

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

Chairperson
Mr. Doug Martindale
Constituency of Burrows

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MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Eighth Legislature

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LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON CROWN CORPORATIONS

Thursday, September 9, 2004

TIME – 9:30 a.m.

LOCATION – Winnipeg, Manitoba

**CHAIRPERSON – Mr. Doug Martindale
(Burrows)**

**VICE-CHAIRPERSON – Ms. Theresa Oswald
(Seine River)**

ATTENDANCE - 11 – QUORUM - 6

Members of the Committee present:

Hon. Mr. Smith

Messrs. Cullen, Cummings, Dewar, Faurchou,
Ms. Korzeniowski, Messrs. Loewen, Martindale,
Ms. Oswald, Messrs. Reid, Schellenberg

APPEARING:

Hon. Jon Gerrard, MLA for River Heights

Mr. Kevin Lamoureux, MLA for Inkster

Ms. Carmen Neufeld, Chairperson, Manitoba
Liquor Control Commission

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

MATTERS UNDER DISCUSSION:

Annual Report of the Manitoba Liquor Control
Commission for the year ended March 31, 2001

Annual Report of the Manitoba Liquor Control
Commission for the year ended March 31, 2002

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

Mr. Chairperson: Good morning. Will the Standing
Committee on Crown Corporations please come to
order.

This meeting has been called to consider the
annual reports of the Manitoba Liquor Control
Commission for the years ended March 31, 2001,
2002 and 2003. Are there any suggestions from the
committee as to how long we should sit this
morning?

Mr. Gregory Dewar (Selkirk): I see that we have
three reports outstanding, and I suggest that we sit
until noon. At that time we can review it and see how
much progress the committee has accomplished by
then. I believe two and a half hours should give us
enough time to deal with these three reports.

Mr. Chairperson: Is that agreeable to the
committee? [*Agreed*]

Are there any suggestions as to the order in
which we should consider the reports?

Mr. Dewar: I suggest we review the reports as listed
on the Order Paper.

Mr. David Faurchou (Portage la Prairie): I
would ask the committee to consider that we do the
reports as a global discussion so that we are not
confined specifically to any one report but to
examine the operations of the MLCC globally.

Mr. Chairperson: We have two suggestions on the
floor. One is that we consider them by year, and the
other is global. What is the will of the committee?

Some Honourable Members: Global.

Mr. Chairperson: It has been agreed we will do
them globally, any and all reports together.

Does the honourable Minister of Industry,
Economic Development and Mines wish to make an
opening statement and would he introduce the
officials in attendance?

**Hon. Scott Smith (Minister charged with the
administration of The Liquor Control Act):** Good
morning and welcome to all honourable members
that we have here this morning, and I know our new
critic from Turtle Mountain is with us this morning. I

do have staff who are with us here this morning. We have Carmen Neufeld, who is Chair; Don Lussier who is the President and Chief Executive Officer of MLCC for about 50 years now; Tracy Crawford, who is our Chief Financial Officer; Roman Zubach, who is back here with us, who is Vice-President of Human Resources and Administration; and Maureen Spier, Director, Licensing and Permits.

I would like to make a brief opening statement, Mr. Chair, as well. It is a pleasure to be here to review the 2001, 2002, 2003 annual reports of the Manitoba Liquor Control Commission. One of the first things you will note is that the mission statement in the Mission and Manitoba Liquor Control Commission is to promote safe, healthy and responsible use of beverage alcohol products, thereby generating revenue for the province of Manitoba and the people of Manitoba. This mission is evident throughout the numerous social responsible activities undertaken by the commission over the past several years, and we are very proud of consistently generating revenue for the province and the government and the people of Manitoba.

In 2001, the MLCC transferred \$158.6 million to the Province. In 2003 we have seen that increase to \$166.3 million, an increase of approximately 4.9 percent over two years. On the commercial side the MLCC is a major force in the provincial economy. The MLCC purchases product from 1000 suppliers in 50 countries at the retail and wholesale level. The MLCC offers over 3100 spirits, wines and beer products, and it retails to the wholesale customers. Through its distribution centres it supplies 1700 customers and annually processes over 63 000 orders, injecting approximately \$1 million into the provincial transportation system for delivery of services.

To give you a feel for the size of the organization, in fiscal 2003 the MLCC had sales of nearly \$435 million making it the fifth largest liquor board in Canada. As a retailer, the MLCC currently operates 45 liquor marts in Manitoba, 23 in Winnipeg and 22 throughout the rest of the province. These retail outlets represent 12 percent of all beverage alcohol retail outlets in the province but they account for 43 percent of all sales. Not a true monopoly, the MLCC operates in a competitive environment with almost 300 beer vendors, 180 liquor vendors and 8 private wine stores.

To maintain this competitiveness with our newest, nearest provincial neighbours, Ontario and Saskatchewan, the MLCC routinely compares its pricing with other provinces as well as the United States. Not only are we in the middle of the country geographically, but over the years the MLCC has been able to maintain middle ground in most pricing categories. Being competitive means the MLCC must also keep a watchful eye on consumer trends and market shifts. They do this through traditional methods such as customer surveys and focus groups as well as shopping in their own stores with the help of professional shoppers.

Customer surveys over the last several years have proven the majority of Manitobans are satisfied with the service they receive at their local liquor mart. When it comes to important measures such as friendliness of staff, staff product knowledge and store layout, liquor marts consistently rank highest when compared against other retail chains. I think it is worth note that the Opimian Society—wine lovers, oenophiles—has twice awarded the MLCC Liquor Jurisdiction of the Year for excellent service, most recently in 2002.

In addition to ensuring excellence in customer service, the MLCC has continued to make store modernization a priority. In recent years the growth of the wine industry and the increased knowledge of customers has promoted and prompted a redesign of the stores to feature fine wine boutiques, a popular attraction for customers.

Public and private education seminars in food and beverage have also grown in popularity over the past several years at the MLCC's education centre. In just over a decade, over 3600 participants have paid to attend these courses. The MLCC is also committed to enhancing its service to rural Manitobans and has taken steps to improve the product selection, employee product knowledge in local liquor marts and an overall better shopping environment. It has also been working with local liquor vendors through its vendor operating agreements to ensure standards are met for customer service, product selection and responsible sales, service and delivery.

While the MLCC remains focussed on excellence in customer service in all areas, it is not at all costs. The cost of administration as a percentage of sales has remained low, approximately 10 percent

over the past few years, the second lowest among comparable liquor jurisdictions.

The MLCC must always walk a fine line between balancing its commitment to generate revenue for the province with its commitment to promote safety, healthy and responsible use of beverage alcohol. It is a delicate balancing act and one that must be performed throughout the organization.

The MLCC's alcohol education committee, representing a cross-section of departments, ensures the promotion of a responsible consumption is integrated into all its activities. Public awareness and education programs play a large role in promoting responsible consumption both within and outside the organization.

In 2002, the MLCC took a leadership role in addressing alcohol and pregnancy issues and fetal alcohol syndrome when it launched the With Child-Without Alcohol program. This program has been warmly received by health practitioners and educators and remains the hallmark of MLCC's social responsibility programming. Other programs include Be Undrunk, which addresses binge drinking among young adults, and Show Your Age identification program, which has proven to be very successful in retail and licensed establishments.

Ensuring responsible sale and service of beverage alcohol, while ensuring The Liquor Control Act is upheld, is a primary goal of the regulatory arm of the commission. The licensing and inspection department works with licensees, community groups and individuals renewing and issuing approximately 3000 licences and 12 700 occasional permits each year. Through its inspection offices in Winnipeg, Brandon and Thompson, inspection services provides information sessions to licensees and community groups on a regular basis.

MLCC representatives sit on a responsible service committee with Winnipeg Police Service, the Manitoba Restaurant Association, Manitoba Hotel Association, Manitoba Tourism Education Council and Manitoba Public Insurance. This group is responsible for mandatory training for owners, managers and servers of beverage alcohol in "It's Good Business" responsible service training program. This program ensures owners and managers as well as the serving staff of licensed premises have the tools and resources they need to

ensure patrons are not over consuming or being overserved in our establishments. In fiscal 2003, approximately 1058 owner-managers and 5217 server-security personnel have taken the training.

It is also important to note that the staff maintains strong working relationships with several groups in the industry including the Manitoba Hotel Association, the Manitoba Restaurant Association, police services, licensee groups and community groups.

*(09:40)

In addition, the licensing inspection department continued their education and prevention efforts. In the past three fiscal years, they conducted licensee seminars to explain the act and its regulations as well as commission policies and provided help to those businesses interested in obtaining liquor licences. They also worked with festival organizations and organizers to provide planning, promotional and operational assistance in communities across the province.

While education is key, the MLCC is committed to ensuring the compliance of the problem and high-risk drinking locations, such as bars and cabarets versus dining rooms and clubs. Measuring the effectiveness in inspection services is not a simple matter of looking at the numbers. Certainly, fluctuations vary year-to-year in the number of inspections that are to be expected given the nature and role of the inspector. Special events, major festivals and change in establishment focuses are just some of the factors that may affect the operation of the licensed premises.

The key of all of these accomplishments, of course, is the people at the MLCC. As the employer of 540 equivalent full-time employees, the MLCC recognizes that its people are its strongest resource. Over the past number of years the MLCC has made a significant investment in the continuous training of its employees in the areas of product knowledge, store management and computer programs.

Perhaps the most significant has been a five-year program to replace 20 or so outdated computer programs and integrate them into one system. This program will provide the employees at the MLCC with the tools they need to meet the service requirements of their customers well into the future.

Just in concluding, Mr. Chair, in fiscal 2003, the MLCC and the board of commissioners developed a corporate governance model to clearly establish the roles and expectations of the board and management. From this process, a corporate code of conduct was developed with extensive input from MLCC employees, management and the board. This code of conduct will ensure that the MLCC continues to serve the people of Manitoba in both an ethical and socially responsible manner.

I would like to take this opportunity to thank the board of commissioners, executive, management and staff for the excellent work that MLCC has accomplished and continues to for the province and people in Manitoba.

Mr. Chairperson: We thank the minister. Does the critic for the official opposition have an opening statement?

Mr. Cliff Cullen (Turtle Mountain): First of all, I would like to thank the minister for his opening comments. Obviously, the corporation has a very positive track record over the last number of years. We do recognize that the corporation provides quality service and products to Manitobans.

I think your mission statement is something that we have to bear in mind in regard to the safe, responsible, healthy use of alcoholic beverages. I think that is of paramount concern for us.

Comments will be brief. If we could just jump into some questions now.

I guess the first question I really have would be in respect to the—

Mr. Chairperson: Excuse me, Mr. Cullen. I was sleeping; that was my mistake. We need to ask the representatives of the liquor commission if they have a statement to make at this time.

Ms. Carmen Neufeld (Chairperson, Manitoba Liquor Control Commission): I welcome the opportunity to come before you today. It has been a couple of years since we have had the chance so we are looking forward to sharing our good news with you.

Mr. Chairperson: Thank you. Now we will hear questions from the opposition critic.

Mr. Cullen: Mr. Chair, first question in regard to private wine stores. I am realizing it has been a bit of an issue in Manitoba over the last few years. Are there any further plans to allow private wine stores?

Mr. Smith: The member raises a question. There have been growing pains and issues over a good number of years that private wine stores have been in. Certainly, they do an excellent job and provide a product and service to Manitobans that is exemplary. They obviously work very closely with us in a good working relationship and on the Province of Manitoba's side there is not any plan to expand private wine stores in the province of Manitoba. This is not something that is being considered at this time.

Mr. Cullen: Thank you for your response.

I guess that with the issue of wine stores there was a litigation process recently. I am just wondering if all of those matters, those court proceedings have been resolved.

Mr. Smith: The litigations that were before the courts, certainly, there has been a confidentiality agreement reached with a number of the private wine stores and we uphold that. We have come to a good agreement, we believe, on all sides and all parties, to some outstanding issues that we have had and some of those have been solved. I know that there are other issues that are being dealt with by the courts as we speak and, certainly, that is the best place to deal with them.

Mr. Cullen: In terms of the training procedures that the corporation has, I understand "It's Good Business" is the latest training package. I am just wondering about the pass rate, or if there are any failure rates, or how that particular course is turning out in terms of the graduates from the course.

Mr. Smith: On the actual numbers, we can provide you with the actual numbers, but I know there is a high passing rate, high success rate in the course. The materials that are provided, we are finding in hearing back, are very beneficial to servers in the community, both on the management side, owner side and the serving personnel side.

If I may refer the actual numbers on the passing rate were, amount of people passed, to Don Lussier.

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

Most people do not have any trouble completing the course. There are some failures, but they have the opportunity to retake the course, and most have passed. So far 16 000 people have completed the course.

Mr. Cullen: I guess with that in mind you are inferring that the training guidelines are working, or are there any plans to change any of those criteria?

Mr. Lussier: Yes, we are reviewing the program currently, based on feedback from the participants in the program as well as the partners in the program. So there may be some changes to it as well.

Mr. Cullen: Okay. Thank you very much.

I guess further to that, it would be the area of what we will call "bouncer training." Is there any movement through the corporation to include that type of training as well, just in light of some of the problems that have arisen over the last year or so?

Mr. Lussier: Yes, we are working with MTEC to come up with a program for security personnel, a.k.a. bouncers, that would probably be a half-day additional module for those kind of jobs.

Mr. Cullen: If I could, I would just turn some questioning over to Mr. Faurichou.

Mr. Faurichou: I just want to backtrack one moment to the minister's remarks in regard to private wine stores. I know that a number of years ago when the minister was first in receipt of the responsibility for the MLCC, that he came from municipal council experience and had been on the record in support of seeing that opportunity appear for a private wine store in Brandon. He said he would take that under advisement and study it and four years later, I would just like to ask him of his progress in the study of opportunity for the private wine store in Brandon.

Mr. Smith: I would like to thank the member from Portage, Mr. Faurichou, for again asking that question.

Certainly, private wine stores, we have a good working relationship with the folks that deal with the private stores and, as any good business operation, certainly like MLCC, a competitive nature is a good and positive thing and sharing information and

working together to make it beneficial for both is something that we all strive for, I believe, in any business as well as the MLCC.

The consideration of expansion of wine stores has been considered through business planning and planning with the MLCC and certainly with looking at many of our retailers, as I mentioned, 180 private retailers of liquor throughout the province of Manitoba, as well as 300 vendors throughout the province of Manitoba, with 8 wine stores and 45 MLCC-owned locations. Certainly you begin to look at areas and issues such as the amount of product that can be put out and how you affect others. So it has been looked at and considered but at this time it is not being considered for expansion and not something that is relevant on top of the books to consider in the next while.

* (09:50)

Mr. Faurichou: I appreciate the minister. I just encourage him to remain progressive and open to any and all possibilities of seeing expansion of the private wine store outlets and the availability throughout the province of Manitoba.

I would like though to ask the minister or the staff to identify the changes year over year to the number of liquor vendors which the minister alluded to. I see that there has been a reduction in the number of liquor vendors in the province, both company and privately operated.

Mr. Smith: The numbers of vendors does fluctuate, obviously, over the years and year to year. The exact numbers we can certainly provide to you. The decreases are slight and small year over year. I believe you were probably referring to the 2003 year over year from 2002 numbers. It has been a slight decrease in the number of licensed beverage rooms I think we have; 175 in 2001, went up in 2002 to about 1 percent and then down again the 1 percent back to the mean average in 2003.

Certainly, a number of factors and issues are in effect. Then the detail on specifics, we would have to probably look at the ones that expanded and the ones that went down. I guess in any market conditions many factors can change within certain areas. Obviously, population relevance in certain areas will dictate volume and dictate revenue and pricing. I would suggest those factors alone would have an

influence and bearing on a constant number, increase and decrease. It is fairly static and has remained close to that number, within a percentage over the last nearly a decade or so. We do not see a pattern or trend or any one singular issue that impacts it.

Mr. Faurchou: Yes, I understand all of those factors as we previously discussed. I just was hoping for an identified change, the two in the liquor, whether there is more than that, whether there was a change-up in ownership or location. It can be very specific. Maybe the CEO has that information available?

Mr. Lussier: Basically, it is a relatively static number. There is nothing that has changed from a policy point of view that would be detrimental to the numbers. That is static. In fact, in I believe it was early 2000, we increased the discount rates to the vendors, making it more financially viable for them. So, if anything, it has got better over the time period. It is just, to the minister's comments, more a function of what is happening in rural communities.

Mr. Faurchou: Just looking year over year, the one location from 44 to 45 here, being Winnipeg Square, downtown Winnipeg, was there a change insofar as availability of products from MLCC in the downtown area?

Mr. Lussier: No. What we found was we were having difficulty maintaining our costs-to-sales ratio in that location, primarily because of the limited hours we were operating. It is in the office tower building, as you know, and it is virtually closed on Saturday and Sunday. So we are losing two days of the week. We felt our costs were too high in relation to other stores. We closed it, and we have since opened another outlet in Whyte Ridge.

Mr. Faurchou: I do appreciate the economics of every location always should be evaluated year over year and appreciate the response.

Over the course of years rural outlets of MLCC have remained very constant. The locations identified here, I believe, are all recognized in their various communities as important entities. We would like to see their continuation. Over the last four years, I believe there has only been one closure, that being at Souris.

Are there any other locations that are in consideration for closure and change up to private or vendor status?

Mr. Lussier: No. At this time we are not considering any further closures. It is contingent, as I said earlier, on the cost of operation, on maintaining our costs of operation below what the costs of operation of a liquor vendor are. If that flips over, then we start to look at it seriously.

Mr. Faurchou: On the flip side, though, are there other areas, you mentioned Whyte Ridge as an additional location? Are there any other locations throughout the province where we are getting to a point of growth which would see another location considered by MLCC?

Mr. Lussier: Yes, we are currently looking in both south St. Vital and north Henderson Highway. Both those areas would seem to be—

Mr. Faurchou: Thank you very much, Mr. Chairperson, I appreciate that.

I would like at this juncture to ask the minister in regard to, now having the second opportunity to be responsible for MLCC, the progress in what he initiated when he was first minister, and that was a review of the Manitoba Liquor Control Commission operations and potential changes to the Manitoba Liquor Control Act and not only legislation but regulation as well. I know he made great light of it at the time as being the first major public consultative review of the act in two decades. There were 26 legislative recommendations come forward from the public review and some 5 recommendations for regulatory change. I have the listing in front of me. I do not know if the staff have that, but I would really appreciate if we could go through from top to bottom with very quick yes-or-no answers to whether this particular recommendation had been addressed or not.

Mr. Smith: The rather thick booklet the member has in front of him certainly I have read back and forth cover to cover many times. On any good business consideration, I believe ongoing reviews are constant. If they are not, there is a mistake being made in any business or any corporation. Obviously, change and factors occur quarterly, let alone yearly, and three-year and five-year business plans change based on your quarterly reports. Recommendations are brought forward, and I must commend both the MLCC staff and Carmen for the amount of work that was put into it. I believe it goes to 1956, a lot of the act and recommendations that were not changed,

slightly changed back in 1982, and a major change a few years ago, when we opened up the act for the first time in a couple of decades to make some major changes.

Some of the regulatory changes and policy changes were in there, and there were legislative changes that were needed, about 100 recommendations. They broke down to 40, broke down to 20, and then I believe we initiated 7 major changes to the act. On the next go-round of amendments, there are regulatory changes that have been done. There have been legislative changes that we have dealt with in the Legislature when we did open the act, and I must mention that the member from Portage was very interested at that time, made some very good suggestions. I think some of the positive changes were agreed to by himself. The amount of changes, there are approximately 100 recommendations, and those are continually reviewed. There is a review process, obviously, with the MLCC that makes recommendations and brings forward suggestions; certainly, it will be done again, as it is every year, reviewed together and discussed and dealt with.

Any immediate changes that are forthcoming, there is not anything immediate that is being brought forward at this time. I am reviewing and I am looking at some of the other recommendations and dealing with it through not only our staff and the MLCC but with the Restaurant Association and with the Manitoba Hotel Association. Something we are very proud of, and I think Manitobans should be proud of, and I know the member from Portage certainly is, is that the Responsible Server Committee had made a number of recommendations that certainly we are considering looking at again. Responsible consumption and safety are paramount, and I believe there are some changes there that could be positive that we will review, but nothing immediate. Certainly, everything is open to consideration on the suggestions that were brought forward and will be considered and looked at.

* (10:00)

Mr. Faurchou: I know I was looking for an update. I know that all members are very appreciative and understanding of the changes that were being made, opening on Sundays and standardized hours and responsible server and a number of initiatives which I believe have been welcomed.

Specifically, I would like to know the minister's consideration in regard to the consideration of the distillers of being able to have a retail outlet to further promote and enhance their operations which are locally based. Is that under consideration?

Mr. Smith: I think something of interest sometimes is the factual accuracy that one may read in different articles.

Certainly, they do have that ability now to do that on site. It is something that is—*[interjection]* Brewers do, on site. The review of consideration of possible tasting at site has been brought up a number of times. I know it is probably what the member is alluding to somewhat. Many other provinces and many other jurisdictions do allow it. It has to be initiated, and discussions are ongoing with safety in mind and that would be dealt with. The specifics we can refer to Don Lussier, and maybe an update of some of the things we have been working on with the manufacturers.

Mr. Lussier: We have been in discussion with the distillers, particularly with Diageo, the owners of the Gimli plant. They are very keen to do tours and then have the opportunity to sell their products at the end of the tours. As the minister said, that is under consideration. We are looking at that, saying we need an act change to be able to do that.

Mr. Faurchou: I appreciate the acknowledgment that it is under consideration. I, for one, would just like to ask the minister to, after due diligence, look to making the legislative changes to allow this, because we certainly want to foster the best operating and promotion climate to those distillers here in the province of Manitoba, to continue to be profitable and to remain in our province as we stand.

I know that the minister did make changes to the regime over the way we handle and regard micro-breweries here in the province of Manitoba under the taxation. Once again, the minister recognized that we were probably the least hospitable environment for microbreweries in his tenure as minister and did make changes, bringing us from No. 10, as the least profitable and least competitive position to tied with tenth, being that he recognized parity with Saskatchewan.

Is there further consideration to the micro-breweries operating in our province that would be

made into a more competitive environment under his second tenure?

Mr. Smith: Any step forward, I believe, is a positive step.

The member mentions "tied with tenth." There was change on markup for micros, and some of the changes, and I can give an example, it is in the hundreds of thousands of dollars for the microbrewer that we do have. Obviously, there are a number of factors that influence microbrewers, but it has been a very good process in both knowledge base for myself and with the MLCC working with microbrewers.

The incentives that we have given are virtually the same as Saskatchewan now. They are even. They have had quite a bit of success in Saskatchewan. We believe that the incentives that we have incurred in the last three years give them a better competitive edge. To look at a successful business, when you take one microbrewer in Manitoba that can look at a couple of hundred thousand dollars in savings to the bottom line, obviously, it is a positive step.

We are continuing to work with microbrewers. I believe that home based, province based, obviously, you will create an industry in jobs. By further considerations, it will create more of an incentive to have people look. We have had people from Alberta recently, and others, looking at Manitoba very favourably on some of the changes. We are hopeful there is a large enough competitive market for someone to step in and come into Manitoba. Obviously, we are heading in the right direction and we will consider other avenues that we can to make it even more competitive.

Mr. Faurichou: On that point, I do want to credit the minister with the changes, because it was very welcomed by the microbreweries operating in the province. It shows the minister was listening and did take some steps to address their concerns.

In regard to the pricing regime, we all heard about the same price of a bottle of beer, whether it is served in Churchill versus Emerson or downtown Winnipeg, where milk, effectively, recognizes the distance of travel and the additional freight. Is there any consideration to change that policy as it now exists with the MLCC?

Mr. Smith: I think one of the benefits of the Crown corporation ownership is, certainly, the consistent cost to suppliers. I would not like to see a change in that avenue. If the member opposite is suggesting that maybe the Province should take over milk and start to run it, it is something I would take under consideration and we could maybe look at that. I can talk with him later about that.

However, obviously, it is a constant price. I think it gives a benefit to all rural members who are out there and their local jurisdictions. The cost and the pricing, as you leave large volume centres such as Winnipeg, if you put travel costs on to, let us say, Portage, it may put the price up. I do not think anybody would like to see that in rural Manitoba. The 180 locations that we have throughout the province are very thankful of a consistent policy where they know pricing year-to-year. They know it will be the best price for all as a whole. We are not considering boosting the cost of the pricing.

Something the vendors can take into consideration is the fact, it is not a subsidy. It is, as a whole, averaged out throughout the entire province with the many locations that are throughout the entire province. So it is not something I am considering.

On the milk side, if the member would like to talk to me later about the possibility of the Province getting into that business, I would be more than happy to talk to them about that. We could today if he would like to continue further.

Mr. Faurichou: I appreciate the minister actually extrapolating on perhaps what was the undertow of my request and speculating on where I was going policy-wise. No, I will not get into the milk pricing today.

If you are looking for the underpinning as to why I asked the question, when there are distortions created by a certain pricing regime it does curtail the opportunity to potentially have a microbrewery operating in Thompson, for instance, that may be competitive with providing a local product and basis. The freight differential could very well be a profit-oriented enterprise operating in the northern climes of Manitoba. So that was the premise for my questioning.

I do not want to disappoint the chairperson of the commission without asking my annual question, I guess this is two years and waiting, changes to the recognized operating areas of the current vendors in the province of Manitoba. There are restrictions in distance and population. I would like to ask the minister or the chairperson whether there has been any change in that policy, because I still do believe the movement of the population within our province from season to season should be recognized and MLCC products made further available to persons moving to cottage country for the three or four months in the summertime and having that convenience available to areas that see significant population change. I know Gimli, for instance, goes up over 10 000 persons in the immediate proximity in the summertime. When you look to areas of Riding Mountain and that, we are looking at more than 30 000, and even greater when you consider the Whiteshell areas as well. That has, to date, not been recognized by allowing, perhaps, seasonal vendors.

*(10:10)

Mr. Smith: I am glad that the member has brought that question up. He has not let me down.

I know it is something, and obviously we have talked about it many times with a lot of the rural members, especially specifically on the fluctuations seasonally in some of the cottage country, if you will, or areas that are out there, but I think the overall lying current of the franchise protection zone that we have had since 1982, I believe it was 1982 that it was brought in, some 22 years ago, still holds true today, that it certainly does provide the protection for the 180 vendors that are out there. It adds value to their franchise and gives them the ability to look forward not only to running a successful business, but having money to invest in education and ongoing training for themselves, their staff and the people who are there year-round, plus serving local communities.

I know the grandparented ones that were in before the franchise zoning still exist, and there are some anomalies that are out there, that there are some that are closer than the 20-kilometre protection zone that are out there. Those are not being considered for dissolution and continue to benefit people within their areas, but the overall agreements, I believe, are strong. Obviously, the 180 or so franchisees that are out there find it imperative that they know a consistent level and the 20-kilometre

zone and not having it expanded, and with good cause. There are some areas, I know the member and myself and many others can identify seasonal fluctuations, but on the ongoing training for the establishment of all those that are out there with over 500 employees in their facilities, it is very important to know that, just like any franchise protection, it will be consistent. They will not be guessing year to year whether someone will be infringing upon a territory. Albeit there may be a larger expansion, but that is the franchises' right to look at increases in seasonal adjusted averages and throughout the winter maintaining and keeping a service for people within a community in a responsible manner.

Mr. Faursehou: I appreciate the minister recognizing the population movements within the province in the summer months.

I would like to maybe modify my request then, insofar as perhaps not creating a new entity, but allowing potential expansion to a sub-outlet or an additional outlet in season from the existing vendor list so as to provide that service. Perhaps even, to be very specific, within my own constituency, we have cottage country up and around the southern basin of Lake Manitoba. Residents there during the summer would have to travel in excess of half an hour to receive the services of the MLCC. I would like to ask, potentially, is that a consideration?

Mr. Smith: I would like to thank the member for the suggestion. It is not something I had either thought of or considered. Certainly, when discussions are ongoing with the association, it is something I could bring up with him. Obviously, there is a lot of detail to consider in anything, but it is something I will bring up with the association.

The specifics of it do not strike me as anything outrageous, and I would like to get some feedback from the association and the 180 members that are out there. Certainly, we will do that.

Mr. Faursehou: I appreciate the minister responding that he will bring that up because it is something that I believe has merit and is worthy of further discussion.

My last question for the minister, before I turn it back to my honourable colleague for Turtle Mountain, is that it has been a couple of years now since the commission labelled the first Manitoba

vintaged wine, that being brought to the marketplace by Grant Rigby from Killarney, the honourable Member for Turtle Mountain's (Mr. Cullen) constituent. I would just like an update as to whether there are other Manitoba-origin wine products in the offing. Have there been others come to the marketplace, and maybe how is this particular wine doing, because when I went originally to seek it out it was in a sold-out position?

Mr. Lussier: No, there has been no further expansion on that. As you probably know, in your experience in the stores, everything he produces is sold. He is, in fact, in an allocating position. He holds some back for very special customers, but he is the kind of guy who does not want to get very big, and no one else has really entered that business at this point.

Mr. Faurschou: I appreciate that, because, yes, you are right. It is a highly sought-after product, and he is very, very quality oriented and recognizes that sometimes added volume has an impact on quality.

I do want to recognize, though, the co-operative effort that took place at the time to bring this first label of Manitoba origin to the marketplace of the Food Development Centre located in Portage la Prairie. I would hope and encourage that the minister and the MLCC would be proactive in this area of additional development, of winemaking opportunities in the province of Manitoba. I know they are looking specifically at raspberries here, but other berry products could very well be potential products for the shelf of the MLCC, whether it be from blueberry, saskatoon, chokecherry.

We are all aware of our local entrepreneurs or individuals in our community who make wine from various base products. Potentially, that could be encouraged into commercial production. I would like to see that the MLCC promote what has been accomplished by Rigby estates and use that as a jumping-off point and the best-case scenario in order to promote the potential of these opportunities to entrepreneurs here in the province of Manitoba.

So I leave that with the minister and the CEO and chair of the commission and turn it back to my honourable colleague from Turtle Mountain.

Mr. Cullen: I guess further to my colleague's comments, I have a question regarding the bulk wine stores. Are they operated by MLCC itself?

Mr. Lussier: Yes. There is only one in the province. It is located at Madison Square liquor store, adjacent to it, and it is operated by us, yes.

Mr. Cullen: Any plans to have any other stores open similar to that?

Mr. Lussier: No, not at this time. It makes a little bit of money but not a huge amount of money, and one would seem to be enough to satisfy the market demand.

Mr. Cullen: In the 2003 annual report, I just refer to page 8, a question on the profit volume. I wondered, obviously, the volume has decreased in 2003, yet the profit has increased. Could we have someone explain that, please?

Mr. Lussier: Not being an accountant, and I know my CFO will cringe when I do this, essentially what happens is prices have gone up more than enough to compensate for the volume decline. It is prices, supplier pricing. Primarily, beer is the one that went up a large enough amount to offset the volume decline, so our profits continue to rise

* (10:20)

Mr. Cullen: Further to that, so that would reflect the price increase in 2003 and then we have had similar price increases in 2004. Could you just kind of give us a bit of an update on how those increases were arrived at on the specific products, like spirits versus beer versus wine?

Mr. Lussier: Just for clarification, you are talking about the budget that was announced this spring and included markup increases?

Mr. Cullen: That is correct.

Mr. Lussier: What we tried to do was be as equitable as possible across all product categories, not to penalize one type of product over another and to keep our prices mid-range in the country. So, if we looked at our cross-Canada comparison, we said, gee, we have some room on, let us say, beer. We are almost the lowest price; we are 2 cents above the other people in the country. So we looked at that and said there was an opportunity to increase the price of beer a certain amount. Similarly, on wines, coolers and spirits we did the same thing. Now, we were also cognizant of the fact that the spirits over time have a

heavier markup burden than beer and so we tried to not impact the markup burden as dramatically on spirits as we did on beer. So our margins went up only 0.9 percent on spirits; it went up 1.4 percent on beer.

Mr. Cullen: Do you have a similar comment for the wine markup as well, percentage-wise?

Mr. Lussier: Yes, the wine markups went up somewhat higher. Again, because our prices were somewhat low in comparison to, say, Saskatchewan and the market demand for wine is very, very strong. So we felt that with that kind of situation, it could take a little bit more markup without affecting the demand. In other words, and that reflects consumer preferences then, saying another quarter is not going to make a difference on whether you buy that bottle of wine.

Mr. Cullen: Further to that, then, some of your products, the pricing change, it is on a monthly basis. Is that correct?

Mr. Lussier: Yes, it does. Maybe I can just expand on that. That is a direct result of either freight exchange or supplier price increases. The markups do not change.

Mr. Cullen: I guess there have been some concerns from some of the vendors where they may get a price change and it may be only 1 or 2 cents on that specific product and the problem then occurs where there is a lot of labour involved and to go to changing the pricing on that. I am just wondering if that is something that maybe should be addressed or looked at or if there really is a valid explanation for that.

Mr. Smith: Mr. Lussier has identified that percentage changes vary all across the board on the different product that is out there. If you are specifically talking about beer vendor, for example, or if you are talking about the location for spirits and wine in different communities, obviously the fluctuation from province to province, as prices increase, Manitoba has always remained in the middle. Basically, when you are watching your competitors and the provinces beside you, Saskatchewan and Ontario, Manitoba prefers to remain and keep a competitive edge on that, but you cannot have one province going up and not following

suit. It is better to have, in my opinion, slight increases.

Manitoba has not marked up liquor for over a decade, 15 years in fact, and with the price increases from suppliers that have gone up, it has kept fairly competitive. But, as Mr. Lussier mentions, the difference between, for example, on beer, 3-cent-a-bottle increase that we have seen, it brings us up to \$18 as opposed to the lowest cost for beer in Canada at \$17.99. So we are within a penny; with 2 cents we could be the lowest in Canada. Certainly, you have to adjust your pricing to look at being in the mean average, on the middle. It is the same on different product. There are different percentages on different product. Coolers and that type of product, fruit products, certainly, are highly popular, as are wine products. When you look at a bottle of wine, Manitoba still maintains and stays in the middle of 27 cents, I believe, on a bottle of wine; the increase has put us and kept us in about the middle. Obviously, the increases in costs, for the MLCC, cost of freight in the last period of time has increased substantially. It is certainly up to us as a corporation and government elected officials to make sure that Manitobans get the best value for their product and in fact put those dollars to good use in general revenue in the province of Manitoba for Manitobans. The cost increases are very seriously considered before making them. I believe to stay competitive in the market we have to do that.

Mr. Cullen: I appreciate the minister's comment, and I recognize there are going to be some changes and normal increases. My point was really in regard to the fluctuation in prices, very minimal changes and fluctuations from month to month. That is a bit of a concern for some of the retailers.

Mr. Lussier: Yes, we are aware of that concern. As we switched to our new computer system it was generating them perhaps too frequently. So we are aware of the concern. It is a valid concern, and we are moving to going to quarterly price increases. There have still been some that are going through, but our intention is to stop that and make it more meaningful at one time.

Mr. Cullen: Thank you very much. I think that addresses that situation. I do appreciate your comments. I would like to turn the questioning over to my colleague from Ste. Rose.

Mr. Glen Cummings (Ste. Rose): I have a couple of questions, more about function. The corporation leases a number of buildings, and your rentals have showed some significant increase, between '02 and '03 as an example. Under what conditions do you lease? Your landlord is Government Services, the Province of Manitoba?

Mr. Lussier: It used to be. Now, really, that seems to have gone away, so we are leasing on our own hook. The jump that you are seeing is us coming off a lot of long-term leases. Our tendency in the past was to sign leases as long as 20 years. So you can imagine over that time, once we come out of that lease there is a rather substantial increase in the square footage charge. That is what we are seeing. We tend to renovate as our leases come up, and we are seeing a substantial increase in the lease rates. That is a straight reflection of the construction costs as well.

Mr. Cummings: Do you own any premises outright?

Mr. Lussier: Yes. We own some of our small rural locations like Killarney, Pine Falls, but we own nothing in the city, other than our head office building and warehouse.

Mr. Cummings: Perhaps I could have read this somewhere in the report, but do you have a variety of landlords, or is it all government property?

Mr. Lussier: It is all different landlords. It is whoever has the location that we are looking at. We tend to want to locate with food stores, food and drug, in easily accessible shopping malls. So it is all over the park. There is no particular one landlord.

Mr. Cummings: Is the government of Manitoba a landlord in any of your leases? The Province of Manitoba.

Mr. Lussier: Just the head office building.

Mr. Cummings: I appreciate those answers. Perhaps I should have anticipated the answer, but it does make it easier to understand.

The other question that I have relates to profit that is returned to the government of Manitoba, to the people of the province. How do you calculate, or how do you predict when you give predictions to the

Province about what estimated revenue would be? How do you go about that? In other words, just so I am not unclear, is the revenue strictly a function of markup, or are there revenue targets?

* (10:30)

Mr. Lussier: That is a very good question. It is often a negotiated target. We will come up with a sales forecast based on the current trends, or based on the trends of the time, and, over 80 years of experience that we have been in business, we have got very good at it in terms of coming very close to what can be anticipated, God willing and the creek does not rise. This year being a good example, we forecasted a normal summer, which is prudent to do, but it has not been a normal summer, as everyone can attest to, so that has a negative effect, particularly on our beer sales. We can see some variation below target or above target, usually within less than half-a-percent variation, though, from it. For instance, last year we came in about \$3 million over budget and that was a direct result of increased beer sales due to the great summer we had last year. Now, it does not take a long jump to say we could see the reverse happening this year.

Mr. Cummings: My next question will probably be more correctly addressed to the minister and/or the chair, because it is of a political nature. Does the minister sit down with the board or with the chair, and is it a situation of where you (a) ask for anticipated revenues, or (b) ask for anticipated revenues with a target in mind?

Mr. Smith: I can assure the member I have never sat down with the chair and asked for a decrease in profit. I can assure the member that. It is something that I have never done. Obviously, with any well-run business or corporation you look at year-over-year efficiencies and gains and cost of living, cost of living increases, overall general revenue, be it by the government in many areas, and exactly what profit targets are realistic and what is possible with the advice of people who have, I can mention, been in it for 80 years. The factors for consideration are many. Mr. Lussier just gave a good example of how weather conditions can alter certain expectations or certain revenue generated for any corporation, whether it be MPI or whether it be Liquor Control Commission or whether it be Manitoba Lotteries or many others. Certainly, we know that the weather is a federal responsibility so we have no jurisdiction

over that to look at. But, obviously, you want the corporation to run the most efficiently it can, as a business should for Manitobans, and look at a rate of return that year over year should not go down. You would look at all the factors that you have out there.

Ms. Theresa Oswald, Vice-Chairperson, in the Chair

The expectation, I believe, for Manitobans and, certainly, for this government and any government that diligently looks at Crown corporations as a benefit for Manitobans, is to look at an increase year over year. The exceptions obviously can happen. It is a well-run corporation, but it will fluctuate year to year. Obviously, the benefits for Manitoba are many, as I mentioned. I do not expect this corporation to ever go in reverse in the profit margin that it brings in, and if it did I would have to have some diligence looking at why that has happened. My expectation is the profit to increase year over year with the payment of all the services that it does provide for Manitobans. The percentages are something that are not written in stone for year to year, but the educational component and the safety for Manitobans are paramount on all decision-making. It is a broad stroke. Obviously, any changes or issues that are going on in the corporation, I am made aware of, and certainly that is the way it should be.

Mr. Cummings: Perhaps I am not reading the body language correctly, but I felt perhaps the minister was a little agitated by the direction of the question. I do not see MLCC in the same light as I see MPI. To be clear, I would not think we should be making the comparison. MPI should be run at cost. Not yet has government found a way to skim money easily out of MPI without a severe reaction.

The corporation that we are dealing with today has always been considered a profit centre. I was simply inquiring if the government of the day, through the minister, set targets for return. It is quite fair to say it did not anticipate any reduction when you are dealing with a monopoly with this type of product. It is probably a fair expectation.

I would still ask, and given the explanation the minister has just given, really all I want is a fairly simple answer for the record. Is it a function of staying within the competitive pricing of our neighbours and adequately covering the costs of operation? Is there a markup target? The corporation

must set its own goals independently, I am sure, in that respect, but within the industry is there sort of a standard 15 percent or 20 percent, then your sales become your variant?

Mr. Smith: I will try to keep my body language very easy. This is about as excited as I get.

I am not too excited, because referral to the corporation as a monopoly is simply not the case. There are a lot more private vendors out there than there are stores for the province. There are over 300 beer vendors. There are 8 private wine stores, and we are 45 of all of that with the retail stores we have in the province of Manitoba, 23, I believe, in Winnipeg and the other 22 throughout the rest of Manitoba and mostly the larger centres.

The profit target, obviously, the overall budget, is established by the government and set by the Minister of Finance (Mr. Selinger), and there are many components in that. The commission is expected to have a stable increase year over year. A lot of it is taken into consideration on factors like cost of living and those general factors on percentage increases. The commission has done that year over year for many years, and certainly the overall budget is the expectation of increases year over year.

Mr. Cummings: The other question some might consider frivolous, but product analysis, how would you characterize that?

Floor Comment: Sampling.

Mr. Lussier: No, it is not sampling. The charge is for quality control. When we bring in a new product, we will test it. We put it through the lab. That is the lab charge for it. On a regular basis, we have a rotational system that will say, "okay, it is time to quality check this product." A quality-control charge, basically, is what it is.

Mr. John Loewen (Fort Whyte): It is interesting listening to the minister. It all sort of comes together as he is speaking, because it is obvious that he represents a government that is so desperate for cash to waste, as we saw in Public Accounts yesterday, that the only thing he has on his mind is how the liquor control commission can provide him and his government with more money. I would suggest to him there are a lot of other areas in which the liquor control is involved in Manitoba and serves

Manitobans, some would argue better in some areas than in others, but even in their own financial report they talk about other strategies such as customer service, social responsibility. There is more to the mix than just making more money for the government to spend, and I would hope that the minister would maybe go back and reread his comments and give us some sober second thoughts to what he has put on the record and maybe think about it a little bit.

* (10:40)

Just touching on the area of social responsibility and all, has the commission undertaken any studies on the effects of extending the hours of sale to include Sundays that was taken in legislative form I believe it was in 2002?

Mr. Smith: I would like to thank the member from Fort Whyte for his first sentence in his paragraph, "He is glad to be listening to the minister," and listen to my comments. I certainly appreciate that view that he has. I appreciate listening to the member from Fort Whyte. He is always quite an interesting spokesman for a number of issues.

Certainly, when we focus on this issue, I can tell the member that, when we look back on the comments, social responsibility for the MLCC has been something that has been taken into consideration—\$25,000 by the previous government into initiatives for advertising and social programming compared to \$400,000 today. I would believe it goes a long, long way.

Working with the many groups that we have, with Mothers Against Drunk Driving, Teens Against Drunk Driving, the hotel associations and many of the others that have partnered with us, as well as many professionals that have advised on FAS and many other issues that are socially out there, we have put a great amount of money into that and continue to have good campaigns and educational campaigns in that area.

So his comment on educational components is an important one. I have mentioned that today, and I could go on quite as long as the member would like to hear it. Social responsibility is critical to the MLCC, and they have done a very good job, certainly since '99, on making that a priority for

themselves and for this government and working with partners that are out there.

The advertising budget for the MLCC takes into account working with the partnerships and others on those socially responsible issues, and we have gone a long, long way with the committees that have been formed, with the police associations across the province and many of the industry folks that have supplied us with good information and the requests that we have been working on together in a partnership to do that.

With Child – Without Alcohol program is something that we are incredibly proud of. It is something that has been very well received. It has been received by the Canadian Medical Association as an excellent program. We have had feedback from them. We have seen a real public interest in that program that has been well received, and we are extremely proud of that.

The fetal alcohol syndrome disorder is something that we all should have a targeted focus on, and this government is doing that. That program has been extremely successful.

The Show Your Age campaign, obviously, with some of the problems that have been incurred with young people below the age of 18 accessing alcohol, is something that this government has taken on, and it is something that part of the dollars do become allocated toward. I believe \$75,000 this year was allocated strictly to that program.

Be Undrunk is one of the '03 components that is very well received by many of the young people. We have had input from many of the young consumers of alcohol in the province of Manitoba, and the feedback on that has been spectacular. The acceptance of publicly being drunk is not something anybody accepts. It is something that is not responsible, and that is part of the responsible training that has gone on the educational component in all the industry. It is something that has targeted between the ages of 18 and 24 that we find is extremely well received.

The Operation Red Nose, the Safe Ride Home on New Year's, the RCMP Ride Program, Addictions Awareness Week, and many, many other programs are something that we partner with communities to look at how we can make the consumption of alcohol

responsible. It is something that many, many adults enjoy, and it is something that we should be proud of as a product that we have in Manitoba and look at the social responsibility of it.

If the member would like me to cite many other social programs that this government has done and taken from, as I mentioned, somewhere around \$25,000 by the previous government to nearly \$400,000. There are many, many programs that are good dollar value. They are working with communities that are out there, with every community in Manitoba and, certainly, the initiatives that we have brought forward are something that we will continue.

Mr. Loewen: That was a pretty straightforward question.

I believe I asked the Liquor Control Commission if they had performed any studies on the effects of opening bars on Sundays.

Mr. Lussier: Yes, within a year of that, because there were some concerns expressed by the City of Winnipeg police at the time that there would be problems, they would need additional staffing, et cetera. That proved to be false. We have received information from the police within that year that there was no appreciable change in any of the circumstances in the city of Winnipeg. In terms of the public response from a sales side, the licensee sales that year were up over \$9 million and overall the number may be a little bit soft but it appears there is about a two percent incremental sales increase which, I think, makes sense when you think that now on Sunday you could purchase whatever type of alcoholic beverage you want, not only just wine, in the city of Winnipeg.

Mr. Loewen: Can the commission indicate, do you have a number in terms of what percentage of bars were open during that first year of operation? I know a number of them, because the VLTs were not open yet, were not open for business. I am just wondering what percentage of bars.

Mr. Lussier: Less than 50 percent of the beverage rooms were open that first year and a little more than 50 percent of the beer vendors were open that year. I believe that has since changed since the VLTs are now allowed on Sunday. It has gone up.

Mr. Loewen: Thank you, Mr. Lussier, for your anticipating my next question. Now that the VLTs

are open, do you have a number in terms of what percentage of the bars are open? I was not clear whether the numbers you were giving me were for Winnipeg or for the total province.

Mr. Lussier: No, I am sorry we do not have a number at this point.

Mr. Loewen: I think everyone would agree, even the bar owners would indicate, I believe, that there was not much incentive to open the bars and, in fact, that was one of their major complaints with regard to that. It did not make much sense to open the bars without having the VLTs. Apparently, the VLTs are one of the big draws on Sundays. I will leave it up to the minister to justify his action in that behalf. Are there plans underway now that the VLTs are open—and, presumably, there are many more bars and pubs open—to do any more studies of the effects of having the double whammy of bars and VLTs open on Sunday?

Mr. Smith: I think the member well knows the continuing review on both issues, and if he would like to come next week and speak to Lotteries we can review that department, certainly, on the liquor side. It has been well received in rural Manitoba, the ability to open.

Certainly, it is nothing that has been forced on anyone. Many private owners will dictate themselves when, in fact, something is working for them, whether it is positive or whether it is negative. I would assume the member would think that is probably a good avenue to follow. It is something that has not been demanded of any retailer or private owner and it is a choice that they make themselves. It is something that whether it works for their business because of a lot of factors. He mentions VLTs. VLTs are a big part of rural Manitoba and the different bars and vendors that are out there. That may be something that they will take into consideration whether they are open on Sunday or whether they are not.

There are a lot of other factors as well that obviously impact whether an owner decides to open up on Sunday or whether they decide not to open up on Sunday. I think the member would probably agree that, in rural Manitoba, to force someone to do one thing one way or the other would not be an appropriate action. It is up the individual to do that, and if the member would like to discuss that, as I

have, with many of the Manitoba Hotel Association or Restaurant Association, many rural members, he may want to do that. Certainly, that is something that is up to them. It is a number of factors that are inclusive in their decision making, and I would assume that the lotteries and liquor are a big piece of the bar.

* (10:50)

Mr. Loewen: Once again, it was a pretty straightforward question. We had a pretty significant change in terms of the opening up of the availability to sell liquor on Sundays and we had another significant change which was the opening of VLTs. A study was done after the opening up of the Liquor Act. I am simply asking the Liquor Control Commission if there was a study done after the opening of the VLTs or if there are plans to do a study.

Mr. Lussier: No. We have no plans to do a study.

Mr. Loewen: Would you not think that if it was important enough of an issue to study when The Liquor Control Act opened up the sale of liquor on Sundays, do you not think it is an important enough issue to study now that the VLTs are open on Sundays as well? Do you not see the relationship, or are you just being told by government to ignore it?

Mr. Smith: The member had mentioned before the educational components and social components and that is something that we have targeted. The previous administration through the nineties seemed to miss that key component. They missed that piece and what we have put a lot of effort into is working with the industry and working with the individuals and professionals who have provided many useful suggestions on the area that we can follow

Certainly, the social responsibility and working with the responsible server committee, with the police associations and, certainly, with Addictions Foundation of Manitoba and many others have made suggestions, many of which we have followed and dealt with the professionals on the key priorities, suggestions that are out there. The member pinpoints and targets one area, but the overall area with liquor and lotteries and social responsibility has been dealt with by the committee that has made the suggestions, and made many suggestions that we have followed. We have initiated the key component of it. It is education, and the member mentions that slightly in

his comments, and that has gone a long way. The social acceptance of many of the products that are out there is contingent on listening to the professionals and looking at the overall effects that it does have.

Fetal alcohol syndrome is something that has been identified. It is something that we have spent considerable time on. It is something that we have partnered up with many professionals to supply an educational component out there, as well as a responsibility of drinking and driving that has been changed in the last number of decades, but certainly has been highlighted here in the province of Manitoba, we believe, in a manner that has never been done before.

That educational component, on the responsible server component, that we have introduced has had a big impact. It has had a positive impact, and working with the Teens Against Drunk Driving now you are seeing actually a systemic change in thinking and processing. Many of the young adults are highly responsible coming out of high school. Basically, the member asked about social change, and this social change is now being seen at the educational and high school level, where we are partnering up with many of the educational institutions throughout the province of Manitoba. We are seeing young adults reach the age of 18, the expected age of consumption in the province of Manitoba, with a manner that is well received by the industry. It is something that many of the servers have mentioned, in speaking with them, that they are seeing a component now, because of the educational efforts that we have made, seeing a change in responsibility.

The one key component that we have seen in the last while, it has been extremely positive, as I mentioned before, Be Undrunk. The visual poster of that, coming up in many of the locations throughout the province of Manitoba that serve liquor, is recognized now. It is something that, like many catch phrases in advertising or marketing, many young people recognize. It is not okay to be overconsuming alcohol and being out and being in a social gathering. That is something that education has done. That is something this government has introduced, and it is something we have backed and supported financially, socially and with a driven want to make those changes.

With those few comments, yes, we have made a lot of changes socially.

Mr. Loewen: I will take it from the minister's—I do not know what that was. It was anything but an answer, but there is no plan to do any study on the effects of opening bars on Sunday and, in fact, compacting that by opening VLTs Sunday. He could have just said no. That would have been fine.

Mr. Chairperson in the Chair

We will move on to something else. He can sit there and try to paint a pretty face on everything, but there are issues out there. Just so he is aware, I had a young constituent killed walking home from a bar. These are very, very serious issues. We have some serious questions to ask the liquor commission in terms of where they are going, and you have a limited time to do it. So I would really appreciate it if you would just refrain from these long diatribes and just stick to answers to the questions that are being asked.

With regard to the drinking age, has the Liquor Control Commission undertaken, or are they planning to undertake, any studies in terms of the relationship of having the drinking age at 18 in Manitoba? It is one of the few jurisdictions in Canada, it is one of the very few jurisdictions in North America, that has a drinking age of 18. I notice that the school trustees in Alberta are calling for a review. I am just wondering if there are any studies planned in terms of the effects of allowing 18-year-olds to consume alcohol in the province of Manitoba.

Mr. Lussier: We have no plans to look at the drinking age. It has been in place for, I believe, 30 years or more, since 1970. We are with Alberta and Québec at that age, and we do not plan to study it.

Mr. Loewen: Are you aware of any other jurisdictions, in Canada in particular? As you mentioned, we are one of three that have a drinking age as low as 18. Are there any other jurisdictions looking at reducing their age of allowability to purchase alcohol to 18 from 19 or from 20, as they are in other provinces across Canada?

Mr. Lussier: No.

Mr. Loewen: Thank you, and there has been no direction from government to look at anything to do with the age of drinking in the province of Manitoba.

Mr. Lussier: No.

Mr. Loewen: Thank you. Are there any concrete studies being done by the liquor commission with regard to the effects of the smoking ban as it took place in Winnipeg in terms of how it affected the volume of sales?

Mr. Lussier: Yes. Probably the best example is what happened in Brandon, where it is much more unified so you can get a good picture for it. It would appear the sales in licensed premises declined by approximately 6 percent, whereas the sales on take-home increased. Net, there was a small decline in total sales. We anticipate that the same situation, once we get through a full year, will occur in Winnipeg as well.

Mr. Loewen: Will you have some concrete statistics fairly soon in terms of Winnipeg?

Mr. Lussier: Yes, we will, once we complete the year.

Mr. Loewen: Is it possible to extrapolate that to the rest of Manitoba? Are you expecting the same type of results to show in the rest of Manitoba, or do you have any projections on that, based on your budget?

Mr. Lussier: At this point we do not know. We have used, in terms of our sales forecasts for Mr. Cummings, the experience in Brandon to project our sales in Winnipeg, and we would anticipate—well, we just do not know at this point. We will have to see what happens in Winnipeg, if it is any different than what happened in Brandon.

Mr. Loewen: With regard to the AIR MILES Program, we talked about this last year. Would you just confirm that the agreement you have signed with AIR MILES excludes any other retail seller of alcohol products in Manitoba to provide AIR MILES to their customers?

* (11:00)

Mr. Smith: The AIR MILES Program is something that was Loyalty Management Group we introduced within the province of Manitoba. It is one component people can use that is out there. We do have exclusive rights for the province of Manitoba for that. The AIR MILES has been very successful. It is something that is out there that we believe has been

quite successful in terms of people buying up, not consuming more, in the province of Manitoba. It is one of those components you can use in any business. Certainly, we have used it for a customer-focussed approach in the retailing. Yes, we do have the rights for Manitoba.

Mr. Loewen: I appreciate all the benefits the AIR MILES Program has to the Liquor Control Commission in its sales. Does it not feel the same benefits would accrue to wine stores and other sellers of alcohol products, the vendors, et cetera?

Mr. Smith: The number of loyalty programs that are out there, AIR MILES being one, is beneficial to the MLCC. There are many other programs and many other things the vendors do. Beer, for example, is something many of the vendors that are out there; they have chilled beer. It is an advantage they have. They have credit card use that they have the advantage of with suppliers. They have many of the other incentives that are out there in many areas. You can name them off. I am sure we all know the many incentive programs that are out there. It is something that is a competitive industry. It is a competitive business. We are a small part of many of the private industries that are out there, not to mention the provinces beside us.

Certainly, the AIR MILES loyalty program has had the ability for people to consider new products. It is something we have had with the suppliers that enables them to look at different products that are out there and is paid for by the suppliers.

Mr. Loewen: I take it from the answer the minister would demand the exclusivity contract with AIR MILES continue as far as the Liquor Control Commission is, and there is no willingness on behalf of either the commission or the government to open up the availability of that program to any private operation, such as a beer vendor or a private wine store or anybody else that is involved in the sale of liquor.

Mr. Smith: The member is quite right that the exclusivity of MLCC with that particular program will be something that is a priority and continue.

Mr. Loewen: Could Mr. Lussier give us the total cost of the AIR MILES Program to the Liquor Control Commission?

Mr. Smith: I can refer for detail to Mr. Lussier, but the report changed, as the member will note. It has actually been defined online to provide a more accurate representation of the advertising expenses of the MLCC. It has been broken down between the two components of advertising and the actual cost of the AIR MILES Program. It is identified in 2003 as a separate line, \$853,000. I will let Mr. Lussier speak to that, but that cost is not a cost. You had mentioned in the second piece of your question the cost to MLCC. There is no cost to MLCC for that program.

Mr. Lussier: Yes, that is quite right. We have come to an agreement with the industry over time that we would use programs to drive traffic into our business, the AIR MILES Program being one of those. In exchange for that, the industry pays us fees to participate in the end-aisle display programs at store level. They also pay to buy bonus AIR MILES that are attached to their specific products to allow brand switching. When you look at that total cost, the \$800,000 plus our advertising cost added to that, the net is zero. The suppliers are effectively paying for the whole program.

Mr. Loewen: So we have, according to the minister in his opening statement, a very competitive environment where a private wine store cannot use AIR MILES. Is that an accurate statement?

Mr. Lussier: Yes, private wine stores cannot use AIR MILES. It is exclusive to us. However, they could use Club Z points, Aeroplan, Diners Club, Shoppers Drug Mart and we have told them that, as well as the Hotel Association and the Restaurant Association. Come to an agreement with those people. Go right ahead.

Mr. Loewen: I am sure all the private wine stores are just excited about the opportunity to have Club Z points.

Mr. Lussier: Aeroplan is a significant competitor now that it has been sold from Air Canada. It is a significant competitor to Loyalty Management Group and a real alternative.

Mr. Loewen: Is there any plan to open up the opportunity for beer vendors? It is frustrating for me when I can go to a vendor and buy some cold beer I want but I cannot get a cooler. Are there any plans underway to open up the sale of coolers through beer vendors?

Mr. Smith: I think the member may or may not have been in the room when we discussed part of this issue prior with the exclusivity rights of the 20-mile radius that is out there and the impact that any change to that, be it product or expansion of stores, has on them. Certainly, we have dealt with the 180-some retail vendors that are out there and obviously the impact is not slight.

It is something that, again, the member may wish to travel to rural Manitoba and identify, throughout Manitoba and rural Manitoba, the impact that that would have on, say, for example, two separate vendors in Glenboro or in other areas where you may have a hardware store with a franchise, if you will, for liquor, and you may have a beer vendor that is three or four doors down. The impact of that is not slight and, obviously, it is something that we have had brought forth many times by the industry and, in fact, overwhelmingly, from the industry.

I do not think the same would want to be held true if the member uses an example of a friend that he has that sells beer in a location. I am quite sure that the opposite could hold true, if in fact he is in a small town, I am not sure where the member is speaking about, but the impact of that. The long answer certainly is, in fact, we are not open to that in the next period of time. It is something that has been brought forward a number of times.

The member previously had belittled a great program in the province of Manitoba, the Club Z. I think all of these products that are out there, I believe, that people are quite proud of. There are many, many others that are out there, the Aeroplan and many others that the member may not personally see them as value, but I am sure that many people that do collect those points, regardless of where it is, do not belittle or feel that it is something that is beneath them to collect those type of points. There are many, many people out there that, for whatever reason, follow different loyalty programs. As I have mentioned before, and Mr. Lussier mentioned, the program that we are in, the AIR MILES Program, is just one that was out there, the one that is a positive one, and one we will continue to use.

Mr. Loewen: The minister's comments are so laughable I almost hesitate to even address them.

We are talking about a competitive environment. I am not denigrating Club Z points at all. If they

were such a good option, presumably some of the competition out there would use them.

The point is that for whatever reason the government has decided that the Liquor Control Commission should have the exclusive use of AIR MILES. That is their decision. I was just asking if there is going to be any opportunity for the private sellers to take advantage of the same program. The minister talks about, "Well, we are a small player." Well, you dominate the industry in Manitoba; you are basically a monopoly. And so, if it is government policy, it is government policy. Just be proud of it and say it, That is it. Answer the question.

With regard to coolers, again, the minister's logic escapes me. If you have a vendor and a liquor store both selling coolers, there is not even place competition. It is just another opportunity to provide better customer service to the people all throughout Manitoba, so it is, again, an issue that has become, according to government policy, privy to the Liquor Control Commission. I am simply asking if there is any thought to open it up. We see in Saskatchewan that not only do they sell coolers out of their vendors, they sell hard liquor. So apparently it can be done in Saskatchewan, but it is too big a problem for the minister in Manitoba to wrap his mind around. Having listened to him, I can appreciate that.

* (11:10)

Let us move on to some other issues. I will say that we have agreed the Member for River Heights (Mr. Gerrard) could have some opportunity to ask questions, and he has to leave at 11:30. So I would like to just provide him with that opportunity and perhaps the Chair can recognize me when he is finished.

Mr. Chairperson: The minister had his hand up first, so I am going to recognize the minister and then Mr. Gerrard and then Mr. Cullen.

Mr. Smith: The member mentions many things and he likes to see his blather regarding a number of bases. I will respond to a few of them.

The program with the AIR MILES is something that Manitoba will maintain, and MLCC. That has been explained to the member many times and, although wrapping your head around issues, I certainly would not want the member unarmed and

would advise him to read in more detail some of the issues that he is speaking about.

However, I do not mind answering the questions. In fact, I think it is pretty positive for the public to hear the different views of members out there, and members' comments on Club Z points and many others, and rural Manitoba and the dynamics of rural Manitobans, dynamics of how that impacts by having certain product.

The member uses Saskatchewan and maybe he would like to have a discussion on that and get into that in more detail, but I am sure the member would not agree with everything Saskatchewan does. In this case, he believes that it is a positive. Certainly, I am sure in many other cases he believes it is not, but the member may want to arm himself with a few more details on the overall functioning of the Liquor Control Commission in regard to both product in Saskatchewan and Manitoba and certainly if he would like a longer conversation on that I would be more than happy to have it with him.

Hon. Jon Gerrard (River Heights): My first question is for Mr. Lussier. It has to do with the annual report of 2003 which shows the AIR MILES cost in that year as \$862,000. I would ask Mr. Lussier whether this includes the full cost of running the program. For example, included in the line which deals with salaries, benefits and pension costs, are there individuals who are involved with running or delivering the AIR MILES promotional program?

Mr. Smith: Yes, as the member from River Heights has identified, there is a delineated line this year that identifies the AIR MILES Program. It was initiated in September of 1998, I believe. The member will note, and he has been in and out of committee and we have had a chance to have some detail on this issue, that in fact those costs are not incurred by the MLCC. Those costs in the AIR MILES Program are incurred by the suppliers and it is not a cost to Manitobans. It is not a cost to the province of Manitoba. Those costs plus the advertising costs are costs incurred by the suppliers. The full cost is identified on line in detail for the member delineate between previous years where it has been inclusive of advertising costs, and Mr. Lussier may expand further to some of the detail of that, but I reiterate the costs that the member has mentioned, cost to the MLCC, well, in fact that is not the case.

Mr. Lussier: Yes. I think what you are referring to is the administration costs of the program. Administration costs to the program are virtually nothing. We have a clerk—

An Honourable Member: You have a budget line which is \$862,000—

Mr. Chairperson: Excuse me. Mr. Lussier has the floor.

Mr. Lussier: The budget line is the cost of purchasing AIR MILES. That is what we pay Loyalty Management Group for AIR MILES.

Mr. Gerrard: I think the second point would be this. In the 2002 annual report, as I read this, there was 1.3 million which was advertising and promotions. That included, from what I can gather, something like 845,000 in AIR MILES, and the rest of the advertising and promotion efforts was 464,000. Is that correct?

Mr. Lussier: Yes, that is correct.

Mr. Gerrard: When we were talking earlier on about the AIR MILES Program and its promotional aspects, the minister said the program has been extremely successful, and it was part of the advertising and promotions effort of the liquor commission, as we know. In terms of the goal, I presume it is to increase the revenue overall of the liquor commission. Is that correct, and has it been measured?

Mr. Smith: As was mentioned before, and the member may have been here or may not have been here, it is not the expectation of the Liquor Control Commission to lose money year over year. The expectation is certainly to supply a socially responsible product to the people of Manitoba and have educational campaigns that will enhance and have that as a value for Manitobans. The member may or may not realize the amount of dollars that have been spent with the With Child – Without Alcohol to combat, obviously, fetal alcohol syndrome in the province of Manitoba. It is some quarter of a million dollars per year into that program. We have worked with the College of Physicians on recommendations. We have had numerous campaigns and ad campaigns as a component targeted to that. It has gone from some 25,000 to nearly \$370,000 with that and other

programs that we have socially brought in on the educational side for Manitobans.

The AIR MILES Program certainly does benefit, in many cases, the MLCC in a manner of people with loyalty programming, and, certainly, on a responsible side, on the educational side, not in an increase in consumption but a change of product—and that has been a positive for the suppliers, the 3100 or so suppliers that MLCC buys from—and the identification of buying up products and tasting products and testing products that many people would not have done. In wine, in spirits and in other products, that has been a positive for many of the suppliers that are out there. They see a benefit. We see a benefit for the MLCC and the people in Manitoba in doing that, and the educational component and the social component are a top priority that is initiated in that as well.

Mr. Gerrard: One point of clarification for Mr. Lussier and something that was talked about earlier, and that is, with the private vendors, the Liquor Control Commission sells liquor to the private vendors. Is that correct? They act, as the minister has referred to, as franchise essentially. Is that correct?

Mr. Lussier: Yes, in the case of liquor vendors, that is correct. In beer vendors, they are not franchises; they are private.

Mr. Gerrard: The minister has talked about the fetal alcohol program and clearly the outcome measure which is of interest here is whether, in fact, the program has had an impact to decrease the number of children born with fetal alcohol syndrome in Manitoba. Can the minister today table data which show what the success of the program has been and the outcome measure we would like to look at, which is that there has been a decrease in the number of children born with fetal alcohol syndrome?

Ms. Neufeld: Thank you very much for the question. The liquor commission board of directors, in particular, has been very, very honoured to be part of a group of individuals, the College of Physicians and Surgeons, the Health Department, Healthy Child, fetal alcohol syndrome family disorders group at looking at the best way to get information out into the hands of individuals who are either contemplating a pregnancy or who are in fact pregnant.

* (11:20)

It is very difficult to monitor and to have some hard data that says X number of children actually were not born with FAS because the mother chose not to consume. I am sure that you, as a pediatrician, understand there is no scientific indication as to what day this would happen if the mother consumed alcohol or at what time in her pregnancy, but we believe that, with the very high degree of interest there has been in our program where we have had to have multiple printings of material due to interest, the information has gotten into the hands of the individuals themselves as well as health care professionals to help them make the decision not to consume alcohol while they are with child.

Our next program will be coming out very shortly that will take it one step further in curriculum development. For that, again, we are quite confident at the end of the day there will be children who will not be subjected to this unfortunate illness.

Mr. Gerrard: What I am aware of is that being able to know how many children are born with fetal alcohol syndrome is obviously of great concern and something we need to know, both in terms of the effectiveness of the program and in terms of making sure what we are doing is not having an adverse effect. For example, there have been a variety of changes, increased liquor sales on Sundays and so on. The mix of changes could have resulted in the opposite to the intended effect. Unless we actually measure, we do not know that for sure.

What we do know is that through the fetal anomalies register there was an effort in the eighties and early nineties to understand the number of children born with fetal alcohol syndrome. That effort improved progressively over time, and by some time in the early eighties it was reaching a point where it was giving a reasonable assessment of the number of children with fetal alcohol syndrome in this province. That program, unfortunately, was discontinued by the former Progressive Conservative government. There has been an opportunity over five years for that program to be put back in place so that we actually know whether we are getting a benefit.

I would like to move from that to one of the issues the minister brought up. That has to do with the establishment or the possible consideration of the establishment of a private wine store in Brandon. It seems to me the important people to ask are the people in Brandon, so I would ask whether the

people in Brandon have been consulted in any fashion with regard to whether they would like a private wine store in Brandon.

Mr. Smith: The member may agree or disagree that on social programming identification and education is a key component. That has been something we have targeted year over year, an increased priority for MLCC.

We have had a lot of campaigns through the educational component of in-school programs that will be coming up shortly. We have had targeted areas where we have targeted specific age groups depending on information we have had supplied to us by a number of professionals and certainly by the industry. The Be Undrunk, Show Your Age are positives, the assistance and development of TADD and Mothers Against Drunk Driving and many others. I am sure the member would identify that the educational component is a key factor, and repetitive educational components are a key factor.

The member asked about wine stores in Brandon. That has been brought up, not specifically in detail, but I have had people mention they would like to open one in Brandon. Anybody that wants to open a business feels it is a positive idea. The government has been quite clear, whether it be in Brandon or any other area in the province of Manitoba, that it is not something we are considering right now. That has been the information that has been directed back to people.

I am sure there are many other considerations people would like to have, like the 20-kilometre radius that is brought up from time to time, and that is something else that we are not willing to consider. That was in 2001; that was the answer. Certainly, more information and looking at markets and volume and quality of service for Manitobans are all taken into account.

The wish or want or need of someone to open up something that is positive for themselves I give full credit to. With the amount of information that we do not have time to deal with today, we can get into a great deal on reasoning that we feel is not appropriate at this time, but certainly it has not been something that has been brought up by the general public with me in Brandon. It is not something that my colleagues have identified as being an issue that is being brought up.

What has been brought up by many are cases of people who are driving while impaired, people who are consuming too much alcohol, and many of the other social programs that we have. It certainly has been a priority. The member may have a friend or may know people who would like to have that done in different areas of the province, and I am sure many of the members sitting around here have been approached by people who would like to changes in legislation in the MLCC for benefit for themselves or benefit for their community. Those are all fair ball. It has been taken into consideration, and the answer is still no. We are not considering it right now.

Mr. Gerrard: Mr. Lussier earlier referred to the fact that he had looked at, I think, the question about whether there has been a study of the effective change of opening up sales on Sundays. There is a difference between sort of an anecdote, making a phone call and has there been a change or actually doing a study. So I would ask has there actually been a study done. If so, would Mr. Lussier be ready to provide that to members of the committee?

Mr. Lussier: The only study that has been done is looking at the change in sales at both our stores and licensed premises, and those numbers I have referred to earlier. In terms of policing issues, we have been in touch with both the RCMP and the City of Winnipeg police, and they have stated that there has been no change in the caseload as a result of Sunday openings.

Mr. Gerrard: I would ask Mr. Lussier if he can provide that information on change in sales in a written fashion so that we could have that comparison.

Mr. Lussier: Yes, we can provide that.

Mr. Gerrard: Thank you very much. Those are my questions, and I pass it back to the MLA for Turtle Mountain.

Mr. Cullen: I just have some questions regarding the financial situation, and I would like to look at page 26 and 27 of the 2003 report, for clarification as much as anything. Under item 5, Other Income, Long-term Funding Commitments, Province of Manitoba, can you let us know what that is?

Mr. Lussier: Yes. That is the pension liability funding that we receive from the Province as a promissory note to cover our pension costs.

Mr. Cullen: Why the significant difference from 2002 to 2003?

Mr. Lussier: There was an actuarial review of our demographics, and they upped the amount as our workforce gets older. Too many baby boomers in the workforce. The pension liability is increasing at a more rapid rate, and that is reflected on the advice of the actuaries.

Mr. Cullen: Thank you for that comment. Further to that, then, the advertising revenue, the next line down, is that a component of the AIR MILES revenue?

Mr. Lussier: No. That part is the charge for participation in the various programs in store. That would be the display programs. You want your product displayed on the end of an aisle. We charge for that. You want your product in the cold box, at the till. We charge for those kinds of programs. That is what those fees represent.

Floor Comment: To suppliers.

Mr. Lussier: To suppliers. Yes. Sorry.

Mr. Cullen: Okay. Further to that, then, where does the other revenue for the AIR MILES show up?

* (11:30)

Mr. Lussier: It shows under AIR MILES revenue. It is down about seven lines.

Mr. Cullen: That is the 186 revenue that shows there. On the next page the expenses on the AIR MILES side show at 862, I believe, if that is the correct line.

Mr. Lussier: Yes, that is correct.

Mr. Smith: I think, just for clarification, the AIR MILES revenue exceeds the expense.

Mr. Lussier: If you add the two together, it exceeds that expense.

Mr. Cullen: Thank you for the clarification. That is what I am looking for.

In item 6, salaries, benefits and pension costs, we know there was a significant increase, about 25

percent over the year 2000 report. Maybe you can comment also on the same sort of situation for line 2, The leased premises rentals, increased \$800,000 from the year 2000 report. Is there an explanation for those fairly significant increases?

Mr. Lussier: Yes. I just happen to have anticipated that question. It is up about \$3.7 million in salaries, benefits and pension costs; \$1.1 million of that is directly linked to a major rewrite of our head office operating software systems. So we had to backfill. We removed 25 people from their jobs to work on the project. We backfilled that. That accounts for \$1.1 million. Another \$500,000 is for part-time staff that we use on Sunday openings, and another half million is a collective salary wage increase. Most of the remainder is the pension costs that I was talking about, so that the expense side is loaded into salaries and benefits, and that is about \$550,000.

In terms of leases, I would stand by the comment I made earlier to Mr. Cummings that we are coming off old leases and we are coming into new rates reflecting new construction costs. So those are substantially above what they were 10 to 15 years ago.

Mr. Cullen: Thank you for the comments.

The equipment rentals are up \$350,000, as well as the professional fees; an explanation for that. Then I guess the other concern with the professional fees, this year there will be an increase in the provincial sales tax on auditing. Has that been factored in, in the budget, as well?

Mr. Lussier: In terms of the first part of the question, the professional fees went up in that year, as we were in the midst of the lawsuit with the wine stores. So there is a substantial increase there. In terms of the equipment rentals, that was all to do with our new system at head office. It is about a \$20-million expenditure in total over five years, and that is reflecting some of those costs.

Mr. Cullen: Again, just for clarification, image enhancement, I assume that is some sort of advertising program. Then just further down, if you could clarify travelling expense, vehicle expense and communications for us.

Mr. Lussier: The image enhancement is a sponsorship program. So we are involved in arts and culture,

particularly, in sponsoring people like the Goldeyes, the Bombers, Folklorama, Festival du Voyageur, that kind of thing. That is essentially what that budget line is.

Travelling is simply travelling of our people, most of it in-province, a lot of it associated with the training budget, where you are bringing people in from our rural locations and city locations. So we pay travel expenses for that. As well, we have inspectors on the road and we have sales managers on the road. Then all of the head office travel associated with that as well.

Mr. Cullen: Just for clarification, Mr. Chairperson the communications.

Mr. Lussier: I am drawing a blank.

It is primarily product price lists and customer information that we send out to our wholesale customers. That is essentially what it is.

Mr. Cullen: I would like to turn the floor over to my colleague from Ste. Rose.

Mr. Cummings: I notice we were having a discussion a little earlier about fetal alcohol syndrome, and alcohol education seems to have been reduced in dollars spent. I am looking on page 27 of the most recent—[interjection]—369, 393. I just wondered if the dollars where they are allocated can vary, but I would be curious as to why that is being displayed that way.

Mr. Lussier: Some of it is a timing issue in the first year. In 2002, we were actually developing the program, so it was more expensive. We were in development of the television commercials, and in 2003 we were running the commercials. So it was somewhat cheaper. We did not have the development cost built into that account.

Mr. Cummings: Well, the alcohol education program with MLCC did not just start in '02. I take it you are talking about a new, improved version of advertising at that point. Would that be correct?

Mr. Lussier: Yes, when we look back on our history, in 1997 and 1998 we were spending in the neighbourhood of only \$25,000 to \$35,000 on this area. This has jumped up to beginning in the year 2000 to \$180,000 and, subsequently in 2002, 393 and

then 369 in 2003. That is largely involved in the programs that were mentioned earlier: Show Your Age, Be Undrunk and the FAS programs.

Mr. Cummings: Well, looking back in some of the other older reports, would some of this money in the programs that you just talked about that become more expected and have received increasing demand for that type of promotion within society as a whole—and that is certainly not disputed—would there have been a component of this strictly related to advertising as part of the general advertising budget? How does the corporation handle its advertising? Is it done in-house or contracted out?

Mr. Lussier: In terms of the advertising side, we went out to tender on it in terms of the agencies that we use. We went up to RFP, and we selected agencies on that basis. We place our advertising through the government advertising services so that we can get the best deal on it that way. I am sorry I forgot the other part of the question.

Mr. Cummings: As alcohol education has evolved and particularly around the fetal alcohol issue, which has become much more understood and has had an increasing level of concern around it, I am looking at the general advertising budget before. Would programs of that nature have been part of the overall advertising, like the responsible drinking line would not have been rolled into a total advertising component the way it is displayed?

Ms. Neufeld: I would just like to add that not only has the issue evolved but the liquor commission in Manitoba is very proud to be on the forefront. We have come out with a program far ahead of our sister and brother provinces across the county. We have been recognized for the work we have done through different programming as far as into Atlanta, Georgia. In terms of the advertising, unexpected expenditures, using FAS as one of the examples, we had anticipated 1600 information packages being required in the first go-round and in fact there was a demand for over 4000. Obviously, the information that has been provided has been very well-received and welcomed. That is part of the reason for increases.

* (11:40)

Mr. Cummings: That is not in dispute. In fact, I think the population in general lauds the corporation

for moving aggressively in this area. Obviously, I dispute the comment that we are not, and I say collectively, the government being the responsible body, a de facto monopoly and therefore have an onus to take the lead. It is generally appreciated that the liquor commission has moved in this direction.

In terms of advertising, although I have mixed the two together and now I understand the corporation is clearly following two streams on these, are the alcohol education stream and the general advertising stream handled together? Are you in an RFP on all the advertising work? Is there a difference in the way it is handled, I guess is my question.

Mr. Lussier: You are quite right. There is a difference in the way it is handled. In fact, we use two different agencies in terms of our advertising. One that is very good in social responsibility messaging and another that is better in terms of the merchandising/retailing side of things.

There are two separate people responsible for it. Our communications person is responsible for the social responsibility area, and our marketing people are responsible for the commercial side of the advertising, two separate budgets.

Mr. Cummings: That is a fair answer. You referenced earlier that you would use the listing through government to seek out potential advertising agencies. Would both of these firms have been acquired that way? I assume we are talking about a firm, are we?

Mr. Lussier: That was simply for ad placements I was referring to. We use buying power of the government when we go to buy space in the newspaper. In the case of the selection of the agencies, we issued an RFP to the industry. Going from memory, I believe we received 10 or 11 responses to the RFP. We then had a committee sit down and a selection was made of two separate agencies, one social responsibility oriented and the other commercially oriented.

Mr. Cummings: This was done independently by the corporation?

Mr. Lussier: Yes, it was.

Mr. Cummings: I have a neighbour who, while visiting across the fence line one day, said to me, "I

was at a football game the other day and I saw a lot of advertising there by one of the Crown corporations." Not this one by the way, it was not the object of his attention. It was actually MPI. He said, "Why were they busy advertising? I cannot buy my insurance any place else anyway." I say that not to poke, although I probably am a little bit, but the point is are there other advertising undertakings or sponsorship responsibilities the commission undertakes other than what would be listed, or is everything listed here under advertising in terms of sponsorship and promotion.

Mr. Lussier: It would be under Community Support. I do not think we list everything that we contribute to in the annual report. Image Enhancement and Community Support, that would be things like Fringe Festival, Brandon Wheat Kings, United Way, Folklorama, Festival du Voyageur, Tournament of Hearts, Museum of Man and Nature, Brandon Chamber Players, symphony, Folk Festival, Dauphin Countryfest. Those kinds of things. There is an extensive list.

Mr. Cummings: I am looking on page 27, General and Administrative Expenses. Is that where that would have been listed?

Mr. Lussier: It would be under the Image Enhancement, Community Support budget line, on page 27.

Mr. Cummings: Is it reasonable to ask for an inventory of the Community Support programs?

Mr. Lussier: Certainly. I will provide it to you.

Mr. Cummings: Okay. I would appreciate it.

This has always been problematic for government, but for the record, I think, and I would have to peruse your list before I could be critical or otherwise, it is an issue over the years that Crown corporations have to deal with, and that is sort of spread the nice stuff around. The Morris stampede and rodeo is always looking for money as well, and I am not here to advocate for Morris stampede and rodeo. If I am going to advocate, it would probably be Lily Festival or the Ste. Rose Hoof 'n Holler, but you get the impression of where I am going, that, as a Crown corporation, I just want it on the record that I do and will be looking to see how the Crown corporations in general administer that side of their

community responsibility. It can get skewed and might even be unintentional. Your head office is here in Winnipeg and pretty easy for local institutions to walk over to lobby for that type of support, and that is understood. But I just want to put that on the record as a reasonable consideration that I would like you to keep in mind.

I turn it over to my colleague from Portage la Prairie.

Mr. Chairperson: Before I recognize Mr. Faurichou, given the time, is it the will of the committee to pass one or more reports? *[Agreed]*

We agree to re-examine the adjournment time at twelve o'clock.

Mr. Faurichou: I believe there is consideration to dispense with a number of reports that are currently before us. There are a few more questions yet to go and that if we are a little bit flexible at the twelve o'clock hour I think we can achieve that goal.

Mr. Chairperson: Do you have questions?

Mr. Faurichou: On this consideration of advertising the local or Manitoba-based producers of alcoholic beverages, they too want to enter into the promotional arena and to make certain the public recognizes the home-grown products. I know the policy of the commission is effectively to maintain full control of the dispensation of alcoholic products here in the province of Manitoba, but has there been further consideration or policy modification to make it so that the individual brewers, for instance, microbreweries, here in the province of Manitoba do not have to incur higher costs to that type of promotional activity by having to sell their product to the commission, then buy it back before they enter into a promotional undertaking? Has that policy changed, and is there consideration to change it to make this activity more cost-effective for the producers?

Mr. Smith: I know the member from Portage has great concern for Manitobans and expansion of Manitoba products. He had mentioned before, a number of the berry wines and such. There are a lot of fantastic producers in the province of Manitoba. MLCC, over the past few years, four years, certainly, has been working with many of the local producers for suggestions on how they could assist growing the industry in Manitoba. One of the ways has been with

the number of outlets and facilities that MLCC has in some of the priority locations. It is something, over the last period of time, working with some of the producers that are out there in, obviously, marketing and assisted marketing with them in many areas. There are other issues we are looking at, certainly, how we can enhance, build and grow that industry.

* (11:50)

The member asked if there are things being considered. There are a number of things being considered. Nothing has been decided, but I agree wholeheartedly with the member opposite on the point that I would like to see those products enhanced and grow in Manitoba. It is nothing but a positive in many ways, but obviously it is a lot of details to work out. Information from the producers is probably some of the best information we get, and how we can do that in a fair and equitable way with everybody we deal with.

Mr. Faurichou: I appreciate the minister's consideration and examination of the promotional activities of the exemplified microbreweries here in the province of Manitoba, because that added cost of sale and purchase back before they provide samples and promote their product at various summer events, for example, is something I think bears a great deal of consideration by the minister so that we can do what is within our jurisdiction to provide a more environmentally friendly promotional area for Manitoba producers.

I yield back to my honourable colleague from Ste. Rose.

Mr. Chairperson: I had Mr. Lamoureux on the speaking list next.

Mr. Kevin Lamoureux (Inkster): Just a couple of brief questions for Mr. Lussier.

The first one is the AIR MILES Program. What does that actually cost the liquor commission on an annual basis to participate in that program?

Mr. Smith: I know the member had other commitments and had to leave a number of times. His colleague had asked the question. I am sure that anyone on the committee here could explain we have gone through that a number of times, but I will do it again.

It actually costs the liquor commission zero. It is passed on to the suppliers. As we have mentioned many times previously throughout the morning, those costs actually do not cost the liquor commission.

Just to expand on that, I know the member's colleague had mentioned that those dollars could be better put to other uses. We have also gone over fetal alcohol syndrome where we were injecting, from a few years back, very little, some \$25,000 in social programming, to around \$250,000 this year, in our efforts working with the College of Physicians and Surgeons and many other professionals in the province of Manitoba, to a line that in 2003 was over \$370,000. The addictions prevention has been a key target, and a lot of the dollars are going into that end.

The answer to the member's question is that it does not cost the MLCC or people in Manitoba any dollars.

Mr. Lamoureux: I can appreciate the minister's patience, but just to be absolutely clear, there is absolutely no cost whatsoever for the Manitoba Liquor Control Commission to have that program.

Mr. Smith: The costs are passed on to the supplier. The costs by the supplier are dealt with. The slight administrative costs are very minuscule in dealing with the program. Obviously, the commission does not put out costs or personnel for that actually. The costs are extremely minuscule. The costs are passed on to suppliers. The total cost is paid by suppliers, and in fact there is a revenue over and above the cost of some \$200,000-plus that exceeds the costs, even from the suppliers, and is passed on back to MLCC. The administrative costs are not there. There is very little administration for the program, which is handled by others that incur the cost, not the MLCC.

Certainly, for the AIR MILES Program, as was mentioned by the member's colleague, which was factually inaccurate, to come out with a press release that identified, he may have wanted to do a little bit more in-depth reading to understand that there is no cost to the MLCC.

Mr. Lamoureux: The cost is passed on to the supplier. The supplier is the individual groups that then sell their product to the liquor commission. Is that not correct?

Mr. Smith: Yes, that is correct.

Mr. Lamoureux: So would not the supplier then take into consideration the cost that they are incurring as a direct result of the MLCC having this particular program? This is, in essence, a cost that the liquor commission is paying, albeit it indirectly. Is that not a fair assessment?

Mr. Smith: The fair assessment is that there is a benefit to the suppliers of the program and, in fact, may incur increases in revenue for cost outlay on any costs that they may incur. If the member wants to get hypothetical, we could get into a business case in marketing and supply and certainly to have a hypothetical "maybe" is not something that I do. I base it on the facts of what the actual report is. The member opposite from River Heights certainly had his facts incorrect, that there was a cost.

I think Rob Warren, director of Asper School for entrepreneurship of the University of Manitoba, had said it best, that the incentive is not there for people to purchase and, in fact, in his words, that I do not think that you could easily drink that much booze in a lifetime, even if you were a huge drinker. You probably would have to fill the tank of a plane with the booze that at some \$10 a week for 27 years, if a person did, they may have enough money to have a short flight.

But the members were inaccurate in a press release saying that there was a cost to MLCC. Certainly, they are inaccurate to suggest that there is any increased cost to MLCC because of the program. They are hypothetical in the fact that possibilities of a lot of drivers that may incur an impact on business can be said the other way; in fact, maybe the cost outlay and the cost that they incur keep the pricing down.

Mr. Lamoureux: Mr. Chairperson, the minister and MLCC are, in fact, wrong. If you are passing on cost to the suppliers, there is an indirect cost to the MLCC and I do not understand why this government, and I look to the executive director of MLCC to acknowledge that fact, if, in fact, you are saying that look we want to participate in this particular program and as a direct result in participating in that program there is a cost to the suppliers, that is a cost and that cost has to be recovered from somewhere.

So for the government to indicate that there is no cost and then to go on saying that the Leader of the Liberal Party is wrong by implying that there is a

cost, is wrong. The minister is wrong, and I would ask for the minister to simply acknowledge the reality of economics. One could question if MLCC did not provide that program, well, then, you would not have that additional cost being incurred by the suppliers. So, anyway, I just want to get on the record for that. I appreciate the opportunity from the opposition members. Thank you.

Mr. Chairperson: Before recognizing the minister, the hour being twelve o'clock, I understand there is a willingness to pass some reports, so is it the will of the committee to either not see the clock or delay the adjournment for a few minutes to pass some reports after Mr. Cummings asks some questions?

Mr. Cummings: Mr. Chairman, I will defer to my colleague from Turtle Mountain to decide on our side which reports we prefer to pass.

Mr. Cullen: Thank you. Just a question before we move on to the reports. I am just inquiring about the 2004 annual report, when we can expect that and just bearing in mind we have had a two-year hiatus, if we will. Is there something we can do to address that down the road?

Mr. Smith: The 2004 annual report will be out very shortly. Certainly, in the next short period of time. As the Minister Responsible for MLCC, it has been in my purview and then out of my purview and back to my purview. I certainly am more than happy to sit each and every year to deal with these public issues and pass reports and certainly that report for 2004 will be out quite shortly. I value having these meetings.

* (12:00)

Mr. Chairperson: I interrupted the questions and answers, so I am going to let the minister reply to Mr. Lamoureux's statement. Then we will ask if there is willingness to pass reports starting with 2001.

Mr. Faurchou: I appreciate your trying to wrap things up, Mr. Chairperson, as we have reached the suggested hour of adjournment. However, I do have two questions on policy prior to consideration of the reports.

Mr. Chairperson: We will allow your brief questions.

Mr. Smith: Just to keep my comments very short, we deal with factors that are factually accurate. They are identified in the report. I guess we could debate the statements made by any member that are released to press. Certainly, I disagree with the member in his comments. I guess we will leave it as disagreeing. I believe factual accuracy is very important.

Mr. Chairperson: Mr. Faurchou has some brief questions.

Mr. Faurchou: In consideration of the ID, the picture photo ID program the commission is undertaking and still engaged in, currently the department of highways is also in consideration, along with the federal government, for an ID program that would be universally available to everyone, regardless of whether they own a vehicle or have licence privileges to do so. Where is the commission on this? Are they in discussion with the other departments to accomplish this in the most cost-effective manner?

Mr. Smith: It is a broad question. I will answer it quickly. The identification in Manitoba is paramount, and not everybody has a driver's licence. We had looked at considerations in that end on the financial costs. Where it is in Transportation, I cannot give the member an accurate description, as I have not talked to the department or the minister regarding that. It was something that was being considered by MLCC. I know it is ongoing discussions with different departments in the government of how best to make sure we establish identification that is accurate and recognizable.

Mr. Faurchou: I was just wondering if Mr. Lussier had further elaboration to the—

Mr. Lussier: We are aware of those initiatives, and we would prefer to back out of issuing IDs if we can and turn it over to someone else. We would still do it on a limited basis as required, but it is not something that is our core competency.

Mr. Faurchou: Thank you. I appreciate the response. I would like to ask the chairman of the board whether or not—chairperson of MLCC—whether the board initiates from time to time a best practices evaluation examining other jurisdictions within Canada or elsewhere in North America or abroad to make certain we are afforded the best services in regard to alcohol and beverage availability to

Manitobans. I am aware of other practices whether it be in New Brunswick or whether it be in Alberta.

In Alberta they were able to maximize and actually bring forward greater revenues to the province, but they did roll back their level of taxation because the commitment was made that this would not be viewed as a further taxation grab by efficiencies through changes to their beverage services delivery.

Ms. Neufeld: We look at best practice from a number of areas. One is in our strategic planning session, which is held in conjunction with the executive and senior management as well as the board of directors. Just as importantly, we are members of the Canadian Association of Liquor Jurisdictions. That meets regularly twice a year on the CEO and board level as well as subcommittee levels, whether it is social responsibility or communications, et cetera, and licensing as well.

When we come together in those meetings, we have an opportunity to find out who is doing what, what is new in the industry, what has worked. Quite often, there may be a program that is working very well in a sister province, but for various reasons would not work here or vice versa where it is working here but would not work in other provinces. Manitoba has taken the lead definitely in some areas, and we are very proud of that.

Mr. Chairperson: The Annual Report of the Manitoba Liquor Control Commission for the year ended March 31, 2001—pass.

The Annual Report of the Manitoba Liquor Control Commission for the year ended March 31, 2002—pass.

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

Some Honourable Members: Pass.

Mr. Cummings: I think it would be reasonable if we kept this report open. We are expecting the next annual report forthwith. I would not be surprised that it is printed and wrapped and waiting on us. I think it would be nice to have the two reports to review simultaneously, and passing two reports, I would hope would be acceptable to the government.

Mr. Chairperson: In the interests of not wasting paper, please leave behind your 2003 reports. The hour being 12:08, what is the will of the committee?

Some Honourable Members: Committee rise.

Mr. Chairperson: Committee rise.

COMMITTEE ROSE AT: 12:08 p.m.