

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

*Chairperson*  
*Mr. Tom Nevakshonoff*  
*Constituency of Interlake*

**Vol. LXIV No. 1 - 6 p.m., Wednesday, March 21, 2012**

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**MANITOBA LEGISLATIVE ASSEMBLY**  
**Fortieth Legislature**

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

**Wednesday, March 21, 2012**

**TIME – 6 p.m.**

**LOCATION – Winnipeg, Manitoba**

**CHAIRPERSON – Mr. Tom Nevakshonoff  
(Interlake)**

**VICE-CHAIRPERSON – Ms. Melanie Wight  
(Burrows)**

**ATTENDANCE – 11 QUORUM – 6**

*Members of the Committee present:*

*Hon. Messrs. Robinson, Rondeau, Swan*

*Ms. Crothers, Messrs. Ewasko, Gaudreau,  
Goertzen, Nevakshonoff, Schuler, Smook,  
Ms. Wight*

*Substitutions:*

*Mr. Maloway for Hon. Mr. Swan at 6:59 p.m.*

**APPEARING:**

*Mrs. Mavis Taillieu, MLA for Morris*

*Mrs. Leanne Rowat, MLA for Riding Mountain*

*Hon. Jon Gerrard, MLA for River Heights*

*Mr. Cliff Graydon, MLA for Emerson*

*Mr. Roman Zubach, Acting President and Chief  
Executive Officer*

*Ms. Carmen Neufeld, Chair, Board of  
Commissioners*

**MATTERS UNDER CONSIDERATION:**

*Annual Report of the Manitoba Liquor Control  
Commission for the fiscal year ending  
March 31, 2010*

*Annual Report of the Manitoba Liquor Control  
Commission for the fiscal year ending  
March 31, 2011*

\* \* \*

**Clerk Assistant (Mr. Andrea Signorelli):** Order, please. Good evening. Will the Standing Committee on Crown Corporations please come to order.

Your first item of business is the election of a Chairperson. Are there any nominations for this position?

**Hon. Andrew Swan (Minister of Justice and Attorney General):** Yes, I would like to nominate Mr. Nevakshonoff.

**Clerk Assistant:** Mr. Nevakshonoff has been nominated. Are there any other nominations?

Hearing no other nominations, Mr. Nevakshonoff, will you please take the Chair.

**Mr. Chairperson:** Okay. Good evening, everybody. This meeting has been called to consider the following reports.

Oh, I'm sorry. Our first—our next item of business is the election of a Vice-Chairperson. Are there any nominations?

**Mr. Swan:** I would like to nominate Ms. Wight.

**Mr. Chairperson:** Ms. Wight has been nominated. Are there any further nominations?

Seeing none, Ms. Wight, you are now the Vice-Chairperson.

This meeting has been called to consider the following reports: Annual Report of the Manitoba Liquor Control Commission for the fiscal year ending March 31, 2010; Annual Report of the Manitoba Liquor Control Commission for the fiscal year ending March 31, 2011.

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

**Mr. Ron Schuler (St. Paul):** If it be the will of the committee, I would suggest that we sit until we've gone through all the questions.

**Mr. Chairperson:** Mr. Schuler has suggested. Are there any other suggestions?

**Mr. Swan:** I'd suggest why don't we sit until 8 o'clock and then review where we're at at that point. I think the hope is that we can pass one, maybe more reports. I think if things are moving swiftly, there will be a lot of interest in extending the proceedings.

**Mr. Chairperson:** Okay, Mr. Swan has counter-offered with 8 p.m. Is that agreeable to the committee? *[Agreed]*

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

**Mr. Schuler:** I would recommend, if it be the will of this committee, that we take questions on a global level and deal with the reports that way.

**Mr. Chairperson:** Mr. Schuler has suggested questions on a global level. Any other suggestions?

**Hon. Jim Rondeau (Minister charged with the administration of The Liquor Control Act):** That would be amenable. We'll do that.

**Mr. Chairperson:** Okay, it is agreed, then, that we'll take questions on a global basis.

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

**Mr. Rondeau:** I'll introduce people first. I have Carmen Neufeld, who is the chair of the board of commissioners from MLCC; Roman Zubach, the acting president, chief executive officer. We have Ingrid Loewen, chief financial and strategy officer. We have Gerry Sul, chief corporate services officer. We have Al Roney, director of retail and sales. Sorry. Gary Shewchuk, manager of inspections services and—inspection service, Gary? Thank you. And Sandra Currie, manager of licences and permits. Where is—there she is. And so that's the people that are with me from MLCC.

And I'd like to bring opening remarks. It's truly a pleasure to be minister for MLCC. It's an honour. I've been in the position since February, and it's really amazing to see the good work that this group is doing. It's the mission of the MLCC to regulate, distribute and sell beverage alcohol, generating revenues for Manitobans within a framework of social responsibility, customer service excellence, business effectiveness and workplace quality. In reviewing these reports, I'm certain you will find the mission to be an admirable one. Year after year, MLCC continued to exceed expectations and increase its net profit for the provincial government.

On a sad note, I want to say to the committee a few words about Ken Hildahl. When this committee last met to review the annual reports of MLCC—that was in February of 2011—Ken Hildahl was serving as president and CEO of the corporation. As we all know, Ken passed away in August of 2011. At this, the next meeting of the committee, I'd like to take a minute to say a few words in remembrance of his time among us and his contribution.

As you know, Ken was appointed president and CEO of MLC in 2009. He brought lots of experience, having worked within union, corporate and Crown corporation environments. He was instrumental in our new hospitality strategy, one of the issues that we'll be spending time on today, I assume. He spent many hours working with MLC staff, local stakeholders, working out details and preparing the launch of the strategy, and he really enjoyed his time with MLC and he really had a commitment to the community service. He also was very instrumental with the Winnipeg Blue Bombers and he really made a lot of positive contributions to our community, and so I'd like to recognize that today.

I'd also like to say that the people in MLC have really worked hard in the organization. Although we can talk about monetary terms, fiscal 2000 was a great year, and the MLC earned an unprecedented \$250,577,000. It was returned by the Treasury. They are a good fiscal organization. They balance social responsibility, exceptional customer service, and really they have a good operations as far as their employees are concerned. I had a tour there just the other day, and it was really an impressive operation on many bases. Over the past five years, expenses as a percentage of sales have remained steady. In fiscal 2011, MLCC saw a slight decrease of administration and general expenses of \$2.2 million. It's primarily—primarily due to the earnings on pension assets. In fiscal year 2011, the MLCC transferred its pension assets to the Civil Service Superannuation Board and recorded an earnings as an offset to their pension costs.

MLCC continues to be one of the most efficient liquor jurisdictions in our country and they provide a lot of services to our community. As a retail, wholesaler, and distributor, MLCC continues to demonstrate that it's a major contributor to our provincial economy. MLCC distribution centre supplies around 1,700 commercial customers and it injects approximately \$1.4 million into the provincial transportation system for just deliveries. As one of the single largest buyers of beverage alcohol in the world, the MLCC purchases products from approximately 2,900 suppliers in 56 countries, and over 4,100 listings of spirits, wine and beer products are offered to its retail and wholesale customers.

MLCC is especially proud of its commitment to listing Fairtrade certified wines. Currently, the MLCC lists 29 fair trade products and the largest selection of any liquor jurisdiction in Canada, and that's something that's new.

The Manitoba retail environment is a successful mix of both public and private operators with 51 Liquor Marts throughout the province, including the first Liquor Mart Express store located at Winnipeg James Armstrong Richardson International Airport. MLCC operates alongside some 273 privately owned beer vendors, 175 private-owned liquor vendors and eight private wine stores. In respect to overall alcohol pricing, MLCC continues to monitor pricing across Canada while ensuring it remains competitive with Ontario and Saskatchewan. While competitive pricing is always appealing to its customer, MLCC prides itself on its continuing efforts to ensure a high standard of customer service. In fiscal 2011, the customer service satisfaction survey achieved an exceptional rate of 97 per cent, a testament to the friendly, knowledgeable staff and prompt in-store service received at Liquor Marts throughout the province.

\* (18:10)

Throughout 2010-2011, MLCC continued to balance its commitment to retail operations with its commitment of social responsibility. To help combat underage drinking, Liquor Mart employees continued to receive extensive training to prevent minors from purchasing alcohol. As a result, over 670,000 proof-of-age requests were made over the course of the fiscal years, resulting in 26,500 minors being refused service.

Recognizing that Manitoba is not immune to the global issue of underage drinking, MLCC, in coordination with Manitoba Justice, increased the fines associated with underage drinking to help reduce the harms to young Manitoba youth. As a result, Manitoba now has some of the toughest fines in the country and is a leader in this area among Canadian liquor jurisdictions.

In 2011 MLCC continued to balance education and enforcement of licensed premises and occasional permit functions to ensure compliance with The Liquor Control Act. Over 2,800 licences and 10,000 permits were issued, and liquor inspectors conducted approximately 23,000 inspections of licensed premises and approximately 1,400 inspections of permit events. I am pleased to note that almost 97 per cent of these inspections resulted in no breaches of the act.

In order to ensure the responsible sales, service of-in use of beverage-alcohol, MLC also works in partnership with a number of community-based,

health-related and enforcement organizations. These community partners include: the Addictions Foundation of Manitoba; Winnipeg Downtown BIZ patrol; Thompson downtown strategy; Mothers Against Drunk Driving, or MADD; Teens Against Drunk Driving, TADD; and the Integrated Border Enforcement Team.

In fiscals 2010-2011 the MLC continued to promote its public awareness programs. These programs promote responsible consumption of beverage alcohol and are targeted towards specific audiences. The be With Child - Without Alcohol program continued to promote the awareness around alcohol consumption in pregnancy and its relationship with fetal alcohol spectrum disorder. In fiscal 2011 the program was refreshed with an updated website, a new booklet available in English, French, Cree and Ojibwa.

The be unduck-drunk program continued to address the issues of binge drinking among young adults with innovative and interesting advertising and messaging to reach this group. In fiscal 2011 the program capitalized on popularity of the *Twilight* movie and book series with themed online advertising and a contest. The month-long promotion resulted in a 2,000 per cent increase to-in visits to the website and 1,400 additional members to be-to the Be Undrunk Facebook fan page.

Recognizing that parents have the biggest influence in the child-children, the MLCC also promoted its Be the Influence program which provides information and guidance to parents on talking to their children about alcohol.

Thank-to thank sober drivers during the holiday season the MLC partnered with Operation Red Nose and both the Winnipeg and Brandon police services to promote be caught safe and sober campaign. The innovative campaign provided sober drivers and uses Operation Red Nose with an opportunity to get a weekend getaway.

So in fiscal 2011, the summit on youth and alcohol was held in Winnipeg. This brought key stakeholders together to share ideas, make recommendations on delaying or preventing alcohol use by youth. Participants included representative from government, health, addiction agencies, social interest groups. And basically what we tried to do is get recommendations from the summit and they were presented to the government to see how we could move the-this issues forward.

And I think MLCC success is not only measured by its financial returns, its commitment to social responsibility, but also its dedicated to its workforce and to the community. They had, in 2011, employee engagement was 89 per cent, and it's one of the best 25 top employers.

In short, I think it's a great organization. It meets its mandate and it does a great job, and I'd like to commend the employees. Thank you very much.

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

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

**Mr. Schuler:** A while ago I was approached by our leader, Hugh McFadyen, if I would take over as critic of the MLCC. And I thought it was very fitting that I would be asked because about a year and a half or two years ago, I actually went into one of the MLCC outlets, and I walked in, a very friendly young guy come up—came up to me and he said, can I be of assistance, because clearly you've never been here before? It was that obvious. So, very friendly staff that you have, and it was one of those interesting moments. I asked him, was it that obvious? And he said yes.

I'm not going to spend a lot of time with an opening statement, but I do want to speak about the untimely death of Ken Hildahl. I'd seen him around. I never had the opportunity to introduce myself to him, but he was an officer of this Legislature. Although he was an NDP appointment, I think when somebody dies that suddenly and takes a lot of talent and institutional memory and, you know, takes a lot with them, I think it's becoming of us as legislators to sit here and reflect upon that. And he was an officer of this Legislature and he did his job with integrity and did it—what he felt was best for the company as well as the other boards that he was on. I know he had a great passion for football as well. And his loss leaves a spot open in our society here in Manitoba.

So, you know, certainly on behalf of the Progressive Conservative opposition, for our MLAs, we want to pass on to his family—if the minister would take his comments and perhaps ours and send it on to the family that, you know, he was a respected officer of the Manitoba Legislative Assembly—of Manitoba. And for that, you know, we would like to take a moment and just honour him for that. So with that, I certainly hope that you would pass our regards

on to his family, and I'm sure they're trying to figure out, you know, how did this happen so quickly? But, anyway, I leave it at that and appreciate if you would pass those few comments on to the family.

That will be the end of my comments. And I believe there are two other individuals who would like to ask a few questions, because there is another committee that has to sit at—fairly soon or is already sitting.

So the—Mavis Taillieu would like to ask some questions and then Dr. Jon Gerrard would like to. If that's okay with the Chair, we'll hand it over first to Mrs. Taillieu.

**Mr. Chairperson:** Thank you, Mr. Schuler.

I do have, you know, opening statements for representatives first, but Mr. Schuler has sought leave to have remarks by Mr. Gerrard and Mrs. Taillieu. What is the will of the committee?

**An Honourable Member:** Is it remarks or questions?

**Mr. Chairperson:** For clarification, was that opening remarks or questions?

**An Honourable Member:** Questions.

**Mr. Chairperson:** Questions. Okay. Is that agreeable to the committee?

Okay, well, apparently the members of the MLCC have no opening statement, so we'll proceed right to questions. We'll call upon Mrs. Taillieu.

**Mrs. Mavis Taillieu (Morris):** And I was just going to agree to have the officials proceed with their opening statements if they wanted to, but seeing they don't, then I will just proceed. And thank you, Ron, for allowing me to go first.

I just have—I know there are many issues and many questions that are going to be coming forward in regard to MLCC and probably more higher level questions than I am going to pose right now.

But this stems from an issue that is dear to my heart and that—and many of you have been around, know that I'm talking about the Headingley liquor—the Headingley food store who wanted to sell liquor from its—from their outlet, just because that helps small business to flourish in a community where it's just a small little store. Bringing in extra business like that would have helped them do business, and it also would have serviced a community. Many of the people in the community did sign petitions in favour

of that, as the community has grown substantially since the 1980s. But that did not occur.

And—but last year, following the legislation that was allowing MLCC outlets in other locations, I did write a letter to Mr. Hildahl and he agreed to meet with me and was receptive to speaking about the issue. And due to his untimely passing, that meeting did not happen.

\* (18:20)

But, nevertheless, an invitation was given to me to meet with officials from MLCC to explain the idea of the trading zones or trading areas specific to each outlet, basically to indicate and to show me that there wasn't enough—I don't want to say why—I'll just say they were to show—they were going to show me some maps that indicated the trading areas for specific outlets. And I appreciate that; I thought it was a nice gesture for the officials to come forward and do that. So I certainly appreciate the work that they did and the time they took to do that with me.

In the course of the conversation, I was shown some maps, and they were called trading area maps, and I—the best way I could describe these maps were they reminded me of the maps we look at when we're in an election and we have the big, you know, our constituency mapped out on the wall and all the streets are there and you can tell, you know, each, you know, the streets aren't named, but there's a representation of the houses and the apartments on the street. So that's what it reminded me of.

So it was a map showing representation of buildings. And on these maps were coloured dots, and so I—it was explained to me that these dots had to do with the AIR MILES you saved, so the number of times a person used the AIR MILES or the number of times the person was at that outlet, that was colour coded. And I—so I wanted to explore that with the minister. I would like to, first of all, ask him to verify that these trading area maps do exist, and I wonder if he's actually seen them.

**Mr. Rondeau:** I don't know whether those exist, and I know that I haven't seen them. I do know that when you're talking about areas, I know that some stores there is a limit, a 20-kilometre limit, if I stand corrected. We can have this—the acting CEO talk about the limit, and that limit has been in existence for a long time, and so I have never seen any trading area maps, I don't know about that, but I do know that there is exclusion of 20 kilometres so that, basically, people have a viable market, and if you

want, Mr. Chair, I—the CEO can actually explain the process of the 20-kilometre exclusion limit.

**Mr. Roman Zubach (Acting President and Chief Executive Officer):** Mr. Chair, I would like to—just to give a bit of a history because the trade—the trading area, it goes back—there's a bit of history to it because it was first—the inception goes back to 1982. It was brought in because we have liquor vendors out there, and when it initially came out, there was a trading area of 20 kilometres between liquor vendors. Now, that trading area, that policy, has been revised over the last number of times, and the most recent one is because we have bedroom communities around the perimeter of the city of Winnipeg. And, at one time, it was 20 kilometres, now it's 30 kilometres outside the Perimeter of the city of Winnipeg. So, in essence, what happens with that, if you have a liquor vendor, once they get established, there has to be a distance of 10 kilometres, no less than 10 kilometres, from the nearest liquor vendor or Liquor Mart. And that's to protect the trading area of those businesses, basically.

Now, in—a number of years ago with regards to the trading area that Ms. Taillieu is referring to, we went into an—basically an agreement with AIR MILES. This goes back to 1998. In essence, a couple of years back—now, keep in mind that the information we pass on, as a customer comes into our store, and you have an AIR MILES card, that AIR MILES card, basically, the information is encrypted from our cash register to AIR MILES. So all that information is confidential with AIR MILES because everybody that signs an AIR MILES card signs a confidentiality agreement with them.

In essence, what happens is that when you come into our store, the AIR MILES number is transmitted to AIR MILES and the only thing that's—other information that's transmitted to AIR MILES is basically the amount of the purchase so that they in turn can calculate how many AIR MILES you're eligible for. Nothing else is transmitted to AIR MILES. So when we ask for the trading area information, what they provide to us is in essence a minimum—they provide anyone that's used an AIR MILES card in a area that's identified by postal code. So in that area, what they're—what we are provided with is a dot that indicates that someone in—one—minimum of two per dot to a maximum of five, that in the last twelve months someone has earned up to 30 AIR MILES. It's only based on basically their AIR MILES in the area—postal area—postal code area. So there is no private information and in many cases

we get clusters, which doesn't indicate anything at all. And I can give you example: I lived in the municipality of West St. Paul, Lister Rapids. We have one postal code. So you could have 65 households that go and purchase at a store, but if each dot—you cannot tell who's purchasing. It just—all it is, is basically a dot. There's no personal information. Doesn't tell you what you buy, how often you go or whatever else, and it's over a 12-month period.

**Mrs. Taillieu:** Thank you very much. I did actually send in a freedom of information request to request these maps and the request came back saying they did not exist. However, I saw them and when I spoke to the person who signed the freedom of information request, that person confirmed that they did exist but they were—they could not share them because of the agreement with AIR MILES. And I understand that.

But I want to just clarify something here. First of all, you said that the trading area is an established area, and I'm just quoting from a letter that said—says vendors have a stated territory which within the franchise it will agree not to locate another outlet, and it's set up similar to private enterprise. So they have a specific trading area within which they deal. But are you now saying that the postal code information has anything to do with a trading area? What is that—why do you need to track according to the postal code and what do you do with that information?

**Mr. Zubach:** Mr. Chairman, the reason we do that is we look at areas to identify, basically, traffic. As to what would be conducive to a possibly, you know, a Liquor Mart—a liquor store, and what we do is we take that information—is there—when we look at future expansions, we look at some of that information. It's not the only information we look at, so we use those maps to look at as where the potential is for future expansion.

**Mrs. Taillieu:** Thank you. Can you tell me when you use—track by postal code, do you track by the six-number code or the three-digit first portion of the code?

**Mr. Zubach:** If I could just check.

I'm informed that they track by the full postal code in that area—the postal code area on the map.

**Mrs. Taillieu:** Okay, thank you. That sort of narrows it down, though, to be able to identify specific areas according to the trading area maps which indicated—the coloured codes indicated the number of visits

tracked by AIR MILES and so, I'm just wondering then, who owns this information? Is it owned by AIR MILES or is it owned by MLCC?

\* (18:30)

**Mr. Zubach:** Mr. Chairman, it—first of all, it doesn't identify—I'm just trying to—it—if I could just ask a question.

Sorry, I'm—just stand corrected on that. It doesn't identify the visits. What that dot identifies is the number of individuals, up to five, that have earned 30 AIR MILES in a 12-month period. So you could actually have more people in that area earning those AIR MILES.

**Mrs. Taillieu:** Yeah, I think—it just—I understand what you're saying. I just think that—I wonder if the public at large would—is aware that every time they go into a liquor store and use their AIR MILES card, that they end up as part of a dot on a map showing the tracking of the number of visits that have gone to a liquor store.

**Mr. Rondeau:** I think it's important to note that every time a person uses their AIR MILES card, they do not end up as a dot. I think it was explained quite well that what they do is that if they—a group within a large postal code area utilized their cards, they get over 30 AIR MILES a year, that group total is shown up on a map just to show how the purchasing of liquor in that area. It is not an individual. It has nothing to do with their individual information, their house, their location. Their individual identifiers are not there. I think that was clear. So what they are is they're showing the MLCC purchasing trends so that they can identify service areas and how much service there is and potential new shops and that's what they're looking at. It's not used to identify individual purchasers.

**Mrs. Taillieu:** I recognize that there was no personal information on the maps, but I think there's potential to use the maps in certain other ways. But I wonder, does the MLCC have permission then to use this information from AIR MILES for their own purposes?

**Mr. Zubach:** It was a piece of software that was purchased from—we had to purchase from AIR MILES a number of years ago. As a matter of fact, that software is now changed, and it became ineffective as of 2010. So that's the last time we got those trading maps basically. And if we wanted something similar, we would have to go back to AIR MILES, pay them a certain amount of dollars,



because they would have to go in, change the software, and to provide those types of maps if we so desired.

Now keep in mind that the information we're getting there is not complete because only 55 per cent of our population, or our customers, are AIR MILES users, so the information is limited and it does not give us any specifics, any confidential information. It just gives us some trends out there. That's all it provides for us and it's one piece of information we use in future development of store locations and so forth.

As I indicated previously, any information—when person comes into a store, that information is encrypted. It goes directly to AIR MILES. And they don't know—they don't learn anything about the products that people are buying, the frequency. All it is, is basically a number and dollar volume, and what we get and a dot are the number of—minimum of two on the dot to a maximum of five, which indicates up to five in perhaps a certain area have earned 30 AIR MILES in a 12-month period. Also, that could be one visit. That could be a dozen visits. We don't know.

**Mrs. Taillieu:** Again, the information that you have on these trading area maps, does this now belong to you?

**Mr. Zubach:** The last reports we received, they are our information.

**Mrs. Taillieu:** Is this information shared with other organizations?

**Mr. Zubach:** Mr. Chairman, no.

**Mrs. Taillieu:** Is it—where is the information kept, in your databases at MLCC? And is that where it's kept?

**Mr. Zubach:** It's—Mr. Chairman, it's kept in a confidential file.

**Mrs. Taillieu:** Is that like a computer file or a database file?

**Mr. Zubach:** If I could just—Mr. Chairman, it's stored in a database.

**Mrs. Leanne Rowat (Riding Mountain):** Just clarification—I look at my AIR MILES statement every once in a while and just need clarification. You were indicating that AIR MILES does not know what you purchase. AIR MILES statements are—it indicates at times that you've got a bonus for buying, you know, yellow label wine, so when you said that AIR MILES does not know what you buy, on those

statements it does indicate a bonus for you purchasing different types of product. *[interjection]* It doesn't?

**Mr. Zubach:** AIR MILES has that information, we don't. We don't have that information.

**Mrs. Rowat:** Just to be clear, I was wondering if you had indicated that AIR MILES does not get the information of what you purchase, they only get the dollar amount. And I guess that's why I'm asking the question because I believe that's not exactly what I see on my AIR MILES statement. AIR MILES actually does get more than my dollar amount—in clarification—they also know what I've purchased and the store that I purchased it from. It's on the statement.

**Mr. Zubach:** If I can just verify—I'll have to verify that because I also buy at, obviously, at the liquor commission. I also have an AIR MILES card and I'm looking at my AIR MILES and I just don't recall, and I—you know, I buy it sometimes at a number of locations because living in West St. Paul, I'll buy at Riverbend or I'll buy at Grant Park or I'll buy at Jefferson or on Main and Pritchard and so forth; it's on the way home or whatever else, but also, it's part of my job; I like to visit the stores. But what I'll do is verify that because I haven't seen that on my statement and—but I'll verify it for you what—because I—my understanding is that the information is encrypted and—but I'll verify it right now, Mr. Chairman.

I just don't recall getting that kind of information. I know that occasionally what we do is we'll send out to AIR MILES recipients, we'll and—basically, one of these bonus awards, that if you purchase or you buy at let's say a bulk wine store, if you buy a certain quantity you will get AIR MILES. But I've received statements and I've never seen where they're very specific about certain products. So I'm kind of, you know, I'm at—*[interjection]*—yes, I don't know we'd have to—you know what I don't want to look at your private information but if you've got—*[interjection]*—yes, I would like to see that because I've never seen that on my statements. Usually it just says you purchased, you know, and where you earned your miles and that was it.

So I'm kind of curious now, is there something there that we're not aware of? But we do—because we're a partner we do have programs with AIR MILES that you sometimes will get in the mail, and if you visit—if you buy at a certain—and specifically we've had the bulk wine AIR MILES bonus plans.

So if you go there and you buy by a certain date you would earn 50 AIR MILES as long as you submitted the coupon.

\* (18:40)

**Mrs. Taillieu:** Yes, thank you very much, and I know the—you know, the theory behind these loyalty cards is to track your purchases. I mean, every time you go and use your AIR MILES at Safeway or wherever you're going to use your AIR MILES, AIR MILES wants to know what their people are buying so they can market to them, and we know that. I mean, you know, anybody that goes to Safeway and uses their AIR MILES cards knows that. I mean, that's why they have loyalty cards. So—but I don't suppose that people are too concerned about other people knowing that they—how many bananas they buy at Safeway, although they may be concerned about other people knowing how many bottles of wine they buy at the liquor store.

So, that was my concern to bringing that up, and I just want to make sure that people's privacy in that regard is protected because that sort of waved a red flag in front of me that these maps were there. They're shown to me and there seemed to be a little bit of an insensitivity to the privacy issue there.

So, having said that, I also learned from the meeting, and I just want to confirm this, that there is going to be a new outlet—MLCC outlet at the corner of Dale and Roblin.

**Mr. Zubach:** Mr. Chairman, we are in discussion—we've always had—we always look for opportunities in the city and outside the city in rural communities, and we've had discussions with a landlord in that area. There are no deals as of yet. We're in sort of discussion stage. If there's a potential for us to open up a store in that area, depending if the negotiations go well and depending on a lot of factors, that could be a possibility, yes

**Mr. Rondeau:** Oh, just further with that, Ms. Taillieu, we do have the new hospitality which is the quick service stores, and we've talked about we have one open at the airport now. It's small, it's quick service, a minimum amount of items. And that's designed—and we're going to be—we're in discussions on rolling out some quick service areas, too.

**Mrs. Taillieu:** Yes, I was just quite interested in that, seeing as it's just inside the Perimeter Highway and Headingley is just outside the Perimeter Highway. Seems to be the same trading area as the liquor store in Charleswood and St. James, but

Headingley is just four kilometres further away, so it seemed quite coincidental that we were lobbying to get one in Headingley, and lo and behold, there's one just inside the Perimeter Highway.

So I just wondered, I—this is the first time I ever heard of this happening, this liquor store. Even though we've questioned before at committee, and even when I wrote to Mr. Hildahl before, he never mentioned that. So I'm just wondering how long that has been in the process of being examined.

**Mr. Zubach:** Mr. Chairman, some of these opportunities come up within a very short period of time and they're not long-standing opportunities because what happens if there's a vacancy—or give you an example, Blockbusters went bankrupt. As a result of that, opportunities became available to us in a number of vicinities in the city, and we were approached and asked if—whether we would like to either expand or take over a piece of property that was vacant, and that's something we have to consider. Does it make sense? Is it feasible, and so forth. Does it fit into our retail models? Do we have the time and the resources to expand that?

But in that case, this one came up in the last couple of months. Although, I should mention that perhaps when you were discussing with Mr. Hildahl, it was not in the plans, but it's an area that we have looked, and we always do look for opportunities.

**Mr. Chairperson:** Okay, Mr. Schuler wants the floor on this same issue because I do have Mr. Gerrard on the list already, but I'll go to you on the same issue.

**Mr. Schuler:** And this is to the minister, and I guess, wrapping up the whole AIR MILES issue. Why this is different, we feel, than, for instance, Club Sobey's, which I collect Sobey's points East St. Paul and sometimes north Main. I signed up for that specifically, so I know that Sobey's tracks how much milk I buy, apples and tomato soup. I know that. I signed up for it willingly.

When I signed up for AIR MILES, I guess I'm not as clear, and maybe I should be as a consumer, who's all getting that information. And I think for a lot of people there would be a discomfort if they knew that the MLCC was able to track, whether in part or in whole, how much—whether it be specific bottles of wine or in total. And I guess that's where some of the discomfort would come into it. And I would suggest or perhaps the committee would suggest that that be very, very clear. I mean, there

seems to be some discrepancy on how much detail does go, because, again, individuals signed up for AIR MILES; it's a little different than Club Z points or Sobeys or Safeway points or whatever.

So I think that's where the level of discomfort comes in, in that—is that, you know, who all gets access to that, because I think there's a really big difference between how many bananas my family consumes and how much hard liquor is consumed by households. None, in my case, but I think you know what the point is, and I think people—a lot of people would be uncomfortable with that and I think to have it very clear, whether now or perhaps we could get the minister to have a look at it through the officials and perhaps send a response to my office so I could pass it on to the rest of my colleagues. But I think it should be really clear what information is received, what is done with that information, where it goes, how is it kept secure, you know, how are we protecting people's—because I think, you know, that it's way different than a food source when you start talking about alcohol consumption, and I think people have a right to have their privacy protected. And I think that's where this line of questioning was coming from.

**Mr. Rondeau:** I can let the member know that I am interested to make sure that there is no individual membership—individual information shared with the MLC from AIR MILES. I can tell you that it is on a postal code area and I can tell you that any freedom of information issue is treated with the utmost respect. We do not share it, it is not broadcast and we will continue to do so. And I would be pleased to write you a letter after I confirm it the third time to make sure to that effect because I understand MLCC takes good pride in making sure that the information isn't shared, it is not individualized, it's not a I-buy-six-bottles-of-wine and anyone has that data. I understand MLCC does not have that data. It's not broken down by the individual, and I'll confirm that in writing to you. I won't give you a date but shortly, okay.

**An Honourable Member:** Phone us sometime.

**Mr. Rondeau:** In due course.

**Mrs. Taillieu:** Yes, minister. Thank you for that, but I already have written a letter to you and I have not received a response yet and that letter did indicate a number of the questions I pose today.

**Mr. Rondeau:** I am in receipt of your March 6th letter. I've read it. We have got a draft coming and

the trouble is is that I'm new at the ministry, so I want to make sure that (a) it goes through the proper processes; I want to make sure that it is a response that will meet your needs and that it's delivered. I have seen the draft one. I wanted to make sure it was very specific, and so I would anticipate that being sent. With your permission, I'll share that with your colleague Ron Schuler, and that way it's basically the same question to the two of you, if that's okay with you guys.

**Mrs. Rowat:** I have a constituency issue that I would like to just raise and get some clarification on from the committee. The community is Shoal Lake and they have recently been working with an inspector, liquor inspector. The community has a bar in its rink, curling rink, and there were some issues that the inspector had identified with regard to signing in people to actually view curling, and I guess what the issue is is that the inspector had issue with the bar being in the curling rink when there's other individuals wanting to watch curling.

\* (18:50)

And I think it's a little overzealous in their approach in that, you know, children were going to be watching curling, parents were going to be watching curling, and you have a sign-in book that's going to have to be monitored at the same time. Do you know what I'm saying?

I'm saying that this—the community—it's a community facility. It's a public facility, and there seems to be some challenges in the community in, at addressing what MLCC would consider regulations or requirements, and it's just not working. And I just want to know what MLCC is doing to assist the community in that.

I think the initial summons, or whatever was provided by MLCC, was, I thought, a little over the top, especially when the community is trying to meet its requirements and not cause any problems.

**Mr. Zubach:** I'm not aware of the situation, but we can certainly look into it and get back to you as soon as possible unless—[interjection]

Okay, yes. If I could ask a question, is it a private member type of establishment where you have to sign in?

**Mrs. Rowat:** Sorry.

No, the establishment is a curling rink. It's a public place. They have a bar that is open, you know,

when they have events. They have a sign-in book. So it is a public facility and the event is obviously a family-shared event. So I think, you know, there has to be some compromise here or some type of a discussion with MLCC because the way it's working is just not working for the community at this time.

**Mr. Rondeau:** It's okay. What we'll do is we'll get the information from you. We'll—you let us know what the issue is, give it to me. I can get the staff to also look into the details because it might be the type of licensing it is. It might be the type of facility it is. So that might be the answer.

So it's probably where the category of licence. So that might be it. It might be some other things, but I don't mind looking into it. It's Shoal Lake. I've been there; it's not that big. I assume that we got nailed down the actual facility name. But we don't mind working with you to find out what the issue is and try to see if there is a resolution.

**Mrs. Rowat:** I appreciate that because this community, you know, obviously it's an important, you know—I don't think they want to lose their bar services, and I, but don't—also don't believe that children shouldn't be allowed into the facility because of that. Thanks.

**Hon. Jon Gerrard (River Heights):** I note that you've done approximately 23,000 inspections this last year, and I'm just wondering how many inspectors, how many sites.

**Mr. Zubach:** I can inform you that the reason why the inspections are slightly down for that fiscal year is that we were going through a transition where we were shifting some of our inspectors into what we call our licensing and permit area. So we had a number of them apply for positions, as a result, left us with some vacancies in our inspection area. And we have since filled those vacancies in this fiscal year and so the inspections should be up if not even higher.

And if I might add, we've hired inspectors for, as part of our hospitality strategy, we've hired inspectors for the downtown area. We currently have assigned two inspectors to that area, and we're also looking for and will be posting a new position, an additional inspector position, for Thompson. So there will be two inspectors in that area.

**Mr. Gerrard:** Yes. My question was, you know, how many inspectors do you have and how many sites would be inspected in those 23,000 inspections?

**Mr. Zubach:** Well, on—if I—on page 35 there's a breakdown, hotel inspections basically. Those are—*[interjection]*

I'm sorry. Are you asking for the number of places that could be inspected?

**An Honourable Member:** Yes.

**Mr. Zubach:** Yes, we have 2,800 in 32.

**Mr. Gerrard:** And how many inspectors do you have?

**Mr. Zubach:** Current number, we have 17 inspectors.

**An Honourable Member:** Seventeen?

**Mr. Zubach:** Seventeen. And what happens is the territory of our—we break our areas—inspection areas into territories and each one has a certain area to look after, so they can vary in size. I don't have a territory breakdown as to how many inspections or locations for each area.

**Mr. Gerrard:** Just on the inspections, do you provide—the inspectors provide advance notice of when they're coming, and what's the most important thing that they look for?

**Mr. Zubach:** They have a territory to cover. They don't give advance notice. They will visit a licensed establishment—because if they gave advance notice, I believe that would kind of take away the reason for inspections, and, as a result of inspections, we do occasionally catch breaches of the act and other issues. And—but our focus is to work with our licensees in many of our establishments over the years and—unless there's a serious breach of the act, which we have to act on.

**Mr. Gerrard:** And what is the most common breach of the act?

**Mr. Zubach:** What's happened recently, because of the hospitality strategy, is catching minors in establishments, and, as a result of that, the licensing board, their hearings have gone up, I would say, almost by 50 per cent.

**Mr. Gerrard:** Yes. Now, you have a strategy which is to try and decrease—I'll just get the—*[interjection]* Yes. The be without—be With Child - Without Alcohol and to try and reduce the amount of FASD. Is there—do you gather any evidence to—as to whether that is effective or not?

**Mr. Zubach:** Our program is more—is focused on the awareness and education. Do we get concrete data?

No, we don't, because our—as I've mentioned, is to make as many people aware of the serious concerns with regard to FASD.

**Mr. Gerrard:** Yes. I mean, in essence, I mean, you don't at this point know whether that has any effectiveness in reducing FASD?

**Ms. Carmen Neufeld (Chair, Board of Commissioners):** In working with health-care professionals, whether it's physicians or practitioners, people within the community, they have found that the information that we have been provided and have actually developed in conjunction with all of these various partners, has been a very good educational tool that they've been able to use. They've found that the one part that was lacking was that it was only available in English and French, and in the latest reiteration it is now available in Cree and Ojibwa to reach a wider audience.

The health-care professionals who use this tool have found that it's very effective in being able to explain to not only the individual mother who's expecting a child, but also for individuals who are considering pregnancy and to prepare best for the health of the child as well as the supportive father, other family members to help the individuals as well.

**Mr. Gerrard:** I have to go to another event, but thank you.

**Mr. Schuler:** Well, I'd like to thank the—

#### Committee Substitution

**Mr. Chairperson:** One moment, please, Mr. Schuler, I have a substitution to announce. The member for Elmwood (Mr. Maloway) is to replace the member for Minto (Mr. Swan) on the Standing Committee of Crown Corporations.

\* \* \*

**Mr. Chairperson:** Recognize Mr. Schuler.

**Mr. Schuler:** Yes, I would like to thank the committee for their indulgence, seeing as there are—there's an event going on here at the Legislature and there's another committee, so we try to get some of the individuals through who had questions that relate to their various constituencies and interests of theirs. So thank the committee for their patience on this.

My first question is, is how often does the board chair and the acting president/CEO meet with the Minister responsible for the MLCC?

\*(19:00)

**Ms. Neufeld:** I can answer that question. We meet fairly regularly. We've met a little more often with Minister Rondeau because he is new to the portfolio. So we've had some opportunity to be able to bring him up to speed on what is happening and also give some ideas of what our plans are for the future.

There is no sort of regular, set meeting. Sometimes it's a couple times a week. Sometimes it may not be for two or three weeks. It all depends. There are phone calls as well that take place between meetings.

**Mr. Schuler:** When was the last time that the MLCC met with the minister?

**An Honourable Member:** The board or the corporation?

**Mr. Schuler:** Corporation.

**Mr. Zubach:** Last week. We met last week and we met the week prior because we invited the minister over for an orientation and he spent two hours with us and we introduced him to the other executives, plus we gave him a tour of our facilities, our distribution centre and the regulatory services. And we had a nice dinner and meeting with the restaurant association to discuss some issues.

**Mr. Schuler:** Does the board meet with any other ministers?

**Ms. Neufeld:** No, the board does not meet with any other ministers, just our own.

**Mr. Schuler:** Does the board meet—I'm sorry. Does the CAO or the board chair meet with any other ministers in regard to the MLCC?

**Floor Comment:** We do not have any other—

**Mr. Chairperson:** Ms. Neufeld.

**Ms. Neufeld:** Sorry. I'm always telling these guys, remember that you can't answer the question till after you're identified, and here I'm doing the same thing.

No, we don't have meetings with any other ministers.

**Mr. Schuler:** Does the minister provide policy directives to the board?

**Mr. Rondeau:** We do discuss policy as far as government policy, as far as underage drinking, as far as our movements and our efforts on FASD prevention. So we talk about what government's doing as an initiative of government as far as policy

direction, as far as where we want to go as far as underage drinking. And so we do discuss that, which leads to things like the new ID where kids have to have the new ID. Inspectors are watching for the new ID. So we do talk about initiatives of government.

**Mr. Schuler:** Does the board chair, CAO, or any other member of the board meet with the Premier (Mr. Selinger)?

**Ms. Neufeld:** I have not met with Premier Selinger on any matter relating to the liquor commission during his tenure.

**Mr. Schuler:** How are board members chosen?

**Mr. Rondeau:** What happens is I will look at the specific skillsets that are required on the board. I will then bring that to the Cabinet for an order-in-council which will then appoint board members. Recently they've been a couple of people who've left the board and I'm, right now, currently looking for new members. And what I usually do is I look at the skills that are on the board, where the people are, and I look at—for skills that our people are lacking. So sometimes I'll look for the financial person or the legal person or the marketing person or—so I look at people with a wide range of skills. So I look at the board, and then I recommend new board members to Cabinet who then appoints the board.

**Mr. Schuler:** Could the minister tell us who has recently left the board?

**Mr. Rondeau:** Eugene Kostyra has just left the board, and so we're looking for his replacement.

**Mr. Schuler:** Does political affiliation or the amount of work one has done for the NDP come into any of the equations?

**Mr. Rondeau:** No.

**Mr. Schuler:** So, for instance, how much someone has donated to the NDP wouldn't be a factor?

**Mr. Rondeau:** I do not look at the donor list except for my own personal contributions to the party. I don't care what other people give.

**Mr. Schuler:** So—and this is all public information. The fact that our chair, Ms. Neufeld, in 2008 gave \$1,913; 2009, \$1,595; 2010, \$1,432, would have no bearing on the fact that she was appointed to the board?

**Mr. Rondeau:** I didn't know she gave that much money. I don't look through what everyone gives. I

don't look through that when people make—when I come up with appointments.

As I said earlier, I actually look at skills. I look at what they do in the community, and I look at some of the people I've recently appointed to other boards, and I don't know whether they give to the Conservatives, the Liberals or the NDP because I don't look at that before I make the appointment or the recommendation.

**Mr. Schuler:** Okay, so the fact that the chair, Ms. Neufeld, quite a generous donator; the vice-chair, Frances Frederickson, quite a donator; Les Crisostomo, quite a generous donor to the NDP; Garry Hammerback; Eugene Kostyra, the gift that keeps on giving; Myrna Phillips, again, a substantial contributor to the NDP; no bearing at all on their appointment and the fact that they donate that much and are on the board, there's no correlation.

**Mr. Rondeau:** I do not look at how much a person contributes before I recommend an appointment to Cabinet. I have never done that, nor shall I. But, you know, it's funny because that's the way I work it, and when I say that there's a person who's done a good job, a good service to our community, then I look at replacing them with the skills necessary to run the organization, and that might be financial, it might be a community perspective and I look at that. And I look at the board now, we've made—we've had unprecedented profit, we've had a good social responsibility, we've had good treatment of employees, we've had good economics in the whole process, and, you know what, they're modernizing.

And it's interesting, because when one talks about philosophy, I think it's very, very interesting that we have some good positive private-public partnerships with stores that are moving forward. We have some good locally owned liquor stores that we work with. We have private wine stores that we work with. This is an organization that does a good job for Manitobans and, to be blunt, I do not consider any political contributions before I make any recommendations and we look at skilled people. And I think the proof is in the pudding, it's been a good board and it's been a good corporation and they've done a good job for our province.

**Mr. Chairperson:** Just before we continue with questions, the Clerk Assistant has advised me that questions put should be relevant to the reports at hand. So I just give that advice.

Mr. Rondeau—or Mr. Schuler, my apologies.

**An Honourable Member:** I look different than you.

**Mr. Schuler:** What part of the hair gives it away?

How often do the board of commissioners meet?

**Ms. Neufeld:** The board of commissioners meet approximately 10 times a year for board meetings. We also have a strategic planning session. We have various committees whether it's the human resource committee, an audit committee, et cetera, that have various functions. So some board members who are chairs or members of those committees would meet on—more than 10 times a year.

**Mr. Schuler:** How many, if any, board members are serving with expired terms?

**Mr. Rondeau:** Right now, they're all serving at the—I don't know. I can get some information to you on that. Right now, they're serving at the pleasure just—and right now they're serving at the pleasure of the government—a number of the members.

**Mr. Schuler:** So is the minister saying that it's basically a lifetime appointment or until the minister decides that he rescinds their appointment? There's no term on them whatsoever?

**Mr. Rondeau:** Yes, there is terms, and people have been on the board and some have been renewed. We will continue to look at the skills we need on the board. Some people have—one person has resigned, and I anticipate some board changes in the future. However, as we went before—we discussed before, we'll look at the skills that are required on the board and make those changes as necessary.

**Mr. Schuler:** So, of the board members, how many of their terms have expired?

**Mr. Rondeau:** They're all serving through the order-in-council process through Cabinet. They serve until either they're replaced or their term has expired, and so that's what's happening right now.

\* (19:10)

**Mr. Schuler:** So has the minister—every term that expired, the minister has renewed the term?

**Mr. Rondeau:** What happens at the end of most terms, if the person has a term till 2013, if they're serving for a couple of months until they are either—Cabinet looks at it and extends their appointment, or, if they don't get extended, then they serve at the pleasure of the government and then they'll get a—they'll just serve for a short period of time until their term is either expired or until they're replaced.

**Mr. Schuler:** Of the current board, are there any members there whose term has expired, and who are they?

**Mr. Rondeau:** I will endeavour to get that information to you if there's any expired members but I believe they all are covered under an order-in-council where they're serving.

**Mr. Schuler:** And we understand that they're covered by order-in-council but they're also appointed by term. And we're not asking if they are covered by order-in-council. We understand that they keep serving at the will of the Cabinet. But they were appointed for a term, and what we'd like to know is how many of their terms have expired. And we're not asking if they're still there by order-in-council. We got that part of it, so we just want to know which of the members, if any, have their terms expired.

And my next question, if the minister wants to answer this with the other one, what is the expected timeline to complete the reappointment process?

**Mr. Rondeau:** I've been appointed as the minister in February. I look at all the boards in throughout the department and there's about 30 of them—26 or 30 boards. And what I do is I look at (a) the people who—I look at a priority of replacement of different boards. Some need certain skills, so I work through the process.

I believe that my timeline, personal timeline, is by September, we'll have all the boards refreshed that need to be refreshed, new appointments put in. And so it takes a few—a little bit of time to look at the boards, look at the skills, get the people on. And every Cabinet minister has their specific way of reappointing people or appointing people or getting people on boards. I'm, right now, looking for people who would add value, specifically, to replace Eugene, and I'm doing that right now.

**Mr. Schuler:** Is there a cap on the number of times a person's term can be renewed?

**Mr. Rondeau:** I don't know. I'll have to find that out, according—I'll look at it, but I don't believe there is.

**Mr. Schuler:** Are appointments staggered?

**Mr. Rondeau:** Yes.

**Mr. Schuler:** Is there any form of succession planning for the board and/or senior management?

**Mr. Rondeau:** That's precisely why I'm looking at the board now, is so that you do have newer people

that are brought onto the board, staggered with more experienced people. And that's one of the considerations I look at before I make my recommendations to Cabinet.

**Mr. Schuler:** And I know I've asked this question in a different way. Other than political donations to the NDP, what other qualifications, credentials are required for board appointments?

**Mr. Rondeau:** As I mentioned before, I have never looked at political donations ever when (a) I'm making a reference to Cabinet. It's not in—besides, it's not really relevant because it's not in one of the documents that were being considered.

But to be blunt, the information you provided me was a surprise because I wouldn't look at that. Now, I don't know what your government would have done or has done in the past. I can tell you that, personally, I do not look at contributions ever. I don't do that. What I look at is skills. I look at leadership. I look at the abilities that the board brings to bear on the organization and that's why I'll do it.

*Madam Vice-Chairperson in the Chair*

Also, as I mentioned, is I also look at long term so that there will be a change of board members over time. I look at staggering them. I look at making sure that there's good thought taken to long-term replacement of the organization and the board. And so, one of the discussions I had with Roman, when—our first discussion—was talking about long-term management, change, invigorating of the—and there was some good plans there. And it is going to be at the board member—level, sorry, and it is at the organizational level. So those are the things we consider, and never political contributions.

**Mr. Schuler:** Are the minutes of board meetings publicly available?

**Ms. Neufeld:** They are public information, but upon request. We don't necessarily just provide them. So, if you, certainly, want copies, that could be made available to you.

**Mr. Schuler:** So, if the public wanted them, they'd have to do an FOI to get them?

**Ms. Neufeld:** No, they wouldn't have to. They would just have to actually ask us for the information. It's public knowledge.

**Mr. Schuler:** Is there ever an evaluation of board members?

**Mr. Rondeau:** No. I don't have the formal evaluation process, but I'll let Ms. Neufeld look at it because she's the board chair, and she works in there. I can tell you I evaluate all boards, as far as their productivity, what they do, and their leadership of the organization. But I'll pass it to Carmen.

**Ms. Neufeld:** There has been evaluations of the board. They—we do individual evaluations. We also evaluate as a group and there's a confidential evaluation of the board chair, as well, so that if there is any skill sets lacking, or any leadership lacking, that that certainly would come forward.

**Mr. Schuler:** So there's actually three processes. The minister said he does an evaluation of the board, and the board does an evaluation, sort of, of itself, and then the board does an evaluation of the chair? So is that, like, there's like three different evaluations?

**Ms. Neufeld:** The one that the minister is talking about, that he does, that's separate. As part of good governance we look at the effectiveness of the board and so, for that reason, there's individual skill sets that are looked at, as well as skill sets of the whole.

The chair evaluation was done some years ago, and it was felt that it was really important to make sure that the leadership capacity, that the board and the management felt was necessary for the organization was, in fact, intact.

**Mr. Schuler:** Does the board approve its own expenses?

**Ms. Neufeld:** No, the board does not approve its own expenses. The expense report comes to me for individual board members. I look at them, and approve them and usually, I can say in almost every single case, it's travel to attend board meetings. It may be a—accommodation to attend board meetings for our members who are out of town, and it may be either air travel or ground travel.

My expense report is approved by the CEO and, again, it's—or sorry, and then it goes to audit and, again, it's—my expense reports really are only mileage to attend meetings, if I've had to go out of town for a Canadian Association of Liquor Jurisdictions conference, for example, and mileage or accommodation to attend board meetings.

**Mr. Schuler:** Seeing as we have a new minister, who's had several tours of the corporation, and a new critic and a new acting chair, it probably would be helpful for the committee—could you, or could



someone tell us, what is the remuneration for board members?

**Ms. Neufeld:** Board of commissioners for the Manitoba Liquor Control Commission are paid \$7,500 per year; the vice-chair is \$9,500 per year, and the chair of the board is \$35,000 per year.

**Mr. Schuler:** Is there a specific conflict of interest document that has to be signed, similar, for instance, to what we do here at the Legislature?

**Ms. Neufeld:** We sign a conflict of interest documentation. We also sign the same documents that all of our employees sign, that would have to do with confidentiality within the organization and the corporation.

**Mr. Schuler:** The conflict of interest document would then sit with whom in the corporation?

\* (19:20)

**Ms. Neufeld:** Human resource department would hold that information, as they would for all regular employees of the corporation.

**Mr. Schuler:** And is it then reviewed by the human resources department to make sure there aren't conflicts?

**Ms. Neufeld:** Yes, it's reviewed by the human resource department and kept in an individual file folder for all of the board members.

**Mr. Schuler:** If there were a chance where there was a conflict, wouldn't there be an awkward moment where the paid staff of the corporation would then have to either go to a board member or go to the chair or, I mean, even that would be awkward, or to the minister? I mean, how would—and I say this with all delicacy—I mean, how does a paid staff person, you know, out a board member who's in a conflict of interest? Like, where would they go with that information?

**Ms. Neufeld:** The human resource department is the holder of the information. However, if a staff person or management person felt that a board member was in conflict, they would go to the head of the audit department and have that individual investigate.

I also just want to add in my own particular case because I have my own corporation which is an event planning firm. Anytime there's any kind of discussion about either a liquor permit or a financial contribution, that I declare the conflict of interest with my client and have it in writing so that they

understand that I will have nothing to do with any kind of discussion on their behalf. And also, at board meetings, if there's any kind of a conflict the board member will declare the conflict and they will not be part of the discussion.

*Mr. Chairperson in the Chair*

**Mr. Schuler:** There's a recurrent theme in Auditor General reports that boards are not knowledgeable about how to be board members and what the role should be. Could one of the officials tell us, what are the current procedures for training on the board of commissioners?

**Ms. Neufeld:** We have a very comprehensive program where when any new board member comes in they are given a complete history and explanation of how every single one of our departments work. We're also very well aware of any major changes that are happening in any of the departments, any of the programs, et cetera, that we go through. There's always an opportunity to ask individual questions at all of the board meetings if there's any need for clarification.

On a regular basis we attend the Institute of Corporate Directors meetings that give us an opportunity to expand our knowledge and to learn some of the new things that are happening and some of our roles in true good governance.

And, of late, the Crown corp. council of Manitoba has developed some different programs, some teaching skills that myself and other board members have been able to attend. And that's whether it's financial—good financial management, succession planning, human resource development, et cetera. There's a number of different components that we've attended.

**Mr. Schuler:** Does the Crown corporation own any surface-level parking lots in downtown Winnipeg?

**Mr. Zubach:** No, we don't.

As a matter of fact, we don't own—*[interjection]* Well, we own five buildings, five stores basically, and most of them are in the rural communities, otherwise we lease all our properties. But we do not own anything within the city like parking lots, whatever, no.

**Mr. Schuler:** Ms. Neufeld, you mentioned that you are the owner of Planners Plus. Has your company been contracted by MLCC for any purpose in the last several years?

**Ms. Neufeld:** No, I have never been contracted for MLCC either prior to my appointment or since my appointment.

**Mr. Schuler:** However, if some of your clients, as you mentioned, if their issues come up at the board then you sequester yourself. Is that correct?

**Ms. Neufeld:** Certainly, I would do that. What I meant is sort of in advance. For example, if I'm organizing a gala dinner and they were planning to approach the liquor commission for a sponsorship perhaps, then I would declare a conflict of interest and I have—would have absolutely no discussion with them or with the commission in terms of that sponsorship.

Likewise, if there's a permit that's required for an event that I'm organizing, we would either have the client go directly to the liquor commission or they would work through a liquor representative to take care of those transactions. I never sign liquor permits on behalf of my clients, ever.

**Mr. Schuler:** From what I understand, your company now oversees the organization and management of at least 50 events per year. Does that conflict often with your role as chair of the MLCC?

**Ms. Neufeld:** No. I—it—very, very rarely because in most cases the events are conferences where liquor is really not a component of it. If it—if there—liquor is a component, it's quite often held within the confines of a hotel which would be the holder of a licence. And I would have no responsibility for that.

**Mr. Schuler:** As stated by the minister, the board is responsible for succession planning. What procedure and criteria was used for choosing the acting CEO and president?

**Ms. Neufeld:** I'm going to start by excusing myself if I get a bit emotional about this.

Well, when Don Lussier retired from the commission after over 30 years of service, we went to a public look for a CEO. We had a committee who was—that was chaired by Bill Fraser and the decision at that time was to—unanimously—was to hire Ken Hildahl in the position of CEO and president.

Unfortunately, because of Mr. Hildahl's untimely passing, the organization is very much like a family and it was going through a great deal of grief. We believed at the time that it was not in the best interest of the organization to go back immediately to look for an individual, perhaps from outside, that would be able to fill that role.

Mr. Zubach has served for many, many years at the liquor commission, and we felt that it was in the best interest of the organization and our staff to have someone who had been in the corporation for quite some time. And Mr. Zubach was approached, and he was willing to fill that position.

He's also filling the position of the COO at the same time. We anticipate in very short order that we are going to be looking at whether Mr. Zubach will be interested and the appropriate person to take the position on in a full-time capacity, or whether we would go back out to the market to look for a new CEO.

It hasn't been quite a year since Ken passed, and I can tell you that it took a few months to kind of get the organization back on its feet at the same time as we were going through the new hospitality strategy. So it was very important for us that we had someone at the helm who really knew the corporation inside and out.

**Mr. Schuler:** And Ms. Neufeld, you did touch on this a little bit but I'll ask again: So what is the current hiring process being utilized to find a permanent replacement for Mr. Hildahl?

You mentioned that it looks like you are going to be taking a little bit more time, and we understand that. But is there a process that you've set in place? Is there a company you're going to be looking at or is there an internal committee? Could you just share that with the committee?

**Floor Comment:** Well, what we will—

**Mr. Chairperson:** Ms. Neufeld.

**Ms. Neufeld:** What we will do is—sorry, I'm bad.

What we'll do is we'll start by talking individually, sorry, as a collective with the board and look at all of the various skill sets that we think need to be present for the CEO. And that doesn't just mean with the job description but also for the environment and the culture of the MLCC.

I can't tell you at this point whether we are going to ask Mr. Zubach to assume that role without going out, which has happened when we hired Mr.—or moved Mr. Lussier up, because he had been within the corporation. We didn't go through a hiring committee, et cetera, at that time. We did with Mr. Hildahl.

So at this point I can't give you a definitive answer as to when we're going to do this because we

haven't had the discussion about whether we go outside or inside the corporation.

**Mr. Schuler:** Okay, and appreciate that. That wasn't quite the fullness of the answer I was looking for. And what I mean by process, is it going to be a committee of the board? Are you going to get a outside headhunting firm? Is it going to be the minister directly appointing somebody? Like, what is the process going to be?

\* (19:30)

**Ms. Neufeld:** It has not been my experience that the minister appointed the CEO since I've been chair of the board.

Well, I'm saying—[interjection] No, I'm just saying that quite honestly—because Mr. Lussier was moved up into the role Mr. Hildahl was hired externally. And, as I said, the hiring committee was Mr. Zubach who was the vice-president of HR at the time, Don Lussier, the outgoing CEO, and Bill Fraser, who was brought in independently.

At this point I don't know if we're going to hire a headhunting company because, as I said, we may offer Mr. Zubach the position based on his skill sets, his experience and his tenure with the commission. We would not hire a headhunter if that was the decision that we were making.

**Mr. Schuler:** And I apologize to the acting CEO. We kind of talk as if he's not in the room, and he's sitting there probably going: Excuse me, I'm sitting here. But it is the nature of the beast of these committees and, you know, we're not trying to, of course, make life uncomfortable for you. Just, I think the committee appreciates those answers.

If I could refer the board or the minister to page 29 of the 2011 annual report, administrative expenses rose by over 10 per cent from 2009 to 2010, but have gone down close to 3 per cent in 2011. In fact, salaries were down by 6.5 per cent from 2010 to 2011. Why is this?

**An Honourable Member:** Can you repeat that? Or—

**Mr. Chairperson:** Mr. Rondeau.

**Mr. Rondeau:** No. Mr. Zubach.

**Mr. Zubach:** There's a couple of reasons for the salary, benefits and pension costs to go down.

First of all, it went down—you know, we would like to attribute it to good management considering that that fiscal year was somewhat more difficult

because our sales were down so we did manage our staff in our stores. So we tried to make sure that our salaries were, if not flat, then somewhat down. Our benefits were pretty well flat, but also keep in mind our pension costs were less during that year, so they dropped compared to the previous years. Our salary costs did go down by almost \$2 million.

**Mr. Schuler:** Were there staff reductions in either management or in the stores?

**Mr. Zubach:** The way we manage our staff the majority of our people are on a part-time basis, I would say almost 60 per cent. And what we do, because a majority of them are working in the stores and if the volume and the traffic flow is slightly down in the stores, we'll manage the hours that are available to our staff in the stores. So that impacts how we budget our dollars.

For head office positions, what we did if we had people retiring or leaving, we would manage that and chances are we may not have hired immediately but waited to see how the economy was going, and if it was improving then we would revisit the position. What we do for each position that becomes vacant, especially full-time, we have to—we do a business case to justify why we should go out and hire for the position. And that goes before the executive and then we have to vote on it, whether it's worthwhile to fill the position on a full-time basis or not.

**Mr. Schuler:** To the minister, the CEO says that one of the reasons why there's such a clear decline in salaries and expenses is because of good management. Would he agree with that?

**Mr. Rondeau:** I look at the gentleman in front of us, and he actually is holding two jobs, and I think they're very frugal. I had a tour of the operation and I was surprised at how efficient it is, how many hats the different people at the executive level do. So often they have one, two or three responsibilities, and I think they're a very well-run machine and I appreciate their hard work.

**Mr. Schuler:** The current minister got elected, I believe, the same year I did—that was 1999—and his answers are no clearer today than back from 1999. Was that a yes or a no?

**Mr. Rondeau:** I think it's a very well-efficiently run organization. Yes.

**Mr. Schuler:** And I do want to just say to the committee I appreciate that Mr. Hildahl's untimely passing away, you know, does affect individuals who

were very close to him. I will be quoting him at times, and I do that with sensitivity. I—you know, he was chairman until just a little while ago, so I appreciate the sensitivity of it, so, if I do quote him, I hope you don't mind.

There was a discussion in—February 28th of 2011, and it was dealing with the—why from the year previous there was an increase in wages. And there was a question by then—Mr. Rick Borotsik from Brandon. He said, of the \$650,000 for additional employees, what does that mean in full-time equivalence? And Mr. Hildahl added—answered, we added 17.5 positions in the year we're referring to. Mr. Borotsik then asked him, where were those positions put?

And Mr. Hildahl answered, well, 9.5 were added in stores to reflect sales volume. We also added 4.5 positions in our IT department. The goal there—and we'll see that—we'll see the results of that as we move forward, is to reduce our reliance on outside consulting firms. And a good example of that is we did a major software conversion over the New Year's holidays, given the closure of the stores. We had initially budgeted \$260,000 for consulting fees. We ended up using \$5,000 of that and were able to use in-house staff. So we're already seeing the benefits of those staff additions.

Could I ask the administration of the MLCC: Were there any full-time equivalent positions added to the IT, information technology area, since that discussion, since 2011?

**Mr. Zubach:** Just looking at our population from F10 to F11, but, in essence, from a full-time equivalent, we only increased by 2.73 overall in one year. So, looking at our IT department and, again, I'm—if—that was in February 28th, and I'd have to go back into the records of when Ken referred to the IT department, we did have an increase but, again, that's over a fiscal year. So I'm not sure when the timing of that is. But keep in mind that we just don't hire people all as of one day, it could have been a transition over a period of time.

**Ms. Neufeld:** I just wanted to take the opportunity to let the members know that the individual who led that project is actually Mr. Gerry Sul. And because of his commitment and his leadership within the IT department, it was his coaching and his leadership that led the liquor commission to save substantial amount of money, because he gave the—his team members the confidence to be able to do the

switchover instead of hiring an outside consultant. So I'd just like that chance to thank him.

**Floor Comment:** Let me just—

**Mr. Chairperson:** Mr. Zubach.

**Mr. Zubach:** Sorry, one thing we'd look at is we may have hired—if we did hire an IT, and I'm looking at the numbers here, but keep in mind what we do is we look at the overall organization because we may have had—it would appear that we had a—we lost a number of people due to retirement or people left voluntarily. So what happens, our overall complement didn't change that much. So, again, that's one of the ways of managing is to see—if you have people in one department, because departments are not static; they are dynamic, and things do change. So if we lose a few people in one department, we—and we determine that we need some other people due to the workload and projects and initiatives that are going on, we look at what are the requirements and we hire accordingly.

**Ms. Neufeld:** No, I just wished to publicly thank Mr. Sul.

\* (19:40)

**Mr. Schuler:** What has the MLCC done in order to reduce past reliance on outside consulting firms in the IT department? And, Ms. Neufeld, you referenced it a little bit, but could you just expand on it, because, again, Mr. Hildahl had indicated that they'd added 4.5 positions in the IT department to do that. And so I guess what we're asking is: Since those 4.5 people were added, what have you done to reduce reliance on outside IT companies?

**Mr. Zubach:** I can respond to that. We've just hired less. And, as a matter of fact, if it's not required, we don't bring them in. We try to ensure that as much work is done internally because that's where the cost savings is. So we want to make sure our employees that are currently employed are fully employed. And, as a matter of fact, we're just going through a process right now where we've shifted because we're looking at a merchandising program that's been an—that we are looking at implementing. And, in essence, we've tried to ensure that most of the work is being done by internal staff. If we need any outside resources, then we'll look at it very specifically and try to minimize any kind of expense in that area.

**Mr. Schuler:** I guess my question to the corporation is, the previous year you spent X amount of dollars

on IT for outside consulting. Was that then wiped out by the fact that you hired 4.5 individuals? And can you quantify for us, like, what was the savings in—because 4.5 people—and I suspect they don't come cheap; IT never comes cheap. So, you know, there had to have been some savings. Could you quantify that for me?

**Mr. Rondeau:** Mr. Schuler, because we might not have the actual numbers on our fingertips, we can actually get the number of what we formerly paid for IT services and what we did this year, if you'll give us a period of time. I don't believe you have that number at your fingertips. Why don't we endeavour to get it to you in a few days, and we'll get that to you, okay? Because I assume that we can find that. What we used to contract for IT, what we do now, and we'll get that to you, okay? I think the term is in due course, okay?

**Mr. Schuler:** Previously, the acting CAO of the corporation mentioned that it was because of good management that wages went down in the corporation, that through attrition and other means they've been keeping a handle on administrative costs, and certainly the minister indicated he agreed with that.

Quarterly financial report, three months ended June 30th, 2011, there's a paragraph halfway through that says: a leased—and just for the record, that's a typo in the financial report; I think it should be: a lease—but it says: A leased was signed for space in the Fort Garry Business Centre for office space required to accommodate growth in staffing—in staff resulting from the on-growing growth of our business.

And I guess the question of the committee is, on the one hand, we have wages and staff being reduced due to good management, yet on the other hand, a new space was opened for more staff that seemingly you're reducing. Could someone explain why it is that we're now acquiring more space when we're at a time when we're actually reducing staff?

**Mr. Zubach:** As I indicated previously, as staff either retire or leave, we look at whether there's a need for it, and what we're finding is that our—we've got four walls, and those walls—it was getting pretty crowded even with the current staff that we had. We're short of space and we looked at an opportunity because next door Hydro vacated that property and all that property became available, and one of the issues we looked at is how we can make it somewhat more comfortable for people to work

because it was very crowded in the area that we did have.

So we had an opportunity; we explored that opportunity. And one of the problems we run into at this current space that we have—it's a 40-year-old building; we can't go up, we can't go sideways, we can't go frontwards. We have meetings, we run into issues with—we don't have places to meet. So we looked at an opportunity. We found that one next door. We looked at what area of our operation could move next door and we determined that it would be our regulatory services. So we negotiated with the landowner of the property next door. It took us awhile, and they have moved over.

This allows us now to reconfigure the first floor because we do need some meeting space and we give other people some other, basically, working space because some departments are very, very condensed and it's not really healthy for them to work in that kind of an area.

**Mr. Schuler:** In a previous year there was an increase in administrative cost and Mr. Hildahl said of the positions—of the 17 and a half positions that were added, nine and a half were for stores, so we wouldn't need more office space for them, and four and a half positions would be for the IT department. I guess that would explain the Fort Garry Business Centre, right, which is—I don't exactly have a square footage here but we'll ask that later.

What is concerning is not just do we have more space at the Fort Garry Business Centre, but at the quarterly financial report, nine months ended December 31st, 2011, it says: Construction of additional head office space at 1146 Waverley was substantially completed using sustainable building practices.

Is the Fort Garry Business Centre the same thing as the 1146 Waverley space?

**Floor Comment:** Yes.

**Mr. Schuler:** How much space was added?

**Mr. Zubach:** Twelve and a half thousand square feet.

**Mr. Schuler:** Is that not a lot of space to add for four and a half additional staff?

**Mr. Zubach:** It's not four and a half additional staff. What it is is for our regulatory services department, which includes our licensing and permits and includes our inspection department. We also—what

we did is make room for our licensing board which—and also for any public meetings because our current building was not conducive, nor—the way it was structured it just didn't make sense to have it. It was too tight for licensing hearings. We found in many cases it was—for the number of people that attended, you'd get an overflow of people, and sometimes it may not have been as safe. So we had an opportunity to create some space for our licensing board to have their hearings and also for our inspectors, our permit inspectors, our regulatory services, to have some decent space to work in.

**Mr. Schuler:** The twelve and a half thousand extra square feet, how much extra rent are you paying for that?

**Mr. Zubach:** I did have the figure at one point in time but I'll have to get back to you on that to be—because otherwise I would be guessing at this point in time. So, I'll have—in due course.

**Mr. Rondeau:** If, Mr. Schuler, if that—what we'll do is we'll get the IT stuff on the contracting out and we'll get that to you very shortly.

**Mr. Schuler:** And I hope that the corporation understands one of the roles of committee is for oversight and we're not trying to grill you on it. But, you know, at a time when you're actually reducing staff and administrative costs and salaries are going down, that's the time when you're expanding the square footage of your building. I mean the two don't seem very congruent, and I think that's the point the committee is trying to make. So unless there's further comment on that I would actually—if the committee would allow, could we once more review the time and may I suggest that we would go till nine o'clock and then revisit? Is that agreed?

**Mr. Chairperson:** Mr. Schuler has suggested we go to nine o'clock. What is the will of the committee?

**An Honourable Member:** It's agreed as long as he gives us five minutes in about ten minutes' time.

**Mr. Chairperson:** Mr. Rondeau, comment to that?

**Mr. Rondeau:** I agree. I believe the committee agrees, but we might need about a five-minute break at eight o'clock.

**An Honourable Member:** Agreed.

**Mr. Chairperson:** All right.

**Mr. Schuler:** And I would recommend to the incoming CAO, whoever he or she may be, whomever the corporation—that a very, very helpful

reading exercise is to go through previous *Hansards* and there is a lot of good information and a lot of questions there. And, again, it is all about accountability and that's why these committees are so very important.

\* (19:50)

So I am going to, again, be quoting back. On the record, during the September 29th, 2010, committee, your predecessor, Mr. Hildahl, projected positive cash flows to the Province of Manitoba in the range of 240 to 241 million dollars, yet more than \$250 million was transferred to the Province in 2011.

Why was there such a disparity in the projection to the actual figure? It would be over \$10 million. It's a significant oversight in projection.

**Mr. Zubach:** I would, I think, probably at the last, when Mr. Hildahl recommended that or suggested that, you know, we did have—we ended up with a pretty good year in the sense that we managed our expenses. Because if you look at what we budgeted and what we ended up with, it turned out to be—and that impacted the bottom line of the net profit. And in comparison to what was budgeted and in comparison to what actually turned over to the Province, that made a significant impact on the bottom line.

**Mr. Schuler:** Could the CEO tell us, what is the projection for next year?

**Mr. Zubach:** The projection for F13—sorry, for F12 would be basically, right now, as of February, we are above budget. We're about, I believe—if I could just verify it—we're \$1.8 million above budget on our gross sales. And if March is an indication, March, that the sales to date, we should have a very good March also.

But the only qualifier—let me just qualify one thing, is that our pension assets, and depending on how the—because those assets were turned over to CSSB. They invest that for us and in turn, depending on what the earnings are or the market value at the end of March 31st would impact our bottom line. But otherwise, gross sales, the sales for the organizations are very positive. So what we turn over, I would say, about—I would gather, around 254.

**Mr. Schuler:** Well, beauty is, not just do I make note of it, but you've noticed, spoken it into microphone. Now it's part of *Hansard*, so—

Is the MLCC still running a 40 per cent margin on their products?

**Mr. Zubach:** We don't run a 40 per cent margin on our products. Basically, our target is 40 per cent net profit on our gross sales.

**Mr. Schuler:** Wednesday, September 29th, 2010, the question was asked by Mr. Borotsik: You're running approximately 40 per cent margins on your product. Is that—that's the case in 2009. Is that still the case right now, about 40 per cent margin?

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

Has there been a change?

**Mr. Zubach:** No.

**Mr. Schuler:** Is it still approximately 40 per cent?

**Mr. Zubach:** If you look at our net on page 33, our net profit as a percentage of sales, it's 40.3, and in essence, our gross sales were \$621,880,000. So if you want to refer to that as the margin, that's basically what we target, we look at, and those are targets we work with.

And also, we look at our G and A expenses as a percentage of sales, and those are the targets we try to—we always budget a target, obviously, and that's what we aim for during the fiscal year.

**Mr. Schuler:** In the quarterly financial report, nine months ending December 31st, 2011, it says the MLC issued a request for proposal for Liquor Mart stores within grocery stores, responses were reviewed, negotiations under way.

You mention that the MLCC has issued a request for proposals for Liquor Marts in grocery stores and the responses were received and these negotiations are under way. What was the status of the information that was received?

**Mr. Zubach:** Could that be clarified, when you say, what's the status of this information that was received?

**Mr. Schuler:** More specific, which grocery stores are currently being looked at as potential locations?

**Mr. Rondeau:** Just to assist, are you asking which stores submitted requests of interest, or whatever, or are you asking how the process proceeded, because there's a difference. What we try to do is the quick service—was that the term? *[interjection]* Express stores, thank you. Express stores, they—I understand they went to market. They asked from the major grocery suppliers, et cetera, how they would get

expressions of interest. Right now there's one up at the airport and I understand there was an evaluation done on the expression of interests. We haven't got any new stores up right now.

**Mr. Schuler:** Which grocery stores are currently being looked at as potential locations?

**Mr. Zubach:** I can respond to that. In essence, when we went to the RFP to market, we basically put out a tender which we set up certain qualifications and our response—we had three responders, basically. It was the three major grocers in—that operate in the city of Winnipeg. We had Sobeys, Safeway and the Superstore. Those were the only three responders to the RFP. Now, since that time, we have entered into negotiations with them for locations because we looked at the criteria and see whether they could meet some of the criteria, and we haven't finalized negotiations but we are looking at a couple of options right now with them. And probably within a short period of time there will be some announcements as to where the first couple of stores will be opening up—express stores in grocery stores will be opening up.

**Mr. Rondeau:** I understand that there has not been any final decisions made. There are discussions and negotiations ongoing, and these are not full Liquor Marts; they're smaller outlets. I would assume that the express stores—I'm going to have to remember that—express stores are smaller, so they're not going to be the size of a Liquor Mart with thousands of options. Here we're talking a couple hundred options here, or a few hundred options, and so they're not the full Liquor Mart. And those negotiations, to make sure that there's clarification, there hasn't been any final decisions made at this point.

**Mr. Schuler:** To the board: Was the MLCC's increase in profits and sales for 2011 a result of an increase in sales volume or an increase in the prices at MLCC?

**Mr. Zubach:** During the year there weren't any price increases. If anything, what the profits—we like to attribute to our people, what they do, and we put a lot of emphasis on our training of our individuals, of our people in our stores to work with our customers. And they take, I would venture to guess, that most of our people are trained on either a basic product course or a higher certificate course to work with the customers and population of Manitoba.

**Mr. Schuler:** If we look at page 34 of the 2011 annual report, with the volume sales of beer down

for the first time in over five years, but the product sales in millions going up to 275 in 2011 from 271 in 2010, and the consumption of beer also down for this first time in over five years, what is it that is maintaining your profit margin?

**Floor Comment:** One of the things we—

**Mr. Chairperson:** Mr. Zubach.

**Mr. Zubach:** One of the programs we looked at is the premiumization of products, or—and it was the emphasis on people buying up into better products, and we worked on programs where we would make people aware of certain products where we would—it would be recommended to kind of look at buying better and that certainly—it was influenced by some of the marketing programs we did with our suppliers and that helped, obviously, drive some of the sales.

\* (20:00)

**Mr. Chairperson:** Order. As previously agreed, we will recess for five minutes.

*The committee recessed at 8 p.m.*

*The committee resumed at 8:07 p.m.*

**Mr. Chairperson:** Order. Call the committee back to order and resume questioning, and I believe Mr. Schuler has the floor.

**Mr. Schuler:** And Monday, February 28th, of committee, the question was asked by Mr. Borotsik: Is there any anticipation of the price increase going forward? And this is of beer.

And Mr. Hildahl answered: Certainly not one that's initiated by the commission, but there will be a—there has been an application or notice served to us both—to us by both major brewers, and that they're going to have a supplier increase this year.

Mr. Borotsik: Is it not the norm when there's a supplier's increase that there's usually an increase from the provider as well, MLCC? Are you not anticipating any kind of a margin increase on your own margin?

And Mr. Hildahl says: No, we're not.

But yet if we go to page 34, if we look at—I'm supposed to be getting somewhere—if you look at volume sales for beer, it's down. If you look at per capita consumption for beer, it's down. And yet product sales is up, and that's just in the beer category. Is that because of price increases?

**Mr. Zubach:** As I understand, there was a price increase at the end of that fiscal year.

**Mr. Schuler:** And was that price precipitated because of a suppliers increase or—and an MLCC increase tacked on that as well?

**Mr. Zubach:** It was a supplier increase. We did not, as far as I understand, increase our markup.

**An Honourable Member:** But the margin remained the same?

**Mr. Zubach:** And margin remained the same.

**Mr. Schuler:** My question, then, is: Will Manitobans expect a price increase for beer in the next year?

\* (20:10)

**Mr. Zubach:** There was a price increase put forth by the breweries just recently. And I can just—can I just check something here?

There were—there was an increase for both breweries. We just—I just—we're trying to get a—on the percentage of the increase. But again, we can get back to you in regards to that—that's supplier increase.

**Mr. Schuler:** Actually, I'm probably doing a major faux pas of my ethnic background by indicating I am not a beer drinker. And I think I've made it pretty clear I'm not a drinker, but—so I wouldn't know where we stand. But from a conversation between Mr. Borotsik and Mr. Hildahl, there was a discussion that Manitoba had the second lowest beer prices in the country.

Where do we stand with our beer prices today?

**Mr. Zubach:** We're still amongst the lowest. I think—I believe we're ranked either second or third lowest, and we can fluctuate. I believe the lowest is Québec, but we are in that category.

**Mr. Schuler:** As per this discussion, it was Ontario then Manitoba, so I guess some things have changed. Not being a beer drinker, I don't track those prices.

My next question is: What is the cost and status of the Brandon regional office?

**Mr. Zubach:** I don't have those figures present and I can get them for you but I have—I couldn't even venture a guess because, basically, we lease the property there, so I'd have to check to see whether there was a renewal in the past year and whether the



rates have gone up. But I can certainly get back to you with the costs.

**Mr. Rondeau:** Did you, Mr. Schuler, just wondering and clarifying whether you want the office lease cost or the office lease cost with staff and all the rest? What would you like on that?

**Mr. Schuler:** The first question then I would ask is how many employees currently are employed in Brandon at the regional office?

**Mr. Zubach:** I will just verify the number. We have, in essence, five employees: three inspectors, one advisor and one supervisor, and that's the inspection office.

**Mr. Schuler:** Just for clarification, did you say one advisor?

**Mr. Zubach:** One licensing and permit advisor and three inspectors and one supervisor.

**Mr. Schuler:** And then, could you tell us what the lease costs are for that space as well? Oh, we've already asked for the lease costs of the office space here in Winnipeg.

**Mr. Zubach:** We'll get that information for you because I don't have it present.

**Mr. Schuler:** The Brandon regional office, are these new employees and/or were there any transfers from Winnipeg?

**Mr. Zubach:** For most part, they are employees that have been there for quite some time. We haven't, as far as I know, we haven't transferred anyone out there recently.

The licensing and permit position there, it's a person that was transferred from the Winnipeg office that was moved into that area.

**Mr. Schuler:** Does the corporation have any plans for additional regional offices in the near future anywhere in the province?

**Mr. Zubach:** Not that we are planning any additions, expansions or whatever else, no.

**Mr. Schuler:** What is the status, meaning, how is the Liquor Mart Express store at the Manitoba airport doing?

**Mr. Zubach:** The express store was open in November of 2011, at the end of November 28th. And in three months, actually, it's doing quite well. It's—considering that it's—we're halfway—or I shouldn't say halfway, we're almost end of the year,

and it did open up late—because we were expecting it to open up sometime in October, but due to construction delays, it was open at the end of November 28th—but it's starting to pick up and we've had some very, very positive comments about the location and the store.

**Mr. Schuler:** What is the status of the Grant Park Liquor Mart?

**Mr. Zubach:** The status on the—we are expanding that liquor mart. It is currently undergoing construction and we will be expanding it by about 1,500 square feet. The mall is undergoing a major renovation, and we're part of that renovation. We've had discussions with them for quite some time, and finally reached agreement on what we wanted in that store and also the layout of the store. It should open up in July or August of 2012.

**Mr. Schuler:** What is the status of the renovations to the MLCC facility on McGillivray?

**Mr. Zubach:** I'm not—McGillivray, or are you talking about Kenaston?

**Mr. Schuler:** Kenaston.

**Mr. Zubach:** Again, we had an opportunity to expand. When we first opened up that store we anticipated that the size of the store would service the community, but as—if you drive in that area you can see that it's booming, and with IKEA opening up shortly, and just that location, the business in that store has put a lot of pressure on the store, because we just couldn't provide the assortment and the service that was required for that community. So we've had an opportunity to expand and double the size of the Kenaston store, and that'll be opening up in a couple of month, this—in 2012.

**Mr. Schuler:** This has been referenced several times, and it's page 31 of the 2011 annual report, if we could all just—

**An Honourable Member:** Page 31.

**Mr. Schuler:** Page 31. And it has to do with the accrued benefit liability, 2010 is \$53 million, and then it shows up at fair value of plan assets at \$53 million. Could the corporation explain that a little bit better, and it's been referenced several times now on that there was a transfer. Could the corporation just explain that with a little bit more care?

**Mr. Zubach:** The best I can under the circumstances, but what—as you know, we have a

defined benefit pension, basically, and so—and all of our employees are eligible for that, and, in essence, all the pension deductions were remitted over to the Province of Manitoba, and, in 2003—and we did match—so, basically, we, as an employer, we paid as the employee retired. In 2003, in—I can't remember the exact date but, in essence, what happened, because we started to account for the pension liability which was always recorded in our annual statement, and in discussions with the Province, to offset the pension liability, the Province set up a loan receivable, and it was set at, I believe, at \$38 million. And over the years, that loan receivable gained or accrued interest, and in 2009, we—the Province and the liquor commission agreed that that loan receivable would be transferred over to the MLCC, but would be placed into a restricted trust account and to be used for payouts to pensions. And that amount, it was about \$46 million, sat in the account and was earning an interest of .2 per cent per annum.

And what we did is that we eventually reached an agreement with the CSSB and the money was transferred over to them to invest the funds on behalf of the MLCC. So, in essence, what's happened is that they've—in 2009, the money was transferred to them. It's restricted and those funds can only be used to pay future benefits to employees as they retire.

\* (20:20)

Now, they invest the funds on our behalf. And what's happened with that is, in 2010, the return was quite positive. However, 2011, the market took a bit of a turn.

So, in essence, what you see here is when you—what's recorded here are the net assets. The net—the fair market value is netted against the liability of the pension. So, in essence, what happens with that is it's recorded in such a way—and if you look at our 2011 G and A, our G and A went down because the investments on the pension assets were great. I think the—I can't give you the exact amount, but the pension, the amount increased by a certain percentage because the market was doing very, very well.

I can let you know that in 2012 and, or from March 31st of 2011 to March of—31st of this year, we won't know the exact value of the pension assets or the interest earned until such time that we, the actuary comes out with what the actual value is of that pension asset.

So, and keep in mind also during this period of time we've gone through a transition from GAAP accounting to IFRS accounting. And if you can understand that, good luck.

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

Page 36 of the 2011 annual report, under board action: Why are there 29 board monetary penalties in 2011 and only seven in 2010?

**Mr. Zubach:** I'm sorry. What years?

**Mr. Schuler:** Page 36 board action, there were 29 board monetary penalties, from seven in 2010 to 29 in 2011. Why the substantial increase?

**Mr. Zubach:** There were some regulatory changes, and as a result of that, if you'll look at it, that would impact the board action.

**Ms. Neufeld:** With regular—I'll just look at this here. With regulatory changes prior to the year indicated there was really not an opportunity for us to implement a monetary penalty. By regulation it was either suspension or closure, et cetera. So from a business perspective, we've—at times it's more appropriate for us to implement a monetary penalty, particularly if it's first offence, rather than to have a closure.

So it's a change in the regulation that allowed us to hand out monetary penalties.

**Mr. Schuler:** What were the breaches?

**Ms. Neufeld:** I'd have to give you a list of the breaches. It's varied. Most of the breaches that come before the liquor commission board of commissioners are underage, over capacity, overconsumption. Those are the top three.

**Mr. Schuler:** If we were to look at the total board action we go from 50 to 30 to 29 to 50 up to 2010, then a jump up to 73 in 2011. Could the board perhaps give us an indication of why there's such a substantial drop—such a substantial jump?

**Ms. Neufeld:** It's a combination of very different things. It could be change of regulations. It could be the number of licensees. It could be, it just could be a whole different myriad of things.

We've had a number of, let's say repeat offenders. So they may decide that rather than just take the findings they want to bring it forward and have an appeal process, et cetera. So maybe that's—in some cases these are more than—one licensee has been seen on more than one occasion.

**Mr. Schuler:** If you look at board disciplinary hearings, again, it fluctuated, and then in 2011 there's a substantial jump from 44 to 62. Why that many board disciplinary hearings?

**Ms. Neufeld:** I would have to actually get the list for you. I'm not exactly sure why there was a jump. As I said, it could have just been either some change in some regulations or it could have been repeat offenders. I—we'd have to get you an actual list of what the hearings were.

**Mr. Schuler:** If we—page 35 of 2011, my colleague, the member from River Heights, asked about the number of inspections, licensee visits. And if I understand correctly, the answer was there were no breaches of the act, and I believe it was the minister said that, of all the licensee visits. Did I understand that correctly?

**Mr. Rondeau:** I said in the inspections, 97 per cent of the time resulted in no action. In other words, 97 per cent of the time there was full compliance with the act and regulations.

**Mr. Schuler:** And, again, I understand the reason why there was a drop in licensee visits, that was due to the number of inspectors were down; is that correct?

**Mr. Rondeau:** Yes, because with staffing and movement of people within MLCC, in other areas, there was a decrease in inspectors, thus in inspections.

**Mr. Schuler:** If we go to page 36, of 2011, again, and look at the bottom, total monetary penalties issued: 2008—none; 2009—seven and a half thousand; goes to 11,150—2010; and then for 2011 it goes up to 89,000. Why such a substantial drop—jump, again, in the monetary penalties being issued?

**Ms. Neufeld:** Again, I can—I can't give you something definitive, but I would suggest to you that it was likely because we had the change in regulation, which now gave the monetary penalty. For example, you could have a small, rural hotel, for example, that maybe was caught with a breach of the act. Rather than close that individual organization for a couple of days, which may have a very detrimental effect to the community—there may be weddings to be held, et cetera, et cetera—a monetary penalty may have actually been imposed rather than a closure.

We find, at more and more of the hearings, that the licensees will ask for a monetary penalty versus a closure. If we think that it's in—if it's an appropriate

request, we will grant that request, but only if we think it's appropriate. So, example, we don't want it to become a cost of their doing business, where they would just automatically ask for a penalty and be provided with a penalty—a monetary penalty.

**Mr. Schuler:** And, again, on page 28, other income, licensee monetary penalties, 2010, there were 8; 2011 there were 97. And that's a substantial jump.

**Ms. Neufeld:** I'm sorry, could you—which page and which line again? Page 35?

**Mr. Schuler:** Page 28.

**Ms. Neufeld:** Oh, I'm sorry. That's why I couldn't find it.

**Mr. Schuler:** Seven, other income; licensee monetary penalties jumped from 8 to 97.

**Ms. Neufeld:** Again, I refer back to the change in the regulation and the option of having a monetary penalty. You must remember that up until that time, a monetary penalty was not an option. It was either closure for a day or two, or whatever it would happen to be, a week, or actually pull the licence.

**Mr. Schuler:** In the same category of other income, if you looked at occasional permit fees, 2010, 329; it jumped to 640. And then if you look at occasional permit additional fees, it goes from 471 down to nothing. Is that because the permit additional fees were rolled into the permit fees?

**Mr. Rondeau:** What's happened, if I can under—as I understand it, was before there was different types of permits, et cetera. We now have one permit, and so it became much more efficient. Rather than have a whole bunch of different types of permits, there was one. And so there's one fee, one standard, and that became much easier to administer and much easier for people that took out those permits. And so, part of it is the hospitality strategy and the whole idea is to make it simple, understandable, et cetera. That's what we did in this case. So you got rid of one line, there was an addition to another line.

So—and by the way, when you're talking about a quarter of a billion dollars profit, these are not money-making initiatives. These are trying to become efficient and meet the needs of the people.

\* (20:30)

**Mr. Schuler:** Page 29, under general and administrative expenses, if you go down to advertising and promotions. With the increase in advertising made by MLCC over the last two years

and with your sales already at record numbers, why is so much additional money being spent in furthering your promotions?

**Mr. Zubach:** We've been—the reason we spend that much money on advertising, because we support our suppliers. We work with them because they're trying to promote their products in the market. Beverage alcohol, it's a mature market. So we work with them on full-page ads, and so forth, to ensure that, you know, the product is, you know, they're trying to sell their product in our—basically, in our market.

Also, we have a whole list of areas that we get involved in. I mean, from our—basically, our website advertising to—and—but, you know, I'm trying to think of all the other activities were involved in, but I just can't remember the whole list, but it's quite extensive when we do advertise in regards to—in our business.

**Mr. Schuler:** But in 2011 alone there's been a 15 per cent increase in the money spent on advertising, yet, this is a monopoly. My question is: Why is there such a substantial increase in advertising?

**Mr. Zubach:** If I can respond to that, it's in support of our suppliers and, in essence, what we do is we get advertising revenue from them. So, if you look at the top, you'll see that there's AIR MILES and there's advertising revenue that we receive from them. So, in essence, we work with them and, in turn, they pay us, but we do incur costs. We pay for it and they, in turn, pay us. So what you see is an expense on this side but revenue on the other side. Basically, we make money on—[interjection] Sorry, we make money on the advertising.

**Mr. Schuler:** Who produces the advertising campaigns for the MLCC?

**Mr. Zubach:** We have a marketing department who works with the various suppliers, works with the various advertising—not agency, but, basically, the *Free Press* if we're looking at a full-page ad, and other magazines that we work with to promote products, and so forth.

**Mr. Schuler:** So is it all done in-house?

**Mr. Zubach:** Our marketing department works with—it's done in-house. We don't have consultants working with us in the marketing area. Basically, they work—our marketing department works with the suppliers who, in turn, they look at the avenues where they can advertise the program—the products that the supplier is selling.

**Mr. Schuler:** What is the amount spent regarding social drinking responsibility in Manitoba—responsible in Manitoba?

**Mr. Zubach:** The line is \$837,000.

**Mr. Schuler:** There's been an increase in community funding by 20 per cent in 2011, and from—so it's—in 2011, it was \$717,000, up from \$577,000, 2010, and \$442,000, 2009. Why is there such a large increase?

**Mr. Zubach:** There is a list—I'm not sure if it's there, okay—there is a list of sponsorships that we get involved in and it's quite extensive, and we get requests from a lot of organizations to get involved with either community support activities. So it's an area that has—is—has grown over the years because of the number of requests we get from various communities throughout the province of Manitoba. And we try to ensure that it's not just centrally focused, but we try to disperse as much as possible throughout the province of Manitoba so it—so that we're involved in a lot of the communities, be it northern Manitoba or western Manitoba or any part of Manitoba.

**Mr. Schuler:** I take the committee back to the Monday meeting of February 28th, 2011, and the conversation between Mr. Borotsik and Mr. Hildahl. And Mr. Borotsik talks about the line item just below advertising, promotions and community support. That increased by 30 per cent from \$442,000 to 577. And then he goes on and just talks about why is there such an increase.

Mr. Hildahl: That varies from year to year depending on what's happening in the community, as well as we all know. Last year was homecoming; we were very much involved in that. The province hosted the Scotties last year. We're big supporters of these types of events. We had the RBC Anavet Cup in Dauphin. So in one way we became a victim of, I think, some very positive events in the province. It's very unusual for these type of events to happen all in the same year, and we've had it happen, by and large, two years back to back. Looking at this year, we won't see the same type of national events occurring here in the province, which will then probably mean a rollback in community sponsorship—which it's just part of our way of being involved in the community, supporting the community, being part of attracting these type of national events, both Winnipeg and outlying area.

What Mr. Hildahl is saying is that those were basically one-off events, yet, from that year to this year we've seen another substantial increase. Is this something that the corporation sees as a continuing of substantial increases? Like, 20 per cent increase in funding is a substantial line item increase.

Community support in 2010 was \$577,000 and went up to \$717,000.

**Mr. Zubach:** One of the items that came up—and I guess when it gets into community support you try to budget as best you can, and sometimes we do get requests and for functions that do come up. And one of the requests that we did have to deal with was the Memorial Cup, which was held in Brandon, and so that was \$100,000 which was donated to that, and that was to—in support of Brandon to conduct that and to Memorial Cup in that city.

**Mr. Schuler:** Yes, that would take it from 577 to 677, and—

**Mr. Zubach:** Sorry. There was another amount we—was—which was basically referred to the MMSM—\$26,000, which is—it was a fee that we paid to improve beverage alcohol—beverage container recycling, and that was \$26,000.

**Mr. Schuler:** Could the corporation tell us how much funding, donations, contributions, however you list them, have been given so far to the Canadian human rights museum?

**Ms. Neufeld:** One million dollars.

**Mr. Schuler:** How about the MTS Centre? I understand MLCC is quite a advertiser at the MTS Centre, is that correct? How much is that contract worth in a year?

**Mr. Zubach:** We—the discussions with the MTS Centre—True North was started back quite a few months and, in essence, that we looked at the advantages to being a partner with, obviously, the Winnipeg Jets. And, considering that—what we would gain from that partnership, we looked at—for the amount—by the way, the amount is \$250,000 a year.

\* (20:40)

We get to advertise in the power rings. We get an opportunity to promote social responsibility. And if you walk into the arena, at the front and the back there are big posters displaying social responsibility with regards to Be Safe & Sober. And it also provides us an opportunity to advertise in their

pamphlets that they hand out, and also we got exclusive rights to the wine that's served at the MTS Centre.

**Mr. Schuler:** How much, if any, funding, donations, contributions has the MLCC given to the new Investors Group Field?

**Mr. Zubach:** None.

**Mr. Schuler:** Is there any discussion with them insofar as an advertising contract?

**Mr. Zubach:** We've had discussions with them. They've approached us on several occasions, but we haven't finalized anything at this point in time, and that's where it sits right now.

**Ms. Neufeld:** Just a point of clarification, the discussion is with Blue Bombers, not with the building you're referring to as the Investors field. We're talking with the Blue Bombers corporation.

**Mr. Schuler:** Is the MLCC a season ticket holder of the Winnipeg Jets?

**Mr. Zubach:** For the amount we pay on an annual basis, one of the things we negotiated with them is to get 10 tickets. So are we a season ticket holder? We do hold 10 season tickets, yes, we do, and we have also the opportunity to use that to put promotions within our stores, in other words, for our customers.

**Mr. Schuler:** Does any member of the board own tickets to the Winnipeg Jets games that have been purchased through MLCC funds?

**Mr. Zubach:** No.

**Mr. Schuler:** To the minister: Has the minister been to any Winnipeg Jets games using MLCC Jets tickets?

**Mr. Rondeau:** No.

**Mr. Schuler:** I take it there—who uses those tickets is tracked by the corporation.

**Mr. Zubach:** Yes.

**Mr. Schuler:** Could we have a list who has access to those tickets?

**Mr. Rondeau:** Rather than just go into who has it, I believe we could provide the categories of people who have it, like whether they're customers or whether they're contest winners, or whatever. We can provide you the breakdown of—rather than by name. I'd feel awkward by name unless—but if we did it by employee or whatever, that would be okay.

I don't know whether we should get into the actual individuals.

**Mr. Schuler:** The minister is absolutely correct. We have no interest if it was given away as a prize or, you know, opening draw. I think it would be in the public interest, anybody who is on the board or related to the board, a family member or political staff. I think those would be of public interest. And again, anybody who's from the general public would not be of interest.

**Mr. Rondeau:** Yes, if you're asking about people who win a contest and show up, absolutely not. I agree with you. If it's talking about board members or MLAs or Cabinet ministers, absolutely. I have no difficulty whatsoever providing that to you. But the other—just for clarification, do you want like how many are employees who won the contests for not doing whatever or do you want the categories also or do you just want the MLAs, political staff, and board members?

**Mr. Schuler:** I think the only interest would be political staff and board members and their families. The rest of them we—the fact that the corporation would use them for promotions is of little interest.

**Mr. Chairperson:** You still have the floor, Mr. Schuler.

**Mr. Schuler:** I'd like to move on to the last topic, and we are kind of racing against the clock here, and that's the licensing of movie theatres. Could the corporation tell us what sort of the plan is on a go-forward basis? Where does the corporation see that going? I know there has been one theatre, if I understand. I know there was a university paper contacted me and felt that it was evil of the NDP to give this to multinational corporations and not to independent theatres. And rather than take a stand one way or another, I said I would just bring the question forward to committee. So, perhaps the minister or one of the staff could answer that.

**Mr. Rondeau:** I will directly send the comments to the CEO, but in general what happens is often people come up and they come up with ideas from other jurisdictions, et cetera. I know in other jurisdictions they've had licensed movie theatres for a long, long time. I know in many other countries, it's been for decades. I think it's part of the hospitality strategy to see how we can move liquor licences and establishments into the future, and so that was part of the strategy. So when groups come and we have discussions on, I understand there's conditions which

Mr. Zubach will go through on the licensing and the serving of liquor, but I understand they're very, very strict regulations and there's strict conditions, and that brings us up to other jurisdictions that have been doing it for years. So, I'll pass it to Mr. Zubach.

**Mr. Zubach:** Thank you. We were approached by a large cinema organization and it's a concept they've introduced in other provinces. Ontario is one of them, and I believe Alberta, and they've had some—they've had success in those provinces. They're also looking at British Columbia where they're looking at licensing a certain portion of the new cinema establishment.

They've come forward with the plan and we've—not a plan but the concept, and they put forth an application to us. They're not licensed as yet, and as far as I know, they haven't started the renovations as yet. But the intent there is to look at—renovate a portion of their theatres. And keep in mind that to proceed with this the organization must have two theatres: no more than 50 per cent of that theatre can be licensed, it's age restricted, there's a separate entrance so you can't walk between the licensed and the unlicensed portion, it's—it must have a minimum of 75 seats. There's a full menu in this theatre, and again, it's licensed.

It's—I haven't been in one, but I've looked on the Internet and it looks very—the seats are very comfortable. You do have a table beside you. You can order a drink and you will be served. *[interjection]* Yes, you can. Apparently, you can. Yes, the seats are comfortable because obviously—but—and we have talked to other jurisdictions also about whether they've had any other issues or complications or difficulties with the concept.

And again, as I've mentioned, they've put forth the application, and before they get a licence, we have to see what they do with the establishment, the renovations, the changes they make and so forth before the licence would be approved by the MLCC.

**Mr. Schuler:** Last question on this, because neither of you answered the question. Is there any indication at all that at some point in time, independent theatres would be considered for licence? And that was a question this young, budding journalist from the—I think it was *The Uniter*—raised with me and he felt that the independents were being kept out of this, so I raise it with you today.

**Mr. Rondeau:** I understand a similar location, like Park Theatre, is licensed, but there are certain rules

that can come through and after we have the first model, I assume other people will follow. But there will be certain rules and we'll make sure that they abide by the rules.

**Mr. Cliff Graydon (Emerson):** At the last committee, I asked a question tongue-in-cheek if you were going to expand to have beer in grocery stores, and, of course, the answer was no. There was no thought of that and within a couple of months there was an announcement. So, I like to think that I did influence the MLCC and I certainly appreciate the speed with which Mr. Hildahl acted.

\* (20:50)

But at the same time, I guess the question is: Is this the way of the future, that grocery stores will be competing with our private vendors and the private beer vendors and the private liquor vendors? Is that the way of the future for the MLCC?

**Mr. Rondeau:** As I understand, when they have these new facilities, they're not meant to be beside or close to other existing facilities. They're meant to be quick service. They're meant to be in underserved areas.

So, we will be trying to keep them away from other vendors. So it's not a direct competition, it's trying to service underserved areas.

**Mr. Graydon:** I thank you for that.

I'm just wondering if you're going to use the same criteria that you're using today of 20 kilometres?

**Mr. Rondeau:** I don't think we've finally worked out the specific details of that. I think what we're doing is we're trying to figure out underserved areas as either geography or traffic patterns, et cetera. So we're still working that out.

An example would be the airport at the—the facility at the airport would be less than 20 kilometres, but it services a very, very different market. It services a travelling market. So, although the Madison area is within 20 kilometres, it's a totally different clientele.

**Mr. Graydon:** Just maybe switching gears, the AIR MILES program is a money-maker according to what we've heard tonight. And yet, when I take a look at 2010 versus 2011, 2010, if I understand it right, there was a 330-some thousand dollar loss. Can you explain that?

**Mr. Zubach:** I'll try to explain it to you. I'm trying to get familiar with this.

But in essence, what happens here, this is the expense that we incurred on the AIR MILES program and the revenue was slightly less, \$833,000. But what we're looking at, because of the programs, is the focus on the sales that it generates. And it's the lift it creates in the sales that—in our organization and throughout our stores in regards to the products being sold.

**Mr. Graydon:** Then the question becomes, then, how do you identify that in your annual report?

**Mr. Zubach:** We look at our sales. We look at each individual store. We look at, especially after we have a program such as this, we evaluate it to see whether there has been a lift in the store. We look at the products that was promoted, whether there has been an increase in the sales in that particular product or products, I should say, and just follow the trends and to see whether there is a lift. And we monitor this on a regular basis, even almost on a daily basis.

**Mr. Graydon:** So, in fact, then, it is very difficult to say that it is a money-maker then?

**Mr. Zubach:** It—we are pretty positive that it is a money-maker for us.

**Mr. Graydon:** I see that you spend a lot of money on staff training, and I certainly appreciate that. I'm just wondering, is there any money spent in an area like the Addictions Foundation.

**Mr. Zubach:** I'm not sure if I'm clear on that question. Do we donate money? Do we give them money for training?

I can tell you that what we do is we work with the Addictions Foundation, and we bring them in and we pay them to train our employees to recognize issues out in the community. As a matter of fact, we've just put all our employees through a training recently, and our management staff, and it was a compulsory program where they were—we worked with AFM. They would come in. They would train our employees to recognize some of the issues that are out there from alcohol, gambling or drug addiction.

**Mr. Graydon:** Thank you for that. The problem with alcoholism is definitely well known throughout the world, for that matter. But the Addictions Foundation, then, from what I'm hearing from you, receives no other support other than the fact that

you'll bring them in to train your staff. But they've—they receive no other support whatsoever from you.

**Mr. Zubach:** Our act does not, from what I understand, does not permit us to directly fund AFM. The funds that go directly into—are turned every Friday over to the provincial government.

**Mr. Rondeau:** And I'd like to reiterate that the money does go to general revenues. However, the funding for addictions has increased drastically. It's basically well over doubled in the last 12 years, and so there's been increased money. But up to this point, the money has gone from AFM to the general revenues, and then from general revenues the government's made decisions to put it into AFM and other addiction systems.

**Mr. Graydon:** So then if I understand correctly, the act specifies where you can put money and where you can't give money?

**Mr. Rondeau:** To be specific, what happens is when there's a profit of the MLC it goes to general revenues.

**Mr. Graydon:** But I did understand you to say that the act didn't allow you to give money to Addictions Foundation.

**Ms. Neufeld:** We are not, by the Legislature and by act, able to support any kind of programming or projects of any sort. It's not just the Addictions Foundation. So it's not just them, it's—so every Friday all of the money goes to general revenue. From there government, in its wisdom, distributes to all kinds of different projects and programs, one of which is the Addictions Foundation. So it's not that we're precluding addictions, we can't do it for anyone.

**Mr. Graydon:** So then, in that context, the million dollars that you gave to the human rights museum, it didn't really come from you, then, it came from the government. Is that what you're saying?

**Ms. Neufeld:** The time that that contribution was made, there was a belief that this was such an extraordinary circumstance, and that the revenue that would come back from the tourism, et cetera, the conferences that would be held, the increase in liquor sales would more than amply pay back for that

donation. And it wasn't a program donation as such; it was support of a once-in-a-lifetime type of opportunity, much like you would have the Pan Am Games, for example. There was one-off where this would be a continuation for Manitoba.

**Mr. Graydon:** The amount of tax that you pay, the corporate tax, can you explain that to me? The—or corporations capital tax: Can you explain what that is to me, because I don't understand it. That's on page 29. It's \$111,000, up \$4,000 from 2010.

**Mr. Zubach:** It's basically a provincial—it's a provincial tax based on our capital assets.

**Mr. Graydon:** Would that be—I'll leave that where it is. The environmental protection tax of \$2 million, what does that cover? What is—what environmental issue does it address?

**Mr. Chairperson:** You have the floor, Mr. Zubach.

**Mr. Zubach:** It's basically a levy, and that's provided—given to conservation, environmental programs and so forth.

\* (21:00)

**Mr. Graydon:** How would I find out what that's being used for, then?

**Mr. Zubach:** Specifically the type of programs? You know what, I'll have to get back to you with that, because I—if I tried to guess at this point, I can probably not limit, I guess, all of the programs.

So could I get back to you on that?

**Mr. Graydon:** Sure.

**Mr. Chairperson:** Order. We've now reached 9 o'clock.

As we previously agreed, we would revisit our course of action at this point. Does anybody have any advice to the Chair?

**Mr. Rondeau:** I anticipate it's the will of the committee to rise.

**Mr. Chairperson:** Is it the will of the committee to rise? It seems so. *[Agreed]*

Committee rise.

**COMMITTEE ROSE AT: 9:01 p.m.**



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