Hydro and other utilities indicating that the drug stores, those agencies that were taking in bills, were going to charge an extra 10 cents, and it is up to the individual outlets such as the drugstores and those other stores that do take in the utility bills, it is up to them whether they're going to charge the extra 10 cents.

MR. HOLLAND: That may well be. We pay 10 cents and the collection agent may waive the direct 10-cent charge. We wouldn't know that.

MR. HENDERSON: So you may have some places collecting it and some not?

MR. CHAIRMAN: That money does not come into the MTS, the extra 10 cents. That is something that is put forth by the association of, I believe, drugstores and other outlets that were collecting utility bills, that they indicated that they were going to put on an extra 10-cent sort of surcharge on the total bill. That is up to the individual. It was not really money coming into the utilities.

MR. HOLLAND: Right.

MR. HENDERSON: Yes. But from a customer's point of view, there is places that are collecting for doing it and others that are not.

MR. HOLLAND: There could be, Mr. Chairman. We wouldn't know that I say.

MR. CHAIRMAN: Mr. Blake.

MR. BLAKE: Mr. Chairman, just to close off, I wanted to comment on my tours around the province the past year or two, I find in my many acquaintances with the telephone system in possibly middle management or upper management, that everything maybe is not sweetness and light with the morale in the system, and I just wondered, Mr. Chairman, if the Chairman has run across any rumblings of discontent within some of the management people in the system. I want him to reaffirm that everything is serene in the system as it was two years ago or last year.

MR. HOLLAND: I think I'd only say that Mr. Blake will bear me out that MTS people are very human and they have periods of high morale and periods of low morale like all of us. I certainly hope that there has not been a deterioration in morale at MTS. We've tried to improve our communication systems and our consultation with all of our management throughout the system, there's a very positive effort to make sure that we are listening to their concerns and trying to improve their careers and their conditions of work and so on.

MR. CHAIRMAN: Thank you, Mr. Holland. Now shall we have this report passed page by page or . . .

MR. BLAKE: I would move, Mr. Chairman, that the report of the telephone system be approved as it's been presented to us, if that's satisfactory.

MR. CHAIRMAN: Is that agreed? (Agreed) Committee rise and report. Committee rise.