

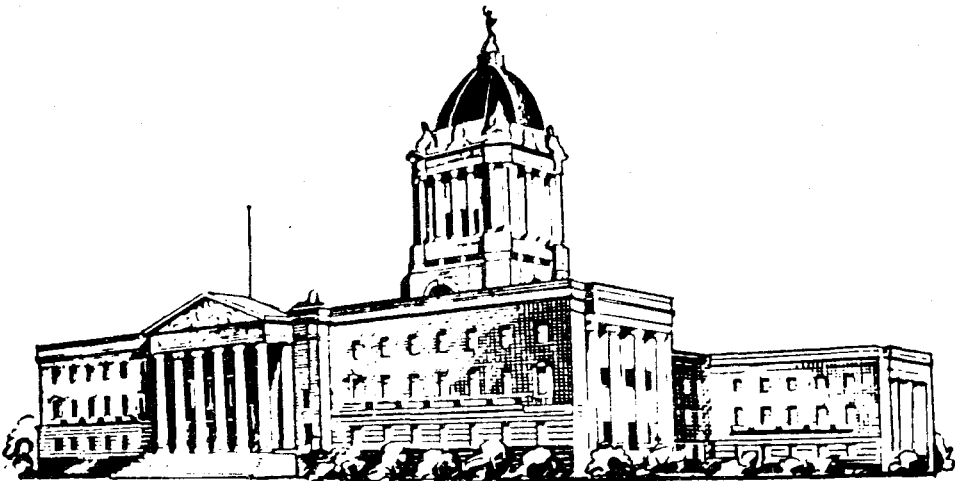


**Legislative Assembly of Manitoba**

**HEARING OF THE STANDING COMMITTEE  
ON  
PUBLIC UTILITIES AND NATURAL RESOURCES**

**Chairman**

**Mr. Harry Shafransky  
Constituency of Radisson**



**TUESDAY, March 22, 1977, 10:00 a.m.**

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**TIME:** 10:10 a.m.

**CHAIRMAN, Mr. Harry Shafransky.**

**MR. CHAIRMAN:** Good morning, gentlemen. We have a quorum. We can proceed. First this morning as I indicated at the last sitting of the Committee that we would deal with the report based on the meeting that we held earlier in January, and if it is agreeable with the Committee we can proceed. We have a draft report prepared for your consideration. Do you wish it to be read or can we just proceed on the basis as it is before you? You've had some time to look at it. Mr. Walding.

**MR. WALDING:** Mr. Chairman, I will move as written.

**MR. CHAIRMAN:** Mr. Enns.

**MR. ENNS:** Mr. Chairman, I believe members on this side will be prepared to accept the report as written, with the understanding of course that in no way it precludes positions taken by members opposite on any proposed legislative changes that may arise as a result of the adoption of this report.

**MR. CHAIRMAN:** Yes, that is certainly agreeable. So all agreed that the report be accepted as written? (Agreed) Somebody move the report be received and reported?

**MR. WALDING:** I move the report be received, Mr. Chairman.

**MR. CHAIRMAN:** Thank you. Okay, we can then proceed to the second purpose of the meeting which is to hear from the Chairman of the Manitoba Telephone System, a report from the Manitoba Telephone System. Mr. Holland.

**MR. HOLLAND:** Mr. Chairman, I'd like first of all to introduce those representing the Manitoba Telephone System this morning. From the Board, Glover Anderson, the Vice-Chairman; Mr. Walding, MLA; Mrs. Laurel Garvie and Mr. Gordon Fines from our staff; Gordon Backhouse, Ed Peterson, Bob Vannevel and Ken Beatty, our General Counsel.

We have this year provided a prepared statement, Mr. Chairman, which I would like to read, and I think copies have been made available to members of the Committee.

I'd like to make a few comments on the 1975-1976 Annual Report as well as on the current year's activities and then make every effort to answer any questions which the Committee may have.

The report was mailed to all members early last fall and has been tabled at this session. During July, 1975, the system applied for its first general rate increase since 1955. The system was the only major telecommunications carrier in Canada which had not had a general rate increase in the preceding twenty years.

Interim rate relief was provided by the Public Utilities Board of Manitoba in October, 1975. Through a combination of the interim rate relief extensive cost containment measures and an increase in long distance calling, generated by the postal strike near the end of 1975, the system was able to offset an anticipated net revenue decline.

A brief examination of the financial statistics in the report shows that total revenues increased by 19 percent; total expenses increased by 17 percent; net income for the year \$3,056,000, upped by \$2,216,000 from the previous year.

The capital construction program was completed as planned in the amount of \$65,719,000.00. During the year there was a gain of 26,788 by the end of the year a total of 578,389 telephones installed in Manitoba.

The total investment in telephone plant reached \$485,737,000 at the end of March, 1976; an average per telephone investment of \$840, up from \$590 ten years before.

The System is 99.1 percent dial operated. The program to complete the conversion of the remaining manual services to dial will be completed in 1977.

Direct Distance Dialing, DDD, introduced in 1965 covers 88 percent of our customers.

Turning to General Service Improvement programs, substantial results were achieved during the year. I've mentioned that the manual to dial operation conversion program is nearing completion. Fifteen communities received dial service during the year.

In October, 1975 a new electronic switching machine was cutover in Brandon. What has become known as the Brandon Toll Project, a \$10 million undertaking, is benefitting all of western Manitoba. Some 70 western communities will have received DDD by 1979. In fact, ten of these communities received DDD at the time of the Brandon cut-over.

In its final order in connection with the System's application for increased rates, the Public Utilities Board strongly endorsed improvements to the quality of rural service provided by the System. The Rural Service Improvement Program has therefore been accelerated to complement many other programs outside of Winnipeg.

The Rural Service Improvement Program has two elements, both with a 1981 completion date. Firstly, multi-party line loadings are being reduced to four customers per line or less, with an average line loading of 2.6, benefitting about 44,000 customers. Secondly, individual line service is being provided to some 14,000 customers in 170 communities which heretofore have had multi-party service.

Between 1964, when the program began, and 1975, more than \$22 million was spent on the

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program. Between 1976 and 1981, the completion date, accelerated expenditures totalling \$25,500,000 are planned. The Rural Service Improvement Program is therefore being accorded the highest priority.

In northern Manitoba additional progress was made during the year under Phase Three of the Northern Service Program. It is bringing expanded and improved service to about 20,000 residents of 45 permanent communities. All of these communities are receiving toll service and many will have regular exchange service as well. Phase Three which began in 1973 will be largely completed in 1977-78. The cost of this program is approximately \$21 million.

During the year under review the joint MTS, Manitoba Hydro, Lake Winnipeg microwave network was begun. It will connect Winnipeg and Gillam by means of 19 microwave radio repeaters mostly located on the east side of Lake Winnipeg. This 14,200,000 network, the third connecting northern and southern Manitoba will be completed in late 1977. In 1975-76 as well work was virtually completed on the \$3.5 million microwave system from Radisson, near Gillam, to Churchill, providing high quality voice and data circuits and a television channel to Churchill.

I'm happy to report that the System's projects to bring modern telecommunications to northern communities are being accorded strong support from Manitobans.

During the year the System established its first Phone Centre operation. This was a pilot project in the west end of Winnipeg with the Phone Centre store located in the Unicity Fashion Square. Provision by the System of special phone centre outlets installed in customer residences is an essential aspect of the new service. As many as four outlets are provided at each location with no charge to the customer. The first Phone Centre has involved the conversion of about 29,500 residences. Phone Centre is one of those fortunate situations where both our customers and the System benefit to a marked extent. One of its main advantages is the self-service aspect which benefits customers immediately and the System in the long run.

Self-service by customers includes making their selection at the store when convenient, installing telephone sets without delay or returning them when moving or for repairs. The success of the first Phone Centre Project prompted us to proceed with a second phase of the Phone Centre Operation in the current year. It consists of the wiring of 36,000 apartment units and the February, 1977 opening of a second store in the Curry Building in downtown Winnipeg.

Consideration is now being given to total residential conversion in Winnipeg within the next four years, and at the same time expansion into other provincial centres.

Manitoba Data Services was established as a financially separate division of the System on September 1, 1975. Amendments to the Telephone Act which were approved during the 1975 session of the Legislative Assembly enabled the System to offer data processing services and facilities. In September, 1975, the System purchased the assets of the Manitoba Government Computer Centre to serve as the nucleus for the new undertaking. There were several reasons for the decision to establish the new service. It would provide the Province of Manitoba with efficient comprehensive services and prevent unnecessary duplication. The data processing and data communication needs of communities outside Winnipeg would be better served. Also by providing a facility of suitable capacity at competitive prices, business which had been flowing out of Manitoba could be retained in the province. At the same time, employment would be available to well-trained Manitobans who might otherwise need to leave the province.

There is a strong natural link between MDS and MTS. Simply stated, MDS is in the data processing business and MTS plays a major role in data communications. It seems highly appropriate, therefore, that there should be a linkage between the two operations. MDS operates one of the largest and most advanced computer service facilities in Canada. It complements the data communication services of the System and makes sophisticated and reliable shared processing services available to clients in both the public and private sectors.

During the first partial year of operation, the efforts of MDS were concentrated on the rational consolidation of governmental and Crown corporations data processing services. MDS was also successful in acquiring business from additional clients. During its partial year of operation, MDS reported a deficit of \$147,000 with total revenues amounting to \$3,588,000.00. MDS has made good progress towards the rationalization of computers serving the data processing needs of the Manitoba public sector. All new MTS applications since 1975 have been provided by MDS and the migration of the remaining system and Manitoba Hydro applications is scheduled for completion in 1977, with the Liquor Control Commission following shortly thereafter. This phased rationalization has permitted a deferral of the acquisition of various computer facilities for the public sector.

The formation of MDS requires a provision of substantial technological upgrades to optimize the use of equipment, provide for the various user-service priority levels as well as to ensure the confidentiality of data. I am pleased to report that these upgrades have been carried out as planned with the exception of a separate building for MDS which has been deferred.

Associated with the investment and computer technology and facilities has been a high level of development and training to ensure that MDS employees are highly skilled in the latest technology and computer management techniques. MDS also actively participates in a Co-operative Program

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with the University of Manitoba with 23 students obtaining degree credits through employment at MTS in 1976. The consolidation process and the technological upgrades resulted in substantial investments and other preparations to ensure that MDS could provide the necessary range of high quality services at competitive prices. This investment has had an adverse effect on MDS net revenues for the current fiscal year and a net deficit of approximately \$1.8 million is currently forecast with total revenues of \$6.4 millions.

In my report to you last year, I mentioned that a three year period of preparatory investment and consolidation would be required and during this period deficits are to be expected. This is in keeping with the experience of successful Canadian computer utilities.

MDS is looking forward to completion of the rationalization process during the coming fiscal year. MDS is confident that the actions undertaken to date will allow it to fulfill its original concepts as a successful and self-sustaining Manitoba computer utility.

It has been customary to supplement information contained in the Annual Report with information concerning the current year. The major service improvement programs throughout the province are continuing. The northern program will be completed largely in the next fiscal year and the rural service improvement program by 1980-81. This year has been one of solid progress in carrying them out.

On the financial side, the System's position is on much firmer ground than was the case a year or two ago. There are three fundamental reasons for this. First, the Public Utilities Board in May 1976 endorsed the System's projections in rate structure as set forth in the application for increased rates and granted the new rates as requested. Second, the System has rigorously examined its costs all down the line and has achieved significant savings. Third, by using improved marketing methods we are expanding our revenues through the rental of greater numbers of the discretionary products and services.

Despite the increased rates approved by the Public Utilities Board, System rates are generally the lowest in Canada. For example, residential individual line service rates east of Manitoba average about 65 percent higher than our rates; west of Manitoba they are about 16 percent higher. An average Winnipegger need only work 61 minutes to pay his monthly bill for individual line service.

Reflecting strong customer demand for communications service, the Systems total revenues have increased from \$82.5 millions three years ago to an estimated \$133 millions for the current year. Our most recent forecast for the current year is for a net income of about \$10 million.

In a public corporation such as MTS, net earnings are re-invested. Sound financial planning for a capital intensive business requires a high level of such re-investment. The System's ratio of long term debt to total capital is expected to decrease to 85.5 percent at the end of the current year. This is a significant reduction from 86.8 percent last year and is approaching the System's objective of a maximum 85 percent desirable for financial stability. For the current year, the approved capital budget is \$79 million.

We have been taking a very close look at all aspects of our operations since 1975 in order to effect savings without lowering our standards. We have been able to achieve significant savings with the co-operative endorsement of all ranks of MTS employees.

Increasing emphasis has been placed on working co-operatively with our customers in order to develop and provide a growing range of service offerings keyed to their individual requirements. Our customers are increasingly aware of the growing variety of services and the need to design integrated communication systems for the particular application. One of the advantages of phone centre stores is that customers can see the array of offerings rather than making their selections of telephone sets over the telephone. The result has been a growing demand for discretionary products and services such as Contempra and Touch-Tone. The increasing revenues which have been generated have helped to keep our basic telephone rates generally the lowest in Canada.

In turning to other major concerns today, I do not believe that I need to dwell at length on the interconnection situation. You well recall the proceedings of the meeting of this Committee on January 10 and the further dealings at this morning's meetings. We are hopeful it will be possible for the Committee to recommend changes in the Manitoba Telephone Act.

There have been considerable developments and public discussion in Manitoba over the past two years on matters related to cable television, coaxial cable and the MTS plan for local broadband networks. Under agreements concluded in 1967 between MTS and the Winnipeg cable operators, MTS owns the coaxial cable and retains the option to install its own amplifiers when, in the opinion of MTS, that is desirable. These agreements also provide access by MTS to the house drops so that excess cable capacity may be used by MTS to provide communication services beyond cable television. These agreements expire in 1979 and are open for re-negotiation prior to that time.

Since the introduction of service in Winnipeg in 1969, some 70 to 80 percent of households in Winnipeg have subscribed for access to this cable system. MTS is reimbursed for construction costs and also receives a payment of approximately 33 cents per subscriber per month to partially defray the costs of rights-of-way support structures and duct systems which carry this distribution system. Supporting the foresight of those who negotiated and concluded these agreements and in the

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intervening period since 1967, the potential for multiple use of these large-capacity coaxial cable systems for a variety of services, including traditional telephone services, has been fully borne out.

Telephony magazine, styled as "the journal of the telephone industry since 1901," in its February 14, 1977 issue states: "CATV is one of an array of broadband services, all of which can be provided over one ; others coaxial cable — paging systems, data transmission, security systems, control systems of many functions and, of course, plain old telephone service. We contend that the Telcos have the know-how, the equipment and personnel, the substance and dependability to do these jobs, all of them. We contend that if one segment is taken away, CATV for example, then the Teleco is hamstrung in providing a logical complete service."

Another U.S.A. publication entitled "Communications News" in its February 1977 issue includes an article written by the TelComm Products Division of the 3M Company and states: "CATV companies presently have broadband facilities in 8,000 communities capable of bringing the entire spectrum of broadband services to more than 11 million subscribers. These companies are now beginning to mature and are seeing themselves not only as broadcasters but also as common carriers. CATV companies are successfully competing in the high-speed data market. Coaxial cable is the most nearly ideal transmission medium available today. Broadband services are in your ten year plan whether you realize it or not. Plowing in coaxial cable rather than conventional paired cable provides the means to be ready when broadband capability is needed. It is now economically viable to provide plain old telephone service over broadband facilities."

With the realization of this potential for coaxial cable systems, MTS developed interest in the field at an early date and has taken a strong position that the provision of total and integrated communications in the years ahead requires that MTS offer services through its local broadband network. During the Annual Report year, the System began construction of local broadband networks in Brandon, Portage La Prairie and Selkirk in anticipation of the licensure of CATV operators for those communities. The CRTC has also announced the call for applications for communities in Manitoba within the B coverage contour of television transmitters at Winnipeg, Brandon and Baldy Mountain which should include some 28 or 30 centres. The deadline for applications is March 31 and public hearings have been announced for Winnipeg on June 7. MTS has provided LBN rates and expert advice to interested applicants for this service.

This complex matter has also involved issues of federal and provincial jurisdiction. It was announced in November 1976 that the responsible Ministers for Manitoba and Canada had concluded a policy agreement which supports the LBN concept for Manitoba.

I think you will agree that your constituents who are also our customers, expect and demand high quality responsive services. It is the customary practice to acknowledge the contributions of MTS employees, almost 5,000 of them. I do not wish to make it merely a courtesy to seek your commendation for them in their outstanding motivation and skill, their responsiveness to our customers and for the manner in which they have contained costs, applied the latest technology, upgraded their skills and knowledge and met all of the challenges of the past year.

One indication of our employees' contribution is the substantial growth which has occurred in the past three years, as evidenced by an increase of 90,000 telephones and a 45 percent growth in long distance calls. This was accomplished with only a four percent increase in the number of employees.

We have been seeking — and obtaining — our employees' ideas for better ways in which we can serve our customers. We recently carried out a major pilot project in the Western Region where 500 employees had the opportunity of taking part in wide-ranging idea sessions. They presented hundreds of good ideas — some of them we have been able to introduce quickly; others are of such a nature that they will require further discussion before being implemented. This Western Region project is only one example of an improvement in two-way employee communications at MTS.

The System is also providing improved career counselling as well as expanded employee development and training. During the Annual Report year, for example, we established an Employee Development Centre. The Board of Commissioners established a committee, with employee representatives, to ensure our commitment to maintaining equal employment opportunities.

In conclusion, therefore, may I state my hope that the staff of the System continues to merit the support of this Committee in their efforts to provide the people of Manitoba with high-quality service at reasonable cost.

**MR. CHAIRMAN:** Thank you, Mr. Holland. I have people asking questions. Mr. Enns.

**MR. ENNS:** Mr. Chairman, I appreciate that we'll be dealing with the report as such. I think the Chairman would invite some comments on the statement just read and perhaps it would be in order to begin with, and I speak as a rural representative, to point out to members of the Committee the meaning of the rather benign paragraph on Page 2 of your statement, Mr. Chairman, when you state that the Public Utilities Board strongly endorsed improvements to the quality of rural service provided by the System. Mr. Chairman, it's surprising how different groups when faced with a similar problem can use words. I would have to refer to the description given of that situation in dealing with multi-party service in rural Manitoba by the Public Utilities Board at their last hearing for consideration of rate increases and the Public Utilities Board had this to say about the situation in

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ural Manitoba. I would like to read just a brief portion of that into the record. This is the Public Utilities Board saying: "We must admit that our previous assumption of indifferent service were wide of the mark and that it would be no great exaggeration by and large to label the service atrocious. There is no shortage of evidence demonstrating that it so frustratingly inadequate as to constitute no more than a travesty of a reliable telephone facility. When we offer the general assessment as we do hat overall Manitoba Telephone System provides very good service, it must be understood to be subject to this glaring exception regarding the rural multi-party service. In this sphere, affecting approximately 50,000 subscribers, the service is dreadful. The System's officers concede that in this classification of service, Manitoba Telephone System has the dubious distinction of being the worst n Canada in terms of excessive line loading."

Now, Mr. Chairman, it's not my purpose to read any more from the Public Utilities hearing of that time with respect to the situation —(Interjection)— I'm reading from the report dated May 12, 1976. It was the hearing that considered the application of the Manitoba Telephone System for general increase in its rates for service.

**MR. CHAIRMAN:** And the author of those comments specifically?

**MR. ENNS:** The members of the Public Utilities Board, Mr. Chairman, for your edification are Mr. Peden and Mr. Maclean and Mr. Carriere.

However, Mr. Chairman, the purpose for drawing the attention of the members of the Committee to that situation is simply that I, although in a generous mood this morning, I found that rather benign treatment by the Chairman of this situation in his paragraph at the bottom of Page 2 somewhat wanting in terms of assuring me and my rural constituents that the Telephone System is indeed aware of the situation as described by the Public Utilities people and I would like to ask the Chairman at this time if he would indicate to us what specific steps the System is taking in correcting that situation.

Mr. Chairman, there is a growing feeling in rural Manitoba that are subject to the use of the multi-party system such as myself and the many other members, that the Telephone System has engaged itself in what could be described as the more exotic services in the telecommunications industry. We're well aware that they are deeply involved in a computer business; we are well aware that they have a very deep interest in the cable field, the coaxial cable field and broadband field and so forth. We can't ourselves experience some of the more sophisticated pieces of machinery that are available to our urban cousins but I think on behalf of the 50,000 subscribers that I speak of that are still subject to the multi-party service, we would like some assurance from the Chairman of Manitoba Telephones at this time as to what specific measures he is undertaking to correct this situation. There is, in my judgement, the first responsibility of the Telephone System to provide telephone service and I think that kind of an indictment by the Public Utilities Board is one that I am sure doesn't rest easy on the shoulders of the officers of this Corporation.

**MR. CHAIRMAN:** Mr. Enns, if you have some specific questions, the debate I think you can carry on in the House with the Minister responsible. I do not believe that you would expect Mr. Holland to get into a debate with you but he would prepared to answer your questions.

**MR. ENNS:** I most certainly do, Mr. Chairman.

**MR. CHAIRMAN:** You do.

**MR. ENNS:** I most certainly do.

**MR. CHAIRMAN:** Mr. Holland.

**MR. HOLLAND:** Mr. Chairman, Mr. Enns is absolutely correct that the ruling of the Public Utilities Board of strongly criticized our standards service in the rural areas. When we say "strongly endorsed" the reference there is to the fact that they approve 100 percent our level of capital investment and the rate structures and in the capital programs, we had advocated substantial improvement of these standards.

The top of Page 3, we point to two major programs: The first one to reduce average line loadings to a maximum of four. We are aiming, therefore, for a 2.6 average to try to keep that below the four maximum. The second major program is that in 170 smaller centres which have had multi-party service, we are now offering private line service. So that will affect some 14,000 of our customers.

In the next paragraph, we point out that in a five year period, the rate of expenditure has been escalated very substantially.

**MR. ENNS:** Mr. Chairman, I am satisfied with bringing it to the attention of the Chairman and to his Board Members that are present and to his officers that are present. It's a concern that comes daily to those of us who represent rural constituents. I'll leave to others to question further on this particular aspect or others. I have one further concern that I would ask the Chairman to respond to if he can and that is the length of time that it takes in rural Manitoba to get a connection. I have too many instances where — and I'm not even speaking about far-out isolated places, I'm speaking about communities such as Warren or Woodlands, 40, 50 or 60 miles out of the centre of the metropolitan area of Winnipeg — where customers in applying for a hookup, telephone hookup, have been asked to, indeed are waiting, upwards to a month for that to take place and again, Mr. Chairman, I'm allowing

my rural bias and prejudice to show but I believe that that kind of service simply wouldn't be tolerated in the City of Winnipeg. In fact, my experience from speaking to people it isn't the case. I can appreciate there's a difference but is the Telephone System attempting to provide or close that gap in terms of delay that currently is seemingly the practise in providing hookup service to rural applicants?

**MR. HOLLAND:** Mr. Chairman, there would be two situations there. One was where we had the facilities and where the offer of service should be a matter of days not more than four or five. The second case is where we do not have facilities to offer the customer and these are areas where our predictions of growth and new residences and so on has substantially exceeded what was anticipated. In those cases, we pull all the stops to get service established as quickly as we can and I think explanations are provided in each case as to what's happened to the applicants for service. But it's a case of where we simply don't have any facilities to meet the demands and where the design and acquisition of equipment and the installation can take 12 to 18 months to expand.

**MR. ENNS:** Thank you, Mr. Chairman.

**MR. CHAIRMAN:** Mr. Johannson.

**MR. JOHANNSON:** I would like to ask Mr. Holland — the last meeting we had, you commented on the fact that the basic residential rate for phone service was subsidized by the extras that the Telephone System provides to its customers plus, I believe, the long distance charges. I wonder if you could give us comparative levels of subsidy. For example, on City of Winnipeg rates, on rural rates, average rural rates and on northern rates. I would gather that there is a larger subsidy on the northern rates, the second largest on the rural and the least on urban. Is that true?

**MR. HOLLAND:** Mr. Chairman, I would like, if I may, to ask Mr. Backhouse to comment on that. That is a very complex question. Our plant is really indivisible between local services and switching centres and exchange centres and so on and breaking down our plant proportionately into its respective uses is something that the Telephone industry has not been able to do. With that qualification, perhaps Mr. Backhouse would like to speak generally on it.

**MR. CHAIRMAN:** Mr. Backhouse would you come forward and take this seat here?

**MR. BACKHOUSE:** Mr. Chairman, I would really have very little specifically that I could add to what's been said. The ratios that Mr. Johannson passed observations on are generally correct. The question of making an absolute determination of what the revenues or what the rates would be in specific areas is really a case of determining what the rates would be on the basis of a specific cost allocation which the Manitoba Telephone System in common with the whole telephone industry does not do. It believes that its customers, in total, are best served by an overall value of service type of rating approach which is one that is generally established so as to optimize the development of exchange service and make it available to the maximum number of its customers.

The statement made that vertical services such as extension phones and contempora-type phones do make a contribution to minimizing the exchange rate is correct. Exchange services as a whole generally derive revenue support from toll. Those statements are correct but I could not be more specific than that at this time.

**MR. JOHANNSON:** I gather that you do have some information on the comparative cost of installing telephones let us say in the city of Winnipeg, the rural areas and the north. Do you have such comparative costs?

**MR. BACKHOUSE:** I have no detail of that nature with me, no.

**MR. JOHANNSON:** Well I would assume, judging by the fact that you have 600,000 people concentrated in the city of Winnipeg, that it is a great deal less expensive to establish a new telephone hook-up in the city of Winnipeg than it would be, for example, in Churchill or in a remote community in the north. Is this correct?

**MR. BACKHOUSE:** I presume that your question relates to the cost of installing the telephone assuming that the plant to provide the service is in place.

**MR. JOHANNSON:** Well I'm assuming the cost, also, of putting the plant in to enable that telephone to be hooked up.

**MR. BACKHOUSE:** Yes, my opinion is that it would be more expensive to install the telephone, and I say that relating to the capital cost per telephone, what I believe it is in Churchill as opposed to Winnipeg. The cost would be higher in Churchill, yes.

**MR. JOHANNSON:** Could you give us any approximation of that capital cost per telephone?

**MR. BACKHOUSE:** Well I would only be guessing if I attempted to do it. I don't have any comparative figures with me.

**MR. JOHANNSON:** No, I'm not objecting to the concept of spreading the capital cost across the province. I don't object to that at all. I just wanted to find out whether you had some kind of specific figures on the capital cost of putting in those telephones, let us say in the north or rural areas as opposed to a large urban area like Winnipeg.

**MR. CHAIRMAN:** I am sure that those figures, if it is required by the committee, they could be obtained and then provided at a later date. If that is possible . . .

**MR. BACKHOUSE:** Yes, that could be done.

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**MR. CHAIRMAN:** Any further questions, Mr. Johansson? Mr. Jorgenson.

**MR. JORGENSEN:** Mr. Holland, you mentioned that as a result of the prompting of The Public Utilities Board you were going to proceed apace with the development and the improvement of rural services. To what extent is that program now advanced?

**MR. HOLLAND:** Mr. Chairman, I wonder if I can get some illustrative figures here, say. Mr. Anderson says he has some illustrative figures which up to the end of this March, I think which would illustrate . . .

**MR. CHAIRMAN:** Mr. Anderson, would you care to come forward and relate that information.

**MR. ANDERSON:** Mr. Chairman, Mr. Holland has talked about our various programs in the service improvement area. One program, for example, a universal four-party service that he talked about, in the past years prior to 1976, we've spent 1.7 million on this program over the years. In 1976-77 alone we spent 2.7 million. For next year we are projecting 4.5 million; the following year 5.3. This program, in total, will end in 1980 and will total 21 million. So we can say that we have actually increased our efforts by 100 percent one year over the other. This is substantial, a very substantial improvement in this program.

The same applies in the other programs, individual line service that he talked about to the 170 communities.

**MR. JORGENSEN:** Well I wonder if Mr. Anderson could tell us just the number of miles that telephone line that have been ploughed-in in rural Manitoba in the past year.

**MR. ANDERSON:** I don't have that figure with me, Sir.

**MR. JORGENSEN:** Well have you any idea how many miles are scheduled to be ploughed-in in his coming year.

**MR. ANDERSON:** Not with me.

**MR. JORGENSEN:** How close will that be to the completion of the entire program of ploughing-in lines?

**MR. ANDERSON:** For the rural service improvement program?

**MR. JORGENSEN:** Yes.

**MR. ANDERSON:** Well the program ends in 1980. We're only what, three years, less than three years away from completion.

**MR. JORGENSEN:** Well, you know I want to laud the efforts of the Telephone System in attempting to improve service in the rural areas. However, the complaints that I still get would indicate to me that you are a long ways from reaching that optimum, particularly in the constituency of Morris. I don't want to draw to your attention any particular instances but in Rosenort there is still eleven or twelve people on a line and it's a situation that is becoming almost intolerable. And this is not even outside the city of Winnipeg. In Oak Bluff I know of one instance where a person has been trying since 1974 to get an extra line in his business establishment, to no avail. Notwithstanding all of the correspondence, notwithstanding all of the cajoling and persuasion on the part of this individual, he still does not have the telephone service that he feels he requires to run his business. I wonder what is the difficulty in an area that is within the city of Winnipeg, why the service can't be provided here.

**MR. ANDERSON:** Well I can't answer to the specific request . . . I must . . . an additional line to a business line to a specific community . . . I don't know.

**MR. JORGENSEN:** Well perhaps, then, I will give you the name of the community and you could look into it for me. It's in Oak Bluff and the business establishment are the Enns Brothers who have been trying since 1974 to get an extra city line and a rural line. They can get neither. It's an intolerable situation for a business that is expanding. They are finding that their expansion efforts are being hampered by the Manitoba Telephone System, and I don't think that that should happen.

**MR. HOLLAND:** Mr. Chairman, one other indicator, in answer to Mr. Jorgenson's question. There were 8.1 customers per line on the average in 1964, and at the end of this month there will be 4.75 customers per line, which shows that it is dropping regularly. Another indicator is that by March 31st, 1977, 13,000 customers will be on the maximum four-party service and when it's finished in 1981 14,000 customers will be served. So that would give some indication that it's moving quite quickly.

**MR. HOLLAND:** Mr. Chairman, may we check Morris and report back to the members.

**MR. CHAIRMAN:** Yes, if you would.

**MR. SCHREYER:** I would agree with the Chairman that perhaps Morris constituency should be checked to see if there is something unusual. I'd like to ask the Chairman . . .

**MR. ENNS:** That matter should be left last.

**MR. SCHREYER:** Well the last shall be first and the first shall be last' as the old saying goes.

I'd like to ask the Chairman if he could help us identify what the cause of this problem might be, assuming that there is one, because my perception tells me that the population of rural Manitoba certainly is less today than, say, 1950 or 1955. There has been some rural depopulation, certainly of farmsteads, to the extent I would think of about 20,000, in the course of the past twenty-five years.



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Therefore, how could there be deterioration of service or a build-up of line-loading unless we're talking about relatively isolated phenomena or abnormal phenomena such as the spread of exurbia. That might explain line-loading but other than that would the Chairman advise why there should be a deterioration of service, or in fact is there a deterioration in service in terms of line-loading of rural service.

**MR. HOLLAND:** Mr. Chairman, there is not a deterioration in service. There is a gradual improvement each year. Last year I think we reported an average of 5.2. This year it's 4.75 and it is going down to 2.6 by 1981 so it is a regular improvement.

**MR. SCHREYER:** Let me be more specific. When I was a rural MLA I represented an area that had, I would think, an average of eleven to thirteen subscribers per line. Is that still a prevailing level of service?

**MR. HOLLAND:** No. I was going to say, Mr. Chairman, that I think there are a number of factors here. One is that our customers are demanding good accessibility to the service which is not represented if there are eleven people on the party line. Secondly, the usage goes up. In our report we increased tremendous volumes of local and toll calling every year which the network has to cope with. Thirdly, I think the exurbia factor is real. In the periphery of Winnipeg we have not predicted as accurately as we would have liked in quite a number of areas. In trailer parks, things that happen quickly, we just have not the facilities to offer service.

**MR. SCHREYER:** Well to be more specific, still, in 1963, '64 and '65 thereabouts, it was not uncommon for rural service in the municipalities of Brokenhead, Springfield, Hanover, Tache, to be at the level of about eleven subscribers per line. Where do you have it now, in that part of the province

**MR. HOLLAND:** The System average was 8.1 in 1964.

**MR. SCHREYER:** The weighted average.

**MR. HOLLAND:** Yes. It's now 4.75. Again, Mr. Chairman, we would have to check our data on those exchange areas to get the historical and current figures.

**MR. SCHREYER:** Well, we could leave that for the moment. I'd like to ask Mr. Holland if he is satisfied that the length of time that elapses between a request for the installation of service and the installation itself, whether MTS would compare fairly well in relation say to Bell, or have you done a check-out study on that. Well what do you use as a standard of measure to satisfy yourself, the executive committee of the MTS, the board, as to whether your service in that regard is reasonable or lagging? Do you use a standard of measure and if so what is it?

**MR. HOLLAND:** Yes, we use service dates. That is if you call today, the day on which the installation people will be out to provide the service. We get very concerned if that is more than five working days and Mr. Ed Peterson, perhaps, could comment on our data compared with other companies. I'm not sure that we have any statistics here except that I would say generally we compare very well with the other major Canadian companies.

**MR. CHAIRMAN:** Mr. Peterson, would you come forward please?

**MR. PETERSON:** Mr. Chairman, I have no specific information here on the actual comparison between MTS and other service agreement companies but as Mr. Holland has pointed out, we are constantly monitoring our performance against other companies, and our maximum objective for installation is a four to five day period. And I believe at the present time we are running about a two to a three-day installation period. I may stand corrected in this regard, but I believe Bell Canada is somewhere around a a ten-day due date, at the present time.

**MR. SCHREYER:** Well, Mr. Chairman, if that is so and I have no reason to argue with those figures. In other words, it compares well. What would explain the kind of problem that Mr. Jorgenson raised of a delay of a month or more?

**A MEMBER:** It was Mr. Enns who indicated that delay.

**MR. SCHREYER:** No' Mr. Jorgenson.

**MR. PETERSON:** I think Mr. Holland spoke to that point and that he indicated, in some cases, there is a lack of facilities to complete a specific job. I think that the problem that you expressed, Sir, is an exception rather than a rule. We monitor those areas very carefully to see if we do provide service as soon as we possibly can. And in many cases we will run in a special drop to provide service for these people. But I think you can understand if the distance is quite considerable then it becomes uneconomic to provide a special service and that will only be provided with the installation of a cable in that area. But to a large extent the problem is a lack of facilities in the area.

**MR. JORGENSON:** It seems to be familiar with the situation in Oak Bluff and I wonder if you could tell me how soon that they can expect that situation will be corrected, and they will indeed be able to get their extra telephones?

**MR. PETERSON:** I'm sorry, Sir, I'm not familiar with the one in Oak Bluff and I certainly would report back to the Chairman and give a commitment in that area.

**MR. JORGENSON:** Well, report back to me because the Chairman probably will forget about it.

**MR. PETERSON:** , Sir. I'll do that

**MR. CHAIRMAN:** Any further questions, Premier Schreyer?

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**MR. SCHREYER:** Yes, to ask the Chairman to elaborate a little, if he feels he can, as to whether the problem of extending service and at the same time thinning out some of the rural service to more acceptable levels is being complicated or aggravated in a major way, or only in a minor way, by the spread of exurbia which really has nothing to do with Manitoba rural households. Is this a major or a minor problem?

**MR. HOLLAND:** To the people involved it is a very major problem. We encounter people that decide on fairly short notice to move to these areas. They are expecting urban standard in services and we are unable to offer it. So it is a problem and quite difficult for us to forecast.

**MR. SCHREYER:** Yes, one more supplementary on that. For those who move into rural areas, does the telephone system discern any pattern as to whether the demand for service is, in effect, rural or is there a demand for service that is, in effect, urban with respect to those households that are established beyond the urban periphery in rural areas on the part of non-agricultural residents?

**MR. HOLLAND:** I would say that it's phased. The first priority is to get service of some sort and then very rapidly we are pressed to provide private line urban type services which, of course, is especially expensive to provide because the density is usually much less than in the urbanized, more concentrated areas. Our costs are a function of density.

**MR. SCHREYER:** Is the feature of the installation charge, which I understand is not great, and all the related charges such that in the conversion from rural service to private line service cross-subsidized by other telephone subscribers? Well, that I suppose is rather complicated and detailed.

**MR. HOLLAND:** It's almost as difficult to answer as Mr. Johansson's question. My guess would be yes.

**MR. SCHREYER:** Well for the moment, we'll just leave it with the Chair as a question on notice to be answered, if possible, at some future date.

**MR. CHAIRMAN:** Yes, I believe there are a number of those questions that have been taken and they can be provided and distributed, once compiled, can be distributed to the members of the committee. Mr. Einarson.

**MR. EINARSON:** Mr. Chairman, I would like to ask Mr. Holland, I have concerns for the services given to rural communities but first I would like to premise a question by asking: If a person built a new home in the City of Winnipeg and asked to have a new phone put in their home, just about how long a time does it require, what length of time is necessary before a person can expect a phone put in their new home in the City of Winnipeg?

**MR. HOLLAND:** I would say normally, Mr. Chairman, within five days because we would have pre-wired the subdivision and our facilities would be in so the normal situation would be not more than five working days.

**MR. EINARSON:** Then, Mr. Chairman, I'd like to pose a second question and ask the same question: If a person was building, say a farmer retired moved into a town say whether it be Holland, Treherne or any town in my constituency — to name any one of them — that built a new house, how long would they have to expect to wait for a telephone to be put into their new home, in any rural town, and I say Holland, Treherne, a town of that size?

**MR. HOLLAND:** I would suppose, Mr. Chairman, it would depend on how much notice they gave us in order to arrange the outside wiring that might be necessary and to conform with their move-in date and so on. Mr. Peterson confirms that again it should not be more than five working days normally if we've had reasonable notice of any special facilities that might be required.

**MR. EINARSON:** Mr. Chairman, then I would like to report that I've had a number of cases in rural towns in my constituency somewhat along the same line that Mr. Jorgenson has mentioned. In this case, it's private homes where the individual gave notice that they wanted a telephone and they informed him that it would be — this was way back at the beginning of July — they informed them a phone would be in in a month's time. A month went by and this went on for about four months, finally within the six months that person got the telephone having had to do some real effort insofar as those people were concerned. This this is an area, Mr. Chairman, that I would like to say to the Public Utility, or that is those who are responsible for telephone services, a number of complaints have been going on this way and I wonder why four months is necessary and required, that a person has to wait to get a telephone into a new home home, this is what has been going on.

Another matter, Mr. Chairman, I would like to ask: When can we expect the dial system in the Town of Glenboro?

**MR. HOLLAND:** Mr. Chairman, in answer to the first, I think we can only say that if we may have a couple of names, we will provide a complete history of what happened. It may have been a case where we didn't have outside facilities there or some unusual circumstances but if we can have a couple of examples, we'll go back and illustrate exactly what happened.

**MR. CHAIRMAN:** Mr. Toupin you have some questions?

**MR. TOUPIN:** Well I just want to pose a question here. In regard to the complaint that you're bringing forward, you know I find it outrageous personally and I know I wouldn't stand for it in my own constituency and I haven't. I would like you, if possible, Mr. Einarson to supply the Chairman of the Telephone System or myself, being the Minister responsible for the Act, with names of people

that we could check, and rectify this for the future.

**MR. EINARSON:** Well, Mr. Chairman, I can say that these people have their telephones but I found it rather unusual to have to go to the exceptional pressure on the services to get these telephones in. You know, the people are saying to the customer, "We'll have it in a month's time." The month goes by and this went on for four months. This is the thing, I can appreciate, Mr. Chairman, the comments from the Minister who is responsible for the Telephone System. But another question I would like to pose is: I am wondering, we now have a new dial phone — I'm on the Glenboro exchange. I guess the last one in the Province of Manitoba — I believe if I am correct on that, I'm not sure but I believe, and that's in my leader's constituency .

Another question, Mr. Chairman: There's been a lot of difficulties with the phones that we've had in our homes in my part of the country. You can be talking on the phone long distance and all of a sudden the phone cuts out, we're had the technicians come out and repair them and I've come to the conclusion, I'm wondering just what kind of quality phones we are buying and where is the Telephone Company buying these phones? I'm wondering from the phones that they had in the past few years, the new dial phone now, are they any better than those that we had before because the technicians are saying — they come out to try to fix them if the quality of the phone is not right, then there's nothing further they can do. I know many of your telephone technicians have been pretty well exasperated because of the fact that they have not been able to solve the problems and felt they weren't giving the kind of service that would normally be expected of them. I'm wondering, are you satisfied with the phones that you are buying for the Manitoba Telephone System?

**MR. CHAIRMAN:** Mr. Einarson, you indicated again that those people that had problems with getting their telephone, taking them some six months before they received it, I think that if you still provided the Manitoba Telephone System, either the Chairman or Mr. Toupin, with the names that they could check it to see what were the facts so that the same kind of occurrence would not take place for other people. I think it would be most helpful.

**MR. EINARSON:** Mr. Chairman, yes I will do that. Thank you.

**MR. CHAIRMAN:** Mr. Holland' there are other questions. Do you care to answer?

**MR. HOLLAND:** Well I think just to indicate on the Glenboro one, however much pre-testing is done, this equipment is quite sophisticated and there usually is a period when they're de-bugging or ironing-out difficulties but we've made a careful note of that and we'll follow up.

**MR. MCGILL:** Mr. Chairman, I wanted to proceed to a slightly different area, that of cable television and the involvement of the Manitoba Telephone System in the installation of coaxial cable. The Report indicates that they have now begun, or have completed local broadband networks in Brandon, Portage La Prairie and Selkirk. Can the Chairman tell me if there are any other installations presently under way or are there any other areas that have already been provided with this local broadband network?

**MR. HOLLAND:** Mr. Chairman, not other than Winnipeg and Thompson which have had systems for some years.

**MR. MCGILL:** I wonder, Mr. Holland, if you can tell me: What is the total cost of the installations to date of local broadband networks?

**MR. HOLLAND:** Mr. Backhouse is just trying to locate that.

**MR. BACKHOUSE:** Manitoba Telephone System expenditures for cable installations at Brandon, Selkirk and Portage which are the only three communities that we have undertaken any work under the new LBN plan as we call it, will be, when completed, \$675,000 in Brandon; \$270,000 in Selkirk and \$310,000 at Portage la Prairie. That is for local distribution.

**MR. MCGILL:** Thank you. Now the Report also indicates that you are providing LBN rates for applicants to provide this cable television service in areas other than Winnipeg. The question arises here and it relates to one that was asked previously: Is there a cross-subsidization of rates that you're now providing? Is there for instance, in rates for Brandon or Selkirk or some place else an involvement here that would provide an assumption of part of the cost by residents from some part of the province other than those areas?

**MR. BACKHOUSE:** Well, there are two components to the rates which we are using for provision of cable television in those three communities. One component is the local distribution rate, that is the rate that relates to wiring those communities with coaxial cable and furnishing the drop into the subscriber's home. In that component of the rates, there is no cross-subsidization of any form. Each community is rated in such a way that the expected revenues to be derived from the service provided will fully support all costs associated with providing that local distribution.

Now, to make a cable television system work, it's necessary to provide microwave or equivalent facilities to bring the program channels into these communities. We have, in advising applicants so that they can make application to the CRTC, we've provided them with an average microwave rate for all of the communities that we expect applications to be made for. Of course, that is a total of some 30-odd communities — of which Brandon, Portage and Selkirk will be a part. The rate which we provided was based on an assumption that there would be some cross-subsidization support from the Winnipeg cable subscriber.

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**MR. MCGILL:** Thank you. You say, there are 30-odd communities that might . . .

**MR. BACKHOUSE:** Thirty communities, I guess is a better way to put it.

**MR. MCGILL:** Yes. Presumably then, you will proceed with the installation of the coaxial cable in those communities or will you wait until licenses have been granted that would include those communities?

**MR. BACKHOUSE:** Our intention would be to proceed on the latter route. We would wait until license fees had been approved and we had an order from the applicant.

**MR. MCGILL:** Now, Mr. Chairman, with respect to closed-circuit pay T.V., I understand that the Province of Manitoba has abdicated its possible rights in this area to the Federal Government and at the same time, the Province of Saskatchewan, I understand, is in the courts in an effort to establish that the province has complete authority in the area of closed-circuit cable T.V. Could you comment on that? Is my understanding of your position correct?

**MR. TOUPIN:** Well, Mr. Chairman, we've never had responsibility for planning and for distribution of that type of facility in the province. We've always had since the agreement of 1967, according to the understanding given to me by legal counsel, jurisdiction pertaining to hardware but never pertaining to planning which is a federal responsibility which is sought by the Government of Saskatchewan and Alberta to no avail to this date.

**MR. MCGILL:** Mr. Chairman, then I take it from Mr. Toupin's remarks that this area has been thoroughly investigated by his legal counsel and that it's their view that the province does not have constitutional authority in this area and that he does not separate this from other types of cable T.V.? Is it not true though that the Province of Saskatchewan is in the process of attempting to establish this right and why, if they feel they have some authority in this area, is the Province of Manitoba not equally enthusiastic?

**MR. TOUPIN:** Well, Mr. Chairman, again if I may — the agreement signed between Ottawa and Manitoba was very specific pertaining to the jurisdiction of the two levels of government. Saskatchewan is wanting a type of an agreement that would go beyond the agreement that was signed between Manitoba and Ottawa. I have indicated that we're willing to discuss it and I have so indicated to Madame Sauvé and to my colleagues of other provinces, we are meeting at the end of this month in Edmonton to discuss communications generally and we're willing to look at the possibility of some implication pertaining to educational or cultural components within our province, but we're not wanting to become involved in the distribution of commercial pay T.V. and related services. Saskatchewan is wanting to become involved indirectly and mainly through co-operatives. That has been their stand.

**MR. MCGILL:** Mr. Chairman, to Mr. Toupin. Was this matter part of the discussion when the agreement was reached with the Federal Government to provide you with control of the television hardware? Was there some understanding at that time that you would not ask for any authority in the closed-circuit cable T.V. field?

**MR. TOUPIN:** Well, Mr. Chairman, there was an understanding on the agreement that was signed and I indicated to Madame Sauvé and to my colleagues in the formal meeting especially of Western Ministers of Communications, that their desire pertaining to some type of implications pertaining to planning of services would be something that Manitoba would be willing to look at. We have agreed to sign the agreement. We are willing to live with the agreement until it is reviewed. There are two clauses in the agreement that allow for review of the existing agreement and that we are willing to discuss with our colleagues at any subsequent meeting. But there was certainly, Mr. Chairman, an agreement between Madame Sauvé and myself, that in regard to having complete ownership — as decided back again I say in 1967 pertaining to telecommunications, that this would delineate and make it very clear that Manitoba through the Manitoba Telephone System would have jurisdiction of hardware, that the Federal Government would have jurisdiction pertaining to licensing and planning.

**MR. MCGILL:** Mr. Chairman, I have no further questions at this time.

**MR. CHAIRMAN:** Mr. Banman.

**MR. BANMAN:** Thank you, Mr. Chairman. I was listening to the conversation with regard to the problems of the 40-mile radius around Winnipeg and I would like to ask if the utility is undertaking any special priorities as far as planning is concerned, maybe hiring additional planners and checking into the growth areas within that 40-mile radius to make sure that service for the residents that do build there or move out there will be better in the future? Again I say I appreciate the point because there have been a lot of people I know in my riding moving out and the utility just wasn't ready for them when they moved out. As a result, I have had examples of people waiting as long as three or four months to get a telephone. Now I think it boils down to a planning problem.

I should also point out that I just moved to another place in the town of Steinbach and I am on a party line. I can't get a single line either. Now I know the department is working with it, but it is a subdivision that has been built up for the last four or five years and there are certain areas within the original square mile of the town of Steinbach that there is no way you can get a single line at all, that you are looking at party lines. I think it is a problem of planning and I am wondering if the utility is undertaking a more aggressive approach in that direction.

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**MR. CHAIRMAN:** Mr. Toupin.

**MR. TOUPIN:** Before Mr. Holland answers the question posed by Mr. Banman, could I correct the records in my previous statement, not statement, an answer to McGill? When I used the word "planning," I meant "programming." Could I change the wording on the record?

**MR. CHAIRMAN:** Mr. Holland.

**MR. HOLLAND:** Well, Mr. Chairman, let me say that we regard any inability to provide service as an urgent matter and those get our top attention and our fastest installation work that we can do. We regard not being able to provide service as a very serious problem for us. Beyond that, I think that with the general improvement programs that are going on right through the province, we will have more flexibility. With a line loading of 2.6 without causing too much difficulty we can add other customers to that line and without exceeding our maximum in force. So we will have a great deal more flexibility and options open to us when these plan improvements are carried out.

I think I can say that we have been sensitized over the last eighteen months particularly to some of these unforeseen planning problems and I think they are now under control and they should be more and more rare in the future. I think Mr. Banman's area has had particular difficulties in this area, unanticipated expansion.

**MR. CHAIRMAN:** Mr. Banman.

**MR. BANMAN:** Mr. Chairman, I am glad to hear that because I think if the trend continues the problems as far as the utility faces will continue to grow. If the utility is undertaking to watch it a little closer than they have in the past, I think some of these problems can be alleviated and we won't have the type of loss of service that these people have been experiencing.

Another question, this is more of a technical question, towns such as Steinbach, what is involved as far as converting that so that we can be using touch tone phones?

**MR. HOLLAND:** Mr. Chairman, perhaps Mr. Anderson would like to comment on that?

**MR. CHAIRMAN:** Mr. Anderson.

**MR. ANDERSON:** Mr. Chairman, equipment involved for that particular service requires an installation in our central office so that it can respond to the tones that are sent out by the telephone. It takes a number of months to instal and turn up. But we are in a program now to be able to provide touch tone service to any point in Manitoba basically. Including the rural areas. Any point.

**MR. CHAIRMAN:** Mr. Banman.

**MR. BANMAN:** Is there anything on the books as far as planning for installing this type of equipment in the town of Steinbach?

**MR. ANDERSON:** I think there is, but I would have to get the day for you.

**MR. BANMAN:** Thank you. Another question then. I know the department has been made aware of this by the Town of Steinbach and by several other people that are using telephones which they have installed in their car. Signals in the Town of Steinbach are very bad. I think we are picking them off of the Hadasville Tower right now and the phone itself as far as usage within the town limits, because of all the interference that is involved, is virtually useless. Some of the protective services such as the police and other people have tried using it in the town and the reception is so bad that we really can't pick up a proper signal at all. I am wondering if there is anything on the books to try and rectify that. There is a fair market here. I think there are a lot of people that would be moving into that mobile telephone situation but because of the problems that we do have with interference, it is a market that isn't being tapped and I think it is just sort of a service that is being denied the area. Is there anything on the books with regard to changing that?

**MR. CHAIRMAN:** Mr. Anderson.

**MR. ANDERSON:** I don't believe there is, Mr. Chairman. I understand the problem and would have to look into it. It would require a small receiver in the Steinbach tower to pick up the local Steinbach signals.

**MR. CHAIRMAN:** Mr. Banman.

**MR. BANMAN:** Well, then, I would like to urge the utility to maybe have a good look into that, I think that is a service that could be provided to the community and I think that there is a certain amount of revenue that the utility is losing because of the bad reception. Thank you, Mr. Chairman.

**MR. CHAIRMAN:** Mr. Enns.

**MR. ENNS:** Mr. Chairman, just one or two questions dealing more specifically with the report if it is permissible.

**MR. CHAIRMAN:** Do you wish to start on the actual report?

**MR. ENNS:** Well, unless there are . . . I would defer to others present at the time.

**MR. CHAIRMAN:** Mr. Graham.

**MR. GRAHAM:** Mr. Chairman, before we start on the report itself, I would like to ask a few general questions with respect to a specific area in telephone service. And while I notice you have a drop of approximately 250 employees in the past year, I was wondering if the chairman could give me any information on the number of staff that are employed by Telephone purely in the field of security, to ensure that the individual does have the privacy of his telephone and there are not some outside

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means of interception of telephone communications.

**MR. CHAIRMAN:** Mr. Holland.

**MR. HOLLAND:** Mr. Chairman, I suppose in a sense you could say that all of our plant forces are dedicated to making certain that standard of service and integrity of the lines is preserved, but as far as specific provision for security — Mr. Beatty, would you like to comment on that?

**MR. CHAIRMAN:** Mr. Beatty, would you come forward please?

**MR. BEATTY:** Mr. Chairman, I believe the question related to those purely in the field of security, is that the question?

**MR. GRAHAM:** Yes.

**MR. BEATTY:** As Mr. Holland has indicated, we use our plant forces primarily to do this type of checking. The initial complaints are handled within our security group but of course the actual work in the field is carried out by our plant forces, so the numbers of people purely in the security field would not really relate to the numbers of checks done in any particular year. I am not sure that that comes anywhere near your question, Mr. Graham.

**MR. CHAIRMAN:** Mr. Graham.

**MR. GRAHAM:** Well, you have indicated that you do have a security group then within your entire administration?

**MR. BEATTY:** Yes, we have a minimum security group of approximately eight or nine people.

**MR. GRAHAM:** Are they constantly working on methods of improving their scanning techniques, *et cetera*, to make sure that the privacy of the consumer is protected?

**MR. BEATTY:** They are constantly working with our plant people on techniques to ensure that the telephone lines are not in any way misused or abused in that sense, that is correct.

**MR. GRAHAM:** In this security operation, is there a monitoring process that is carried on on a regular basis?

**MR. BEATTY:** There are forms of line testing, I am sorry, I am technically incompetent myself, Mr. Graham, to discuss them, but I would say that there are forms of line testing that are carried out on a regular basis but it is a selective basis in the sense that not all lines are tested in any particular year or anything like that.

**MR. GRAHAM:** Mr. Chairman, I raise the issue because I think that within the consuming public today there is an increasing concern about whether or not our individual rights of privacy are being adequately protected, that there are, I think, sufficient cases that have been brought to light where legal interception of telephone communication has been authorized but the consumer is more concerned about the illegal interception that may occur and I think it is incumbent upon the system to ensure the consumer that his rights to privacy will be protected and that they are constantly monitoring their system to ensure that that security is there.

**MR. CHAIRMAN:** Mr. Beatty.

**MR. BEATTY:** In the case of the multi-party line, we can't help Mr. Graham that much, but I am sure he is aware when he is being monitored. I would suggest that in addition to the test monitoring that we referred to, of course any complaint received from a subscriber is investigated on an individual complaint basis, so that if a subscriber should complain to the system, that is investigated immediately.

**MR. GRAHAM:** There is another thing that has come to mind and that is regarding the . . . I think it is more in the microwave system that you use. Quite often a person making a legitimate phone call and in the connection, which I presume is entirely automatic through your various centres, you do get an overfeed from some other system. I know in my own case on several occasions I have been privileged to fairly distinct communications between two people that I have no knowledge of or anything. Is that problem of concern to Telephone at the present time? If not, what plans have they got to improve the system to prevent that type of thing occurring?

**MR. HOLLAND:** Mr. Chairman, I think Mr. Anderson would have to . . .

**MR. CHAIRMAN:** Mr. Anderson:

**MR. ANDERSON:** Mr. Chairman, that particular example I think was . . . in telephone jargon they call that "cross talk" where you are talking on a microwave system and people on the adjacent long distance circuits can hear each other on occasion. And when that happens, it is usually maybe some component in the system that is giving a maintenance problem or hasn't been routine for some period of time but that is not designed into the system and normally you will not hear that particular bit of cross talk.

**MR. CHAIRMAN:** Mr. Graham.

**MR. GRAHAM:** The reason I raise it, Mr. Chairman, is that I believe at the present time that seems to be more prevalent today than it was ten years ago and if we are building in our highly sophisticated systems the incidence which would increase that likelihood, then I think we had better take a very close look at the types of equipment we are putting in in that respect.

**MR. CHAIRMAN:** Mr. Anderson.

**MR. ANDERSON:** I just think it happens that the system between Winnipeg and Brandon is becoming fully loaded. When it becomes fully loaded you start to run into those situations. Now relief

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is being put in in these cross sections and you won't have that problem.

**MR. CHAIRMAN:** Mr. Johannson.

**MR. JOHANNSON:** Mr. Chairman, I would like to refer to Page 8 of Mr. Holland's report where he reports that "System rates generally are the lowest in Canada." First of all, I would like to congratulate Mr. Holland and the telephone system for their achievements. I think they are to be congratulated for providing the people of Manitoba with the lowest rates in Canada. I think that should not pass unnoticed. I notice that the opposition members have not drawn attention to it.

**A MEMBER:** It's not news.

**MR. JOHANNSON:** It's not news. Yes, it's not news when the rates are the lowest in the country. I would like to congratulate the system on their achievement. Could I get a copy of the comparative figures, Mr. Holland?

**MR. CHAIRMAN:** Mr. Holland.

**MR. HOLLAND:** Mr. Chairman, we can provide comparative data by size of centre, the exchange rates for instance vary according to the number of telephones on the exchange. So we can compare Winnipeg with like cities and provide that to the committee. I believe this was done last year.

**MR. JOHANNSON:** Yes, I would like those comparative figures.

Okay, a second point. Mr. Enns brought up the report of the Public Utilities Committee which frankly amazed me at the time it was made. Now was the Public Utilities Committee aware, for example, that during the period from 1964 to the present, you have almost halved the number of customers per line service. In your rural When they made this statement, were they aware of the fact that you have done this?

**MR. HOLLAND:** My recollection, Mr. Chairman, is that we provided the Public Utilities Board with comparative data by other provinces and that we were lagging at that point in time with what had been done in some other provinces. I think we compare much more favorably even now. So they were referring partially to that plus a great many representations that they had during the hearing. So specifically I don't think they were aware of that.

**MR. JOHANNSON:** But aside from specific representations that might be made, for example, does Manitoba's rural service not compare favorably with that of rural Newfoundland?

**MR. HOLLAND:** I am not sure that there is a rural Newfoundland, is there?

**MR. JOHANNSON:** You mean there is no rural Newfoundland service.

**MR. HOLLAND:** It is widely dispersed . . . small centres on the coast.

**MR. JOHANNSON:** Could you provide us with some most recent comparative figures on, for example, customers per line for rural service in the various provinces' and also the installation period for new telephone service. I couldn't hear the gentlemen who made the statement about Bell's installation period. What is it? Ten days in Ontario and it is two to three days here on the average? Four to five. Okay. So it's twice as good as Bell's performance in Ontario. Did the Public Utilities Board know this when it made its statement?

**MR. HOLLAND:** Mr. Chairman, I couldn't answer that specifically. They had such a vast amount of testimony and data that . . . but we will certainly try to give some.

**MR. JOHANNSON:** Could you provide us with the comparative installation periods for the various provinces? Okay, thank you.

**MR. CHAIRMAN:** Mr. Lyon.

**MR. LYON:** Somehow or other, Mr. Chairman, Newfoundland got into the mix which raises in my mind the question as a layman: how many provincially owned telephone systems such as MTS and Sasktel are there across Canada? I'm aware of those two.

**MR. HOLLAND:** Alberta Government telephone, Sasktel, MTS, Edmonton telephones, Thunder Bay, Kenora, those are some of the larger companies. Then of course in Saskatchewan there is still hundreds, not dozens of very small companies municipally owned.

**MR. LYON:** But in Eastern Canada, predominantly the service is provided by private sector companies, I take it?

**MR. HOLLAND:** Yes.

**MR. LYON:** I see. British Columbia as well, I guess, B.C. Tel is still privately owned. I noticed the figures that you mentioned that . . . and I realize these are rough approximations — that to east of Manitoba the rates tend to be on average about 65 percent higher and to the west about 16 percent higher. That's just an average, is it? And the rates as between Manitoba and Saskatchewan are more comparable, say than the rates as between Manitoba and Alberta or what?

**MR. HOLLAND:** Generally speaking, and these are changing, Saskatchewan is slightly higher than MTS and Alberta is slightly higher than that. That is the usual pattern. We could perhaps quote some rates to illustrate that, Mr. Backhouse has the rates here.

**MR. CHAIRMAN:** Mr. Backhouse, would you care to come forward.

**MR. BACKHOUSE:** Taking current rates for major cities in Canada, and the rates that I quote are inclusive of any applicable sales tax. In Winnipeg, the individual line rate is \$5.15. In Regina, it is \$5.72, in Edmonton, it is \$5.70, in Calgary, it is \$5.60, in Vancouver, it is \$8.61, in Toronto, the rate is \$7.97, in Ottawa, it is \$7.01. Quebec City is \$7.07, St. Johns, Newfoundland is \$8.80. I could give you the

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equivalent business rates if you wish.

**MR. LYON:** The averages would persist though roughly across Canada.

**MR. BACKHOUSE:** Generally speaking, yes.

**MR. LYON:** So we have maintained our position of favorable rates for domestic and business in pretty much the ratio that it was in previous years?

**MR. BACKHOUSE:** Yes.

**MR. LYON:** Good. There's an item in relation to northern services and an expenditure of \$21,700,000, the statement is made the cost of the program is approximately \$21,700,000.00. Is that accumulative cost over the three year portion?

**MR. HOLLAND:** Yes, through next year.

**MR. LYON:** That will take us into the fiscal 1977-78 at the present time. Is there a Phase Four 4 or what?

**MR. HOLLAND:** The only remaining phase, Mr. Chairman, would be the offering of local exchange service in some of the smaller centres in the north where at the moment, they only have toll service, and one or two pay stations. That would be the only remaining portion.

**MR. LYON:** Could you enlighten me and perhaps other members of the committee as to the northern service program. What type of service is being provided, on what basis? Is it multi-line service, single-line service or what and is it in all remote communities or where.

**MR. HOLLAND:** First of all, I think we have a listing of communities that have been served here. Generally speaking, the service is excellent, it is, of course, very modern equipment and the service is generally private-line service, individual-line service. Mr. Chairman, there is now quite an extensive list with dates of service. Would you like that read into the record?

**MR. CHAIRMAN:** Well, possibly we could duplicate that and distribute it to all the members of the committee if you would care to give me a copy. I will have that duplicated and distributed. Any question, Mr. Lyon?

**MR. LYON:** What degree of success are you having on regular monthly payments of bills in the northern service? I was in the north recently, one hears that there is some problem in that regard.

**MR. HOLLAND:** We have taken quite a firm credit position in the new communities with the introduction of service. We have clearly explained that MTS requires its ongoing revenue to service the . . . We have had a fair number of terminations of service for non-payment and then reinstatement and so on. So I don't think that our loss of revenue has been significant but we do terminate service for non-payment of accounts just as anyone else in the province.

**MR. LYON:** So you're saying there is no notable disparity as between the northern service and the rest of Manitoba.

**MR. HOLLAND:** Mr. Chairman, I am saying there is no notable disparity in our policy and practice in the north as compared with anywhere else. As far as the incidence, of course that varies by region and by economic prosperity or otherwise and there is quite a variation right across the province.

**MR. LYON:** Are you saying that there is no disparity as between incidence of say of disconnects in the northern service as opposed to the rest of Manitoba, outside of metro Winnipeg?

**MR. HOLLAND:** I think, Mr. Chairman, there would be significant variation in all our 232 exchanges, you know in records of this sort. I really haven't seen any collective data for the north of 53 collections.

**MR. CHAIRMAN:** Mr. Vannevel, do you have any comment on that? Mr. Vannevel would you care to come forward, please?

**MR. VANNEVEL:** I believe that proportionately to the number of subscribers there, the northern area may be higher say than Winnipeg, in the number of disconnects or the problems of collection of accounts most likely related to the transient nature of some of the activities that go on in that particular area. Winnipeg, however, if we were to look at it, has certain areas within it that have much similar characteristics and similar problems with collection of accounts. On the whole, though, the system has not got I don't think a bad record on collection of accounts or dealing with our subscribers.

**MR. CHAIRMAN:** Thank you, Mr. Vannevel. Mr. Lyon, any further questions?

**MR. LYON:** I have quite a few more.

**MR. CHAIRMAN:** Proceed.

**MR. LYON:** The service that is being provided is single-line service. I take it that's possible because it is new equipment, new service and so on, so you're not getting into a multi-party service which you would later have to upgrade to single-line. That would make sense, I would take it in a capital investment way and so on. Mr. Einarson was mentioning the Town of Glenboro which is on the eastern edge of my constituency. Is that the last community to be hooked in to the dial system or are there others?



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the eastern edge of my constituency. Is that the last community to be hooked in to the dial system or are there others?

**MR. HOLLAND:** It is the second last, Rapid City is the last scheduled for June of 1977.

**MR. LYON:** Then the whole system will be on dial service at that time.

**MR. HOLLAND:** Yes.

**MR. LYON:** Could you tell us a bit, Mr. Chairman, through you Mr. Chairman to the Chairman of the System about the general policies of the System in respect to maintenance of equipment. One hears from time to time about old equipment in some of the Winnipeg exchanges and so on that's on its last legs and so on. Is there any truth to this, these statements that some of our equipment is becoming pretty aged and not subject to regular maintenance?

**MR. HOLLAND:** Mr. Chairman, that is quite true that there is equipment still in use throughout the province that can be fifty or more years old. Careful record of maintenance requirements, availability of replacement parts and so on is kept and when the economic fulcrum tips, when it becomes uneconomical to maintain it any longer or to obtain parts or whatever, then there is a new project mounted to update the equipment. But in fact some of the step-by-step equipment which is that old works extremely well.

**MR. LYON:** How would you compare, for instance, the level of maintenance and service that the System provides today with that, say of five years ago, ten years ago. I realize this has antedated your time at the System.

**MR. HOLLAND:** Well, again, Mr. Anderson who is closely related to our engineering and planning functions may want to comment but we do keep an array of service standards on almost every aspect of operations of our plant. We make certain that it does compare with the Canadian industry norms or better and certainly it is my impression that there is a constant improvement of standards not deterioration by any means. The engineers have upgraded a number of standards that I can think of offhand since I have been there.

**MR. LYON:** So you're satisfied in general that maintenance of equipment and servicing of complaints and so on is at a higher standard today than was, say five or ten years ago. Given of course that there are a greater number of phones and service and so on.

**MR. HOLLAND:** Yes, I would definitely have that view.

**MR. LYON:** Now I know it is always a topic of interest with the Telephone System and with members of the Legislature but could you advise us as to what consideration, if any, is being given at the present time to increasing the areas in which — the size of the areas, the circumference of the areas in which long distance dialing will not be required. That is the constant complaint of course, in areas outside of Greater Winnipeg, that the Winnipeg person has, of course, the ability to phone something like 500,000 other people, whereas if you live in Morden or Ninette the area which you can phone without long distance charges is rather circumscribed. What are we doing, what is your planning with respect to increasing these areas?

**MR. HOLLAND:** Mr. Chairman, I think I reported last year that we had given a good deal of thought to this matter and concluded that as a first priority, the standard of service and the accessibility to the network should priority one, so that our rural improvement program, all aspects of that has been given a top priority as our first move in this area. Along with that we have developed a concept known as "meaningful exchange boundaries (MEB)." We tested all our 230 odd exchanges as to whether our customers in those exchanges can reasonably access to the grocery store, the hairdresser, the vet, have the doctor, the local high school, etc. and we tried to review all of our exchange network in light of these criteria and the shifting trading patterns and so on. We either have adjusted exchange boundaries in two or three areas or plan to and then as our rural improvement program nears completion, we will be looking at the MEB program and starting to implement that on a priority basis.

**MR. LYON:** Outside of such obvious urban areas such as Winnipeg, Thompson, Brandon, Portage, Dauphin, etc. what on average would be the free calling range of the rural telephone subscriber, that is, a person living in a town, village, or hamlet or on a farm, etc.

**MR. HOLLAND:** I don't know whether there is any easy way to answer that. There already are very large exchange areas such as the Portage area which covers quite a large area and then there are some very small ones with 100, 150 subscribers. Now the question is what would be a typical calling radius from the village.

**MR. LYON:** Right.

**MR. HOLLAND:** Mr. Anderson would estimate ten to fifteen miles.

**MR. LYON:** Ten to fifteen miles. But your improvement program, I take it from what you have said, would be based naturally, on an exchange area, rather than on a predetermined radius basis, or am I wrong?

**MR. HOLLAND:** We would try, Mr. Chairman, to tailor that program to the exact situation in each region of the province. You know there are great differences. One centre, for instance, would be very self-sufficient. having its own doctor, hospital, vet, high school, and so on. It would drop away down in priority before the much smaller exchange which has to use intra-toll services for almost everything. So that is the fact. We try and tailor this to the situation in each exchange.

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**MR. LYON:** So you are saying in effect that your first priority quite properly is to increase the quality of the service to multi-party line subscribers. You have reduced that target date from 1983 back down to 1980 or 1981, is that right?

**MR. HOLLAND:** Yes.

**MR. LYON:** And at the same time, you are planning or you are increasing the rural free-toll areas that we were talking about, or are you just planning to increase them?

**MR. HOLLAND:** In the meantime we will. Some of the most incongruous or anomalous situations will be corrected in the meantime, but generally speaking that program would be planned to move in after we have completed the rural improvement program. In the meantime of course, our rate schedule does differentiate by size of exchange. Winnipeg subscribers do pay a premium rate.

**MR. LYON:** A premium rate?

**MR. HOLLAND:** Yes.

**MR. LYON:** And always have.

**MR. HOLLAND:** Yes.

**MR. LYON:** Yes. Could you tell us a bit about what upgrading plans you have, if any, for rural recreation areas in Manitoba where there always seems to be a dearth of either pay phones or accessible phones for people who flock there in large numbers during the summer months in particular?

**MR. HOLLAND:** The resort areas?

**MR. LYON:** The resort areas.

**MR. HOLLAND:** Our plan is to try to ensure that we have reliable toll services at all significantly utilized centres of that sort, such that for emergencies and so on they can get in touch with the outer communities. And then generally speaking and following that, would be offering some local exchange service. The Falcon Lake area for instance is well serviced at this point in time and this year we will be improving service on the west side of Lake Winnipeg, improving the Grand Beach - Victoria areas this year and next, so that we are gradually improving the resort area service.

**MR. LYON:** Is that an area in which you or the system receive many complaints, as many complaints, say, as the elected members do?

**MR. HOLLAND:** Yes. It is a very expensive service to provide. The Whiteshell, for instance, is . . .

**MR. LYON:** Seasonal.

**MR. HOLLAND:** . . . difficult terrain. It is a great many miles of sparsely settled areas used for four months or three months of the year. But I think we realize that we have a responsibility to at least provide reliable toll service to the centres.

**MR. LYON:** Well, I would take it that your priority in considering that kind of a seasonal hook-up and so on would be to provide first of all as many pay phones as possible to service people, and then from that point on, as and when requested, to provide individual or party line service.

**MR. HOLLAND:** That's right.

**MR. LYON:** In those installations, would that kind of service be individual line service or would that be party line service that you would install or offer to the summer residents?

**MR. HOLLAND:** No, no. After the pay phones have been installed, after you have got a bank of them or whatever is needed, and then you are getting requests beyond that, say of doctors or business people or whatever, who want to have phone connection for their patients or whatever the case may be, would they be getting individual line service or multi-party or what?

**MR. HOLLAND:** I am sure it would be almost always multi-party service because our plant would be limited going in, so I am sure it would be always multi-party service. Almost always.

**MR. LYON:** Would that be because this is not new equipment, say as in the north where individual service is offered, or what?

**MR. HOLLAND:** Well, it wouldn't be entirely new service. It would be extensions of plants that are partially there. Mr. Backhouse, did you want to comment on that further?

**MR. CHAIRMAN:** Mr. Backhouse.

**MR. BACKHOUSE:** Mr. Chairman, it really depends on whether the system moves in under a resort area program to install an exchange. If one takes the Winnipeg Beach area for example, where there has been a need for telephone service for many many years, the service that is provided there is no different than it would be in Carman. If the cottager is within the density criteria within which we normally provide individual line service, he gets individual line service. If he is beyond that, the service he would get would be the conventional rural type service, a case in point being the Grand Beach exchange. We provide an individual line service to certain seasonal applicants who apply in Grand Beach but that same exchange serves the Victoria Beach area, but because it is fourteen miles away the only service that is provided is multi-party, plus pay stations generally.

**MR. LYON:** Mr. Chairman, through you to Mr. Backhouse, what are the density criteria that would be followed by the system?

**MR. BACKHOUSE:** The density criteria that we are working to in the province now for individual line service is a density criteria of 20 subscribers per route mile of cable.

**MR. LYON:** Twenty per route mile?

**MR. BACKHOUSE:** Twenty per route mile of cable.

**MR. LYON:** And that applies throughout Manitoba?

**MR. BACKHOUSE:** Yes, just let me confirm that. Is that figure correct?

**MR. CHAIRMAN:** We are not picking up, sorry. We are not getting the answers. —(Interjection)—  
You are getting the answers, but the fact is, it is going to be rather disjointed on the Hansard.

**MR. BACKHOUSE:** Do you want me to repeat that, Mr. Chairman?

**MR. CHAIRMAN:** Yes, if you would.

**MR. BACKHOUSE:** The criteria for provision of one-party service ultimately will be ten subscribers per route mile of cable, but as we move into this program we are doing the areas of greatest density first and we are probably more active now in the area of, say 20 subscribers per route mile of cable. But ultimately, will go down to ten for individual line service.

**MR. LYON:** And that again, I take it, is after the pay phones have gone in. That would be a program that would not be available presumably until you have met the general public requirement of banks of pay phones or pay phones located at convenient spots within the resort areas and so on.

**MR. BACKHOUSE:** That is correct. Our first objective for resort area service at the present time is to locate a pay phone so that no cottager has to travel more than half a mile to gain access to the pay phone. Now that is an objective; we are not there yet and there are obviously many locations in the province where we haven't achieved that objective.

**MR. LYON:** What about reliability of service on pay phones? One finds, depending upon which area one happens to be in, that the pay phone very often has a sign on it, "Sorry, out of order." Is this in large measure due to vandalism or is it just breakdowns in this system or what causes the unreliability that we often hear of?

**MR. BACKHOUSE:** Well, the reliability factor of pay phones, where there is a variation, it has more to do with the quality of the line that is serving the pay station than it does with the pay station instrument itself. The quality of pay station instruments is the same whether they are in Winnipeg or whether they are in remote areas of the province. But a pay phone in a provincial area can be connected to the exchange over open wire instead of the more reliable cable-type facility that can be provided in areas of greater density. And our experience is that the more remote kind of a pay phone is more susceptible to troubles for that reason than is one in a larger built-up area.

Now pay phones of course can give trouble for other reasons than that. Vandalism is a factor. Yes.

**MR. LYON:** What is the experience of the system with respect to pay phones as a revenue item? Are they a big item in your overall revenues or how do they stand in that in relation to the general private subscriber?

**MR. BACKHOUSE:** We regard pay phones as a significant source of revenues to the system, both based on the local revenues and in the province from toll revenues placed from pay phones.

**MR. LYON:** So you have got a double reason, Mr. Chairman, for installing them, number one, of course service, number two, it is a positive revenue item in almost all locations, I take it.

**MR. BACKHOUSE:** With the exception of certain minimal use resort locations, I would say that virtually all of our pay phones are, generally speaking, profitable.

**MR. CHAIRMAN:** Thank you, Mr. Backhouse.

**MR. LYON:** Now reverting for a moment to the question, Mr. Chairman, that was being pursued by Mr. Graham, one hears the comment of course that there is no such thing as total fidelity or total security in telephone reception in Manitoba or in Ontario or in British Columbia or wherever today, but let us see a a a n i t a. Is t a an accurate statement, that ere is no such thing as total security, that is, privacy, in telephone reception in Manitoba today?

**MR. HOLLAND:** I think one would have to say yes, that is true.

**MR. LYON:** And is this because of extrasystem devices that can be used by people outside of the system, or does it refer to all in any way to intra-system fidelity that you might be concerned about?

**MR. HOLLAND:** (Inaudible) . . . fidelity is ambiguous in that respect. Well, the electronic accidents or gremlins that Mr. Anderson described are there and they are unavoidable to the extent of 100 percent and then of course there are devices available for monitoring lines that are quite sophisticated.

**MR. LYON:** And in the case of complaints to the system, you have trained personnel who are able to readily detect — maybe readily is the operative word — are they able readily to detect illegal devices on lines or on homes or within homes or within offices and so on? How does one go about this, without revealing any of your trade secrets that we wouldn't want revealed?

**MR. HOLLAND:** I think perhaps Mr. Beatty should answer that exchange.

**MR. CHAIRMAN:** Mr. Beatty, would you come forward please?

**MR. BEATTY:** Mr. Chairman to Mr. Lyon, the devices, of course available in today's technology are very highly sophisticated, and I would not want to imply that the system has been successful in locating all such devices. I would say that the system has a record of locating numerous devices when we have looked for them, or upon investigation. But the world of technology is going beyond even the mere tapping of telephone lines, it is really in the laser sense of picking up conversations in a

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room without needing to access telephone lines, so that just the use of glass in any room, it seems, is an obvious way to pick up conversations within a room. So I would suggest that vis-a-vis telephone lines, we would say that we have some sophistication with which to track sophisticated devices but the devices are becoming even more so all the time and becoming more and more difficult to locate.

**MR. LYON:** These pick-up devices, Mr. Chairman, about which Mr. Beatty speaks, these are freely and legally available on the market in Manitoba and elsewhere in Canada?

**MR. BEATTY:** I wouldn't say that they are freely and legally available, Mr. Chairman. I would say that the devices of such a sophisticated nature are available, not necessarily in Canada, but they are available and not necessarily on the open market.

**MR. LYON:** What has been done, if anything, in the legislative field, either through the device say of the Criminal Code with respect to protection of privacy of the individual and/or any contemplated legislative amendments that you may be considering at the present time to take steps that would aid you in ensuring the privacy of telephone conversations for your subscribers that being, I would assume, one of your fundamental responsibilities as well.

**MR. BEATTY:** There were, as you are aware, amendments to the Criminal Code of about four years ago that made the possession of such devices illegal and accordingly, there is no real legal market for the devices, but the mere fact of having something on the books that makes it illegal does not end the matter but we're not contemplating or recommending additional steps. There are sufficient laws on the books, if I could put it that way, that should prevent or should cause prosecution of such offences under the Criminal Code of Canada.

**MR. LYON:** Could I ask, Mr. Chairman, if this topic is one that receives fairly regular attention from the meetings of the different systems across Canada, the Trans-Canada — I don't know if you meet under that heading of Trans-Canada, what used to be the old Trans-Canada Telephone, I don't know what you call that organization now or is it just the Commissioners of Telephones of Canada or whatever it is?

**MR. HOLLAND:** There are meetings, matters of privacy and security receive very high priority. Both under the auspices of Trans-Canada Telephone System and the Canadian Telecommunications Carriers Association have committees of their legal experts who meet and review practices and policies and make recommendations. So it's kept under very current scrutiny at all times.

**MR. LYON:** I don't know if it's you or which of your senior people, through you, Mr. Chairman, to Mr. Holland, would like to enlighten us a bit more on the cablevision situation all, in Manitoba. I would like to know, first of if the agreement between Ottawa and Manitoba — was that agreement ratified by provincial order-in-council?

**MR. TOUPIN:** Both provincial and federal.

**MR. LYON:** Both provincial and federal. It's readily available then through the office of the Executive Council.

Now the Minister, Mr. Chairman, when he was speaking amended his terminology to say that — I think the change in the word was from planning, was it, to programming?

**MR. TOUPIN:** Right.

**MR. LYON:** I was wondering, Mr. Chairman, if I could ask the Minister or Mr. Holland or any of Mr. Holland's staff who are here, what present intentions, overt or latent or whatever the Province of Manitoba has with respect to engaging in the cablevision business in Manitoba?

**MR. TOUPIN:** Mr. Chairman, first of all, the province itself has no intentions of offering services directly pertaining to the program broadcasting of service, let's put it that way, that the province is aware and conscious of the agreement signed between the Province of Manitoba and Ottawa pertaining to offering our hardware services to any private or corporate or co-operative individual in the province that is intending to offer such services. We see it as compelling on individuals to apply to the Manitoba Telephone System being the common carrier. But in regard to having that agreement with any individuals or group of individuals in the province, it would be contingent on them receiving license from the Federal Government or its agency before so doing. Possibly Mr. Holland or Mr. Mackenzie would like to add to that comment but that's pursuant to the policy acceptance by the eds and ourselves.

**MR. CHAIRMAN:** Mr. Holland, do you have any further comments on this?

**MR. HOLLAND:** Not unless Mr. Lyon had a further question on it. Did that answer him?

**MR. LYON:** Well, this whole question of course of hardware, and correct me if I'm wrong because as a layman dealing in a field that is highly technical, but as I understand it the private cablevision companies in Manitoba merely use the poles of Manitoba Telephone System; they attach their own so-called hardware lines or whatever it may be. In other words, there is no technological input by MTS into providing cablevision into a home in Winnipeg. Is that a correct assumption?

**MR. TOUPIN:** Not quite.

**MR. HOLLAND:** Well, there are two licensees in Winnipeg. One east of the Red River and one west of the Red River. In both cases they signed an agreement with MTS in 1967; under the terms of the

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agreement MTS owns the coaxial cable, the cable portion, has other rights with regard to the amplifiers and house drops both of which are essential as the hardware, the amplifiers to boost signals and the house drops to carry it into the individual sets. MTS does not, obviously, provide any signal input; that is done by the licensee on his wholly owned equipment. That roughly is the situation under the agreements which expire in 1979.

**MR. LYON:** And the purchase of the cable, Mr. Chairman, there is no capital involvement as I understand it from Manitoba Telephone System in the provision of cablevision services to a pay subscriber. That is, you have a telephone pole in existence and a right-of-way that supports that telephone pole and then you lease to the company, whichever company it may be, the right to use your pole on which he puts his own cable and then makes a house connection. Am I right or wrong? I'm asking a question, I don't know . . .

**MR. HOLLAND:** Under the present agreement, MTS owns the coaxial cable and installs the coaxial cable.

**MR. LYON:** But who pays for it?

**MR. HOLLAND:** We pay for it initially and recover it from the licensed operators.

**MR. LYON:** That's the basis of your 33 cent charge is it, Mr. Chairman?

**MR. HOLLAND:** Under the present agreement, MTS is entitled to reimbursement for construction costs plus a further factor which works out to roughly 33 cents per household.

**MR. LYON:** That's the point I was getting to. Although you do the capital installation, if it may be termed that — you string the cable — you actually do a separate accounting of what that charge is, you then bill the company in question for that charge so that there quite properly is no burden on the telephone subscribers in Manitoba and in addition to that, you make a charge to the company for the use of your right-of-way and then the company in turn bills the subscriber into which I take it, he includes the cost of installation that he's paid to you and his own maintenance costs plus margin profit, bad debts and the usual business accounting things and so on.

**MR. HOLLAND:** Yes, I think that's correct.

**MR. CHAIRMAN:** The hour of 12:30 having arrived, do you wish to continue? There's two more people who wish to ask questions or shall we adjourn to reconvene at another date?

**MR. LYON:** I think we'd better reconvene at a . . .

**MR. CHAIRMAN:** Committee Rise.