

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

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

**Vol. LX No. 2 - 6 p.m., Wednesday, December 5, 2007**

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

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

**Wednesday, December 5, 2007**

**TIME – 6 p.m.**

**LOCATION – Winnipeg, Manitoba**

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

**VICE-CHAIRPERSON – Ms. Flor Marcelino (Wellington)**

**ATTENDANCE – 11 QUORUM – 6**

*Members of the Committee present:*

Hon. Mr. Selinger

Mr. Borotsik, Ms. Brick, Messrs. Dewar, Graydon, Mses. Howard, Marcelino, Messrs. Maguire, Reid, Saran, Mrs. Taillieu

**APPEARING:**

Mr. Leonard Derkach, MLA for Russell

Hon. Jon Gerrard, MLA for River Heights

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

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

**MATTERS UNDER CONSIDERATION:**

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

The Annual Report of the Manitoba Liquor Control Commission for the year ended March 31, 2005

The Annual Report of the Manitoba Liquor Control Commission for the year ended March 31, 2006

The Annual Report of the Manitoba Liquor Control Commission for the year ended March 31, 2007

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**Mr. Chairperson:** Good evening, everyone. Will the Standing Committee on Crown Corporations please come to order.

Our first item of business this evening is the election of a Vice-Chairperson. Are there any nominations?

**Mr. Gregory Dewar (Selkirk):** I nominate Ms. Marcelino.

**Mr. Chairperson:** Are there any other nominations?

Ms. Marcelino, then, has been chosen as our Vice-Chairperson for this committee.

This meeting has been called to consider the following reports: the Annual Report of the Manitoba Liquor Control Commission for the year ended March 31, 2004; the Annual Report of the Manitoba Liquor Control Commission for the year ended March 31, 2005; the Annual Report of the Manitoba Liquor Control Commission for the year ended March 31, 2006; and the Annual Report of the Manitoba Liquor Control Commission for the year ended March 31, 2007.

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

**Mr. Dewar:** I suggest we sit until 8 o'clock and re-evaluate it at that time.

**Mr. Chairperson:** It has been proposed that this committee sit until 8 p.m. and then review the sitting at that time. Is that the will of the committee?

**Mr. Leonard Derkach (Russell):** Well, Mr. Chair, I sense by the apparatus here that there's going to be a presentation, and I would suggest that the time that is allotted to the presentation be taken away from the actual committee time and the time allowed for questions for reports.

**Mr. Chairperson:** I think in fairness to the committee, it's been suggested that we sit until 8, then review it at that time, and if there are other questions, then, of course, the committee would give consideration at that time to extending the sitting time.

**Mr. Cliff Graydon (Emerson):** Just a question on how long would that presentation be. Do you have some idea? I think we'd like to limit that presentation, if it's at all possible, and carry on.

**Hon. Greg Selinger (Minister charged with the administration of The Liquor Control Act):** I think we on this side of the table would be quite willing to take extra time if there's interest to pursue it, as I did last time, I think. The critic will know that where there was a desire to carry on for an extra hour, we were willing to do that. But I think the presentation provides a lot of information that people would find worthwhile and sets a good context for the questions that will come after that.

**Mr. Derkach:** Mr. Chair, this is a departure from committee process that we've seen before. I appreciate the fact that the Manitoba Liquor Control Commission may have a story to tell, and I'd certainly be interested in it, but I don't know that this is the venue or, I guess, the opportunity for that.

We haven't had a committee meeting of this nature for some time and if we look at the reports, they date back to 2004. We're going to be allowing ourselves till 8 o'clock. We don't know whether we're going to sit later than that, and we're going to take up three-quarters of an hour of that time on a presentation.

I think this is valuable time for committee work. I'm not so sure that—their presentation may be fine, but I think it should be considered in the context of extending the time for questions by that length of time.

**Mr. Selinger:** As I said, we're willing to be flexible on our side of the House, as we demonstrated in the last meeting where we gave ample more time for people to answer all their questions. With Lotteries we had a presentation; with Hydro we had a presentation, and so far, members have found it informative. I'm hoping that they'll find it informative again.

We'll be flexible. We're not going to cut you off if you have important questions to ask.

**Mr. Rick Borotsik (Brandon West):** Mr. Chairman, perhaps if we could see the presentation. Arguing now isn't going to get the presentation started. So, if we could see the presentation and perhaps, for those areas that are already identified in the report, which we've seen some of them, maybe the presenters could just skip through those a little faster than what they would normally do and go through all of the mission statements and all of the members of the board and all of that stuff. So, if we could just sort of consolidate it a little bit from the 45 minutes, perhaps then we could deal with it. Okay.

**Mr. Chairperson:** There seems to be agreement amongst committee members to have the PowerPoint presentation then and to do it in an expedited fashion where possible. Is that agreed? *[Agreed]*

For the benefit of the Chair, I'd appreciate your indulgence and for the benefit of our *Hansard* recording folks behind me here, if members of the committee would bring their microphones close to them and also wait until they're recognized by the Chair before starting their comments or asking their questions, please. The Chair would appreciate that.

We'll now proceed. Oh, pardon me. Are there any suggestions as to the order of the reports that you wish to consider here this evening, or do you wish to do it in a general fashion?

**Mr. Graydon:** I would suggest that we consider the reports in a global fashion, Mr. Chairman.

**Mr. Chairperson:** It's been suggested that the reports be considered globally. Is that agreed? *[Agreed]*

**Mr. Selinger:** Yes, it's agreed. Do you have any intention to pass one of them at least tonight?

**Mr. Graydon:** We'll make that decision as—I would suggest that we have an intention to pass one, depending on the outcome of the—yes.

**Mr. Chairperson:** Does the honourable minister wish to make an opening statement and would you also please introduce your officials that are here with us at the table this evening?

**Mr. Selinger:** I'll dispense with the opening statement, but I would like to introduce the members of the commission. First of all, I'd like to introduce Carmen Neufeld, who is the Chairperson of the Board, sitting to my immediate left; Don Lussier, who's sitting beside her, who's the President and CEO. Ingrid Loewen is the Chief Financial Officer. Roman Zubach, and Roman over there is the Vice-President of Human Resources and Administration; Maureen Spier, Director, Licensing and Inspection; Winston Yee, who's the Manager of Inspection Services. These are the senior officers of the corporation.

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

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

**Mr. Graydon:** We'd like to thank the minister for the introduction of his staff. We'd like to thank the

executive and the staff of the Manitoba Liquor Control Commission for joining us tonight. We know that it's an inconvenience to leave a nice warm home, get in that cold car and come down not knowing when you're going to get back home. So we really appreciate that.

I'd also like to thank my colleagues for joining me at the table. None of them had to be pressured to do this, except that I had to buy them supper.

I'm still relatively new at this, so I'd ask you to bear with me as we go through it. There are going to be times, Mr. Chairman, you're not going to be fast enough to recognize me before I speak, and I hope you can adapt to that.

We just have a few questions we'd like to ask, and hopefully we can get through some of these reports and clear them off on a backlog. It seems to be a trend of this government to only examine the reports of the Crown corporations every couple of years, and we hope that this trend will change. I think we've expressed that in our last committee with the Lotteries and, hopefully, we can meet at least more than once every two years or every three years. I hope that we can leave here with that type of an agreement.

In saying that, Mr. Chairman, I'd like to turn this back over to you, and we can open up the committee.

**Mr. Chairperson:** We thank the critic for the official opposition for the opening statement. I understand that the representatives from the Manitoba Liquor Control Commission wish to include a PowerPoint presentation as a part of their statement to the committee this evening.

Is there leave of the committee to allow the PowerPoint presentation? Agreed? *[Agreed]*

Thank you to members of the committee.

Does the committee also wish to have this PowerPoint presentation included as part of the *Hansard* recording? Agreed? *[Agreed]*

**Mr. Chairperson:** The presentation will be included.

**Mr. Derkach:** Mr. Chair, I don't know the protocols here, but we have never had—

**An Honourable Member:** Move your mike up.

\* (18:10)

**Mr. Derkach:** I'm sorry. Mr. Chair, I don't know the protocol for meetings like this. This is a step in a

new direction, but I'd certainly be hesitant in terms of having a presentation included in *Hansard*. To me, what is important in *Hansard* is the dialogue that goes on between members of this committee and the corporation. A presentation should not be included as part of the *Hansard*, in my opinion, but you know, nevertheless, I'll go with the will of the committee, but we have never had this kind of a precedent set before and I'm hesitant in moving in that direction now.

**Mr. Chairperson:** Well, it was a question that the Chair posed to the committee. We don't have to include the PowerPoint presentation as a part of *Hansard*, although my understanding is that there may be hard copies available after the presentation is complete, if that's the will of the committee.

**Some Honourable Members:** Agreed.

**An Honourable Member:** Agreed, hard copies.

**Mr. Chairperson:** Agreed then. Thank you to members of the committee.

We'll ask Mr. Felder or Mr. Lussier to please proceed with the PowerPoint presentation then.

**Mr. Don Lussier (President and Chief Executive Officer, Manitoba Liquor Control Commission):** Okay. Not surprisingly we start with our mission statement. Our mission is to regulate, distribute and sell beverage alcohol thereby generating revenue for Manitobans within a framework of social responsibility, customer service excellence, business effectiveness and workplace quality.

Corporate values. This really tells you how we accomplish the mission, what our beliefs are. So we want to promote responsible sale and consumption of beverage alcohol and you'll see how we do that coming up. We foster importance of people. We foster a positive work force by working together as a team toward common goals.

Integrity and fairness. We develop respectful and ethical relationships where we are fully accountable for our actions, decisions and behaviours, and we believe in service excellence providing superior service to customers, partners and co-workers. And finally, we embrace change and encourage our employees to be innovative and creative.

These ones you'll see in more detail coming up so I'll go through them quickly. Financially, these are strategic goals which have been put into very plain English so that our staff can glom onto them rather

than the usual highfalutin language in some of the reports.

Our financial goals. Our profits help improve the life of Manitobans. We are socially responsible in everything we do. To our customers, our employees are the MLCC.

Business. We are a business which operates efficiently, and our work-place, our work environment, is safe, challenging, diverse and inclusive.

Okay, I thought I'd give you kind of an overview of the MLCC at a glance just to give you a feel for what we do and our size in the world of beverage alcohol. Surprising to a lot of people, we are the fifth largest buyer of alcohol in Canada. The LCBO likes to tell us on a repeated basis that they are the largest in the world. We are a little smaller than that but still fifth largest in Canada and also middle of the country. Our gross sales last year were over \$500 million. We purchase product from about a thousand suppliers in 50 countries from around the world.

From our distribution centre in Fort Garry, we supply 1,700 customers, wholesale customers this should be, throughout the province. We inject about a million dollars into the transportation system, delivering that product to customers, and we have good relationships with suppliers. We regard suppliers as partners in our business.

Our operating costs currently are at 10 percent of sales which are the lowest operating costs in the country of any liquor board. From a retail point of view, we're a mix of public and private enterprise. We have 47 of our own Liquor Marts currently, soon to be 48. There are 284 private beer vendors throughout the province which sell beer from 9 in the morning until 2:30 in the morning, six days a week, a little shorter hours on Sunday.

We have 176 privately owned liquor vendors and duty-free stores and eight private wine stores. In terms of retail, our own retail, we have 25 stores in the city of Winnipeg and 22 in rural Manitoba. I think this is interesting: we interact with 7.6 million customers a year. On average, we see customers every two to three weeks. Some customers, not people in this room, we see more frequently than that.

On a wholesale side, we distribute all non-beer products through our distribution centre. Beer, like the mainline beers, Molson's and so on, are

distributed by an organization called Brewers Distributor privately. That's about 98 percent of the beer's done that way. We carry in our distribution centre 3,300 SKUs of coolers, spirits and wine. A SKU is a stock keeping unit and why it's put that way is we have more than one SKU of a brand; so many sizes in a brand—that's a SKU.

Business-to-business. We have a business-to-business system, a computer-based system that is available 24/7. It allows our wholesale customers to tap into our system on a 24-hour basis and automatically gives them 30-day terms. We deliver generally within 36 hours in most places in the province. We put through almost 4 million cases a year in the distribution centre.

Okay, getting to the strategic plan. What I'd like to do—I've taken the approach of, here's our major goals, our major pillars, and I've tried to highlight some of the things that are in our annual reports from fiscal '04 to fiscal '07 on the basis of these categories.

So, starting at fiscal '07, we returned almost \$208 million to the Province. I guess to put that in perspective, that would fund about three to four community hospitals. Or, if it didn't exist, you would need a 10 percent increase in income tax to account for that lost revenue.

This is a graphic picture of our sales, gross profit, net profit and general administrative expenses. Depreciation is so small you hardly can see it. It's that little tiny, tiny bar at the bottom. Sales over this period have gone up, from 2003 to 2007, 20 percent. Our profits in that period have gone up 25 percent. Our operating costs, as I said earlier, are about 10 percent of our sales number. This is just another look at it and from a percentage point of view what this tells you is that for every dollar of sales, so every dollar of our \$500 million in sales, 50 cents is returned to us as gross profit and 40 cents is turned over to the Province as our net profit.

In terms of financial pricing comparison to other provinces we try to be midway in the country; not the highest, not the lowest but in the middle. We pay particular attention to Ontario and Saskatchewan. This gives you a picture of how we compare with those two provinces. Across the board our prices are lower than Saskatchewan's. Our prices, with the exception of beer, are higher than Ontario's. Now, to put that in perspective, Ontario buys for 13 million people, we buy for 1.2 million people. So there's a little difference there. On the wine side particularly,

Ontario gives price advantages to their wine industry and you see that in their pricing.

In terms of social responsibility, we try to ensure responsible consumption in everything that we do, from checking IDs on to regulations in licensed premises, such as shooter trays. We try to balance education and enforcement and ensure compliance with The Liquor Control Act. So our process there is really education first and enforcement second. In terms of social responsibility, we've had a long-standing program called Show Your Age in which we check anyone who looks under the age of 25. Last year, to give you a feel for that, we checked 177,000 people for proof of age and 9,000 were refused.

Another social responsibility program, and the first one that we entered into in a major way with a television and poster campaign is With Child Without Alcohol. This is the second phase of With Child Without Alcohol, which we spend about \$200,000 a year on. The whole thrust of it is pretty obvious. We're trying to educate people so that they don't drink when they're pregnant. I think the interesting part of this program, you don't see it in the posters but we've been successful in getting the program into all the high schools in the province. So the Department of Education has worked with—we worked with the Department of Education on a facilitators' kit for teachers. It's available in all the high schools in the province currently.

\* (18:20)

Another program we run is called Be UNdrunk. This is targeted at high-risk, binge drinkers generally in the age of 18 to 24. We started this as an Internet-based program, where that age group tends to get their information, and built the program from the input that we received on the Internet.

We received 2,000 ideas for stories on how to encourage people not to binge drink. The general theme of the story suggestions were twofold. From men, it was, if I drink too much, if I binge-drink, I get into fights. From women, it was, if I have too many drinks, I attract unwanted sexual activity. So our ad campaign—and I trust some of you have seen it—is targeted at that group. The latest edition of this looks like an Internet—this is the television part of it, and posters, but it's a pretty powerful message. In fact, it just won three awards in health advertising.

The other one, a recent change in legislation last year, was in response to concerns about doctoring

drinks with date-rape drugs. The legislation was changed to allow people to carry their drinks with them at all times, including into washrooms. Once the legislation came into play, we came up with this campaign, and these posters were made available to all licensed establishments throughout the province.

Finally, this program just launched, it's unique in Canada. It's called Be the Influence. I think—it shocked me anyway, that based on research across the country, the age of the first drink for a child, when they either mix their own drink or have a bottle of beer, is 11 years old. So this program is designed to encourage parents to talk to their children about alcohol. It's based on modelling behaviour and the whole television campaign is targeted at that as well.

In terms of community participation, these are just some of the groups that we're involved in and with. I note two at the bottom, Winnipeg Downtown BIZ patrol. We contribute in a sponsorship form to the Red Nose program about \$25,000 a year. Laterally, Thompson, also, we've worked with city council in Thompson more recently where there are concerns about bootlegging and safety in the downtown area. We've been heavily involved with them in limiting the sale of mickeys, is probably a classic one. So we won't allow anyone to buy more than four mickeys. We've also increased security and we're contributing to a similar Red Nose program in Thompson.

Just to remind you of some of the regulatory changes over the periods covered in the annual reports, in fiscal '06, recorking of wine purchased with a meal was allowed from a social responsibility point of view so that you don't have to finish the bottle of wine in a licensed premise. You can have it recorked and take it home with you.

Longer clearing times. This was in response to concerns particularly in big licensed premises of a thousand or more when everybody has to get out of there within half an hour. It was resulting in problems, too many people trying to get too few cabs as an example, violence breaking out. So that was changed to allow for an hour clearing time.

Mandatory security training under It's Good Business. This just came in. We're the first province in Canada to mandate a security training program under It's Good Business. No other province does this at this point.

Date rape prevention. You saw the campaign that I mentioned earlier.

Okay, licensing and inspection. As I mentioned earlier, a balance between education and enforcement. We have 1,600 licensed premises in the province and we have 16 liquor inspectors. So they can't be everywhere all the time. By the way, that is the highest ratio of liquor inspectors to licensed premises in the country.

So we use a risk-based approach and what that means is if you're a liquor primary operation, you're a cabaret, you're a beverage room, you're going to see a lot more of our inspectors than if you're a ma-and-pa restaurant selling pizza. So, in the case of high liquor primary, you're probably going to see inspectors twice a month. In other cases, you may see them every two months.

We use a progressive discipline approach, which means we start with a warning. Then we go to written warning, then we go to a fireside chat with Maureen, the director of licensing. Laterally, if that doesn't all work, then they go to the licensing board for disciplinary action.

We do approximately 25,000 inspections annually and we also conduct educational seminars, 219 of them last year.

Okay, customer service. Just to remind you of the split between the outlets, this gives you a graphic demonstration of that. Our operating philosophy is to be friendly; to provide friendly, knowledgeable service in safe, convenient and modern stores. So we spend, to maintain modernness, about \$1.5 million to \$1.6 million a year in upgrading our stores. They're on a rotating basis, usually as the leases come up we either move or renovate. We also spend, and this is part of the knowledgeable service, approximately \$600 per year, per employee, in ensuring that their service knowledge and product knowledge is up to snuff.

I'll go through this quickly, but this gives you a picture for what's in the annual reports, the renovations that we've done over this period: Brandon Shoppers Mall, Portage la Prairie, Beausejour, Pine Falls, Gimli. I think it's interesting to note that, strange as it may seem, when we do a renovation we always see an increase in sales. Anywhere from 10 percent to 30 percent.

Also, we opened a new store in fiscal '04, Kenaston Crossing, at McGillivray and Kenaston, and we've renovated Portage and Burnell, or renovated, opened a new location at Portage and Burnell which had a 50 percent increase in sales.

In '05, renovations at these stores, and a new store at River and Osborne which you see pictured up there. In '06, Southglen. South St. Vital is growing rapidly so we added another store on St. Anne's Road and we relocated Northgate to Garden City Square, and in Brandon we moved across the street to a premise that was built for us. A much larger operation which has done very, very well. In '07, we renovated our Southdale store, renovated and enlarged it, and we relocated in Selkirk and City Place.

In terms of this, customer surveys, we believe that what gets measured gets done. So we measure it on a regular basis through professional shops and through surveys. In the last survey, Liquor Mart satisfaction ratings were 98 percent. They rate us high on friendliness of staff, knowledge of products and prompt assistance in comparison to other shopping environments such as Safeway, SuperValu or Shoppers. Professional shops, as I mentioned, we shop our Liquor Marts at least four times a year and we also shop liquor vendors. Not all of them, not all 175, but the larger ones on a regular basis.

We believe well-trained employees are the key, so it's mandatory once you've attained a certain number of hours with us that you take and pass the basic wine and spirits course, which is a three-day course. We have over 200 employees that have completed the next level of that course which is the equivalent of a half-course at university training. We annually train all our store staff in some form in terms of product knowledge and trends, and product training is also provided to liquor vendors as is social responsibility training.

I'm going to run through this quickly. Most people find this fairly interesting because it's something everybody knows about. We sell, this is in millions of litres, so, by far, beer is the most consumed beverage in the province. The variation between, say, 2003 and 2007, where it went from 70 million litres to 78 million litres, is largely weather and that's the variation up and down in those ones. As you get a good summer or a bad summer, we sell more beer or less beer. Spirits is very stable over that time. Wine is growing very nicely and no end in sight, it appears. Coolers and ciders are more in the beer market type.

This shows the product sales dollars. The thing I'd like to point out here is the difference in spirits. Where the volumes aren't going up, the price is and that's a move to premiumization. For instance, a

product like Grey Goose Vodka, I would never have believed people would pay 40 bucks for a bottle of vodka, but it's the second-highest in its size in the country. Wine is just goin'.

\* (18:30)

Trends in terms of the whole market. Premiumization is the big thing. The market is moving towards premium product. On the spirits side, 40 percent of our sales used to be premium; it's now 60 percent of our sales are premium. So 60 percent would be in Crown-Royal-type of products.

The critter invasion, this is the Australian phenomena where Yellow Tail entered the market and just moved everybody into that. So that's moving very, very well. And innovative packaging which you'll see on the right, canned wine, is doing very well, particularly in licensed premises that don't like to recork wine.

Wine sales are just jumping. This shows that from 1996 to 2006, a 10-year period, doubling in the sales and continuing up.

Business effectiveness. We want to move to industry best practices, and we continually scan the marketplace for those best practices. As an example of that, we now night-stock. This month is the busiest month of the year for us. We sell double what we sell in any other month in the month of December. So we would move to best practices like night stocking in order to keep up with that.

We annually review our internal service measures, which I'll show you some of coming up.

In-stock service levels at liquor marts is on an annual basis 97 percent. So 97 percent of the time you can go in and find the product that you want. Our productivity is measured in terms of units per labour hour, and you see the numbers up there. Inventory turns, as well, a good business practice.

Shrinkage. Most retailers would die for this shrinkage, 0.12 percent of sales. General retail is more like one to two, and our cases per labour hour is 28 cases in the distribution centre.

In terms of sustainable development, we initiated an action plan in 2004. Initiatives over this time period include reduction in paper, lighting upgrades to energy efficiencies, ethanol fuel in all of our fleet, reduction in cleaning chemicals and sustainable development clauses in our tenders. We are also about to get out of plastic bags. We use plastic bags

for our customers. We're going to get out of that. All of our paper bags come from Manitoba, are produced in Manitoba by a Manitoba company, and we'll move to that coming up.

Business effectiveness. Again. Workplace health and safety policy was developed during this period. We are completing job hazard analysis in a distribution centre and in our stores currently. Risk-management strategy has been very popular. I think some of it was generated by the catastrophes in the country. One example of our risk-management strategy is the insulation of a generator at our head office in order to keep power going to us. When we saw what happened in Québec during the ice storm, if that had happened to us in January, of some form like that, and we were out of power for two days, we would lose all of our stock in the distribution centre. So we spent about \$250,000 for a generator.

Contingency planning also is a big thing. We have an off-site computer site in case we had a fire or some catastrophe at our office, and we also have an off-site control centre where we can get backup or operational within five days.

Community support. We support over 100 organizations in the communities that we operate in, and last year these programs generated \$300,000 for Manitoba charities. Here are some of the examples of community support. I won't go into them in any detail.

Workplace quality. Again, these are all mentioned in the annual report. We took out 20 computer systems that were stand-alone systems and replaced them with one enterprise system. We also included in that a Kronos timekeeping system so that all of our store staff can tap into the computer and do timekeeping much more efficiently.

Realizing that our executive group, half of our executive group can retire within five years, we're big into succession planning. In fiscal '05 we started taking the strategic plan on the road. I personally went out to most operations and talked about our strategic plan. We did our first-ever employee job satisfaction survey, and we developed a workplace diversity strategy and an employee wellness program.

In '06 we did another satisfaction survey and followed up with focus groups. We developed a performance management system on-line. We did a policy document review and we developed an Aboriginal employment strategy.

In '07, we got direct employee input in the strategic plan through their management group. We updated our store managers development program which—our store managers development program involves a university certificate program. All of our store managers now have a certificate of management.

Our wellness program. We developed flex benefits into it.

Information technology. We're in the process of developing a new-point-of-sale cash register system. We also expanded our distribution centre from 110,000 square feet to 143,000 square feet.

Finally—whew, a world speed record—the last two years, this year and last year, we were named a Top 100 Employers in Canada. There were 2,500 organizations that applied for that. We ended up in the top 100. We're in the top 10 and top 15 in Manitoba.

Do I get a gold star?

**Mr. Chairperson:** Thank you, Mr. Lussier, for the PowerPoint presentation here this evening.

**Mr. Selinger:** First of all, I'd just like to thank Don and the board and the staff for putting the presentation together. I think you should be commended, in particular for your social marketing program and the awards you've gotten for that, and for being one of the top employers in the country. I just found it an excellent presentation.

**Mr. Chairperson:** The floor is now open for questions.

**Mr. Graydon:** Thank you, Mr. Chairman, and Don, thank you for the presentation and doing it in record time. We appreciate that from this side.

I'd like to start out with some questions. We have eight privately owned wine boutiques in the city of Winnipeg. There's been some talk that the MLCC wants to open up a couple of wine boutiques. Can you give us a status on that?

**Mr. Lussier:** Yes, we've started to take the approach that we'll open stores that have an emphasis on wine. So some of these stores are smaller than our full-listing stores but have an emphasis on wine. For instance, the Tuxedo store is in that kind of mould, about two-thirds the size of a major-sized Liquor Mart, but the emphasis is on wine. We display it differently than we do in other liquor stores.

**Mr. Graydon:** I wonder what the eight private stores that are there now, would it make sense—or why would you not put these new initiatives up for tender and let them be privately owned as well?

**Mr. Selinger:** It's our government policy not to have more private wine stores at this time.

**Mr. Graydon:** Could you explain the reason for that policy, Mr. Minister?

**Mr. Selinger:** Well, first of all, we think that the Crown corporation does an excellent job in providing the services it does. All the profits stay in the public sector for the benefit of all Manitobans through the investments we make, not only directly through the corporation, but as the revenues go into the Consolidated Fund, they're allocated through the budget process to the priorities of Manitobans. That includes everything that we've talked about in the budget, whether it's health or education or infrastructure, roads, et cetera. We think that's a good story for Manitobans.

We also think that the Manitoba Liquor Control Commission does a first-rate job on the social responsibility part of its mandate. By having the stores under their control, they can ensure that that happens.

**Mr. Graydon:** Well, according to that definition, and I can't argue with you that they have a lot of social benefits; certainly, there's no question about that. However, then I would have to question probably why there are so many private liquor stores outside of the city of Winnipeg. Why wouldn't you want to be in charge of them all and have them all contribute?

\* (18:40)

**Mr. Selinger:** I'm going to ask the CEO to discuss the distribution of the private-versus-public outlets and how that has evolved over time.

**Mr. Lussier:** Yes, in 1994, the then-government wanted to open a number of stores, and so they went out for requests to proposal. There were, I believe, four stores selected at that time. Again, later in, I think it was '98 or '99, there was a second group let out, and there were another four stores added to it at that time.

We were kind of hoping that there would be some from other areas other than Winnipeg at that time, but there was only one application from Brandon and the person wasn't resident in Brandon,

they were from Gimli. That the proposal wasn't good enough is basically what it came down to.

**Mr. Selinger:** I think the member was also asking more broadly about the liquor stores, the private liquor stores, beer stores versus public provision of service outside of Winnipeg, why is it more private outside of Winnipeg as opposed to inside?

**Mr. Lussier:** Okay. It's largely act-related, and I think the drafters of the act, back in the '50s, were very, very forward-looking. What they did was try to make it as economical as possible to supply service to smaller areas in the province. It's very economical to run our own stores in the city of Winnipeg, but, when we start getting into very small operations, it's not as efficient.

So what they did was put in the act that, where it is not economically viable for us to operate a liquor store, it would go to an agency. It would go to a liquor vendor. So that judgment is made based on the economics of the situation. So we've been in a situation, over the years, where we have in fact closed liquor stores and converted them to agencies, to liquor vendors because it is more cost-efficient.

**Mr. Graydon:** Could you give me an example of where you've done that?

**Mr. Lussier:** Yes. Fisher Branch, Souris, Morris. There are a couple others, I just can't remember them. But it's at least four or five.

**Mr. Graydon:** Have there been any situations where you have closed independent ones? As the city grows, as we know that it does, and so it grows to the south and to the east, west, wherever, have there been any situations where you've closed a private store to install a government store?

**Mr. Lussier:** No. There has not.

**Mr. Graydon:** There hasn't been. Excuse me, Mr. Chairperson. You're going to have to be faster.

**Mr. Chairperson:** Thank you. I'm trying my best.

**Mr. Graydon:** So, then, are there any private stores that operate within the city limits today?

**Mr. Lussier:** There are not.

**Mr. Graydon:** So, with the expansion of the city, say, into the St. Norbert area and whatever, there has not been any expansion of your stores into that area.

**Mr. Lussier:** No.

**Mr. Graydon:** Maybe going to the country stores, are they supplied at the same rate or cost rate as the public-owned stores in the city?

**Mr. Lussier:** No, they are supplied at a discount from the retail. So, overall, it averages about a 12 percent discount. They get a flat rate per year of \$3,000, and they get a 10.5 percent discount on everything except beer, on which they get a 14 percent discount. So they're below what we supply it at to our stores.

**Mr. Graydon:** Could you explain, then, for me to better understand the process of, say, a case of whiskey in a public store versus a private store in Fisher Branch?

**Mr. Lussier:** Yes. According to the liquor act, let's start from there, the price that is sold in Fisher Branch or in Churchill or in Winnipeg of a product is the same, by legislation. So there's no movement there. So, if a bottle of whiskey is \$20 in our stores, then it would be supplied to the agency store at a 10.5-percent discount. It would be delivered free of charge to the agency store as well, anywhere in the province, one free delivery a week. We would also give that store 30-day terms to pay us.

**Mr. Graydon:** I just need to better understand this. Then there is a 10 percent, basically that's what the retailer in the country, that's his mark-up or that's his profit, is 10.5 percent? Do I understand that right?

**Mr. Lussier:** Yes, but overall, you have to consider the other factors and the other factors are there is a higher discount rate on beer and there is a flat-rate discount given to all of them of \$3,000. So, on average, if you look at the total commission or total discount paid to agencies, the liquor vendors, last year it amounts to 12.03 percent discount.

**Mr. Graydon:** Do all the rural stores handle beer?

**Mr. Lussier:** Rural stores or agency stores?

**Mr. Graydon:** The privately owned agencies or privately owned stores in the country, liquor stores.

**Mr. Lussier:** Yes, they do. They don't handle domestic beer. The hotels handle domestic beer, but they do handle, they can handle imported beer that is supplied from our distribution centre and we give them a 14 percent discount on that. If there is no hotel within the trade area then we will give them a limited agreement to sell domestic beer as well. Then they must start operating or providing the same services that a hotel provides, which is cold beer, and they must take back empties.

**Mr. Graydon:** Do you find that there are many of these stores that do that type of business?

**Mr. Lussier:** Yes. I'm assuming that you mean sell domestic beer. I believe there are approximately 40 out of the 170 that we have an agreement with to do that. If a hotel opens in the town, again, then that agreement terminates. That's part of the agreement.

**Mr. Graydon:** On another avenue, for the rural, privately owned establishments, if there is an add-on, perhaps you can explain to my committee what an add-on is.

**Mr. Lussier:** An add-on could be anything from a free miniature of a product on a bottle to playing cards, to utility tools, key chains. It's a value-add basically, something that says, okay, you get extra value if you buy this product in order to switch from the product you were going to buy.

**Mr. Graydon:** Where is this add-on done? Is that done in your wholesale or is that done by the company that's supplying the product, or where does that add-on take place?

**Mr. Lussier:** It can be either. We don't do it in our own distribution centre. It is normally done at the supplier location. So it is done in Montréal or wherever the supply is coming from. It comes in the case already. In some cases, agents will go around and apply value-adds at the retail level but that's not as normal as it coming directly from a supplier.

**Mr. Graydon:** When these add-ons become available, and I suggest that they'll probably be sporadic add-ons probably, at this type of a season that we're entering today, how are they distributed throughout the province or throughout your number of stores?

**Mr. Lussier:** In some cases, in our larger stores, we would pre-order them so we would have a standing order to get some of them. In the cases of smaller stores, agency stores, it would just be open season, whatever. If the order comes in and the value-adds are available then they'll be shipped wherever they go. That results in some of our stores not getting them, some of the agencies getting them or some not getting them. It's a mixed bag, but the agency stores also have the ability to go into our stores and purchase product from any of our stores at their discount. So they can go to the nearest store and get that product if they so desire.

\* (18:50)

**Mr. Graydon:** So I understand they don't have to purchase from your distribution centre at all. They could go to your nearest store and buy?

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

**Mr. Graydon:** Is that for any of their product or just the add-on products?

**Mr. Lussier:** That's for any of their product. Now, they would be foolhardy in most cases to do that because we're providing 30-day terms—well, we provide them 30-day terms regardless out of the stores as well, but they are getting free delivery from us. So, in most cases, they would order directly from our distribution centre.

**Mr. Graydon:** Is there a limit to the size that they have to order to qualify for these?

**Mr. Lussier:** No, not in terms of—well, they'd have to order a case; I mean we don't repack. We have a list of products that we don't take out of the cases and sell on an individual bottle basis. Most of the products that are value-added are high-volume products, so they would be minimum-case order; so a 12-bottle order.

**Mr. Graydon:** I need to understand—if I understood you right before, you said that you could pre-order these add-ons. So do I understand that you know ahead of time that these are going to be made available to your distribution centre?

**Mr. Lussier:** Yes, you do. They're normally in limited quantities so the whole order may not be value-adds. It's an expensive proposition for suppliers; they pay for it all. So there may be limits on the quantities of those products available.

**Mr. Graydon:** So then you make that available or you make that notice available to your rural or to your privately owned facilities? You let them know ahead of time as well?

**Mr. Lussier:** Yes.

**Mr. Graydon:** Then obviously, if I understood your presentation properly, you can order on-line 24/7. You must have a date then when these are going to be available. I would suggest that morning that everybody has an order in.

**Mr. Lussier:** Yes, that can be correct, and so some get and some don't.

**Mr. Graydon:** Does that cause any problems with some of the people that have put in orders or it doesn't really make a lot of difference?

**Mr. Lussier:** Normally, it doesn't make a lot of difference. If they're really keen on getting it, they go to another store and get it.

**Mr. Graydon:** On the privately owned stores, is there any restriction on floor space that they need to provide for the product?

**Mr. Lussier:** Yes, there is. As part of our agreements, we stipulate, based on their sales, how many products they must carry and their in-stock levels; that's part of their franchise agreement.

**Mr. Graydon:** Are there different levels of stores in this system?

**Mr. Lussier:** Yes, there are four different levels of stores in this system: A through A, B, C, D. So the smallest stores would have the smallest variety and the smallest requirements in terms of inventory. The largest stores would have a substantial stock offer.

**Mr. Graydon:** I'm just trying to dwell a little bit on the rural area, I think, because I have some experience of being in those establishments. But, before you get the wrong idea, I don't drink but I buy it to watch other people make fools of themselves. I have no problem with that at all. I'm sure you wouldn't either with me buying, same as I buy supper sometimes.

However, in a lot of these establishments, they are in combination with a—we'll say a grocery store, a flower shop or some other establishment. It's not the main business; it's an auxiliary business. The staff that is there in rural Manitoba—you had talked about a training program—are they also in that same type of training program?

**Mr. Lussier:** Yes, they are, but it's on a voluntary basis. They do not have to do it as part of their agreement. So some take advantage of it and some don't. Certainly, the better operators, quite obviously, take advantage of the product training. So we on a regular basis have our product experts go out and do two- or three-hour training courses for them if they so desire, try to bring them as a group and train them.

Similarly, on social responsibility, that is done by the sales manager when they first are licensed.

**Mr. Graydon:** Many of these, because they are in conjunction with a grocery store or whatever, they hire staff, part-time staff, students, that type of thing in the community because that's sometimes the only source of employment for some of the students in the area. Is there an age limit for those that can sell the alcohol?

**Mr. Lussier:** Yes, they must be 18. They must be of legal drinking age to sell it.

**Mr. Graydon:** Can you tell me how you police that?

**Mr. Lussier:** Yes, we police it through our sales managers that go around. We have very good relations with the RCMP and with the town councils or with the R.M.s. So we maintain that contact on a regular basis. Normally, if something like that happens, we hear about it very, very quickly.

**Mr. Graydon:** So, if there's a restriction for someone under 18 to handle that bottle—however, if I pick that bottle up and set on a counter, she can still, or he, whoever it happens to be, can still punch it into the till and they don't touch the bottle.

**Mr. Lussier:** No, they cannot. They must be 18.

**Mr. Graydon:** There's been some restrictions put on the amount of liquor that can be bought in the city of Thompson, for example, and you referred to mickeys. What is a mickey?

**Mr. Lussier:** A mickey is a half-bottle, 375 millilitres.

**Mr. Graydon:** And there's a restriction to buy four of those and yet I could buy 12 750-millilitre bottles. Am I correct?

**Mr. Lussier:** Yes, that's correct. Now, that was developed in conjunction with the town council and the RCMP because the bootlegging was usually associated with mickeys. They're lighter. They're usually in plastic and they can be sold more easily. So we put in that restriction.

To give you a feeling of what happened in terms of our sales, in the first three months that we put that restriction in, sales dropped \$180,000, and it didn't transfer into the larger sizes. We put restrictions on the larger sizes as well, but they're at a case level, and it hasn't transferred over. So it seems to have helped, at least at first blush.

**Mr. Graydon:** That's certainly an impressive amount of money. I don't know exactly what that would transfer into mickeys, but it sounds like it would be a considerable amount of mickeys. Being a businessman, if I couldn't get the product locally, why wouldn't I import the product that I needed as a bootlegger? Has that been happening in Thompson?

**Mr. Lussier:** Not to our knowledge, no. I think it's a function of remoteness. So it hasn't happened because we have, as well, been monitoring the vendors, but you're talking fairly substantial

distances. So, so far it seems that it's doing what it's supposed to do.

**Mr. Graydon:** Well, Mr. Lussier, if it's doing what it's supposed to do, I certainly applaud you because it lowers the consumption and probably cuts down on a lot of social problems that are there. So I certainly applaud the move. If, in fact, it's working, perhaps you could even limit the sale of alcohol in places like Brandon. I'm being facetious, mind you.

\* (19:00)

**An Honourable Member:** I'm sure the member from Brandon would support that.

**Mr. Graydon:** I'm sure he will.

Perhaps we'll just switch horses here for just a little bit and then I'll turn it over to my member of Brandon so that he can defend himself without cutting into the Chair and myself.

The topic of violence in licensed establishments has been front and centre recently in the province. I'm not sure if you want to answer this, Mr. Lussier, or if the minister wants to, but there seems to have been, certainly, a rise in fatalities and violence in a lot of these establishments in the city. I'm wondering if we can get an update on the MLCC's review of these securities on these establishments. I'm not sure if that's your department or the minister's, but I guess, being MLCC, you probably have an opinion on it.

**Mr. Selinger:** Just briefly. MLCC has been asked by our government to look at measures to improve security. They've been asked to do it in a timely fashion. I'll ask the CEO to give an update on the process he's followed to do that.

**Mr. Lussier:** What we did was get together with the industry and the Winnipeg city police shortly after the incident. So we convened a meeting of the hotel association, restaurant association, city of Winnipeg police, an organization called MTEC, which does all the security training for us, and ourselves. That group met with a facilitator for two days in late November, and is scheduled to give us a report before Christmas with recommendations on how to improve security. Obviously, the report is not ready yet, but it will be timely.

**Mr. Graydon:** So then this inquiry took place at the end of November, you say?

**Mr. Lussier:** Yes.

**Mr. Graydon:** You expect a report probably before Christmas? In your hands.

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

**Mr. Graydon:** So, then, Mr. Minister, we would expect a response from your office then early in January or an implementation of some changes to—and would that be regulatory changes?

**Mr. Selinger:** I haven't actually seen the recommendations yet to come back to me. Two things have happened. One, we know that some of the establishments have taken their own measures without being required to do it. In the case of the one where we had the most serious incident lately, they've actually shut down. They haven't been operating since the incident occurred. I guess it's their way of making sure no more incidents occur until they figure out how to operate that place better.

When the organization, MLCC, gets back to me with their report, then we will certainly make an announcement, but the corporation, itself, can make its own announcements with respect to arrangements it makes in terms of licensing with the establishments that they license. But I would get a report, and, in all likelihood, I would ask the corporation to put out its own information on that.

**Mr. Graydon:** So then let me better understand this then. You will make the recommendations, you'll put out a report and then you'll deal with whatever comes out of that after. But you'll be making that report public, that's my understanding.

**Mr. Lussier:** No, we'll make the report available to the minister to see what he wants to do with it.

**Mr. Selinger:** We'll likely work out an arrangement where it's jointly released so everybody knows what the score is. I can assure you there'll be a public response to the incidents and with the new measures that are being recommended to us.

**Mr. Graydon:** Well, thank you, Mr. Minister. Now I'll turn it over to my colleague. I know that he's anxious to ask a few questions.

**Mr. Borotsik:** You're making some assumptions; I don't know if that's fair or not. The critic had indicated that he had bought us dinner prior to this. He never did buy us any drinks and he never has ever bought us any drinks. So I think, maybe, that's one area that he has to be taken to task for.

First of all, Mr. Lussier, congratulations. It's a record profitability this year, fiscal year 2007,

\$207,944,000. This is as good as the corporation has ever done. I assume, correct me if I'm wrong, are you on the same kind of a profitability for fiscal year 2008? Are you achieving your goals at this point in time?

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

**Mr. Borotsik:** Are you meeting all of your projections? Are they above projections? Do you anticipate that you will be above the \$207 million this coming fiscal year?

**Mr. Lussier:** Yes. Our budget is in at \$212 million, and we're exceeding the budget at this point.

**Mr. Borotsik:** I'm sure the government's quite happy with that, so they can go and spend more of your money, Mr. Lussier. They should congratulate you.

**An Honourable Member:** It's our money.

**Mr. Borotsik:** Our money.

I've noticed on the, and I can make comparables, obviously, from 2006 to 2007, you had a 7 percent increase in gross sales from 2006-2007, which was about 7.1 percent. Your general administrative expenses went up almost identical. They went up 7.2 percent from 2006 to 2007. They went up from \$58 million to \$53 million. I assume, and I've gone over some of the expenses under the general administration, quite a number of them are fixed costs. Is that a normal increase, 7.2 percent of general administration?

**Mr. Lussier:** Yes. Our largest cost is, quite honestly, salaries and benefits. As our volumes grow, so does our staffing. We use an activity-based scheduling model in our stores. So, as volumes increase, your staffing increases in order to handle that volume.

**Mr. Borotsik:** Actually, that just segues perfectly into the next question. Your salaries, benefits and pension costs comparables went up 10 percent, 9.6 percent, from \$30 million to \$33.8 million. You've answered a portion of that, being that your staffing levels increase according to volume.

How many staff do you currently have with MLC comparisons last year 2006 to 2007?

**Mr. Lussier:** I have to consult my colleague. I know what we're at now, but I'm not sure what we were at that time, because you want it in full-time equivalence, probably.

**Mr. Borotsik:** You just told me that your staff increases according to volume, so, obviously, if your

volume was increasing on that basis, then I assume your staff is. So, if I could have the numbers, that would give me the indications to what your staffing numbers are.

**Mr. Selinger:** Are you working off a particular page that we can reference as a group?

**Mr. Borotsik:** Oh. It's just on the financial side. It's page 24 of the financial statement. It's the general administrative expenses, No. 5.

**An Honourable Member:** Which year?

**Mr. Borotsik:** That's 2007. I'm sorry. I'm not going back to 2004. That's a whole different issue. I fought that argument too and lost. But, anyway—

**Mr. Selinger:** Twenty-seven, did you say?

**Mr. Borotsik:** Page No. 24.

**Mr. Selinger:** Twenty-four. Thank you.

**Mr. Borotsik:** It's under 5. Heading 5, general administrative expenses, salaries, benefits and pension costs are \$33,824,000. Again, as Mr. Lussier has indicated, staffing costs, 10 percent increase is fairly substantial, but you have to give me the comparables in employees. That would be—

**Mr. Chairperson:** Mr. Lussier.

**Mr. Lussier:** Yes. We don't have the numbers with us, but the staffing changes in stores accounted for almost \$900,000 in that increase. Then there were contract increases under our collective agreement, which were another 6, almost \$700,000.

**Mr. Selinger:** I just want to clarify, perhaps just to follow up on your point. When you say staffing increases in stores, is that because you opened new stores?

**Mr. Lussier:** Yes. That's partially it, and higher volumes in existing stores. That's correct.

**Mr. Borotsik:** I appreciate the numbers you gave me, Mr. Lussier, but I wonder if you could provide me with the increase in staffing from—not now. Now, don't get excited, everybody. No. Don't go. We've got lots of time to do this. If you could, at some point in time, in the not too distant future just jot down what the employee, the FTEs were for 2006 year-end to FTE's for 2007 year-end, and then I can get some comparisons. I do have on record now that you've got some, was it 900,000 for new employees?

**Mr. Lussier:** Yes. Staffing changes and stores.

**Mr. Borotsik:** Thank you.

I also noticed that you're travelling a lot more. The travel went up 21 percent. I don't know if that's a surcharge on gasoline, but you went from 269,000 to 325,000 for travel over your administrative expenses. Now is that CEO travel, or is that travel for trying to purchase new products and goods?

\*(19:10)

**An Honourable Member:** It's abroad.

**Mr. Lussier:** It's abroad. Yes. A very small portion of it is abroad. Most of it is retail travel for Aboriginal training. So we did Aboriginal training for all of our employees in that year. So we have to bring our employees in or go out to them, and the bulk of that is around that program.

**Mr. Borotsik:** I do assume you do travel to some of your other suppliers, though, and I know that you bring in some Australian wine and you do bring in some European wine. I do assume that some of your salespeople do travel to those areas.

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

**Mr. Borotsik:** I assume that that travel cost is included in this \$325,000.

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

**Mr. Borotsik:** Any other areas in which travel costs could be caught in these financials or would this be the total travel cost?

**Mr. Lussier:** This is the total travel cost.

**Mr. Borotsik:** I'm just going through my papers. The government owes you money. The provincial government owes you some \$41 million as a receivable, a loan receivable, if I can find it. A long-term loan receivable, Province of Manitoba, and it says, seven and eight, which is your pension fund and your severance fund and things of that nature.

Does that mean that you give it to the government and you hope that they pay you back at some point in time?

**Mr. Lussier:** Yes, that was an unfunded pension liability built up over time. It has since changed and we are now funding that liability, but that's the outstanding liability left.

**Mr. Borotsik:** The unfunded liability was shown at the same amount in 2006 and 2007. Are you telling me that in the fiscal year 2008 that that will be cleared off?

**Mr. Lussier:** No, it will not be. No.

**Mr. Borotsik:** So the unfunded liability will continue to be shown on your books at \$45 million for how long, or is the provincial government prepared to cover off that unfunded liability?

**Mr. Selinger:** The short answer is the liability is going to be funded over time.

**Mr. Borotsik:** Is there going to be a reduction in that unfunded liability on a payback schedule or is it just going to sit there in perpetuity?

**Mr. Lussier:** We've been working with the Department of Finance on that and so far haven't come to a resolution.

**Mr. Borotsik:** Okay, the unfunded liability, as it shows on this statement, is the unfunded liability of the Province. It's a long-term loan receivable that's owed to your corporation from the Province, if I understand this correctly, and you're saying that the Province is not prepared to give you enough money to cover off that unfunded liability in your pension fund. Is that what I am hearing right now?

**Mr. Lussier:** I wouldn't say they're not prepared to. We're at least in discussions with them to start a repayment schedule on it.

**Mr. Borotsik:** Well, Mr. Lussier, you just gave them a record \$207 million in the last fiscal year. You just told me that that's going to increase at the very least to \$212 million in the next fiscal year. I would suspect that you're in a fairly reasonable negotiating position and suggest even that some of those monies could be retained by the corporation to offset this unfunded liability. Has that been suggested to the Minister of Finance (Mr. Selinger)?

**Mr. Lussier:** I believe it just was.

**Mr. Borotsik:** I understand that the Province is somewhat reluctant to give your money back, but I would hope that you have better luck in the future. I will look at the 2008 statement to see if there is any reduction to that.

I can go forward. There are a couple of things in the statement, and I do want to talk about wine. I'll "wine" a bit then I want to talk about one other area and get on with the business.

Your occasional permits. We have a permit person here, I think. The occasional permits issued have dropped actually and it's been dropping since 2003. Is that because people are having less parties in Manitoba or do we have less people to have parties?

**Mr. Lussier:** We definitely don't have less people to have parties because the population actually is going up. We're almost at 1.2 million.

**An Honourable Member:** 1.174.

**Mr. Lussier:** One eight four, actually.

**An Honourable Member:** Seven four.

**Mr. Lussier:** Okay, whatever. I'll see you and raise you.

**An Honourable Member:** We prefer the higher number.

**An Honourable Member:** I'm sure you do.

**Mr. Borotsik:** Without being facetious, the permits have been dropping every year since 2003. Is there some reason for that?

**Mr. Lussier:** I believe it's just a cultural change, to some degree. That, you know, the baby boomers are through, so you don't have—and the echo boomers are going through, so you don't have as many wedding socials, which is the biggest part of that. So that's starting to decline.

Also, licensees have become more attuned to that marketplace and have shown some flexibility in terms of their pricing and been able to convince people that it should be run under their licence rather than under an occasional permit. From a liability point of view, that's a very good position for them to take. You have trained bartenders. You have people that have taken the It's Good Business course. So, with more people being concerned about social responsibility, I think that's reflected partially in that number.

**Mr. Borotsik:** I accept your answer, but is it also possible that your requirements are becoming more stringent and perhaps not being as flexible in allowing these permits to be issued?

**Mr. Lussier:** Well, certainly, we inspect the same number that we have for the last number of years. We inspect about 25 percent of permits, and we do it as well on a risk-based approach, so, if you're the Hells Angels society, you're probably going to be inspected. If you're—well I was going to say if you're Rick Borotsik's social you might also be inspected but—*[interjection]*

**Mr. Borotsik:** Volumes, it's interesting. You showed your slide about the volumes of litres as well as in dollars product sale. I'm particularly interested in the wine because wine has increased quite dramatically

not only in this marketplace but other marketplaces. I've noticed that your dollar volume, let's just deal with dollar volume as opposed to litres, in wine you've gone from 67 million in 2003 but looking at the last two fiscal years you've gone from 87 million to 97 million. It's been a \$10-million increase in dollars. Now, that increase of \$10 million is with private wine stores, as well. You've got private competition. You've got private wine stores, eight of them in the city of Winnipeg right now, yet you've had an increase in your wine sales of \$10 million, almost 15 percent increase in wine, dollar, after those two years.

Would you not say that you're working fairly well together, the private wine stores and the publicly operated wine stores?

**Mr. Lussier:** That dollar includes our sales to them, actually. So we sell to them at a wholesale price. So it's in that number, yes.

**Mr. Borotsik:** Actually, that was my next question, to see if that was inclusive of the private wine stores. So, in effect, and, Mr. Lussier, I don't think there's any question about the fact that you make money on selling wholesale to the private wine stores as well. As a matter of fact, that's reflected in the margins that you've shown in your total cost of sales in your net profits. So, really, the private wine stores, have they been that great an assistance in increasing the volume of wine in the province of Manitoba?

**Ms. Carmen Neufeld (Chair, Board of Commissioners, Manitoba Liquor Control Commission):** What we have found historically is that, when the economy is really rolling and people are doing well and they have more disposable income, they tend to make less homemade product and homemade wine is one of the major alcohol items that they would make on their own. So what we've seen is, as the economy is growing, so is the decrease in product made at home, thus the increase in our stores.

**Mr. Borotsik:** Do you have any statistics to prove that home wine kits have been dropping? I, quite frankly, have visited a couple of wine kit stores and they seem to be doing extremely well in this economy. So you're saying they aren't doing well and people are making less wine at home and that's why these volumes have gone up?

**Ms. Neufeld:** I'm just saying that's one of the contributors to the factor of the increase.

**Mr. Borotsik:** Do you have any statistics to show that they've—

**Ms. Neufeld:** Sorry, I don't have them here with me, but we can provide that information for you.

**Mr. Borotsik:** You can provide me with information on the private kit stores and how their volumes have dropped?

\* (19:20)

**Ms. Neufeld:** We can't provide you with their personal corporate information, but we do know throughout the industry that there are some of the kit stores that have found a decrease in their volume. That's confidential information, being business owners, that they would not provide to us.

**Mr. Borotsik:** But you do have industry statistics to show that those volumes have dropped.

**Ms. Neufeld:** We do have some information we'd be able to share with you.

**Mr. Borotsik:** I'd really appreciate it if you would, with the other information that Mr. Lussier's going to put together. I would really appreciate that.

However, let's go back to the wine. We've got a \$10-million increase year over year in the wine, and we do have private wine stores that are operating right now in the city of Winnipeg. Your wine volumes certainly haven't been impacted by it. In the industry, in the retail industry, when I was part of it, we felt that some of these uses were compatible, that, in fact, when you have individuals and a consumer that has other options, other choices, they have a tendency of developing a market.

Would you say, Mr. Lussier, that the private wine stores haven't necessarily impacted your wine sales in the Liquor Commission itself or in the public sector?

**Mr. Lussier:** No, I don't think they have. I mean, when you think of it—you've been in business—if you add eight outlets, you're going to add sales for sure, just on the basis of there are more outlets, there's more convenience, there's more variety, because they're bringing in different products than we are.

So are they helping propel the wine market forward? The answer is yes.

**Mr. Borotsik:** That's the answer I was looking for. Thank you. If that's the case in the city of Winnipeg, do you feel that having a private wine store in the city of Brandon may well assist your sales in that

community with respect to wine, where you get more consumers who are more in tune with the wine, that that would in itself expand the market?

**Mr. Lussier:** I think Minister Selinger answered that question.

**Mr. Borotsik:** No, the minister said that there's a policy, that there's a moratorium. What I'm asking you—and we've seen the experience in the city of Winnipeg. Your volumes haven't dropped, quite the opposite. The wine volume has increased quite dramatically in your publicly held stores.

We have private competition here. As I said, when you get more consumer understanding of the product, then there's usually more sales that are on the uptake.

Policy aside, do you think, with your experience right now in the city of Winnipeg, that a privately operated wine store in the city of Brandon would impact your wine sales in the publicly operated stores in the city of Brandon?

**Mr. Lussier:** I think if we added another liquor store in Brandon, it would have exactly the same impact as what you're suggesting.

**Mr. Borotsik:** I didn't ask for a liquor store. Well, that's not true. There may be room in the marketplace for another liquor store. There may well be room in the north end. We've got some fairly viable retail down in that area. But, aside from that, not putting in a third liquor store—we have two—again, I'll ask the question as succinctly as I can.

Do you think a private wine store in the city of Brandon would impact negatively on wine sales in your public operation or would it impact on a positive basis your public operation?

**Mr. Lussier:** Would there be one more bottle of wine sold in Brandon if there was another outlet in Brandon? Yes, there would be. Absolutely.

**Mr. Borotsik:** Yeah, and, by the way, I can't dispute that. I'm sure there would be, but that's not quite what I asked. I said do you think there would be a negative impact on the public store?

**Mr. Lussier:** Yes, there could be.

**Mr. Borotsik:** Was there a negative impact on the Winnipeg stores when the private stores came in?

**Mr. Lussier:** Yes, there was some decline.

**Mr. Borotsik:** I don't see any declines from 2003 to 2007, quite the opposite. I see quite dramatic

changes. We went from \$67 million to \$97 million in dollar sales, and now you say there was a negative impact. I don't understand that.

**Mr. Selinger:** I'd just like to make a comment. I think if you're going to do an apples-to-apples comparison, you have to have a comparable time frame. From 2003 to 2007, the market has changed, as is illustrated in the presentation. There has been an increasing taste and development of the palate of the consumers in Manitoba towards more wine, as I understand it.

The overall market has increased in all products, we've seen. Some are more dependent on weather, but in the case of the wine options, you can see that with the amount of money they spend on training staff in the stores, there has been a cultivation of a broader palate for these kinds of products, and the most rapid growth has been in the area of wine.

I mean, I know where you're going. You're asking about the interaction between private wine outlets and public wine outlets, positive or negative.

The only thing I'm trying to say is, that to be fair to our administration, we have to do it—it's hard to do it in a controlled way in the community where you can't really control the variables over time. Over time we've seen a change in market tastes and development and consumption patterns. That is also influenced by the prosperity people are experiencing, disposable income as well as taste changes. So there are a number of factors that are going on here. I don't think you can isolate it to those two public-private options.

**Mr. Borotsik:** The point I was trying to get to is I don't think there's been a substantial negative impact, but quite the opposite. I think because there has been more variety available to consumers in Manitoba that in fact wine has achieved a much higher volume than what it probably would have if it was just simply in the public venue.

I think the private operators have added another dimension, have certainly brought in a different marketplace, have brought in some different varieties that you would not have brought in as a public operator simply because of cost and simply because of space. I'm saying that it's done a fairly reasonable job for you. You said yourself that a lot of this \$10 million here is wholesale prices to those same private vendors.

So all I'm saying is the wine industry is doing very well. Yes, there are other variables, there's

economy. However, if you want to look at those variables, the other area is beer, spirits, coolers and ciders have not grown quite as dramatically even though the economy is very strong. Even though we've got more money in the hands of the consumers, those areas have not grown as dramatically as the wine has. So I'm saying, just as an old retailer, it's always good to have competition. It's always good to have more varieties out there so people can purchase the product. That's all I'm saying.

Then I also said was, do you think there would be a negative impact in the city of Brandon should there be a private wine store? At which time I was told that we're going to get a third liquor store. So I do thank you for that. I don't know when you're going to make the announcement, but I'm waiting patiently for it.

I also would like to say that you had indicated that when the original request for proposals went out and I think it was back in '94 or '95, there was only one uptake on the RFPs. I was led to believe that there was more than simply one individual who was interested in putting in a private wine store in the city of Brandon. So I'm confused. I thought there was more than one that came in the RFP.

**Mr. Lussier:** No, there was only the one.

**Mr. Borotsik:** Okay. I'll see if I can find out who the others were that worked at the RFP.

Obviously, it's not your job. I know, Don, it's not your job, and I'm not about to say it is. I will have to work with the minister on this to see if there could be another operation outside of the city of Winnipeg. It seems the city of Brandon has the ability to accommodate not only another private wine store but other facilities like casinos. We've seen that in reports. It's a huge market; it's a market that could certainly be developed. We'll work with the government and see if they at some point in time are going to change their policy. I know it's not your job to make that policy change.

I would like to talk and maybe shift gears just a tiny bit here. I'll pass it on. You said you had a thousand suppliers, if memory serves me correct on the slide. There are a thousand suppliers that you work with. Just for my own purposes—and I don't understand your business that well; I wish I did—how do you choose your suppliers? Do you put RFPs out? Do you negotiate price? Is it a set price? We do know there are premium brands and premium

distillers, and I assume that you have to buy that just simply because it's what the marketplace wants.

But just in 45 seconds or less, can you tell me how you identify your suppliers?

**Mr. Lussier:** I thought I did fast on the first part, but 45 seconds is cutting it a little thin.

Basically, we have what we call a listing process so suppliers come to us and we also go to suppliers. So we would go, as you said, to foreign countries and visit suppliers and taste product and negotiate prices with them. More commonly, they come to us. We're a big buyer, so salesmen, agents of those suppliers would come to us, make submissions. We have basic forms that they fill out telling us the price, the standard stuff that you would do. The process then is we take a look at the trends in our marketplace and see if we need that, you know, do we need another Merlot from Chile? Is the price better than anything we've got? Is the quality better? That's how we make a decision. Then it comes into the marketplace, and if it isn't successful over a year period, we take it off and replace it with something else.

\* (19:30)

**Mr. Borotsik:** Is that the same procedure with spirits as well?

**Mr. Lussier:** Yes, although spirits is a more mature part of the market, we don't have the same variety, choice that you would have in wine. Wine, there may be 200,000 wines in the world; spirits, you know, rum, rye, gin, vodka, how many ways do you do it? A lot of it is around packaging and new flavours, but process is basically the same.

**Mr. Borotsik:** Did you ever do any business with Maple Leaf distilleries?

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

**Mr. Borotsik:** Did they work in the same fashion? Did they come to you or was there a list? What product did they provide you?

**Mr. Lussier:** Yes, they came to us. They were an in-province operator. They came to us with the various listings like Maple Leaf liqueur. Process is virtually the same, although you would look at—because they're local, you would want to support them as much as possible. So we might cut them a little more slack than someone else, put it on the market, see if it works. If it doesn't work, just like anything else, it's gone.

**Mr. Borotsik:** What products did they provide you? I'm not familiar with it. I know it's not in existence any longer, but what products did they provide?

**Mr. Lussier:** Probably their most memorable one was Maple Leaf liqueur, which they sold virtually across Canada. They had maple cream as well, but that was where they were going. Then, of course, they sold some vodka, rum, that kind of stuff that they bought from other suppliers.

**Mr. Borotsik:** You indicated that for a local supplier, local distiller, I guess is what it was, you would have a different set of rules, if you will, that there would be some sort of flexibility. So does that mean that their cost could be higher to you than what you could achieve from other suppliers?

**Mr. Lussier:** No, there are no mark-up breaks whatsoever. There used to be those kinds of situations across Canada with all the liquor boards supplying mark-up breaks to in-province suppliers. That doesn't exist anymore. That went away.

**Mr. Borotsik:** But all you had to achieve was a certain margin on the product. If the product to you was 10 bucks, then your—I see your margins in here, they go up to about 50. So you're about 400 percent, but that's good business, by the way. But your margins are your margins, so if they were providing a product at \$15 instead of a product that you could achieve at \$10, would you not go to the product for \$10, or would you give them a break because they were a local Manitoba company?

**Mr. Lussier:** No, the price would go through on a percentage basis. So, if it started at \$15 and we added 150 percent, it would end up higher than the product that you're talking about the product at \$10 which is going to end up at a lower price. Ultimately, it would fail.

**Mr. Borotsik:** Were there any—I don't assume that there—well, maybe I don't; I can't assume anything. With Maple Leaf Distillers, did the MLCC, did they have any receivables that perhaps weren't collected or if there were any dollars, any money that you lost on their failure?

**Mr. Lussier:** I'm going to have to check this, but let's put it in perspective. They supply us with the product. We don't pay them until 30 days after. So they're in the receivable position from us.

**Mr. Borotsik:** I understand business well. I know that they're in the receivable position, but was there, for any other—anything else in place that there was

money that was owed by any stretch of the imagination from Maple Leaf?

**Mr. Lussier:** I'm advised that they did owe us a small amount of money for some of the marketing programs that they had purchased from us.

**Mr. Borotsik:** Is there any chance that—and again, don't spend a lot time at it—but is there any chance we could find out what that amount of money, that small amount of marketing money might be?

**Mr. Lussier:** Evidently, thank you.

**Mr. Borotsik:** Spirited Energy. It's, it was—I'm not so sure it's still alive or not—did MLCC, were they involved in the Spirited Energy campaign at all?

**Mr. Lussier:** We were involved only as a client, so we got involved when the program was available. So we purchased banners for our stores and displayed them inside our stores. That cost us about \$10,000. We purchased or we put the logo on our plastic bags, which cost us about \$6,000, and we bought some T-shirts for our employees, which cost us \$2,000.

**Mr. Borotsik:** It's nice that you had those numbers at your fingertip. I would suspect that you'd have to ask your financial people, but you're prepared. That's very nice, Mr. Lussier, thank you very much.

Those were the total costs of the Spirited Energy campaign in MLCC?

**Mr. Lussier:** Yes.

**Mr. Borotsik:** Last question, then I'll think up more. Actually, two questions. The first one is, you said you were the fifth largest purchaser of alcoholic products in Canada. I was trying to go through it: Ontario, Québec, British Columbia would be the three, Alberta wouldn't be because they're all independents in Alberta. *[interjection]* They're the fourth largest?

**Floor Comment:** Yes.

**Mr. Borotsik:** Could you explain that to me, how Alberta could be the fourth largest?

**Mr. Lussier:** Alberta is still the importer of record as a government. So they take possession of the product for a millisecond and then transfer it. So, on record, it's the Alberta government.

**Mr. Borotsik:** So the Alberta government, in fact, does exactly what you do to the small little rural agencies, then. They actually take it for the millisecond. They have their mark-up and margins on it, then they give it to the private sector. So, in

Alberta, what would their—in liquor sales—what would their annual net profits be just through wholesaling alcohol?

**Mr. Lussier:** I don't know what those numbers are, to tell you the truth.

**Mr. Borotsik:** I'm going to find those out so the next time we have this committee meeting I'll have that information for you. But it is interesting, and I assume—you're a bright guy and you'd know different jurisdictions. The Alberta government still makes money off of alcohol. They still buy. They still wholesale. They still make their margins, not the 150 or 400 percent that you do on some of your alcohol, but certainly they do generate substantial dollars just through the wholesale process in Alberta. Is that correct? But we don't know how much that would be?

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

**Mr. Borotsik:** Okay, just another question. Ms. Neufeld, how long have you been the chair?

**Ms. Neufeld:** I've been the chair since February of 2000.

**Mr. Borotsik:** Five years.

**Ms. Neufeld:** Seven.

**Mr. Borotsik:** Oh, 2000. Sorry. Okay, so my math is off. I was worried about financials, not about that. Seven years. Did you have any business background before you came into the chair?

**Ms. Neufeld:** I certainly do. I've owned my own business for 17 years. I'm a meeting planner. I hire and staff about 15 full and part-time employees. I've won two Entrepreneur of the Year awards in Manitoba. I've also won a Business Excellence Award from the Manitoba Chamber of Commerce last year.

**Mr. Borotsik:** Congratulations. That's private sector. That's with competition, I assume. There are other people with meeting planners in the industry, I assume, and you've done very, very well in the private sector. Do you find being in a monopoly a lot easier to deal with than in the private sector?

**Ms. Neufeld:** We're not in a monopoly because of the vendor system that we have, the private wine stores and the beer distributors.

**Mr. Borotsik:** Wouldn't it be nice if we could expand that private sector and have other wine operations within the community? I know, sorry,

that's a policy decision. Thank you, Ms. Neufeld. I thank you for that.

**Mr. Chairperson:** You're concluded, Mr. Borotsik?

**Mr. Borotsik:** Possibly. Yes, thank you. I pass it on to my colleagues, thank you.

**Mr. Chairperson:** Mrs. Taillieu, Mr. Derkach had his hand up prior to you. I'm not sure which one wants to—

**Mr. Derkach:** I defer to Mrs. Taillieu.

**Mrs. Mavis Taillieu (Morris):** Thank you, Mr. Chair. I just wanted to carry on with one question in regard to the Spirited Energy campaign. Was there any direction or suggestion made by any government officials or any government employees that you should participate in the Spirited Energy campaign and that you should buy these banners and should buy these T-shirts and should display the logos on the bags?

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

**Mrs. Taillieu:** Can you indicate who made the decision then? Was that a board decision?

**Mr. Lussier:** No, that was administrative. That was our decision to get involved in the program.

**Mrs. Taillieu:** Thank you. In terms of the board, and I think we just talked about Ms. Neufeld's being the CEO for the last seven years.

**An Honourable Member:** No. No. Excuse me.

**An Honourable Member:** Chair of the Board.

**Mrs. Taillieu:** Chair. Sorry, corrected. Chair of the— for the last seven years.

\* (19:40)

The board members, are board members appointed, and for how long?

**Mr. Selinger:** The government appoints the board members for varying lengths. They can renew them if they wish, usually three years at a crack, and then they have the option of renewing.

**Mrs. Taillieu:** Thank you for that answer. Are these all renewed at a certain time, or are they staggered in renewals so that there is some continuity on the board, or how does that work?

**Mr. Selinger:** I have to check the specifics, but often there's a staggering process to have a variety of people come on and, at the same time, maintain continuity.

**Mrs. Taillieu:** For the licensing board, this is a board that appears to meet not that frequently. The licensing board, they're also appointed by the Lieutenant-Governor-in-Council. Are these people paid a per diem or are they a full-time board?

**Mr. Selinger:** They're appointed. They meet about once a month, and they're paid on a per diem structure.

**Mrs. Taillieu:** Thank you. Are these people employees of the liquor commission, or are they employees of the government, or are they people at large, or how are they picked?

**Mr. Selinger:** I just want to make a correction. Apparently, the licensing board members get an annual indemnity of about \$4,000.

Your last question was?

**Mrs. Taillieu:** Sorry. My next question was: Are these people, people at large, or are they employees of the government, or are they employees of the Liquor Control Commission, or are they picked, are they suggested to people to be on this board, or how are they picked?

**Mr. Selinger:** They're citizens from the community that we believe would have an interest and a capacity to offer a contribution in that kind of function.

**Mrs. Taillieu:** Is there a mix of urban and rural people on this board or—?

**Mr. Selinger:** Yes.

**Mrs. Taillieu:** What would be the ratio of the mix, urban to rural?

**Mr. Selinger:** I have to check for that. I don't know if we have the list here. I'll see if I can get you the information before we leave tonight.

**Mrs. Taillieu:** Are there any private liquor vendors or liquor store owners on the board?

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

**Mrs. Taillieu:** I noticed that in your presentation, which was very good by the way, there was a mention of Operation Red Nose, or maybe you just talked about that. Is that something that you contribute to or support, or how does that work?

**Mr. Lussier:** Yes. We are a sponsor of Operation Red Nose, and our employees volunteer as well.

**Floor Comment:** As do board members.

**Mr. Lussier:** As do board members, yes.

**Mrs. Taillieu:** In terms of your advertising, do you hire an advertising company or firm to do your advertising?

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

**Mrs. Taillieu:** Could you tell me who that advertising firm is?

**Mr. Lussier:** That advertising firm is ChangeMakers.

**An Honourable Member:** From a social responsibility.

**Mr. Lussier:** From a social responsibility point of view, yes.

**Mrs. Taillieu:** Yes. Can you tell me who the principals are in ChangeMakers?

**Mr. Lussier:** Jim Kingdon, Michael, and I do not know who else.

**Mrs. Taillieu:** You also talked about doing surveys and polling. Can you indicate what company you used to do surveys and polls?

**Mr. Lussier:** We've used a variety of companies. We put it out to tender on each one. So we've used Ipsos Reid; we've used Criterion; we've used Viewpoints, a number of others. It depends on the response to the RFP.

**Mrs. Taillieu:** Can you indicate who you are currently using, if that one was tendered? Who received the contract?

**Mr. Lussier:** We don't have a survey in the field currently. We provided that information at the last meeting like this so it should be in *Hansard*. I just don't have it with me.

**Mrs. Taillieu:** Thank you. Can you tell me the last time that you used Viewpoints?

**Mr. Lussier:** I believe it was two years ago.

**Mrs. Taillieu:** Who have you used since then?

**Mr. Lussier:** I haven't had one in the field since then.

**Mrs. Taillieu:** The principals of Viewpoints are?

**Mr. Lussier:** Again, I don't know. Ginny Devine, I believe, is one of them, but Leslie Turnbull, yeah, okay. I don't know. It's not important to me.

**Mrs. Taillieu:** We've heard before in other campaigns that agencies have been hired for a five-year term, so it's not tendered every year. Does

MLCC tender every year, or has Viewpoints been used for five years?

**Mr. Lussier:** For those ones, no. Each time we go to field, we go to tender for any of those surveys.

**Mrs. Taillieu:** The recent advertising campaigns that you showed us, Be UNdrunk, for example, those kinds of campaigns. Who would be doing those ones?

**Mr. Lussier:** That would be ChangeMakers on the social responsibility side. We use a different agency on the marketing side. We've had ChangeMakers for a number of years. We went to RFP in the first place on that, received, I believe, 10 proposals. They were ranked internally, and then we chose ChangeMakers.

**Mrs. Taillieu:** When do you plan to go to the field next?

**Mr. Lussier:** In which area? For surveys? For surveys or for advertising or—

**Mrs. Taillieu:** Sorry, I'll clarify that. We were talking about surveys and polls. You said at this time that you had nothing in the field. I'm wondering if you could tell me when you would be next looking at doing surveys or polls in the field. Okay, we'll leave it there.

**Mr. Lussier:** We would be doing one next fiscal year, and it will go to tender next fiscal year, public tender.

**Mrs. Taillieu:** When you go into the schools with your advertising literature, and I do think that's a very good idea in the high schools and probably even in the junior high schools from what you indicated, you provide information on social responsibility and that kind of thing, is there any other advertising that you take with you or is it strictly MLCC?

**Ms. Neufeld:** I just want to make a point of clarification. Advertising and social responsibility are two entirely different things. When we have a social responsibility program, it's to get messaging out about responsible consumption or, in the case of the With Child Without Alcohol, to have non-consumption of alcohol products.

So I just want to make that clarification because the member continues to use the term "advertising" when in fact it's social responsibility messaging. Advertising is trying to sell our product.

**Mrs. Taillieu:** I certainly probably struck a note that I didn't intend to. There certainly seems to be some feeling across the table, but I really was thinking of

the literature. If I used the word "advertising," I was simply thinking of it in a way that I maybe used the wrong word. So I apologize for creating any animosity over that. I certainly just want to clarify that I was thinking of literature that goes into schools, and I was thinking of it in a social responsible way. I understand that advertising is something different where you're selling a product. So it's not advertising I was thinking of. I was talking about the messaging going into the schools. I simply wanted to know if when you take the messaging from MLCC there's other messaging in a package or it's just MLCC.

\*(19:50)

**Ms. Neufeld:** Certainly, there was no animosity; I just wanted to clarify. Social responsibility has been very near and dear to our heart because we feel that that is part of what the board and the staff and the management have worked very hard on the last few years. Any of the programs that have been developed, whether it's Be UNdrunk or With Child Without Alcohol and the new Be the Influence has been designed in consultation with groups like the Addictions Foundation of Manitoba; in some cases, the Winnipeg Police Service, the hotel association in earlier ones. So it's information that is based on all of the input from various organizations, including teachers and some focus groups that we've done with parents, for example, who would be the users, the end users of the social responsibility message with their children.

**Mrs. Taillieu:** I know that that is a valuable program. It does do a very good service to the community.

You did talk about the requirements, identity requirements. Do you presently have a Liquor Control Commission card that people get to go into establishments?

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

**Mrs. Taillieu:** With the photo ID card, what information isn't contained on that card?

**Mr. Lussier:** It's just a proof of age. It's not a proof of citizenship so it doesn't, although it seems to be accepted at the border most of the time. It's not something that is guaranteeing citizenship. It is guaranteeing that the person's age is correct.

**Mrs. Taillieu:** So am I correct to assume, then, it has the person's photograph, their name and their date of birth?

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

**Mrs. Taillieu:** So it doesn't have their age; it has their date of birth.

**Mr. Lussier:** Yes.

**Mrs. Taillieu:** Thank you. I know that at some establishments there was requirement for people to leave identification at the door. I don't know. Maybe I'm getting into an area that doesn't really relate to you so, okay, I'm just going to withdraw that.

I just want to go onto a matter that's sort of personal to me. Most members around the table will know what I'm going to talk about, but—[interjection] I noticed that in the list of liquor vendors, there are a lot of small towns in here but, you know, there isn't one in Headingley. The problem around that is, as I know you know, that the people, the little community store that wants to apply for a licence to sell alcohol there—I mean, I know that you will know because a lot of these small stores will be in the same boat, that it's just an add-on to their business viability if they have this little extra draw into their store. In this particular case, and I'm pretty sure you're aware of the situation where the site of this store, and it can't be moved. I mean, it's permanent. But one way to get to the nearest Liquor Mart is 10.8 kilometres and the other way is 9.2 kilometres. You know that it has to be the 10 kilometres.

I am wondering though, I've looked through the legislation and I really don't see in the legislation where it actually stipulates very succinctly. It seems like it may more be a policy. I'm just wondering, it seems to me it might be something that's been there for a long time on the books. When you look at the community of Headingley 25 years ago, it was 500 people. In 2007, it's 2,200 people. There are no other liquor vendors or outlets or liquor stores in the Municipality of Headingley. People that have to go into the city of Winnipeg to buy a bottle of wine, they have to travel 10.8 or 9.2 kilometres. If they choose the Trans-Canada Highway, that would be the shorter one, but it is the most treacherous one and the most dangerous one. So I'm just wondering. I mean, it just seems this 700-metre distance that by one way seems to put this poor little store out of the business here. Is there any way that we can't sort of work towards licensing this store, who is not in competition with anyone?

**An Honourable Member:** Just another agent.

**Mrs. Taillieu:** Just another agent like all of the rest of these little stores here. You know, I know there's

one in St. François; there's one in Elie; there's one in St. Eustache; there's one in Starbuck; there's one in Sanford; there's one in Oak Bluff; there's one in La Salle. There's not one in Headingley.

**Mr. Lussier:** Okay. I think you're being modest. You're more familiar with our policies than maybe you let on. You're absolutely right. This is a policy. It's an evolving policy; it has evolved over time. It came in in the early '80s in the first place and, at that time, it was a 20-kilometre policy. The policy is designed and was negotiated effectively with the vendor association, and it's designed to help protect the franchise.

Like many franchise agreements, there are distance restrictions on them. So let's take Boston Pizza, it won't locate another Boston Pizza within X kilometres—

**An Honourable Member:** They're all corporate stores.

**Mr. Lussier:** Well, I'm using them as an example. Maybe it's a poor example.

Anyway, so that's where the thing evolved from. It was reviewed and changed in, let's see, 1993. Again, it was changed in 2005, and it has been reviewed by the Ombudsman for the similar kind of concerns and found to be in accordance with our legislation and good business practice.

Will it ever change? We review it on an ongoing basis. Currently, we couldn't do this, even if we wanted to, even if I said, yes, that would be reasonable. We have signed agreements with 175 liquor vendors that stipulate we will not locate another vendor within 10 kilometres. So, we're not going to violate 175 agreements to do that.

**Mrs. Taillieu:** Are there any other similar situations in Manitoba, where the site is over 10 kilometres by using one route and under 10 kilometres by using another route, which actually averages out to 10 kilometres? So, it's just one of these things that it's kind of like splitting hairs. But I'm just wondering if there's any other situation that would be like this one, or is this kind of unique?

**Mr. Lussier:** No. But, I think what we've got to realize is that, prior to 1982, there was no restriction; there was no policy in place. So, there may be vendors that are located within five kilometres of each other that date back to those days. So, they're

grandfathered in. It's anything new that this policy deals with.

**Mr. Selinger:** Just in answer to the member's question earlier about the composition of the licensing board in terms of their geography. On the second page of the '07 report, there's a photograph with the names of the members of the licensing board. It's right in the lower left-hand corner there. I'm informed that four of them are from Winnipeg and one's from Brandon. On the overall board, five are from Winnipeg, one's from Stonewall, one from The Pas, one from Thompson and one from Brandon, of the nine members. So, four and five in and outside of Winnipeg.

**Mrs. Taillieu:** So, okay, just to clarify then, we said in the licensing, four from Winnipeg and one from Brandon. Okay, but none from the smaller communities other than that. Okay.

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

**Mr. Chairperson:** I believe the hour is almost 8 p.m. and we agreed, as a committee, to review at that time. What's the will of the committee?

**Mr. Graydon:** Mr. Chairperson, I would suggest that we add another hour to this and then review it at 9.

**Mr. Chairperson:** Mr. Derkach, did you wish to add comment?

**Mr. Derkach:** We're negotiating here. They wanted half an hour, I said two hours. So we'll cut it off at one.

**Mr. Chairperson:** So it's been proposed that the committee sit until 9 p.m. and then review at that point in time. Is that the will of the committee? *[Agreed]*

Okay, then we'll proceed to continue with the questioning.

\* (20:00)

**Mr. Derkach:** First of all, to the Manitoba Liquor Control Commission and Mr. Lussier, I want to say, I guess, thank you for the service that is being provided throughout communities. I live in one of those communities where we do have a liquor store, which is very well received in the community, because the facility is current; it's modern. It was updated in 2005, I believe, or 2006, and certainly is a pleasant spot in the community.

I want to ask a couple of questions with regard to things like the courtesy card which was in use up until I think about six months ago or so and has been discontinued. Can you tell me why the card was discontinued?

I ask this question because I've had several representations from constituents, both within my constituency and outside the constituency, who have asked why the card was discontinued. So I'm just asking perhaps if that could be explained.

**Mr. Lussier:** You're talking courtesy card, right, cheque, cash and courtesy card?

**Mr. Derkach:** Yes.

**Mr. Lussier:** Okay. Yes, we discontinued it. That was put into place before we took credit cards and before we could take debit cards in our liquor stores, so it was in response to people that wanted to use something other than cash, to use cheques. Basically, they've simply gone into disuse because we take debit cards. Most people will use debit cards or credit cards. There's just no demand for them.

**Mr. Derkach:** Thank you. In terms of the location of wine stores, and Mr. Borotsik addressed the issue largely for Brandon, but for rural communities where we live almost 300 kilometres from—well, more, almost 400 kilometres away from the city, the inconvenience in today's world for not having a wine store within a reasonable distance is certainly something that has been expressed by many, many people. Although our liquor stores do carry a fair assortment of wines, it's certainly not anything like a wine store has and it's just a little discriminatory in terms of the world we live in today, in not having a facility on the west side of the province. Those communities on the west side of the province really have to travel all the way into the city to have, I guess, that luxury.

In view of the fact that wine stores are profitable and wine stores are also something that are demanded by I think many consumers, is there any way that the Manitoba Liquor Control Commission would look at locating a public wine store—because it appears that we're not going to be looking at a private wine store—in a community outside of Winnipeg? Largely I guess I'm thinking of communities like Dauphin or Brandon or both.

**Mr. Lussier:** In terms of the public side, the people of Dauphin, for example, have access to our total product list. It's not simply what's in the store; it's everything that we carry. So, if there are products

that people desire in those communities, we will certainly bring it in. We'll bring in as little as one bottle. So the service can be provided off a list of about 2,000 wines, 2,200 wines, I believe, it is currently.

**Mr. Derkach:** I appreciate it, Mr. Lussier, but you have to understand that it's an order house then. I mean, of course, we can get it, but I'd have to come into Winnipeg to either sample the product to see whether that's a product that I want to buy a bottle of, or I think the minimum order is more than a bottle, from my understanding.

But, nevertheless, it's not like walking into a wine store and being able to select the products that you want. If you'd want to do that, the only opportunity you have is to come into Winnipeg. It seems to be somewhat discriminatory. Or, for that matter, for us on the west side of the province we could, I guess, go into Saskatchewan, but that's not the purpose of this. Our preference is to stay in Manitoba and to do our business here. It would appear to me that, in this day and age, it just makes common sense to locate a facility of this kind on the west side of the province. I guess I'm saying it's got to be Brandon or Dauphin or both.

**Mr. Lussier:** I think it's something that is difficult. There's no question about it because you need enough variety and you need enough sales. When is it enough? In terms of Brandon, yes, absolutely. You've got a trade area of over 200,000 people. It can support it or should be able to support it. The total wine list, we can do that. You know, I would strongly encourage you to take a look at their list and work with our store people. They will be happy to bring it in. Anything. Yes, okay.

**Mr. Derkach:** That is not an issue, Mr. Lussier, at all. I'm saying it's a question of access. It's a question of the customer being able to get the same kind of treatment as a customer in Winnipeg gets. The market is there. The market area is big enough to sustain it. It's a matter of, I guess taking—a recommendation, I think, coming from MLCC to the minister's office for a policy decision.

I'm not hung up on the issue of private versus public. If it's going to be a public wine store owned by MLCC, so be it. I think our issue right now is that of being treated on the same level as people in Winnipeg are and having that access. Now, for me, it would be a matter to travel either to Brandon or around here in Winnipeg, but there are many people who do a lot of their medical visits and a lot of their

commerce in Winnipeg who reside in a fairly large area around Brandon or in Brandon, I should say. So it seems to me to be a good common-sense approach to look in today's world at the possibility of locating a wine store, at least one, in Brandon. It's a policy issue, but it's also a recommendation that is going to be led by MLCC.

**Mr. Selinger:** I was just going to say that, if the member's making the point that he would like the same product choices available to people in the western part of the province that are available in Winnipeg, that's certainly part of the existing mandate of the Manitoba Liquor Control Commission, which, as I understand it, is to continuously review the purchasing desires or the consumption desires of citizens across the province and to look at whether there is a business case to offer that kind of service. I know that Manitoba Liquor Control Commission does review these things on an ongoing basis. So, if you have evidence and information that would help them be more responsive to consumer demand, I'm sure the Liquor Control Commission would be happy to receive it.

I noticed you said that you weren't trying to push for one type of ownership model or another. You're just trying to make sure the consumers have the choices they want, and I think you were focussing on wine. I think you're right. I think Manitobans seem to be moving in that direction towards an interest in wine products in the province. They're developing a palate for that or a taste for that, and I think the Liquor Control Commission is looking for ways to responsibly serve that kind of customer demand.

**Mr. Derkach:** Well, I look forward to some development in that area, specifically for the western side of the province, because I do believe that—there's an element of distance here. I think that that's an issue that needs to be considered as well.

I want to talk about the whole area of I don't know whether you call it advertising or sponsorship or an education program that is conducted by Manitoba Liquor Control Commission. You do spend a significant amount of money on that area. Can you tell me what the breakout is between rural and urban Manitoba in terms of the programs that you provide? How do you determine how your campaigns are apportioned? Is it done on the basis of sales? Is it done on the basis of population, or is it just done on a blanket basis?

\* (20:10)

**Mr. Lussier:** In terms of our social marketing programs, it's province-wide. We try to get it—a good example is the Be UNdrunk program. Our goal was to get the program into all of the high schools in the province, throughout the province. That's the approach we take. Those kinds of programs we push province-wide regardless of where they are. If there's a licensed premise in the rural community, we're supplying them with posters or material that backs up those programs. So our normal approach is province-wide.

**Mr. Derkach:** Who is it that the Manitoba Liquor Control Commission then works with in terms of your social—what do you call it?

**Floor Comment:** Social responsibility.

**Mr. Derkach:** Social responsibility program. What entities does the Manitoba Liquor Control Commission work with? You mentioned schools, but there must be others. You work with community organizations, community groups. Do you work with specific groups? I'm wondering, do you also work with Aboriginal reserves to make sure that that kind of programming is available within their schools as well? Because, quite honestly, I don't see it there.

**Mr. Lussier:** Yes, we've been successful in supplying the program to the Aboriginal schools, as well. Whether they use it is up to them. But they've taken it. So, absolutely, that's our goal is to get it as far and wide as we can. The program partners that we've used are typically AFM, College of Physicians and Surgeons, Healthy Child. So there have been a lot of partners, particularly on the With Child Without Alcohol side of things.

In terms of the new program that we're bringing out, we want to take a slightly different approach. We want to get to parent-teacher associations on Be the Influence because we think that's where it should be going.

**Mr. Derkach:** Do you work with organizations like Mothers Against Drunk Driving and organizations of that nature who are fairly vigilant? Also, is there an effort to work with schools or the grad programs, the social programs that they carry on for underage drinking at grads?

**Mr. Lussier:** Yes, Safe Grad, we're involved in that heavily. We have our inspectors go out to the schools, talk to the school administrators on how to run that program. We are very involved with that one.

**Mr. Derkach:** I thank you for that. I've noticed some of that programming out there.

Where I haven't noticed it at is at the Aboriginal schools. I have a total of five reserves in my constituency. There is a need for that kind of programming. I would encourage the control commission to put an emphasis on that area, not because we want to target them but I do believe that there is a need for that kind of programming. I don't know what the uptake has been, to be quite honest with you; I haven't asked that question.

I want to turn to the loan issue that was identified by Mr. Borotsik earlier. I'd like if either the minister or Mr. Lussier could perhaps explain it a little more fully to me. This has been identified as not a loan but the unfunded liability for pensions.

Now is this unfunded liability pro-rated for the amount of outstanding, unfunded liability for employees in the Manitoba Liquor Control Commission, or how was this amount determined?

**Mr. Selinger:** I was just going to say I was recalling how this wound up on the books. In the last seven or eight years there's been a shift in accounting methodology to the accrual accounting system, so it was required to be set up on the books as a liability. The reason it's the government that holds the liability is because we receive the profits from the corporation and that's always been the case with the Manitoba Liquor Control Commission that all the net profits come to the Province. So the responsibility for the pension liability is the Province's, but it had never actually been shown on the books.

Do you remember which year it was first put on the books? It was one of those things that the Auditor General came to us and said, you've got to put this on the books. Then we had to go back and evaluate it. I think it was about '03, wasn't it?

**Floor Comment:** It was actually April 1, 1999.

**Mr. Selinger:** April 1, '99 it was put on the books, and the employer responsibility for the pension—now, it's the employer. The fact that it was the Liquor Control Commission, they pay on an as-you-go basis, all these pension and benefit responsibilities, on a pay-as-you-go basis. The issue is, is there a case at some point for funding it as, for example, what we've done with the teachers' retirement fund? That's something we can examine to see if that makes sense, to look at a funding strategy that would be beneficial to the taxpayers as well as to the beneficiaries of the pension benefits.

**Mr. Derkach:** So is it a correct assumption that this liability that is outstanding at the present time isn't moving, it's just an unfunded liability that sits there at a level that is commensurate with what is owed in the pension fund, or is outstanding in the pension fund? Or how is it? Because it's dormant at the present time, it appears, with no payment and no growth.

So I'm wondering how that is being accounted for on a year-to-year basis and how that is ever going to be paid off. Is some of the profit that comes to the Province then going to be used to amortize this over a period of time?

**Mr. Selinger:** As I said, it appears that in spring of '99 it was required to be put on the books because of the accrual accounting, generally accepted accounting principles requirements, GAAP as we call it, not a clothing store but an accounting standard.

What we did in '03 is we've required every new employee hired in the broader government sector to have their pension employers' contributions made on an as-you-go basis. So every new employee that comes into the Liquor Control Commission, their pension responsibility is funded. Now, over time, there will be a complete turnover of staff at the Liquor Control Commission, and over time, every employee will have their pension paid for as part of the ongoing requirements for the operation of the organization.

So there is actually a strategy for the first time ever for the employer to fund the pension contributions of the new employees.

**Mr. Derkach:** But that's the current part of it. Okay, the outstanding is the former now. Is that amount, according to the numbers in the 2007 compared to the 2003 reports, shows that that has gone up by almost \$8.3 million.

Is that the accrued interest on the amount or is that the continuing liability, outstanding liability?

**Mr. Selinger:** I'm looking to see if Ingrid wants to give me any guidance here. But, as I understand it, the liability grows because the salaries are growing of the people that were there. So your calculation of the pension liability changes as the value of the pension changes. So there has been some growth since '03.

Is that essentially the answer?

I'm informed there have been modest changes in the last few years, but, as I said, these pension liabilities when we came into office in '99 for teachers, public servants, Crown corporations, with the exception of Hydro, which had funded their employer's portion, had not, in fact, been funded. So we started doing that in '03 for all new employees, but what we did for the old liability in '99, we changed the balanced budget legislation so a portion of the money we set aside every year for debt repayment. It was \$75 million when we came to office; it's \$110 million now. We have a special committee in Finance that looks at how we split that \$110 million. Some of it goes to pay down pension liabilities; some of it goes to pay down general purpose debt, the accumulated general purpose debt.

\*(20:20)

So, in this case, we just have the go-forward strategy with all new employees. The question of how we retire the former liability, it will be retired automatically. As people retire, we start paying it. They have to get their pension. We have a statutory obligation to provide them their pension. But do we have another strategy to start going back and funding that accumulated or accrued liability? Not at this stage; there's not a specific strategy.

**Mr. Derkach:** Is the corporation or the Finance Minister looking at a strategy in terms of wiping this liability off the books? There is a pretty substantial profit coming to the Province on an annual basis, which probably could be used to eradicate this debt fairly quickly if the will were there.

Does the Province have any strategy in terms of either over a finite period of time eliminating this liability? I know it's been there for awhile, but, when I look at the profits that are coming from the corporation now, which are fairly healthy and surprisingly growing, I'm wondering whether there isn't a possibility to address some of that now.

**Mr. Selinger:** As the president and CEO said early on in response to the first questions from the Member for Brandon West (Mr. Borotsik), there are ongoing discussions between the liquor control corporation and the Department of Finance. As you know, we did a lot of work around the TRAF pension issue. We did some independent analysis on an actuarial basis about the wisdom of funding three-quarters of that. We have done that now.

We continue to review all of our liabilities to see the most cost-effective way to meet those

obligations, whether on a pay as you go basis, which is the current operation at the Liquor Control Commission, or whether some funding strategy would make sense on a go-forward basis that would be both advantageous to taxpayers as well as beneficial to the recipients of the pension benefits.

**Mr. Derkach:** Without trying to be too facetious, I'm just hopeful that employees of the Manitoba Liquor Control Commission don't find themselves in the same position as retired teachers are in terms of the COLA. I don't believe that's going to be the case, but, nevertheless, that's why, I guess, there's a bit of concern in terms of ensuring that those who are retiring are going to receive the benefit that they have paid for and that the Province has responsibility for, and that they are not short-changed down the road and that this debt has a means of getting off the book.

**Mr. Selinger:** In all cases, whether the pension liability is funded or unfunded, there are statutory requirements on behalf of employers in the provincial public sector to pay out a pension to people that have earned that pension. There's a COLA that has statutory obligations on it. But, in all cases, it's—you have to have the money to pay the COLA; it's not a guarantee in the case of the public service that the COLA will be paid if you don't have the cash. You pay the COLA if you have the returns in the fund that support it up to two-thirds COLA. That is the case. The good news is that the fund, the pension fund, the Civil Service Superannuation Fund has been successful in generating sufficient revenue to pay out the COLA on a two-thirds basis. That's what makes it different than the TRAF fund where it was a different set of circumstances in terms of their ability to pay it.

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

I would like to ask about one more area, and that is the area of hiring at the local stores that the corporation owns. Can either the corporation or the minister clarify what the hiring policy is for liquor stores across the province? Is the hiring done by the local managers, or is it done by the Liquor Control Commission central? What is the hiring policy and how is it done?

I ask the question because there seems to be a fair turnover of staff in many of our stores. Yet, I don't see a lot of advertising in terms of local liquor store advertising for employees. But, yet, there seems to be new employees coming into the operation all the time.

**Mr. Lussier:** Hiring is done at the local level. To date in many locations we haven't had to advertise. We seem to be a fairly desirable place to work, Top 100 employer and so on. So the process is people would come in and apply for a job or fill out an application. When we need someone, if they appear suitable, they would be interviewed by the local manager and put on staff. If they're on for a certain amount of time, then we would do background checks. We call BackCheck, which is done through our head office to ensure that there's no criminal record or those kinds of things, but it's done at the local level.

**Mr. Chairperson:** Mr. Derkach, further questions? Mr. Maguire.

**Mr. Larry Maguire (Arthur-Virden):** Mr. Chairman, I just had a few quick questions, as well, around a couple of things that I've noted this evening. One of them was inspections. In your opening comments, I believed you made reference to 25,000 inspections a year.

I just wondered if you could give me a number, an estimate of how many staff that entails.

**Mr. Lussier:** Yes, we have 16 inspectors working throughout the province. I think it's probably—also, I should have mentioned it in my remarks, many people think our inspectors work 8:30 to 4:30. They don't do that. They're working nights. They're working weekends till 4 o'clock in the morning.

**Mr. Maguire:** I appreciate the fact, having signed my signature on some of those evening permits, that I will vouch that they are active and that they are out there and that they do a very good job.

I was wondering as well, and I needed service, and I wondered if you could—is that a pretty status-quo number from year-to-year or is there a—do the numbers—how would the numbers of inspections vary from year-to-year?

**Mr. Lussier:** It's pretty stable if you look at it over the years. The changes are usually due to staff leaving, pregnancies, that sort of thing. But our target—we have set targets for our employees on how many inspections we want them to do.

**Mr. Maguire:** I appreciate that there are some numbers in the books here, the annual reports.

In regard to disciplinary action, what all has generally taken place in those kinds of breaches of a permit? What are the most common breaches?

**Mr. Lussier:** I'm not sure in permit breaches so much, but, in terms of licensed premises, common ones would be overcrowding, over service, service after hours, those would be probably fairly common ones. I guess I did okay on that.

**Mr. Maguire:** So I was looking for the, sort of, most common breaches, and then the disciplinary result of that is normally what? I guess, how would they normally be treated?

**Mr. Lussier:** It would depend on the record. If it's an ongoing problem with them, then the Licensing Board would normally discipline them more severely than if it's the first-time offence. So, often, in the first time that they come to the Licensing Board, they would receive a warning. But, if they come back again within a short period of time, then they're more likely to receive a suspension. The suspensions will vary depending on the severity.

**Mr. Maguire:** Just in regard to the ID cards that Mrs. Taillieu referred to earlier, I believe it was, can you just give me an indication of where they're made and where you get them from?

**Mr. Lussier:** We actually do them right on-site. We have the equipment on-site, and, if the person is qualified, we'll issue it right there. And right there is our head office in a couple of places.

**Mr. Maguire:** Oh, yes, and that was a follow-up to that then. Do they have to come to your head office to do that or each liquor store can do that on their own?

**Mr. Lussier:** We have a mail-in facility as well, so it can be mailed in to us and issued, based on the documentation that's sent to us.

**Mr. Maguire:** But an individual then coming into a facility can't get one right there?

**Mr. Lussier:** They can't.

\* (20:30)

**Mr. Maguire:** So they either have to then come to your central office or mail in the application to that central office to have an ID sent to their possession, or held in their possession?

**Mr. Lussier:** A similar process to the passport.

**Mr. Maguire:** You know there's been a—I know it's a broader base, but I've been at a couple of meetings in regard to the whole issue of looking at driver's licences and that sort of thing for ID, and I know that, from your previous comments, this is more of a

government-issued type of an ID. It's a Crown corporation-provided ID then?

**Mr. Lussier:** Yes, but it's noted that it's Province of Manitoba. We would anticipate quite honestly that, if MPI takes over that function, they would be issuing them and we would no longer be doing that. But that's in the future; that's still to come.

**Mr. Maguire:** But at the present time it is not considered a government-issued ID?

**Mr. Lussier:** No.

**Mr. Maguire:** But, to follow up to your comment, you are anticipating that down the road Manitoba Public Insurance would be able to provide that service and you wouldn't have to do that any longer.

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

**Mr. Maguire:** What would the cost of providing those IDs be in your department right now?

**Mr. Lussier:** We break even on it. We charge \$17 for the issuance of the photo ID, and our goal is to break even on it, considering our costs and materials and so on.

**Mr. Maguire:** So that the charge goes out to the individual that wants that particular ID.

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

**Mr. Maguire:** Does that cover all of the costs of the equipment that you would use in the production of that? As well, where would you get the equipment from?

**Mr. Lussier:** Yes, that covers our total costs. The equipment, I have to check where. We've had it for some time. I'm not sure where we have it from. I guess we don't know where we have it from. It's been with us many moons. It's long since paid for.

**Mr. Maguire:** All I was looking for was—I guess it must be fairly reliable then, too, because usually there's a depreciated value on these things and they get replaced. I just wondered exactly, you know, maybe you can provide, as some of the earlier information that's coming, just where it came from and when, whether it was over a decade ago or how many years ago as well. So, if you could just provide us with that at some point, I'd appreciate it.

The social responsibility, I believe that there are certainly two kinds. There is the social responsibility to those who are drinking, and you do a good job through the educational programs. That has been

talked about earlier as well. I think my colleague from Russell, you know, referred to a bit of the social responsibility and the fact that you have to have accessibility to the types of product and liquor that are out there today, that individuals who do want to purchase that have a right to do that. So I'd encourage you to continue to look at options and mechanisms that would provide those greater kinds of options throughout Manitoba.

In regard to restaurants, do restaurants have to purchase liquor in their facilities through the Manitoba Liquor Commission? It is my understanding that they do. The product that they purchase would have to be listed on the MLCC listings, would it?

**Mr. Lussier:** In the case of everything but wine, that's correct. So the purchase is through us, but, in the case of wine, if they want to purchase unlisted wines or listed wines from a wine store, they can do that.

Oh, actually, I'm sorry. Supplementary to that one, they can also purchase from an agency, a liquor vendor, as well.

**Mr. Maguire:** So those would be varieties that are presently listed with the MLCC.

**Mr. Lussier:** Yes. If they are purchasing from us or from a liquor vendor, yes, it would be listed product.

**Mr. Maguire:** If some restaurateur or restaurant owner, as your people travel the world and do find new—not varieties. They are not bringing home grapes, but looking at great products. If they are looking at a particular type of wine, bottle of wine, one that meets their particular taste for the different areas of the world, that presently may not be here, can they have that imported into their facility for sale commercially?

**Mr. Lussier:** Yes, they can. We just put a requirement on it that it must be a case, a case or more.

**Mr. Maguire:** Is that the same for an individual who might be travelling someplace in the world and wants to send something back to their home? Say they're in Australia or Italy or someplace and they wish to send it back to their home for their own personal consumption, or can they do that by the bottle?

**Mr. Lussier:** Yes, they can send it, but, again, it's a case if it's going to be imported back in.

**Mr. Maguire:** It's a case, then, if it's going to be imported back in for their own use. Can they bring a smaller volume than that home with them if it's a product that's not listed?

**Mr. Lussier:** Yes, they can, but it has got to go through Customs, so they would have to declare it. Then they would pay the duty on it. But, yes, they can do it that way.

**Mr. Maguire:** Thank you. I certainly have no cause with that.

I want to get back to the distances. I want to appreciate the fact that I grew up in Elgin and was surrounded by Hartney, Minto and Souris. I think it has come up before that they're small, small communities. The distances at one time were such that it didn't allow that particular vendor in that community to even sell domestic beer as well. I think that the distances have changed now. I think it is 10 kilometres you're speaking of. I believe from my colleagues' comments in the House and here tonight and others that that has changed. Before we were 20 and it came down to 15 at one time. Is that correct?

**Mr. Lussier:** It's come down to 10, within a 30-kilometre radius of the city of Winnipeg. So the bedroom communities around the city of Winnipeg, it's 10. Outside that ring, it's 20.

**Mr. Maguire:** It still is 20 kilometres, then, between liquor stores in the rest of rural Manitoba.

**Mr. Lussier:** Yes.

**Mr. Maguire:** Is that for liquor, wine and beer?

**Mr. Lussier:** No, not for beer. If you mean domestic beer, there's no distance restriction between hotels because it's all sold through hotels. But, if there isn't a hotel and there is a liquor vendor, then we would consider offering them the opportunity to sell domestic beer as well.

**Mr. Maguire:** I believe that's certainly what happened in Elgin. I think the last hotel there was in the '30s. That was last decade, or last century, I should say. They do now sell domestic beer out of that facility. I just wondered what other—because there is no hotel there, they are allowed to do that. It's been very successful for the tourism industry in that small community with the local light facility that they have. We have other facilities in the rest of the constituency. That's in an area that I grew up, which is in the neighbouring constituency to me, but it is certainly available in others. I appreciate the issuance

in Lake Metigoshe in regard to the distance from Deloraine as well, those areas.

You have 175 agreements throughout the province on those types of facilities. Does that include all of these individual small community stores then?

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

**Mr. Maguire:** On an annual basis, what would you contribute to Alcoholics Anonymous?

**Mr. Lussier:** We don't make any direct contributions to Alcoholics Anonymous. We don't sponsor them at all.

**Mr. Selinger:** Yes. I think Alcoholics Anonymous actually tries to operate without any government money. I think that's part of their philosophy. It's a completely voluntary organization. We have the Addictions Foundation, but the Alcoholics Anonymous philosophy, as I understand it, is complete self-help.

**Mr. Maguire:** Yes, I maybe have used the wrong terminology there in regard to it. I know that in the casino rules that we have in Manitoba there are percentages set aside for the addictions process.

Can you tell me whether you have a parallel policy in regard to addictions for alcohol, then, as opposed to Alcoholics Anonymous itself?

**Mr. Lussier:** No, we do not. We don't contribute directly. I know what—yes, MPI does. No, we don't do that.

**Mr. Selinger:** Just on a point of clarification, though, this is one of the items I discussed with the corporation when I was asked to be minister of it.

\* (20:40)

On the broader topic of social responsibility, we've had—what's our contribution and how do we stack up compared to other similar corporations? I think we were the second best in terms of our set-aside for social responsibility programs. I think our objective was to become No. 1. Is that correct?

**Floor Comment:** That's correct, yes.

**Mr. Selinger:** Yes. So I just wanted you to know, on the social marketing and the social responsibility activities, broadly, it is our intention to be moved from second to No. 1 in the country in terms of the contributions we make in that regard.

The member will know that all of the money comes into government in terms of the profits. Then, of course, we can make decisions how much we want to put into addictions programming.

**Mr. Maguire:** It may be redundant, but can you give me the amount of pension that would be paid out to retired employees of the Manitoba Liquor Commission on an annual basis?

**Floor Comment:** Could you repeat the question, sir?

**Mr. Maguire:** Yes, I was asked to repeat the question. It was just, if I could get a number that the Manitoba Liquor Commission, because it was referred to earlier, but it does pay all the pensions of its retired staff. I wondered if I could get a number as to how many dollars of pension are paid out to present retired staff of the Manitoba Liquor Commission on an annual basis.

**Mr. Selinger:** Yes, on page 24 in the '07 report—sorry, page 25. At the bottom of the page there, it gives an indication of the pension expenses. They indicate for '07 it's 4.7 million, approximately, right at the bottom there, third line from the bottom. Employee contributions are 1.3 million to the pension fund and employer contributions are at 2.9 million, but the actual expense for retired people is 4.7 million in change.

**Mr. Maguire:** How many retired employees would there be in the organization today?

**Mr. Lussier:** We don't have that information. We would have to get it from the Superannuation Board.

**Mr. Maguire:** Any time you want to provide that will be fine with me. If you could supply us with the other written material that you are going to provide to Mr. Borotsik and Mr. Graydon here as well, I would appreciate that. Just curious. I wondered how many employees would be retired.

Can you provide me with a number of how many total employees the corporation would have that are still working today then, and how many of those would be full time and what percentage might be part time?

**Mr. Lussier:** Yes. On a full-time equivalent basis, we have approximately 600 employees. Currently, we have approximately 800 employees in total. Once we hit Christmas time, we will be closer to 1000.

**Mr. Maguire:** So you have, pardon me, just for clarification, 800 full-time employees, and you'd hire another couple hundred part-time?

**Mr. Lussier:** No. Sorry, I misled you on that. We have about 600 full-time equivalents. So, if you convert it into full-time bodies, it would be about 600. Actual employees, currently, about 800 and going to 1000 at Christmas.

**Mr. Maguire:** Thank you very much for that. Just for clarification, I wanted to, as well, clarify something you mentioned earlier. You mentioned some—well, first of all, you mentioned that there are 46 Liquor Marts in Manitoba in your opening presentation, and there might be a 47th one. Can you just tell me if it's up and running yet and where it will be?

**Mr. Lussier:** It is actually 47 now, going to 48. We are going to open another store on north Main, out Riverbend where the Sobeys is. We hope to get that store open just before Christmas.

**Mr. Maguire:** Yes, thank you. I stand corrected. Thank you for that information. Just, in regard to the Souris store, I believe it was given, along with a few others in Manitoba as an example of a store that was a government-run store and has been changed over to the sale through a private liquor facility. Is that correct?

**Floor Comment:** That is correct.

**Mr. Maguire:** How many of those, then, would have that occurred in over the last five to 10 years?

**Mr. Lussier:** It is probably over a little longer period than that. Let's say, if you said in the last 10 to 15, it would be at least five, if not seven.

**Mr. Maguire:** What would be the reason for doing that in those particular communities? I trust they are all rural communities. None of those were in the city of Winnipeg, or I stand corrected on that if that is not the case.

**Mr. Lussier:** Yes, it goes to cost. It is less costly for us to operate a liquor vendor where you can put it in with the groceries versus we have to have a free-standing store and the staff associated with that.

**Mr. Maguire:** Those free-standing stores, then, of course, in that case I am a bit familiar with it. It is a grocery store, although I can't tell you what the—I guess it would be a plug for a particular store if I gave them their name, but I won't because I can't remember what it is. My wife and I both bought groceries there many times, but I haven't lived there for a while. I trust it is the same company that they're dealing with. But, anyway, they would then, of course, have to pick up—they'd cover the cost and the

capital of the building and that sort of thing. You would, obviously, then, pay rent for a portion of their store to sell the product in, or how does that work?

**Mr. Lussier:** No, what we do is that we discount to them. That's what I talked about overall about a 12 percent discount, and then it's their business in terms of how much space—well, to some degree, how much space—but we have some requirements as a franchise. That's all theirs then. So whatever they make off that is theirs.

**Mr. Maguire:** Yes, they would certainly have to provide you with enough space for what you have felt the market would bear in that area at least as a minimum, would they not, and then if they wanted to provide more, are they able to do that in their own free will, I guess?

**Mr. Lussier:** Yes, absolutely. We're more concerned about the minimum end because one of the feedbacks we get, particularly in those towns, is that you don't have enough variety. So we want to make sure that we're providing enough variety, based on their sales.

**Mr. Maguire:** So, when those stores change, are the staff ever given an opportunity to run a business in that community, to take over the store that is presently there? I guess they would have to buy the building and everything else, but are they provided with that opportunity?

**Mr. Lussier:** Yes, normally. The vendor agreement is not for sale per se. It's an agreement between us and the operator. So, if the operator goes out of, leaves the business, then it's basically open season. I mean, the vast majority of situations, though, it stays in the same locations; very rare that it moves, unless there is a problem with that location.

**Mr. Maguire:** Just for clarity, what I was referring to was the fact that the Manitoba Liquor Commission store itself, if the decision has been made to close it down, do the staff that were in that facility have the opportunity to take it over in the same community?

**Mr. Lussier:** No, normally, what we've done is wait till the staff member retires. That's been our typical modus operandi, so in Souris we would have waited till I think it was Donna retired and then we closed the store. Part of our vendor agreement stipulates that we will only locate in a viable business, so in a business that is in another business that would be a situation where we go to the grocery store or whatever. We don't open free-standing stores.

**Mr. Maguire:** It is my understanding that the remaining staff that would be there, if the manager is retiring in this particular case and there is a change, the rest of the staff would be allowed an opportunity to work in another MLCC store?

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

**Mr. Maguire:** No matter how far they have to drive to do that, that's their decision.

**Mr. Lussier:** Yes.

\* (20:50)

**Mr. Maguire:** Just in regard to inspections, and the last comment that I want to make, just some information that I need, there was a circumstance, I know, in Virden, at the Elks hall, where there has been—you know, they just finished a 125 celebration there this summer. I know the Elks are becoming a—I don't know if I can say that they're expanding their operation or their organization at all, but they run a very necessary facility in that community because there is not a major, other town hall. The Legion and the Elks have the two major halls in that community, and they run a very good system 99.9 percent of the time, I would say, having had the opportunity to use them a few times myself in regard to being at their social functions. There may have been some circumstances where, because of smoking changes and a number of other things, someone stepped outside the facility, or whatever they've done in regard to, had a drink in their hand, or whatever. Anyway, there've been some changes in regard to maybe not only their facility, but others in Manitoba about having to have security at each door in the facility, you know, at an extra cost to be borne by every organization that's going to use that facility in the future because you have to hire people to come in on—you know, I guess that might be their own decision, but it's probably more safe and more viable to them as an organization, because they're not all 20-year-olds anymore, to hire outside security people to come in and watch those doors. There's a cost to that for each function.

I wonder, and I don't know if you or any of your staff are familiar with that, if there's any clarification that you could provide me further with on that. I believe it was to begin somewhere around the beginning of October or the first of November. I was hoping that it wouldn't cause an undue burden on this particular service club.

**Mr. Lussier:** Yes. I am informed that we are aware of the situation and we are meeting with them.

They've expressed some concerns. We are going to meet with them and discuss those concerns and try to be reasonable.

**Mr. Maguire:** I certainly appreciate that. I know that this has been very bothersome to the individuals, and, certainly, to the Elks board itself in this particular case. I know they try their very best to provide a service in the community, and I guess there are always some bad apples in every box, but, in this particular case, I know that they are very sincere in their ability and wanting to keep their facility—and actually, you know, it's a competitive position that would put them at a very great detriment in a community that has an option, because one facility would have a lower rental than another. I don't know if you deal with that on a regular basis, but, I don't know, how many of those types of facilities would there be across Manitoba that would be in that position at this time through inspections on a normal basis?

**Mr. Lussier:** There are 3,000 banquet halls in the province. A lot of them would be in Winnipeg as well, but I don't have a split.

**Mr. Maguire:** I certainly appreciate that. No, I was wondering how many might be in a position like this one where they have to hire security, sort of, outside of their own private organization to look after a concern.

**Mr. Lussier:** Approximately 50 would be in that situation, out of the 3,000.

**Mr. Maguire:** Thank you very much. That is my last question, Mr. Chairman. I just appreciate the Manitoba Liquor Commission for sitting down with the Elks in Virden and looking at that concern they have. I know they are very concerned about it. They've expressed that to me, and I certainly appreciate your response.

**Mr. Graydon:** I would like to ask Mr. Lussier, how many competitors does the MLCC have?

**Mr. Lussier:** Competitors in terms of wine stores would be—

**Mr. Graydon:** Wine stores are eight. I know that. The independents, how many?

**Mr. Lussier:** Oh, 175, but they're not competitors per se. They're like franchisees.

**Mr. Graydon:** Okay, franchises.

Spirited Energy contributions, we'd like to know how much money the MLCC contributed to Spirited Energy.

**Mr. Lussier:** Oh, okay. Do it again. See if I give you the same number?

**An Honourable Member:** Yes, I didn't get the number.

**Mr. Lussier:** Okay. Total of \$18,000.

**An Honourable Member:** Eighteen?

**Mr. Lussier:** Eighteen.

**An Honourable Member:** Okay.

**Mr. Lussier:** We purchased material from the program. That's what we did.

**Mr. Graydon:** Do you think that fits with your mission statement, to promote healthy and responsible use of beverage alcohol products, whereby generating revenue for the Province? Do you think it'd fit into that mission statement of yours when you had made that contribution?

**Mr. Lussier:** Yes, because we're a part of the community. I think the slogan is an excellent one. It promotes Manitobans. It promotes the community. We want to be part of that community. Our sponsorship programs indicate that.

**Mr. Graydon:** Your Sip 'N' Savour flyer, how much did it cost to produce that and to distribute it, this particular flyer?

**Mr. Lussier:** I'm speaking from memory here, but it should be a zero for us, because it's all paid for by the advertisers.

**An Honourable Member:** All by the advertising.

**Mr. Lussier:** Yes.

**Mr. Graydon:** Running the bonus miles, bonus AIR MILES promotion on certain products, do you consider that an unfair business practice for the independents who can't run that same?

**Mr. Lussier:** No, I do not, because, to me, to some degree, we don't offer all the services that the independents can offer. For instance, we don't chill beer in our stores. They can do that. They can chill beer. They can open different hours than we can open. They open on different days than we open. So they have some, if you want to call it, competitive

advantages over us that we don't do. They sell food. Most of them are grocery stores. So they have other things. They sell ancillary things that we can't by our legislation sell. That is one form of advantage that they have that we don't have.

Conversely, then, we have bonus miles, which they don't have. So it is offering the consumer a variety of choices. It is saying, hey, do you want to go here or do you want to go here, depending on what your needs are.

**Mr. Graydon:** I need to better understand. When I asked questions before, the reason you didn't have the stores in rural areas was because of the lack of business. You couldn't afford to run a company-owned store in these rural areas. It just wasn't a stand-alone situation. However, someone takes on that responsibility for 10.5 percent of whatever he can generate, and you say because he sells food he has a hand up on the stores that don't sell that, or that he sells beer, although that would be limited if there is a hotel in that area. Many of the stores don't sell beer unless it's a specialty beer, so it's not a big seller in a lot of the rural areas.

So I would actually disagree with your analogy; this is unfair practices.

**Mr. Lussier:** Well, I guess we would then agree to disagree.

**Mr. Graydon:** Well, I suspect that, and we'll probably continue to do that, Mr. Lussier.

**Mr. Lussier:** Yes.

**Mr. Graydon:** However, then, maybe we should take a look at the pricing. We'll take a look at the pricing, Mr. Lussier. Since our Canadian dollar has risen in price dramatically in the last number of years, or the last year, not number of years, but the last year, we don't see a reflection of that in the prices that we see in our stores today of the imported wines. I'll give you an example and you can tell me how far out to lunch I am, but a bottle of California Chardonnay in Ontario sells for \$17.95, and in Manitoba it sells for \$19.95. However, I could say \$9 in the United States. *[interjection]*

**Mr. Chairperson:** Mr. Lussier, you have the floor, sir.

\* (21:00)

**Mr. Lussier:** Thank you.

In terms of the prices, what has happened is, over time, most of our suppliers have started to quote in Canadian dollars, and not just in Manitoba but right across the country, because they want to avoid fluctuations in their prices. In fact, fully 80 percent of our suppliers quote in Canadian dollars to avoid just that. So, over that time, they've been taking the exchange hit. Over many years, when it was a 62-cent dollar, they've been taking that hit. Now that it's up to almost par, what we've done is say, now, we've purchased our product at older rates, right? So what we will do, we've paid higher rates for them; we set an exchange rate, and then, every three months, we adjust these exchange rates. So we will adjust the exchange rates this January, but it will only affect the product that is quoted in U.S. dollars. So the 20 percent of the products that are quoted in U.S. dollars, as an example, will go down on January 1. The 80 percent would be stable, unless the supplier decides to drop the price to us.

What we've done is gone out to all our suppliers and said, in case you haven't noticed, the Canadian dollar strengthened quite a little bit. We suggest that you re-evaluate your quotations to us, considering that exchange rate change. That will take time to flow through the system.

**Mr. Chairperson:** The hour being past 9 p.m., committee agreed to review the sitting adjournment time this evening. What is the will of the committee?

**An Honourable Member:** Mr. Chairman, I would suggest that we extend it to half past nine.

**Mr. Chairperson:** It's been proposed that the committee continue sitting until 9:30 p.m. this evening. Is that the will of the committee? *[Agreed]*

We will continue with questions then.

**Mr. Selinger:** Is this your last proposed extension tonight?

**An Honourable Member:** I would suggest that it is.

**Mr. Chairperson:** Mr. Graydon, to continue questioning, please.

**Mr. Graydon:** Mr. Chairman, I just want to be sure that I understood right. The Liquor Commission is expanding. How many stores are you proposing to expand in 2008?

**Mr. Lussier:** We're adding one store.

**An Honourable Member:** That's 2007.

**Mr. Lussier:** Oh, that's 2007, I'm sorry. We don't have another store, an additional store expanded for 2008.

**An Honourable Member:** So there is no expansion for—

**Mr. Chairperson:** Mr. Graydon.

**Mr. Graydon:** I'm sorry about that, Mr. Chairman. Now, I'm trying to hurry.

The travel expense that was brought up in a previous question by my colleague. You suggested that a lot of that expense could have been for training, and you particularly mentioned Aboriginals. Could you expand on that for me, please? Maybe I missed what you said at the time.

**Mr. Lussier:** Sure. Basically, we have a strategy to try to encourage Aboriginals to come and work with us. Currently, we're under what we would like to be. We're at about 11 percent of our staff is Aboriginal or Aboriginal descent. We would like to increase that. In order to do that, we feel our existing staff should be culturally sensitive to the needs of Aboriginals, so we're running a program, a one-day program for all of our staff to educate them about the cultural situation of Aboriginals all over the province to do that.

**Mr. Graydon:** If I understand right, you're bringing in the private operators, bringing them into the city?

**Mr. Lussier:** No, just our own staff.

**Mr. Graydon:** So your own staff, then, would come from where?

**Mr. Lussier:** Could come from Thompson, The Pas, or we go out and we take people out to do the training. One way or the other, there's travel involved in that.

**Mr. Graydon:** I misunderstood it. I'm sorry if I did, but I understood, then, you were bringing Aboriginals in to—okay, I'm sorry, I misunderstood that.

I believe I will turn it over to my colleague. He has some questions.

**Mr. Borotsik:** There are just a few left, clean-ups. The private wine stores, not that long ago you had an out-of-court settlement for around \$8 million to the private wine stores, if memory serves me correctly. It was \$8 million, I believe, wasn't it, Mr. Lussier?

**Mr. Lussier:** No, it was not.

**Mr. Borotsik:** How much was it?

**Mr. Lussier:** I can't tell how you how much it was. We have a confidentiality agreement with them.

**Mr. Borotsik:** Well, I saw on the slide there that integrity was highlighted, and it said that you were totally accountable to the taxpayers of the province of Manitoba. It said that. Didn't it say that on the slide?

**Mr. Chairperson:** Mr. Borotsik, have you concluded your question here?

**Mr. Borotsik:** I am.

**Mr. Lussier:** It would be unethical for us to violate a confidentiality agreement.

**Mr. Borotsik:** So we have a non-disclosure agreement. Okay, as I understand it, the reason why the lawsuit was put in the first place was because Manitoba Liquor Control Commission was unfairly competing with those private operators. In fact, I think that you were undercutting them, if memory serves me correctly, on some of the prices that they had in their stores.

**Mr. Lussier:** No, that's not correct.

**Mr. Borotsik:** I suspect because of non-disclosure, you can't tell me about that one either.

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

**Mr. Borotsik:** Well, no, I find that very interesting, being that that is part of the mandate, certainly the mission statement, that I find that very difficult to understand that, certainly, the taxpayers of Manitoba don't understand or cannot get any information as to how the operations of Manitoba Liquor Control Commission were handled with respect to the private wine stores. Personally, I find that offensive, but that's just me, and perhaps others do as well.

A couple of other questions. You had mentioned that agencies can come in with these add-ons, with these marketing gimmicks, and buy from corporate stores, if they, in fact, wanted to access those add-ons. Do any of those agencies do exactly that?

**Mr. Lussier:** Yes, they do. We have very regular customers coming into the city stores or into rural stores doing just that. Yes.

**Mr. Borotsik:** If they are doing that on a regular basis, would then the corporation not try to accommodate those people with that product initially, without having them come in? You said

yourself you find that it would be silly to do because then the transportation cost wouldn't be covered. You also corrected yourself and said the 30 days wouldn't be covered, but that is not true. They would, obviously, get the 30-day receivable, but, if they are doing that, and they are spending their own money, why wouldn't you have made that available to them in the first place?

**Mr. Lussier:** For many of the ones that we deal with on a regular basis, they are coming into town to go to cash-and-carry outlets anyway. So they are coming into Winnipeg and picking up. It's just another pick-up for them.

**Ms. Neufeld:** Just another point of that. Quite often, there is an unknown as to how popular a product is going to be. So a vendor, for example, could bring in a couple of cases of something and find that their customer is more interested in buying additional product. So it may take longer to get from the actual supplier to the vendor, so it's easier for them to come into the Liquor Commission and purchase that way.

**Mr. Borotsik:** You mentioned how wonderful the Spirited Energy campaign was. Are your banners still hanging in your stores?

**Mr. Lussier:** No, we have removed them for Christmas because we have so much promotional material up.

**Mr. Borotsik:** Will they be going back in after Christmas?

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

**Mr. Borotsik:** You may wish to take a page out of Manitoba Hydro. They're not using theirs anymore on Portage and St. James. They obviously haven't decided—or they've decided that perhaps it's not the same marketing advantage that you see.

**Mr. Selinger:** I just would caution the member about jumping to conclusions about why Hydro's not continuing with the program. I don't think we should attribute motivation to them.

**Mr. Borotsik:** I just found it was very interesting that it did come down; that's all. Whether it goes up, why, I'm sure, it remains to be seen whether it does or doesn't.

Don't take this the wrong way, it's just good business—does the Manitoba Liquor Control Commission and its executive, do they work on a bonus system?

**Mr. Lussier:** No, we do not, he says with emotion.

\* (21:10)

**Mr. Borotsik:** Quite frankly, a corporation that generates some \$207 million per year should work on a bonus system. I would certainly suggest that that be looked at from the government's perspective. You never know just how much more efficient and effective your management team could become, needless to say, with a bonus system. I find that surprising.

How much does the chair of the Manitoba Liquor Control Commission get paid?

**Ms. Neufeld:** \$20,000 a year.

**Mr. Borotsik:** And per diems above that?

**Ms. Neufeld:** No, I do not receive any per diem.

**Mr. Borotsik:** Thank you.

**Ms. Neufeld:** Which, I might add, is lower than the other Crown corporations, just for your information.

**Mr. Borotsik:** Actually, I didn't ask that question, but I do thank you very much for putting that on the record.

**Hon. Jon Gerrard (River Heights):** Just one clean-up question from a Member for Brandon.

He raised an issue about settlements. The sum total of settlements in a given year would appear somewhere in your financial statements. Where would it appear?

**Mr. Lussier:** I'm advised I shouldn't answer the question as it would violate the confidentiality agreement.

**Mr. Gerrard:** I thank you for the non-answer, I suppose. I'm sure that that can't be hidden, whatever the amount of money is, little or small. It must appear somewhere in the financial statements. I guess your answer reflects the fact that it would be obvious what the amount was, if it was, in fact, disclosed.

What I would like to ask is on the program that you've got which deals with prevention of FASD, which, I think, is the goal of the with child, without family program, are there other programs as well which would be dealing with preventing FASD, or is that the one program?

**Mr. Lussier:** That's the one program that we're involved in. As you know, there are other programs under Healthy Child, I believe.

**Mr. Gerrard:** The amount of funding for that program?

**Mr. Lussier:** Approximately \$200,000 per year.

**Mr. Gerrard:** I'm presuming that the goal of the program is to reduce the incidence of FASD in Manitoba, is that correct?

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

**Mr. Gerrard:** I'm presuming that being the objective that you want to make sure that your objective is being met. Have you any evidence that the incidence of FASD in Manitoba is decreasing?

**Mr. Lussier:** No, we do not. That's a difficult one, as I'm sure you can appreciate, to tie to the program. What we do know is we've distributed 10,000 kits to physicians and so on, but we would have to do some in-depth social research, I think, to find out if there is an impact on it.

**Mr. Gerrard:** Certainly, when you invest money as a businessperson, it would seem to me pretty darned important to make sure that your goal is actually being achieved. Certainly, in some of the early steps in the anti-tobacco advertising, this was one of the things that was found is that the way that programs were being developed, they weren't achieving their goals and there had to be some major changes before they actually became effective. So, I mean, it may reflect—it may be a good quality campaign, which is not necessarily reaching the right target audience, or it may be that it is a poor quality campaign, which is just not being effective, or it may be that it's a quality campaign which is actually achieving a useful end.

I think that it would seem to be to be pretty darned important to be able to have information about the incidence of FASD to know whether your program is being effective.

**Mr. Lussier:** That's true. I wish it were simple to do. It is not simple to do. To determine did we have the impact of reducing one birth, I don't know. I'm not sure how you would do it.

**Mr. Gerrard:** There are now very clear diagnostic criteria. The supplement of the *Canadian Medical Association Journal* in 2005 has laid those out. They're agreed upon across the country. There are experts in Manitoba, like, for example, Dr. Ab Chudley, who are well qualified to make the

diagnosis and to do this in a way that would provide you an index of an incidence rate for the province if it was done properly. So, I mean, this is something which is quite feasible to do. There may be costs to do it, certainly, but it is something that—I mean, when you are putting out \$200,000, surely one should spend some effort to find out whether or not that money is being spent in a way that is effective.

**Mr. Lussier:** Okay, those are some good suggestions. We can take a look at them. Thank you.

**Mr. Gerrard:** Now, the funding you mentioned goes to—or you provide some funding in some fashion to the Addictions Foundation of Manitoba?

**Mr. Lussier:** Sorry, could you repeat that? I didn't hear it.

**Mr. Gerrard:** Well, I think there was a reference to funding that went to the Addictions Foundation of Manitoba, is that correct?

**Mr. Lussier:** No, that's Lotteries that funds them directly. Our profits go to the Province and the Province funds AFM.

**Mr. Gerrard:** So is there a direct tie in your profits and part of the profits going to the Addictions Foundation of Manitoba?

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

**Mr. Gerrard:** Now, there is a reference to you working, I guess it's in partnership with the Addictions Foundation of Manitoba. Is that correct?

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

**Mr. Gerrard:** Can you tell me a little bit more about the nature of the partnership?

**Mr. Lussier:** They provide the research data. For instance, in our Be the Influence campaign, they were instrumental in providing most of the information and writing the information pamphlet.

**Mr. Gerrard:** So that information is based on research that they're doing or work that they have done, is that right?

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

**Mr. Gerrard:** Can you describe—is it particular programs that they would be involved with? You mentioned, for example, three. One was the With Child Without Alcohol, and there were two others.

**Mr. Lussier:** They weren't involved in the Be UNdrunk program, but they were involved in Be the

Influence, as well as the With Child Without Alcohol program.

**Mr. Gerrard:** My colleague, who is the MLA for Inkster, has been quite active in terms of FASD and promoting approaches to getting the message out. For example, we have put forward several times a bill which is designed to include labelling of alcoholic beverages in terms of risk of FASD where alcoholic beverages are consumed by women who are pregnant, and in terms of having signage in places where liquor outlets are sold. Now, I mean, this, in fact, could be accomplished by legislation or, alternatively, since you are the operator for the outlets for liquor in the province, you could actually do this through your own efforts. Is that not correct?

**Mr. Lussier:** No, not really. Labelling regulations on alcohol are federal jurisdictions. This exact topic has been discussed by the Standing Committee of Health, which recommended in the House of Commons, recommended against proceeding with warning labels on liquor in 2005.

**Mr. Gerrard:** You would have the ability to put Manitoba Liquor Control Commission or Manitoba Liquor Commission stamp on beverages which are sold, could you not?

\* (21:20)

**Mr. Lussier:** Yes, we could for about \$4 million a year. Would that be effective? I don't think so. There's no indication in any of the research that we've seen that they're effective. We have another study at the University of Montréal, and I will quote you, that says, no studies have been shown that labelling alcoholic beverages reduces alcohol-related risky behaviours.

**Mr. Gerrard:** What we do know is that the cost of two children being born with FASD is about \$4 million. So it doesn't have to reduce, you know, the number of children being born by very much, and it would require quite a number of—you would have a fairly large study to be able to detect the difference of two children in the province the size of Manitoba.

**Mr. Lussier:** Which is exactly the same for our advertising program.

**Mr. Gerrard:** Well, I think that the problem here is that you are spending money and we better darn well make sure that that money is spent well. Therefore, we need critically to have the information about whether or not there's an incidence change and what's happening. I mean, in fairness it is not just the

Manitoba Liquor Commission's interest; it is in the provincial interest. We cannot do a very good job of preventing FASD if we don't have the basic information about what the incidence of FASD is in the province, the geographic distribution in terms of where you need to go to have an impact.

Certainly, you know, from the perspective of one of the fundamental recommendations of the Sinclair commission, which came out in 2000, was that you've got to have the knowledge, you've got to have the database, got to know what you—you know, got to be able to measure what you're doing. No businessman in his right mind is going to go out with measuring—without measuring what they're trying to achieve. Now, I mean, you're measuring pretty good your sales of alcohol, but you're not doing very good on your measurement of your effect of your campaign with regard to social responsibility. I mean, that is the problem.

I just ask you the question, do you know if this is doing any good, and your answer is no. Fundamentally, you have no evidence whatsoever that your efforts in regard to FASD are having any impact in Manitoba, and that's what you have just told me. I think that it's very important that that message be loud and clear.

My colleague and I, the MLA for Inkster, have worked very hard on this. We have done a substantial amount of work in relationship to FASD and looked at what the options are here. The costs of a single child—lifetime costs to the province—are in the order of \$2 million. The cost to society in terms of the impact on the justice system, the education system, on health care, on the Child and Family Services system, these are all very, very large costs.

I am not putting all of the responsibility on the Manitoba Liquor Commission. I don't think that that's fair. I mean, I have put a lot of the responsibility on the government because the government for eight years has not done the job that needs to be done in preventing FASD in this province. That is one of the reasons why Kevin Lamoureux, the MLA for Inkster, and I have been working very, very hard on this file.

The reality is—and let me give you an example—you have in Manitoba the opportunity to test and look at the impact of specific measures in specific communities. We honestly don't know, as you have indicated, what the incidence of FASD is in Manitoba, but there is enough anecdotal evidence to suggest that there are some communities in Manitoba

where the incidence may be very high. Suppose that we have an incidence of FASD in a community that is 30 percent, you don't need a huge sample or a huge study or huge dollars to know whether your efforts are effective in decreasing a rate which is 30 percent. If your rate is one in a thousand, then you need a much larger study.

The reality is that the techniques for looking at, in an appropriate, statistical, scientific way, the impact of measures—advertising measures, other measures—on FASD have reached the point where you can have an elegant and very useful and helpful study, and you can test the impact of labelling without necessarily taking it province-wide. It means the measures which my colleague from Inkster has suggested could be done in a community, or a relatively small number of communities where there is a high incidence of FASD, and it could be determined effectively whether or not they work. This is the way that science is done, you look at where you can get the most effective results, where you can get the best sample for the study that you're looking at, and to test whether, in fact, your social approaches are, in fact, having an impact.

The reality, unfortunately, is that, if you don't have the evidence, then it's very easy for somebody to argue, well, this is not really having any impact, but what it does is sort of a feel-good measure to be able to convince people who are supporting you that this is a—you know, that you're doing something useful, when, in fact, as you have already pointed out, you don't have the information to present here to say that the program is, in fact, working. I sure hope that the next time that the Manitoba Liquor Commission comes before this committee that we're able to get some better answers than we had tonight. I mean, the reality is that we've got some important measures that have been proposed.

As I have said, you don't have to save and prevent very many cases of FASD to have a very large impact in terms of dollars, and it's time that more effort and more work went into this. It's time that the Manitoba Liquor Commission, which contributes a significant amount of dollars to the Province—and that certainly is helpful in running a lot of programs—but, on the other hand, you know, if we didn't have nearly as many children with FASD, we wouldn't need to spend as much on some of the Health and Child and Family Services and Justice and Education programs that we have to spend at the moment.

I am certainly looking forward to the day when we have got efforts in terms of social policy and social responsibility, which are having an impact—can be demonstrated to have an impact. We know that they're working, and, certainly, I would suggest—I think that my colleague from Inkster and I are looking forward to a year from now when we come back and we ask some of these questions again.

**Mr. Chairperson:** Order, please. The member's allotted time has expired.

**Mr. Selinger:** I just wanted to say that the member used his full ten minutes in putting his point across about his concern about fetal alcohol syndrome, and I think it is a very important issue.

The question seemed to be that the labelling jurisdiction is at the federal level. At the time it was rejected, I think it was in '05, if I recall correctly, the government in power at the time was a Liberal government so they would've had a majority on the committee. I know that our federal NDP members did support this measure on a national basis—*[interjection]* I was just hoping the member would give me a chance to speak before he gets the floor, if he gets the floor.

\* (21:30)

The point is this: the campaign, as I understand it, was developed in collaboration with organizations such as the Healthy Child group in the government, and they looked at what they thought would be the most effective way to start preventing and screening for issues like fetal alcohol syndrome. The other point that the president and CEO made was that the research they had was that the labelling approach was not cost-effective. The research that they had found in other jurisdictions didn't generate—*[interjection]* If the member could just give us the chance to answer the question, we were very patient with him. The research that the CEO put in front of the committee—*[interjection]* That's the third time you've interrupted. It's just remarkable how the member wants it all his way without any respect from the members of the committee.

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

**Mr. Selinger:** The president and CEO simply put on the record that the research they had, and presumably that was some of the items they looked at the federal level, didn't show that that was the most effective way to get at FASD. I think if we want to spend

dollars to make sure we get good results to reduce fetal alcohol syndrome—it is an important issue. The research shows that the approach the member is pursuing is not necessarily the best way to go. We would be open to discussing better ways to do that. There are a number of initiatives, which I could elaborate later, that have been taken to reduce FASD in Manitoba.

**Mr. Chairperson:** The time being past 9:30 p.m., this committee agreed to review the sitting adjournment hour. What is the will of the committee?

Do you wish to review the reports before us?

**Mr. Graydon:** Mr. Chairman, I would like to have the floor to thank the group for coming in tonight and for being patient with us.

I will turn it back to you, and we'll address one of the reports.

**Mr. Chairperson:** Thank you, Mr. Graydon. I will then proceed to the annual reports.

The Annual Report of the Manitoba Liquor Control Commission for the year ended March 31, 2004—pass.

Shall the Annual Report of the Manitoba Liquor Control Commission for the year ended March 31, 2005, pass?

**Some Honourable Members:** Pass.

**Some Honourable Members:** No.

**Mr. Chairperson:** The report is not passed.

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

**Some Honourable Members:** Pass.

**Some Honourable Members:** No.

**Mr. Chairperson:** The report is not passed.

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

**Some Honourable Members:** Pass.

**Some Honourable Members:** No.

**Mr. Chairperson:** The report is not passed.

The time being 9:32 p.m., what's the will of the committee?

**Some Honourable Members:** Committee rise.

**Mr. Chairperson:** We would like to thank members of the Manitoba Liquor Control Commission for their attendance here this evening and for the co-operation of all members of this committee. Committee rise.

**COMMITTEE ROSE AT:** 9:32 p.m.

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