



Legislative Assembly of Manitoba

STANDING COMMITTEE

ON

PUBLIC UTILITIES AND NATURAL RESOURCES

Chairman

**Mr. Warren Steen
Constituency of Crescentwood**



Thursday, June 1, 1978 10:00 a.m.

**Hearing Of The Standing Committee
On
Public Utilities and Natural Resources**

Thursday, June 1, 1978

10:05 a.m.

MR. CHAIRMAN, Mr. James R. Ferguson: Gentlemen, we have a quorum. We will proceed.

MR. EDWARD McGILL: Mr. Chairman, I believe there were some questions being put to the Chairman of the Manitoba Telephone System, and I presume the members of the Committee would like to continue with that.

MR. EDWARD SCHREYER: Yes, Mr. Chairman, except that I think in the interests of keeping an accurate account, under our parliamentary traditions, the other day, when some untoward action was taken because of a five minute delay, that we should note that it is five minutes' delay, because of action on the part of the other group, which may or may not be comparable with ours here a week ago. Nevertheless, let the record show.

MR. DONALD W. CRAIK: Well, Mr. Chairman, then I raise the point of order, just to keep the record clear, he is referring to the approval of the MPIC report at 13 minutes after 10 one day; it's different between 13 and five.

MR. SCHREYER: A difference of eight minutes? Anybody in this House . . .

MR. CRAIK: Let the record be accurate, Mr. Chairman.

MR. SCHREYER: Well, I think the record should also indicate that the Government House Leader has undertaken to call the MPIC report once again, recognizing, apparently, as he does, that the action the other day was hardly in keeping with parliamentary courtesy.

MR. CRAIK: Well, Mr. Chairman, on the same point again, for clarification of the record, I am not sure whether the Government House Leader has indicated the recalling of the report or the recalling of the Chairman of the MPIC to be a —(Interjection)— Well, Mr. Speaker, the report has been received, the MPIC report; I think the offer was made to the opposition if they have further questions, to have the Chairman of the MPIC available for questioning, but it's not a question of receiving the report, which has already been done.

MR. SCHREYER: No; that's understandable, but even so, that is an acknowledgment of a parliamentary courtesy. Whether it's 13 minutes, or 5 minutes, or 9-½ minutes, it just goes to show that there is such a thing as extending a courtesy for a few minutes.

MR. CHAIRMAN: Well, gentlemen, I feel that we've given that a fair airing. Will we carry on with the business of this Committee now?

Mr. McBryde.

MR. RONALD McBRYDE: Mr. Chairman, I would like to go into a bit more detail on a question I asked the other day, and I believe maybe the General Manager has had a chance to gather some further information. I was asking about the staffing patterns, and I was particularly anxious to know the different categories of people employed with MTS, such as the management staff, operators, linemen or technicians, as to what has been the changeover the last number of years, whether the various categories have been increasing or decreasing, and also to give some indication on a regional basis, of those breakdowns; that is, have operators in rural Manitoba or northern Manitoba been declining, or in the City of Winnipeg, declining, and I wonder if the General Manager is able to respond in more detail to that question?

MR. CHAIRMAN, Mr. Warren Steen: Mr. Holland.

Public Utilities and Natural Resources
Thursday, June 1, 1978

MR. HOLLAND: Mr. Chairman, first of all, might I provide answers to some questions that were asked last meeting, y I believe by Mr. McBrde, on the northern service Gods Lake Narrows received toll pay station service on May 23, Gods River the same service on May 11 and Red Sucker Lake will receive local exchange service on June 2 and standard toll service on June 30.

Another question was on improvements planned in the Gypsumville-St. Martin area. The line loading in that area at the moment is 4.3 on an average with a maximum of 10 per line. In 1979-80 there will be a service improvement project bringing individual line service to the more densely settled areas and reducing line loading in the other areas to 2.8 per line with a maximum of 4.

The question was asked as to the number of contract employees. In October 1977, there were 15, one of whom has since become a regular employee and yesterday there were 11 contract employees.

On the proportion of management employees versus others, in June of 1972, 17 percent were in our management supervisory categories. In June of 1977, 20 percent and we're looking for a more recent figure but I would suspect there likely has been a slight increase in that ratio.

MR. CHAIRMAN: Mr. McBryde.

MR. McBDE: I wonder if Mr. Holland would have more information on the other categories, most specifically operators but also on technicians and linemen and the other categories of staff.

MR. HOLLAND: Mr. Chairman, we're attempting to collect some figures on that, perhaps we might have them before this morning's meeting is over. We're looking at Winnipeg and Brandon versus other to see if there has been any shift in that change, regionally.

MR. McBRYDE: Maybe I could put the question a bit differently. I wonder if the General Manager has figures as to how many operator positions have become redundant or unnecessary as a result of technological change in the system?

MR. HOLLAND: Mr. Chairman, first of all no permanent traffic operator positions of MTS have become redundant. There have been no permanent employees who have not been offered positions in other departments or other locations at MTS. The only instance of redundancy is in the southwest to this point and all of our permanent employees were offered positions in other departments or in other locations. In some cases they were not able to accept.

MR. CHAIRMAN: Mr. McBryde.

MR. McBRYDE: Would that be in relation to the changeover at Brandon and the changeovers that are very similar to the ones anticipated for The Pas?

MR. HOLLAND: Yes, it was part of the \$10 million Brandon area project which commenced in 1975.

MR. McBRYDE: How many of the operators that became surplus as a result of the changeover in Brandon, how many moved to another location? How many are employed, but not fully still with the system, and how many are no longer with the system?

MR. HOLLAND: My recollection is that there were 8 or 9 who were actually laid off because they could not accept another location or other positions.

MR. McBRYDE: I just wonder if the General Manager could reassure me. I get the impression that as a result of the change there are a number of people that have become surplus and it would be mostly in the operator category and most of those would be female persons and I have the feeling that this system has a number of people sort of knocking around in it that are not fully employed, and they're not quite sure what to do with them. I wonder if the General Manager would care to comment on that.

MR. HOLLAND: Mr. Chairman, I'm not aware of any situations of that sort. We have transferred certain programs traditionally done in Winnipeg or elsewhere to those areas. They're being done very successfully by traffic personnel, but their services are very productive.

MR. McBRYDE: The General Manager gave me some figures last meeting for The Pas and Thompson, I wonder if there's any additional. Across the whole system do you see any more operator positions becoming unnecessary as a result of technological change within the next year?

MR. HOLLAND: The ones that we're aware of in the next year are Thompson and The Pas. We've been aware of that possibility for probably two years. We have tried to be extremely careful in employing term personnel, making it very clear at the time they are hired that it is term. That of course, again, is dependent on traffic volumes in the north. If they pick up then there will be corresponding positions established.

MR. McBRYDE: I wonder, Mr. Chairman, if the same thing happened in Brandon. If the changeover in the telephone system is well anticipated and planned ahead of time, how many term staff were here at Brandon when the changeover came? You mentioned that no permanent had been laid off. How many term positions were there in operation in Brandon at the time of the changeover?

MR. HOLLAND: I don't have that figure, Mr. Chairman, right here but our staff will try and get a figure this morning.

MR. McBRYDE: I would guess that in the case of The Pas, for example, for the last year, or has it been more that you've been only taking on people in term positions because of the anticipated change?

MR. HOLLAND: Well, I would say up to two years ago when the project was designed and approved.

MR. McBRYDE: Would the same apply for Thompson as well then?

MR. HOLLAND: The impact at Thompson likely will be minimal and could well be taken care of by normal increases in traffic volumes.

MR. McBRYDE: I think the other day you mentioned three or four positions and I was wondering if for the last two years people have been taking on in term positions in anticipation of technological change, how many people had been taken on in term positions in Thompson to lessen the number of permanents that would be affected?

MR. HOLLAND: I'll try and obtain that figure, Mr. Chairman.

MR. McBRYDE: In relation in the same area, Mr. Chairman, what sort of retraining — I guess retraining would be the best word to use — is there for ? T operators their skill is limited to a certain area and if that job becomes redundant, it would require quite a bit of retraining to have them take on other kinds of employment within the system. I wonder what sort of programs the system has built into it to take care of that situation.

MR. HOLLAND: Mr. Chairman, the first step that was taken was to seek the support of the unions in this area and that is to permit inter-union transfer primarily from the traffic group to the clerical-administrative group. Most of the transfers would be into administrative and clerical positions and there have been a considerable number transferred.

MR. McBRYDE: Would the system keep records in terms of . . . Since most of the operators would be female, does the system have a record, I suppose by pay classification, a breakdown of how the MTS system looks? I would assume that most of the females would be at the bottom end of the pay scale and most of the males would be at the top end of the pay scale. Do you have that kind of a breakdown of the MTS system?

MR. HOLLAND: I don't think I have any data with me. I do know that the senior management levels are dominated by males with some shifting in recent periods. I think I can also say that the job descriptions are classified quite independently and whether they're filled by a male or female the salary scale is the same.

MR. McBRYDE: . . . for the same type of employment. Does the Manitoba Telephone System have an affirmative action planned program similar to what various departments had to draw up previously, and if so what is that program and how is it working out?

MR. HOLLAND: This program, Mr. Chairman, was reported on in our last annual report in some detail. It is an equal employment opportunity committee of the Board; we have two Board members

Public Utilities and Natural Resources
Thursday, June 1, 1978

who sit on it, a senior departmental manager, representation from the unions, and it has been operating for two-and-a-half years with, I would say, considerable success. There has been a major program, informational and educational for all MTS employees. This Committee does review all of our selection and recruitment practices; it encourages career counselling and career development for MTS people. We do post all our management positions throughout the system. I would say that there has been good progress in sensitizing our management people to a sense of fairness in this area.

MR. McBRYDE: Does this Committee keep sort of a statistical record of how the Affirmative Action Program is working, and is there any significant change, and are there more women, or people from minority groups moving up in the system? Or is that shown yet? Are those results starting to show yet as a result of your program?

MR. HOLLAND: I think that the rate of change, statistically, is probably not as rapid as the Committee would like to see. MTS is still a place of employment where people commonly stay for 40 and 42 years, but the Board receives a report from this Committee each month and they commend very highly our management people throughout the system for changed attitudes and fairness in their practices, and I would imagine that members of the Committee have been answered by male operators, and there are female craftsmen, I believe even a female engineer, so these signs of change are occurring in the system.

MR. McBRYDE: On the look that the Minister has asked for in terms of the technological change and the effect on staff, how are you going to go about that? How will you carry that review out?

MR. HOLLAND: Mr. Chairman, we will have an internal committee with the personnel manager and a staff member from my office, and probably another senior manager to look at this. They will be carefully studying the way in which these problems have been handled at MTS to this point, looking closely at problem areas. I don't think that there's a great deal of definitive literature on the subject; perhaps Mr. Justice Freedman's report is one of the most relevant, but they will be looking at what other large companies are doing, and our Minister has asked for the conclusions and recommendations of this study.

MR. McBRYDE: I would just like to elicit from the General Manager again, if I could, or from the Minister, some reassurance that the operators whose positions will become redundant as a result of technological change, whether the permanent people at least will be guaranteed regular, meaningful employment within the system?

MR. HOLLAND: Mr. Chairman, I think I can only say that that is our clear goal and our managers are aware that their planning is to be geared toward that goal. Whether or not one could give a guarantee in perpetuity, I don't know. Our reputation and record in this area, by the way, is quite clear, that we are quite conscious of our obligations to our permanent employees. There has been, I think, a great history of consideration and concern for them and we certainly don't intend to see any change in that.

MR. MCGILL: Mr. Chairman, the question that Mr. McBryde puts is one that has been put to me in the House on a number of occasions when we've been discussing changes brought about by the traffic operator position system installations, and Mr. Holland has responded adequately, I'm sure. I can just say again that to give a guarantee would be a difficult thing to do, because while alternative employment is, as Mr. Holland says, offered, on many occasions, or in at least some situations, it would be the decision of the person affected that they would not choose to accept the alternative employment that would be available to them. So, to say that a guarantee could be provided, I think, would be not possible.

MR. McBRYDE: The alternative in this case, like in the case of The Pas, one alternative would be for people to move to other locations, which is usually fairly difficult for operators to do. Okay, the first concern is to try and assist, at least, permanent staff, to find other employment within the system. What happens to the term staff? Like, in The Pas, for the past two years, I think all new people were term staff. Is there any assistance given them at all, or is there just not that much available that you can afford to assist the term people in any way, to find other employment within your system?

MR. HOLLAND: Mr. Chairman, much the same type of consideration is given to our term people,

Public Utilities and Natural Resources
Thursday, June 1, 1978

particularly if they have a year, or two or more of service. As soon as we are aware of the possibility of layoff, the employees are interviewed, their capabilities and experience are documented; our personnel department contacts other employers in the area and attempts to find suitable openings for them.

So, I think in terms of discussing it with the employees at the earliest possible date, and providing all possible assistance, they receive much the same consideration as the others.

MR. McBRYDE: In earlier questions, the general manager mentioned the unions. How many unions are you dealing with in your system?

MR. HOLLAND: The IBEW with three locals.

MR. McBRYDE: There's just the three . . . is that locals regional or locals in terms of job classification?

MR. HOLLAND: There are locals system-wide. One covering craftsmen, plant personnel; another covering the traffic operators; and another covering clerical and administrative.

MR. McBRYDE: I have some questions in relation to Data Services and I might find another one or two on this subject if Mr. Walding asks a few questions.

MR. CHAIRMAN: Mr. Walding and then Mr. MacMaster.

MR. WALDING: Thank you, Mr. Chairman. I wonder if Mr. Holland had any figures from the question that I asked him Tuesday having to do with the amount of rate increase that would be necessary in order to reduce that debt equity position.

MR. HOLLAND: Mr. Chairman, my staff pointed out that it is straight percentage of our total plant of \$614 million. The estimate is that in one year to reach a 70-30 debt equity ratio would require \$100 million of equity.

MR. WALDING: That's in total increase in revenues?

MR. HOLLAND: Yes.

MR. WALDING: How much of that would come from the increase in rates, and what would that percentage increase be in order to make that amount?

MR. HOLLAND: We haven't prepared that calculation simply because the probabilities of making that move in one year are quite remote.

MR. WALDING: Yes, I would imagine so too. But just for the rest of the committee in seeing the sort of numbers that we're dealing with and the extent of the problem, I wondered if you could give it to me in terms of a 50 percent increase, a 100 percent increase, 200 percent or, at least, some indication of what we are talking about with rates.

MR. HOLLAND: Mr. Chairman, if revenues are running at say \$154 million at the present time, then it would be \$100 million over \$154 million, whatever percentage that is. Except that due to our very complex rating structure, one wouldn't achieve it by say a 70 percent increase in toll fees, it would have to be very judiciously allocated to keep certain relativities in place.

MR. WALDING: A good deal of that \$154 million in revenues comes in from long distance charges, I take it.

MR. HOLLAND: Yes.

MR. WALDING: What would be the approximate amount of residential and business rentals, would that be one-third of the amount, a quarter of the amount?

MR. HOLLAND: Our exchange service revenues for the year ending March 31, 1978 were about \$53 million.

MR. WALDING: Approximately one-third?

Public Utilities and Natural Resources
Thursday, June 1, 1978

MR. HOLLAND: Other revenues — \$12.3 million, so that would be a total of about \$66 million, apart from toll.

MR. WALDING: Okay. I wanted to move to a slightly different topic, the matter of interconnection and the bill that we passed, I believe it was last year. Can you tell us what is happening with that, whether it has been proclaimed, whether there are any difficulties being found in classifying various interconnect devices, whether application is being made to the Public Utilities Board to set a rate for these? Can you bring the committee up to date on what's happening on that?

MR. HOLLAND: Mr. Chairman, that was a permissive type of legislative provision. It attempted to anticipate the gradual relaxation against attachment of terminal equipment which is other than MTS provided. At this stage, that legislation has not been proclaimed. I think primarily because there has been no major pressure to see this process accelerated up to this point.

MR. WALDING: Is it necessary for rates to be approved by the Public Utilities Board prior to the legislation being proclaimed or can that be done afterwards?

MR. HOLLAND: The legislation provides, Mr. Chairman, that in the event some of this terminal equipment is to be attached to the MTS network, that proposal is to be submitted to the Public Utilities Board and they will judge the terms and conditions under which it is to be affixed and if indeed, if it is to be approved. That is the process.

MR. WALDING: That has not yet been done, I take it.\$

MR. HOLLAND: That legislation has not been proclaimed to this point.

MR. WALDING: Has MTS prepared a tariff for interconnection fees?

MR. HOLLAND: MTS has done considerable preparatory work in attempting to identify those types of equipment which would likely be included from the onset and what the MTS recommendations would be as to terms and conditions of approving that initial list of equipment, that has not been finalized at this stage but presumably we would make every effort to finalize that process by the time the legislation was proclaimed.

MR. WALDING: But the proclamation comes before the application to the PUB, I take it?

MR. HOLLAND: The legislation would have to be in effect to permit that procedure to start. At the present time, there is a general prohibition against attachment.

MR. CHAIRMAN: Mr. MacMaster.

MR. MacMASTER: Yes, Mr. Chairman, on a series of questions in relationship to automated development in Northern Manitoba. Can you tell me what particular year the determination was made to automate the systems: (a) in The Pas and (b) in Thompson? What year was that determination made?

MR. HOLLAND: Mr. Chairman, that is a related project. The installation that will be completed in Thompson late this year is intended to meet the long distance switching requirements for the North including The Pas.

MR. MacMASTER: I appreciate that. What I'm asking is, in your planning, Sir, you undoubtedly have plans for other areas throughout the province. What I am asking is, what particular year did the plans reach approval within your Corporation and others, that the System should be automated in The Pas at a date down the road and in Thompson? I would suspect that was two or three years ago, but I am just asking the question.

MR. HOLLAND: Mr. Chairman, it was early 1976.

MR. MacMASTER: That was for The Pas and Thompson?

MR. HOLLAND: Yes.

MR. MacMASTER: You would have known through your determination at that particular time that for whatever reason you were going to automate, that some employment would be affected.

MR. HOLLAND: Mr. Chairman, we knew at that time that the switching facilities in the north were going to be inadequate and we knew that the switchboard facilities were largely obsolete, that they could not be extended and they were no longer in manufacture, so we knew that a new project was required.

The staffing determination is related quite directly to the calling volumes, the traffic volumes in the north and we have experienced a reduced level of growth in the north, generally, since 1976. So I am not sure at that time that we would have been able to accurately predict the staffing requirements, or at least as accurately as we can do at this time.

MR. MacMASTER: When the systems are — is there a time when your Corporation feels that the System is in place in The Pas and is in place in Thompson? If so, at that particular time — I understand it is January of 1979 if I am correct that the System will be in place in Thompson — keeping that thinking in mind, at those two times actually how many employees do you think are going to be affected, how many positions? I have heard a lot of numbers and I just don't. . .

MR. HOLLAND: Mr. Chairman, at this time and based on our present traffic projections, we estimate three or four at Thompson and 17 to 22 term positions at The Pas.

MR. MacMASTER: Can you look in your crystal ball to January 1979 and tell me, is your Corporation prepared for the three or four positions in Thompson to the extent that they then would be considered term, the same as the 17 are in The Pas today or tomorrow? Have you long-term planned that type of thing?

MR. HOLLAND: Mr. Chairman, I think our hope at this point is that the three or four at Thompson may not be necessary, or that there will be other positions opening in clerical areas or elsewhere by that time, so that I am not sure they have been identified. At The Pas we have consulted with employees and commenced our discussions of future employment opportunities, possible transfer, possible alternative positions.

MR. MacMASTER: Those discussions have commenced with the 17 in The Pas today?

MR. HOLLAND: Yes.

MR. MacMASTER: And have been for a period of time?

MR. HOLLAND: Yes, I think this whole process usually starts at least nine or ten months before the event.

MR. MacMASTER: Are you in a position to say out of those 17 in The Pas today, actually, how many will we not be able to accommodate one way or another?

MR. HOLLAND: The possibility is being discussed with the 17 to 22, the most junior term people.

MR. MacMASTER: Thank you.

MR. CHAIRMAN: Mr. Minaker.

MR. GEORGE MINAKER (St. James): I have a couple of questions if we are onto the subject of the Data Services section of Mr. Holland's report. In the report it says, "An agreement was concluded with Manitoba Hydro in 1977. . ." I was wondering, when was that agreement signed?

MR. HOLLAND: Mr. Chairman, I believe October, 1977.

MR. MINAKER: Early October or late October?

MR. HOLLAND: Mr. Chairman, Mr. Anderson says, "Early October."

MR. MINAKER: Was the initiative taken by the Hydro to approach the Telephones, or was it the Telephones who approached Hydro?

Public Utilities and Natural Resources
Thursday, June 1, 1978

MR. HOLLAND: Mr. Chairman, the Manitoba Hydro had held a seat on the Computer Rationalization Board, which studied this matter, for some 14 or 15 months preceding the establishment of MDS and had participated fully in that planning and feasibility study. In due course after Manitoba Data Services was established they approached Manitoba Hydro and there were several months or perhaps a year of discussions and economic studies and technical studies, and analyses, to demonstrate that it was managerially and economically a sound step for the Hydro management to take.

MR. MINAKER: Mr. Holland really didn't answer my question. In other words, the Hydro on their own made the decision that they would like to get rid of their computers and operate under the MDS System?

MR. HOLLAND: Mr. Chairman, as I say, Manitoba Hydro had a seat on the study, the 14- month study, which developed recommendations for the government, recommending the MDS concept and the rationalization process. Following that, there were months of studies by Hydro and leading to an agreement with MDS that this should proceed.

MR. MINAKER: Mr. Chairman, I wonder — Mr. Holland mentioned the economies of it — I wonder if he could elaborate on whether it will in the long run cost the people of Manitoba or the Hydro less money to operate under the new System or, you know, what type of savings are we looking at? Or is it more a justification for having the MDS?

MR. HOLLAND: The annual report of MDS estimates that there are already substantial savings to the province generally through the rationalized computer processing service, quite substantial savings. That is before Manitoba Hydro processing is transferred. There are other considerations as well and that is that the utility of scale permits very sophisticated technological services that can't be justified in a multitude of centres. So that there those types of advantages as well.

MR. CHAIRMAN: Mr. Minaker.

MR. MINAKER: The economy of savings, is the debt charges taken into consideration as well in the overall picture?

MR. HOLLAND: The MDS operates under a discipline that it must be able to demonstrate to the government that it is providing service at less cost than would be possible through other alternatives. Over all the comparisons mentioned is a comparison between these alternatives and MDS. The computer rationalization study went into these matters in great detail, so that there were quite good forecasts with which to prepare, what would have happened with or without MDS.

MR. MINAKER: Then further on in the report it says that MDS was awarded the Data Processing Service for the Manitoba Health Service Commission. Was that tendered for?

MR. HOLLAND: Yes, Mr. Chairman.

MR. MINAKER: And the Data Service was low bidder, were they?

MR. HOLLAND: MDS was awarded that contract under a tendered process which was reviewed by government itself and not by MDS.

MR. MINAKER: Is there a general rate for time and use of computer, does that vary depending on the length of time usage or is there a standard rate for the Hydro and a standard rate for the Health Service and other government facilities?

MR. HOLLAND: Mr. Chairman, it's a very complex billing algorithm at MDS which is published and which pertains to all clients. The only exception to that is where the client insists on an outside price or a maximum price, in which case we provide that price, we think, with adequate safeguards against the future to make sure that it is compensatory.

MR. MINAKER: Mr. Chairman, I wonder if Mr. Holland is at liberty to indicate the percentage of revenues that we're looking at that MDS received in terms of revenue from Hydro and government services and possibly what type of percentage of revenues are we getting from private users.

MR. HOLLAND: Mr. Chairman, in the year ended , March 31, 1978 based on revenues of over

Public Utilities and Natural Resources
Thursday, June 1, 1978

\$8 million: revenues of \$2.579 millions were from government, \$2.77 millions from MTS, just under \$1 million from Hydro, a \$1.5 million from MPIC, \$158,000 from other clients and other government. . .

MR. MINAKER: Those particular contracts or revenues, how many of those were tendered on, or were they just general agreements negotiated?

MR. HOLLAND: Mr. Chairman, I would say that all of the clients and there are many dozens of clients, periodically or regularly compare MDS costs, rates and prices with alternatives that they know exist. That is an ongoing process with all clients. MDS has competed in a number of tenders over the past 18 months for developmental projects and has won some and has lost some.

MR. MINAKER: Was the contract with the Public Insurance Company tendered for?

MR. HOLLAND: MPIC had been on the government Data Centre from the onset so that it carried on with MDS, but the management of MPIC like all of our other clients, carry on a regular analysis of costs and all options and alternatives and we're in regular consultation with them.

MR. MINAKER: Mr. Chairman, I wonder now that we are centralizing the data processing of most of the government agencies or government divisions, is there any likelihood of a catastrophe that could occur where we could lose data or tapes, or in the main computer, a source where we could be into a state of catastrophe, I guess would be the right word, if there was a failure due to fire or whatever, or do you have back-up tapes or whatever, separate from the central location, so that that could not occur?

MR. HOLLAND: Mr. Chairman, I think I would have to say that that possibility exists with any computer centre. We're satisfied that the probabilities or risks of it are less than they ever have been before. There is backup on the equipment. We've taken many many steps both to ensure privacy and security features for our clients and they're very demanding in those areas, to grandfather tapes and store them elsewhere to minimize the impact of an outage or down time, but by the very nature of the business there's always that risk.

MR. MINAKER: Mr. Chairman, why I raised the question was that I, I mean I could be wrong in this, say where Hydro was operating on its own computer system and is now going over centrally, the likelihood of catastrophe occurring in two spots is probably much greater than it would at one spot, and I just wondered if the Hydro would have its back-up tapes and program separate from the central location. These other major users, do they have the safety feature that if something did happen to the central system, that they would be affected or all of the different places would be affected?

MR. HOLLAND: Mr. Chairman, I do know that was a prime consideration of Hydro management and was studied in great depth and I am quite sure that they felt that security would be enhanced through the use of the MDS Systems.

MR. MINAKER: That is all the questions I have, Mr. Chairman.

MR. CHAIRMAN: Mr. Walding, then Mr. McBryde.

MR. WALDING: Thank you, Mr. Chairman. I realize this is a very complicated, complex subject and I hardly know where to start in trying to get an understanding of just what the current situation is.

I understand MDS took over the facilities of the Manitoba Government Computer Centre about two and one-half years ago. Can you tell the Committee what computing capacity there was in place at that time?

MR. HOLLAND: Mr. Chairman, MDS was established in September of 1975. The revenues at that time were at about a level of \$3 million and they are presently over \$9 million, so it has been a period of extremely rapid growth. The present configuration is 90 on 370/168, and two 158s.

MR. WALDING: One 168 and two 158s.

MR. HOLLAND: Yes.

Public Utilities and Natural Resources
Thursday, June 1, 1978

MR. WALDING: When you first took over the Manitoba Government Computer Centre was there one or two 158s at the time?

MR. HOLLAND: Mr. Chairman, two 158s.

MR. WALDING: So the need to install a new 168 came about because of additional, mainly government business that MDS undertook.

MR. HOLLAND: Mr. Chairman, both additional utilization and the gradual application of new programs to MDS. For instance, some new applications at MTS and elsewhere were added to MDS rather than to their own shops. In the case of MTS, its processing is totally transferred at this time, where there were the two processes ongoing.

MR. WALDING: And those machines are presently in the Norquay Building?

MR. HOLLAND: Yes, Mr. Chairman.

MR. WALDING: I understand that about a couple of years ago MDS bought some property with a view to building a new computer complex. Can you tell me why MDS did not proceed with that and just when the time was?

MR. HOLLAND: Yes, Mr. Chairman, property was acquired for a new centre. Our planning visualized that that would have a sophisticated MTS switching centre as well as the computer processing. We have been able to delay that project in its start and along with it the MDS facilities.

MR. WALDING: Can you tell the Committee when the decision not to proceed with that expansion was made?

MR. HOLLAND: Mr. Chairman, the switching centre is related to the downtown business requirements and that is watched on an ongoing basis to make sure that facilities will be there when they are required, and I think we are just approaching the time when that project will have to commence.

MR. WALDING: What I am getting at is, if the site was made and plans begun to build a complete new centre, presumably because of space restraints in the Norquay Building, what stopped that need for extra space and why were you able to continue in the Norquay Building?

MR. HOLLAND: Well, Mr. Chairman, we were anxious to make sure that that project proceeded at the time when it was clearly needed and clearly fit into our economic planning and as I say, that has been watched from month to month and I think we are just approaching the time when it will be fully justified economically.

MR. WALDING: MDS then expects its amount of computing business to increase and therefore its need for additional computing capacity; would that be correct?

MR. HOLLAND: I think, Mr. Chairman, that the first concern is the suitability of the environment for the computer processing itself. The Norquay Building is not ideally suited in terms of optimal security and so that because of our concern that we do everything possible to promote security and privacy and so on, we would like to see optimal quarters for it.

MR. WALDING: When you say that the time is almost at hand for moving to the new location, is that only because of security, or is it because of space constraints, or what is the justification for, you know, building a new building and a certain number of millions of capital dollars?

MR. HOLLAND: Well, the major determinant will be the accompanying digital switching centre, which MTS requires and which is a natural complement to the computer hardware. The environment is very similar for the two. Then we think we can get optimal economic benefit from the project.

MR. WALDING: Can you explain that a little more. I don't really fully understand what you are saying.\$

MR. HOLLAND: Well, I am very quickly going to have to involve Mr. Anderson in this discussion. The digital switching centre, which is computer based itself, requires very strict environmental control,

Public Utilities and Natural Resources
Thursday, June 1, 1978

very limited access, high security type of a building, and those happen to be the characteristics that a modern computer centre also requires. So our planning has visualized one centre for those functions.

MR. WALDING: When the Minister of Public Works had his Estimates in this room, I asked him at that time about additions to the computer floor at the Norquay Building and he told the Committee then that additional cooling capacity had been put in and there was a new transformer put in and new security arrangements were being made, and I believe there were one or two other things too, that involved a fair outlay of capital. Why was that money being spent at that time for what seems to be a very short amount of time, if you are moving to a new facility?

MR. HOLLAND: Well, Mr. Chairman, I think we have reported figures like 45 percent annual growths in utilization. The design and construction period of the other project could be two and one-half years at least. The Minister of Public Works, as our landlord in the Norquay Building, has agreed to make certain minimal provisions in the present premises to see us through until new quarters are available.

MR. WALDING: I take it that the Hydro migration is not in place yet?

MR. HOLLAND: Mr. Chairman, MDS has signed an agreement with Hydro in October 1977, and the respective staffs have been proceeding under the terms of that agreement. MDS owns the equipment that is now being used by Hydro, which is approaching capacity, and their respective migration staff, if we may call it that, are working together on the planning.

MR. WALDING: Is the equipment at Manitoba Data Services nearing capacity? And the next question would be: Do you have room for the Hydro work at MDS when the migration is completed?

MR. HOLLAND: Mr. Chairman, I think again with the growth rates that are being experienced, one would agree that there is just an ongoing process of insuring adequate capacity. One major project was the revision of the operating system at MDS, which increased effectiveness in utility about 30 percent, which was one measure to increase productivity and increase capacity there. At this point there will shortly be another upgrade in capacity to meet known requirements over the next few months.

MR. WALDING: Is that the system known as MBS?

MR. HOLLAND: Yes, Mr. Chairman.

MR. WALDING: Which is a system of sort of tying those computers together so that they can work together rather than separately, is that correct?

MR. HOLLAND: Yes, Mr. Chairman.

MR. WALDING: When does MDS project that that present system will be at capacity?

MR. HOLLAND: Probably about September of this year, Mr. Chairman.

MR. WALDING: And does MDS have plans for increasing its capacity for the future?

MR. HOLLAND: Yes.

MR. WALDING: In what way will this capacity be taken care of?

MR. HOLLAND: The next step, Mr. Chairman, would be the introduction of an IBM 30/33 and removal of some existing equipment, as the next expansion stage.

MR. WALDING: Is there physically room in the Norquay Building for that new machine?

MR. HOLLAND: With the arrangements being made by the Minister of Public Works, yes.

MR. WALDING: What increase in capacity will that give MDS?

Public Utilities and Natural Resources
Thursday, June 1, 1978

MR. HOLLAND: Mr. Chairman, may I now ask Mr. Anderson to help me out.

MR. CHAIRMAN: Mr. Anderson.

MR. S.G. ANDERSON: Mr. Chairman, as Mr. Holland said we have a 168 and two 158s installed in the Norquay Building . With the acquisition of the 30/33, that will increase the capacity from what is equivalent to six 158s now to nine 158's, that is the easiest way to explain it. So our capacity will go up by a factor of 1.5.

MR. WALDING: You will have an additional 50 percent capacity?

MR. ANDERSON: Yes.

MR. WALDING: Is that extra capacity needed to handle the additional Hydro and LCC?

MR. ANDERSON: No, Mr. Chairman, it is just to handle the known growth in the business over the next year or year and one-half.

MR. WALDING: So you are anticipating growth over the next year or so of 50 percent?

MR. ANDERSON: No, I think we are estimating growth in revenues of 24 percent, in that range 20 to 24 percent, in total.

MR. WALDING: Would you have capacity with the present machines to handle the Hydro and the LCC new accounts?

MR. ANDERSON: I believe just.

MR. WALDING: So where is this 24 percent increase to come from?

MR. ANDERSON: Mr. Chairman, I don't have that right at my fingertips; we could get it for you.

MR. WALDING: Will it come about as an increase by your present clients, or are you currently negotiating with maybe someone who is going to come on?

MR. ANDERSON: No, by our present clients generally, Manitoba Telephone System, MPIC, and Manitoba Hydro.

MR. WALDING: The report and the Task Force Report indicates that over the last couple of years there is an accumulated deficit of some \$3 million. Was this expected when MDS was first set up, or did they see a certain time frame where MDS would break even or even have a surplus?

MR. ANDERSON: Mr. Chairman, I think Mr. Holland mentioned that we expected to run in a deficit position for the first few years of the operation. If you will note from the Annual Report, they have gradually reduced that deficit over the two years in question and it is further reduced for the 1977-78 year. It is expected we will be approaching a break-even position in the current year, with a profit position in the following years.

MR. WALDING: That is, I presume, predicated on a continuing increase in business.

MR. ANDERSON: Mr. Chairman, yes.

MR. WALDING: Can you give the committee an idea of what effect the Hydro account will have on your revenue position?

MR. ANDERSON: Well, I think, as Mr. Holland identified, it is over \$1 million in total annually, which is maybe what? — 30 percent — no, perhaps 15 percent of the total account, when migration takes place.

MR. WALDING: Are you in a position to indicate to the committee whether it is cheaper for Hydro to have MDS do its computing, or whether it would be cheaper for it to either buy or lease another computer or find some other means of doing its work?

R. ANDERSON: Mr. Chairman, I can repeat what Mr. Holland said earlier, that it was studied over a number of months, there was a business case put together and we did satisfy the Manitoba Hydro that we could do an economical data processing job for them, and a contract was signed.

R. WALDING: The Task Force indicates that only about three percent of MDS work is from the private sector. Does MDS have any plans for an expansion in this area or do they intend to lose that part of the market?

R. CHAIRMAN: Mr. Holland.

MR. HOLLAND: Mr. Chairman, I think at that stage we should note that the Minister has indicated that there will be a policy review of MDS and a clear delineation of its role, function and responsibilities. A definition of role would cover that area. So that I should think that is a matter which would be clarified by government.

MR. WALDING: As far as this amount of private business is concerned, is MDS competing with other computer facilities for private work or is there any subsidy involved?

MR. HOLLAND: Mr. Chairman, the billing rates of MDS are standard to all of our customers. There have been some occasions when the particular configuration and technological capacity of MDS, which is almost unique, has met the requirements of customers in the private sector and that, generally speaking, is where our contracts have been signed. Certainly those customers, also, have the right to look at other suppliers of service and compare.

MR. WALDING: Are MDS rates to the private sector competitive with other privately owned computer facilities or is it a matter of some other method of service or capability?

MR. HOLLAND: My understanding, Mr. Chairman, is that it's an extremely complex matter to make that comparison. It almost requires a benchmarking by different bureaus to clearly establish that in a particular business and a particular configuration that one is less costly than another. So that I think the answer to it would be in some business configurations MDS is clearly competitive and in other applications it may not be. It also depends, for instance, whether peak hour service and immediate response is required, or whether less demanding response times and off-hour processing, and so on, are required by the customer. So that it's very very difficult to make an absolute statement on it.

MR. WALDING: What has MDS's policy been over the last two and a half years as regards the private sector?

MR. HOLLAND: Mr. Chairman, our policy has been, as announced by the government in 1975, to pursue and take advantage of the rationalization process to convince the different clients that they should become part of this undertaking. The other great emphasis has been to provide backup, privacy measures, security measures and such that we felt that we could assure our clients that they were getting the best possible standards in these areas. I would say those are the prime emphases to date.

MR. WALDING: I take it from what you are saying that there has been little emphasis on seeking private sector business for MDS.

MR. HOLLAND: I would say that the areas of emphasis have required virtually all of the staff time in just meeting 45 percent growth rates and response times, and very high operational standards. Those have been areas of great emphasis.

MR. WALDING: Where do you see MDS going over the next two to three years? Do you see a continuing increase of 45 percent in government business or will MDS emphasis move to the private sector?

MR. HOLLAND: Mr. Chairman, as I say, I think our Minister has announced that that will be the subject of a very careful review, which we look forward to because of course we require a very clear definition of role to do proper planning and financial programming and so on.

My own experience and observation is that whatever one's views about computers they are an

Public Utilities and Natural Resources
Thursday, June 1, 1978

immensely powerful management tool. They have high risk and great difficulties involved but the managerial payoff is also immense, so that I see requirements for top-notch reliable service increasing substantially throughout the public sector.

MR. WALDING: From what you have told the committee this morning, it would seem that after two years of a deficit position and accumulated losses of about \$3 million that MDS is about to move into a break-even position and even a slight surplus position, providing that it can continue to expand and be able to cope with this additional demand. Can you confirm that, or can you tell the committee what would happen if there were a freeze put on your expansion? Would it be told as a matter of government policy, to stay in its present configuration and amount of business? Would this mean you would be locked into an everlasting deficit position?

MR. HOLLAND: Mr. Chairman, I think I said that I welcomed a basic review of growth and policy affecting Manitoba Data Services. I think it's a very timely step to take. It has been an extremely difficult and demanding assignment. MDS was expected to absorb all of its own administrative costs, provide its own working capital, raise and manage its own debt, train staff, provide optimal privacy and security measures, high standards of performance, take over, as I say, all of its own overhead costs and absorb those. So that in retrospect, I think that the financial structure of MDS is something that did and does require very careful scrutiny. I think the other facet is that it has been operated to date directly by MTS and with the backlog of experience under our belt, there may well be other organizational structures that would better suit that operation. So that I think it's timely that there is a review being taken of the entire operation.

MR. WALDING: I have no questions at the moment.

MR. CHAIRMAN: Mr. McBryde, Schreyer and Parasiuk. Mr. McBryde.

MR. McBRYDE: Well, Mr. Chairman, I have some questions on the MDS but I did recall one that I had forgotten in previous questioning, so I'll ask it.

I wonder if the general manager could comment on, I understand there was a New Careers Program for training linesmen and there were a number of native people involved in that program. Is that still ongoing, how is it working and has there been any cutbacks in that program as a result of government cutbacks or is it still continuing?

MR. HOLLAND: Mr. Chairman, we're just into our first few months with a second group of new careers people. My understanding is that MTS has been at least as successful as other programs and, again, there have been difficulties involved in it. Our northern region staff have been highly supportive and extremely involved with it. But we did learn some pitfalls with the first group and we hope to avoid those with the second, but it also is under the scrutiny of our board committee on Equal Employment Opportunities, along with other programs, I might say, for the physically handicapped and disadvantaged high school students. A number of private firms operate a program co-operatively there and other endeavours in this area.

MR. McBRYDE: In the first phase, are those people now trained and out of the program or is that continuing for a number of years yet? How did the first phase . . . ?

MR. HOLLAND: Mr. Chairman, four passed the craft apprenticeship entry requirements and became regular apprentices under our plant program, on the first program, of the seven who originally entered.

MR. McBRYDE: That's not too bad of a percentage, Mr. Chairman. I know when we started the placing of people in the mines up north, they said that a 30 percent success rate would be considered very successful. So that sounds like a pretty good rate. How many are in the second intake, or the second program?

MR. HOLLAND: The second group consists of six. Two dropped out during the preparation phase for their entry to the apprenticeship program, and one was replaced.

MR. McBRYDE: From the general area of the technology, I know that the Telephone System and the communication system is a very highly technological field and I suppose that my concern in the other questions was that there not sort of be a blind rush into technology but that there be a repeating or an ongoing re-evaluation of how much new technology is needed and how much old technology is needed. And the other part of my concern was that once a decision is made,

Public Utilities and Natural Resources
Thursday, June 1, 1978

terms of new technology, that the effects on people and communities be lessened as much as possible when people are able to adjust to that kind of change, and communities are able to adjust to that kind of change.

I see that the telephone system is doing reasonably well, - especially if you compare it with cutbacks in provincial government civil servants up north where the effect has been devastating on individuals and communities and didn't involve the kind of planning that MTS is doing with their staff. On the MDS, some of my questions are a little bit similar, but I would like some expansion and I think there are some areas that weren't touched on by the Member for St. Vital.

What right now — or you can go back further — why was the MDS set up in the first place, what was the rationale for it? Who was involved in making that decision and as a result of that decision, what came out as the role, function and responsibility of MDS, what. . . it's a pretty long question, what mandate was given to MDS?

MR. HOLLAND: Mr. Chairman, as I mentioned there had been a study over some 14 months commissioned by the government to look at the existing and expected situations in computer processing. --- --- --- ---. There were then some centres, most of which were discussing upgrades in equipment and this review was done by representatives of the major agencies with their own computing capacity.

MR. McBRYDE: Who were the five major. . . ?

MR. HOLLAND: This would be MTS, Liquor, universities, Manitoba Hydro and the central government. The report which was done by a full-time team of experts in the area suggested that there should be a separate crown corporation established, that a process of controlled rationalization and development should be developed under this separate agency. The ultimate decision was that this should be undertaken by MTS. Policy directives at the time were that it was to be self-sustaining, that it should be able to demonstrate to government that there was significant savings through that process. The Public Utilities Board was asked to review financial statements to ensure that accounts were kept entirely separate and accurate for the new agency.

MR. McBRYDE: I don't know if you want to comment on this, but why was the decision made to sort of go with the high profile? I mean Hydro and other agencies could put the computer service in their overall costs and it wouldn't be that noticeable. Would you care to comment on why it was all separated out into one agency where it could be clearly seen how effective it could be or how effective it may not be.

MR. HOLLAND: Mr. Chairman, I assume because of the professional advice of this group that there were clear efficiencies and economies to the province generally and that also through the volume of processing, it was quite easy to justify the latest techniques and technologies which individually the centres might not be able to do.

MR. McBRYDE: When did the MDS have a separate board from MTS, when was that set up?

MR. HOLLAND: Legislation was passed in 1975 authorizing MTS to engage in this area. The MTS board took the decision not to establish a separate legal entity at that time, so that it has been operated by a board committee and not incorporated.

MR. McBRYDE: I wonder if you could elaborate then on the last part of my first question, the role, function and responsibilities, and that would relate then to your whole planning. What the goals are, I mean determines what your planning is, to what extent was it intended that private and public sector business be sought and generally could you just expand on your mandate. What did you see, what did the board see as the mandate of the operation?

MR. HOLLAND: Mr. Chairman, we saw the role, at least in that first three or four years, as producing the rationalization that the original study group had forecast. I think that we considered that this would be a unique resource in Manitoba in terms of sophistication and capability and so on, and we saw that it might have benefit to companies and persons in the private sector, and if so, it was understood that we were free to discuss services with them.

MR. McBRYDE: Did you interpret that, did the board interpret the mandate, or the government direction, to operate as a business and to be successful as a business, did you see that as the mandate or did the board see that as the mandate.

Public Utilities and Natural Resources
Thursday, June 1, 1978

MR. HOLLAND: Mr. Chairman, it was quite explicitly stated that there was to be no subsidy from MTS. That being the case there was only one avenue that we could pursue and that was to develop a self-sustaining agency.

MR. McBRYDE: What was the role set out then between the MTS board, your sub-board and the government? I assume from your answer, the government said the general direction is to make the thing self-sufficient. While you're rationalizing all the computer services within the government what were the roles of the three bodies then, or was there any sort of clear definition of the roles of the three bodies?

MR. HOLLAND: Mr. Chairman, the government clearly preserved all of its rights to determine how quickly and how much departmental programs would invest in computer processing. That right was preserved and they have advisors in that area. The role of the MTS Board has been to assume competent management structures and competent people to develop and approve fiscal plans. And to assist in that a board committee was established to take particular interest and report back on it.

MR. McBRYDE: Could you explain to me briefly what is the nature of the computer service business, who is your competition, and generally what kind of business are you in, and what are your chances of it being successful?

MR. HOLLAND: There are two basic elements, Mr. Chairman. One is the developmental stage, the provision of systems analysts and systems engineers and programming staff to develop new applications for client departments. The practice has been to encourage clients to develop their own expertise in this area where their volumes are large enough to clearly justify that, and several have done so. The other area is the processing, the ongoing processing, much of which is done by telecommunications networks to the client departments.

MR. McBRYDE: I'm sorry, I didn't quite understand the last word.

MR. HOLLAND: Much of MDS's service is provided through a telecommunications network to its clients, such that they, from their own premises, can input data, and instruct, and in some cases do processing on their own premises.

MR. McBRYDE: Well that would be why MTS is the logical place to lodge the business then because of the tie-in in that.

MR. HOLLAND: Well, Mr. Chairman, I would say that that has become a very advantageous decision to MTS because the telephony engineering is moving totally into the computer era, all switching equipment and so on is now computer-based and it has been very advantageous to MTS to have this expertise available and I think Mr. Anderson, who's familiar with both sides of it, would bear that out.

MR. McBRYDE: Is there a commission basis for the data services, that they bring in new business? Does MTS's business to MTS give the data service any sort of commission for establishing new business?

MR. HOLLAND: Mr. Chairman, we've tried to develop very close fraternal relationships between the respective marketing departments, but I'm not aware that they exchange commissions.

MR. McBRYDE: There was one part you didn't answer, that is, who's your competition, who might the private and government agencies turn to if it's not to the MDS?

MR. HOLLAND: Well, I would say, Mr. Chairman, that MDS compares most closely with the four or five large computer utilities located in eastern Canada. Their operations and their profile of work are quite similar to that. The eastern utilities offer services remotely through telecommunications with the processing being done in the east.

MR. McBRYDE: So the establishment of this provincial agency then means that some of this, I suppose — I'm trying to think of the words of the former Minister of Industry and Commerce — the high technology, high-pay industry. The establishment here in Manitoba means that we are keeping that kind of industry here as opposed to basically having that business exported to other provinces, or Manitoba agencies going to other provinces.

MR. HOLLAND: Well, Mr. Chairman, we're very fortunate in that the university has a Masters program and Red River Community College trains technologists, so we've had a supply of excellent people. It is a well paying, challenging, interesting type of employment, nonoperative -polluting, so to that extent we're very pleased that it is in Manitoba.

MR. McBRYDE: I know when we talked about the northern networks your staff talked about a five-year planning phase and equipment order because equipment is hard to get. How does the computer business rate, how does it function in terms of timing, and how far ahead do you have to be? Are your plans and projections now on a five year basis, or a one year basis, or how do you plan the operation?

MR. HOLLAND: Well, this is only one of the very complex facets of MTS. There's the difficulty of forecasting utilization by an array of clients. There's the difficulty of assuring delivery of equipment at the right time from the manufacturers. There's the problem that financially and economically the customer utilization of capacity must be kept at a very high level. There's also the great restraint that our clients expect a very high standard of reliability, so that we have to make sure we're not putting it too close on capacity versus utilization. So, that is just a day-to-day, week-to-week ongoing matter to watch that very closely.

MR. McBRYDE: The competition — and the Member for St. Vital, you touched on this a bit — the competition is not just in terms of price but it's in terms of the kind of equipment you have and what you are able to offer because of that equipment. What is the normal sort of reinvestment? How fast is it normal for a business of this type to replace and modernize and update its equipment?

MR. HOLLAND: Mr. Chairman, technologically it's moving very very quickly and telephone technology is almost catching up to it. The pace of change is very fast which has meant that MDS has had to adopt very conservative depreciation practices and make certain that they're financially in a position to take advantage of the new technology.

The other characteristic is that the new technology drops unit costs of processing on each occasion so that there is a great incentive to keep up with the technology.

MR. McBRYDE: Would you just expand on that a bit? Okay, when you get new equipment, it does he work faster or it does it better or how? How can you reduce costs?

MR. HOLLAND: It does it faster and better and at lesser unit cost.

MR. McBRYDE: If in your cost projections and in your report I think you outlined that you have fairly detailed operational costs for profit and loss, etc. In those projections, built into your assumption that you'd be breaking even in maybe late 1978 or 1979 — positive net earnings is the right phrase here — what new equipment is built into that projection?

MR. HOLLAND: That projection, Mr. Chairman, is based on the mandate that MDS has had, the related projections of utilization, the assumption that it would be able to take advantage of the technology as it evolved. Any substantive change in any of those factors would obviously alter the forecasts.

MR. McBRYDE: Yes, in light of your previous answer where you mention that your actual cost of production — I guess we could put it that way — declines with the new equipment and you're projecting a break-even or a positive earnings, I assume that you anticipate purchasings of new equipment to get yourself into that position.

MR. HOLLAND: Well, Mr. Chairman, I already mentioned that one move would be the installation of a 30-33 about September.

MR. McBRYDE: And that, I assume, has been in the planning stage then for quite a long time.

MR. HOLLAND: Yes.

MR. McBRYDE: Then what's your next new piece, what's your phasing and your scheduling, and what happens to the old equipment when you go into the new equipment?

MR. HOLLAND: Well, Mr. Chairman, the equipment being replaced, the art is to place that on the market at the most propitious time and get the best price for it that you can.

MR. McBRYDE: The other part of my question was in projections now in terms of the new — like, I'm making an assumption here from your previous answers that certain new equipment come on-stage by a certain time, that means that your earning capacity will change, you sell off of equipment at certain periods of time. Could you just fill us in as to what the plans are for the next two years or what they have been?

MR. HOLLAND: Mr. Chairman, our plans would be to very carefully check our equipment configurations and capacity requirements and fiscal plan as soon as the announced policy review is complete.

MR. McBRYDE: Is there a level of capacity that you have to reach, a sort of a break-even capacity or a critical minimum capacity that you have to have to reach your break-even or positive earning situation?

MR. HOLLAND: Mr. Chairman, I don't think there's any magic figure there. Obviously the extent to which MDS can acquire customers who use the system in evening and night shifts and weekend shifts and so on, where there is unused capacity, will contribute to its economic wellbeing. Another consideration is the capital structure of MDS.

MR. McBRYDE: How do you mean?

MR. HOLLAND: Well, I had mentioned the great difficulty of gearing utilization patterns to capacity patterns which means that revenues don't necessarily immediately flow when your capacity is upgraded. If, for instance, there was an equity situation, then the incidence of payments for capacity could be geared to the revenue flow, so I think that is another major consideration.

MR. McBRYDE: You mentioned the capacity situation. I assume that it works like Hydro in that when you do have spare capacity that you will — if I'm in private business and I want to use your machine on Sundays, I can probably get it at a lot cheaper rate than if I want to use it on Tuesdays. Would that be a . . . ?

MR. HOLLAND: Yes, very substantial discounts are offered in the off-hours.

MR. McBRYDE: And since the maximum utilization or you have to have maximum utilization to get into a positive earning position, if you were not permitted to go for outside business, private business, then I assume that that would drastically affect your earning capacity and your . . .

MR. HOLLAND: Well, Mr. Chairman, that would apply to all clients of MDS if it were possible to move some of the utilization off peak hours, it would contribute economically to MDS.

MR. McBRYDE: Are there government agencies that sort of have lesser programming needs, lesser capacity needs, that fit into that and how important is the private market to pick up that, what you'd call the fill-in or to use the excess capacity?

MR. HOLLAND: Mr. Chairman, I'm not sure that the profile of use by the private sector would differ that substantially. Up to date, we've tried to encourage off-hour usage through the rate structure.

MR. McBRYDE: You mentioned the problem that the planning has to be fairly long term and that equipment purchases and stuff have to be planned in advance. Being a part of government, I assume that — I'm not saying which government, you know, it doesn't matter which government is in office — that you're getting your approvals still on a year-by-year basis, on a fiscal year basis, and what does that do to your planning in a businesslike way?

MR. HOLLAND: Well, Mr. Chairman, I think that the pace of change we've had under MDS to this point really hasn't presented any severe difficulties because we have been able to arrange and react to those situations. Certainly with MTS where many projects extend over 18, 24 and 30 months, a two-year capital review would be very helpful to the MTS management, whether it would meet the approval of the Legislature, I don't know.

1. **McBRYDE:** I'm assuming from all your answers that if everything were put on hold, if you're not allowed to expand, you were just supposed to function with exactly what you have, that you would not be in a positive earning position, or you might not get to a positive earning position if everything were held as it is now.

2. **HOLLAND:** Well, Mr. Chairman, I couldn't visualize a status quo situation. Utilization is initiated on the clients in all cases and in almost every area there's increased volumes and increased activity every year. If the decision were that we were to limit MDS usage to the present clientele, that would require very very careful replanning of our equipment, financing and rating and so on.

3. **McBRYDE:** I'm assuming that with the review that the Minister has said is under way that does produce some problems, at least, in that one of the key components of this industry is the staff and if you've got good staff, you're going to be successful. If you have to keep renewing your staff, you're going to have lots of problems. Is there any concern that the business might not expand the way it was anticipated or that it might not even exist in the future? Are you having any staff problems as a result of the review?

4. **HOLLAND:** Well, Mr. Chairman, I think that the experience gained at MDS has made them very people very desirable employees in the eyes of other employers. We have lost some excellent performers who have gone on to other challenges and jobs and so on. My assessment would be that at MDS, by its nature, has employees who are used to trauma and crisis and review and adjustment, that I think they will see this review in that light and I think there are many advantages of it. I think it will clarify a number of things that should be clarified at this point.

5. **McBRYDE:** In the area of new equipment purchases, are these projections in your report, based on the purchase of two new 30-33 IBMs or are they based on some other planning?

6. **HOLLAND:** Mr. Chairman, I think I indicated that the immediate plan foresees an upgrade in September by a 30-33. We will withhold any further commitments until the review is done and then we'll redesign our program to . . .

7. **McBRYDE:** So the projections that you gave us in your report may not be valid anymore as a result of changes in what new equipment would be purchased.

8. **HOLLAND:** Mr. Chairman, naturally we would validate that very very carefully in the light of the approved policy.

9. **McBRYDE:** How is that review coming about? Who is doing that review? Is it the board of MDS or . . .?

10. **HOLLAND:** Mr. Chairman, I have no knowledge of that.

11. **McBRYDE:** Is the Task Force involved in that review? Maybe the Minister could answer if it's . . .

12. **CHAIRMAN:** Mr. McGill.

13. **McGILL:** Yes, Mr. Chairman, Mr. McBryde asked how the review is being carried out. The review was asked for by Cabinet and is being carried out by Cabinet and it's examining the structure of MDS as well as its role in the computer field and this is presently under way. On the determinations made by the review, determinations and directions will be given to the Manitoba Data Service.

14. **McBRYDE:** To the Minister, Mr. Chairman, through you, from my own experience in government in this particular area, we had to, and I had to, call on lots of outside technical expert advice and one problem of political people that you are dependent upon that kind of assistance when you're making that kind of decision. How will the Minister and Cabinet, from what source will they be drawing the technical detail and technical advice they need for this review?

15. **McGILL:** Well, Mr. Chairman, we are trying to use the knowledge and expertise of people who are available locally in the computer field and also where possible to enlist the assistance of those who are not directly connected with the local operations, and by receiving a variety of opinions and observations we hope to be able to determine a general policy and directions for the

MR. McBRYDE: So, most of the outside technical data, the education of the political people, we come from outside sources rather than — they won't come from MDS or internal government source but from external. Is that — did I understand your answer correctly?

MR. McGILL: Mr. Chairman, no, I intended to indicate that we were using the advice and knowledge of people within the Manitoba Data Service as well as people who are not directly connected with that, and where possible, people who are somewhat remote from the local computers field.

MR. McBRYDE: I wonder if the Minister could indicate how he sees that relationship, because is, it's sort of a complex, technical business — how he sees the relationship between the technical business people that are now managing it and the Cabinet? How does he see that role or the relationship working out?

MR. McGILL: Mr. Chairman, I don't know that I quite understand that; I would think that Mr. McBryde probably refers to the people presently employed by Manitoba Data Services and how do they relate? I would think in roughly the same . . .

MR. McBRYDE: Or more the other way around; how do you see Cabinet relating to that kind of an operation? Or, I can put it another way maybe, if it would make it easier: Is the How much of the review, the general policy direction, should there be a Data Services at all, which has to be your decision, I mean a Cabinet decision; it can't be a Data Services decision. And how much of it will be in the, down in the technical operation, whether the MDS should purchase one new machine or two new machines, or should they buy a 598 or a 597 — how much of your review would relate to those technical kind of details?

MR. McGILL: I think the review, Mr. Chairman, would relate to those as well as many other details and that is part of the general examination of the corporate structure, the structure as it now exists and how it might be changed in future. The operational role and the areas in which the Manitoba Data Service should be involved in in the future, and so these in turn would reflect upon other decisions, getting down to the kind of equipment that would be necessary to properly fulfill the role and to provide for the increases which the company would normally expect or project for the future.

MR. McBRYDE: So you would see the Cabinet getting directly involved in the operational kind of decisions rather than saying that the expansion rate should be so many percent, and you should or shouldn't go to the private sector. You would see it actually being involved in whether there's a 498 or 497 being purchased, and some of those, in the fairly detailed kind of examination of the technology as well as the general guidelines?

MR. McGILL: Mr. Chairman, we would see the role to be performed in the area of structure and general policy direction. The advice then would flow from people knowledgeable in the field within the Data Services as to how that role could be effectively carried out.

MR. McBRYDE: You would see the Cabinet being involved then in whether the MDS purchase one 30-33, or two 30-33s?

MR. McGILL: Mr. Chairman, the Cabinet would receive recommendations from the Data Service based upon the role and the general policy directions which had been given to them, and they then in turn would examine those and determine whether those recommendations were acceptable.

MR. McBRYDE: When does the Minister feel this review will be completed? I assume this is fairly crucial, because of the planning of the industry and the purchase of equipment, etc., is it fairly soon or is it fairly far off, by the time that . . . ?

MR. McGILL: Well, we haven't, Mr. Chairman, laid down any specific timetable. We are attempting in the interim to enable Manitoba Data Service to continue its present role, and not to be inhibited by the time lag which will occur between the present and the time when Cabinet can produce more specific directions in terms of the general structure and role of MDS.

MR. McBRYDE: I get the feeling that the present Cabinet is somewhat like in the position we were in about high-level and low-level diversions and technical information, and decisions having to be made by certain times in terms of cost-saving. I'm assuming that the quicker a decision is made

Public Utilities and Natural Resources
Thursday, June 1, 1978

more likelihood of positive earnings, and that the longer it takes to make a decision, the less likelihood of positive —(Interjection)— excuse me, Mr. Chairman, I thought I was in the middle of a question to the Minister.

I'm assuming that the sooner a decision is made, the more likelihood of positive earnings, and the longer it takes for a decision, the less likelihood of positive earnings. Would that be correct?

1. **McGILL:** Well, Mr. Chairman, Mr. McBryde said that it was a highly technical, complicated decision. Decisions are not made quickly, or easily. It will be our objective to make those decisions with great care, and to do what research is necessary, and pending the completion of that review we would hope that the operations and ability to function with MDS will not be restricted.

1. **McBRYDE:** Does the guidelines for the review, or the terms of reference for the review, are you actually reviewing whether you should keep MDS as an operation, whether you should sell MDS to private business, or put it up for bids, or whatever? Is that part of the review?

1. **McGILL:** Mr. Chairman, those have not been specifically spelled out to the Review Committee, but as I say, in general terms, we are examining the structure and role now being performed by MDS to see how it might be improved.

1. **McBRYDE:** So that, the terms of reference right now, is just to find out what the present situation is as opposed to what might take place in the future, then?

1. **McGILL:** We are examining, Mr. Chairman, the present role that MDS is performing to determine if that is the most effective role that it can perform; whether there are structural changes that could be made; whether there are other changes that could be made to improve the role being played.

1. **McBRYDE:** I can — I assume that the General Manager might be hesitant to — I can see that a tremendous number of problems, because any business organization, the longer you leave something hanging, the quicker morale drops, the quicker production drops, the less likelihood of positive earnings coming about. I don't know if the General Manager would like to confirm that's what's happening with Data Services, or whether he would just as soon not answer that question?

1. **HOLLAND:** Well, Mr. Chairman, I just said earlier that it is a business of complexity and rapid change and constant evaluation, and MDS will do its very best to meet the approved objectives as those are determined.

1. **McBRYDE:** So the MDS is struggling under difficult circumstances if I've rephrased the General Manager's response to that. I wonder if the Minister could confirm that Cabinet has already made a decision against the recommendations of MDS, the recommendations of which were to purchase 30 new machines, and Cabinet has revised that to renting one new machine, and thereby changing the projections of the operation?

1. **McGILL:** Mr. Chairman, I believe that matter was the subject of a question in the House. Mr. Hreyer did ask whether there had been some directions given to the Manitoba Data Service with respect to equipment. The reply given was that at that time we had asked them to defer the purchase of new equipment pending this review of the requirements and nature of the role. Since that time, no further direction to Manitoba Data Service was that they could proceed with the sale of two IBM 8 computers which were at that time pretty high in the market for resale, and that to enable capacity to be continued to be provided, that the lease of one 30-33 in the fall would be an appropriate move, and I believe this is the equipment . . .

1. **McBRYDE:** Were there any other Cabinet directives given to the MDS along this line, in terms of the operation of the Data Services?

1. **McGILL:** These are the only areas in which the Cabinet has given interim advice to the Manitoba Data Service, that the deferment of equipment, and this was the early one, and flowing from that, the necessity to review the programs that were now in place, or contemplated. And subsequent to that, the revision that the lease of a 30-33 to be acquired in the fall, would provide additional capacity to provide for any increase or expansion in programs as they were now being handled.

MR. McBRYDE: This is a final question to the Minister, Mr. Chairman, because I know there are others who have questions on a similar topic. In light of the sort of, overall philosophy and approach of the present government, I wonder if the Minister could give us some reassurance that the Data Services will either be allowed to function in a businesslike manner, or that it will be clearly and outrightly sold, or gotten rid of, rather than what we fear is happening with some Crown agencies that they are restricted and limited, so that they end up looking bad; that their management ends up looking incompetent; that they end up losing money, and then the government can easily get rid of them and say, "Well, it was losing money and it was no good, that's why we got rid of it." I wonder if he could give us some reassurance that he won't let that happen to MDS, that they will interfere to the extent of making it an ineffective business?

MR. McGILL: Mr. Chairman, we are certainly convinced of the role and the increasing importance of computer services in the future. We are merely trying to determine how that role can best be discharged. We know the role will continue but we are attempting to determine in what form would be the best and what structure would be most appropriate.

MR. McBRYDE: Thank you, Mr. Chairman.

MR. CHAIRMAN: Mr. Schreyer.

MR. SCHREYER: Mr. Chairman, I had five questions that I was going to confine myself to. Quite frankly, Mr. McGill's last answer sort of removes the necessity of asking the very first of the five. Nevertheless, I would refer Mr. Holland to Page 14 of the Annual Report and ask whether that statement on Page 14 is still to be regarded as a fair comment. I quote the third column, the third last paragraph, "Studies reveal the absence of a large-scale Manitoba based computer service bureau operation resulting in a considerable outflow of processing business from the province and, in some cases, a handicap to Manitoba based businesses who required such services." Can you indicate whether this is still to be regarded so far as general statements go, a fair comment?

MR. HOLLAND: Yes, Mr. Chairman.

MR. SCHREYER: The second question — Page 50 now, three lines from the bottom, the left column referring to MDS's high speaker mode job processing network operating, or available, at 15 sites in client premises. Of those 15 sites, may I ask: (a) Are there some greater number now and, (b) Of that number, would some — how many — be in private business premises? I don't want precision so much as approximation.

MR. HOLLAND: Mr. Chairman, it has increased; it is 30 at this stage.

MR. SCHREYER: 30, approximately, and of the 30, how many, if any, would be in private business premises performing a service to them?

MR. HOLLAND: Mr. Chairman, one.

MR. SCHREYER: All right. Further, on Page 15 the right-hand column, reference there is to MDS having made a projection of viability or break-even by the end of the third year. Then the final sentence reads, "Current forecasts for 1977 call for a marked reduction in investment requirements." Could Mr. Holland indicate whether those two sentences are now substantially changed or whether it is, merely a change of a slight degree?

MR. HOLLAND: Mr. Chairman, I think that the trend is very clear that those statements are valid. I did indicate that we would have to recheck all of our planning in concert with any revision in policy for MDS.

MR. SCHREYER: But still, you are confirming that the three year to break-even position if changed does not change in a major way or did I misunderstand the answer?

MR. HOLLAND: Mr. Chairman, the results are trending very close to our three year expectations.

MR. SCHREYER: To break even?

Public Utilities and Natural Resources
Thursday, June 1, 1978

1. HOLLAND: Yes.

1. SCHREYER: With respect to the Norquay Building, this building which was built approximately years ago, which was designed and built as a general office building, it has computer services and also laboratory facilities, neither of which was in the original design. May I ask, if work is being done in that building to make certain alterations to accommodate for continued use as a computer centre, is this based on an interim assumption or is it based for long terms as a computer facility?

1. HOLLAND: Mr. Chairman, it's based on interim requirements to meet MDS's requirements over a three or four year period. . .

1. SCHREYER: Three or four years.

1. HOLLAND: . . . until they have their own premises.

1. SCHREYER: And does this necessitate, as I recall the discussion of previous years, the installation of pretty substantial additional air conditioning, filters, etc?

1. HOLLAND: Yes, Mr. Chairman, there are additional electrical services and air control measures and some mechanical work.

1. SCHREYER: Very well. Leaving that now, with respect to a decision that was taken by the Government of Canada quite some years ago, I would think approximately 1967, at the time when the Government of Canada decided to fund the establishment of a space communications satellite. I think that it's fair to say that the MTS along with a number of other communications utilities went in more out of a sense of patriotism than commercialism, nevertheless, they went in and the operation was established. Can Mr. Holland indicate if there has been any significant change, any significant policy consideration under way relative to ANIK and expansion thereof or duplication thereof, etc?

1. HOLLAND: Mr. Chairman, a great deal has happened in that area. MTS is a shareholder and along with the other major communications companies controls slightly less than 50 percent of the equity of Telesat. Some of the significant highlights are that Telesat has become a member of the Trans-Canada Telephone System so that the joint planning of the Canadian network will be done directly by their engineers and the Trans-Canada engineers and there likely will be a great escalation in the use of satellite facilities in the network. The next satellite is to be launched in December and then the next series will be in — if Mr. Anderson will forgive me — the 1412 gigahertz range which opens up a new series of possibilities for more convenient and direct customer servicing. At the present time, signals are transmitted to limited sites and backhauled over the network. This does not permit quite direct delivery. Then, of course, in the U.S., there's been enormous growth and variety of uses of satellites and we see that happening in Canada.

1. SCHREYER: Well, Mr. Chairman, more specifically, I recall something of the rationale for proceeding with ANIK in the first place but apart from that, I'd like to ask Mr. Holland if there has been any significant change in the amount of capitalization that the MTS is required to put in in the first place which I think was in the order of \$1 million. Has that been modified at all?

1. HOLLAND: No, Mr. Chairman, there's been no change in the investment.

1. SCHREYER: With respect to any proposed plans for expansion, if I understood you correctly, there are plans for expansion well under way. Does that require any additional input?

1. HOLLAND: No, Mr. Chairman. Telesat's financial future is assured.

1. SCHREYER: Well then, finally I would like to put it in a more general way. I would like to give Mr. Holland an opportunity to indicate if the Manitoba Telephone System is a little happier today than years ago, eleven years ago, when the initial decision was taken across the country at which time I recall MTS was hardly overjoyed with the whole prospect.

1. HOLLAND: Oh, I think there have been dramatic changes in that area, Mr. Chairman, mostly in the area of evolution of standards and engineering techniques and so on, our telephony engineers, have become quite content with the standards of service so that the satellite is well accepted in the planning at this stage.

MR. SCHREYER: And finally, Mr. Chairman, with respect to the closing paragraph of the report Page 17, reference is made to the Telephone System's northern service program being likely to be completed by the end of 1977 and the Lake Winnipeg microwave route completed by late 1977. Has all of this happened as anticipated?

MR. HOLLAND: Mr. Chairman, yes, with the exception of two delays due to fires which have not yet been corrected and service is in place so it has followed the plan very closely.

MR. SCHREYER: Thank you.

MR. CHAIRMAN: Mr. Parasiuk.

MR. PARASIUK: Mr. Chairman, I had a number of questions to ask the chairman regarding cable ownership. That issue is being raised again and also cable versus teletel transmission especially in rural and northern Manitoba because again, that's another issue that has been getting a great deal of play lately. However, the Minister's statements regarding the establishment of some type of Cabinet review of MDS leads me to leave those questions alone for now and go on to that particular topic in that I think this is a very critical issue in that this is a very highly technical matter. I think something that I think plagued the computer rationalization advisory board, there were technical experts called in, the computer rationalization advisory board was known. It provided highly technical advice to the government. I know that the MDS has tried to get on its staff the most qualified people in the whole area of computer technology, people who are experienced not only in the area of computers in the private sector — I think that they have used consultants from IBM which is probably the leader in this particular field and they have also used people who have had a great deal of experience in government. I notice that the head of MDS, according to this report, is Mr. Chalmer who used to, I think, head up the government computer operations when it was part of the management committee of Cabinet. He was transferred over to the Manitoba Telephone System when MDS was established so you're getting really the best qualified people, I think, in Manitoba dealing with this whole matter.

Somehow, some time, the Cabinet has decided that they would like a check — which is a valuable position, I think, for them to take — (Interjection) — and I agree with that and you're welcome, Mr. Chairman, I'm just curious as to what prompted the Cabinet to undertake a review. When it does undertake one of these reviews, it should certainly have a reason and I went through the Task Force Report and I don't remember the Task Force itself recommending any specific reviews of the Manitoba Telephone System. It did raise some points that I raised last time about the chairman and general manager being the same person but I don't recall anything specific about a detailed review of MDS so since we did have this Task Force do a review, it reported and no review or further review of MTS or MDS was announced by the Minister responsible for the Task Force who indicated at that time that there were a couple of ongoing reviews that would be undertaken.

Can the Minister indicate when it was decided to launch another review and a quite specific review of the Manitoba Data System? Was it last December, this April or when?

MR. CHAIRMAN: Mr. McGill.

MR. MCGILL: Mr. Chairman, I can't indicate specifically on what date this decision was made. Mr. Parasiuk also questioned, I think, what were the reasons for it and earlier in his remarks he thought he would agree that because of the nature and the highly technical matters involved that it would be reasonable for Cabinet to want to review and make some determinations for itself as to the role to be played and the structure as it now existed and as it might exist in the future.

As to the date, I can't be very specific on that. It was probably in the early part of this year but I could be more specific perhaps on checking that if it was a critical matter to Mr. Parasiuk. However, the review has been undertaken and I believe, as he says himself, it's a very reasonable step to be taken for Cabinet to want to fully inform itself on the operations of the computer service.

MR. PARASIUK: Well, while I agree that it's a reasonable step for the Cabinet to want, it might have been reasonable last fall when it was conducting its overall review. It's had a review; it's had the Task Force review all the Crown corporations. Now, we've received the public Task Force Report that doesn't say anything about a further review of MDS and conceivably this Task Force did a fairly thorough job of reviewing the Manitoba Telephone System and reviewing the Manitoba Data System. That means that something else has arisen in the last while which has prompted Cabinet to decide that even though the overall Task Force didn't recommend a further review of the Manitob

Telephone System and the Manitoba Data System something else has happened in the interim to require a review in a very detailed technical manner and one of the things that concerns me as well on this is that when my colleague, the Member for The Pas, asked some questions of the Chairman on this, the Chairman said, "Well, I don't really know about the review," and then the questioning shifted over to the Minister responsible for the whole operation, who said, well, this being done by Cabinet.

Obviously, Cabinet, as far as I can tell, there is no one on Cabinet with the technical qualifications to undertake this review, so I assume then that a group reporting to Cabinet is undertaking this review. But it would appear at this stage, the Chairman, General Manager, and possibly other highly technically qualified people in the Manitoba Telephone System are not part of that review.

So, I'd like to know what prompted Cabinet in the last two or three months to want to undertake this review, even though other reviews that were conducted in the fall didn't seem to warrant a further review of MTS or MDS. And that's why I'm asking that specific question there, because it strikes me that something must have happened that would have prompted Cabinet to want to do another quite specific review. I think it's quite normal to expect that from the fall. I would have expected it, had the Task Force said, yes, we have identified a further area requiring analysis, and that's the Manitoba Telephone System. Fair enough. But that's not what I can recall the Task Force saying.

Therefore, something else must have happened, and I think it's fair to ask what that was, and I'm again asking the Minister if he can indicate what it was.

I'd also like the Minister to indicate who, actually, is conducting the review because the Computer Rationalization Advisory Board was a technical body that people on that body were known. I would like to know whether in fact anyone who served on that technical body that recommended computer rationalization is, in fact, part of this new review group, or whether some people drawn from Manitoba, from the private sector in Manitoba — although the report itself says there's not that much capacity in the private sector in Manitoba — but whether in fact some people have been drawn from Manitoba, outside of Manitoba, who are conducting a review about something they don't know very much about.

I'm interested in finding out whether the review group is technically capable of undertaking that review; I'm interested in finding out whether in fact there are no vested interests on this review team, because certain people have said that they don't want the MDS in existence even though it might be more economic from the perspective of the people of Manitoba to have an MDS.

So I think these are some very serious questions relating to this review, and I'm hoping that the Minister is in a position to provide some answers.

R. CHAIRMAN: Mr. McGill.

R. MCGILL: Mr. Chairman, I don't know whether I can include all of the answers that the member is requested in his remarks. The first one, as I recall, related to why the review was undertaken. He said it was a reasonable idea, but why did it happen when it did? And the answer to that is obviously that, well, I can say that certain requests would be coming to Cabinet in respect to specific things such as new computer equipment, and Cabinet then would require information and advice and direction as to the details involving the need for the new computer equipment that was being requested. These, of course, were matters which came up prior to the report of the Task Force, quite independently of that, Cabinet needed to be informed of the background for and somewhat as to the general operating terms of Manitoba Data Services.

The committee of Cabinet undertaking that was comprised of the Minister responsible for the Manitoba Telephone Systems and MDS, the Minister of Public Works, the Minister responsible for the Task Force, and the Minister responsible for Manitoba Housing and Renewal. Their technical qualifications in the field, Mr. Parasiuk can determine and estimate for himself, but they have access and ability to consult with people, both in Manitoba Data Service and elsewhere in the system in their eventual determinations.

R. CHAIRMAN: To the members of the committee, the hour of 12:30 has arrived. Do you feel that we could perhaps finish this report in the next half hour? If not, we will schedule a meeting for Tuesday, June 6, at 10:00 a.m.