

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

*Chairperson*  
*Mr. Daryl Reid*  
*Constituency of Transcona*

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**MANITOBA LEGISLATIVE ASSEMBLY**  
**Thirty-Ninth Legislature**

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

**Monday, May 4, 2009**

**TIME – 6 p.m.**

**LOCATION – Winnipeg, Manitoba**

**CHAIRPERSON – Mr. Daryl Reid (Transcona)**

**VICE-CHAIRPERSON – Mr. Bidhu Jha (Radisson)**

**ATTENDANCE – 11 QUORUM – 6**

*Members of the Committee present:*

Hon. Mr. Swan, Hon. Ms. Wowchuk

Mr. Borotsik, Ms. Brick, Messrs. Cullen, Dewar, Graydon, Jha, Ms. Marcelino, Mr. Reid, Mrs. Taillieu

**APPEARING:**

Mr. Blaine Pedersen, MLA for Carman

Mr. Kevin Lamoureux, MLA for Inkster

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

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

**MATTERS UNDER CONSIDERATION:**

Annual Report of the Manitoba Liquor Control Commission for the fiscal year ending March 31, 2005

Annual Report of the Manitoba Liquor Control Commission for the fiscal year ending March 31, 2006

Annual Report of the Manitoba Liquor Control Commission for the fiscal year ending March 31, 2007

Annual Report of the Manitoba Liquor Control Commission for the fiscal year ending March 31, 2008

\* \* \*

**Mr. Chairperson:** Order, please.

Good evening, everyone. Will the committee please come to order.

I have before me the resignation of Ms. Marcelino as the Vice-Chairperson of the Standing Committee on Crown Corporations.

Before this committee can proceed with the business before it, it must elect a new Vice-Chairperson. Are there any nominations?

**Ms. Marilyn Brick (St. Norbert):** I nominate Mr. Bidhu Jha, the MLA for Radisson.

**Mr. Chairperson:** Any further nominations?

**Mr. Rick Borotsik (Brandon West):** I'd like to nominate the Member for Morris (Mrs. Taillieu).

**Mr. Chairperson:** Any further nominations?

Okay, we have two nominations before this committee. The Member for Morris and the Member for Radisson have been nominated and the Chair will now proceed to a vote for this election of the Vice-Chairperson of this committee.

All those in favour of the MLA for Radisson as the Vice-Chairperson of this committee, please signify it by raising their hand.

**Clerk Assistant (Ms. Monique Grenier):** 1, 2, 3, 4, 5, 6.

**Mr. Chairperson:** All those in favour of the Member for Morris as the Vice-Chairperson of this committee, please signify it by raising their hands.

**Clerk Assistant:** 1, 2, 3, 4.

**Mr. Chairperson:** By a vote of this committee, the committee has selected the Member for Radisson (Mr. Jha) as the Vice-Chairperson of this committee. The results are six votes for the Member for Radisson and four votes for the Member for Morris (Mrs. Taillieu).

The business under consideration—there's a few housekeeping items that the Chair has to deal with first before we proceed. This meeting has been called to consider the annual reports of the Manitoba Liquor Control Commission for the years ending March 31, 2005; March 31, 2006; March 31, 2007; and March 31, 2008.

Before we proceed, are there any suggestions from this committee on how long you wish to sit this evening?

**Mr. Cliff Graydon (Emerson):** I would suggest that we sit for an hour and a half and then review our proceeding at that time, and if there's the will of the committee to—and we're being productive and the will is there—we'll carry on.

**Mr. Chairperson:** It has been suggested to this committee that this committee sit for an hour and a half and then review at that point in time. Is that the will of this committee? *[Agreed]*

Are there any suggestions as to the order in which the committee wishes to consider the reports that I've previously mentioned?

**Mr. Graydon:** I would suggest that we consider these globally and I would also suggest that—we haven't had the final copy for 2008, so we would like to include that as well, but it hasn't been circulated to me.

**Mr. Chairperson:** Do all committee members have a copy of the Annual Report ending March 31, 2008 before them? It's available? And I believe it's been tabled in the Legislature if I'm not mistaken, but we're going to check on that and let you know in a moment.

Just for information of the committee members, that particular report ending March 31, 2008 was tabled intersessionally in September of 2008, so it has been available to members for a period of time.

**Mr. Graydon:** We'll consider the reports globally.

**Mr. Chairperson:** Globally? Is that the will of the committee? *[Agreed]*

Does the honourable minister responsible wish to make an opening statement, and would he also please introduce his officials with him here this evening?

**Hon. Andrew Swan (Minister charged with the administration of The Liquor Control Act):** Yes, I will. It's a pleasure to be here with all honourable members to review the annual reports of the Manitoba Liquor Control Commission. The MLCC representatives and attendants here tonight are: Carmen Neufeld, Chair of the Board of Commissioners; Don Lussier, the President and Chief Executive Officer; Ingrid Loewen, the Chief Financial Officer; Winston Yee, Director, Licensing

and Inspection; and Colleen Johnston, Manager of Human Resources.

As is stated in each of the MLCC's annual reports, the mission of the commission is to regulate, distribute and sell beverage alcohol, generating revenue for Manitobans within a framework of social responsibility, customer service excellence, business effectiveness, and workplace quality. In reviewing these reports tonight, I'm confident that all members will find that the MLCC not only lives up to this mission statement but, indeed, exceeds it.

That was evident in fiscal 2005, the oldest report that we have tonight, when the provincial budget included an additional \$10 million in revenue from the MLCC. A combination that year of poor summer weather and a corresponding decline in beer volumes meant the commission was challenged to meet its financial obligations to the government, but the MLCC went ahead and still reached that goal and provided an additional \$11.2 million to the provincial treasury, with a record total return for the year of \$185 million.

The commission continued to exceed its financial commitments in the next three fiscal years, delivering a new high of \$219.2 million in fiscal year 2008. Year after year, the MLCC has demonstrated its role as a major contributor to our economy. Impressively, it's also done so while ensuring its general and admin expenses as a percentage of sales remains around 10 percent, making it the most efficient liquor jurisdiction in all of Canada.

The MLCC manages to balance its financial commitment. With its commitment to promote safe, healthy, and responsible use of beverage alcohol, it does so by ensuring social responsibility is incorporated into all of its activities. For instance, the MLCC is vigilant about preventing minors from purchasing alcohol in retail outlets and licensed establishments through its Show Your Age photo identification program. This program is highly recognized by young adults and has a high compliance rate among alcohol retailers.

To try and raise awareness of fetal alcohol spectrum disorder, the MLCC has continued to promote its With Child-Without Alcohol program through traditional advertising media, in-store posters, and resource kits for high school teachers and guidance counsellors.

The MLCC has also continued to tackle the issue of binge drinking among young adults through its

award-winning Be UNdrunk program. The use of provocative print, radio, and television advertising as well as an informational Web site has earned the commission international recognition with three public health advertising awards.

In fiscal 2008, the commission developed another social responsibility program called Be the Influence. This program recognizes that parents are the single greatest influence on their children when it comes to alcohol use. An interactive Web site and a free booklet available at Liquor Marts provide parents with valuable tools to help them begin talking with their children about alcohol.

The commission is also helping to raise awareness of date-rape drugs on licensed premises with its defensive drinking information campaign. The poster and coaster campaign complements recent changes in legislation to allow patrons of licensed premises to take their drinks into washrooms to reduce the likelihood of their drinks being tampered with.

The commission also ensures the responsible sale and service of beverage alcohol through enforcement of The Liquor Control Act. The Licensing and Inspection Department works with licensed operators, community groups and individuals. It renews and issues approximately 3,000 licenses and 11,000 occasional permits each year. Inspections area also conducts information and educational sessions for licensed operators and community groups to explain commission policies, The Liquor Control Act, and its regulations. Liquor inspectors also offer advice for businesses seeking liquor licences and provide planning, promotional and operational assistance to festival organizers.

\* (18:10)

Previously, the MLCC was an active participant in the Responsible Service Committee comprised of the Winnipeg Police Service, the Manitoba Restaurant Association, Manitoba Hotel Association, Manitoba Tourism Education Council and Manitoba Public Insurance and continues to be involved in the various committees. This group is responsible for developing the It's Good Business responsible service training program. This mandatory program ensures owners, managers and serving staff of licensed premises have the educational tools and resources they need to prevent overservice and overconsumption in their establishments.

In fiscal 2007, this program was expanded to provide training for security personnel. In fiscal 2008, the MLCC formed a working group to make recommendations to government on improving safety within licensed premises. This group brought forward a number of recommendations, including suggested legislative amendments to address safety concerns within licensed premises, promote responsible consumption of alcohol, satisfy the needs of the public, industry associations and stakeholders, and keep pace with changes in the industry.

With a firm grasp on its social responsibility role, the commission must also meet the needs of its commercial and retail customers. The MLCC is one of the largest single buyers of beverage alcohol in the entire world. The commission purchases products from approximately 2,900 suppliers in 55 countries, offering over 3,600 listings of spirits, wine and beer to its retail and wholesale customers. This distribution centre supplies some 1,700 different customers and is responsible for approximately \$1 million in work for the provincial transportation system for delivery services.

Much has been said about the MLCC being a monopoly. In reality, Manitoba's liquor retailing environment is a mix of public and private operators. The MLCC operates 50 Liquor Marts throughout Manitoba, alongside 270 privately owned beer vendors, 178 privately owned liquor vendors and eight private wine stores. Over the years the MLCC has managed to maintain a middle-of-the-road approach to alcohol pricing, while ensuring it remains competitive with our neighbours, Ontario and Saskatchewan. It also conducts routine pricing comparisons with other provinces and territories across Canada. Manitobans have enjoyed for many years and continue to enjoy the lowest beer prices in the country.

To maintain its competitive edge, the MLCC conducts annual customer surveys and uses professional shoppers to shop its Liquor Marts. Customers consistently give high ratings to Liquor Marts for friendly, knowledgeable staff as well as prompt service. Over the years the MLCC has enhanced its customer service to rural Manitobans, improving product selection, employee product knowledge as well as updating and modernizing Liquor Marts. It also continues to work with local liquor vendors to ensure standards are met for customer service, product selection and responsible sale and service of beverage alcohol.

At the heart of the MLCC is a dedicated work force of approximately 900 full- and part-time employees who are clearly committed to supporting the goals and strategies of the organization. This is due to the effort the MLCC has made in the education and training of its employees and ensuring they are engaged at all levels of the organization. For their efforts, the MLCC has been recognized in recent years with several human resource accolades. In 2006, the MLCC received the Excellence in Leadership Silver Award from the Human Resource Management Association of Manitoba. This award was given for identifying and developing employees with strong leadership potential and preparing individuals for key positions throughout the organization. For the past three years, the MLCC has also been named as one of Canada's top 100 employers and one of Manitoba's top employers in recognition of its role as an industry leader in attracting and retaining employees.

In closing, I'd like to acknowledge and thank the Board of Commissioners, the executive team as well as the management and staff of MLCC for their dedication to providing value to the people of Manitoba. This is evident not only through the annual financial contributions to the province, but through a continued commitment to social responsibility, customer service excellence, business effectiveness and workplace quality.

I should mention tonight it will be the last time that the CEO, Don Lussier, will be attending a Crown Corporations committee on behalf of MLCC. He tells us he is retiring and will not change his mind. It will be a big loss to the corporation. Although it will be tough to fill the shoes, we are going to do our best, and there is a search under way. Mr. Lussier, as well as Ms. Neufeld as well as Bill Fraser, a very experienced person in the private sector, are on the search committee and will be working to find, we hope, the right person to try and fill Mr. Lussier's shoes. The MLCC hopes to have someone in the CEO position soon, but I want to take this opportunity to thank Mr. Lussier for his service to the commission and, indeed, to all Manitobans.

**Mr. Chairperson:** We thank the honourable minister for the opening statement.

Does the critic for the official opposition have an opening statement?

**Mr. Graydon:** Thank you, Mr. Chairman. I'd like to thank the minister for his opening statement, and congratulate Mr. Lussier for the many years of

service that he has given to this corporation and to the government. I wish him well in his retirement. All the best to you. Don't let them talk you into coming back.

I'd like to thank the staff tonight for taking—for coming. Not that you take the time to come, you come at the wish of the minister, and so I really appreciate you coming tonight and being with us.

I'd like to thank the board members on the opposite side of the table for taking the initiative to come as well and to be part of this committee tonight, and that's about all I have to say. Thank you very much, Mr. Chairman.

**Mr. Chairperson:** We thank the honourable member for the statement.

The floor is now open for questions.

**Mr. Graydon:** Mr. Minister, you brought up in your opening statement, towards the end of it, that you do some polling and some other types of work. I'm just wondering, what kind of dollars do you spend on contract work?

**Mr. Don Lussier (President and Chief Executive Officer, Manitoba Liquor Control Commission):** Typically, in polling, we would spend in the neighbourhood of \$30,000 on a province-wide poll.

**Mr. Graydon:** Is there any other contract work that you contract out?

**Mr. Lussier:** Yes, our legal services are contracted out to the Province of Manitoba, to the Department of Justice. So we pay them a service fee on that—or we pay them a consulting fee, basically, on that one.

Our architects are not internal; it's outside. So that's also fee-for-service.

**Floor Comment:** Trucking and transportation.

**Mr. Lussier:** That's not consulting.

Those would be the major ones. In the past we've also had people like Deloitte Touche assisting us in implementing our software systems.

**Mr. Graydon:** So that would be the total of the consulting work that you contract out.

**Mr. Lussier:** Yes, that should be in total.

**Mr. Graydon:** To whom do you contract the work, generally?

**Mr. Lussier:** In terms of our legal counsel, we don't tender it. In terms of our architects, the same thing.

In terms of survey work, we always tender it. It's under part of our purchasing policy. So we will tender and then evaluate with criteria the people that have applied—or the people that have given us a proposal.

**Mr. Graydon:** So the legal and the architectural, it isn't tendered out. Who gets those? Who does that work for you?

**Mr. Lussier:** Department of Justice of the Province does most of our legal work. We have also on the leasing side—I'm drawing a blank. Fillmore Riley? Anyway, one of the major firms does our lease work.

Then, in terms of polling contracts, it varies. It'll depend on who's given us the best tender.

**Mr. Graydon:** The architecture?

**Floor Comment:** Is Ray Wan.

**Mr. Graydon:** Okay. Thank you. I just missed that.

The nature, then, of the contract work, would be the architecture for—is this for renovating your stores or for building new stores, or what would that all entail?

**Mr. Lussier:** Yes. That's exactly what it would entail.

**Mr. Graydon:** Are there any renovations or new stores planned for the future?

**Mr. Lussier:** Yes. We have an ongoing plan, a five-year plan of renovations. So, for this year, we've got a couple coming up. One in Tyndall Market will be renovated, relocated to the front of the shopping centre and renovated. Our Crestview Shopping Centre will be expanded in the same location.

\* (18:20)

**Mr. Graydon:** Yes, your advertising budget, I believe it's in the report, but can you tell me for 2008 because I haven't seen that 2008? I apologize, but I did not get a hard copy of it. At any rate, the advertising budget for 2008?

**Mr. Lussier:** Approximately \$400,000.

**Mr. Graydon:** Can you give me a breakdown for what the sources of the advertisements were used?

**Mr. Lussier:** Yes, if you give me a minute to find it.

For fiscal '08, merchandising centre, about \$60,000, which is our signage in stores; beer carriers, \$28,000; beer advertising, \$4,000; Bottle & Cork, \$30,000; Great Tastes of Manitoba, \$60,000;

WhatsOnWinnipeg Web site, \$12,000; Fathers' Day promotion, 11; St. Patrick's Day, 11; public sampling, 14; store openings, 12; niche advertising in community newspapers, \$20,000; *Ciao!*, \$13,000; *Flavours* magazine, \$20,000, "Sip 'N' Savour," \$10,000; production and development of our promotional material, \$50,000; Canadian Wine Festival, \$20,000; California Wine Festival, \$15,000; summer promotions, \$30,000.

**Mr. Graydon:** So from what I heard—and I might have missed something—this is promoting the good things that MLCC does, so that would be the purpose of the advertisement: to boost the sales, whether it's St. Pat's Day or whatever. That's the purpose of the advertising money that was spent.

**Mr. Lussier:** Yes, that's correct.

**Mr. Graydon:** Is there some way to measure the net worth of that advertisement?

**Mr. Lussier:** I suppose we can measure it in terms of how effective it is in drawing traffic, and over the years since 2000 our traffic in stores has gone from six million customers a year to 8.3 million in this past year. That's how I measure our marketing effectiveness in total.

**Mr. Graydon:** Being as MLCC is the only supplier and it has a monopoly, I would suggest that we are encouraging a lot of people to drink and to come to your stores. There's no question about that. That's your goal, and I think you've done an excellent job of that. However, we do create another problem and I heard the minister allude to that you do a bunch of public information campaigns, and I would suggest that's advertising. I haven't heard that mentioned in that report that you just gave us. I'm wondering where I would find that in the report, where I would find the money that is spent for FASD, for example, and educating women about the effects of drinking while pregnant.

Another part of that question would be, is there any other funding to help diagnose that particular affliction, and is there any money being spent on the treatment of it, since we so readily advertise to promote it?

**Mr. Swan:** I'll start to answer the question, but I'll have Mr. Lussier step in, probably to provide a more complete answer.

Over the past two years, the MLCC's held the No. 1 position in the country in terms of its social responsibility spending per capita, so the MLCC

spends more per capita on its citizens than any other jurisdiction. Last year the MLCC's budget was \$770,000 on what we would consider to be public information programs. I suppose you can call it advertising, but it's not intended to promote the sale of alcohol. It's intended to make people aware of the issues dealing with alcohol. This year MLCC has increased its budget by about 10 percent to spend about \$870,000 on social responsibility. I mentioned in my opening comments the Be the Influence program, which is a fairly new program. As I've said, the MLCC spends close to \$200,000 per year for continued promotion of the With Child-Without Alcohol program. The program was initiated back in 2002, and it's dedicated to raising awareness about alcohol use and pregnancy and fetal alcohol spectrum disorder through television, through posters, through print advertising. I think Mr. Lussier can probably speak a bit more to the results of the awareness from those campaigns. As well, we've gotten into the schools because we think that's a good place for information to be delivered.

As well, in fiscal year 2009, the MLCC will spend \$200,000 for the continued promotion of the Be UNdrunk campaign. Again, it's intended for younger drinkers, young adults, 18 to 24 years of age, through print and posters. As part of that campaign, MLCC also produced a poster and radio campaign which was intended to try and reduce violence in drinking establishments. The campaign was called walk away from bar violence. You may have seen the information to try and encourage young people just to walk away if problems may arise.

Those are some of the social responsibility initiatives. There's also the defensive drinking, which was, of course, in response to the drugging-of-drinks concern. Again, I wouldn't call them advertising. The member can call it that. It's really part of social responsibility that MLCC takes very seriously.

I'll pass it over to Mr. Lussier maybe to fill in some of the gaps that I've undoubtedly left in my comments.

**Mr. Lussier:** In answer to your first question, that's shown on page 25, under general and administrative expenses. It's entitled alcohol education for \$720,000.

**Mr. Graydon:** Thank you for that, Mr. Minister, and thank you, Mr. Lussier.

So the programs you speak of when you're talking about the social responsibility budget of \$770,000—or \$870,000—in the coming year, these programs are all developed in-house, are they?

**Mr. Lussier:** No, they're not developed in-house. We use ChangeMakers as our advertising agency on the social responsibility front.

**Mr. Graydon:** Going back to my first question about contracting out. You never mentioned them in the contracting out. Wouldn't this be part of that as well?

**Mr. Lussier:** To me, it's in a separate budget. It's under Alcohol education, so we charge it to that. We don't charge it to our consulting budget.

**Mr. Graydon:** I never, when I asked the question, said anything about a specific budget. I just asked if you contracted out work. Is there other work under other budgets that you contract out?

**Mr. Lussier:** If we go in that sense, we contract out our transportation as well. So there's a million-dollar contract on that, if you want to look at it that way. I guess I'm not interpreting it in the same way you were. We went through these accounts. There are other things we don't do ourselves in-house. We have people do it for us. Our cleaning and caretaking are contracted out. Those kinds of things.

**Mr. Graydon:** I thank you for that. Does ChangeMakers—do they do all of their work themselves, or do they contract any, or do you know that?

**Mr. Lussier:** They may contract out some of it, but our contract is with ChangeMakers, not with anybody else. *[interjection]*

**Mr. Graydon:** Was there another response that I didn't hear? I have a hearing impairment.

**Ms. Carmen Neufeld (Chair, Board of Commissioners, Manitoba Liquor Control Commission):** I'm sorry, I was just saying that things like the printing, they would not print the brochures or the signage, et cetera, in-house. That would be something that ChangeMakers would contract out.

**Mr. Graydon:** So do they make you aware of anything that they're subcontracting?

**Mr. Lussier:** No.

**Mr. Graydon:** In the past, as I read through some of the *Hansards*, it was obvious that ChangeMakers did



a lot of the contracting and at the same time they subcontracted work to Viewpoints Research. Are you aware if there's any work being contracted to Viewpoints Research?

\* (18:30)

**Mr. Lussier:** I'm not aware that there is any.

**Mr. Graydon:** Is any of your staff aware of that?

**Mr. Lussier:** I'll check. No, there's nothing.

**Mr. Graydon:** Thank you for that.

I didn't quite get the amount of money that was spent on addiction rehabilitation.

**Mr. Swan:** Yes, I don't want to leave the wrong impression. MLCC's contribution to social responsibility spending is \$770,000 in public information programs. That is not the extent to which this government supports those prevention efforts, but that's the money spent by MLCC. You could ask the question, I suppose, in Healthy Living Estimates, which, I believe, are still coming up.

There are other initiatives taken by the government that aren't funded directly by MLCC, although I suppose they're funded indirectly because of the general revenues that are provided.

**Mr. Graydon:** I just have one more question on the advertising, and I'm sure that you won't have that on the tip of your tongue tonight, or maybe I shouldn't assume that. But there are three or four different sources of advertising, and would it be possible to get a breakdown on what you spend on print media, radio and television? Would it be possible to get a breakdown?

**Mr. Lussier:** Yes, it would, and, basically, that's what I was reading you. So I've got a sheet here.

**Mr. Graydon:** So is it in this report, or—

**Mr. Lussier:** No.

**Mr. Graydon:** That's an addendum to it.

**Mr. Lussier:** Yes. It's our internal budget.

**Mr. Graydon:** Would we be able to get a copy of that?

**Mr. Lussier:** Yes, we could table it.

**Mr. Graydon:** Thank you very much. I appreciate that.

At this point, Mr. Chairperson, I'll turn this over to my colleague from Morris.

**Mrs. Mavis Taillieu (Morris):** I just wanted to follow along a little bit on the line that Mr. Graydon was going on because I asked a question, and it was the last time—I think it was December of '07 when we last met, I believe.

We were talking about surveys and polls, and I asked if there were any ongoing. You said, at this time, there is nothing in the field. So I was asking if something would be, and his response was—this would be a field survey—we'll be doing one next fiscal year, and it will go to tender next fiscal year, public tender.

So do you have some kind of polling going on in the field within the last year?

**Mr. Lussier:** Yes, we had completed a survey in the last fiscal year.

**Mrs. Taillieu:** I guess, then, that would've gone to public tender?

**Mr. Lussier:** Yes, it did go to public tender.

**Mrs. Taillieu:** Can you tell me how many people responded to their request for proposal, and who was awarded the contract?

**Mr. Lussier:** I will have to confer with my colleagues on that.

I'm sorry, we don't have the details here, but we can confirm it did not go to Viewpoints, just so we cut to the chase. From memory, I believe it went to either Probe or Criterion.

**Mrs. Taillieu:** Well, that wasn't my question, actually.

**Floor Comment:** Then I'll retract my answer.

**Mrs. Taillieu:** Can you provide us with the questions that would've been asked in your survey?

**Mr. Lussier:** I don't have them here, but we could certainly provide them to you. Yes.

**Mrs. Taillieu:** I noticed in the annual report for 2008, that you added two new Liquor Marts in Winnipeg and approved two new stores, one in Brandon and one in Steinbach.

**Mr. Lussier:** Yes, that's correct.

**Mrs. Taillieu:** Well, and I understand that you just made a comment that in your five-year renovation plan you're expanding the Crestview liquor store.

**Mr. Lussier:** Yes, that's correct.

**Mrs. Taillieu:** Well, I really do need to ask the question again. I've been, on behalf of my constituents and a business owner in my community of Headingley, lobbying for them to be able to—it's not opening another location, I guess, but being allowed to sell alcohol from their location.

The problem being, as we discussed last time, is that there's a little bit of distance thing, which they are 10.3 kilometres using one route and 9.8 kilometres using the other route. So they're right on the borderline of being the 10 kilometres within the Capital Region area. But, I'm wondering if that might—and we went through the whole thing about this being, you know, the ability for you to do this if you chose to, and I wonder if it might be something that could be looked at in the five-year plan.

As I explained last time, of course, Headingley, when the provisions were made years ago and I think the early '80s was a village of about 500 to 600 people, now it's 2,200. So they would like the ability to be able to shop locally and not have to drive. I think that's environmentally friendly as well. Perhaps sometime you might be able to look at establishing a—not a new store—the store's there. It would just be giving them the ability to buy alcohol from MLCC and sell it locally through the store there.

**Mr. Swan:** I might as well just tell the Member for Morris up front, that we have no intention of changing the rules. The store is located within 10 kilometres of another store. There's no intention to review that. As the member knows, we have contracts with a great number of private vendors across the province and some areas, of course, around the Capital Region, it's a 10-kilometre limit and in others it's 20, and we have no plans to sit down and re-examine and renegotiate contracts with every single vendor who may be affected by another vendor trying to get in under the wire of being under 20 or under 10 kilometres.

**Mrs. Taillieu:** So, if another business in Headingley applied or if somebody applied for a private liquor store that was outside of the 10 kilometres, would they be able to establish it there then?

**Mr. Lussier:** Yes, assuming they were a viable business and if they were beyond the 10 kilometres from our Crestview store, they would qualify.

**Mrs. Taillieu:** Well, that's not really good news for the people that own the business because I don't they can move their store 700 metres down the road. I think when we explored this the last time, I think it

was the only store that was in this kind of situation. But anyway, there seems to be a reluctance on the part of this government to help out small businesses so I'll leave it at that.

**Mr. Borotsik:** Mr. Lussier, welcome for the last time. It's going to be a little different the next time without you, I can assure you of that. Maybe members of this committee don't realize, Mr. Lussier and I go back about 31 years. I think we discovered that was the time line. So you've been around a long time, Mr. Lussier, and you deserve a good retirement, I can assure you.

But in the meantime, I'm going to ask some questions which perhaps aren't going to be quite as good. You spent \$770,000 on your social responsibility programs that's been identified by the minister. Do you have any kind of a benchmark? Do you have any kind of an opportunity to go back and see whether the programs actually have done what the department would like to see them do, with respect to social responsibility, drinking properly? Has there been a reduction in dependency in alcohol? Has there been a reduction on FASD because that's where this is heading? Do you have any kinds of ways of determining whether how successful these programs have been?

**Mr. Lussier:** Yes, we tracked awareness of the programs on a regular basis. So every year, or virtually every year, we track awareness. The awareness on the FASD is a good example. It's gone from very low awareness to almost three out of four people, Manitobans, are familiar with the program. So we know the program is getting attention. We know how many kits we're sending out.

\*(18:40)

It's much more difficult to say, is it reducing FASD. I think that's a more holistic program. There's a lot of agencies involved in that with Healthy Child and others. So no, that, we don't, we don't know. We're trying to promote awareness and social norming is what we're trying to do. So we measure how much awareness are we getting with these programs.

**Mr. Borotsik:** And that's the only measure that you have, is the awareness. As long as three out of four people are aware of it, whether it's been effective or not, that's not your responsibility, that's the responsibility of other agencies, as I understand you saying, Mr. Lussier?

**Mr. Lussier:** That's correct. Yes, we're a piece of the whole pie.

**Mr. Borotsik:** You'd said in an earlier comment that your legal work was provided by the Department of Justice. Is that on a fee-for-service basis?

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

**Mr. Borotsik:** Have you ever looked as to whether the fee structure is competitive on your fee-for-services or would you be better off going to the private sector to look at those services?

**Mr. Lussier:** Yes, we have a lot of experience with outside legal firms. The Department of Justice is considerably cheaper on a per hour basis.

**Mr. Borotsik:** Well, that's an interesting comment in itself. You have a lot of experience with outside legal firms. I do know that you've had some issues with—and, in fact, I think there are some, currently, within the courts at the present time. How do you decide as to whether to go outside for your legal services or stay within the Department of Justice?

**Mr. Lussier:** Largely it's issue-based. So, in the previous situation, we were with Fillmore Riley. The lawyers that were working on our case there have both left Fillmore Riley. So we've switched to the Department of Justice, Glenn McFetridge, who we're very happy with.

**Mr. Borotsik:** On page 25, on the 2008 statement, you have other incomes. Maybe you could just explain some of these. You have advertising revenue, which is \$780,000, and you're showing that as income. Do I assume that that comes from suppliers, and when you do the advertising, that's a recovery from those suppliers?

**Mr. Lussier:** Yes, to some extent, but the larger part of it is we charge for display space. So if you want a special display in our stores, we charge so much for that, and the vast majority of that revenue is from that program.

**Mr. Borotsik:** Also, the AIR MILES revenue, \$766,000. I thought there was a cost associated to AIR MILES. When the Manitoba Liquor Control Commission provide AIR MILES to their customers, there's a cost to MLCC for that service. How do you receive \$766,000 from AIR MILES revenue?

**Mr. Lussier:** You'll see down below, AIR MILES Program is shown at a cost in general administrative of \$1.096 million. The revenue we derive is from selling the miles to suppliers for bonus programs, so

you may have seen the programs in our stores where we've got, if you buy two Diageo products, you get bonus miles of 25 miles. We sell those at a markup, so we make a profit on those miles.

**Mr. Borotsik:** Are those made available to all suppliers at any given point in time, or is it just simply a matter of a choice from your own marketing department as to which supplier is going to get that offer?

**Mr. Lussier:** Virtually anybody that wants to get into it will get into it.

**Mr. Borotsik:** So effectively, anybody who wants to pay you money to get the two-for-one AIR MILES can do so as long as they pay the MLCC. Is that correct?

**Mr. Lussier:** That would be fairly accurate.

**Mr. Borotsik:** There's another line, miscellaneous income, which is \$717,000 and in itself probably wouldn't mean a lot, but there's \$717,000, which actually is about the same amount of administration charges all the way down to the specialty wine stores. Is there any one specific category that will make up \$717,000 of miscellaneous income?

**Mr. Lussier:** Just let me check my records.

Okay, one of the big items in this can be our gains or losses on exchange rates, so if we make money on exchange rates, it will show in this one. Our policy on exchange rates, though, is not to make any money, so we keep track of them over a five-year period, and if we have made money in, say, American dollars, then the next time we set an exchange rate, we try to give that money back. We set a rate lower than the existing rate in order to balance the fund.

**Mr. Borotsik:** Well, you didn't lose any money on the exchange rate. You made \$717,000 in miscellaneous. How much of that was exchange rate?

**Mr. Lussier:** Of that, \$356,000 was exchange rates.

**Mr. Borotsik:** Okay, I'm still a little confused. Making money on exchange rates is not a bad thing, if you can hedge your funds and if you can handle the exchange rates and I do know that there's fluctuations in the American dollar, a lot of which you purchase in American dollars. You were very successful; you made \$300,000, as you had indicated, in exchange rates. That may or may not happen on an annual basis, but you've got some very

talented people, obviously, and they know what the markets are, in the U.S. particularly. Could you not show that as a line item as opposed to lumping it in miscellaneous?

**Mr. Lussier:** Normally, this is an abnormal amount for us. Normally, we're much lower than that. We strive to be at zero because we don't believe we're in the business of making money on exchange rates; we're in the business of making money on the sale of liquor, so we try to pass on our—if we could pass on our exact costs, that's what we would do. We would mark up on our exact cost. But you could be changing prices on a weekly basis if you did that. So we set it, hold it for about three months, and then we re-evaluate it, but the goal is zero.

**Mr. Borotsik:** The previous year you had \$569,000 in that same category, which is miscellaneous. Of that 569, how much of that would have been exchange rates?

**Mr. Lussier:** Give me a minute.

Okay, in the previous year we lost \$150,000 in exchange rates.

**Mr. Borotsik:** Then, you could perhaps tell me what the other 569 was made up of.

What I'm trying to get at, Mr. Lussier, is that's a fairly substantial amount of money for miscellaneous. Usually miscellaneous is a smaller number. Is there anything in that miscellaneous that you could pull out as to a line item? And I do understand that there's fluctuations in exchange rates, but that 569 to 717, and I believe in 2005 it was 846,000. So, there's a lot of money there in miscellaneous. Are there any line items that you could identify as being other income?

**Mr. Lussier:** Yes. Charge-backs for product movement, \$300,000; charge-backs on value-adds to suppliers is \$260,000; re lumping rebate from Hydro is \$105,000.

**An Honourable Member:** Yes.

**Mr. Lussier:** Yes, got money from Hydro.

So, those would be the major items in there.

**Mr. Borotsik:** Perhaps you could just expand a bit on the charge-backs. You had mentioned that there were two charge-backs at that point in time. Can you expand on that miscellaneous income line item?

**Mr. Lussier:** If a supplier puts a value-add, like a hanger of liquor on—liquor on liquor—we charge them

the full mark-up on that, and it goes into this account. So they pay for the whole discount basically.

**Mr. Borotsik:** This happens on a regular basis? This is not something, a one-off. You see it quite often in your stores, so obviously this happens on a fairly regular basis, does it?

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

**Mr. Borotsik:** Would it not be able to budget for that on an annual basis and show it as other income, as charge-backs, as opposed to just lumping it in miscellaneous?

**Mr. Lussier:** Yes, we could do that.

**Mr. Borotsik:** I would hope that you could. As I said, that seems to be a fairly large miscellaneous account, and if you could make some comparisons from one year to the next year on certain line items, it would make things a lot easier.

On page 20, there's an item identified in 2007 as a long-term loan receivable from the Province of Manitoba. It's \$45 million. It's not shown in 2008 and it's also shown in notes 8 and 9, which is relative to the pension. Do I take it that there's nothing owed from the Province in 2008, that the Province actually paid that receivable?

**Mr. Lussier:** Yes, that's correct.

**Mr. Borotsik:** And did that receivable go directly into the civil service, the superannuation fund?

**Mr. Lussier:** No, it is being held in trust by the government.

\* (18:50)

**Mr. Borotsik:** So the government paid you back, but the government is holding it in trust in the Finance Department, so it's really just simply a paper movement here. It's identified on the balance sheet, but you do not have, nor does the Civil Service Superannuation, have access to that money. Is that correct?

**Mr. Lussier:** I'm informed that the note 2(b) explains that. So basically they're held with restricted use, they're limited, they cannot be used other than for the pension liability.

**Mr. Borotsik:** But still it is now held in trust by the government and not sent to superannuants and it's not held in your accounts. It's still held by the government. Correct?

**Mr. Lussier:** Yes, currently. But we're working with them to move that over. That's the intention to move it over to the superannuation and invest it.

**Mr. Borotsik:** Have you received any indication from the government that they are prepared to move that over and not just continue to hold it in trust?

**Mr. Lussier:** Yes, we have.

**Mr. Borotsik:** Are there any time lines on the transfer of the money to the superannuation fund?

**Mr. Lussier:** I believe it's this year, but I'll check for sure.

Well, good news. It's presently in our hands. We've got it.

**Mr. Borotsik:** Then I'll be looking forward to the financial statement year-end, March, 2009, because we'll be able to see that in the note, I'm sure. Thank you, Mr. Lussier.

The last area that I'd like to go into, page 22. This is your schedule of sales, your cost of sales and your gross profit. Now your gross profit has been increasing quite substantially. As a matter of fact, your gross profit's 259, but your net profit's around 219, which I understand is a record.

Looking at these sales, when you show \$554 million in sales for the total, you've also identified speciality wine stores in there. At the wine of \$13,025,000; is that your wholesale cost or is that—I assume that cannot be their retail cost. That would be your wholesale cost. Is that correct?

**Mr. Lussier:** Yes, that's correct and it's the same situation for licensee beer.

**Mr. Borotsik:** When you identify your wine sales, stores, which is the Manitoba Liquor Control Commission stores, at \$78,673,000 that would be at retail. Is that correct?

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

**Mr. Borotsik:** So the comparisons of \$78 million retail to \$13 million wholesale, I would be safe to say if they are running on the same margins that you are, which is around that 40 percent, that the retail sales of the specialty wine stores would be somewhere around anywhere between \$20 million and \$25 million. Would that be a fair assumption?

**Mr. Lussier:** Yes, I think that would be fair.

**Mr. Borotsik:** So there are eight specialty wine stores and we're saying that their retail would

probably be around 20 to 25, let's even say 20 on the low end, which I don't think it would be, but let's say 20. There are eight specialty wine stores that are generating some \$20 million in retail sales. Is it correct that you have 50 stores owned by MLCC and you're generating some \$80 million—that 50 stores would generate \$80 million in wine sales?

**Mr. Lussier:** Yes, that's correct.

**Mr. Borotsik:** At 50 stores, it's \$80 million and eight stores at \$20 million. Is it safe to say that they're generating substantially more sales per unit than what the Manitoba Liquor Control Commission would do on their wine?

**Mr. Lussier:** Yes.

**Mr. Borotsik:** Now comes my question. It's sort of like the Member for Morris (Mrs. Taillieu). There seems to be a service that is obviously being accepted by the community, by the consumers. There seems to be.

Again, let me just go over this quickly: \$20 million in sales through eight stores, \$80 million of sales through 50 stores. It would seem that there is a service or some component that's there that makes the wine stores more effective than it would just simply through wine sales in your own stores.

In saying that, you're making money, you're making wholesale sales, at full margins I assume, you're not giving them any breaks—in fact, I know that for a fact. Why would it be that you would not look at expanding that area of your revenue stream? It is a good revenue stream for you. Why would you not look at expanding that area of your revenue stream?

**Mr. Swan:** I think it's important not to compare apples and oranges. There's a couple of things that I think the Member for Brandon West needs to take into account. A large portion of the specialty wine store sales are licensee sales to other parties. The other thing that needs to be taken into account is that those wine stores are all located in what I guess would be considered prime real estate in the south end of Winnipeg. So comparing those stores, as I think the member is trying to do, with Liquor Marts, which are located in communities large and small across the province, isn't really providing a fair measure. I'm not sure if Mr. Lussier or Ms. Neufeld, if you want to add to that.

**Mr. Lussier:** That would be—that's a very good comparison, actually. If you started taking the

comparison and saying, okay, where we're straight up heads up. Look at the city of Winnipeg store sales versus—there are 26 stores in the city of Winnipeg—versus those stores. Plus, almost half the sales of the wine stores are to licensees.

**Mr. Borotsik:** Maybe Mr. Lussier could provide that data, then. If there's 26 stores in the city of Winnipeg and there are eight private wine stores in the city of Winnipeg, perhaps they could, if he would, break out the sales of wine—you can do it, I know you have it on your Z tapes—you can break out your sales for the 26 stores in Winnipeg to make a better apples to apples comparison that the minister is asking us to do right now. If we could compare apples to apples in the city of Winnipeg—26 stores, what their wine sales are, compared to eight specialty wine stores and what their sales are.

**Mr. Lussier:** Yes, but I don't have that here.

**Mr. Borotsik:** Would Mr. Lussier make available those figures?

**Mr. Lussier:** Yes.

**Mr. Borotsik:** Thank you. I know it's a policy decision, Mr. Lussier. I know if you were looking at just simply the revenue side of it and the revenue centre, I know that I could talk to you logically and we could probably convince you that there is an opportunity to have a private wine store outside of the city of Winnipeg. I know that you would do that, but I know you're also leaving and you don't have the fight in you at the present time. However, at some point in time, in the not-too-distant future, Mr. Lussier, I promise you, you can come back to Brandon and we will go to a private wine store and I will get you that very good bottle of wine.

**Mr. Swan:** Just to comment, of course. I was very pleased to be out in Brandon for the opening of the spectacular new Liquor Mart. We're very pleased that the people of Brandon have a third Liquor Mart, and one that's not just limited to wine, but provides beer and spirits as well. Again, if it had been a different government in place when the private wine stores were licensed, there would be about another \$7 million or \$8 million that would be general revenue for the benefit of all the government's programs. So we will agree to disagree. I understand where you're coming from, but I think you understand where I'm coming from, as a member of the NDP government.

**Mr. Borotsik:** Socialism and I don't really fit well together. However, that's not, in fact, the case. As I

said to Mr. Lussier, they are generating, on a wholesale basis—their margins going into the private wine stores—so I don't believe that there would have been another \$7 million or \$8 million available at bottom line for the Manitoba Liquor Control Commission. We can debate this item until the cows come home. Fact is that the liquor commission could, in fact, generate more revenues if they did expand that service to the consumers outside of the city of Winnipeg. We'll leave it at that and we will agree to disagree.

**Mr. Cliff Cullen (Turtle Mountain):** Obviously, there's a philosophical difference on the opposite sides of the table that we're not going to resolve tonight, so we'll endeavour to move on.

I do want to take this opportunity to congratulate Mr. Lussier on his pending retirement and certainly wish him all the best in the future. I know we've had a lot of conversations over the years when I was a previous critic for the liquor commission and I certainly wish you all the best.

\* (19:00)

I do want just some clarification on some of the latest financial statements. I'm looking at page 21 of the latest statement, and it's a cash-flow statement. It's an in-and-out item—there's two items there—and it has to do on the environmental side of things. It's the Manitoba Waste Reduction and Prevention Levy. First of all, that's my understanding; that's probably a bottle surcharge for deposit and recycling. Is that correct, that line?

**Mr. Lussier:** Yes, that is. It's two cents on all of our containers.

**Mr. Cullen:** On that particular levy, has that changed in the last year or two or has that levy stayed the same?

**Mr. Lussier:** Yes, the rate of levy is the same, still two cents, and those funds go to fund the blue box program.

**Mr. Cullen:** Just to clarify that, that two cents per container, that's on all liquor bottles including—beer bottles are excluded because of the deposit system?

**Mr. Lussier:** Yes, that's correct. It's on everything else.

**Mr. Cullen:** Okay. The next line is the environmental protection tax, and I wonder if Mr. Lussier can explain that particular item to me.

**Mr. Lussier:** That's a 10-cent levy that's on all of our containers bearing by size, I believe, from memory, and it goes to fund environmental initiatives through the department of environment. Like we transfer sales tax over, we transfer the environmental protection tax over to the department of environment.

**Mr. Cullen:** So when you transfer that 10 cents per bottle, do you have any say in where or how that particular money is used, or is that strictly up to the government to look after that?

**Mr. Lussier:** Strictly up to the government after that, to the department of environment.

**Mr. Cullen:** Do you remember how long that particular tax has been in place?

**Mr. Lussier:** Well, at least—I can give you—it was in the last century it came in. Exactly when I'm not sure.

**Mr. Cullen:** I appreciate the comments on that. Page 25, again on the financial side of things, I see the corporation is paying a fairly substantial tax on health and post-secondary education tax levy. I wonder if the commission has been lobbying the government to reduce that particular tax.

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

**Mr. Cullen:** Maybe it's a question I could pose to the minister if he's giving any consideration in terms of reducing that particular payroll tax to the corporations around Manitoba?

**Mr. Swan:** Well, I would expect that the Manitoba Liquor Control Commission is a socially responsible company, appreciates that that tax is being used to provide an excellent work force that is well-trained, that's well able to take on the challenges that walk into a Liquor Mart, certainly needing more training on the finer points, but I believe MLCC, if they were asked to bare their soul, would say that this is a pretty good bargain for the work force they get here in Manitoba.

I should add of course that MLCC is one of the top employers in Manitoba and, indeed, one of the top employers in Canada with a low turnover, with a staff that I personally think, and I know that polling from MLCC shows, are well-respected by Manitobans and do a very good job.

**Mr. Cullen:** Well, this is going to be one of those philosophical differences that we aren't going to be able to resolve tonight, but I would say for the

minister's respect that this really is another tax on the people of the province of Manitoba. This tax is going to be passed on to the consumers and it's just another tax on the people of Manitoba turned over to the provincial government.

I just want a clarification on the next line, and that's grants in lieu of taxes. Maybe Mr. Lussier can just explain the premise where that comes in.

**Mr. Lussier:** We don't pay taxes under our legislation, so we give grants in lieu of taxes. So for our leased premises we're effectively paying the tax, but we can't under the legislation until we make a grant to the municipality under that.

**Mr. Graydon:** On the quarterly financial report ending '07, nine months ended '07. I just have a couple of questions that I don't quite understand. In operating activities, it says, goods and service tax, I believe it's \$9.2 million. Manitoba retail sales tax is \$5.6 million. I just wonder that the—yes, \$4-million gap, why would there be—if it's all on the same goods.

**Mr. Swan:** I'll let Mr. Lussier answer the question. I just want to be fair. I don't think he or any of our staff have the report for the third quarter of '07 in front. If you can hand that over, and he can have a look at it. We can get on track and see if we can answer your question.

**Mr. Lussier:** As I was saying, I don't have the report, but there's two different rates. The GST is at 5 percent and the PST is at 7 percent.

**Mr. Graydon:** I took that into consideration, and 5 percent of \$1,000 and 7 percent would be different, right? I understand that, but the goods and services tax is \$9.2 million and the Manitoba retail sales tax is 5.6. That's opposite to what we're discussing or what your answer would be.

Now I'll just go a little bit further, and then I'll give you a copy of this so you can look at it. It says cash disbursements, and again it has goods and services tax. Now it's \$9.3. This is in the same report, but Manitoba retail sales tax is \$4.2 million. I just don't understand that, and perhaps one of your staff would take a look at it and maybe have an explanation for us.

**Mr. Lussier:** We pay GST at the time we buy goods and services, whatever they are. If we buy equipment, we pay the GST. That's the number that's shown in there. The PST is only applied at point of sale, and that's when it goes down. So it's a timing

difference rather than anything else, plus an application difference in that anything we purchase we are paying GST on it. Now we claim it back as an input credit ultimately, but we do pay it.

**Mr. Graydon:** What I'm going to do is give Mr. Lamoureux the opportunity—oh, it's my colleague from Carman.

**Mr. Blaine Pedersen (Carman):** I have just a couple of very quick questions. Does Manitoba Liquor Control Commission, MLCC, have responsibility for the fire commissioners when they're doing inspections in rural hotels?

**Mr. Lussier:** No, we do not.

**Mr. Pedersen:** To the minister then. Do you know who is responsible for the fire commissioners?

**An Honourable Member:** Do you not have an answer?

**Mr. Swan:** Asked and answered enough questions today, so we'll continue on. The office of the Fire Commissioner, I believe, is under the Minister of Labour (Ms. Allan).

**Mr. Kevin Lamoureux (Inkster):** Mr. Chair, I do have a few questions that I'd like to ask, in particular, I guess, Ms. Neufeld. It's in regard to change in policy. My understanding is that there has been a change in policy from the board level, indicating that purchasing of wine has now changed from previous years.

I wonder if that could be explained?

**Mr. Swan:** I wonder if the member could just clarify that a little bit more, because the policy on purchasing wine is very broad. If you've got more details, it would be helpful for Ms. Neufeld or Mr. Lussier, if more appropriate to answer the question.

**Mr. Lamoureux:** My understanding was that one time there were independent agents in the province that would acquire and sell wines, different variety of wines to the Manitoba liquor commission and that policy has actually changed. Now there is a larger umbrella, wine group, that Manitoba liquor commission is getting its wine from.

\* (19:10)

**Mr. Lussier:** Are you referring to our membership in the wine guild? Okay, now I've got it.

Yes, let me explain what the wine guild is. It's a group of 50 of the largest retailers in the U.S. Most of them have been honoured by their peers as

retailers of the year, and we were asked about a year and a half ago to join that group. We did so. We had to go through a presentation and then be voted on by the members to join the group. The advantage to us is that it gives us access to products that we may not otherwise get, and it ramps up our buying power to \$2 billion in wine purchases. So suppliers are very interested in selling to the group and provide excellent prices for us, which we then pass on to the consumer. The proposition is a value proposition. We're not in it to buy really cheap wines, we're in it to provide great value to our consumers.

**Mr. Swan:** Just to follow up as well, because I think I can anticipate the member's next question. If there's a product which is identified as being possibly beneficial for the MLCC itself, the MLCC will determine whether there's already a local distributor that can handle that wine and actually be the one to import it and sell it to the commission. If there is no such distributor in Manitoba that carries that wine, we actually encourage other private wine distributors to step in. If anything, membership in the wine guild has probably increased the opportunities for some of the wine distributors in the province of Manitoba.

I should add that whether it's Brandon or Winnipeg or anywhere else, Manitobans' tastes have become more cosmopolitan over the last number of years. Certainly I can tell you that Manitoba is seen as a pretty lucrative wine market. It's one jurisdiction with 1.2 million people, so it's quite easy for Manitoba to be a relatively big player in the market.

**Mr. Lamoureux:** I was approached by a number of wine distributors, and they seemed actually very upset with the fact that Manitoba liquor commission has actually gone to the wine guild. I guess my question to Mr. Lussier is, who would have made the decision ultimately to do this?

**Mr. Lussier:** Our executive team made the decision to do that. Let me just comment on the first part, your preamble. This is an opportunity for local agents to get some great product, because we have encouraged them to approach the suppliers that we're dealing with and get the Canadian rights for those products, and we will assist them in getting them. They have to put in a little bit of work, and maybe that's what they're not prepared to do.

**Mr. Lamoureux:** My understanding, and again, this is months ago that it occurred, is that, at one point, Manitoba Liquor Control Commission would go to the distributors and, as opposed to having to go to



distributors, now you're going through the guild to acquire your wine. Is that not correct?

**Mr. Lussier:** No, that is not correct. We deal with the supplier directly so we're not buying it through the guild. We buy with the guild but not through the guild.

**Mr. Lamoureux:** Mr. Chair, I think we're getting to it. Now you go directly to the supplier, and that you go through the supplier because of your arrangements with the guild. Would that be a right conclusion?

**Mr. Lussier:** That is our normal process of buying. That's how we buy the vast majority of our product, directly with the supplier in the country of origin. We encourage them to hire a local agent because it assists in the sales of those products, and we encourage it in the case of the guild or any other new supplier.

**Mr. Lamoureux:** Can you tell me what's the difference then, from your point of view, as to these wine agents that, before, would actually go to the liquor commission and they would go out and do the wine searches, bring the wines forward and the liquor commission would buy a case or 100 cases or whatever it might be. But it seemed to me that the agents, at one time—or the distributors—had a much more significant role in the amount of wine that's going into the liquor stores. Is that not correct?

**Mr. Lussier:** No, that is absolutely false. In total, we're talking about 7,000 cases that we've sold in the last year. That's a miniscule part. That's less than 1 percent of our total wine sales and, I stress, we encourage reps to be employed by the suppliers, wherever those suppliers are, whatever supplier we're dealing with.

**Mr. Lamoureux:** So the liquor commission is buying just as much wine through the agents and distributors today as it was three years ago?

**Mr. Lussier:** We're buying more than we were three years ago.

**Mr. Lamoureux:** Okay. I'm pleased to hear that, and, you know, to share the information because I think there is a lot of misinformation that might be out there because when they came to me they were very unhappy with the fact that Manitoba Liquor Control Commission was actually going through the wine guild. I'll try to find some additional information and would appreciate maybe if at a later time I'll be able to reaffirm what it is that I was told.

Obviously, I'm being told bad information from wine agents.

The next question I have is in regard to the AIR MILES. What does it cost Manitoba Liquor Control Commission to provide AIR MILES service to—

**Mr. Lussier:** The net cost is about 400,000, but let me point out a few things. How many times have we talked about this over the four years? Pardon me for getting a little—we've been over it a few times.

The average purchase of an AIR MILES customer is 50 percent higher than a non-AIR MILES customer. That's what we call lift. That's what we're after. So, if a normal customer comes in, doesn't use an AIR MILES card, they spend about \$26. A customer using an AIR MILES card spends \$39.

**Mr. Lamoureux:** So you believe it's a tool that causes Manitobans to drink more?

**Mr. Lussier:** I'm not that stupid. Thank you very much.

**Mr. Swan:** If I can just put a different spin on the member's question. Again, as I was saying, Manitobans are becoming more cosmopolitan, maybe more worldly in their tastes. So, where five years ago somebody might have spent \$7 on a bottle of wine, now they may be spending \$14 on a bottle of wine because they've learned more about it, whether at the Liquor Mart or, frankly, one of the stand-alone wine stores, maybe make a choice in a Liquor Mart to buy a wine that features AIR MILES.

So I think, to put it in the terms that the Member for Inkster (Mr. Lamoureux) did, it is extremely misleading. I think we can look at Manitobans' tastes as becoming more sophisticated, more diverse over time.

**Mr. Lamoureux:** You know, I don't think we need to complicate it. I believe I asked the question in terms of what impact it had. Mr. Lussier, you did indicate to me that, instead of people spending \$25, they're spending \$39. Is that not what you said, or something similar to that nature?

**Mr. Lussier:** That's correct.

**Mr. Lamoureux:** If you say that people are spending more, are you then saying that it's those individuals are spending more are not consuming or purchasing more alcohol?

**Mr. Swan:** As I tried to explain to the Member for Inkster, they may be buying more expensive products. They may not be drinking anything more,

but they may be spending more money at the Liquor Marts. There's a big difference whether you buy the cheapest type of Scotch on the shelf or you've decided that you're a single malt connoisseur, and you spend more money on the same amount of alcohol.

It can also be more money spent on wine, if you're buying more expensive kinds of wine. As well, there's an expanded selection of imported beers at every Liquor Mart. More and more Manitobans are choosing to buy premium brands, whether it's from elsewhere in Canada or elsewhere in the world.

Just to make it clear, if you look at the sales statistics, the actual volume of alcohol is going up slowly in Manitoba, but the value of those sales is what's really driving the increase in profits for the Manitoba Liquor Control Commission.

**Mr. Lamoureux:** Mr. Minister, the individual is saying that those individuals that have AIR MILES are actually purchasing more or upgrading. Let me pose the question this way: Do you have any evidence whatsoever that supports your claim that people that have AIR MILES are actually buying more expensive alcohol?

**Mr. Lussier:** I think, just by the fact that they're spending 50 percent more says that they're spending more on alcohol. They are premiumizing in their choices. We look at our numbers, let's say, on spirits. In the last year the premiumization of spirits has been dramatic. It's gone from 61 percent of our market shares premium; it's now 67 percent market shares premium.

\* (19:20)

**Mr. Lamoureux:** You want me to believe that, if someone has an AIR MILES card, they have better taste. They're going to upgrade, whereas someone that doesn't have AIR MILES cards are not buying into the more expensive product.

**Mr. Lussier:** No, but the suppliers are using bonus AIR MILES to promote premium products. They apply AIR MILES—they don't apply it to the cheapest product. They apply it to a better quality product in order to bump up the dollars. That's what you're seeing in those numbers.

**Mr. Lamoureux:** What impact does it have on the liquor commission and Manitobans if the Manitoba liquor commission did not buy into that particular program?

**Mr. Lussier:** Well, I think that's hypothetical. We've been in the program since 1999. We've been in it for 10 years. Just recently, Newfoundland has gone on board for the same reasons that we got into it in the first place. Ontario, the biggest buyer in the world, is in it and was in it before we were in it.

**Mr. Lamoureux:** Okay. So the other provinces are now coming onside because they see the benefits that Manitoba is experiencing. I wonder what other provinces are onside with using the Wine Guild?

**Mr. Lussier:** At this point, nobody. Just us.

**Mr. Lamoureux:** So, like AIR MILES, I guess our intent is to show that this is something that will add value in other provinces. Is it something that other provinces are looking at, or why wouldn't other provinces be doing it?

**Mr. Lussier:** Because until the last six months we had absolutely no sales experience. I'm going to share the sales experience with them coming up in the month. We'll see what happens on that one. I think it will be particularly attractive for a number of the Maritime provinces who are in the same situation as we are.

**Mr. Lamoureux:** I think that's it, Mr. Chairperson. I'll wait until next year when we can do a bit of a follow-up on just how well the wine guild project is working.

I would appreciate from the minister any statistical information that substantiates the fact that the AIR MILES is doing what it is, that it's being proposed to do. I must admit, I'm not one that drinks alcohol myself. I haven't been in a liquor store for a long time, but I would appreciate some follow-up information on that. Thank you.

**Mr. Swan:** If the commission has some information they can pull together, I will pass it on. I should admit that, as the minister, I'm also an AIR MILES collector, and I always make sure I have not only my AIR MILES card but also my reusable 99-cent recyclable bag.

**Mr. Borotsik:** Just as an addition to that, I'm sure that the minister buys the premium brands, so he can get the two times AIR MILES or three times AIR MILES so that he can obviously get a better return on the product.

Two other questions, I'm sorry. On page 21, Mr. Lussier, and I know there's going to be an easy explanation. I just don't have it. On the investing activities, acquisition of property and equipment, you

show an \$11-million item there. It was \$4.5 million the previous year. It's a debit of \$11,206,000, investing activities, acquisition of property and equipment. Could you explain two things: No. 1, what that is, and why it's twice as much this year as opposed to last year?

**Mr. Swan:** I know that there'll be an even better accounting answer happening, but the statement of cash flows is not profit or loss. That's money in and out of the corporation.

Mr. Lussier will do a better explanation, but I just don't think it's fair to—

**An Honourable Member:** It's a cost.

**Mr. Swan:** — sort of suggest that it's cost or debt. It's money spent—

**An Honourable Member:** It's not debt.

**Mr. Swan:** —by the corporation.

**Mr. Lussier:** No, it's the money we spent on our distribution centre expansion.

**Mr. Borotsik:** So you did it out of cash flow. You paid for the distribution expansion out of cash flow. It was \$4.5 million previously; \$11 million—is the difference of the \$7 million the distribution centre or was the 4.5 also some of that distribution centre?

**Mr. Lussier:** No, the 4.5 was our software programs for our main head office. The distribution centre was around \$10 million on its own.

**Mr. Borotsik:** As I said, totally paid out of cash flow, not debt. You didn't go out and borrow that money. You actually paid for it out of cash flow. You generated the revenue from your own business, paid for the infrastructure and didn't have to incur any debt. Is that correct, Mr. Lussier?

**Mr. Lussier:** Yes, that's correct, and then we depreciate it.

**Mr. Borotsik:** What a wonderful concept, being able to fund infrastructure projects out of cash flow as opposed to simply borrowing more money.

Just a last thing, and I have to put this on the record. The minister has, with some pride, suggested that not only Winnipeg, but he did mention Brandon, is becoming much more cosmopolitan. We're having some increase in our wine tastes, and we are, I have no doubt about that. The \$7 bottle of wine now is translated to a \$20 bottle of wine, and that's very positive, actually. But I wonder if he shares his Premier's comment with respect to what he made

Mr.—the Premier (Mr. Doer) on private wine stores on April 16 when I questioned him in Estimates, and I quote—and he always likes to take a little bit of a shot at me—he says: "The member opposite," who was me, "when he was mayor of Brandon, had never even raised that big, big icon of an issue for himself, the private wine stores," and I quote: "the foo-foo wine store that he wanted in Brandon where they don't sell Crown Royal and they don't sell rum."

I don't necessarily know what foo-foo wine stores are, but I would suspect that, with that cosmopolitan outlook that the minister has mentioned, perhaps foo-foo isn't quite the definition that he would like to see in wine stores, whether they be private or whether they be publicly operated.

**Mr. Swan:** You know, for the Member for Brandon West, I don't always phrase things the same way as the Premier does, but I don't have the same institutional history of things political in Manitoba that the Premier does. But I think that his key point is well taken. I know that there were some in Brandon that wanted just a wine store. I'm very pleased that Liquor Marts has a full-service store, so, indeed, if somebody wants to buy wine from the extensive catalogue that MLCC has but wants to pick up a bottle of Crown Royal and a case of Fort Garry beer—both great Manitoba products—they can do that at a great store in the Corral Centre.

**Mr. Graydon:** Mr. Chairman, it's nearing the 7:30 p.m. I would ask that we have a half-an-hour extension, and if we're finished before that, we can wrap it up, but I would say a half an hour would be—just to be safe.

**Mr. Chairperson:** It's been suggested that this committee consider sitting for an additional half hour. Is that the will of this committee? *[Agreed]*

The Chair will put the question should we reach the 8 p.m. hour.

Mr. Graydon, to continue with the questioning.

**Mr. Graydon:** We've obtained a copy of an arbitration panel report dealing with a dispute between several specialty wine stores and the MLCC. The dispute started in 2006 between MLCC and six private wine stores regarding the manner in which MLCC manages terms and conditions of the agreements with the private wine stores. The private wine stores allege that MLCC officials encouraged illegal competition, improperly delaying the listing of certain labels that disrupted exclusive agreements.

The arbitration panel decision was mixed, with only one of the three panellists believing punitive damages should be awarded. They, however, agreed that certain actions by MLCC were negligent. The arbitration panellist that believed that punitive damages should be awarded stated, and I quote: The position of MLCC in relation to the private wine stores is one systematically fraught with dangers. The MLCC is simultaneously the regulator of the private wine stores, the sole supplier of the wine to the private wine stores and a competitor of private wine stores for both individual and licensee sales.

As Razik put it, the MLCC is most successful if they put a private wine store out of business. The private wine stores stand in a highly vulnerable position relative to MLCC. The other two panellists stated: We referred in our reasons in ground seven to the fact that MLCC is the regulator as well as the competitor of the private specialty wine stores. This relationship, we think, has given rise to problems which may have led to the allegations in the notice to the arbitrator and the suspicions of the stand-alone specialty wine store operators about the motives of MLCC and, in particular, of Crawford. It is, we believe, time to reconsider this relationship.

The two questions that I have: Has MLCC taken any action related to the matters raised in the report? And has the minister given any consideration to the relationship between the specialty wine stores and MLCC and any changes that might make this a less problematic relationship?

\* (19:30)

**Mr. Swan:** I'll start by responding to the question. Just to lay out some of the facts which members may not be aware of, the MLCC has operating agreements with all eight of the private wine store operators, and that agreement contains a dispute resolution process. If the parties are unable to resolve a dispute, there is a process to head on to arbitration. If one party is unhappy with the arbitration result, they can then request that it go on to court.

The dispute that the member's talking about involved five of the six stand-alone wine stores. They raised seven areas of dispute, and the majority arbitrators dismissed six of those items as against MLCC and decided in the private wine stores' favour on one of the seven areas. The private wine stores are appealing the decision. MLCC has cross-appealed on the awarding of \$20,000 damages for each of those companies. So I know there was some coverage in the media. Mr. Lussier wrote a letter to the editor to

explain things, which was printed in the *Free Press*, which dealt with some of the factual errors, but left out some other points that I'm sure Mr. Lussier will want to make in a minute. The arbitration hearing date, as I understand it, is likely going to be later on this fall.

But, if the member is suggesting that MLCC or that the government should privatize some portion of MLCC to take away the retail side or the regulation side, this government has no intention at all of doing that. MLCC actually has very good relationships with a wide range of private liquor vendors, of private beer vendors, and actually a decent relationship with some of the private wine stores. Obviously, there's a difference of opinion on this matter, which, unfortunately, looks like it's headed to court, but MLCC does not plan to—first of all, government does not intend to change what MLCC does, and, secondly, MLCC expects that the one of the seven areas that went against it in the arbitration will be reversed in front of a judge this fall.

**Mr. Graydon:** I wasn't suggesting anything. I was asking a simple question to the minister and to the board here tonight. However, there were suggestions made by the three panellists, and although the panellists may not have agreed on whether there should be compensation awarded in the cases, they all agreed that there were some systematic problems. The question was: Has the minister made any effort to change those or to correct those certain relationship problems with the specialty wine stores and have a less problematic relationship? That's what the question was.

**Mr. Swan:** Just to make it clear, the private wine stores have appealed that decision of the arbitrator. Again, the MLCC has appealed the one area of that arbitration which didn't go in its favour. So, no, neither the MLCC nor I as minister are going to suggest that we change something when we're appealing the very comments or the result which stemmed from the arbitrator's ruling. So the answer is no for what I think are quite obvious reasons.

**Mr. Graydon:** I'm going to maybe switch horses here, and, being that from our side of the House, we agree with entrepreneurship. Could the minister tell me what the process is to start a winery in Manitoba?

**Mr. Lussier:** Yes, we have a policy on that. Normally, the process would be get a licence from the federal government first, and virtually when they get a licence from the federal government, then we licence them.

**Mr. Graydon:** So you do have a formal policy leading up to the licensing?

**Mr. Lussier:** Yes, we do.

**Mr. Graydon:** Are there also formal criteria and chemical composition of the wine that must pass MLCC?

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

**Mr. Graydon:** Do all wines that MLCC sell pass the same criteria?

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

**Mr. Graydon:** Would it be possible for MLCC to supply me with a copy of the criteria?

**Mr. Lussier:** Yes.

**Mr. Graydon:** How often does MLCC test any wines that they buy out of the country, or do they do their own testing or where is the testing done?

**Mr. Lussier:** You'll be happy to know we have a contract with the LCBO, Ontario, to do our testing on our behalf. We pay them a fee for service to do that.

**Mr. Graydon:** Then that would be where I would get my wine tested?

**Mr. Lussier:** Yes, that's correct. As part of our listing process, we test.

**Mr. Graydon:** And I'm responsible for the cost of that testing.

**Mr. Lussier:** No, you're not. We do it.

**Mr. Graydon:** If, for example, my wine doesn't pass the test that I submit to you, and I upgrade it to the best of my standards and it still doesn't pass, am I charged for that test?

**Mr. Lussier:** No, you're not.

**Mr. Graydon:** If I take a bottle of wine off your shelf, and I submit it to the same test and it doesn't pass, what does MLCC do then?

**Mr. Lussier:** We would ensure that the supplier complied with the requirements. So we would take it off pending successful completion of—well, basically fixing the product if it has a serious defect.

**Mr. Graydon:** Have you had to pull any wines off the shelf?

**Mr. Lussier:** Yes, we have in our past.

**Mr. Graydon:** It is a common occurrence?

**Mr. Lussier:** No, it's quite rare, actually.

**Mr. Graydon:** Can you tell me what the problem with the wine was that you had to pull off?

**Mr. Lussier:** No, I can't recall which ones, but I can get you that—what we pulled.

**Mr. Graydon:** I would like that. If you could get that for me, I'd really appreciate it. I would suggest that it would probably be one of two things. It would be yeast or mould. Does that ring a bell with you?

**Mr. Lussier:** No, it doesn't.

**Mr. Graydon:** If you would be so kind as to get me the wine supplier and the reason that it was pulled off, I'd really appreciate it.

I'd like to ask the minister, and I think we've discussed this once before, but I'd like to ask him if he's had any concerns from the rural hotel owners that they run into a situation where—when the local hardware store closes that has the licence to sell spirits, when they close at 6 o'clock, there's no other outlet in the community. Often people will come to the bar and want to buy a bottle of our good Canadian whisky for whatever purposes. I would suspect for a party or whatever. However, because of the licensing in the rural hotels, it's not possible to do that. Has he considered licensing any of the rural hotels that would want that—to have a licence to sell spirits after the local hardware store is closed?

**Mr. Swan:** We did discuss this several months ago, and I can tell the member that I haven't had any interest expressed by any rural hotels. I think I do have a fairly good relationship with the Manitoba Hotel Association. Jim Baker is their executive director, and he always has the opportunity to bring forward any ideas or any concerns he may have. I think my executive assistant has regular contact and I saw Mr. Baker most recently—just a couple of days ago. It isn't a question or concern that has been raised to my knowledge, other than in the meeting that you and I had.

\* (19:40)

**Mr. Graydon:** I can say that I met with Mr. Jim Baker more recently than a couple of days ago. I actually did run this by him, the same as we did with you, Mr. Minister. He felt that it would be a way that you would stop a lot of the bootlegging that takes place. He had no concerns with it. In rural Manitoba it's an issue. In the city it's not an issue, but in rural Manitoba, he also felt that the local hotels were probably the best people to deal with a situation such

as this for a number of reasons: safe storage of the product, knowledgeable personnel, so that when you were dealing with people that came there, if they were highly intoxicated and you want to be responsible, the hotel owner has well-trained people to do that. Of course, the elimination of bootlegging. It also increases the volume for the local stores for better positioning and for taking advantage of any discounts that may be offered by MLCC.

Mr. Minister, I'd like to remind you that the Brunkild bar made a pretty substantial presentation to you some few months ago, and it consisted of the very same thing that I've just raised now. I would suggest that there were some things laid out there that made sense to that bar owner, for sure, and the opportunity to a number of other bar owners would make the same sense, that they would be obligated to buy from the local hardware store so that you kept the business in the community. I think that MLCC would agree with that, that you want to see the volume in your rural areas and your contract holders, and I'm assuming they do have contracts, that their volume would increase rather than bootlegging or whatever else may take place.

**Mr. Swan:** We have no plans to change the existing situation. As I say, I think I have a good relationship with Mr. Baker, and if he wants to bring it forward on behalf of the Manitoba Hotel Association, I will, as I do with any idea he brings forward, listen. Of course, we do have good relationships with nearly 200 private liquor vendors across the province. I expect that, if your idea was to be brought forward, we would then have those licensees asking for the right to sell domestic beer, which is something that they are not allowed to do and private hoteliers are permitted to do. So I expect there would be more than one thread that would be pulled to try and sort that out, and it's not something that, at this time, we're looking at. But, again, if Mr. Baker wants to talk about it, I'm more than prepared to discuss it with him.

**Mr. Graydon:** Moving on, then, well, actually, we will stay with the hoteliers. Perhaps Mr. Lussier can explain to me the markup on his beer in his stores versus the markup that the hotels have. Can you tell me what the difference might be?

**Mr. Lussier:** The hotel beer vendors are paid a discount of about 14 percent on beer, so off the retail price they get a 14 percent discount. That's their margin. Our profit margin overall on beer is close to 50 percent, so they're getting 14 percent at that 50.

**Mr. Graydon:** Has the Hotel Association ever complained about that?

**Mr. Lussier:** No, they have not.

**Mr. Graydon:** Would it make a difference if they did?

**Mr. Lussier:** We are always prepared to listen.

**Mr. Graydon:** I'm told that there's a large turnover of hotel inspectors or of liquor inspectors. Is that true?

**Mr. Lussier:** We've been hit with the baby boomers retiring, so we have had a significant turnover in the last three years.

**Mr. Graydon:** So that's not an ongoing situation. It just happens to be something that I've happened to stumble on at this time.

**Floor Comment:** Yes, that's correct.

**Mr. Graydon:** Are there any part-time inspectors being used?

**Mr. Lussier:** Yes, there are.

**Mr. Graydon:** Can you tell me why there would be a need for part-time inspectors?

**Mr. Lussier:** Yes. To do occasional permits because there are 12,000 occasional permits during the year, so we like to inspect them—well, our target is to inspect about 20 percent of them. We really couldn't do that with full-time staff, so we employ part-time inspectors. Most of those would be Friday night, Saturday night.

**Mr. Graydon:** Would those inspectors, then, be within the cement circle, within Winnipeg, or do they work throughout the whole province?

**Mr. Lussier:** We have them in Winnipeg, Brandon, The Pas and Thompson.

**Mr. Graydon:** So then it would be just in the larger centres, not in small centres like Steinbach.

**Mr. Lussier:** That's correct.

**Mr. Graydon:** How many inspections do you do a year?

**Mr. Lussier:** About 26,000.

**Mr. Graydon:** How many infractions would you say there are in a year?

**Mr. Lussier:** If you look at page 33 in the report, it gives some detailed information on that.

**Mr. Graydon:** The infractions are there, I take it, then?

**Mr. Lussier:** Yes, they are. I can read them in, if you'd like.

Cautions, which would be a letter: 513; warning letters: 248; informal meetings: 40; and hearings: 29.

**Mr. Graydon:** Twenty?

**Mr. Lussier:** Twenty-nine.

**Mr. Graydon:** There's just one more item that I have, would like to deal with, and that's with the security in our cocktail lounges and in our bars. The MLCC has the control of many things. How do you effect the security in these cocktail lounges and bars?

**Mr. Lussier:** I think one of the best things that happened in the last session was changes that were made to improve security in bars. There was a working group formed with the hotel association, the restaurant association, the police and MTEC to come up with suggestions on how to improve safety in bars.

There were 13 recommendations made. Most of those have been acted on. Certainly, the legislative changes have been made to improve security. So if you're coming in as a new operator, for instance, and you are liquor primary, which means you're primarily a beverage room, a cabaret, a cocktail lounge, then we require a security plan. The operator, in order to get his licence, to go to the licensing board, has to give us a security plan. If there are serious instances in a bar, or we have concerns about security in the bar, we can ask for a security assessment from the licensee. Ultimately, if there is a dangerous situation, as occurred last year, we can temporarily withdraw the licence until it's fully investigated and we're satisfied that the premise is secure.

**Mr. Graydon:** I don't expect you to read it off into the record, but if you would give me a copy of the 13 recommendations, and those that have been implemented. If you could provide that for me, I would certainly appreciate that, going forward.

**Mr. Lussier:** Certainly, I can do that.

**Mr. Graydon:** Recently, there has been in the media that one of the hoteliers in this city has a fairly extensive security system. Would you say that security system of photos and ID, photo of the ID, and keeping this record for 30 days is a recommendation that you would recommend?

**Mr. Swan:** I can speak to that. It is a well-known chain that has security protocols in its hotels throughout Manitoba.

\* (19:50)

As the member is probably aware, there was a complaint made to the federal human rights commission by a patron who was unhappy with having to provide photo ID. I can tell the member that I actually wrote to the commission at the request of the hotel owner, saying that the Manitoba Liquor Control Commission supported that protocol, provided that the information gathered was only being used for security purposes, was being destroyed within a reasonable time, and was, in every way, complying with the law.

I understand that case looks like it's now moving ahead to a hearing. Frankly, we take our lead, not just from the hotel chain, but from the Winnipeg Police Service, which has indicated that they support what the hotel chain is doing, which is really intended to make it safer for people who are in their establishments.

**Mr. Graydon:** I appreciate that stand that you did take. I also will say that I wrote a letter as well. My letter probably doesn't carry the same weight as the minister's letter, but there will be a day that we change positions. It won't be that long in coming. I'm certainly happy that we can agree on certain things today.

I would also suggest that, if you were checking into a hotel any place in the lower mainland, or any place in British Columbia right now, every bit of your information would be on record, and it will be there until after the Olympics. There's just no question. I think this is actually a frivolous action. However, that's just my opinion.

I'll check to see if any of my colleagues have any more questions.

**Mr. Swan:** I'm not going to touch the first part of your comment because we've had a very pleasant evening tonight, but the second part is that I think we are concerned about what may happen. It may be that, if there's an unfavourable result, there may be a request for some legislative amendments to specifically allow the reasonable gathering of information. If that happens, I know we can count on your support to move that through the Legislature quickly.

**Mr. Cullen:** Not too long ago an issue was raised in the media, and it had to do with the downtown business community. There was, I guess, some events that have taken place, and I guess historically have taken place downtown, some of the licensed establishments maybe having longer hours or earlier hours than what maybe the business community would like to have. As a result of that, there have been some safety issues raised by the business community downtown. Quite frankly, it doesn't leave a very good perception of downtown Winnipeg and of Manitoba.

I'm just wondering if the commission has taken any steps to acknowledge the issue downtown and what steps have been taken to try to address that.

**Mr. Swan:** I'll lead off, but I expect that Mr. Lussier may want to jump in. The 13 recommendations from that joint committee was one of the first things that was done, as Mr. Lussier has indicated, that resulted in some changes to The Liquor Control Act, that has also resulted in some policy changes in the way the MLCC does its work.

There are some specific issues that we can talk about. One of the issues that was raised in a couple of areas around the heart of Winnipeg city includes the availability of large cans of beer which have been sold at a very low price. There were a couple of decisions that were available to the MLCC. Hotel owners, residents and business owners in the area have reported that it's a concern, that people go inside, go to the vendor, buy these larger products, and then immediately consume them outside the facility, or down a back lane, or somewhere nearby.

There was a great deal of consultation and work that took place to try to find out the best solution to the problem. In discussing with all the stakeholders, the best idea that was put forward was to simply increase the price of those larger items to make them no more attractive than regular beer products. That just went into effect a couple of weeks ago. Anecdotally, it seems that there were some improvements, but we'll monitor that, especially as we get into the summer months.

There are often specific issues that are raised. I look at the work that's being done in Point Douglas to improve that community. From time to time there are questions being raised about certain practices of hotels that may result in stepped-up enforcement. Actually, those enforcement procedures have resulted in very few actual infractions being committed by the hotels, but, more importantly,

there's a pretty good flow of information. Liquor commission staff works closely with hotels to figure out ways that we can improve some of those problems that you're talking about.

If I've forgotten anything, or if I've misstated something, please step in and do what you can.

**Mr. Lamoureux:** Mr. Chairperson, I've got two quick questions that I want to pose, questions originating out of a group of wine agents.

The first one is: In the past, most purchases by the MLCC have been made by selecting wines offered to the MLCC listings committee by agents living and operating in Manitoba. By buying direct and bypassing the wines represented by these Manitoba tax-paying agents, is the government not threatening the livelihood of these Manitoba agents, most of which, incidentally, are small businesses?

**Mr. Swan:** I think we've been down that path that in fact there's more business being given to agents than less. But if the Member for Inkster has a particular fact situation, or if he has unhappy agents, I would encourage him to forward the information along to me, and I will make sure that the liquor commission treats the request seriously and will try and get a better explanation or a better answer.

**Mr. Lamoureux:** The final question is: Does the MLCC generate a greater profit on the wines it purchases from the Wine and Spirits Guild? If it does not, why would the MLCC deliberately try to put Manitobans out of work, or deliberately reduce their income to support an American organization that does not pay taxes or incur any operating expenses in Manitoba?

**Mr. Swan:** Again, the premise of the question is so incorrect that there's nothing to respond to. Again, if the member has a particular situation, or wants to broker a meeting with a Manitoba agent or someone who wants to be an agent in Manitoba, we can do that.

**Mr. Borotsik:** Well, I have just one question to close on. This goes back to the minister and his comment about being so cosmopolitan, and how in Manitoba we're becoming—

**An Honourable Member:** Foo-foo wine stores.

**Mr. Borotsik:** No, no. This has got nothing to do with foo-foo wine stores. We are. We're becoming more in Manitoba than we have in the past.



To Mr. Lussier: Is there some reason we cannot allow tailgate partying at Winnipeg Blue Bomber games? I mean, it's done in other jurisdictions. It's just another dimension to enjoyment of sporting events. Why can't they have tailgate parties, Mr. Lussier?

**Mr. Swan:** As someone who does have experience tailgating—in all seriousness, there are ways that it could be done. With the new stadium being built, I think it'd be very interesting for the Blue Bombers and the university and the Manitoba Liquor Control Commission to come up with something that works, for there to be a way so that it's an area that is reasonably controlled, in every sense, but where Blue Bomber fans, and even, yes, Saskatchewan Roughrider fans, if they behave themselves and leave their—no, I'll leave that be—to tailgate. But it has to be done in a safe manner in a way which complies with the liquor commission's rules. I do believe there is an opportunity for that to happen. Maybe the Member for Brandon West and I will enjoy a libation in the great outdoors before watching a Bomber game sometime in the near future.

**Mr. Chairperson:** Any further questions from committee members?

**Mr. Swan:** I just wonder if Mr. Lussier has anything he wants to say in the waning moments of his Crown Corporations committee career.

**Mr. Chairperson:** Mr. Lussier, in light of your pending retirement, we'll give the last word to you, sir.

**Mr. Lussier:** Okay, thank you very much. What I would like to do, in fairness to whoever is the next CEO, if you could pass these reports, it would be much appreciated. And I'll miss you all.

**Mr. Chairperson:** On that note, the Chair will proceed to the reports.

Annual Report of the Manitoba Liquor Control Commission for the year ending March 31, 2005—pass.

Shall the Annual Report of the Manitoba Liquor Control Commission for the year ending March 31, 2006 pass?

**Some Honourable Members:** Pass.

**An Honourable Member:** No.

**Mr. Chairperson:** I hear a no. The Chair hears a no.

Shall the Annual Report of the Manitoba Liquor Control Commission for the year ending March 31, 2007 pass?

**Some Honourable Members:** Pass.

**An Honourable Member:** No.

**Mr. Chairperson:** The Chair hears a no.

Shall the Annual Report of the Manitoba Liquor Control Commission for the year ending March 31, 2008 pass?

**Some Honourable Members:** Pass.

**An Honourable Member:** No.

**Mr. Chairperson:** The Chair hears a no. The report is accordingly not passed.

The hour being 8 p.m., what's the will of the committee?

**Some Honourable Members:** Committee rise.

**Mr. Chairperson:** Committee rise. Thank you to committee members.

Mr. Lussier, we wish you well in your pending retirement, and I know you'll want to come back and visit us.

If honourable members could leave their reports here for future committee hearings, it would be appreciated. Thank you.

Committee rise.

**COMMITTEE ROSE AT:** 8 p.m.

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