



Third Session - Thirty-Seventh Legislature  
of the  
**Legislative Assembly of Manitoba**  
**Standing Committee**  
on  
**Public Utilities and Natural Resources**

*Chairperson*  
*Ms. Bonnie Korzeniowski*  
*Constituency of St. James*



**MANITOBA LEGISLATIVE ASSEMBLY**  
**Thirty-Seventh Legislature**

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LEGISLATIVE ASSEMBLY OF MANITOBA

THE STANDING COMMITTEE ON PUBLIC UTILITIES AND NATURAL RESOURCES

Tuesday, July 2, 2002

TIME – 10 a.m.

LOCATION – Winnipeg, Manitoba

CHAIRPERSON – Ms. Bonnie Korzeniowski  
(St. James)

VICE-CHAIRPERSON – Mr. Gregory  
Dewar (Selkirk)

ATTENDANCE - 11 – QUORUM - 6

*Members of the Committee present:*

Hon. Mr. Smith

Mses. Allan, Asper, Messrs. Derkach,  
Dewar, Fauschou, Helwer, Ms.  
Korzeniowski, Messrs. Maloway, Reimer,  
Schellenberg

APPEARING:

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

Ms. Carmen Neufeld, Chair, Manitoba  
Liquor Control Commission

MATTERS UNDER DISCUSSION:

Annual Report of the Manitoba Liquor  
Control Commission for the year ended  
March 31, 2000

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

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**Madam Chairperson:** Good morning. Will the Standing Committee on Public Utilities and Natural Resources please come to order.

This meeting has been called to consider the following reports: the Annual Report of the Manitoba Liquor Control Commission for the year ended March 31, 2000; and the Annual Report of the Manitoba Liquor Control Commission for the year ended March 31, 2001.

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

**Mr. Gregory Dewar (Selkirk):** I suggest we sit until noon. That should be plenty of time to pass these outstanding reports.

**Madam Chairperson:** Agreed? [*Agreed*]

Are there any suggestions from the committee regarding the order in which we should consider these reports?

**Mr. Jack Reimer (Southdale):** We could go chronologically, starting with 2000, then moving on to 2001.

**Madam Chairperson:** Agreed? [*Agreed*]

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

**Hon. Scott Smith (Minister charged with the administration of The Liquor Control Act):** First, I will introduce the staff we have here today, starting with Carmen Neufeld, Chair; Don Lussier, President and Chief Executive Officer; Bill Fawcett, the acting vice-president in finance and licensing; Roman Zubach, is he here? Not. Maureen Spier, the director of licensing and permits, is here with us today.

It is a pleasure to be here this morning with all honourable members. Happy past Canada Day. I know a lot of the members here from rural constituencies were back in their

constituencies celebrating with their folks within their communities. The weather was hot and the burned noses around the table here today seem to represent everybody had plenty of time outside.

The members will recall last year as we came into committee many of the years previous had been passed. We have the year 2000-2001 before us today.

The mission statement of the Manitoba Liquor Control Commission, as noted in its 78th annual report, is to promote the safe, responsible and healthy lifestyles of the products that they sell and certainly thereby generating revenue for the Province. Some of the changes that we saw over the past couple of years certainly emphasize this and push this process forward on social responsibility.

It is worthy, the mission statement I am pleased to report, that fiscal 1997-2000 were strong years for the MLCC. In '97 the commission provided \$144.1 million to the Province for the services that Manitobans cherish. Certainly among those were health and education in our province.

In 2001 the MLCC transferred \$158.6 million to the Province, which is an increase of approximately 10 percent over the 1997 figures. During the two years being reviewed the MLCC developed new strategic initiatives which further raise the MLCC's social responsibility initiatives to equal footing with profit objectives. The new strategy initiatives paved the way for the MLCC in achieving its profit and performance objectives while entrenching its commitment to responsible consumption ideals in delivering a high level of customer service quality.

The key to all this of course is the people. The MLCC employs the equivalent of 485 full-time employees. The strategic initiatives also point the way to creating a working environment that allows people to excel. For example, the commission introduced the Store Management Development program. More than 1100 hours of training were provided over 44 training sessions in 2000. The MLCC also launched an award program for its people. The employee commitment developments maintain the superior talent

awards recognition, or Star Program, as it is more commonly known, to recognize individual and team accomplishments. This is just one small way the commission is working to encourage the good work of the people that work for MLCC.

In fiscal 2001 the commission also committed itself to promoting a modernized work environment and addressing the health of its employees and set a course toward developing a workplace attitude survey. The MLCC recognizes that its employees are its strongest resource. Together they actively support the United Way with the commission matching contributions through a mix of in-kind and financial support. Employees are also very visible in our communities in general, working with a number of agencies, community festivals and groups focused on healthy lifestyles.

In 1997, the MLCC formed an alcohol education committee representing a cross-section of departments to ensure that the promotion of responsible consumption is integrated into all activities. The important work of the committee continues to grow. In fiscal 2000 the MLCC launched a new photo identification program for retail outlets and licensed premises called Show Your Age.

In fiscal 2000-2001 the MLCC worked closely with its partners in licensing premises, suppliers and other vendors to target the high-risk drinkers between the ages of 18 and 34 years of age. The live life to the max, please drink in moderation campaign profiled young adults enjoying life to the fullest with punchy messages dispelling some of the commonly held myths about alcohol. Perhaps one of the strongest materials in the program was a poster dealing with the effects of heavy drinking during pregnancy. The poster dealing with fetal alcohol syndrome reminded customers that a mom-to-be needs the support of friends and family when she chooses not to drink.

The MLCC has become quite active in helping to raise awareness of FAS working with the Children and Youth Secretariat, the Addictions Foundation of Manitoba and the Fetal Alcohol Family Association on a variety of initiatives.

Encouraging responsible service is also a prime aim of the regulatory arm of the commission. The licences and permits department works with local business, community groups and individuals renewing the issuing of approximately 3000 licences and 14 500 occasional permits each year. With inspectors based in Winnipeg, Brandon, Dauphin and Thompson, inspection services works with a variety of community groups as well as licensees to ensure The Liquor Control Act is upheld.

Information sessions are organized on a regular basis, and field manuals help spell out the rules of operation under The Liquor Control Act. MLCC representatives sit on a Responsible Server Committee with police services, the Manitoba Restaurant Association, Manitoba Hotel Association, Manitoba Tourism Education Council and the Manitoba Public Insurance. Together they maintain the It's Good Business program and responsible service training and materials for licensees and their staff. During the fiscal 2001, the commission took bold steps to address the issue of overconsumption in licensed establishments after the deaths of several young adults due to binge drinking.

\*(10:10)

The commission asked the Province's Responsible Server Committee to review licence training programs and enforcement practices and recommend changes for improvement. One of those changes was to make mandatory the responsible server training program called It's Good Business. This program ensures that owners and managers, as well as the serving staff, of licensed premises have the tools and the resources they need to ensure that the patrons are not overconsuming or being overserved in their establishments. These are examples of how the commission employees work proactively with owners, managers and servers of over 3000 licensed establishments in the province of Manitoba. It is also important to note that staff maintain strong working relationships with several of the groups in the industry, including the Manitoba Hotel Association, Manitoba Restaurant Association, police services, licensee groups and community groups.

In fiscal 2000 and 2001, the licences and permits and inspection services department

continued their education and preventative efforts. They conducted seminars for licensees to explain the act and regulations of the commission policies and to help those interested in obtaining liquor licences. They also work with festival organizers to provide planning, promotion and operational assistance to communities across the province. During this time, they also made close to 300 educational visits to hall owners and permittees and conducted over 370 staff training sessions for licensees. These sessions are more intensive and take more time than a routine site visit but seem to have more of an impact in the longer term.

Certainly, education is the key and strategy, but inspection services holds firm its commitment to ensuring the compliance of problems and high-risk drinking locations, such as bars, cabarets versus dining rooms and clubs. Measuring the effectiveness of the inspection service is not a simple matter. In looking at the numbers, certainly fluctuations from year to year in the number of inspections are to be expected, given the nature of the role of the inspector. Special events, major festivals and change in establishment focuses are just some of the factors that may affect the operation of a licensed premise.

On the commercial side, the commission is a major force in the provincial economy. One of the largest buyers of beverage alcohol in the world, the commission's business is international in scope. The commission purchases products from 1000 suppliers in 50 countries. The MLCC offers over 2500 spirits, wines and beer products, with the addition of the special, one-time listings throughout the year. Through its distribution centre, it supplies 1700 customers and annually processes over 63 000 orders, injecting approximately \$1 million into the provincial transportation system for delivery of services.

Recognized as an innovative retailer, the MLCC is very aware of consumer trends and market shifts. The MLCC keeps in tune with its customers through traditional methods such as surveys and focus groups on specific projects. Recent surveys have proven that the majority of Manitobans are satisfied with the service they receive from their liquor mart. When it comes to important measures such as friendliness of staff, staff product knowledge and store layout, MLCC

liquor marts consistently rank highest when compared against other retail chains.

Customers are also embracing the public and private courses offered at the MLCC's education centre. Located in Grant Park liquor mart, the education centre features a demonstration kitchen, which allows MLCC product consultants to showcase their skills and expertise while promoting a responsible approach to food and drink. The courses of spirit and wine selections have proven to be very popular and sell out quickly. In fact, the MLCC reports a growing interest in wine in Manitoba. For example, wine consumption was up nearly 17 percent in fiscal years 2000, 2001 over fiscal year 1996.

The MLCC focus remains on excellence and customer service but not at any cost. Cost of administration as a percentage of sales continues to maintain a low level, hovering around 9.1 percent. Not wanting to rest on its laurels, the commission is committed to enhancing service to rural Manitobans and has taken steps to improve the product selection, enhance product knowledge in the local stores and provide an overall better shopping environment.

To address the problems of poorly performing outlets, a new liquor vendor operation agreement was developed in fiscal 2001 to clearly define expectations for both the operator and the MLCC. The liquor vendor compensation system has also been restructured with changes in payment terms and commissions that allow vendors to carry a wider assortment of higher-level inventory.

Perhaps the MLCC's most significant undertaking was a public review of The Liquor Control Act which occurred during the early summer of 2000. The act was last rewritten in 1956, and the last formal review occurred in 1981. Over the years, numerous amendments have helped to create a complicated and lengthy piece of legislation. The review panel led by the MLCC chair, the competent Carmen Neufeld, held eight public meetings throughout the province. It considered over 100 proposed changes in legislation, regulations or policies. The panel presented their final report to the previous minister, Diane McGifford, responsible for the

administration of The Liquor Control Act, with 44 recommendations for changes.

I would like to take this opportunity to thank the board of commissioners, executive, management and staff of the MLCC who I believe serve this province extremely well.

With those few remarks, Madam Chair, I am ready to move on.

**Madam Chairperson:** We thank the honourable minister. Did the critic for the Official Opposition have an opening statement?

**Mr. Reimer:** The critic for this particular Manitoba Liquor Control Commission is not here right at the moment. He is on his way. He got tied up in traffic. I will just have a few opening remarks, thanking the minister for bringing forth the reports for preview.

I think, as we mentioned earlier, we are more interested in getting to asking some questions of the staff and the chairperson. The suggestion was made that we pass the 2000 and then just move on to the 2001 under the condition that one of my colleagues is wanting to make reference back to the 2000 report in some of his questions. Is that agreed?

**Madam Chairperson:** Agreed? Did the representatives from the MLCC have any opening comments for the committee?

The Annual Report of the Manitoba Liquor Control Commission for the year ended March 31, 2000—pass.

It was agreed to pass the 2000 report, but is it agreed to allow questions on the 2000 report if they come up? *[Agreed]*

The floor is now open for questions.

**Mr. Reimer:** There are a few questions I was just wanting to ask in regard to some of the operations for the Manitoba Liquor Control Commission, regarding I believe there is a new system of ordering the company has initiated called the ATLAS system. I wonder if you could just give me a little bit of a background as to the principles of that.

**Mr. Don Lussier (President and Chief Executive Officer, Manitoba Liquor Control Commission):** It is an Internet-based ordering system. Our inventory is available on-line 24 hours a day, seven days a week by computer. Most of the liquor vendors, as an example, are on that system. They can tap into our order system at any time, order their stock. It is confirmed whether they have all of their order within an hour, and the stock is shipped within the next 48 hours.

\* (10:20)

**Mr. Reimer:** Are there minimums that have to be ordered at any particular time?

**Mr. Lussier:** Yes, there are minimums.

**Mr. Reimer:** The minimums, are they combined orders? Can a licensee combine an order of, say, beer and liquor, for a minimum amount of dollar volume, or are their dollar volumes on each particular item, like a minimum order of beer, a minimum order of alcohol, without paying a delivery charge?

**Mr. Lussier:** Yes, there are two separate minimums. Since most beer is delivered privately, through either BDL or WETT Sales, each of those companies have minimum quantities that must be ordered in order to not have a service charge. I believe it is in the neighbourhood of 40 dozen without a service charge. In terms of our orders, the order minimums are very low. I think it is, going from memory, about \$500.

**Mr. Reimer:** Then, just for clarification, the beer would be I think you said around \$1,100 or \$1,200 and the hard stuff is around \$500. Is that right?

**Mr. Lussier:** Whatever 40 dozen works out to. It is based on case quantities, in terms of beer. It is based on dollar values, in terms of liquor and wine.

**Mr. Reimer:** Does the beer include what you might call import beers, like some of the specialty beers that you are seeing in the vendors now, like Corona or Heineken or something like that? Do they fall under a different category of

ordering, or can they be lumped in with the total beer order?

**Mr. Lussier:** I am getting this now. A number of the large brands you have mentioned are distributed privately. So, yes, they would be included in the minimum dozen quantities. So Heineken, Corona are distributed through a distributor, through WETT Sales. You would total up the order; it does not matter the brand. All the distributor is concerned about is that there is 40 dozen on that order, whatever the brands are.

**Mr. Reimer:** With the local breweries, the local breweries that have come up, like Agassiz and Fort Garry and that, do they have a different classification of ordering, or the minimums that can be shipped by those companies?

**Mr. Lussier:** In the case of Fort Garry, Fort Garry does its own distribution, so they set up their own minimums. That is their option. They could have no minimums if they so desire. The other ones, Agassiz is distributed through BDL, so, again, as I said before, that would be included in the order with Blue, Coors, et cetera, in terms of the totals.

**Mr. Reimer:** I think when the local breweries were coming on stream, correct me if I am wrong, but they were looking at the draft market as being a fairly lucrative end of it, that they wanted to funnel their sales towards.

With the minimum pricing of liquor in bars now, has there been any indication or any notice of the local breweries suffering under that system of minimum pricing because of their reliance on draft sales?

**Mr. Lussier:** It will vary by the brewery. In the case of Two Rivers, yes, there was a decrease in their draft sales, but there was a huge increase in their 2-litre sales. So compared to where they were previously, they are doing very well. They are up actually.

In terms of Fort Garry, there has been, yes, some decline because draft sales have gone down. However, draft sales are going down all across the country. It seems to be falling out of fashion to drink draft. You are getting a

movement over to coolers, which is the big move now. But, yes, there has been some decline.

**Mr. Reimer:** I know that this topic came up before and it is in regard to AIR MILES. You can use your card when you go to the local MLC Commission, like in Southdale where I live, and they will take my AIR MILES, but if I go out to visit my friend here in Gimli or some of the smaller towns that have a local distributor of the same liquor, why are they not permitted to accept AIR MILES also when I purchase liquor there?

**Mr. Lussier:** Because there is a cost associated with it. First of all, in terms of our contract with AIR MILES, they would have to all agree, every single vendor in the province would have to agree that they want to give out AIR MILES. Then they would have to pay the costs associated with AIR MILES, and I would suggest that that would reduce their remuneration.

So they have not been given the option to do that. They were more concerned, when we dealt with them, about increasing their stock on hand and their discounts, and those were accomplished in this report, also giving them terms, as well, to try to enhance the service in rural Manitoba.

**Mr. Reimer:** Licensees, can they go to their local liquor store to purchase liquor, or does all their liquor have to be purchased through the MLC?

**Mr. Lussier:** They have an option to purchase through the liquor store or through the distribution centre, either one, or through a liquor vendor, as a matter of fact. So there are options open to them. There are some restrictions in terms of quantities in terms of pickup at some stores.

**Mr. Reimer:** If a licensee was to go into the local liquor vendor, can he or she purchase their supply of liquor and pay for it with their credit card and process their AIR MILES at that time, by the licensee?

**Mr. Lussier:** I am sorry, I am not clear. At a liquor vendor or through a liquor store?

**Mr. Reimer:** Store. You know, they go to the local store at Grant Park. The restaurants in the area are running out of a certain type of liquor, hard liquor I am talking about, not beer but hard liquor, and they need a case of this, a case of that type of thing, and they come in.

Can they pay for it with their Visa card, and can they use their AIR MILES card to get points for themselves?

**Mr. Lussier:** No, they cannot pay for it with their credit card. They can pay for it with a debit card, and we only give AIR MILES on the wine side of our business. So they can get AIR MILES on their wine purchases but not on spirits and coolers.

**Mr. Reimer:** So the licensee, if they are in a situation where they have to stock up, well, say, for example, on the Canada Day weekend, and they wanted to go to the Liquor Commission, they could not use their Visa card or their company Visa card to purchase the liquor. They would have to come in with what, cash, or a certified cheque?

**Mr. Lussier:** No. In fact, we provide them with terms, 15-day terms, which can be processed through a liquor store. So they could pay 15 days down the pipe from that. Instead of credit cards, we provide them with terms because to accept credit cards on all licensee sales would cost us millions of dollars.

**Mr. Reimer:** But they can get what you say if they can process their AIR MILES card against their wine sales that they purchased through that store, and the payment though they could forgo for the total amount could be 15 days?

\* (10:30)

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

**Mr. Reimer:** I was wanting to ask a few questions in regard to the licensing of community clubs and community centres. I understand that there is now a training program involved with anybody that is serving liquor. Maybe you could correct me on that. Is this in effect right now?



**Mr. Lussier:** Yes, it is for licensees and employees of licensees. It is not in effect for permittees. It does not apply. Now, in the case of large permits, say Folklorama as an example, we have encouraged the operators to take the course because they are very large operations. It behooves them, even from a liability point of view, to have trained staff on hand. We have encouraged operators, community clubs let us say, that do provide a bartender, for a permit. We have encouraged that bartender, if it is a regular occurrence, to take the course as well, but it is not mandatory.

**Mr. Reimer:** Because I had been approached by community centres saying that the new rules—I did not even realize that there were rules; that is why I am asking the question. Because community centres are almost 100 percent by volunteers, when they put on a community event through their community club and they apply for a liquor permit to sell beer or wine for social occasions, you are saying then that the person that is the volunteer that comes in to man that bar, naturally abiding by the rules that are set out in the permit, he or she does not have to go through a special training program for the serving of liquor at that club. Is that true?

**Mr. Lussier:** That is true.

**Mr. Edward Helwer (Gimli):** I just have a couple of questions. I guess I will start with the one regarding the licences, a number in 2000 or when you held your hearings or meetings around the country to discuss some of the things that MLCC does or one thing or another. I attended the meeting at Gimli and at that time brought to your attention the fact that the Petersfield store had applied for a vendor licence a number of times. They had not been successful in getting their licence. One of the reasons was the distance between stores. I understand that was changed a number of years ago. That responsibility now rests in the hands of MLCC, and you have the authority to either grant or not grant a licence to anyone that applies.

In the case of the Petersfield store, they have applied for a vendor, and I think they should qualify. First of all, the town is growing, and it is a big tourist area with the Netley Creek there. The number of tourists expands the community

quite a number of times actually. The population increases a lot during the summer because of the number of cottages there and the number of new ones that are being built in the area, also the number of full-time residents that live there and commute to work in Winnipeg or Selkirk or wherever. So, therefore, even though the store is six miles from Clandeboye, or something of that nature, six or eight miles, whatever it is, it would not affect the sales of the Clandeboye store. Yet it would give the people of Petersfield an opportunity to be able to purchase whatever they need if there was a liquor vendor at the store in Petersfield. The people that own the store do an excellent job of running the store. They have a post office. They are able to do that very successfully. They have a little restaurant and the grocery store, and they will, certainly, I think, do a good job if they also had a liquor vendor. I would certainly support them. Has the MLCC recently looked at the application of the Petersfield store?

**Mr. Smith:** On the specific store location and site, I will pass on that to Mr. Lussier after. But on the kilometre radius, certainly you mentioned that a number of years ago it was changed. There have not been any changes in the last decade regarding kilometre radius specifications that are laid out, nor the amount of people within a catchment district that are laid out as well. The specifications have not changed over the last period of time, certainly through the nineties and into 2000. Many of the folks with the outlets within rural Manitoba have agreed to these specifications, protection for their area, making certain that they maintain a viable business, a business within their communities that is stable. The previous government looked at that and we have agreed to that, the protection for especially a lot of the rural areas out there.

When you get the idea of looking at reducing size or kilometre radius or expansion into other areas, the impact can have a drastic impact on many of the operators that are out there. The ones that are out there have a good, established business. They are very conscious and cognizant of infringement on others within their area to maintain viability. As areas grow populations grow. If they were not able to meet the population specifications, an area has grown and they reapply, that is taken into consideration.

We also see a lot of the vendors out there summer to winter changes. You see, with tourism and whatnot, the expansion of part of the year, large increases and growth out there. We see a reduction through a lot of the winter months. In other areas we are seeing some growth in winter months with the expansion of tourism into the snowmobiling industry, into some of the new entertainment process that people have looked at in the last while, in cross-country skiing, a lot of the Americans coming up to your area in particular, Riding Mountain, that area, many of the other areas that we can mention.

But the transition trends of population growth do impact season to season. There have not been changes made over the last ten years. Probably for many of the folks out there, especially in rural areas, they fully agree with the implementation of the specifications that are in there now. We have heard that over and over again from many of the vendors in rural Manitoba. They would not like to see any change in that area. The review of it has not been undertaken and is not planned.

**Mr. Helwer:** Just in reply to the minister, a number of years ago a bill was passed changing the act somewhat and taking the kilometre distance out of the act and putting it into a regulation with the MLCC, except the MLCC has the regulation to allow or to change the distance factor.

In cases whereby in the case of Petersfield, because of the tourist aspect and because the community is growing, because of the fact that this community does have all the amenities, a rec centre, a curling club and hall and things of that nature, they have all the amenities there. So it is attracting a lot of residents to live there and commute to work in other places such as Selkirk or Winnipeg. So it does not matter what the distance is. I mean, you have examples already of where vendors are closer than the six miles or 10 kilometres, whatever your regulation is. So you already have examples, and I can give you those if you would like, where your regulation does not affect some of the vendors already in place.

So I do not know why this particular community should be denied a vendor when it does

have everything there. The business certainly would be there. The store is a viable operation and would make an ideal situation too, for, in your case, you increase sales and it would not affect any of the other neighbouring stores, or neighbouring facilities. So I feel that these people should be given at least a hearing so that they do understand. I think they should qualify for a vendor.

Anyway, has the MLCC looked at this particular vendor or looked at changing their regulations as to distance?

\* (10:40)

**Mr. Smith:** Madam Chair, your member is quite right. There are some anomalies out there, certainly with different locations that are within the set radius that is out there right now. But those ones that you have mentioned are ones that have been grandfathered, or grandparented, I guess, would be a better term, ones that have been in there for a number of years and a considerable amount of time. There have not been new ones established, certainly within those radiuses in the past number of years.

Certainly, if someone is looking to have consideration in an area, nothing prevents people from making an application, having it looked at and certainly being given due diligence through the processes, as are all applications. Certainly, that is possible. I would maybe pass it on, on this specific location. Maybe I would forward this to Mr. Lussier to see if he has any information regarding this particular location.

**Mr. Lussier:** Yes. I have been dealing with the Clandeboye situation for—how many years, Ed?—15, maybe. Just to update you on where we are at, we have reviewed the 20-kilometre rule. It came into existence in 1982, so there was, prior to that time, no distance restriction. That accounts for a lot of vendors that are closer together, who are grandparented in, as our minister said.

We reviewed that in 1990 and it was reviewed again prior to signing new vendor agreements, reviewed in the sense that we did a province-wide customer survey of people that virtually shop exclusively at liquor vendors and

asked them what they felt was a reasonable distance to drive. It came out that 20 kilometres was deemed to be reasonable in a rural area. That information was shared with the Liquor Vendor Association. The Liquor Vendor Association felt strongly enough that, in the development of their new operating agreement that we have signed with 180 liquor vendors, it incorporates a territorial protection. So it incorporates the 20-kilometre distance restriction between vendors into those agreements. Those are five-year agreements. If we located another vendor at this point, we would be in violation of 180 operating agreements.

**Mr. Helwer:** I want to thank Mr. Lussier for his reply. My next question is regarding, I guess, a vendor just outside of the city that is selling—I think Mr. Reimer touched on this a little bit—was delivering or supplying some of the hotels with some of their requirements. In the case of Lockport, as an example, the store there was stopped from selling to some of the hotels in Winnipeg and stopped from delivering, I guess, into Winnipeg. Now the hotels have to go out there and pick it up and pay for it however they want, with their credit card or however they want. They can do that. But why is there a new regulation in the fact that the hotels have to go and pick their stuff up, they cannot have it shipped by courier or any other way at this time?

**Mr. Smith:** Madam Chair, certainly the terms of conditions are identified with all vendors throughout the entire province, and any vendors that are in contravention of a licensing agreement, from the terms that were set out with their initial terms, would not be acceptable. Many of the vendors that are out there, when coming on board with their particular location, are fully aware of the terms, and certainly all other vendor locations throughout the entire province of Manitoba are well aware of the terms that are set out. In this particular location, this is not, and I will refer this to Mr. Lussier, something that is new. It is something that has been established for a period of time and it is not something that has been brought in over the last couple of years. Certainly it was the same with the prior government, as it is now. It is not something new. It is not something that has been brought in since '99. Certainly not. It is one that all other vendors throughout the entire province of

Manitoba adhere to. I will repeat, it is not something that has been brought in. It is not something that is new.

**Mr. Helwer:** I think you misread the question. This was a specific item that pertains mainly to a vendor who is located just outside the city, actually, and was delivering to some of the city hotels and was stopped from doing this for whatever reason. It certainly has affected his business and affected some of the hotels that he was supplying too. I think Mr. Lussier touched a little bit on this before, but it did not really answer the question as to why the store at Lockport cannot sell some of his supplies to hotels; or he can sell to them but they have to come pick it up and pay for it with a credit card. So this is a new regulation that you put in. This is not something that has been in effect any length of time.

**Mr. Smith:** There was no misread of the question. This has been in place for a number of years. It is not something new. The delivery that the person was doing from their facility into others, that is in contravention of the licensing agreement and that is not acceptable to be in contravention of the agreement. That is not something new. That is something that has been there a good period of time, so it was not a misinterpretation or misread of the question. It is something that has been in effect for a length of years.

**Mr. Helwer:** I just have one question and then I will pass it on to the critic here. Last week at the AMM meeting, the Association of Manitoba Municipalities, that was held at Stony Mountain for the Interlake municipalities, they had a discussion about the new training that would have to take place for some of the people who were able to serve or be bartenders at curling rinks, local town halls and things of this nature, and it is putting an unfair burden onto some of the municipalities with these halls and curling rinks. So they passed a resolution at that time, explaining that this was an unfair burden on some of the smaller curling rinks, town halls, places like that, where they use volunteers to run the bar or whatever.

So, has the MLCC, since the new regulation that they brought in about a year ago or so,

looked at some of the local facilities, such as curling rinks and local town halls maybe, and exempted them from this training program? Or, because they have to take the training, they have to pay for the training and then they are the only ones that can serve in that particular facility, have they looked at exemptions for smaller curling clubs or smaller halls?

**Mr. Smith:** I have had a discussion and certainly talked to many of the folks out there, AMM. Generally, the impact from the recommendations from the Responsible Server Committee on responsible server training is that a lot of the facilities have been extremely popular and well placed with a lot of the smaller communities. The question was asked previously on some of the locations and on some of the permits that pop up in some of the communities, and, certainly, it is not mandatory for a lot of them, some of the special permits that pop up, but, certainly, any facility that serves liquor within the province of Manitoba on a regular basis—the recommendations are quite strong from the communities out there that they would like to see responsible sales service and consumption of alcoholic beverages throughout the entire province of Manitoba.

The member may have some specific cases that he knows of that are irregular or that might be on special occasions or not on a regular basis, but, certainly, overall, it has been extremely well accepted by AMM as well as by many of the communities out there. The Responsible Server Committee recommendations on responsible service in all licensed establishments throughout Manitoba, and whether it be a curling rink or any other location that serves alcohol on a regular basis, certainly, I think all Manitobans benefit. People benefit in Manitoba by having responsible service within licensed establishments. This Government supports that.

\* (10:50)

**Mr. David Faurschou (Portage la Prairie):** Good morning. I appreciate the minister's opening remarks, especially one that recognized the progress in wine sales that have been made over the past year.

I do want to ask first off of the chairman as to when we will receive this year's report. We are essentially a year out of date here.

**Ms. Carmen Neufeld (Chair, Manitoba Liquor Control Commission):** April 30, of course, is our year-end and we are just in the process—sorry, March 31 is year-end—of drafting the annual report. The auditor's report was just discussed at our board meeting the other day. So within a few weeks you will see the annual report come out.

**Mr. Faurschou:** I appreciate the chairman's response. I will look to the minister to ask that this committee be convened shortly thereafter the publishing so that we can get a little more current with our discussions rather than talking about something that took place almost two years ago.

**Mr. Smith:** Certainly, I absolutely agree with the member from Portage that things should be transparent. This Government has led the way in that in the last number of years. Certainly, once all information is established and in, and the quite comparable staff and the Chair forward the information on and it is processed, I certainly would be in agreement with you that we would like to have that expediently brought into this committee to completely scrutinize, in a transparent way, for all Manitobans.

**Mr. Faurschou:** I do appreciate the minister's co-operative attitude this morning, and I will very much look forward to seeing the annual report in fairly short order.

Starting as my opening remarks in regard to wine, the minister, when he initially took over, and it was in his responsibilities, looked favourably upon extending the private stores throughout the province. I know that his own home town of Brandon was interested in seeing that activity within his own constituency. I just wonder, has the minister made any progress in that regard?

**Mr. Smith:** I appreciate the member's remarks, if not his memory. The wine stores in Manitoba were brought in during the previous government's reign and are doing quite well. There are a number of locations out there that have provided a service to Manitobans, and certainly seem to be doing quite well on both their bottom lines and their distribution and their quality of service to Manitobans.

As far as extending or expanding that, the member might recognize, or realize, that last year when we had spoken on that, we had not mentioned any expansion. Certainly, in Manitoba, we are going through a process that was initiated by the previous minister, Diane McGifford, on The Liquor Control Act that really had not had any major changes since 1956, and any substantive changes since 1981, and, certainly, went through quite a process with Manitobans on a number of issues questioning Manitobans, a lot of the communities. I know the chair that is with us here today, Ms. Neufeld, certainly brought forward a number of recommendations. Some of the recommendations were acted upon.

As we had said last year, when these changes had been made, there would be a review process after a period of time, which would take us into August before the year is even out, and the review process after that period of time on some of the changes that had been made and see what Manitobans have to say on a number of the issues, a number of the changes. On the licensing of a lot of the wine stores that are out there, they are a few years away, my understanding, specific dates I am not exactly aware, but certainly no changes are anticipated in the next period of time regarding a lot of the actions that have been taken prior. Certainly it would be premature to look at any changes in the wine industry out there, that is there now.

**Mr. Faurichou:** I appreciate the minister's remarks. I understand, through the media releases, there was consideration that involved the courts by the existing private wine stores. Has that situation been resolved or is it progressing through the courts?

**Mr. Smith:** I appreciate the question. That is something that is actually in front of the courts right now, and it would be inappropriate for me to discuss that matter, certainly as it is in front of the process in the judicial system right now.

**Mr. Faurichou:** Yes, I agree with the minister, and I understand that. In regard to the numbers of vendor outlets throughout the province, it continues to grow when the MLCC has been still operating 45 outlets directly. What, as a

percentage, do the MLCC-operated stores handle as dollar value to gross sales?

**Mr. Smith:** The technical question certainly we will pass on to Mr. Lussier, but the amount of vendors out there, you are speaking of liquor vendors, and I will let Mr. Lussier handle that question, but certainly there have been beer vendors, growth is in beer vendors out there. As far as the liquor vendors, it is my understanding they have not grown to a great extent over the past number of years. I will pass on the technical response to Mr. Lussier.

**Mr. Lussier:** Dave, were you talking about the liquor vendors or our stores?

**Mr. Faurichou:** Just in overall sales. You have a schematic here of numbers, retail outlets. I was wondering whether you could effectively convert that schematic into dollar values as a percent of gross sales, like MLCC, 45 outlets; special wine stores, 8; private liquor vendors, 179; beer vendors, 303, which is up from 301. As a percentage of sales, if I could just write a percent beside each one of those figures, I would appreciate that.

**Mr. Lussier:** I am sorry, I do not have a calculator with me, but I can give you the raw numbers which will give you a feeling for it: stores, about \$168 million; licensees, \$185 million; liquor vendors, \$38 million; specialty wine stores, \$10 million. My very capable CFO just gave me a percentage. We are approximately 42 percent of sales through our liquor stores.

**Mr. Faurichou:** Well, I can appreciate that as MLCC is a major contributor with a few in number as outlets. Just moving down from that particular diagram, we go into a break out of sales, profit and expense ratios. I want to address this to the chairperson. Is she concerned about the continued reduction in gross percentage as related to sales, net profit as it relates to sales? And yet, general administrative costs, while a little bit down from last year's comparison, is still significantly up over the course of the last three years.

**Ms. Neufeld:** The main reduction is because of the private wine store sales. There has been a reduction because of the discount structure that

is given to private stores. That is why you see the decrease here, and for a more technical answer I will transfer to Don.

**Mr. Lussier:** It is a combination of both, the high discount structure to wine stores as they gain a share of market that reduces our gross margin. Also, shifts in mix. So, yes, we are very happy to be selling more wine, but wine is a lower-margin product than spirits. Similarly, beer is the lowest margin product that we sell, so as we see growth in those areas, we get reduced margins. Coolers are another one. So it is mix change, and sales channels change.

**Mr. Faurchou:** I appreciate the answer. In regards to wine sales, although they are up, per capita consumption remains flat. Do we see that as a topping out, or do you feel that we have just plateaued momentarily? Do you look to this year seeing higher consumption?

**Mr. Lussier:** Yes, I support your point. I wish we were dealing with this year's report which obviously we are privy to, and yes, wine sales have just had a blip here; they stabilized here, but they are up substantially in the next year and more substantially are cooler sales. Cooler sales are the fastest growing segment right now.

**Mr. Faurchou:** I appreciate that, and it is another reason that the minister bring forward this year's report at his earliest convenience.

In regards to the Responsible Server Committee report and focussing on the importance of training staff, I was just wondering about the number of educational opportunities for staffing throughout the system, and in regards to that, on page 11 it refers that the number of staff in licensed premises throughout the province fell from three years ago down to only 194 when, in fact, one of the recommendations is they retrain more staff?

**Mr. Smith:** Just on a technical point, I will let Mr. Lussier answer, but certainly with the staffing transition and a lot of the staffing had been given to a set period of time on existing staff, certainly to gain the knowledge and the educational component that is now before them, and there was a pretty good length of transition period for existing staff. Obviously people are

busy, and people have to have the opportunity to have a couple of years on the transition. That, for the most part, was a good transition; a lot of the folks had taken the training. Certainly new people coming on and both licensees and the general public out there, I believe, are well informed that the training is needed for these specific job tasks. But on the specific numbers, I will pass it over to Mr. Lussier.

**Mr. Lussier:** The minister is quite right. We had some transition of employees at that time. However, equally as important is the fact that we have contracted out the training to MTEC. Manitoba Tourism Education Council is doing the bulk of the training now, to the extent that, as you will see in this next annual report, over 6000 employees and owners of licensed premises have been trained in the last year, and that has been done largely through MTEC. So you will likely see this number continue to decline as it is good businesses going out.

\* (11:00)

**Mr. Faurchou:** I appreciate that, although it gives you a misrepresentation of what is really happening out there by continuing this schedule here. Perhaps maybe it could be inclusive of a contract sub-note here, so that we are comparing apples to apples.

In regard to the number of inspections, number of persons charged, we are dealing with one snapshot here. I do want to ask, then: We went up by over half a million dollars in salaries and expenses this year over last, yet we are looking at minimal increases in investigations and fewer education opportunities. Can you, perhaps, express as to how we went up half a million dollars in salaries and benefits?

**Mr. Smith:** I am not sure if the member from Portage is reading from the bottom of page 11. When you look at the overall and you look at the licensee visits in 2001 over 2000, substantially more visits. Investigations and the final inspections of a lot of the premises are up considerably in Winnipeg, in a lot of the areas and in rural Manitoba. Emphasis has been placed on increased visits and I think it is represented in our information here. I believe, year over year, when we get into the much anticipated report that the

member from Portage is speaking of, I think it will show those numbers reflected again as an increase. If he has specifics, or would like to point to specifics, I will let Mr. Lussier or Ms. Neufeld answer the specifics of his question.

**Ms. Neufeld:** I would just also like to add that we negotiated a new contract with our staff and there was some retroactivity that was involved in that. That is one of the major reasons why there was the increase in the staffing costs.

**Mr. Faurichou:** I appreciate that there were two schedules here, both the activity involving licensed premises versus the activity of the MLCC on occasional permit holders.

I might just ask about the occasional permit holder, perhaps be very specific as to a concern that involved two licensed premises in Portage la Prairie where—Mr. Minister, I appreciate your understanding of the act, though we must be considerate of flexibility—the Westward Resort operates a hotel and banquet facilities right immediately adjacent to the Portage la Prairie Curling Club which again is licensed in this respect. There was an event which caused an overflow, one premise to another, and caused a significant degree of correspondence back and forth, to a point, that left both licensee holders scratching their heads as to how can we work cooperatively together here and everything made common sense and yet we got into this harangue involving the MLCC. It involved placement where they effectively had overflow into one premise and were served by another. I think that, under your administration, Mr. Minister, we can look to having a little bit of flexibility and to using common sense when dealing with a situation that obviously was unexpected by, you know, the event holder. It was good that it was more successful than they had planned for.

**Mr. Smith:** You know, the amount of occasional permits, they do fluctuate month to month and, certainly, I know the staff from MLCC does have a degree of flexibility. Certainly, common sense is something that I believe is taken into account every day with the staff. I know they work and try to work with every single person that applies, try to come to a positive conclusion within the bounds of the legislation and work with a lot of folks. This particular instance, I am

glad to hear the outcome was positive in some form. Maybe, it is one of those things that was a bit of a misunderstanding, and that is human nature. I guess if they ran into some problems, it is certainly an anomaly. I get a lot of positive feedback on the relationships that many of the folks out there have with the staff and their ability to try to work with communities. Every single permit is a bit of an anomaly on what they are dealing with. But, if something was a bit of a negative in your area or the Portage area, I am not aware of the specific incidents, but, as a whole, I believe the staff works generally very, very well.

You can look at the amount of the occasional permits that you go through, some months much greater than others and certainly workload and time to go into it. Every once in a while we all hear that some of the bureaucratic process needs to be streamlined in many, many areas, and I believe that is being done. I will give the staff all the positive accolades that I can because the information that I do hear coming back on their ability to, in most cases, work out a solution with many of the folks.

On this particular incident, maybe Mr. Lussier knows of the incident, and I guess we can grow from it and try to make it better in the process.

**Mr. Faurichou:** I appreciate the minister's remarks. Although it was resolved in a positive fashion, the bottom line in the last correspondence, this shall never happen again, has both proprietors concerned. You know, we are all out there in the hospitality industry. Anyway, if Mr. Lussier has a comment in this regard, I would certainly be interested in hearing it.

\* (11:10)

**Mr. Lussier:** I am not intimately familiar with the incident. I have just consulted with Maureen. It was dealt with administratively. It was not taken any further than that. It was not taken to the Licensing Board as a violation. We will continue to work with the licensees to make sure that they operate within the confines of the legislation. We have an act. We have regulations that we have to abide by. We try to work as much as possible for the benefit of the operator,

but we still have a responsibility to make sure that the act is adhered to and control is maintained.

**Mr. Reimer:** I just have a few questions I was wanting to ask in regard to general and administrative expenses. I noticed in Community Support there has been a significant drop between 2000 and 2001 from \$769,000 I guess it is, down to \$127,000. Is that mainly because of Pan Am, that was the dollars in that?

**Mr. Lussier:** Yes, that is exactly why the drop is. It is about \$672,000 difference from one year to the next.

**Mr. Reimer:** That is charged in the 2000 book, but what was the charge then charged in 1999, I guess? Was it prorated over two years, is that the reasoning?

**Mr. Lussier:** Yes, that is correct. It is approximately \$700,000 in each year.

**Mr. Reimer:** I noticed there is also a noticeable drop in the education component of the company's obligation to the community in regards to alcohol education, from \$180,000 down to \$107,000 on that page; and then also in the occasional permits where the education of hall owners, permittees and public has also gone, over the last four years, from a high of \$359,000 down to \$113,000. Why is there not more emphasis or what is the reasoning the funding is going down in the education component of public awareness of alcohol?

**Mr. Lussier:** Again, I reiterate I wish we had this year's report to compare it to. The difference between the two years, fiscal 2000 and 2001, is the reduction in the Show Your Age expenditure. In the first year, we had to develop the material from scratch. That was a cost of approximately \$91,000. In the following year, we were just rolling out the material that we had, continued to roll out that program, so the expenditure is down to \$26,000. In the next year you are going to see a significant increase in this account in terms of the FAS awareness program, which will go back up. That program alone is worth over a quarter of a million dollars. So, yes, we are seeing this and spending more money on this.

**Mr. Reimer:** Yes, because I guess it begs the question, because in the area of cigarette advertising there is quite a campaign on the dangers of cigarette advertising and the effects of the health system here not only in Manitoba but throughout all of Canada. There is also a risk factor involved with alcohol. But the education component, as I mentioned, certainly in this report here it shows out fairly significant, you know, when you look at the reduction in the funding and you look at the amount of funding and benefits that have gone up in all the other areas. All other areas are up for the odd exception. That one there is down very significantly from \$180,000 down to \$107,000. Most of your other areas are all showing significant increases of spending.

Are you saying then that the new report will have a significant component of education involved with it?

**Mr. Smith:** I believe Mr. Lussier identified the initial phase of structuring in the cost structure, \$91,000 I believe it was, certainly a difference in the initial information that was generated, and then the \$26,000 continuing piece of that. But year over year when you look at it, it would be nice to have the comparables of the report from this year. Certainly when you look at some of the educational components and campaigns that are out there, With Child-Without Alcohol, and some of the other components that have gone out this year are considerably up on the educational component.

I would agree with the member if his intent is that the educational component and the expenditure certainly is a line that no one wants to see decrease. I believe we will see next year as we refer to the numbers year over year an actual, quite a substantial increase in the educational component. In that piece it has been certainly well accepted by the community. We have got a lot of feedback and a lot of positives back from the community regarding With Child-Without Alcohol. It is a campaign, certainly one of the pieces that is out there that some things are 100 percent preventable. We are highlighting that. It has been a good campaign. It has been one that is following through even now as we speak. I think year over year those numbers will be reflected.



**Mr. Reimer:** One final question: Are there any plans for any new locations, MLCC locations here in Winnipeg and the rural area?

**Mr. Lussier:** Yes, there are a couple that we are looking at in terms of north Henderson Highway. We are also looking at the Whyte Ridge area. We are in the preliminary stages looking at the market size and volume that we can anticipate in those areas.

**Mr. Jim Maloway (Elmwood):** Madam Chairperson, I would like to congratulate the Liquor Commission for putting the annual report on-line, although it is not really indicated as such here in the annual report. I would expect that these annual reports are still fairly costly to produce. Since the Liquor Commission is not a private corporation reporting to shareholders, I do think, though, that the annual report should be on-line, which it is now. It should be promoted as such. When people request a copy if they do not have an Internet connection or a computer handy, the Liquor Commission should probably just simply download a copy of it, print off a copy for a few cents a page and send it out to people. I understand that it is available on-line, but you are producing these copies because there are a number of people who do not have Internet connections. I find that kind of hard to believe because we have 580-some locations across the province, and all the libraries are connected, all the government offices are connected, so it really should be easy enough to dispense with this and dispose of this. If there is some legal requirement that we do it, we can certainly change the law to require that it not be produced any more.

I brought this to the attention of the Hydro people and others as well, and it is an issue that we should probably look at, but I did want to give you top marks for actually getting it on-line for the first time this year. Perhaps you could respond to that, and then I have a few more questions that I want to ask.

**Mr. Smith:** The member, just to go in reverse on his question, there are some legislative changes that are necessary to accomplish what the member is mentioning. Certainly, that is something that is being considered and will be looked at in the very near future. I do give 100%

credit to MLCC for modernization and going on-line. More and more and more households and people in Manitoba have the ability to do that. It is instantaneous. It is cost beneficial. Certainly, if we can get in some legislative changes, that would enhance that. This year, the information that will be provided will be bilingual, so it is a process that is very positive. It has been a lot of work on the side of the staff to get to the point it is now. The answer to your question is there are legislative changes to move ahead.

\* (11:20)

**Mr. Maloway:** So to follow up on that question, on the issue of the ERP enterprise resource software that the commission is proceeding with, I am really interested to know whether they looked at the possibility of integrating with SAP. The Government has had SAP system now for three or four years. We have paid for the system. It certainly should not cost anything more to go with the existing government system. You know, I understand that SAP may want to charge you for the additional seats, but we are certainly paying enough for the seats we have right now, and I do not see why that would not be just included for free. We are not using up our full allotment, I do not believe, there, but anyway, I am sure there are reasons why you would not have gone with SAP, if you had gone somewhere else.

I am really keen about the idea that we should not be developing software from the ground up, that we should be trading with other provinces. We have product here that other provinces need in other areas. We can certainly trade. If you need something, we can trade something that we have got for something that somebody's got somewhere else and do it at no cost. Those options should be looked at before we get into big development plans for software.

So, if you could just give me an update on where things are going with your ERP proposal. I mean, I am very supportive of you doing this, and the quicker the better, but I just wondered whether you had looked at that SAP option.

**Mr. Lussier:** Actually, we were down to two finalists when we made the selection. SAP was one of the finalists, and JDE was the other one.

We chose to go with JDE because they had a better fit in terms of their business to our business. They specialize in distribution and distribution finance and retail, and that is the area that we selected on.

I think it is interesting to note that SAP has not been selected by any of the other liquor boards in the country, whereas JDE has been selected and is operational in B.C. and Québec currently. So it seems to be a better fit for our business. We are a retailer-wholesaler, and they have a better fit for us.

**Madam Chairperson:** I must apologize. I did miss seeing Mr. Derkach's hand. I wonder if we can go back to the Opposition for now, and I will come back to you.

**An Honourable Member:** Sure, that would be fine.

**An Honourable Member:** Actually, he had his hand up first.

**Madam Chairperson:** Okay, Mr. Fauschou.

**Mr. Fauschou:** I appreciate the staff enlightening our Chairperson that this is an opportunity for the Opposition to question government, and, yes, government caucus members do have opportunity to question. We must agree mutually to yield the floor.

In any event, Madam Chairperson, I would like to ask the minister to very quickly respond in regard to the Westward situation, along with the Portage Curling Club. Is it the act that it is the restrictive component in this particular situation?

It was, though, recommended that there be some flexibility between licensed holders in the recommendations that were brought forward, one of the 44 recommendations that transfer back and forth could be facilitated. I want the minister to look favourably on that. We do have a minimum amount of time here so comments, if any, please be brief.

**Mr. Smith:** I will try to be as brief as possible. I certainly do agree that all members around the table should have the opportunity to put the

minister on the hot seat and ask any question that they would like to bring forth. Certainly, the Opposition has done a good job this morning on some very, very good and relevant questions, and I have appreciated every single one of them.

Certainly, the flexibility that the member speaks about is done as far as legislation will allow and regulation will allow on any particular issue. On the specific issues being dealt with by the folks within the MLCC, they would have to be looked at on a basis where the individual issue would have to be taken into place, the recommendations the member mentions. Other things will be considered after the review, after the year review which comes up this year in August, I believe. After that time, the information will be brought forth.

I know the Chair and the members of the MLCC have recommendations on possible changes that will make more positive, I think, some of the issues that the Member for Portage (Mr. Fauschou) is mentioning. Certainly, any relative recommendations like that that are brought forward will be given due consideration. The member mentioned before that some common sense to be used is never a negative, that is for sure.

I know members opposite agreed on some of the changes that had been brought forth, and maybe there are some potential changes that may be brought forth that make good common sense, as the member mentioned.

**Mr. Fauschou:** I appreciate the minister looking into it, because we are here to look upon the industry as one that has shown a great deal of responsibility in the public, not to be hamstrung to effectively accommodate a few more individuals who wanted to partake of an event that was obviously a tremendous success and to licensees who are looking to provide that service very responsibly.

So I would like to encourage the minister to look at this particular situation and to come forward after the review with legislative and regulatory changes to address it.

Now, I see that we have the same auditor from last year who has looked over the books, as

has been in the past. Just in relationship to some of the changes, I note that over the course of last year and a half, we are up \$130,000 on bank charges which is significant. I look to staff travel that is up quite significantly, vehicle expenses that are up significantly. As this report has been alluded to by my colleague here, alcohol education has been cut dramatically year over year.

So, if this report is giving the wrong impression, I would like to hear specific comment to those particular lines.

**Mr. Smith:** The Member for Portage's identification of some of the small pieces out of this entire draft, and I think when we look at the anomalies from year to year, we can certainly look to the bottom line, I guess, year over year on the overall profit.

I think that, when we look at the profit year over year, the total outcome is very positive. It was brought through the late nineties. In fact, the overall profits from the MLCC, as a whole, certainly, some expenditures, line to line, do change year to year. It was explained prior by Mr. Lussier on some of the anomalies on the educational component, and piece of the initial set-up of some of the educational components in the front-end costs; on the educational components that were not carried year to year, and actually charged into the following year, because of that piece that carried forward on that is not as substantial, and next year's, I believe, will identify as the Member for Portage mentions.

The educational component or the educational piece will certainly increase the positives of that. I think we all value and we all know that is nothing but a positive benefit for Manitobans, as much possible education and responsibility as we can. The relevance of that, I believe, is very substantive. We will certainly see that reflected in the next year.

As I mentioned, front-end costs were not carried into this particular year, so it was not charged against the 2001 numbers. Next year, some of the front-end load costs, again, are relevant. The particulars of some of the other costs and increases, as well, certainly are part of year-to-year transitions. For specifics, I could

refer some of that to either Ms. Neufeld or Mr. Lussier.

**Ms. Neufeld:** On the travel line, I would like to just indicate that the majority of the increase came as a result of the public review. So we traveled throughout the province to find out what Manitobans were interested in in terms of changes to the liquor act. So that is why you see a substantial increase in that line.

In terms of bank charges, as we all know, the banking industry continues to increase their charges, whether we like it or not. The other explanation on that is there were increased sales, and, of course, with increased sales and increased transaction, so also goes the increase in the bank charges, as the number of transactions are flowing through our bank account.

\* (11:30)

**Mr. Lussier:** In addition to that, more and more of our customers are using plastic, in one form or another, so we pay charges on that basis. On the other side of that, it is more efficient for us, than handling the amount of cash we used to handle.

**Mr. Faurschou:** I appreciate that. In speaking of expenses, you alluded earlier to the cost of the AIR MILES Program. Could you perhaps be a little more specific, or where do I identify that in the administrative and general expenses?

**Mr. Lussier:** It is in the advertising and promotion account. So that million-dollar account, approximately \$700,000 worth of that is AIR MILES costs. What you are not seeing on that side of it, though, is the revenue that is generated as well, because we sell AIR MILES to our suppliers, and also, we rent end aisles to them as well. That generates in the neighbourhood of \$500,000 in revenues in a year.

**Mr. Faurschou:** So you are looking at the AIR MILES Program as a net cost to the system of about a quarter of a million dollars, is what you are saying. That AIR MILES Program is limited solely to that of wine sales?

**Mr. Lussier:** In terms of licensees, that is correct. In terms of the public, no. Anything that

is purchased through our liquor marts qualifies for AIR MILES. We have studied the program a number of times. In terms of lifting sales, there is a net benefit. We have calculated it in conjunction with AIR MILES over the life of the contract at approximately \$1 million net gain after factoring out what we pay for the miles.

**Mr. Faurshou:** So, effectively, you are saying that a net gain of about a million dollars to the bottom line with the AIR MILES Program, and yet you are the only game in town? How are you drawing conclusions to that, that we will drink more to garner AIR MILES?

**Mr. Lussier:** Yes, that is exactly right. I wish we were the only game in town. I am betraying my bias, but we are not. As you asked earlier, we are 42 percent of the sales. So that means some other people are selling 58 percent of the product in this province, and we compete with those people. So it is a competitive tool that we use to gain share of market, as well as to lift our sales. In other words, if you—*[interjection]*

**Ms. Neufeld:** I just wanted to add that it is not a matter of encouraging Manitobans to drink more. What ends up happening is they may purchase up. They may buy a product that is an extra dollar just because that will then get them into the AIR MILES category. It is certainly not intended to encourage additional consumption. I just wanted that on the record.

**Mr. Faurshou:** The AIR MILES Program, you indicated earlier, is only available in conjunction with licensees if they sign on 100 percent. Can the individual licensees not apply for AIR MILES themselves and go into the program?

**Mr. Lussier:** Only as it applies to wine. They do not have to be 100 percent. They can be buying from us, from a wine store, from a liquor vendor, wherever they choose. They only gain AIR MILES when they purchase through us. Whatever wine sales come through our distribution centre or liquor mart, they are credited with AIR MILES.

**Mr. Faurshou:** I am still a little confused in regard to it. If you have a particular licensee, such as the Portage Hotel, for instance, and they are selling beer. If you buy that same case of

beer at the MLCC store 10 doors away, then you can get AIR MILES on that case of beer, yet at the Portage Hotel you cannot. Can the Portage Hotel make application and participate with the AIR MILES Program provider?

**Mr. Lussier:** No. Under contract, we have the exclusive rights to AIR MILES in the province for the sale of liquor.

I go back to it. We are in a competitive environment. We do compete with hotels, with liquor vendors and with wine stores for business. So AIR MILES is one of our competitive tools. We do not all compete on the same basis. In other words, hotels, not hotels, but, say, liquor vendors will take a credit card from a licensee. That is fine and dandy. That is their competitive choice to do that. We do not use credit cards for licensees because, as I said, that would cost us over \$2 million with no appreciable gain. It is a competitive situation where we are looking for shift in channels.

**Mr. Faurshou:** I know one is using the competitive angle, but in fact it is just the opposite. It is a monopoly situation when you have an exclusive contract, that you have specifically gone in as the big kid on the block and used that market dominance position to work with the AIR MILES Program persons and locked up through this contract and effectively locked out your competitors. It would be a competitive situation if you were providing AIR MILES and they decidedly did not provide AIR MILES, but you have done both. You have got the program and prevented them from competing with the program.

**Mr. Smith:** The competitive environment out there is relevant. Certainly, AIR MILES is one form of competitive tool that can be used by anyone out there.

Mr. Lussier alluded and mentioned when you are buying through a private vendor the use of Visas, or whatever the plastic tool of choice may be for the purchaser. On those, there are AIR MILES they do get through the use of a credit card. For example, some credit cards use a competitive tool of enhancing that in some way, some form.

The other tools that are used have been used by many of the entrepreneurs that are out there, whatever tool they use for repeat customer satisfaction to have people come back to their environment, one of which obviously is customer service. We know that is done very, very well by private industry and vendors that are out there throughout most of rural Manitoba. Certainly, it is quality of choice. It is some of the enticements, enhancements that the individuals have, and AIR MILES is just simply a form or a word that is used on one of the marketing tools. You could use AIR MILES, I guess, if you spoke to Visa or TD Bank, or whatever the plastic card that you are using that is out there, that does, in fact, give AIR MILES per purchase or per amount.

So, certainly, it is competitive. I believe that the private industry does a good job on putting forward some of their enticements on the industry, and MLCC has in the past chosen to use it as well.

**Mr. Leonard Derkach (Russell):** I have other questions to go on, but, I think, because we are on this line, or this topic, I would like to carry on on this particular issue. I would like Mr. Lussier to explain to the committee, from his perspective as the manager of MLCC, why it is that MLCC is not allowing the vendors to use AIR MILES. What is the specific reason behind that?

**Madam Chairperson:** Mr. Minister.

\* (11:40)

**Mr. Derkach:** I am sorry, I asked the question of the executive director.

**Madam Chairperson:** You can put the question, and either the minister or the corporation can respond.

**Mr. Smith:** Certainly, the member from Russell is asking some form of technical question, but the overview of the question that is being asked should be taken into context. The question might have been able to be asked a number of years ago I know the member from Russell and Portage will recall that the AIR MILES Program was brought in during your watch. Some of the

specifics to the question, certainly, may be relative, maybe something that might have been asked by the member of his members going back in time, but the specific question, or the technical question, I will refer to Mr. Lussier for a comment.

**Mr. Lussier:** I would reiterate what I said before. It is a competitive situation. We use it as a come-hither item for our customers to come in and purchase through us. If the product is going through a liquor vendor, there is approximately a 10% discount that we are paying out to the vendor. In the case of a beer vendor, it is approximately a 14% discount. So those sales we would rather have through our own outlets, as that is the shift part and then there is the lift. Basically, that is where we are coming from on this thing.

The other thing that I think you got to be aware of is, we are not preventing the other operators from offering their own reward program. They could approach Petro Points, they could approach HBC, they could approach Aeroplan; they have that opportunity if they want to do it. There is no restriction in saying, no, you cannot do that. We ourselves do it. Our exclusivity is in the AIR MILES Program, and there are other programs available if they want to compete with it.

**Mr. Derkach:** Well, Madam Chair, Mr. Lussier talks about competitiveness. You know, when you are the distributor and you distribute the product and you also want to be the competitor in the marketplace, then you have to compete on a level playing field. Now, being Big Brother out there and levelling the playing field simply means that you allow for the competitiveness to occur without restriction.

What you are doing here is you are tying the hand of the vendor behind his back and saying now we are going to compete with you. Now, how in the world is someone who is a small-business person supposed to compete without offering an AIR MILES Program with Big Brother, the agency of government, who allows for the AIR MILES and then restricts anybody else who has a contract with them from offering it?

I mean, we cannot have it both ways. Either we take over all of the liquor sales in the

province and not allow for competitiveness at all, or we level the playing field so that everyone can compete.

My question was, what is the rationale in not allowing a level playing field to the little businessperson out there who pays taxes, who employs people, who wants to compete, not with an advantage over MLCC, but, indeed, on a level playing field. What is the rationale behind that? What is the policy that drives that? Is that a directive from government, or is that, indeed, something that MLCC has decided on its own?

**Mr. Smith:** The question from the member from Russell, certainly when the AIR MILES Program was initiated and brought in, I believe, in September of '98, those questions may well have been relevant to ask his members in his caucus, and certainly a question for the MLCC. But, as Mr. Lussier has commented before—and I am not sure how much clearer he could be for the member from Russell—vendors certainly can sign up for a number of programs, and I believe it has been mentioned. Others, certainly Aeroplan is one of the possibilities that is out there, certainly the credit cards and the benefits of the credit cards. The ability to charge on a credit card is a benefit for many of the vendors out there. The enticements and enhancements of the use of credit cards by folks out there are possible uses that might be looked at. AIR MILES is one of the possibilities. It is one of the things that are out there, but there are a number. There are many of them.

I do not disagree with the members when they probably considered this back in '98 of bringing it in. I imagine a lot of the questions were asked by the member of Russell, at that time, or others around the table or questions quite relevant. I think the agreement probably came back that it is one of the tools that are out there. Many people have had the ability to use many of the other tools that are out there in competition. The number of vendors in the province that are privately owned certainly greatly outnumbers the number of actual government Liquor Control establishments that are out there, the 45, many of those being in the city of Winnipeg.

I could be out in my numbers slightly, but I believe there are 23 in the city and 22 outside the

city; and certainly in Brandon, in Thompson and in Portage, the larger areas, Russell, I believe. But many of the private vendors are out there. As I mentioned, the quality of service that is provided by these folks and the amount of tools that they have out there, I believe, puts them in a very good position to be extremely competitive against anybody that is out there.

**Mr. Derkach:** Well, in view of the fact that the minister is being defensive on this issue, I would think that it is a government directive then that has slowed through to MLCC with respect to this issue, and so therefore he is the individual who is responsible on behalf of his Cabinet. I do not take issue with the fact that MLCC is out there providing services to Manitobans. They provide a good service, and I will not criticize them for any of their activities out there, because I think they are doing a good job. But, at the same time, I honestly believe that to allow that little vendor owner to compete in a climate, you have to allow for the same tools that are being used by Big Brother, the MLCC here. If that was indeed the case when our party was in government, it was wrong, and I believe that it is wrong today. So I do not believe my position on that has changed.

But I would like to ask the minister, then, what is the reason for not allowing for AIR MILES/ We talk about competitiveness. We are talking about a competitive edge. Well, you can have a competitive edge by offering different forms of advertising, if you like, to attract the customer into your government-controlled stores, but you need a level playing field for individuals to compete. If you do not provide a level playing field, it is like having a hundred-metre race and allowing one of the racers, who has basically the same skills, a 10-yard advantage. That is what we are doing with this issue, Madam Chair. We are allowing for MLCC, which is basically an arm of government, to have an advantage over the vendors. That is not fair if we want to make this truly a competitive area. Now the only reason that I can think this would happen is because government is interested in the revenues that are coming from their own liquor stores, and they really do not care whether the others survive or just struggle along.

So I ask the question again. What is the philosophy, or the policy, behind not allowing vendors to participate in—not any other credit card program, I am not interested in those, I am talking about the points program, AIR MILES points program?

\* (11:50)

**Mr. Smith:** The member raises a number of questions. I will point my answers to some of the specifics that he asked. Certainly, to consider myself as on the defensive, that is absolutely not the case. Accolades are paid to the MLCC and certainly their long-term planning. The process that they have used over the last five years is no different than many others on business plans. The member opposite, as myself, has had some business background, and, I imagine, he did not pop up things from month to month. He had a three- or five-year plan. A lot of the initiatives that were planned are transition periods now. Plans are being followed and carried on from year to year. Three-year plans are coming and being renewed, and the planning from the previous administration, certainly in agreement obviously with MLCC, because not a lot was raised at that time on the issue of AIR MILES is something that is, I believe, relevant.

I imagine, and I have mentioned this before, that it was probably brought up on Aeroplan and the use of plastic, which is being done more and more nowadays. We saw a bit of a reduction in some of the targets because of such. Certainly, there is a cost on the use of plastic, and I think every single business is seeing that. With the bank credit access cards that we see now, everybody pays that on their business line. We see a difference on that.

You see a positive of it. People with the accessibility of dollars, not relevant dollars that they carry in their wallet as a rule, paper money anymore; you see a lot of business projections that are actually increased, even though they are putting out the expenditure for the cost on the other side on the front end. But the relevance of long term and business planning and commitments on enticing and enhancing your business is done both by private industry, and it is done by competitive industry of MLCC that they find themselves in. The mention that bottom-line

projections are important: I believe the member would agree with me that bottom line projections should not go down with any substantive business, MLCC included.

They do a good job year over year on expenditure and cost projections. Certainly, the relevance we have seen from '97, '98, '99, 2000, 2001, and, I believe, projections for next year, will be very much the same, where you should have your costs and your net profit identified to Manitobans and identified to members opposite. The member, I know, would agree with me, or may not agree with me, that you would not want to see the projections on net profit going down in any way. Other members have identified, as we see in the lines, some of the educational components that show less dollars going in. Next year, I think we will see that increased. Yet the profits at the end of the day, at the end of the year, have done a great job, year over year, for the last number of years in increasing. To say that is a negative, I certainly would not say that is a negative. I would say that is good business function and practice, as the member knows.

Certainly, he cares about the health care in his community. He cares about the education in his community, cares about a lot of things that the general revenues go into to support in the province of Manitoba, as do all Manitobans. I know the member would agree that people, in general, in his community, in Portage and my community and in St. Vital, all would agree that the positives of the increased revenue year over year is very important. So not a Big-Brother effect, just the relevance of good solid business planning. Not planning month to month, but planning year to year and in longer term plans in three year and five year plans.

As I mentioned, the introduction of AIR MILES in September of 1998 was a choice that was made. The projections were made from the folks at MLCC and their business case and their business planning, and certainly well done.

The Aeroplan or other plans that individuals do have to offer folks out there are a competitive edge that they have. I know Mr. Lussier, on some of the negotiations that went on with some of the vendors that are out there, was well informed by many of the members. I say many of

the members in the rural because a large amount and a great deal of the private vendors are in rural Manitoba and do a fantastic job. I know Mr. Lussier could add, during the process and in negotiations with the vendors, some information that he may want to inform the Member for Russell (Mr. Derkach), that was done on the front end. If he would be agreeable, he could add a piece for consideration for the Member for Russell in an answer.

**Mr. Derkach:** I think we understand where the Government is coming from on this issue. The fact is that MLCC does have a monopoly position in the province, in terms of being not only the distributor but also the retailer, and then sets the rules for retail to a large extent as well. That is fine. That is government's prerogative to go in the direction they are, but it certainly does not do anything to enhance and to encourage the competitive nature, if you like, in the industry, which, in fact, at the end of the day, may produce increased revenues.

We talk about the revenues of MLCC and the way that they have increased. One has to be cognizant of the fact that expenditures are increasing at the same time. That is probably normal, but, in that area of alcohol education that my colleague had talked about, we saw a significant drop from 2000 to 2001. I listened to the minister's answer, but I did not get a very clear understanding of the reasons for the reduction. I am wondering if the minister could very definitively explain why there was that reduction from 2000 to 2001.

**Mr. Smith:** As we mentioned, some of the front-end costs that were associated with increases of, we call it plastic, alternative money access sources, were a cost impact. There are sales up about 1.7 percent this 2001 over 2.3, certainly, in some of the anomalies associated with that. You go back, certainly some of the large events and large scale events we saw throughout the province during the late nineties had an impact.

Some of the specifics of exact dollar amounts I would refer to Mr. Lussier, but what we do see is we see net profits increase year over

year to a very healthy increase. When you combine, and I guess we could take averages, and take averages for the past nineties and do it on a two- or three-year period, whatever you want, the average will be very similar, very close, using a number of years.

When we look at next year and what the numbers will read next year, I know the member from Portage was interested in seeing that brought to the table as expediently as possible, I would be very enthusiastic about that as well. I know folks in the MLCC would be for year-over-year projections when you have a dip in one year and an increase in another year. I believe they will average out very similar. Some of the specifics on line-to-line, actual costs in other areas, I could refer to Mr. Lussier for comment.

**Mr. Lussier:** The biggest single difference is the rollout of a program called the Show Your Age Program. The posters and materials that are associated with that, we developed in the first year at a cost of \$91,000 and then we bought enough to roll out for two years. So, in the next year, our expenditure was only \$21,000. That is the major difference between the two. We were planning to come up with the FAS program, and you will see that in the next year. The next year's number is going to be in the neighbourhood of \$400,000.

**Mr. Derkach:** Okay, so the cost of the program was relatively static, if you take out the rollout cost of the program. Is that correct?

**Ms. Neufeld:** That is right. There was a large increase in that one year because of all the creative costs, the start-up costs, getting into production, et cetera. So it was not that there was an actual dip in the money expended towards alcohol education. It is just that the up-front costs were so high in that one year to get the creative work done.

**Mr. Derkach:** I have a question with respect to the comparison between the 2000 annual report and the 2001. In 2000, I do not see a line that is dedicated to alcohol education. Now, I am not looking in the right area, but in the area of



general administrative expenses, I do not see the line, and maybe I could ask the Chair.

**Ms. Neufeld:** We are just confirming, but my belief is that there was not a line for alcohol education prior to that year. So we are just double checking.

**Madam Chairperson:** Excuse me, but the hour approaching 12 noon, did the committee wish to pass the 2001 report?

**Some Honourable Members:** Pass.

**Some Honourable Members:** No.

**Madam Chairperson:** The hour being 12 noon, committee rise.

**COMMITTEE ROSE AT:** 12 p.m.