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Public Accounts Committee

Legislative Assembly

May 10, 1978
10 a.m.

Chairman: Mr. Taylor

Alberta Government Telephones

MR. CHAIRMAN: Will the committee come to order, please. This is the continuation of the study of Alberta Government Telephones. Before we again introduce the delegation, what is your pleasure in regard to the minutes? If they're in order, a motion that they be accepted would be in order. Moved by Mr. Butler that the minutes be accepted. All in favor? Against, if any? The motion is carried.

We have with us again for the study of AGT the hon. Dr. Warrack, the Minister of Utilities and Telephones; Mr. Gordon Ades, the President; Mr. Barnes, Vice-President of Operations; Mr. Mallet-Paret, Vice-President of Corporate Planning and Development; Mr. Halhead, Vice-President of Finance; and Mr. Childs, Vice-President of Engineering.

At this time I will ask the hon. Dr. Warrack if he has an opening statement.

DR. WARRACK: Thank you, Mr. Chairman. Good morning, members of the committee. Briefly, two things I would like to do. I think it would be appropriate to review very briefly what may be emerging on the horizon in a major telecommunications policy issue and problem in Canada; secondly, to report to the committee on follow-up work that has been done in relation to questions posed last meeting, April 26.

Turning to the first part of my opening remarks, the telecommunications policy concern that I'm referring to is that that I raised two weeks ago. Members will recall that two weeks yesterday there had been a hearing by CRTC that took place in Ottawa and involved AGT participation on the question of systems interconnection. The reason I raise it further at this point in time is that this is an unusual point in time in Canada, in that there's all of the guessing going on by all of us, I guess, relative to the possibility of a federal election, and the fact that there is a very major telecommunications policy outstanding at this point. There is a very real danger that it might involve a decision outside of the normal policy review by those elected to make policy, and that there's a need to work around this particular unique sort of time in Canada.

The reason I mention this is that next month there is a meeting in Quebec City, as it happens on this occasion, of the Canadian Telecommunications Carriers Association which involves all of the common carriers and a number of others in the telecommunications area in Canada, roughly about the third week in June in the coming month. I would hope very much that this important item, which is surely as important as all of the other items in telecommunications in Canada put together, would be addressed by that body. Whether this occurs or not, and whether any resolution comes forward from it or not, it seems to me that if a federal election is not called soon -- which I think in practical terms means

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tomorrow -- there is a very great need to proceed with this issue on a minister-to-minister basis.

I thought I would indicate to the committee that it would be my intention in the coming week, after we see what happens or doesn't happen tomorrow, to devise a plan that would involve us in that way, and perhaps to call for a special meeting of communications ministers in Canada to deal with the system interconnection issue, because it is vital to common carriers, vital to the ordinary citizen involved, and could mean a fundamental restructuring of the telecommunications industry in Canada. In the event of the timing with respect to the unique circumstance of maybe being in front of a federal election, involves some careful thought by a number of people as to how to go about this. But it is important enough that it must be dealt with in Canada.

I thought I would indicate to the committee that once the work of the Legislature is complete, I intend to be addressing that as a major policy item within my own responsibility and, indeed, as chairman of the AGT Commission. I might also add I feel a responsibility for telephones insofar as Edmonton Telephones is concerned. Certainly the systems interconnection issue would affect them. Those are the comments I wanted to make on an emerging policy, and some initial thoughts on how this might be handled in the coming months, thinking through to the period where the fall session might begin in something like, say, mid-October 1978.

Secondly, there are four areas of follow-up from our meeting two weeks ago with the committee that I'd like to ask respective vice-presidents of Alberta Government Telephones to report to the committee. One area of follow-up deals with the manner of regulation and in relation to that, I think an additional comment that Vice-President Mallet-Paret would like to add with respect to decorator telephones and the circumstances under which they can be owned by the public. So I would like to ask Mr. Mallet-Paret to follow up on those two items.

Also, a question was posed last time with respect to the matter of the breakdown of equipment for bidding purposes by AGT; that is, electronic equipment for bidding on electronic jobs. I'd like to ask Mr. Childs to report to the committee on that follow-up from our meeting two weeks ago. Finally, there was a question with respect to employee breakdown, in numbers, that we were doing some work on. I'd like to ask Vice-President Mr. Barnes to follow up on that.

So we might have those three reports, if that meets the pleasure of the committee, by way of follow-up on questions that had been posed two weeks ago at this meeting. First Mr. Mallet-Paret, then Mr. Childs, and then Mr. Barnes, on the respective topics I had outlined.

MR. MALLET-PARET: Thank you, Mr. Chairman. At our last appearance here, there was a question with respect to interconnection of telephone sets to the network. In trying to think of all the reasons why, and so forth, we do and do not allow and have certain restrictions, I did neglect to mention the fact of the decorator telephone set policy we have. It also came to my attention as a result of a report in The Albertan of April 27 which seems to imply that Edmonton Telephones allows customers to do things that AGT does not allow. That is not the case. We do have what we refer to as a decorator telephone set policy.

The policy with respect to decorator telephones is this, and I can read a few brief remarks out of our general tariff on that: first of all, the decorator set must be a single-line, non-pushbutton type set, either dial or manual, which in AGT's opinion is

sufficiently different from those which are normally provided. As you can probably appreciate, there are many varieties of telephone sets on the market. It would be economically impractical to provide every type of set that's available. However, we do allow -- and you've seen them in display in Birks and The Bay and various places -- rather expensive decorator-type sets that are for sale there. We will allow those types of sets to be connected, as do other telephone companies across Canada and Edmonton Tel. However, it is done so again with certain restrictions. We require that the set be inspected and approved for compatibility and technical compatibility with respect to the network. If modifications are required, we are prepared to do the modifications at cost to the customer who purchased one of these sets.

There's a few other items I could mention here. AGT will install or substitute standard working parts in the housings for them. We do maintenance on that part of the set that we provide. Usually these sets are fancy-type decorator sets -- French phones and things. I'm sure you've seen them all in magazines. But we do not repair the housings. That's the responsibility of the owner. So I just really wanted to clarify that we do have that policy, and it is similar to Edmonton Tel's.

With respect to the next issue Dr. Warrack mentioned, there was the question of -- let me see if I can just phrase it here -- what is requested is that AGT provide us with the specific names of AGT's activities which are not regulated by the Public Utilities Board, along with the number of employees in each respective area. Mr. Barnes will be talking about that part. However, I would like to make some comments with respect to the question itself.

First of all, AGT does not have any activities that are not regulated by the Public Utilities Board. I would like to direct the committee's attention to the manner of regulation hearing which resulted in Public Utilities Board Decision E76090 of July 8, 1976, which had been previously provided to some members here. The board decision has specific requirements that AGT must follow with respect to regulation of all its services. Now, I do have some examples from the board order itself that I would like to refer to in that respect. On page 23 of that order . . . Incidentally, that order is about 100 pages long and we'd be happy to provide a copy to any member. We haven't offered to do so because of its size. But anybody who wants a copy could contact us or the Public Utilities Board, and they're available.

We made an application for a rate hearing. Prior to the rate hearing getting under way, the Public Utilities Board said: there's not enough known about how to regulate a telephone company; let's stop and go into that issue. As a result, a manner of regulation hearing was established. The board asked us to categorize all our services. They asked us to categorize them into the order of: intra, or within-Alberta services; extra, services that go beyond the borders of Alberta; competitive services; and monopoly services. We did that and developed a series of categories.

The result of the board's investigation into the whole area, I would just like to read from page 23 of that order: "In retrospect, it appears that the suggested use of the terms competitive versus non-competitive in the categorization of services may have been unfortunate. These terms appear to have caused considerable misunderstanding and confusion in the minds of some of the participants in the hearing. Consequently, the terms seem to have opened a floodgate to the sea of semantics and considerable discussion." Et cetera. It goes on to say: "It appears that some of the problems might have been averted if the service offerings had not been categorized as competitive or non-competitive." As a result the hearing refers to these services now: "With the benefit of

the hearing and with hindsight, it now appears that AGT service offerings should have been classified as basic services and non-basic services." It then goes on, and my point here with respect to this is: "The board also considers that all AGT service offerings should be regulated in the broad sense of the word". It refers to a submission by the city of Calgary, who was an intervener in our case, that "the basic service offering should be regulated to ensure that rates are as low as possible, having regard for the need to maintain the financial integrity of AGT". That certainly was our policy, presented to that hearing. Secondly, "regulation of non-basic services should be directed toward ensuring that they made an adequate contribution to the support of the basic services." That also was a policy we put forward as a suitable policy for providing the multitude of services that AGT has. The board considers that that was a proper policy.

Further evidence to indicate that all services are regulated under the board is contained on page 33 of that same board order, in which the board considers the rate base on which AGT should be regulated. In that respect, it was interesting to note in our original submission we said services shouldn't be regulated. They in turn said, AGT's application was merely that individual or joint rates, tolls, fares, or charges for certain service offerings should not be regulated. These were the so-called competitive ones that we started talking about initially. The board's view on that was: "At this time the board considers that it would not be appropriate, either upon its own initiative or upon the application of any person having an interest, to declare any of the service offerings of AGT not to be a public utility." In saying that, they are saying then that all services should be regulated.

They go on to say: it is also emphasized that in fixing the fair return in respect to AGT's rate base, the board intends to give consideration to the contribution to net earnings made by all services. So there once again the board has directed us and has regulated us accordingly. The board orders that finally came, which are contained on pages 92 to 98 -- I have copies and would be happy to file them if that is appropriate here. The board orders numbers 2, 3, 4, 5, 6, and 9 do refer to the manner in which the board wishes to regulate our so-called non-basic services. Further, they have taken our original list that we had originally submitted, reformatted it to their own requirements, and have come up with a series of schedules which show all the services AGT provides.

There are four schedules, to be exact: intra-services, both regulated and non-regulated -- and I'll explain why it's got non-regulated after I've told you so far that they are regulated -- and extra-services which are regulated and non-regulated. Now the term "non-regulated", after what I've just said, seems a little incongruous, I'll admit. But they are non-regulated, and that is contained in the order as well, with respect to the exact price only. In other words, the so-called regulated services or monopoly services -- the telephone service that you're accustomed to -- is regulated exactly with respect to price. In other words, we come in and say, we want to charge \$5.25 for residential service in the city of Calgary, and it's approved that way.

With respect to non-basic services, we are not required by the board to state that we are going to charge so many dollars per month, whatever it is, for Datapac service, for example, which is a trans-Canada service. But we are required, and this is where the regulation does come in, to provide what is termed a contribution test to the Public Utilities Board, which in effect sets the minimum level to which those rates can be set without having cross-subsidization from those non-basic services to the basic services. So in that respect the services are regulated. Now, the reason for not regulating an exact price is because we do have competition. The competition primarily, and almost

solely, is from our friends CN-CP. They are the only other company that really can provide these types of services which require networks in the province of Alberta. There are a number of other multinational firms -- Motorola, as an example -- that operate in the province of Alberta, which also do provide stand-alone, pipeline, radio systems, things of that nature, in which we also have competition. But our pricing policies, as prescribed by the board, must be such that those services and prices do provide a contribution to AGT in total.

In that respect, I just thought that there should be some explanation with respect to the manner in which AGT services are provided. I wanted to dispel the idea that we do have a free-wheeling, carte blanche approach to running out and providing services at any price, which is certainly not the case. We do have to meet the requirements of the Public Utilities Board in that matter.

MR. CHAIRMAN: Thank you, Mr. Mallet-Paret. Now I think Mr. Childs has a report.

MR. CHILDS: Mr. Chairman, in response to the question: is it engineeringly possible to break switching down to the point that small electronics firms can bid; everything is possible, I suppose. But the concept of breaking down our switching tenders into small modules so that enterprisers can provide small sections of a large, interacting and interconnecting basic system is, in my view, not technically practical, nor would it be economically feasible. I think that was the thrust of the initial response of Dr. Warrack at the last sitting that we attended.

We are not normally involved in the design of the equipment. We're involved in the design of our network, using equipment and systems already designed.

For equipment procurement we have eight general guidelines which we use as a first reference. But we have other needs and constraints which apply from time to time, which may depend on the type of equipment, whether switching equipment, transmission equipment, cable systems, or cable plant. These eight general conditions are: number one, there must be a wide variety of equipment available, sufficient to meet the different needs that we encounter. The variety does not necessarily have to be available through one manufacturer. Number two, manufacturers must be able to meet our current and longer-term needs at a reasonable price and without excessive delay. Number three, manufacturers must be economically sound and of sufficient stability that they can maintain their long-term integrity and ability to provide equipment and services for our longer-term needs. Number four, we expect the manufacturers will incorporate the latest technology and processes into their products wherever these are economically advantageous. Number five, to ensure the reliable supply to maintain a reasonable price competitiveness is desirable, and that there be at least two alternate suppliers for any basic type of equipment required. Number six, there should be no discrimination as to delivery practices or prices within and without Canada. Number seven, suppliers should have the capability to provide long-term support of their products after they've been bought by AGT. The last one, number eight: where prices, quality, and support are equal, AGT's broad purchasing policy is to purchase materials and supplies on the following priorities: the first of those is Albertan, the second is Canadian, the third is North American, the fourth is overseas.

We obtain systems, subsystems, and components from many companies. There are probably eight major suppliers, including, of course, Northern Telecom, Automatic Electric, LenKurt of Canada, ITT, Phillips Cables, Canada Wire and Cables, Associated Electrical Industries, Telecommunications. There must be a total of probably over 50 suppliers that we obtain

our material and equipment from. Some of the equipments' design that we procure today are in fact within themselves modularized. We're prepared to mix equipment of different suppliers in some of our digital toll connecting structures, but only to a degree. Each supplier's equipment is a little different; each supplier holds patents and proprietary interest in his equipment. If we were to establish a detailed specification on the exact composition of each system, which is done in some countries on a national basis, we would need extraordinarily large resources not warranted for an organization the size of AGT. Also, such a procedure would tend to inhibit advancement and development of the technology, the use of new technology. Consequently, it would increase the cost of our plant.

With respect to switching equipment, we do not mix modules at all. The modules will not intermix. All manufacturers have different concepts, different software and hardware, so that intermixing is not feasible. Again, as with the transmission equipment, it would need extraordinary resources on the part of AGT to specify precisely the design of the switching system. This would inhibit advantages presently available to the manufacturers by their competing in design, adoption of the new technology or innovation, and improvement in productivity.

In trying to visualize how this proposal would impact on the provisioning process for central office switching equipment, I can only liken this concept to a hypothetical example wherein we would purchase and install several hundred one-hundred-line electronically controlled PBX's to provide switching capability for a single-wire centre. This would certainly be more expensive in per-line cost, would occupy more floor space, consume more power, and result in a horrendous network which, as it grew, would require more processing computer power to effect a connection and, what is more disastrous, would require an ever-increasing number of powers between each of these PBX's, thus using up the termination or port capability of each switch so that there would be nowhere to connect the telephone or other terminal loops.

We provide all offices in segments; that is, we usually separate the buildings, the stand-by engines, the power plants, the distributing frames, the measuring systems, the test systems, the maintenance systems, transmission systems whether they be for cable systems or microwave radio systems, loop improvement items such as subscriber carrier systems or long-line boosters or negative repeaters, and special service items, all of which provide ample scope for a small manufacturer with experience and know-how to get into the business. AGT's prime responsibilities are system reliability, system availability, good quality of transmission, at the lowest cost of operation: all the services that we the telecommunication common carrier must and shall provide, be that in the central office switching system, the connecting links of the network, or the terminal devices for each residence or office of tomorrow.

I would also add that any further fragmentation of the system used in telecommunications for the purposes of tendering will ensure the continued participation of all the established and recognized major suppliers and, further, will attract and ensure the intrusion of the multinational companies not presently involved, particularly those from Germany and Japan. Furthermore, it is the objective of all telecommunication operating companies these days in their larger wire centres to increase the maximum size and capability of the electronic switching systems. This is because with two machines in the same wire centre, every time a connection within that wire centre is made with a well-distributed community of interest among the assigned customers' loops we will use two central processing units and a path between the two units. The trunks used are

terminations on the switching matrix, and thus reduce the line capacity of the two units. By having a unit with a larger line termination and connecting capability, the efficiency of the total system is greatly improved.

That is only a simplistic observation of the matter. The total savings are much more extensive and attractive, both in the cost of the system, that's the hardware and software cost viewpoint, and from the operation and administration cost viewpoint.

Everything is possible. But this concept of modularization of systems for purposes of developing the electronic industry in Alberta is not, in my view, technically practical, nor is it economically feasible. Software and hardware costs and administration costs will increase. As I said before, AGT's responsibility is to the integrity of the telecommunications system in Alberta: reliability, availability, good quality, at lowest possible cost. I do not see this proposed concept as contributing to these prerequisites. There are several plants in Alberta manufacturing and assembling cable and equipment. It is in this manner that the growth and development of the electronics industry in Alberta can best be advanced. If the concept were a viable one I'm sure the industry, certainly the major manufacturers, would have offered this approach long ago. The firms with the know-how, the resources, the manufacturing capability, would be in there at the outset, aggressively competing.

Mr. Chairman, there was a further question with respect to what portion of AGT's electronic contracts would be awarded to firms such as Northern Telecom as opposed to electronics firms in Alberta. The question also referred to Bell; we don't purchase equipment from Bell. In this case it is difficult to answer the question because Northern Telecom, Automatic Electric, and Phillips all have factories in Alberta. Also, we contract some jobs and we merchandise order others from the same electrical and electronic suppliers. Furthermore, we cannot determine what percentage of the orders are manufactured in Alberta. We purchased in 1977 over \$115 million of equipment. Our largest supplier was Northern Telecom, who received 55 per cent of the total. The amounts purchased varied down to one company, Interdata of Canada, we purchased \$1,685, which amounts to .0015 per cent of the total.

Thank you, Mr. Chairman.

MR. CHAIRMAN: Mr. Barnes has a statement.

MR. BARNES: Mr. Chairman, I believe the thing that interests Mr. Clark at the moment is the number of people we have employed in the Altel Data area. I agreed to make an assessment of this for him. I have done that. I would caution Mr. Clark that the number I am about to give is not the number of people involved in the report he happens to have in his possession, which deals with just terminals and not all the terminals. This covers the people in Altel Data who provide network services, intelligent terminals, and, if you like, dumb terminals. That's 283 people, to the best of my judgment.

The other area we agreed to get some information on . . . I will apologize on this. I have information, but I have not gone back five years. I have information for 1976-77 and the estimates for 1978 for construction equipment. If it's essential for the purposes of this committee, I can certainly go back further. It involves several man-days of work to obtain it for the previous years. But if it's essential I would be prepared to go back and do it. However, for 1976 construction equipment was purchased by AGT in the magnitude of \$660,000. In 1977 it purchased in the magnitude of \$116,000. In 1978 it's estimated that it'll be around the \$800,000 mark. I would caution Mr. Clark that in 1977 there was

a considerable amount of leased equipment, and I don't have a record of that. I think possibly those figures should suffice for the areas we were dealing with where the committee required the total cost of construction equipment.

MR. KIDD: Thank you, Mr. Chairman. Since AGT is involved in a very sophisticated industry which requires highly trained technical personnel, might the appropriate gentleman from AGT comment on AGT's hiring policies, training program, et cetera, to secure and maintain first-class staff -- such things as, do they promote from within, does AGT have any policies regarding hiring of Alberta engineering for permanent and/or summer jobs? In short, a comment on this general area would be appreciated.

DR. WARRACK: That's certainly a very excellent question from the Member for Banff, and an important one. I'd like to ask President Ades if he might comment by way of response.

MR. ADES: Mr. Chairman, our policy of course right now, due to financial situations and what not, is to not hire any more people than we absolutely have to to operate efficiently. However, we have a very extensive training program, both in management and technical. Mr. Childs has a great number of training schools -- cable splicing -- and Mr. Barnes has a lot of training schools. We, gentlemen, screen our new employees very, very carefully. One area where we have a fairly large turnover is the operator staff. It's certainly improved in the last year or two, but it's a job that we consider sort of a marriage bureau and it's pretty difficult to keep the people interested in a job that now with the new TOPS positions it's very difficult to make the job interesting. So we expect a fair turnover.

The training programs we have cover basically all our services. They have to be trained. Our engineering people are usually picked up by employing them during the summer. During their educational period of approximately four years we will hire them during the summer. They get to know us; we get to know them. The seniority they build up in the summertime is credited to them when they eventually start to work for us. We do not have any strings on this. A student is not required to come to us just because he has worked for us. But there are very few who don't. I think, gentlemen, that is due to the fact that we are, in my opinion, a very aggressive and progressive company. People do like to work for us. I don't say they all like the president, but at the same time I think you'll find with most of our employees throughout the country they're very satisfied with the work they do.

I'm not sure, Mr. Chairman, whether I've answered all the questions. I may have missed some of them. May I ask if there's something else I could add?

MR. KIDD: One area that I'd like you to comment on is: do you have any policies regarding hiring Alberta engineering students for permanent and/or summer jobs?

MR. ADES: We would prefer, as we do in our purchasing, to buy Alberta. We're very cognizant of that. But we will take students from any place. We have gone over to England to pick up technical people we couldn't get here and we didn't have time to train. But generally we do give preference to Albertans, everything being equal of course.

MR. WOLSTENHOLME: Thank you, Mr. Chairman. I was wondering if the hon. Dr. Warrack could give us a little information about fibre optics, I believe it's from Calgary to Cheadle.

By the nature of the name, I think I might know what it's about. But could you explain a little about what fibre optics are?

DR. WARRACK: Mr. Chairman, it won't take me all that long to explain everything I know about it. But the first thing I would say is that I always carry along, in my wallet -- and you can see how thin it is, because you can't see how thin it is. This is a fibre optic. As a matter of fact, it is physically mostly the protection around operative fibre. The fibre itself is something in the order of a hair -- I don't know whether it's curly or not. But it's really only about the magnitude of a hair. What I was just showing you that you can't see because it's that small but is here, does substitute for coaxial cable or something of that magnitude. I'd like to ask Mr. Childs to give us some help on what is really involved with it.

But I could make these points, as I understand them. Fibre optics has the capacity for two things: first of all, enormously large volumes by way of a transmission of bits of light along the fibre. One can readily see how that becomes important in metropolitan urban situations. Secondly, its nature is such that there is virtually zero interference. As I understand it, you could virtually go by it with a 747 and still not distort, which is really quite incredible and quite different, of course, from our electronics experience so far. Again, in circumstances where there's an enormous amount of interference, such as metropolitan urban areas, you can see how greatly valuable that would be.

The initial project that has been undertaken is on what's called the metropolitan entry, which is a system of telecommunications entry into urban areas, be they Calgary or Edmonton, and of course other cities elsewhere. The initial project is coming in from the east to the microwave tower at Cheadle, on through by fibre optic to Calgary. That's the initial project. If it works out well, then of course it would be expanded in the future. I understand, having read recently, that there are some cable operations in eastern Canada that are in densely populated and high-distortion sorts of areas that are working on a fibre optic system to transmit their television signal in an undistorted way to their customers. It is viewed as a very progressive possibility for them in that way.

In terms of its method of technological application, I'd very much appreciate the additional comments of Mr. Childs.

MR. CHILDS: The transmission of information through optical fibres is of course a new technology. The telecommunications industry has been aware of the potential that is expected to be derived from development and exploitation of this new technology. The fibres are made from silica, the pure form of sand. The fibres are drawn, much the same way that the copper wire is drawn, to get the lengths of fibre required. The fibre is of such purity that if a pane of glass were a third of a kilometre thick, the light entering the room the window was in . . . This thickness would be the same as the ordinary glass that you use in your windows today. So it is exceptionally pure.

The aspect of fibre optics is really no different than using copper or coaxial cable, which is a kind of copper cable. You have to have a light source. This is in the form of a small kind of laser, or light-amplified stimulated electromagnetic component. It's a source that responds to electrical input and generates a strong beam of light. This light source then is modulated with the transmission information in exactly the same way that the coaxial cable, the microwave systems, are modulated in the systems we use today. Then it has to have a light receiver. This is a photo-electric diode, called an avalanche photo-electric diode. This receives this modulated light signal and that is then

electronically converted back into the information and divided out into intelligible speech, data, or video.

On the fibres we're using between Cheadle and Calgary we can handle with two fibres, one in each direction, 400 voice circuits or three video television channels. There will be 12 fibres in the initial cable, 10 of them working and 2 of them on stand-by. There will be repeaters every three or four kilometres, 15 repeaters all together. The system is the first application. The amount of information we're passing and planning to pass over the fibres is the first application of fibres of that size. We will have a system, I think, which will be as modern as any system in the world for this type of transmission. We have a special need for this type of transmission, not only on the Cheadle-Calgary route, but we have routes from Aldersyde to Calgary, from Crossfield to Calgary, from Kavanagh to Edmonton. We will have other routes into other cities. We have needs for this sort of system for that purpose. One of the reasons we have the need is because fibre optics transmission is what we call digital modulation. This is the future type of modulation that the industry expects to be using in the future. It is claimed that the digital switch and the digital transmission systems are necessary to effect continued economic savings.

The fibres are expected to be used in three areas. I've mentioned this one, which is the long-haul or heavy-route transmission. Dr. Warrack mentioned the interexchange in the metropolitan areas. The most exciting area is in the local loop plant, which is about to be experimented with. We have had some participation with engineers in AGT getting an update on the technology. We are proceeding to formulate plans to carry out a trial system for local loop service. The difficulty with a new technology is that the initial costs tend to be high. It's only with economies of scale with the development and use of these new technologies that the costs become considerably reduced and become very effective.

MR. CLARK: Mr. Chairman, I have a number of questions which flow from the responses we got from the officials of AGT this morning. Perhaps I might pose the questions in response to the comments made. First of all, I'd like to ask why it is that customers can't buy basic telephone sets. As I understand, there's no technical difference between the basic sets and the luxury sets that the city of Edmonton and AGT are prepared to sell to people. I don't understand all this -- if you'll pardon the expression, gentlemen -- technology, and so on. People in the industry, and some in AGT, tell me the basic technology is no different whether it's one of these luxurious phones that people can buy, or whether it's the kind of very simple phone I have in my own home at Carstairs. That's the first question.

Secondly, I'd like to ask with regard to the comments Mr. Childs made regarding the criteria AGT uses for purchasing. I wonder, sir, would it be possible for us to get a copy of that? You read eight or nine points this morning. If you could file that with the committee, I would find that very helpful.

Thirdly, with regard to the comments one of the gentlemen made about AGT now being regulated. I found that an interesting exercise in going from competitive and non-competitive to basic and non-basic and in the past the Public Utilities Board not feeling it's been doing the regulating, now all of a sudden -- the Public Utilities Board at least won't be heard this morning -- saying it's regulating all parts of AGT's activities. Suffice for me to ask this question, very pointedly: in the future, any additional service AGT is going to be offering I assume will get the approval of the Public Utilities Board

before that's offered by AGT? Secondly, I'd like to know: is it true that the Public Utilities Board has just recently hired accounting personnel from AGT to set up Public Utilities Board accounting procedures as far as a rating for AGT is concerned? Now I don't blame AGT for that happening, but it gets very bloody confusing for the poor old consumer in this whole ball of wax. That would really be the third area.
Fourthly, with regard to the comments made on the purchasing question . . .

MR. THOMPSON: On a point of order, Mr. Chairman. It's been the procedure here in the committee that you ask a question and you ask three supplementals. Here today we have somebody asking about five or six questions all at one time. I'd like a ruling from the Chair on this.

MR. CHAIRMAN: Members of the committee, the reason I was permitting it is that we possibly should have had a period of questions on the information given arising out of the last meetings. I thought that anything arising out of the last meeting possibly should be cleared up separately, rather than under the regular questioning. So under that arrangement, if it's satisfactory to the committee, we could have all the questions from Mr. Clark and they could all be cleared up at one time. You're sticking to things arising out of the information given?

MR. CLARK: That's right. Is that agreeable?

Mr. Chairman, with regard to the amount of purchase of equipment, I really was going to ask the question on rentals but I noticed that was covered in the final comment. I think you indicated that in a year only \$116,000 of equipment was acquired, but AGT was involved in pretty extensive rentals that year, which covered that base. I note that. I wonder, could we go back just one more year, Mr. Minister. I believe the information went back to '76. Mr. Barnes, if you could back to '75 I think that would suffice as far as the information I need is concerned.

The last question I'd ask, Mr. Chairman, dealing with the information supplied today: would it be possible for Mr. Childs to get a list of the 50 companies that AGT purchased from during last year? Could we ask you to give us the location of their head offices also?

MR. CHAIRMAN: Is the delegation ready to answer those questions at this time?

DR. WARRACK: Mr. Chairman, I think I got them all. On some I'll get some additional help. I think some need to be responded to by myself and some are better responded to by others in our group. On the question of why customers can't buy the basic telephone, I'll ask Mr. Mallet-Paret to comment on that, because this relates to that whole question of terminal interconnection. I may stand to be corrected, but it's my understanding that for the basic lifeline service phone, if you like, the ownership of that by the telephone company I believe is specified in The Alberta Government Telephones Act and as been so for many, many years, which means prior to 1971. Which doesn't mean it can't be changed.

MR. CLARK: I was just going to make that point.

DR. WARRACK: I'm not surprised. I'll ask Mr. Mallet-Paret to respond further, though, on that point, but particularly on the terminal interconnection question which is really the umbrella of the specific question on basic phones.

Secondly, the criteria the hon. leader referred to, Mr. Chairman, from Mr. Childs's remarks. What I think I'd suggest is that that, along with some other items, I'll come to. It would be something we set down in writing to you, as committee chairman, and then distribute to all members of the committee and respond to that item in that way, if that's satisfactory to the committee.

Question 3(a), as I have it, relates to the question of regulation of any new service by AGT and what involvement the Public Utilities Board would have on that. I think I would need to again ask Mr. Mallet-Paret to respond to that. As Vice-President for Corporate Planning, he's really been handling those kinds of matters for AGT, including the rate case itself.

3(b), the question of hiring by the Public Utilities Board, I noticed in the paper -- as I guess the hon. Leader of the Opposition did -- that one of the people from AGT had been hired by the Public Utilities Board. I guess when someone takes a job with AGT they don't make a forward commitment of where they can't work in the future. I guess the hon. leader's point, and it is one that's a problem, is this sort of gray haze in the public mind out there. I really think it fundamentally relates to the fact that the application for rate review by AGT was initially posed in September, 1975. It's now May, 1978. The lawyers are doing their numbers on this and that. I have no idea it will ever be resolved. But one of the by-products or implications of this, including confusion in the public mind and in the consumer mind, is the sort of thing that comes about with the passage of time, which is now some two and a half years and, for all I know, might be another year or year and a half before the whole thing is settled. There's bound to be people from here and there. We've got people retiring who started to work on the rate case, for that matter.

It's a regrettable circumstance that the time frame is as long as it is. I do hope that the court's dealing with the matter of the allegation of bias -- I guess that's what it's called this time anyway -- will get on with it and get the matter settled so we can all get back to putting the priority on providing good telephone service to the people of the province. So that's really the comment on that that I would have.

On the question of the information that Mr. Barnes provided, '76-77 and estimated '78, the member has a particular interest in 1975. Perhaps it would be as well in the memo that we're already going to provide to all members of the committee through yourself as chairman, Mr. Chairman, that we would add that matter to it; do that work and put it into that memo in addition to the information that was provided earlier today. Moreover, I think we could add as a third part to that memo, at least so far, the list of companies asked for by the hon. Leader of the Opposition, and that Mr. Childs could compile for us and for the committee.

That, then, I think leaves two items that require further comment beyond what I'm able to say by way of response: the question of the terminal interconnections and, in that relation, the basic phone matter; and the question of new services and the relationship of Public Utilities Board involvement and regulation in such potential services; both of which I would ask for further comment on by Mr. Mallet-Paret.

MR. MALLET-PARET: The problem with the telephone industry is that the regulation of it is rather complex, specifically compared to other public utilities such as gas and oil.

Therefore, I apologize to the hon. Mr. Clark if I seem to be muddying up the waters with all these various restrictions, but they're there. With respect to the first question as to why we do not allow basic telephone sets to be connected, specifically if their insides are identical to the ones that decorator phones have, it would seem that they can be connected. As a matter of fact, they are illegally connected in a number of areas. People do buy these phones, bring them in from other provinces, and can plug them into the jacks in their homes. So we do recognize that there is that going on.

Let me first start by referring to The Alberta Government Telephones Act and legislation which gives us the responsibility to provide the telephone service in the province. Then one has to take the step as to defining what that service is. If we're going to define the service, and up to now the industry -- and I think all the things I'm going to say should be taken in context of the industry and not just AGT, because our position is not peculiar; it's identical to all the other telephone companies in the industry -- the industry and our legislation asks us to be the responsible public utility to provide telephone service. That includes the telephone set right on through to the switching system. The systems are designed from end to end. Certain problems will occur if we start changing that definition of providing service. There will be, for example, a joint responsibility. If we are only to act as the power company and provide plugs in the house and let everybody plug in their own sets, then the definition of the industry has changed. We are no longer providing telephone service; we're providing the carrier system, or distribution system if you like. But we cannot be held responsible then for the ability of a person to talk from one person to the other. Because the home-owner's set will be involved. That is one of the basic problems we have.

I mentioned last week that signalling is a concern. The transmission of the voice through the system is one thing, and the signalling and the actuation of the switches in the system is another. We have hundreds and thousands of telephone sets that are improperly maintained, improperly adjusted, that are actuating the switching systems in our network. There can be severe blockages. That is a concern. Granted, if we provide type-approved sets or allow customers to provide type-approved sets, that certainly should lessen the problems along those lines, but we want to be sure, since we still have the responsibility and the service has not yet been redefined, we still have that responsibility to make sure that if we're going to go down that road we will not run into the problems that have occurred as a result of going down that road in the United States, for example.

I think I mentioned joint responsibility: who is going to be responsible for maintaining the service. I should say that there has not been any public demand for the ownership of the telephone set. The set costs \$15 to \$20 or so. The investment in plant that we provide to support that set is something like \$1,500 per set. There just has not been any public demand. As a matter of fact, the city of Rochester decided that it would allow the ownership by the public of telephone sets. There was no response whatsoever from the general public. I think one fifteenth of one per cent of the public wanted to own their own set. They were quite happy with providing the service as defined.

There is no question about it. We are under considerable pressure today to allow the customer to provide sets. As a result of the hon. Mr. Clark's questions, you can see that. The pressure is coming from the manufacturers that make various and sundry types of sets. They are simply looking for a way of breaking into our business to provide telephone sets and make sales on a retail basis. We don't object to that in principle. What we're concerned about is we do have the responsibility of providing that service. We

are not prepared to jeopardize that responsibility by just saying, okay, tomorrow you can all go out and buy sets from whomever you like and connect them up.

There must be a number of things put into place before any of the telephone companies in Canada are prepared to take that step. Some of the things to put in place, for example, are: to reconsider our rating structure. People think as soon as they get to own their own set they don't have to pay the telephone companies any revenue. That's utter nonsense. As I said, the telephone set is \$15 or \$20 out of a \$1,500 investment. Someone has to pay for the \$1,500 investment that is provided by the telephone company. Therefore one of the first things we would have to do is what is termed "unbundling our rates". In other words, if a person is going to pay \$5.25, say, for his telephone service, we will have to determine how much of that is for the telephone set. It could be anywhere from -- don't quote me -- 10 cents or 20 cents. We haven't gone through that exercise. We'll say 25 cents. But they'll still have to pay \$5.00 for the privilege of connection and the use of the system. So that is one thing that has to be put into place.

Maintenance of the network would have to be put into place. If we get a call from a customer who says, our telephone isn't working, we will then say, whose problem is that, ours or yours? We will have to go out and probably make a service call to the customer, determine it's his set, and charge him for the repairs. So that type of thing has to be considered and put into place before we'd be prepared to go down that road.

Finally, the whole aspect of network control has to be put into place, as to how we really are going to control the network. I could give some examples there in that, as Mr. Childs said a few minutes ago, the network is going through quite a severe technological change right now from analog to digital transmission. That is a very important forward planning process that we are all in the industry having to face.

Digital transmission holds out for a fairly large amount of cost savings in the future, by virtue of the way the equipment is manufactured. Once we make the step -- and we are in steps; the transmission equipment will be digital first, the switching equipment will be digital next, and then the telephone set itself will become a digital telephone set -- we have to have a certain amount of control in the long-range planning of the entire network. There, once again, if we're going to be pressured into having the network broken down into little bits and pieces that control is going to be very difficult to exercise. The success of the industry so far -- and I think a lot of it can be attributed to the United States and particularly the Bell system -- has been that they not only have control of that but they even have had, up until the past, control of the manufacturing processes as well.

So those are some of the concerns we have with respect to suddenly opening the floodgates and saying, everybody go out and buy your own set. Until these things are well thought out, we're looking at it, I know Edmonton Tel is looking at it, and all the other telephone companies are looking at it. We are also looking at the success they have had -- I should say not necessarily success, but the results that have been obtained as they're going into this process in the United States. The FCC, who authorized it in the first place, is having serious second looks as to whether they didn't make a serious mistake in trying to restructure the telephone network and the method in which service is to be provided. I hope, Mr. Clark, that answered some of your questions in that particular area.

The other question that was referred to me with respect to additional services with respect to regulation: we are required by the Public Utilities Board to notify them with respect to any new services that are being provided by AGT, both as to the basic and non-

basic services. There are two processes and they are also contained in that board order I referred to earlier this morning: we either file for approval or file for acknowledgement. The monopoly services: we file for approval. The non-basic services: we file for acknowledgement by the board. Also, we have to go to the board if we, for example, decide that we should move one of our services from non-basic to basic or vice versa. On those schedules that I provided, we also have to get approval from the board for that as well. So we are under considerable scrutiny and control from the board in that respect. I think that's all I really have to say on that.

The only other thing I would like to make a quick comment on is with respect to one of our most valuable employees, who has been stolen by the Public Utilities Board, much to our horror. Incidentally, he's not an accounting person; he was our depreciation and cost engineer. I think that's been referred to. We were very unhappy, I might say, to lose him. He is an authority in costing and an authority in depreciation in the public utilities area. I think he has been looked upon as that right across Canada, as far as that is concerned. So it's my understanding that the Public Utilities Board wishes -- and I think they should -- and require people who are knowledgeable and know what they're dealing with when they're making regulations that will apply to us. From that point of view, I guess we're not too concerned. At least we know there are some people over there now who have some understanding of the industry.

MR. CLARK: Did you say, over there now?

MR. MALLET-PARET: Yes, he's there. He's gone. We lost him May 1st.

MR. CLARK: I just wanted to make it clear. You indicated, and I think the exact term you used was that there are now some people over in the Public Utilities Board who understand the industry.

MR. MALLET-PARET: There are a number of knowledgeable people at the board now. All I'm suggesting is that they have one more. I certainly wouldn't indicate to anybody that the board doesn't know what it's doing; it certainly does. There are very knowledgeable people over there right now. That's all I meant by that statement. I don't think there's anything further I can add to that.

MR. SHABEN: Mr. Chairman, the majority of Albertans now have access to cable television. I wanted to ask the minister if there is any planning going on, either within the department or AGT, that could result in the smaller communities in rural Alberta having reasonable access to cable television. Because a major part of the delivery of this system is the cost of delivering the cable signal to a rural district community. Parts of Alberta have no television reception; some have one channel. I was wondering whether any sort of consideration was going on to maybe rationalizing the transmission costs so that the smaller communities of 2,000 to 10,000 would be able economically to have cable television service.

DR. WARRACK: Mr. Chairman, that's certainly been a subject that has received considerable recent attention. I know that the hon. member's area, particularly the specific area of Slave Lake, has certainly had real difficulty getting the kind of television reception

that people can reasonably expect in this modern day and age. That's really been a problem and the member has worked hard to its solution.

The question of cable TV availability hinges on two primary factors. I'll ask Vice-President of Operations Mr. Barnes to add to this. It hinges on the economics of long-haul supply of signal, if you like, and to some extent then relates to the good luck or bad of being near the line of major microwave transmission. Secondly, of course, it hinges on the question of the economics of distribution of the cable TV signal in a community. The beginnings, under the leadership of my predecessor Roy Farran, of a cable television system in Alberta was what's called the 10-city plan -- that was before St. Albert; I guess it would now be an 11-city plan -- which was one system to provide the basic signal to the 10 city areas, and then entrepreneurs could undertake the job of its distribution based on the economics they projected for market penetration and so forth. That seems to have worked pretty well. That was the 2-10 plan -- two channels for 10 cities.

We're now in the position where we'd put into place a 2-26 plan, which would make cable TV available insofar as the AGT delivery of the signal is concerned to some 26 communities. In addition, beyond the 26, if there is any community on an added cost to make it available basis, in that sense it's available to any community. But as a practical matter, if a community is either significantly under a certain size -- and I believe they think that about a 1,500-household penetration is somewhere in the economic viability range, if my memory serves me correctly -- and the other, of course, is that if a community happens to be, by the luck of geography, distant from available transmission lines and outside the list of 26 as is presently provided, then the economics is pretty tough.

But there has been the expansion from the 2-10 plan to the 2-26 plan that's now the case. In fact there are hearings going on at the present time by the CRTC, and some interesting proposals made by some cable people in Alberta. I might say also, just before asking Mr. Barnes to amplify, that the cable operators in Alberta have now formed an association, the Alberta cable operators association I believe -- a gentleman from Calgary, Jack Davis, as its inaugural president -- working in a very positive and progressive way on behalf of their industry and on behalf of the people now and potentially to be served with cable television. I'd ask Mr. Barnes if he would comment.

MR. BARNES: Mr. Chairman, I think Dr. Warrack has covered the subject very well. I would be pleased to provide you with a list of the locations we have on the 26-location plan, which we're about to recommend to our commission that we increase to 30. The restriction on the number of locations we can economically serve really relates back to the total amount of money we receive from carrying the CATV signal through the province. Because we're not entitled to take any basic service revenue to assist with the distribution of CATV signals. So the larger centres are assisting in the distribution of these facilities to the other locations. It is indeed available to any location on a cost basis if it falls outside these categories.

Unfortunately the Slave Lake area is a little remote from the present routes the signal traverses. But if it reaches a certain size, I'm sure we can review the situation and see what other locations should be included. So we are in the process, and there are hearings in Calgary this week for something like 28 or more locations in Alberta for additional CATV service. But I will provide the list for you, Mr. Chairman.

MR. SHABEN: I would appreciate receiving the list, including the list of the 30 projected. I was interested in the final comment that there is an averaging over the 30, but it's limited now to 26 considering expanding to 30. Is there planning going on to expand it beyond that? I'd have to see the list to see what sort of rural coverage. I'm not just speaking for my own area, but there are parts of rural Alberta. Is there continuing planning? Would that planning have the same sort of basis that it would be on an averaging of the transmission costs so that remote areas wouldn't have . . . You mentioned that now it's available to anybody on a cost basis, but those costs are too high to make it in any way possible.

MR. CHAIRMAN: Before you answer, could that information be sent to me so it could be sent to all members?

MR. BARNES: Yes. Mr. Chairman, just to elaborate on the 30 locations and the possibility of expanding it beyond that, there is always that possibility. Once we've had experience with the program with 30 locations and are able to assess the economic impact, if it is possible to increase the number of locations that we can serve economically we would be prepared to review the plan and expand it.

MR. CHAIRMAN: Before Mr. Thompson starts, I wonder if I could have the permission of the committee to go beyond the regular adjournment of 11:30, because it appears we are now reaching the close of this study. Perhaps we should try to finish AGT this morning. Agreed?

MR. McCRAE: Could we have some indication of how many more questions there are?

MR. CHAIRMAN: There is Mr. Thompson, you, and Mr. Clark. That's all I have on the list.

MR. THOMPSON: My question is very short and simple. It won't take very long. I'd like to ask AGT: they have a program for installing jacks in homes in rural Alberta; I was wondering if this includes the rural people on party lines, or is it just for the small towns with the regular private lines?

MR. BARNES: Mr. Chairman, our present expansion of the phone-jacking program presently is limited to the smaller towns surrounding the big areas that are done. I do believe that all new installs in new buildings, all the new buildings that we're providing service in are being serviced with the phone-jack concept even though the area is not in an area that we serve in that fashion. So I would anticipate that in the future -- and I would hate to have to put a time limit on it -- eventually all the residences in Alberta will be in a phone-jack mode.

MR. McCRAE: Mr. Chairman, my question is really almost a supplemental to the question Mr. Thompson asked. It has to do with the jack system. In the urban centres, at least, you've opened what you call phone centres where the consumer has the opportunity of coming down and selecting his own telephone apparatus. The question is twofold; firstly, is the intention of the opening of the phone centres and the installation of the jacks to cut down the cost of service in the future; the second part is, my wife was phoned by one of

your very courteous salesman and told about the program that was available. She immediately hurried off to purchase her new phone or phones.

AN HON. MEMBER: Purchase?

MR. McCRAE: Or to rent, or whatever is was. When they came to look at the house, apparently with some of the older homes in the 12- to 15-year-old category the wiring system is not adaptable without some cost infusion, paid for by the customer -- not adaptable to the usage of the jack system. I'd just like some clarification of that.

MR. BARNES: Mr. Chairman, it's quite correct. She went to the phone centre to obtain her phones. But she didn't buy them; she rented them. Some of the older homes are not suitable to conceal the wiring. They will put in phone jacks if you'll allow them to surface-wire. A lot of owners do not permit this, and I can't say that I blame them. Does that cover the question?

MR. McCRAE: That answers the latter part. That's why we only have one phone still. The first part was the intention of the program. Is it to reduce service costs in future?

MR. BARNES: The purpose of phone-jacking primarily is to reduce the visits that the plant craft have to make to the locations, because this is a very expensive operation. That's really the justification for a phone centre. The additional revenues you generate because people take more service are more than incidental, but they wouldn't cover the cost of a phone-centre operation. It's the maintenance aspect, and the provisioning of service, that is covered in that.

MR. CLARK: I really have one question and three supplementaries. I hope you'll consider them supplementaries. The first one to the minister or whoever would answer it: what kind of approval did the Public Utilities Board give AGT before Altel Data came into being?

DR. WARRACK: Since I'm not familiar with the exact timing of the development of this work, I will refer that matter to Mr. Barnes, who I understand is responsible for that area of operations.

MR. BARNES: Mr. Chairman, when we formed Altel Data, which originally was a new name for a part of the organization that already existed in AGT and at that time was a marketing group, it was done to identify a specific area that the telecommunication carriers in Canada were involved in. The Bell Telephones called theirs the computer communication group. Really, we chose to call ours Altel Data. I think that pretty well covers the setting up of that arrangement.

MR. CLARK: Mr. Chairman, the question was, Mr. Barnes: what kind of approval did Alberta Government Telephones get from the Public Utilities Board prior to AGT's setting up Altel Data? I take it from your answer -- I'd never want to read anything into your answer that wasn't there -- that you really got no approval.

DR. WARRACK: First of all, it's my understanding that what was involved was not a new service at that time. It was already in the bag, so to speak. So I think we certainly

wouldn't want to read anything into anyone's answer. I've never seen a politician do that. But I think that point needs to be clearly made in terms of the development and evolution of Altel Data. I thought it would be necessary to interject that point, particularly in the environment of the discussion we've just gotten into.

MR. BARNES: Dr. Warrack is quite correct. All those services were being provided previous to the naming of the group. At one time we had it spread in different areas of the organization. At one time it was just called a special services group, which covered a large bag of tricks. But I'm sure the Public Utilities Board has always been aware of the areas that we have been promoting in the services we provide.

MR. CLARK: To Mr. Barnes: Mr. Barnes, if I recall correctly, the last time AGT was before the committee, or the time before, when we talked about the losses Altel Data had shown during the first three months and the last three months of a particular year -- the year escapes me, but you're familiar with the information I'm referring to -- at that time we were told that Altel Data was a new venture by AGT.

DR. WARRACK: I should point out that in Mr. Barnes's comments earlier today he did indicate that the information that had been provided to the Leader of the Opposition, through a circuitous source we both know about, was not the full Altel Data picture. That's my recollection from what the Vice-President of Operations said earlier today. I'm sure the hon. Leader of the Opposition was listening as closely as I was. So there is that important context to remember in terms of framing both the question and providing the answer. I'd ask Mr. Barnes to comment.

MR. BARNES: Mr. Chairman, as we mentioned, that was an internal document that has received considerable publicity. I think probably in the area of that report that the hon. gentleman is referring to, it covers a very minimal amount of services that is handled by Altel Data. It was an endeavour on our part to try to track this to see just where it was going. Our initial tracking results didn't show it too favorably. However, the total services provided, which require the end devices, indicates that it's a reasonable service to provide. It's also one that's provided on a trans-Canada basis and we are committed to provide, whether it be Sundre or Calgary. We don't have a great deal of choice once we file these services with the Public Utilities Board. We don't have the discretions as to which locations we will and will not provide it. I'm quite confident that as we progress in this area, even with the report that has been alluded to, there will be considerable improvement even in that small area once we can define it on a better basis. I think I'd just leave it at that.

MR. CLARK: Mr. Chairman, to Mr. Barnes. Perhaps I didn't make the question clear, but two weeks ago -- and I haven't got the transcript before me -- at that time you indicated to us, sir, that the reason Altel Data was not doing very well financially was because it was a new service. Now today we're being told that this is really a pulling together -- and I won't try to recollect, but I think you used the terms something to do with a "number of tricks" -- of a number of services that had been supplied in the past. Now, Mr. Barnes, without trying to be difficult, I'd just like to know whether Altel Data is new, and that's the reason it's been losing money. Or in fact if it's a matter of pulling together

these services that have been in effect for several years, then why was it losing money during the six months that this report came out?

The question is: is it a new service? And if it's a new service, did we get approval from the Public Utilities Board? Or if it was a pulling together of a whole bunch of services AGT had been offering before, why was it losing money?

DR. WARRACK: Mr. Chairman, I don't think there's anything wrong with all members of the committee reading the transcripts. I don't see why there would be any doubt about what is said in any transcript. The kind of homework I think all of us would expect to get done would indicate that that sort of information would be there. I've got the transcripts right here, and certainly the hon. member can do the same kind of homework. (interjections) No, no. No, you don't. You're not going to get away with it that easily. Mr. Chairman, he said he wasn't sure what was said. Right? That's in the transcript too, so we'll be clear about that.

Now, the hon. member is concerned about something that was said. Let's point exactly where and what was said, and let's get it straight. Because what his interpretation is -- and I resist using the term "distortion" -- is not what I understand. It's been explained, relative to the Public Utilities Board, relative to the service that's ongoing in a number of ways . . . And by the way, a number of users of this service have from time to time expressed real hope and confidence that it will continue, because it assists them in terms of the expansion that was involved and the reorganization that comes about when things are expanded, including some of the smaller kinds of centres that's perfectly consistent and compatible with the decentralization and diversification objectives of the Alberta government and, hopefully, all members of this Legislature. It's consistent with that. That kind of expansion that comes about from that with that same service that has been provided for some period of time, and certainly a part of the knowledge and purview of the Public Utilities Board at that time, I don't really see what the problem is.

Now, if the hon. member wants to pull out his transcript and identify the kinds of words he's confused about, then we would be happy to find them, read them, and give him further clarification if that's necessary.

MR. CLARK: Mr. Chairman, after that bit of fancy manoeuvring by the minister, I would simply say to all members of the committee, including the minister: go back and check what is in the transcript. (interjections) At that particular time it was pointed out that this was a service and that's the reason it was losing money. Today we're being told something different: it's a matter of pulling together a whole bunch of services that AGT used in the past.

DR. WARRACK: A point of order, Mr. Chairman, if that's allowed.

MR. CHAIRMAN: Point of order, the hon. Dr. Warrack.

DR. WARRACK: The point of order is that the hon. member is now saying that the transcript says something or other when he has just previously said he doesn't have it before him and he's unsure of what it says. Now, I don't think we should be going on some fishing expedition, for whatever motivation, on something that is uncertain even in the questioner's eyes. If he wants to pull out his transcript and find where his problem is in terms of interpretation and identification, let's be sure of the facts as to what the

transcript says. Then we'll deal with it. There's nothing wrong with him doing that homework in preparation, and pulling it out and doing so. I suppose I could even lend mine to him so he can take a look at it.

MR. CLARK: As far as a fishing expedition is concerned, I think it would suffice to say that the sucker just bought the bait.

MR. McCRAE: Mr. Chairman, was that a question or what?

MR. CLARK: It's a statement of fact. Mr. Chairman, I'd like to ask -- and perhaps this had better be done in the form of writing so we could draw the matter to a conclusion today -- in the presentation that AGT argued before the Restrictive Trade Practices Commission on March 8, 1978, AGT argued that it was an agent of the Crown in right of Alberta and that as such was exempt from investigation by this commission, being the Restrictive Trade Practices Commission in Ottawa. On the other hand, AGT has argued before the Public Utilities Board that it would like to be treated by the board as any other utility, and not to be penalized because it is owned by the government. My question to the minister and to the AGT officials: would they be prepared to outline in written form to the committee what is AGT's exact status, a utility, Crown corporation, or some other description? If the hon. gentlemen would be prepared to give us a written answer to that, I'd be quite agreeable to leave the matter right there, Mr. Chairman.

DR. WARRACK: Mr. Chairman, that is an important question. There's more than the question of whether AGT, for example, is a utility or not, or some other thing, and for that matter, the question of whether AGT ought to be treated and regulated by the regulator, the Public Utilities Board, in the same manner as any other utility that's privately owned. There's an important other dimension to that. That dimension has to do with the question of jurisdiction. The most important cornerstone of communications policy for Alberta, if I might frame it that way, is that we believe it to be in the interests of the citizens of Alberta to own, operate, and regulate our own telephone system. There is a danger through various mechanisms, only one of which is the Restrictive Trade Practices Commissions, where there is a danger of a usurping of jurisdiction that's separate from the question of utility treatment whether you're a Crown corporation or not. I think, though, with respect to the specific question of the hon. member on that matter, that would be an appropriate item to add to the five other items that would involve a memo to the committee through the chairman.

MR. CHAIRMAN: Agreed? Now we've come to the end of the questioning, what about the next meeting?

MR. CLARK: I wonder if I could just ask one more written answer from the AGT people. We need not debate it here today. It really deals with comments made once again before the Public Utilities Board with regard to the question of cross-subsidization. My question is: was the policy of cross-subsidization of basic service by non-basic services internally developed and initiated? Or was that a policy which came from government to the AGT Commission? Once again, a written answer would be quite acceptable as far as I'm concerned, Mr. Chairman.

DR. WARRACK: Mr. Chairman, I'm not sure that's the kind of thing that shouldn't be dealt with here and now, partly because I really feel that I did on the first meeting some four weeks ago. Hon. members will recall in this area of discussion I did two things. First of all, I made it clear that any comment here, myself and the executive officers of AGT, to clearly not be construed as something that would prejudice the case that the hon. member and others know is before the courts at the present time, alleging bias in the judgment of the so-called cross-subsidization matter. Point one.

Point two: I have not used the term "cross-subsidization" because I've not wanted to have anyone think that what's been talked about by AGT, myself, or the Public Utilities Board, is necessarily the same thing as is involved in all of the allegations and so on before the courts. I think all hon. members will appreciate it's pretty difficult to be dealing with a subject that's in fact involved before the courts at this very time.

But the question of rate averaging, I did deal with the concept of rate averaging. This has been done by AGT since time immemorial -- time immemorial dating back to the days of the depression when it became an arm of the Department of Public Works for the reason that the telephone companies in Alberta, along with a lot of other people including municipalities, went broke; the job had to be done by someone. Since the beginning of time, since a sort of genesis, there has been rate averaging by way of long distance, for example, subsidizing basic rates and, particularly, subsidizing them in the rural areas. That rate averaging does take place, has taken place since the very beginning of AGT, has not been changed during the course of the last decade, to my knowledge, and certainly not since 1971 and 1975. It's a policy that's been in place. It's a utility concept. It's been long since approved and recognized, not only in telecommunications but in other areas of utilities by the Public Utilities Board. It's a concept with which I concur.

MR. CLARK: Perhaps I might put the question to the minister this way . . .

MR. McCRAE: Excuse me, Mr. Chairman. We agreed about 25 minutes ago that we would try to wrap this thing up today. I don't know whether we can or can't, but I know many of us are late for other appointments right now. I thought the minister's answer was extremely full. I thought he covered the question of rate averaging, or whatever the hon. member over there might refer to it as. But in the words of the minister, it is "rate averaging" as being an historic, traditional policy of this public agency. If the member has a number of further questions in this area, I really think we should adjourn the meeting and come back next meeting or in the fall, whenever that next meeting may be, rather than to carry on right now. Perhaps we can have some indication from the member here as to how satisfied he is with the answer. If we've got to pursue the matter, let's do it at another time.

MR. CLARK: Mr. Chairman, I just wanted to repute the last question to the minister. That's it, as far as I'm concerned, and just say the hon. member isn't the only member who is late for another meeting. Could I say to the minister: what I'm trying to get at here -- and we can argue about the semantics; and I'm not trying to get involved in an argument of rate averaging or cross-subsidization -- the question I'd like to put is this: the acceptance of the idea of taking from the non-basic to subsidize the basic service -- I think that's a fair assessment of what AGT says is going on -- was that practice initiated as a result of internal decisions of AGT or in fact was that a directive which came from

the government? I don't even know when it started, Mr. Minister. That's really what I wanted to know.

DR. WARRACK: I appreciate the comment the hon. member makes about the cross-subsidization relative to rate averaging. It's a problem for both of us, quite frankly. Because I know the hon. member has no desire to, in any sense, have any implication out of these discussions involved in the court decision. On the question of what now is categorized as basic versus non-basic, I understand from the outline given by Vice-President Mallet-Paret earlier this morning, was a kind of conclusion reached by the Public Utilities Board looking at what had originally been submitted as monopoly and competitive services. The evolution of this process that was a review by the Public Utilities Board on what should be regulated, how, and how they should be classified, was a separate hearing in itself and a separate decision in itself.

As far as I would understand, it would be that there was a kind of mix of all of these things there, and has been for some considerable time. There was certainly no change as a result of an initiative by me. That may be really the key. Basically there was a kind of unscrambling of the whole thing done as a result of the hearing -- the inputs, the interventions, cross-examinations, and so forth, and came out from the Public Utilities Board as a conclusion that then moved to the concept of basic versus non-basic, listings of each, and which types are regulated in which way, and rules for AGT to follow in terms of any changes they make in them, including adding new services. I think they were really all in the basket, so to speak, and it was a kind of unscrambling and rationalizing or ordering of them all that took place. But not really a change in concept initiated by AGT and certainly not by myself.

MR. CHAIRMAN: What is your pleasure regard the next meeting?

MR. YOUNG: Mr. Chairman, I would suggest that it be at the call of the Chair, with the understanding that the Chair is not very likely to call one next Wednesday but rather the next one the Chair would call would be in the fall.

MR. CHAIRMAN: Is that correct that the next meeting would be at the call of the Chair? Has our study of AGT now been completed?

HON. MEMBERS: Agreed.

MR. CHAIRMAN: In that case I'd like to thank Dr. Warrack, the President Mr. Gordon Ades, and the four vice-presidents for your co-operation. We hope we haven't interfered with your regular work too badly. Thank you for coming and for the information you've given to us. A motion to adjourn would be in order. Moved by Mr. Thompson. All in favor? The meeting stands adjourned.

(The committee adjourned at 11:55 a.m.)