

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

Chairperson
Mr. Daryl Reid
Constituency of Transcona

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Thirty-Ninth Legislature

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LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON CROWN CORPORATIONS

Wednesday, September 29, 2010

TIME – 6 p.m.

LOCATION – Winnipeg, Manitoba

CHAIRPERSON – Mr. Daryl Reid (Transcona)

VICE-CHAIRPERSON – Mr. Bidhu Jha (Radisson)

ATTENDANCE – 10 QUORUM – 6

Members of the Committee present:

Hon Mr. Mackintosh, Hon. Ms. McGifford, Hon. Mr. Swan

Mr. Borotsik, Ms. Brick, Messrs. Goertzen, Jha, Pedersen, Reid, Saran

APPEARING:

*Hon. Jon Gerrard, MLA for River Heights
Mr. Kevin Lamoureux, MLA for Inkster
Mr. Ken Hildahl, President and Chief Executive Officer, Manitoba Liquor Control Commission
Ms. Carmen Neufeld, Board Chair, Manitoba Liquor Control Commission*

MATTERS UNDER CONSIDERATION:

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

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

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

Annual Report of the Manitoba Liquor Control Commission for the fiscal year ending March 31, 2009

* * *

Mr. Vice-Chairperson: Good evening. Will the Standing Committee on Crown Corporations please come to order. The first item on the business is the election of Chairperson. Are there any nominations for this position?

Ms. Marilyn Brick (St. Norbert): I would like to nominate Mr. Reid.

Mr. Vice-Chairperson: Any other nominations? Mr. Reid has been nominated. Having no other nominations, would Mr. Reid, could–would you come and take the Chair.

Mr. Chairperson in the Chair

Mr. Chairperson: Thank you, folks. We'll now continue. This–before we–this meeting has been called to consider the annual reports of the Manitoba Liquor Control Commission for the years ending March 31st, 2006, March 31st, 2007, March 31st, 2008 and March 31st, 2009.

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

Mr. Rick Borotsik (Brandon West): Mr. Chair, I would suggest we sit till 8 o'clock or whenever we're completed.

Mr. Chairperson: So it's been recommended to the committee that we sit until 8 p.m. and perhaps review at that time. Is that agreed? *[Agreed]* Thank you to members of the committee.

Are there any suggestions from members of the committee as to which order we wish to consider the reports that I have previously mentioned?

Mr. Borotsik: Yes, Mr. Chairman, I would suggest that we specifically go with the report of 2009, since 2006, 7, and 8 perhaps aren't quite that relevant, but we'll deal with 2009.

Mr. Chairperson: Okay, Honourable Minister, do you have any comments?

Hon. Gord Mackintosh (Minister charged with the administration of The Liquor Control Act): I just want to welcome to the table Carmen Neufeld, the Chair of the Board of Commissioners–

Mr. Chairperson: Just one sec before we do that. It's been recommended before we move to the opening statements, it's been suggested that we consider the annual report for 2009, and so we'll deal with the annual report for 2009 if the committee's agreed. *[Agreed]* Thank you. And the reports, as members may wish, I imagine we can make

reference to those if the committee's agreed as well. *[Agreed]* Thank you.

Now, does the honourable minister responsible wish to make an opening statement?

Mr. Mackintosh: In addition to Ms. Neufeld at the table, we have Ken Hildahl, the president and CEO. As well, with us in the room is Ingrid Loewen, the chief financial officer, Winston Yee, the director of Licensing and Inspection. Next to Ingrid is Al Roney, the director of Retail Sales, and at the end here is Roman Zubach, the vice-president of Human Resources and Admin.

I just have a few opening remarks with—providing a brief overview. Financially, the commission has continued to exceed its financial commitments to the provincial government with net profits steadily increasing since 2006. Fiscal 2009 was the MLC's—MLCC's most successful year in its history with a return to the Province of almost 230 million.

While the commission continues to meet its financial obligations to the government it does so with a keen eye on fiscal responsibility. For the years before the committee today, the commission has ensured its general and administrative expenses as a percentage of sales remains around 10.5 percent. The MLCC is one of, if not the most, efficient liquor jurisdictions in the country.

The commission is also one of the single largest buyers of beverage alcohol in the world, purchasing products from approximately 2,900 suppliers in 56 countries. It offers over 4,100 listings of spirits, wine and beer products to its retail and wholesale customers. The distribution centre also supplies approximately 1,700 commercial customers and is responsible for injecting about 1.4 million into the provincial transportation system for delivery services. As a retailer, wholesaler and distributor, the commission continues to demonstrate that it's a major contributor to our economy.

Balancing its financial obligations with its commitment to promote safe, healthy and responsible use of beverage alcohol is also a major endeavour for the commission. This commitment is evident through the organization—throughout the organization—whether it is preventing minors from purchasing alcohol in Liquor Marts and licensed premises, promoting public awareness of alcohol-related issues or working with partner organizations to prevent the abuse of alcohol in our communities.

The commission has also led the way on many social issues with awareness programs such as the With Child, Without Alcohol program, which addresses alcohol, pregnancy and FASD; the Be Undrunk program, which tackles the issue of binge drinking among young adults; and the Be the Influence program, which provides information and guidance to parents on talking to their children about alcohol. Concerns about raising prevalence of date rape drugs in licensed premises has also led to the defensive drinking campaign, which reminds patrons not to leave their drinks unattended.

Through its licensing and inspections department, the commission also continues to balance the educational needs of licensed and permit premises with the enforcement of the act. About 2,900 licences and 11,000 permits are issued on an annual basis, and liquor inspectors conduct over 25,000 inspections of licensed premises and over 1,500 inspections of permits at permit events every year.

The commission also works with other organizations to address issues of concern related to beverage alcohol. Working with the Winnipeg police services, the Manitoba Restaurant Association, Manitoba Hotel Association, the Manitoba Tourism Education Council and Manitoba Public Insurance, the commission helped to develop the It's Good Business, responsible serving trainer training program. Now a mandatory program, It's Good Business ensures owners, managers and serving staff of licensed premises are trained on responsible alcohol service to prevent overservice and overconsumption in their establishments. This program was expanded in '07 and now provides training for security personnel within licensed premises.

In fiscal '08, the commission formed another working group, this one intent on making recommendations to government on improving safety within licensed premises. The group brought forward 13 recommendations, including 10 legislative amendments. These recommendations addressed safety in licensed premises and promoted responsible consumption of beverage alcohol while satisfying the needs of the public, industry association and stakeholders.

Looking at its role as a retailer, the commission currently operates 50 Liquor Marts throughout Manitoba. It does so alongside some 270 privately owned beer vendors, 178 privately owned liquor

vendors and eight private wine stores, thus demonstrating a liquor retailing environment that is a successful mix of both private and public operators.

While Manitobans have enjoyed some of, if not the lowest, beer prices in the country over the past several years, the commission takes a middle-of-the-road approach to overall pricing. It conducts routine pricing comparisons with other provinces and territories across the country while ensuring it remains competitive with Ontario and Saskatchewan. But pricing alone does tell the whole story.

The commission has worked hard over the years to provide excellence in customer service. Customer surveys and the use of professional shoppers confirm that these efforts are working. Manitoba customers consistently give high ratings to Liquor Marts for friendly, knowledgeable staff and prompt service. Recognizing the need for improved service to rural Manitoba, the commission opened two new Liquor Marts in the growing cities of Brandon and Steinbach. In addition to enhanced product selection and employee product knowledge, modernized Liquor Marts have improved the rural shopping experience. The commission also continues to work with local liquor vendors to ensure they are meeting the standards for customer service, product selection and responsible sale and service of beverage alcohol.

* (18:10)

Much of the commission's success in customer service is due to the commitment of its dedicated work force of over 900 full- and part-time employees. The commission employees are committed to supporting the goals and strategy of the organization and are a key component of its success. A recognized top employer in Manitoba and a top 100 employer in Canada, the commission has received several accolades over the years for its human resources efforts. In '06, the commission received the Excellence in Leadership silver award from the Human Resource Management Association of Manitoba. This award was given for identifying and developing employees with strong leadership potential and preparing individuals for key positions throughout the organization.

In closing, I'd like to acknowledge the efforts of the Board of Commissioners, the executive team, as well as the management and the staff of the commission for their commitment over the years to providing exceptional value and service to all Manitobans. Thank you.

Mr. Chairperson: I thank the honourable minister for the opening statement.

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

Mr. Borotsik: Yes, thank you Mr. Chairperson.

Very briefly, just to welcome Mr. Hildahl here as the CEO for almost a year now, I think—

Floor Comment: Over.

Mr. Borotsik: —just over a year. I know that he's taken on a reasonable challenge, albeit I'm sure Mr. Hildahl will agree it's a good organization with not a lot of competition here in the province of Manitoba. It's probably a little easier to operate perhaps than the Winnipeg Blue Bombers who have competition in the CFL and we see what happens with competition when in fact it is certainly better than what the product is on the field here. So, Mr. Hildahl, congratulations for being just over a year, and it's nice to have you at the table. I know we all miss Mr. Lussier but I'm sure that he's experiencing some well-deserved retirement.

As for the Manitoba Liquor Control Commission, I've gone through the financials for '09. It is almost October 2010 now. I would have liked to have been able to deal with the 2010 financials year-end March 31st—they're not here. I was also looking on the Web site, Mr. Chairperson, to look at quarterly reports in 2010 and, unfortunately, I never found any of those quarterlies. So perhaps at some point in time through this meeting we can talk about where we're at currently as well with a number of areas, certainly with sales and how they've been going, as well as with expansion within the MLCC itself. The minister has certainly given us a good breakdown as to how MLCC has performed in 2009 and in the past, but it's really going forward that we would like to have some understanding as to where MLCC is going at the present time.

So that's a very short opening statement and, if we can get right to the questions, perhaps Mr. Hildahl can answer some of the questions.

Mr. Chairperson: We thank the critic for the official opposition for the opening statement.

Do the officials of MLCC have an opening statement?

Mr. Ken Hildahl (President and Chief Executive Officer, Manitoba Liquor Control Commission): I don't think so, other than I wish to thank you for the

good wishes coming into this new role, but also point out that these reports that we're considering tonight predate my tenure here at the commission. Although I'm fairly well versed, from time to time I may have to consult with my colleagues.

Mr. Chairperson: Thank you for the opening statements to all, and we'll now proceed. The floor is open for questions.

Mr. Borotsik: In dealing with the 2009—first of all, if I can Mr. Hildahl, we're a little bit behind. We're 18 months behind dealing with March 31st year-ends 2009. Can Mr. Hildahl tell me when in fact the year-end March 31st, 2010 financials will be available either on-line or to the committee?

Mr. Hildahl: They have been prepared and they have been submitted. So I would assume they'll be available in the near future.

Mr. Borotsik: I wonder—and I do know that we're dealing with 2006, 7, 8 and 9. I wonder if, Mr. Chairperson, the committee would allow, perhaps, Mr. Hildahl to give some understanding as to where the 2010 financials are with respect to bottom-line financials? What kind of net earnings they had at that point in time? With the indulgence of the committee, would that be possible?

Mr. Hildahl: Sure. I think, just in a very general sense, when I look at the preliminary results, the year was good. Sales were—we met our—virtually met our sales objectives. There was an increased cash flow to the province somewhere in the neighbourhood of \$232–233 million. So in spite of a fairly tough economy out there—and I know a lot of the licensees were struggling; we were working with those organizations as closely as possible—in spite of the economic times and some of the weather conditions, particularly in rural Manitoba, overall a successful year.

Mr. Borotsik: So 232 million net to the Province. There was, as I understand it, 229 in 2009 as the statements here—net profit paid or payable to the Province of Manitoba and 232.

Does—can Mr. Hildahl tell me if that was the projections that were initially set out for the 2010 financials? Did they meet those projections?

Floor Comment: It was very close. We were—

Mr. Chairperson: Mr. Hildahl.

Mr. Hildahl: —sorry—very, very close to meeting projections. I believe the projections were in the 234

range and we were within a million dollars, give or take a hundred thousand dollars.

Mr. Borotsik: Just for Mr. Hildahl: I know it's, perhaps, one of his first or second time here. The Chairman has to identify you so that *Hansard*, those lovely people at the back of the room, can identify who is going to be speaking. So you're going to have to have about a seven-second delay so that the Chairman can identify. I'm sorry, Mr. Chairman, for indicating that.

Mr. Hildahl, you have approximately 50, if memory serves me correctly, MLCC locations throughout the province. Has there been any expansion in the 2010 financial year?

Mr. Hildahl: No, we're still operating with 50 locations, although, you know, as we look at our five-year capital projections, as we see growth in the city, as we see growth in some of the rural communities, we're always considering locations for new stores.

Mr. Borotsik: Could you just expand on that a bit. Are you looking at some expansion of new stores? Fifty—you didn't have any growth between 2009–2010. Is there anticipated growth in 2011?

Mr. Hildahl: We haven't finalized any growth projections. We're in a fairly tough economic climate right now. We're not rushing to open new stores. We're renovating some of the existing stores, but as the opportunities or as the demand presents itself, we'll take a look at those. Do I expect those to happen in the next fiscal year? I don't think so, but if circumstances change, we'll look at it.

Mr. Borotsik: There was something just recently about the potential expansion of one of your stores. I believe it was in Tuxedo Park plaza. Is that being anticipated for this coming fiscal year and, if so, was it precipitated by Manitoba Liquor Control Commission or was it precipitated by the landlord?

Mr. Hildahl: That—it's an unfortunate situation. We've said to the landlord at—in that particular mall that if the opportunity presented itself, we'd be looking for additional space to expand our operation. The landlord approached us last January saying that they had space coming available, would we be interested. At which point yes, we negotiated terms and conditions of a new lease; subsequently found out that the landlord had been, I guess, less than—I won't say honest but forthright, if you will, with the current occupants. I've had several meetings with Mr. Barish, the owner of the Salisbury House. He

understands, as we understand, is that the landlord basically has made a decision not to have the Salisbury back in that mall, but didn't have the respect to sit down with their tenant and have that discussion with them.

Mr. Borotsik: Thank you, and I do appreciate landlords wishing to get the most value out of their space so I don't hold MLCC responsible for any of that. I just wanted to know whether it was precipitated with the landlord or by MLCC at the time.

On the financials, Mr. Hildahl, and I perhaps can point you to page 20. It's the statement of cash flows and it talks about the annual and supplementary licensing fees and other. In 2008 and, again, I wish I had 2009 to make comparables to but we don't—2008, there was three million seven in licensing fees and that increased to six million one—a 61 percent increase.

Can you tell me why the substantial increase in the supplementary licensing fees?

Mr. Hildahl: Yes, I just have to confer with—

Mr. Chairperson: Yes.

* (18:20)

Mr. Hildahl: Sorry. I'm informed that that was a timing difference. There was a decision made to eliminate supplemental fees and, in the latter part of the year, the new licence fee program came into effect. So there was a—in, I guess, in effect, just a timing issue with respect to the receipt as the last of the supplemental fees and then the implementation of the new licensing fees for licensees.

Mr. Chairperson: Mr. Borotsik.

Floor Comment: One further comment—

Mr. Chairperson: Mr. Hildahl.

Mr. Hildahl: The long-term—oh, sorry.

Mr. Chairperson: Just a caution to members of the committee, the Chair needs to recognize you so that the microphones can be turned on and off.

Mr. Hildahl, to conclude your remarks, please.

Mr. Hildahl: Yes, just to conclude, the net result of that change in the supplemental fees is more money going back into the pockets of the licensees.

Mr. Borotsik: And I don't quite understand that. You're—it's showing as income or cash receipts on the cash flow, so it's income to the corporation.

How does that enhance the bottom line of the licensees if, in fact, it's gone from three million, seven, to six million, one? It seems to me that those are costs that are now being associated with annual and supplementary licensing fees. How does that go into the bottom line of the licensees?

Mr. Hildahl: It won't show on this, but in future years as the supplemental fees have been eliminated. That was a fairly substantial cost to the licensee. That was 2 percent net on top of retail. So that, you know, with the timing, but it will catch up and will be a net benefit to the licensees.

Mr. Borotsik: Okay, then, perhaps you can answer. On page 24 of the 2009 statement, on other income, it shows annual licensing fees and license application fees in 2009 was a million and one hundred thousand. Now, that's identified under other income. That's an increase of—from 590,000 to a million and one.

Can you explain the other income and what that annual licensing fee is as it pertains to the other annual licensing fee as identified on page No. 20?

Mr. Hildahl: Just give me one moment on that.

Mr. Chairperson: Yes.

Floor Comment: Okay. Just to—

Mr. Chairperson: Mr. Hildahl.

Mr. Hildahl: Sorry. Just to—if you take a look towards the bottom of that same chart, under supplementary licence fees, you'll see a corresponding decrease in the amounts received.

Mr. Borotsik: Fair ball. It's gone from 800,000 down to 41. So there's a balance there between the supplementary and the annual licensing fees.

My question would be, is: Why is that identified in other income? When you have an actual line item on the cash flow statement, why would you show that as other income and not have it as a separate line item?

Floor Comment: I think—

Mr. Chairperson: Mr. Hildahl.

Mr. Hildahl: In some of those issues we're going to have to, you know, I was—we're moving towards the new accounting standards that everybody's going to be imposed.

What I've asked our accounting staff is to take a look at some of those types of situations and let's see

if we can disclose those in a different fashion. So I won't speculate on how that occurred four or five years ago, or 10 years ago when that decision was made, but moving forward I'd like to see the layout of these change a little bit. Just to make it a little more clear, the income and the expenditures.

Mr. Borotsik: Certainly, you won't get any argument from me. It would be nice to see a little easier statement to read. And I do understand—same as with cash flow—and, as the accounting process, but it would be nice to see income, expenses and the bottom line, and we have the bottom line, for example, on page No. 21 where you have your gross profit of 288,000, and if you go back over to—where are they? I'm trying to get my numbers here. The gross profit was 288 for 1999 and the net profit—the net cash available from operating activities was 234. After your cash receipts and after your expenses you have net cash available for transfer at 226,991.

Perhaps your accountant can help me with this. We've got net cash available for transfer at 226, yet, in fact, you did transfer to the Province 227,742 as shown on the cash flow statements.

When you only had the net cash available at 226, how could you transfer 227? You actually transferred 229.

Mr. Hildahl: I'm told that we had opening cash at the beginning of the year.

Mr. Borotsik: It would be nice to see the transparency. I do know that the financials are going to be easier to read because in fact you did transfer to the Province, as I understand this in your statement of income, \$229 million in the fiscal year of 2009. However, as I said, your cash available was 226, and yet you showed transfers of—but maybe you could help me on this one.

On your statement of cash flow, it does show transfer to the Province of Manitoba with prior years and current years of 227, but on the statement of income, you actually showed a net pay to the Province of 229. Can you tell me the difference between the 227 and 229?

Mr. Hildahl: My understanding is that's the cash balance that's at the beginning of the year after the adjustments for the previous fiscal year.

Mr. Borotsik: Can you sort of expand on what cash adjustments?

Mr. Hildahl: I'll get it eventually.

At the end of the year when we close off our books, there's always adjustments that are made by the auditors and cash that's collected subsequent but posted back to the previous year. As I understand it, that's a normal process that has been in place for quite a number of years.

Mr. Borotsik: Just a reconciliation from the previous year to this year.

Okay, so it was 229 in 2009. You said approximately 232 for year-end 2010—approximately, we're not going to hold you to that until we get the actual audited financial statements.

Going forward in 2011—fiscal year 2010, year ending 2011—what are the projections for your net revenues at that point in time?

Mr. Hildahl: The—moving forward—if you take a look back at what's happened this year, the price of beer was increased—you know, not a substantial increase but certainly an increase.

But, having said that, we're projecting positive cash flows of somewhere in the neighbourhood of 240, 241 million.

Mr. Borotsik: Talking about the price of beer increase, I believe it was \$1.25 per dozen. The minister, in his opening statement, did indicate that—did indicate that you regularly compare prices of beer and alcohol with other jurisdictions, particularly Saskatchewan and Ontario because those are the two competitors, if you will, because they're as close to us.

That increase of 1.25 per dozen, did that match increases—similar increases in those other two jurisdictions of Saskatchewan and Ontario?

Mr. Hildahl: It—I haven't seen their price increases over the last short while, but by and large, at the end of the day, when we do our comparatives—and you're quite right; the two meaningful comparatives for us are Saskatchewan and Ontario—when I look at the price of beer subsequent to the price increase, we're in a very competitive position, not just with our two immediate neighbours but right across Canada. We're still in the bottom two with respect to beer prices. Now, that can change a little bit if Québec, for example, is running a limited-time offer on the price of beer, but we still remain very competitive. We look at certain brands within Ontario, they'll be a little bit cheaper than we are here in Manitoba; other brands, they're more expensive than our prices. So, on balance, we've got amongst the lowest beer prices

in Canada and we're still lower than Saskatchewan and, at worst, on a par with Ontario, depending on the particular brand.

Mr. Borotsik: Amongst the lowest in the country. Do you have any statistical data that in fact shows that, what your cost—or what the cost of beer is in Manitoba compared to the other jurisdictions? Do you have a table that would give us that amongst-the-lowest cost?

* (18:30)

Mr. Hildahl: Yes, we do. We do annual comparatives. I'd be happy to get you a copy.

Mr. Borotsik: Thank you, Mr. Hildahl. I would love a copy of those comparables, if you wouldn't mind, just so that we know that we are amongst the lowest in the country.

I asked about the 50 MLCC Liquor Marts and the potential for expansion and you gave me some—a very valid answer. In 2009, it identified private liquor vendors and duty-free stores at 177. Well, there are 173, or at that time there were 173, which you identify as private liquor vendors, and I assume that there were four duty-free stores. Are those the same numbers going forward in 2010, or has there been an increase or a decrease of the private liquor vendors?

Mr. Hildahl: No, the numbers will be relatively the same. And the only reason I say relatively is from time to time we get notice from a vendor that they're going to discontinue their licence. So I signed off on one of those this morning. So, what's the actual count? But they stayed very static and we'll look to replace that vendor as quickly as possible.

Mr. Borotsik: Has there been any inquiries as to increase that number of private liquor vendors?

Mr. Hildahl: I haven't had any requests. You know, you talk to people from time to time that express an interest but I haven't had any formal requests.

Mr. Borotsik: Well, there has been a request, certainly, from a potential private liquor vendor in Headingley. That hasn't been approved and there are certain restrictions that Manitoba Liquor Control Commission have on distances.

Has there been any additional inquiries, if you will, from the Headingley area, particularly, to have a private liquor vendor operate out of that location?

Mr. Hildahl: Certainly none that have been directed to myself. I'm aware of the past request but I haven't seen one since I assumed office.

Mr. Borotsik: Again, I assume, and correct me if I'm wrong, but there are four duty-free liquor stores here identified as being a—one of the retail outlets. Is that still the case? Are there four duty-free stores still operating?

Mr. Hildahl: I assume it is, but let me just double-check that figure, just to be sure. Yes.

Mr. Borotsik: Thank you, Mr. Hildahl. We talked about the potential for another private liquor operator in Headingley and that obviously wasn't agreed to.

I'm going to just very shortly or very quickly just touch on another pet of mine and that would be private wine stores. We currently have, I believe, eight private wine stores in the city of Winnipeg. Is there any desire from Manitoba Liquor Control Commission to expand the number of private wine stores within the province of Manitoba?

Mr. Hildahl: I haven't looked at the expansion of the private wine stores. My focus over the last year, quite frankly, has been to—as you know there's been a strained relationship between the commission and the eight private wine stores. I've been putting a lot of focus and a lot of effort into trying to normalize those relations before we even consider the question of whether we're going to expand that part of the operation. So, you know, my—to make the answer short, my focus has been on trying to arrange some semblance of civility to that relationship and then look at what are the opportunities moving forward.

Mr. Borotsik: And how successful have you been in trying to develop those relationships and add some civility to that relationship?

Mr. Hildahl: I think we've made some significant gains. It was a relationship, as you know, that was at the point where the parties essentially talked through a third party as opposed to directly. I now have a very good working relationship with Mr. Razik. We meet on a regular basis.

I meet monthly with all of the privates as a group, those that choose to attend, and it's by far the majority. We're working on new programs with them. We've—as you know, we've been involved in discontinued product sales in the past. We've now expanded those sales to include access for the private wine stores. Some of the advertising that we do with

respect to those clearance sales, we include the private wine stores as part of the ad.

So, as I say, I think that we've got a ways to go, but I think that, by and large, we've opened some very good lines of communication. I think we've built some significant levels of trust amongst ourselves. Still some work to do on it, but I'm actually very pleased with where the relationship is today compared to when I first walked into the first meeting.

Mr. Borotsik: That's very encouraging, Mr. Hildahl. Perhaps at some point in the not-too-distant future there may well be the opportunity for expanding some of those private wine stores outside of the Perimeter Highway into other jurisdictions within the province of Manitoba. So that's encouraging to know that those relationships are happening and it's always better to deal on a one-on-one than it is through a third party, and I assume you're referring to lawyers when you're talking about a third party. It's always better not to deal with lawyers in that circumstance.

Wine—and, again, I apologize but I'm dealing with 2009. On page No. 29 of the financial report, it does show wine increasing quite dramatically from 2005 to 2009, and this is in dollars. In 2005 it was \$78 million. In 2009 it was \$112 million and it's been growing quite exponentially over the past. In 2010—and, again, I apologize; I don't have the 2010 numbers—but have the wine sales increased quite substantially in 2010 over 2009?

Mr. Hildahl: We've seen—you know, this is a phenomena that's been happening in the industry now for a number of years, increased popularity for both beer and particularly for wine. We've seen a slight decrease in the popularity of spirits, so we're not seeing the growth in spirits, or what growth we see with respect to spirits is very small.

So it appears that new opportunities, if you will, are being filled in the wine market. We did see an increase in this past fiscal year in the sale of wines but we also saw an increase in beer sales.

Mr. Borotsik: Could you attribute some of that increase in wine sales and certainly the popularity, could you attribute some of that to the private wine stores?

Mr. Hildahl: I haven't done the analysis. I wouldn't—you know, I'm not sure I'd attribute it to anybody in the particular, whether it's ourselves or the private wine stores or just a consumer that is becoming more

conscious of wines, and wines have become a more popular medium, if you will, for entertaining.

It's probably a combination of both. We do a lot of work, a lot of product training and a lot of product knowledge amongst our staff as do the private wine stores, so I think that the consumer is being exposed to a lot more knowledge, a lot more information about wines and are growing a much more sophisticated taste, if you will, and truly enjoying the product.

Mr. Borotsik: Yes, and I'm sure the more access that they have to sophisticated products, the more sales one is going to generate. Again, as I said, it's now \$112 million of the 2009 financials.

If you go to page No. 21 on the 2009 financials, wine in the Manitoba Liquor Control Commission stores contributed \$84 million in gross sales. The specialty wines contributed 13,257,000, and I'll ask the question again that I did last year actually. That 13,257,000, is that wholesale cost to the eight specialty wine shops?

Mr. Hildahl: I believe it is, but let me just double check just to be sure. *[interjection]* Yes.

Mr. Borotsik: That's wholesale cost. I assume the 84 million that's being generated is at retail cost through the Manitoba Liquor Control Commission. Is that correct?

Mr. Hildahl: Yes.

* (18:40)

Mr. Borotsik: You're running approximately 40 percent margins on your product. Is that—that's the case in 2009. Is that still the case right now, about 40 percent margin?

Mr. Hildahl: Yes, there's been no change.

Mr. Borotsik: So on a simple mathematics, if you add—and I assume, and unfortunately it's an assumption and maybe you can correct me if I'm wrong, but—well, I'll ask you, are the private wine stores allowed the same margin as the Manitoba Liquor Control Commissions? Are they allowed to have the 40 percent margin on their wholesale costs as well?

Mr. Hildahl: The margins vary depending on the product, depending on their volumes. There's a different volume on discounts built in for the stores, but they get a substantial portion of the markup, yes.

Mr. Borotsik: Okay, they're not free to mark up their product to a margin that they would like to see, or is that controlled totally by Manitoba Liquor Control Commission? Are they told what they can charge for a bottle of wine and what their margins will be?

Mr. Hildahl: Okay, I've got a better understanding of your question. No, they're free to set their prices. What we do is we give them a recommended retail price based on a standard markup formula.

Mr. Borotsik: Okay, they have the suggested markup and retail price, but if they have a specific wine that they're marketing, if they are able to achieve a higher margin than the 40 percent, are they allowed to be able to charge that margin?

Mr. Hildahl: Yes.

Mr. Borotsik: All right, assuming the 40 percent margin on 13 million worth of sales, that would generate gross sales somewhere in the neighbourhood of \$20 million and that's ballpark, but the mathematics works if you look at 40 percent on 13 million two. So the eight wine stores in the city of Winnipeg, because there are none outside the Perimeter, generate \$20 million in gross sales, yet, 50 Manitoba Liquor Control Commission stores generates \$80 million in gross sales for Manitoba Liquor Control Commission. So eight stores is 20 million, 50 stores is 84 million. Is there some reason why the Manitoba Liquor Control Commission wouldn't have perhaps a better percentage of the sales than the private wine stores?

Mr. Hildahl: Yes, there's a number of factors when we take a look at the structure of the private wine store market, it's primarily—well, it is; it's south Winnipeg, and the focus of their efforts have been in the licensee business. And the advantage, of course, for the licensee is if they bring exclusive product in through the private—privately owned wine stores, that gives them an advantage in the marketplace, you know, whether it's a restaurant, a bar, or so, primarily in south Winnipeg and, by and large, licensee business that they're really focussed on and that's where a good significant part of their volume is coming from.

Mr. Borotsik: I'm glad you mentioned that. Was that not part of the deterioration of the relationship? Was Manitoba Liquor Control Commission not trying to attach itself to that licensee market that the private wine stores were trying to develop?

Mr. Hildahl: In—you know, and again, I wasn't, you know, involved in the particular arbitration. There were some issues surrounding some of the licensee business, without a doubt. I think that those issues have been dealt with. We're working a lot closer with the private wine stores to ensure that those types of situations don't occur again in the future.

Mr. Borotsik: Yes, thank you. Just two seconds while I find out where I'm heading on this next one.

On page 25, on the general administrative expenses, about three-quarters down the page, on general administrative expenses, there's an—there's a line item called Community support. In 2009, Community support expense for Manitoba Liquor Control Commission was 442 million. Four hundred and forty-two—

Floor Comment: Thousand.

Mr. Borotsik: —thousand, thank you. Boy, that would be really good if you could do that. Four hundred and forty-two thousand. The previous year was 1,450,000.

Can you tell me why the difference between community support from 2008 to 2009?

Mr. Hildahl: Yes. The '08 figure includes the \$1 million towards the Canadian Human Rights Museum. So the—

Mr. Chairperson: Mr. Borotsik—sorry, Mr. Hildahl, to conclude.

Mr. Hildahl: No, I was just going to say, you know, we're a very—you know, at the Liquor Commission, very committed to being part of the community and being part of the mosaic. We try and keep our community involvement in and around the same number on a year to year basis. So '08 was a one-off, if you will.

Mr. Borotsik: I have to—and excuse me, but is Manitoba Liquor Control Commission looking at any one-off for the new football stadium?

Mr. Hildahl: No.

Mr. Borotsik: It had to be asked. I do know your relationships. I—it had to be asked.

So that was the Human Rights Museum. That was a million dollars. That—and now that was before your time, Mr. Hildahl. That was 2008 yet as opposed to 2009. That was a one-off and that was—well, I'll ask you and I'm sure you can get the answer—that was a donation that was requested of the

board of Manitoba Liquor Control Commission and approved by the board?

Mr. Hildahl: Yes, it was.

Mr. Borotsik: Thank you. The community support, the 442 which has been pretty constant, I guess, it was 450 in 2008, 442 in 2009. We don't know what it was in 2010 and I don't suppose you have that at the—at your fingertips. There, I assume, is a spreadsheet that shows the community support, where it's gone to. Is that spreadsheet available?

Mr. Hildahl: Yes, there is a spreadsheet and yes it is available and I'll see that you get a copy. And that's information that's readily available; we make that available. We've had several FIPPA requests this year on it. A lot of them are detailed in the annual report, but the FIPPA requests that we've submitted list the organizations that made the request and the amount of money that was provided. And just as a sidelight, we tried to make sure that the money isn't just focussed in Winnipeg, that we try and reach out into rural Manitoba where we have the opportunity.

Page 13, there's a list of sponsorships.

Mr. Borotsik: Thank you. I also have a copy of the FIPPA requests for advertising and promotion expenses and communication account. I don't have it for the community sponsorship. You say it's page 13.

Floor Comment: There's a list of sponsors—some of the sponsors—

Mr. Chairperson: Mr. Hildahl.

Mr. Hildahl: Page 13 has a list of some of the sponsorships that we're involved in. It's not a comprehensive list.

Mr. Borotsik: Yes, thank you, and nor is there a financial—and nor is there a dollar amount attached to that as well. I'm kind of looking for the sponsorships and the dollar amounts and, Mr. Hildahl, you did say that you could provide that dollar amount along with the sponsorships as well, and I will be expecting it.

As I said we do FIPPA and have got FIPPA's from 2007-2010 for communication account and for advertising and promotion expenses. On the advertising and promotion—where are we here—for the advertising and promotion does MLCC still use ChangeMakers as it's advertising agency for social responsibility advertising?

Mr. Hildahl: Yes, we do.

Mr. Borotsik: Does MLCC tender that particular contract, and if so, on an annual basis, or is it a longer time?

Mr. Hildahl: Yes, it's a longer—because it's an ongoing program the social responsibility—we generally let that one go a little longer and it's no different than our architectural firm to keep the same look about the stores. But, yes, they are tendered and the communication one with ChangeMakers and, I believe, the architectural contract are both up for tender in the next 12 months.

Mr. Borotsik: How long has ChangeMakers had the advertising contract?

* (18:50)

Mr. Hildahl: I'll have to check on that for you. Approximately eight years, but I'll get you the precise figure.

Mr. Borotsik: And over that eight years, has that contract been tendered at all over the eight years? Because you say it's coming up in another 12 months. That would be a nine-year contract. Had it been tendered prior—the prior eight years?

Mr. Hildahl: Not that I'm aware of, but I'll double check on that. But I'm certainly not aware of it. Which has led to me, you know, looking at a lot of those long-term contracts and it's time to take them to market to test on the price.

Mr. Borotsik: I couldn't agree more. After eight years it would be nice to be able to see just exactly what else is out there in the marketplace.

I have an interesting question, I think. I've been approached by, I won't say a number, but by some limousine operators in the province of Manitoba, and they've asked as to why limousine operators in the province of Manitoba are not allowed to have liquor served within the limousines, where, in fact, other jurisdictions do have that ability. Saskatchewan, Alberta and British Columbia, particularly, have the ability to have alcohol served in limousines. Now we all know that limousine operators—individuals use limousines for specific purposes.

Has the Manitoba Liquor Control Commission ever looked at the possibility of having alcohol served within limousines?

Mr. Hildahl: It certainly hasn't, you know—again, it hasn't come up in my tenure. Would I be willing to sit down with that group and have that discussion? Absolutely.

Mr. Borotsik: They would be very happy to hear that answer and I will pass on this *Hansard* to those individuals and I'm sure that you'll have some contact from the limousine operators to see if, in fact, that could be put into place in Manitoba.

Mr. Hildahl: No, I'd be—as I said, I'd be more than willing to meet with them. I can't guarantee, of course, what the results will be, but I want to create the dialogue and see where—you know, work with our licensing folks, our inspection folks and meet with them.

Mr. Borotsik: As I understand, Manitoba—MLCC, under its current legislation, would have the ability, by regulations to, in fact, allow that within limousine operations. Is that true?

Mr. Hildahl: I'd have to take a look at the specifics of the act and the regulations and—just to make sure before I committed to that.

Mr. Borotsik: We won't hold you to the commitment, Mr. Hildahl, I can assure you.

See if any of my colleagues have any questions of Mr. Hildahl.

Mr. Blaine Pedersen (Carman): Mr. Hildahl, there's been some discussion, particularly in the news lately, in regards to closing some of the bars and lounges in the downtown area. There's been some concern. A restaurant owner has closed because of the activity outside his front door.

What is the MLCC's participation in this process?

Mr. Hildahl: We participate in, I guess, a number of different areas. When we take a look at what's happening in downtown Winnipeg, there's a number of concerns that we have with respect to—and there's two really—two different problems that we see on the liquor side.

One is three particular hotels that are in the news on a fairly regular basis with respect to their clientele, the panhandling that occurs outside and then we have some of the more upscale, if you will, club—private clubs—or clubs—that we're seeing fairly significant levels of violence, whether it's stabbings, shootings, assaults that are taking place.

So, we're working very—it's a problem that a number of groups in the city have seen. We're working very closely with the Winnipeg city police, with the Downtown BIZ, with a lot of the local

business owners to do what we can to work with them and reduce some of the levels of violence that are occurring.

There's no easy solutions when we look at downtown Winnipeg. It was floated in the paper that perhaps we should look at just shutting down the three hotels that were being talked about, if you will. That in itself isn't the whole answer because all you're doing is simply moving the problem from one city block to the next city block.

So our approach has always been, you know, multifaceted, if you will. We work very closely with other groups that have a vested interest in downtown and we've also stepped up our inspection program in all of those facilities. And we're running quite a number of joint inspections now with the Winnipeg city police. Again, they have the same concerns that we have.

Mr. Pedersen: Thank you. That was—I was going to—I was thinking along the same lines. It just—simply closing one establishment just moves it down the street or into a different area or whatever.

Is there—so, in the long term, is there—do you see any significant changes in the long term to go towards—and I—you know, understanding that we can't simply move it from one area to the other, but is there long-term plans in there that you're working with the city police and others and the City on this issue?

Mr. Hildahl: Yes, there's a—you know, and it's an ongoing dialogue. You know, we work very closely with those various groups.

You know, we go back over the last three or four years and the history of the issues in downtown Winnipeg, some of the measures that have been put in place to this point have had a significant impact. When we take a look at the—and in talking to our counterparts over at the City—you take a look at the number of incidents that are occurring, they're down substantially. We've had some good co-operation from some of the downtown hotels in terms of restricting the sale of single-serve beer, for example, which has really taken away a lot of the pressure with respect to the panhandling.

So I don't want to make it appear that progress hasn't been made over the last three or four years. We've got a long ways to go and we're continuing to explore different avenues with our partners in the downtown.

Mr. Pedersen: Okay, and moving from the downtown urban to the rurals, we're still having some issues in the rural communities with—we call—refer to them as booze cans. And I did talk to the previous minister about this and—but there seems to be some hesitation from the RCMP to move in on here from MLCC's perspective enforcing this.

Just—are you aware of this phenomenon that's happening out in the rural areas?

Mr. Hildahl: We're aware of some of the—you know, not specifically—we're aware of them as we, obviously, as we get informed. We've had some significant issues up in Thompson that we've been dealing with. And our approach on those is, whether it's a problem with, you know, as you call them, beer cans or with bootlegging, is to work as closely with the RCMP as we can. And by and large, we've had very good success, very good co-operation, but if there's specific incidents happening that aren't getting to our inspection department, I'd be more than welcome to get the details and pursue it. Those are situations that create an unsafe situation for a lot of people, and if we can deal with them, we want to deal with them.

Mr. Pedersen: It has been a significant issue out in some of our southern Manitoba communities that—and it has greatly impacted on our local hotels and that, because it's, obviously, kind of the wild west out in some of the back alleys there. And so I will check on it and get back to you if there—I don't know the latest situation with them, but I will check on that and if they're still in operation I will send those—that information on to you, because it is a significant issue in some of our communities.

If there was—if I can go back to the financials there, and I asked—passed a note to my colleague, but, as usual, he just ignored me again. So that's fine, but—

An Honourable Member: You should be used to it by now.

* (19:00)

Mr. Pedersen: Yes, well—in—and we were talking about margins, and I—you're talking about the same—projecting the same 40 percent margin. In 2009, you had a 232—no, \$229 million projected. In 2010, for 233-4, whatever it is, around there, basically the same. And yet you're projecting a \$10-million

increase in net sales for 2011—and again, that's just projected, we don't—but, again, your projection. If you're going to keep the margins the same, is this from the increase in the beer price, or how would you project it? You—it looks to me—and I haven't gone back into '08 to see, but you've been on a fairly steady plane in terms of net returns in the last number of years and then, all of a sudden, now next year you're projecting a fairly substantial increase. Where is that coming from?

Mr. Hildahl: By and large, next year's increase will be the impact of the beer price increase. We'll see the full impact of that. It's never an exact science when you budget, but we take a look at the economy and, on balance, will we see a slight improvement in the economy? We build that into our forecasting when we take a look at and do the analysis on this year. Certainly, the weather played a very significant role. I mean, yes, the economy, you know, it had its ups and downs, but I take a look at what happened in rural Manitoba, and I mean, there were some—there's a lot of people hurting because of the rains—don't have to tell you folks that—and that impacts on our sales.

So when we do our projections, we take a look at a year like this. This is a—sort of a one-in-10 event, where we have this much rain and all on weekends, quite frankly, and we hear repeatedly from the—from our licensees that the weather has really hurt them this year.

Mr. Pedersen: I'm very aware of the weather in rural Manitoba, and the rubber boots are getting a little taller every week here.

But how does the increase in the price of beer, and taking out the weather factor, if we can, does this affect—we've got a number of microbreweries in Manitoba. Does this affect—did it have an effect on them, on their bottom line, and maybe you—if you would go—if you could explain your work, and with the microbreweries, how do we promote them in Manitoba, and what does Manitoba liquor commission do in terms of dealing with microbreweries?

Mr. Hildahl: When I look at microbrewery, there's two of them in Manitoba, one now truly owned and operated by Manitobans, and that's Half Pints. Fort Garry breweries is now owned and operated by Russell out of Vancouver.

We work very closely. We'd like to see an enhanced microbrewery industry in Manitoba, and

one of the—indeed, one of the 'phenomenas' we're seeing in our stores is people taking a look at imported beers, other microbrewery beers from across North America and really experimenting. So we're working as closely as we can with the microbreweries. We're provided them with additional markup margins. Half Pints, for example, last Christmas, right after Christmas, literally sold their last bottle of beer, which is almost unheard of in the beer industry.

So we're seeing phenomenal growth at microbreweries. Now, very small volumes, because as you can understand, Half Pints is still a very small operation, but they're operating at capacity, they're selling all of their product. We're working as closely with them through our marketing department, doing what we can to promote them. So, it's an area of the industry that we would like to see a lot more players. It's just people are looking for variety in the marketplace, they're looking for craft breweries, they're looking for that type of product. So we're trying to do everything we can to encourage the growth of that industry.

Mr. Pedersen: I have a—actually I have a constituent who is—has been trying to develop a millet beer, and it's—millet beer is, for those—

Floor Comment: Gluten-free.

Mr. Pedersen: Gluten-free. It's gluten-free—and is there a volume that he would have to achieve before he could be placed—like, do you have volume restrictions to get into the marketplace or what size of volume? And he's a long way from getting it. He's been working with the Food Development Centre and their—they've got it now to where it's been developed by the Food Development Centre, but the Food Development Centre will only manufacture so much for him, or produce so much, and then he has to go out in the marketplace. So dealing with the Manitoba liquor commission, is there a threshold in there that he has to meet in order to get into this?

Mr. Hildahl: No, not as I understand it. We would be more than willing to sit down and work with the individual with respect to marketing plans, marketing opportunities. What we—and we do that on a regular basis where there's an interest, give them whatever advice, direction, that we can. There's no—with a new product, particularly beer, and in a specialized market, like gluten-free beer, I don't think it would be fair to place a minimum threshold. How we would judge that product is to test it in the marketplace and

see what the response is in the marketplace. And again, being a local product, you'd be a little more patient than you would with a product that's coming in from out of province.

Mr. Pedersen: Okay, I'll relay that back to him. He's—like I said, he's a long ways from mass producing by any means, but I think he has an excellent product, which I've actually sampled, and it is very good. But it—and then we laugh whether we're going to—we're now into a health product for beer—with beer, so there's all kinds of good stuff going to happen with this. But I will pass that on to him for that.

Mr. Chairperson: Any further questions from committee members?

Hon. Jon Gerrard (River Heights): Just curious as to the extent that you undertake any provincial assessment of the adverse impacts of alcohol when—whether it's liver disease or FASD or other conditions.

Mr. Hildahl: Yes, I'm not sure we do a detailed analysis of the results but, as you're well aware, we do a substantial amount of awareness work out in the community through a lot of our social responsibility programming. Having said that, we do meet on a regular basis with other stakeholders that are impacted by our product, obviously, and develop dialogues, but in terms of hands-on analysis, no, that's not part of our mandate.

Mr. Gerrard: It would seem important if one is going to try to be effective on awareness campaign and prevent FASD, that you should have some measure of whether the campaign is working and whether you're in fact, for example, decreasing the incidence of FASD. You know, is that something that you've looked at or considered or—

Mr. Hildahl: We leave that type of analysis to the experts that are dealing with the situations, I guess, at a clinical level. But again, having said that, our goal and our mandate is to make, I guess, the population, if you will, aware of the fact that there are issues surrounding—even if you go back 10, 15 years, there were no—virtually no warnings in the community around FASD. We take a lot of pride, but our goals aren't—our programs aren't intended to be clinical. They're intended to be what they are, and that's awareness programs where one small piece of the overall strategy with respect to the fetal alcohol syndrome. So we'll work very closely with the Department of Health. We'll work very closely with

the medical profession to play our role, if you will, in making people aware.

Our—you know, and again it's not a study, if we get the opportunity, we will test. If we're doing polling, we'll do a test as to whether people are hearing the message and, by and large, when we look at the results over the last 10, 12, 15 years, there's a greater awareness of the problems associated with pregnancy and alcohol. So from our perspective, that's our little—what we can contribute to the mosaic as a whole, if you will.

Mr. Gerrard: Yes, just to clarify: what you're saying is that you're not—you don't have a goal to reduce FASD in any shape. What you have as a goal is to create awareness and whether are people are listening to your ads and more aware of the problem?

* (19:10)

Mr. Hildahl: No, I don't think that that's fair. I mean our goal, obviously, is to, you know, increase the awareness out there and the underlying goal of that would be to reduce the incidence of the syndrome, if you will. Absolutely.

Mr. Gerrard: When, you know—when people were looking at smoking and having an impact on the incidence of smoking—I mean, in this case we're, you know, much more focussed in terms of reducing the incidence of drinking among women who are pregnant and the incidence of FASD.

But when people, by analogy, were looking at the situation with cigarette smoke—and, you know, for years people went along advertising without testing the effectiveness, and it was only when people started testing the effectiveness and they realized that a lot of the advertising wasn't doing any good at all. It wasn't effective, and then people started changing the way the advertising was done and measuring the impact.

I mean, by analogy don't you think it would be reasonable to measure the impact of the advertising and see if it's meeting your goal of trying to reduce the incidence of FASD, if that is your goal.

Mr. Hildahl: Our goal, as I stated, is to be part of the—finding a—I guess, if you will, a solution and creating great awareness, because it starts with—you know, the resolution of any of these problems starts with the awareness. There's a lot of other players in the field that are conducting scientific research, you know, doing a lot more medically based approaches than we are. We see our role to work with that

community to assist them in promoting the awareness.

Mr. Gerrard: How much, you know, each year in the last, say, three years has been spent in creating awareness about FASD and that type of advertising?

Mr. Hildahl: Our program on this particular issue is approximately \$200,000 a year. With that we'll do a lot of media advertising. We work closely with a number of the First Nations and through the Department of Health in getting information out in a number of the Aboriginal languages.

So we work with the community on whatever issues we can.

Mr. Gerrard: And that would be the total amount that you would spend in a year on advertising to create awareness about FASD? Is that what—I just want to make sure that I'm hearing the facts right.

Mr. Hildahl: Yes.

Mr. Gerrard: How long has that program been going in terms of creating awareness on FASD?

Mr. Hildahl: Approximately seven, eight years.

Mr. Gerrard: The—you know, we've argued for some time that it would be smart to put information on liquor bottles that, you know, people should be aware of FASD, and my understanding is that you have projected that concept. Is that right?

Mr. Hildahl: Well, when you look at the issue, it's a—first off, it's a federal jurisdiction with respect to product labelling. You know, our—the research that we've seen talking to people involved in the national alcohol strategy is they would rather see money spent on awareness programs as opposed to labelling, so.

Mr. Gerrard: I'm aware of at least one Manitoba winery which is putting awareness labels on. So you don't have a problem with companies putting them on if it's a company initiative.

Mr. Hildahl: Yeah, I wasn't aware of that company but if they—you know, if the wholesaler or the producer chooses to put that on, yes. Can we make it a mandatory requirement? No.

Mr. Gerrard: My colleague would like to ask a few questions.

Mr. Kevin Lamoureux (Inkster): I do have an interest in this area and one other area that I want to ask some questions on. But I'm interested if you could explain to me, from your point of view, if you

believe there's any benefit in terms of having alcoholic bottles with this label on it?

Mr. Hildahl: You know, at this point, I've been with the commission just over a year. Have I studied the problem or the issue in detail? No, I haven't. The initial discussions I've had at a federal, or at a national level with my counterparts, with those involved in developing national strategies around the consumption of alcohol, have said that there's better routes to take. So it's an issue that I'm continuing to study, continuing to gather information on, and I'm sure we'll have further discussions on it, probably next year.

Mr. Lamoureux: You know, I'm just thinking in terms of many years ago when the tobacco industry—and ultimately you might argue, well, that was a national issue and the national government did address it, but there's no doubt today we recognize with hindsight that it was a very successful campaign when they started to put different types of mandatory labels onto cigarette packages, and I would think that there would be a great value to the public whenever you increase public awareness on an issue of this nature and I'm wondering if you would agree that raising the awareness of this issue amongst the public would not be in the best interest of Manitoba.

Mr. Hildahl: Yeah, I don't think there's any disputing the more awareness you can create around any issue is important. You know, I take a look at some of the work that has been done by some of my predecessors and the people in our organization charged with social responsibility programming. We've done an awful lot in terms of awareness, whether it's on our bags, messaging around the dangers of alcohol, particularly associated with pregnancy, a lot of the programs that we've worked with the Department of Health on. So, yes, greater awareness, obviously, is of value in any situation.

Mr. Lamoureux: Would you, as the head of Manitoba Liquor Control Commission, say that there—it's just not at all possible to do it as a provincial entity? That you can't apply a label to that effect? Is it something that's just not possible to do?

Mr. Hildahl: You know, in this day and age, I mean, the preferred route, if you're going to go with labelling, is that it become part of the national standards with respect to labelling. Anything's possible if you want to spend the money, obviously, you know, and I don't know how many, literally millions and millions and millions of bottles that we bring into this province, whether it be beer bottles,

wine bottles, liquor bottles—without a national standard, I think it think it would be very impractical.

Mr. Lamoureux: I suspect you're probably talking pennies a bottle and, you know, is that factually incorrect? Do we know how much it would cost?

Ms. Carmen Neufeld (Board Chair, Manitoba Liquor Control Commission): It's not so much the cost of the label itself. It would be all the handling so that every single bottle that goes through the liquor commission's distribution system would have to be taken out of its casing, a label applied, put back into casing, repackaged to go out for delivery, and because not all bottles are exactly the same size, you'd have to have a multitude of different label sizes that would be applied to the different bottles.

Mr. Lamoureux: Well, I have an understanding in terms of what it is that's being said from the board. I don't necessarily agree with it. Ultimately, I believe it's going to take government leadership. You are a Crown corporation, and I suspect if the government saw the merits of heightening the public awareness through labelling and they mandated Manitoba liquor commission to do so, then they wouldn't have any choice and I think that's something in which the minister should take a note of in terms of what I believe the public would be very supportive, and I'm a bit disappointed that the Crown corporation would just rule it out so quickly without—

* (19:20)

Ms. Neufeld: We weren't—

Mr. Lamoureux: Point of order.

Mr. Chairperson: Sorry, Mr. Lamoureux, I didn't know you weren't finished. Your voice trailed off there, so I thought you had concluded. To conclude, then.

Mr. Lamoureux: Yes, thank you, Mr. Chairperson. And I was concluding my remarks, and I see Ms. Neufeld's very eager to express some concerns.

But the point is that it would have been nicer to have heard a little bit more factual information from the Liquor Control Commission as to why, or the costs, or demonstrate to better understanding, maybe even a little bit more sympathy to what could be a public need. Sometimes we spend money because it's in the best interests of the public.

Ms. Neufeld, I think, wants to comment.

Ms. Neufeld: In terms of factual information, we've worked very, very closely with a number of

organizations that deal specifically with FASD, or the spectrum disorder, whether it was Dr. Sally Longstaffe with the Children's Hospital, the Addictions Foundation, Healthy Child Manitoba, numerous, numerous organizations. When we developed the With Child, Without Alcohol program, we wanted to know what their belief was in terms of the best way to get the information into the hands of Manitobans. And the program that was developed was developed based on their input working with it day to day. So whether that is our bags that are clearly marked With Child, Without Alcohol, we are on weather channels so everybody can watch it there, bus shelters, bus boards, billboards, so many different ways that we have got that information out with working with those organizations.

Mr. Lamoureux: Just the last area that I was wanting to just touch base on is that—and I'm looking more so, I guess, what the policy is where an individual that would attend a local liquor store, where an issue arises where the person is asked to leave the store, is there a protocol or a process that would allow for an individual to be able to return to the store? If you can just, kind of, like, walk me through as to what sort of procedures there might be.

Floor Comment: There's a—

Mr. Chairperson: Mr.—Go ahead, Mr. Hildahl.

Mr. Hildahl: I mean, there's a number of circumstances. For us to ask a customer to leave a store, there has to have been a very significant incident that occurred within the store or they attend to the store in an inebriated state. So, you know, I'm going to assume that it was a significant problem. If it's somebody that's been charged with assault on another customer or a staff, it's going to be—they're going to be barred from that store for an awful long time. Obviously, if they're involved in theft, they'll be barred from the stores, where possible, forever. So, you know, we take those types of situations and threats towards staff and other customers very seriously.

Mr. Lamoureux: Where an individual does get barred from a store, is there an appeal mechanism that they can go through? Do they go back to the local store? What would be the appeal process?

Mr. Hildahl: I mean, at this point it's so few and far between, I don't know that there is an appeal process, certainly one that I've seen. But in looking at the situation, if they were to approach us, I would talk to them. Is there is a need to set up—they're so few and

far between, and normally for somebody to get barred or banned for that—for a fairly significant period of time, they've done something that has threatened or jeopardized the well-being of other people, and we take those situations very seriously, and I think we would deal with those on a one-off basis.

Mr. Lamoureux: So, they would—in terms of just a procedure, because this is a constituent who has approached me and has asked how it is that he'd be able to go back to the local store. And he doesn't have a problem in terms of other liquor stores, it's been a bit of a non-issue. And I appreciate there's a hundred sides to every story, it seems, and not necessarily wanting to take a side, but believing in the importance of a due process, that if an individual was wanting to feel comfortable in knowing that he'd been given a fair opportunity for appeal, what would you suggest that I would tell that particular constituent?

Mr. Hildahl: I would suggest you suggest that he send me a letter and then I'll gather the—you know, and I'll gather the facts. And, you know, without knowing what the facts of why he was—this individual is barred from the store—I would guess at this point it would be a very significant incident.

Mr. Pedersen: The cost of licence applications, licence fees and late filing fees were all increased in 2008. Part of that was the elimination of the 2 percent supplementary fee. What has been the net bottom line, then, to MLCC from that move?

Mr. Hildahl: Our revenue, I believe, as a I mentioned earlier, dropped, I believe, \$214,000.

Mr. Pedersen: There was some concern expressed from the small operators who didn't have—this fee change actually was an advantage to the larger operators because it was based on volume, then, and the dropping the 2 percent, it was—that's where the bulk of this 214 less for you came in.

Has there been any study as to what the effect was on the smaller operators who were at the—excuse me, Mr. Chairperson. The smaller operators at the time who were concerned about this change in the fees—they were saying it was going to—they were going to have to absorb higher costs. Have you gone back and actually studied those to see what the effect was on those small operators?

Mr. Hildahl: We haven't done a formal study, but we've looked into a couple of situations, and you're quite correct. The licensees that benefit the most

from the elimination of the supplemental fees were the big operators. Our analysis has shown us that operators with very, very, very small liquor sales may be, on an annual basis, adversely affected. So what we've—you know, we're going to take a look at that and see if there's—see what the impact has been on some of the—I know it's been raised in a couple of letters over the last several months myself.

So we want to just take a look at it. None of these things are set in stone and none of these changes are made to impact or to hurt the licensees. By and large, this one was to have a positive impact. So if we find examples, you know, we're going to take a look at it.

Mr. Pedersen: Then I take it, it won't be included in the 2010 report that's coming out very shortly.

Mr. Hildahl: No.

Mr. Pedersen: Always good to know.

The other thing was the occasional permit fees were changed, I believe—correct me if I'm wrong—was it this spring or last fall—whenever it was. You can tell me exactly when that was. I want to thank Mr. Yee because I phoned him. I had some complaints from very small occasional permit holders about the effects on this and I just want to thank Mr. Yee for getting back to me very promptly and getting me the information out to them.

But again, is there any—again this helps the larger events because they'll save money. Is there any further action being looked at in terms of these very small events—and we're talking about some very small events, but they're very significant within the community, and this was an effect on them. So is there any looking back at this and any changes coming?

Mr. Hildahl: Yes, you know, it's very similar to the licence issue. The changes were made to have a net positive impact on occasional permits and again, there appears to be a very, very small percentage. And, you know, so in talking to Mr. Yee over the last couple of weeks, we're going to take a look at it. You know, and again none of these—none of those changes were brought in to create an adverse effect.

So if we've done that in very small ways at the very end of the fee schedule, we're going to take a look at it.

Mr. Pedersen: Just one and it's perhaps more of a comment than a question. I was actually part of a group that went to one of your sessions on

enforcement of occasional permits and it was very informative. And actually, the onus on the permit holder is vastly underestimated by the permit holders, and I would just comment that I think you need to do more of these to make community organizations who are taking occasional permits out to know what their responsibilities are in here.

* (19:30)

And your enforcement officer that was doing this particular session was very good about it. And, since then, I know in my own community, they've actually been calling on him and the RCMP. It was a bit of a—brought a bit of a smile to some of us because the RCMP said, well, just call us and we'll be there and we all know that just doesn't happen in rural communities any more because of the RCMP being so stretched to the limit.

But, I think, just again, I would encourage you to hold more of these sessions so that occasional permit holders do know their obligations and what they are entitled to do, holding these, in terms of crowds and whatnot.

So, thank you very much.

Mr. Hildahl: Yes, I think that's an extremely good point. A lot of people don't understand the significance of applying for and having their name on an occasional permit. With that comes a lot of obligation, a lot of liability, and our focus, through Winston's department, has been to do as much education around that, so that when people apply for these licences, there's a serious impact and some serious consequences. So that is a priority for us.

Mr. Borotsik: Just wrapping up, just a couple of questions: \$229 million given to the Province, fiscal year 2009. Anticipated 234 but we're not going to hold you to that until we see the financials, which should be very, very soon. I think six months after the close-off should be sufficient time to get the financials out. Projected 245, 2011. Again, projections, budgeting.

I'm curious, how you pay the Province. You pay the Province on a monthly basis. There's a 229 that's going from Manitoba Liquor Control Commission to the Province. How do you pay the Province?

Mr. Hildahl: We do a weekly transfer, interbank transfer, every Friday afternoon.

Mr. Borotsik: Okay, that's interesting in itself; you do a weekly bank transfer. You've got expense—is that based on what your projections are for the year?

Is that based on the 229? How do you account, on a weekly basis, what amounts of dollars and cash flow are going to the Province at that time?

Mr. Hildahl: Yes, our accounting department has a very good formula for determining. Our obligation, of course, is to turn over whatever excess funds we have. There's a formula that they use to arrive at what's the estimated transfer for this coming Friday. So, it's a formula they've used now for decades and has worked very effectively. And you'll see at the end of the year, there's always that—

An Honourable Member: Reconciliation.

Mr. Hildahl: Yes, that reconciliation. But, they're very good at what they do, and they make those transfers on a regular basis and usually fairly close to the amount.

Mr. Borotsik: Yes, and that's why I'm asking because we were going through the amount that—on the cash flow and then we were looking at the reconciliation at the end of the fiscal year, tells you exactly what your net profit is, the \$229 million for 2009.

Now there's different periods—increased cash flow on different periods of the year. Obviously, throughout the October-November-December period, you're going to have substantial cash flows.

So, as I understand it, on that weekly basis, there's a formula they would use on 52 weeks and then they would—you would then write a cheque to the Province of Manitoba every Friday or electronic transfer—we don't do cheques anymore—electronic transfer to the Province of Manitoba, every Friday, based on the previous week's sales. Is that pretty much the way it works?

Mr. Hildahl: Yes.

Mr. Borotsik: Okay, thank you. That was for my own curiosity. I didn't know how you were going to do that and then the reconciliation makes sense at the end of the year. So, then, it's either a very minor plus or minus as to whether you don't send them that money or they ask you for more.

Three other questions, and one, just for my own curiosity, as well.

The government-owned casinos in the city of Winnipeg, they serve alcohol in the government casinos and that's regulated. Does MLCC have a discount to the Manitoba government casinos on the alcohol that they're purchasing?

Mr. Hildahl: Not that I'm aware of, but let me just double-check that. Good question. *[interjection]*

Nope—that's coming straight from the Finance people, so it's gospel.

Mr. Borotsik: Everybody pays full-bore retail?

Floor Comment: Yes.

Mr. Borotsik: Okay, that's what I like to hear.

Just to wrap up, Mr. Hildahl, once again, as I said, it's nice to see you in the big chair. I know it's an interesting corporation. If you look at the financials, you look at the requirements that you have, not only in sales but also the social responsibilities that you have, I know it's a fine balancing act, and I congratulate you on being there.

Just to wrap up, you did promise me that you would look at—there you would give me the dollar amount attached to the sponsorships. In saying that, how do you derive the sponsorships? Is it done on an application basis, and under what—what's your decision-making process to find out who you're going to give sponsorships to or you're not going to give sponsorships to?

Mr. Hildahl: We do have some criteria. We have an internal committee that takes a look at—and we get, like every organization, literally thousands of requests. I'll get those criteria and make that part of the package. I mean, there's some obvious ones that we exclude, obviously anything to do with kids' activities. It would be seen as us taking the opportunity to promote the use of alcohol amongst youngsters. So I'll dig out those criteria and send that over. And the other document I promised you was the price comparatives, and I'll get that out to you as well.

Mr. Borotsik: I was going to mention that those are the two things, but just on the sponsorships, I did notice that the Winnipeg Blue Bombers are—get a sponsorship from Manitoba Liquor Control Commission. I'm not going to ask because I don't think it's a fair question, but I'm sure the beer snake probably increased your sales, although that doesn't happen any longer, and there are no tailgating parties, which, in fact, I'm sure, would also increase your alcohol consumption at that point in time, but, somewhat less facetiously, certainly the Blue Bombers legitimately are—receive sponsorship from the Manitoba Liquor Control Commission and, again, dollars and criteria would be most interesting and forthcoming from yourself.

So, in saying that, Mr. Chairman, no more questions.

Mr. Chairperson: Any further questions from committee members?

Seeing none, then we'll proceed with consideration of the annual reports that I previously mentioned.

Annual Report of the Manitoba Liquor Control Commission for the year ended March 31st, 2006–pass.

Annual Report of the Manitoba Liquor Control Commission for the year ending March 31st, 2007–pass.

Annual Report of the Manitoba Liquor Control Commission for the year ending March 31st, 2008–pass.

Shall the annual report of the Manitoba Liquor Control Commission for the year ended March 31st, 2009 pass?

Some Honourable Members: No.

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

A request for committee members: If you do not require the annual reports that you have before you, please leave them on the table for future meetings of this committee.

The hour being 7:40 p.m., what's the will of the committee?

Some Honourable Members: Rise.

Mr. Chairperson: Committee rise. Thank you to committee members for your participation here this evening.

COMMITTEE ROSE AT: 7:40 p.m.

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