

SaskTel

The Chair: — If I could have the committee members' attention, please. We did delay our starting time for half an hour to accommodate the minister's schedule. The minister has indicated that she will not be available for another hour; however she has given permission for her officials to proceed with the review in her absence. And I think that is entirely appropriate given that we have already opened up discussion of SaskTel last June. So we will now commence . . . recommence, adjourned from June, our review of the '94-95 SaskTel reports.

Before I do that, I would call on the representative from Deloitte Touche to see if he has any comments, and then the Provincial Auditor's department to see if she has any comments, and then I will entertain questions from members.

Mr. Grossman: — Madam Chair, as previously reported to you on February 26, 1996, we issued an unqualified auditor's report for Saskatchewan Telecommunications Holding Corporation for its 1995 fiscal year. And prior to issuing our auditor's report we met with the board of directors, who approved these financial statements.

In addition to the above-mentioned report, we also issued auditor's reports on the following: SaskTel, the unconsolidated financial statements; SaskTel International; SaskTel superannuation fund; and NST.

And finally, I can report that we have provided the Provincial Auditor with the following reports that were requested: the legislative compliance report; subsequent events review report; and an opinion as to the internal control.

Thank you, Madam Speaker . . . or, Madam Chair.

The Chair: — Thank you very much.

Ms. Ferguson: — Thank you, Madam Speaker, members, SaskTel officials. I wish to report that as reported in June, that we received excellent cooperation on the audit from Deloitte Touche and the officials of SaskTel, and I'd like to acknowledge that cooperation and thank them for that.

Also as reported in June, the only matter that was reported to the Assembly and has been reported to the Assembly in the past is the issue of tabling the reports of subsidiaries of SaskTel. And we encourage them to table the reports of the subsidiary corporations, as we have for other organizations.

And that concludes my comments.

The Chair: — Okay. Thank you very much. I'll note that we have a couple of extra MLAs present here today, and as is the custom they will have voice but no vote. And I would now entertain a speakers' list.

Mr. Bjornerud: — I guess I'll start but I'm not all that pleased that the minister is not present because a number of our questions pertain actually to the minister and things she has said

before that we have discussed.

The Chair: — Right.

Mr. Bjornerud: — So I guess I can have that on the record.

The Chair: — She will be available at 3 and you can have at her at that point.

Mr. Bjornerud: — I realize that, but neither one of us I don't think want to start until she's here, but . . .

The Chair: — Well I do have . . . members of the government side have indicated they want to direct questions, so shall I recognize them first then?

Mr. Bjornerud: — It's good with me if it's good with Mr. Goohsen.

The Chair: — Okay, I do try as a matter of courtesy to recognize the opposition parties first, but Ms. Hamilton and then Mr. Trew.

Ms. Hamilton: — As probably a number of other people in the province . . .

The Chair: — Excuse me. I'm sorry, Ms. Hamilton, I hate to interrupt you, but I . . . Since the minister is usually here and this time she isn't what customarily happens is the officials are introduced. So I think I'd best do that before we move into questions. Who would like to introduce the officials on behalf of the minister?

Mr. Caragata: — I can do that. My name is Sean Caragata, general manager of corporate affairs at SaskTel, and I think I should start by saying that everyone should have received a list of the officials which we brought with us.

On my far left, Diana Milenkovic, the vice-president for SaskTel Mobility; on my immediate left, Kelvin Shepherd, vice-president, SaskTel network services; on my far right, John Meldrum, vice-president, legal and regulatory affairs and corporate counsel; on my immediate right, Randy Stephanson, chief financial officer; and sitting behind me, Mike Anderson, general manager for strategic business development; and immediately behind me, Dale Baron, manager of financial analysis. And we also have Carolyn Rebeyka, the ministerial assistant to the minister, in the corner.

The Chair: — Thank you. All right, now, Ms. Hamilton.

Ms. Hamilton: — My questions will be predominantly in two areas and the first one of course is what most people ask, particularly these days in the face of competition and SaskTel facing deregulation, is what that's doing to rates, the rate increases that we've seen. How do we compare to other jurisdictions who maybe have gone before us in the discussion of competition? And if you can give us an overview of your rate structure from the year past . . . or the year under review, and how we would compare with other people?

And the second area I'll go into after that, is of course with competition. People are getting the calls and I have some questions on that and commitment to maintenance infrastructure and so on.

Mr. Meldrum: — First of all with respect to rates, I think we could break it down into two major categories — one would be our long-distance rates and the other would be our local rates. You're probably focusing mostly on local, but perhaps just to speak to long distance for a moment. We have been reducing long-distance rates since before 1990. It's really part of the national trend which is re-balancing long-distance rates, and what re-balancing entails is moving long-distance rates closer to their cost, which means decreasing the rates. And in the case of local service, moving local rates closer to their costs, which unfortunately means increasing local rates.

As I say, since 1990 we've been reducing rates and have reduced them about 50 per cent. We offer virtually the same long-distance discount plans as most of the other phone companies in Canada. There's a few Saskatchewan particulars where our plans are actually a little better than the other companies. And we were in fact the first telephone company in Canada to introduce the Real Plus savings plan because of course we're not CRTC (Canadian Radio-television and Telecommunications Commission), so we were able to proceed with those sorts of rate reductions actually in advance of some of the other phone companies in Canada.

On the local rate side, as I say, the Government of Canada through the CRTC, has decided that competition is the name of the game and that entails . . . in a competitive market-place that entails moving local rates closer to their costs and moving long-distance rates closer to their cost.

In 1996, January 1, every telephone company in Canada increased their rates by \$2 per month per line; and in 1997, January 1, every phone company have increased their rates by \$2 per month per line; and in 1998, January 1, there's a yet to be . . . undetermined amount which the CRTC is currently reviewing on a company-by-company basis to see exactly how much is left to in effect achieve this rate re-balancing that they're looking at.

At this stage of the game, SaskTel's rates are pretty well lower than every single other telephone company in Canada say in except for B.C., where they're just about the identical rate as in Saskatchewan. We have struck an average on the basis of the new rates effective January 1 for the other phone companies and compared them to the SaskTel rates; and the average local telephone rate in Canada is now 25 per cent higher than the rates in Saskatchewan because at this stage of the game we have not yet followed the CRTC decision in terms of increasing local rates.

Now the issue for this company and for this province is the degree to which . . . is the contribution and . . . I guess it's very essentially the contribution charges that are made from long distance to local service, which in this province is 4.14 cents a minute. The question is, to what degree is that 4.14 cents per minute sustainable in the long run in terms of being able to

continue to subsidize rates at 4.14 cents per minute.

As we get new technologies, as things continue to change, as long-distance rates decrease everywhere else in Canada, this province and this company has to give consideration to whether or not it should likewise follow suit and increase local rates and decrease long-distance rates further.

I think the best example that I use is Lloydminster, where on the Alberta side of Lloydminster their rate for a residential telephone is \$20.90 per month, and on our side of the border just a couple of feet away, our rate now is \$14.10. Obviously in Alberta the amount of the subsidy that flows to local service is much less than it is in Saskatchewan. They're a little bit further along in the competitive market. They're a little bit further along in terms of rebalancing. And it's just an example of the degree to which so far in Saskatchewan the consumers have benefited from not being CRTC regulated and have benefited from the current situation in terms of where we're at with SaskTel.

Ms. Hamilton: — When you're mentioning the amount of subsidization, is there a difference urban to rural, and are you seeing the prices that you talk about being as competitive, or the 25 per cent lower that you're mentioning, in rural Saskatchewan as well? Is it rural to rural and urban to urban?

Mr. Meldrum: — The long-distance model that determines what the global amount of the subsidy is doesn't differentiate between rural and urban. We do have some of those numbers. Obviously rural is much higher subsidized than urban service. But when you actually in terms of the long-distance model . . . you don't differentiate between urban and rural, you just figure out what the total subsidy is. And no matter where the long-distance call originates and no matter where it goes, pays the 4.14 cents per minute.

Ms. Hamilton: — In what you're saying then, the CRTC to a certain extent will dictate what the rate increases will be to lessen the cross-subsidization. Is that . . .

Mr. Meldrum: — Where you really get to is that while we're not regulated by the CRTC, we're really indirectly regulated by the CRTC because they set the national policy directions. The rest of the phone companies and other long-distance carriers respond to those policies. And it's just the same as we came to the conclusion that we couldn't be an island in terms of not having long-distance competition; we can't really be an island in terms of sustaining a much higher contribution rate than in other provinces.

Ms. Hamilton: — So right now in the long-distance area, you're saying that we are very competitive and in some instances we're providing even better plans because we haven't had the regulation.

With the other companies if they're coming in, they don't have as much commitment to capital, probably not as much to maintaining infrastructure as well. Do you see any moves to drive rates even lower, and would that have an impact then on the local rate side?

Mr. Meldrum: — What the long-distance competitors would have seen, effective January 1, is that their contribution rates in every other province have fallen, and that would have in effect reduced their operating costs substantially. And the question is, are they going to let that flow to the bottom line or are they going to use it to decrease long-distance rates even further? So essentially it is a moving target to the degree to which they'll respond as a result of the lower contribution rate.

Ms. Hamilton: — What makes the difference in the contribution rate? Why are they being lowered?

Mr. Meldrum: — Because the local rates went up. As the local rates go up, then the subsidy decreases, the contribution rate decreases, which in effect decreases their costs.

Ms. Hamilton: — That would lead me to the second part of my questioning. I'm really interested in the area that we benefit as a province, is of course you've got an infrastructure and you have some commitment to the capital investment in the province. I'm wondering if you can tell me with the competition, what kind of investment they put into the province; but if you would also compare that to what SaskTel does, not only in the year under review, but what we usually do on an average for a commitment to maintaining phone service for everyone in the province.

Mr. Meldrum: — Maybe I'll just begin. I do have some information in terms of the people that the competitors have in the province. I was on a talk show the other day with both Sprint and AT&T. Sprint would answer the question. They indicated that they have about 10 employees in the province. AT&T refused to answer the question by dodging it. But our information is that there would be much less than 50 people.

They do have some facilities going through the province. They inherited CNCP Telecommunications. So they do have facilities in the province; they do have people that operate facilities, but again it wouldn't be a large number of people. I think Randy Stephanson will address the issue of what our capital programs have been, with respect to that part of your question.

Mr. Stephanson: — The actual spending in Saskatchewan over the period 1986 to 1995 tends to average about \$120 million per year. So as high as, during our individual line service days, as high as \$170 million, around . . . with the lowest number being \$100 million in 1993. That's the kind of capital spending we do.

Ms. Hamilton: — What would be the major areas of expenditure? Are you looking at new line installation, cell sites, those kinds of things?

Mr. Stephanson: — For the most part it is definitely infrastructure. It's our switching equipment, our trunking and lines throughout the province, and cell sites as well over the last two, three years.

Ms. Hamilton: — What you're saying basically is any of the competition that's coming in has some line usage but they're really not contributing to any of the cost for infrastructure or capital, or there's a small . . .

Mr. Stephanson: — That's what the 4.1 cents is, or it's more than . . .

Mr. Shepherd: — . . . Explain that a little bit, in that, I think as John indicated, AT&T in particular does have some microwave radio or trunking facilities that are within the province that they acquired through their acquisition of CNCP or Unitel Communications. Sprint Canada, at this point, has no actual equipment or facilities in the province.

And in the case of both AT&T and Sprint, essentially they lease capacity in a number of manners from SaskTel. The basic arrangement is that they pay a contribution rate and what's called a CAT charge, or a carrier access tariff charge, to interconnect to SaskTel's network. And that interconnection occurs in two places in the province — in Regina and in Saskatoon.

So SaskTel has to carry all of the long-distance traffic within the province regardless of where it originates from, and really take it to either Regina, to Saskatoon, where it is handed off to either AT&T or Sprint in the case of a call that is going to be handled by them.

In Sprint's case, they have no real capital investment in Saskatchewan. They lease facilities to carry that long-distance traffic out of the province. In this case I believe they take it to Calgary, and so they really have no capital investment here. They are essentially paying a carrier access tariff, or a CAT charge, to SaskTel to carry the traffic within the province. And then they are leasing some equipment from SaskTel, where the Stentor companies actually carry that traffic to their physical equipment, which is located in Alberta.

In AT&T's case it's a little different in that we don't have to carry it out of the province for them. They do have a digital radio system that goes across the province, so we carry it to their building, which in Regina is just on the Saskatchewan Drive area there, and they lease facilities from us to do that.

So in either case there's a very small capital investment required by them. Essentially SaskTel is required to continue to make the capital investment to carry that traffic within the province and we are paid for doing that through a combination of contribution, which is a contribution to subsidy, and a small charge which is the cost of carrying that traffic into those collection points of Regina and Saskatoon.

So much of our investment, as Randy said, which . . . it varies year from year depending on demand and the requirements for service, but we continue to make an investment to carry traffic within the province. We continually have to invest in infrastructure to carry some of that long-distance traffic even though it may be carried by a competitor's network.

And in most cases the competitors are not required to really make a similar investment because they have the ability to use SaskTel's network and pay this contribution charge.

Ms. Hamilton: — Is SaskTel allowed then to make some calculation on say, if you're leasing someone else's vehicle,

you're depreciating that vehicle and there's a charge that you would pay as a premium for having the use of that vehicle. So in the case of lines with the competition that's here, you're able to calculate what it's going to cost to maintain and upgrade the lines over a period of time and reflect that in your contribution rates that you charge them, or not?

Mr. Shepherd: — Well it's a rather complicated matter to actually calculate the, what's called the carrier access tariff.

But essentially what is referred to as the contribution portion of that charge is essentially the cost of subsidizing local service. We calculate how much subsidy flows to local service, you divide that number by the volume of minutes of long-distance traffic within the province. And so everybody, SaskTel and the competitors, each have to pay, on a per-minute basis, the cost of the subsidy. So that's fully calculated and recovered.

The rest of the carrier access tariff really reflects some of the incremental costs that SaskTel has in carrying the competitor's long-distance traffic within the province. The depreciation question really does not get reflected in the carrier access calculation. The total cost of the depreciation of that infrastructure is borne by SaskTel as a depreciation charge. So essentially it's more like an operating lease on a per-minute type of basis that the competitors interconnect on.

I think the other significant issue is that the calculation of the shortfall, or the subsidy as it's called, on local service, is not based on so-called invested cost; it is a forward-looking or incremental cost calculation. And so your depreciation is really based to some extent on what you have invested historically. Many of the contribution charge calculation is really based on forward-looking costs.

So SaskTel really has to bear the full cost of the provincial infrastructure. The competitors are really based on — this is really based on CRTC methodology — really paying a forward-looking or incremental type cost.

So there is some fairly complicated accounting and financial procedures around it. But I guess the short answer would be that from a depreciation point of view, SaskTel has to continue to make that investment. We continue to have to show depreciation, based on a reasonable life of that investment, on our own books.

Ms. Hamilton: — That leads me to the question — I don't want to hog all of the time but if there's no one else — with that then and paying that charge, does that allow the competitors to then place SaskTel on their cards or advertise when they're phoning someone that they're here with the consent of SaskTel, or they're a part of the SaskTel organization?

Mr. Shepherd: — Well there are . . . there is two elements to that, in that we have two types of competitors in Saskatchewan. We have what are called facilities-based competitors, like AT&T Canada or Sprint Canada, and then we have another class of competitors called rebillers.

A rebiller is a company that doesn't, again, own any equipment

but leases long-distance capacity from SaskTel in bulk and then . . .

Ms. Hamilton: — So all that part of the organized . . . those competitors are doing is just basically leasing time and reselling time on your lines?

Mr. Shepherd: — That's right. It's an arbitrage arrangement where because they can buy in very large bulk quantity, they can essentially make a small margin by reselling in lower volumes to people that will pay a slightly higher price.

Those particular competitors, because they are actually on SaskTel's network, one of the things they are allowed to do is to tell customers that they are. When they sign a release form to sign a customer up, it will indicate that this particular rebiller is using SaskTel's network. Because rebillers also use Sprint Canada and AT&T Canada networks as well.

So a rebiller is allowed to indicate to the customer that they are using SaskTel's network. Really, AT&T and Sprint are not. There's really no mechanism or no real, I guess allowance for them to indicate that they are using SaskTel's network. Obviously because they are interconnecting to some extent, they could make the argument that SaskTel is providing part of that service. But it's really an AT&T Canada or Sprint Canada service.

With a rebiller, they are not allowed to, under the terms of their contracts, to use SaskTel as part of their advertising or part of the promotion but clearly they are allowed to tell the customer they are providing service using SaskTel's network.

So that's the small distinction between the two. In general they are not really allowed to use SaskTel's name in a manner to promote their own services.

Ms. Hamilton: — Have you had many people who believe because someone has mentioned to them that they are part of the SaskTel network, that they are part of SaskTel and have, with that in mind, been changing?

Mr. Shepherd: — I could maybe start this and if somebody else wants to jump in . . . I know there is a general, certain amount of confusion. I think that always happens in any market-place when you have competition introduced. We saw it in the rest of the country. But clearly, as people are being phoned by competitors, and clearly as rebillers are out knocking on people's doors, I would say there is a certain amount of perception out there that perhaps they're not . . . some competitors are using SaskTel as part of their promotion and that they are using SaskTel's network. To the extent that that's an issue, Sean or John, do you want . . .

Mr. Meldrum: — One of the sales propositions that the carriers make is that you don't have to change your local phone company. And unfortunately a lot of customers think that means that they're still on the SaskTel network, that they're still taking SaskTel service, when in fact what they were really meaning was that your local service wouldn't be affected at all and you'd still be with SaskTel.

So there is a fair bit of confusion out there, I think, in the market-place, and at times I guess one wonders whether the carriers are preying upon that confusion in terms of trying to let people believe that they're not actually switching from one carrier to another, when in fact they are.

Ms. Hamilton: — In some of the advertising that I've heard — and others have too and have pointed out to me — that they are saying that they have an up-to-date fibre optics network to better serve the customer in Saskatchewan; that you would have more options available if you're going to be going with the competition. And I guess it's . . . Is it their network that they're talking about building up in the area of fibre optics or are they in the same way utilizing our updated systems?

Mr. Shepherd: — Let me start, John, here, and you can carry on. But SaskTel roughly, although the number keeps changing, has probably, I think around 12,000 kilometres of fibre optics network in Saskatchewan. AT&T Canada has none and Sprint Canada has none. And those are the facts.

Beyond that, I guess if they interconnect with SaskTel's network, you could stretch it to some extent in a promotional campaign to say that they have an up-to-date fibre optics network. Because essentially the . . . much of that traffic is being carried and the service is being provided by SaskTel. But as I said, they have nothing.

AT&T Canada has a rather old microwave system that runs through the province; Sprint Canada has nothing. Now in the future I think both Sprint Canada and the AT&T Canada will likely build some fibre optics. But I think those will go basically from Calgary to Winnipeg via Regina. They will not service more than one or two centres in Saskatchewan. They certainly will not service the hundreds of rural communities that our fibre optic network services. So you could not even in I think your wildest imagination believe that their claims are true.

Ms. Hamilton: — So at this point they're really bragging about your network that they have access to?

Mr. Shepherd: — Well I suspect you might say they're engaging in some rather fanciful promotion, which I guess is something they can do. They can stretch it as part of their marketing campaign, but there's really no basis for them to make those claims.

Ms. Hamilton: — Okay. That has a . . . When I heard that, I was concerned because I know that we do, and it is expensive to put fibre optics in, but they're depending on where deregulation would take you. Good competition in the area of . . . or being able to access diversification and some of the things you can do with offering movie opportunities or whatever, that they could then come in and utilize, but through some strictures that we've operated on before, we're not able to do that.

Can you see that as a problem in the future? Would they be able to access that line and use it in that way or will that be something CRTC will rule on in the future?

Mr. Shepherd: — John, do you want to maybe talk about the regulatory so I could follow up with some of the technical issues?

Mr. Meldrum: — I think as telecommunications companies, any of these new services that we can offer, or that they can offer, the other party will be able to offer vice versa. Each of us as telecommunications companies are regulated under the broadcast Act in the same fashion. And a lot of the things that you spoke to are going to be new services that will . . . that are coming out, at least today, under the broadcast Act. So no, I don't think they would have any real advantage.

Mr. Shepherd: — No, I think really, when you look at where the telecommunications industry and the broadcast industry and the computer industry are going in the future, it's clear that all of these technologies, whether it's fibre optics or satellite or wireless technologies, will have a place to play. And most companies will use them in appropriate ways and in a way that makes sense.

And certainly Sprint Canada, on the public record, has indicated they clearly plan to be a company that has . . . is able to offer long-distance and cable TV and wireless services and other types of services as a package. Obviously SaskTel does that to some extent now with the ability to provide customers both wireless, Mobility services and a range of long-distance and local services. So I don't believe that you'll see any significant advantage or disadvantage to any of the companies by what they're doing with their fibre optic network.

Ms. Hamilton: — Okay. All of this has been a good backdrop, I guess in my mind, to put in perspective the recent package that we hear has been offered to SaskTel employees. There is going to be a need to be more competitive; you're going into new areas.

The one message that was given to me that was of a concern was the idea that you're really just getting rid of some employees to replace them with lower-paid employees to save a few bucks. And I guess the other part of that, I was hearing someone who is a representative of SaskTel say that that isn't the case. There is some need to downsize to be more competitive, but there's also a need to be able to now access employees in an area where you're going into new programs and services, and that there are growth areas where you would need people and the retraining will happen in some instances; but you also would be able to not necessarily back-fill all of the retirement positions, but put them where your workforce is most needed.

So I guess I'd ask you to comment on that and then that would be the end of my questioning.

Mr. Caragata: — Okay. The early retirement program which was announced at the beginning of this year is a voluntary one. So first of all, there are about 486 employees which would be eligible for this package between 1997 and 1999. And they have the opportunity, as they become eligible in each of those years, to decide whether or not they want to accept the package.

So the first assumption which has been made in some circles, that this is somehow a mandatory or an automatic removal of 500 people from SaskTel's workforce, isn't necessarily the case because it's a voluntary program and it'll be up to the employees to decide whether it's in their best interests to take the package.

From SaskTel's perspective, the early retirement plan allows the company the flexibility to better, as you've said, redeploy its workforce to meet new challenges, whether they are in the new areas of technology, whether they're relating to SaskTel Mobility and new wireless technologies, or some requirements that SaskTel International may have in meeting some of its overseas obligations.

Obviously with an early retirement plan you have the opportunity, where circumstances permit and where you feel the need to exercise the opportunity, to move positions as they become vacant. You also may have some opportunities to decrease the overall salary and benefit expenses where possible and where you can.

So there's both an opportunity to provide employees with career alternatives if they want to exercise them, to hire employees with skill sets which meet SaskTel's current and future obligations, and in new areas in some cases, and also in certain areas and depending on the circumstances, to reduce the overall salary and benefit package.

And I guess you do that either as a result of bringing in, in some cases, people who simply by virtue of seniority have less salary and benefits accruing to them; or in some cases, you may be in a circumstance or in a situation where you could find some savings with respect to some positions which you no longer need to fill.

So it's really an opportunity to, I guess exercise three different objectives over the next three years. It's a very important human resource tool that the company can use in order to be as flexible as possible in meeting the competitive demands.

Ms. Hamilton: — And this occurs over the next three years?

Mr. Caragata: — That's right. The first year of the early retirement plan is 1997 and it's a three-year plan which includes '97, '98, and 1999. And as I said, there are about 486 employees who will be eligible over that entire three-year period.

Ms. Hamilton: — Thank you very much.

The Chair: — Thank you very much, Ms. Hamilton.

Mr. Trew: — Thank you, Madam Chair. Actually the last item that Ms. Hamilton addressed was one that interests me. I heard you say, Mr. Caragata, voluntary early retirement plan. Is that a commitment SaskTel has made to all of the employees, that it be voluntary?

Mr. Caragata: — Yes. The plan involves a period of time within each of the years of operation in which employees who

are eligible have an opportunity to exercise the opportunity. The plan is . . . and I'll back up by saying that all SaskTel employees who have age and service totalling 80 or more or are age 60 or acquire 30 years of superannuation service prior to the end of the plan, which is December 31, 1999, will qualify for the program. And then for each of the years of operation of the program, there is a period of time for all employees who become eligible in that year to decide whether to accept the program or not.

And starting very shortly in 1997 there will be a number of information seminars for SaskTel employees to give them information about the plan. And of course those who are interested in exercising their option, for instance in 1997, would have an opportunity to ask whatever questions they feel are necessary in order for them to make informed decisions.

Once an employee exercises their right to accept the early retirement plan, there are some terms in the program which allow for the employee to remain in their position for a period of time not to exceed the end of the year. And there's about a six-month window which allows employees to tie up work which they may be doing, and of course that also provides the company with the flexibility to ensure that projects are completed and that any succession or redeployment of positions is able to be done in an orderly manner. But it is by all means voluntary.

Mr. Trew: — Good, thank you. And you finished by saying the purpose is not to re-hire somebody at the same or a different position or to contract it back to them. Is it proper for me to assume that SaskTel has taken steps to see that that does not happen, that employees would not be superannuated and then contracted back?

And the reason partly why I'm asking that is I see this as potentially a good opportunity for SaskTel to hire even more fathers, sons, aunts, uncles, sons, daughters of Saskatchewan people. In other words, hire some Saskatchewan people to fill some new roles. And jobs are of critical importance, particularly to the roughly 6.8 per cent of Saskatchewan people that are seeking work and don't have work.

As you answer that, I'm going to put a further twist in and I'm going to ask how common it is right now with SaskTel to have . . . how many people do you have on SaskTel's superannuation that are back on? And I'm not talking a six-week or even a four-month contract, I'm talking long term.

Mr. Caragata: — I'll answer the first part of your question first, and I'll be as short as I can. The intention of this program is to provide employees with an opportunity to move on with a plan which obviously makes it in their best interests to do that, and if they feel that it's time in their career that they want to move on. I don't think we'd be offering a plan if it was our intention to then turn around and bring people back, after they've superannuated, on some form of a contract.

So the intention is that employees would exercise the opportunities. Once they have superannuated, we would make a determination as to whether the position an individual

employee was in needs to be filled; whether perhaps that position might be redeployed to a more pressing challenge in the company or a new business opportunity, new business area; or in certain circumstances we may be able to decide that that position need not be filled at that time.

But I don't think that there's any intention that superannuates under this early retirement program would be coming back on contract. I think what you might have heard me say was that there was a provision, after they've accepted, for them to stay around. That's before they've superannuated.

So that is to say that once an employee has decided to accept the plan — for instance, employees eligible after March 31 but before the end of the year of 1997 — they have to exercise their opportunity. And if they're eligible after March 31, they have the opportunity to retire any time within the last six months of 1997.

That provides the company and the employee with the chance to determine the best possible departure date, to ensure that job completion dates are met. They wouldn't be retiring and then staying on for six months under contract, they'd be staying on six months after having decided, but before they actually superannuate.

Mr. Trew: — Thank you. There's more, I see.

Mr. Meldrum: — The only exceptions either today or in the future might be SaskTel International, where somebody might retire, and as a result of the need for a very specialized employee to go overseas, that we might go to the bank of superannuates to see if somebody is interested in going overseas. We certainly would look within the corporation first of all because we're certainly looking to add experience to our people. But occasionally, through either the place that people are going to or the needs, we might then turn to superannuates within the province before we would then look outside of the province for folks to send overseas.

Mr. Trew: — Thank you for that supplementary answer, John. I very much appreciate that, and having lived two years of my life overseas while my father was on a CIDA (Canadian International Development Agency) project in South America, I can appreciate what you're saying. And I encourage you to do that — look in the company first and if the people are available, hire there first. But then SaskTel superannuates should definitely be the second choice for those overseas, short-term by definition, projects. And that provides a nice opportunity for SaskTel superannuates too.

Did I hear — switching gears a bit — did I hear you say earlier that SaskTel's local service rates are on average in the neighbourhood of 25 per cent lower than other telcos in Canada with the exception of B.C.?

Mr. Meldrum: — The average telephone rate in Canada is 25 per cent higher than SaskTel's rates. It's that percentage thing, which way of looking at the percentage. So it's the average rate is 25 per cent higher than SaskTel's rate.

Mr. Trew: — Okay. So B.C. is the one that's similar in its rate structure. Now I know in Saskatchewan, we have ILS, individual line service. What have we got left for party lines in Saskatchewan?

Mr. Meldrum: — None.

Mr. Trew: — None. What's the situation in British Columbia?

Mr. Meldrum: — They actually have some areas of the province that are unserved — the channel islands, areas of the North, and then a number of areas that would be under-served.

Mr. Caragata: — I think across the country there's somewhere in the neighbourhood of 200,000 people who still don't have . . . who still have some form of a party-line service, and mostly those would be in remote areas.

Mr. Trew: — Okay. Which then sort of in my mind anyway, it flows . . . You talked about a \$2-a-month rate increase that was approved by the CRTC for all other telcos. And I think I heard you say that all other telcos other than SaskTel accepted a \$2 rate increase in January 1, '96, \$2 in January 1, '97, and an undetermined amount January 1, 1998.

I'm of the belief that SaskTel did not have a \$2 increase on January 1, 1997. Is that correct?

Mr. Meldrum: — Our local rates have been frozen since August of 1993.

Mr. Trew: — Okay. So not only did we not have a rate increase earlier this month, we didn't have it a year earlier.

Mr. Meldrum: — Right.

Mr. Trew: — Why is SaskTel able to not . . . like you've said we've got a 25 per cent average lower local service rate than the rest of Canada. We're all from Saskatchewan and we all know that the geography here is huge. How is it that SaskTel is able to do that?

Mr. Meldrum: — Obviously rate action is driven by a number of factors. The financial results of the corporation is a very important one. Certainly our ongoing goal of universal, affordable service, certainly that's going to be increasingly difficult to maintain, but that's another driver. And certainly the delay of long-distance competition has enabled SaskTel to be somewhat insulated from some of the other problems that were going on. And of course the revenue settlement plan by which the telephone companies share their long-distance rates in Canada was in place, and while it's going to be changed on a go-forward basis, in the past that again has also been something that has enabled us to hold the line.

In the other provinces as well, the CRTC requires that the competitors get a discount on their contribution rates. So in other words they figured out what a hundred cents on the dollar was for a contribution rate and then, because these are small, little start-up companies — AT&T and Sprint — they get a discount in terms of what they pay for contribution. So that

obviously impacts the bottom line of the corporations and again increases the pressure to get the re-balancing under way.

Mr. Stephanson: — I think we've also been successful at diversification — the LCL (Leicester Communications Limited) sale in '95. As well as our extremely strong balance sheet, we have a debt ratio that's the envy of most telephone companies across the land. That translates into financial performance in the way of reduced interest costs.

Mr. Trew: — Okay. What is the . . . gazing into the crystal ball, I think I've heard Minister Teichrob suggest there would not be a local rate increase this year. What does SaskTel see happening in 1998? And please confirm if I'm right about what I heard the minister saying about this year.

Mr. Caragata: — What the minister announced at the beginning of 1997, or I guess on December 31, was that SaskTel was not raising its local rates on January 1, as was happening across the country, and that we are maintaining the same local rates that we have had since August of 1993, since the local rates were frozen.

What she said was that as we continue to strive to keep our costs as low as possible, and as we continue to try to provide Saskatchewan people with affordable access, we have to continue to look at reducing long-distance rates, which we did in 1996 of course with the introduction of the Real Plus Extra savings plan, and of some of the short-haul, long-distance savings that were introduced collateral to that plan. And we will also be looking in the future at having to reduce rates, long-distance rates, and obviously also ensure that we continue to build and maintain our network infrastructure.

What she indicated was that certainly for the time being there is no plan to raise local rates and that we have been able to maintain the rate freeze since August of 1993. And the extent to which we have to take rate action, which she . . . I think she has said in the past is probably at some point in the future inevitable for some of the reasons which we've discussed, would be determined in part by a number of factors — including our ability to maintain long-distance market share, our ability to continue to maintain our financial performance in some of our other lines of business, and our ability to continue to build and maintain our network infrastructure.

And at this point in time, reflecting the fact that we've been reasonably successful in a long-distance market, reflecting the fact that we have been able to maintain a very high quality digital network, at this point in time, barring unforeseen circumstances, there's no immediate plan to raise local rates. And certainly from SaskTel's perspective we think that we've been able to maintain those rates at a very attractive level relative to other provinces, as John as spoken to.

John rightly points out that there will be pressures like long-distance competition which will continue to exert pressure on — and downward pressure — on our long-distance rates. There will also be some pressure after January 1 I think, from the competitors who in other provinces will see their competition, the other Stentor telephone companies, raising

their local rates, in turn reducing their subsidies for local service, and in turn most likely at some point reducing their carrier access tariffs reflective of the fact that the contribution has fallen.

Our competitors at some point in time will likely be either exerting pressure on SaskTel to also reduce a rate of contribution to fall in line, if you will, with other provinces, or would be using the money they get by way of paying less for leasing equipment and for the per-minute carrier access tariff in other provinces to try to further reduce their long-distance rates and further try to aggressively compete, with lower rates, with SaskTel.

It's not to say that there are not pressures being brought to bear, but at this point in time we feel that we're in a very good position relative to the other provinces, relative to the competition. And that's the reason why the minister announced that we wouldn't be raising local rates on January 1 as was done in other provinces.

Mr. Trew: — Thank you. The way I understand it, SaskTel has got about 3,700 people employed across Saskatchewan. No secret — all of them are paid by when you and I pay our telephone bills. That maybe in your case is a little more direct because SaskTel is who signs your cheque and they don't directly sign mine.

But there's 3,700 what are widely recognized as very good jobs in Saskatchewan. Every one of us has friends, family, neighbours, someone that we know fairly well, that works for SaskTel. I'm hearing you say that one of the things SaskTel is facing and thereby those 3,700 employees are facing, is long-distance competition and SaskTel's portion of the market share. I think everyone in Saskatchewan at some level understands that.

What can Saskatchewan people or businesses do if — not to pick on either of the two major firms that are trying to come in — but if AT&T or Sprint are overly aggressive in their sales campaign, in their sales pitch, in their attempt to get in this case the Trew household to switch over. What can we do? Is there some place we can call to get these people off our backs?

Mr. Caragata: — You're referring to just in any circumstance where you're being solicited for business and you simply decided that you're not interested?

Mr. Trew: — Well I will be specific. AT&T has phoned me four times. The last time I was more than a little . . . I mean I was polite. But the third time, when I told the woman on the other end that I was trying to be polite but it was becoming increasingly difficult and this should terminate, I mean I felt harassed by AT&T. I'm just expressing the way I felt.

It seems to me that with the records, call once, fair enough, you get a rejection; call again — maybe you caught me at a bad day. But beyond that is beyond reasonable in my opinion. What can I do to protect myself from, in this instance, AT&T?

Mr. Caragata: — Well there are a number of things that you

can do. Certainly SaskTel and other companies which engage in telemarketing activity in Saskatchewan have set up a set of rules, which we comply with, which governs when we engage in telemarketing, how we identify ourselves when we contact households; and also we will remove phone numbers from our calling lists if an individual requests it.

There is something called the Canadian Direct Marketing Association and they are, I guess, a self-regulating group of direct marketers, telemarketers, and there is a do-not-call list. If you are receiving calls from any telemarketer — in this case AT&T — and you do not want to be called, you can ask the telemarketer to place you on their do-not-call list and they have a certain obligation to do that, to place you on a do-not-call list. That list should then be circulated within the organization to ensure that you're not called again.

In a circumstance where you've done that and you continue to receive calls, you could contact the Canadian Direct Marketing Association directly. There are some other avenues open to consumers who are feeling aggrieved by way of telemarketing activity.

In Saskatchewan, The Direct Sellers Act governs telemarketing practices in the province and The Direct Sellers Act is administered by the Department of Justice consumer protection branch. And it is possible to call the consumer protection branch and speak with one of the investigators or the registrar or deputy registrar and express concerns or raise any complaints that you may have with them.

And telemarketing firms from outside of the province, such as AT&T, are required under the Act to be licensed as telemarketers and direct sellers, and therefore there may be some suasion and there are some remedies available under the Act where the firms are engaging in inappropriate activity.

There is of course also the federal director of competition and there's a marketing practices branch under Industry Canada, and there are some opportunities also to call them if you were having complaints. So there are a number of avenues. The most immediate is the don't-call list, which is supposed to be maintained by the telemarketing operator themselves.

Mr. Trew: — Right. So from an individual's perspective you simply say, look I've talked to you today — whether it's the first call or the seventeenth call or somewhere in between — I want you . . . If the person, in this case I, said to AT&T, I do not want you to call me again, please remove me from your list, that should happen.

Mr. Caragata: — It should.

Mr. Trew: — And if it doesn't then there is further recourse, as you've outlined at some considerable length.

Mr. Caragata: — That's right.

Mr. Trew: — Thank you. That is, I think, very useful advice — simply say, please take me off the list. That will be most helpful to myself and some of the people I know. Madam Chair,

thank you.

The Chair: — Thank you very much, Mr. Trew.

Mr. Bjornerud: — Mr. Trew, one of the things my wife and I have been doing is telling them that my Mom and Dad aren't home and we don't know when they'll be back. It's working well. There's a hesitation at the other end of the line and they go away.

Mr. Caragata, I'd just like to go back to a subject that you were talking about before with the members opposite, but about the 486 people that were eligible for superannuation. Maybe you explained this and I maybe just missed it, but what was the reason for this? Like is it a part . . . restructuring of SaskTel or downsizing or for the future, or what really was the purpose of this?

Mr. Caragata: — I guess you could say there are several purposes and the, as I outlined, the primary purpose is to allow for a certain flexibility in the company's human resource structure. So that as SaskTel has grown, as the business has become diversified, it may be that we have a skill-set gap which does not allow us to necessarily meet new challenges in all cases.

And it may also be that some employees who are long-serving employees, feel that the company has grown or gone in directions which they no longer feel that suit them or that fit them. And so the first opportunity was to allow both the employees and the company with the flexibility to, I guess, exercise new alternatives.

So in the case of an employee, an employee has the opportunity of exercising career alternatives in such a way that does not penalize them. In a normal circumstance, an employee who decided that they wanted to exercise an alternative outside of SaskTel would only have one option and that option may not be particularly attractive. And so they may decide not to exercise the option. And you are left with a situation where you have an employee who may not particularly want to be there as much as they used to.

And as well you have circumstances, as I said, where certainly in the case of SaskTel Mobility or in the case of SaskTel International or some of our new advanced areas like our Internet group, the advanced interactive solutions group, the technical requirements of the positions don't necessarily meet some of the skill sets that we have in our employee base. And so it also presents SaskTel with an opportunity to provide new people with new skill sets for those areas, for those growth areas, without necessarily simply going out onto the street and growing the total number of employees. In this way we are able to kind of backfill positions but not necessarily the same positions.

There is some opportunity to reduce the cost of the wage and benefits — total wage and benefit package — for the company, but that's not the primary reason for the decision. SaskTel, I don't think, feels that it has a workforce that is too big and we're not looking at reducing 486 positions. We may have

certain opportunities, as people start coming forward, to say this position may not need to be filled; this position may not need to be filled. And of course we'll also have the benefit of, in some cases, replacing people who are at the high end of their salary band with someone who would be at a lower end of the salary band. So there is some efficiency that comes along with the flexibility objective.

Mr. Bjornerud: — Thank you. Mr. Ching, the president of SaskTel, made the comment a while ago or not long ago that phone rates could go up as much as \$58 — the basic phone rates — because of long distance. I'm trying to find where this . . . like where did this number come from? How can we justify \$58? I have a hard time believing it to start with. That's why I asked the question.

Mr. Meldrum: — I believe what you're referring to was a speech that Don gave to the Saskatoon North business people. And what he talked to were the dollar values in terms in amount of the subsidy, and I'm afraid that whoever was in the crowd leapt to a conclusion that that meant local rates were going up by that amount. And I don't believe that was the message that Don delivered or intended to deliver.

Mr. Bjornerud: — Yes, and I agree with that, but I mean that number must have come from somewhere; he must've . . . I think where I have the problem with that is I really have a hard time believing that we're being subsidized, especially even out in the rural, to that extent. And I just wondered where that number came from.

Because it's kind of scary, especially with governments sometimes, when you hear these numbers — before long they become reality. And I'm not knocking . . . No matter who is in government these things seem to happen, or what business it can be, especially a Crown corporation.

Mr. Meldrum: — I could read an excerpt from a letter, because we got a question from a rural inhabitant following that, sort of wondering where this number came from and what exactly is it all about. Perhaps I'll read it to you:

Recent reports in the media have indicated that it costs SaskTel approximately \$58 per month per line more to provide service to rural residential customers in the monthly billing rate. In fact the actual amount of the subsidy is currently \$52.50.

At that point we were just doing some sort of cost refinements as a result of some of the work that was done to develop the contribution rate. This subsidy is for utility services and the problem is that utility services includes something beyond basic local access.

And going back to the letter, he says:

Since I understand that your question was actually about the cost of providing basic local services, we have undertaken additional work to separate basic local service financial results from the total utility service results. The cost of providing rural residential basic local service is

\$39.40 per month per line more than the revenues obtained from the monthly charges for this service.

So if you try and just sort of zero in exactly on local access, rural residential, it's \$39.40 per month is the amount of the subsidy based upon, I guess it would be our 1995 cost separations that were done to develop the contribution rates for our competitors.

Mr. Bjornerud: — Okay, but if you took that number and \$39.40, that's good. But then you're not also counting in the fact that I live in a small community and I have access to maybe a hundred phone numbers; where if you live in the city of Regina or Saskatoon, you have 100,000. There's a big difference. And every time I phone the community eight miles away, I pay long distance.

Is that taken into this, you know, when this number is figured out here? Because you know, there's a big difference whether you can phone locally 95 per cent of the time or whether 95 per cent of the time you're phoning long distance. And that's where I have a hard time believing that we're being subsidized to the point where we're being told.

Mr. Meldrum: — One of the interesting things as we've worked this entire exchange area boundaries issue, is that there's a perception that folks that live in rural areas, that their long-distance bill is substantially greater than folks that live in Regina and Saskatoon. It is higher but it's not quite as high as one might have thought.

When we prepared for the '94-95 Crown review, at that point we did have some numbers. If you look at large communities — that would be Regina and Saskatoon — our average bill at that point was \$29.50 worth of long distance per month on the residential side. In a small community it was \$34 and in a rural community it's \$43.

So even given that — the difference between the 43 and the 29, approximately 13, \$14 — our costs are significantly different in terms of not just only being 13 or \$14 different.

Mr. Bjornerud: — You could also argue that we're not as big a talkers out in the rural that you guys are in the city, you know.

I'd like to touch back on this also. It's been talked about before. I'd like to go back for a minute to the cross-subsidy that we were talking about before, and we're not regulated or you're not regulated by the CRTC, so I would presume that the cabinet or the government of the day is the regulator until CRTC takes over in '98.

When the cross-subsidy rate was set for say AT&T or Sprint, who set that rate of what they would have to pay towards this cross-subsidization? Like was that SaskTel, was that the cabinet — who set this rate?

Mr. Meldrum: — A separate, independent auditor came in, reviewed the cost separations that were done, compared them to the cost separation studies that are required under CRTC jurisdiction, developed the total shortfall number, confirmed it,

and then it became a question of what were the total number of minutes to use with respect to that. And we had some discussions with the competitors and they agreed what the number of minutes would look like on a go-forward basis, and that gives you the rate per minute.

The firm that actually did the independent analysis was Deloitte & Touche, with some people coming out of their Toronto office to do that work.

Mr. Bjornerud: — Okay, thank you. Do you have any idea in the future . . . Now we're talking about rate increases for our basic telephone. You know, you must have tried to make some projections. Do you have any idea how much extra we're going to be paying in the near future to counteract what is happening in the competition and with AT&T and them coming in?

Mr. Meldrum: — It really depends what the amount of the sustainable subsidy is. I know that other jurisdictions in Canada are looking to go to a cent a minute. We're sitting at 4.16 cents per minute. So it's that end point that'll drive whatever increases that may end up occurring.

Mr. Bjornerud: — One thing that kind of aroused my curiosity is when you were talking about other companies, there were two types. There was AT&T and Sprint and then there was the other type you talked about. I'm trying to figure out how they function. They must function by trying to buy volume, do they? Is that how they work, by making a deal with SaskTel at a cheaper rate and then selling it in volume?

Mr. Shepherd: — Yes, but the two basic business practices are quite different. AT&T or Sprint, which are known as facilities-based carriers, actually do own some equipment and so they would own some switching equipment. So they actually own some equipment. They physically connect in some way to SaskTel's network. They may lease some equipment from us to do that and then they pay this carrier access tariff charge. So that's the business arrangement.

With a rebiller, they really do not have to own any transmission equipment. They are essentially leasing or buying bulk volumes of long-distance time from us and reselling it, essentially. Because they buy in a very large volume, like any large customer they can command a somewhat lower price. They then resell it in smaller chunks at a somewhat higher price and make their business on that mark-up. So that the basic business practice of the two is quite different.

As you can tell, the AT&Ts and Sprints are very large, really global companies, aggressive advertising, large campaigns. Resellers, or rebillers, as they're known, are quite often smaller and more focused companies. Still can be quite large, but generally have a little different marketing tactic and have a different way of obtaining the services they resell.

Mr. Bjornerud: — Okay. I'd just like to go to a different subject now. And this is about your international — some of your international — projects that you have on the go.

And the first one I'm wondering about is the \$10 million

investment that SaskTel has in a contract with a Tanzanian telecommunication company, in East Africa. And I guess the question I would have, has SaskTel been paid for its work designing the new system for Dar es Salaam? Are we receiving any monies back now for the investment we've made there?

Mr. Stephanson: — The answer to the question is yes, we have received money for that project.

Mr. Bjornerud: — How far into that project are we? Are we halfway through or . . .

Mr. Stephanson: — I don't have that information here. What . . . (inaudible) . . . Do you? Okay, yes. It was completed in the fall of 1996, three months ahead of schedule.

Mr. Bjornerud: — They were finished? I'm sorry, I didn't hear that.

Mr. Stephanson: — In the fall of '96.

Mr. Bjornerud: — Okay. One other venture I'd like to ask about is the joint venture that SaskTel had with Norstar Communications. And I believe — and correct me if I'm wrong — that this was in Chicago that work was supposed to be done, and possibly Columbus, Ohio? I could be wrong on this but I believe SaskTel initially put in \$815,000 and then loaned the joint venture another 3 million — and again, correct me if these numbers are wrong — then invested another 6 million into the project.

And I guess you have turned at some point some of this money into equity. And what usually scares me about that is that when I see someone, a company, turning their investment into equity, I would question maybe that there's a chance they weren't going to get their money out so they turned it into equity to make it look better. Is this . . . can you maybe just give me an overview of what is going on with Norstar?

Mr. Stephanson: — The project itself — well I shouldn't call it a project; it's an actual construction company in the United States operating with head offices out of Chicago — is doing contract work actually installing fibre cable and coaxial cable in Columbus, Detroit, and Chicago under contract to Ameritech. As well, most recently has received a contract with Lucent Technologies, for GTE in Tampa, Florida for a similar type project, again a build of hybrid fibre, coax network.

The Chair: — Mr. Bjornerud, if I may at this point, I would like to suggest that we take a brief 5, no more than 10, minute break, and at that point the minister will be available and you will be able to direct questions directly to the minister. So if we could be back here in no more than 10 minutes. Thank you.

The committee recessed for a period of time.

The Chair: — Ladies and gentlemen, we will once again reconvene our review of SaskTel. I would like at this point to welcome the minister, and I guess I could say better late than never but it's always also better never late.

Hon. Mrs. Teichrob: — I'll concede that, Madam Chairman, and I want to send my sincere apologies to all the members here assembled, but this was the first cabinet meeting that we had today since December 17. I did leave before it was over, by the way, but not until all the items that I had a salient interest in were dispensed with.

The Chair: — That's okay. Your officials acquitted themselves very well. You are of course responsible for anything they may have said in your absence.

Hon. Mrs. Teichrob: — I have the utmost confidence in each and every one of them.

The Chair: — Right. I will now call on Mr. Bjornerud.

Mr. Bjornerud: — Thank you, Madam Chairman. Welcome, Madam Minister. There is one question I had to do with SaskTel International that I was asking before the minister came, and this one is, SaskTel International had an investment of \$36 million, I believe, a contract in the Philippines to provide engineering services and to supply and install rural telephone services to 10 rural provinces. Has SaskTel International been paid for the engineering part of that project?

Hon. Mrs. Teichrob: — Yes, there's . . . actually the project is in four parts, four phases. Three phases are completed and as far as I know have been fully paid for. A large portion of the costs of those contracts are related to CIDA. And a fourth phase is now under discussion and under tender.

Mr. Bjornerud: — Okay. If we made the initial investment, if my numbers are right, at \$36 million, like what part of that would we have recovered or have we recovered more? Have we made money on that project similar to the LCL type of deal or not?

Hon. Mrs. Teichrob: — It has been profitable — you might want to comment on that — not in the proportions of profit that LCL was, which was quite an aberration from the norm really. But it has been profitable.

Mr. Stephanson: — Specifically, it is not a \$36 million investment; it is a contract for delivery of goods and services totalling \$36 million. SaskTel International started with virtually no investment. We had I think, three to four people maximum on the ground in Manila itself. I don't have the total value numbers with me, but because the contract involves significant procurement of Canadian equipment where there was a low margin . . . For example, like we would spend — I'm going to guess now — but if we spent \$10 million on equipment, our cost would be \$10 million. We would pass it on through this contract with an extremely small mark-up. So 5 per cent is all you'd make on the 10 million.

That kind of thing gets you to . . . in the \$36 million contract, I think about a two, two and a half million dollar profit. So it's a much smaller margin, but it's because basically what we're selling is SaskTel engineering expertise, systems integration, and supervision on the ground, as well as some administration and procurement items. That's the reason.

Mr. Bjornerud: — Okay, thank you. That was all I had on the SaskTel International.

The next one I'd like to touch on is the Todd Francis issue, and I'm sure, Madam Minister, you remember that name. And I'm not just sure here that anybody really thought that this was a good business dealing, especially one of the Crowns that are supposed to be here to look after our people.

Correct me if I'm wrong, and maybe we're getting misinformation here, but I believe what happened here is SaskTel had come to an agreement with Mr. Francis for X number of dollars to supply the Internet and four or five days later, you announce Sympatico and we are very happy you did. We've been pushing for that, for lower rates for Internet.

But in the meantime, Mr. Francis was caught in the middle where he had signed a contract at X number of dollars and then found out all of a sudden that SaskTel was supplying the same service much cheaper but he was locked into this. How can we justify not going back to this man and renegotiating this contract? I mean this is a Saskatchewan resident that we're dealing with and one of our business people.

Hon. Mrs. Teichrob: — Well I can't speak in detail about the negotiations in dollar terms that have gone on with this individual. But at first, an assessment was done of how much he actually did have invested and I think it was quantified at that time — this would be some months ago — at about \$9,000, which was quite a bit less than his claim. And so he rejected that.

But negotiations continued and he . . . we just haven't been able to come to terms. But SaskTel is certainly continuing to negotiate and wants to make sure — even though it is a competitive environment and these people want to get into a competitive business and conditions change; the same thing has happened to SaskTel — that you know they have to recognize that there is a risk. And SaskTel would certainly be willing to reimburse him for out-of-pocket costs. But we're certainly not interested in going far afield into the realm of perceived damages and loss of income and that sort of thing, and I think that's fair.

Mr. Bjornerud: — But I think, Madam Minister, with the time line we're talking about here, and I believe, if I'm right, that there was only about four days after he signed this contract that Sympatico was introduced. And it would seem to me that SaskTel definitely knew of what was coming down the road in three or four days the day they signed that contract with Mr. Francis. And you know, I just have a feeling that something was done in very bad faith here, especially that we're dealing with a person from our own . . . one of our own taxpayers and a person from the province.

Mr. Meldrum: — Perhaps, Madam Minister, I could expand on that. There was a number of delays between the point at which he first said he wanted service and the point at which it was actually turned up. The SaskTel labour dispute intervened in the middle there, and it wasn't actually just a matter of sort of four days that he signed the agreement and then Sympatico

was announced.

Now having said that, I'm pleased to report, Madam Minister, that within the last 24 hours I believe we've reached a negotiated settlement with Mr. Francis concerning his equipment and any claim that he may have with respect to the company and that he's well on his way to getting back on his feet in terms of alternate employment.

Hon. Mrs. Teichrob: — Well that's good. I knew that negotiations were ongoing and I was hoping they were headed in the right direction; so I'm glad to hear this.

Mr. Bjornerud: — I think we all are. Mr. Francis was not the only one. Are there other negotiations going on? I believe there was a group out of Melville and possibly one out of Saskatoon, caught somewhat in the same scenario. Is there any other, is there any other negotiations going on that you can tell us about?

Hon. Mrs. Teichrob: — Well I think that we're dealing with those situations on a one-by-one basis where it comes to our attention.

Mr. Bjornerud: — Okay, and you're going to wonder, Madam Minister, why I'm jumping all over the place here, but it was because you weren't here and I tried to save some of the goodies for you.

Hon. Mrs. Teichrob: — I was sure you would.

Mr. Bjornerud: — Yes, I know.

Hon. Mrs. Teichrob: — And I knew the longer I stayed away, the worse it would get. So I tried to come as soon as possible.

Mr. Bjornerud: — Mr. Goohsen is beaming because he's got all his goodies for you. I'd like to just touch on the phone book issue and the costs that we have for cellphone users now for directory assistance. And it's been brought to my attention that cellphone users do not get a directory supplied to them free. Is that right or not? Like a telephone book supplied to cellphone users free? They have to pay for that?

Hon. Mrs. Teichrob: — Well I don't know. All I know is that we have, between all of us, six cellphones and we don't get a directory for any of them.

Mr. Bjornerud: — Why I'm asking is because I have had complaints brought to me by cellphone users and say, I have my basic telephone at home; I'm supplied with a directory; why am I not now, especially now that I have to pay for directory assistance for a cellphone.

Hon. Mrs. Teichrob: — Well for one thing on cellphone directories, are so volatile because there's so many changes and so many additions. So it's practically impossible to keep a cellphone directory up to date, and it seems fair enough when the calls go through the same operator and the same kind of costs as if you had a land line, that I don't . . . My solution is to program in all the numbers that I call regularly and to keep an old telephone directory in my car.

Mr. Bjornerud: — Yes, there's ways around it. I just . . . the complaints that had come to me and I just pass it along. Has SaskTel ever thought about one directory or maybe even two or three for the province instead of the number we have? I believe Manitoba has two.

Hon. Mrs. Teichrob: — Well there's a number of options that are being looked at, and it is quite interesting that for instance Winnipeg and environs has almost the population of Saskatchewan. They have one book. Vancouver, with three times the population in the province, has two books —one white pages, one yellow pages. And so we're looking at those options.

It seems to me that it would be a really good opportunity to sell more yellow page advertising if there was a provincial directory for yellow pages. Because if you look at some of the regional directories, the yellow pages are pretty skimpy because the area is so limited; where if there was a province-wide audience for the yellow pages, that SaskTel might have an opportunity to sell more 1-800 numbers for example, and beef up the participation in the yellow pages because of the increased audience. So we're looking at all those.

But as you realize too though, we only have a 50 per cent ownership in DirectWest, so we don't have the same control over the style and manner of the directory that we once did when it was wholly owned by SaskTel.

Mr. Bjornerud: — Thank you, Madam Minister. GMTS (general mobile telephone service) was planned to be cancelled and then its life was extended. Where are we now with GMTS? Are we down the road that's still going to be cancelled? Or is it going to sit like it is now?

Hon. Mrs. Teichrob: — Well I think it's fair to say that eventually at some point we will have to discontinue the GMTS service. It's very expensive. We only have about, I believe between 8 and 900 . . . the figure that comes to mind is 845 subscribers province-wide to the GMTS service, and we lose a million dollars a year on it.

And yet we realize that over that small a subscriber base, an increase in the rates to a break-even point would be really excessive. Because the problem with those people that are left in that service is that they for the most part don't have a viable alternative. They're in remote locations in the North for example, where the only alternative is satellite cellular, which at the moment is quite expensive and not particularly portable. Like if you're an outfitter, you're not going to drag something around with you that weighs 40 pounds. Even if you did have to pay \$6,000 for it, you're not going to walk around through the bush with it.

And so we're working with that consumer group. The reason it's so small now is that for the most part, those subscribers of GMTS who could, have migrated to cellular or FleetNet. I was going to say trunk. And so that's why the losses go up in GMTS as those users of GMTS who can migrate increase, and the customer base just gets smaller and smaller.

The technology is old. There's a couple of provinces and telephone companies that have already abandoned it completely. But we don't intend to leave anybody in the lurch. We intend to keep massaging it until we have a viable alternative for all the subscribers.

Mr. Bjornerud: — Okay, thank you. One of my favourite subjects — and I'm sure you know what's coming — is regional telephone systems that we've been asking and asking SaskTel to look at and you yourself, Madam Minister.

Right now would be a prime time, in my mind, if SaskTel was ever looking at doing it. Because competition is coming in and we realize that AT&T and Sprint and them are taking a good share of the long-distance market. This would actually cut the long-distance market and take more of the basic bones back. You would have control of more things because they wouldn't be long distance no more. And I'm wondering if the minister has even considered this or, you know, the officials of SaskTel?

Hon. Mrs. Teichrob: — Well I think it's fair to say that this is an issue that's been before us on an active basis for at least the last five years, because we still have the same pattern of telephone exchanges that for the most part was developed after the turn of the century. Most of the existing exchanges are based on the local companies that, you know, ran . . . put up the original lines and served, through a cooperative or a local association, the subscribers in their region.

And the problem with this is that no matter how you do it, there is a cost. And it's easier now, since the network is all digital, to do things like we have with the 40/40, where irregardless of the switch points, with the computer software that we have, you can measure distances. But the problem is, for every dollar that we save the consumers in those small exchanges as they're able to make more calls, we lose long-distance revenue.

So I'm getting quite a number of letters actually from people who say, we would be prepared to pay somewhat more on our local rate if only every call that we had to make for farm machinery parts or to the school . . . because you know the schools are farther away, and from what I know how our kids are or make alternate arrangements when they can come home or whatever, that we don't have to call long distance. And the school divisions have made that submission as well, because so many of them are in the position where if a school bus goes down or the weather gets bad and they want to notify the parents of their students, each and every call is long distance. So it's a cost to school divisions.

So we are looking, have been continually looking at it, and I think we're getting fairly close to coming up with at least a partial solution. The problem is that there's no one-size-fits-all solution because the calling patterns are so drastically different from one caller to another. And what might suit 10 callers in an exchange if you move the boundaries in one direction, is not the direction that the other subscribers wanted it to go.

But I think we have a potential solution in hand, and hopefully we'll have some announcements to make about that in the coming months.

Mr. Bjornerud: — You were doing a great job of selling my case there for a minute.

Madam Minister, this is actually not a whole lot to do with SaskTel, but I was just wondering, last year 10 per cent of the VLT (video lottery terminal) money was supposed to go to 911, right? Well I'd just like to know if you've checked with your counterpart, the Minister of Municipal Government, and where that money would be going this year.

Hon. Mrs. Teichrob: — No, it wasn't the whole 10 million. What I said was that 3 million went to the RCMP (Royal Canadian Mounted Police) telephone upgrade. And we expended two municipalities actually, including a cash rebate to those municipalities that already have a 911, for the survey, the mapping that needs to be done.

Then we added the \$5.6 million that SaskTel will ultimately have to invest in the 911 initiative. And when you do the arithmetic, those totals, those amounts, totalled more than \$10 million of VLT money.

Mr. Bjornerud: — Madam Chairman, I'm finished for right now. I'll pass to my . . .

The Chair: — Thank you, Mr. Bjornerud. I appreciate the courtesy and I will recognize you again if you want to be on the speakers' list. I have right now Mr. Goohsen, and then I understand Mr. Kasperski also has a question. He may have changed his mind by the time . . . or it may be that Mr. Goohsen will ask his questions. We don't know. But let's see, Mr. Goohsen, if you can put the question that Mr. Kasperski wanted to ask.

Mr. Goohsen: — Madam Chair, is this a lottery? If I guess the right question, do I win?

I was interested, Minister, about your politically correct phraseology of massaging the system. Now how do you do that?

Hon. Mrs. Teichrob: — Well you don't run out there with hot water bottles or anything. But I think I made that comment in respect to altering the exchange boundaries. And I guess that's all you can do, is look at it on a case-by-case basis and especially take some of the really small exchanges and you have to look at situations in neighbouring towns, examine the calling patterns.

And I guess that's what I was saying, is that there is not a one-size-fits-all solution, because people calling different places . . . Like for example, I'll just give you one example. With the 40/40, a lot of subscribers are very happy with the 40/40. But if you take an area around Saskatoon for instance, you've got 40/40 calling from Rosthern to Saskatoon, from Waldheim to Saskatoon, but Hepburn is a little bit more than 40. So Hepburn can call Waldheim and they can call Rosthern, but they want to call Saskatoon. And it's . . . sorry, folks, it's more than 40.

So this is what I say, that it's like dominoes. When you change

one exchange boundary, after doing all of that examination of how you should change it to bring the most advantage to the people in the area, then you skew the results for somebody in the next exchange.

And so there's no point in singling out. There were a couple of pilot projects undertaken about 10 years ago or so that are still in place, and actually they've caused us nothing but grief. Because we haven't ended the pilot project, but people across other parts of the province keep pointing to those and saying, well why can't we have what they have? And if we gave it to everybody, the long-distance revenue would take such a hit that local rates for everybody would have to go way up.

So we're trying to be delicate about how we change it and do it, when we make a move . . . that we do it appropriately so it benefits the most people.

Mr. Goohsen: — Well, Minister, thank you for explaining it — massaging. I note the 40/40 program is mentioned and my colleague pointed out that was a Devine program and we maybe need more Devine programs; but no program is always necessarily going to be perfect or exact so you probably do have to keep on working at it. For example . . .

Hon. Mrs. Teichrob: — Well maybe I think our programs will be divine.

Mr. Goohsen: — Very good. We would refer you to a town like Fox Valley of course then, whose problem is that they are so close to the border that they don't get their 40/40 to the west side of them. They only get a 20/40 — 40 from one direction to the other.

So we think that you need to work on new programs and we encourage you to do that. However we wonder, how do our districts compare in seriousness with other jurisdictions like Alberta and Manitoba? Do they have bigger districts or smaller or are they the same?

Hon. Mrs. Teichrob: — I'm not sure that I can comment on that intelligently. The only jurisdiction that I know of in recent months that has made a radical change is in New Brunswick, where they enlarged the sizes of their local exchanges considerably in conjunction with an increase in local rates to offset the loss that they would have in long distance.

Mr. Goohsen: — Well Manitoba's areas have been bigger, I guess for many years and they seem to have been able to resolve their problems in competition, obviously in a different way, at the moment. But even leading up to their privatization they didn't seem to be doing all that bad.

So those people that live along the Yorkton side of the province have looked at that system and have wondered, I think, out loud why we don't follow some of that example rather than always use Alberta as an example.

Hon. Mrs. Teichrob: — Well I think . . . I don't want to put any cold water on the Manitoba privatization, but if you examined carefully for instance the profitability of MTS

(Manitoba Telephone System) in recent years, the condition of their infrastructure, the need for a huge capital reinvestment there, and if you looked at their profits and the size of the establishment within MTS in relation to the distances they have to cover, and if you look at their extreme vulnerability to the long-distance competition, having 750,000 of their million subscribers within spitting distance of Winnipeg, which is quite different than the demographics in Saskatchewan, the comparison between the two is really like apples and oranges.

Mr. Goohsen: — Well we'll leave that to you to figure out, Madam Minister. But I want to ask a couple of questions that come from individual people who have heard about the meetings that we're having here today and they wanted us to use the opportunity to directly ask questions from you folks about the way the policies are set up.

Specifically in rural Saskatchewan, I've had a call from a constituent who tells me of a problem that he's having that will relate to, I think probably to all people in the province and that has to do with the policy of the charges that rural people are charged for a new line.

Now he tells me that in his yard he has a line that was put in to his house a few years ago, which he paid about \$700 of trenching costs and so on to have put in. At that time the telephone company of course, looking to the future, included more than one line in that system. They didn't bury just one; they buried several. So they have more lines in the line ready to go.

He now would like to hook up to the Internet and would like to have another telephone line to do that so that he can pay more service charges and more fees as his children do their homework on the system and that sort of thing. However, SaskTel of course has to follow this written-in-stone policy apparently to hook him up, and the wires are already there.

He says at \$700 he, like most farmers, can't afford the initial cost. But over a period of time, if you were allowed to hook up for the 80 or \$90 that any town person could hook up for, he could afford that. But over time then the rest of the money SaskTel would recover easily out of the extra charges because they would be using the second line as well as their first line. And naturally, he says, the cost of telephone service to their home would escalate considerably as time goes by.

So he wonders why that policy hasn't been changed and if there's any possibility that you might consider changing that policy.

Hon. Mrs. Teichrob: — Well I think it's a matter of the nature of our infrastructure, in that we already have fewer telephone accesses per kilometre-mile of line than any other company in Canada simply because of our geography, and we can't afford to extend that infrastructure at a loss.

And I don't know where your farmer example lives, but I know that we got a new telephone in in 1994, a new telephone line into a new site, and it cost \$2,600. And when I went to add a fax machine, which I told them when they made the installation

in 1994 that I would likely want to do, they did provide for it but I still had to pay a \$300 hook-up charge. So that's \$2,900, which is in total a lot more than what you're quoting that he paid.

And then we also pay — I don't know, I've seen these numbers about the average rural telephone bill and so on — but we pay a mileage charge each and every month back to the closest switch. And so our basic service that includes a couple of extension phones and so on — but that's only a matter of a few dollars a month — but our basic service bill is \$33.

Mr. Goohsen: — I hear, Minister, what you're saying, but I also hear a difference in your situation. You're saying that basically it cost you \$300 for the hook-up. He's saying he paid 700 already the first time, which was more than you paid, and now . . .

Hon. Mrs. Teichrob: — No, I paid 2,600 two years ago.

Mr. Goohsen: — You actually paid all that?

Hon. Mrs. Teichrob: — Yes.

Mr. Goohsen: — Apparently he was in a better situation then at that time.

Hon. Mrs. Teichrob: — Yes. That's what I'm saying. He should be so lucky.

Mr. Goohsen: — Because obviously at that price he couldn't have afforded it because he's not a cabinet minister.

Well what he's saying, I think makes some sense. If the line is already there . . . And it is. SaskTel has already paid for it. I mean, or else they've amortized it. They're not going to get any more money out of him unless he chooses to hook that new line up.

He will not choose to hook that new line up for \$700. For \$80 he would choose to hook it up and he would then choose to use it and SaskTel would then have basically another customer, another telephone line in service. If he doesn't hook it up, it'll never be used. You're going to be stuck with the cost. Regardless of whether he uses it or not, the cost is there. It's been spent.

So wouldn't it be better to have a policy where you give an incentive for this man and people like him to use the extra lines that are there? It's not his fault that he happens to be the only farmer in 20 miles around him, or that other people have left.

Hon. Mrs. Teichrob: — Maybe I'll ask Kelvin to comment further on that.

Mr. Shepherd: — I guess the issue of construction charges and rural services charges is not necessarily a very simple one, in that in many cases the initial charge, the initial \$700 charge for service, does not fully recover the cost of that installation.

And in many cases where a customer feels they have . . . where

they feel it's a simple issue to hook up a second line and cannot really see the need for a \$700 charge on the second issue or on the second line, there actually is additional infrastructure or additional costs further back in the system that do have to be recovered.

So while I believe you probably can make the point there will be specific cases where it is simply a matter of hooking up that second line, there are many other cases where that is not the case. And there are actual costs, both real costs that occur at the time of installation, and future costs that are required to reinforce facilities and add capacity in the network to handle that.

And so we have a policy that is uniform, and there is no doubt that in some cases there may be a case where a customer feels that there is very little cost, but we still apply a uniform \$700 charge.

But when you look over all of those installations, all of the customers, and we try to provide an average and a fair and basically affordable service to as many people in the province we can, we feel that that type of a policy is fair and is equitable.

Mr. Goohsen: — Once again I'll say that I hear what you're saying, but that doesn't solve the issue. The issue being of course that this gentleman is not asking you to bury a new line. He's saying, you've already buried the line; it's there. The line is already ready for him to hook up.

If he lived in town it would cost him 80 or \$90 to hook up to that line if it were in there. He wouldn't have to pay any trenching. In this case the trenching is done. If it would cost \$80 or \$90 to hook it up, he would; you'd have a new customer and you'd have a new payer. If you don't give him a reasonable cost, he's not going to hook it up and you don't have a new customer. Aren't you defeating the purpose of marketing by not hooking people up at a reasonable rate where it's possible?

You see, that's what's wrong with blanket policies. You try to be fair to everybody and you end up being fair to nobody, because lots of people simply don't use the service.

Mr. Shepherd: — I guess the issue there is that we have to have some way of recovering these costs over the entire base of customers. As you indicate, perhaps one way to do it would be to charge one customer the \$10,000 it cost to put in the first line and to charge the next customer down the road nothing because the first guy put in the cable. But we have not chosen that policy. We've chosen a policy which is to try and provide fair and equitable access on a universal basis as much as possible in the province. And this is part of that policy of attempting to recover costs on a fair and equitable basis.

And perhaps there is, in some other system where it's a pure user-pay system, but that's not the system that we have historically followed or the system of providing local service that we try to implement in Saskatchewan.

Mr. Goohsen: — Yes, well I appreciate your answer and we'll pass that on.

Mr. Shepherd: — I guess if you want, we'd be more than happy if you wanted to refer to the specifics of the case.

Mr. Goohsen: — I have done that through letter to the minister, which she probably will have in a day or so.

Mr. Shepherd: — Okay, so we have . . . we will follow up and perhaps the specifics . . . there may be something different in this particular case that I'm not aware of. But we'll look into it and see if there is some other form of remedy or other aspect to the situation.

Mr. Goohsen: — Well there is an easy solution, as my colleague and I have just had our heads together. You sell him a cellular for his line service and hook his machine onto the one he's got, and you've got it.

The Chair: — There's a philosophical, ideological difference here between you and the officials, and maybe you might want to move on to a different line of questioning.

Mr. Goohsen: — I was just planning on doing that.

Hon. Mrs. Teichrob: — Well actually, you know, I just wanted to mention before we leave this subject that if you ever have the opportunity, which you may have had, to visit some of the switching facilities that SaskTel has and you realize that when you pay your monthly service or your installation fee that you get a dedicated switch, a switch that's dedicated to you, and that's your window on the world . . . If you're going to use Internet — \$300 — pretty cheap for a window on the world. And I just wanted to mention this since you were talking about Devine programs as distinct from divine programs.

In the rural gasification — this always just astounds me — everybody had to pay \$2,600. And that was even if you only had a furnace and a water heater, which would take the SaskPower or SaskEnergy a coon's age to recover it from the gas use of a simple domestic furnace. And yet when you wanted to hook up a livestock farm where your gas bill was going to be \$1,200 a month, your installation charge was \$5,200. Well you would get recovery of your installation costs in six months from that operation and in sixty years from the other one.

So it seems like it was absolutely reversed in the price of the installation policy. And you may believe that I wrote many letters to many politicians and hammered on many desktops about that, but I never won my point either. I paid the 5,200 bucks.

Mr. Goohsen: — We thought you were here to change that.

Hon. Mrs. Teichrob: — Well I'm a better listener. I could do anything.

The Chair: — Mr. Goohsen . . .

Mr. Goohsen: — I am changing the subject as soon as the minister allows me to do that.

The Chair: — Thank you, I appreciate that. I also want to remind all members that I have a speaking list. After you, I will be recognizing Mr. Belanger and then Mr. Bjornrud.

Mr. Goohsen: — That's certainly your privilege.

The Chair: — And it may be sooner rather than later that I'm recognizing Mr. Belanger.

Mr. Goohsen: — Oh, are you suggesting that you're going to cut me off?

Hon. Mrs. Teichrob: — She wouldn't do that.

Mr. Goohsen: — Should we discuss this?

The Chair: — No, we should direct some questions to the minister.

Mr. Goohsen: — All right, we'll do that. Madam Minister, to move on to some more constituent concerns that we've had, we'd like to know, for the constituents, why you continue to spend money putting on gimmicks along with the billing as you send out the bills and put on promotions and draws and those kinds of things that obviously must cost SaskTel money, where there is no obvious gain to produce more customers or to produce a better service. So why do you continue to put on those kind of gimmicks that come along with the bills and those kind of things that are considered to be advertising that would do no good in terms of winning market share?

Hon. Mrs. Teichrob: — Well, I guess it's a matter of perception because the competition certainly uses heavy saturation — advertising, telephone calling, fax sending, brochure sending, all kinds of things — and I personally don't like getting stuff in my bill, any of my bills. I take it out and I take it . . . well, no, you don't throw the bills away — but I throw the rest of it away.

But I'm told by people that are supposed to know about these things, that it is very effective because it reaches a person right in their own home in mail that they open. And I'm told that a lot of people look at this and that it's quite an effective way of advertising. And it is relatively cheap because you're sending out the mail anyway. So as long as you don't exceed the weight it doesn't cost you any postage; it just costs you the cost of printing the brochure or coupon or whatever it is. And I guess it gets results, which is why we continue to do it.

Mr. Goohsen: — Well some of these people are your supporters, so I guess the reality is that it covers all philosophical backgrounds in terms of people thinking that it is a reason why their bills are higher, is that they are helping to pay for advertising and gimmicks that they don't believe sells anything, in reality. Now you of course have a different opinion as to what it's selling, and that it does work.

The man that has approached me on this issue yesterday believes as I do, and you've just indicated, that most people throw them in the garbage and rarely read them. I never read them; I don't have time for that. So maybe . . .

Hon. Mrs. Teichrob: — See I don't think it's true that most people do. I mean we're told by the people who are in a position to measure the returns from this type of mail-out that they are very effective in general. And so, you know, that's where you have to overcome your personal biases. If it works you continue to do it, because television advertising and magazine advertising certainly doesn't come cheap.

And then there is so many things that people just don't understand. Like they just will not understand that when there is a SaskTel ad in *Maclean's* magazine, for example, that it's not in the issue that's going all over Canada. It's only in the issue that is produced for Saskatchewan, and that the corresponding issue of *Maclean's* for Alberta will have a page on TELUS and B.C. will have BC TEL and the Manitoba issue will have MTS, and so on. And yet people continue to think that when they see an ad in *The Globe and Mail* or a national magazine, that we're advertising all across the country to people that don't even have access to our service. And that's not true.

Mr. Goohsen: — Well we've heard you explain that before and I realize that, but still it is a cost. But I guess what my constituents are saying is that even that kind of advertising has to be very suspect as to results. And so they are wondering how much money does it cost to do these advertising programs, and if you reflected that back to individual phone bills, how much would each customer save?

Hon. Mrs. Teichrob: — Well you know, now that we're in a competitive mode, and we certainly don't hear from AT&T about how much they spend and what their returns are, just suffice it to say that it is deemed that these methods of promotion are very cost-effective and that we do get, in spite of those people who have a personal preference not to see that kind of advertising, that we do get a good pay-back on it.

Mr. Goohsen: — Again, I will pass that information on to the people that have inquired and . . .

Hon. Mrs. Teichrob: — Which would then help to keep local rates down.

Mr. Goohsen: — . . . They'll judge your answer, I guess, accordingly.

How many customers have you lost since the introduction of the long-distance competition?

Hon. Mrs. Teichrob: — Well we can't talk in terms of numbers either and it is kind of interesting, because the competitors are going around saying, oh we're very happy with the inroads we've made into Saskatchewan. So we'll just put it the other way around, saying that we're very happy, in comparison with what happened in other jurisdictions, at the percentage of our subscriber base that we've been able to keep.

Mr. Goohsen: — I've been asked to also ask you if you could . . .

Hon. Mrs. Teichrob: — So everybody's happy.

Mr. Goohsen: — . . . Estimate the revenue that you expect to lose from the customers that are no longer with SaskTel.

Hon. Mrs. Teichrob: — Well it's very interesting because obviously we would have made some estimates based on the experience that other telephone companies had who were exposed to competition before we were. And Bell for example lost, I think, at one point almost 40 per cent of their market. And that was a number of years ago, so that has been made public since.

And we are performing much better. In fact the loyalty of Saskatchewan customers has become a very interesting factor in the telephone wars. And just let me comment that I think we have lost even less market share than we might have expected, based on experience in other companies.

Mr. Goohsen: — And I expect that the public will know when the year end report comes out in a couple of years and we go back and study it at that time. And then we'll say we were wrong, or we told you so, or we were right.

Hon. Mrs. Teichrob: — Well at this point it has to be just an estimate and the interconnectors have only been operating in the province since October. So that's really only two, coming up to three months, which is not a long time.

But let's just say that since they've been extremely active, and their strategy appears to be much different in Saskatchewan than it was in other telephone companies, where they actually set up an establishment in the other province, sort of slowly and systematically. Or they hired local people and they slowly and systematically tried to build a customer base. Where here they haven't made any attempt to establish a local presence at all. They've been doing most of their soliciting from outside the province and the approach has been very different. It's been a virtual blitz.

I mean I know if you go to a social event over the Christmas period, you could be in a room with 200 people; you could hardly find anybody that hadn't been called by a competitor at least once.

And so their strategy appears to be quite different here. And I sometimes wonder just personally, if maybe they didn't anticipate that their success rate might not be as great here as it was in some other places and so they didn't bother setting up an establishment here. I don't know. Just a guess.

Mr. Goohsen: — Well obviously from your comments, Minister, the advertising and marketing that has gone on since about November has been very heightened and very active I guess, to put it mildly. So with that kind of pressure, is it fair to say that you have lost a significant amount of the customer base to AT&T and Sprint?

Hon. Mrs. Teichrob: — No, it's not fair to say that.

Mr. Goohsen: — Okay. Would it be fair to say that you have lost some, as most people would say?

The Chair: — If more than one can be considered some.

Hon. Mrs. Teichrob: — More than one can be some. Two is a couple and three is a few.

Mr. Goohsen: — So you actually are aware of the fact that they're here then.

Hon. Mrs. Teichrob: — Yes. But the interesting thing is that we've had this win-back operation going on. When people are switched over, whether it's at their request or not, when SaskTel has that information they then call the customer to find out why they might have been motivated to change and so on. And some days and some weeks we win back more customers than we lost . . . (inaudible interjection) . . . No, I'm going on a week-by-week basis.

So actually I'm saying that we're actually gaining back more than they're continuing to keep. So it's interesting, an interesting exercise.

Mr. Goohsen: — So what can I get from the win-back program if I sign up with AT&T and then go back to SaskTel later?

Hon. Mrs. Teichrob: — Just wonderful service.

Mr. Goohsen: — How much is this wonderful service costing SaskTel?

Hon. Mrs. Teichrob: — Well actually it doesn't cost; it pays when you win somebody back, right?

Mr. Goohsen: — That's debatable. At what price you won them back or had to bribe them to come back. What is the pay-back price?

Hon. Mrs. Teichrob: — No, we don't bribe anybody to come back.

Mr. Goohsen: — You're suggesting to us that the marketing firm from the United States is so good that they are able to sell SaskTel's product even at a higher price than AT&T were offering to begin with?

Hon. Mrs. Teichrob: — Well we actually have our own call centre in a newly established site in Regina that employs 130 people full time, and they're working flat out. And they're very good, very skilled people.

But as I described to you, the strategy that the competitors are using in Saskatchewan is so radically different than what they used in the other provinces that . . . Let's say the total blitzing of the province by telephone was not anticipated because they didn't do this anywhere else.

And so we're filling a gap, a very brief gap, with the company that you're referring to while they make a permanent move here. And they will become resident here and they will hire local people. In fact they're already advertising for them. I think the indication is it's about a hundred jobs. And those will be Saskatchewan people that they will hire.

Mr. Goohsen: — Well this entire program though must be costing a considerable amount of money just to hire the marketing firm, even if you're not offering the carrot on the stick as you've suggested that you're not doing. But this must be costing quite a bit.

Hon. Mrs. Teichrob: — But I guess it's like all advertising though. I mean the benefits are sometimes very difficult to quantify because people, detractors, will say, well what would happen if you hadn't spent that money? Well who knows. But certainly if we sat around on our duffs while the competition is spending gazillions of dollars calling long distance to solicit our customers away from us, if we didn't take some countermeasures and we lost all that business, then there certainly would be a cost to that.

And so how to say how relative it is, one to the other, it's a difficult question. And you're not going to get dollars out of me anyway, because AT&T and Sprint won't tell you anyhow, and we won't either now. We would have in the olden days but now we can't. In the good old days we would have but . . .

Mr. Goohsen: — It does tell me, Minister, though that if they are using a different approach in Saskatchewan and if it is an all-out blitz, they must have seen SaskTel as being very vulnerable or they wouldn't have spent that kind of money to come after the market.

Hon. Mrs. Teichrob: — Well actually I look at it the other way around altogether. If they thought that this was very fertile ground for them, no doubt they would have taken the move of establishing a permanent presence here and spending some money leasing some space and training some people and so on.

But I — this is my personal view again — but I think that, based on the difference of their approach here and other jurisdictions, I would say that it's more likely that they saw Saskatchewan as somewhat of a wasteland for them so they decided not to set up a permanent presence here and just do a complete blitz and catch some people who will be . . . who are disaffected.

I mean there's going to be some people that have a mad-on for SaskTel or a mad-on about their long distance. You hit them at the right time and they'll say, oh boy, I've been waiting for you to call. And there may be only a handful of people like that in the province. But by doing this blitz, they will catch these people who are disaffected for one reason or another. And then I think that after they've done that, the whole thing will likely cool off for some time, if not permanently, because . . .

And I think that's their strategy here. That's why it's different here. I think they anticipated the loyalty that people would have in Saskatchewan.

Mr. Goohsen: — I think you may have missed some of the point in terms of why people haven't located their businesses in Saskatchewan. Could it not possibly be that the business atmosphere in Saskatchewan is so out of sync with the world around us and so poisoned for business headquarters to be located in Saskatchewan, that it's cheaper for them to deal with

the labour laws in other parts of the world and make long-distance calls to Saskatchewan and pay those costs, rather than set up business here and have to pay for the extra taxation and the extra costs involved with being located here?

Hon. Mrs. Teichrob: — You know, that is so wrong because we've had, in Saskatchewan this year or in 1996 for example, we have record housing starts. Our economy performed in many ways better than the national economy did in most of the provinces.

And I know of a person who has been engaged in commercial real estate in Saskatchewan for quite some time, is working with the . . . well one of the commercial real estate firms, the name's just changed. Anyway I'm told — this is a person with extensive experience in commercial appraisals and commercial real estate — that there are sight-unseen solicitations from all over North America that really started to heat up in the last quarter of 1996 where people want to invest in Saskatchewan and they're even buying established businesses of over a million and a half dollars and more, and they're allowing . . . they don't even necessarily want to move here, they're letting the existing management stay in place but they want to invest in Saskatchewan. And they're even doing it sight unseen. And it's really very interesting.

I mean if Alberta's such a hot spot, why is that money migrating here? And so I think all this stuff about our business atmosphere, that the figures and the level of activity simply doesn't bear it out.

Mr. Goohsen: — Well, Madam Minister, the pursuit of tracking capital of course is not what I wanted to get into, but if I lived in Hong Kong right now, I'd buy something in Saskatchewan sight unseen too.

Hon. Mrs. Teichrob: — No, I said North America not Hong Kong.

Mr. Goohsen: — You know it just depends on where the money is fleeing from, whether or not you buy a pig in a poke, and anybody that bought a business in Saskatchewan, I would suggest they better take a second look, you know, in all fairness because it's not going to be that easy for them to do well here, because as you've pointed out we are small in numbers and we are far apart.

But to get back to the SaskTel connotation of this debate and questioning, we need to talk about the reality of the fact that because we are so few in numbers, and we live far apart, we use the telephone a lot more for long distance. And that's why we are attractive to these other companies, because probably on a per capita basis, we talk more long distance than other people do. Is that a fact?

Hon. Mrs. Teichrob: — I don't know on a per capita basis in minutes. Does anybody know that? But how that stacks up with other phone companies, I don't really know. But I think that our distance from each other and so on has to be a factor.

But that's the other issue, is that the other, the competing

telephone companies complain that they have to pay a higher access charge per minute to use Saskatchewan's infrastructure than they do in other jurisdictions. And that rate was established by an independent adviser who was an expert in the area and it reflects the cost of our extensive infrastructure with fewer accesses per mile than there are in most places. And so as we look at changing the exchanges for example, and we have to look at our local rate structure as well, then they will start to agitate for lower access rates per minute. So you know, this issue gets pretty complicated.

Mr. Goohsen: — Most certainly it does. And I think you're starting to make a case for why we are likely looking at a problem if the rest of this industry is deregulated down the road. An expensive infrastructure as compared to other jurisdictions, certainly will mean that new technology, going to wireless telephones for example, that certainly poses a big threat to a company like SaskTel.

Think of it in terms, as one person pointed out to me, of the way we were with calculators a few years ago. A hand-held calculator easily could cost you \$300 just to add and subtract. You can buy that same machine to do exactly the same job for \$9.99 now.

If technology, as you referred to earlier on the wireless end of it, becomes a 4- or 5-ounce telephone instead of a 40-pound one, and if it becomes a \$9 cost instead of a \$300 cost, then what value will we have and how will we be competitive in Saskatchewan with an underground infrastructure system that you already admit is more expensive than others in the country.

Hon. Mrs. Teichrob: — Well but in spite of the fact that it's more expensive because we have more miles per access, we also have one of the most modern infrastructures in North America in that it's all digital. We have no party lines. While we've got in the rest of Canada the equivalent number of telephones of Saskatchewan subscribers — about 400,000 and some — there's still that number of rural party lines in other parts of Canada where those rural people for instance don't have access to Internet at any price, or voice mail, or any of the other services that come with being able to have a dedicated telephone line, that you can't get on party line . . . (inaudible interjection) . . . Well I overheard your colleague saying this is a social aspect of it, and it is.

Mr. D'Autremont: — They want the party lines back because they miss the social aspect, the rubbering.

Hon. Mrs. Teichrob: — Well yes. Actually it was a lot of fun, wasn't it? And especially the general ring, you know, when you used to ring through and everybody knew there was a fire or whatever; you pick up the line.

But the funniest thing that ever happened to me was, once I actually just picked up the phone to see if it was busy because I wanted to call out, and my neighbours are having a conversation — this was in the late afternoon — and they were saying that they had heard on the radio that the next morning there was going to be a planned power outage from 3 to 5 in the morning, and so I set my alarm two hours early. I got up — this

is in summertime, in the middle of summer — and I went out and milked the cows and everything, got ready to go to work, and it was only 4 o'clock because there never was a power outage. So after that I never relied on any information I got by rubbering.

Mr. Goohsen: — That's very interesting, Madam Minister, but between you and my coach, you've led my questioning totally astray.

Hon. Mrs. Teichrob: — Oh I'm sorry about that. I had no intention to do that.

The Vice-Chair: — Order. I assume that the hon. member was not saying that the minister is anything other than timely.

Mr. Goohsen: — Well certainly, but I did want to get back to SaskTel in modern day context.

Could you tell us, Madam Minister, what led you to file a court case against Sprint?

Hon. Mrs. Teichrob: — Well the brochure that Sprint used in their promotions in Saskatchewan talked about . . . they use language like, your telephone company and so on — and yet it was obvious to us, to SaskTel, that the information was really a brochure that was published for the B.C. market and those were the figures that it had. So in this context it was inaccurate. It was misleading to use that same piece.

If they had followed the same principles but used the right numbers, put it in the right context, there wouldn't have been anything wrong with it. But I think everybody in Saskatchewan has . . . Competition is fine. Competition is great. But if you're going to try to sway people over to your view of the world, you should at least endeavour to tell the truth while you're doing it.

And people shouldn't be enticed to switch on the basis of false information and false advertising, which is what that was.

Mr. Goohsen: — What was the result of the court case?

Hon. Mrs. Teichrob: — Well we tried to file an injunction against them using it and the judge didn't see it the way we did, but I don't know what the follow-up to it is.

Mr. Goohsen: — That's not unusual.

Hon. Mrs. Teichrob: — No.

Mr. Meldrum: — One of the tests for an injunction, which is what we asked for — an injunction to stop with the false and misleading advertising as well as print a retraction — one of the legal tests is that you have to prove irreparable harm. And the judge didn't feel that there was irreparable harm, that at some point in the future you could determine what the damages were that flowed out of this false and misleading advertising.

So on that basis an injunction wasn't granted. Now we still don't have the written reasons. Those were to follow and they are still to follow.

Mr. Goohsen: — In other words, what you're saying is that the judge presumes that you can sue for your losses.

Mr. Meldrum: — Yes. That at some point in the future the losses can be determined so you don't get an injunction. Now we have to consider whether or not we're going to proceed with the lawsuit itself. The discussions at this point are that we likely will.

Mr. Goohsen: — It may be irrelevant if you've already lost all your customers.

Mr. Meldrum: — Which is why we asked for an injunction.

Mr. Goohsen: — Or not have lost any. Either way.

Who was the legal counsel in this case?

Mr. Meldrum: — Olive Waller Zinkan & Waller.

Mr. Goohsen: — What did you expect to gain if you would have won this injunction?

Mr. Meldrum: — I think there was a couple of reasons for proceeding. In addition to the concerns that the minister raised, there were two other advertising pieces that had been distributed which were actually wrong in terms of their bill comparisons. They didn't use the right plan. And secondly, the plan that they did use, they didn't understand the attributes of that plan. So their whole piece was in effect wrong and they acknowledged shortly before the matter was argued that they actually threw out the 100,000 brochures that were wrong.

So that was something we wanted to establish right up front, was that we didn't want this continuing. And they actually did throw out their brochures and stopped distributing the brochure that the minister referred to that appeared to be an old brochure from B.C. And as well I believe are going to now be scrupulously accurate in terms of any comparative advertising that they may engage in with respect to SaskTel.

That was the main purpose, was to deliver to them a message that if they're going to advertise our products and services, then they'd better be right.

Mr. Goohsen: — Was this legal firm that you employed, were they on retainer or are they still on retainer or was this just a one-time hiring?

Mr. Meldrum: — The firm of Olive Waller have handled more than one file on behalf of the corporation but they are not on a retainer.

Mr. Goohsen: — They are the normal legal counsel that SaskTel uses all the time, or do you have other legal counsel that is on retainer?

Mr. Meldrum: — We use other legal counsel in addition to Olive Waller.

Mr. Goohsen: — How much would the pursuit of this case

have cost SaskTel?

Mr. Meldrum: — Depends how far the case goes as to what the final costs will be.

Mr. Goohsen: — Now after the failure of this court case, the SaskTel spokesman, Sean Caragata, said that he was disappointed because once the phone company loses a customer, it is very hard to get the customer back.

Have you in fact quantified this, and how much have you allocated to spend per customer on the win-backs?

Mr. Meldrum: — I think that would be competitive information in terms of the actual costs of acquisition, just the same as I don't believe AT&T would tell us what their . . . the amount of money they're spending to try and acquire our customers.

Mr. Goohsen: — SaskTel had several years of monopoly position to prepare for competition. Now it appears to the public as though you are scrambling to make up ground. Do you feel that you were prepared for competition? And if not, what could you have done to advance yourself and to prepare yourself better and why weren't the steps, of course, taken?

Hon. Mrs. Teichrob: — Well I think that we were prepared and that a great deal of effort has been put into preparing for the competition to come in. And in fact because we're not regulated by the CRTC, we wouldn't have been compelled to have the competition here until such time as we do come under their regulation which, by the existing time frame of the original moratorium, would expire in fall of 1998.

But we judged that we were ready; that we needed to enter the competitive market on our terms rather than on those that would be imposed . . . might be imposed by the CRTC. So we invited the rebillers to come in last March, two and a half years earlier than we would have had to. And we invited the interconnectors to come in last fall, two years earlier than we would have had to according to the regulatory regime that we're not under at the moment.

So I think that not only did we get ready for it, we invited them to come in earlier than we would have been compelled to by the CRTC.

Mr. Goohsen: — Well, hindsight is 20/20 as folks always say, so would you have taken that position looking back?

Hon. Mrs. Teichrob: — I think we would. I think it was a very carefully considered decision, and looking back I think we wouldn't have done it differently.

As I say, the only slight surprise that we might have had was the intensity of the telephone blitz tactics that the opposition or the competition has used since November. Because this wasn't the pattern that they followed as we observed the competition coming into the other jurisdictions in Canada. It's an aberration from their usual style of operation.

Mr. Goohsen: — If you had thought about this intensity being that intense as it has turned out to be, what strategy could you have taken to offset that?

Hon. Mrs. Teichrob: — Well I think the one strategy that we did is establish a call centre with well-trained people, long-term SaskTel employees who are very knowledgeable. We might have beefed that up a bit so that we would have not fallen short of any resources to respond to their campaign. But I think that we were ready for these particular entries.

And then you have to remember that we have been in competition in, like, the telephone business, the provisioning of hardware, since 1990 I think. And Mobility — we've been in now and very successful against the competitor there who was in first. And we've certainly overtaken them.

And so it's not as if we're complete novices in the competitive arena by any stretch of the imagination. This is a different mode. Our competitors have very deep pockets, but so far I think our decisions have proven to be the right ones. And I think as time goes on we'll look back in hindsight and I think it will prove to be the right thing to do.

Mr. Goohsen: — Your partners in the Stentor group dealt with competition for some time now. How much consultation was done with the other Stentor partners and how did you share strategies on competition and what sort of tips did they give you? Were there any indications of . . . or recommendations that they gave you to follow?

Hon. Mrs. Teichrob: — Well the way . . . the mechanics of the Stentor alliance in a way — although we have some employees seconded to work for Stentor and so on — it's basically a CEOs' (chief executive officer) club, if you like, and the CEO boards . . . The board of directors and, except at the very senior staff level, staff people are not involved in the deliberations and the communications.

But in answer to your question, there is a good, honest sharing of information there and that's why we know that the methods, the strategies that are being employed by the competition in Saskatchewan, are different than what was experienced by the other Stentor members from 1993 going forward.

Mr. Goohsen: — As we understand it, the terms and conditions under which the competitors were allowed in, they have to contribute to the infrastructure and to the subsidization of local rates. Is that correct?

Hon. Mrs. Teichrob: — Well not really the subsidization of local rates. They have to make a contribution which is calculated based on the cost of our infrastructure; so that the charge per minute that they pay reflects the real costs of providing the infrastructure for that message to move over.

And our infrastructure, being more extensive and more modern and having fewer accesses per mile, is relatively more expensive than it is in most other jurisdictions where the population is more concentrated, or at least larger populations are concentrated.

Even Manitoba, with a million people there and a million people here, the infrastructure required is just totally different. You've got 750,000 people within a very small radius of Winnipeg and the kind of a net you have to cast in Saskatchewan, the size of it, to capture 750,000 people, it's completely different.

Mr. Goohsen: — You recently cancelled the series of anti-American commercials. How much did that project cost?

Hon. Mrs. Teichrob: — I personally don't know how much it cost. I don't know if I would tell you if I did, but it's just like the other marketing measures that you use. And I think you're probably referring to a press story where I think one of the communications people at SaskTel was quoted as saying that there was a series of quite aggressive ads that was developed by a contractor that was working for us and it was determined after trying them out on focus groups and so forth not to use them at this time.

It may not be wasted. We may use them at some time if the atmosphere is different. They're in the can; they're ready to go. But based on what people told us in the focus groups, it wasn't the right strategy. But we used other ads and other approaches that were developed by that same firm.

Mr. Goohsen: — Well it seems a little strange that you would run that kind of an advertising campaign and then turn right around and enter into the negotiation of a contract with an American telemarketing firm to come back in to win customers. How do you square that? Isn't that a little bit hypocritical?

Hon. Mrs. Teichrob: — Well maybe that was one of the factors that was taken into consideration in not using those particular ads at this particular time. But that isn't unusual at all.

I wouldn't call myself an expert on marketing but I was a director of the national egg marketing agency when they came with the "Get Cracking". And it wasn't unusual at all for the marketing agency that was working for you to develop a series of ads around a certain theme, be they television ads or magazine ads or whatever. And they might try three different options on you. Like here's the soft ones; here's some that have a slightly different goal; and here's some others. And we would choose.

We wouldn't use them all necessarily, because they might have the same theme but they have a different approach. Some of it might not appeal to us as the person who is, you know, paying for the services. And we'd say no, we don't want to go in that direction; we want to use these, or we prefer to go lighter on television and bigger on magazines, or whatever it was.

But your marketing firm develops the options and you look at them. Some you use; some you don't. And that happens every day.

Mr. Goohsen: — And so you're suggesting then that you throw out programs that are costing money every day that SaskTel customers have to ultimately pay for?

Hon. Mrs. Teichrob: — No. What I'm saying is that everybody who advertises in any medium uses that approach. Any marketing agency that's developing a campaign, big or small or national or local, for anyone, will give you a series of options. And they'll do . . . maybe they won't go all full bore with all the production and everything but they'll do some mock-ups of the different approaches. And you, the client, will look at them and say, well I think this set fits what we wanted to do but we don't like these.

And part of the, of the development costs are there in the theme anyway, so there's not a huge cost in that. Marketing agencies are prepared to develop options for their customer to look at, knowing that some of them will not be used.

Mr. Goohsen: — I guess people thought it was just a little odd that the Americans were such terrible bad people in one breath and then right around, you know, the next bend, when we needed them, then we run to them for help, and it's a little contradictory.

Hon. Mrs. Teichrob: — Well I guess that's why we didn't use those particular ads, because the marketing agency developed them and we said under the circumstances they're not appropriate.

Mr. Goohsen: — Well SaskTel was originally established as a Crown because of the social agenda for cross-subsidizing local and long-distance rates. If this disappears, what is the continued rationale for keeping SaskTel as a publicly owned utility?

Hon. Mrs. Teichrob: — Well that's not quite true, in a way. What happened is about 1906, I think it was, Bell Telephone came here and they were going to develop some infrastructure here, and after a couple of years they threw up their hands and said, oh there's way too much geography out here, we're never going to make any money in this place. So they left.

And so in the tradition of Saskatchewan people who wanted to develop a telecommunications infrastructure for themselves, they got together in local cooperatives and local associations and they built the local exchanges which eventually came under the SaskTel umbrella. Heck, some of them as little as 20 years ago. I was still the secretary-treasurer of the Moon Lake telephone cooperative in 1975. And all we had was an arrangement with SaskTel that we as a company would guarantee any long-distance calls. Like if any of the members of our cooperative made a long-distance call that they wouldn't pay for, we the cooperative had to make good for it, which was not a bad deal because you could go over to your neighbours and beat up on them and say you're going to make everybody in this whole valley pay for your telephone bill to Hong Kong, that's not fair; and they'd usually pay up.

But it wasn't a question of subsidy in the beginning; it was a question of Saskatchewan people providing a service for themselves that nobody else would do, nobody else wanted to do.

Mr. Goohsen: — Nobody else wanted to do it. Well I'm not sure I can accept that exactly but . . .

Hon. Mrs. Teichrob: — Well you could ask Bell why they left in 1907.

Mr. Goohsen: — Well I could also ask why SaskTel forced a lot of small telephone companies into joining the Crown corporation in the '50s and '60s as well. And you know, it was a fact that SaskTel aggressively went after small telephone companies, and may have had the cooperation of some to start with, but at the end they basically were in a take-over mood. So if we're going to revisit history, then the reasoning for taking over all of those telephone companies must have been a social agenda. Would you not agree?

Hon. Mrs. Teichrob: — Well I think that if you look at the digitalization that has taken place and the quality of network that we have now, the access to the Internet by every subscriber, the add-ons in service that you can have, like whether it's Maestro or whether it's voice mail or even having an answering machine, which you can't do if you have a party line, I think that those things would never have happened if we were still a patchwork quilt of rural telephone companies.

And I know the one that I was involved with was one of the better ones. We had a very healthy infrastructure and we resisted quite a bit, which is maybe why we were still hanging on in 1975. Because we used to pay \$20 a year and usually . . . It was a cooperative. If it cost us less than that — because our infrastructure was in very good shape; we had a real good lineman — and we'd get a rebate out of that.

So now we pay more than that a month. But then if you look at the services that we have access to and the network and the capabilities of what we can do with our phone, whereas the only interesting thing that we could ever do before was listen in on our neighbours' phone calls, and now we can get the Internet, you know. And I think if we were a patchwork quilt of local telephone companies still, we could never have achieved that quality — never.

So I think there probably were some very . . . some people in SaskTel with a lot of vision and a lot of foresight about where the new technology had the potential to lead us. And so in hindsight, I certainly think they did the right thing. And I take back all the nasty things I said to them in 1975 when they were trying to take over ours.

Mr. Goohsen: — Obviously, Minister, when you refer to the costs being higher of course but services are better, inflation and buying power of the dollar was important back in those days as well. And when you allude to the fact that the best you could get for information on the old telephone system was probably that the power was going off — when it didn't — maybe the information on the Internet is no more reliable. So I'm not too sure that we're all that much better off unless we use the system with some discretion. We want to . . .

Hon. Mrs. Teichrob: — Well actually I shouldn't overplay the costs either because, I mean, everything is relative. I think the first telephone I ever had in my own name as a student was . . . I won't tell you what year it was but just suffice it to say it was a hell of a long time ago. And I think my phone bill was \$3.15

and my part-time job paid me 40 cents an hour. So relatively now — even if your phone bill is \$30 a month — it's relatively lower than it was 40 years ago when it was \$3.15, compared to the minimum wage and so on.

Mr. Goohsen: — I thought you might come around that way.

Today, as you have in previous occasions talking to the media and talking about the SaskTel operations, you have cited the need for commercial concerns as a legitimate reason not to give figures and facts to the public and I think I can understand most of that. But doesn't it also then hold true that if the public is supposed to have an input and a say into Crown corporations — because they are owned by the people, by the taxpayers and by the users of the province — how can they really have any input into this company that would be more effective than if they were dealing with a private company that would use exactly the same arguments for not expressing to the public what their costs and their operations involve?

Hon. Mrs. Teichrob: — Well there is some provision for that — granted some of it would be in hindsight — in the annual report. But if for instance we had a rate review — which we haven't had now since 1993 — but there would certainly be information given out in the context of the public hearings that were held within the 45-day review period where information would be given, to people who attended the public meetings, on the rationale. And there would be, I would suggest, a fairly extensive accounting then.

And I'm not so sure that more information is not available, more detailed information than you might find in the annual report of Bell, for example, or BC TEL. There's some information that we're now saying because we're operating in a different mode, that being in a competitive mode we don't think it's in the public interest or the company's interest to disclose that information. But I still think that we do on the whole, disclose more information than most private companies do.

Mr. Goohsen: — I won't argue that. Maybe you do, and in fact probably you do. And I guess that would lead me to the question: do you not think then that because you are a Crown and because you feel some responsibility to give information to the public that you serve, you are also inadvertently feeding your competitors the information that they use against you? And would you not then probably have a better chance to be more competitive if you were lined up as a private company rather than a Crown?

Hon. Mrs. Teichrob: — Well there's sort of two parts to that question I guess, or two perspectives on it — that's it's a fine line we walk in trying to be as accountable to the public as a Crown should be and at the same time not airing all our secrets in public for the competition to see.

On the other hand, I would suggest to you that there are measures that SaskTel has taken as a Crown in the last few years where we've invested for instance \$30 million in the infrastructure in northern and remote areas so that they have the same level of service as is available in southern Saskatchewan.

And those are the kind of things that a private company, whose prime interest was a bottom line for distribution to their shareholders in the form of dividends being their prime concern if not their only concern, that a private company would not very likely have made that kind of decision.

And I guess that's where the social purpose comes in. And that's what I fear for in the future when we got the suggestions last week that, oh by all means this was the time to privatize.

Well even if you sold SaskTel for a billion dollars say, and say the prime interest rate right now is 5 per cent, so that's \$50,000 a year, just say that you used the whole works as bound by our balanced budget legislation, that you put the whole works on the provincial debt. So you would save \$50,000 a year in interest but you would forfeit the dividends from SaskTel which have been in the last few years more than that. And you would forfeit them for ever.

And so it doesn't make sense from a social point of view — if you want to achieve any social objectives — and it doesn't even make sense from a financial point of view in the long term.

Mr. Goohsen: — Are you sure you've got enough zeros in there?

A Member: — 50 million, Minister.

Hon. Mrs. Teichrob: — Oh, million. Not . . . Yes, it's only a million. Million instead of a thousand. Yes. No, I had 50 and three zeros. But no, it's 50 million. Yes. Because that's the dividend. That's approximately the dividend that SaskTel is paying.

And so my premiss was right. I didn't have the right zeros but we do pay \$50 million at least of a dividend which finds its way into the General Revenue Fund for health, education, social services, and so on.

And if you sell it and you save that much in interest for the next however many years until you get your money back, but you forfeit the dividends for ever . . . (inaudible interjection) . . . Well that's what I was saying, is that there are things that SaskTel has demonstrated even in the past few years that they have done — service to rural and remote Saskatchewan — where a private company whose sole motive or prime motive is not to make improvements to the infrastructure, not to provide service to remote areas, but to make returns to their shareholders, that those things wouldn't happen. And in the long term, if it was privatized and the rural and remote infrastructure was not maintained or improved, then I really worry about the future.

Because that's exactly what happened in the U.S. after they had their famed divestiture in 1984 when AT&T was ordered to break itself up into a bunch of small companies. And so those companies, if you watched an American television, that spent a lot of money making sure you could hear a pin drop on the line from Los Angeles to New York and the high volume, high long-distance revenue lines, but they totally neglected the rural

infrastructure to the point where — well you live close to the border, you know this. In the Dakotas and Montana they're out there now, farmers are out there — AT&T and the Baby Bells have sold the rural parts of the company back to farmers and they're out there actually putting poles in the ground and stringing up wire like we did 100 years ago. And that's what happened to the rural infrastructure under that privatization.

And that's why . . . That's the concern I have when people say, oh, well this is the time to sell it while it's still worth something, you know; we should cash in and save all this interest. But long term, the fate of the communications network in this province, I think would be at severe risk.

The Vice-Chair: — Order. Mr. Goohsen, it's very near to 5 o'clock and I'm simply wondering, approximately, if you can give me an indication how much longer you wish the committee to sit. In other words, do we have a chance of voting this off this day or not? It's entirely up to you. I'm just simply asking.

Mr. Goohsen: — I have about two more hours probably of myself. I know that my colleague, Dan, left knowing that I wasn't going to get done today, and expects to be coming back in the future. I know that the Liberals roughly has indicated he has more questions, so I would suggest we probably have to come back another day with this.

The Vice-Chair: — Okay. Fair enough. I recognize Mr. Goohsen. Sorry, wrong Jack. I recognize Jack Langford.

Hon. Mrs. Teichrob: — Mr. Chairman, if I could interject for a minute. Just before people start to leave, I want to table the answers to the questions that were asked in the last session, for the members.

The Vice-Chair: — Thank you, Minister. Those would be tabled through the Clerk and distributed to committee members. We have a motion to adjourn. The committee will gather again on January 29, at 3 o'clock, to deal with Saskatchewan Government Insurance. The reason, just so everyone knows, that it is 3 o'clock is the SUMA (Saskatchewan Urban Municipalities Association) convention is on at that time and the minister will be there, flying down to participate with us at 3 o'clock.

So January 29, right here, dealing with SGI (Saskatchewan Government Insurance) and that's scheduled from 3 o'clock until 6. And the next day we have a full day starting at 9 o'clock and dealing with Workers' Compensation.

Committee stands adjourned until January 29, 3 p.m.

The committee adjourned at 5 p.m.