

**Third Session - Thirty-Eighth Legislature**  
**of the**  
**Legislative Assembly of Manitoba**  
**Standing Committee**  
**on**  
**Crown Corporations**

*Chairperson*  
*Ms. Marilyn Brick*  
*Constituency of St. Norbert*

**Vol. LVI No. 4 – 1:30 p.m., Monday, October 17, 2005**

ISSN 1708-6604

**MANITOBA LEGISLATIVE ASSEMBLY**  
**Thirty-Eighth Legislature**

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**LEGISLATIVE ASSEMBLY OF MANITOBA**  
**THE STANDING COMMITTEE ON CROWN CORPORATIONS**

**Monday, October 17, 2005**

**TIME – 1:30 p.m.**

**LOCATION – Winnipeg, Manitoba**

**CHAIRPERSON – Ms. Marilyn Brick (St. Norbert)**

**VICE-CHAIRPERSON – Ms. Kerri Irvin-Ross (Fort Garry)**

**ATTENDANCE – 11 QUORUM – 6**

*Members of the Committee present:*

Hon. Mr. Smith

Mr. Aglugub, Ms. Brick, Messrs. Cullen, Dewar, Fauschou, Ms. Irvin-Ross, Messrs. Maguire, Maloway, Schellenberg, Schuler

**APPEARING:**

Mr. Kevin Lamoureux, MLA for Inkster

Mr. Don Lussier, President and Chief Executive Officer, Manitoba Liquor Control Commission

Ms. Carmen Neufeld, Chair, Manitoba Liquor Control Commission Board of Commissioners

**MATTERS UNDER CONSIDERATION:**

Annual Report of the Manitoba Liquor Control Commission for the year ended March 31, 2003

Annual Report of the Manitoba Liquor Control Commission for the year ended March 31, 2004

\* \* \*

**Madam Chairperson:** Good afternoon. Will the Standing Committee on Crown Corporations please come to order.

This meeting has been called to consider the annual reports of the Manitoba Liquor Control Commission for the years ended March 31, 2003, and March 31, 2004.

Before we get started, are there any suggestions from the committee as to how long we should sit this afternoon?

**Mr. Gregory Dewar (Selkirk):** I suggest we sit until 3:30, and, if we wish to prolong that, extend it beyond that, we can review it at that time.

**Mr. Cliff Cullen (Turtle Mountain):** Yes, Madam Chair. We would certainly be willing to sit until 3:30, and review at that point in time.

There is one issue I would like to raise, and it is in regard to the 2005 annual report. I know we just received it here just recently, and I am wondering if there is any way we could also discuss the 2005 annual report.

**Madam Chairperson:** Are there any comments back from Minister Smith?

**Hon. Scott Smith (Minister charged with the administration of The Liquor Control Act):** Certainly, I appreciate the consideration by the member opposite. Certainly, if it is globally, we can discuss 2005. I think that would be fine by our side.

**Madam Chairperson:** While I note that there is agreement today to consider the March 31, 2005, Manitoba Liquor Control Commission report, I would like to remind members that this report has not yet been tabled in the House or referred to this committee by the Government House Leader and that, as such, consideration today in this committee would be contrary to our usual practices. We will, therefore, require the unanimous consent of this committee for this to happen.

Is there agreement? *[Agreed]*

Are there copies available for members of the 2005? *[interjection]*

I am to note that we cannot release copies until they have been put forward, tabled in the House. So those copies you have are for your reference, but they have not been tabled yet in the House.

Does Honourable Minister Scott Smith wish to make an opening statement, and prior to that, would he please like to introduce the officials he has in attendance?

**Mr. Smith:** Certainly. Thank you very much, Madam Chair. Prior to making an opening statement, I am joined here today by representatives we have here from the Manitoba Liquor Control Commission. We have our Chair of the Board of Commissioners, Carmen Neufeld; we have our President and Chief

Executive Officer, Don Lussier; we have Ingrid Loewen, our Chief Financial Officer; Roman Zubach, Vice-President, Human Resources and Administration; Maureen Spier, who is the Director of Licensing and permits.

**Madam Chairperson:** Thank you, Minister Smith. Did you have an opening statement you wish to make?

**Mr. Smith:** Madam Chair, it is a pleasure to be here and join all the honourable members to review the 2003-2004 annual reports, and for the consideration and global discussion of 2005.

As stated in these annual reports, the mission of the Manitoba Liquor Control Commission is to promote the safe, healthy and responsible use of beverage alcohol products, whereby generating revenue for the Province. This mission is strongly evident throughout the two years we are reviewing here today. Not only does the MLCC continue to invest in and promote social responsibility in activities and programs throughout the province, they have done so while consistently generating revenue for the provincial government and the people of Manitoba.

In fiscal 2003, the MLCC transferred \$166.3 million to the provincial government, an increase of 1.8 percent over the previous year. This was certainly a significant accomplishment, considering the sluggish beer sales during the poor spring and summer and weather of 2002. Fiscal 2004 saw the MLCC far exceed its target of 1 percent growth with a remarkable return of \$176.3 million, an increase of 6 percent over the previous year. This achievement was driven by strong sales due to hot weather and summer weather along with the right mix of pricing, merchandising and customer service.

I believe this performance illustrates that the MLCC continues to be a major force in the provincial economy. One of the single largest buyers of beverage alcohol in the world, the MLCC purchases products from 1000 suppliers and 50 countries. Through its distribution centre, it supplies 1700 customers annually, processing 63 000 orders, resulting in an injection of approximately \$1 million into the provincial transportation system for delivery of services.

At the retail and wholesale level, the MLCC offers over 3100 spirits, wines and beer products to its retailers and wholesale customers. To give you a feel for the size of the organization, in fiscal '04 the

MLCC had sales of nearly \$459 million, making it the fifth largest liquor board in Canada. As a retailer, the MLCC currently operates 45 liquor marts in Manitoba, 23 in Winnipeg, and 22 throughout the rest of Manitoba.

While these retail outlets represent 12 percent of the beverage alcohol retail outlets in the province, they account for 43 percent of the sales. Not a true monopoly, the MLCC operates in a competitive environment with 300 beer vendors, 178 liquor vendors and 8 private wine stores. To maintain its competitiveness, the MLCC routinely compares its prices with those of other provinces and territories across Canada and, in particular, with its nearest neighbours Ontario and Saskatchewan. As a result, the MLCC has managed to maintain mid-range pricing in most categories.

Being competitive means the MLCC stays tuned to consumer trends and market shifts. They do this through customer surveys and focus groups as well as through professional shoppers who shop liquor marts to ensure customer standards are being met. Customer surveys over the last several years have shown that the majority of Manitobans are satisfied with the service they receive at the liquor marts. When it comes to important measures such as friendliness of staff, staff product knowledge and store layout, liquor marts consistently rank highest when compared to other large retail chains. In addition to ensuring excellence and customer service, the MLCC has continued to make store modernization a priority. In recent years the growth of the wine industry and the increased customer knowledge requires the redesign of the stores to feature fine wine boutiques. These have proven to be a popular shopping attraction for customers.

Public and private education seminars on food and beverage have also grown in popularity over the past several years at the MLCC's education centre located in the Grant Park Liquor Mart and, more recently, Assiniboine Community College in Brandon. These seminars allow for the MLCC product consultants to showcase their skills and expertise in product knowledge while promoting a responsible approach to food and drink. The courses on spirit and wine selection have proven to be so popular they sell out before they are even promoted. In the past decade over 3600 participants have paid to attend these courses.

The MLCC is also committed to enhancing its customer service for rural Manitobans, and over the

years has improved the product selection, employee product knowledge, overall better shopping environment and continues to work with local liquor vendors to ensure standards are met for customer service, for product selection and responsible sale and service of beverage alcohol.

Through it all the MLCC continues to balance its commitment as a retailer of beverage alcohol with its commitment to promote safe, healthy and responsible use of such products. To that end, the MLCC ensures that responsible consumption is integrated into all its activities. Public awareness and education programs play a large role in promoting responsible alcohol consumption both within and outside the organization. One of its key programs is With Child-Without Alcohol program to promote information and awareness to women and their families regarding the effects of alcohol and pregnancy and fetal alcohol spectrum disorder. The MLCC has taken a lead role in addressing this issue and has won accolades from health and social agencies in liquor jurisdictions and has been recognized with international awards for health information programs.

The MLCC has also devoted the same energy into developing its Be UNdrunk program to address binge drinking among young adults who are society's highest risk takers. Through the use of posters, radio advertising and a Web site, the MLCC has laid the groundwork for an issue that is of concern to the industrialized countries of the world. To ensure minors are not purchasing alcohol in retail outlets and licensed establishments, MLCC is continuing to promote and enforce the Show Your Age identification program. This program which requires young-looking adults to provide photo identification when purchasing alcohol has high recognition with young adults and high compliance rates among those retailing alcohol. Ensuring the responsible sale and service of beverage alcohol under The Liquor Control Act is a primary goal of the regulatory arm of the MLCC.

\* (13:40)

The Licensing and Inspection department works with licensed operators, community groups and individuals renewing and issuing approximately 3000 licences and 12 000 occasional permits each year. Measuring the effectiveness of the inspection service is not a simple matter of looking at the numbers as fluctuations in inspection numbers that occur from year to year. These fluctuations can occur due to an increase in licensee training and in the number of

special events and major festivals that are held as well as changes in the ownership of licensed premises. It is important to note that MLCC representatives also sit on the Responsible Service Committee with the Winnipeg Police Service, Manitoba Restaurant Association, Manitoba Hotel Association, Manitoba Tourism Education Council and Manitoba Public Insurance. This group is responsible for mandatory training for owners, managers and servers of beverage alcohol in It's Good Business responsible service training program. The program ensures that owners and managers, as well as the serving staff for licensed premises, have the educational tools and resources they need to ensure that patrons are not being over-served or over-consuming. In fiscal years 2003 and '04, a total of 1500 owners and managers and over 8000 server/security personnel were trained in this program.

At the heart of the MLCC is its dedicated workforce. As an employer of 550 equivalent full-time employees, the MLCC recognizes that its people are its strongest resource. Over the past number of years, the MLCC has made a significant investment in continuous training of its employees in the areas of product knowledge, store management and computer programs. Perhaps the most significant has been the five-year program to replace 20 or so outdated computer programs and integrate them into one system. This program is providing the employees of MLCC with the tools they need to meet the service requirements of their customers well into the future.

Madam Chair, in closing, it is worthy to note that, while MLCC continues to provide service excellence year after year, it is not at all costs. The MLCC's costs of administration as a percentage of sales has remained low, approximately 10 percent over the past few years, the second lowest among comparable liquor jurisdictions. For those many reasons, I would like to take this opportunity to thank the board of commissioners, executive, management and staff of the MLCC, who I believe continue to provide excellent service to all people in Manitoba.

**Madam Chairperson:** We thank the honourable minister.

Does the critic for the official opposition, Mr. Cullen, have an opening statement?

**Mr. Cullen:** Yes, thank you, Madam Chair, just a few brief comments. I do want to thank the minister for his opening comments. Certainly, in the liquor

business we have seen a number of changes over the year, and certainly in this business, there are ongoing changes. There are certainly some challenges facing portions of the industry, I guess, in particular, the beverage side of things.

Clearly, we had some changes legislatively last year, and we are curious to see how this might move things forward in the province. The MLCC does provide a very important number of products to all Manitobans, but I think from our perspective, one of the important roles of the MLCC is in terms of the social aspect, and the MLCC must step forward in that role in terms of their social aspects to serving these types of products throughout Manitoba.

We do look forward to a positive discussion in regard to these three annual reports before us, and hopefully we can proceed on a global basis, have a positive discussion and, at the end of the day, hopefully, move some of these reports forward.

**Madam Chairperson:** We thank the member.

Do the representatives from the Manitoba Liquor Control Commission wish to make an opening statement? No.

Prior to moving on, are there any suggestions as to the order in which we should consider the reports?

**Mr. Cullen:** I guess, further to my comment, if we could look at these reports on a global basis.

**Madam Chairperson:** Is that agreed? *[Agreed]*

Thank you. The floor is now open for questions.

**Mr. Cullen:** Madam Chair, I guess, further to my other comment regarding the changes to the legislation, I would wonder if the minister would give us a bit of an update in terms of the implementation of those changes.

**Mr. Smith:** Certainly, an update globally I can give to the member. A number of changes were made, as the member recalls. Some of the legislation had not been opened for a considerable period of years, certainly through the latter part of the eighties and throughout the nineties. Making the changes we have made on the significant changes over the last period of years have come back from a number of areas in the province, from the Manitoba Hotel Association, from the Manitoba Restaurant Association, from the association that involves the private liquor stores throughout the province of Manitoba, from the police service and from others. It has been generally very

positive in the acceptance of some of the changes that have been made.

Obviously, it is a continuing process working with those organizations and others throughout the province on possible amendments for consideration into the future. That has been done year over year with priorities by those organizations. Certainly, we have had generally good feedback and acceptance from the changes that we have made in legislation over the last period of years.

**Mr. Cullen:** In view of the minister's comments, is he getting feedback where there should be further changes under the act?

**Mr. Smith:** Legislation, certainly, whether it is in The Liquor Control Commission or any other act, should be open to public interpretation in working with all groups that are involved on potentially changing legislation. As I mentioned, with not having the act opened for a couple of decades, it was obviously a pent-up desire to have some changes in modernization. A lot of the modernization that was dealt with by this government certainly has reflected those changes and certainly the priorities.

Obviously, the social responsibility has come back very loud and clear from the communities to us to consider further changes that would benefit some of the social responsibility of alcohol consumption in the province. Many of the retailers have been very much in acceptance of some of the changes that we have made on the economic side, but certainly the balance has to be considered in any change that you make. We have had a number of requests, obviously from different groups, if you take, for instance, retail operators that would like to be open certain amounts of hours and compare that with the possibility of the benefits or no benefits socially in some neighbourhoods, and then a good job of balancing that, I believe.

The retail distribution of alcohol in Manitoba is something that is being brought forward quite often. Some would like to be open 24 hours a day, seven days a week. Certainly, that is something that has been brought forth by some members. There is a balance on when we are open now for hours of operation and product that is distributed out there, and that is something that will be further considered.

We have targeted, as I mentioned in my opening statements, balancing the social and economic balance of the Liquor Control Commission. Every decision that we make takes into account the social

responsibility that we have as a government and, certainly, as the Manitoba Liquor Control Commission has in their responsibility and in their active role. So social programs and social benefits have to be taken into account for every change in legislation that is made, and that will be continued into the future.

Certainly, all groups are represented in the province. Everyone has a consideration in what they would like to see changed in legislation, and we will continue to listen to all stakeholders.

**Mr. Cullen:** Well, I thank the minister for his comments. To that end, is the minister considering any legislative changes for this session?

**Mr. Smith:** Time frames are never put on legislative changes. We continue to meet. In fact, when legislative changes were brought forth, consideration was given in a timely manner with full consultation to all groups involved. Those legislative changes would be considered in that time frame.

To say that it is being considered moving into this legislative period, I do not believe that at this point they are prepared or ready. Certainly, we will continue to look at legislative changes over the next period of time. I think the tone of the legislative changes and the frequency of the legislative changes that we have made in the last number of years certainly represents our ability and our commitment to listen to the stakeholders and to make legislative changes that we believe are well thought out, well addressed and working with all stakeholders.

So, to say are we going to rush legislation. No, we are not. We are considering a number of things right now. Are we ready to bring the legislation forward in a meaningful way? No, I do not believe we are.

**Mr. Cullen:** In view that we have just received the 2005 annual report just a couple of weeks ago, does the minister find it acceptable to have a six-month delay in having that report available?

**Mr. Smith:** The process that we follow in our Legislature—I believe that the member well knows obviously that it is being presented within the time frames of the policy that is acceptable and available.

The member mentions only having it for a short period of time, yet he would like to discuss it today. If he does not feel that he has had the opportunity to read through it or understand it, he has not contacted me or my office to give him an explanation or to go

over that with him. Certainly, he has had it for a good period of time. If he is not fully apprised to discuss it at this time—he is the one that suggested opening it up to have a global discussion—I would be more than happy not to discuss it today until I can give him the opportunity to educate himself and maybe read further or consider further or ask me questions further on any specifics he might have.

**Mr. Cullen:** Well, I appreciate the minister's comments, and we are happy to bring this forward for discussion.

I guess my question was does the minister find it acceptable that there is a six-month delay before the report comes forward, or is this something that we have come to expect?

\*(13:50)

**Mr. Smith:** I would say that following the legislative process, and following within that legislative process has been done and will continue to be done.

**Mr. Cullen:** Okay. Just changing gear a little bit, I wondered if he would care to comment on some of the changes in the consumption of alcoholic beverages and purchasing in Manitoba. You know, it appears that there have been some changes, I know weather certainly plays a role in Manitoba in our consumption, but I wonder if there are any general trends that you could provide for us that you foresee.

**Mr. Smith:** Certainly, there are a number, and I would leave it up to staff to provide full details, but, obviously, as the member mentions, there are impacts and changes depending on a number of factors. One, as I mentioned in my opening statements, can be something as uncontrollable as weather and weather patterns. The consumption of beer beverages, certainly, has a big impact on whether or not you have a hot summer. Whether you have long periods of hot summers, that can have a huge impact on sales and consumption.

What we have seen is a trend, and I can let, certainly, folks from Liquor get into that in greater detail, but one thing we have seen is the increase in the last period of time in Manitobans' interest in wines and fine wines, certainly, from around the world. We have had a strategy with our stores and changing of the stores to have those changes placed because of the drive for fine wines and people's interest in wines. So there has been a large increase in wines. There certainly has been a large increase in beverages such as coolers and other products in that area. So we have seen a large increase in that.

Spirits, certainly, have stayed along the line of flat over the last period of time. Beer will increase with weather and weather changes, and, certainly, the boutiques that we have in our 45 stores here in Manitoba, there has been a conscious decision to expand that to provide consumers with what they are telling us is a product of great interest in the province of Manitoba. So I can tell you there is a pattern, certainly, with increased interest in our wines in Manitoba. The amount of suppliers that we have of wines from over 50 countries and over 1000 products is expanding, is increasing. Our distribution in Manitoba to all Manitobans reflects that and, certainly, both the private retailers and our stores, the wines are very popular.

**Mr. Cullen:** Madam Chair, I appreciate the minister's comments. In looking at the dollar figures that are turned over to the Province each year, and I look back over the last five to six year period and notice that the amount turned over to the Province has probably increased in the neighbourhood of 20 percent, I am trying to determine how those figures are arrived at. Does the Province indicate to the Liquor Commission that we expect a certain revenue at the end of the year?

**Mr. Smith:** The figures are arrived at based on market study and business cases and being competitive in the field. Certainly, there is not a direction from the Province; it is based on the business case that Manitoba Liquor Control Commission sees as potential for improvements each year over year.

As I mentioned earlier, just the change in a couple of years can depend a great deal on factors that are literally uncontrollable. When you have one year where you have an increase of 1.5 percent and the next year that is an increase in 6 percent can be something as little as weather factors that are out there or the economic upturn or downturn within any local jurisdiction, being the province of Manitoba.

So it is not a direction of set dollars that are put out there. It is the Manitoba Liquor Control Commission coming in with best business cases and practices and what they see relevant within an industry, what they believe is something that they feel is achievable, and those are forwarded to, obviously, consideration in annual reports. Generally, that can fluctuate somewhat as we have seen in these two reports from 1.8 percent or 1.5 percent to up to 6 percent on an increase based on the number of factors that are unforeseeable. But,

generally, it is followed on best business case, best business practice and what the professionals see as potential.

**Mr. Cullen:** Well, speaking to those best business practices, I am wondering how the Liquor Commission then sets rates on various products.

**Mr. Smith:** We can explain that in further detail, certainly, by the CEO, but basically we are in a competitive field, as I mentioned, again, in my opening statements, we compete against jurisdictions that are close by. We compete, certainly, with Saskatchewan and we compete with Ontario. We believe that keeping comparable pricing, service and delivery in all aspects of our industry is important. Those prices are based on competitive factors that are out there, supplying Manitobans with a product and service that they believe is a positive one, and it is like any business case, you have to, certainly, compete with your closest competitors. We have western Canada in which, I believe, I think we are leaders in many cases with the Manitoba Liquor Control Commission. Certainly, our closest competitors would be our neighbouring borders, which would be Ontario and, certainly, would be Saskatchewan.

**Mr. Cullen:** Madam Chair, with that comment in mind, we must be doing some comparison surveys with other provinces. Is that work done in-house?

**Mr. Smith:** I would refer that to our CEO.

**Mr. Don Lussier (President and Chief Executive Officer, Manitoba Liquor Control Commission):** Yes, it is. We do a phone survey normally every three to four months with the provinces across the country, and we share that information with each other.

**Mr. Cullen:** Just to confirm then, none of that work is tendered out, it is all done by your staff?

**Mr. Lussier:** No, it is all internal.

**Mr. Cullen:** So, once you have that survey information, then you would determine which product line increases may be warranted?

**Mr. Lussier:** Yes, that is certainly one of the factors we would look at. If we see, for instance, that we have the lowest beer prices in the country, then there would appear to be opportunities there to get more competitive. Conversely, if we are higher than others on spirits or wine, that would be an area that we would want to look at to modify to remain competitive, yes.



**Mr. Cullen:** Well, further to that, you mention there were other items that you look at in your pricing. Could you explain some of those other items?

**Mr. Lussier:** Yes. We would look at the demand curves with the various product types. So, if a product has a very strong demand in the marketplace, such as coolers at a very strong demand, there is potential, then, to increase the markup somewhat to take advantage of that. On the other hand, if it is a declining category, economy spirits, for instance, that is something that you would not want to be touching. So you are looking at supply and demand curves.

**Mr. Cullen:** With that in mind, is that why we see a fairly significant increase in the markup on the price of wine?

**Mr. Lussier:** Yes, that is part of it. When we did the two things there, we looked at both the prices as compared to prices across the country on particular sizes of wine, and we were cognizant of the demand curve as well.

**Mr. Cullen:** Madam Chair, I guess that brings up the question for me: Are you experiencing any problems or any issues in terms of supply of products?

**Mr. Lussier:** No, we are not. I should not say that, but we had a supply problem with Australian and Chilean products, particularly, because of the dock strike in Vancouver in the last summer. We had, I think it was about 13 containers containing about 1400 cases each stuck in Vancouver for an extended period of time. So we did have a supply problem on those products.

**Mr. Cullen:** Madam Chair, earlier this year, in the summer, there were some issues raised with beer prices. I guess Manitobans, being good beer drinkers, they are always looking for a bargain. Could you explain to us the pricing structure of beer and how the Liquor Commission establishes its price on beer?

\* (14:00)

**Mr. Lussier:** Yes. We use a markup structure that has both a fixed and variable component to it, so there is a flat rate per litre, let us call it, applied to beer, and there is also a variable rate. I am guessing here, but that would be in the 50-plus range, 50 percent range, so that, as prices from suppliers go up, so does the retail price, and that is what normally has been experienced in beer every year for the last four or five years at least, maybe more than that. So, when the breweries increase the price to us, then our

ad valorem markup kicks in and increases the price at the retail level.

**Mr. Cullen:** Just for clarification, what is your variable markup on there? Did you say 15 or 50 percent?

**Mr. Lussier:** If you want an exact number, I am going to have to check with the finance people on that.

The overall gross margin, I will look at it that way because I do not have the exact number, is 35 percent on beer. In comparison, the gross margin on spirits is 60 percent, and the gross margin on wines is about 54 percent. Now we can back that down into the markup structure, but the ultimate is, of the share of the price that the Liquor Commission takes, about 35 percent on the price of beer.

**Mr. Cullen:** Now, I am trying to follow your logic here. The lower the price that you purchase your beer for, the higher you can charge for that particular product. Is that what I understand you to say?

**Mr. Lussier:** I am getting help over there. No, that is not the case. So, let us say we purchased a six pack of beer for \$5 and we applied our markup at 50 percent, it would result in that retail. If we purchase a premium beer like Keith's at \$7 and apply 50 percent, you would result in a higher retail price. So, conceptually, the higher the price the supplier charges us, the higher the retail price is going to be.

**Mr. Cullen:** But you do have some ability to charge a variance in those prices?

**Mr. Lussier:** No, we do not. We have a published markup structure that we adhere to so that it is transparent to suppliers.

**Mr. Larry Maguire (Arthur-Virden):** Just a comment to that in regard to the pricing then, Mr. Lussier. I guess I am looking at the percentages there for increases. They are pegged then as far as the percentages that we are talking about?

**Mr. Lussier:** Yes, the percentages are pegged.

**Mr. Maguire:** Is that parallel to all other provinces?

**Mr. Lussier:** I would suggest it is lower than other provinces because we have the lowest prices in the country currently on beer.

**Mr. Maguire:** Yes, I know. My question is not about the actual price. It was whether 50 percent is the number chosen here in Manitoba or, as you say,

35 percent for beer. What were the numbers again for spirits and wine that you were—

**Mr. Lussier:** 60 percent on spirits and 55 percent on wine.

**Mr. Maguire:** My question was more about are those percentages that you have just indicated that the percentages are not the same across Canada, but do other provinces set a percentage as well?

**Mr. Lussier:** Yes, most provinces use exactly that structure.

**Mr. Maguire:** And how much variance would there be between all of the provinces in regard to, say, we are 35 percent for beer? Do you have numbers that you can tell me just offhand as to what sort of the high and low provinces would be on that?

**Mr. Lussier:** I do not have the percentages, but what I do have is the retail prices which are reflective of the amount of money that the Province is taking out of it. So, currently, now this was as of September 1, 2005, a 12 pack of bottled beer in Manitoba is \$18 and the high end of that same pack is in Newfoundland at \$20.95, and then it ranges. Ontario was \$19.15, Saskatchewan \$18.95, P.E.I. \$18.80, New Brunswick \$18.50, and so on. So those are reflective really of what the provinces are taking.

**Mr. Maguire:** I know in the minister's opening remarks he indicated that there has—and obviously there are some update differences: whether you have got a cool summer or a hot summer and that sort of thing; '02, '03, were the prime examples. Has this pricing percentage stayed the same through all those years, or how often do you vary that?

**Mr. Lussier:** It changed in the last provincial budget, our previous provincial budget, where there were changes made in all categories: spirits, wines, beer, cooler and ciders, a small percentage. It resulted in about a 1.9 percent retail price increase at that time, and that price brought it still remaining the lowest in the country at \$18.

**Mr. Maguire:** That has to be set in the budget as far as legislation goes, or do you as the organization have the flexibility to make those changes as well?

**Mr. Lussier:** Historically, we have not made those changes without a budget; however, we do have the power under our legislation to set prices.

**Mr. Maguire:** And have you had occasion to do that in the last five, ten years?

**Mr. Lussier:** Yes, we have. Further to our discussion earlier, we have seen some opportunities in our pricing, and we have taken advantage of those opportunities. When it gets to major changes, we have not done that without budget.

**Mr. Maguire:** Is there a further breakdown, I guess, in regard to—you have indicated percentages here for beer, spirits and wine. I guess I was just wondering what the differences might be in regard to the differences that might arise between beer vendors and that sort of thing, or are they flat across the province?

**Mr. Lussier:** Yes, the price is controlled across the province, so the beer sold in Churchill off-premises is the same as it is sold in Winnipeg. It is controlled, and that is true for all categories.

**Mr. Maguire:** So whether it is a Manitoba Liquor Commission store or a private partnership that you are working with, they fall under the same guidelines, that it would be the same percentages?

**Mr. Lussier:** Yes, that is correct.

**Mr. Maguire:** So that is the same then for spirits and wine as well?

**Mr. Lussier:** Yes, it is.

**Mr. Maguire:** You know, I was just looking at the sales of wines, particularly in regard to some of the private stores versus the Manitoba Liquor Control Commission-run stores and—

**Madam Chairperson:** Mr. Maguire, could you bring your mike just a little bit closer to you?

**Mr. Maguire:** Thank you, Madam Chair.

I am just wondering about the differences, if there are any, between the private wine stores and the wine stores run by the Manitoba Liquor Control Commission and to wonder whether there are any differences in values that are used there as well.

**Mr. Lussier:** Yes, there are. Under the regulation, they have the power to set their own prices on unlisted products, and by unlisted products I mean product that we do not carry. So, whatever falls into that category, they can sell it at whatever price they would like.

**Mr. Maguire:** I guess I would defer back to my colleague from Turtle Mountain, the critic, but I may have some more questions on this later. Thank you.

**Mr. Cullen:** Just, if I may, confirm on your last point, if a private wine store is selling a product

which you are also selling, then your prices will be comparable?

**Mr. Lussier:** Yes, they will be.

**Mr. Cullen:** So then, if a private wine store is bringing in a product that you do not carry, they have the option to charge whatever they would like?

**Mr. Lussier:** Yes, that is correct.

**Mr. Cullen:** Thank you very much for the response. In having a look at the number of hotel registrations and licences on page 13 of our latest report, I see there has been a bit of a decrease in the hotel business. The one that strikes me, I guess, in correlation to that, too, there has been a bit of a decrease in the beer vendor. I am just wondering if you would care to comment on some of these changes.

\* (14:10)

**Mr. Smith:** Just for clarification, we are talking about the '04 report?

**Mr. Cullen:** '05.

**Mr. Smith:** So reflected in the '05 report. The variance will go up, certainly, year to year on both beer vendors as establishments open or close or move around a bit. The private liquor stores, as well, you had mentioned, certainly, runs around the area of 178 or so in total. When you take the entire numbers, the variance is, in this case, from '04 to '05, from 3024 in all categories in '04 to 3033 in '05. So percentage-wise it is quite a small variance in percentage. You take the previous year, I guess it is around the same, what you are seeing is an increase in every category from '03, which was 3017, to '04, 3024, and then again 3033. It is generally very close in the last three years on an increase basis, the difference in all categories being 9, pretty close to the year before that, and it will move around a little bit as stores open up or close.

One of the largest categories is, certainly, when you look at the dining rooms, there is a variance of 14 in one year. Take another example, beverage rooms is as little as five in the change, and then there is quite a large increase in what you see is a cocktail lounge on the licensing, is quite a large increase, 16 cocktail lounges was an increase. So that number will vary. It will fluctuate by the registrations and licences that I had mentioned prior, in the opening statement, is generally 3000-plus, give or take a little bit, but the variance in percentages is quite low, even when you take all the five years into account.

**Mr. Cullen:** Madam Chair, a very important issue for the hoteliers, I guess in particular rural Manitoba, is the whole issue of the smoking ban and some of the things that have happened to make business a little tougher. Unfortunately, some of the locations around Manitoba, First Nations communities, still allow smoking in their facilities and patrons have—we have seen a trend where they are leaving some of the rural hotels to visit and use these First Nations communities. I am wondering if there is anything that has been done to help those particular businesses in view of their reduction in their income.

**Mr. Smith:** The general question, certainly, is pretty broad on the introduction of the smoking ban. I think it is something we are proud of as all MLAs around this table, as we had a full agreement in the Legislature in doing that in the province of Manitoba, of issues that are under our jurisdiction, certainly, provincially. I think it is a record we can all stand very proud of, right across the entire nation.

We see variances for a number of different reasons that are out there. Beverage rooms, certainly, when you look at the report, have declined about five beverage rooms year over year from '04 to '05, but then you look at the increase in cocktail lounges, it is 16, and so on. There will be different reasons for variances. Certainly, there was a downturn with the introduction of the smoking ban throughout all of Manitoba. Certainly, the urban areas saw a large decrease in some of the different facilities that were out there. Take, for instance, something as easy as Manitoba casinos, the decrease that we saw there. We see the decrease with bars and restaurants. But what I am hearing now from the industry and, certainly, in a lot of areas is the amount of increase in new customer base that they are seeing out there. The overwhelming support I believe that I am starting to hear back from the industry is that, for a number of reasons, there was a decrease in people's habits or people that were going to some of the establishments out there, but now there is a real increase on the food side and a real increase in some of the other areas of their business.

So some who have made those changes have been a little more successful than others who have not made any changes to bring folks out, but we have done quite a bit, certainly, as a Province to assist and help them in rural Manitoba. Obviously, members know the VLTs on Sunday certainly had a big increase in assisting in this particular instance of the beverage rooms that are out there and the hours of

operation that are out there, certainly every day of the year.

The terms of the structure of payments that were out there, certainly the 30-day terms on payment were adjusted for assistance with some of the different people who are out there and to assist with their cash flow for some of the beverage rooms that are out there. That was extremely well accepted. I know the Manitoba Hotel Association was extremely pleased. That was an issue that they had raised and brought forward on assisting every member that is out there, certainly the beverage room, on the payment and the assistance of the payment structure that we have had on terms of payment. So that was something that was extremely positive.

We continue to work on suggestions with Mr. Jim Baker and folks in the Manitoba Hotel Association on initiatives that we can move forward on to assist. I know the member had mentioned the smoking ban, but there are a lot of other factors that were out there that we had to take into consideration. I know the farming community in the last number of years has been impacted extremely heavily by the ban on Manitoba beef that was out there. Low commodity prices that we have all been suffering, plus the weather conditions that have been out there have been very difficult for a lot of rural Manitoba especially, the impact that that has had.

So I think looking at the VLTs and looking at the hours of operation, looking at the terms of payment structure and assistance on that side, we have been working together to assist them, and certainly we will continue to do that. As we all sit around this table, we are all quite hopeful that the rural communities that certainly do weigh heavily on commodity prices and for the producers that are out there, that it does improve.

So we have done quite a bit. We are always willing to sit down and listen with the Manitoba Hotel Association, the Manitoba Restaurant Association, and, certainly, with AMM that we work very closely with. The suggestions that they have come out with in many ways have certainly had a positive impact on the decisions we have made.

**Mr. Cullen:** Is the Province considering levelling the playing field when it comes to the smoking ban in Manitoba?

**Mr. Smith:** The Province did certainly do that. It was very well articulated by the Province of Manitoba and all members around this table, that we

felt that smoking was unacceptable in indoor premises in Manitoba.

We have made that recommendation. We believe very strongly in that recommendation. Certainly, areas that are clearly under our jurisdiction, we took action immediately, the first in Canada to do so. *[interjection]* I think the member at the end of the table would like to make a comment, and I am sure he will get around to that. He will ask to have the mike in a short period of time, and I know he has probably got good, solid comments to put on the record.

We basically look at what the jurisdiction is, what is under the federal clear jurisdiction, what is under the provincial clear jurisdiction. We took action on that immediately. We are proud of our accomplishments in that, as all members around this table should be, and certainly we have been very clear that in Manitoba there is no smoking in what we control in our jurisdiction in indoor spaces.

**Mr. Cullen:** Well, we thank the minister for his very evasive answer.

Has the corporation done any surveys in terms of the Sunday openings, and how that has impacted the hotel and beverage business?

**Mr. Smith:** Certainly, if we have done any surveys, I will have the CEO answer that question, if we may.

**Mr. Lussier:** No, we have not done any surveys. Our best indicator of what has happened is our spirit sales to licensees because all of those products are purchased through us. So, since the smoking ban has come in, sales have gone down about \$2 million to the licensees on the spirits side.

On the other side of it, the take-home business has gone up almost an equal amount, so it would appear that those who do not want to smoke or cannot smoke on premise are taking home the product and consuming it there.

\* (14:20)

**Mr. Cullen:** So, with that in mind, even though we have a number of facilities—and I wonder if you would care to comment on what percentage of facilities are open on Sundays—we are still seeing a decline in the actual consumption of alcoholic beverages.

**Mr. Lussier:** After one year, there were about 50 percent of the premises that were open and we have not updated it since that time.

**Mr. Cullen:** The corporation, I understand, just signed a new operating agreement with the liquor vendors throughout Manitoba and, my understanding, that was a five-year agreement. Is that correct?

**Mr. Lussier:** Yes, that is correct.

**Mr. Cullen:** I am just wondering how the terms of the new agreement have changed in terms of the previous agreement, if there are any substantial changes in that agreement.

**Mr. Lussier:** Yes, there is an increase in the remuneration for liquor vendors incorporated into that agreement, so they have gone up about 10 percent in terms of the amount of remuneration we pay them to operate for us. Conversely, what we wanted in return was more efficiencies in terms of our distribution centre operation, where we repack products for the liquor vendors. That was getting to be very expensive and a very large component so we put in minimum order quantities on our largest volume products so that, if they try to order a bottle of Smirnoff vodka, our No. 1 seller, they would get a case. So it worked on both sides, but we gave them more money on one side of it, and, on the other side, we asked for some help in improving our efficiencies.

**Mr. Cullen:** I guess, is it a commission that they are getting paid then, or are they paid on the volume they handle?

**Mr. Lussier:** They are paid a commission, so they are discounted at the time of order. What we do is discount to them so if they order a case of Smirnoff, again, at \$150 a case, they would get a discount of 10.5 percent and then they sell it at the same retail that we sell it at, which is the \$150.

**Mr. Cullen:** You alluded to this being the larger volumes that you are only going to sell case lots to. What about some of the more unique products that they wanted to bring in, say a half a case of a certain wine, will that type of system still be allowed?

**Mr. Lussier:** Yes. It only applies to approximately 300 products of our 3000 products, so the other 2700 products would be still available on a repack basis. So, if they wanted to order one bottle of grappa, they would get it.

**Mr. Cullen:** The other significant item in that agreement is the radius of operation, and I am wondering if there has been any significant change in terms of that radius of operation.

**Mr. Lussier:** Yes. There has been one change in that clause, where what we did was we used to apply within 10 kilometres of the city of Winnipeg, the distance criteria was reduced 10 kilometres between operators. We have expanded what we call that ring around the city to 20 kilometres now, to accommodate bedroom communities that are growing rapidly and would be without liquor service. The one that is probably most noticeable would be Niverville. Large housing developments have gone in there, and under the old rules we would not have been able to locate a liquor vendor there. Under the new agreement, we have been able to locate a liquor vendor in that town.

**Mr. David Faurschou (Portage la Prairie):** Just to pick up on the formula, I had asked this question on a number of occasions in the past, and that is whether the commission has thought to consider the movement of our population during the summer months to cottage country. We have areas in and around the Riding Mountain National Park, we have the provincial park at West Hawk and further into the Interlake areas, significant numbers of persons that move to summer residences that would have an impact upon the formula as to whether or not a community qualifies for a liquor vendor. You had said in the past that you had gone by annual reports rather than noting population changes. I guess I wanted to consider Delta Beach, where, perhaps, the winter population is only under 100 persons but that would swell tenfold in the summer, so I wonder if that is a consideration.

**Mr. Smith:** Thank you, and I appreciate the member from Portage raising that question again. I would be concerned if he did not raise that question. I know he is partial to Delta Beach and the expansion of the population that does grow out there, as do many of our summer resorts.

The impact of making those one-offs sounds like it would not have a large impact. When you start to do that, working with the different associations, the analogy that I could use is a little bit like a franchise-right agreement that you have out there with all areas throughout the entire province. I know the member from Arthur-Virden and others are on the table have different vendors that are out there within the 20-kilometre radius that we have now, and once you start to adjust that even on a seasonal or average basis, it will affect one of the other operators that are close by or near by on a year-round scale, something that has come back over and over and over again to us by the association. It is something that they are

extremely concerned about, in making changes in that area and, certainly, it is not something that we are considering. It is something that we know, the impact in areas in Manitoba where it will grow during a certain period of time. However, the year-round average of having vendors be sustainable and able to run their business, on not suffering those large losses during certain periods of time, does have an impact on their bottom line at year's end. Certainly, the delivery of services is very close by right now in Manitoba with that 20-kilometre radius. At times, it may be convenient for people to travel 5 kilometres instead of 15 kilometres, but still the service that we have in Manitoba is literally second to none in areas of our product throughout all of Manitoba.

So it is not something we are looking at considering as a change. It is not something, certainly, that the Vendors Association would like to see as a change, unless members opposite can walk into their constituencies and talk to all their local vendors and say that they are hearing that. We are not hearing that. We are hearing quite the contrary, quite the opposite, in fact, throughout all of Manitoba, that they would not like to see that change. We believe that the service that they provide out there is excellent and, certainly, looking at a lot of other areas of opportunities and options that we have, we will continue to work with them on it, but, certainly, that is not one of them.

**Mr. Faurschou:** I appreciate the minister's recognition that this is a standard question from myself at this table.

I do, though, want to impress upon the minister and the decision makers in this regard that there is significant population movement and it does not necessarily involve persons from the closest community to that cottage country. Persons in my constituency of Portage la Prairie that includes Delta Beach come from all over the province and out of province to attend to their cottages. That was recognized by the operation of a convenience store only during the summer months at Delta, and I suggest that it could be considered, and should be considered, that this be made available to that convenience store during the summer, when there is significant upswing in population that is recognized by the opening and closure of a convenience store that satisfies the wants and needs of those that take up residency during the summer. So I want to leave it with the minister to not to close the door on this but to recognize the convenience. Delta Beach is 17

miles, with that being in kilometres, 25, 27 kilometres, away from Portage la Prairie, a company-run operation, and I think that that is a significant distance, and it could be a premise for consideration.

\* (14:30)

**Mr. Maguire:** Madam Chair, I just wanted to make a point that was raised earlier by the minister that, you know, part of the reason why some of these issues are being raised is because he is talking about it is very difficult to make special circumstances, particularly in the case of the member from Portage la Prairie here raising the issue around Delta Beach. The reason that citizens are asking this is because, you know, I mean, he did make the comment that we were all in favour of the smoking ban being in Manitoba, and we were. But what we were in favour of at that time and what the committee reported, well, at least when I was on some of those public committees that spoke to Manitobans around the province, was that the ban would be in all locations in Manitoba, and, of course, this minister's government chose to not do that when it came to First Nations facilities. That does create quite a difference between vendors and across the situation in Manitoba, across the province, and when it comes to the issue of smoking bans.

So let us be very clear about it that the minister tries to wrap us all in the same envelope with this one. It is very, very clear that his government did have the jurisdiction to making the issuing of licences for lotteries and that sort of thing in Manitoba and has chosen not to, has chosen to renege on the responsibility that the citizens of Manitoba told them on that issue.

*Madam Vice-Chairperson in the Chair*

So, when it comes to the issues of liquor vendors and that sort of thing in the province as well, there are questions around the sizes and numbers that we will get into later probably in the number of those circumstances, but I just have to put it on record that the minister is wrong in relation to his earlier comments. If he feels like he wants to correct that today, then maybe he has got a public statement that he can make for us in regard to the future of the full smoking ban in the province of Manitoba.

You know, he has indicated that they have changed the rules to meet the needs of some certain villages, communities and towns in the province of Manitoba here to provide them with the opportunity to sell liquor in those areas. I guess I want to ask the

minister today is he still entertaining future changes to areas of increasing the number of stores. In his opening remarks, he said we have 22 stores outside Winnipeg, 23 inside Winnipeg. Can he indicate to us if there are further intentions for change in those numbers of facilities?

**Mr. Smith:** The Manitoba Liquor Control Commission certainly does its diligence on planning and process and growth throughout the province. The Liquor Control Commission, when you take into consideration the number of stores, about 12 percent of the total stores that are in the province of Manitoba right now, we have 23 inside the large Capital Region in the city of Winnipeg, and we have 22 outside of that. It is based on business planning and business cases and certainly year to year the relevance of those changes is not something it is planning for large increases or moving towards increases that are out. I believe it is 178 private stores that are out there and then again 300 suppliers or vendors that supply beer product that are out there. It will fluctuate. Certainly, we have not fluctuated as the Liquor Control Commission is company-owned stores, if you will, and it is based on business case and certainly, as I mentioned before, every decision is taken on the social side of considerations of expansion or elimination of stores in certain areas. The change has not been made for a number of years the way the Manitoba Liquor Control Commission does its diligence in its business planning in the last period of time.

The secondary piece of his questioning was regarding smoking in the province of Manitoba. We are extremely clear and well respected right across Canada for the decision that we made on the elimination of smoking in the province of Manitoba in areas that we have clear jurisdiction on. When you take air force bases, military bases and federal penitentiaries and many of the other things that certainly are issues of federal regulation, we do not have clear jurisdiction on. Obviously, what we did have clear jurisdiction on was immediate action and the best, I believe, and continues to be the best right across Canada, in fact, set precedent for others to follow.

The member may consider that wrong in his terminology or his words, but certainly we have a difference of opinion on clear jurisdiction and what is not clear jurisdiction. Obviously, we chose to act immediately on what we did have clear jurisdiction on and take action on, something that has not been done, was not done, and certainly plenty of

opportunities through the nineties to look at changing the way we will deal with smoking in Manitoba. Certainly, we were the ones to do it.

So we are proud of that fact. We are proud that we have followed along in the clear jurisdiction that we have. I believe it was positive throughout all of Manitoba, and certainly it is being followed across Canada.

**Mr. Maguire:** Just a note in response to that, I mean, the leadership was not there. It was already done in several cities across not only Canada, but in this province, particularly in the member's own home city. So I guess when you look at the issues of smoking and these kinds of latitudes that the minister has come forward with on that particular issue, that is why Manitobans are a bit suspicious about the future of the kinds of Crown corporations that we are dealing with, and it is purely from a point of view that they are not sure what the government is going to do with the policies of it.

Certainly, the department follows it out, does it to the letter and does a good job of it, but that is why we are here today before these reports, is to try to find out from the minister the future direction of where the government is going with some of those in regard to the statistics that are already in some of the annual reports.

I would turn it over to my other colleagues for further questioning in that area, but it is certainly a concern, and we may raise the issue of numbers of vendors and that sort of thing again.

**Mr. Smith:** Just for the record, certainly to clarify, the Manitoba Liquor Control Commission is one of the best run corporations not only in Manitoba, but right across Canada. I think the policies taken into effect, as the member mentioned, certainly Brandon was one of the first to initiate a smoking ban. Winnipeg followed suit very quickly after, and some other communities had begun to look at it.

The member talked about a level playing field. I think when we went out and we surveyed and talked to many Manitobans, it was critically and evidently clear to us the direction Manitoba wanted to follow.

I am quite pleased with the leadership that our government took on the issue immediately, making it the first province in Canada to eliminate smoking throughout all of its provinces. So it is something where there was no suspicion whatsoever by Manitobans. It was clear, it was direct and it was pointed out to the rest of the nation that it is

something we believed extremely strongly in for public safety and public health. Certainly what we heard from Manitobans, it was evidently clear.

On the other side, for the Manitoba Liquor Control Commission, I think it is quite interesting to note that the company and how well the company is run is evident in certainly the social response to issues that have been out there in combination with providing no suspicion from Manitobans seeing the profit margin going up while being an extremely competitive supplier, a product supplier where the pricing is the same across a geographical area the size of all of Manitoba. There is no suspicion from someone in Thompson, Manitoba, of what they will pay for a bottle of spirits compared to someone in Carman, what they will pay. It is something that many other jurisdictions are not able to achieve. It is something that Manitobans have recognized and respect, and certainly they know that the profit margin and with the social responsibilities, that the corporation has been and continues to be one of the best in all of North America. That is something that I commend the MLCC on in their business planning.

The competitive pricing that Manitoba has in a very competitive environment, both in Ontario and Saskatchewan, our two closest neighbours, is also evident in our pricing and our structuring, let alone the number of employees the MLCC has in the province of Manitoba. Overall the overturn of dollars that comes from the corporation does go to benefit all Manitobans, as well, in the priorities that they have told us about in many areas, obviously health care and education and many of the others that are there.

So, year over year, there is no suspicion by Manitobans how well this corporation is run. The business planning that this corporation does and certainly the policies that they initiate and bring forward for all Manitobans, there is no suspicion by Manitobans on the clear and direct view that the Manitoba government had on the smoking issue.

So I guess we differ in opinion, the member and I. It is pretty clear that Manitobans expect the government to follow through on its initiatives. Seeing that, I believe that the smoking ban was extremely positive for Manitoba. It was clear. It was put out to all Manitobans to level the playing field. In this particular instance, it did have an effect on the corporation, but they have found ways to manage their business in a positive way to gain year over

year, bring their revenues up for everyone in Manitoba.

\* (14:40)

**Mr. Faurschou:** I want to backtrack just to a question earlier from my colleague from Turtle Mountain, asking the question of the operation of the private wine stores. I believe Mr. Lussier stated that the private wine stores are able to price their products that they are exclusive to at any price that they deem.

**Mr. Lussier:** Yes.

**Mr. Faurschou:** In just reading here to the amendments to the specialty wine store regulations of January 26, 2005, and came into force February 5, 2005, the amending regulation states that discounts on wine and annual operating fees for the stand-alone specialty wines would be specified in an operating agreement and operating guidelines. By reading that statement, it does not seem to state what Mr. Lussier has indicated to committee. It leads me to believe that the amendments and guidelines that are actually signed must be adhered to and would be rather restrictive of how they operate as far as pricing is concerned.

**Mr. Lussier:** What you are confusing is the discount rate versus the final price. So how we price under the regulation to the wine stores is they come in with a wine, you know, Chateau Faurschou, that they would like to purchase, and when we calculate the retail using our regular structure we would come out and say it is \$10 a bottle. We would then discount that to them, and that is the price they pay, and then the retail they sell it at is anywhere. They could sell it below their costs if they would like, but the discount is set. That is how much margin they would have to work with.

**Mr. Faurschou:** I understand that. I appreciate the clarification and notation of the name. I was also wondering, though, these changes that were referred to in MR 125/94 to MR 102/05, were these regulatory changes emanating from the out-of-court settlement that was reached earlier between the private wine stores and the commission?

**Mr. Lussier:** I cannot comment on that because of our confidentiality agreement with the wine stores.

**Mr. Faurschou:** Just, perhaps, as to a time and date, like when there was agreement reached between the commission and the private wine stores. When did that evolve?



**Mr. Lussier:** That would have been a year ago April.

**Mr. Faursschou:** I see that we are still working with eight outlets. So the minister has not been quite able yet to acquire a private wine store to Brandon to which, I believe, he, when counsellor, was extremely supportive of. Perhaps the minister, is he still actively supporting that position?

**Mr. Smith:** The analogy is one that I may want to use, and the member is pretty loose with what was factual and what was non-factual, I guess the analogy I would use is that puppies take four or five weeks to open their eyes and, quite frankly, eyes are open on this side, obviously. Members opposite may be puppies longer, that it is not something that I can comment on, but, certainly, in many of the locations throughout the province of Manitoba there have been many that have suggested that we privatize a number of things. I know members have suggested that in the past with Hydro and MTS and education and health care and many other things. Obviously, I think this corporation runs an excellent balance of having a number of private wine stores in the province of Manitoba, a number of private liquor vendors in Manitoba, many, many private beer sellers in Manitoba through our beverage facilities, our hotels in Manitoba and the balance that we have with the minority of stores in Manitoba on the liquor side.

The consideration of expansion of private wine stores is not being considered at this time. It is not being considered in Carman. It is not being considered in Wawanessa. It is not being considered in Virden. It is not being considered in any location, or Brandon. Certainly, our policy and the policy presently is not to consider expansion whether it is in Brandon or Portage or any other location.

The member may want to put on the record that he would like to see a private wine store in Delta. I am not sure if that is something he would like to put on the record or consider. He mentions Brandon. I am surprised he did not mention Portage for a private wine store, but it is one of those things that obviously as you increase your education and become more informed, you make your decisions based on factual information that is out there. Certainly, I have a lot of facts at my fingertips now.

**Mr. Faursschou:** Well, if the minister is offering, I am certainly receptive to the consideration. It is interesting, the analogy, when given, to puppy stages. I would suggest perhaps maybe the minister

was taken to the NDP obedience school and has learned how to conform to party policy.

Anyway, moving on, I would like to say, though, that I appreciate that the commission was able to resolve differences with the private wine store outlets. Can perhaps the commission comment as to whether or not the charges, the surcharges for small orders, was that issue resolved to the satisfaction of both entities, or is that within the confidentiality agreement as well?

I know the wine stores were quite concerned about the surcharge by the commission regarding small orders that they would regularly place because of the volume, obviously, that they handle in comparison to other larger outlets.

**Mr. Lussier:** I really cannot comment on this agreement. I am sorry, I would love to, but I cannot.

**Mr. Faursschou:** Well, I do appreciate that. I hope that things have been resolved in the best interests of all concerned, because I believe that especially wine stores do indeed fill a need. I would hope that the minister would consider entertaining a proposal of a private wine store in Brandon, as I know had been previously placed, whether there are parties that are interested in yet seeing that happen at this time, I am sure.

But the wine stores, I see that they are playing a significant part. It is actually the only area in sales and consumption that continues to increase year over year, as the five-year chart provides for in the annual report. It seems that that consumption of wine was not as affected as other spirits and beer by the second coldest summer on record that we experienced in 2004.

Does the minister or the commission have any comment in regard to the efforts to promote wine here in the province of Manitoba? I would like to include within that whether or not there are any further licensing of domestic wine labels here in the province of Manitoba. I believe that there was one Rigby estates that was licensed a number of years ago. Has that been complemented by any other label licensing?

\* (14:50)

**Mr. Lussier:** Yes, it has been complemented by D. D. Leobard, which is located in the city of Winnipeg. Their specialty is high-quality fruit wines, blueberry, et cetera. So, yes, there has been an expansion in that area.

Wine in general is the most buoyant area in our marketplace and particularly red wine is the one that is growing the most rapidly. As little as seven or eight years ago, white wine outsold red wine two to one. Red wine is now outselling white wine, and the whole marketplace is moving upscale into more premium wines. Our average sale per bottle is rising continually and continuing to rise. We see no end in sight in terms of wine consumption, particularly as our population ages. It becomes more socially acceptable to get into wine and with red wine being good for your heart, it is even better.

*Madam Chairperson in the Chair*

**Mr. Faurshou:** I appreciate the response, and I do want at this time to compliment the commission and the training of staff. Having no opportunity to have a private wine store in Portage la Prairie, we are served very well with the Manitoba Liquor Control Commission outlet, and I will say that the staff within the commission are extremely helpful and very well trained and do assist patrons with their wine selections, which is greatly appreciated. I also want to mention at this time, too, the staff of the commissions that I have attended throughout the year also very well attend in a friendly and courteous manner, a very informed manner. Please pass on to your staff at opportunities that it is noticed by patrons. That we can certainly attest to.

The wine sales being that they are up, there are a greater number of wine products. I know our sister province certainly has been aggressive in promoting Canadian vintage wines. Are we as active and aggressive to do that here in the province of Manitoba?

**Mr. Smith:** Madam Chair, I appreciate, certainly, the accolades which deservingly go to the MLCC and staff. One note of interest is the seminars that have been conducted over the last period of time—over 3600 participants over the last six, seven years—for people to come out to is also included, something that I know would be very important to all members, certainly to the committee. I know with the Food Development Centre, the member from Portage is also in consultation with Manitoba Agriculture. It is both the wine tastings, in many cases, plus the foods that Manitoba has to complement and go along with that.

Manitoba Agriculture also deserves a lot of credit with being in combination with a lot of the tastings that are out there. The information and education from Manitoba Agriculture with the

Manitoba Liquor Control Commission at a lot of these festivals and the amount of hard work that both put into it certainly do promote, not only in many cases a Manitoba product that is out there on the liquor side with good wines that we have here in Manitoba, but certainly the excellent foods, the foods that complement and go along with that from the different regions throughout our entire province. I appreciate the member's kudos to the Liquor Control Commission, but I think we also should be giving kudos to Manitoba Agriculture as well. It goes along hand in hand many times with us at the wine tastings and different events we have.

**Mr. Faurshou:** Thank you very much for recognizing the value of the Food Development Centre in Portage la Prairie. It did indeed assist in the first label, Rigby estate's raspberry wine here in the province. I do not know first-hand whether the blueberry wine from D. D. Leobard had that process or not.

I would like to ask the minister, while I have the opportunity, to defer back to the report that was published back in April 30, 2000, the Manitoba Liquor Control Commission's public review of The Liquor Control Act. I know that the first question, though, that I do have in regard to the report earlier was responded to, that the commission does its inquiries in-house. Would this have been considered an in-house report as far as the commission was concerned?

**Ms. Carmen Neufeld (Chair, Manitoba Liquor Control Commission Board of Commissioners):** I believe earlier when you were speaking about in-house we were talking about the price comparisons across the country, and that is done through an organization called the Canadian Association of Liquor Jurisdictions and that is in-house.

In terms of the review of The Liquor Act, that was done in combination with members of the board of directors who went out across the province, and I know some of you attended, actually, at those sessions, and there was an organization that was hired to pull all the recommendations and all the findings from the various meetings as well as public submissions into a report for us.

**Mr. Faurshou:** Well, then, perhaps, maybe, I can refine my question. Has the commission had opportunity, outside of this particular report published back in August 31, 2000, engaged other entities here in the province to assist in data collection, information collection, survey work?

**Mr. Lussier:** Yes, we have. We do regular focus groups and telephone surveys across the province assessing our service levels., that is essentially the most important one, and how we compare to other retailers. We want to make sure that our service levels are comparable or better than Wal-Mart, et cetera.

**Mr. Faurschou:** Is the commission at liberty to say what the names of the outside agencies to which the commission then has had relationships with in this endeavour?

**Mr. Lussier:** Yes. We have taken a look back as far back as 1993. Since that time, we have done 17 research contracts. We have engaged six different firms during that time, from Angus Reid to Criterion, numerous Western Opinion, in fact, 10 of the surveys were Western Opinion, totalling over about \$100,000. We have also used Probe, and we have used Viewpoints.

**Mr. Faurschou:** Right. The document that you are referring to, is that an internal document or can it be tabled for the benefit of the committee?

**Mr. Lussier:** This is an internal document.

**Mr. Faurschou:** Just going a little further, and my colleagues may want to pick up on that last item a little bit more than that, but I was referring to the August 31, 2000, report, where there were 26 recommendations that came forward from that review of the legislation, to which the minister earlier alluded that it had been more than two decades since there was a last in-depth review of The Liquor Control Commission Act. How much progress has been made towards those 26 recommendations, as far as legislative changes go and also to the six recommendations to regulatory changes?

**Mr. Smith:** I think it was quite evident on the recommendations. A number of changes that came forward were broad-based from a number of different group throughout the province of Manitoba. There are actually a great deal more recommendations that were made from the public, from other reports, that, certainly, people had referred for recommendation. That particular report that the member is speaking about, certainly, when we opened the act, I believe, just off memory, we had made six changes initially when we had opened it up, which were priority recommendations from the police service, from the Manitoba Hotel Association,

from AMM and from many others that we had broken down to be priority changes.

\* (15:00)

The second time the act was opened, I believe, was two years later, I believe it was '03, where there were six or seven more changes made and, certainly, others, not just to limit it to those 26 recommendations, but there have been other recommendations made since that time from a number of different organizations that certainly will be considered and considered on priorities of what the different extremes may be. I used a simple example prior that, and then you could use this example, where one person in Portage la Prairie may be making the recommendation that liquor vendors be open 24 hours a day, seven days a week, where others are suggesting that on Sundays and Saturdays, they should not be open.

So we have tried to establish that balance, when you have those recommendations come from any individual group, with the overall recommendations that we are seeing from all public input and, as I mentioned before, considering the social values and ramifications of those recommendations and how it would affect certainly not just urban centres where it may be a positive on some recommendations but certainly how that may impact rural facilities that we have out there.

So it is a balance between the recommendations and the positives and the negatives that are out there. It is not something that MLCC takes casually. It is something that at times takes a number of years to consult with different organizations. Certainly you would want to know what impact those recommendations or any recommendation might have on urban or rural populations that are out there and then move those ahead.

As I had mentioned before, opening up the act for the first time in a couple of decades was positive. I believe it modernized the act in many cases. The second time was opening it up, modernizing again, looking at the impacts that change year to year in business planning and the impacts of the changes that we have made, looking at how those might affect any future changes that we have. Those are certainly being considered, are certainly relevant to changes we have made and what the potential changes might be out there, but it will be in consultation of what those effects are in all of Manitoba, not just certain specific areas.

**Mr. Faurschou:** I do not want to say that everything is operating today without the possibility of improvement at any time, and I would hope the minister keeps his eyes open, and ears as well, to suggestions that might come forward that may include just what the minister alluded to in his example.

I, though, would like to ask the commission: As an ongoing interest to improve, do you have liaison on a regular basis at all with the Ombudsman's office, where most Manitobans do register complaints if they do have them? Has there been any occasion in the last year or two where you have had that opportunity?

**Mr. Lussier:** Yes, occasionally we have a complaint. It is not a liaison; it is a complaint to the Ombudsman. We have had a few in the past year that have been investigated thoroughly by the Ombudsman. A couple of them revolved around age discrimination in our hiring process, and they were found to be not valid. Other than that, no.

**Mr. Faurschou:** I appreciate that you have responded to the Ombudsman's office and resolved those issues.

I want to thank my colleague from Turtle Mountain for the opportunity to participate today. I know that he is the official opposition critic, so I do appreciate the opportunity. Thank you.

**Mr. Jim Maloway (Elmwood):** I would like to ask the minister a couple of quick questions, not to take away too much time from the honourable member from the opposition.

The Liquor Commission has been a long-time success story. I mean, just last year alone \$185 million in profit directly to the government, and I have often wondered why it is that the governments for many, many years continue to produce these fancy, multi-colour reports.

This is not a private corporation. It is not General Motors where you have to produce big reports for (a) your shareholders and (b) your banks. They do not need these reports. So what I would like to know is what efforts are being made by the minister and the government to have these reports available on-line, which I am assuming that they are, and available to anybody who wants to print them off?

Now, if there is a legislative requirement, which there may well be, then when are we going to look

into changing that, because I just think this is a very wasteful exercise.

**Mr. Smith:** I do appreciate the committee's member holding the minister's feet to the fire on this issue. The on-line report is on-line. Obviously, the cost of producing the annual report is in the area of around \$5,000, give or take a couple of hundred dollars, but, certainly, not everyone has the ability to have a computer, as many of us might have in their home, or be able to read it clearly and be able to identify as a report that is out there. I believe it is good value to Manitobans, certainly, to be able to, if they do not have a computer or access to a computer, to have the ability to have a recognized report that is quite clear. I think most members around the table would look at the reports and be able to tell very quickly in page-to-page the concise presentation that is put forward and the easy ability to read through the reports. I believe that is important for Manitobans. The \$5,000 is something that is spent for Manitobans to see what their corporation is doing, certainly, with their Crown corporation.

The on-line is an excellent idea as we move ahead with technology. It is available for many Manitobans now and people that are out there, in fact, not just Manitobans, but for sharing right across jurisdictional boundaries of the entire world. But it is something that does need to be produced. It is something that does need to be put out there for Manitobans. It is something that does need to be very clear in identifying between this report and another report with a different agency and having those people have the ability to pick those reports up in a location that is very public and very easy to read.

**Mr. Maloway:** Madam Chairperson, I would like to ask a follow-up question about the Liquor Commission and how the IT programs that the Liquor Commission integrate into the government's SAP and other programs. Maybe Mr. Lussier would provide the answers to that. I understand you have an on-line program and have had for many years for the hotels to put their orders on-line, but are there any plans for members of the public to be able to order on-line? Has that been explored, or is it being considered?

**Mr. Lussier:** Yes, you are quite right in that not only hotels, but all of our commercial customers can order from us on-line 24 hours a day, seven days a week. We do also have a COD service that is available through the phone in both Winnipeg and Brandon for customers to order and we do have an on-line order

system that we have put up, particularly so that people, ex-Manitobans, who want to send gifts to their relatives in Manitoba can order on-line and send it through an on-line facility. We have that capability now.

In terms of co-ordination with the government, we went through, four years ago, an extensive review of our computer systems. We have reviewed the applicability of SAP and we found it wanting in comparison to JD Edwards. We are not a government department, we are a corporation. We are a retailer, a large retailer, and JDE systems are much more appropriate for our environment. That is becoming more and more standard across Canada, as for other liquor boards, also, around the same processing systems.

**Mr. Cullen:** Thank you to the member for his comments in regard to the annual report. I guess the one thing that is missing in the annual report is some of the research firms that the corporation does business with. I want to just go back to some earlier comments. Is the commission prepared to table the document that makes reference to the corporations that have been doing the survey work for the corporation over the last number of years?

**Mr. Smith:** The member has mentioned and asked that through, there is a FIPPA request that I believe is being considered and reviewed presently now. Obviously, following the process on what is acceptable and what can be put out, certainly, through acceptance of the legislative procedure should be followed and will be followed. The firms that the member had mentioned are, obviously, on Hansard and, certainly, that is on public record and quite clear. The autonomy that the Manitoba Liquor Control Commission has in tendering is the proper process that is used and tendering is followed to the T. Certainly, anything that is available on a public document will be supplied.

\* (15:10)

**Mr. Cullen:** Thank you for that response. Viewpoints Research or consulting was one of the companies that were handled by MLCC. Could you tell us what year that particular contract was tendered?

**Mr. Lussier:** In December of fiscal '02, there was one contract. There was another contract in February of fiscal '03, and there was another contract in March of fiscal '05.

**Mr. Cullen:** Madam Chair, just for clarification, could you advise us of the principals of that organization?

**Mr. Lussier:** I have no knowledge of who the principals are, and it is not important to us in terms of our tender process. Our tender process, which has been in place for approximately 15 years, we think is very rigorous. So what we do is we will, in all cases for this kind of work, put a public tender out, request for proposal. We then have three internal people, who would be varying depending on the subject matter, review it independently on a 200-point scale, and then come up with a recommendation on the best value for the dollar. That recommendation would go, depending on the level of expenditure, but anything under \$25,000 in terms of our procedures would be at a director level. If it goes between 25 and 50, it would be to the CEO, and above 50 to the board. In all cases, these were at the director level, so they were at the low level.

**Mr. Cullen:** For clarification, could you provide us the amount of those particular contracts, those three contracts?

**Ms. Neufeld:** On October 14, we received a FIPPA request. As you know, because of corporate privacy act, et cetera, we are just now assessing what is available. We have no problem giving you the information as soon as it has gone through proper channels. What I can tell you is that, in every instance of any research company that we have used since fiscal '93, it was the lowest tender in every instance.

#### Point of Order

**Mr. Ron Schuler (Springfield):** Far be it from myself to take on members of the corporation, so I will direct my comments to the chair, to the committee and the minister. The FIPPA requests are of little interest to this committee. What is of interest to this committee is questions that are asked, and either the questions are answered or they are not answered. We have no idea where the FIPPA may come from or may not come from. That is of little interest to the committee.

This committee asked a question and either it is answered or not answered, but the answer that it is a FIPPA request, Madam Chair, is not an appropriate answer at this committee.

**Madam Chairperson:** Minister Smith, on the same point of order?

**Mr. Smith:** Madam Chair, I do not believe that the member does have a point of order. Obviously, what the chair is explaining certainly in this case is the question that was asked by one of the other members on a competitive tendering process that is out, that has full autonomy with the corporation. I do not believe there is a point of order, and if the member had not cut the chair for the board off, she would have explained fully the question that had been asked by the member.

**Madam Chairperson:** We thank the member for his question, but that is not a point of order. It is a dispute over the facts.

\* \* \*

**Mr. Cullen:** Well, for clarification then, I do not have the ability to read Hansard here, but were then those particular tenders under \$25,000 each?

**Mr. Lussier:** Yes, they were.

**Mr. Cullen:** I guess the other question would be were there other tenders put forward for those three respective proposals.

**Mr. Lussier:** Yes, there were in all cases.

**Mr. Maguire:** Madam Chair, I just wonder if the minister or the Liquor Control Commission can indicate whether those were the only three or whether there were other contracts from Viewpoints previous to the one that was mentioned in '02.

**Mr. Smith:** Certainly, for the member to ask whether I forwarded on that information, as the member knows, there is no government involvement in the process in the awarding of contracts. Obviously, the contracts are tendered, certainly, on a competitive tendering process. That process is followed, that process is expected to be followed and that process, in all indications, has been followed. But, certainly, to the specifics that the member is asking, the autonomy of the Manitoba Liquor Control Commission and, that particular question, had asked both the minister and the MLCC, so the CEO may be able answer the relevant technical question that he has asked.

**Mr. Maguire:** The contracts that were listed, '02, '03 and '05, that were accepted contracts by Viewpoints from the Manitoba Liquor Control Commission, and my question was if there were others prior to that time as well?

**Mr. Lussier:** No, we have reviewed our records back to 1993, and there were no others.

**Mr. Maguire:** Just one more, Madam Chair, and I guess it is could the member also tell us the names of other companies that have done research for the commission in this period of time?

**Mr. Lussier:** Yes. Angus Reid, Criterion, Probe and Western Opinion.

**Mr. Schuler:** Of the three contracts that were given to Viewpoints, in each case were they the lowest bidder?

**Mr. Lussier:** Yes, they were.

**Mr. Schuler:** And in all respects they fit not just the criteria, but they were also the lowest bidder in all three of those cases?

**Mr. Lussier:** Yes, they were.

**Mr. Cullen:** Just for clarification, what was the nature of those particular surveys?

**Mr. Lussier:** They were all customer surveys. The customer survey in Winnipeg and Brandon was the latest one, in March of this year, and prior to that, in February of '03, it was a customer survey again, a phone survey. Prior to that, it was a rural vendor service strategy survey in December of '02.

**Mr. Kevin Lamoureux (Inkster):** Yes, I had a number of questions, but first I just wanted to continue on in regard to the Viewpoints contract. I know, the other day in committee when we had Workers Compensation here, and I think consistency is important, the committee members were able to ask questions, and the corporation, government corporation, arm's length, was able to provide responses, and I think consistency should be that the questions do be answered in the same fashion.

Madam Chair, there was a concern with Workers Compensation in regard to Viewpoints being awarded contracts, and yet they were not the lowest bid. So, when this committee found out that, again, Viewpoints was successful in getting contracts, I suspect there were a number of flags that kind of surfaced, and committee members would like to get more information from the corporation in regard to these contracts. I was interested in listening to the CEO's very quick response, in particular for the member from Springfield, when he asked questions in regard to the lowest bid. It was a very quick response, so I suspect that maybe the CEO has already been briefed on this issue. Was he briefed regarding consultants prior to coming here this afternoon?

\* (15:20)

**Mr. Smith:** The question the member is asking is does the CEO know this corporation inside out, backwards and forwards and upside down. The answer to his question is that the CEO is on top of his corporation, which is very evident in the reporting and the information that the CEO has in anything that is regarding this corporation.

The member has also been advised that, obviously, there is no government involved in the process whatsoever on any contracts that are out there. The tendering and the competitive nature of the tendering, certainly, is done on the business case with the Manitoba Liquor Control Commission, which is quite relevant and, not to obscure facts whatsoever, is that it is done in a process that, certainly, is in the best interests of the corporation and Manitobans, in a fair process and fair way in the tendering process.

So the specifics of those who do get contracts that are out there, not just in this but in any aspect of the Manitoba Liquor Control Commission, I can assure the member that the CEO and the senior staff in the Manitoba Liquor Control Commission do know their facts, and they do respond quickly to information that is asked around this table, which we should all be quite proud of.

The tendering process, as the CEO has mentioned, has been followed. The tendering process is quite open and quite relevant. The question—the member had a specific question to the CEO on any contract that is out there—has been answered and answered fully. So the tone of the member to begin to suggest that the CEO had some information that was off the top of his head, quite frankly, the CEO is on top of this corporation, as I have seen over the last five and six years that I have been involved as a minister. Certainly, the member should not be making accusations or comments regarding the relevance or irrelevance of what knowledge the CEO has in this corporation, because I can assure the member the CEO is very informed about the entire process and the entire MLCC.

**Mr. Lamoureux:** Would the CEO like to answer the question?

**Mr. Lussier:** The CEO would love to answer the question. The CEO is able to read the newspaper. The CEO is expected to be prepared when he comes to these committee meetings. So the CEO can put two and two together and realize that there are going

to be questions around research, and that is exactly what the CEO did.

**Mr. Lamoureux:** I appreciate the candour in which the CEO has responded to the question. I think that it is a legitimate process of this committee to ask the questions that we have asked, and I am sure the CEO can appreciate that.

So I would then ask the CEO: Can he indicate to this committee the actual amounts of the contracts and which companies competed for it?

**Mr. Lussier:** Sure. I am assuming that we can do this notwithstanding the FIPPA request?

**Madam Chairperson:** Did you want to consult with someone before you answer?

**Mr. Lussier:** All three contracts that were won by Viewpoints in total amounted to \$35,000. That is three contracts.

The other firms that would have bid, that would be Western Opinion and Probe, and I am not sure of who else at this point. I would have to check the records on that, but certainly Western Opinion and Probe would have bid on those contracts.

In contrast to that, Western Opinion is probably our most preferred supplier. They have had 10 contracts with us over the last six years totalling over \$110,000 in business.

**Mr. Lamoureux:** Madam Chair, I did want to go on to a couple of other issues. I appreciate the answer from Mr. Lussier.

In regard to home-brewed products, can the corporation give any indication in terms of what is happening in that area? Are we seeing more home-brewed products being produced in Manitoba? How does that compare in terms of percentages of increases with the Manitoba Liquor Commission?

**Mr. Lussier:** In the latest information we have seen, and it was based on an AFM survey province-wide, it appears that the amount of home winemaking is stable at about 40 percent of the total consumption in the province is homemade.

In terms of beer, it appears to be immaterial because beer seems to be a more difficult product to get it right in terms of homemade. In terms of distilled spirits, we do not have any information on distilled spirits, on homebrew.

**Mr. Lamoureux:** Yes, Madam Chair, I am wondering if the corporation can give any sort of

indication as to whether or not they would feel that soliciting or getting that sort of information would be of value.

**Mr. Lussier:** Yes, we have included a question to that effect in our surveys in the past, and we will continue to do that on an ongoing basis.

**Mr. Lamoureux:** I think that in terms of overall percentage of consumption of alcohol, I think that that is an important thing that does need to be factored in, and would look forward to getting some sort of a response, possibly in the future, maybe at future committee meetings.

A couple of years ago, the Province moved towards opening up liquor stores on Sunday. We now have had a couple of years where it has been in full practice. I am wondering if you could give an indication in terms of what that has done for overall consumption of alcohol in the province on a per capita basis.

**Mr. Lussier:** Not on a per capita basis because you are dealing with fairly rough numbers, but it appears our experience is parallel to Ontario when they open on Sunday. There appears to be about a 2 percent increase overall in our sales through all of the sales channels.

**Mr. Lamoureux:** The MLCC, and we were talking about prices earlier, there were some concerns in regard to the purchasing of alcohol. When you purchase alcohol, do you do it in co-operation with other provinces, for example, the Saskatchewan Liquor Authority, or is this something that Manitoba would do on its own? Are all provinces paying, in essence, the same price?

**Mr. Lussier:** Yes, we do exchange information with other provinces on pricing to ensure that we are getting the best price. However, I think it requires putting it in perspective because we are a single buyer, one of the ten largest buyers in the world. So we, with that bargaining power, can get very, very good prices.

**Mr. Lamoureux:** In comparison to Saskatchewan, how would the Saskatchewan Liquor Authority pay for a 24 of Canadian beer compared to the Province of Manitoba? Is there any significant difference whatsoever?

**Mr. Lussier:** No, there really is not.

**Mr. Lamoureux:** Would there be an advantage for consumers in the province if, in fact, the MLCC was to work with Saskatchewan in purchasing liquor?

**Mr. Lussier:** There are not advantages in terms of the prices that suppliers charge us. There are some advantages in terms of freight movement, and we have done this with Saskatchewan. If we have very small quantities coming out of small countries in Europe, particularly places like Greece, it is an advantage for both Saskatchewan and ourselves to put it on one box and ship it to either Regina or to Winnipeg and then transship it into the other province. We have done that on a kind of one-off basis, so, if we are dealing with Romania, Albania, those kinds of countries with very small volumes, that is what we do.

**Mr. Lamoureux:** The last area I want to ask is in regard to lounges. Does the Liquor Commission monitor to any degree lounges that would be on-reserve versus off-reserve and alcohol consumption?

**Mr. Lussier:** Sorry, in comparison to the amount of alcohol consumed, or just monitoring the lounges?

**Mr. Lamoureux:** Just monitoring to find out in terms of whether or not the public smoking ban has had an impact, and to what degree.

**Mr. Lussier:** No, we have not done that.

**Madam Chairperson:** At this point, I would like to ask what the will of the committee is, the time being 3:30.

\* (15:30)

**Mr. Cullen:** We have a few more questions left. If we could maybe review it in 15 minutes.

**Madam Chairperson:** Is that agreed by the committee? *[Agreed]*

**Mr. Lamoureux:** My understanding is that lounges, for example, on a reserve can continue to have cigarettes and smoke and so forth. That has not been the case for lounges off reserve. I trust that the MLCC would be aware of that fact. I am wondering if they could just provide any sort of comment. Has the alcohol consumption gone up on reserves as a direct result? Whereas alcohol consumption, I am told, has gone down considerably in lounges off reserve. Is that factual, or would you support that?

**Mr. Lussier:** I am not sure that that is factual. We have not monitored that. However, a point of clarification, I was just informed that reserves have chosen not to allow smoking in lounges on the reserve, but rather allow smoking in the gaming areas, so there is some differentiation there, or some equality in terms of alcohol consumption.



**Mr. Lamoureux:** The very last question is do you have any sense in terms of the Show Your Age program where they get the photo identification done. If you look at the 19-year-olds, what percentage—and a guesstimate would be wonderful—what percentage would you say actually take advantage of a program of that nature?

**Mr. Lussier:** I am assuming you are meaning in terms of purchasing a card through our facilities; it is not very high. It would be in the neighbourhood of five or six thousand on an annual basis. Most of the people in that age group are drivers so they have a driver's licence, a photo ID in the form of a driver's licence. What we are actually seeing is a lot more people coming in who need a photo ID to cross the border. They are not 19 years old, let us put it that way. They are people that do not have a driver's licence, in most cases. They may be elderly, and they need a photo ID to go to the U.S.

**Mr. Faurichou:** Thank you very much. Picking up on the point of shared transportation from small-volume countries, is the commission still locked into or renewed annual agreements with a specific transporter out of Europe?

**Mr. Lussier:** Yes, we tender that business as well, and we lock in for a period of time with an option to renew.

**Mr. Faurichou:** Has the commission evaluated whether this is the wisest choice of transporting products back to Canada, insofar as have you consulted your actual suppliers and asked them as to their preferred shipper when they are obviously supplying to other areas in Canada and North America?

**Mr. Lussier:** Yes, and really the largest buyer in the world is Ontario. They are our prime consultation for us to see that we are getting rates that are comparable to Ontario. In the movement of liquor, it tends to be a very specialized movement because of the need to protect it from heat and cold, so there are two or three main shippers in the world called freight forwarders, like Hildebrand and Danzas, that really specialize in that area, so it has tended to become, like other industries, more consolidated into those groups.

**Mr. Faurichou:** So, if a private wine store was placing a very specialized order to someone out of Italy or Romania, and they made the private wine store know that they were shipping to Ontario, for instance, as well, would you be able to piggyback

onto that shipment to facilitate and make certain that time was recognized here?

**Mr. Lussier:** Yes, we would, whatever is the best rate. We have instances where we have said that if you want it here in that time frame you have to fly it. If they want to do it we will do that.

**Mr. Faurichou:** For clarification, then, orders are considered on a timely basis, as well as actual cost of shipment, and so they are balanced off time versus cost?

**Mr. Lussier:** Yes. If we have key products that are running out of stock, we will bring them out of other sources. By other sources I would mean other provinces, primarily Alberta and B.C., that may have that stock, and we would absorb the difference in the freight costs to make sure that it stays in stock for the consumer.

**Mr. Cullen:** Before I get into the successful private-public partnerships that we have in regard to the Manitoba Liquor Control Commission, I do have some issues I want to discuss in terms of the liquor marts. My question is does the corporation own any liquor marts or is there some type of a lease arrangement.

**Mr. Lussier:** The vast majority of our liquor marts are leased from private developers. We have a number that are owned by government properties: Pine Falls, Killarney. Our head office and distribution centre is held by the Province of Manitoba as well, but the vast majority are leased.

**Mr. Cullen:** Just for clarification, two or maybe three of the liquor marts are then owned by the Province.

**Mr. Lussier:** That is correct.

**Mr. Cullen:** How many new developments have there been in terms of liquor marts this past year?

**Mr. Lussier:** By "developments" you mean redoing them, redoing the liquor marts? There has been River and Osborne. We are underway in Brandon. Portage and Burnell was done late last year, and we are in the process of opening a new store in South St. Vital.

**Mr. Cullen:** How was the decision made as to what stores would have to be upgraded or changed or locations changed? How was that determined?

**Mr. Lussier:** Basically, as the minister alluded to, it is on a business-case basis. So we tend to sign a 10-year lease with 10-year options. Once we hit the 10-year option period, that is the time when we decide

whether we want to stay there, whether we want to move, whether we need more space or less space, and what kind of a renovation we would do.

We also pay a lot of attention to the distance that consumers have to travel to obtain liquor service. So, in South St. Vital, as the development has gone further and further south, those customers are inconvenienced in our mind and overloading the one store we have in the area, so we will locate another store to better service their needs.

**Mr. Cullen:** In the case of Brandon, was it a situation where that particular lease was up for renewal?

**Mr. Lussier:** Yes, that is exactly correct. As of December 31, we will be out of that premise. Safeway was our landlord in the existing premise that we are in currently.

**Mr. Cullen:** Are there any significant changes in the new location in terms of size or anything of that nature?

**Mr. Lussier:** Yes, there are. There are numerous changes. The other premise we had been in for at least 25 years, it was an old-style operation with a basement and a conveyor system. Everything that we do now is palletized, so the new location will be fully palletized and it will be bigger. It will be 12 000 square feet. The other one, up and down, was about 10 000 square feet. We require that amount of space in order to service not only the public in Brandon, but also the licensees are all serviced out of that location. So it is going to enhance our efficiencies and, we believe, some increase in sales, based on experience with similar renovations in the city of Winnipeg.

**Mr. Cullen:** So will there be a change in the product that you carry there, or do you see any significant change in the product being carried there?

**Mr. Lussier:** Yes, a significant increase in the number of specialty wines that will be available to the community. We simply could not handle it in our existing location. We only had 5000 square feet of retail space. We will have, I believe, about 7500 square feet of retail space in the new location. So we would see an increase of about 300 wines available out in Brandon.

**Mr. Cullen:** So that sounds to me like it would have been a wonderful opportunity for another private partnership there, right in Brandon, where I know

there is quite a desire to have that type of a venture. Would that be safe to say?

\* (15:40)

**Mr. Smith:** The question reoccurs, certainly, in many different forms. I think it was best explained by our CEO that 25 years ago when, regardless of what business you were in, as the CEO had mentioned, the horizontal business development as opposed to the vertical business development in the location that it was in was a factor, as well as the landlord coming to the end of an agreement. As I have mentioned before and said in committee, one of the most popular products that the Manitoba Liquor Control Commission now has is the wines as well as other products. To the expansion of the word that I struggled with earlier, the boutiques that we have and where we are placing that in all stores in the business plan, business cases, obviously, are going to be evident in the location as it was, as we can see out the window here to Osborne Village and the expansion of the boutique and the wine business side there as well. So it is good business, good business planning.

The store in Brandon is certainly something that I am hearing over and over again from the general public and what a positive addition that is to our community, to Brandon. Kudos to MLCC with working with the community and establishing what has now becoming very evident when you drive by a good redevelopment in a strategic spot. The CEO alluded to the fact that business and flow patterns obviously have to be taken into consideration. This area was fortunate enough to have some space, and MLCC was able to come into an arrangement with local developers and others in a spot that was a priority for MLCC. The building and the grounds are a great addition to the community. It is over and over again that we are hearing now that people have been able to put the 2-D into a 3-D form by seeing what the proposal was to now actually seeing it in view on location. It has been very highly positive in the community. As we expand MLCC, all 45 locations, we have to recognize the increase in one side of the business planning which is, the wines and certainly the coolers and others, there will be space requirements and changes, as there is in any business.

**Mr. Cullen:** In terms of Brandon, and there would be a request for a proposal, did the commission have a site in mind, or does it kind of leave that door open for the respective contractors to come up with a site?

**Mr. Lussier:** We do a little bit of both. Often we want to be in that immediate trade area. For instance, our choice in Brandon was whether we wanted to move to the new shopping centre, that is where Wal-Mart and Rona, et cetera, are locating, or stay in the downtown area. Our decision was we thought it was better for the community and actually for our business to stay downtown and to make a commitment to downtown. Then we go to developers and ask for proposals; this proposal was the best one we received.

**Mr. Cullen:** Were there any changes to the design of that particular building once the tender was let out?

**Mr. Lussier:** Yes, there was in consultation with the business community. There were concerns about the attractiveness of the building and what it would add to downtown, or being in the gateway to downtown. So our retail development people worked with the business community in Brandon to come up with a design that met both parties' needs, that we did not blow the budget away. We also provided a facility that was suitable or that was acceptable to that business community.

**Mr. Cullen:** Who would have paid for the extra cost in that revision to the contract?

**Mr. Lussier:** We would.

**Mr. Cullen:** What will the changes in staff be there at the Brandon location? Will there be an increase in staff required to manage the new facility?

**Mr. Lussier:** No, we do not believe so, because our efficiencies will be significantly enhanced with going to pallet loads versus single cases.

**Madam Chairperson:** As the hour is approaching 3:45, what is the will of the committee?

**Mr. Cullen:** We just have a few more questions, but if we could just have a few more minutes. We certainly do not want to go past four o'clock if we can.

**Madam Chairperson:** Is that agreed by the committee to sit till four o'clock? *[Agreed]*

**Floor Question:** This afternoon or in the morning?

**Madam Chairperson:** Four o'clock p.m., to clarify.

**Mr. Faurchou:** On the decision-making process of retail space and enhancements, do you have a formula that you prescribe to that red flags, in particular, an outlet for potential expansion by evaluation of retail spaces versus volume?

**Mr. Lussier:** Yes, we do. We are targeting \$1,000 per square foot in sales. As our outlets start to reach above that, we start looking at either an expansion of the existing premise or location of another premise in the trade area. So, yes, we do, the short answer is.

**Mr. Faurchou:** That was \$1,000 per square?

**Mr. Lussier:** Per square foot of the total premise.

**Mr. Faurchou:** On a time frame, I would like to get a time frame. It is relevant only if I have a time frame on the \$1,000 per square foot.

**Madam Chairperson:** So your question is?

**Mr. Faurchou:** Is the time frame on that?

**Madam Chairperson:** The time frame.

**Mr. Lussier:** On an annual basis.

**Mr. Faurchou:** I appreciate being specific so those persons subscribing to the Hansard have understanding.

I want to ask about the case of Portage la Prairie. Being from Portage la Prairie, I understand, though, that we have a limited retail area, but the facility actually has a fair amount of square feet because it has a basement, but that is inaccessible to the public. Is that a consideration as well? I am pretty certain Portage would rank right up there with the volume-wise new digs or new location.

**Mr. Lussier:** Yes, it is considered. In fact, in the case of Portage, when we renegotiated our lease, we came to an agreement with the landlord to reduce the square footage charges that we were paying on the basement because we were not using the whole facility.

**Mr. Faurchou:** Yes, in regard to the whole overall marketing promotion, it has been exclusive to liquor over the mandate of the commission, but I know efforts have been made over the past year or two to secure the persons purchasing tobacco products to make certain that they are over the age of 18 which, obviously, you have the infrastructure to make certain of that. Has there been any discussion within your ranks at all as a restricted product, as is liquor? So is tobacco. Has there been any consideration of the commission in handling both products?

**Mr. Lussier:** No, there has not been.

**Mr. Cullen:** Just a couple more financial questions, if I may. Just for clarification, if we could go back to the Viewpoints and the tendering process. Did Viewpoints submit any tenders prior to 1999?

**Mr. Lussier:** Yes, I believe so, but I would have to check that. I only looked into who won the tender from 1993 on, not who participated in tendering. My recollection would be, yes, they have.

**Mr. Cullen:** Would that information be available to us at a later time? Could you forward that information to us on successful tenders?

**Madam Chairperson:** Did you want to consult with someone before you answer the question? No?

**Mr. Lussier:** I believe we can.

**Mr. Cullen:** In looking at the balance sheet for the current financial report, it talks about a demand non-interest bearing working capital advance to the tune of \$4.5 million provided by the Province of Manitoba. Could you give us some clarification what is involved in that?

**Mr. Lussier:** Yes, I am glad you asked that. That has since been called, our loan has been called by the Province of Manitoba, I think largely on the advice of the provincial auditor. It was a loan to finance our inventories, and it was seen as not necessary in today's environment. Yes, we have had that level of loan for over 30 years. In the next annual report, you will not see it appearing. It will be gone.

**Mr. Cullen:** It is interesting; it was just kind of a carry-over for the last 30 years? Is that how I read that?

\* (15:50)

**Mr. Lussier:** Yes, it was.

**Mr. Cullen:** Okay. I know we had quite a considerable discussion last year on the AIR MILES program and the monopoly that MLCC has on it. Again, when we were talking about expenses on the AIR MILES program of \$900,000 and the revenue generated of \$300,000, is that, then, the program, a net cost to the corporation?

**Mr. Lussier:** No. What we do in terms of net cost is net it against the fees that we receive from the industry, because that is the way the program was structured originally. So you will see in another account, under other revenue, fees from the industry, and I will just try to get the page for you, here—*[interjection]* page 29, thank you. Page 29, yes, AIR MILES revenue, \$293,000, and then advertising revenue, other, \$986,000.

**Mr. Cullen:** I want to get this clear in my mind, then there was a reference to it last year, the companies—and then we talk about display ads and that sort of

thing. Is that where if I am selling a bottle of whiskey I can pay you so much money to have my display set at the end of the aisle? That is correct?

**Mr. Lussier:** Yes, that is correct.

**Mr. Cullen:** Why would that particular payment, if I am that purchaser, if I am selling my bottle of whiskey, why would the AIR MILES program be so dependent? Why the importance? What is the correlation between me selling or advertising my particular brand at the end of the aisle? What bearing does that have on you operating an AIR MILES program? Why could I not just do that without the AIR MILES program?

**Mr. Lussier:** Because of negotiations, really, that we had with the industry, where we said we would attempt to draw traffic into our stores using advertising and promotions. Part of the reason to come to the Liquor Commission is to get AIR MILES. So we will draw traffic into our stores, to the benefit of those, particularly, who are on display and many of whom will use AIR MILES bonus miles to change brands from others.

**Mr. Cullen:** Okay, I appreciate your answer to that. It is interesting. It is a \$700,000 touch. Is it safe to say that you are generating that extra kind of revenue?

**Mr. Lussier:** I would not call it extra. It is covering the costs of a loyalty program and of our display space program. So it is a cost recovery.

**Mr. Cullen:** Okay, thank you.

I want to talk a little bit about the social programs that you have underway and what kind of costs are associated with the respective programs. The one, and I am not sure if it is still going on, but it is With Child-Without Alcohol, is that program still underway, and what kind of dollar figure was attached to that specific program?

**Mr. Lussier:** Yes, that program is still running and it will run this year. I believe the budget for it is about \$200,000, primarily on television.

**Mr. Cullen:** The UNdrunk campaign you have going as well, is there some way that you have to monitor the success of those programs?

**Mr. Lussier:** Yes, but it is difficult. What we are doing is looking at awareness of the programs. It is very difficult, as you can well imagine, in terms of FAS to say the number of FAS-affected children has declined as a result of the program we have. So what

we tend to measure is awareness and requests for information in terms of the kits. So we monitor that. In terms of Be UNdrunk, it will be most likely measured on the basis of focus groups, particularly in the 18- to 25-year-old age group, to see, first of all, have they seen the ads, and did it have any impact on their behaviour.

**Mr. Cullen:** The line in the budget here, I guess that refers to alcohol education. All those programs are encompassed under there, including the Addictions Foundation of Manitoba.

**Mr. Lussier:** No, we do not fund the Addictions Foundation at all, if that is what you are meaning. It funds three major programs: Show Your Age, Be UNdrunk and With Child-Without Alcohol. Those are the three major expenses in that account.

**Mr. Cullen:** Okay. So there is no compensation, no money made to the Addictions Foundation of Manitoba?

**Mr. Lussier:** No, there is not.

**Mr. Cullen:** How is the value here, that \$434,000, how do you arrive at that level of education funding?

**Mr. Lussier:** What we did, we worked on this during our strategic planning exercise with the board, and we came up with a ratio of 0.2 percent of our gross profits on an annual basis. It would be devoted to alcohol education programs. That is the guideline that we are operating under currently.

**Mr. Cullen:** Is there any consideration being given to changing that amount, and how does that amount compare with any other provinces?

**Mr. Lussier:** That amount ranks us third in the country in terms of spending after Québec and Ontario, so we are disproportionate in terms of our spending vis-à-vis our rank in terms of sales within the rest of the country. We are better. We are higher than the others.

**Mr. Cullen:** In reference to other provinces, I do not know and I am wondering if the minister or the commission has a chance to—I have seen a report just put out by the Montréal Economic Institute research papers, and the title of the paper is dated October 2005, "Is Government Control of the Liquor Trade Still Justified?" I am wondering if the minister or anyone from the corporation has the opportunity to peruse that particular report.

**Mr. Smith:** As the member can well recognize, the amount of reports that come out regarding the

industry are numerous. The advice and information that we receive is by professionals within the province, and relevance of information is exchanged between inner-jurisdictional business in the Liquor Commission for best practices.

The particular report that the member mentions is not something that I have read, not something that I have had the opportunity, but, certainly, if he will supply a copy to me—I am not sure how long he has had the copy—but I would certainly be more than happy to receive it as information, and the MLCC would be happy to receive any information that it has in best practices as we consider in our business planning and business practices with all reports. Possibly the CEO has seen the report. Certainly, I personally have not seen the report. We take all relevant and pertinent and good information into consideration in all our best practices in our business planning.

I know the member would be interested to see some of the comparisons on the positives of Crown corporations run, such as liquor in jurisdictions like Manitoba compared to, say, the changes that have been made in Ontario or Alberta, both negative and positive. We have numerous reports regarding those issues, and I certainly would be happy to sit down with the critic and peruse some of those reports we could share together, but, if I may refer to the CEO, he may have seen the report and may have some further information on it.

**Madam Chairperson:** Ms. Neufeld, did you want to add something to that?

**Ms. Neufeld:** Yes. Just in terms of the social responsibility programmings that we have, not only are they really well respected within the community and well received, when they have been developed, they have been developed in conjunction with organizations that work daily, whether it is in the issue of fetal alcohol syndrome, for example. The programs have been taken across the country to the Canadian Association of Liquor Jurisdictions. Some of the provinces have actually picked up on our creative that has been developed, and one of the Nordic countries now. Don attended a conference recently in Québec City and, I believe, it is Iceland that is picking up our Be UNdrunk campaign, so it is really world recognized as being leaders in these two areas.

**Mr. Lamoureux:** You know, if you did not have the air mileage program, would that decrease alcoholic consumption?

**Mr. Lussier:** Yes, it would decrease consumption. We estimate that the net value of the program is about \$350,000 a year.

\* (16:00)

**Madam Chairperson:** As we approach four o'clock, what is the will of the committee?

Mr. Maguire has one more question. Will the committee allow that question? *[Agreed]*

**Mr. Maguire:** Madam Chair, I guess there are a number of questions that could still be asked around these particular financial statements. There are a number of issues that I have not got into around a number of employees, the addictions. There is some contingency viability as mentioned by the member from Portage la Prairie as one. There are a number of areas, as I said, around employment numbers in regard to some of them as well, inspections investigations and educational seminars. I had some questions around that, and I know that the minister would do things like focus groups, questionnaires and that sort of thing around them.

We have had some indication from him today who has done the tendering on a number of those areas in the past, and they have indicated that Viewpoints has won some of those, and others have had large numbers used in that area as well. I know that the Manitoba Liquor Control Commission is only one area that the minister, and he is probably the only one here that can help me with this today, this is one area of the responsibilities that he has but, as Intergovernmental Affairs rural critic myself, I just wanted to ask the minister if he can tell me how many contracts with Intergovernmental Affairs that Viewpoints has been successful in asking for.

**Madam Chairperson:** I am sorry I am going to have to make a ruling that that is not relevant to the reports that we are dealing with here, which are the Manitoba Liquor Control Commission reports.

**Mr. Smith:** Just in response to some of the different questions that the member has certainly asked, the competitive tendering process that MLCC has is relevant to the committee here. The autonomy that they have in dealing with the tendering process is obviously very obvious, very out there, very legitimate in its dealings, but the member asked about the Intergovernmental Affairs and some of the rural communities and the benefits of that.

It is unfortunate that the member from last year, Mr. Loewen, was not here to bring his views forward

on what he feels is something we should do for rural communities and out there regarding VLTs and some of the changes he would like to see in reducing some of the facilities that we have out there in rural communities. So it is unfortunate. However, I am sure that members here also share Mr. Loewen's views on some of the reductions we should have in rural communities and the impact that would have on those communities. Certainly, in terms of tendering, the autonomy, obviously, and certainly—

#### Point of Order

**Madam Chairperson:** On a point of order, Mr. Maguire.

**Mr. Maguire:** Madam Chair, you ruled that my comment was out of order. If you were going to rule that that one was out of order, the comments of the current minister at the present time are definitely out of order because it is definitely wrong.

**Madam Chairperson:** On the same point of order, Mr. Smith.

**Mr. Smith:** On the same point of order, Madam Chair. If the member got to finish completion of his question, then the answer that I have is to the point of order that the member did not have a point of order, quite frankly, regarding this issue. It is very relevant to look at the effects, both the rural and urban, in any decisions that we make, certainly, regarding this organization, the impacts that that has on our economic well-being of all Manitobans. This government takes that into consideration, not just considering urban areas, but considering rural areas on the intergovernmental side. That is something you could ask in committee at a later date.

**Madam Chairperson:** On that point of order, we will take that under advisement.

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**Madam Chairperson:** The time now being past four o'clock, I wanted to ask what the will of the committee is. I have a couple of questions here, just to put the questions here before the committee. Is that agreed? *[Agreed]*

Annual Report of the Manitoba Liquor Control Commission for the year ended March 31, 2003—pass.

Shall the Annual Report of the Manitoba Liquor Control Commission for the year ended March 31, 2004 pass?

**Some Honourable Members:** Pass.

**An Honourable Member:** No.

**Madam Chairperson:** No, I do not see that there is agreement for that report to pass.

The hour being 4:05, what is the will of the committee?

**Some Honourable Members:** Committee rise.

**Madam Chairperson:** Committee rise. Thank you very much.

**COMMITTEE ROSE AT:** 4:05 p.m.