

**LEGISLATIVE ASSEMBLY OF MANITOBA**  
**THE STANDING COMMITTEE ON PUBLIC UTILITIES**  
**AND NATURAL RESOURCES**  
**Wednesday, 26 November, 1986**

**TIME — 7:00 p.m.**

**LOCATION — Winnipeg, Manitoba**

**CHAIRMAN — Mr. S. Ashton (Thompson)**

**ATTENDANCE — QUORUM - 6**

*Members of the Committee present:*

Hon. Messrs. Cowan, Doer, Penner, Hon. Mrs. Smith

Messrs. Ashton, Dolin, Enns, Filmon, Manness, Orchard, and Scott

**APPEARING:** Geoffrey McKenzie, Coopers and Lybrand

Hugh Tidby, Coopers and Lybrand

D'Arcy Elliott, Coopers and Lybrand

Charles Curtis, Acting Chief Executive Officer, MTX

Jean Edmonds, Chairperson, MTS Board

**MATTERS UNDER DISCUSSION:**

Annual Report of Manitoba Telephone System

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**MR. CHAIRMAN:** The meeting of the Public Utilities and Natural Resources Committee will come to order.

First item of business is the resignation from the committee that has been sent to Binx Remnant, Clerk of the Legislative Assembly, from Wilson Parasiuk.

Mr. Doer.

**HON. G. DOER:** I move, seconded by the Member for Fort Rouge, that the Member for Churchill be a member of the committee.

**MR. CHAIRMAN:** So moved. Agreed? (Agreed)

Mr. Cowan is on the committee.

The next item of business is a statement. I believe we have Mr. Mackling.

**HON. A. MACKLING:** Thank you, Mr. Chairperson.

**MR. D. ORCHARD:** Does the Minister have a copy of that for members of the committee?

**HON. A. MACKLING:** There will be copies available.

**MR. D. ORCHARD:** Are they available now, Mr. Chairman?

**HON. A. MACKLING:** They will be available to the committee.

Thank you, Mr. Chairperson. Since the committee last met, the government has received the Coopers and Lybrand Management Audit of MTX ordered on August 19, 1986. All members of this committee and, indeed, the public have had some time to review this independent audit. I am sure that you will agree it is a complex, detailed and reasoned document.

I would like to acknowledge the efforts of the people at Coopers and Lybrand and thank them for agreeing to attend these committee hearings to answer questions dealing with their report.

For the benefit of committee members I would like to introduce Mr. Geoffrey McKenzie, Senior Managing Partner for Coopers and Lybrand in Canada, who headed up the audit team.

Following the government's evaluation of the report, a number of initiatives were announced. There is no question strong measures were taken. I and my colleagues in government believe that this quick and decisive course of action was essential to ensuring that the Manitoba Telephone System remains a strong Crown corporation that all Manitobans can be proud of.

We have announced the appointment, on an interim basis, of a strong new team of senior officers at the Manitoba Telephone System. They are: Mr. Edward Robertson, Acting President and General Manager for the Manitoba Telephone System. Mr. Robertson was the Deputy Minister of Manitoba Industry Trade and Technology and has previously served as a senior policy advisor to the Ontario Government, and as a senior executive in a number of private sector corporations.

Mr. Dennis Wardrop, Acting Executive Vice-President, Manitoba Telephone System. Mr. Wardrop has over 30 years experience at the Manitoba Telephone System, most recently as Vice-President, Corporate Marketing and Development.

Mr. William Fraser, Acting Vice-President of Finance. For the last five years Mr. Fraser has served as Assistant Deputy Minister of Finance and as Comptroller for the Province of Manitoba.

And Miss Heather Nault, Acting Vice-President, Corporate Marketing and Development. Miss Nault is a 22-year employee of the Manitoba Telephone System and most recently employed as the Manager of Financial Information Services.

In addition we have already initiated the search for a new permanent President and General Manager. We have begun the orderly wind-down of MTX, putting an end to the losses incurred by that corporation while at the same time attempting to recover as much as possible of the estimated exposure.

Some time ago, the Premier announced the government's plan to introduce human rights legislation and Crown corporation guidelines to ensure that Manitoba corporations, both private and public, do not, as a result of foreign laws or customs, run the risk of discriminating against Manitobans. Earlier today the

Premier announced major and radical steps to identify and ensure future efficiency in Manitoba's Crown corporations.

The system outlined by the Premier will create the most comprehensive system for policy direction, monitoring and dialogue with Crown corporations in place anywhere in Canada. As the Premier stated earlier today, this government believes in the value and utility of Crown corporations as an instrument of government policy and as servants of the public interest. Central to this approach is increased government supervision of Crown corporations, increased dialogue with Crown corporation boards, workers and executive management, improved planning within the corporations, and strengthened reporting and assessment systems both within the corporations and to the government. Auditing and monitoring procedures will be dramatically tougher. Boards will be strengthened. In short, the changes announced and to be explored will ensure that the very serious problems of accountability and reporting that have been very much at the root of problems with MTX will be eliminated in the future.

In addition to these actions, Mr. Ed Robertson, at my request, has already undertaken a number of initiatives. If I may read into the record a letter I have sent to Mr. Robertson dated November 24, 1986: "Now that you have had an opportunity to acquaint yourself with a new executive at MTS, I wish to re-emphasize that we look upon this interim period as an opportunity for a new beginning to the Telephone System. One part of the new beginning is the need to improve the reporting procedures between the government and the Telephone System. I am requesting that you work with Manitoba Crown Investments to develop and implement new reporting systems to ensure that I and the government are informed on a timely basis of all initiatives undertaken by MTS.

"Another aspect of the new beginning must consist of an examination of what went wrong in the past. I truly believe that we have succeeded in dealing with a major problem at the system; however, we must not assume that other problems do not exist. As part of your mandate, I am requesting that you consult widely both within and outside of the corporation. I want you to undertake a thorough review of any problems that are brought to your attention. If corrective action is necessary, I want it to be undertaken as soon as possible.

"As a starting point, I am requesting that you undertake a review of all accounting and financial systems as they presently exist at MTS. This is necessitated by the critical comments of the Coopers and Lybrand report in relation to MTX. I wish to assure Manitobans that similar problems do not exist at MTS. In addition, I recommend you review the July 11, 1986 letter from the Minister of Crown Investments and the attached notes from the Premier's presentation to Ministers, board chairpersons and chief executive officers of Crown corporations. You will want to ensure that all concerns with respect to Crown corporation policies and practices raised by the Premier have been fully addressed.

"Finally, I want you to examine all technology projects at MTS, such as North American Telemetry, Fast Action Safety Team, Grassroots, Cellular Mobile Radio System

and other projects which may be identified during your consultations to ensure that they are financially and technically sound investments.

"I close by emphasizing again that this interim period allows us a fresh start at the system and an opportunity to assure the board, the government and all Manitobans that no other MTX's exist at the Telephone System and that the MTX problem is behind us."

Mr. Robertson has already contacted individuals who have indicated concern about Manitoba Telephone System operations, among them the Opposition critic for MTS. Mr. Robertson has requested that they bring to his attention as quickly as possible their concerns and any information they have that will help in his task of ensuring that all problems within the Telephone System are identified and remedied as quickly as possible.

A similar request has been made of all of the employees of the Manitoba Telephone System.

Finally, I wish to inform the committee that I have written to Mr. Gordon Holland, Mr. Glover Anderson, Mr. Maurice Provencher, Mr. Don Plunkett and Mr. Mike Aysan indicating that neither I nor any of my colleagues in government would attempt to interfere with their appearing before this committee. In my letter, I indicated the choice would be theirs and that I was neither encouraging nor discouraging their appearance.

In conclusion, I believe the decisive and necessary action taken by the government will serve the people of this province well. The deliberations of this committee have also served the province well. I expect nothing less from this evening's deliberations as we close the book on MTX and begin working on a strong and successful future for the Manitoba Telephone System, its shareholders and customers, the people of Manitoba.

**MR. CHAIRMAN:** Mr. Orchard.

**MR. D. ORCHARD:** Mr. Chairman, as agreed with your Government House Leader, I will respond briefly to the Minister's opening remarks and my leader will kick off the questioning of the committee hearing.

Mr. Chairman, I find it rather ironic that this Minister, who has been Minister responsible now for almost a two-year period, the Manitoba Telephone System would call his recent action a quick and decisive course of action essential to ensuring the Manitoba Telephone System remains strong. This is the Minister that for the last two hearings has been warned of significant problems in the Manitoba Telephone System and chose to ignore those warnings until such time as a sworn affidavit was presented by a former employee of the Manitoba Telephone System at this committee. This government would still have taken no action at the behest of members of the Opposition and others unless that affidavit had been tabled in this committee. His "swift and decisive action," those words ring hollow to the people of Manitoba who have watched this government preside over a Telephone System that has rung up a \$25 million loss over their four-year term of incompetent ministerial responsibility for the Telephone System, the last two of which this Minister has been responsible for.

On that matter, Mr. Chairman, we will not accept on behalf of the people of Manitoba a partial resignation

of this Minister. A partial resignation does not fit the role of parliamentary responsibility of Cabinet Ministers; this was the Minister responsible for the Telephone System, and he was not. If he was not guilty of anything, why would the Premier accept his resignation? And having accepted it, indicating that this Minister was not responsible in carrying out his duties, the Premier's duty was to demand his further resignation from Cabinet, but he failed to do that and the members of the Opposition are doing that on behalf of the people of Manitoba.

We don't need this kind of ministerial incompetence in this Minister's other portfolios for which he intends to attain and achieve and keep all of the perks, salaries and benefits, only giving up the \$25 million minimum mess that he's left for the people of Manitoba.

That, Sir, is unacceptable.

This Minister has pleaded ignorance. He has said if only someone had told me of the problems in the Manitoba Telephone System, I would have done something about it. How can this Minister plead ignorance when in December of 1981 the government that he is part of, the Pawley administration, replaced a private sector chairman of the board with a former retired Cabinet Minister and Cabinet colleague of this Minister and his Cabinet colleagues?

How can this Minister plead ignorance when they have had successive backbenchers from the government caucus sit on the board of the Manitoba Telephone System? The former Chairman of the Manitoba Telephone System was also the Chairman of the Board of MTX. Mr. Miller had both responsibilities. Are we to assume that those individuals as elected members and former Cabinet Ministers simply assumed their chairs on the board of MTX to warm the seats and to cash a little extra spending money, or were they there for a role, a political role, as the government appointed them to do?

Mr. Chairman, this Minister pleads ignorance when he's had a member of his telecommunications group staff sitting at Manitoba Telephone System Board meetings. What is that senior official from this Minister's Office doing there, if not to report activities of the board to the Minister? - while he sits here and pleads ignorance, "if only someone had told me."

Mr. Chairman, at some of these board meetings starting out as soon as 1982, we have by board minutes, acknowledgement of questions asked about the problems of MTX and Saudi Arabia starting in 1982, continuing in 1983, continuing in 1984, continuing in 1985, while this Minister, his appointed Chairman of the Board, his colleague from caucus, his advisor from his office, sat at those meetings and we are asked to believe this Minister was ignorant of the facts. Do we assume that they passed no information onto this Minister in collecting their salaries? Is that what the people of Manitoba are asked to believe from this Minister? At this committee, I and others have, over a period of four years, asked probing and serious questions of previous Ministers and this Minister for two successive committee hearings. And this Minister says "if only someone had told me."

Mr. Chairman, I want to table a letter, a copy of which went to this Minister seven days after he was appointed on the 7th of February 1985. Mr. Chairman, that letter asks 13 pointed questions on the operation of MTX in

Saudi Arabia and this Minister says "if only someone had told me." Mr. Chairman, the competence of this Minister is so discredited now that he should do the honourable thing and resign completely from Cabinet. Mr. Chairman, he has been warned consistently by board members, hopefully board members responsible, such as the Member for Inkster, and the Speaker of this House, Myrna Phillips, and former Cabinet Minister Saul Miller; and if not by them, surely by his bureaucrats at the board; and if not by them, surely by taking seriously questions by members of the Opposition at this committee and letters written to him.

Mr. Chairman, that is only the Minister's culpability. We intend to demonstrate in the next three days of this committee hearing that the culpability of this government is far greater; that indeed this government has been fully informed at the Cabinet level of the problems in MTS and MTX over the last several years.

Mr. Chairman, we will provide to committee and ask questions as to how the ERIC Committee of Cabinet, a Cabinet of the most powerful and senior Ministers in this government, four of whom I shall name for the record because their names fly in the face of this Minister's plea of ignorance: Mr. Cowan, Mr. Kostyra, Mr. Schroeder and Mr. Parasiuk. These are the same Ministers, no doubt, that will be on the new committee that the Premier has announced for purely damage control and nothing else. But those four Ministers were present at ERIC Committee meetings wherein they approved another \$8.5 million of monies to go from MTS to MTX. And where was some of the money going? Into Cezar Industries in the United States, a venture which is seriously questioned by Coopers and Lybrand. In addition, Mr. Chairman, \$2 million goes to the Saudi Arabian operation of MTX after the government was warned about problems in Saudi Arabia.

Are we to assume that this powerful group of Ministers on the ERIC Committee asked no questions, merely rubber-stamped an \$8.5 million request for money and didn't take the time to ask Mr. Holland and other officials there and Mr. Mackling, the Minister responsible, how is this Saudi Arabian business doing, why does it need \$2 million, is it making money, does it have a future? Are we to assume that those heavyweights in the Cabinet asked none of those questions?

Mr. Chairman, the MTS Board in the last several years has had representation by Industry, Trade and Technology at the board to partake in discussions wherein problems with Saudi Arabia were discussed. Mr. Chairman, the Crown Investments portfolio, created by the Pawley administration to monitor Crown corporations - now, doesn't that sound familiar, ladies and gentlemen? - I believe the Premier just announced this powerful committee of Cabinet today.

Well, what did he do with the Crown Investments portfolio with the Minister responsible for not one, not two, but 18 Crown corporations, one of them MTS? All of them had membership on the Board of Directors, including MTS, except for 1985 when the Crown Investments member representative on the Board of MTS withdrew for unexplained reasons in 1985. Mr. Chairman, this Minister is pleading ignorance when we have MLA's, former Cabinet Ministers, senior bureaucrats from his department - the ERIC Committee of Cabinet - IT and T representatives and Crown Investments representatives at board meetings wherein

problems in MTX are being discussed and he pleads ignorance on behalf of his government. Mr. Chairman, that's incredible.

Now, Mr. Chairman, the only thing one can conclude on this is that this Minister indeed lived up to the cynical tenets of that 1983 September Cabinet document after the French language debate and fiasco in this province wherein it was said by Cabinet that all the Ministers shall endeavour to avoid any issue which is controversial. Certainly, the MTX issue has been controversial for this government. I maintain, and we will demonstrate to the people of Manitoba over the next three meetings, that this government indeed had knowledge, that this government had warnings, that this government knew what was going on, and they chose to sacrifice their political future as exposed in that cynical Cabinet document, September 1983. They chose to expose the people of Manitoba to a \$25 million loss to avoid controversy which might have cost them four more years grasping at power.

Mr. Chairman, that is what we are dealing with today and that is why, as a minimum, we believe this Minister has to resign from Cabinet. We cannot accept any suggestion by this Minister that he did not know. This Minister cannot plead ignorance and competence. If he is ignorant, he is incompetent; and if he is incompetent, he shouldn't be in Cabinet, Mr. Chairman.

**HON. A. MACKLING:** Mr. Chairperson, I feel obliged to say something in response to that outburst of - well, I won't call it an outburst - that statement of righteous indignation.

**MR. D. ORCHARD:** Do you want me to pull out Hansard from . . . saying the same thing?

**MR. CHAIRMAN:** Order please, order please.  
Mr. Mackling.

**HON. A. MACKLING:** I can appreciate the concerns that the honourable member has. I have recognized the validity of those concerns in respect to issues that were raised in respect to MTX. I think I've been fairly outspoken in respect to that. But the fact is that decisive steps were taken by this Minister, steps that were taken to right what appears to be a very serious course of mismanagement that has persisted during the course of - the senior management - through the course of three administrations, not just this current administration. Sometime, I think in the future, maybe some investigative reporting might look at the degree of competence of previous Ministers in previous administrations in respect to operations of Crown corporations.

I won't say that I should spend time reflecting on that but I say, Mr. Chairman, that this Minister ensured that the errors that were being committed were stopped, that senior management who gave the kind of information and assuring advice not only to this Minister but to the Honourable Member for Pembina when he was Minister, those assurances in respect to the operations of the corporation, the assurances that were given to this committee of the ongoing benefits of those investments, those assurances were given by those same senior administrators who advised the honourable

member when he was Minister responsible for Telephones.

But this Minister has acted. This administration has acted. Those people are no longer with us. We are going to put those problems behind us. We are going to ensure that the Telephone System in Manitoba continues to be the best telephone system in North America.

**MR. CHAIRMAN:** Mr. Filmon.

**MR. G. FILMON:** Mr. Chairman, as much as I'm tempted to enter into the fray and discuss the Minister's negligence and irresponsibility, I think that there are a number of issues that we ought to get to right from the beginning of the meeting.

I'll seek the counsel and the assistance not only of the Chairman but perhaps of the Clerk, who is in attendance - I have heard in discussion the Minister and even, indeed, other members of the government speculating as to whether or not we would have the opportunity to be able to question various other officials at this committee, senior officers who are no longer with the corporation, perhaps former board members.

I believe that it is in the interests of the broadest possible scope of inquiry of this particular committee, because I think that the Chairman will recall that over the course of the summer months, in discussion, the Opposition were denied the request, the urgent request that they put forward for a full and complete public inquiry with opportunities to examine under oath, and instead our only opportunity to ensure public accountability in this process now rests with three meetings of this committee.

That has been further eroded in that all of the various people, who Mr. McKenzie and the staff of Coopers and Lybrand were able to question, interview, and gain all of the information that led to this report, this very lengthy and complete report, all of those people are no longer available to the committee.

I believe that's a serious weakness. I note that the Minister in his opening statement said another aspect of the new beginning must consist of an examination of what went wrong in the past. I suggest that without the presence of many of the people to whom I'm referring, we will not get that full and complete understanding of what went wrong in the past, why it went wrong, and perhaps what the government's responsibility was in having it go wrong. Many of those aspects will not be clear and will not be evident to this committee or, indeed, to the public at large if we don't have an opportunity to have before the committee a number of people.

Now, I've looked around the room and I suggest that some of the ones we would like to see are not here. My question to the Chairman, and perhaps with counsel from the Clerk, is how will we go about compelling those people to appear before committee so that we may have the broadest possible inquiry into this report and, indeed, into all of the discussion and decisions that led to this report.

**MR. CHAIRMAN:** Mr. Mackling, on a point of order.

**HON. A. MACKLING:** No, not on a point of order. I want to respond to the Leader of the Opposition. I have

had responses to the letter I sent out, responses from one or more of the individuals through legal counsel, and it is clear that at least one or more have retained legal counsel and I would assume are acting under advice of legal counsel.

I do want to respond very briefly to the Leader of the Opposition in his continuing concern about the advantage of a judicial inquiry. I would like to point out to him that if we had followed the route of a judicial inquiry, we would have been many many months in hearing people and not acting.

I want to compliment Coopers and Lybrand for the efficiency and the speed with which they addressed that problem and put us in a position of being able to take decisive action and not spending many many months, as exhibited elsewhere, in trying to rattle skeletons where we knew there were problems already.

I look at comparable inquiries. I look, for example, Mr. Chairperson, at the Estey Commission where a Federal Government, acting presumably on the advice of bureaucrats or officials, pumped hundreds of millions of dollars into a failing system, banking system, and the results of the Estey Commission indicate that they received terrible advice, that there was bad supervision, all the rest of it. But we haven't seen either one of the federal Ministers accepting any blame or acknowledging any fault in respect to the supervision of those departments and Mr. Justice Estey pointing out that the costs of that judicial inquiry were excessive. They are in excess of \$4 million and nothing has changed anywhere in respect to those problems.

I suggest to you that we followed the decisive course of action. We not only within minutes had the RCMP involved in an investigation . . .

**A MEMBER:** How's it going?

**HON. A. MACKLING:** . . . and it's going well, but we appointed Coopers and Lybrand. They have done a first-rate job and we have been able to take the decisive actions that were necessary.

**MR. G. FILMON:** Mr. Chairman, in response to the Minister, and I know that he wants to get me off onto this kind of debate and we want to get at the point of the appearance of people before this committee, whose testimony is vital to this committee.

I say to him that in the case of the Estey Commission, they had not been forewarned by the Opposition for over three years that things were going awry, that they had made wrong decisions, that there was corruption and that there were all of those things on the record at committee. Indeed, Mr. Chairman, the Minister says that they have taken the appropriate action and they've been able to act. Yes, they found five scapegoats to take the pressure off the Minister and they've chopped the heads of those five top people so that the Minister takes no responsibility and can say that he had his head in the sand the whole time. That's his answer to quick action.

I might say further, Mr. Chairman, that he might well have announced that there'd be no further investment and no further risk-taking while the public inquiry went on and prevented any further erosion of the public interest and the cost in that. He might well have done

that in the course of waiting for the results of the public inquiry, but at least in the public inquiry he would have had an examination of political responsibility, and of course he wants nothing of that.

Mr. Chairman, I wonder if we can have some indication as to what this committee can do to compel witnesses before this committee so that we may have the opportunity to investigate the people who we would like to investigate who include former senior members of the Crown corporation and also former board members and others involved in the process.

**MR. CHAIRMAN:** The situation with regard to the calling of witnesses is as follows: The resolution which we adopt at the beginning of every Session establishing committees allows committees to invite people to attend before the committee; however, the committee does not have the power to subpoena or compel those witnesses to attend.

**MR. G. FILMON:** Mr. Chairman, can you tell me what is necessary to be done to compel those people to appear before the committee?

**MR. CHAIRMAN:** The section covering what is described as a warrant for attendance of witnesses is Section 37(1) of The Legislative Assembly Act and I can read it for you.

"Where the Legislative Assembly requires the attendance of any person before the Assembly or before any committee thereof, the Speaker may issue a warrant or subpoena to the person named in the order of the Assembly requiring the attendance of the person before the Assembly or a committee thereof and the production of such papers and things as are ordered."

That would be the proper . . .

**MR. G. FILMON:** Mr. Chairman, if you are saying that the Legislature can compel and have the Speaker issue a warrant for appearance before this committee, then it's convenient that we have the Government House Leader at this committee, and it's also convenient that we happen to be adjourned, which would allow us, on very short notice, to be able to reconvene the Legislature to consider such a motion, and I would think that the government members would want to have that motion considered and indeed dealt with quickly and expeditiously. I'm sure that our House Leader would be able to give his assurance that no other business would be considered and that the only reason we would come together would be to have such a motion passed so that we may compel certain witnesses to come before the next two sittings of this committee.

Would the Government House Leader be agreeable to that?

**MR. CHAIRMAN:** Mr. Cowan.

**HON. J. COWAN:** I guess, perhaps, first, Mr. Chairperson, we'd have to ask the Leader of the Opposition or the critic exactly who it was they would be requesting to attend the committee hearings.

**MR. G. FILMON:** Mr. Chairman, I understand that the Provincial Auditor has been taken care of and that he

will be available to this committee. Is that one that we can eliminate?

**HON. J. COWAN:** It would be even more inappropriate for me than it is for the Leader of the Opposition to suggest that the Provincial Auditor has been "taken care of." The Provincial Auditor has been requested to attend this evening's meeting as a result of a request from a member of the Conservative caucus who phoned me this afternoon. On short notice, we did contact the Provincial Auditor and I understand that he is in attendance or will be in attendance here this evening. That does not imply in any way that he is "taken care of."

**MR. G. FILMON:** Mr. Chairman, I thank the Government House Leader for the correction in terminology. I certainly would not suggest that anyone was "taking care" of the Provincial Auditor, but it had been taken care of, the arrangements that he be here, is what I was referring to.

The people who we would like to have called before the committee, and I might say, Mr. Chairman, that their testimony might well lead to further requests, but the ones that we would like to have appear before committee include former members of the board, Mr. Saul Miller, Mr. Scramstad, Ms. Myrna Phillips; representatives from staff who sat on board meetings, Mr. Feaver and Mr. Silver; former senior staff members, Mr. Provencher and Mr. Holland.

**HON. J. COWAN:** Mr. Chairperson, I have to indicate that a number of those people that have been mentioned, at least one, can attend as a member of this committee if they so desire. There are others that we have indicated can attend if they so desire that have been mentioned on that list, and there are others that may be available as they are still in the employment of MTS. We have made, I think - I know we have made the suggestion that those individuals, such as Mr. Provencher and others who have recently terminated their employment or retired, can attend the meetings if they so wish.

I guess my question to the Leader of the Opposition: is he suggesting that they should be forced or compelled to attend these meetings?

**MR. G. FILMON:** Mr. Chairman, I might indicate, and I quote from the opening statement of the Minister responsible, that he in his letter indicated the choice would be theirs and I was neither encouraging nor discouraging their appearance. Surely, it would be in the interests of helping the committee and the public to understand all of the background to this report to encourage them to attend, and I am somewhat surprised that the Minister hasn't done so.

My suggestion, Mr. Chairman, since the matter has not been one in which the government has encouraged the attendance of some of these people, I am suggesting that we are looking for a way to compel these people to attend, and that is my opening request to the Chairman and through the Chairman to the Government House Leader because I'm told by the Chairman that it requires a motion of the Legislature, a resolution of the Legislature to allow that to happen.

**HON. J. COWAN:** So what I understand being requested is that those individuals be subpoenaed. I want to be certain in my own mind that that is the request of the Leader of the Opposition. Is that the case?

**MR. G. FILMON:** I believe that the terminology used by the Chairman was that a warrant be issued to summon them before the committee.

**HON. J. COWAN:** I think the exact wording is "issue a warrant or subpoena" meaning the same thing when they suggest a warrant.

Is the Leader of the Opposition suggesting that these individuals be subpoenaed to appear before this committee? Is that what he is asking be done?

**MR. G. FILMON:** Yes, Mr. Chairman.

**HON. J. COWAN:** Then I'd like to speak to that particular issue because I think that what is being asked here is quite unusual and does deserve some comment and some discussion before a decision is taken.

We have given some thought to this because there has been some indication by members of the Opposition that they would be requesting a subpoena. They are difficult issues and there are hard questions that need be addressed when one begins to consider that sort of action on the part of this committee or indeed the House itself.

I believe it's important, Mr. Chairperson, to put the request for the power to subpoena before the committee into the proper context. I think we should address that particular issue from a number of distinct and different perspectives. I think we can accomplish that by addressing three specific questions.

Firstly, what is the traditional response to similar requests, or how have those same sorts of requests, under the same circumstances, been dealt with in the past by this Legislature or committees of this Legislature?

Secondly, what would the purpose of those subpoenas accomplish and perhaps, even more importantly, is a sub-question to that, would we be able to accomplish the same objectives through more normal procedures or enhancements of existing procedures or practices?

The third question is what potential impact would that drastic change - and I underscore the word "drastic" because it is indeed a drastic change that is being requested by the Leader of the Opposition - have on the ability of this committee, other standing committees, and the Legislature itself and us, as members of the Legislature, to carry out our many duties and perform our responsibilities on an ongoing basis? Those are all important considerations, regardless of the reason for the request, the decisions we take on these issues will indeed have a longstanding and profound impact on how we operate as a Legislature.

It's funny, there's been a number of suggestions by others - and I admit it's by others - so I don't want to be accused of impugning motives here, that the Opposition is bringing forward these particular requests because they put the government in a no-win position, because this would be an embarrassment to the

government. If we say no, there will undoubtedly be - as a matter of fact I heard some members of the Opposition already suggest - that there is a cover-up.

Right now, they say, well, sure. I'd like them to remember those comments as we carry through a bit. They will most likely continue those charges, that our refusal to accede to their requests for subpoenas is in fact an attempt to hide information or to protect Ministers. I can hear them, who are you trying to protect? What are you trying to hide, cover-up? We'll hear all those things over the course of the next little while, but we as a government - just as they had to in similar circumstances - must look beyond any possible posturing and those anticipated charges because there's much more at stake here than one day's headline and some possible -(Interjection)-embarrassment.

**MR. CHAIRMAN:** Order please.  
Mr. Cowan.

**HON. J. COWAN:** In spite of that, we must do what we believe to be right and we must carefully consider the long-term impact of whatever we decide to do here today.

Not surprisingly, these are not new issues and we are not the first nor the only government that has had to respond to such requests. Even less surprising is that, in most instances - as a matter of fact, to my knowledge - all instances, at least in Manitoba, the answers have always been the same, regardless of what administration was in place or what government happened to have power at that particular time.

There are some members in the room today, some sitting at this table, that will remember it was not all that long ago that this very same standing committee - not the same members, but the Standing Committee on Public Utilities and Natural Resources, had to deal with a motion to subpoena witnesses to testify before it. It's somewhat ironic that at that particular time - members in this room will remember it - it was reviewing the report of a Crown corporation. I guess what's most interesting is that on that specific occasion it was a Conservative Government that refused to allow the committee to issue subpoenas to compel attendance of individuals before this committee.

**MR. H. ENNS:** Who was asking for the subpoenas?

**HON. J. COWAN:** Well, the Member for Lakeside, because he was there at the time, asks who was asking for the subpoenas. I want to address that point in a moment, so if he would be patient I will attempt to answer his question.

I think, more importantly, is first to determine what the Conservatives said at that time - perhaps he recalls. They said no; they said categorically no. They voted to a person, against a formal motion, to have this very same committee order the presence of a number of individuals before the committee by way of subpoena. What did they say at that time?

Mr. Craik, who was the Minister responsible for Hydro, which was under consideration at the time, first said that the committee doesn't have the power to call witnesses. He said, "This committee, in my recollection,

has never had the power to call witnesses." He repeated that on a number of occasions. That was on April 3 in 1981.

On April 9 in 1981, he went a bit beyond, and he said when there was a motion before the floor to subpoena witnesses that had been put forward by an NDP member of the committee, and I quote Mr. Craik, "Mr. Chairman, it's for the purposes of terms of reference of this committee, or at least the functioning of this committee and the powers it's always had over the years, and the decades in fact, it's impossible to accept this motion."

He continued, "But I don't want to suggest, in not accepting it, that the opinions of those people should in any way not be regarded as being a lack of desire by the public in general to hear from them."

The Conservative members of the day voted, to a person, against the motion to subpoena witnesses, and they won that vote; and the four NDP MLA's on the committee of that day voted, to a person, for the motion. So to answer the Member for Lakeside's question - yes, it was the NDP that put forward the motion at that particular time, and when the vote was counted, six to four, the response was predictable. The government won the vote, and I have to tell you that the Opposition of the Day charged cover-up. As a matter of fact, that was their exact word, "cover-up."

The Opposition also charged - I think I've already heard it from the bench here if not from the table - that the government had misled the committee and then refused to subpoena those individuals who the Opposition thought would be able to clear the air. Now, does that argument sound familiar already just today?

I can't say for sure, and perhaps the Member for Lakeside can enlighten me on this, but I would tend to believe that it was an embarrassing day for the Conservative Government when they had to do that, when they had to use their majority on the Standing Committee on Public Utilities and Natural Resources to vote down that motion. But they suffered through that embarrassment because as they said at the time, and I think this is important, in reference to another similar situation in another standing committee, they did not want to turn these committees into courts, and they were as right in their approach then as we are in our approach today.

We do not want to turn these committees into de facto courts because it would act to the detriment of our work as committee members over the longer term; and as a government we must go beyond the potential embarrassment of the day or the posturing, if there is posturing, and concern ourselves with the longer term, just as that Conservative Government had to do back in 1981.

It's interesting, that finally, after all those years intervening, we've come to the same conclusion. Perhaps it's us who have grown wiser over time - I don't know - but those moments of agreement are so rare, even if separated by six years, that I believe we should cherish them rather than fight about them, but I don't think that's going to be the case this evening.

So, in respect to subpoenaing the witnesses, we believe that it will act to the detriment, the longer-term detriment, of what we want to do as a government, and what I believe Opposition wants to do as legislators.

The second question, and it's important to note that our approach today is no different than the approach

of other governments, there have been some changes in approaches - and the Member for Lakeside will recall this as well. I believe, as a government, and it's as much evolutionary as it is enlightenment on our part, but as a government we have attempted - and I believe succeeded - to provide greater access to both individuals and to information than any other government at any time.

Tonight, every member of this committee, the general public, the media, have access to the full Coopers and Lybrand report, all 500-600 pages of it. They can read it; it's in the library right across the hall. Copies were delivered to the members of the Opposition some time ago and to the Member for River Heights. But even beyond that full access, the Opposition critic and others have requested and received many source documents, including audits and correspondence and MTS minutes and MTX Board minutes. You know, there's been an agreement with them for some time that the government would provide to them, upon request, source materials referenced in the Coopers and Lybrand report except where Cabinet, caucus or corporate confidentiality would be compromised. They asked for those materials; they were provided those materials.

I can remember that in 1981 the minutes of MTS were asked for at that standing committee and they weren't forthcoming from the Conservative Government of the Day at that time. Eventually they were gotten, and they were gotten through release, but not at that particular committee. There was quite a fight as to whether or not even the minutes of MTS would be available to members of the Opposition at the time.

The Opposition also, in respect to individuals, specifically asked for an assurance from us that we would not prohibit any of the recently terminated or retired senior officials of MTS or MTX from attending this series of three committee meetings. Let's be very clear about what the normal practice is because there is a change here. The normal practice would be that they couldn't attend. As a matter of fact, the subpoena in '81 was asking for former board members of Manitoba Hydro to attend. That was a subpoena that was turned down by the Conservatives of the Day and they never did attend. That would not be normal practice.

But when the Conservatives today asked us for the assurance that the prohibition would not apply to those individuals in spite of the traditions, we gave them that assurance, but we said we would not force individuals to come before this committee. That is wrong. What we would do is neither encourage nor discourage them and we have done neither, and more importantly, we would not use the rules as we were able to, if we wished to, to prohibit them. We gave the Opposition our assurances there and we are standing by those assurances. We have notified those employees. We have told them that they can attend these meetings if they so desire.

Members opposite, as I indicated just today earlier, asked that the Provincial Auditor be here. On short notice, we requested him to attend and he is in fact attending. A full complement of staff at MTS are here tonight, many of whom have a working knowledge of the items and the issues that are going to be under discussion through the series of these meetings.

I believe we have gone a long way to provide that necessary access to both individuals and information.

I know we have gone much further than any other government in history and that is not to say that members opposite would not want us to go further. In their shoes, I would. Understandably, when we were in opposition, we liked to have the opportunity to question every individual and to read every Cabinet and caucus paper and every background paper if it were to be made available to us, but I am certain that they understand that that can't be, just as we gained similar understandings when we were in opposition and they were in government, because they said to us that just can't be and it wasn't.

So that addresses the second question - can we achieve that access to information and individuals required to provide us with a full understanding without a subpoena? I believe we made every effort to do so.

Coopers and Lybrand are here to talk about what they've found, senior staff are here, the Provincial Auditor is here and there is an invitation to others to attend if they so desire. I believe our actions to date, which are unprecedented, have met that objective.

At the same time, I understand and I accept the fact that these actions, even although they go far beyond what members opposite were prepared to do when they were in government, and let there be no doubt about that, the final question and perhaps the most important, and I'll close on this, is what would be the long-term impact on the workings of this committee, on our work as MLA's, on the work of representatives here, from the organizations as staff, if we turn our back tonight on the precedent they helped set and accede to the demands of the Opposition?

Well, I for one believe the previous government was right when it said that such actions as they are requesting tonight would soon turn these standing committees into courts because that's what they said at the time in 1981, and I believe if that were to happen it would significantly impact on our ability as members of the Legislative Assembly to carry out reviews of Crown corporations in an orderly fashion.

Let's just follow the logic for a while. If we subpoena a witness before us - put yourself in the place of that witness - would it not be reasonable from the perspective of that person that they bring a lawyer with them? Because look at what can happen once we subpoena them here. This committee has been invested with immense powers by the Legislature and also its direct relationship to the Legislature gives it even more power. We can force individuals to come here in the first place. We can do that through the Legislature. We can then force them to take an oath; we can do that. We can then require them to answer all questions. They cannot refuse to answer a question. And if they give false evidence or prevaricate - and I'm using the language of the legislation - or otherwise misbehave when answering questions, or if they refuse to give evidence or produce required papers, we can, by our role as MLA's, by moving to the Chamber just down the hall, subject them to imprisonment for such time as would be determined by the Legislative Assembly. By the way, that decision of the Assembly is both final and conclusive.

Put yourself in the shoes of a reluctant witness subpoenaed before a committee with that power. You would want to have your lawyer present for sure and speaking on your behalf - of course you would. And

then we would want to have our lawyers present to address the points of their lawyers, and taken to the extremes, those of us who weren't lawyers to begin with - I remember the Member for Lakeside making some comment from his seat the other day that in fact he wasn't a lawyer and he was able to get good information, along with his colleagues, from committee meetings of this sort and that we shouldn't turn them over to the lawyers. What would happen is we would become observers. I can tell you that not only did the previous Conservative government feel exactly this type of scenario would develop when they voted down the motion to subpoena witnesses before a standing committee, but others suggest it will happen as well and we should pay heed to what others have to say.

The 1980 report on the Standing Procedural Affairs Committee, a report on Witnesses before a Committee, states "The operation of parliamentary committees is only vaguely understood by most people and appearing before a committee can be an intimidating experience." Certainly it can. "In such circumstances, the conduct of a committee's hearings should always be fair to a witness and to persons about whom witnesses may comment. They should strike a balance between what is necessary to achieve adequate protection for witnesses and what is necessary to enable parliamentary committees to function effectively."

Following on that, the Law Reform Commission in Ontario later recommended - because they saw all this happening as well - that the right to retain counsel for witnesses should be expressly provided for in the legislation. The Ontario Legislature rejected that recommendation because they said it would create difficulties by turning these committees into court. So Mr. Craik when he was in government said it; the Ontario government says it; any person who reviews the logic would have to say it; and we say it that what in the end it seems will happen, as a result of the actions being requested, is that we will lead ourselves into a situation that no one wants to avoid. So I'm certain it was embarrassing to the Government of the Day on April 9th when they had to vote down the subpoena and it may in fact be somewhat embarrassing today and there will be charges of cover-up as there were charges of cover-up at that time.

But I think they did what was right then and it was a difficult decision, a hard decision but the right decision, and I think it's important today that we as a committee do what is right as well; and that is to turn back this request to subpoena people before this committee because it does not get at that which the members opposite suggest it will, but in the longer term make certain that we will not be able to accomplish work as a committee and MLA's as we would like to.

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

**MR. H. ENNS:** Mr. Chairman, very briefly, if we dust off the rabbit tracks and wind that we just got from the Government House Leader, the truth of the matter is things do change and our systems change, that's very true, and I have never seen a situation where a government has cynically removed virtually the entire level of management of the very Crown corporation that is under consideration by this committee a few

days before this committee is to sit. That brings upon the request, the legitimate request, that is made by my leader.

Furthermore, the names that we are talking about are not chosen at random as was the case you are citing where different peoples of different - not necessarily germane - but certainly with an interest to the situation of Hydro development and Hydro reports were involved. It was the Hydro issue that we were talking about. At that time, the senior management of Hydro was present to answer for their actions to this committee, to the committee of the day. The chairman of Hydro was present then but our management isn't ready here. You have acted in a cynical way by removing the senior management of the Crown corporation that is under discussion before this committee can make the kind of inquiries. Had you chosen not to do that, this request probably would not be facing the committee.

Just allow me to say one more thing, Mr. House Leader, while you are saying there are those, of course, that see a constantly evolving role for committees of this kind, that would see broader congressional-type hearings taken on by committees so that our public would be more informed, that we would empower our committees on a more regular basis, I'm not necessarily advocating; I'm simply saying that committee meetings of this nature could change.

I simply want to say that the big thing that has changed, the unprecedented thing that has changed our position from the position that you quote and have read into the record is the action on the part of this Minister, on the part of this government, in removing the very people that are germane to making this inquiry meaningful.

**MR. G. FILMON:** Mr. Chairman, I wonder if the Government House Leader - and I assume that long dissertation indicated that he was opposed to subpoenaing the committee. I lost track, but . . .

**HON. J. COWAN:** I hope I convinced you.

**MR. G. FILMON:** No, it didn't convince me one bit, Mr. Chairman, and I'll proceed to tell the Government House Leader why in a moment, but I want to just ask him what was the issue for which people were going to be subpoenaed before committee.

**HON. J. COWAN:** The issue at that particular time was to have those people appear before the committee so that they could clear up what was suggested to be misleading of the committee by the Minister of the day.

**MR. G. FILMON:** Was it to do with the destruction of an annual report with different comments being placed in?

**HON. J. COWAN:** Only peripherally and partly so.

**MR. G. FILMON:** Yes, okay, I think I recall the debate and I think it's an interesting comparison that had to do with having destroyed one annual report, some thousands of dollars worth of printing, to change a particular comment in the report versus having put at

risk and indeed likely lost \$25 million of taxpayers' funds in what has been termed by the Minister a high-risk foreign venture that had to do with a number of instances that I won't go through chapter and verse in which the committee, the public, the media had been lied to or misled, serious consequences that have resulted in the removal of five senior managers in the Crown corporation and those managers not being available to this committee, having been available and indeed most of their commentary, most of their evidence and testimony forms the large part of the conclusions drawn in the Coopers and Lybrand report, not available to this committee.

It seems to me that these are highly extraordinary circumstances that have never been ever countenanced by this Legislature, this committee, or indeed this province, and he is attempting to make some comparison into the import and weight of having people appear before committee and whether or not that would be setting a precedent if indeed, Mr. Chairman, we're going to be setting a precedent. I can't think of any more major issue upon which to set a precedent in this Legislature.

**HON. J. COWAN:** I would expect that the Leader of the Opposition and his colleagues would make such an argument. He does in fact distort the case somewhat. It was not just the report of Hydro for that year that was under consideration, but it was the fact that the NDP Opposition of the Day thought that the Minister was stonewalling the committee, thought that there was a cover-up, thought that there were specific denials that were not in fact true, thought that there had been some actions taken in regard to dismissal of people that were in fact misrepresented, and believed at the time that it had every reason to ask the committee to subpoena witnesses.

I don't think it would have mattered whether that was the case or it was another issue that would be more profound in the minds of the Leader of the Opposition today or not. What was at discussion and at stake was the very way in which committees operate and certainly at any given time, at any juncture in history, people can bring forward arguments that the issue at hand is the most important issue of any issue that has ever been discussed or reviewed by a particular committee. The members opposite have done it on other issues. We, when in opposition, did it on issues. But I think what you have to go back to, and I believe this is the important key, is how does that precedent - and it is a precedent - how does that precedent affect the working of these committees over a period of time.

If the Member for Lakeside suggests that we should review how these committees work and perhaps change them to a different form of committee, then let us take that under advisement as a Legislature because these committees are servants of the Legislature. Let us take that under advisement, let us take it through the Rules Committee, let us consider it not from the perspective of one particular request at one particular time but the impact that it will have on the system under which we operate, and if we come to that decision - Ontario didn't under similar circumstances - but if we come to that decision, then so be it. We have made it not in the heat of the moment around a particular issue that

will pass. We have made it around the matter of principle and what should we be doing as legislators.

I'm saying to you that to accede to the demand for a subpoena to force people to come here who do not wish to be at this committee under these circumstances would be wrong for those individuals but, more importantly, would be wrong for the long-term effectiveness of us as MLA's, and we on this side are not prepared to throw that away just because the members today happen to think that this is the most important issue in the world. It is important, no doubt it is important, but there are more important considerations that have to be taken into account when making a decision of that magnitude.

**MR. G. FILMON:** Mr. Chairman, as members of this Legislature, we will remember and remind the Minister when he talks about open government, when he talks about freedom of information; we will remind him of his views and his desires and concerns with respect to having the truth and the information that is relative to this issue known publicly - in the only forum that is left to the public - to have questions asked on their behalf with respect to this MTX issue.

If he thinks that whether or not a particular statement made by a Minister is misleading, we have those every day in the Legislature virtually and we have those procedural wrangles and they are not - I would submit - of the same import and weight as these six volumes and this more half-million dollar study that has been entered into by Coopers and Lybrand.

**HON. J. COWAN:** I think the member who just spoke - the Leader of the Opposition - would do well to acquaint himself with exactly what happened at those committee meetings in April of 1981, because he does not know the facts, has obviously not taken the time to learn of them.

But when he talks about open government, I remember when he was in government trying to get reports from him that were subsequently made public by the Government of the Day, when it was elected after his term in office and it was impossible. His words ring a bit hollow. In 1981, we were talking about trying to get some internal documents from Hydro - what were those internal documents? Some reports and some minutes.

Mr. Craik, who was then the Minister responsible and who was a member of the party that had the voting majority in the committee, said that the only precedent we have is that internal documents are not available from the utility unless the board wants to willingly make them available. The chairperson, who was a member of the government caucus at the time, went on to say: "But I've never been aware of them having to produce internal working papers for the committee or for the Legislature." The chairperson again went on to say: "It would be up to the Hydro board to release" - we're talking about the minutes - "... if they so wish to." That would be my ruling. They ruled in fact that we couldn't get the minutes. They ruled that we couldn't get the internal documents.

What have we done? Let's go over it. The full report of Coopers and Lybrand is available. We had promised to make one copy available to the Opposition upon a

certain period of time passing since the receipt of the report and at least five days previous to this committee meeting. They asked for four. We gave them four to save them, as they asked, the need to copy it. I think that was a legitimate request and one which was acceded to.

They asked that all source materials be available to them. We said, "You request a source document and if it is not confidential because of Cabinet, caucus or corporate considerations, it's yours. We'll try to get it to you as fast as we can." I hope we've been able to fulfill that. I believe we have. We have gotten it to them in a matter of hours. Some have taken longer to produce, but no ones have taken longer than a day to produce.

They asked for the Provincial Auditor to be here; the Provincial Auditor will be here. They asked that we not prohibit, that we actually change the practices a bit of this committee a bit to allow members who are no longer staff members of MTS to attend if they so desire and that was a request at the time, it wasn't for a subpoena. It was if they want to attend - and that was the agreement - if they want to attend, they in fact can attend this meeting. We would neither encourage nor discourage them, but we will certainly not prohibit them, as was the case in the past when they were government.

So I don't for one moment accept that we haven't treated this issue in the most open and forthright manner possible and that we have not gone beyond all bounds that were previously set in providing open and full information to those people who requested it, where the circumstances allow for that to happen. But we will not force people to come to this committee against their will because that will in fact destroy over the longer term, the ability of this committee to function in the way in which it has grown to function, and will destroy, more importantly, the Leader of the Opposition, the Member for Pembina, the other members of this committee and our own ability to function well as MLAs in reviewing these reports.

The Member for Pembina says - and I think he overstates the case but that's his privilege - that in fact he has been bringing these issues to this committee's attention for four years now or to the Minister's attention, more directly. The fact is this committee has allowed for those matters to be brought forward, for those matters to be discussed, for solutions to problems to be addressed, and I believe operates in the best interests of not only members of the Legislature but the best interests of the Crown corporations who have to serve all Manitobans and we're not going to let that be cast asunder, because of a temporary need on their part to subpoena people and force them to attend these meetings, when they wish not to.

**MR. CHAIRMAN:** Mr. Dolin.

**MR. M. DOLIN:** As a member of this committee, I have some concerns. One of the concerns is the request of the Leader of the Opposition seems to be that we would be putting ourselves in a position of short-term gain for long-term pain. I think the comments from the Member for Lakeside saying perhaps we should be and act as some mini-courts, equivalent perhaps, he suggests, to congressional committees.

Mr. Chairman, I have seen the House on American Activities Committee in action. I've seen the McCarthy Committee in action. I've seen the Kefauver Committee in action in the United States. I don't think we want to turn this committee into those kind of courts. We don't want the same effect; we don't want the same long-term pain for this province.

I also hear - and I think this is worthy of longer term consideration of the roles of this committee - the Leader of the Opposition now is suggesting this committee should become a mini-court; whereas in 1981 his colleagues, who were then government, were suggesting that is an absurd contention for a committee in a parliamentary democracy and it's . . .

**MR. G. FILMON:** A point of order, Mr. Chairman. I did not, at any time, suggest that this . . .

**MR. CHAIRMAN:** Mr. Filmon on a point of order.

**MR. G. FILMON:** . . . should be a mini-court. In fact, I suggested very specifically the very unusual and extraordinary circumstances in which the top five officials have been removed and unavailable for commentary after they've been part and parcel of the process that led to the report. That is not suggesting that this become a mini-court.

**MR. CHAIRMAN:** That may be an explanation; it's not a point of order.

Mr. Dolin.

**MR. M. DOLIN:** I might have picked up also, Mr. Filmon read a list of names of people whom he wishes to appear before the committee under subpoena or warrant. I have always been of the impression that a warrant should specify a charge and a reason for being here. I also note he points out the five officials - he only named two that I heard - and he named some other people who I really don't know who they are and why he wants them here.

Now the fact is if this committee is going to take upon itself powers to subpoena anybody that any member of this committee wishes to appear before it and to face the consequences - which are extremely serious which was pointed out by the House Leader - I think this is something this committee should not embark on just for the short-term gain of today's headlines, but is something that - as the House Leader suggests, the Rules Committee should look at - is whether we, as parliamentarians in this Legislature, wish to embark upon this route. I, personally, am very, very frightened of embarking upon that route for the long-term pain that it would cause for us as legislators; and us as members of the committee.

**MR. G. FILMON:** Mr. Chairman, I move, seconded by the Member for Pembina:

THAT this committee recommend to the Legislative Assembly;

THAT it authorize the Speaker of the Assembly to issue her warrant for the attendance before the Standing Committee on Public Utilities and Natural Resources, considering the report of the Manitoba Telephone System of the following persons: Myrna Phillips, Al

Scramstad, Saul Miller, Maurice Provencher, Gordon Holland, C. Feaver and Robert Silver.

**MR. CHAIRMAN:** Any discussion on the resolution? No discussion on the resolution?

Mr. Dolin, on the resolution.

**MR. M. DOLIN:** I would like to know from the Leader of the Opposition who these people are; why he is calling them and what contributions he expects them to make.

**MR. G. FILMON:** Mr. Chairman, I am happy to reiterate what I said earlier and, if the Member for Kildonan had been listening, he would have heard what I said earlier. I said former members of the board Myrna Phillips, Alan Scramstad and Saul Miller, I said former senior executives Maurice Provencher and Gordon Holland and two staff members who sat in on MTS meetings according to the the board, C. Feaver and Robert Silver.

**MR. CHAIRMAN:** Order please.

If there is anybody wishing to speak, I will recognize them. There being no further speakers I'll put the question. All those in favour of the motion, please indicate. This is a voice vote incidentally. All those opposed, please say nay. In my opinion the nays have it.

Mr. Orchard.

**MR. D. ORCHARD:** . . . do a hand vote in committee, Mr. Chairman.

**MR. G. FILMON:** We'd just like to be sure that the Chairman can count.

**MR. D. ORCHARD:** Mr. Chairman, we would like a count.

**MR. CHAIRMAN:** You can be assured that the Chair can count.

**A MEMBER:** All right, call the question.

**MR. CHAIRMAN:** Mr. Orchard has requested a counted vote. All those in favour of the motion, please raise their hands.(4) All those opposed to the motion, please raise their hands.(5) The motion is defeated.

**MR. H. ENNS:** So much for freedom of information.

**MR. G. FILMON:** Mr. Chairman, I regret very sincerely that the government has chosen to follow this course of action, to not have these people appear before committee. I would ask and along the way the Government House Leader suggested that he felt that some of these people might of their own volition want to participate in this process and with some encouragement might voluntarily come and offer their appearance before committee to be able to answer questions and to be able to participate in the process. I would like then to move a motion that Myrna Phillips, Al Scramstad, Saul Miller, Maurice Provencher, Gordon Holland, C. Feaver and Robert Silver be invited to appear at the committee at its next hearings on Friday and Monday next to be able to be available for

questioning on various issues to do with the Coopers and Lybrand Report.

**MR. D. ORCHARD:** . . . very reasonable.

**HON. J. COWAN:** I would think that if we do decide to offer that invitation that we also know that some of those individuals may not be available for reasons that are quite legitimate. I believe one right now might be in the hospital, another is overseas. I'm not certain, we could check with the others to determine, but I don't think that if we decide to proceed with that motion that because individuals cannot attend it should be thought that they did not wish to attend.

**MR. H. ENNS:** Mr. Chairman, just so that we all understand the motion before us put by the Leader of the Opposition, this committee is being asked to invite people to appear before this committee. Now if for some reason and as the House Leader has suggested some members cannot do so for physical reasons, we have to accept that, but surely am I hearing members of the Opposition refusing to even suggest that we invite these people to come and be here at this committee? Well, then let's get on with the question.

**HON. J. COWAN:** Just so I don't have to worry about the Member for Lakeside's hearing, we did not say that. I'm saying if in fact this committee - and it would be wrong for me to presuppose what decision this committee might make, so the words were carefully chosen. If this committee decides to offer that invitation, it should not be a reflection on individuals just because they do not attend if in fact there are compelling reasons that prevent them from attending. This committee and the schedule was really developed around our schedules to make certain that members of this committee could attend. It was not scheduled to take into consideration those names which were just mentioned. So I believe that the committee will support that invitation. I certainly am prepared to support that invitation, but I don't want that invitation to be misconstrued, not by purpose, but inadvertently and out of ignorance.

**MR. H. ENNS:** Can we read the motion again?

**MR. CHAIRMAN:** The motion is being written at the present time. It might be difficult to read.

Are there any further members wishing to speak on this?

Mr. Scott.

**MR. D. SCOTT:** I would like to know if within the intent of the motion whether or not when the Clerk drafts the letter that the people who we are requesting to attend should be advised that they may wish to seek counsel to bring with them when they attend, just for guarding and protecting individual rights and to make sure that when they do come forward that they are protected so that we do not end up in a kangaroo court, that we just prevented ourselves from becoming a couple of minutes ago.

**MR. CHAIRMAN:** There being no further discussion, I will read the motion for the benefit of the members of the committee. The motion is:

MOVED that the following persons be invited to appear before the Standing Committee on Public Utilities and Natural Resources at its next two hearings for the purposes of answering questions on the Coopers and Lybrand Report: Myrna Phillips, Al Scramstad, Saul Miller, Maurice Provencher, Gordon Holland, C. Feaver and Robert Silver.

I will move the question. All those in favour of the motion, please say aye. All those opposed say nay. The ayes have it. The motion is carried.

Mr. Filmon.

**MR. G. FILMON:** Mr. Chairman, I wonder if I may proceed and ask some questions of Mr. McKenzie with respect to the detailed information in the report.

**MR. CHAIRMAN:** Mr. Mackling.

**HON. A. MACKLING:** Mr. Chairperson, apropos of the earlier discussion about the workings of legislative committees, it has been traditional and appropriate for the Ministers to be directed to the Minister and then the Minister may decide that it's appropriate for Mr. McKenzie, Ms. Edmonds or any number of other persons to be responding to the questions. It is more appropriate that way, it's traditional that way and I don't want to frustrate the work of the Opposition Leader or any other Opposition member, but I would appreciate it being that way so that the decision made as to who will answer is left with the Minister. If there is a series of questions, of course, we'll probably carry on with that person. But it's appropriate to direct the questions to the Minister first - not that I want to frustrate anyone.

**MR. G. FILMON:** Mr. Chairman, I wonder if we could begin by asking the question, in Appendix I of Volume 5, there is given a list of people who were interviewed by Coopers and Lybrand in arriving at their report.

In that list, which is about a page-and-a-third, I see a number of names and I see a number of names that do not appear, including many of whom we have asked to appear before this committee. I wonder if it can be clarified as to whether or not these are the only people who were interviewed because, among others, I see no representatives of Arthur Andersen, who were the external auditors who did a number of analyses and investigations. I see a number of former board members who, from the minutes of Telephone System board meetings, appear to have shown an interest in MTX and been involved and so on. I wonder if it can be confirmed whether these are the only people who were interviewed as part of the management audit.

**HON. A. MACKLING:** It would be appropriate for Mr. McKenzie to respond to that.

**MR. G. MCKENZIE:** Mr. Chairman, the appendix then, Volume 5, refers to the specific individuals who were interviewed as part of the particular project, which dealt with the assessment of management and financial controls.

As you are aware, other volumes deal with the assessment of the Cezar project, U.S. SPRINT Project, and the Saudi Arabian operations. Other individuals were interviewed as part of those projects. To the extent

that there were interviews conducted with respect to Cezar and SPRINT, those individuals are substantially identified in the text of the report per se, such as Mr. Robert Cezar.

In conjunction with the Saudi Arabian review, specifically Arthur Andersen was interviewed. In the context also of the Saudi Arabian project, individuals were interviewed with the assurance that their identity would not be disclosed, because of the nature of the investigation. But invitations were offered, as part of the Saudi Arabian review, to all existing and former members of MTS and MTX who had served in Saudi Arabia to come forward and to meet with us, and a number of individuals took advantage of that.

**MR. G. FILMON:** In the course of these interviews, was Sheik Al Bassam, for instance, interviewed, or his son Tariq?

**HON. A. MACKLING:** It would be appropriate again for Mr. McKenzie to answer that.

**MR. G. MCKENZIE:** Neither of those individuals were interviewed in conjunction with this investigation. Subsequent to the completion of this report, we have had the opportunity of meeting with the son of the Sheik Al Bassam, Mr. Tariq Bassam. Unfortunately, under Saudi Arabian law, access to the country is very difficult. You have to have entry permits and exit visas and to do so requires anywhere from six to eight weeks to get such a visa. Given the time limitations which we were working under, we were not able to do so. But we had sufficient access that we were able to gather the information we needed without having to resort to those interviews.

**MR. G. FILMON:** I must say I find that strange since one of the rationales that the Minister gave in the House for appointing Coopers and Lybrand was that they had a strong presence over in Saudi Arabia and that therefore this would all become very easy.

I might ask further whether or not all former board members of MTS were interviewed by the Coopers and Lybrand investigation.

**MR. G. MCKENZIE:** Let me first go back to the Saudi Arabian review. Our firm does have a presence in Saudi Arabia, a member firm of Coopers and Lybrand, and two partners of that firm did meet with Sheik Al Bassam and his son. My response was with respect to our own direct involvement from a Canadian perspective. So, to that extent, we did have direct discussions with the sheik and the results of that were communicated back to me and my staff in Canada.

In terms of the former board members, we endeavoured to interview all existing board members, as well as all past chairmen of the board. There were three members of the existing board whom we were not able to interview, purely for reasons of time constraint. In one case three appointments were made and had to be cancelled. So the intent was there; it was not accomplished within the time constraints of our work. We were successful in interviewing all former chairmen.

**MR. G. FILMON:** With reference to all former chairmen, Myrna Phillips was an acting chairman for a period of

time. I think it was a number of months, perhaps as much as six months. I wonder if she was one of the ones who was interviewed.

**MR. G. McKENZIE:** I'll ask my colleague, Mr. Tidby, to answer that question.

**MR. CHAIRMAN:** Mr. Tidby.

**MR. H. TIDBY:** Myrna Phillips was not interviewed as part of our audit, no.

**MR. G. FILMON:** Were there any former board members whose participation you sought who declined to be interviewed?

**MR. G. McKENZIE:** No one declined.

**MR. G. FILMON:** Are the results of the discussions with the Al Bassams contained within the recommendations that we have?

**MR. G. McKENZIE:** Yes.

**MR. G. FILMON:** Was the firm able to access the complete books of account of Al Bassam International's division known as Datacom, for which MTX was responsible for most of the operations?

**MR. G. McKENZIE:** No.

**MR. G. FILMON:** I wonder, then, if we can know how the firm was able to make any judgment on whether or not there was an existence of, or evidence of kickbacks, illegal payments, commissions, or any other activities that had been referred to in earlier meetings of this committee.

**MR. G. McKENZIE:** The scope of our work was the non-criminal allegations arising from the Ferguson affidavit. I believe those items would fall outside of our scope of terms of reference.

**MR. G. FILMON:** Mr. Chairman, I wonder, as well then, how the firm was able to assess the handling and the veracity of the accounts that were being shared, the losses that were being shared by MTX, if they did not have access to Datacom division's books.

**MR. G. McKENZIE:** We had access both to MTX books and the records of Saudi Arabia Datacom Limited. We also had access to the people and to other supporting documents, contracts, existing corporate records, etc., which allowed us to feel that we had an adequate understanding of the business and the activities that had transpired during the period of our review. I do not believe that our conclusions would be significantly affected by the lack of access to the Datacom division of Al Bassam International. It would not change our opinion with respect to the affairs of MTX and SADL.

**MR. G. FILMON:** How are you able to make any judgment as to the collectibility of the accounts owing to SADL from Datacom Division of Al Bassam

International if you don't have some picture as to the solvency of the company or its financial position?

**MR. G. McKENZIE:** The history of financial transactions, as described in our report, with reference to bank financing, the handling of drafts, etc., gives us sufficient cause for concern to believe that the collectibility is questionable.

**MR. G. FILMON:** Presumably, equipment was being provided to Datacom Division and Telecom Division by SADL and MTX and being sold. Where were the proceeds going?

**MR. G. McKENZIE:** The proceeds would be received either within the Datacom Division of Al Bassam International and/or SADL to the extent that there were collections made in Saudi Arabia.

**MR. G. FILMON:** Am I to conclude that equipment was being sold and not collected for; that there were many, shall we say, doubtful accounts, poor accounts, to which equipment was being sold; or was, in fact, the Datacom Division somehow eating up the proceeds?

**MR. G. McKENZIE:** There are two elements to recognize that have been transpiring in Saudi Arabia. One was the substantial losses that were being incurred which had to be financed to that extent, the proceeds of sales were utilized for that purpose; and, secondly, there has been a history of poor collection, and the sales, there would be substantial periods of time, particularly given the economic conditions of the country, at which collections would not occur.

**MR. G. FILMON:** Are we just talking about poor collections between Datacom Division of Al Bassam International and SADL or are we talking about poor collections on the part of Datacom Division from their customers?

**MR. G. McKENZIE:** The latter.

**MR. G. FILMON:** On what basis do we have this information if we don't have access to the sheik's books?

**MR. G. McKENZIE:** Interviews with staff.

**MR. G. FILMON:** Whose word were the staff taking?

**MR. G. McKENZIE:** MTX was responsible for both the management of SADL as well as Datacom Division of Al Bassam International. In the process of fulfilling those responsibilities, the staff would have the records or access to those records.

**MR. G. FILMON:** You didn't actually see the records, but the information was transmitted to you by staff who told you how the process worked and how much they were losing and so on.

**MR. G. McKENZIE:** That is correct.

**MR. G. FILMON:** So if there were commissions being paid on equipment never sold or illegal commissions

of any sort, kickbacks, whatever, that would never be found in the course of any of your investigations.

**MR. G. McKENZIE:** We did not endeavour to establish whether that was occurring or not.

**MR. G. FILMON:** There's a note in your Volume 4. "Although this is clearly within his rights . . ." - I think we're talking about the sheik not making available to Canadian auditors the information - "Although this is clearly within his rights, it lacks the good faith with which both partners have operated for the past four years. It also places MTX in the position of being unable to support the studies commissioned to fully investigate criminal allegations and to confirm the viability of the existing operations." Is that something that you believe is reasonable?

**MR. G. McKENZIE:** I seek clarification of what you mean by the term "reasonable."

**MR. G. FILMON:** To be put in that situation, for MTX to have been put in that situation.

**MR. G. McKENZIE:** It's not a personal opinion, no.

**MR. G. FILMON:** Throughout, this is referred to as an "interim audit." Is there an intention to do a broader audit and investigation that would flesh out much of the missing pieces?

**HON. A. MACKLING:** That question will be determined as indicated in the release of the report. Coopers and Lybrand will be associated and assisting MTX in the orderly and reasonable wind-down of MTX and assisting in that. So that question of further audit is not decided at this time.

**MR. G. FILMON:** Volume 1, Page 4, refers to: "Throughout the review, regular meetings were held with a steering committee comprising senior government and Civil Service representatives." Who was on the steering committee?

**HON. A. MACKLING:** I think Mr. McKenzie can answer that, give the names of the individuals.

**MR. G. McKENZIE:** The steering committee comprised Mr. George Ford, Mr. Charles Curtis and Mr. Grant Wilson.

**MR. G. FILMON:** Those are the only members?

**MR. G. McKENZIE:** That's right.

**MR. G. FILMON:** What was their role in the investigation?

**MR. G. McKENZIE:** We met at regular intervals to review the results of our work, to discuss the implications of our findings, and to gain the benefit of a broader perspective in order to adequately interpret our ultimate conclusions.

**MR. G. FILMON:** Did they influence the direction in which the study took on any particular matters, the

manner in which things were expressed in the ultimate study?

**MR. G. McKENZIE:** No. The terms of reference were described to us by the steering committee and we were free to interpret those terms of reference in terms of the methodology we followed. Suggestions were made from time to time by the steering committee in terms of people to be interviewed but they certainly did not in any way influence the ultimate conclusions we drew.

**MR. G. FILMON:** Mr. McKenzie can correct me if I am wrong, but in the terms of reference for the study, I see only one reference to government, that being point 5, that says that the terms of reference were to "review and assess the adequacy and accuracy of management and operations information provided to the Winnipeg headquarters, to the MTX Board, to the MTS Board and to the government."

Was there no attempt to assess the adequacy of the government or the Minister's efforts to obtain answers to questions, confirmation of success or failure of past investments or past business plans, past marketing projections and forecasts? Was there no attempt to assess the government's role and responsibility in, for instance, approving an Order-in-Council for open account financing with the Bank of Nova Scotia or additional investments along the way, the \$8.5 million; no attempt to assess the government's role and responsibility on many of these issues, whether or not the Minister responsible or the government, Cabinet Committee of ERIC, pursued questions with MTX senior management, questions that have been asked in committee for years by the Opposition critic and so on? Was there no attempt to assess that responsibility?

**MR. G. McKENZIE:** No.

**HON. A. MACKLING:** I was going to, before Mr. McKenzie answered, indicate that there are sections of the report . . .

**MR. G. FILMON:** Mr. McKenzie already answered no.

**HON. A. MACKLING:** There are sections of the report which do deal, maybe not as extensively as the honourable member would like, with some of those areas that he raised.

**MR. G. FILMON:** Are we to assume that those types of things were outside the scope of the management audit then?

**MR. G. McKENZIE:** The scope of our audit was as described in the terms of reference, and the particular item you refer to dealt with the question of the adequacy of information provided, and that was the limit in which we addressed the questions that you raise.

**MR. G. FILMON:** So, Mr. Chairman, there was no attempt to assess whether or not government acted responsibly in approving through the ERIC Committee of Cabinet, major investments, a business plan for Cezar Industries that called for an 18-month pay-back and so on and so on; there was no attempt to assess whether

or not government or Cabinet Ministers acted responsibly on any of these issues?

**MR. G. McKENZIE:** That's correct.

**MR. G. FILMON:** Mr. Chairman, the management audit calls forward some rather shocking revelations about the fact that I believe it stated, and I can quote it, that at no point along the way was anybody asking the question, what business are we in? Nobody was insisting that we had business plans before we made major management decisions, that we had market analyses that told us whether there was any hope of selling our services and our products over there, or in any of these ventures, that there was a shocking lack of that kind of management questioning and consideration in all of the decision-making. Did the management consultant seek to find out whether or not at the political level, the Minister, or any of the Cabinet members sitting on ERIC asked any of those questions?

**MR. G. McKENZIE:** No.

**MR. G. FILMON:** Did the Coopers and Lybrand study team have access to the minutes of the Economic Resources and Investment Committee of Cabinet or submissions that were made to the Economic Resources Investment Committee of Cabinet with respect to MTX?

**MR. G. McKENZIE:** I'd like to ask Mr. Tidby to respond to that question.

**MR. CHAIRMAN:** Mr. Tidby.

**MR. H. TIDBY:** We did have certain of that information. In particular, we had the submission that went to Cabinet relative to the \$6 million financing that took place in September of 1985.

**MR. G. FILMON:** Did you have access to any of the ERIC Committee minutes?

**MR. H. TIDBY:** We had access to certain of the minutes that related to that specific meeting.

**MR. G. FILMON:** Mr. Chairman, Cabinet had to pass an Order-in-Council authorizing the open account method of financing from the Bank of Nova Scotia for the export financing to Al Bassam International's divisions, Telecom and Datacom, essentially, and I'll quote from the report.

It says, "In the very first year in which the export financing arrangements were made, 40 percent of the initial drafts drawn for both Telecom and Datacom could not be met and had to be restructured over a two-year period. In the second year, to March 31, 1985, Telecom and Datacom were able to meet only about half of the notes that came due for payment. MTX met the obligations for the other half."

In total, over the four years to August 1986, MTX has met 48 percent of the Telecom notes and 75 percent of the Datacom notes which have matured. The rationale for doing so has been that the notes were guaranteed by MTS or the Government of Manitoba. Neither of the loans in question are to the joint venture company, SADL.

Do you find it unusual that nobody sought to ask any questions about this at either the government level or the Cabinet level when they were the ones who were guaranteeing these loans, that they made no attempt to find out why the line of credit and the guarantees were there and were needed for this kind of arrangement whereby we were financing the sheik's operations?

**MR. G. McKENZIE:** I am not familiar with the regulations or the procedures in government which would require the involvement of individual members of government, in addition to the officers of the corporation, so I really find it difficult to respond, express an opinion on that question.

**MR. G. FILMON:** I wonder if Mr. McKenzie can indicate whether it is the opinion of Coopers and Lybrand that the MTX venture began as a good idea.

**MR. G. McKENZIE:** Yes, I believe there was sincere judgment exercised by the parties involved at the time that the MTX venture was a good idea.

**MR. G. FILMON:** Where do you express that in your report?

**MR. G. McKENZIE:** Perhaps I could ask my colleague, Mr. Elliott, to assist me in that.

**MR. CHAIRMAN:** Mr. Elliott.

**MR. D. ELLIOTT:** Can I have a repeat of the question?

**MR. G. FILMON:** Where, in your report, do you express the view that MTX began as a good idea?

**MR. G. McKENZIE:** Could I hold on that question and do the research to respond accurately at a later date?

**MR. G. FILMON:** I'm sorry, I jump back and forth obviously. Why specifically was the ERIC Committee minutes and the ERIC submission on the Cezar and I guess the total package of the \$8.5 million, why was that specifically requested and other documents not?

**MR. G. McKENZIE:** Our terms of reference included the question of the adequacy of information that was provided to the various parties you referred to earlier in our terms of reference. In order for us to form an opinion, we wanted to see that specific submission and the supporting minutes of board meetings, etc. So what we did in effect was trace the development of the proposal for these investments through the various levels of decision-making up through and including the ERIC Committee in Cabinet.

**MR. G. FILMON:** Why would you have not then asked for the background material that led to the adoption by Cabinet of Order-in-Council 854 of '83; that Order-in-Council being the approval of the line of credit from the Bank of Nova Scotia?

**MR. G. McKENZIE:** As indicated earlier, first of all, we are not familiar with the extent of government

regulations involved in lending authorities. What we were concerned about was the effect of the lending transaction on the financing as it impacted on SADL and MTX. We weren't concerned with respect to the need for government approval or not as the case may be. We were concerned about the appropriateness of the financing per se.

**MR. D. ELLIOTT:** Can I clarify that?

**MR. CHAIRMAN:** Mr. Elliott.

**MR. D. ELLIOTT:** We did in fact have access to some documents and they may have been ERIC Committee meetings. I'd have to check my working papers with respect to the two Orders-in-Council referred to in Volume 4 of the report.

**MR. G. FILMON:** I don't have a copy. There were two lines of credit as I recall. One was from the Bank of Nova Scotia and one was from the Royal Bank. I have an Order-in-Council covering the Bank of Nova Scotia; I don't believe I have an Order-in-Council covering the line with the Royal Bank. Was one required?

**MR. D. ELLIOTT:** To the best of our knowledge, the only security provided for the Royal Bank export corporation line of credit was a letter of credit by MTS.

**MR. G. FILMON:** A letter of comfort?

**MR. D. ELLIOTT:** A letter of comfort.

**MR. G. FILMON:** Okay. So you have no information as to what information was provided or asked for by Cabinet in approving the line of credit for the Bank of Nova Scotia and guaranteeing the line of credit for the Bank of Nova Scotia open account?

**MR. D. ELLIOTT:** I have some working papers with me if you would like me to bring them out and read through them.

**MR. G. FILMON:** Yes, if you can add to that information. Going back to the topic of whether or not MTX began as a good idea and assuming that you have said that there was some justification, I might indicate that half a dozen of us or so have read the report as thoroughly as is possible given the time constraints and we do not see any reference to it having begun as a good idea, but if your opinion on behalf of the firm is that there may have been justification, we'll accept that as the premise and go from there. If that is the premise that it began as a good idea, based on what business plan, what market opportunities and what terms of reference was it a good idea?

Let me tell you where I'm coming from. We have the initial business plan that seems to have been scribbled on the back of some sheets on a plane ride back from Saudi Arabia, and I may be unfair in that but I don't think so, because they're handwritten as the business plan upon which the board of MTS and MTX and presumably Cabinet were sold on going into this venture. So if that's the basis upon which you suggested it began as a good idea, I'd like to have that information.

**MR. G. MCKENZIE:** When I made reference earlier to my opinion that it started as a good idea, I'm referring to the formalization of agreements between the parties, what we saw as the first formal business plan which was a typed document and which was approved by the MTX board. If there were scribbled handwritten notes written on a plane, certainly they weren't drawn to our attention.

**MR. G. FILMON:** At what point in time would those documents have been put together, the ones that you're referring to, the typewritten business-plan documents?

**MR. D. ELLIOTT:** There's a business plan dated, I believe it's January 24th and 25th of 1982.

**MR. G. FILMON:** And based on that business plan, you would say that MTX began as a good idea?

**MR. G. MCKENZIE:** The first activities of MTS in Saudi Arabia start in conjunction with Bell Canada International with what's referred to as the Spectrum project and we describe that in our report. The formalization of a joint venture with Sheik Al Bassam started at a later date and that's the business plan in which I am referring to in January of 1982.

I think it's fair to suggest that our report does make the point that that business plan and a subsequent business plan in subsequent years that were presented and approved by the board on a point of fact were never achieved in terms of the objectives and expectations in terms of financial and profit performance. So after you see that for a period of time, you start to question the judgment of the business planning process. That's why we started to reach the conclusions that we ultimately reached in our report.

**MR. G. FILMON:** Just for your information, this business plan for Datacom, which is supposed to be SADL but that was during the period of time when it was thought it was going to be the jointly owned company and then eventually it became two, Datacom and SADL separately, but this was intended to be the original SADL business plan.

I just point out to you that perhaps one-third of the pages are written in pages of this nature. This was dated April 1982, so presumably it had progressed to that point in time, but every third or fourth page has some handwritten aspects to it - these here and that and so on. That's the original business plan that we were led to believe caused the decision to form the company.

Having said that, if it began as a good idea, at what point did it start to become not so good an idea?

**MR. D. ELLIOTT:** As we indicated in the report, the initial implementation of the business plan was lacking in a number of areas in our opinion.

**MR. G. FILMON:** So you're saying that virtually from the day after it began, it started to become not so good an idea?

**MR. D. ELLIOTT:** I didn't say that.

**MR. G. FILMON:** Would you like to clarify that? I wonder if I could seek clarification as to how early on somebody

who was attempting to do some rather objective analysis as an accountant or a business management consultant should have looked at this and said, hey, what's going wrong here, or why are we getting into these circumstances and why are we amending the terms of reference or the scope of the company. Particularly you make the point in Volume 5 of what the scope of the company has become and the mission of the company. I say to you that at what point should somebody with a little bit of accounting and management expertise have started to question because you're - well, let's stop there and then I'll ask you the next one.

**MR. G. MCKENZIE:** Let me try and respond to this question in two ways. First of all, from the point of view of our work in undertaking this review and ultimately reaching the conclusions we reach with respect to the inadequacies of MTX ventures in Saudi Arabia, you go through a process of examination, through examination of documents, through use of people, etc., etc. At the end of the day, you use your judgment. In reaching that judgment, we did not try to pinpoint it in terms of the calendar. There is, however, one particular report in my judgment which was significant - first warning of a serious problem. That was the Arthur Andersen Management Financial Audit Investigation in May of 1985. When I read that report, in my judgment, that was a signal that someone should have been aware that there were some problems. Now, in subsequent discussion, I was given to believe that corrective action had been taken by management and various people had been assured that the problems had been dealt with.

**MR. G. FILMON:** That was before Cabinet approved the additional funding for the Saudi operation, wasn't it? That was possibly five months before?

**MR. G. MCKENZIE:** I made the point that the response to that report was that various parties gave assurances that the problems highlighted in the Arthur Andersen Report had been dealt with. I believe that those assurances in point of fact were given and had been relied upon presumably in reaching the decision for the further investment in October of 1985.

**MR. G. FILMON:** There was another assessment done on December 31, 1984, by Mr. Plunkett. What about that? Did you not find any warning signals in that?

**MR. G. MCKENZIE:** I'm sorry, would you repeat the question?

**MR. G. FILMON:** The report done by Mr. Plunkett on December 31, 1984, in which he speaks of among other things potential wind-up scenarios given the major problems with the collectibility of accounts.

**MR. D. ELLIOTT:** My reading of that report was that he had identified a number of problems and indicated in the body of the report that steps were under way to resolve those problems.

**MR. G. FILMON:** Whose responsibility was it, or was there no responsibility on the part of anyone who had

seen this report to find out whether or not the steps had been taken and were working?

**MR. G. MCKENZIE:** In our report, we make the conclusion with respect to accountability of senior management, in particular Mr. Holland, Mr. Provencher and Mr. Anderson. It's for just those reasons that you allude to that we reached that conclusion, that one way or another the corrective action that, as the senior executives responsible, they should have taken and didn't, adequately taken, that we'd reach that conclusion ultimately.

**MR. G. FILMON:** You make no attempt to make judgment as to whether or not there was any political responsibility given that the political arm was starting to become more and more involved in approving additional financing and so on. You have not attempted to assess any political responsibility?

**MR. G. MCKENZIE:** That is correct.

**MR. G. FILMON:** Mr. Chairman, I'll at this point in time turn the floor over to another speaker and obviously I will have some other follow-up questions to pursue.

**MR. D. ELLIOTT:** Mr. Chairman, did you want me to respond to an earlier question regarding source documents?

**MR. G. FILMON:** If you now have the information, yes.

**MR. D. ELLIOTT:** Can you repeat what the question was, what you're looking for?

**MR. G. FILMON:** I can't recall it.

**MR. D. ELLIOTT:** We had back-up information regarding . . .

**MR. G. FILMON:** Oh, source documents backing up the submission to Cabinet for the Bank of Nova Scotia line of credit.

**MR. D. ELLIOTT:** The original Order-in-Council 854/83, we have what appear to be the original approval and the justification for the loan, in addition to which we have some back-up materials that were presented describing the need for the loan.- (Interjection)- Pardon me?

**MR. G. FILMON:** Presented to Cabinet by the Minister responsible?

**MR. D. ELLIOTT:** Presented to the MTS Board and directed towards Mr. S. Miller. In addition, we have a partial copy of the minutes of the 293rd MTS Board Meeting in which the Royal Bank line of credit was discussed and approved.

**MR. G. FILMON:** You don't have any source documents that went to Cabinet?

**MR. D. ELLIOTT:** Not with respect to the Royal Bank . . .

**MR. G. FILMON:** But you believe that all the source documents you have on the Bank of Nova Scotia went to Cabinet?

**MR. D. ELLIOTT:** I have a submission to Cabinet by the Ministers responsible dated May 25, 1983.

**MR. G. FILMON:** Who are the Ministers responsible?

**MR. D. ELLIOTT:** Muriel Smith and John Plohman are the names on that document. That's May 25, 1983.

**MR. G. FILMON:** Thank you.

**HON. A. MACKLING:** Mr. Chairperson, questions were put by Mr. Filmon in respect to knowledge of any Minister or government in connection with the Arthur Andersen May 1985 audit and the Plunkett Report of December 1984, and for the record I want to indicate that I became aware of that documentation as Minister in August 1986.

**MR. M. DOLIN:** Mr. Chairman, I'm wondering if the Minister could indicate whether Mr. P.A. Cumming, the author of Volume 6, the Review of the Human Rights Issue as done by Coopers and Lybrand, is in attendance or will be in attendance.

**MR. G. MCKENZIE:** He unfortunately could not be here, but he will be in attendance, hopefully on Friday.

**MR. M. DOLIN:** There are a few questions I would like to ask regarding some of the comments raised in Volume 6. There are some specifics I would like to ask Mr. Cumming, but I'll hold those.

On Page 36 of the document, referring to applications for MTX employees, it says no person of the Jewish faith applied for an MTX position and no female applied. Circulars advertising the positions are non-discriminatory in content. It goes on further to say employees are not labelled by religion and therefore there is some uncertainty about which employees may be Jewish. There is no concrete suggestion that anyone in management actually discouraged such possible applicants. But it goes on further on Page 37 to say entrepreneurial zeal by MTX management in pursuit of Saudi operations which makes one suspect that sensitive human rights issues would be given very short shrift as a nuisance factor to business goals. The suspicion coupled with recent comments made by MTX management and media, leave further suspicion that one or more persons in the MTX management may have at times orally discouraged prospective applicants who were of the Jewish faith or were females.

"This concern is compounded by a complete absence of Jewish or female employees applying for positions in Saudi Arabia. However, there is no concrete indication of any active discouragement of applications from these groups as no application for an MTX position in Saudi Arabia came forward from a person of either group. As no complaint is known to have been made by anyone at any time, it is speculative to venture a guess as to what management's reaction to the receipt of an application for someone who is Jewish or female might have been."

At an earlier meeting of this committee, I was provided with this document by Mr. McGuire, which I gather, in one form or another, has been provided to all employees of MTX going to Saudi Arabia and that's an introduction to Saudi Arabia.

I'm wondering - has this document been reviewed by the Coopers and Lybrand people?

**MR. G. MCKENZIE:** We were provided with a copy of that document.

**MR. M. DOLIN:** Am I correct in understanding that this document or a facsimile has been in the Personnel Department and used by the Personnel Department since involvement in Saudi Arabia under the Bell subcontract and subsequent? Am I correct in that assumption?

**MR. G. MCKENZIE:** I am unable to answer that question.

**MR. M. DOLIN:** I'm wondering perhaps if the Minister or somebody else is able to answer that question.

**HON. A. MACKLING:** I was questioned at earlier meetings of the committee and I believe that Mr. McGuire had indicated that that was the document which was made available for anyone who had indicated an interest in going to Saudi Arabia, and that was the documentation I think provided by Bell and they were following the same process that had been initiated under the earlier Bell arrangements.

**MR. M. DOLIN:** Perhaps could the Minister or perhaps the Chair of MTS? My concern is specifically around the matter of no application, any excessive zeal when this document became available to a prospective employee going to Saudi Arabia. The Minister just indicated if an employee was interested in applying for the job, this document would become available. This document points out that women are not allowed to own cars, not allowed to have certain jobs, that no map can be taken, no globe that depicts the state of Israel, no icon with a six-pointed star, etc.

Now, if this document was available to prospective employees before application, it is not surprising to me in any manner, shape or form that none would have applied. Now I'm wondering is that the case. Was this document available to employees prior to application or only to employees who had applied and been approved for Saudi Arabia?

**HON. A. MACKLING:** Mr. Chairperson, I understand the concern the honourable member has because I assume his concern is that if a person expressed interest and then was briefed with that material, they would not maybe make a formal application. The report indicates that there were no applications from women or people of Jewish faith that expressed an interest in the job.

I will ask for verification on that concern and report it at the next sitting of the committee.

**MR. M. DOLIN:** Further to that, I think one of the things that is recommended by Mr. Cumming, and I would

like to get into some more detail, is at that time the code of business conduct had no relevance whatsoever to either The Human Rights Act or to human rights moral issues in doing business abroad. Now that's Mr. Cumming's basic information and I am correct in that understanding?

**HON. A. MACKLING:** I understand that Mr. Cumming is going to be here and I think it would be preferable if the honourable member put the question to him because it's his assessment he's looking at.

**MR. M. DOLIN:** Fine, I'll hold that question for Mr. Cumming.

Mr. Cumming makes some recommendations which I think were excellent and he points out some of the weaknesses. One is that The Human Rights Act did not apply specifically in the hiring, and I think one of the factors which I can consider covert discrimination in the availability of this introduction to Saudi Arabia to any prospective employee would certainly dissuade anybody of the Jewish faith or any female from applying to this position knowing the restrictions they will be facing in Saudi Arabia.

Now one of the concerns I have is that at an earlier Public Utilities meeting when I questioned the Chair and the board on this, the comment I got and I'm not quoting verbatim but however it would be dealt with on a case-by-case basis. I think what Mr. Cumming is recommending here is that this certainly cannot be dealt on a case-by-case basis.

The Minister made some minimal reference in his opening statement to The Human Rights Act being amended to deal with Crown corporations, not only MTS but other Crown corporations, doing business abroad. Also, the matter of a policy, a business policy, could the Minister elaborate on what policies and what amendments to the act are being proposed and will these apply to all Crown corporations?

**HON. A. MACKLING:** I'm wondering whether the honourable member wishes me to deal with that now or when Mr. Cumming is here because it might be more advantageous to deal with it in context of Mr. Cumming's comments on that section of his report. I'd be willing to do so, but in the interests of the work of the committee, perhaps it would be better to do it all at that time.

**MR. M. DOLIN:** Fair enough. I don't want to take too much time in the committee without Mr. Cumming here, but I do want to commend him on the recommendations. I want to have some assurance that his recommendations, which are basically a framework being recommended, that there are actually specific criteria to that framework which can become operative for any Crown corporation doing business in a foreign jurisdiction. I am not aware at . . .

**MR. H. ENNS:** Those are legitimate questions for the incoming Minister, Mr. Doer.

**HON. A. MACKLING:** If the honourable member . . .

**MR. M. DOLIN:** In spite of the interruption of my honourable friend from Lakeside, I would like Mr.

Cumming to have to be forewarned that this is the question I will be asking and I would also like some specifics on what criteria that framework should contain to ensure that the kind of discrimination that appears apparent, that certainly in a realistic way the people of the Jewish faith and women were discriminated against - covertly, I believe - in the hiring practices of MTS in the past, that this cannot happen in the future. I'd like to know what the policy is going to be, what the legislation and what specific criteria Mr. Cumming or other members from Coopers and Lybrand would be recommending to ensure that there will never be a repeat of this situation in Manitoba.

With that, thank you, Mr. Minister, I'll wait for Mr. Cumming.

**HON. A. MACKLING:** I appreciate the concern the honourable member has and for the working of the committee if we can defer that when Mr. Cumming is here, then I will elaborate further on that. We do take that matter very seriously. That is why it was included in the terms of reference of Coopers and Lybrand to deal with and we will be elaborating on policy on that matter during the course of this hearing.

**MR. CHAIRMAN:** Mr. Orchard.

**MR. D. ORCHARD:** Thank you, Mr. Chairman. I'll defer to my colleague, Mr. Manness.

**MR. CHAIRMAN:** If that's agreeable to the committee, Mr. Manness.

**MR. C. MANNESS:** Thank you, Mr. Chairman.

I would ask the representatives from Coopers and Lybrand whether or not their firm . . .

**HON. A. MACKLING:** I'm sorry, could you direct . . .

**MR. C. MANNESS:** I'm sorry, Mr. Minister, I'll ask you.

**HON. A. MACKLING:** I don't want to be technical but please -(Interjection)- No, I want the committee to work right, Donald.

**MR. CHAIRMAN:** Could I suggest we follow the procedure we've been following?

Mr. Manness.

**MR. C. MANNESS:** Mr. Chairman, I agree with the Minister. I would ask the Minister if it might be acceptable that I ask Mr. McKenzie whether or not his firm has undertaken a major investigation of this nature before involving a government Crown corporation.

**HON. A. MACKLING:** It would be appropriate for Mr. McKenzie to answer that.

**MR. G. MCKENZIE:** Yes, we have.

**MR. C. MANNESS:** Mr. Chairman, again I ask the Minister if I might ask Mr. McKenzie, is it normal in your business, Mr. McKenzie, when you've done these types of major reviews and investigations for a government in the past whether a consulting firm

reviewing activities, of which government is ultimately responsible in one fashion or another, whether the terms of reference preclude an investigation such as yours from determining government or Minister or Cabinet knowledge, through review of Cabinet minutes or committees of Cabinet minutes?

**MR. G. McKENZIE:** The normal methodology for conducting such investigations in terms of reference are to focus on the business, the effectiveness of its management and the decisions that are taken or have been taken by the responsible executives. It is not normal for us to pass judgment on the political process.

**MR. C. MANNES:** I can't remember, Mr. Chairman, where the reference was made, which of the volumes, to the word, "stakeholders." I believe the stakeholders in this whole - (interjection) -

**HON. A. MACKLING:** Shareholders.

**MR. C. MANNES:** Well, the word was "stakeholders." It wasn't shareholders; the word was stakeholders, I believe. Maybe, Mr. McKenzie, you may wish to correct me.

I believe that the stakeholders are, of course, the ratepayers, Manitoba Telephone System ratepayers and/or the taxpayers of the Province of Manitoba. Can Mr. McKenzie tell the committee how it is that one can conduct a review of this type, of this nature, without following the flow of responsibility, ultimately, to the people who are responsible to the stakeholders - using that terminology - within the Province of Manitoba?

**MR. DEPUTY CHAIRMAN, M. Dolin:** Mr. McKenzie.

**MR. G. McKENZIE:** We were asked to undertake this investigation in a manner which set established terms of reference, and we conducted our investigation with respect to those terms of reference. We did not attempt to form judgment as to the appropriateness of those terms of reference in the broader context that I think your question is framed.

**MR. C. MANNES:** Mr. Chairman, then I would ask Mr. McKenzie, because I wouldn't ask him then to pass judgment on the appropriateness of these specific terms of reference, but in a private business or indeed a public business where a company had shares that were traded publicly, would not a review of this nature involve the people that were ultimately responsible to the shareholders in that case, in other words, the board of directors, plus the very senior management, to determine whether or not mismanagement - and I believe that was one of the areas that you were asked to investigate - to determine whether mismanagement indeed did exist?

**MR. G. McKENZIE:** Yes, and we did form judgments with respect to the effectiveness of management.

**MR. C. MANNES:** Mr. Chairman, through you to Mr. McKenzie, management then, in the terminology of your industry, does not then include political people, does not include then the Minister of Telephones, does not include Cabinet officials.

**MR. G. McKENZIE:** That is correct.

**MR. DEPUTY CHAIRMAN:** Mr. Orchard.

**MR. D. ORCHARD:** Thank you, Mr. Chairman.

I'd like to ask a representative of Coopers and Lybrand a couple of questions surrounding the circumstances described on Page 64 or 65, Volume 4, Detailed Review of SADL.

Mr. Chairman, we were assured by the Minister in the House that all shipments to Saudi Arabia would cease and desist. I believe, to quote the Minister, he said, "Not five cents of goods would go to Saudi Arabia." Mr. Chairman, I was rather shocked, and through you to the Minister through to Mr. McKenzie, I was rather shocked to find out on Page 65 that in fact we have shipped \$200,000 U.S., at the time of writing. The time of writing is possibly two, three, four weeks past now. I'd be interested in knowing whether you have a current indication of value of shipments. Is it in excess of \$200,000.00? Have they shipped more to Saudi Arabia?

**MR. G. McKENZIE:** I do not have with me a precise listing of shipments, but I believe it's in the order of four or five shipments have occurred in accordance with the arrangements as described on the bottom of Pages 64 and 65.

**MR. D. ORCHARD:** Mr. Chairman, possibly then I should ask the Minister responsible, who theoretically would know the answer to that question.

No. 1, Mr. Minister, were you aware of shipments to Saudi Arabia and that the value was \$200,000 at the time of writing?

**HON. A. MACKLING:** Mr. Chairperson, subsequent to the freeze on activities of MTX there were concerns in respect to its application in respect to ongoing contractual commitments.

As you'll recall, the decision to strictly curtail and control the MTX operations did allow for the honouring of ongoing contractual commitments. I was most concerned that in view of the very significant accounts receivable that existed in the Saudi Arabian portion of MTX's operations that there be very tight controls in respect to any further shipments even though MTX may be under contractual obligations to deliver on those commitments, and I indicated my concern in the House and publicly on that matter.

I did receive representation from the Board of MTX in respect to the problem of interpreting the restrictions as it applied to ongoing contractual commitments. It was indicated to me that, in effect, if there were no shipments allowed, there would be in effect a breach of ongoing commitments with Sheik Al Bassam and the arrangements with Saudi Arabian Datacom Ltd., and pending the report from Coopers and Lybrand it would be an extremely difficult situation.

Accordingly, I indicated to the then acting Chief Executive Officer of MTX, Charles Curtis, that any shipments that fell within the terms of the restrictive control; that is, where there was a contractual obligation that it was deemed by the board, by the chief executive officer, had to be recognized, then under those

circumstances, providing they assured me of the tightest controls they could extract, those shipments, of course, if we're obliged legally to do that, could occur.

I was assured that the shipments that were being made - that were proposed to be made - were to Aramco, the oil corporation, and that they were of certain payment. I'm given to understand by Mr. Curtis that payments have been received on part of those shipments that had been made and that it was his belief and the belief of the board that those shipments were an obligation of MTX. They could not escape responsibility for continuing those contracts and they were made on that basis.

**MR. D. ORCHARD:** Mr. Chairman, let me just review and try to put in easy to understand terms what this Minister has just told me, that we felt obliged as Manitobans to provide to the sheik, who owes us some \$15 million, we felt obliged to ship him on a promise of payment from the same salesman, from the board of MTX that this Minister subsequently fired, that we can trust further shipments to Saudi Arabia, that we're going to be paid by the man that owes us \$15 million. And this Minister allowed that to happen after his statement in the House - not five cents will go to Saudi Arabia?

I want to ask this Minister: did you insist that shipments be C.O.D., cash on delivery, as happens to many Manitobans when they don't pay their telephone bills and when they don't pay other bills? Did you insist, Mr. Minister, as the Minister responsible, on C.O.D. on further shipments to Saudi Arabia that you, yourself, had terminated?

**HON. A. MACKLING:** Mr. Chairperson, as I indicated, I told the acting chief executive officer of MTX that I wanted the strictest possible payment conditions imposed in order that we be assured of payment, knowing that there was a concern that until the report had been received, we did not want to be in breach of any contractual obligation.

It's my understanding that the shipments that were made were pursuant to outstanding orders that had been received prior to the announcement I made indicating the restriction or the tighter controls in respect to MTX. These orders were outstanding, had been placed with suppliers in North America, and those suppliers were under contractual obligation to ship; therefore, those shipments were pursuant to those contractual obligations.

**MR. D. ORCHARD:** What is the current value of those shipments? At time of writing, it's \$200,000 U.S., roughly \$280,000, another quarter-of-a-million dollars. Have there been further shipments and will the Minister answer the question: did he insist on C.O.D., something that most Manitobans who owe millions of dollars are put on from time to time? Why are we treating a Saudi Arabian sheik better than we treat our own citizens of Manitoba?

**HON. A. MACKLING:** Mr. Chairperson, I'm going to ask Mr. Charles Curtis, the acting CEO of MTX, to elaborate on the shipments and the arrangements.

**MR. DEPUTY CHAIRMAN:** Mr. Curtis. Mr. Minister. I'm sorry.

**HON. A. MACKLING:** Just before Mr. Curtis answers, the other point that I should have indicated is that, as I was given to understand, there were specific outstanding orders. They were orders for equipment that was being custom-made by suppliers in North America and were not stock items of any kind. Perhaps Mr. Curtis can elaborate on that as well.

**MR. D. ORCHARD:** Then, Mr. Minister, why did you stand up in the House and mislead the people of Manitoba that not five cents would be shipped further to Saudi Arabia when they were owing us so much money? Why did you do that, Mr. Minister?

**HON. A. MACKLING:** Mr. Chairperson, it was my concern that there be a very, very tight control in shipment. It was pointed out to me by the acting chief executive officer of the board that pending the receipt of the Coopers and Lybrand report, to dishonour the legal obligations that were involved in those shipments would create a very difficult situation in respect to the MTX operation.

**MR. CHAIRMAN:** Mr. Curtis.

**MR. C. CURTIS:** Mr. Chairman, with respect to the shipments that were made, the board had received urgent requests, not from the Bassams, but from our MTX staff over there who were servicing the customers. The urgent request was for some shipments to some extremely good-paying customers, who they assured us would pay very, very promptly, within 45 days. The employees also said that if they didn't pay, they would pay out of their own bank accounts. We felt if our employees were that certain the payments would come in that we should honour these commitments.

**MR. D. ORCHARD:** Mr. Chairman, that brings up the interesting question of how big are your employee bank accounts in Saudi Arabia where they have \$270,000 and how did they get it?

**MR. C. CURTIS:** Mr. Chairman, I'm referring to the shipments that were made after the Minister's comments and were with regard to urgent shipments of parts needed to service what were perceived as good, honest paying customers.

The commitment made by the staff was that if for any reason the payment was diverted or not received, they would honour it themselves.

**MR. D. ORCHARD:** To what value, Mr. Chairman?

**MR. C. CURTIS:** To the extent of U.S. \$57,000.00.

**MR. D. ORCHARD:** Coopers and Lybrand have indicated, Mr. Chairman, that there's \$200,000.00. Was the balance of \$143,000 so guaranteed by those same benevolent employees in Saudi Arabia?

**MR. C. CURTIS:** The other shipments in question were orders that were placed in May and June of 1986 directly to the factories and were shipped directly from the factories and we hadn't any knowledge that those shipments had been made.

**MR. D. ORCHARD:** Mr. Chairman, when a Minister stands up in the House and says there shall be not five cents more equipment leave this country, where were the controls on shipments within MTX, or did MTX staff simply go merrily on their way until termination, in selling products despite this Minister's direct edict in the House that there shall be no further sales.

**MR. C. CURTIS:** I'm sorry, these were direct shipments that had been placed for custom material on specific orders directly to the supplier, and the invoices were dated in May and June.

**MR. D. ORCHARD:** Have those accounts been paid?

**MR. C. CURTIS:** I'm not aware that these accounts have been paid as yet; they're due towards the end of November.

**MR. D. ORCHARD:** Which is about five days from now. Now, Mr. Chairman, we have a situation of custom-made equipment. Presumably there is a significant obligation on MTX to pay the manufacturer. Was there a deposit taken on those custom-manufactured orders. It sounds to me as if they're quite a tailored order. Was there a deposit on that? After the Minister's edict, did you insist, as the chief executive officer in an acting capacity, on C.O.D. to further shipments?

**MR. C. CURTIS:** Mr. Chairman, subsequent to these orders which were, as I mentioned, placed early in May and June, we took steps to make certain that no further shipments would be made directly from any supplier.

**MR. D. ORCHARD:** Did you attempt, as the chief executive officer acting, to extract C.O.D. on those \$200,000 of shipments?

**MR. C. CURTIS:** No. On the shipments that were authorized directly by MTX, we accepted our employee's statements that payments would be made directly and within a reasonable time, 45 days.

**MR. D. ORCHARD:** Mr. Chairman, those are the same employees that presided over presumably SADL and ABI Datacom Division, and rang up \$15 million of accounts receivable?

**MR. C. CURTIS:** They're the employees of MTX over there.

**MR. D. ORCHARD:** Mr. Chairman, the answer hasn't been clear yet. Are we looking at \$200,000 U.S., that it was at time of writing. Is it higher than \$200,000 U.S., or approximately \$280,000 Canadian?

**MR. C. CURTIS:** My figures are around \$190,000 U.S., just under \$200,000 U.S.

**MR. D. ORCHARD:** So that there have been no further shipments since the report was written?

**MR. C. CURTIS:** No.

**MR. D. ORCHARD:** Mr. Chairman, to Mr. Curtis, you indicate that we should have payment by the end of

November. Presumably when our last committee meeting is held on December 1st you could indicate to us at that time if we have been paid.

**MR. C. CURTIS:** Yes.

**MR. D. ORCHARD:** Thank you, Mr. Chairman.

My colleague, Mr. Chairman, reminds me of one more question that maybe Mr. Curtis could answer. Seeing as how there are no further shipments in Saudi Arabia, and that the corporation is now to be wound down, MTX and naturally SADI and the Saudi Arabia involvement, what are the staff doing right now?

**MR. D. CURTIS:** Most of them are working on servicing customers. There are many people that are involved in repair work. I don't know precisely what each employee is doing, but most of them are working in the servicing area.

**HON. A. MACKLING:** Mr. Chairperson, in connection with the specific shipment requests that the board discussed with you, Mr. Curtis, and then you discussed with me, and I mentioned that this involved shipments to Aramco, it was a specific request to me to permit the shipment of goods to Aramco. Can you tell the committee whether or not payment has been received for those shipments?

**MR. C. CURTIS:** On the Aramco, we have received about \$35,000 U.S. out of a total of \$37,000 or \$38,000 roughly, on the Aramco.

**MR. D. ORCHARD:** Mr. Chairman, did the Minister say that he only approved the Aramco shipments, and that someone else shipped the balance without his approval?

**HON. A. MACKLING:** I'm saying, Mr. Minister, that the board had -(Interjection)- I don't think this is a very funny matter, Mr. Chairperson.

**A MEMBER:** You said "Mr. Minister."

**HON. A. MACKLING:** Pardon me?

**A MEMBER:** You said "Mr. Minister."

**HON. A. MACKLING:** Oh, I'm sorry, I apologize to you, Don.

**HON. R. PENNER:** You made a mistake that the voters of Manitoba will never make.

**MR. CHAIRMAN:** Order please.

**HON. A. MACKLING:** I apologize. Mr. Chairperson, the board had requested the acting chief executive officer to speak to me about releasing a shipment, or shipments. When I spoke to Mr. Curtis about those shipments, I was advised that the shipments that they were concerned about were to Aramco, a very solid respected company in Saudi Arabia, for which payment was virtually guaranteed and, notwithstanding my concerns about C.O.D., being given that assurance and

that the tightest payment conditions possible would be imposed, I reluctantly agreed; yes, that's correct.

**MR. D. ORCHARD:** Well, Mr. Chairman, that's very interesting that this Minister now is saying that he imposed the tightest customer purchase restrictions he could do.

**HON. A. MACKLING:** No, no. I did not say that. I requested that Mr. Curtis and the staff impose as tight a payment schedule as they could.

**MR. D. ORCHARD:** Mr. Chairman, the Minister acceded to, not C.O.D. as would have been prudent to live up to his "not five cents of shipments to Saudi Arabia" edict in the House, accepted a 45-day payment schedule, and I just want to quote from Page 65 of the Coopers and Lybrand Report. "While these credit restrictions are clearly an improvement over previous credit policies, they are also open to challenge. It does not appear that alternatives, other than full 45-day credit, were fully explored." I wonder if the Minister didn't even ask for C.O.D. As a result, credit management continues to be a concern, after this Minister made his edict in the House, "not five cents to Saudi Arabia". This comment is made by Coopers and Lybrand.

**HON. A. MACKLING:** Mr. Chairperson, it would be appropriate for the Honourable Member from Pembina to be fair; I won't ask him to be fair. If he wants to quote what I have to say in the House he should read what I have to say in the House into the record, and I will read what I had to say in the House on Friday, September 5, 1986 into the record: "Madam Speaker, since the suspension order has been invoked, MTX has not shipped any equipment to Saudi Arabia. The statements in the press were erroneous, and I want to assure honourable members that through my instructions to Mr. Curtis, there will be not one item of goods, not five cents worth of equipment sent to Saudi Arabia unless or until we are satisfied that those goods will be paid for." I had, Mr. Chairperson, the assurance that the board wanted to be released where a shipment to Aramco, a company which even the Honourable Member for Pembina would have some faith in.

**MR. D. ORCHARD:** Mr. Chairman, I want to pursue a matter out of Volume 4 with Coopers and Lybrand again. Page 105 of the report - and maybe you need your appropriate partner here so I'll hold off until he gets here.

Mr. Chairman, as a general feeling, in reading the Volume 4 where you deal as best you could with the Saudi Arabian operation, I seem to detect in there a problem that our staffing costs are deemed to be high for the type of undertaking that they're doing, that they are not being used in the professional expertise they're trained in.

Is my broad interpretation that staff are not being fully utilized, the Canadian staff seconded to the MTX operation in Saudi Arabia are not being fully utilized? Is that a fair assumption?

**MR. G. McKENZIE:** I have a slightly different interpretation on it. With the decline in the economic

environment in Saudi Arabia, the company found itself in a position where it had seconded staff at a higher cost to SADL than could subsequently have been competitively recovered in the then market environment that existed in 1985 and 1986.

**MR. D. ORCHARD:** Okay. Well, Mr. Chairman, it would seem as if SADL and the Saudi Arabian operation ran into some of the problems that MTS ran into in 1982 whereby a softening of the economy led to surplus staff or underutilization of staff. MTS and the government created a Crown corporation and invested in Saudi Arabia to use that surplus staff.

I wonder if the Minister would give any consideration to your Saudi Arabian venture forming a joint venture to farm out your surplus staff that you had in Saudi Arabia?

**HON. A. MACKLING:** I don't think that question deserves an answer.

**MR. D. ORCHARD:** Exactly, Mr. Chairman, because the reason for forming the Crown corporation to farm out surplus staff in MTS has always been a silly and ridiculous argument used repeatedly by this Minister. That's exactly the point.

**HON. A. MACKLING:** I don't recall this Minister saying that was the rationale for the formulation of MTX. So if the honourable member wants to try and quote me again - he's expert at misquoting people and I've grown accustomed to him but I don't accept what he said.

**MR. D. ORCHARD:** I'd like to read from Page 105, second paragraph, of the Volume 4. "Note that these resources need not be Canadian . . ." - and in here you're talking marketing staff and general staff - ". . . if Canadians are not cost-effective for the work to be performed. We understand the highly qualified technical resources are available at lower cost from countries which include England, Germany, France, Japan, Korea, the Philippines and a number of others. However, should this result in no significant Canadian participation, the justification for MTX's participation in the business should be reviewed."

Mr. Chairman, I'd like to ask Mr. McKenzie, if I'm reading that correctly that the salaried costs which earlier in your report you indicated were approximately \$100,000 per Canadian worker seconded to Saudi Arabia, if basically those salaried costs preclude us, by and large, from being competitive in the Saudi Arabian and maybe the Middle Eastern market at this present time?

**MR. G. McKENZIE:** That's the point I was alluding to in my last response.

**MR. D. ORCHARD:** Mr. Chairman, then, the mandate and the other thing that I seem to follow through - and once again, Mr. McKenzie, correct me if I'm wrong - you have alluded to in some of the volumes of the report, Volume 4 included, that often - and I know I could dig up some of the quotes directly but Mr. Mackling would probably say I was misquoting you - but it seems to me that you have indicated that often

the personnel secondment from MTS to Saudi Arabia and to some of the other operations didn't necessarily have the expertise needed to undertake the corporate task that was before them. Is that a fair assumption?

**MR. G. MCKENZIE:** I'd have difficulty in agreeing with that. If you've gained that impression, I seek your indulgence in trying to refer me to the specific section.

**MR. D. ORCHARD:** Mr. Chairman, without wasting time tonight, I'll do that at a future meeting.

Mr. Chairman, I found something in the report, Pages 86-87, that I found extremely offensive to me as a Manitoban (Interjection)- Pages 86-87 of Volume 4. Mr. Chairman, this government has done a great deal of effort towards criticism of the South African government regime in that they believe that the South African government is indeed a very, very bad government because they discriminate against blacks, they pay them lesser wages to undertake the same job that a white would undertake in South Africa, they house them in ghettos. Mr. Chairman, the government has made a great deal of political talk about that. They've passed certain resolutions. Their discussions generally is in deep condemnation of the South African regime. But here we have, Mr. Chairman, this Minister and this province's Crown corporation doing exactly that in Saudi Arabia.

I want to read you Pages 86-87: "Average annual base salary costs for MTS/MTX senior managers are over \$100,000 Canadian and are \$60,000 to \$70,000 for MTS/MTX engineers and marketing staff. The total annual cost per employee for these primarily Canadian employees are expected to average \$100,000 or Saudi riyal of \$280,000.00. This is in contrast to many other foreign workers employed by SADL Datacom whose base salary is a fraction of the Canadian and whose benefits are significantly less.

Examples presented was that of four engineers (technical support from a Second or Third World country whose salaries average less than \$30,000 per annum and who share one apartment together). This government that criticizes South Africa for apartheid, paying black workers less than white workers, segregating them in ghettos, is employing in their operation in Saudi Arabia Second or Third World people with the same technical competence, paying them one-third the salary and housing them four at a time in apartment-like ghettos. I find that, Mr. Chairman, offensive and if that is what we have to do as a government to participate in business in South Africa or any other part of the Middle East, then I want no part of it.

This Minister and this government can't be so piously politically critical of South Africa when they are preying on the backs of Second and Third World engineers, paying them less than a third of Canadian equivalent, less benefits and not providing them housing that they would provide their Canadian affiliates. I find that this Minister and this government in participating in that most offensive, Mr. Chairman.

**HON. A. MACKLING:** Mr. Chairperson, it may surprise the honourable member to hear from me that I appreciate his concerns in respect to that kind of

disparity. I didn't like what I read either. It is all the more reason for the decisive action we have taken. I trust that kind of practice will be behind us because I don't think it is desirable either. I would point out, however, to the honourable member that way back in 1978 the honourable member wrote to the Federal Government indicating how . . .

**MR. D. ORCHARD:** Tell the truth . . . .

**HON. A. MACKLING:** Well, the honourable member wrote to the Federal Government indicating . . .

**MR. D. ORCHARD:** In '78?

**MR. CHAIRMAN:** Order please.  
Mr. Mackling.

**MR. D. ORCHARD:** Get your facts right, will you?

**HON. A. MACKLING:** Well, the honourable member, I stand corrected. Under the honourable member's administration in 1978, they started to have an involvement in Saudi Arabia . . .

**MR. D. ORCHARD:** Did we pay our workers third price?

**HON. A. MACKLING:** . . . and in 1981, they initiated further activities in Saudi Arabia. I don't know how the disparity in salaries existed at that time, but it is unfortunate that we seem to have marched along the path that the previous administration had placed for us. I regret that disparity in income and that is behind us. We have put a stop to that operation. It will be wound down and done in an orderly and reasonable manner. I resent the kind of comparison that the honourable member has made in respect to our attitude with respect to South Africa.

**MR. D. ORCHARD:** Mr. Chairman, I resent the treatment of Second and Third World engineers by this government in their investment in Saudi Arabia. I very much resent that. But furthermore, Mr. Chairman, I resent this Minister continuing with his misinformation, his big-lie campaign about the start-up of operations in Saudi Arabia. It was the NDP Government with one Howard Pawley, Premier, signing the Order-in-Council in January 1982 creating MTX.

It was this government that signed the joint venture agreements in April 1982 to get into Saudi Arabia. This Minister full well knows that, but yet he insists on the public airwaves in not telling the people of Manitoba the truth. He has not the integrity to even tell the truth about their involvement and their creation of MTX and their set-up of the Saudi Arabian operations of MTX. I expect more integrity than that. If you want to play your political games, continue, but I simply want to tell you, Mr. Minister, that when you go on the airwaves and when you do it tonight where you say that we started what you carried on in Saudi Arabia, that is simply not the truth. I expect you not to be misleading the committee, misleading the people of Manitoba in an attempt to deflect the political blame, the administrative blame that so rightfully falls on the shoulders of a New Democratic Party administration

that got this province, this Telephone System, into Saudi Arabia investing directly in a joint venture, discriminating against Second and Third World workers, ghettoizing them in apartments and losing Manitobans \$25 million. It was an NDP effort all the way, Mr. Chairman, no Progressive Conservative Government started it or condoned it.

**MR. CHAIRMAN:** Order please.  
Point of order, Mr. Doer.

**HON. G. DOER:** Well, I think there is an excellent section in Volume 6 on human rights dealing with the whole judgments to be made with different complexities of countries - on Page 46, where they talk about the most progressive human rights act in Manitoba, that the Attorney-General has already talked about amending in the next Session. It further goes on and some of the judgments that are made by governments in doing both public and private business, including some of their hypocrisies of our Federal Government and our boycotts . . .

**MR. CHAIRMAN:** Order please, order please.  
To other members of the committee, it is standard practice in committees and the House to allow members to state their point of order; one then decides on whether it's a relevant point of order after the person has had the opportunity to express it. That's something that applies to all members of the committee.  
Mr. Doer, please complete your statement.

**HON. G. DOER:** Thank you, Mr. Chairman.

**HON. A. MACKLING:** Mr. Chairperson, I want to respond to the Honourable Member for Pembina. I'm sure he's not surprised . . .

**MR. CHAIRMAN:** Before proceeding, I don't believe Mr. Doer had a point of order. Now he's had a chance to complete it.

**HON. G. DOER:** I'm sorry, Mr. Chairman.

**MR. CHAIRMAN:** I would also caution members too, on another matter, to be careful of the language they use. I would remind them that the same rules apply in committee as apply in the House in regard to unparliamentary language and I will be charitable and say that there were statements made by various people around the table the last few minutes which came dangerously close to being unparliamentary.

**MR. D. ORCHARD:** On or off the record?

**MR. CHAIRMAN:** Both on and off the record, Mr. Orchard. I would suggest that members choose their words carefully.  
Mr. Mackling.

**HON. A. MACKLING:** Mr. Chairperson, I think it would be unfair for me to indulge in free-flowing debate with my critic in respect to what or what is not a fair and accurate commentary on matters, but I cannot accept his complete disclaimer that of no interest in this matter

in respect to telephone workers being involved in employment in Saudi Arabia during the time that he was Minister responsible for Telephones. There is no question about that and there is no question - (Interjection)- that the same . . .

Do I have the floor, Mr. Chairperson?

**MR. CHAIRMAN:** Order please. Mr. Mackling, you do have the floor.

**HON. A. MACKLING:** There is no question, but the member that I referred to, the Member for Pembina, was the Minister responsible when the Telephone System with the same senior officers were involved in initiatives in Saudi Arabia . . .

**MR. D. ORCHARD:** Such as?

**HON. A. MACKLING:** . . . and they had met and had contractual dealings with the Al Bassam Company; that is no question. And there is no question, but when the honourable member talks about talking on the airwaves about the kind of admissions that he made about the kind of ideas that the Telephone System were bringing forward and he did nothing to change that system, those same senior management were left there by him. So if he had the ability or if he'd taken the initiative then to deal with those problems, perhaps we wouldn't have suffered the fate we had with MTX.

**MR. D. ORCHARD:** Mr. Chairman, whilst the Minister is so desirous of clearing up misstatements on the airwaves, he did not tell the truth on CJOB on I believe Monday of this week where he indicated that I was Minister and did nothing about Project IDA. The Minister, if he cares to check his record, will find out that I was the Minister who cancelled Project IDA because I was being requested by the management, the same management that went to him for \$8.5 million, I was asked for \$8.5 million in 1981 to continue Project IDA into a full scale demonstration project and I killed it because I could see us losing money. I had the perception of what was wrong, this -(Interjection)- Minister never did.

**MR. CHAIRMAN:** Order please, order please. Mr. Orchard.

**MR. D. ORCHARD:** And furthermore, Mr. Chairman, I simply want . . .

**MR. CHAIRMAN:** I think it would help the proceedings of the committee if those members who were recognized by the Chair and those members only will speak.

**HON. A. MACKLING:** I apologize.

**MR. CHAIRMAN:** That applies to various people around the table at the present time. I have recognized Mr. Orchard.  
Mr. Orchard.

**MR. D. ORCHARD:** Thank you.  
Mr. Chairman, whilst the Minister is so wishing to try to avoid political responsibility, I want to point out to

him that when I was Minister responsible for the Manitoba Telephone System I had serious doubts about Project IDA. I have a binder in my office which contains a series of questions to the then general manager, Mr. Holland.

Subsequent to receiving some of those answers, I was at this very same committee sitting where this Minister has sat on past occasions. A member of the committee from the Opposition, one Mr. Walding, the Member for St. Vital, asked a number of questions about Project IDA. I listened very carefully because I wanted to see if he got the same answers that I got, but more importantly, to demonstrate what a Minister responsible should do.

After the committee was over, I went to Mr. Walding as an opposition member and I said, Mr. Walding, you have asked some questions about Project IDA. Do you have concerns? He said yes, I do. I said what are they because I have concerns too and if you know something that I don't know, I want you to find out. I went so far as to ask Mr. Walding that day - and I remember this very clearly because Project IDA was a very interesting project, Mr. Chairman - I asked him if what he knew of Project IDA and the questions he was posing would lead him to the conclusion that any senior people in MTS should be dismissed over it. He said no, he didn't have that kind of information.

Mr. Chairman, I sat in this committee for four years warning this and other Ministers about problems in MTS. I tabled a two-page letter seven days after this Minister was Minister responsible. Did he come and ask me once what I'm concerned about? Absolutely not.

I even, Mr. Chairman, and I wish Mr. Parasiuk were here tonight because he would confirm this, when Mr. Plohman became the Minister responsible for the Manitoba Telephone System, I took it upon myself to talk to Mr. Parasiuk as one of the senior Cabinet Ministers of this incompetent government. I said, Mr. Parasiuk, you have now put an arrogant greenhorn in charge of the Manitoba Telephone System - Mr. Plohman - and I know that Mr. Holland will wrap him around his little finger and I simply tell you to watch his Cabinet orders coming in from the Manitoba Telephone System under Mr. Plohman. Mr. Parasiuk thanked me for that caution. It was obviously to no avail.

I lay that case out on Project IDA because as Minister for approximately 11 months, I took decisive action, I took criticism in the House on a project that I wound down. I took a member of the Opposition aside - Mr. Walding - to find out what his concerns were at that time. That's, Mr. Chairman, why this Minister should not be Minister responsible for anything because for two years we warned him, and consistently warned him, and he would not listen to us as members of the Opposition. He chose to run the political route and shoot the messenger rather than listen to the message. That's why the Manitoba taxpayers, ratepayers of telephones, are now \$25 million minimum short on this operation.

It took a sworn affidavit to get this Minister and this government to realize the problems they had. If he was a Minister responsible, this would not have carried on for the last two years. That's why he must resign, Mr. Chairman.

**HON. A. MACKLING:** Mr. Chairperson, it's always interesting to hear the Honourable Member for Pembina talk about how successful he was as a Minister, but I can always reserve judgment on that and maybe have some further things to say about that. It would be unkind of me to pursue that. I don't think I want to reflect on the honourable member but I would like to point out that the same management expertise that existed when he was Minister were advising this Minister.

The fact is that this Minister, upon the information having been made available to me, acted. Within minutes of his giving me information before a committee by sworn affidavit, and only then did I get the information - that's the kind of information exchange he had with me. He waited until the committee was in process, dropped an affidavit, and obviously he had that information some time before; that's a moot question, how long. Within minutes, that affidavit was in the hands of the Attorney-General's Department and thence the RCM Police. Within days thereafter, Coopers and Lybrand had been commissioned to do a management audit and concurrently very strict, tight controls were put on MTX. All of those things were decisive actions based upon firm information.

The honourable member refers to a letter he sent to Gordon Holland, the former chief executive officer of MTS who was the same chief executive officer when he was Minister. He wrote a letter, but in that letter he asks about travel expenses, individual expenses. The one question that might have really had some weight to it was in connection with the line of credit from the Royal Bank and the Bank of Nova Scotia

**MR. D. ORCHARD:** And accounts receivable.

**HON. A. MACKLING:** Well, and accounts receivable, those concerns. But those concerns had been addressed, had been raised by the Provincial Auditor and the auditors for MTX, Arthur Andersen, and in every case the auditors were being satisfied that progress was being made. That was the kind of advice that the auditors were giving.

So when the honourable member says that I did not respect his warnings, that is not being fair because the information, the concerns that were being raised by audit staff and others was being responded to by management who were saying everything is fine. If there's one thing, Mr. Chairperson, Ministers have to rely on senior staff as the honourable member had relied on Mr. Holland and others in the Telephone System staff for all the time that he was Minister.

**MR. D. ORCHARD:** Mr. Chairman, can the Minister tell me when Mr. Miller resigned as chairman of the board of MTS?

**HON. A. MACKLING:** I believe it was March 1985. I'll get the exact date. March '85. I can give the honourable member the day of the month. Mr. Chairperson, I understand that Mr. Miller sent in a letter tendering his resignation or indicating that he was resigning effective March 15th. The date of the letter was - I don't know the date of Mr. Miller's letter but the effective date of his resignation was March 15th.

**MR. D. ORCHARD:** Mr. Chairman, would the Minister care to explain why Order-in-Council 535 dated the 1st

of May 1985, signed by Howard Pawley, indicates that the appointment of Saul Miller as commissioner and chairman of the board of Manitoba Telephone System be revoked effective July 12, 1985?

**HON. A. MACKLING:** Mr. Miller, shortly after the time I was appointed, had indicated to me that he had been desirous of retiring for some time. He'd spent a long period of time in public life; he wanted to spend more time with family and he'd indicated to me that he'd made that indication earlier to my predecessors, and now he was more anxious that he retire. He sent in his letter; it obviously was not acted upon until the time indicated.

**MR. D. ORCHARD:** Mr. Chairman, then would the Minister care to explain that if you've got a resignation, which is referred to by Chairperson Phillips at the April 22, 1985 minutes, she says in the minutes that the resignation was effective March 15, 1985, why does the Order-in-Council show that it's revoked effective July 12, 1985? Why is the discrepancy there?

**HON. A. MACKLING:** Mr. Chairperson, I believe that, at the time the new Chairperson, Jean Edmonds, was appointed the revocation of Mr. Miller's position as chairperson was confirmed, although he'd actually resigned earlier.

**MR. D. ORCHARD:** So that, Mr. Chairman, we assume that he wasn't paid for that interim three- or four-month period?

**HON. A. MACKLING:** That's my understanding, Mr. Chairperson, and I want to further add that I had confirmed with Ms. Edmonds her willingness to take the appointment but, because of personal commitments, she couldn't assume the chairpersonship until that date.

**MR. D. ORCHARD:** Mr. Chairman, what was Mr. Miller's - in your estimation, Mr. Minister - what were his duties on the board? What was he to do as chairman of the board in relationship to yourself, as Minister responsible for the MTS?

**HON. A. MACKLING:** The relationship between Ministers and chairs of boards is one that provides for the briefing of Ministers from time to time, as necessary. As I indicated when, shortly after I had been appointed as Minister responsible for Telephones, I met with both Mr. Miller, as Chair of the Board and Mr. Holland, the Chief Executive Officer, and was apprised of ongoing matters dealing with the board. It was at that meeting, the first meeting, that Mr. Miller indicated to me his concern to leave the board, and I understand his concerns because he had been in public life a long time.

**MR. D. ORCHARD:** Mr. Chairman, did Mr. Miller keep you informed as a Minister?

**HON. A. MACKLING:** I want to confirm that, at the meeting I referred to, I was briefed, given an overview of much of the Telephone System's operation. I don't

recall the date of that briefing but it was at the Telephone System offices. I don't recall any specific briefing after that date, after that time.

**MR. D. ORCHARD:** Did the briefing include any reference to MTX and its operations in Saudi Arabia?

**HON. A. MACKLING:** Mr. Miller indicated to me that his concern for the utilization of the expertise, the technological know-how of the Telephone System was an ongoing one. He felt that the corporation had to take advantage of opportunities that were encompassed by the activities of MTX.

**MR. D. ORCHARD:** Mr. Chairman, did Mr. Miller indicate to you any concerns about financial viability of the operation in Saudi Arabia, accounts receivable, any internal problems that had been identified to him?

**HON. A. MACKLING:** I didn't make notes of the conversation I had with Mr. Miller and the Chief Executive Officer, Mr. Holland, at that time. I don't recall any specific concerns about the financial well-being of MTX.

**MR. D. ORCHARD:** Mr. Chairman, we have heard this summer similar words, that "I don't recall." Could the Minister attempt to be somewhat more specific? Would he have had any briefing from Mr. Miller on, for instance, any of the audits that were going on, any of the analyses that were going on of MTX and its operations?

**HON. A. MACKLING:** The short answer would be, no.

**MR. D. ORCHARD:** Mr. Chairman, the Annual Report of the Manitoba Telephone System for the fiscal year 1984-85 was signed by the Acting Chairman, Ms. Phillips, who was previously the vice-chairman of the board, presumably because of the resignation of Mr. Miller.

In that report, Note 11, MTX Telecom Services has some very, very key and devastating words which were quite informative to me and spurred me to do a lot of questioning, and I'll read them for the record.

"The recoverability by MTX of the investment in SADL and the related trade receivables described above is uncertain at this time. The recovery of these assets is dependent upon the success of future operations of SADL and certain related divisions of the 50 percent Saudi Arabian shareholder. Accordingly, the realization of the system's investment in MTX is also uncertain at this time."

This is as of March 31st. The chairman of the board resigned March 15th. My question to the Minister responsible for the Telephone System: Was there any illusion to this problem in discussions you had with the outgoing chairman, Mr. Miller?

**HON. A. MACKLING:** No.

**MR. D. ORCHARD:** Mr. Chairman, I want to indicate, by way of information, that at the November 18, 1985 board meeting of the Manitoba Telephone System, and I will quote from it - this is Page 22, according to the photostat copy I have: "As a result of the board's

review of financial statement of MTS as of March 31, 1985, the auditor's report and, in particular, Note 11," the very note that I've just alluded to that alludes to the danger that our investment is at risk in Saudi Arabia, "the board requested that MTX prepare a short concise outline dealing with Note 11 to the financial statements indicating why MTX, etc. etc. . . ."

Mr. Minister, were you aware at that time of Note 11 in the then prepared financial statement for fiscal year 1984-85?

**HON. A. MACKLING:** No, I've indicated to the honourable member that I had one briefing with Mr. Miller . . .

**MR. D. ORCHARD:** Mr. Chairman, you missed the point. This is on November 18th. Were you aware at that time of the problems in Saudi Arabia?

**HON. A. MACKLING:** I'll continue with my answer. I had one briefing with Mr. Miller and Mr. Holland. I wasn't apprised then of any fiscal problem that I can recall. I don't recall having any problem of recoveries of accounts receivable brought to my attention as the honourable member indicates.

**MR. D. ORCHARD:** Mr. Chairman, to repeat my question to the Minister: In November 18, 1985, when the board, at which a member of his caucus was present, namely, Ms. Phillips, at which other staff we believe were present from the Minister's office, did the Minister have any awareness of Note 11 that was discussed at the Board of the Manitoba Telephone System, as contained in the Annual Report which was published at that time?

**HON. A. MACKLING:** I don't recall being apprised of that information, Mr. Chairman.

**MR. D. ORCHARD:** Fine, Mr. Chairman.

Mr. Chairman, I want to go through a series of dates that might be demonstrative to, not members of the committee, particularly government members, but mainly to the public of Manitoba, and I will tell you the background of these dates. These dates are dates in which we have received the Annual Report of the Manitoba Telephone System and they come from the Legislative Library, which indicates to us that when they receive the report that's when it's first public. That was confirmed by phone calls to a couple of individuals in the Manitoba Telephone System wherein they indicate that's the process, that's when it becomes public.

In 1979-80 the Annual Report was available publicly December 18, 1980; the 1981-82 Report was available January 27, 1982; the 1981-82 Report was available December 10, 1982 - I'm sorry, I've got the wrong years. The 1979-80 Report was available December 18, 1980; the 1980-81 Report was available January 27, 1981; the 1981-82 Report was available December 10, 1982; the 1982-83 Report was available December 28, 1983; the 1983-84 Report was available December 12, 1984.

Mr. Chairman, the report that I'm asking this Minister about, the 1984-85 Report, in which I will quote again Note 11: "The recoverability by MTX of the investment in SADL and the related receivables described above

is uncertain at this time." The Annual Report in which that glaring warning to the Minister, to the people of Manitoba, to myself, as Opposition Critic, that report was made available May 21, 1986, after the election, after the board had discussed it in November of 1985.

Mr. Chairman, I want this Minister to explain to me and to the committee why that Report was not released in December, as was current practice, why it was held back by the board; why they were attempting to hide that information from the people of Manitoba prior to the general election? Was this fitting with the precise requirements of that bizarre document in 1983, Cabinet directive of keeping anything controversial undercover? Was this a cover-up by the Government of Manitoba and the Minister responsible?

**HON. A. MACKLING:** Mr. Chairperson, I don't recall receiving any information as to timing or date of the release of the printing of the Annual Report. If the honourable member is inferring that somehow I, or a colleague of mine, gave any direction to delay the release of that Report, I reject that. I don't recall any instruction of any kind in respect to that.

In respect to the earlier question about knowing about the information in the Note, I want to indicate that sometime subsequent to the Report's release the Board of Commissioners received a review of those comments from Mr. Provencher, the Director of Finance, a detailed explanation of them and I believe that the Chairperson, Ms. Edmonds, did apprise me of that review by Mr. Provencher, but I don't know, it certainly was subsequent to the date of the Report. I don't when that appraisal came because I have received briefing materials prior to the sittings of Committee in July and August and I've received briefing materials now.

But I would like to read into the record the management comments in respect to the problems associated with MTX, and this was the kind of information that was being provided by management to the board and thence to me.

"In general one of the problems that MTX has had in communications with SADL over the past years has been the ability to bring staff, other than the president, up to speed on the operations in Saudi Arabia. Each time that we reached a point where the accounting staff were ready to take on more of the accounting chores related to SADL, they leave. We're now only getting up to speed with the current accountant and hope that he will be able to take on more of the activities in the very near future.

"We feel that the transactions originated by the operations staff are being adequately accounted for and properly followed up. MTX management agrees with the recommendations related to Saudi Arabia operations and is taking steps to ensure that accounting and reporting systems are put in place to provide accurate and timely information.

"I'd like to point out that the financial statements are now prepared on a current basis, usually within three weeks of month-end; however in order to improve the accuracy and the timeliness, MTX has assigned a senior systems analyst from the Manitoba Telephone System to review the requirements of SADL and assist the Saudi staff in the design and implementation of an accounting system.

"The priority being given is to the inventory system and the target date of the implementation of a new system is February 1, 1986. In the interim, the balance sheet and profit and loss statements produced by the current system will suffice until such time as the new systems have been put into place. The requirement for an Arabic accounting system will be addressed at the same time."

Mr. Chairperson, the point I want to make is that management consistently, in response to concerns about the observations that auditors had brought, in respect to adequacy of accounting and information systems and plans, that these matters were being addressed, that they were having problems in Saudi Arabia with the systems, with training people, and this kind of explanation was being given to the boards, and that's the kind of information that subsequently is related to me at this late date.

**MR. D. ORCHARD:** Mr. Chairman, did I hear the Minister correctly say that he reviewed with Ms. Edmonds, the Chairman of the Board, the essence of Note 11 in the Financial Report after the Board meeting of November 18, 1985?

**HON. A. MACKLING:** I indicated to the honourable member, I don't recall - and I'll ask Ms. Edmonds to recall - the date when she reviewed Mr. Provencher, the Director of Finance's response to the concerns on Note 11. I don't know the date when she apprised me of that.

**MR. CHAIRMAN:** Ms. Edmonds.

**MS. J. EDMONDS:** Mr. Chairman, the financial statement was reviewed with the Board of MTS at the October 18th meeting and we spent considerable time on Note 11 and Note 12. Subsequently, the board directed that briefing material should be prepared for the Minister on Note 11 and Note 12, relating it to the MTX venture in Saudi Arabia. That's the document the Minister is referring to. I believe it's dated November 26.

I do recall, in a telephone conversation with the Minister dealing with a number of other things, telling him to expect such a note and explaining why I was sending it to him, but I do not recall and in fact I'm quite sure I did not sit with the Minister and go over the whole thing. So it was a telephone reference followed by a piece of paper which may or may not have actually got to him.

**MR. D. ORCHARD:** Mr. Chairman, before Ms. Edmonds goes. I take it, Ms. Edmonds that sometime after the October 18 meeting in which your board discussed and you, as chairman, discussed the Note 11, that you had a telephone conversation with the Minister indicating to him, presumably sometime between October 18 and when your correspondence of November 26, '85 - presumably sometime in that time period, you had conversation with this Minister and pointed out to him Note 11. Would you recall whether you would have read to him the recoverability, etc., etc., that I've quoted?

**MS. J. EDMONDS:** No, the telephone conversation that I'm referring to was a general report on the board

meeting and there were a number of other issues taken up at that same board meeting, as no doubt you are aware. So that the emphasis on the financial statement and Note 11 would not have been extraordinary.

The actual briefing note following a month later - it's a longer interval than I had expected, but I expect it's right. In fact, the date's there.

**MR. D. ORCHARD:** Ms. Edmonds, was there concern at the board level at the October 18 meeting as to just what exactly that note by the auditor meant?

**MS. J. EDMONDS:** Yes, there certainly was. Yes, there was, and we asked questions and got explanations and the tenor, I think, of the discussion, the tenor of the response was to allude to the special audit by Arthur Andersen, to his recommendations, and to the steps that had been taken to respond to those recommendations and, in general, a reassuring response, much as the Minister has described.

**MR. D. ORCHARD:** On October 18, 1985, after the board had been getting this reassuring message from senior executives for approximately two-and-a-half years that all was well, that we're changing, we're getting better, we're getting these things in place - that allayed your concerns at the board?

**MS. J. EDMONDS:** The board had very lively concerns and, indeed, I think that was the meeting at which we established MTX as a standing item on our agenda and required a report every month, at every meeting from then on.

I cannot answer for any period of time earlier than the August 12th meeting of the board but, from October on, we looked at MTX every month.

**MR. D. ORCHARD:** Further, to Ms. Edmonds, given the lively discussion, given that in the accounting, the Auditor's report of the Manitoba Telephone System, there was that kind of a notation which means, I believe, and we've got a number of auditors here, that you don't put notations like that in annual reports unless there are some significant concerns. Are you telling me that you accepted, again, the staff's answers and made no allusions to your political master, the Minister responsible, that the board had concerns, lively discussion, and had concerns about MTX? Are you indicating to me that you did not pass that information through to the Minister?

**MS. J. EDMONDS:** What I'm indicating is that - you know, you talk about a long period of time during which there have been assurances. As far as I am concerned, that was the first set of those assurances that I had heard and they sounded very plausible.

**MR. D. ORCHARD:** Mr. Chairman, I'd like to ask Ms. Edmonds if - and I don't believe you answered my question and if I missed it, I'm sorry, and I would ask you to repeat it. You're still indicating to me that your telephone conversation with the Minister responsible did not touch on an allusion by the auditors that the recoverability of our investment in Saudi Arabia was uncertain. You at no time said that to Mr. Mackling?

**MS. J. EDMONDS:** I don't recall precisely the words I used. I drew his attention to the fact that Note 11 existed and that we would be sending him briefing material on it. Perhaps the Minister's recollection is better than mine but I don't have a clear recollection of that discussion. I have a feeling - I recently re-read some of the board minutes and my recollection is that there was an issue before the board at that October meeting that was extremely important and we discussed it at some length.

**MR. D. ORCHARD:** Mr. Chairman, can you indicate to me, Ms. Edmonds, in addition to that briefing material that you sent over to the Minister, was a copy of the annual report sent with Note 11 and Note 12?

**MS. J. EDMONDS:** I certainly at the time assumed so. I can't answer for certain of my own knowledge but one would normally expect that an annual report would be provided to the Minister.

**MR. D. ORCHARD:** Mr. Minister, did you receive the annual report in that package of materials that Ms. Edmonds indicates was sent over to you?

**MS. J. EDMONDS:** Excuse me, I don't think I suggested that it was a package. The two things may have gone on a different scale. I think the secretary of the board may have provided an explanation. The financial statement is only one part of the annual report. It was the financial statement we were looking at and the Minister may not have received the financial statement until he received the entire annual report. I cannot tell you of my own knowledge whether that's true.

**MR. D. ORCHARD:** Ms. Edmonds, when do you recall the Minister received the annual report then?

**MS. J. EDMONDS:** I don't recall it at all. It's not something I inquired into.

**MR. D. ORCHARD:** Maybe Mr. Beatty could provide us with that information.

**HON. A. MACKLING:** I will check with my office as to the date of the receipt of the Annual Report from the corporation.

**MR. D. ORCHARD:** Mr. Chairman, before Ms. Edmonds goes. Ms. Edmonds, given that previous years - and I've gone back to '79-80 Annual Report, we have four December dates and one January 27th date. Can you indicate to me why, as Chairman of the Board, the Manitoba Telephone System Annual Report was not released until the 21st of May, 1986?

**MS. J. EDMONDS:** No, again, I have no knowledge of the answer to that question.

**MR. D. ORCHARD:** Ms. Edmonds, as Chairman of the Board, who would you think would be responsible for the release of the Annual Report, I believe which is signed by the acting chairman of the board; if the Chairman of the Board is not responsible and has no knowledge?

**MS. J. EDMONDS:** I certainly was unaware of the cycles you described in previous years. I would have presumed, I think, that the cycle that was being followed in the first year in which I was on board was probably the normal cycle. So I don't think I would have enquired into it. Certainly we can make some enquiries and see if there was any unusual holdup.

**MR. D. ORCHARD:** That would be most beneficial to the committee to find out why this report is five months later than most years.

**HON. A. MACKLING:** Can I get a clarification . . . The honourable member is referring to dates, is that the date of tabling in the House or . . .

**MR. D. ORCHARD:** To clarify for the Minister - and this is confirmed by two different MTS staff whose names we have so that we can . . .

**HON. A. MACKLING:** I'm just asking a question, is this the date of tabling in the House?

**MR. D. ORCHARD:** It was told to us that it was tabled in the House on May 15th and subsequently released to the public. It is stamped dated May 21, 1986, Legislative Library.

**HON. A. MACKLING:** We had an election in March so I guess we were . . .

**MR. D. ORCHARD:** The Minister is absolutely correct. We had an election in March with an Annual Report ready in December. The Minister is absolutely correct. Mr. Chairman, could I ask Ms. Edmonds, as Chairman of the Board, at the October 18th meeting, was Ms. Phillips there as a board member?

**MS. J. EDMONDS:** Mr. Chairman, I'd have to check.

**MR. D. ORCHARD:** Would Ms. Edmonds also check as to whether the Minister's representative from his telecommunications group, office staff, senior staff were present as observers at the meeting?

**MS. J. EDMONDS:** Yes, Mr. Chairman.

**MR. D. ORCHARD:** Mr. Chairman, I'm at a loss to ask who might be able to tell us when the MTS Annual Report for '84-85 could have been tabled, and why it was delayed. So I would throw the floor open to any MTS official who might be able to provide us with an answer as to why it was tabled some five months later with, coincidentally, a provincial election in the interim period of time. Can anyone in the Telephone System provide an answer to that?

**HON. A. MACKLING:** Mr. Chairperson, I've indicated that I will enquire and I'll provide the information. I appreciate that it's a tabling in the House . . .

**MR. D. ORCHARD:** And that is the first time that it was made public.

**HON. A. MACKLING:** I want to check on the dates that the honourable member is alluding to and I trust

staff made notes of these dates. Whether they're the dates of tabling in the House of the report, or the release to the public, I don't know what these dates refer to.

**MR. D. ORCHARD:** Was Mr. Silver or any other member of the Crown Investment portfolio at the October 18th meeting of '85 which you chaired, Ms. Edmonds?

**MS. J. EDMONDS:** Mr. Chairman, I don't think so.

**MR. D. ORCHARD:** But you will check on that for us.

I just want to make sure that I understand that the Minister received sometime, in either a multiple shipment of information or a package shipment of information, but I want to make sure that I understand that the Minister sometime, probably before the end of 1985 received Note 11 of the '84-85 Annual Report.

**HON. A. MACKLING:** That is not certain. I've indicated I will check. My staff have no record of having received that information.

**MR. D. ORCHARD:** Well then, Mr. Chairman, was I mistaken when I understood Ms. Edmonds to say that Note 11 was part of an audit explanation of the accounts receivable that you received as a result of requests made on the October 18, 1985 meeting? Did I misunderstand you, Ms. Edmonds?

**MS. J. EDMONDS:** I'm sorry, I don't understand your question. Could you repeat it, please?

**MR. D. ORCHARD:** On previous questioning of yourself you indicated that on the October 18th, 1985 meeting you had a lively discussion about Note 11. You received assurances from the same staff that had given you assurances, the board insurances in the past. You subsequently phoned the Minister; you subsequently sent him a package of information . . .

**MS. J. EDMONDS:** No, I subsequently phoned the Minister about the events that transpired at the October 18th meeting. I told him, I think probably in that conversation, or it may indeed have been that I spoke to his executive assistant and said we're going to send over a briefing note that provides information on Note 11 which will appear in the financial statements for the fiscal year, but I recall no further discussion of any depth with the Minister on that point.

**MR. D. ORCHARD:** Now, Ms. Edmonds, would it be possible for you to provide the committee a copy of that package and that communication with the Minister?

**MS. J. EDMONDS:** Not a package, one memorandum and, if the Minister agrees, we can table it.

**HON. A. MACKLING:** Well, I've indicated that I will check my staff to see what, if any, documentation was received.

**MS. J. EDMONDS:** I think it's important that we check that it actually was received. I have a copy and I'd asked that it be sent, but I can't vouch for it being received.

**MR. D. ORCHARD:** Well, that's fine, I can accept that and we'll rely on the Minister's records if he received it, but would you give us the undertaking to table this copy you sent? That shouldn't provide any difficulty.

**MS. J. EDMONDS:** I asked that it be sent. I assumed that it had been sent and if the Minister agrees, we can table it.

**MR. D. ORCHARD:** Excellent. Mr. Chairman, I have a question for Mr. McKenzie as a professional. If you were to look at an annual report of any business, Crown corporation, it doesn't matter, and read in it the notation in Note 11 where the recoverability - and I think you're familiar with it so I don't have to repeat it again - what would be your reaction as an accountant to that Note?

**MR. G. MCKENZIE:** I would be concerned on two elements: one is to understand the significance and the underlying circumstances surrounding the Note whereas I would ask for an explanation both from the Auditor and the management. I assume MTS has an audit committee and I would have thought the audit committee would have had adequate discussion of that.

A second concern would be the materiality of the item with respect to the overall welfare of the business.

**MR. D. ORCHARD:** Mr. Chairman, can I ask Mr. McKenzie the question: would the presence of that note be sufficient in your estimation to notify to the highest level available the existence of that note and the potential problems it was indicating? Would that be a prudent course of action for anyone responsibly reacting to that kind of a Note in an audited financial statement?

**MR. G. MCKENZIE:** Yes, I would believe so.

**MR. D. ORCHARD:** Thank you, Mr. McKenzie.

Mr. Chairman, I have no further questions of witnesses tonight. We'll follow up on a number of areas similar to this on Friday and unless my colleagues have further questions, I would be prepared to . . .

**MR. G. FILMON:** Just in follow up from some of this discussion, I wonder if the Minister can indicate how often he met with the chairman or succession of chairmen of MTS. Was it a regularized thing?

**HON. A. MACKLING:** Mr. Chairperson, the honourable member will recall that I indicated in response to his colleague that I met with Mr. Miller on one occasion. I believe that was the only occasion. Subsequent to that, Mr. Miller did resign.

I met with Ms. Edmonds prior to her appointment and subsequent to her appointment, of course, I met with her from time to time and of course did talk to her on the telephone subsequent to her appointment; therefore I only had communication with two chairpersons of the Telephone System.

**MR. G. FILMON:** So you at no time met with Ms. Phillips when she was the interim chairman?

**HON. A. MACKLING:** Yes, I recall on one occasion meeting with her. She had concerns particularly about

labour relations in the Telephone System and we were discussing issues that were of grave concern to her about the proposed management study - not a management study but a study involving workers in the Telephone System.

**MR. G. FILMON:** So there were no discussions at any of these times in respect to MTX with any of these people?

**HON. A. MACKLING:** I don't recall any discussion with Ms. Phillips about MTX.

**MR. G. FILMON:** With Mr. Miller?

**HON. A. MACKLING:** When I was briefed by Mr. Miller, I think that he did comment on MTX.

**MR. G. FILMON:** Was that comment of concern?

**HON. A. MACKLING:** The comment was a concern that the kind of export and marketing of expertise which was involved in the initiatives like MTX were very important.

**MR. G. FILMON:** So he was expressing a concern to you about the operation of MTX at that time?

**HON. A. MACKLING:** He was indicating that he believed it was necessary for the Telephone System to ensure that it took advantage of its expertise and furthered their commercial undertakings.

**MR. G. FILMON:** So he was suggesting that more be done with MTX?

**HON. A. MACKLING:** I don't recall the exact nature of the conversation, but he was concerned that commercial application of the technology that we had developed and were developing in Manitoba not be curtailed.

**MR. G. FILMON:** Your discussions with Ms. Edmonds, were any of them to the effect of expressing concern about the operations of MTX or the financial viability of MTX?

**HON. A. MACKLING:** In this last short period of time, certainly yes, after July and August, the growing concerns about MTX, yes.

**MR. G. FILMON:** Prior to that?

**HON. A. MACKLING:** Prior to that, no. Ms. Edmonds was a new chairperson, was starting to get familiar with all the operations of MTS. No, I don't recall any specific concerns about MTX.

**MR. G. FILMON:** And you don't recall the briefing on the note to the Financial Statement, Note 11?

**HON. A. MACKLING:** No, I don't.

**MR. G. FILMON:** When were you, as the Minister, first apprised of any concerns about the financial viability of MTX?

**HON. A. MACKLING:** Well, I must credit the Honourable Member for Pembina for indicating concerns first about MTX.

**MR. G. FILMON:** When was that, Mr. Chairman, that you recall it?

**HON. A. MACKLING:** I recall certainly the concerns that he had in questioning Mr. Holland and vice-presidents in respect to accounts receivable, the drafts and the growing imbalance in the kind of accounts receivable and credit arrangements that he was examining them on.

**MR. G. FILMON:** Those were the ones that you were continually rejecting?

**HON. A. MACKLING:** Mr. Chairman, by hindsight obviously the sources of information available to Mr. Orchard were better than the advice I was getting from Mr. Holland and others.

**MR. G. FILMON:** Mr. Chairman, we're obviously at the end of the time. We'll pursue this at the next meeting.

**MR. CHAIRMAN:** The next meeting of the committee will be Friday, November 28th at 10:00 a.m. The meeting is adjourned until then.

**COMMITTEE ROSE AT:** 11:00 p.m.