

**First Session – Forty-First Legislature**  
**of the**  
**Legislative Assembly of Manitoba**  
**Standing Committee**  
**on**  
**Crown Corporations**

*Chairperson*  
*Mrs. Colleen Mayer*  
*Constituency of St. Vital*

**Vol. LXIX No. 5 - 1 p.m., Wednesday, November 16, 2016**

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**MANITOBA LEGISLATIVE ASSEMBLY**  
**Forty-First Legislature**

<b>Member</b>	<b>Constituency</b>	<b>Political Affiliation</b>
ALLUM, James	Fort Garry-Riverview	NDP
ALTEMEYER, Rob	Wolseley	NDP
BINDLE, Kelly	Thompson	PC
CHIEF, Kevin	Point Douglas	NDP
CLARKE, Eileen, Hon.	Agassiz	PC
COX, Cathy, Hon.	River East	PC
CULLEN, Cliff, Hon.	Spruce Woods	PC
CURRY, Nic	Kildonan	PC
DRIEDGER, Myrna, Hon.	Charleswood	PC
EICHLER, Ralph, Hon.	Lakeside	PC
EWASKO, Wayne	Lac du Bonnet	PC
FIELDING, Scott, Hon.	Kirkfield Park	PC
FLETCHER, Steven, Hon.	Assiniboia	PC
FONTAINE, Nahanni	St. Johns	NDP
FRIESEN, Cameron, Hon.	Morden-Winkler	PC
GERRARD, Jon, Hon.	River Heights	Lib.
GOERTZEN, Kelvin, Hon.	Steinbach	PC
GRAYDON, Clifford	Emerson	PC
GUILLEMARD, Sarah	Fort Richmond	PC
HELWER, Reg	Brandon West	PC
ISLEIFSON, Len	Brandon East	PC
JOHNSON, Derek	Interlake	PC
JOHNSTON, Scott	St. James	PC
KINEW, Wab	Fort Rouge	NDP
KLASSEN, Judy	Kewatinook	Lib.
LAGASSÉ, Bob	Dawson Trail	PC
LAGIMODIERE, Alan	Selkirk	PC
LAMOUREUX, Cindy	Burrows	Lib.
LATHLIN, Amanda	The Pas	NDP
LINDSEY, Tom	Flin Flon	NDP
MALOWAY, Jim	Elmwood	NDP
MARCELINO, Flor	Logan	NDP
MARCELINO, Ted	Tyndall Park	NDP
MARTIN, Shannon	Morris	PC
MAYER, Colleen	St. Vital	PC
MICHALESKI, Brad	Dauphin	PC
MICKLEFIELD, Andrew, Hon.	Rossmere	PC
MORLEY-LECOMTE, Janice	Seine River	PC
NESBITT, Greg	Riding Mountain	PC
PALLISTER, Brian, Hon.	Fort Whyte	PC
PEDERSEN, Blaine, Hon.	Midland	PC
PIWNIUK, Doyle	Arthur-Virden	PC
REYES, Jon	St. Norbert	PC
SARAN, Mohinder	The Maples	NDP
SCHULER, Ron, Hon.	St. Paul	PC
SELINGER, Greg	St. Boniface	NDP
SMITH, Andrew	Southdale	PC
SMOOK, Dennis	La Verendrye	PC
SQUIRES, Rochelle, Hon.	Riel	PC
STEFANSON, Heather, Hon.	Tuxedo	PC
SWAN, Andrew	Minto	NDP
TEITSMA, James	Radisson	PC
WHARTON, Jeff	Gimli	PC
WIEBE, Matt	Concordia	NDP
WISHART, Ian, Hon.	Portage la Prairie	PC
WOWCHUK, Rick	Swan River	PC
YAKIMOSKI, Blair	Transcona	PC

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

**Wednesday, November 16, 2016**

**TIME – 1 p.m.**

**LOCATION – Winnipeg, Manitoba**

**CHAIRPERSON – Mrs. Colleen Mayer (St. Vital)**

**VICE-CHAIRPERSON – Mr. James Teitsma (Radisson)**

**ATTENDANCE – 11 QUORUM – 6**

*Members of the Committee present:*

*Hon. Mr. Schuler*

*Messrs. Allum, Curry, Ms. Fontaine, Mr. Lagimodiere, Ms. Lamoureux, Messrs. Marcelino, Martin, Mrs. Mayer, Messrs. Reyes, Teitsma*

**APPEARING:**

*Hon. Andrew Micklefield, MLA for Rossmere  
 Mr. Peter Hak, Acting Chief Executive Officer,  
 Manitoba Liquor & Lotteries Corporation  
 Ms. Polly Craik, Chairperson of the Board,  
 Manitoba Liquor & Lotteries Corporation*

**MATTERS UNDER CONSIDERATION:**

*Annual Report of the Manitoba Liquor Control Commission for the fiscal year ending March 31, 2014*

*Annual Report of the Manitoba Lotteries Corporation for the fiscal year ending March 31, 2014*

*Annual Report of Manitoba Liquor and Lotteries Corporation for the fiscal year ending March 31, 2015*

*Annual Report of Manitoba Liquor and Lotteries Corporation for the fiscal year ending March 31, 2016*

\* \* \*

**Clerk Assistant (Ms. Monique Grenier):** Good afternoon. Will the Standing Committee on Crown Corporations please come to order.

Before the committee can proceed with the business before it, it must elect a new Chairperson.

Are there any nominations for this position?

**Mr. James Teitsma (Radisson):** I nominate Mrs. Mayer.

**Clerk Assistant:** Mrs. Mayer has been nominated. Are there any other nominations?

Hearing no other nominations, Mrs. Mayer, will you please take the Chair.

**Madam Chairperson:** Our next item of business is the election of a Vice-Chairperson.

Are there any nominations?

**Mr. Alan Lagimodiere (Selkirk):** I'd like to nominate Mr. James Teitsma.

**Madam Chairperson:** Mr. Teitsma has been nominated. Are there any other nominations?

Hearing no other nominations, Mr. Teitsma has been elected Vice-Chairperson.

This meeting has been called to consider the following reports: Annual Report of the Manitoba Liquor Control Commission for the fiscal year ending March 31, 2014; Annual Report of the Manitoba Lotteries Corporation for the fiscal year ending March 31, 2014; Annual Report of Manitoba Liquor & Lotteries Corporation for the fiscal year ending March 31, 2015; Annual Report of Manitoba Liquor & Lotteries Corporation for the fiscal year ending March 31, 2016.

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

**Mr. Teitsma:** I recommend committee sits for five hours or until we're done our work and we can review it at that time.

**Madam Chairperson:** Is there agreement from the committee to sit for five hours and revisit at that time? *[Agreed]*

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

**Mr. Ted Marcelino (Tyndall Park):** Globally, please.

**Madam Chairperson:** It has been suggested we consider the reports globally. Is that agreed? *[Agreed]*

Thank you.

Does the honourable minister wish to make an opening statement, and would he please introduce the officials in attendance?

Mr. Schuler?

Honourable Government House Leader (Mr. Micklefield).

**Hon. Andrew Micklefield (Rossmere):** Madam Chair, I believe if you canvass the committee you'll find there's an understanding, as it pertains to manner of questions, that the opposition will take about 45 minutes, the government members will take about 15 minutes, the independent member about five or so minutes, and that that would be the cycle for the afternoon.

**Madam Chairperson:** Is there agreement to conduct business as per the Government House Leader's suggestion, with the opposition asking 45 minutes, government asking 15 minutes, and independents asking five minutes?

**Mr. James Allum (Fort Garry-Riverview):** My understanding in talking to the House leader was that was an informal arrangement. No one was going to be kept to four to five minutes to the dot or 15 minutes to the dot or five minutes to the dot. There's a dialogue we want to have with—that everyone wants to have. It's all fair, but I would want to reiterate that this is an informal understanding and, frankly, to even put it on the table strikes me as not necessary.

**Madam Chairperson:** That's a fair comment. I acknowledge that. I will do my best to keep it in and around, and I will make eye contact and we can kind of go from there. Does that seem fair? Is everyone in agreement? *[Agreed]*

Thank you. So back to honourable minister.

\* (13:10)

**Hon. Ron Schuler (Minister of Crown Services):** Well, thank you very much, and I will keep my comments short. This is basically a historic meeting. I can't remember the last time when a Crown corporation, the same Crown corporation, was in front of this committee twice in one month, and, certainly, in recent memory that has not happened. I think it's important for us to have the opportunity to

find out what's going on in the Crown corporations that have such an important role in our province and in society.

I would like to table for the committee, and seeing as we met twice in one month, we can actually table it at committee rather than tabling it afterwards. There were two questions that were asked by the member for Fort Garry-Riverview (Mr. Allum), and we would like to table those answers to committee so the committee has those answers, and thank you very much for that, Madam Chair.

I would like to, at this point in time, introduce our officials today. Representing Manitoba Liquor & Lotteries, we have our board chair, Ms. Polly Craik. Thank you very much for being here again. We have our acting CEO, Peter Hak; we have Heather Mitchell, who is the acting vice-president of finance; and we have Robert Holmberg, vice-president, liquor operations; and we have board member, Jim Morden also here today. And we thank all of them for giving of their busy time and schedule to be here and answer questions that the committee might have.

Thank you, Madam Chair.

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

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

**Mr. Marcelino:** Welcome back to everybody who was here before and welcome for those who's here for the first time.

Manitoba Liquor & Lotteries is a vibrant member of our family of Crown corporations and has played an important role in providing responsible access to liquor and gaming for Manitobans for many, many years. It takes its role as a government provider of alcohol, wine and beer seriously. I like the beer part specially. It takes its role as a provider of gaming options for Manitobans also seriously. Both products that it offers are of high quality and are offered in a responsible way, a way that respects the negative effects that are known to arise from the consumption of alcohol and gaming.

Manitoba Liquor & Lotteries is able to provide such a high quality of service to its customers because it is a publicly held Crown corporation. Its profits are returned to the public for investment in important front-line services here in Manitoba rather than being sent elsewhere or placed into private

hands. And it can properly exercise its mandate to work on the public's behalf in the provision of its services through the work of its highly trained staff and experienced employees. In addition, because it is a publicly held Crown corporation, MBLL is well placed to meet and respond to new changes in the marketplace and in consumer preferences as well as changes to the regulatory and legal environment in Manitoba and Canada.

Whether it is through the creation of the Liquor Mart Express store option in grocery stores and through the exploration of new market opportunities, MBLL's past successes position it well for the future. We welcome this opportunity in committee to properly examine the past success of MBLL and to receive information regarding its future plans—emphasis, future plans—from the CEO, board chair and the minister responsible.

Thank you, Madam Chair.

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

Do the representatives from the Manitoba Liquor & Lotteries Corporation wish to make an opening statement? Seeing none. Thank you.

The floor is now open for questions.

**Ms. Nahanni Fontaine (St. Johns):** So I just want to maybe start the discussion in respect of what preparations has the corporation taken in advance of the expected legalization of marijuana.

**Mr. Schuler:** The legalization of marijuana comes out of a federal election a year ago, where the government party made it a commitment during an election campaign. We are waiting for the federal government to come up with some kind of a framework. They haven't indicated yet what kind of approach they're going to take. We as a government are okay with them taking time. This has to be something that is treated carefully. It's got to be done right. I mean, there are a lot of concerns about how this might proceed. And we've been given no indication from the federal government where they might be going with this and how prescriptive they're going to be with their legislation.

So, until we get some kind of a parameter from the federal government, it would be probably not appropriate for us to comment on how we're going to proceed, because we have no idea if this is going to be a pan-Canadian approach, if the federal government's going to allow provinces to have their own made-in-their-own-province approach. And

we've been given really no indication from the federal government how they're going to take on the entire issue.

So we are waiting. And, again, we're not looking at pushing the federal government. We would rather they would take whatever time necessary, that when they do put forward legislation, that they get it right, because this is a very important issue, I think, for Manitobans and all Canadians.

**Ms. Fontaine:** I thank the minister for his response.

And just in respect of his response, I'd like to maybe ask the minister if he could just maybe expand or clarify in respect of some of the concerns that his government has in respect of what we know will be coming down the pipe very, very shortly.

**Mr. Schuler:** Well, again, it's hard to know what that's going to look like. And so we—you know, some of the concerns that we have: is this going to be—is it going to be prescriptive insofar as what age you can access marijuana? Like, who can it be sold to? Is that going to be a pan-Canadian—is that going to be an age that's going to be set by federal legislation?

Our concern would be, if it's not, then you have what happens in regards to alcohol, you have different jurisdictions can set different ages. And that's not appropriate. And you see that a lot in the United States where, you know, one state has 21 and—as an age and one state has 18 as an age, and you just have to cross over the border. You know, those are the kinds of things that we find Manitobans are bringing to our attention.

But we don't want to get ahead of ourselves on this and start having a debate without seeing, at least getting some kind of indication of where the federal government's going to go with their legislation. And I think we should allow them the opportunity to take time. I'm sure they're getting lots of feedback, whether it's Mothers Against Drunk Driving, whether it's various groups for and against.

And we would recommend to all Canadians, all Manitobans, if you have a concern one way or another, you know, speak to the federal government, because that's where the legislation is going to be drafted.

So we don't want to get ahead of ourselves in the debate. But there are a lot of issues that have to be resolved, I think, within the federal government before they'll be prepared to table legislation.

So we are basically looking at the things that we can control and deal with those. And we'll wait for the federal government to come forward with their legislation which, then, we'll all see. And I suggest at that time there'll be a very healthy and fulsome debate on what they're proposing.

**Ms. Fontaine:** Again, miigwech for that.

So, just to be clear, then, I guess there's no direction or there's no—anything on the part of MBL in respect of some 'preparary' or research going on and taking place right now? I mean, the bottom line is that we know that this is coming down, right, and so I want to know if the corporation is actually taking steps to do some preliminary research and look at, you know, other jurisdictions in which it is legalized.

\* (13:20)

**Mr. Schuler:** Clearly, there is work being done on various scenarios. However, we don't want to get into the public debate on where things might go. I think if you go across Canada and you look at every jurisdiction, they're waiting to see, or at least getting some indication from the federal government, where they might go with their legislation. Until then, our concern is is that we get ahead of the debate. And that's something I know, as Manitoba Liquor & Lotteries, we want to be careful that we don't get ahead of ourselves, that we respond to something concrete.

There are, obviously, are discussions, and there should be, and inner workings, but, again, that is something that would be more internal, and, again, we're waiting to get some kind of indication from the federal government how prescriptive they're going to be. Because that will decide what a Crown corporation, or what a government, or what a department of justice or anybody involved in this—how far they're going to go—because, you know, we will then, obviously, have to get our legislation in line with federal legislation. But, again, we don't feel that we should be spending a lot of money on this. We obviously should be mindful, like you've made it clear, something's going to come, and we should be ready for that. But I—again, without at least some indication, and from what I understand and from those that I've spoken to, they're not even giving a lot of direction to their members of Parliament. This is something that they're—within their government, they're working on, and when they're ready to produce something, they will.

So they—again, we don't want to start doing a lot of work and find out that the federal government's going in a different direction. And—sorry about this—and just for this dialogue, if—you know, there was also a commitment made about changing the way Canadians would vote, and that's taken a different direction. So, you know, it's sometimes better just to wait to see what kind of direction they're going to give and then react to that.

**Ms. Fontaine:** So, again, I just want to clarify some of your comments because I'm a little confused now. Because you just said that there is some work being done—that's what you just said—so I'm just curious in respect of what specific work is being done. And then I just would like a little bit more clarification. You noted that Manitobans are bringing this to your attention. So is there a, like, a formalized process in which this information is being brought to yourself or to the corporation?

So, I'm just wanting a little bit more clarification on those two pieces.

**Madam Chairperson:** I'm just going to remind the member to direct her comments through to me so that they can be reflected that way. Thank you.

Honourable Minister.

**Mr. Schuler:** Thank you, Madam Chair. And to the member it's the kinds of work that's being done right here, right now. And those kinds of conversations are taking place, I mean—and, of course, people are going to have conversations. And we have no idea if this is going to be—the federal government's going to do all of it, or they're going to delegate some of it to the provinces. We have no idea, and we are getting really no indication from the federal government where they might be going, because, you know, they—this is a very tough issue. Sometimes commitments made during elections seem a lot easier than after you're elected, and you have to put forward legislation, because there are ramifications not just within our country but trade agreements and all the rest of it. I mean, the federal government has to figure all that out, and we encourage them, when they do it, that they have a fulsome approach, that they take their time.

So conversations can take place, and should take place, and people can have a discussion about it. However, there is no value in spending a lot of public money on an issue where we have no idea how prescriptive the federal government's going to be. And it is their jurisdiction; it is their purview. So

we respect that. We would ask that they take as much time as possible and get it right.

Insofar as individuals, a process, yes, there is a formal process: it's called constituency offices. Constituents are always encouraged to contact their MLAs. They can do it by email, telephone call, Facebook, Twitter, contact us. I'm sure the member opposite has received some emails on it.

And I would suggest to her that when the time comes, and the federal government does put legislation forward, that should be part of the debate. And we should all be taking that information and bringing it into this building, whatever the legislation might be federally and whatever the decisions are we have to make here.

So that is the process. I mean, people—we are all out at events and people come up and speak to us and have concerns, and that's the most appropriate way to do it.

**Ms. Fontaine:** So I—just to clarify, again, so really there's no process at this, there's no formalized process at this point, because the minister just finished saying that this is a process in respect of some of those preliminary kind of research into the legalization of marijuana, and that constituents calling our offices or Facebook messaging me, that is what the minister is constituting as a process.

But just to be clear that—at this point, and I do want to remind everybody, and I don't need to remind everybody, but we know that the Liberal government, they're a year into their mandate, so we know that they're actively looking and researching and engaging in respect of this particular legislation that will come down the pipe. So, at this point, Manitoba has no formal process in respect of looking how we're going to distribute it, who is going to—excuse me—who's going to undertake this whole piece in respect of Manitoba.

So, again, I just want to kind of clarify that at this point, if the minister can just clarify, that this is the process here, just this—the discussions here, and that constituents can call me or call my colleagues. But then that's not really a formal process. It's very informal. And it's kind of willy-nilly for something that we know that is coming down the pipe.

So could the minister, Madam Chair, just clarify that, please?

**Mr. Schuler:** Well, willy and nilly can have an opinion. There is no legislation. There is no

indication when legislation is coming. I don't believe it's on the Order Paper.

We as a government, and the member might know, when her party was the government, we cannot shadowbox. We don't know what it might look like. We don't know when it might come out. We don't know in what format it would come out. And that is the purview of the federal government.

We encourage them to take their time. You know, however long it takes, it will come out. And at that point in time we will then be able to respond.

And I would suggest to the member it's—this isn't the only forum in which people are talking about this issue. There are a lot of forums in which people have the opportunity to have their say.

I would suggest one of the places they could probably take their concerns to, I believe there's a Member of Parliament by the last name of Lamoureux who holds court in a McDonald's every Saturday morning. And it's open to anybody, and, you know, if you have concerns, great opportunity to go and raise those concerns. But I would suspect even he would be the right individual to send concerns to.

**Ms. Fontaine:** So I just want to clarify for everyone that I am in no way saying that—first off, I said willy-nilly in respect of the process, so I wouldn't want it interpreted that I was in some way talking about Manitobans in respect of the way the minister responded that willy and nilly can have opinions. I think that that's not something that I would certainly not say about Manitobans.

Again, as well, I understand what the minister is saying in respect of that, you know, we don't have anything concrete in respect of this legislation that we all know around this table is coming down the pipe, and so that, you know, he doesn't want to spend a huge amount of money and, you know, how are we going to prepare for whatever is coming down the pipe.

\* (13:30)

But, in the same way that we prepare for all kinds of things that we don't know are coming down—or we know are coming down the pipe or potentially coming down the pipe, but we still do prepare. I think that it is incumbent on government, the government of the day, to at least in some small way begin a formal process at engaging Manitobans and at the very minimum begin looking at some

research in respect of other jurisdictions and how that manifests itself within their own jurisdictions.

So, you know, I would encourage the government and the corporation to start looking at some really formalized engagement of Manitobans, not through just Facebook or not just through these discussions right here or even just to—not at McDonald's with our colleagues—one of our federal colleagues.

I think that it is absolutely incumbent on Manitoba to—and the corporation to start looking at how we are going to deal with legislation that is coming down the pipe that will change everything here in respect of marijuana and its distribution, its use, its—all of these pieces is a huge shift for Manitoba, for Canadians. So I would encourage the government to look at that.

And I would ask the minister—or I would ask the Chair—through the Chair to the minister, I note that the minister had said that it's not the only forum, these pieces, and so I'm just curious at what forums he was speaking about and whether or not government or corporation were actually at these forums to hear, actually, some of the discussions from Manitobans in respect of this very critical issue.

**Mr. Schuler:** Well, I thank the member for the question.

And she's absolutely right: the federal government has been in power for more than 12 months, of which six months of which she and her party were government. And I don't remember any formalized process that they had established at that time because they knew this was coming. And they never started a process, as such, on it. I do believe some amount of money was spent sending individuals to Amsterdam.

And I would say we're getting ahead of ourselves, and I would point out to the member that this entire issue does rest under the Minister of Justice (Mrs. Stefanson), and there's going to be an opportunity in spring to speak to the Minister of Justice during Estimates to see where that is going.

But, again, the Crown corporation is a business that is—has a legislated mandate, and the corporation is supposed to focus on its mandate. We can sit here and debate the theory and talk about where one should or shouldn't go. And if she has ideas, you know, maybe she wants to go out and have consultations on her own. Maybe it's something she wants to do and have consultations on something that

doesn't exist, on something we have no direction on. She can go and consult on something that we have no jurisdiction right now.

Somehow, she doesn't believe speaking to a federal Member of Parliament is worth it, and that's fine. I would say if you have concerns one way or another, speak to individuals who sit in the federal government caucus. It's a good place to go. I suspect they're still in the process of designing their legislation and trying to come up with something that they can put forward in front of Canadians. However, the committee here—and what we're basically here is—about is Manitoba Liquor & Lotteries and our mandate. And we've decided to go globally, but this issue is within the purview of the Department of Justice until such time as the legislation is put forward and we know where the parameters are. Perhaps the federal government will decide that this is going to be purely their purview and they're going to be prescriptive on it. We have no idea.

So we could spend a lot of public money talking about something that we're not too sure where the federal government's going to go on, and I don't think that is prudent time spent. I think we should focus on the finances of our Crown corporations and what's happened the last 17 years in our Crown corporations. We've got annual reports in front of us and issues that we want to deal with. I would suggest to the member, if this is a burning issue, in spring, there will be an Estimates process and that would be probably a good opportunity. She also has access to question period. Perhaps she wants to ask the Minister of Justice on this issue. However, at this point in time, this is really a committee of Manitoba Liquor & Lotteries, and right now that's not part of their mandate, and I think we should probably focus on what their mandate is and what they're doing and probably spend less time on what if and what may be or what perhaps.

**Ms. Fontaine:** So I will just go back to what the minister said not more than five minutes ago, that this is a process in which to undertake discussion on the legalization of marijuana, so I will continue with some of those questions, but I appreciate him trying to direct me otherwise.

But I would like to just direct my question, actually, to the corporation's chair, and the reason why I'm bringing up these very important and critical questions, is because I would imagine that most of us in this room could agree that Liquor & Lotteries has



the expertise and the capable staff and the structure and the infrastructure in respect of when this legislation comes down in respect of the distribution and co-ordination, or whatever it's going to look like, and so that is the reasoning for my questions. I'm not asking these just for—to waste people's time here.

So I would direct my question to the chair in respect of, you know, whether they are looking at any research or if they are looking at any models or if they have any plans in respect of what is coming down the pipe.

**Mr. Schuler:** Well, the member's right: any member can ask any question, and I think we've been very forthright. We are not prepared to spend a lot of time, a lot of energy, a lot of money on an issue that we have no idea where it's going to go. And I would suggest to the committee that, you know, we've made that clear; it's out of scope for this committee. It's not the mandate of Manitoba Liquor & Lotteries; it's not part of their legislation. They have a mandate, and their mandate is on the liquor side and on the lotteries side, to do the best for the taxpayers of Manitoba and provide good service.

I would suggest that the questions are out of scope, and I know we as politicians want to come to committee and go after hot-button issues like the one the member is asking, and I would suggest she avail herself of her local Liberal Member of Parliament and have this debate with them, what she would like to see, where she would like to see it go. That's fair. I mean, I—from what I understand, the legislation is still in the design process. Now would be a good time for any Manitoban, any Canadian, who has a concern about this, go speak to the Liberal caucus members and have your input there. And that—I've had that opportunity on occasion to speak to different members of Parliament, and I'm allowed to have my say, and I'm sure they'd appreciate that feedback. However, here at this committee, Manitoba Liquor & Lotteries, it's—they don't have that mandate. They don't have that legislated mandate; we have no legislation federally, we have no legislation provincially, because why would we legislate something that we don't know where it's going to be. And I gave the example to committee: you know, we could've gotten way ahead of ourselves on the changes to the way elections were going to be run, and I understand those changes aren't going to be coming anytime soon.

So let's focus on how we can make Manitoba Liquor & Lotteries a better corporation, how we can

keep them accountable, how we can, you know, have them provide a good service. Those are the issues that we should be dealing with. This issue, the lead department is the Department of Justice. You know, we've given some latitude here at committee. I'm—I've answered questions very openly. I've made it very clear we are waiting for the federal government. I would suggest we move on to other questions that we do have jurisdiction in and that we can answer. Until that point in time, this is speculation at best, and I don't think that serves the public well. Again, if you have an issue, avail yourself of the Liberal members of Parliament, and I'm sure they would love to hear anybody's opinions and input.

\* (13:40)

**Ms. Fontaine:** So, I do again just want to clarify, because the minister seems to kind of be projecting all of this stuff that isn't entirely accurate. So, I'm not asking the minister to engage in instituting legislation. I am simply asking whether or not there are any processes taking place in respect of, again, what we know is coming down the pipe in respect of the legalization of marijuana which, again, I'm sure everyone in this table can agree is going to have huge impacts.

So I just want to clarify that again because, again, the minister seems to kind of be projecting and noting things that are not actually what I was saying.

So, again—and I just want to have clarification on whether or not, Madam Chair, the chair for the corporation is going to answer my question or is being prevented from asking my question, and it's a simple question. I'm just wanting to know whether or not the corporation, who I would suggest is probably the best institute in respect of the distribution in all of that piece, so in that vein, whether or not there is any work being undertaken by the corporation in preparation—not legislative—research, undertaking an environmental scan of other jurisdictions, at this point.

**Mr. Schuler:** Well, the member knows that that's a political question, and she's asking a political question. And I'm not certain that the board or the corporation wants to get themselves involved in this member or any other member's political questions.

There is no legislation. It was a political promise made by a political party who won an election and now has to craft legislation, and they're taking their time because they want to get it right, and until such

time, we have a lot of work to do within government. We've got Crown corporations as in Manitoba Hydro that are struggling with massive amounts of debt. We found out Manitoba Liquor & Lotteries got involved with a building that was at best awkward and could have been financially difficult for the corporation to undertake. I'm sure there's going to be all kinds of other things that we want to discuss at committee. Why would we spend time discussing a political issue when we have question period we can do that, we have session where we can do that, we have Estimates where we can do that.

This is where we can ask the corporation what—how they run their company and what's happening within the company and how the corporation is doing. Asking political questions of a board chair and a corporation isn't probably the best use of committee's time. We can keep having this discussion; that's fine, but it's out of scope of the corporation because there's no mandate; there's no legislative mandate for them to do this. Until the federal government tells how prescriptive or how they're going to delegate authority or how they're going to legislate this, we can sit here and talk 'til the cows come home, but that's not going to help us because we have no idea where the federal government is going on this issue.

So, I would suggest that we move on and we ask questions that are in scope. If the member wants, she could ask for a meeting with the Minister of Justice (Mrs. Stefanson) and—Justice is actually the lead on this issue because it is a legal issue right now, and I would suggest that'd probably be a good place, probably very important would be—we all know our members of Parliament and they show up at a lot of events. We can talk to them at these events. That would be a good opportunity to deal with these issues. This is really out of scope for this committee.

**Ms. Fontaine:** So, again, I just want to remind the minister that not more than, I don't know, 15 minutes ago, the minister indicated that any discussion in respect of the legalization of marijuana could take place at a table like this, and so that is exactly what I'm doing. I'm not asking political questions. I am asking process questions. So all I'm doing is, you know, executing what the minister, not more than 15 minutes ago, said, that any of us at this table could be doing, which was asking questions and having these discussions.

So I'm going to ask again. I don't know why the minister is trying to construct my questions about

process as a political question. It's not a political question. It is about what this government is currently undertaking in respect of legislation that we know is coming down. So I want to just know from the board chair—again, so this is my third time asking this just process question, is in respect of whether or not any work is currently being undertaken in respect of research or best practice or what other jurisdictions are doing as we await legislation that will have phenomenal changes and impact. So I will ask that question, that process question, not a political question, and I'm simply doing what the minister said that we could do 15 minutes ago.

Miigwech.

**Mr. Schuler:** And we have indicated that we are prepared to sit here as a minimum for five hours, and we can revisit and sit for another five hours. I've put my calendar aside. I think the member absolutely can keep asking those questions.

Now, I would caution the member—and I'll wait 'til she finishes conferring with her colleague—that it was her premier, the member for St. Boniface (Mr. Selinger), who I believe it was him who was offside with the former CEO of Liquor & Lotteries on who was the best venue to be selling marijuana. So they decided that they would have this very public, and in a newspaper, discussion to no avail, didn't help anything. We still don't have legislation in front of us. It is still a theoretical discussion. And it didn't help the member for St. Boniface and the then-CEO to have this discussion. One was going one way and one was going the other way. That doesn't do us any good until we know what the thinking is with the federal government.

And that's all we know. We know that a party ran in the last federal election, and we can all go online and we can see their commitment. And their commitment was not to decriminalize but to legalize marijuana. That was the commitment. They've formed government; they said they're going to live up to that commitment. More than that, we don't know.

So to ask people at a committee—this is not having constituents come in and you have a bit of a debate with constituents in your office or the member, she can go into the Chamber and have a debate with other elected officials. What an elected official at this committee is asking for is that people who are not part of our politics in this legislature speculate on what they think the federal government may or may not do and how they should or shouldn't

get themselves ready for something they may or may not have a jurisdiction over. Why would we use valuable time at this committee for something that's so out of scope?

And, frankly, that's not actually reasonable to expect a Crown corporation to get involved in our world. Once the federal government tables legislation, it does become part of the political process. That becomes part of that debate. And we as legislators debate that process, whatever it's going to be, whatever the federal government puts forward. That is our process. Once we've passed legislation and the Legislature has spoken, then whatever comes out of that, that's then what'll be done.

\* (13:50)

But even within her own party, when they were in government, they were offside with where the corporation was suggesting things might go. And it was in a newspaper article—I'm not divulging anything here that you can't google—the premier, the member for St. Boniface (Mr. Selinger), said one thing, and the CEO of the day said something different.

Why would we want that kind of a discussion here at this table? I mean, then this isn't a committee, this becomes like a university debating club and we all have our opinions. And, folks, that doesn't make sense. Until we have something concrete, we're all just a debating club debating in a vacuum. And that might work as university students, but we've got a corporation here that has a responsibility, that's been legislated to have a mandate, and that's what they should be focusing on right now.

To ask the corporation—I don't think it's appropriate to ask a board chair or a CEO to start speculating on something that none of us, nobody here—and if there is somebody who has insider information, please raise your hand we'd love—would absolutely love to have some insider information on what that legislation would look like, because until then I do not believe that anybody here has an idea of what that legislation's going to look like.

So to ask professionals to come forward and start grilling them on what they think they should be doing when nobody has a clue what this is going to look like, I'm very uncomfortable with that. And I think that puts our professionals on the spot. And we should get back to the corporation, what their mandate is, what they've done, what they plan on

doing; you know, are they going to order more red wine or whatever, like, we should be dealing with the mandate of the corporation and not ask the corporation to sit here and speculate on what may or may not happen in the future as far as federal legislation.

**Ms. Fontaine:** So, again, I find I have to—we waste a little bit of time when I have to keep going over the minister's comment and correcting the minister's comment. So, if we were to go back in Hansard, at no point in the last 40 minutes now have I asked the Crown chair to speculate in respect of legislation coming down. At no point have I asked them to do that. I've simply asked whether or not there are any—there's any plans for research. If there is any plans or—currently being undertaken in respect of an environmental scan on other jurisdictions.

So I just want to clarify that in no way, shape or form have I asked the Crown to speculate. None of us can speculate. And, actually, I agree with the minister, we don't know at this point. So I certainly wouldn't come to committee and ask the Crown, hey, what do you guys think is going to happen? It's inappropriate; it's not my question. So I just want to clarify that I have not said that.

What I am asking the Crown, very simply, and I'm asking the Crown—and let me say it again, so that everybody is clear, so that the minister is clear—the reason for my questions is that if we were to look at the infrastructure for Manitoba it would seem that Liquor & Lotteries is the most suited in respect of however this is going to manifest itself, and so all I'm asking is whether or not there is any formal process going on in respect of research or looking at other jurisdictions.

And I do just want to comment in respect to the minister's, you know, attempt at, you know, formulating some type of argument in respect of, you know, not having the Crown kind of speak to this right now because of the former premier and they were both kind of offside from one another—that is actually precisely my point. That is precisely my point, and he actually proved my point that we are going to have huge variations in respect of how do we respond to this legislation.

So does this government take an active role right now in kind of mapping out or looking at all of this, or when the legislation comes down all of a sudden we're in months and months of negotiations and back and forth and whatever it may be?

So I want to thank the minister for pointing that out. It actually did confirm what I'm trying to say here. And, again, all I'm trying to say is that it is incumbent on this government to start looking at this legislation that is coming down the pipe.

And, again, so I'm going to direct my question—I'm not sure why the minister is not allowing the Crown to speak to now what will be my fourth question. So I'm going to ask again, just the chair of the corporation of Liquor & Lotteries, whether or not there is any current research being undertaken, if there's any, you know, discussions with other jurisdictions, anything like that that's going on right now or if there's any plans.

Miigwech.

**Mr. Schuler:** I made it abundantly clear. The Department of Justice—it is the Justice Department that will take the lead on this issue. They will speak to this issue. Manitoba Liquor & Lotteries has no legislative authority. Member opposite, through you, Madam Chair, was government for 17 years. At no point in time did they change the legislative authority because, evidently, we're all supposed to be clairvoyant here; we're all supposed to be able to see into the future. They had 17 years to change the legislation, to change the mandate of Manitoba Liquor & Lotteries. Neither the board chair, nor the CEO, nor the Minister of Crown Services are the lead on whatever legislation might be coming down federally. That will be within the Department of Justice.

And I've said to the member she has question period; next week question period starts up again. She has 40 minutes to ask questions in question period every day. She can go to her House leader and say, I would like to have all 40 minutes; I want to ask Justice where they are on this. That's where the lead is. It's in the Department of Justice. And to ask the Crown corporation to speak to something that Justice is speaking on, then we're going to have the same kind of dysfunction that we saw the last two and a half years under the NDP where, seemingly, everybody was premier and everybody was House leader and everybody was a minister of something, and there—factionalism. No, we have within the government a department that is the lead on this issue.

And all's that I'm saying is to sit here and keep asking individuals who have no legislative authority to deal with this issue—they don't. And we have no

idea where the federal government—I mean, they might—they might—pick a vehicle by which this must be distributed. They have legislative authority. They have the right to pick a vehicle if they want. Or they can allow the provinces decide how this will be dispensed.

Until such, Manitoba Liquor & Lotteries has a mandate, a job to do. We asked them to do it. We asked them to come to committee, answer questions, but we can't ask the corporation to speculate about something that they have no legal authority to speculate on. It's not in the purview of Manitoba Liquor & Lotteries. It was not given to them under the last 17 years of NDP and neither have we passed legislation in the last six months giving them that authority. We are waiting to see what the federal government does, and until then, the lead department is Department of Justice.

**An Honourable Member:** Point of order.

\*(14:00)

#### Point of Order

**Madam Chairperson:** Mr. Marcelino.

**Mr. Marcelino:** It's becoming clear that the minister does not want the Crown chair to at least answer one simple question from the member. And although it might sound ridiculous that we are here asking for whatever it is that the Crown might have prepared themselves in order to anticipate the law that might be passed, the conduct of the minister in not allowing the Crown to say yes or no, we don't or we do have those research, impinges on my right to hear the answer from the Crown.

I guess I should have raised the point of order about an hour or maybe 50 minutes ago, but this is becoming a ball game for the minister.

**Mr. Schuler:** It's not a point of order, Madam Chair, because we have, over the years, a tradition: members are allowed to ask questions, and it is the minister, or the board chair, or the CEO that decide who's going to answer the question. And, couple of weeks ago, the very same member passionately argued for, you know, the ways things are always done. Well, that's the way they're done. Now he doesn't want them done that way.

I would suggest it's not a point of order. The questions are being answered in a full, upfront, transparent fashion. You can't ask people to comment and speculate and freelance on something that isn't their mandate. I don't know how clear you

can become. Like, I don't know how much clearer you can be. It's not their mandate. It's not been given, wasn't given in the last 17 years. It's not a point of order.

**Madam Chairperson:** Order, please. This is not a point of order. This is a dispute over facts. And it is—we're not to rule over the quality or the content of the questions.

\* \* \*

**Madam Chairperson:** Seeing that we are coming close to our 45-minute allotted time, I just would like to interrupt and offer a general caution that I would like to remind all honourable members that their remarks should be kept to—relevant to the matter before the committee.

Our rule 41 states that speeches shall be directed to the questions under consideration. There are other avenues that are available for these types of questions. They can be posed during oral question or any other proposed—on any other proposed legislation.

So, with this in mind, I'd like to ask all members to focus their comments on the matters currently before the committee.

This is now the government's opportunity to ask questions, unless you have one summation, Ms. Fontaine?

**Ms. Fontaine:** Well, and I think at the beginning we agreed that we would see how it was going, so—

**Madam Chairperson:** That's why I'm asking.

**Ms. Fontaine:** —yes, miigwech. And I appreciate your intervention.

So, again, I know that the minister—

**Madam Chairperson:** Order, please. We're dealing with the matter of a point of order. I've answered the question. So we—I have stated that it is now government's opportunity, but do you—are you close to 'submission' within five-ish minutes?

Is that agreed by committee that we will allow an extension to no more than 10 minutes? We are—oh, Mr. Martin.

**Mr. Shannon Martin (Morris):** I'm sure my understanding is that we had a general understanding at the front end. I think it's important that the independent member also has an opportunity to ask questions and that the independent member's time is not taken away as a result.

As well, I am sure that there are government members who also have questions.

It's not that the floor will not be returned to the members opposite, but I think in the interests of a fair and equitable committee that we should move and stick to the original parameters discussed at the front end of committee.

**Madam Chairperson:** So do I hear agreement from committee that we will stick with the formal—the informal agreement as it was outlined?

**Some Honourable Members:** Agreed.

**Mr. Allum:** Madam Chair, as I said at the outset of the meeting, the House leader approached me about an informal understanding. There was no tight timelines about it. The member from St. Johns is almost finished her line of questioning with the minister on this particular subject matter.

The way committee has worked is that the member would complete her line of questioning and then it would go to the independent member for further questioning and then the government side can take a few minutes to ask some questions as well. The member for St. Johns (Ms. Fontaine) is not finished her line of questioning yet, and, frankly, if the minister would keep his answers a bit shorter, we might actually get somewhere here this afternoon and not need the five hours suggested by my friend from Radisson at the start of the meeting.

**Madam Chairperson:** Order, please. Order, please. Order, please.

So we did have an informal agreement to conduct business as it was outlined with the 45, 15 and five. I will allow Ms. Fontaine to finish her questions, but please ask her to formulate her questions in a way that she can come close to allow government to answer their—or, ask their 15 minutes.

**Ms. Fontaine:** So, in order to expedite the questions, the many, many remaining questions that I have, the reason why I'm asking this line of questioning, which is fully right in respect of asking the corporation this line of questioning, because we know, and the minister would know this, that there was an article in the media on November 19th, 2015, in which the—and I'll read it directly: Crown corporations in Manitoba have begun research to prepare for the sale, distribution and regulation of marijuana now that pot legalization in Canada looks inevitable. The CEO of Manitoba Liquor & Lotteries, John Stinson, said his agency will meet with jurisdictions that have

already legalized marijuana this winter, such as Colorado, to learn of the pitfalls of selling pot legally. One of the first questions that need to be addressed, Stinson said, is do we want to treat marijuana more like alcohol or cigarettes.

So, while the minister is, you know, trying to bring up all kinds of stuff to kind of detract from my line of questioning, my line of 'questioning' is absolutely and wholly legitimate, particularly in line with media reports already that there was some work that had been undertaken.

And so, I ask again, is Manitoba Liquor & Lotteries beginning to do some research? Are they beginning to look at other jurisdictions as this media piece is illustrating and in preparation for the legalization of marijuana?

**Mr. Schuler:** I thank the member for the question and I will endeavour to take Hansard which has all her concerns and questions in it and send it to the responsible jurisdiction, which is the Department of Justice. And I will endeavour to do that as soon as Hansard comes out.

\*(14:10)

**Ms. Fontaine:** So, again, I do want to just clarify again—there's been a lot of clarifications here in respect of the minister's comments. I know that the minister has indicated that, if I wanted, in theory, I could take 40 minutes in question period, and probably, if I asked my caucus if they—they'd probably give it to me if I asked nicely. The problem about asking questions in question period is that you actually don't get answers from government, including from this minister.

So I want to just—again, this was the process, this was the space in which this minister now, I don't know how long I—you originally said that this was the process and the space in which I could ask these questions. None of the questions have been answered, and it's now my sixth time now asking the Crown whether or not any research or any visits or looks or environmental scans that other jurisdictions is currently taking place, whether or not there's going to be a formal process to undertake that.

So, I mean, yes, I would love to go to question period and ask questions about the legalization of marijuana, but I'm afraid that I wouldn't get any answers in the similar way that I'm not right now.

**Mr. Schuler:** Well, I thank the member for that statement, and I feel her pain. I lived that for 17 years; we never got a straight answer.

Insofar as the question goes that she asked, we will endeavour to take Hansard, we will send it to the department responsible, the lead department on this issue. And I'm sure they will be very interested to hear the positions that her and her party have taken here and their concerns, and we will endeavour to send all of those on to the lead department. I've answered every question straight up, full transparency.

We've answered every question, and I would suggest that she have a good read through Hansard and recognize that she can ask the questions, but she should be asking those questions of the people who actually either are the lead or ask members of Parliament who are part of the process writing the legislation. To ask members of this committee to freelance and to speculate, it doesn't do us any good.

**Mr. Teitsma:** I do want to change gears a little bit and take some of the advice that we've heard from the member from Tyndall Park and the minister to focus our questioning on some of the past activities of the corporation and also the future plans of the corporation. And, specifically, I'd like to talk a little bit about the downtown flagship Liquor Mart, the 50,000-square-foot one that we all got to read about in the papers earlier this year.

Now, the previous government, I think, and some of the members are here, mentioned that they'd like to hire consultants in order to make major decisions, and I would term, you know, entering into a lease of a large downtown flagship Liquor Mart would be a major commitment. So I just want to ask, you know, was a consultant—when was a consultant, I guess, approached and who was hired and what kind of report did you receive from that consultant about this flagship store?

**Mr. Peter Hak (Acting Chief Executive Officer, Manitoba Liquor & Lotteries Corporation):** I don't believe there were any consultants hired in relation to *[inaudible]*

**Madam Chairperson:** Order. Order, please.

Mr. Hak, would you mind speaking up so that we—or, yes, a little closer to the mic. Thank you.

Can you repeat your—*[interjection]* Can you repeat your answer, Mr. Hak?

**Mr. Hak:** Yes, I don't believe there were any consultants hired in relation to that property.

**Mr. Teitsma:** Thank you for that response, Mr. Hak.

Then I won't bother asking when the report came from the consultant because I guess there wasn't any consultants. So—but I assume then, certainly, a detailed business case would've been made to defend the decision to go ahead and undertake a lease or an offer to lease with a space of this size and the kind of financial commitment you're—we're 'tealing' with here. So could you maybe give us some information about that business case: When was it undertaken, and when was it completed?

**Mr. Hak:** Again, we couldn't locate any business case in relation to that property. *[interjection]*

**Madam Chairperson:** Mr. Teitsma.

**Mr. Teitsma:** Thank you, Madam Chair, sorry, just getting into the swing of things here.

So, if I'm understanding you correctly then, you're saying that the decision to enter into an offer to lease for the 50,000-square-foot new downtown flagship Liquor Mart was made without a consultant report and without a detailed business case. Was there at least some form of business case like that? Was there—was Manitoba Liquor & Lotteries even looking for downtown space prior to this?

Was there any justifiable need for this?

**Mr. Hak:** Not to my knowledge. We weren't really looking for additional space, but we couldn't find any, whether it's consultants or business case, related to that property.

**Mr. Teitsma:** Okay—

**An Honourable Member:** We can't hear you, Peter.

**Madam Chairperson:** Mr. Teitsma.

**Mr. Teitsma:** Sorry, I think have the advantage of sitting right next to Mr. Hak here, so I can hear him clearly—hopefully, Hansard can hear him.

**Madam Chairperson:** Mr. Teitsma, continue.

**Mr. Teitsma:** I think, just for the interests of the minister, it might be good for you to just reiterate, then, that there was no consultant engaged, there was no business plan undertaken and that this was not part of a long-term strategic plan for Manitoba Liquor & Lotteries to enter into such a lease.

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

**Mr. Teitsma:** Well, I heard that answer.

Now, the impression I have is that this is an untendered lease. Is that correct?

**Mr. Hak:** Yes, we did not issue any RFP for that property, for that lease.

**Mr. Teitsma:** And under whose direction was that done, then, to make a decision not to—or to enter into a lease that was not tendered or went—gone through an RFP process?

**Mr. Hak:** I'm not sure. The former CEO took the lease to the former board, and the former board approved the lease.

**Mr. Teitsma:** Okay, but, so the—as you understand it, then, the former CEO did this of his own accord, no direction given to him? Or was there direction given to him, any evidence of that?

**Ms. Polly Craik (Chairperson of the Board, Manitoba Liquor & Lotteries Corporation):** It's my understanding that the direction came from the board to the former CEO to enter into a lease for between 45 and 50 thousand square feet. It's also my understanding that the direction was given to the board from the former government. *[interjection]*

**Madam Chairperson:** Excuse me, Mr. Teitsma.

**Mr. Teitsma:** Misbehaving Mr. Teitsma.

Can you be more specific about; you said the direction came from government. Was there, like, a particular office? Was it from the minister, from the premier, Cabinet?

**Ms. Craik:** The information that I'm sharing is what was told to me from the previous CEO, that the direction came from the former government, no one in particular. The direction was given to the board, and the former board gave direction to the CEO to enter the lease.

**Mr. Teitsma:** And, again, part of this is I'm relatively new to government, I guess some of us are new to this table, as well, but what would the normal decision-making process be for entering into this kind of an agreement?

**Mr. Hak:** Typically, when we look to either add additional liquor stores or renovate existing stores, we do look at the return on investment in terms of how much it costs and how much additional revenue we anticipate will be generated from it. That would be the typical process. And, then, that business case would get the required approvals.

**Mr. Teitsma:** And, then, in terms of, would it normally—would it be normal to tender such an arrangement?

**Mr. Hak:** We don't normally tender for the location. We do an analysis based on the market. So, as an example, we opened a new store in Sage Creek last year because that was a whole new development. What we do tender for is the construction after the fact. But the location is just done by a market analysis that we do.

**Mr. Teitsma:** Can you table the market analysis that was done for this location?

**Mr. Hak:** As far as we can tell, there wasn't one done.

\* (14:20)

**Mr. Teitsma:** Okay, I'm trying not to—I'm trying to contain my righteous indignation, I guess, on behalf of taxpayers, because I think when we look at Manitoba Liquor & Lotteries Corporation, I think it's good—

**An Honourable Member:** Point of order.

#### Point of Order

**Madam Chairperson:** Mr. Marcelino, your point of order.

**Mr. Marcelino:** I didn't hear the last answer from Mr. Hak.

**Madam Chairperson:** That's not a point of order.

Mr. Teitsma, can you rephrase that last question, not the one you're currently on? Go back and give Mr. Hak a moment to re-answer that question so it's clear for committee? It's hard.

\* \* \*

**Mr. Teitsma:** Could he table the market analysis that was done for the downtown location of the new flagship store?

**Mr. Hak:** As far as we can tell, there was no market analysis done for that property.

**Mr. Teitsma:** All right. And now I will start to ramble again about my righteous indignation, but I just wanted to say with Manitoba Liquor & Lotteries, I think, it's important for taxpayers to—I think taxpayers recognize that Manitoba Liquor & Lotteries corporation's operations are either going to hit them on one side of the pocket when they're purchasing the stuff that you're selling—the price is either going to go up there if there's money being wasted within the corporation, or the benefits to

government that the revenue that should be generated is going to be somehow reduced.

So I guess I'm concerned, and I'm wondering if that concern is shared, that these processes were not followed and that essentially without a business case, without a market analysis, without even a strategic need identified by Manitoba Liquor & Lotteries, that we would enter into such an agreement.

Now, I mean, speaking of the agreement, maybe since I asked for a tabling, can I ask if we can table the letter of intent and the—was it an offer to lease that was signed or—

**Mr. Hak:** This is an offer to lease. Any agreement we have with third parties would require the approval of the other party before we can make it public.

**Mr. Teitsma:** Okay. Thank you.

I'm still trying to wrap my head around how this was done and how it should be done. Were there checks and balances—like, are there—what are the normal checks and balances that you have in place? I know you mentioned an ROI and a business case. Are there other checks and balances along the way that you would undertake through a large kind of a commitment like this? Like, where would it source from and where would it have to get to—what hoops would it have to pass before you would be in a position to sign it?

**Mr. Hak:** Well, this did not clearly follow our typical processes because typically we do a business case. It gets approved by senior management, and, based on the value, then it goes to the board for approval. So all those steps are typically the checks and balances we have.

**Mr. Teitsma:** So then just, again, getting back to this particular decision, when did that direction, then, come from government and, like, what was the overall timeline from when we went from the non-existent business case to issuing a letter of intent and then to signing an offer to lease? How long did that take? Can you give us specifics?

**Mr. Hak:** The board approved it December 13th, and the letter of intent was entered into on December 18th.

**Mr. Teitsma:** And then what about the offer to lease? What was the date on that?

**Mr. Hak:** That's the document I'm referring to that was signed on December 18th.



**Mr. Teitsma:** Sir, when was the letter—were they simultaneous, letter of intent and offer to lease? Was that one package, then, or was that two separate things?

**Mr. Hak:** The only thing that's signed is the Letter—offer to lease.

**Mr. Teitsma:** Okay. When was the letter of intent issued then?

**Mr. Hak:** I don't believe there was a letter of intent. We found—we just found the actual offer to lease as well as the board motion approving the transaction.

**Mr. Teitsma:** I'm a little bit flabbergasted; I'll be honest. It took me longer to lease my constituency office than it seems to have taken our previous government to sign a lease for a 50,000-square-foot downtown flagship Liquor Mart. My constituency office, just for the record, is 890 square feet, so that's a little smaller, and I think I checked it over and actually built a business case for myself that was a little more thorough than the one that doesn't seem to exist here.

So, then, when the board—like, what material did the board have before it when they made the approval on December 13th?

**Mr. Hak:** I don't believe they had any material other than the terms of the lease.

**Mr. Teitsma:** I have to—getting into the rhythm here.

And the terms of the lease, I guess—are we able to notionally describe some of those terms to us?

**Mr. Hak:** Yes. As with most—as with any lease, we always require a third party to approve the specific terms and conditions before they're made public.

**An Honourable Member:** I think my last question—

**Madam Chairperson:** Mr. Teitsma.

**Mr. Teitsma:** Yes. Sorry. My last question. Then, just to be clear, the—according to what was said earlier by Polly—sorry, Craik, Ms. Craik, was that the previous government, I guess, had directed the board. Did the board then feel that—have you had an opportunity to discover the board's decision-making process? Like, were they simply following orders or were they taking their responsibilities seriously? What's your impression of how things transpired?

**Ms. Craik:** As it relates to this item, I was unable to find any documentation leading up to the decision that was made by the board.

**Madam Chairperson:** Thank you.

**Ms. Cindy Lamoureux (Burrows):** I wanted to begin by thanking and welcoming the members from the Manitoba liquor and lottery commission for being here with us today. I have four questions in total and it shouldn't take more than four if I get the answers.

The first line of questioning is going back to what the member from St. Johns was asking about. And I did want to thank the minister for referring people to go and see my father at his local McDonald's, and I also want to put on the record that I'll also be sitting at the local McDonald's on McPhillips starting in the new year on Monday nights and as a provincial politician, I'll welcome the issue.

So one thing that's worrisome, the minister did say that he doesn't want to go into a public debate as to which direction this legislation may go. I disagree with that. You know, I do. I think it's worrisome, and I would argue that this is when Manitobans should be engaged.

We want to form legislation that are going to—that's going to better Manitobans as a whole, and they need to be the ones forming it in order to do that.

So I just wanted to give the minister an opportunity to perhaps correct that statement or put a word on record.

**Mr. Schuler:** Well, I thank the member for using this opportunity to let us know when she's going to be hosting her community events. And perhaps she has more information on where the federal government's going to be going on this issue.

But I would suggest to the member that we can all have discussions and we can all have opinions, but we have to be very careful that we're not irresponsible in regards to taking positions and having public statements being made on something that we have no clear direction on.

We have to be very responsible on this issue. This is a very touchy issue for a lot of people. A lot of people have very strong opinions on it, very passionate about it. This tends to be a—you're on one side or the other. It's not a—and I would suggest the public has a right to engage their elected officials. We would argue that the best place to engage would be at the federal level. And if the member wants to

tell us when the—her local MP has his McDonald's moment, that would be a good place to start.

\* (14:30)

But, insofar as a provincial government, we will wait, and again, the lead on this is Department of Justice, but we will wait. Before we start making statements and talking about what kind of direction, we will wait for the federal government to put forward legislation.

**Ms. Lamoureux:** The Member of Parliament for Winnipeg North, Kevin Lamoureux, he sits at McDonald's from 10 to 2 every Saturday. It's the McDonald's location on Keewatin.

I recognize it is a very sensitive issue, but that being said, it reinforces the importance that we do need to start preparing for it. We're not naive; it's inevitable. It is going to come to the provinces here in Canada.

I will make my question as simple as I can, just requiring a yes or a no response. I want to know if the Manitoba Liquor & Lotteries commission has begun to look at the models that has been used in any other place: Colorado, Washington, Portugal, Alaska.

**Mr. Schuler:** I find the questions incredibly interesting as a political scientist. We have a member who clearly has connections to the federal Liberal Party indicating that a corporation who does not have in their mandate anything to do with the distribution of a narcotic, but that they should be out doing studies and spending money on all kinds of stuff. Really, the question is: Has she given that advice to the federal government who's coming up with that legislation? Isn't that the jurisdiction that should be going out and finding out what impact this has on other jurisdictions and on how they're doing it, so that when they write the legislation they're not depending on people meeting at McDonald's to find out how it impacts other jurisdictions? Isn't that the role of the federal government who's writing the legislation?

Like, why would we send legislative committees and Crown corporations and all kinds of stuff on an issue we have no idea where the federal government's going on, when that's actually what the federal government should be doing before they write the legislation? Because once the legislation is written, we will have to follow federal legislation. That's how it goes.

They won't put forward federal legislation. Let's hope—let's hope—that they've done their homework. And what the member is describing for us is something that we hope the federal government's actually going to do, because before they write the legislation, let's hope that they've gone to other jurisdictions and seen what impact it has and how they're dealing with it and how it impacts individuals, before they write the legislation. That would be the appropriate place.

It's not in scope; because we can do all kinds of stuff and spend all kinds of money but we're not at the table writing the legislation.

When the legislation comes down, then we will do our due diligence in regards to what kind of enabling legislation—and the word is enabling legislation—the federal government will set federal legislation and then we will have to pass enabling legislation. Let's hope that the federal government does exactly what the member recommends.

**Madam Chairperson:** Ms. Lamoureux, as we are over or extended our five minutes, are you finished your questioning? Okay, well, we can come back to you after opposition is done their questioning.

**Mr. Hak:** I just want to clarify an answer I had previously given in terms of dates. The letter of intent was signed on December 18, and the board of directors approved on December 11th. I believe I said 13, but it was actually December 11th.

**Mr. Allum:** I am prepared to have my friend Ms. Lamoureux complete her line of questioning so that we can just put an end to this particular component of the conversation. And then, if that's okay, we'll move on to the—to what—after next.

**Madam Chairperson:** Okay, Ms. Lamoureux.

**Ms. Lamoureux:** I appreciate that. And I, actually—I only had two more questions, but it wasn't on the same topic, so maybe I'll just make a closing remark on the topic that we were discussing there.

The reason that I'm bringing it up and the reason that the opposition party rightfully is bringing it up today is because she—the member from St. Johns quoted earlier today that the Manitoba Liquor & Lotteries commission had taken a lead on this. They initiated discussion. The discussion is happening.

So why would we not discuss it here in committee with the very people who are taking the lead on it?

**Mr. Schuler:** To be very clear, the lead department on this issue is the Department of Justice. And that's where, if the member has questions, she should direct her questions to the Department of Justice.

Today we have business of the Crown corporation called Manitoba Liquor & Lotteries, and it has to be within scope of what their mandate is.

**Ms. Lamoureux:** I'll finish there for this topic.

**Madam Chairperson:** Thank you.

**Mr. Allum:** Well, if we've learned nothing else today, we've learned that the minister has given no direction or—to the Crown corporation regarding marketing research or distribution plans going forward. And, secondly, I would suggest that we've heard that the current board has shut down the research that was under—being undertaken by the previous board. I'll just leave it at that, because that's what we've learned here today.

I want to return to our conversation about the Medical Arts Building that we had a good dialogue on last time. Just to catch up the committee and members of the audience here, could the chair tell us what future plans does the corporation have for the Medical Arts Building, for the surface parking lot and for the parkade?

**Ms. Craik:** We have engaged in a process to divest of the Medical Arts Building, including the parking lot.

**Mr. Allum:** So it might help the committee to know what the nature of that process is. Could you elaborate on what the process is, all the way through?

**Mr. Hak:** We're just in a process of engaging a broker to assist us with disposing of that property.

**Mr. Allum:** That engaging a broker was a RFP-tendered process?

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

**Mr. Allum:** Closing date of that process will be?

**Mr. Hak:** Well, the closing date is passed. We're in the process of evaluating the respondents we got.

**Mr. Allum:** Sorry, I'm banging my glasses, which I shouldn't do, so—I was only reminded three times, but—so I'll try to get it right.

**Madam Chairperson:** Please continue.

**Mr. Allum:** I'll put all my toys down so that I can do it.

The—does the chair and/or the acting CEO at this point have a potential cost for what that process will be or what the nature of the financial element will be of that deal—will be at this point?

**Mr. Hak:** We haven't finalized our evaluation of the proposals we received.

**Mr. Allum:** So maybe he said that while I was banging my glasses. That process will be completed by—on what date?

**Mr. Hak:** We anticipate to complete that shortly. It could be within a week or so.

**Mr. Allum:** I appreciate that, thank you very much.

When we last talked about the Medical Arts Building and the new board's decision to cancel the utilization of the building for the centralization of MLLB, the chair indicated that a board member, Jim Morden, had prepared a report for the board. Can she provide details of what was in that report?

**Ms. Craik:** I'm just trying to get clarification on the specific report. The report that I think you're referencing is the recommendation to the board for the cancellation. There was no formal report. It was a recommendation to the board for cancellation.

\* (14:40)

**Mr. Allum:** Okay, so, sorry, my understanding, and this is genuine, was that you had identified Mr. Morden as the lead on the file. The CEO had—or, the chair had identified Mr. Morden as the lead on the file—I think that's a direct quote, but close anyways—and that a report had been prepared by him to the board in order to evaluate the business case for not proceeding with the consolidation of the corporation. Am I incorrect in that regard?

**Ms. Craik:** If I said—there's no formal report. The report is a report that was given to the board that had all the information and facts that we based our decision on.

**Mr. Allum:** So, a recommendation—I'm just trying to follow—I think we're engaged in the same—trying to get through the morass here. A recommendation came to the new board to not proceed with the previous deal, and in that recommendation, there was all kinds of facts and figures. Who prepared those facts and figures within the recommendation?

**Ms. Craik:** The facts and figures were prepared and throughout discussion, in looking at the report that was provided to us, that was the analysis that was done by Deloitte, and looking through that as part of

the process and coming out with our decision. And our decision was solely based on the fact—really, three areas: one, that we don't require a new head office, period; the second, that we do not want to be in the business of being landlords and property developers, and any potential savings that could potentially be in the future would be mitigated by any cost overruns that we felt were not clearly indicated in the report.

**Mr. Allum:** So, then, I take it, based upon those general principles, if I could call them that, that there was no business case prepared for the board to evaluate and to help them in the decision-making process?

**Ms. Craik:** I believe I also commented last time that we felt no need to hire any external consultants or spend any money or time putting together a formal documentation. We based our decision on the facts and information that we received. We do not want to be landlords. We do not require a head office, and we would not put ourselves or the public in the position of entertaining cost overruns on a building that would clearly be happening in the future.

**Mr. Allum:** Okay. So, the previous board, as we went through in minute detail the last time where we're here, went through a two-year exhaustive process with many, many different elements to it. A business case was prepared in full and complete for the board's analysis before the final decision was made, and on the basis of—I don't—a whim, the new board decided to just can the whole project?

**Ms. Craik:** The decision to abandon the project was, quite simply, an easy one to make. It was a bad decision in the first place to purchase the property, and we don't need it. We don't require the space for a new head office.

**Mr. Allum:** I'm sorry. It's hard for me to understand how you know any of those things when you didn't do any analysis on it.

**Ms. Craik:** All we had to do was read the analysis that was done and it was clear that, first of all, we don't require a new head office, period.

**Mr. Allum:** But there was a business case prepared that suggested this would have several advantages to the corporation. You just ignored all of those advantages that would come to the corporation as a result of this investment?

**Ms. Craik:** We disagreed with the analysis of the advantages given that there were things not included in the document that was provided.

**Mr. Allum:** Things such as?

**Ms. Craik:** Such as potential cost overruns and the need to look at reworking some of those numbers based on the projections that were done.

**Mr. Allum:** So, you just—thank you very much for the document, correspondence that you provided to us earlier, in a—which it indicates that the total project cost was \$66.8 million, which was comprised of a contingency of \$14.6 million, which would address any cost overruns that may have been incurred—may have been incurred. That's a pretty sizable contingency fund to address cost overruns, wouldn't you agree with that?

**Ms. Craik:** No, I would disagree.

**Mr. Allum:** So if I could ask the acting CEO, then, what would be a normal contingency built into a project?

**Mr. Hak:** You can never guarantee what the final costs will be because at this point in time, we still hadn't designed—the design work still hadn't been done and the work hadn't been tendered yet. So you can never predict what the final costs will be.

**Mr. Allum:** Appreciate that. I wasn't asking about this particular project. In the business of project management for a new undertaking, a new project such as this, what would be the normal percentage contingency built into it?

**Mr. Hak:** I'm not a construction expert, so I can't tell you what normal would be. I think it would depend on the nature of the project and the market at the time and all those things, so.

**Mr. Allum:** Would you—would the acting CEO agree that a 20 per cent contingency is a pretty sizable contingency?

**Mr. Hak:** I think at this point, these are really, you know, class D estimates, which means that you haven't even in—aren't taking the design, so 20 per cent may or may not have been sufficient.

**Mr. Allum:** Well, that's a pretty remarkable answer, I have to tell you, because I think, really, under normal circumstances, was this not such a politicized environment, you would probably be inclined to agree that 20 per cent is actually a pretty significant contingency amount built into—in any project, but anyway, it's believed, be that as it may. I want to return to the acting chair and just act—about Mr. Morden's role as lead on the file. Could she describe what his role was?

**Mr. Schuler:** Well, thank you very much, and insofar as contingency funds go, there is a comparative project that was done where a City of Winnipeg department, Winnipeg Police Service, decided to take on a building, buy it and retrofit it. And in that case, probably, a 50 per cent contingency fund wouldn't have covered the overages. And what we just heard from the company is that there were actually no concrete drawings, no build drawings completed. What, basically, we had in front of us was a best guesstimate. It was—as soon as you get into the actual drawings, when ceiling tiles are pulled down, walls are opened up and you actually see what's inside of them, that you start to find out what the true cost is going to be.

So insofar as the question, is 20 per cent a large contingency fund? On renovation projects like this, no. No, actually, that's probably pretty average. And in the case of the new Winnipeg police headquarters, 20 per cent wouldn't have come close to cover the overages and the expenses that they ended up incurring. When they got real drawings that are stamped off, that are approved and then are tendered, that's when rubber hits the road, that, then, you'll find out is—20 per cent is probably conservative at best.

**Mr. Allum:** Well, as far as I know, the minister isn't a construction manager either. In fact, he's been in this Legislature for a long time, so I take his opinion as anecdotal only, but I appreciate his intervention when I, in fact, asked the chair an entirely different question, which was: Could she describe Mr. Morden's role as lead on the file in relation to the decision to cancel the downtown consolidation?

**Mr. Schuler:** Well, actually, I thank the member for, again, never bothering with research because why would you research when you can just have opinions?

\* (14:50)

And, actually, the minister knows a lot about tendering, and, in fact, my father was part of the group that built the Richardson Building back in its day, and he single-handedly was the project manager of the Disraeli overpass. I grew up in a construction environment, and I won't bore the committee with all of it, but, actually, I have actually managed my own projects. If he wants, I'll take him on a tour and I'll show him what I've done, and I do actually know a lot about—it's actually in the family; it's—it's—and I can fill him in. I don't want to give the family all of an advertising plug here or a shout out, but I can sit down with him and show him, probably in the realm

of several billion dollars worth of real estate, that a family has built and been involved in, not just in Winnipeg, but around North America.

So it is something that I do have a little knowledge of, and you don't have to be a rocket scientist to figure out that when you buy an older building that you build in a strong contingency fund. It doesn't matter if it's a home renovation, and I would tell the member I renovated my living room and found out I had a \$5,000 hit because the chimney in the fireplace needed to be completely replaced. And that ended up being a more than 20 per cent cost overrun on that little renovation project.

It happens. Twenty per cent is responsible. Coming from somebody—the price should have been higher, but that coming from somebody who actually was involved in the industry.

**Mr. Allum:** Yes, you—agreed. In fact, the minister is such a rocket scientist on this file that he gave—looked the other way when Manitoba Hydro completed an untendered contract with \$4.2 million from a group in Boston in order to recommend that Manitoba continue to rely on fossil fuels going forward. That is rocket science; you're right. You're quite correct on that matter.

I want to move on, if we can. Has the corporation, at this point, and I guess I'm asking the chair, had any discussion with developers regarding the Medical Arts Building?

**Mr. Schuler:** And I thank the member for that comment, and I'd like to point out that the Boston Consulting Group is an international consulting group and they actually have rocket scientists on their team. They are some of the brightest minds. In fact, they even went to Europe to that—the documents that were put in front of Manitoba Hydro board, that they were the best information, and I think the corporation got—sought and got the best advice they could—rocket scientists.

**Madam Chairperson:** I'm just going to interject here and ask that Manitoba Hydro is not relevant to today's discussion of what's in these reports, so I'll ask all members to go back to their questions of relevance to MLCC.

**Mr. Allum:** It's no more relevant than the minister's rec room, if I might add that to your commentary—

**Madam Chairperson:** Order. Thank you, Mr. Allum, and that's why I'm redirecting you to go back to asking the question, so thank you.

**Mr. Allum:** Yes. No, absolutely the question was not about Manitoba Hydro. It was simply in the context of the question that I—

**Madam Chairperson:** Excuse—order; order. So thank you. I appreciate your comments. I am presiding in the Chair's position, so please continue with your questions and please refrain from reflecting on my comments in regards to the chairmanship. So please continue with your question—your relevant question as it pertains.

**Mr. Allum:** Yes, I'm still waiting for the answer. I asked a question of the chair of the board. I'm still waiting for the answer. I asked the chair about whether or not they'd had any conversations, any discussions with developers at this stage regarding the Medical Arts Building.

**Ms. Craik:** As presented, we've gone through a public process to hire a broker to be responsible for the sale of the buildings, and that's how it's being handled.

**Mr. Allum:** I appreciate that, but I'm asking: Have there been any discussions between you, any board member, or members of the corporation with developers about the Medical Arts Building or about the parkade, and if you have, who?

**Ms. Craik:** To the best of my knowledge, there haven't been any formal discussions with any brokers.

**Mr. Allum:** I'm not sure if we're using the same terms or not. A broker, to me, would be the real-estate agent who goes out and sells the building on your behalf. I'm asking whether any developers have expressed an interest to members of the board or to the corporation or to anyone else about their interest in acquiring any parts of the medical arts complex.

**Ms. Craik:** There's been no formal discussions. People—I can't speak on behalf of everybody. If there's an informal discussion around a dinner table or a social event, there's a lot of people that have interest in what's going on in the Medical Arts Building. There's a lot of discussion, so I can't answer that.

**Mr. Schuler:** Any inquiries that we get in our office in regards to the building, we are told they are supposed to direct them direct to the corporation and at such time as they find a broker, they are to go to their broker. Individuals have approached me at numerous events, and I tell them it is not with in the

purview of the minister's office. They are to deal directly with the corporation, and when they have an agent—it's a formal process, so just to be very clear on that one, that anybody who approaches myself or, I take it, anybody else for that matter, there will be a proper process set in 'prace'—place that, frankly, we would love everybody who has an interest in it, like, bid on it. It's great.

**Mr. Allum:** Well, I appreciate that. I mean, the question is that we're concerned about the informal conversations that appear to be going on and we're wanting to be assured that this is an open and transparent process that the people of Manitoba can rely on.

The decision to counsel the building was—seems to be made internally without any kind of process made. We want to be sure that at the point at which the new board decides to sell it that this is an open, transparent, accountable process in which the people of Manitoba properly understand what's transpired. So, when we hear that there's been no formal process but there have—probably has been informal conversations, it generates concern about what's going on behind closed doors. That's all.

**Ms. Craik:** It's important that I'm really clear; this is absolutely an open and transparent process. And I'll hand it off to Mr. Hak, well, who can walk you through the steps of which we are entering into the sale of the process.

My intent in answering your other question was, any discussion at all? There's lots of discussion that goes on, but absolutely everyone is told that we will be hiring an agent. Anybody goes through them. There are no side conversations going on.

So Mr. Hak will enter into this discussion with you.

**Mr. Hak:** Yes. So, as I indicated, we issued a public tender looking for a services of a broker. That tender is closed and we're in the process of evaluating the responses, and we'll be making a selection hopefully shortly, hopefully within a week. And then whoever we select will be tasked to get us the best value we can for that property. So, anybody that's interested in bidding will be dealing with that broker, and they'll be tasked to, you know, go through their own marketing and however else they find tenants, but that's why there are specialists and that's their job.

So the corporation really is relying on a broker to find us the best value for the property.

\* (15:00)

**Mr. Allum:** Well, we do want to be sure that it's open and transparent and accountable. It's—as the minister just said, he wants lots of bids on it because they got an—actually got a fantastic deal on the original acquisition of the property, and quite likely, money is going to be made with the resale. I don't think that's open to a whole lot of dispute. So, I think it's incumbent upon the board and the acting CEO as well as the minister to ensure that Manitobans are kept in the loop. And that's all we're trying to establish at this point, is that this is open and transparent, and we're—you're right, I guess conversations—I'm not in the business world, so I don't know what kind of conversation happens among the movers and shakers of the business community. But we don't want—we want to be sure that there's no insider deals or nothing's happened, and I've—we've received the assurance of the board chair and the CEO. I thank them for that. I appreciate that, and we'll certainly be looking to hold the minister to account for that very process in due course when the time comes.

We think it's really unfortunate decision making that's happened. We certainly don't agree that we shouldn't leverage the capacity the Crown corporations have to have multiple benefits, including their main lines of business, but also to helping to develop the downtown, creating more demand downtown. I have to tell you that even my own mechanic was excited about the fact that 400 people may be coming down and he may have a whole new market to address to. So there are direct benefits to the previous deal as well as indirect benefits to it.

Our position has been that we don't agree with the process that was used. We don't regard there to have been any due diligence undertaken. It seems to be a wholly political exercise that was done, but we respect—their ability to do so, and so we want to ensure that when you transition the Medical Arts Building into something else—let's hope it's of public benefit—that it's open and transparent.

So I thank you for the questions and answers that we've had today.

**Mr. Schuler:** Well, I want to assure the member that, unlike what we've learned with the lease that was signed where there was direction directly out of this building, that there was direction giving from the

members—from the NDP, from their government, that there was no direction from the Premier (Mr. Pallister) or the minister or government on the Medical Arts Building. At no point in time was there any direction given.

We made it very clear in the mandate letter to the minister, and there was a framework letter sent to the board, and that was the only direction given, and that was open, public and transparent. So, I want to assure the member that unlike a lease—50,000-square-foot lease, which was politically driven by him and his government out of this building with no due process, that this actually was given—the entire corporation, it's—they are responsible for it, the board, and they're supposed to deal with the professionals within their corporation and come to government with their decisions. And there was no political interference by myself, any other minister or the Premier's office, unlike was done with the lease. I want to assure the member of that.

**Mr. Jon Reyes (St. Norbert):** I've been living in the south end for probably 15, 16 years now and, you know, I served in the forces; I've been to a lot of liquor establishments, and sometimes I can't find, you know, the proper beers when, you know, when there's a big fight going on. You know, I'm Filipino background. I love watching Manny Pacquiao fight, and when I want to buy San Miguel beer, I can't get at the Liquor Mart in the south end. So, sometimes I have to call my mom or go to the area where my friend from—the member for Kildonan (Mr. Curry) lives in, and she gets San Miguel beer there.

My first Liquor Mart, actually, when I was legal, I actually went to the Liquor Mart in Tyndall Park. So, I guess I've been to all these Liquor Marts, and I just want to know which Liquor Mart has the largest location in Manitoba and how many square feet is it?

**Mr. Hak:** The largest Liquor Mart we have would be the Grant Park store and it's just over 15,000 square feet—15,456 square feet to be exact. *[interjection]*

**Madam Chairperson:** Mr. Reyes.

**Mr. Reyes:** Thank you, Madam Chair. I'm just getting into the routine now. I'll talk a lot slower.

So, would the Liquor Mart location in Grant Park, if it's 15,000 square feet, and if we had this proposed 50,000-square-foot flagship location, would that improve its performance if it was more than triple in size?

**Mr. Hak:** You're sort of comparing two different things, because the Grant Park is in a good location, lots of population around it. It's got good street presence, it's in the mall, whereas the downtown location, it doesn't have some of those benefits. So you can't just take the 15,000-square-foot liquor store and transport it downtown and expect to get the same results.

**Mr. Reyes:** Again, I've been to a lot of provinces, and I remember when I was in the navy and, you know, when I went to Nova Scotia, I would—I loved to drink Keith's and Moosehead and you could never get it in Winnipeg, but I'm glad that now you can get it here in our local Liquor Marts. And I've been to a lot of American bases where, you know, it's great to have options. When I was in the navy, I got this Philippine rum at the US base at their liquor store, but I can't recall one being that's 50,000 square feet.

So do you know how many provinces in Canada have retail liquor locations that are approximately 50,000 square feet, because that's pretty big?

**Mr. Hak:** I'm not aware of any, but.

**Mr. Reyes:** So the proposed 50,000-square-foot Liquor Mart location, from the research that I've done, because in Calgary and in Toronto, I guess they have liquor retail locations that are 30,000 square feet, so this one would be the largest one in Canada.

Would that surprise you? Does that surprise?

**Mr. Hak:** Like I said, there was no—we haven't been able to find any business case or justification for that size of property as a liquor store, so it would be probably unrealistic to think a space that size would be profitable, given that our largest store today is only 15,000.

**Mr. Reyes:** Was there any market analysis done to show that a downtown Winnipeg location could be sustainable, given the fact that this would be the largest retail liquor store in Canada ever?

**Mr. Hak:** I know we have—we do have existing downtown liquor stores. We have one at Cityplace, and it's approximately—it's under 4,000 square feet.

**Mr. Reyes:** Does it surprise you to learn that this proposed flagship liquor store would actually be approximately five times larger than the two stores—storeys of retail space at the MEC store downtown, which is 10,000, over—just over 10,000 square feet?

**Mr. Hak:** Would it—sorry, what was the question?

**Mr. Reyes:** Does it surprise you that the flagship store would actually be five times larger than the two storeys of retail space at the store downtown?

**Mr. Hak:** Yes, it would surprise me, but we don't, like I said, there was no—there's no business case, there's no formal due diligence done to determine what we would do with 50,000 square feet.

**Mr. Reyes:** I used to own a business in Polo Park Shopping Centre back from 2002 to 2008, and I remember the Liquor Mart was on Ness, and I think it's still there. Since becoming an MLA, I've been more familiar with the downtown establishments, one of them being Winnipeg Square, which is 55,000-plus square feet. That's how big the retail Liquor Mart flagship store would be.

So does that surprise you, that it would be similar to the size of Winnipeg Square, a liquor store the size of Winnipeg Square?

**Mr. Hak:** Yes, I think it would be difficult to find a liquor store of that magnitude and that size in Winnipeg being profitable.

**Mr. Reyes:** Having owned a business and owning businesses, I always want to improve—to provide more convenience and better options for my customers. And I guess MLCC began opening express locations back in 2011 because the argument was smaller locations were the best way to provide more options and increased convenience.

But is opening a 50,000-square-foot flagship Liquor Mart consistent with the existing market research and business plans that are developed for the express locations?

\* (15:10)

**Mr. Hak:** Again, the decision to enter into a lease was done by the previous CEO and the previous board, so I can't really comment on what the thinking was back then.

**Mr. Reyes:** So we found at the previous committee meeting that the MLLC made the decision not to renew the lease for the location at the Winnipeg James Armstrong Richardson International Airport. They cited high rent and low sales as the central reasons.

By square foot, was the rent at the airport significantly higher, significantly lower, or roughly comparable to what will be paid for the new downtown flagship store?

**Mr. Hak:** The rent at the airport was higher.



**Mr. Reyes:** So was that a lot higher, significantly higher?

**Mr. Hak:** I mean, it's hard to quantify it. It was higher. It wasn't double, but it was higher.

**Mr. Reyes:** By square foot or by total? Per square foot?

**Mr. Hak:** Per square foot.

**Mr. Reyes:** So volume in sales was also part of the announcement to close the airport location. That location was fairly small because, if I remember correctly, when I travel back and forth from Winnipeg going to the airport.

If sales cannot sustain that location, what kind of sales volume will be required to sustain a 50,000-square-foot flagship location that's downtown?

**Mr. Hak:** I think, as I repeated, I don't think it's—you would get whatever sales you need to make a 50,000-square-foot liquor store downtown viable.

**Mr. Reyes:** Okay. Is there a formula that the MLCC—MLLC, sorry, uses to calculate the necessary sales a location would have to do on a quarterly or annual basis against the location's cost per square foot in order to provide a good return on investment?

**Mr. Hak:** As I indicated, whenever we open a store we do a business case. We estimate what the sales and costs will be. Every location will have different costs associated with it, and if there's a positive return on investment, then we'll proceed.

**Mr. Reyes:** I haven't heard the term that the previous government used when it comes to business, because I don't know how many people are with a business background on the other side, but what would be the break-even for a 50,000-square-foot location quarterly and annually?

**Mr. Hak:** I haven't done that calculation.

**Mr. Reyes:** No further questions.

**Ms. Lamoureux:** In 2014-15, Manitoba Liquor & Lotteries spent \$5.6 million on advertising. In 2013-14, a year prior, there was a combined liquor and lottery total of \$3.5 million spent on advertising.

My question is: What should we expect, roughly, to be the total spent on advertising this fiscal year of 2015-16?

**Mr. Hak:** So you have the report in front of you for '15-16, and the total advertising is part of marketing and public awareness, so the total amount actual for '15-16 was \$11.7 million compared to the previous year where it was \$12.1 million.

**Ms. Lamoureux:** Can I ask what page that's on?

**Mr. Hak:** Page 53.

**Ms. Lamoureux:** Just want to take a quick look at that.

I will ask my next question. Two weeks ago there was a report in the Winnipeg Sun that outlined how senior executives at the Manitoba Liquor & Lotteries commission spent almost \$300,000 on travelling to junkets over the past three and a half years. Has this situation been looked into, and was there justification or recommendations issued?

**Mr. Hak:** Yes, so the—all that travel occurred under the previous CEO and the previous board, and we have dealt with that.

**Ms. Lamoureux:** Can I ask you to elaborate on that a bit—how you dealt with it?

**Mr. Hak:** Yes, we're going to really restrict travel in terms of report—in terms of overseas travel. But it's a—travel will be, you know, restricted to business requirements, a little more focused.

**Ms. Lamoureux:** Okay, just to go back to my first question on advertising. So I just did a quick calculation. So for the fiscal year of 2015 to 2016, we can expect to see \$23,884 spent on advertising. Can you confirm that?

**Mr. Hak:** I'm sorry, can you repeat the question?

**Ms. Lamoureux:** Just a quick calculation: so we can expect \$23,884 to be spent on advertising for the fiscal year of 2015-16.

**Mr. Hak:** No. So in the year '15-16, \$23.7 million was spent—sorry—\$11.7 million was spent on marketing and public awareness, which includes advertising and promotions.

**Ms. Lamoureux:** I'm just trying to make a clear distinction between the two columns. There's one column with 11 and one column with 12.

**Mr. Hak:** Yes, so the \$11 million is for the fiscal year '15-16, whereas the 12 was the year before, '14-15.

**Ms. Lamoureux:** Okay, thank you.

**Mr. Marcelino:** Let's deal with the privatization and the concept, just the concept, and the strategic direction of the MLLC—did I say that correctly?—was to focus the corporation's strategies toward growth and refinement of its core operations. That's what has been said. And I agree that it's part of—is that a redirection or more of a refinement of the direction that the corporation has to take under your leadership? I believe that you're very capable. I read up on your blog, and we're in for some successful redirection.

\* (15:20)

Now, my question is: Do you believe in the possibility that the Liquor & Lotteries or any one part of it might be privatized? It's your belief, a question.

**Mr. Schuler:** I would like to thank the member for his vote of confidence of our board chair, and I would concur. I've said at this committee that I have two young daughters, and I've said to them, if you want to see a role model or a hero, Polly Craik is one of those individuals. I recommend they look at her.

We are very fortunate as Manitobans that we have such dynamic individuals who are prepared to come to the forefront. I think if you could get back into one of those time machines and go back, she may not be as eager to take on the appointment a second time. Thank goodness those time machines are only in the movies, because we'd actually take the machine away from her if she had one of those.

We—I do want to point out to the member that I don't think asking members of the corporation board or otherwise to reflect on a political issue that would clearly have to come out of this building, that that is a policy debate that, and it would have to come out of government, that would not—Crown corporations can't sell themselves. It's just not possible. It's—they can't.

So—and I would suggest to members that we be very careful that we don't start getting into what ifs and what maybes. We believe very strongly in our corporations. We want to make them strong and independent and provide services. And now I'm hearing we don't have enough Filipino beer in our liquor stores—see, very important that we brought the corporation to this committee, because I hope they've noted this, hope somebody wrote that down, clearly there is a problem, need more Philippine beer in—

**An Honourable Member:** South end.

**Mr. Schuler:** —in the south end. And so but—*[interjection]*—insofar—you know, this committee can make recommendations, I don't know if that's political direction—but back to the other issue.

I would suggest that we have a very clear mandate, and it's laid out in the mandate letter that we would like the Crown corporations to become independent, strong economic corporations within our economy.

**Mr. Marcelino:** And thanks to the minister for that, but I'm just asking for an opinion from the board chair.

Same question: Do you believe that privatization is a concept that's worthwhile focusing on the strategic direction of the Liquor & Lotteries Corporation?

**Mr. Schuler:** I would recommend to members of the committee that we should (a) stay in scope and we shouldn't be asking members of a corporation, board or otherwise, questions that are clearly political and that put them in an awkward position. We're not here to be a university debating club. If that's something, you know, you can go out and go for some beers or something and you can have these debates. Everything that's said here is on the record. We take this very serious. I don't think it's fair or appropriate to ask board members or professionals of the corporation to give personal or private opinions or—that's not the scope of this committee. This committee is for them to tell us what they've done, what they're doing and what they're planning on doing on a go-forward basis. I would ask members to not—please don't put our professionals in an awkward position.

**Mr. Marcelino:** What is the channel partners advisory committee? Anybody could answer that.

**Mr. Hak:** It's—a number of our liquor products in Manitoba are sold through other channels. We have beer vendors in Manitoba; we have private wine stores now; we also have liquor vendors. So, this is just a committee with representatives of all those groups including the hotel association and the restaurant association. And its purpose—one purpose is to meet to find things of mutual benefit to grow the industry.

**Mr. Marcelino:** And is there a role for private liquor stores in the channel partners committee?

**Mr. Schuler:** Again, we don't want to have professionals from the corporation or the board start

to speculate on what may or may not happen. I would point out to committee that the last time there was an expansion of sales outside of Manitoba Liquor & Lotteries, outside of their own buildings, was several years ago under his government, his administration, where retail operations were given the opportunity to sell some wine and other items within their store, but those were still independent operations, but it was an attempt to look at something new.

I would caution the member again, anything that would involve expanding anything like that would come under LGA, and that would be under the Department of Justice.

**Mr. Marcelino:** And it is the minister that's been answering my questions, so I better ask him, does the minister support present structure of the corporation, specifically the merger of Manitoba Lotteries and Manitoba Liquor?

**Mr. Schuler:** Well, does the minister, first of all, support the board of directors? Absolutely, one hundred per cent, check. Does the minister in the government believe we've got a very solid and good corporation? Check. We believe that. We believe we've got a good corporation. We believe there are men and women who work very hard, many of them who are in this room, and we believe that the corporation has its mandate, its legislated mandate, to sell alcohol on the one side and lottery tickets and all the rest of that that goes with it on the other side. And that's their mandate, and we don't foresee any change in that mandate.

**Mr. Marcelino:** Does the minister support Saskatchewan's recent privatization of government-owned liquor stores?

**Mr. Schuler:** I want to put a qualifier on my last statement. In light of the discussion we had for the last couple hours, unless there was a federal government that would maybe bring down another line, there's a potential that Liquor & Lotteries could conceivably have a different line of product, but again, like we said to members opposite, we will not speculate one way or another on what the federal government might bring down. So, I don't want those words later on brought back and yes, but you said hard and fast—well, you know, things could change federally with legislation, but we'll leave that up to what the federal government's going to do.

And, insofar as what other jurisdictions go, I would say to the member opposite, I spend a lot of

time, seven days a week, my full days, worrying and working and trying what I believe is best for the people of Manitoba in regards to our Crown corporations and I don't spend a lot of time worrying about what Ontario or British Columbia or any other province does. That's their business. I don't interfere in what they do; neither would I suspect they would interfere in what we do here.

\* (15:30)

We believe we've got a lot of work to do insofar as our Crown corporations. There will be legislation coming forward and we hope that the member will support that legislation. And we want to get on with the business of fixing the finances of this province, and I'd point out to the member, that's exactly what we plan on doing.

**Mr. Marcelino:** Is the board planning to increase the number of private retail liquor stores in Manitoba?

**Mr. Schuler:** That is out of scope. That would be a decision made by the LGA, and that's the Liquor and Gaming Authority, which is under the Department of Justice.

**Mr. Marcelino:** How about wine stores?

**Mr. Schuler:** Any expansion of gaming, of liquor, any change in those mandates, would come under the LGA, and that's under the Department of Justice.

Manitoba Liquor & Lotteries is not a self-legislating body. They cannot create its own legislation, debate its own legislation, pass its own legislation. They would require legislation done through the LGA. Decisions would have to be made under the LGA. What you have before you is the business of Manitoba Liquor & Lotteries. It would—you—these questions would have to go to the LGA under the Department of Justice.

**Mr. Marcelino:** I thank the minister for that.

And just to go back to the question of marijuana, and it just stirs up more questions about the answers given by the honourable minister.

To the chair of the Crown corporation, is there a need to research how to comply with the federal—with upcoming federal legislation about the distribution and legalization of marijuana?

**Mr. Schuler:** That's been answered and that question is out of scope. It's best if that question was sent to the Department of Justice.

**Mr. Marcelino:** And I understand that the minister wants to muzzle the chair of the Liquor & Lotteries. It's a simple question of being prepared for what's up and coming. It's not a question of whether we are prepared or not, but are we even considering preparing for such an eventuality?

The questions that were asked by the member from St. Johns were very simple and direct and to the point. And I don't want to argue and debate with the minister, because my head will just be swirling all over. I already have pain.

The minister's propensity for answering questions that were directed to the chair or even Mr. Hak is good in a way. And even the questions from Mr. Teitsma were good and to the point, but they were answered a little bit more succinctly by Mr. Hak without the interference of the minister. So, there seems to be that particular portion of it where we are being stonewalled.

So—[interjection]

No, he's from St. Paul, not Stonewall.

My question then is to the board chair and CEO. What is the long-term vision to promote local products and ensure a viable market for the growing number of craft breweries in Manitoba?

Well, anybody could answer that, right?

**Mr. Hak:** With the—we have a new board and we will be embarking on developing our long-term strategy in the near future, but our objective will be to grow both lines of business responsibly as we have been.

**Mr. Marcelino:** Sorry about that, Madam Chair.

So, to the same CFO—or CEO, Mr. Hak—sorry. Part of your mandate from the minister was to preserve the Liquor & Lotteries Corporation as a Crown corporation. Is that true?

**Mr. Schuler:** We tabled the framework letter in the Legislature for the member and we actually sent him a copy, so I would suggest he have a good look at it and it's very clear in there what the framework for the corporation is.

**Mr. Marcelino:** My understanding of the mandate letter that was tabled by the honourable minister might be different from the understanding from Mr. Hak. So is that part of your mandate, to maintain Liquor & Lotteries Corporation a Crown corporation?

**Mr. Schuler:** Again, any changes to the corporation can't come organically from the corporation. One way or another, those questions would have to go to the LGA, which is under the Department of Justice, and the member knows that this isn't stonewalling. This is—we can no more ask about steel production and potato production at this committee than we can ask those questions. It's not in scope. The corporation does not self-legislate itself. Any of those questions would have to go to the LGA, which is found under the Department of Justice, and I understand where the member's frustrated, but he knows this, having been a government member, that there are different agencies that—it is probably one of the first times ever we've taken the business of government and put it into one department and the regulatory authority is under the Department of Justice or under—some of it finds its way under Manitoba Infrastructure, and that has to do with MPI.

So the regulatory side is not held by the minister who is responsible for the businesses of the Crowns, and thus the Minister of Crowns is not in a conflict, on the one hand being the proponent and on the other hand being the individual who has a complaint against the corporation, so any concerns that come into our office in regards to the Crowns have to go either to Justice or MI or wherever that authority lies, and I'm sure that, you know, the member who's been around for a long time, recognizes that's what would happen.

So, to ask the corporation, you know, one of these questions, well, that actually has to go to LGA. That's where the regulatory authority lies. It does not lie within the corporation itself. They cannot self-legislate.

**Mr. Marcelino:** I will go to another point. My frustration is building up so I better go to another point.

The stonewall is getting higher, and let's go to that letter signed by both the chairperson of the board and by acting chief executive officer, Mr. Hak.

I have a very simple question as to how—what's the need for an in camera discussion to suspend the head office project, which is the Medical Arts Building, on June 20th? Who called for that in camera discussion?

\*(15:40)

**Ms. Craik:** With regard to the in camera session, the purpose of it was to make sure that things were kept confidential. We had stakeholders involved in this

decision, such as people leasing space in the building, and I had not yet spoken with the minister, as well, and so we held an in camera session with the board of directors to discuss, openly, amongst ourselves and in confidence, the decision.

**Mr. Marcelino:** Who called for it?

**Ms. Craik:** Are you asking who called the in camera session meeting?

**Mr. Marcelino:** Yes, please.

**Ms. Craik:** That would have been myself who called the meeting.

**Mr. Marcelino:** And how did you call it?

**Ms. Craik:** I'll have to look it up. It would have been either by a request through email or some other means, but I would have to check.

**Mr. Marcelino:** Is there any way to refresh your memory by suggesting that it might have been by email?

**Ms. Craik:** I can check my records and get back to you.

**An Honourable Member:** Is that something that you could—

**Madam Chairperson:** Mr.—sorry—Mr. Marcelino.

**Mr. Marcelino:** Is that something that maybe you can provide us, the committee?

**Ms. Craik:** Certainly.

**Mr. Marcelino:** Thank you.

The in camera discussion, I understand it's confidential. Was that taken with the presence of Mr. Morden?

**Ms. Craik:** Sorry, I didn't understand the last name that you—

**Mr. Marcelino:** Morden. Morden. Sorry. Morden. M-o-r-d-e-n. Jim. Was he present during the in camera discussion?

**Ms. Craik:** Yes, he would have been present.

**Mr. Marcelino:** So there was a number that was called in, because it says by conference call. Which number was that?

**Ms. Craik:** Can you clarify, are you asking for the phone number?

**An Honourable Member:** Yes, please. *[interjection]*

**Mr. Marcelino:** It's not funny, because I could check.

**Madam Chairperson:** I'm just going to take this moment, is there will of the committee to take a break for 10 minutes? Five minutes? *[Agreed]*

Okay, we will take a break for five minutes and reconvene. We'll recess.

*The committee recessed at 3:45 p.m.*

*The committee resumed at 3:55 p.m.*

**Madam Chairperson:** I'm going to call the meeting back to order, please. We will resume.

**Ms. Craik:** In response to the question regarding the in camera meeting with the board held on June 20th, I'd like to confirm that we had six board members present, including myself.

**Mr. Marcelino:** I'm asking if—with all due respect, my question was regarding the number, the telephone number that was used to call in.

**Ms. Craik:** I have no recollection of that; I don't know.

**Mr. Marcelino:** Seeing that maybe it's something that's usefully used for conference calls, is there any way that maybe the—with all due respect, the chair could provide us with that number even at a later time.

**Ms. Craik:** I can try my best, but I'm unsure of the relevance of it. I will—I don't have my own conference call number, so I'm not really sure what number we've used.

**Mr. Marcelino:** Thank you for that answer.

So, if the honourable Chair can please make me understand what she said, that she might give it to me.

**Madam Chairperson:** Mr. Marcelino, you can ask your question again, so it's clarified for Ms. Craik, if you wish.

**Mr. Marcelino:** Can that number be found or at least a diligent effort to find it be made or exerted?

**Mr. Schuler:** The answer is no. That number is private, and if that was put on the record, any member of the public could then call in on that number and get in on meetings. And, if the member wants to know who was at the meeting, who called into the meeting, that's fair. We are not going to

divulge private numbers from where they called from and what number they called into. That is way out of the scope of this committee, way out of the scope of this committee, and members should know that.

Let's not ask gratuitous questions of the corporation that could harm the running of the corporation. That is not on, and, no, we will not be providing phone numbers on the record publicly. No, that is not on.

We will provide all the pertinent information, absolutely, but we will not put anybody's personal phone number on the record, nor will we put a phone number on the record where individuals call into a meeting and then it's a public number. You'd have to change that number, and then the member would come wanting to know the next number and then he'd want to know the next number.

If he wants to be in on the meetings, why doesn't he ask, can I be part of the meeting? Ask. But, no, we can't give proprietary stuff out at a public meeting where it goes on the record. That's just not on.

**Mr. Marcelino:** I refuse to take that talk down from the minister and, of course, the laughter from the member from Radisson. It is a serious question that I had, and all of my questions are supposed to be not stupid.

So the question still remains: Can the chair please endeavour to find that number without the password but just the number and provide that number to the committee?

\* (16:00)

**Ms. Craik:** I can certainly endeavour. According to my notes, I don't have the number written down. Unfortunately, I doubt I will be able to find it for you, but I will make best effort.

**Mr. Marcelino:** Thank you for that answer. Thank you, Ms. Craik.

The six board members that you mention, can I get the names?

**Ms. Craik:** The six board members that were present were myself, Vice-Chair Nick Logan, Stuart Murray, Jim Morden, Gary Coleman and Gary Timlick—sorry—

**Madam Chairperson:** Mr. Marcelino.

**Mr. Marcelino:** I have you, Nick Logan, S.M., the number for—I only deal with initials. So, No. 4, which one's No. 4, please?

**Madam Chairperson:** Ms. Craik, can you repeat your answer, please?

**Ms. Craik:** The people in attendance in the in camera board meeting were: Nick Logan, Stuart Murray, Jim Morden, Gary Coleman and Gary Timlick.

**Mr. Marcelino:** Thank you for that answer.

So from my comprehension of the letter that was provided to the committee by yourself and Mr. Hak, it would seem that there was a meeting of the members of the board on June 24th, following the June 20th in camera. Is that how I should understand this letter?

**Ms. Craik:** That's correct. There was a board meeting held on June 24th.

**Mr. Marcelino:** Thank you for that answer.

And that in camera discussion by conference call on June 20th, how long did it last?

**Ms. Craik:** I don't recall.

**Mr. Marcelino:** One hour?

**Ms. Craik:** I don't recall.

**Mr. Marcelino:** Not for a full day?

**Ms. Craik:** Not for a full day.

**Mr. Marcelino:** How about the board meeting on June 24th, 2016? Was it held in the morning?

**Ms. Craik:** I would have to check.

**Mr. Marcelino:** Please do.

**Mr. Nic Curry (Kildonan):** There was some discussion regarding the airport Liquor Mart, and I want some further clarification if the chair can find. What was the approximate size of that retail location, just if—it was mentioned, please, if it can be mentioned again.

**Mr. Hak:** The airport Liquor Mart was 820 square feet.

**Mr. Curry:** Can—what was the annual lease cost at that airport location? So the cost for a full 12 months?

**Mr. Hak:** We generally don't release the terms of our leases, or the third parties. We would require their concurrence.

**Madam Chairperson:** I'm just going to remind you, Mr. Hak, to speak to your microphone so that all members can hear over the audio.

**Mr. Curry:** Yes, Madam Chair, so in terms of a 820-square-foot space, was this annual lease on the high end compared to other leases, not to divulge the costs, but in terms of comparing it to other Liquor Marts in the city of Winnipeg?

**Mr. Hak:** The airport Liquor Mart had the highest lease rate of all our liquor stores.

**Mr. Curry:** And, Madam Chair, was this high lease rate in the city of Winnipeg part of the reason to close down this airport Liquor Mart?

**Mr. Hak:** In part. The other reason was the sales, I believe, at that liquor store were probably about half of what a typical express store—the sales at a typical express store. So it was a combination of the business and the lease, and then the lease had expired, and the rest, we were looking at a new location and there was going to be fairly significant improvement costs to relocate, plus the lease rates were going to increase as well. So, in total, it no longer made business sense for us to stay there.

**Mr. Curry:** Yes, Madam Chair.

Succinctly put, would you say that it was highly expensive to maintain and had very low profitability with low retail sales to sustain?

**Mr. Hak:** Yes.

**Mr. Curry:** Now, if—you know, we're talking about a lot of different locations of Liquor Marts. I cannot say I have the same experience as some of the other members at this table, but one thing I do have experience as an employee at the MTS Centre. It was very exciting when the NHL returned to Winnipeg. I was able to experience that full force as an employee at the MTS Centre. Often many people, either patrons of the MTS Centre or employees of the MTS Centre, would go to Cityplace; they have a cafeteria there. At the time, years ago, not many amenities, but that slowly developed. One thing that was consistent over time was the Liquor Mart location. I never knew Cityplace, in my experience with it, to not have that.

Looking at the rent and volume of sales at the Cityplace location, would you say that the Cityplace Liquor Mart location is on the high effectiveness or the high, you know, high end of profitability stores? Is it on the mid range of profitability of Liquor Marts in the city of Winnipeg, or is it the lower end of profitability or effectiveness for providing services?

**Mr. Hak:** Its sales per square foot are about half, sort of mid-range of all the—of all our liquor stores.

**Mr. Curry:** So, on—if you can amplify—so, on a square-foot basis, you would be saying, terms of sales, the Cityplace would be mid-range amongst other city of Winnipeg locations. And now, what—how would that be compared to what would be expected at the so-called flagship Liquor Mart location that would be operating downtown?

**Mr. Hak:** As I pointed out, we haven't done an analysis on that, or it was—a business case was not done which would show—which would give us that kind of information.

**Mr. Curry:** Now, I don't wish you to speculate; however, I'd want to know, would it be reasonable to suggest that a location in very close proximity would operate in a similar amount of square-foot-profitability basis? Would that be a reasonable thing to presume for a layperson who would be reading these proceedings, to say if you'll open up a store on the other side of the street, it would operate similarly?

**Mr. Hak:** Yes, if we opened another liquor store in close proximity, it would likely impact the sales at the existing location.

**Mr. Curry:** Can you discuss the annual volume of sales, like how much, say, not in terms of maybe dollars and cents, but in terms of the amount of bottles of wine sold, the amount of cases of beer, the amount of spirits sold, would that be—the Cityplace location would be at the higher end, the mid end or the lower end, just in terms of volume, not necessarily in terms of the price per unit?

**Mr. Hak:** Well, again, I think if you look at—we look at it as sales per square foot, so the volume is probably average what our all—based on all our other liquor stores.

**Mr. Curry:** So—and I appreciate, again, not getting too much detail on that one, but would you suggest that the sales per square foot is sustainable at the Liquor Mart at Cityplace and it's something that MLCC is happy to be continuing at Cityplace?

**Mr. Hak:** I mean, I think, you know, we have a downtown presence. We also have a store at Ellice and Hargrave. So we do need to probably have a downtown presence.

\* (16:10)

**Mr. Curry:** Well, in terms of the downtown presence, this is something where—is there a concern amongst people that there was not enough of a downtown presence in the last couple of years,

especially the years that I'm more familiar with. Cityplace, was it such a state that there needed to be an expansion of this downtown presence to meet demand despite being a mid-ranged sales per square foot?

**Mr. Hak:** Yes. I haven't seen any data that would reflect that.

**Mr. Curry:** Did MLCC investigate—I mean, not a lot of people are familiar with Cityplace, but the building itself, I've yet to walk into it where there isn't a tenant spot open. Unfortunately, the building sometimes has a greater need to fill spaces than demand fulfills. Was there any option, I guess, you working something out with the building to tear down some walls, make the Cityplace location a bit bigger or perhaps move to a different tenant location? We know that a new restaurant and casino were recently added to that building. Was there ever an option that perhaps MLCC could expand the Liquor Mart in that building at all in the last couple years?

**Mr. Hak:** You know, we have a lease there that's—I don't have the specifics, but it's at least for two or three more years, so probably at that time we'd look at what options are available.

**Mr. Curry:** Very good. So, now the Cityplace location would be practically adjacent, if not connected, to the proposed new 50-foot-square flagship Liquor Mart. Now, there's no question it would serve a similar customer base, similar market. What information, I guess, has been learned at the Cityplace location that could, say, enhance or make the customer base better treated at, let's say, this flagship store any differently? I mean, there must likely be some lessons learned.

A Liquor Mart in Cityplace is going to be different from a Liquor Mart in Kildonan. So has something been learned from that Cityplace location that told MLCC we must need 50,000 square feet more of Liquor Marts?

**Mr. Hak:** Yes. Again, there's—we haven't seen any research to indicate that there'd be a demand for a 50,000-square-foot liquor store.

**Mr. Curry:** Another thing that's sometimes frustrating for many of us who work downtown—I don't know if anyone was driving last night, but if you were to stay a bit later at work, you would notice that Broadway was a bit of a parking lot. Of course, our Winnipeg Jets were playing and courageously

defeated the perennial opponents, the Chicago Blackhawks. It's very good news. *[interjection]*

All right, all right. It's getting a little heated. But, nonetheless, it's, I think, something to know that anyone who's been able to commute and has pleasure of working our wonderful downtown knows that it's a bit difficult to get in around the MTS Centre. And we suffer with grace, I think, in Winnipeg, because we love our ability to go to the MTS Centre. How does that Liquor Mart in Cityplace deal with this difficulty in terms of—there's not really an easy access to park your car and drop in. Namely, I think the closest entrance is a bus-only street, so you can't even park your car at the closest entrance to the building.

Is this something that's been experienced a problem? Do customers complain? Like, that Cityplace Liquor Mart, I wish I could park in front of it but, of course, cannot. Is that something that's been experienced there?

**Mr. Hak:** Well, typically, most of our liquor stores have—are very accessible. They all have parking street presence, so it is a challenge when it's inside a building, especially downtown.

**Mr. Curry:** So, when the flagship Liquor Mart was looking—when that was being developed, was it investigated the accessibility to that—especially the frontage to a street. Is that something that was investigated, how it would operate once it was put into place, turning, you know, the paper into the building?

**Mr. Hak:** Again, we haven't seen either a business case or a feasibility study that would have typically addressed those questions.

**Mr. Curry:** Another benefit to downtown is, of course, our skywalk. It's—again, I've used it many times, both work and leisure in downtown. What were the plans to connect the new Liquor Mart, the 50,000-square-foot flagship Liquor Mart to the skywalk, and how would that operate in that building?

**Mr. Hak:** Again, I'm not that intimately familiar with that development to answer that question.

**Mr. Curry:** Would it be fair to say that there would likely be no long-term plans with either the building developers or with Cityplace to connect it to the skywalk—or, I'm not—I think the building across is the CTV building. Is there no discussion with any of



those other groups to connect through skywalk their buildings?

**Mr. Hak:** Again, I don't have the information necessary to make—answer that question.

**Mr. Curry:** No problem. Now, buildings downtown may even spread over a couple of floors. The Shark Club just across the way, which I've passed by on the outside, I've heard great things about what it's done to revitalize attention toward downtown, and very good for them and the work they've done; is there any way to know—and, again, Shark Club is spread across multiple floors—this 50,000-square-foot liquor mart that is essentially not really tried in Canada ever before, would it have to be spread across a few different floors to kind of make more sense, or would this be a single floor of 50-foot—square-foot flagship liquor mart?

**Mr. Hak:** Again, I haven't seen a feasibility business study that would address a lot of those questions in terms of whether it's one floor or two floors or three floors.

**Mr. Curry:** So is there any indication in, say, the lease or any of the agreement space that the store would be spread across a few floors that there is no chance to have 50,000 square feet on one floor? Is there anywhere in the lease or any of the agreements or—I know there was no letter of intent, but is there anything on paper that would say it's going to be on only one floor or multiple floors?

**Mr. Hak:** It potentially could be on more than one floor.

**Mr. Curry:** Now, in terms of parking for this multi-floor or 50,000-square-foot flagship place, parking downtown, as we've discussed in terms of just access, parking is not getting easier, and this new space that is being built is taking over. There used to be a parking lot there that could be used downtown, so there's less parking because of this building.

What's the plan—you mentioned that some Liquor Marts—actually, I think you mentioned almost all Liquor Marts—have some kind of parking except for this downtown location.

Is there any plan to try to establish enhanced parking or preferential parking for customers with this new building once it is finally built?

**Mr. Hak:** Again, because there was no feasibility or business study that would have likely addressed all that up front, I can't really comment on that.

**Mr. Curry:** Well, and so something that's very important for customers, often people—if you've ever helped out a friend do a wedding social, sometimes the option can be to just simply pick up the alcohol beverages from the Liquor Mart itself.

So, in terms of the city's large volume sales, how would the function work? Would there be an elevator? Would there be, for example, a store that closed down in Polo Park, they had an escalator that you could put a cart on. Would there be something like that, like a cart escalator or an elevator where large volume sales to a customer could be used at this location?

**Mr. Hak:** Again, that would have been addressed in a feasibility study, if there was one, but we haven't seen one.

**Mr. Curry:** Something that I know a lot of people in all—close to this, how we deal with customers as these Crown corporations want to enhance customer service. That's the primary thing that we've talked about at these committees, which is very fruitful.

However, the great concern is how will the customer's retail experience be on this multi-level—no true understanding of the access to parking, let alone access to volume goods. Walk me through if, say, a customer wants to purchase a case of beer, some bottles of wine, potentially on the second or third floor, and without any skywalk. Is there, I mean, just from a customer's perspective, is that going to enhance their experience at Liquor Marts to the standard that you're achieving now already?

**Mr. Hak:** Yes, those are difficult challenges that would have to be addressed.

**Mr. Marcelino:** I just wanted him to, I mean, the member for Kildonan (Mr. Curry) more time if he's got more questions, because those are nice questions that we need to hear.

**Madam Chairperson:** Mr. Curry—oh, I apologize.

**Mr. Marcelino:** If you have more questions, go ahead.

\* (16:20)

**Mr. Curry:** So, part of the purpose of having a—the way we have Liquor Marts in our province is to make sure that people can have products in a safe fashion.

I know, unfortunately, we experience sometimes in our downtown area that there's need for security at all kinds of businesses, at restaurants, and when on

my commutes home sometimes I'll see that there's external human security at the Ellice location, one of my routes, and it's something that's a staple. Would there be a need for, say, enhanced or more security at this mega-flagship 50,000-square-foot location than, say, at a location in Kildonan or somewhere else?

**Mr. Hak:** Again I haven't seen the design of the entire property so I'm unfamiliar with other security measures the developer is contemplating.

**Mr. Curry:** So, in terms—back to security, this is something where sometimes buildings can share this across different stores and they share security, say, at Cityplace, there's both security in the Liquor Mart but then there's also general security.

Has there been any discussion with some of the other tenants for this new building, if that's going to be happening, if there's going to be shared security for that?

**Mr. Hak:** Yes. I'm not aware of what the plans are in that regard.

**Mr. Curry:** Now, we're kind of making history if this—when this flagship Liquor Mart goes through in some respects, at least in Winnipeg history. How do you establish the kind of dollars and cents—how much is it going to cost—when you're making history, how do you establish that in terms of costing out what has to do, what—you know, of the needs of Manitoba liquor mart—Liquor & Lotteries?

**Mr. Hak:** Again, that would've been addressed or should've been addressed in a business case for this space, which—we haven't found one.

**Mr. Curry:** Now, something too, actually—is there any established way that we know for sure that this is going to have ground-floor access or second or third floor, or—actually, I'm not familiar with how many floors this building has; I think it's more than three, but is there any way we can know for sure if we can, say, have a preferential ground floor—of course, the ground floor being more beneficial—is there any way that's been worked out in any of the lease agreements or anything?

**Mr. Hak:** I don't believe that's been worked out.

**Mr. Curry:** Unfortunately, yes, like, I don't mean to be pressing too much. These are important things that I think any business sometimes would go into, so I hope it doesn't seem that I'm trying to grill you, but there's some things where, when you have these downtown locations, the cost for, say, development fees, we've heard from other jurisdictions that this

may go up, and we've heard multiple things from City Council. The idea of development fees or any kind of extra fees for building new buildings—has any of that been factored into long-term costs, how that'll affect either rent rates or anything like that?

**Mr. Hak:** Again, that would've been part of any business case, which there isn't any.

**Mr. Curry:** Okay. And so this building is going to have likely a lot of tenants. It's not—I expect it's more than 50,000 square feet and Liquor & Lotteries will not be the only tenant. Is there any common fees, say, you know, when the snow falls eventually—we're experiencing some very nice weather where there's not excess snow—but when it does fall, that's going to cost more money. Some years there'll be more snow, some there's—years there'll be less or any other kind of, like, those common fees that'll happen, especially if—just mentioned snow removal. There's a lovely winter where we're helped—snow removal company, and it's good work but it can be expensive sometimes.

Is that factored in when deciding the downtown location?

**Mr. Hak:** Well, when we look at any location, we look at the total costs of occupying the space so that would include your base rent, your common area cost or taxes, et cetera. So, typically, we would look at all those things.

**Mr. Curry:** So, to just clarify. So, in this example, the common space, these were identified when this location was chosen?

**Mr. Hak:** Well, they are part of the letter of intent—or the intent to—the offer to lease, which, typically, they would be in anyways.

**Mr. Curry:** So how much were these common fees per square foot?

**Mr. Hak:** Well, as I indicated, I think any specific terms of any agreement, we would have to get concurrence of the developer or the other party, so.

**Mr. Curry:** So in that—so it would have to be—would you have to discuss with the developer, there'd be no other way that we can get that information to get that locked down?

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

**Mr. Curry:** Okay. So again, just to kind of return a bit to it, but it does not seem that there was much thought put into the customer's experience especially when all these things factor in.

Would there be, say, if this were to go forward, we have many customers who use Liquor Marts across Winnipeg and across this great province of Manitoba, would there be a cost increase overall to Liquor Marts if there is any cost overruns on this project?

**Mr. Hak:** Again, all those issues would have been dealt with, typically, up front upon entering a lease, so, again, I haven't seen the business case so I don't know. I can't really answer what the specifics were.

**Mr. Marcelino:** It is obvious that the direction that was given to the Manitoba Liquor & Lotteries Corporation is not engaged in downtown redevelopment. I don't think it's part of the mandate of the Liquor & Lotteries. And, since the time that the in camera meeting by conference call on June 20, 2016, my pending question with the chairperson of the board was: Was that June 24th meeting in the morning? It's immaterial now because I can understand that everything that involves downtown, especially for Manitoba Liquor & Lotteries, are all cancelled, isn't it?

**Ms. Craik:** Was there a question?

**Mr. Marcelino:** That question is actually more of a rhetorical question. You don't have to answer it.

**Ms. Craik:** I do have a response to your previous question. I did find in my calendar that we—our in camera conference call was at 7 p.m. on June 20th, and we used a go-to-meeting for that, and I called the meeting.

On June 24th the board meeting was held at 8 o'clock in the morning.

**Mr. Marcelino:** And thank you for that answer. So that's 8 o'clock in the morning, and I would assume that would be at the Empress head office, isn't it?

**Ms. Craik:** Yes, our meeting at 8 a.m. was at the 830 Empress Street.

**Mr. Marcelino:** Thank you for that answer. And my brain keeps on asking the question whether the minister was there or not, and I'll ask that question. Was the minister there?

**Ms. Craik:** No, the minister was not invited, nor was he in attendance.

**Mr. Marcelino:** And was the minister informed of that board meeting?

**Ms. Craik:** No, he was not informed for either the in camera or the in-person board meeting.

**Mr. Marcelino:** Thank you for that answer.

My questions are usually not that detailed, but I'm just trying to find the timeline for the in camera and then the board meeting.

And then there was the suggestion from the letter that was tabled by yourselves and Mr. Hak that a meeting for Minister Schuler was held on August 17th, 2016, informing him of the board's decision.

My question is this: When was the decision to cancel the head office project made public?

\* (16:30)

**Ms. Craik:** The decision to cancel the head office project was announced on September 19th.

**Mr. Marcelino:** Thank you for that answer.

So I—if I heard you correctly, the decision was made on June 20th by the in camera discussion attended by six members of the board.

**Ms. Craik:** The decision was made on the 24th of June.

**Mr. Marcelino:** Thank you for that answer.

So let's say the 24th of June. And the minister was informed of the decision on August 17th. And then 33 days later it was made public. How was it made public, may I be reminded, or please help my memory?

**Ms. Craik:** It was made public on September 19th by way of a news release.

**Mr. Marcelino:** And the news release was made public, I mean, was released, or the news was released, the information was released on September—and—but the minister already knew about it on August 17, 2016.

Now, the question is: Why the delay? Why was there a 33-day delay or slack from the time that the minister was informed up to the day that it was released?

**Ms. Craik:** In a decision like this, there's a lot of things to take into consideration. We have other stakeholders involved. It was a very well-thought-out plan and kept in confidence.

**Mr. Marcelino:** Thank you for the answer.

So, if I were to speculate on what you mean by it is a well-thought-out plan, what was that plan: The plan about putting the head office downtown or the cancellation?

**Ms. Craik:** I'm talking about the plan to cancel the downtown head office.

**Mr. Marcelino:** So it was a well-thought-out plan and it was executed roughly on the 24th by the board, informed the minister on August 17th and then the public was informed about it on September 19th. So that's a good hundred days almost before it was released to the public. And you said that there were other stakeholders.

Now, please tell me: How were those stakeholders told?

**Ms. Craik:** The stakeholders included Prairie Architects, which was under contract to do the development work. They were contacted directly, and also by phone as well as letter, I believe, but I would have to check on that. The tenants were informed at the same time that the public announcement went out, just in advance of that.

**Mr. Marcelino:** Thank you for that answer.

How about the design agency, those who were designing the interior of the building or the renovations of the building? Were they told too?

**Ms. Craik:** We had put a hold on any further design earlier in the project, way before the announcement of the cancellation.

**Mr. Marcelino:** So the question that begs itself to be asked: Are all those that are payables in this project been paid?

**Ms. Craik:** I believe that they have been paid. I know that we did receive all outstanding invoices and the authority had been made to release funds in any outstanding payables.

**Mr. Marcelino:** How much all in all?

**Ms. Craik:** I'll have to look it up.

**Mr. Hak:** Yes, so the total amount that we had spent on the project, including the purchases of the building, was 10.2 million, and that includes the amount we would've paid the Prairie Architects.

**Mr. Marcelino:** Thank you, Mr. Hak.

Since you're more familiar with the payments, were there any outstanding bills from the design agencies who were doing the interior decoration?

**Mr. Hak:** No, that number I gave you includes all the final payments to the architects and their consultants.

**Mr. Marcelino:** Are there any lawsuits pending against Manitoba Lotteries as a result of this cancellation?

**Mr. Hak:** No.

**Mr. Marcelino:** Are there any lawyers' letters that have been sent to Manitoba Lotteries or its board as a result of this cancellation?

**Mr. Hak:** No.

**Mr. Marcelino:** Yes, and—

**An Honourable Member:** Just one more question.

**Mr. Marcelino:** One question.

**Mr. Allum:** Sorry, Madam Chair, thank you so much.

It was suggested by Councillor Orlikow for, who is the councillor for River Heights-Fort Garry, that the former Canada Post Building at 266 Graham would be an ideal site to relocate Liquor & Lotteries downtown. Will the board be pursuing that opportunity?

**Ms. Craik:** We have no intent of pursuing that as an option. We don't require a downtown head office.

**Mr. Lagimodiere:** I, too, have some questions regarding the chronology of the events as they occurred.

Specifically, on September 29th, 2015, Manitoba Liquor & Lotteries Corporation announced its plans to purchase a building and become a property developer. On that date, did the MLLC board sign the letter of intent or on what date did they sign the letter of intent for the 50,000-square-foot new downtown flagship Liquor Mart?

**Mr. Hak:** The offer to lease was signed on December 18th.

**Mr. Lagimodiere:** So, December 18th. So we're told you normally look at return on investments and costs to get the required approval.

Could you tell us on what date the location approval was provided?

**Mr. Hak:** The board approved on December 11th.

**Mr. Lagimodiere:** So December 11 the board approved the location. So what date, then, did MLLC sign the offer to lease?

**Mr. Hak:** The offer to lease, as I indicated, was signed on December 18th.

**Mr. Lagimodiere:** So, given the circumstances and the magnitude of this deal, did it appear to be a short timeline for such a major decision to occur?

**Mr. Hak:** Yes, again, this was approved by the previous board and the previous CEO. It has to be a short timeline.

**Mr. Lagimodiere:** Did anyone question that decision?

**Mr. Hak:** Well, it was approved by the board and the previous CEO, so I'm not sure who else would've approved it.

**Mr. Lagimodiere:** Was there any specific reason given as to why such a decision was being rushed?

**Mr. Hak:** We don't have any information on that.

**Mr. Lagimodiere:** So did the previous government provide direction to MLLC board to pursue the lease for a new downtown location?

**Ms. Craik:** I received information, by way of the former CEO, that the former government directed the board to enter into the lease.

\* (16:40)

**Mr. Lagimodiere:** Do you happen to know when they directed the board to enter into the lease?

**Ms. Craik:** Sorry, can you repeat the question?

**Mr. Lagimodiere:** Do you know when they were directed to enter into the lease?

**Ms. Craik:** I don't have that specific date as to when they were directed.

**Mr. Lagimodiere:** So was the MLLC board directed to get the deal done before March of 2016?

**Mr. Hak:** We don't have any information to that effect.

**Mr. Lagimodiere:** So would the MLLC, then, board or MLCC on their own, have pursued an untendered lease for a 50,000-square-foot new downtown flagship Liquor Mart if they had not received direction from the government to do so?

**Ms. Craik:** We're unable to answer that because it happened under the previous board, as well as the previous government.

**Mr. Lagimodiere:** But we said before that they were directed to enter into the lease by the previous government. Is that correct?

**Ms. Craik:** That's correct. That's what I was told by the former CEO.

**Mr. Lagimodiere:** So was the signing of this lease consistent with MLLC's tendering policies?

**Mr. Hak:** No, as I indicated, our practice is before we either select a location or renovate a location, we will do a business case to look at the costs and additional revenue associated with spending the capital. And we look at what the ROI would be. That would be our typical process.

**Mr. Lagimodiere:** So prior to MLLC signing the lease and going ahead, were they previously looking for any additional retail space in the downtown area?

**Mr. Hak:** I don't believe so.

**Mr. Lagimodiere:** So, from what I'm hearing, I'm still unsure as to whether or not MLLC conducted a risk assessment regarding the 50,000-square-foot new downtown flagship Liquor Mart. Was this done?

**Mr. Hak:** You know, we were unable to locate any feasibility study, business case, risk assessment or any other document really pertaining to that property.

**Mr. Lagimodiere:** So, no, if I understand correctly, no risk assessment was done prior to the signing of the letter of intent, nor was it done prior to the signing of the offer to lease. Is that correct?

**Mr. Hak:** Yes, we've been unable to locate any documents in that regard.

**Mr. Lagimodiere:** I'd like to spend a minute and look at the project costs if we may.

And with regard to that, I would like to know, how much will this cost MLLC in total over the duration of the agreement as it currently stands?

**Mr. Hak:** So, you know, I really can't disclose the actual specific terms of the lease, which would include the rates, as such.

**Mr. Lagimodiere:** Do you have a ballpark figure that you could share with us that would be within this range, the cost over the long term of the lease?

**Mr. Hak:** I don't have a specific number in terms of, you know, what the net present value of the—of all the future rent payments plus whatever tenant permits we would have to do. But it would be significant on a 50,000-square-foot property.

**Mr. Lagimodiere:** Significant as in in excess of 60,000 or 70—no ballpark figure you could share with us?

**Mr. Hak:** I don't want to come up with a number, you know, unless, without doing the proper calculation.

**Mr. Lagimodiere:** So, with any lease, there are always leasehold improvements a lot of times taken on by the tenant themselves.

With this particular deal, were there any leasehold improvements that you had entered into on the agreement?

**Mr. Hak:** No, we would be responsible for tenant improvements.

**Mr. Lagimodiere:** Do you happen to know what they would've cost?

**Mr. Hak:** Well, typically, they could cost from, you know, 180 bucks to 200 bucks a square foot.

**Mr. Lagimodiere:** So, a significant amount on a 50,000-square-foot lease.

**Mr. Hak:** Yes. So, yes.

**Madam Chairperson:** Mr. Hak, sorry, could you repeat your answer?

**Mr. Hak:** Yes.

**Mr. Lagimodiere:** So we have a long-term lease that we think is fairly sizable, the exact figure is not being released to it, we're also on the hook for tenant improvements. I guess, again, going back to cost, any idea what the tenant improvements and the total lease cost would be over the term for us?

**Mr. Hak:** Again, I haven't done a real detailed analysis on that, and that didn't seem to have been done prior to signing the letter—the offer to lease.

**Mr. Lagimodiere:** So now we've got a lease we're on the hook for, we've got leasehold improvements we're on the hook for, with a 50,000-square-foot space. Have we done any analysis, or has any analysis been done, on the expected operational costs for this size of a space, which would include allocations for common space, staffing, business operation costs? Can you give us any idea there?

**Mr. Hak:** No.

**Mr. Lagimodiere:** So, what, if any, downside risks for MLLC were identified with this lease, with the improvements on the operational costs that we could incur?

**Mr. Hak:** Again, that would've been part of any analysis or business case that was done. But in this case we couldn't find any evidence that a business case existed.

**Mr. Lagimodiere:** So we entered into a lease under the direction from the government, from what I understand. We didn't do our—a proper risk assessment, and we're on the hook for a lease of value. We still don't know the annualized basis of the lease or the long-term cost to us. Would you be able to get that information for us?

**Mr. Hak:** Yes. Some of that information would require the concurrence of the developer.

**Mr. Lagimodiere:** We have been told here today we've got some people who enjoy their beer and the odd drink so—and, as a lot of Manitobans do, and we can understand that. So, based on the tremendous costs we see this total project coming in at, would this have resulted in increased costs for beer and liquor in Manitoba?

**Mr. Hak:** I can't really comment on that.

**Mr. Lagimodiere:** So our MLLC website reads that revenues are returned to the Province of Manitoba to support our health care, our education, our social and community services, our economic development and our public safety initiatives. My question is, then: What impact or potential impact of the decision to get into this 50,000-square-foot lease and leasehold improvements and increased operational costs, what effect would that have had on our ability to give the government the money to help pay for health care, education, social services?

**Mr. Hak:** Well, ultimately, you know, the—given there's no business case, this would be an additional cost to the corporation.

**Mr. Lagimodiere:** So, long term, there'd be less money available for the government to use for these other programs?

**Mr. Hak:** Potentially, yes.

\* (16:50)

**Mr. Allum:** So, if I understand correctly, you're—are you saying, Mr. Hak—through you, Madam Chair, to Mr. Hak, that no research was done on the different models of incorporating private retail into the flagship liquor store?

**Mr. Hak:** I said no research or business case was done on the 50,000-square-foot property.

**Mr. Allum:** So no consultant was hired by the corporation to research models of incorporating private retail into the flagship store?

**Mr. Hak:** We always look at different models of—but there was none done specifically related to this development.

**Mr. Allum:** But the question was, was a consultant retained for that purpose?

**Mr. Hak:** As it relates to this property, I don't believe so.

**Mr. Allum:** Does MBLL have any future plans for its Ellice Avenue locations and for its Cityplace locations?

**Mr. Hak:** Right now, we have existing leases on those properties, and, as we do with all leases, as leases come due, we re-evaluate the store and what our plans are for that store.

**Mr. Allum:** Given the line of questioning we've had from government members this afternoon, which has made it clear that they're not interested in a flagship liquor store in the True North Square, does the corporation still plan on putting a flagship liquor store in the True North Square?

**Ms. Craik:** As with other things within the corporation, everything is under review. We have taken this; it's next on our list to deal with, and we want to work with all stakeholders downtown to make sure that we fulfill our obligations as well as move towards making sure that we ensure the protection of the dollars that return back to government in order to support front-line services.

So we are looking at it right now and determining what we will do with that space.

**Mr. Allum:** So it's fair to say it's next on your hit list. Is that what I heard you say?

**Ms. Craik:** I'm not sure I said hit, but I think I said list.

**Mr. Allum:** So could you give us a time frame when you'll be making that decision to terminate that project?

**Ms. Craik:** We don't have any timeline, nor do we have an intention to terminate anything at this point.

**Mr. Allum:** But, given the line of questioning from the government side today, you must have heard that there's no interest from the political side for doing it. On what basis would you proceed?

**Ms. Craik:** Like anything else that falls under Manitoba Liquor & Lotteries Corporation, we look at everything, and we look at protecting the bottom line of the corporation. And, in line with that, we look at our obligations that we have, and we work with our partners at every level to make sure that we're doing the right thing for the citizens.

**Mr. Allum:** So you weren't able to articulate the—sorry, the chair, Madam Chair, wasn't able to articulate in a timeline, two months, four months, six months. Could you give the people of Manitoba some idea of the timeline involved and what process you'll be going through and how transparent that process will be to Manitobans?

**Ms. Craik:** I think it's important to note here that we've been very open and transparent in all processes since we've taken over with the new board working together with management. We have no timeline in place, and we plan on having very thoughtful discussions with all stakeholders moving forward. We don't have any timelines at this time.

**Mr. Allum:** Well, I think we'd have to agree to disagree on the openness and transparency to date. There was no business case done on cancelling the Medical Arts corporation. We have no reason, no understanding of why that was taken, except maybe some political direction from the minister, so we're looking for some openness and transparency on the process going forward for the flagship liquor store. What we're asking is, how will Manitobans be informed of this process? Will you be publishing information that makes the business case clear? Can we get some commitment from you today that there will be a full and comprehensive business case published that will either support proceeding with that project or the termination of that project?

**Mr. Schuler:** Well, I'd like to thank the member for that question, even though it is factually incorrect in every which way possible. First of all, the government—or, the corporation under the previous government put out an RFP to look for lease space, and then without any disclosure, without any openness, went against their own RFP and went and bought a building. That's hardly something that would be called open and transparent. In fact, they left all the other individuals who had put RFPs together hanging, because nowhere did it say that they intended on buying and renovating their own building.

And insofar as the lease goes, I think this committee—the fact that we've called this committee

in the same corporation twice in one month, something that would've never have happened under the previous government—in fact, we had to push the previous government to even get one a year, and often those would be jammed all one after the other.

So, insofar as an open and transparent process, this is a very open and transparent process. And for the first time, members of the Legislature actually get to ask questions and got some real answers insofar as a lease is concerned that there was no business case, there was no work done on it other than direction might've been from the member himself asking the questions. There seems to be not much clarity where that direction came from, but it came from the previous government. I mean, that's been put on the record here amply enough times, and that direction came without a business case, risk analysis.

In fact, there's not even a lease signed, from what I understand from committee here. There's an offer to lease. The member asked: so, are they going to get rid of this lease? Actually, it was his government who signed the lease. And I don't know if—and clearly he's also not a lawyer. You can't just sign leases and then get out of them. This is a bona fide legal document that he signed. And maybe he and his counterpart who admitted at committee that he never asked questions because he was told there to sit and say nothing, maybe they should've asked questions. Maybe he should've asked what was happening in the Crown corporation. Maybe he should've done his due diligence. Maybe he should've asked if the corporation had done due diligence. Now he sits and he shakes his head.

Well, right. Now he's in the opposition benches, and now we find out that there was no due diligence, nothing open and transparent. This is the second time we had to call the committee in—the corporation in front of this committee to actually find out what's going on.

And we have an offer to lease, from what we hear today. We understand that it is way beyond the scope of anything that the corporation can handle, that this is going to cost taxpayers an inordinate amount of money, and there's no business case anywhere. This has been an absolute open and transparent process, and we said when we were elected that we would be the most open and transparent government, and that's exactly what we've been.

And it's interesting—we have members opposite—the critic asking for private phone numbers. It's interesting how all of a sudden now they're not asking for the numbers of what's in the offer to lease. Interesting how that doesn't interest them. How much is the ratepayer, how much are the taxpayers, on the hook with this lease? How many millions is this going to cost the corporation and thus going to cost health care and going to cost all the services that we would like to see funded?

So, we need no lectures from the member opposite about open and transparent. It should've started with him, who when he was in Cabinet—I'm sorry, Madam Chair, through you, it should've started with the NDP members at this table when they had the opportunity to ask the appropriate questions and decided to ask nothing and not be open and transparent. And now we have an offer to lease that, from what I understand, doesn't even say what floor it's on. It doesn't answer many questions. This is a pretty wide open offer to lease.

And in the end, who carries the bag? It's going to be the taxpayers of Manitoba. And there's a reason why an amazing event happened on April the 19th, and members opposite should actually have a look and do some soul searching on why that happened.

**Mr. Allum:** It's interesting to note that the minister never intervenes when government members are asking questions, but he feels the need to undertake a lecture and a diatribe that's really unnecessary and uncalled for. But it's symptomatic of no answers, no plan and only political lecturing.

\* (17:00)

I'll remind him that the reason that we're here for a second time is because his government members shut down the committee proceedings last time by vote. We were quite prepared to stay until the committee was done so that we wouldn't have to bring back the chair or the acting CEO. And it was only because his members decided to shut down the committee that we're here.

Secondly, he wants to suggest that there was some kind of political direction on the flagship store. In fact, the chair was not able to table any documentation to that effect except an anecdotal conversation that may or may not have happened between her and the chair. We would expect that in an open and transparent process, with the kind of accusations you just made—that the minister just made—that there would be a tabling of documents,



and that hasn't happened today. And it's not likely to happen, because it never happened. And he knows as much.

The question, now, for the chair is: Is the development of downtown part of MBL's mandate?

**Mr. Schuler:** Well, first of all, to the factually incorrect statements being put on the record, the reason why the minister has to interject is because other members don't make this hyper-partisan. And the member sits at the table and makes everything hyper-partisan. And that's actually why there are statements made—the minister has to intervene, because the Crown corporation is not here to answer hyper-partisan questions. That's the way it works.

And insofar as direction given, I think the Crown corporation has been very clear very little, next to nothing was done insofar as due diligence in accordance to the lease that was signed. But one thing is very clear, that direction was given from the NDP government to the board. That's where direction came from. Because the board had no other documentation in front of them, no recommendation from the corporation, no request. All of a sudden, the board met and made a decision to enter in this lease. And it came because of direction from an NDP government.

And you know what, the member was a member of that government, and he should come clean on what the role was of his government. Now, he may not know, I mean that's fair, he may not have been in the loop. We know there were multiple factions at that point in time in the government, and that may not have been his faction. We get that. But there was direction given from the government to the Crown corporation. And it is a little bit more than anecdotal.

The point is, is the member should actually look internally, and I would suggest to him that he should look at what's been presented here. The fact—and you know, the member keeps heckling, table it. I think it's very clear at this committee there was nothing, nothing that we could table. There's no business case. There was nothing put in front of the board. The board got together, made a decision to enter a 50,000-square-foot lease solely on the direction of government. There is nothing else to table. There is nothing there. The board met with nothing other than direction from the government. And the member who was part of that government, again, we understand there were different factions, but the member should come clean and either declare that he knows what went on or he doesn't.

But with direction from government this decision was made. And ultimately it's going to be the taxpayer who will pay the price for this lease. This is a very expensive lease.

**Mr. Allum:** I'm still waiting for the answer that I posed to the chair of the board.

**Madam Chairperson:** Would you kindly—Ms. Craik.

**Ms. Craik:** I need the question repeated. I'm sorry, I forget.

**Madam Chairperson:** Sorry, Mr. Allum, sorry.

**Mr. Allum:** I don't blame you. After that, we'd all forgotten what the question was, that's for sure, and it's: we want to have a productive, genuine dialogue with the board chair, with the acting CEO, on the decision-making process that is currently being undertaken by ML-MBL and we would get further and save more time if the minister would save his diatribes for some other time and some other place.

The question was simply: Is it the mandate of the corporation to promote the development of the downtown?

**Ms. Craik:** It's not specifically part of our mandate. Our mandate is to produce as much net profit that goes back to the province through responsible gaming and liquor sales. That's our business.

**Mr. Allum:** Not specifically part of the mandate—is it a part of the mandate or not?

**Ms. Craik:** No, anything to do with downtown, I'm big a proponent of downtown. We need a healthy downtown. We do other things in downtown. It's very important. If we were to locate—relocate to another head office, absolutely, we would consider downtown. It is not part of our mandate.

**Mr. Martin:** Just to follow up on some former—some questions earlier. Can the acting CEO clarify exactly the difference between an intention or the agreement to—an offer to lease and a lease? What's the difference?

**Mr. Hak:** I'm not a lawyer, but the offer to lease is a legal, binding contract that we would enter into a formal lease that has all the other clauses in there at some point.

**Mr. Martin:** And the time—and I know the CEO expressed a reluctance due to third party issues to obviously share some of the financial implications of signing a lease. Can he share with us the time frame?

I know, previously, it's come to Manitobans' attention about the previous NDP government entering into up to 30-year leases with QuickCare clinics in an attempt to shackle any future government and the long-term costs associated with that. Can the CEO advise the time frame for the lease?

**Mr. Hak:** Again, I don't think I can release the terms of—specific terms and conditions of the lease, which would include the length.

**Mr. Martin:** Well, it's interesting, Madam Chair, that the member for Fort Garry-Riverview (Mr. Allum) indicates that he wants to have a productive and genuine dialogue with the staff and CEO and chair of MLLC, and yet he goes on record to shamefully question the integrity and the honesty of the board chair insofar as their conversation with the former CEO, who confirmed that the NDP government did, indeed, direct the board to enter into a 50,000-square-foot lease, a lease of a—that goes well beyond three and a half times larger than any current retail store that they have. So that is a—that is most disappointing that the member would engage in that kind of accusation and false accusation at that, but, unfortunately, it's par for the course coming from that side of the House.

Now, the MLCC, and I just want to confirm, so MLCC was not looking for additional downtown space, that no market analysis was done and I believe your exact quote was, it did not follow our typical processes. Am I correct in those three assertions?

**Mr. Hak:** Yes. So there was no supporting documents that we could find that the board would—the previous board would've seen prior to making a decision, and this typically would not have—did not follow our typical process.

**Mr. Martin:** And those typical processes would exist, one would assume, to protect MLCC or another Crown from potential financial liabilities?

**Mr. Hak:** Yes, I mean, the processes are to ensure that whatever we do is prudent and supportable and will contribute to our bottom line.

**Mr. Martin:** Another comment made today by the NDP was a suggestion or not—more than a suggestion, assertion, that the 50,000-square-foot flagship store would've included an MLCC-run grocery store and restaurant. I'm wondering if there could be comment from the CEO on that assertion.

**Mr. Hak:** Again, there were no documents to support what we were going to do with the 50,000 square feet.

**Mr. Martin:** So, to clarify, the 50,000-square-foot lease did not specifically include an MLLC-run grocery store or restaurant?

**Mr. Hak:** I don't believe so. No.

**Mr. Martin:** So the NDP's assertion, then, that it did, notwithstanding the, obviously, the veracity of that comment, is MLLC, do they have any other restaurants or grocery stores that they currently operate in the province of Manitoba, which they could, you know, obviously, derive experience from and put it over to this new 50,000-foot behemoth?

\* (17:10)

**Mr. Hak:** We do operate our own restaurants and lounges at the two casinos.

**Mr. Martin:** Again, no plans to create an MLLC restaurant at the 50,000-square-foot flagship, much less a grocery store?

**Mr. Hak:** No.

**Mr. Martin:** Well, it's interesting, Madam Chair, that the NDP is—it makes the suggestion that there were these plans, again, for a MLLC-run grocery store and restaurant, and they rail on about prove it in evidence and yet they don't table any evidence to suggest that there was such a plan for a grocery store.

In fact, in deference to my colleague from the Liberal government, I remember when—in the campaign when they announced plans for, I believe it was a \$20 million-run—government-run grocery store, the members opposite, including the member, actually, who is making those very assertions today, called it an April Fool's joke, I believe. So it gives you an idea of their thought processes, then, when it came to a government-run, or at least Crown corporation-run, grocery stores. But, I guess, in the attempt to divert attention from what will probably go down is a—well, as another colossal financial boondoggle in the history of boondoggles when it comes to Crown corporations. I mean, we've seen what's happened with Manitoba Hydro in the virtual bankrupting of that corporation by members opposite, and we—apparently they've turned their sights during their tenure over to Manitoba Liquor & Lotteries.

What would the—what would the plans be, then, for this space now that the—or the lease—intent to

lease has been signed? What are the next steps in—within that process?

**Ms. Craik:** Right now, next steps mean that we are looking at the offer to lease that we have. We will work with the partners that are involved to see what we can, in fact, do with that space, keeping in mind that we want to make sure that we focus on returning as much money as possible back to the corporation's net profits, which in turn goes back to the government.

We don't have any specific plans at this time. We're hopeful that we can work with the partners to come to resolution.

**Mr. Martin:** You know, it's truly unfortunate, Madam Chair, that resources and the time of the staff and board at the MLLC have to be spent essentially salvaging a situation that was not of their own making, that was foisted upon them by the previous NDP government in their unwillingness to allow any Crown to be independent within their thought processes and, of course, their unwillingness to not intervene politically into almost every decision. And we saw what happened, and we saw, obviously, there was internal divisions within the NDP as a result of some of those decision making and factions that were created. But, nonetheless, Manitoba Liquor & Lotteries has to live with these decisions on a go-forward basis.

So the lease that was signed on December 18th—and I know that the long-term costs, the actual long-term costs, can't be identified, but I do believe the CEO did indicate lease improvements of which the corporation would be accountable or liable for, again, in this legally binding document of around, I believe, it was 50 to 100 million dollars a square foot. So, if I am accurate in that, you're looking at potential, just leaseholder or tenant improvements, of anywhere from five to 10 million, which would suggest that the lease, in and of itself, may eventually cost the corporation in the tens of millions of dollars.

Now, I know earlier the corporation had indicated that the behemoth flagship store at 15,500 is about three and a half times larger than the second largest store that currently exists in the province, in fact, the largest retail liquor store here in Canada.

What would be the staff complement of the second largest store, just so I can get some perspective on the potential staff complement of a store three and a half times that size?

**Mr. Hak:** We don't—I don't have that information with me, but I can get it.

**Mr. Martin:** But it's to—it would be reasonable to suggest that there would—that a 50,000-square-foot store, retail store, would require a large staffing component?

**Mr. Hak:** Yes, well, there'd be a number of costs associated with operating any liquor store.

**Mr. Martin:** I'm wondering if the CEO is aware earlier this year that Fortress Real Developments indicated a commitment to include a grocery store in their plans to build a 45-storey retail and condominium tower on Graham and how that decision would impact any decision by the previous administration and obviously assertion that a grocery store could be included as part of MLC's mandate in their flagship store.

**Mr. Hak:** Yes, I'm not completely familiar with the details of that.

**Mr. Martin:** But from the—from MLLC's perspective, I mean, would it make sense to build a—I mean, potentially build a government-run grocery store within blocks of another privately run grocery store? I mean, would that make from—in your perspective, business sense or a business case?

**Mr. Hak:** Yes, we're not in the business of operating grocery stores.

**Mr. Martin:** I appreciate those comments, and, I mean, as we learn in these committees—and part of the process in these committees is for information to be shared from the corporation to committee members and by extension to Manitobans, so I think Manitobans are lifting the rock that the NDP had tried to place over MLLC, especially in terms of their unjustifiable political interference in the corporation, not unlike the political interference we saw in other Crown corporations.

And unfortunately, it will result—and my colleague for—noted that the profits of MLLC do go, and it has been noted, to front—those front-line services that Manitobans rely on, and that as a result of the shackles put on by the former NDP government, there will be less resources for those very front-line services. So, it is—it's definitely a disappointing day for Manitobans to realize that perhaps those services, in the future when those funds aren't available, or there's challenges in accessing those services, whether they be family services, education or health, may be diminished as a

result of—began at the previous administration's political interference in demanding the creation of this 50,000-foot flagship store for no other reason than having the largest store in all of Canada.

**Mr. Allum:** Of course, we do want to put on the record that there's a distinct difference between Manitoba Liquor & Lotteries operating some kind of grocery store. No one would expect that, but it would be understood that exploring partnerships to enhance the overall venue would be a very good idea, and one would think the government would think that's a good idea. But what we've heard this afternoon, I think, really is an indirect attack on True North Square.

An editorial in the Winnipeg Free Press called it the right idea for Winnipeg. An article said bold plans—in the Free Press again—bold plans introduced for True North Square, and then a third by Dan Lett said effecting change will be the square's real value. The store for that was envisioned—for Liquor & Lotteries, was to be a central part, a central component of an otherwise transformative project for downtown, something that the government wouldn't be aware of, because they—when they last had the chance in government, they didn't invest in downtown, and frankly, it was an empty—Winnipeg was much like a doughnut with growth all around it and in the middle, in the downtown, was a great big hole, and that's exactly where they're leading us today.

So, I want to get the minister on record if he would, does he support True North Square or doesn't he?

**Mr. Schuler:** What I would like to point out to the committee is that we don't think it was prudent to put the corporation into a position that will harm its bottom line.

This irresponsible approach to governance that the member opposite and the NDP did by demanding that corporations do this, that and the other in the case of this signing a 50,000-square-foot lease and harming the bottom line of the corporation. What the member says is that we should do things at any and all cost: harm the company, that's fine; poor deals, poor decisions, doesn't matter. At any and all cost we should do this. And then he said, oh, and then sign a 50,000-square-foot lease and then become a sub-landlord. So not just should Liquor & Lotteries be now the liquor and lottery grocery store, and I can't remember what the other component was supposed to be, a Liquor & Lotteries—some other

component, not just should you be a partner in that, then you also be a sublessee in that.

\* (17:20)

So Liquor & Lotteries is now supposed to become a contractor in the Medical Arts Building and a landlord in its own right, and then we're going to become partners in grocery stores and other enterprises, and we're going to become a sublessee, that we're going to sublease our property.

Where wouldn't it have made sense, if the corporation needed a larger space, because the space they had was—the demand was so great that they couldn't fill the demand in downtown Winnipeg with the space they had, which, by the way, they lease from a Crown corporation and now we're going to take that money away from one of our Crown corporations, and it might have made sense to have moved maybe that liquor store into their own headquarters, which evidently they were going to build, but instead go with the 50,000 square foot. None of it makes sense.

And I just love that we have NDP members still sit at this table and try to justify an appalling decision that is going to cost taxpayers a lot of money. And, you know, what about the past, don't we learn about decisions we're making today? You know, look at the post office, which cost the taxpayer an unbelievable amount of money in cost overruns. That would have been the Medical Arts Building.

What is it about a 50,000-square-foot lease—and, by the way, it was up between \$180- to \$200-per-square-foot tenant improvement, which—that is a big chunk of change, and I can only imagine that if this is over three floors, and we don't have clarity on that other, the kind of staffing you would need because you'd have to staff at least two to three floors of an operation.

And we have—the NDP is, yes, but then we could have our grocery store. That's not the mandate. The mandate of the corporation is to provide a good business, that monies can come to government, that we can support the services that Manitobans want and deserve: a good health-care system, safety, social services. That's what Manitobans are looking for. This is going to hurt the bottom line, as the downtown headquarters would have, this is going to hurt the bottom line of Manitoba Liquor & Lotteries Corporation. And it's all because of political direction directly from the NDP government of the day.

And that's what I think we've learned at this committee, that at any cost, at all cost, we're supposed to run after the dreams of an NDP party instead of the health care, 10 out of 10 in this province right now ranked, and I don't have to go through all the rest of them because I have a feeling I'll be called out of order because of scope.

We need corporations to be run efficiently and effectively and not damage their bottom line by getting corporations into three-level grocery stores and heavens knows what else. Get back to the core mandate of running a good, solid business and help with funding a health-care system and social services and safety and all the other things that Manitobans want. That's what Manitobans are calling for.

And I would suggest to the member opposite they should do some soul searching as a party, because clearly the message hasn't gotten through, the one sent on April the 19th.

**Mr. Allum:** I'm sorry that the minister is unable to answer a very simple question, so let the record show that he is offside with True North Square and that he's offside with the Chipman family and the Richardson family that supported that and welcomed—welcomed—that visionary concept as part of True North Square.

So let the record show that the Minister of Crown Services (Mr. Schuler) said today that he did not—does not believe in a project that far and wide has the support of many, many people, including some of Winnipeg's and Manitoba's and, frankly, Canada's leading business people. So let the record show that.

**Mr. Schuler:** And let the record show that this minister wants to see a top-notch health-care system, a health-care system that it will be—will be the most improved health-care system in the country. Let the record show that this minister stands for proper social services. We have the longest waits for child care in the nation under this minister's watch. Let the record show that we want to see a very, very good safety system in place which fell apart under this member when he was minister.

Let the record show that we want to see a Manitoba Liquor & Lotteries and all the other Crown corporations run efficiently and effectively, that Manitobans look at it and they're proud of what they see, and that we will not be getting into a downtown headquarters that would've ended up being a financial disaster for Manitoba Liquor & Lotteries.

And the member knows it because the prices that were given are based on a guess at best, and he knows it. And a lease of 40,000 square feet for a liquor store that is unparalleled in the history of this country, unparalleled. And then he suggests, oh, no, it's supposed to be a grocery store as well and what other fantasy items that came out of that discussion.

It is very unfortunate, and he sits and mocks and jeers and this is all funny for the NDP, and I wonder if it was funny for them on April 19th. I mean, they're still laughing because they don't get the point. Manitobans take this very serious—take this very serious—because this can impact the way we fund health care and all the other services that are important to Manitobans. And maybe, maybe the NDP should do some soul searching and do some reflecting and actually get the message that Manitobans are not pleased with the way that they ran the affairs of this corporation, that \$40,000 lease that's going to hurt the bottom line of the corporation for them is but a joke. Maybe they should do some soul searching and actually get the message of April the 19th. Perhaps that should also be on the record.

And thank you, Madam Chair, for allowing me to put it there.

**Mr. Marcelino:** Yes, and on another matter, without being too hyper-partisan about it, were there consultants engaged in the plan to expand weekend gaming at the casinos for 24 hours?

**Mr. Hak:** No, there were no consultants engaged.

**Mr. Marcelino:** So it's true that there will be an expansion of the operations of the casinos for 24 hours a day from Friday, Saturdays and Sundays?

**Mr. Hak:** Yes, it seems we open 24 hours for Friday night and Saturday night.

**Mr. Marcelino:** And those operations, I understand, that it's to help out in the revenues of both facilities. Is that correct?

**Mr. Hak:** Yes, most casinos in the country would have similar hours, as there's generally a high demand for gaming on the weekend. So it's very typical of most casinos in the country; most of them are also open on Friday night and Saturday night.

**Mr. Marcelino:** Which other casinos operate 24 hours on weekends?

**Mr. Hak:** I don't have that list with me, but I can provide that too.

**Mr. Marcelino:** Thank you for that answer.

So, if there were no consultants, what was it based on the decision to expand those operating hours?

**Mr. Hak:** We're actually doing a pilot to see what the impact will be, but we do have—when we close on the weekends we usually have to—the casino is usually still full of people.

**Mr. Marcelino:** And so how long will that pilot project be on, and will there be a report as to how it went?

**Mr. Hak:** The initial plan is for the pilot to last four months.

\* (17:30)

**Mr. Marcelino:** And during those four months, will there be a report as to how much was the increase in gaming?

**Mr. Hak:** Yes, we will keep track of the impact of that initiative.

**Mr. Marcelino:** And of those four months, what was the expectation on the part—what was the goal on the part of the corporation? Is it to expand it if it flies to seven days a week, 24 hours a day?

**Mr. Hak:** No, the objective of the pilot is see if there's demand for us to stay open every weekend, just Friday and Saturday. We don't believe there's demand to be open 24 hours for earlier on in the week.

**Mr. Marcelino:** So, from what I gather, how much money are we expecting to make out of those 24 hours every weekend?

**Mr. Hak:** I don't have that with me but I can provide that to you.

**Mr. Marcelino:** And is that something that was done in consultation with the unions?

**Mr. Hak:** I'm sorry, in consultation with who?

**An Honourable Member:** With the unions.

**Madam Chairperson:** Mr. Hak—sorry, my apologies—Mr. Hak.

**Mr. Hak:** Yes, we always—we have a very good working relationship with our unions.

**Mr. Marcelino:** And would there be any additional employment that will be generated by those 24 hours?

**Mr. Hak:** Potentially, yes.

**Mr. Marcelino:** How many?

**Mr. Hak:** I don't have that information, and the pilot will dictate how much staff we need. It'll be depending on the business we have.

**Mr. Marcelino:** Is the marketing on the part of the lotteries corporation—does that—the budget, does that involve any out-of-province marketing?

**Mr. Hak:** We don't do that much out of province with our marketing because most provinces have their own casinos.

**Mr. Marcelino:** So, from what I understood from your answer is that the two casinos will be open 24 hours a day, Fridays, Saturdays and Sundays, depending entirely on the local market. Is that what I'm getting?

**Mr. Hak:** Most of our business, our casinos, is local. We do get a percentage from the—from out of province, but the majority is local.

**Mr. Marcelino:** Thank you for that answer.

That's it for me.

**Mr. Schuler:** Madam Chair, thank you very much, and my special assistant pointed out to me that I think I referred to the lease as a \$40,000 lease and I would like the record to be very clear: it's a 50,000-square-foot lease. I misspoke myself. So, it is a 50,000-square-foot lease, and that's what I had intended to say. And I thank Cameron Bell for that correction for the record.

**Madam Chairperson:** Seeing no further questions, Annual Report of the Manitoba Liquor Control Commission for the fiscal year ending March 31st, 2014—pass; Annual Report of the Manitoba Lotteries Corporation for the fiscal year ending March 31st, 2014—pass.

Shall the Annual Report of the Manitoba Liquor & Lotteries Corporation for the fiscal year ending March 31st, 2015, pass?

**Some Honourable Members:** No.

**Madam Chairperson:** The report is not passed.

Shall the Annual Report of the Manitoba Liquor & Lotteries Corporation for the fiscal year ending March 31st, 2016, pass?

**Some Honourable Members:** No.

**Madam Chairperson:** The report shall not pass.

I'm just going to remind members to please leave copies of the reports that they—on the tables. Thank you.

Now this concludes the business we have before us.

The hour being 5:35, what is the will of the committee?

Committee rise.

Thank you.

**COMMITTEE ROSE AT: 5:35 p.m.**

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