

[Chairman: Mr. Martin]

[10:35 a.m.]

MR. CHAIRMAN: We're running slightly behind schedule. I would like to begin the meeting if I could. Just quickly, I know the minutes of May 9 were circulated to members. Are there any errors or omissions? Seeing none, all those in favour of adopting the minutes as circulated?

HON. MEMBERS: Agreed.

MR. CHAIRMAN: Agreed. I would like to move right to our guests today. I would like to thank Mr. Bogle for taking the time out to appear before our committee. We know it's a busy schedule, and we do appreciate it. I would turn it over to you. If you want to introduce your guests and make any initial remarks, then we will open it up for questions, if that's okay.

MR. BOGLE: Thank you very much, Mr. Chairman. I would first like to introduce three vice-presidents from Alberta Government Telephones who are with us today: Joe Szaszkiewicz, who is sitting to my immediate right; Don Baillie, who is next to Joe; and Hal Neldner, at the end. To my left, Vance MacNichol, the deputy minister of the department, and Eugene Tywoniuk, our executive director of administrative services.

As we were not really sure whether the committee wished to derive information from the department, the Crown corporation, or the ACCESS Crown corporation — and I was concerned, Mr. Chairman, that we not bring so many people that we would have more members on this side than members of the committee. In addition, we have the president of ACCESS and a senior official, who are available if there are questions regarding that corporation.

While I don't have any opening comments I'd like to make, we are certainly pleased to be invited to the committee and are prepared to respond to the questions of the committee. Obviously, if there are questions asked that we don't have the information on, we will be pleased to provide that to the committee at a later time.

MR. CHAIRMAN: Thank you very much. We will now open it up to members for questions.

MR. LEE: Mr. Chairman, to the minister. I note in your annual report tabled in the House yesterday, and particularly from the public accounts, that an increasing contribution to general revenues and particularly, I suppose, to profit is coming from Altel Data and from the sector of AGT that is competitive with the private sector. The concern I have and that I hear from private entrepreneurs who are directly competing with AGT is that they feel in a sense that there is unfair competition and that the revenues being derived really are being provided because AGT is competitive primarily because it has easy access to capital that the private sector does not have.

So I guess I would ask a series of questions. Number one, what component of revenues are now derived from areas that compete directly with the private sector? Secondly, is there . . .

MR. CHAIRMAN: Excuse me, if you can do it one at

a time, and then we will give you supplementaries after.

MR. LEE: How many supplementaries? We never decided how many supplementaries we get.

MR. CHAIRMAN: Yes, we have. You weren't here at the first meeting, but there are three.

MR. LEE: I thought you were just waving at me.

MR. CHAIRMAN: If we could, we will do it that way and then follow up.

MR. BOGLE: Mr. Chairman, to the hon. Member for Calgary Buffalo. I'm going to ask Joe Szaszkiewicz to elaborate on the response I'm going to give, because I intend to deal with the general policy part of the question. I think it's important that we reflect back approximately 20 years ago to the kind of service provided by Alberta Government Telephones at that time. Twenty years ago we find that virtually all services provided by our telephone company were in a monopoly. In other words, there was no one else who could legally provide the service. Therefore, virtually all the revenue for the telephone company came from monopoly services.

Over the past 20 years, we have seen, through deregulation — much of which was at the request of AGT through the Public Utilities Board; some of which has been at the direction of the Public Utilities Board — an ever-increasing portion of the services provided by AGT open to competition from the private sector. That is true in the case of businesses in Calgary that can interconnect their own equipment with AGT. They no longer require a rental agreement with AGT, by using AGT's equipment. That relates from the businessman, who's using the sophisticated kind of equipment I've just mentioned, right down to the individual residential homeowner, who has the ability today to go out and purchase a telephone at any number of outlets, whether it's a Woodward's store or Radio Shack, and use that equipment rather than renting from AGT.

The simple arithmetic of it today is that we have about 30 percent of the total revenues coming into Alberta Government Telephones from the competitive sector. Altel Data, business communications, and mobile communications clearly make up a majority of that.

I would now ask Mr. Szaszkiewicz if he'd like to supplement the response I've given to you.

MR. SZASZKIEWICZ: After the minister's response, I'm not so sure I can add very much to it. Yes, we have seen a trend of more and more AGT services that were previously primarily monopoly services becoming competitive services. We foresee that trend continuing in the future. Our services are contributors to the profitability of the company, and the company would probably have tremendous difficulty operating without these services. Certainly our intent is to operate these divisions in a businesslike manner, ensuring that we get a good return on any investment and activities in those divisions.

MR. LEE: A supplementary, Mr. Chairman. Just as a

logical follow-up to that reply, how does AGT respond to the concern of those that are directly competing with you, that because of the relationship with the government and still a significant monopoly, there is a source of capital to go into areas of telecommunications, computers, which traditionally weren't areas that telephone companies were involved in, and are in fact competing with ready access to capital the private sector cannot provide, and that that in fact is unfair competition?

MR. BOGLE: There are two ways I'd like to respond to the question, the first in a general philosophical sense. It's a matter that needs to be reassessed from time to time. That is the broad question: do governments really need to own telephone companies? In Canada we find there are three telephone companies that are in fact Crown corporations of their provincial governments. The telephone companies serving the other seven provinces are investor-owned utility companies. So that is a matter that must be addressed on a regular basis by those individuals who are elected to this Assembly as trustees for all Albertans.

More specifically, what can and should we be doing as a Crown corporation in response to those businesses which are in direct competition with the various divisions of AGT, as outlined? Earlier this year a strategy was developed between the AGT Commission board, the new full-time chairman, and myself, whereby the chairman and the president of AGT, along with other senior officials, would meet with companies that had expressed directly to me or through other members of the Assembly to me concerns about the competition. Meetings were held in a variety of centres across the province — Lethbridge, Calgary, Edmonton, and Red Deer and Grande Prairie, I believe — so that there could be one-on-one discussions as to ways in which the telephone company, through its subsidiary, and these concerns, these smaller companies, could in fact complement one another. So it's part of an ongoing review.

Anything you would like to add to that, Joe?

MR. SZASZKIEWICZ: Maybe just a bit of a technical comment, Mr. Chairman. Specifically on the Altel Data side, there seems to be more of a blurring of technology between data communication and voice communication. It used to be a fairly clear division. Right now it's all coming together, and it's almost very difficult to decide what is data communication and what is voice communication using data communication techniques. This has an impact on our policies as well.

MR. LEE: Thank you, Mr. Chairman.

MR. STROMBERG: To the gentleman from AGT: a few years back, direct dialing was installed in east-central Alberta through the Camrose exchange. Believe you me, it was really appreciated. However, about a year ago, our first concerns were raised by subscribers that the system was not working too well. It would be cut off in the middle of a conversation. At that time, I indicated the problem to the minister, and the reply was that the manufacturer and AGT were working together to solve the problem. Just last month, I received a

letter from the village of New Sarepta, pointing out that their customers in that community — the problem is still there.

The question, Mr. Chairman, to AGT: is this a problem of engineering by AGT staff, or is it purely the problem of the equipment of the manufacturer? Is the problem correctable?

MR. BOGLE: In response to the hon. Member for Camrose, I'd ask Don Baillie, vice president, to respond directly.

MR. BAILLIE: As you are probably aware, the installation in the Camrose area covered offices other than New Sarepta. One of the problems we have with new equipment is the manufacturer's design, and specifically the problem with the equipment is a manufacturer's design fault. As the new technologies emerge, that's an ongoing process.

MR. STROMBERG: A supplementary. Usually when I buy a car, I buy one that I know is going to run. Just how much research goes into buying this equipment?

MR. BAILLIE: We have similar installations in other parts of the province. I think Red Deer is an example of the same type of installation. We have a specific problem with New Sarepta, and it manifests more in New Sarepta because it has an EFRC with Edmonton. So the kind of problem that is identified with New Sarepta is a little different than in some of the other areas, even in the Camrose area. We suspect the problem exists in some of the exchanges but doesn't manifest itself in the same manner because of the different calling rate.

MR. STROMBERG: Thank you. My last supplementary...

MR. BOGLE: Excuse me. Mr. Szaszkievicz may be able to supplement that as well, as we're into a technical area.

MR. SZASZKIEWICZ: Mr. Chairman, I just thought I should add a general comment to your concern about our buying equipment which is not a hundred percent proven. We always have to consider the fact that newer equipment is becoming available which is very substantially cheaper. It has many other features that older equipment has not, and you can't keep on buying something which served you reasonably well but is now obsolete. So we have to take some risk to modernize the plant.

We certainly aren't doing it just because it's a new gadget, but simply because the equipment is becoming more economically attractive and from service features. As you do that, you are taking some risk. In some specific instances, it could cause us problems.

MR. STROMBERG: My last supplementary. What steps are being taken to correct this problem, especially in New Sarepta? When might the problem be cured?

MR. BAILLIE: Presently we have a group of people dealing with the problem from both the manufacturer's level and our local level in Camrose, and from our maintenance engineering group in

Edmonton. We hope that within the next month or two we will have the answer to that problem. It is a problem which has in fact been referred to what we call a technical assistance centre in eastern Canada.

MR. SZWENDER: Mr. Chairman, this morning there was a rather interesting news release, and this may be pursued later in question period — I don't know, depending on what our chairman chooses to do. However, there were a couple of questions I'd like to direct to the minister and his entourage.

The first one was a comment on the figures released of the AGT expenditure on the additional help of operators since the Edmonton Telephones scramble. I believe the figure quoted this morning was \$838,000, and that would be since Valentine's Day. I'm sure we're closing in on \$1 million; these figures are probably a few weeks old at least. I wonder what impact this is going to have in terms of how much longer we can absorb these types of losses and how they will accumulate in terms of the total deficit for 1984, if that can be projected for AGT.

Secondly, on a more positive note, the deficit of AGT has dropped from \$56 million in 1982 to \$23 million in 1983. That's a really positive rebound, and I wonder if we could get some comments as to what you could attribute that significant decrease in losses to.

MR. CHAIRMAN: It may be well to interpret this ever so liberally, that the first part of the question somehow had to do with the dispute in the past dealing with the year ended March 31, 1983. If the minister wants to answer that, fine. We're actually checking, but I'll be very liberal about it. If the minister wants to answer the question, he may. If he doesn't, it's not in the area we're studying.

MR. BOGLE: First, I would like to deal with the broad context of the financial picture of AGT for calendar years 1982, 1983, and 1984. Either Don or Hal may wish to supplement my comments.

Nineteen eighty-two was a very difficult year for Alberta Government Telephones. You cannot take a corporation that has geared up to the kind of growth that AGT had incurred during the late '70s and early '80s and turn the tap off instantly. We saw record years of 20-plus percent growth during that period of time. Steps were taken in mid-1982 to bring AGT into line with the current realities, by introducing a program of attrition — by that I mean that when positions became vacant through either retirement or a change of career, the positions were not filled. That program was accelerated in 1983 with an early retirement program, which saw approximately 174 individuals opt for early retirement. Those two programs in themselves saw a very substantial reduction in the numbers.

I note the hon. Member for Red Deer is in his place today. He will recall asking a question in the Assembly last fall, and I believe the response I gave at time was 1,800 positions. Approximately 1,800 positions had disappeared through attrition and through the early retirement program.

In addition, the capital works budget of AGT was cut back very dramatically, again to reflect the realities of the situation. Therefore, through both our operating and capital budgets, we saw very dramatic attempts made to bring AGT's expenditures

into line with its revenues, keeping in mind that one of the key revenue sources for any telephone company is its long-distance service. That's where we were hardest hit. Not only were there fewer calls being made from the province, as was the case in other parts of the country; the calls which were made were for shorter periods of time. Therefore, the revenues were very seriously affected in those areas.

I'm going to stop at that point to see if either of the gentlemen wishes to supplement what I've said, before briefly responding to the first part of your question, which the chairman has indicated is optional.

MR. NELDNER: Certainly you have touched on the key issue, and that is cutting back on the payroll through attrition in the work force. In addition to that, certainly starting in 1982 and carrying right through into 1983 and 1984, the commission has undertaken a number of other policy directives whereby cost control is being emphasized throughout the corporation. That has been achieved in many other areas and is another key factor in improving the loss experienced in 1982, down to \$23 million in 1983.

MR. BOGLE: The other part of the question raised by the hon. Member for Edmonton Belmont related to the current dispute between Alberta Government Telephones and Edmonton Telephones. It really relates to a response I gave the Assembly yesterday in tabling a response to a return by the hon. chairman of this committee. While it's clear there are expenditures being made by Alberta Government Telephones today because of the operator intercept program, it's important that members of the Assembly and this committee recognize what the alternatives that AGT has really are.

I've responded earlier in the Assembly that the current dispute with Edmonton Telephones can be brought to a conclusion by one of three ways: through negotiation, through the courts, or through legislation. If we are not going to follow one of those steps, then the only other solution — and it is one that was ruled out the moment Edmonton Telephones began to scramble the information being provided to AGT — would be complete capitulation by handing over the information to Edmonton Telephones and relying on the goodwill of Edmonton Telephones and the city of Edmonton to hand back to AGT whatever it feels appropriate in terms of a settlement.

Therefore the short answer is yes, there are costs being incurred by Alberta Government Telephones to maintain its rightful position in the current dispute. While it may be argued that those costs are not necessary in terms of the technology that's available, i.e. we don't need the operator intercepts if the information was not in fact being scrambled by Edmonton Telephones, the solution to the matter in my view rests in one of the three ways I've earlier identified, with the clear preference by the government of Alberta being tilted toward a negotiated settlement.

MR. JONSON: As I think our representatives, our guests, are well aware, there's an increasing demand for private lines to agriculture businesses, farms, and the increasing number of small businesses — and large too, I guess — that are locating in areas

currently served by party lines. My question is: what is the basis used for establishing what some regard as a very large charge for the conversion of service to them to a private line?

MR. BOGLE: I would ask Mr. Baillie to respond directly to the questions by the hon. Member for Ponoka.

MR. BAILLIE: As you are aware and as you alluded to in your question concerning the large capital outlay that customers are concerned with, one of the things I think we need to remember and think about is that the cable in the rural area was initially installed for multiparty service. When the requirement for rural individual line service came along, we had to supplement the capital investment for that plant.

At the present time, there is a cross-subsidy for four-party service of \$520 per year per customer and an average annual subsidy for rural individual line service of about \$920 per year. As a result, at the present time we classify rural individual line service as a premium service. As a consequence, we charge a large capital investment to help defray the investment we have in the plant. In addition, to cover the additional maintenance required for individual line service, we charge an individual mileage rate per month.

MR. JONSON: Just so I understand the basis of this, Mr. Chairman, I want a supplementary. In most cases with the private line service, what we are in effect doing is that the charge is being made to pay for an installation which is already there in terms of the line.

MR. BAILLIE: No, not necessarily. In some instances we may have to provide additional cable. We may have to bury additional cable to provide that service. As the years have gone by, we do in fact have cable emanating from most of the major urban centres. But I should emphasize again that at the present time we classify the service as a premium service. It's like the power company installing a transformer. There's a large up-front cost for that transformer service. We're looking at that kind of charge or similar charges for this type of service. The charges are not as great, but they're there for that reason.

MR. JONSON: Maybe one other supplementary, Mr. Chairman, if I could. When you refer to this as cross-subsidization, I take it this is based solely on the cost factor, not on what is perhaps a philosophical consideration: the fact that there is this service into the rural area in turn generates more business overall, I would contend, and serves the urban centres with whom they do business.

MR. BOGLE: I think it's important that we recognize, Mr. Chairman, through you to the hon. member, how government has responded traditionally to the provision of utility services to rural Alberta, because there was a very distinctive approach used to the provision of rural electrical services and rural natural gas services vis-a-vis the telephone services. While it's true that original telephone services were provided through local mutuals, it's also true that those mutuals sold and/or were

absorbed by AGT over the years.

Unlike the other two utilities I've mentioned, where governments became involved in large financial programs to assist with the installation of the initial services — I'm thinking of the original rural electrification program that occurred in the late '40s and early '50s, the supplements there have been to that program over the past 30 years, the piece of legislation introduced in this Assembly two days ago to again update rural electrification, and the substantive changes which have been announced to the programs in terms of the master agreements between the REAs and the utility companies, as well as other programs. When we look at natural gas services, there has been a substantial contribution by government, over \$300 million of direct assistance by the government of Alberta on behalf of all Albertans to assist rural Albertans in obtaining natural gas. We currently have, as I recall, over 250,000 individuals in rural Alberta who are benefitting from that program.

No similar approach was used by governments over the years in assisting rural Albertans with their telephone services. It has been a responsibility of the telephone company to provide the services in the most reasonable and economical way possible.

In conclusion, Mr. Chairman, I think it important that there be full recognition of the fact that Alberta Government Telephones uses the revenue derived from its very profitable long-distance services to cross-subsidize not only into the rural areas where there are either multiparty services, where there are up to four parties per line, or the individual line services, but also many of the smaller towns and villages in the province where the economics of scale are not sufficient to see a break-even point in those areas. So there is a very massive transfer through cross-subsidization, so that all across the province we can meet our needs in a reasonable way.

Mr. Chairman, I'll just conclude by saying that, as I responded to a question by the hon. Member for Highwood a week or so ago, we are now addressing, as are other telephone companies in Canada, ways to improve the service, either through the multiparty service or individual line service, so that individuals who wish to have computer hookups or other technological devices can do so. That's a challenge that faces not only our telephone company but all telephone companies in Canada and indeed North America.

MR. CLARK: I will have to say at the outset that in the last 15 or 20 years, since the underground went in, we've seen a tremendous difference in our rural services and our telephones. I can recall when we had 21 customers on my line. There's certainly a difference now, even with four.

My first question is a kind of supplementary to Mr. Jonson's. I wonder if there is any technology sitting out there now that may bring us individual line service in the rural areas that is economically feasible.

MR. BOGLE: I'd ask Mr. Szaszkiwicz to respond directly to the hon. Member for Drumheller.

MR. SZASZKIEWICZ: We are certainly studying the issue all the time; in fact there are ongoing studies. At the moment there isn't a simple answer. If we were to do it now, there are ways which are better

than they were, let's say, five years ago. But none of the systems presently available can provide individual line service throughout Alberta at reasonable cost, at a cost that AGT thinks we could sustain. It's still a very, very expensive proposition. As I said, there has been some improvement and some new technologies which reduce the cost, but not very drastically.

MR. CLARK: A supplementary, Mr. Chairman. We have in place in the rural areas of Alberta flat rate calling for a radius of 34 miles. Is it the intention of AGT to continue this service, to bring that 34 mile radius over all of Alberta, or has it been stopped completely?

MR. BOGLE: I'm going to ask Mr. Baillie to supplement my response. Hon. members will recall that when the extended flat rate option was first introduced just over 10 years ago, communities were given the option of voting, through plebiscite, on whether or not they wanted a flat rate service with neighbouring communities. It was very important. I've gone back and personally reviewed the news release of the hon. Roy Farran, the minister at the time, and one of the conditions that was placed on the option was that you could not leapfrog over communities, which means that if Ardrossan wanted direct service with Edmonton, they couldn't leapfrog over Fort Saskatchewan in order to get here.

Not all communities voted in favour of extended flat rate service at that time. More recently, an optional service was developed by the immediate past minister so there could be, at the option of residents in an exchange, the ability to interconnect with a neighbouring exchange. Those programs are both being reviewed on an ongoing basis.

Don, would you like to supplement that further?

MR. BAILLIE: Yes, Mr. Minister. We are in the experimental stage with those kinds of services and any future services, just like most of the other telephone companies in Canada are. Again, there is a position and a place for services which people will accept. Some customers have accepted the optional calling experiment well, and we're evaluating that. Others think there may be another type of service. There is a lot of research going on into ways of providing better services to telephone customers, and I think that could be true for the whole of North America.

MR. CLARK: Mr. Chairman, have I got one more supplementary?

We do have areas in Alberta that can hardly call anywhere except the local post office without going long distance. I have one other concern out in the rural areas. I don't know what criteria you use to make up your phone books, but in some of the areas I represent, for instance, you need about five or six phone books. Just as an example, the Rockyford area is in the High River book. Even the operator couldn't tell me where they put Standard. It used to be in the Calgary book, but they took the next town to it, and they didn't know where it was the other day. I guess Hussar is in the Drumheller book and Gleichen is in the Brooks book. It's just all split up and it seems to have no rhyme nor reason to it whatsoever. I just wonder what criteria you use for setting these phone areas.

MR. BAILLIE: In the case of the Calgary directory, we were faced with the problem of the size of the directory. We had to change that. You can only build a directory binding so thick, and then you have to go to a second directory. Rather than do that, because most customers reject that, we went to the chambers of commerce and the local town councils and discussed the matter with them. As a result, there was a north and a south directory issued two years ago, if my memory serves me right, to serve that area. We have been involved in further questions and further interaction with the local people as a result of that.

I think the directory distribution and the compilation of the localities in the directory will keep changing. I think it is part of our job as a telephone company to be aware of those changes that are needed and make the necessary additions or deletions as we see fit and as the customers would like.

MR. STROMBERG: It's a problem that keeps recurring with AGT and the counties and municipalities. Each year they inform us of the problems they have when AGT plows in a line and breaks a culvert, perhaps busts a corner of a bridge, and also the rather stiff penalty counties pay when they cut an AGT line when they're building a road. To the majority of these counties, it has turned out to be quite an extra expense, that is passed on to the ratepayers, with the problem of AGT lines in roads they have to rebuild. I believe that has come up as a resolution at the annual meeting of the counties and municipalities for the last couple of years.

Have there been any discussions with the Association of Municipal Districts and Counties in regard to when they have to build a new grade and AGT has lines scattered all over the ditch and into the shoulder?

MR. BOGLE: Mr. Chairman, through you to the hon. Member for Camrose, that's an excellent question, in my view. It was one of the first issues raised with me when I, along with other members of government, met with representatives of the Municipal Districts and Counties executive well over a year ago. In addition, it's a matter that's been brought to our attention by members of the utilities caucus committee, the hon. Member for Camrose being one of the more forthright members in bringing that matter to our attention.

We initiated meetings between the Municipal Districts and Counties executive and the president and senior staff of Alberta Government Telephones. To my knowledge, that was the first time such a meeting took place, at least in the past history. From reports from both sides, it was a very excellent meeting in that AGT was able to get a better understanding of some of the concerns from municipal councillors, directly from councillors rather than via letter either through the administrators or solicitors on behalf of councils. I think the same is true, at least in terms of the feedback I've had, from the municipal councillors who were present. They were very appreciative of hearing some of the concerns and challenges AGT has in installing the same lines and services.

This issue was raised at the annual meeting of Municipal Districts and Counties last fall in Red

Deer, and the outgoing president of the organization complimented AGT for the meeting and for the new attempts to dialogue and communicate better. I have passed on to the chairman of AGT my desire to see that dialogue continue, so that we continue to work together.

That's not to suggest there are not going to be problems that will develop in the future. We had one such issue, brought to my attention about three weeks ago, where a councillor indicated that a line has been on the surface for some considerable period of time and it's no longer a line that's necessary, and why are we wasting a line, so to speak. So there's a need for that ongoing dialogue.

I would strongly advise, Mr. Chairman, through you to members of the committee and all elected members, that during meetings with the councillors from the various municipalities, it's an issue we should raise, if not raised with us, to determine whether or not that dialogue is continuing. We want to make sure it's working not only at the senior levels, through the association and the senior management in AGT, but also in the various districts across the province.

So I compliment the member for his forthright attempt to resolve this issue and for bringing the matter to the attention of the committee today.

MR. ZIP: Mr. Chairman, the question I'd like to raise is with respect to the losses AGT takes from, number one, accounts that are not paid and, number two, fraudulent use of the telephone system.

MR. BOGLE: I would ask Mr. Baillie or possibly Mr. Neldner to respond directly to those two direct questions from the hon. Member for Calgary Mountain View.

MR. BAILLIE: We have an ongoing policy and practice in our commercial offices to deal with customers who do not pay. As the economy has changed recently, the possibility of that has become more evident. However, last year we were able to cut down on loss of revenue by introducing a policy whereby we would not extend third-party billing from a coin station. By using that technique, we were able to cut down on our losses considerably.

Of course fraudulent use of the telephone is a matter that has to be investigated. Like any fraud, it becomes a matter of the courts, and we in fact have a group of people in the system whose sole purpose in life is to do investigations of that type.

MR. ZIP: What was the size of the losses?

MR. NELDNER: If you look at the annual report that was just tabled yesterday, for 1983 the uncollectible operating revenues for the system were \$6.8 million, which is a decrease from the \$11.7 million that we had in 1982. It's a 41 percent decrease, and I think it reflects some of the things Don Baillie talked about: the tightening up of the policies to check out the accuracy of the numbers that are given and, in some respect, the improvement in the economy compared to what it was last year, when we had a lot of people that moved out of the province and therefore incurred higher uncollectibles.

But it's a significant decrease and is back to normal, to a number that would be average for the

industry for any telephone company and the kind of uncollectibles we've experienced in the past.

MR. ZIP: Thank you.

MR. JONSON: Mr. Chairman, certainly one of the very good initiatives of the department has been the aid given to large and small urban centres with respect to water and sewer projects. In my constituency, we're very appreciative of that fact.

My question, though, is: what stage are we at with expenditure on those projects? Certainly it's been substantial in the past year. Are we coming to a point where the need for that kind of project is going to decline, or is it projected as being a larger amount than the previous year?

MR. BOGLE: Mr. Chairman, before asking Mr. MacNichol, the deputy minister, to respond to the specific question, I might mention as an overview the magnitude of the budget. In the 1983-84 fiscal year, \$70 million was committed to the municipal water and sewage treatment grant program. In the 1984-85 estimates, that same program has \$40 million dedicated. So in terms of aggregate dollars, there's a substantial reduction from 1983-84 to 1984-85.

On the other hand, it's also fair to say that with the exception of about \$8 million, all of the \$70 million was committed to projects that were either under construction or had been approved prior to the commencement of that fiscal year. Our picture for 1984-85 is much brighter, in that we have close to \$18 million that has not been earmarked for specific projects.

So in short, Mr. Chairman, there is greater flexibility for the department to respond to the urgent needs as expressed by municipalities and as identified by local health authorities, the Department of the Environment and, very important, the role of the MLAs in terms of their priorities.

MR. MacNICHOL: Mr. Chairman, I think I would add that the main thing is that some of the big, more expensive projects are winding down or nearly completed. Therefore we still have a lot of demand, but they're smaller projects.

MR. PAPROSKI: Mr. Chairman, my first question is in essence a supplementary to the questions pertaining to Altel Data and AGT. I think it's just a natural consequence of the answers from the minister. He indicated the importance of Altel Data to AGT functioning. I want to ask if the minister is saying that without Altel Data or something like that, the viability of a freestanding telephone system is almost nonexistent.

MR. BOGLE: Mr. Chairman, if a greater portion of Alberta Government Telephones' monopoly is opened to competition and Alberta Government Telephones automatically withdraws from that area of service, clearly the more profitable services will be missed. If the telephone company is left with the mandate to service local exchanges, to use its revenues from long-distance services — keeping in mind the ever-increasing competition in those areas as well by other companies that are providing the ability by companies, down to and including homemakers, to communicate to other centres. If the profitable

sections are stripped away, we would be left with a very expensive infrastructure and, in my view, would not have the ability to both service the debt and maintain the existing service, let alone expand the service to meet increasing needs through advanced technology.

MR. PAPROSKI: My second question is dealing with an area that hasn't been discussed this morning, the Alberta Educational Communications Corporation. It deals with a philosophical concern of mine. I wonder whether indeed we should be involved in direct competition with the private sector in an area such as external production or production of various films in audiovisual areas. I'd just like to ask the minister what he is doing, if indeed anything, pertaining to getting more of the types of productions I've referred to into the private sector and less on an in-house basis with respect to ACCESS.

MR. BOGLE: Mr. Chairman, that's an excellent question from the hon. Member for Edmonton Kingsway. As all hon. members are aware, in November 1982 the provincial authority was transferred from the minister to the board of directors for ACCESS. ACCESS is now a freestanding Crown corporation, with its own board of directors which guides the corporation through its policy decisions.

One of the first tasks I gave the newly enlarged board of directors — keeping in mind that there's a greater role and function for the board and, through new appointments, we brought in individuals from across this province, from a wide professional and academic background. One of the challenges that has been given to that new board is that they should very carefully review the mandate of ACCESS. They should review it in light of the fact that we are now more than 10 years old. In those 10 years the corporation has matured; it has ventured into new fields. It's time to re-assess whether or not we need to be in some of the fields we're now in; i.e., is it really appropriate that we have a radio station? There will be reasons put forward as to why we should and there will be reasons put forward as to why we need not be in that field. The question asked by the hon. member relates to production of materials. Can more be contracted out to individual artists and entrepreneurs in our province?

Those are very valid questions. They're questions which I know are being addressed by the board of directors, by the president and the senior staff. I have met with the board on two occasions over the past six months, and I would estimate we have spent in excess of six hours on direct discussion where an exchange of ideas has occurred. While no conclusions have yet been drawn, Mr. Chairman, the matters are very clearly being considered in an active way by the board at this time.

MR. STROMBERG: In the future, when the profit picture for AGT improves, has consideration ever been given — or maybe I should put it as an opinion from the minister — to going public with a portion of AGT?

MR. BOGLE: Through the Chair, the hon. member will recall that the first recommendation of the Milvain report, a recommendation which was

unanimously agreed to by the five members of the Milvain committee — including the one nominee of the province, the one nominee of the city, and the three joint nominees. The unanimously agreed to report contained the recommendation that the assets of both telephone companies in the province of Alberta be sold to a new company and that that new company would in turn make shares available to the public. That recommendation was accepted in principle by the previous mayor of the city and by myself in the summer of 1983. We saw that as a very positive step in meeting the ever-increasing technological challenges of providing telephone services to the province.

The present mayor of the city of Edmonton has rejected that recommendation. With regret, we have accepted his decision not to pursue that matter further. I certainly feel strongly about it in a personal sense. On the other hand, we also recognize and respect the wishes of the owner of the second telephone company in the province.

I indicated in my response to the first question, I think, the fact that we as legislators, as trustees for all Albertans, must be addressing that very question on an ongoing basis. Where we have services provided by investor-owned utility companies providing natural gas and electricity to the province, is it really necessary at this point in time that our telephone services are provided by a Crown corporation on one hand and, on the other hand, a city-owned utility? Or indeed, as exists in seven provinces of Canada, could they be private, freestanding companies providing the same service, the same level of service, the same protection to the public because they would be fully regulated by the Public Utilities Board?

It's a philosophical question, Mr. Chairman, which I know the hon. Member for Camrose will continue to participate in along with other members in the Assembly.

MR. CHAIRMAN: Mr. Pahl, did you have a question?

MR. PAHL: In view of the time commitments of some members, I was simply going to make a motion for adjournment, if appropriate. I didn't know if we could go beyond.

MR. CHAIRMAN: I'm certainly amenable. We said "if there was time". I told the minister we'd go till noon. I don't have any more speakers right now. I was just going to ask that question. I don't see anybody jumping up to ask any more questions.

I would like to take this opportunity to thank the minister and members from his department and the people from AGT. We know you're busy, and we do appreciate your time coming here today. Thank you.

With that, I call for somebody to move adjournment. I thought you might. All those in favour? Okay, we're adjourned for today. Next week is Mr. Stevens, Personnel Administration, at 10 o'clock.

[The meeting adjourned at 11:35 a.m.]

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