



Legislative Assembly of Manitoba

STANDING COMMITTEE

ON

PUBLIC UTILITIES AND NATURAL RESOURCES

Chairman:

**Mr. Warren Steen
Constituency of Crescentwood**



Monday, June 4, 1979 10:00 A.M.

**Hearing Of The Standing Committee
On
Public Utilities and
Monday, June 4, 1979**

Time: 10:00 a.m.

HAIRMAN: Mr. Warren Steen (Crescentwood)

MR. CHAIRMAN: Gentlemen, we have a quorum. We can carry on with the Public Utilities and Natural Resources Committee reviewing the Manitoba Telephone System's annual report. Mr. Holland tells me that he has the answers to a few points that were raised at our last meeting on Thursday last. Perhaps we could start by allowing Mr. Holland to give some of those answers. Mr. Holland:

R. GORDON HOLLAND: Thank you, Mr. Chairman. We have three copies of the recent decision of the Public Utilities Board dealing with the System's application in November 1978, and if it's suitable, Mr. Chairman, we would provide these to the Clerk for reference by members of the committee.

We had a question last meeting about business service in Altamont, and we've confirmed that we can provide three private business lines there by July 6th, with some conditioning of the service, and I might say that with the Rural Improvement Program, we are building in additional facilities, such that we can provide this kind of service throughout the province in an improved fashion.

A question was asked last meeting as to the date on which the external auditors appeared at the MTS offices, and to our best recollection, that was March 23.

There was another question as to what revenue levels would be required to reduce the System's debt equity level from the current 85 percent to 70 percent. If that were done over five years, the estimate is that it would require an additional \$15 million per year over that period. If it were done over ten years, about \$8 million per year. And that would be incremental of course, to keeping our revenues such that the present 85 percent is maintained over those periods.

Another question was the proportion of debt charges as a percentage of our total operating revenues, and in the year ending March 31, 1978, that was 23.2 percent, in the year ended March 31, 1979, 25.24 percent of operating revenues. —(Interjection)— 25.24. That does not include amortization of foreign debt, of course.

We had another question, Mr. Chairman, on the MTS board's consideration of the report on government organization and economy, which was made public in April, 1978. I find that there is no one discussion document. Several of the topics in the report have been the subject of review by the board at virtually every meeting. If it would be suitable, I might comment on some of the major recommendations contained in there, as they pertain to MTS.

One that was referred to last meeting is that the office of Chairman should be separate from that of Chief Executive Officer, and it was the view that since that is a responsibility of the Lieutenant-Governor-in-Council, that it would be inappropriate for the board to study that in any detail.

There was a proposal that each board establish an audit committee of the board, and that has been done recently at MTS and the appointments made. The membership will be board members who are not full time, and they will receive the external auditor's report for 1978-79, which is now in process.

Another comment was the timing of financial statements, having regard to the Legislative Committee meetings, the fact that we're now reviewing the report ending March 31, 1978. We have followed the practice for several years of providing the committee with updated financial information from MTS this year, including information through March 31, 1979. The report deals with foreign debt and debt equity ratios, and I think the board handling is best represented by the rate application to the Public Utilities Board, which saw provision made for the foreign borrowings and the subject debt equity ratio was thoroughly discussed by the board before the Public Utilities Board, and our decision is available to the committee.

There was a reference to rates of write-offs due to obsolescence or at least, apparently large

Public Utilities and Natural Resources
Monday, June 4, 1979

amounts of write-offs each year. We've studied that in considerable detail and there's a figure of \$39 million in write-offs noted in the Task Force report. One-sixth of that is attributed to obsolescence, the rest of it is routine write-offs, and we have confirmed that our write-offs are lower than the other Canadian telephone companies.

There is another reference to accounting treatment with Manitoba Data Services on Page 15 of the report. That practice was adopted deliberately in order to record advances repayable from Manitoba Data Services. It was our view that there is full information published in the annual report and that any analyst who wishes can readily obtain other factors if he wishes to produce those.

That, Mr. Chairman, would be a brief report on the board's consideration of the Task Force report.

MR. CHAIRMAN: To the members of the Committee, on Thursday morning last when we recessed at 12:30, I had a list of five persons at that time that had wished to participate in debate: Mr. Bostrom, Mr. Doern, Mr. Cowan, Mr. Gourlay, and Mr. Minaker. Mr. Doern, you are first on the list. Do you wish to go first this morning?

MR. DOERN: Mr. Chairman, I was interested in this whole question of cable, the business of tele-owning of the Coaxial Cable, and some of the arguments, I guess, that have arisen with some of the private companies and MTS, and then the other thing I wanted to discuss was the Tele- with the Chairman of Development of that. I suppose really what I want to do is ask for a general comment and maybe ask a few specific questions of the Chairman.

There's been Valley Cable Television in the news in the past few months. Maybe I could start by reference to a Free Press editorial of last October when the very interesting quotation was made by Gordon Backhouse, whom I know, and Mr. Backhouse apparently revealed, or — is he the Director of Marketing? — yes. It was quoted first of all — the Director of Marketing — “that the Winnipeg Cable Companies were jamming signals to the rural part of the province, and then a quote from Mr. Backhouse, that the Canadian Radio Television and Telecommunications Commission probably have something to say about this caper.” I wondered if you, Mr. Chairman, or Mr. Backhouse, could explain why these companies are doing this and why MTS takes a dismal view of this. I'm sure that the people in rural Manitoba take an even dimmer view. But what was the object of that exercise, and what proof do you have of it?

MR. CHAIRMAN: Mr. Holland.

MR. HOLLAND: Well, perhaps, Mr. Chairman, since Mr. Backhouse is quoted, it would be most suitable if he commented on that incident.

MR. CHAIRMAN: Mr. Backhouse, would you like to join us at the corner of the table here and use microphone 11?

MR. BACKHOUSE: Mr. Chairman, the event that Mr. Doern is referring to had to do with the turning up of cable service to the first four of the 29 licenced communities in the province, and that act was taken by the Winnipeg cable operators in scrambling the signal at Tolstoi after Manitoba Telephone System connected the service through to the four communities. Incidentally that act happened on one occasion only, over a September weekend. The jamming started on a Friday night and was removed Saturday afternoon, the next day. And the reason that we were given for action was that the Winnipeg cable companies were not aware that the turning up of the system in those four communities was authorized by CRTC, and that all of the conditions that CRTC I requested had been, in fact, complied with. And in the days immediately before the turning up of the signal, MTS had approval from CRTC and DOC for proceeding with turning the signal on.

MR. CHAIRMAN: Mr. Doern.

MR. DOERN: So I assume that MTS's interest in all of this in terms of television is only with cable it's not through the air transmission.

MR. BACKHOUSE: Yes, that's correct.

MR. DOERN: Right. It's also been indicated that cable customers in Winnipeg may be made to be the subject of a special tax levied on them to the extent of another \$7.80, to subsidize rural customers, and this has been criticized in some quarters and so on, and can you bring

Public Utilities and Natural Resources
Monday, June 4, 1979

p-to-date on what cable television throughout the province means in terms of monthly rates, and so whether there will be a surtax or additional charge to Winnipeg cable customers?

MR. BACKHOUSE: Mr. Chairman, the reference there relates to a proposal of CRTC that the cable operators in Manitoba should form an association, which has been done. The purpose of the association is to arrive at an appropriate arrangement for cost-sharing of the inner-city delivery system, and that implies that the Winnipeg cable operators would share in and assist in the delivery of the U.S. signals on an equalized basis with the newly licensed communities. Now the CRTC decision simply said that the association should be formed and that its purpose should be to work out appropriate cost-sharing arrangements. What those cost-sharing arrangements should be is the decision of ACOM, the Association of Cable Operators of Manitoba. MTS is not a member of that association and the cable operators are dealing with and, hopefully, endeavouring to resolve that issue. It has not been resolved at the present time, to the best of my knowledge; and in lieu of any resolution of it development of service in additional communities can be constrained. Some contribution from Winnipeg is required in order to finance the delivery of the additional cable channels to the newly-licensed communities beyond some point, beyond those that are presently served.

R. CHAIRMAN: Mr. Doern.

R. DOERN: And right now I understand that there are networks to Brandon, Portage, Selkirk and Carberry.

R. BACKHOUSE: Mr. Chairman, that is correct.

R. DOERN: And there are some — what? — remaining 25 communities that are going to be hooked up, or are a number of them hooked up already?

R. BACKHOUSE: Mr. Chairman, there were 29 licensed. Four have been served at the moment, 25 remain to be served when the cable system, the intercity delivery system, can be built and it requires an appropriate payment plan in order to justify going ahead with that construction.

R. DOERN: And what do they charge in these centres per month? Do you have their rate schedule customers?

R. BACKHOUSE: I don't have it, specifically, but the largest licensed operator is WestMan Media, and they have an approved CRTC rate of \$10 per subscriber for all communities within their jurisdiction.

R. DOERN: \$10 per month?

R. BACKHOUSE: That's correct, Mr. Doern.

R. DOERN: And the Winnipeg rate, again, is how much, \$6.00?

R. BACKHOUSE: The Winnipeg rate is essentially on the west side of the Red River \$5 and the east side of the Red River it is \$5.50.

R. DOERN: Can you give us any idea of the extent of coverage in Brandon, Portage, Selkirk, Carberry and how many, approximately, thousands of subscribers or hundreds of subscribers in those centres? percentage of the population?

R. BACKHOUSE: Mr. Chairman, I really don't have those figures at my fingertips. Generally speaking we have been impressed with the degree of development, but I can't quote you specific figures offhand.

R. DOERN: And do you have any idea of which towns will be serviced next, or is there some priority list that you are aware of that, say, you are committed to?

R. BACKHOUSE: Mr. Chairman, MTS is anxious and prepared to provide service to all of the remaining communities as quickly as appropriate arrangements can be worked out. Plans had been

Public Utilities and Natural Resources
Monday, June 4, 1979

identified in the current construction year, assuming, again, that appropriate payment arrangements are developed to serve Rivers, Minnedosa and Neepawa.

MR. DOERN: And so what is the main problem? I understand there is a conflict between the cable companies — I assume basically the two Winnipeg companies and, perhaps, WestMan Co-op — a dispute about ownership of the cable, and you seem to be arguing . . . I am now looking at a letter from Brian Smith, your supervisor of public information, and so on. You seem to be arguing that the cable is comparable to a public utility, that if MTS controls it you will have access to it; if businessmen, all corporations, companies interested in this field will have equal access. If not, then it will be some form of a monopoly and will not be as readily available or as free in access as it would if MTS owned it, as the common carrier. And there seems to be some concern about a situation developing similar to the days of the origin of MTS, when you had dozens and dozens of private companies operating telephone services. Your concern seems to be that there may be a number of companies owning the cable and that would prevent common access. It would maybe be restrictive in regard to the spreading of television throughout the province and perhaps, beyond that, many other services that could be supplied through the cable, like Teledon, which I'd like to get into after.

But, essentially, what harm would there be in private companies operating the cable, from your point of view? Maybe the Chairman wants to answer that.

MR. CHAIRMAN: Mr. Holland.

MR. HOLLAND: Well, Mr. Chairman, I think we should start off by pointing out that the situation in Manitoba historically and as it stands now is quite different than in most other provinces, with the possible exception of Saskatchewan. And it started in the mid-sixties with the negotiation of the Winnipeg agreements. The principle in those agreements, which had been renewed through 1977, is that the coaxial cable is owned by MTS and MTS is given the right, under those agreements, to acquire the drops at depreciated value and to replace amplifiers as required.

Subsequent to the agreement, the CRTC was established, and matters of federal-provincial jurisdiction entered that, so that there were detailed discussions between the Manitoba authorities and the federal government producing the Canada-Manitoba Agreement in 1977, which recognizes this arrangement in this province. MTS then has provided the networks outside of Winnipeg, including amplifiers and drops.

So that, as I say, I think that column refers to the situation that, if it is not a publicly-owned network, then it is owned by a private monopoly, which is not in accord with the policy established since the mid-sixties, and observed since that time.

MR. DOE: So your fear or concern is that if it is run by a series of private companies there will not be common access.

MR. HOLLAND: I would like to make that more positive. MTS is anxious to carry out the terms of its agreement, the policy established by the provincial and federal governments, and to maintain its role as the common carrier, under which there is an obligation to serve businesses and individuals wherever they are, and provided only that facilities are available.

MR. DOERN: And what other services are you anticipating? I'd like to hold the Teledon aside for a moment, but you made reference in your opening statement to a variety of services such as burglar alarm, — there's a lot of talk about fire alarms going out now in the city of Winnipeg — replaced by telephones, energy management, etc., etc. How would that work again? Is the monitoring system in the home? For instance, how would a fire and burglar alarm system as visualized by MTS work in a person's home?

MR. HOLLAND: Well, Mr. Chairman, I think that there is a great deal of public discussion about pending or imminent services, many new services being made available, one of which is the Teledon type of service to which Mr. Doern referred. I think a great increase in fire alarm and illegal entry protection services and so on, for the individual business and residence, that is seen as a major advance, because if the parties are out or asleep, or whatever, there still can be the monitoring services at a central source detecting any danger.

MR. DOERN: Would that be hooked up to a smoke detector? I mean, how would you have a monitoring system through cable television, etc.?

MR. HOLLAND: Well basically, there are detecting devices in the home which are remotely monitored, generally by a computer sweeping process, that detects if there is any change in the situation, reports it centrally. Normally, there is a rapid check back to confirm that as quickly as possible and then forward it to the authorities. Other services, and as I say, these are now being discussed almost weekly by the press and journals and magazines, include pay television and meter reading, the general information access services.

MR. DOERN: In this whole conflict between private corporations or companies and MTS about cable ownership, who is the final arbiter? Is it the CRTC, or is it the Supreme Court, or is it the province? Who decides as to who is right or who has the authority here?

MR. HOLLAND: Well, again, I think the MTS goal is to preserve its common carrier status, in these as in other fields. The Canada-Manitoba agreements lets out the jurisdictional responsibilities and basically it provides that there is no provincial interest in content or programming. That rests with the CRTC, the licensure procedures. There is an array of non-programming services, so-called, such as we described. The intent there would be that there is some form of provincial licensure for the on-programming services.

MR. DOERN: Could you describe again, briefly, for the committee, there's been talk recently of an experiment with so many homes in Winnipeg to establish these burglar and fire alarm systems, etc. etc. Is that now in effect, or when will it be in effect? And what does it consist of essentially?

MR. HOLLAND: There are two upcoming experiments or demonstration projects, one of which is known as the Elie Project, which basically is a test of fibre-optic technology in a rural environment. The second one would be the use of coaxial cable for a variety of services, that is an integrated carrier of a variety of services. The intention is that that will commence late this year. The two projects, I might say, are somewhat related in that they will both be testing the feasibility of integrated services over one medium, and the types of services could be similar on both.

MR. DOERN: And will these be free to the people participating, or will they pay for it? Are you looking for volunteers?

MR. HOLLAND: It will be in a defined area, Mr. Chairman, affecting a limited number of homes. One of the purposes is to identify the customer interest and customer attitude to these different services, their usage, and hopefully out of that will come new insights into the correct marketing processes, correct rating practices and so on. In the meantime, it is a demonstration project, and assume would be provided without charge to the customer initially.

MR. DOERN: The other area I wanted to discuss briefly, Mr. Chairman, is Teledon, which is, I guess, something that's been talked about for a long time and is almost upon us. I gather that essentially it connects the average person, who has the hook-up, with some sort of a little communications computer or calculator, whatever it is, to his TV set, and then he can buy various services. If he wants to know what's available at Eaton's store he punches the buttons and ads or something comes on, if he wants to access an encyclopaedia, or if he wants other types of information on sporting events, etc., etc., this is all possible through this type of a link-up. And I notice that in Britain they have a commercial system called Prestel, which just went into operation in April, only 100 thousand initial subscribers, and the cost is 1,000 pounds. Obviously it'll go down dramatically, as the two-way communication system. In Canada at this time, how far are we away from this? Do we have this Teledon System working anywhere, say, in Canada, or North America, today?

MR. HOLLAND: Mr. Chairman, the British system has been introduced, as we understand it, on a commercial basis and they have published their catalogues of information files that are accessible by a key pad. A number of demonstration type projects are under way in Canada, I guess the most notable of which would be Bell Canada in Montreal and Ottawa, and their system is known as Vista and differs from Teledon by the terminal equipment that is used. Teledon was developed by the Department of Communications Research Labs.

MR. DOERN: And how much would you anticipate it would cost at present, assuming that you brought Teledon to Manitoba today and put it in a couple of thousand homes, I assume it would be quite exorbitant at present? If it's 2,000 pounds in Britain, \$2400, whatever that would be, do you have any figures on it?

MR. HOLLAND: Well, the Teledon terminal has not gone into production at this stage. I think it anticipated that it will very shortly, and as there is mass production, the unit costs will hopefully drop quite dramatically. In the meantime, it's in a demonstration mode. So I think it would be difficult to estimate or forecast the unit costs, other than that they're clearly on a descending scale.

MR. DOERN: And are we five, 10 or 20 years away from this, in terms of subscribers and comm usage?

MR. HOLLAND: Mr. Chairman, I think that would depend on the marketplace and the demand for services, and as people start requesting the information. I think it will pace the development of the technology, as I understand it, is there and quite workable. So it's a matter of how quickly the marketplace responds with a demand for these various services.

MR. DOERN: Is there a Canadian technology in this area, or are we in on the ground floor?

MR. HOLLAND: Mr. Chairman, again my understanding is that the Teledon Unit represents a clear technical advance, largely in terms of clarity of graphs and charts, and whatever, on the television screen. And the hope is that that can be advanced quickly to Canada's benefit industrially as a servicewise.

MR. DOERN: Was Teledon developed in Canada or is it an American system that's imported who originated it?

MR. HOLLAND: Teledon was developed by the Department of Communications in their research facilities in Ottawa.

MR. DOERN: My final point, Mr. Chairman, is for a long time now we have seen things like telephones with television link-ups. In other words, you can see the person to whom you are speaking. And that seems to be still very experimental in a few places in the United States, and so on. Is there that system available in Canada, and does MTS intend to introduce something like that in Manitoba?

MR. HOLLAND: Mr. Chairman, again my understanding is that that is a function of the marketplace. I understand that AT and T has an offering between different cities in the U.S., but it has not been a service strongly demanded by the marketplace. In Canada, facilities are in place for television conferencing for business purposes. There are studios in Calgary, Edmonton, Ottawa, Montreal and Toronto at this stage. We will be strongly directed by the marketplace. If that requirement is developed, we certainly will provide studio facilities and a network for that service.

MR. DOERN: So it's still at the stage where you have to go somewhere and then you communicate from that location. There aren't too many businesses wherein they are operating from their own offices, and so on.

MR. HOLLAND: Well, I have heard that there are two or three large businesses that will be equipped with their own facilities so that they can have meetings on their own premises.

MR. DOERN: Thank you, Mr. Chairman.

MR. CHAIRMAN: Mr. Gourlay.

MR. D. GOURLAY: Thanks, Mr. Chairman. I'd like to direct a few questions to Mr. Holland regarding the Rural Service Improvement Program and, in particular, the Benito Exchange. I think at the meeting there was some indication that there would be expanded free-dialing areas throughout the province, and the Benito area for some time now have requested that they be included in a free-dialing area with the rest of the Swan Valley community. And I was just wondering if you have any idea at this time when Benito might be included in such an expanded program.

MR. HOLLAND: Mr. Chairman, as reported last meeting, the policy had been to implement the bulk of the Rural Service Improvement Program. That is the reduction of party lines and the extension of individual line service to the smaller centres, before proceeding with MEB or EAS, that is enlargement of free calling areas.

Public Utilities and Natural Resources
Monday, June 4, 1979

The recent decision of the Public Utilities Board directs MTS to move ahead much more quickly than planned with these services. We're just studying and developing alternatives for that at the moment, testing our financial future over the next three or four years. It will have to, again, be a province-wide plan in the interest of fairness and equity to all of our customers. There will be consultation with the Public Utilities Board on the financial implications.

In the meantime, we have offered optional toll calling packages between exchanges where there is heavy and frequent calling and I believe Benito and Swan River is one of those where, in effect, it's a flat rate for a certain amount of calling per month. And many customers have found that convenient and a preferable way to use the toll network.

MR. GOURLAY: Do you foresee that in the future that Benito, as well, say the Cowan and Mafeking Exchanges could be included in an expanded free dialing service in that larger Swan Valley area?

MR. HOLLAND: Mr. Chairman, the principle that we have used to date is to redefine the component of service and include it in the basic exchange rate. That is, to redefine that service. And we have attempted to follow traffic patterns between exchanges, particularly to ensure that the basic calling services, such as to the doctor and the implement dealer and the local high school and so on, that these are included in the basic service. So that I believe our attempt will be to see if we can redefine that pattern and try and reflect very current traffic patterns. That is the way the customers are now using the network, which has changed quite dramatically in recent years, and reconfigure on that basis.

MR. GOURLAY: There was one other question I had with respect to the business service for rural areas. You mention, I believe, that this would be available to all areas of the province by 1981. Does this include, say, private business lines to rural businesses that might be located outside the confines of small communities? '

MR. HOLLAND: I mentioned, Mr. Chairman, that in conjunction with the Rural Service Improvement Program, which is to be completed by 1981, we are building in additional facilities with that, so that, hopefully, we can provide and cater to businesses that are on the periphery of the smaller centres or special business requirements. That is there will be some spare facilities, at least for a time, that we can dedicate to the large farmer and businesses, and try and improve their service. I think the other factor is that Data Services are growing very rapidly in these centres, and we hope to be able to meet business requirements for data communications facilities.

MR. GOURLAY: There was just one other question I had, with respect to cable TV service to the Swan River area, and if you would have any idea when the MTS equipment would be in place, or ready to service that community? Do you have any time scheduled at the present time?

MR. HOLLAND: Mr. Chairman, I think this was mentioned earlier. MTS is most anxious to get on with serving of all licensed communities as quickly as possible. That requires a contract with the cable licensee to go ahead with that service. The impediment at the moment is that as recognized by the CRTC decision, some form of price averaging is going to be required in order to avoid prohibitive rates. So we are working very closely with the licensees, hoping that contracts for service can be provided. Our hope was that this might be done in two construction seasons, but it's now June and the weather is excellent, and we don't have a contract as yet to get on with the next group of communities.

MR. GOURLAY: So the hold up for the Swan River area right now is with the Media Cooperative in Brandon.

MR. HOLLAND: It's due to the fact that MTS does not have a contract for service with Westman Media, and our understanding is that we do not have a contract because they require some form of price averaging to assure them of the necessary revenues.

MR. GOURLAY: That's fine, Mr. Chairman.

MR. CHAIRMAN: Mr. Walding.

MR. WALDING: Thank you, Mr. Chairman. I'll just refer back for a moment to the meeting on Thursday morning when we were discussing the matter of the Provincial Auditor and the fact that

Public Utilities and Natural Resources
Monday, June 4, 1979

the auditing of MTS books is now going to be turned over to Thorne Riddell. Mr. Holland, you gave us an estimate of approximately \$29,000 in auditing fees, paid to the auditor for the 1977-78 year — 28.9 is a more accurate figure, and I believe that you told us that you expected to pay Thorne Riddell an additional \$10,000 over that for the year that we're presently in. And subsequent to that meeting the House was informed that a contract had been signed by the government with Thorne Riddell for auditing fees for Manitoba Telephone System for the amount of \$49,000.00. Were you not aware of that contract when you gave us that figure?

MR. HOLLAND: Mr. Chairman, I don't think I was. I think the estimate I had was \$49,000 but I'm not sure where it came from. I believe it was our best estimate at that time. Mr. Chairman may I ask if it's a recent Order-in-Council or . . .

MR. WALDING: The figure was given to us by the Minister, Mr. Holland.

MR. HOLLAND: Perhaps if Mr. Walding doesn't mind we could let Mr. McGill participate right now.

MR. MCGILL: Well, Mr. Chairman, during the consideration of the estimates under legislation, the matter of the appropriation for the operation of the Provincial Auditor's Office was under consideration, and with the availability of the Provincial Auditor to respond to questions, I believe Mr. Walding did ask a question about the cost, and I believe that the response of the Provincial Auditor was in total \$49,000.00. I believe that was what the figure was that was quoted. There may be some difference in perhaps the estimate of the cost of the Provincial Auditor's services to the Manitoba Telephone System. That may be where the difference is. I believe that the net difference of \$10,000 in that cost was essentially the one which the Provincial Auditor confirmed.

MR. WALDING: Mr. Chairman, I'm not quite sure I follow the Minister's last statement. It was the Chairman of MTS who gave me the figure of \$29,000, which I believe was confirmed by the Provincial Auditor. Mr. Holland also told us that he expected to pay about \$10,000 more than that to Thorne Riddell which would have brought it to \$39,000, whereas the auditor tells us that a contract was signed for 2,050 hours at the rate of \$23.90 an hour, which came to \$49,000.00. I just want to check with Mr. Holland whether he was in fact aware of that contract having been signed at the amount of it.

MR. HOLLAND: I have the figures that I had before me last meeting and I obviously made an error. The figures I had were \$28,900, the fee for the year ending March 31st, 1978, and \$49,000 and I think I subtracted 29 from 49 and got 10. I'm sorry about that.

MR. WALDING: Could you give me the figures again for the Manitoba Data Services, please have down \$7,500, now I'm not sure whether that was the auditor's charge or what it was.

MR. HOLLAND: Mr. Chairman, the figure for the auditor's costs for the year ending March 31, 1978, was \$7,500, and the estimate for the new year is slightly over \$10,000. So that is the last estimate we've had.

MR. WALDING: Thank you. I wanted to ask about the matter of foreign debt amortization, and Mr. Holland you mentioned this a couple of times last Thursday, and I understand that it is to be shown as a separate item in the financial report next year. Can you explain to me the manner in which it will be shown?

MR. HOLLAND: Mr. Chairman, we do not have the audited statements for the year ending March 31st, 1979. We expect that it would be shown as the gross earnings figure that we discussed last meeting, less interest costs, less provision for amortization, and that arithmetic produces for the year about minus \$½ million as the net earnings figure.

MR. WALDING: Is the figure to be part of the financial statement for the year?

MR. HOLLAND: Mr. Chairman, barring other advice from the external auditor, it's our policy to show that fully on the published reports.

MR. WALDING: Can you tell me the basis of the calculation for showing that figure?

Public Utilities and Natural Resources
Monday, June 4, 1979

MR. HOLLAND: Mr. Chairman' it is a simple annual amortization of the increased costs of redeeming that debt commencing in the year 1978-79 through to the particular dates of maturity of the different issues.

MR. WALDING: Will each of the bond issues be calculated separately — those that are in foreign currencies that is?

MR. HOLLAND: Yes, Mr. Chairman, and the currency values reported as at March 31, for each issue.

MR. D. JAMES WALDING: I take it from that that it would be advertised over the current life of the bond that is outstanding? What account will this take of those issues that are rolled over in the same currency for a further terms of years? How will that be taken into account?

MR. HOLLAND: Well, Mr. Chairman, I would assume that if they are rolled over that would be an adjustment in the amortization period pending the revised maturity date, recognizing that in the annual calculation.

MR. WALDING: I've been told that the matter of allowing for foreign debts because of the depreciation of the dollar was something that was introduced by the accounting profession a year or so ago, but that it had rather unfortunate effects with some companies and corporation, and that it has since been made optional whether a company wishes to show its foreign debts in that form or not. I'd like to ask why MTS decided to go to that form of showing foreign debt?

MR. HOLLAND: Well, Mr. Chairman, the policy guidelines of the Canadians to chartered accountants are very influential in this area. They were published and advocated this handling. I understand that the impact on some businesses was profound and they were withdrawn; and I further understand that that particular policy has been re-established and confirmed by SECA, so that our MTS practice would be to follow standards and guidelines recommended by the accounting profession.

MR. WALDING: I haven't had the opportunity to read the Public Utilities Board report that you gave us this morning. Is there any reference in there by the PUB to this matter of foreign debt amortization? Do they state an opinion on the matter?

MR. HOLLAND: Mr. Chairman, I believe I mentioned last meeting that there was no explicit edict contained in the decision, but the nature of the decision suggests that it was recognized as a part of MTS costs.

MR. WALDING: So it was not an order of the Public Utilities Board that caused the system to show foreign debt amortization in its annual statement?

MR. HOLLAND: It was strongly advocated by the MTS Board in its application and the decision of the Public Utilities Board appears to support that handling.

MR. WALDING: Do they in fact support it or are they non-committal about it?

MR. HOLLAND: Well, Mr. Chairman, they can't be non-committal about the rate tariff that they approved, and that rate tariff produces certain revenues, and those appear adequate to permit this accounting handling.

MR. WALDING: I'm wondering if they showed any concern that to show foreign debt amortization as an expenditure each year is likely to, or could possibly cause wide swings in that dollar amount, as various foreign currencies fluctuate up and down, and that it could mean that it would show MTS with a very healthy profit one year, and heading into a very big deficit the next, or even at six month intervals, or even three month intervals depending on when it was calculated. Does the Public Utilities Board see this as a problem of having you appear before them every year for an increase or a decrease in rates? Do you see it as a problem in planning for more than one year, when you are showing this entry in this manner?

MR. HOLLAND: Well, Mr. Chairman, again it's a bit of speculation but it would seem, in allowing this amortization at the earliest possible period and amortizing over the longest possible period,

Public Utilities and Natural Resources
Monday, June 4, 1979

that has the effect of keeping our tariff at the lowest possible level, and I think, precluding abrupt fluctuations in the rate, we do file with the Public Utilities Board multi-year projections which are studied, so I think the effect would be to keep our rates at the lowest level and to avoid any traumatic changes.

MR. WALDING: Just one further question on this and I refer back to the Task Force report, and I'm not sure whether you gave me the Board's response to the statement that: "we believe inappropriate that a Crown corporation be required to assume the risks associated with fluctuations in the currency exchange rates," and you're very well aware of what has happened with the Hydro in this, and I believe you did mention it at our last meeting. Did the Board make any policy decision in this area?

MR. HOLLAND: Mr. Chairman, I think that the Board's handling is apparent from the development of the rate application to the Public Utilities Board namely, that there should be full recognition of the currency fluctuations, that that should be fully built into the rate base, and ingested; and that appears to be accepted by the Board. So I think that that would be reflective of the MT Board's viewpoint.

MR. WALDING: Yes, that assumes that MTS is assuming the risks of those foreign currency fluctuations. Is it the policy of the Board that MTS should do that, or that they should be treated in the same way as Hydro or as recommended in the Task Force Report that these matters, be left outside the control of the Board, and that the Board is sort of the innocent victim of international fluctuations, that they should be not subject to those fluctuations?

MR. HOLLAND: Mr. Chairman, the MTS has always financed its own operations totally, that without subsidy from the Consolidated Funds, so that is a well established principle. MTS has benefitted both from the favourable and unfavourable changes in currency. MTS also observes standard accounting practices in the telephone industry, and in our reporting to the Trans-Canada Telephone System in inter-company agreements and relationships, and so on, so that barring a policy direction otherwise, the MTS Board would assume that those various practices would continue.

MR. WALDING: He still didn't answer the question, Mr. Holland. You stated to me that the Board hasn't accepted its responsibility, it's historic responsibility, and presumably what is in The Telephone Act, that it is entirely responsible for its foreign borrowings. The question I'm putting to you is does the Board have any policy as to the appropriateness of that position? Do they feel that would be better for MTS operations if they did not have that responsibility of foreign currency fluctuations?

MR. HOLLAND: Mr. Chairman, that's a difficult question. I think the MTS board would have preferred that this particular sequence of events on off-shore borrowing had not occurred, but did, and so the response last November was for the board to fully display this situation to the regulator and seek concurrence that that should be fully ingested and fully reflected in rates.

MR. WALDING: Just so I get this matter of foreign debt amortization clear, when it is shown in the financial statement each year as an expenditure, let's say it's \$1 million for point of argument what happens to that million dollars? It is put into an account, a separate account, or is it simply a bookkeeping item?

MR. HOLLAND: Mr. Chairman, there are two general possibilities here. One is that it can be taken as a form of reserve pending the maturity dates of the various issues. The second one is that it can be built into the operations, taken advantage of during the period of amortization so that MTS is in the strongest financial position when those maturities occur. There are two general methods of public finance that could be applied here, and we have not, at this stage, decided which would be preferable, and they are matters which would require consultation with the Minister of Finance.

MR. WALDING: Okay, thank you. I wanted to move now to the matter of interconnection. I recall that we passed a bill two or three years ago, and I don't recall whether or not it has been proclaimed. Can you enlighten me on that point?

Public Utilities and Natural Resources
Monday, June 4, 1979

MR. HOLLAND: Mr. Chairman, it has not been proclaimed to date.

MR. WALDING: I recall when the matter came in that it was a matter of some urgency to the System, that there was an actual or a potential revenue loss that the interconnection bill was meant to rectify. Now, is the matter still urgent, and is the system losing money because the bill has not yet been proclaimed?

MR. HOLLAND: Mr. Chairman, at that time, which I believe was 1975, or leading into 1976, the MTS board sought clarification of what the public policy in Manitoba would be regarding terminal interconnection. There were special hearings of this committee, intersessional hearings of this committee, and then a bill was presented and ratified. The intention was, I think, to have the policy spelled out and then the various processes and procedures of the legislation invoked judiciously when it seemed that that was necessary and in the best interests. Up until this point, the MTS board has not sought proclamation of the bill.

MR. WALDING: The question had to do with loss of revenues to the System, and I recall figures such as \$8 million or \$10 million a year. I'd like to ask you whether there is still a continuing loss of revenue to the System or has this been dealt with in some other manner?

MR. HOLLAND: Mr. Chairman, there is a continuing loss of revenue to the System and it is probably increasing as interconnect policies in the United States and Canada alter and are changed. So I would say it is an increasing loss.

MR. WALDING: What's your best estimate of the revenue loss annually at the present time?

MR. HOLLAND: Mr. Chairman, this is done on a sampling basis, and so is an estimate at best. But there is a figure that we estimated for the Public Utilities Board during our hearings, and I'm just wondering if we have that estimate handy. May we undertake to get that? That would be an estimate in December as to what we thought would be the revenue implications.

MR. WALDING: Would it run to millions of dollars a year?

MR. HOLLAND: Yes.

MR. WALDING: Do you recall if it was in excess of \$10 million a year?

MR. HOLLAND: No, Mr. Chairman.

MR. WALDING: Still on the matter of interconnection, I recall that there was a clear difference between those devices that were connected to the system as receiving devices only, such as recording, telephone answering devices, and extension telephones and those devices, on the other and which were network addressing devices. Is there still that difference, and are any of these devices that we see advertised by Radio Shack and Woolworths, etc. in the latter category of network addressing, and are they providing any problems to the system?

MR. HOLLAND: Mr. Chairman, the category of network addressing and non-addressing is still a valid one and there are quite different considerations between the two. The most recent ones publicized were network addressing, and the concern there, of course, is whether the electronics are compatible with our network, or could impair quality of the system.

There is a procedure, a voluntary procedure established by the Department of Communications called the Terminal Attachment Plan, under which they undertake to review different pieces of equipment and test them in their laboratories and certify them as to acceptability. I have no knowledge as to whether these recent advertised telephones have passed that test or not.

Mr. Chairman, I might add, again, an interesting public issue aspect to this. We have reported to the committee that our investment per telephone has gone over, just over \$1,000 per telephone. If you do a quick calculation, the interest alone, at 10 percent would be \$100, which would produce \$3.33 monthly for interest alone, no provision for amortization or maintenance or whatever. Our average in fact, in Winnipeg is \$5.50, and in other centres, less than that. And the answer is, of course, that revenues are obtained from the vertical services and extension services and toll in order to subsidize that rate. The bill that was passed made provision under which the Public Utilities Board, as the arbiter, would specify the terms and conditions under which those could access the TS network, without which, of course, they're useless.

MR. WALDING: Are there now network addressing devices that are being attached to the system in this province over which you have no control, and consequently are losing revenue?

MR. HOLLAND: Yes, Mr. Chairman.

MR. WALDING: And are there non-network addressing devices being used in the province over which you have no control?

MR. HOLLAND: Yes, Mr. Chairman, there would be.

MR. WALDING: Do you see that first category of network addressing as being a hazard to the system, and have there been any problems reported in that area?

MR. HOLLAND: Mr. Chairman, yes, our greatest concern would be in that area and the standard of equipment. All of the MTS offerings have to meet quite stringent performance standards and so on, and we'd be very anxious that anything else affixed to the network meet the standards.

MR. WALDING: Given then that there is that danger to the system and secondly there is considerable loss of revenue of some millions of dollars, why isn't the system pressing very hard to have that interconnect bill proclaimed so that you can better protect the system and increase the revenue? There is always a possibility of course that this present rate increase might not have been necessary, had those additional revenues have accrued to the system.

MR. HOLLAND: I think, simply, Mr. Chairman, because our customers, generally speaking, understand that they're not playing it fair with MTS or their neighbours if they use this equipment and I don't think it has been a massive problem. Our concern level at this time is starting to increase. There is another aspect, and that is that the bill requires a reporting system with followup by MTS which could be complex and difficult and so we didn't want to seek proclamation of the bill until we felt it was essential.

MR. WALDING: Can the system apply to the Public Utilities Board for a tariff on various items before the bill is proclaimed?

MR. HOLLAND: Well, Mr. Chairman, the board can apply for revisions to any item of the tariff. At this time the only provision is for antique or special, and unusual telephones under which we agree to replace the inner workings at a fee for the customer, or if the customer owns a product that is offered as a standard offering by MTS, in which case he's expected to pay the full extended rate. So under the present tariff and conditions of service and so on, those are the only services that are contemplated.

MR. WALDING: But surely the interconnection bill anticipated that there would be whole range of different devices that would or could be connected to the system. I can understand the proclamation, you know, would be held up while these were being catalogued and classified as an application was being made and new rates were being worked out, which was the previous question that I asked: has the system applied to the Public Utilities Board with such a classification of devices seeking approval of tariffs for those devices?

MR. HOLLAND: No, Mr. Chairman, that wouldn't be done until the bill is proclaimed. As immediate follow-up to the proclamation of the bill, then there would be tariffs applied for and approved by the Public Utilities Board for all categories of network addressing and non-addressing equipment.

MR. WALDING: Does the system have its list all prepared and tariffs which it would request from the board? Are you all ready to go if there should be a proclamation of the bill?

MR. HOLLAND: Mr. Chairman, I think we could move on quite short notice, yes, if the proclamation was imminent.

MR. WALDING: Mr. Chairman, I wonder if I can direct a question to the Minister on this particular issue and ask him, given the concerns of the system, particularly the danger to the physical plant

itself and also to the loss of revenue, why there has been the delay in the proclamation of this interconnect bill?

MR. CHAIRMAN: Mr. McGill.

MR. MCGILL: Mr. Chairman, Mr. Walding is referring to a bill which was passed by the previous administration and which was not proclaimed by that administration for reasons, I imagine, that were considered to be fairly important ones at that time. This government is well aware that this bill is still in that category, of not having been proclaimed. When it is deemed to be proper government policy to proclaim it, it will be done. But I cannot give the member any indication at this time when such a decision will be made.

MR. WALDING: Well, can I ask the Minister if he's been considering this matter? Does he not see it as a revenue loss by not proclaiming it? Is he giving consideration to it? Does he expect to make a decision or is it something that will just drift on?

MR. MCGILL: Yes, Mr. Chairman, this is a matter in which consideration is being given, has been given and in due course, when it is deemed appropriate, a decision will be made to change the status of the bill or not to.

MR. WALDING: Okay, thank you. Can I move now to the matter of Manitoba Data Services? The chairman's report did mention that two computers were replaced by the 3033 computer. I ask first of all how many , computers MDS now has and what are they?

MR. HOLLAND: Would it be suitable for Mr. Anderson to respond to that?

MR. CHAIRMAN: Mr. Anderson. Take microphone No. 11.

MR. ANDERSON: Mr. Chairman, the MDS at present has a 3033, which replaced two 158s and has a 168 in the central site at York and has a 158 at the Hydro site.

MR. WALDING: I seem to recall from a previous meeting that MTS had ordered or put an advance order in on two of these 3033s. What has happened to the second one?

MR. ANDERSON: The second 3033 was not ordered because at that time the forecasted revenues at MDS had dropped off due mainly to the period of restraint in government, and it was not ordered. We kept the 168 in its stead.

MR. WALDING: I wanted to ask you as well about the Hydro migration. I seem to recall that this has been going on for several years. Can you explain to the Committee what the delay was and is it now going ahead, and when do you expect it to be finalized?

MR. ANDERSON: Well, the hydro migration was delayed pending a review by Hydro and they were studying the business case with regards migration or going on their own with their own installation. A study was done and it was decided that the migration should continue and the migration date is October or November of this year, I believe.

MR. WALDING: Can you confirm that the computing capacity of their present computer has to do with various payroll billing facilities, but it doesn't include the monitoring of its northern power generating facilities?

MR. ANDERSON: Mr. Chairman, the hydro computer machine? I think they have a mini computer, Mr. Chairman, that does some internal work and I believe they have another mini, which does some monitoring internally but basically the Hydro computer does all the administrative work.

MR. WALDING: I see.

MR. ANDERSON: And excludes some scientific work.

MR. WALDING: Yes. Does Hydro own this 158 that they have there, or is that a MTS computer?

Public Utilities and Natural Resources
Monday, June 4, 1979

MR. ANDERSON: Well, Mr. Chairman, that is an MDS computer purchased from Hydro a year-and-a-half ago — two years ago.

MR. WALDING: What do you anticipate would happen to this machine when the migration is complete? Will it still be needed by MDS?

MR. ANDERSON: No, Mr. Chairman, we expect to sell that computer when the Hydro workload's migrated in October.

MR. WALDING: Can you give me an indication of the load or the percentage capacity of Manitoba Data Services and its two computers when the Hydro migration is completed? Are you nearing capacity, or is there plenty of room still for expansion?

MR. ANDERSON: Mr. Chairman, I believe when the Manitoba Hydro workload is migrated, we will still have a capacity to carry us on for a year — 15 percent left, I believe.

MR. WALDING: And these computers are in place at the Norquay Building, are they?

MR. ANDERSON: Yes, that's right, Mr. Chairman.

MR. WALDING: What about the physical space requirement over there. I understand that computers tend to get smaller every time, and that replacing two with one is likely to save space. Now, do you still have sufficient space on the floor at the Norquay Building or is that also reaching capacity?

MR. ANDERSON: Well, Mr. Chairman, I believe we have sufficient space in the Norquay Building to carry us into the early '80s, due to less space being required for computers.

MR. WALDING: I recall too, that you had difficulty or problems with security, and also with an uninterruptible power supply, and there were also I believe, some cooling requirements or other physical work that was due to be done by the Department of Public Works or Government Services as it's now called. Can you bring me up to date on those changes? Have they been done or what remains to be done and is security still a problem?

MR. ANDERSON: Mr. Chairman, all the work has been done to upgrade the security to the best extent we can. However, there are still a lot of people in the Norquay Building and they will not provide the ultimate security that we're probably looking for. As far as uninterruptible power is concerned, it has not been installed; and if there is a power failure, the system can go down. We're not intending to install uninterruptible power at this time due to its high cost.

MR. WALDING: Would that result in just a lack of computing power at the time that the power was off, or would there be any loss of memory or damage to tapes or this sort of thing if there were a power loss?

MR. ANDERSON: No, Mr. Chairman, it would just be a loss of computing power at the time

MR. WALDING: I see. Has Manitoba Data Services lost a number of staff over the last few months?

MR. ANDERSON: Yes, I believe, Mr. Chairman, I believe we have lost approximately 29 people over the last six months to a year.

MR. WALDING: Is this an unusual loss of staff does it exceed ; the normal turnover for the system and can you give any reason for it?

MR. ANDERSON: Well, it is an unusual loss of staff, Mr. Chairman, more than we would have expected. However, I guess these are very buoyant times and people are moving to other areas — they're in demand in the computing industry. I guess there's also the fact that MDS was in a hold position for the last while, and while the future was being ascertained and this always gives some concern to the employee, and they may have left in part for that reason.

MR. WALDING: When you say that computer people are in demand, are you suggesting that the

salaries that MDS pays are not competitive with other areas?

MR. ANDERSON: Mr. Chairman, I guess in some areas they are and some they aren't; it depends on the job.

MR. WALDING: Have those 29 people been replaced, or are you struggling along with a lack of staff now?

MR. ANDERSON: Mr. Chairman, they have not been replaced; we are making an effort now to replace people in some areas.

MR. WALDING: Do you intend to replace all of those people that have left?

MR. ANDERSON: Well, Mr. Chairman, I don't think we intend to replace them all, because we're plan hopeful of getting MDS in a break-even position in the next while and it's part of their restraint program to see if we can carry on with less staff than we had before.

MR. WALDING: The House has been told that MDS is to be broken away from the Telephone System. We don't know yet just what the outcome is to be, whether it's to be a separate Crown corporation, whether it's going to go back into the government, can you give the Committee any information in this regard?

MR. ANDERSON: Mr. Chairman, I prefer to refer that to Mr. Holland or our Minister.

MR. MCGILL: Mr. Chairman, the responsibility for the Manitoba Data Service has been transferred to the Minister responsible for Government Services, and he has introduced a Bill — I think it's on the Order Paper and has had First Reading. It will be a good opportunity to examine that Bill, when it's been distributed and for matters such as the questions that you have posed here, to be discussed quite thoroughly in the consideration of the Bill.

MR. WALDING: Thank you. Yes, I had one other question having to do with the System. I recall that a few years ago there was considerable urgency being expressed at finding another site for MDS. In fact, some property had been acquired and it was intended to build a complete new computer facility at that time. Can you bring the Committee up to date, as to what's happened on that regard? Are there still plans to build a new and separate facility, and if so, when and what?

MR. ANDERSON: Well, Mr. Chairman, we purchased property, the old Coke site to be more specific, in the area of Bannatyne and McDermot some time ago, for the purpose of building a combined MTS and MDS site — the MTS site being required for a new local and long distance switching centre; and the MDS site being required to house a new computer and the office staff.

The site has been cleared, and plans to put the MTS switching centre there are still in the mill. However, there are no plans at the present time to put MDS at that location. MDS staff — some of it was relocated to other premises on a lease basis a while ago.

MR. WALDING: Can you tell us why the plan to build a new MDS building was dropped, or shelved?

MR. ANDERSON: Well, Mr. Chairman, basically because of costs and the financial impact it would have on MDS.

MR. WALDING: What are your present long-term plans for moving out of the Norquay Building to a new building?

MR. ANDERSON: Well, Mr. Chairman, I guess we don't have any new plans, pending the review of MTS and what its future is, and who shall run it. Mr. McGill said there's a bill being processed, and . . .

MR. WALDING: Yes. As far as the Coke site, you said that plans were going ahead to put a new telephone office in there. Will that utilize the entire site, or will there be unused space on that site?

Public Utilities and Natural Resources
Monday, June 4, 1979

MR. ANDERSON: Mr. Chairman, there will be some unused space but that will be used for parking, which we always need in the area of a fairly large centre.

MR. WALDING: So you have no estimate at this time as to when and if the Manitoba Data Services will require a new site and its own secure building?

MR. ANDERSON: Mr. Chairman, no.

MR. WALDING: I seem to recall from, perhaps it was last year's meeting of this committee, that Manitoba Data Services did most of its business with government departments, some with other agencies such as police forces and Motor Vehicle Branch, with a small amount of private sector work; and the figure of 3 percent comes to mind. Can you confirm that, or do I recall wrongly?

MR. ANDERSON: Well, Mr. Chairman, that's right. Most of our business is with the central government and its agencies. A very small part of that business was with the private sector. I do believe we have just maintained the amount of business we are doing with the private sector over the last year.

MR. WALDING: Has there been any change in emphasis, as far as that private work is concerned either to increase it, or to let it lapse?

MR. ANDERSON: Well, Mr. Chairman, we have not increased it. We've just maintained it, that's about all.

MR. WALDING: Are your rates to private companies competitive with other computer outlets?

MR. ANDERSON: Mr. Chairman, our rates, the last time we did a benchmark our rates were less than the closest competitor, which I believe was a major computer utility down east.

MR. WALDING: Just one last question. We had mentioned Teledon, and the fact that the frames or pages, or whatever it's called, that would go out to consumers over such a system, are like to be set up either by computer companies going into that work or people in the communication field moving into computers; one thing or the other, or possibly some melding. Can I ask you whether consideration has been given by MDS to providing these sort of services at some time in the future?

MR. ANDERSON: Mr. Chairman, MDS will be involved, or are involved, in the Teledon and the home trial experiments that Mr. Holland talked about earlier, and will be evolving data bases which can be accessed. I'd have to check.

MR. WALDING: So there is work being done in this area at the moment, is there?

MR. ANDERSON: There is work, but I think it's, in the case of MDS, it's in a fairly embryonic stage.

MR. WALDING: Thank you, I have no further questions.

MR. CHAIRMAN: Mr. McBryde.

MR. RONALD MCBRYDE: Yes, Mr. Chairman, as might be expected, I wanted to get an update on the northern services and a very extensive program that was under way with target dates, effort for extending the telephone and T.V. service into remote communities, and I wonder if I could find out where the delays have taken place, and what is scheduled to be happening this year?

MR. CHAIRMAN: Mr. Holland.

MR. HOLLAND: Mr. Chairman, Mr. McBryde was referring to the northern program? That I proceeded as planned and is largely complete. We did report on that in our summary to committee yesterday. We mentioned that extension of the network had made it possible to bring live television to two additional communities, so essentially that has followed the plan, it is largely complete. As well yesterday the mention was made of Shamattawa, Tadoule Lake areas, which

Public Utilities and Natural Resources
Monday, June 4, 1979

unserved by reliable service at this point. Those are under study right at this time to see whether economically justifiable plans can be developed today.

MR. McBRYDE: I just want to clarify, Mr. Chairman, were there no plans for Brochet and Shamattawa before, and are there any other communities that are now still depending on the radio/telephone system, besides those two?

MR. HOLLAND: Brochet, Lac Brochet, Shamattawa and Tadoule Lake were the major centres, and I think as we reported at previous meetings, the cost by terrestrial service has been virtually prohibitive — extremely costly — for the last several months we've been following satellite costs to see whether or not that is a feasible alternative.

MR. McBRYDE: Yes, I'm still not clear. My understanding was that those communities were in the program package that was presented before, and that there were even target dates on those communities when service would be provided. Is that incorrect?

MR. HOLLAND: Mr. Chairman, they've always been listed as among the unserved communities, on our lists and so on. I believe they've also been shown as 1983 or out after the rest of the program, hoping that there would be technological alternatives that would make it economically feasible to proceed.

MR. McBRYDE: Mr. Chairman, I just want to make it clear. The service to those communities depends upon some technological breakthrough. The way the other remote communities were served is not going to work with these particular communities, where the costs are prohibitive, so that service cannot be provided with the existing technology?

MR. HOLLAND: These communities, Mr. Chairman, have always been extremely costly to serve so they were delayed to the end of the program, and I suppose that the satellite is the newest and apparently best alternative and that's being explored thoroughly at this time. It is still very costly.

MR. McBRYDE: There are a couple of other communities I'm not sure of, Mr. Chairman. Maybe the Chairman could check his notes there and see what the nature of the service now is at Red Sucker Lake and at Salt Point. I'm not too sure what service is presently provided to those two communities.

MR. HOLLAND: Mr. Chairman, may we check that and provide the information later?

MR. CHAIRMAN: Is that all right with you, Mr. McBryde?

MR. McBRYDE: The other question I had, Mr. Chairman, was in terms of the conversion at The Pas and the effect on the telephone operators, and the General Manager is quite familiar with that question. I wonder if he could just update me on what is happening and if there has been layoffs at The Pas operation?

MR. HOLLAND: Mr. Chairman, we have been working on that very closely. There are joint management labour meetings with the staff involved. We've mentioned previously that there will be no permanent staff laid off or terminated. Our best estimate at the moment is that we could have on June 30th, five term operators, as excess. We have them working with each employee very closely and bringing up alternatives and so on.

MR. McBRYDE: From those comments I would take it then that attrition probably won't solve the problem, that there is going to have to be some layoffs of people that are presently working?

MR. HOLLAND: We're still working very intensively on it. At this point, it appears that there could be five term operators, otherwise the situation seems to have been resolved satisfactorily.

R. McBRYDE: That's all, Mr. Chairman.

R. CHAIRMAN: Mr. Brown.

R. ARNOLD BROWN: Yes, Mr' Chairman, I'd just like to go back to the larger telephone exchanges

Public Utilities and Natural Resources
Monday, June 4, 1979

which seems to be one of the major concerns in the rural areas, especially an area such as mine where you have some fairly large communities like Winkler, Morden, Altona, and with a very dense population.

Now in answering some of the questions that the Member for Swan River had, you mentioned that a flat toll rate between communities was available. I wonder, would you be able to give me some information as to what you mean by a flat toll rate and how successful this has been?

MR. HOLLAND: Mr. Chairman, it's called the Residential Optional Toll Calling Plan; ROTCP. It has been offered between selected exchanges in the province where there is a high traffic pattern. Morden-Winkler is one of the areas where it is offered. What it does is in effect give the customer a wholesale calling. He purchases one hour per month, say, of calling at a discounted rate, and that is as an alternative to the DDD charge for each call system.

MR. BROWN: Is this available on an individual basis? In other words, would a business be able to go on to the flat toll rate system and not have the whole community involved?

MR. HOLLAND: We have not offered it to business customers and primarily there because they have their own service offerings: Watts and foreign exchange, Zenith, and Telepac. They have other offers designed for business, for bulk purchasing.

MR. BROWN: Is this available then on an individual basis between residents?

MR. HOLLAND: Yes.

MR. BROWN: It is? Because I remember a couple of years ago when this circular was sent around in the area and I believe that the cost doubled at that time, and at that time I believe the system was such that everybody had to participate in the flat toll rate system, which of course caused a lot of concern amongst some of the old age pensioners who didn't want to pay that extra rate.

Has this been made known to the people in the area over there? It seems to me that people don't know that this is available to them. Has anything been done to advertise this recently?

MR. HOLLAND: Well first, Mr. Chairman, Mr. Brown is quite correct. Some years ago there was direct consultation with different towns and proposals to extend the free colony area with commensurate adjustment in the basic exchange rate. And again, from the principle of keeping the basic access costs as low as possible, that was not pursued. My understanding is that the customers in the exchange are notified of the availability of optional toll calling and it's acceptance. It has been quite popular with the customers.

MR. BROWN: This could be, Mr. Chairman. My wife always pays the telephone bill, so I don't really see all the circulars and so on that come with it.

Another area of concern has been the direct lines into Winnipeg. I understand there has been a substantial increase in costs in this in the last while. Could you tell me about what this increase has been?

MR. HOLLAND: Mr. Chairman, yes, that was discussed at last meeting. The rates up to a hundred miles had been \$4 per mile from 1955 to 1975. That increased to \$5 in 1975, and \$6.50 in 1977 and that remains the lowest, by the way, of the other Canadian telephone companies, so there was an intent to increase this relatively with the other telephone companies.

I reported last meeting that we have had customer concern and reaction at this and we are studying the entire schedule again to make sure that it's valid and justified. We will be consulting with many of our foreign exchange service customers, as well, and if, based on that, if there's a decision to revise the tariff, we'll apply to the Public Utilities Board for reconsideration.

MR. BROWN: Another area of concern is that when you purchase a telephone other than a basic or if you purchase a longer cord, — I shouldn't say purchase — if you would like to have a long cord for your telephone, that you are billed extra monthly for this. And this never really disappears where people are asking, "Why can't we just pay this in one shot and not have this appear on our monthly billing?"

Has the Board ever discussed this particular problem?

MR. HOLLAND: My understanding is that the practice with long cords was altered in 1976; t

you can purchase or lease the cords at this time.

As far as the extension sets go, it has always been the practice to lease those sets on a monthly basis. There has been a great deal of study as to what the MTS practice should be, in the light of increasing interconnect trends and practices, one of which would be the outright sale of equipment by MTS. But I think, as was mentioned earlier, that again it would depend on the provisions of our Act, and the approval by the Public Utilities Board of the various tariffs.

MR. BROWN: On Page 8 of your Report, I see that your uncollectable operating revenues are up substantially from 1977. Is there any particular reason for that? They were \$506,000 in 1977, and \$650,000 in 1978. That's a substantial increase in one year.

MR. HOLLAND: Mr. Chairman, that would be at least partially explained by total revenues, which, of course, are increasing quite substantially. And I think the second consideration would be that these compare quite favourably with experience in the industry, and it rather follows the economy. That is, in buoyant times it tends to drop. In times if there's increased unemployment or whatever, the difficulties increase. But I think we can say, we do monitor these by comparison with experience of other telephone companies, and I think we compare very favourably.

MR. BROWN: Thank you, Mr. Chairman.

MR. CHAIRMAN: Mr. Evans.

MR. LEONARD S. EVANS: Yes, thank you, Mr. Chairman. I'd like to ask Mr. Holland a couple of questions on the cable operations which the MTS is associated with by virtue of supplying, as I understand it, the communications highway, or the coaxial cable, for the cable operators in Manitoba.

I have one general question, first of all, and that is — and it relates to a number of articles that have recently appeared in the papers over the last few months — pertaining to the entire technological setup that the MTS is using for cable. It's been alleged, or asserted, that a satellite system would be far more economical, and is therefore more practical, it is asserted, to be used, rather than the MTS system, which is relatively antiquated, it is said. And I wondered if the Chairman had any comment on that.

MR. CHAIRMAN: Mr. Holland.

MR. HOLLAND: Mr. Chairman, that's a fairly complicated question. The coaxial cable presumably will continue to be used indefinitely for the local distribution system, so the question becomes the inter-city component. The communities outside Winnipeg were licensed in August, 1977; having waited some nine years after Winnipeg was served, they were very anxious to introduce service as quickly as possible. At that time, the economics between satellite and coaxial cable clearly supported the coaxial cable system, particularly if anything more than four channels of service was or would reasonably be required in the future. The capacity of the coaxial cable is fairly extensive.

The satellite service undoubtedly is going to come into play much more frequently and much more economically in the future as volumes grow and in the meantime, we provided service to Brandon, Carberry, Portage la Prairie and Selkirk last fall. At this stage, the only signals available by Canadian satellite is the CBC northern program, and these communities clearly were looking for the U.S. channels supplementing CTV and CBC.

Now, the economics change dramatically with usage. With the Canadian satellite, as its use increases the economics will improve. So that in the future extension of the plan, as it proceeds, we'll be checking every foot of the way with the various technologies to make sure that we're selecting the best medium.

MR. EVANS: Well, Mr. Chairman, is Mr. Holland saying that at the present time, satellite is not economical; it's better to use the existing technology, given all the circumstances. Is this what is being said?

MR. HOLLAND: Given the specific service situation with which we were faced in 1977, that is, annexing the extension west to Brandon, and then the communities around, clearly the economics favoured coaxial cable at that time. Now you have to, of course, consider each situation. You have to consider whether federal government policy will permit foreign programming on the Canadian satellite, which they have not to date. NBC, CBS — their major networks are not on the U.S. satellites

Public Utilities and Natural Resources
Monday, June 4, 1979

either. If we were serving remote northern communities, a satellite could well be justifiable and feasible, particularly if MTS can bring in other services and use the plant to best advantage — use that capital investment to the best advantage.

MR. EVANS: So I gather, Mr. Chairman, that Mr. Holland is saying that they feel somewhat locked in by a decision made a few years ago, but that it is perhaps technologically more efficient, and perhaps, therefore, more economical to use a satellite. But certain legal impediments and other facts that face us at the present time, make it inadvisable, or unadvisable, to switch from the one system to the satellite system. Am I being fair in my assessment of your position?

MR. HOLLAND: Well, Mr. Chairman, I'm just confirming that, in our view, and without question, the engineering solution for the construction done in the 1978 season was correct in using coaxial cable. As it extends, by the way, there will be use of microwave, or any other device that is the most economical.

MR. EVANS: At the present time, I understand that the Association of Cable Operators, which has been formed recently, has been negotiating with MTS over a matter of cost-sharing. I am not clear, but I was of the understanding that there was some agreement among the operators pertaining to cost-sharing. But there was a problem inasmuch as the operators were not satisfied with the costs that MTS had laid before them. In other words, I believe there's a feeling that the costs on the part of the Association, that the costs involved in building the communications highway and everything that's involved in assessing the cost to the operators, that this cost is too high, and they're asking for a breakdown of this cost.

And my question is, is MTS prepared to give a breakdown of these costs to the operators so that they can be satisfied that they are being assessed fairly by the MTS?

MR. HOLLAND: Well, Mr. Chairman, we don't hold a seat on the ACON group; that is an instrument established by the federal regulatory agency, CRTC, so we're not aware of their inner discussions.

They recently sought a quotation, the second such, for extension of the network, and the quotation was provided to them; and they rejected it as being too costly. Our response to that is that by government policy, if any customer chooses to question MTS rates, they have been made subject to scrutiny by the Public Utilities Board of Manitoba, so that that option is open to them.

MR. EVANS: Mr. Chairman, is Mr. Holland saying, if I heard correctly, that the operators can go to the Public Utilities Board of Manitoba as something of an appeal body or a body that has the legal authority to make an assessment of whether the costs that you are prepared to levy are too high or reasonable, whatever the case may be? Are you aware of whether — you may not be — but are the operators taking this course of action? You may not have any information on that.

MR. CHAIRMAN: Mr. Holland.

MR. HOLLAND: To the best of my knowledge, Mr. Chairman, they have not followed that option to this date.

MR. EVANS: Well, it seems to me, Mr. Chairman, that there is a bit of an impasse here, inasmuch as if the operators are not happy with the charges that MTS is prepared to assess, and if that is not resolved, it seems to me that a lot of the activity that could go on in rural Manitoba, that is the extension of the cable to other communities in Manitoba, is at a standstill. And of course the crunch really is, as I understand it and I'd like to be corrected if I'm wrong, the crunch really is that whatever the cost finally agreed upon, whatever the cost that the MTS will charge to operators, the two companies in Winnipeg — namely Videon and Greater Winnipeg Cablevision Limited — will have to assess the Winnipeg viewers a fee per month, I presume, cross-subsidization in effect, because that's ultimately what it would be. It could range — I do not know how the dollars, the charges assessed by MTS work out in terms of monthly fees, but I guess it could range anywhere from 50 cents to a dollar. I don't have that information, but is that the crux of the matter, that the two companies in Winnipeg, in effect, look upon this as a tax on their system; that the Winnipeg viewers, Winnipeg cable viewers, are going to have to pay whatever it is, 50 cents, 75 cents or whatever that number comes out to in order to help defray the cost of getting the service to rural communities. Is that a fair assessment?

Public Utilities and Natural Resources
Monday, June 4, 1979

MR. HOLLAND: Mr. Chairman, I think that's quite fair. Starting in 1974 it became very apparent that, because of Winnipeg's proximity to the U. S. border and its density of population, that as with historic telephone service in smaller centres and remote centres and so on, there would be some form of price averaging required, and that principle was accepted by the CRTC in the rates which they fixed for the operators outside of Winnipeg. So that in August, 1977, the principle appeared to be well established and accepted by their licensor, the CRTC. The rates that seem to be inherent in the \$10 rate, for instance, was something like a 50 cent equalization factor, compared with \$1.60 from the outside Winnipeg people; that is, they would still pay a premium cost, but there would be some assistance from Winnipeg and Brandon, by the way, which also would do some price averaging.

That situation has persisted since August, 1977. I'm pleased to hear that you've heard of some progress in sight; certainly MTS is being pressed by these communities to get on with construction forthwith.

MR. EVANS: As I understand it, the cable operator in Brandon, Westman Media Co-op as Mr. Holland has just alluded to, has already built into its rate structure the fee required to assist in getting the cable to the other communities in the Westman area, so the Brandon viewer is now paying for that. The problem in the case of Winnipeg is that the Winnipeg systems were set up without any thought of assisting rural people in getting cable, so that now it's looked upon as an additional imposition, whereas I presume if it was built in right from the beginning perhaps we wouldn't have some of the problems that we have right now. But there is, from my understanding, a real reluctance on the part of the Winnipeg operators in paying the cost that would be involved in this cross-subsidization.

MR. HOLLAND: Well Mr. Chairman, I merely point out that that principle appears to have been well accepted by their regulator, which means means, presumably, that they would get the necessary rate adjustment in order to make this possible.

MR. EVANS: Well, there's no question that that principle is implied in all utility operations, all public utility, whether it be Hydro, telephones, gas companies, it's a well-established principle and we see it in transportation companies as well, where the bulk of their revenue is made off of trunk lines and quite often it's necessary to use some of that revenue to subsidize the branch lines; otherwise there would be no branch lines, whether you're talking about railways, whether you're talking about airline service, and so on. So it is almost a fundamental principle of utility economics.

I'm wondering whether Mr. Holland could tell us what is the charge that the MTS is levying. What are the numbers that we're looking at? What are you asking the cable operators that they're objecting to? They want a breakdown of the cost before they accept it. What is the cost? Can you reveal that?

MR. HOLLAND: Mr. Chairman, might I ask Mr. Backhouse to comment on that?

MR. CHAIRMAN: Mr. Backhouse, would you again join us at the table, please? Mr. Backhouse.

MR. BACKHOUSE: Mr. Chairman, the figures which were identified to Westman Media for a fully cost average rate in 1977 were 65 cents, which would mean that each subscriber in Winnipeg would pay 65 cents, and each of the rural subscribers in the 29 licensed communities would pay 65 as well, for delivery of three channels. Those figures in the most recent quotation that was given in response to the Association of Cable Operators of Manitoba were 58 cents for three channels and 63 cents for four channels.

MR. EVANS: So the argument revolves precisely around which numbers then, Mr. Chairman. Mr. Backhouse could tell us.

MR. BACKHOUSE: Well, as Mr. Holland observed earlier, we don't participate in ACOM, so I'm not terribly sure.

MR. EVANS: But did they not indicate to you they wanted a breakdown, they wanted a justification of the charge that you were prepared to levy. Have you been able to break that down? Will you be breaking that down for them, to satisfy them?

MR. BACKHOUSE: Mr. Chairman, I'm not specifically aware of any request, specifically by the

Public Utilities and Natural Resources
Monday, June 4, 1979

Association of Cable Operators, in response to this quotation, wherein they ask for a breakdown.

MR. EVANS: I see. There's been no response to this?

MR. BACKHOUSE: Yes, there was a formal response where ACOM indicated that a quotation was rejected. That was in the form of a written response to the system.

MR. EVANS: And no further requests for information?

MR. BACKHOUSE: Not to the best of my knowledge, no.

MR. EVANS: Well, it seems to me, Mr. Chairman, that this therefore has caused some impasse in the extension of cable throughout many parts of rural Manitoba. I'm wondering, why would it not be possible, given the fact that MTS is in the monopoly position in this, as the wholesaler you might say in this matter, why the MTS could not take the initiative and extend the — if it's to be coaxial cable — why it could not take the initiative and extend the coaxial cable to the Westman communities; given the fact that the CRTC has already licensed Westman Media Co-op; given the fact that their license is in jeopardy because they can't fulfill the terms of their license. They're in a box, as I understand it. They're in a box, they're required by CRTC to extend the service as rapidly as possible to Minnedosa, Neepawa, Virден, etc., Souris and so on, and they're quite prepared to do it, but they can't because MTS has not built the communications highway, as I've told.

Now, MTS comes back and says, "Well, that's because there hasn't been agreement on the cost." But could not MTS proceed anyway with the thought that eventually this matter has to be resolved, so that these communities can get cable sooner rather than later, because I think there's a lot of frustration. I think perhaps Mr. Holland is more aware of that than I am. There's a lot of frustration in those communities because they've been waiting for a long time.

MR. CHAIRMAN: Mr. Holland, any comment on that?

MR. HOLLAND: Well, Mr. Chairman, I think the simple answer would be that the MTS board would require a contract for the service, and assured revenues. I think there is a clear principle that MTS' other services should not be used to subsidize this particular network, and furthermore, the government by policy has made these rates subject to review by the Public Utilities Board, so that they must be defensible and self-sustaining rates before a regulator. So the simple answer is, that we don't have a customer at this stage.

MR. EVANS: I'm sorry, I didn't quite hear the answer. The simple answer is that you don't have a customer.

MR. HOLLAND: At this moment.

MR. EVANS: At this moment. Well, Mr. Chairman, Mr. Holland referred to the possibility, or to the fact that there is no contract. I'm looking and seeking for ways out of an impasse. I don't know how long this impasse will go on, but it seems to me that there could be a way if an agreement could be arrived at, not with the thought of subsidizing one part of the system, but with the thought of unduly or without being within your proper terms of reference, I'm suggesting there could be a contract, so that the MTS could be assured that they would be paid for providing that service. I'm not suggesting that WestMan be given a special deal or anything, in terms of any additional subsidy or anything like this. I'm seeking a way out of an impasse, or unless the operators can come to an agreement with MTS soon, but I don't see that at the moment. So what I'm looking for is the possibility of some initiative on the part of MTS, perhaps to satisfy the extension at least in that area because of the commitments that have been made, and also because of the CRTC Licence Commissions.

MR. CHAIRMAN: Mr. Holland, any comment?

MR. HOLLAND: Well, Mr. Chairman, I'd like to assure Mr. Evans that we've almost used up our initiatives, and that we have, I think, come up with as many rate configurations and patterns as staged construction and other features that we could, that would meet the customers requirements. The regulator, the CRTC, is holding public hearings in Winnipeg on June 15th, and I understand

Public Utilities and Natural Resources

Monday, June 4, 1979

that WestMan Media Co-operative hopes to appear before that agency, which may be one initiative.

MR. EVANS: Well, I imagine, Mr. Chairman, I imagine what they would do is ask for more time from the CRTC, and explain to them why they can't fulfill the conditions of their licence. That's one initiative, but that's not providing cable to Birtle, Minnedosa, Virden, Souris, Melita or wherever.

Is the Chairman more or less indicating that, in his opinion, that the CRTC licence is not in jeopardy, and they're not in that serious a position with the CRTC?

MR. HOLLAND: Mr. Chairman, I don't think I could comment on that. I'm not familiar with the CRTC's criteria here. I presume their licensee has been in close touch with them and kept them aware of the situation.

MR. EVANS: Well, okay. I wonder if Mr. Holland could then confirm that there's absolutely no activity taking place in the WestMan area, with regard to extending cable to these other communities outside of Brandon and Carberry?

MR. HOLLAND: Mr. Chairman, the only activity that I am aware of is that the WestMan Board has been doing some soul-searching. You mentioned earlier, that there is a price-averaging factor in the Brandon City rate, and I think they are soul-searching to see whether or not with that limited resource they can get on at least to a few communities this year.

MR. EVANS: Mr. Chairman, can Mr. Holland indicate whether he has any idea when MTS and the Association of Cable Operators can come to some agreement, or do you think that it can only be resolved by the Public Utilities Board?

MR. HOLLAND: Well, Mr. Chairman, I think the key agency here is the CRTC, which is the regulator and licensor of the Manitoba cable companies. I think they published a Terms of Licensure in 1977, and I would view that as the key agency.

MR. EVANS: Well, Mr. Chairman, I'm not sure whether I follow you. I understand that they licence, of course. They have the jurisdiction to issue the licence. But do they have the jurisdiction to set the rates? From my understanding, and from our discussion up until now, it seems to be a matter of an agreement perhaps being reached between the operators and MTS, and then failing that agreement a settlement by the Public Utilities Board. Where does the CRTC fit into that?

MR. HOLLAND: Well, one of the terms of licensure in August 1977 by the CRTC, was that the Manitoba licensees should co-operate in developing a price averaging methodology, that would see the service extended forthwith to all licensed communities. That has not been done.

MR. EVANS: Mr. Chairman, so you're saying, Mr. Holland is saying, that it is not the CRTC which has to agree whether, say Videon cable, or Greater Winnipeg Cablevision Limited, shall charge whether 50 cents or another \$1.00 or another \$2.00 per month for their services. That's a matter that's settled provincially, is it not, by the Public Utilities Board?

MR. HOLLAND: Well, Mr. Chairman, the CRTC fixes the subscriber rates for the cable licensees.

MR. EVANS: So that is the key agency for subscriber rates as well.

MR. HOLLAND: Yes.

MR. EVANS: Okay. So that the case of the Public Utilities Board only gets into it because of the fact that MTS is involved? Is that where the Public Utilities Board comes in . . . when we were discussing the possibility of them resolving this matter.

MR. HOLLAND: MTS has a schedule of rates applicable to the cable licensees for service, and as reference I made was that by Order-in-Council any cable customer has the right to initiate an independent review before the Public Utilities Board, of our rates applicable to them.

MR. EVANS: Well, I'm a little vague on this. I hesitate to ask, but maybe Mr. Holland is more

Public Utilities and Natural Resources
Monday, June 4, 1979

familiar. Was there not a recent court ruling confirming certain provincial jurisdiction in the matter of cablevision? I'm not sure whether it involved the Province of Saskatchewan, or what have you but it would have applicability across Canada, whereby certain provincial jurisdiction in the area of cablevision was confirmed. Is Mr. Holland familiar with that?

MR. HOLLAND: Mr. Chairman, I'm aware of recent decisions in the Manitoba courts affecting one of the Winnipeg cable licensees. It basically ruled that the MTS rates were not subject to review by the Public Utilities Board of Manitoba for cable services. That was followed by the passage of an Order-in-Council rendering them subject to it.

MR. EVANS: One last question, because I have no desire to keep the Committee here longer or to come back another day. Going back to this question of cost breakdown. It was indicated by Mr. Backhouse, that to his knowledge there has been no request made by the operators of the MTS of some sort of cost breakdown. Is the MTS prepared to give that cost breakdown? Can the MTS give a cost breakdown if it is requested by the operators?

MR. HOLLAND: Mr. Chairman, we're quite prepared and have no alternative but to give the breakdowns requested by the Public Utilities Board to the Public Utilities Board. We would not because these are in a competitive sphere, we would not release our internal rate calculations to anyone else.

MR. EVANS: So, as I understand it by way of supplementary then, Mr. Chairman, as I understand it, even if the operators came to MTS and asked for the breakdown, you would not be inclined to give this, but if they then went to the Public Utilities Board, or if an action was initiated where the Public Utilities Board was asked to arbitrate in effect, then you would provide that information to that Board, and allow it to make a decision, whether or not the costs were fair and reasonable or otherwise.

MR. HOLLAND: Right.

MR. EVANS: And then, Mr. Chairman, would the MTS abide by the ruling of the Board with regard to the costs involved?

MR. HOLLAND: Mr. Chairman, we would have no option. And I might just mention the reference is by initiative of the cable customer.

MR. EVANS: Well, the initiative is in their court in other words. The ball is in their court.

MR. HOLLAND: Yes.

MR. EVANS: Thank you, Mr. Chairman.

MR. CHAIRMAN: Mr. Walding, would you be good enough to move that we adopt the Manitoba Telephone System Annual Report 1977/78?

MR. WALDING: I'd be very pleased to, Mr. Chairman. I move that the report be accepted.

MR. CHAIRMAN: That concludes the hearing regarding Manitoba Telephone System before the Public Utilities Committee. Committee rise.