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Legislative Assembly of Manitoba

Standing Committee

on

Public Utilities

and

Natural Resources

Chairperson

Bonnie Korzeniowski

Constituency of St. James



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MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Seventh Legislature

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LEGISLATIVE ASSEMBLY OF MANITOBA

THE STANDING COMMITTEE ON PUBLIC UTILITIES AND NATURAL RESOURCES

Monday, March 19, 2001

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:*Messrs. Dewar, Fauschou, Ms.
Korzeniowski, Messrs. Maloway, Penner
(Emerson), Rondeau, Schellenberg*Substitutions:*Hon. Mr. Smith for Hon. Mr. Mackintosh
Mr. Aglugub for Hon. Mr. Lemieux
Mr. Helwer for Mr. Cummings
Mrs. Stefanson for Mr. Loewen

APPEARING:

Ms. Carmen Neufeld, Chairperson, Board of
Commissioners for the Manitoba Liquor
Control Commission
Mr. Don Lussier, Acting President and Chief
Executive Officer, Manitoba Liquor Control
Commission
Mr. Harold Gilleshammer, MLA for
Minnedosa

MATTERS UNDER DISCUSSION:

Annual Reports of the Manitoba Liquor
Control Commission for the fiscal years
ended March 31, 1997, March 31, 1998,
March 31, 1999, and March 31, 2000

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

Committee Substitutions

Madam Chairperson: Before the consideration
of the annual reports of the Manitoba Liquor
Control Commission, we have committee
resignations to deal with.I have before me the resignation of
Honourable Mr. Mackintosh effective
immediately. Are there any nominations to
replace Mr. Mackintosh?**Mr. Gregory Dewar (Selkirk):** Madam Chair, I
nominate Mr. Smith, Brandon West.**Madam Chairperson:** Mr. Smith, Brandon
West, has been nominated. Is it the will of the
committee that the Honourable Mr. Smith
replace the Honourable Mr. Mackintosh?
*[Agreed]*I have before me the resignation of the
Honourable Mr. Lemieux effective immediately.
Are there any nominations to replace the
Honourable Mr. Lemieux?**Mr. Dewar:** Yes, I nominate Mr. Aglugub.**Madam Chairperson:** Mr. Aglugub has been
nominated. Is it the will of the committee that
Mr. Aglugub replace the Honourable Mr.
Lemieux? *[Agreed]*I have before me the resignation of Mr.
Cummings effective immediately. Are there any
nominations to replace Mr. Cummings?**Mr. David Fauschou (Portage la Prairie):**
Madam Chairperson, I would like to nominate
Mr. Ed Helwer, Gimli.**Madam Chairperson:** Mr. Ed Helwer has been
nominated. Is it the will of the committee that
Mr. Helwer replace Mr. Cummings? *[Agreed]*I have before me the resignation of Mr.
Loewen effective immediately. Are there any
nominations to replace Mr. Loewen?

Mr. Faurshou: Madam Chairperson, I would like to nominate Heather Stefanson, Tuxedo.

Madam Chairperson: Heather Stefanson has been nominated. Is it the will of the committee that Heather Stefanson replace Mr. Loewen?
[Agreed]

* * *

Madam Chairperson: This morning the committee has before it the annual reports of the Manitoba Liquor Control Commission for the fiscal years ended March 31, 1997; March 31, 1998; March 31, 1999; and March 31, 2000.

Does the committee wish to deal with each report separately, or all together?

Mr. Faurshou: Madam Chairperson, upon review of the past minutes of this committee, I think it has had an ample opportunity to have discussions on the reports of the Manitoba Liquor Control Commission for the years ending March 31, 1997, March 31, 1998, and March 31, 1999. I am prepared to ask the committee to pass these reports.

Madam Chairperson: Is it the will of the committee to pass the first three reports?
[Agreed]

Annual Report of the Manitoba Liquor Commission for the fiscal year ended March 31, 1997–pass.

Annual Report of the Manitoba Liquor Control Commission for the fiscal year ended March 31, 1998–pass.

Annual Report of the Manitoba Liquor Control Commission for the fiscal year ended March 31, 1999–pass.

We will now proceed with consideration of the Annual Report of the Manitoba Liquor Control Commission for the fiscal year ended March 31, 2000.

Does the minister responsible have an opening statement, and would he please introduce the officials in attendance from the Manitoba Liquor Control Commission?

Hon. Scott Smith (Minister charged with the administration of The Liquor Control Act): Thank you, Madam Chair. I do have an opening statement. I would like this morning to introduce to everyone our Chair of the MLCC, Carmen Neufeld, in attendance.

Mr. Dewar: Madam Chair, I do not think we discussed the matter of till when we will be sitting this morning.

Madam Chairperson: What is the will of the committee for the time of rising?

Mr. Dewar: Madam Chair, I suggest we sit till 12 noon.

Madam Chairperson: Is it the will of the committee that we sit till 12 noon? [Agreed]

Mr. Smith–Honourable Mr. Smith.

Mr. Smith: It is hard to get that "honourable" out. I am having trouble myself.

As I have mentioned before, we have with us this morning our Chair, Carmen Neufeld. We have our Acting President and Chief Executive Officer, Don Lussier. We also have with us this morning the Vice-President of Financing and Licensing, Al Ahoff. As well, we have Roman Zubach, Vice-President, the Human Resources and Administration, and Bob Kelln, Manager of Licences and Permits Department.

I appreciate having this opportunity to put a few statements on record, and I would just like to start out by saying the mission statement of the Manitoba Liquor Control Commission, as noted in the 77th annual report, is to promote the safe, healthy and responsible use of beverage alcohol products, thereby generating revenue for the province. A worthy mission, and I am pleased to report that the fiscal 1997-2000 were strong years for the MLCC. In 1997, the commission provided \$144.2 million to the Province for much needed services to Manitobans. This past year, the last and most successful year of the decade, the MLCC transferred \$156.3 million to the Province, which is an increase of over 8 percent from 1997.

During the four years being reviewed, a new strategic framework was developed which raised the standing of the MLCC's social responsibility initiatives to equal footing with profit objectives. The framework, like any good business plan, pays the way to achieve profit and performance objectives and improving organizational health. But more than that, the framework guarantees MLCC ethics, such as entrenching its commitment to responsible consumption ideals and embracing service for Manitobans in smaller communities across the province.

The key to all this, of course, is the people. The MLCC employs the equivalent of 483 full-time employees. This strategic framework points the way to creating a working environment that allows people to excel. For example, in fiscal 2000, the commission introduced a store management development program, and more than 1100 hours of training were provided over 44 training sessions. The MLCC also launched an awards program for its people. An employee committee develops and maintains the superior talent awards recognition program to recognize individual and team accomplishments. This is just one small way the commission is working to ensure the good work that their people do.

* (10:10)

Manitoba Liquor Control Commission employees are also well known for their active support of the United Way. The commission matches contributions through a mix of in-kind and financial support. The folks at the commission have become more visible in the communities in general, working with a number of agencies, community festivals and groups focussed on healthy lifestyles. In 1997, the MLCC formed an alcohol education committee representing a cross section of departments to ensure that the responsible consumption is integrated into all activities. In 1999, the group partnered with licensees, vendors, Labatt, and the Manitoba Snowmobilers association, which is called SNOMAN, and a lifesaving society for a series of coasters and posters providing quick facts and responsible consumption. The MLCC is very aware of its position in the industry and selected this campaign as a way to work closely with its partners in licensed premises, suppliers and other vendors.

Leaning heavily on the expertise of the community groups, the commission developed a program that targets the high-risk drinker between the ages of 18 and 34. The "Live Life to the Max, Please Drink in Moderation" campaign profiles young adults enjoying life to the fullest, but adds punchy messaging dispelling some commonly held myths, for example, that caffeine and coffee may make you feel more awake after drinking, but you are no less intoxicated. Perhaps one of the strongest materials in the program was a poster dealing with the effects of heavy drinking during pregnancy. The poster deals with fetal alcohol syndrome, and reminded customers that the 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-FAE working with Children and Youth Secretariat, the Addictions Foundation of Manitoba and the Fetal Alcohol Family Association on a variety of incentives, from store bag imports to community panel discussions. This commitment will be further enhanced in the coming years as we devote more funding to this important issue.

Community is important to the people at the MLCC. In 1999, the MLCC joined the Addictions Foundation of Manitoba to encourage Manitoba's communities to develop a municipal alcohol policy to reduce the incidents of alcohol-related programs and to raise awareness of the responsibilities of service. Encouraging responsible service is a prime aim at the regulatory arm of the commission.

The Licences and Permits Department works with local businesses, community groups and individuals renewing and issuing approximately 3000 licences and over 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 that 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 Service Committee with police services, the Manitoba Restaurant Association, the Manitoba

Hotel Association, Manitoba Tourism Education Council and Manitoba Public Insurance. Together they maintain the "It's Good Business" program of responsible service training and materials for licensees and their staff.

In Winnipeg, MLCC Inspection Services and licensees joined forces with the Traffic Division of the Winnipeg Police Service on the "Last Drink Project." Just as it sounds, when drivers are stopped with a BAC in excess of .15, the police provide the MLCC with the name of the premises where the last drink is said to have been served. A letter is sent to the licensee drawing attention to the potential overservice, with an offer of staff training. Madam Chair, 0.15 is an important number. It is chosen for the "Last Drink Project" because, I am told, at this point customers will exhibit clear signs of intoxication, signs a trained observer should be able to recognize for their own safety, as well as the customers.

These are just a couple of examples of how commission employees work proactively with owners, managers and servers of approximately 3000 licensed establishments in the province. It is important that staff maintain strong working relationships with several groups in the industry, including the Manitoba Hotel Association, Manitoba Restaurant Association, police services, licensee groups and community groups, as I have mentioned.

Licences and Permits and Inspection Services department spend an increasing amount of time on education and prevention efforts. They conduct seminars for licensees to explain the act and regulations and commission policies, and to help those interested in obtaining liquor licences. They also work with festival organizers to provide planning, promotional and operational assistance in communities across the province. Interestingly enough, Manitoba's trademark community hall socials are on a decline, which the MLCC attributes to greater use of licensed premises for functions, an aging population and a growing commitment to responsible consumption.

In 1995, over 15 600 occasional permits were issued, but by fiscal 2000 this number had dropped 9 percent to 14 200. Over the past four

years the MLCC made over a 1100 educational visits to hall owners and permittees. Inspection Services conducted over 1000 staff training sessions for licences as well. These sessions are more intensive and take more time than a routine visit, but a routine site visit would seem to have more of an impact over the long term. Certainly, education is a key strategy, but Inspection Services holds firm to its commitment to ensure the compliance of problem and high-risk drinking locations, such as bars and cabarets versus dining rooms and clubs.

Measuring the effectiveness of Inspection Services is not a simple matter of looking at the numbers. Certainly, fluctuations from year to year in the numbers of inspections are to be expected, given the nature of the role of the inspector. Special events, major festivals, and change in establishments' focus are just some of the factors that may affect the operations of licensed premises. Perhaps most telling is the number of warnings issued by licensees. In 2000, there were 100 warnings and 26 informal meetings between a licensee and a manager of Inspection Services to work out solutions together to prevent the reoccurrence. The process seems to be working. The MLCC reports that the majority of licensees correct the problem and are not subject to any further disciplinary action.

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 purchased product from over 1000 suppliers in 50 countries. The MLCC offers over 2600 spirits, wines, and beer products, with the addition of special one-time listings throughout the year. Through its distribution centre, it supplies 1700 customers and annually processes over 63 000 orders, injecting over \$900,000 into provincial transportation system for delivery services. The promotion of responsible consumption is taken seriously in the store system of the MLCC as well. In fact, in fiscal 1997, the commission launched an age identification program to help store staff ensure that young-looking customers produce valid ID. In the fall of fiscal 2000, the MLCC launched a new photo identification program for retail outlets and licensed premises.

The "Show Your Age" program asks customers to ensure that they have a valid ID handy when they purchase beverage alcohol.

The MLCC is on the right track. Recent market research in communities across the province clearly state that the people of Manitoba are pleased with the service they receive from the staff at the MLCC. The commission has developed a series of public workshops and courses providing Manitobans with the opportunity to discover more about the benefits of responsible consumption and quality beverage alcohol. The courses on wines and spirit selections are popular and sell out very quickly. Not wanting to rest on their laurels, however, the commission is committed to enhancing service to rural Manitobans and has taken steps to improve the product selection, enhance product knowledge in local stores, and provide an overall better shopping environment.

To address the problems of poorly performing outlets, a new liquor vendor operating agreement has been developed 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 high-level inventory.

* (10:20)

The MLCC reports a growing interest in wine in Manitoba. For example, wine consumption was up nearly 17 percent in 2000 over the 1996 levels. In 1999 the MLCC introduced the bulk wine store, Bottle N'Cork, which allows consumers to buy quality table wine at self-service prices. Manitoba has also seen the licensing of the first stand-alone brew pub and two new microbreweries. Recognized as an innovative retailer, the MLCC is very aware of the consumer trends and market shifts. The MLCC keeps in tune with its customers through traditional methods such as surveys and focussed groups on specific projects. Recent surveys have positively identified that the majority of Manitobans are satisfied with the service they receive in their area liquor mart. When it comes to important measures, such as friendliness of staff, staff product knowledge and store layout,

MLCC liquor marts consistently rate highest when compared against other retail chains. The MLCC focus remains on excellence in customer service but not at any cost. Costs of administration as a percentage of sales continue to maintain low levels hovering around approximately 9.1 percent.

The commission undertook a major initiative to create improved administration, inventory management, marketing and merchandising effectiveness in the commission's operated stores. A model store was established within an existing liquor mart. This test helped to ensure that store procedures continue to be the most effective and efficient, with customer satisfaction key to the entire process. In 1999, several changes were undertaken which estimated to result in a savings of over \$700,000. The wholesale customer order system using the Internet was also developed. The award-winning system, called ATLAS, allows wholesale customers to place liquor and beer orders and get product information through their own computers around the clock, seven days a week. Customers can now access their financial account information and reach MLCC staff through e-mail.

The MLCC established its own Web site which was elected the Yahoo! Canada pick of the week when launched and, as well, has now introduced a French version. Working with local suppliers, the site offers up-to-date information on stores, products, trends, alcohol education and related links. This site will be further enhanced this coming year to expand the information base.

Perhaps the MLCC's most significant undertaking was the 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 MLCC Chair 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 Diane McGifford, the previous minister responsible for the administration of

The Liquor Control Act, with 44 recommendations and changes. It is my intention to move forward with positive changes to ensure that the legislation and MLCC policies reflect Manitobans' expectations of responsible alcohol beverage sales, regulation and proactive educational awareness programs to a changing millennium and policies conducive with the modern times.

I would like to take this opportunity as well, Madam Chair, to thank the board of commissioners, the executive, management and staff of the MLCC who, I believe, serve the province very well. Thank you very much for the opportunity.

Madam Chairperson: We thank the minister for those remarks. Did the critic from the Official Opposition party wish to make an opening statement?

Mr. Faurchou: Madam Chairperson, my remarks will be brief insofar as they are limited to the asking of your request to the committee as to the adoption of discussion in a global nature rather than section by section, as has been the past practice.

Madam Chairperson: Is it the will of the committee to have a global discussion of the statement at the end of the report? *[Agreed]*

Mr. Faurchou: Madam Chairperson, seeing new faces around the table here, including the ministerial hot seat as well, welcome to committee.

I would like, being that persons are new to the committee table, to ask the minister's indulgence to allow for the new Chair of the MLCC, as well as the new Acting CEO, to give a little background of their history so we understand a little bit of their background that they bring to their new positions.

Madam Chairperson: Did the representatives present from the Manitoba Liquor Commission wish to make a statement to the committee?

Ms. Carmen Neufeld (Chairperson, Board of Commissioners for the Manitoba Liquor Control Commission): This is my first full

committee meeting, so I am a little bit new to the process. As you know, my name is Carmen Neufeld. I own two businesses in Manitoba, a professional meeting planning service as well as Manitoba's only speakers' bureau. Because of my history with owning the meeting planning business, I am very much aware of the issue of alcohol-related events. Tourism, of course, is a big part of my business as well. I have lived in Manitoba all but three years of my life, primarily in Winnipeg, and in terms of my business expertise, I have been chair of Women Business Owners of Manitoba, I chaired the Manitoba Women's Enterprise Centre and I was very honoured to be Manitoba Entrepreneur of the Year in 1999. So I think a blend of my business background as well as my background understanding the issues around tourism and certainly combined with my volunteer efforts in terms of social responsibility, I think that I do bring some expertise to the chair.

Madam Chairperson: The floor is now open for questions. We thank—

Floor Comment: No, I get a chance now, too.

Mr. Don Lussier (Acting President and Chief Executive Officer, Manitoba Liquor Control Commission): I have been with the commission for a little over 26 years, starting out on the commercial side and staying on the commercial side. I have been responsible for purchasing and distribution, then for retail and then for both. So I have had dealings with a lot of people in this room on various issues and no doubt will have further dealings on issues. I am a born and bred Manitoban, have a Bachelor of Commerce Honours degree from the University of Manitoba, unfortunately many, many moons ago.

This is not my first time at the committee. It is the first time at the big table; usually I am sitting with the boys in the back here. So I look forward to this. Thank you.

Madam Chairperson: Thank you for your remarks. The floor is now open for questions.

Mr. Faurchou: Thank you very much, and I appreciate the introduction. It does enhance our

understanding of those that we have opportunity to question.

Now, I would like to dive right into the particular report which we are looking at, which is ending 2000, and just running into comparison year over year of some of the figures, I would like to perhaps start right at the very, very top of the expenditure lists under the direction of the MLCC and that is in Salaries, Benefits and Pension Costs. That particular one has escalated significantly over the last number of years, but I do understand that there has been an accrual accounting change as far as pension and accountability. So could you perhaps outline the changes in figures and break out so that we of the Legislature understand what is specifically wage increases versus the change in accounting?

Mr. Lussier: Yes, you are quite right. The largest difference is in changes to the unfunded pension liability which occurred in fiscal 1999. That is \$1.7 million of the increase. The collective agreement, salary increases are \$1.1 million, and then the elimination of the reduced work week in fiscal 1999 accounts for another \$300,000. Now, I am comparing against fiscal 1997. We anticipated over the entire period. Also, severance pay and vacation accrual is another couple of hundred thousand dollars, and Y2K in fiscal 1999 accounted for almost \$300,000. Then there is increase in pension payouts which are in the neighbourhood of \$100,000. But the biggest single one is the unfunded pension liability, almost half of the increase.

* (10:30)

Mr. Faurchou: The unfunded liabilities is also recorded on the other side of the ledger from the Province's and accounts receivable from the Province as well. What figure is that? You elaborated on the other reduced work week, and what was the figure we are looking at here?

Mr. Lussier: Madam Chair, \$1.7 million in the unfunded pension liability, and the reduced work week is \$340,000.

Mr. Faurchou: Madam Chairperson, having clarified that, then perhaps we can skip right to the bottom line. Essentially, what is the year-

over-year increase in wages, benefits in the salary category?

Mr. Lussier: Over the period, it was \$1.1 million as a result of the collective agreement implementation. Now, there are some differences in there as well with the Y2K. In order to make our systems changes, it was almost \$300,000, and an increase in pension payouts about \$300,000 as well.

Mr. Faurchou: What I was essentially wanting to get at, as we had removed all of the other Y2K and then pension severance and all that, was the actual year-over-year increases that were experienced, and I believe you used the \$1.1 million figure as year-over-year negotiated salary change.

Mr. Lussier: That is from fiscal 1997. The implementation of the collective agreements through that period, fiscal 1997 to fiscal 2000, was \$1.1 million.

Mr. Faurchou: So these are all increases. Are you working with exactly the same number of personnel or have you made structural changes, additional staffing, or is this specifically to salary increase?

Mr. Lussier: Essentially we are working with the same number of staff. There have been deployments within that staff and changes within the staff, but the total staff complement is roughly the same over that period.

Mr. Faurchou: So there have been no additions or reductions, say, in actual full-time equivalencies within the organization in this time frame?

Mr. Lussier: No.

Mr. Faurchou: So, in regard to this \$1.1 million reflective figure, can you perhaps bring that into focus as regards a percentage increase year over year? You say this experience is for accounting periods. What is the percentage increase this reflects to?

Mr. Lussier: I am not quite clear on it. Are you talking over the entire period or just from fiscal 1999 to fiscal 2000?

Mr. Faurichou: I am looking at percentage wage insofar as what was the negotiated salary increase.

Mr. Lussier: Approximately 2 percent.

Mr. Faurichou: So then, in the negotiations, where, in fact, are we at the present time? Was it a multiyear contract, and when is the anniversary date? When do you expect to be renegotiating?

Mr. Lussier: It is a three-year contract. It has been recently signed only a couple of weeks ago, and it extends for another two years to March 31, 2003.

Mr. Faurichou: Was there any change then? You say the previous contract was 2 percent. What is this new contract?

Mr. Lussier: It is a three-year contract, and it is approximately 2.3 percent per year over that period.

Mr. Faurichou: Now, in regard to the overall salary negotiations that you have just now concluded—I am pleased to hear that you have—are you looking at reductions in administrative costs as we have all looked at the year-over-year expenditures of the commission? They have been increasing, yet you also, in your report, indicate that your volumes are flat. Now I know that all persons in your line of work look to cost effectiveness and improvements made in administrative allocations of resources in business. I would appreciate your response.

Mr. Lussier: Yes, we always look for ways to improve our operations. For instance, the Internet-based ordering system, ATLAS, was an initiative in that area that resulted in less labour involved in our ordering process, essentially going computer to computer. So, as people retire or leave, they may not be replaced or we may be reducing on the part-time side.

Mr. Faurichou: Yes, I am not sure. Excuse me, Mr. Lussier, if I am a little confused. You have made note of improvements here in administration. You have made note of reduction of staff, of a more efficient use of staff, yet your previous statement said you have not reduced staff. So maybe you could perhaps clarify.

Mr. Lussier: What we have done is reallocate staff. In the opening remarks, there was a comment on our model store initiative, which resulted in efficiencies in work that was probably not value-added, a lot of office work, a lot of paper work. By changes that we made in the process and the system, we were able to reallocate our staff where they should be onto the floor, dealing with customers, rather than doing administrative work.

Mr. Faurichou: Forgive me, but I am still a little bit confused here, insofar as you are talking about efficiencies and allocation of staff where they are going to reflect an improvement to the overall administration and operation of it. Yet the overall sales are flat, insofar as the Manitoba Liquor Control Commission's are essentially. In fact, we have fewer beer sales and fewer spirit sales than we have experienced in the past. I know that you are up in wine sales. I believe we will get to that a little bit later, but what essentially we are coming about to is that you speak of efficiencies, yet your sales volume remains flat. So where are the efficiencies in relationship to reducing your administrative costs?

Mr. Lussier: The efficiencies are not such that we are reducing staff. That is not a primary goal of ours. To provide excellent service is a far more important goal to us. So we have, as I said, reallocated staff. For instance, we have opened an additional store in the Tuxedo shopping mall and we have opened a bulk wine store. We did that with no increase in staff, but merely a reallocation of staff.

Mr. Faurichou: You are looking to provide better service, which is the ultimate goal of every business, and should be paramount. However, in this day and age, if you are not looking at any additional sales, you effectively should be looking to make better, more efficient use of administration, and it should be reflected in this particular line.

Mr. Lussier: There are two sides to the sales number. Yes, there is the volume side, but there is also the pricing side. So if you provide better service, our experience has been you sell up, you sell more. That is what has been happening. We have been spending a lot of money, a lot of time

and effort training our staff on product education, and what it has resulted in is an increase in sales in our store side. Not necessarily only volume sales, but the prices are higher. We are seeing a customer who is more demanding for more knowledge, and a customer who wants more information and is willing to pay more, not drink more, but pay more, drink better.

So we are moving in that direction, catering to that need, plus we have tried to provide better service and better service sometimes results in higher costs. As an example, we found in our customer surveys that the 18- to 25-year-old age group was not as satisfied as my age group with our service. They were primarily not satisfied because of the times we closed. As my daughters would say, you close when we are going out. So we changed that. We used to close all our stores at ten o'clock on a Friday and Saturday. We now have stores in the city of Winnipeg, regional stores that are open until eleven o'clock at night. That is a cost. It costs us more, but it also pays back in terms of the level of satisfaction from the customer.

* (10:40)

Mr. Faurshou: So we are looking at improved palate satisfaction with your efforts. Do you have any concrete figures as to analyze effectively where in fact, whether this is holding true insofar as that actual dollars are reflected in what you say, what line backs this up, because what I am concerned about is that, yes, our dollars are going up in both the gross purchase and gross sales, and the net is also as well, but what is the difference between the actual increase in the wholesale price which you pay for the product in relationship to the scenario which you describe?

Mr. Lussier: Well, I think we should look at—if you look at page 9, if you start taking a look at our general administrative expenses as a percentage of sales, that is one of the key figures that we look at. So we are trying to keep our expenses, as the minister said, in the range of under 10 percent. So, as our sales move, we control our expenses in that way. We have seen increases in our store sales, and we have also seen increases in our vendor sales. Vendors most

particularly were lagging behind in the trends in the industry, and we believed that, after we had studied it with Arthur Andersen, it was because the service was not as highly rated by customers as it was in our stores. So we took steps to alter that. Those have costs. We provided terms to the liquor vendors, and we also made product training mandatory, and social responsibility training mandatory, to them, in return for which we also stipulated that they must carry, depending on their sales, a minimum inventory and a minimum number of assortment. All those things have costs. We are trying to provide the best service at a reasonable cost. That, I think, is witnessed—the percent of sales that we operate under is the best in the country. There is no liquor board that is more efficient than we are. We measure that on a yearly basis as well.

Mr. Faurshou: Madam Chairperson, I think, as the Government of Manitoba would appreciate, and the new minister as well, that you work as efficiently as possible insofar as you are generating significant dollars for the Treasury of this province, and one would want to have that efficiency reflected in the remittance of tax dollars to the Province of Manitoba Finance Department. I am still a little bit wondering as to whether or not you are tracking this—yes, your gross sales are up. There is an inherent increase year-over-year on wholesale pricing of products which you purchase, and you are saying that you are selling a better brand or a higher-valued brand, and that is the reason for this and not the increase in wholesale costs.

I am wondering whether you break it down, such as from '99 to 2000, \$379 million to \$393 million essentially. Is there a breakdown between the wholesale increase in price versus the actual higher-brand values?

Mr. Lussier: We have not looked at it in that way; we have not split it on that basis. So there is a combination of both price and volume change, and the price is multicomponent, partially generated by the supplier increases and partially generated by a buy-up. I do not have the information in terms of the split.

Mr. Faurshou: I would suggest that that is going to be a benchmark, that perhaps there is someone in the administration looking at that,

but that is where you are looking to see if it is value for dollar of investment. You suggest that persons are buying up, yet I believe you should perhaps be able to substantiate that and see whether or not the invested dollar, which, I am certain, the Treasury would sooner have, if it is not being returned for investment. That is a question that we as legislators are most interested in; it is value for dollar. Do you have any comment to that respect?

Mr. Lussier: It is not to say that we do not measure our performance. We measure it. We are very concerned. The largest component of our cost is labour. So we have measurements in place to ensure that we are getting efficiency from our labour. We measure in stores based on how many units per person-hour are put through, and we do the same in our distribution centre, to make sure that we are getting the value for our dollar. We do not want our costs running out of control, and I think you control that partially by taking a look at other people in the same business. What do their costs look like in comparison to yours? If you are out of whack with that part of it, you are doing something that is not best practices. So we keep an eye on that, and we keep an eye internally on productivity measures as well.

Mr. Faurchou: The Treasury is most interested in value for dollar most certainly, and if you are able to display that the additional dollars that have been invested are paying dividends, then I suggest that that be able to be shown at our next committee meeting quite clearly, if you will.

Insofar as overall expenditures, when one looks at flat sales, we do want to make certain that you maintain your overhead. You say that we are the most efficiently run. Well, I appreciate that when you say that.

Now moving further down the line here, there have been savings in some respects. I see the reductions year over year. However, one particular line that is increasing year over year at significant percentages, and maybe you can put on the record what percentage it has risen, and that being your advertising and promotion. Because advertising and promotion are a line that is directly linked with overall sales, and being that your sales in actual volumes are flat, I

would like you perhaps to enlighten us as to the reason why your advertising has gone from approximately \$130,000 annually to \$1.1 million in a matter of just a couple of years.

Mr. Lussier: The largest increase in that expenditure is in the AIR MILES Program that we instituted two and a half years ago, a customer loyalty program. That is about \$700,000 of that expenditure. The other side of it is increased involvement in just general advertising where we do image programs and advertising of our services. That part of it, I think the committee would be interested to note, is funded by suppliers. We, like other major retail chains, charge for our display space. So the end aisle display space in our stores is sold to suppliers on an annual basis. That generates over \$500,000 in revenue from the suppliers, which picks up basically all of the advertising other than AIR MILES expenditures.

Mr. Faurchou: Madam Chairperson, so what you are saying is that the lines are skewed here in relationship to the additional \$700,000 that is expended in the AIR MILES Program, yet it is recovered—I believe you said approximately \$500,000—in another line. So the relationship year over year is then what?

Mr. Lussier: Let us take the AIR MILES out of the equation. I think that is a separate issue. The other one more than covers the cost of all of our advertising put together. All of our advertising put together would be less than \$500,000, and we collect over \$500,000 in fees from the industry for our space. So it is effectively a zero cost of advertising for us.

Mr. Faurchou: So in other lines there is accounting that effectively nullifies the advertising and promotion line. So you are telling this committee and the legislators of Manitoba that that is a wash at \$1.133 million?

* (10:50)

Mr. Lussier: No, it is not a wash. The \$700,000 in AIR MILES is not a wash. Other than that, it is a wash. The advertising is a wash based on the revenue account.

Mr. Faurchou: So then what we are speaking of is about \$700,000 as in here, \$500,000 out of that equation. So evaluation of the AIR MILES Program, and I keep coming back to the flat volume in sales here and remembering too that you are the only game in town essentially. It is value for dollars. As a province looking for dollars that should be allocated in health and education spending, we have to be asking those questions.

Mr. Lussier: I agree with you wholeheartedly. I could not say it better myself. We have done this on a business basis. We have done this because many people conceive us as a monopoly, and really we are not a monopoly. We have 45 liquor stores in the province out of 533 outlets for retailing of liquor, so we are in competition with other retailers.

One of our competitive strategies is to use AIR MILES to encourage loyalty from our customers, to encourage our customers to buy through our liquor marts and not through other outlets. In the first year of implementation of the AIR MILES Program, we did exactly as you had suggested. Our board at the time was very concerned about the AIR MILES expenditures because they are large. They were right. So we had to track it and do detailed studies which indicated that the net gain from AIR MILES was approximately \$400,000 to the Province of Manitoba. Now that comes from lifting sales in our stores, so people do buy up as a result of desire to get air miles.

Also, the bonus AIR MILES system that we sell to suppliers is a revenue generator for us as well, and there is some shift from other outlets into liquor marts as a result of this program. It was done after extensive study and modelling to ensure that this was a value for dollar.

Mr. Faurchou: Madam Chairperson, I would like to bring the minister into this. Perhaps he is asking the questions of the department, since his appointment, as value for dollar and making certain that programs such as the AIR MILES is an effective way of promoting and advertising, and whether that is a continued area into which one should either be expanding or in fact removing that particular option. I would like to

hear the minister's perception of the AIR MILES Program and what his intent is in the future.

Mr. Smith: Madam Chair, I would like to thank the member from Portage for his question. When the previous government initiated this in 1998, they saw it as a good move forward. I believe as well it was a good move forward. The MLCC has identified, as Don has mentioned, that it develops and builds customer loyalty within the departments. It certainly identifies the area of buying up, the extra expenditure, spend a dollar to make two, so to speak, if you will, on that type of basis.

I believe that it was a good move previously by the previous government to initiate this and bring this in. I believe that we have identified that it is building customer loyalty. There are a number of different methods to identify that. It has been brought to my attention, identified, that it is very effective and a quite well-thought-of program. As Don had mentioned, out of approximately 45 government establishments, out of the 540 or so establishments, Madam Chair, it is competition out there. Certainly, general revenues and any dollars that can be expended to generate and create revenues for the province—you mentioned health care and education and some of the others—are welcome. It appears to be a very successful campaign that is under way and we will continue to monitor.

Mr. Faurchou: In regard to the expenditures that one does in advertising, as it was stated earlier here, I would like to ask the minister in regard to the decision-making process as to whom and what entities—distillers and those involved in the fermenting industry: What priority is given to domestic brewers versus others that are out of province in your advertising campaign? I speak specifically when you look at one brewery wanting space over another brewery and one being domestic versus one being international or national, what is your policy?

Mr. Smith: Madam Chair, certainly in the matter of policy, for one product you are speaking about international products that may come into Manitoba, as opposed to local products. Is that your question? The MLCC, as I had mentioned in my opening statement, has been very proud of expanding the amount of

products that are being served within the stores, some 2600 products being listed with the MLCC. Certainly on local products, it is something that is very important to MLCC, working with local folks within the province to expand and to establish a market for their area here in our province.

The specifics of one product being given preferential treatment over another is not the case. It is certainly a matter of market area and the ability to produce amounts of product that would be represented by the Liquor Control Commission and stocked on the shelves. In terms of distribution and ability to supply a product, certainly it is something that should be taken into account as well. The procedure for stocking of products and initiating products for sale in the MLCC does not provide for preferential treatment. I will refer the policy of that to Don for further comment on that.

Mr. Faurichou: Madam Chairperson, in regard to favouring domestic, very specifically, the microbreweries in town have found that initial start-up costs, and one has to be appreciative of those to make certain operations are continued, a limited advertising budget. So when you look at the large brewers, Molson, Labatt's, to be specific, their advertising dollars are significant. When it comes to sponsorship and highlight of a particular beer product in some of our cultural events here and around the province, it is a grave concern that the commission may be looking solely at the bottom line when it comes to actual up-front dollars.

I would like the minister to respond to this, that when concerns are raised in this respect there are other contingencies that the Province as a government must look at that are valued, employment values, income taxes paid in this province that microbreweries provide and to just say that we are only looking at best return on this advertising space, I would appreciate the minister's response.

Mr. Smith: I thank the Member for Portage la Prairie (Mr. Faurichou) for that question. Certainly, it is part of the equation as a whole. The Member for Portage mentions the benefits of employment here in Manitoba. The three larger microbreweries that we have seen start up

over the last three years employ somewhere in the area of 18 full-time people and 19 part-time people here right in our province. They run a payroll of about a million dollars and certainly their business practice has expanded from local on-tap ales to expanding into a practice that is certainly a very expensive practice, getting into the bottling and distribution. The business plan for that, I am sure, recognized their capital costs and their outlay of getting into that to compete with the larger brewers.

* (11:00)

I will mention beer brewers, for example, Labatt's and Molson and such, and the economies of scale that they develop on distribution. I have met with the folks from the microbrewers here in Winnipeg and certainly the pressures on them are immense getting into another stage, if you will, and the expansion of their businesses. The costs are very relevant and they considered it an expansive cost when they got into that process. It is one piece to look at when considering the costs here in Manitoba. I think we all sitting around this table would like to see local, made-in-Manitoba products do well, to expand market and create, as you mentioned, employment and the benefits that they do see. They see reflective cost savings on other ends as well that the larger brewers do not see—just one example, payroll tax would be under a million dollars—and some of the savings that they see in other areas as well. We would like to see them do well. At what cost? I guess that is the question. Certainly, it is something that is being considered.

You look at our borders, and this type of venue is not strictly in Manitoba. It is the expansion for some of these people—to expand their market and get outside of the province—and the costs that they will certainly incorporate in trying to expand that market. The local jurisdictions in Saskatchewan and Ontario and other provinces across the country look at assistance for some of these folks. I have taken that into consideration and looked at costs, cost over cost on that. Certainly, everyone likes to assist expansion of jobs and products within our province, but certainly the costs of some of these small brewers, if you will, microbreweries—and

everybody has a different definition of what microbreweries are—are relevant. It has been taken into consideration and looked at quite extensively.

Mr. Faurshou: I appreciate the minister's response. My understanding, then, is that he will be looking at policy that takes into appreciation the other factors that the microbreweries provide to this province, benefit factors, when just not evaluating only dollar for dollar for that particular opportunity to advertise in a cultural event or around the shelves of the stores. In regard to that, I know my other colleagues have questions and so, in relation to microbrewers, one last question—you touched on it, Mr. Minister, and, hopefully, a very short, concise answer here: Will you be evaluating the changes that have taken place in taxation in other provinces to a volume-based taxation versus a value-based taxation method, of which my understanding is that we are the only province now left in the Dominion that is experiencing that. There may be one other jurisdiction, but the vast majority of provinces have switched over to the volume-based taxation.

Mr. Smith: Madam Chair, I guess I would like to look at the positives of what change might mean, and, as the lemming ran off the cliff and everyone fell off behind, it may not be the best way to go always. *Ad valorem*, if you are in the province of Manitoba, has been very successful. It has been well done, and through the years, certainly the last five years, previous five years, it has been quite successful. I am sure that you will admit.

Mr. Gregory Dewar, Vice-Chairperson, in the Chair

To look at considerations, it is a constant process. Consideration is always given to new initiatives and positive changes that might occur within a system. I think a good strong positive business practice is always to consider change if it benefits, and benefits, in this case, would be people in Manitoba and the Province of Manitoba. You mentioned a few of the things that the Province of Manitoba does for people within the system in health care, education and such, but as for the immediate future, no changes will be initiated. I understand the board is not

considering going to that type of system at this time. Certainly, knowing the board and knowing the chair, everything and every stone is overturned as far as efficiencies, and Don had mentioned some of the efficiencies that have been initiated over the last year or so, or year and a half, as far as percentage and profit go, from \$151 million to almost \$157 million.

Certainly, your comment is well taken. The board and the commission certainly look at every avenue.

Mr. Faurshou: I turn over the floor to my colleague, but just to wrap-up, it, we are under study right at the present time by the Crown Corps, the operations of MLCC, and one of those factors is the ministerial involvement and, being an elected official of the Manitoba Legislative Assembly, I appreciate the minister being proactive in this respect because employment and viability of these micro-breweries do, in fact, hang in the wind here. Thank you.

Mr. Harold Gilleshammer (Minnedosa): Just maybe a couple of questions on the AIR MILES. Certainly, the original intent, I believe, was to increase revenue by encouraging customers to perhaps buy more expensive product or simply spend more money at the liquor stores. Now I am hearing that the interpretation the minister is putting on it is that this is to get store loyalty at the expense of vendors and wine stores. Did I hear him correctly when he said that?

Mr. Smith: Thank you for the opportunity to respond. Basically, the revenue certainly is important. When it was done, as the member knows, as I had ascertained and mentioned, when revenue was initiated in 1998, it was something that the government of the day had looked at. Certainly that is being looked at now.

The efficiency of any change in business or business practices at times takes time. It was initiated in the summer-fall of '98, and it has been less than two years to establish whether there is a payback or not. My comments will be that I know the board and the executive of the MLCC are certainly identifying whether it is dollars well-spent, and the consideration of expenditure over profit is certainly something that is being considered. That is my comment.

Madam Chairperson in the Chair

Mr. Gilleshammer: The minister has missed the intent of my question. I understood him to say that his interpretation of the use of the AIR MILES Program is to give the government stores a competitive advantage over vendors and private wine stores. Is that his interpretation of the use of the AIR MILES?

Mr. Smith: The interpretation is certainly customer loyalty. There are a number of programs out there. This is one that was established in 1998 as being a positive step to move forward. I tend to agree the board sees no changes in the immediate future on this program. The Canadian Plus, or AIR MILES, or whatever other programs that are out there certainly are available to many other suppliers.

Mr. Gilleshammer: Well, does the minister not see this as an unfair competitive advantage that the liquor stores have over the private vendors and the wine stores and one that should be addressed?

Mr. Smith: It is certainly not something that I consider and look at as an unfair advantage of any other outlet that is in the province. It is something that was initiated, as I had mentioned before, in '98. There has been due time processed to consider the benefits, the positives and negatives of the program. Certainly, the board is assessing that. As I had mentioned before, there are other avenues out there and other programs that anybody has the option to opt into. I am not aware of any of the other suppliers that have got into other programs that may benefit or be a positive to their business. But an unfair advantage, I do not consider it as that.

* (11:10)

Mr. Gilleshammer: Is the minister indicating that he would be open to consider allowing vendors and wine stores to opt into this program with the AIR MILES?

Mr. Smith: Madam Chair, it would not be something that would be open at this time. Certainly, comments will be taken into consideration and looked at in future.

Mrs. Heather Stefanson (Tuxedo): My question is for the minister as well. There are some licences that will come up for renewal in the specialty wine stores, and I am just wondering if you could tell me when those licences are up for renewal.

Mr. Smith: The licences that may come up, certainly I would like to defer the time frame to Don Lussier for a comment on that.

Mr. Lussier: There will be licences coming up within the next four years. We have just signed five-year contracts as of the beginning of last year, and they are five years.

Mrs. Stefanson: Is it the intention of the minister and his Government at this time to renew those licences to the specialty wine stores?

Mr. Smith: It is something that has not been taken into consideration or addressed at this time. As Don has mentioned, a number of stores are into the future. It is something that will need to be considered by the board and committee. Right now, at this time, consideration is not being given to the subject.

Mrs. Stefanson: Would the minister consider expanding the specialty wine stores to include specialty wine stores in Brandon?

Mr. Smith: Although, as the member from Tuxedo phrases it, certainly it seems advantageous or of a benefit to my personal constituency, it is not being considered is the long and short of the answer at this time.

Mrs. Stefanson: The breakdown between the volume of sales increase between specialty wine stores and the MLCC, I am wondering if we could just refer back to page 3 in consumption trends. The increase in wine volume of sales in millions of litres from '96 to the year 2000 is 5.3 to 6.2 millions of litres. Is there a breakdown between the wine sold in the MLCC stores and the specialty wine stores? Do you have those breakdowns?

Mr. Lussier: I do not have them here.

Mrs. Stefanson: Would the minister consider the establishment of a separate independent body to act as a regulator and supplier to the specialty wine stores separate and apart from the MLCC?

Some Honourable Members: Oh, oh.

Madam Chairperson: Order, please. I would ask all members to respect the person who is speaking.

Floor Comment: Recognized by the Chair.

Madam Chairperson: Recognized by the Chair. Thank you, Mr. Faurschou.

Mr. Smith: Thank you very much, Madam Chair. Certainly, the members at the end are debating some solutions to that exact question and the MLCC, the board and commission is very capable and a very positive body to consider that at this time. No, I am not considering an independent body to consider that.

Mrs. Stefanson: Would you consider allowing the wine stores to buy and sell and transfer the stock between the wine stores?

Mr. Smith: I will defer that question to Mr. Lussier.

Mr. Lussier: That has been requested by the wine stores to us. We have given it consideration. We do not see it as having much value to them. Essentially they can do it now if they move it back through us. We act as the distributor, so we can take it back and then resell it to another wine store, and since the price is controlled all the way along the line, there is no advantage to it.

My finance vice-president has pointed out that I do have the numbers on wine stores. This is for fiscal 2000: \$10,275,000 in wine and cooler sales through specialty wine stores out of a total wine and cooler sales of \$58 million on wine and \$8.7 million on coolers.

Mrs. Stefanson: Would the minister consider allowing these specialty wine stores to also sell specialty spirits and liqueurs as well that go

along with the products that they are selling now?

Mr. Smith: At this time, that is not being considered.

Mr. Jack Penner (Emerson): I am somewhat interested in the response of the minister in regard to Brandon, and I am wondering whether the minister is, in fact, indicating to this committee that it is not his intent to allow the people of the city of Brandon the same competitive or other advantage of the marketplace in providing wines and coolers and those kinds of products through a wine store. Brandon seems to be a fairly significant growth area in the province. There are roughly about 45,000 people in that city, and I wonder, it seems to me, that the city of Brandon has requested from time to time—or some of the entrepreneurs have requested that they be allowed a licence to establish a wine store in Brandon.

Is it this Government's intention to add further restrictions, than just restricting Brandon from not having a wine store? Is it also his intention to decrease the wine store because of the large sales volumes that he has indicated that some of the wine stores are having in this province? Is it his intent to decrease the number of wine stores in this province or in the city of Winnipeg?

Mr. Smith: Regardless of how the member phrases a question, and using Brandon as an example, at this time we are not considering the expansion of the private wine stores, and conducive to the binding contracts we have now with this Government, there is no projected Brandon or any other area of expansion on the distribution in private wine stores at this time.

Mr. Jack Penner: Could the minister give me a reason why the citizens of Brandon should not be given the same opportunity to buy their wines from a private wine store, and probably have a much greater variety of products offered to them in Brandon? What would the minister's reason be for that, for restricting Brandon from not having a wine store?

Mr. Smith: As would be the previous government that did not allow any expansion of private wine stores into Brandon and did not see

fit at the time to do that, this Government has no intention of expanding private wine stores.

* (11:20)

Mr. Jack Penner: It seems to me that the minister is, by virtue of that fact, penalizing his own constituents and penalizing the residents of the city of Brandon from not being given the same advantage that other people, for instance, in the city of Winnipeg would have, in selecting products through a private vendor in wines. I wonder if this is, in fact, intentional and whether he is sending a message to the province of Manitoba that they are probably intent on restricting further sales through the private sector of liquor products and all wine products. Is that where this Government is heading?

Mr. Smith: The intent is not, as the member from Emerson identifies, one specific area within the province, an area that I happen to come from, Brandon. Minnedosa, Emerson, a number of areas that he might want to identify as being restricted, as he puts it, was established a number of years ago for locations. I am not sure how much the member's concern was at that time for Brandon or Emerson or Minnedosa or other areas within the province, but he is speaking in a roundabout way about expansion. Expansion is not, as I mentioned, a consideration at this time.

Mr. Jack Penner: I refer to that in the same line of questioning on the AIR MILES. I am not quite sure whether I understood correctly that the cost of the AIR MILES Program is about \$700,000. Is that correct? Okay. On the positive side of the ledger, the number is \$400,000. In other words, you have gained \$400,000 over and above the expenditure of \$700,000 or below that. If that is correct, then in essence the Liquor Control Board or the Government of Manitoba has spent \$700 million to create a disincentive for the private operators of private liquor stores in this province, and it has really given by government action an incentive for the Liquor Control Commission to take over a larger portion of the liquor sales business in this province.

Is it the intention of this Government to continue and expand that practice of putting in

place incentives that would decrease the competitive advantage of the private operators, including the wine stores and other operators? I hear some members of this committee talking about the huge amounts of profits that some of the wine stores have made, and those are not my numbers. Those are not my words. Those are some of the committee members of the Government's side, Madam Chair, that have used that phraseology in the last couple of minutes around this table. I wonder if this Government is looking with some jealousy into this whole aspect, and whether they are, in fact, going to expand the AIR MILES or initiate other programs that would disadvantage the private operators.

Mr. Smith: As mentioned previously, when the previous government initiated this process in 1998, believing that it was a good idea to introduce it into the MLCC within the province of Manitoba, there were costs now reflected the member incorrectly said \$700 million, \$700,000 or close to, to generate approximately 1.1 net profit over \$400,000, if you will, from the initiation of the project. The educational benefit that the MLCC has established, and the change in consumer consumption, certainly along some of the lines of responsible drinking and some of the other incentives, identify not only wines in the province, but some of the other liqueurs and ciders that people have started to target, and it has been a noticeable target that certainly these are high on the agenda of consumers out there in Manitoba. The demographics, I believe, if you broke it down further, and the changing and ageing population in Manitoba, might identify some of the reasons for product sales and some of the consumption characteristics of people here in Manitoba as well. It appears to be a growing market.

It has been established over the last five or six years that consumption in wines and ciders and liqueurs has become higher value for people within the province of Manitoba. To put anyone at a disadvantage? No. The initiation of the AIR MILES in '98 was an example of a good incentive the previous government had agreed with putting in. I am not sure if the member spoke out at that time about a disadvantage to private business with his colleagues. He may well have. Certainly, under the last two years

that the project has been in place, it has identified some benefits of being continued. Supportive continuation of that is the administration is making a good move in maintaining and keeping this program. Disadvantage—I guess the member could agree with his colleagues on that point or disagree with members around the table, but there are other incentives. Businesses can get into different types of programs and certainly those are available to the people out there who are in business.

Mr. Jack Penner: It is always encouraging to hear a minister of the Crown, of this Government, laud the good programming that the previous government has put in place. We appreciate that.

The next question I would ask though is based on comments that the minister made in respect to the question on microbreweries. It appeared to me, from his comments, that he was somewhat hesitant in accepting the fact that the microbreweries could in fact be competitive in the marketplace when asked the question as to the promotion of the industry in this province. Is that in fact his view that he might be hesitant to accept the fact that they could be competitive in this province or in the marketplace?

Mr. Smith: No, certainly not, Madam Chair. Some of the small microbreweries, and folks that have initiated and started them here in the province of Manitoba, certainly have been very successful. They had some very good business plans on litre volume initiated in starting up within the Capital Region here. They certainly have made some good inroads. It would not be up to me to say good or bad product. Certainly it is popular. It has been quite a popular product. It has been some very good business planning, I would say on their behalf. It has generated, as I mentioned to the Member for Portage (Mr. Fauschou), some substantial opportunities here in the Capital Region for those folks. For me to speak about their business plan or any future plans they might have certainly would be inappropriate.

I know just in speaking with them and in talking with the folks, as I had mentioned before, that they have gone into the distribution and

expansion into the bottle and box market and looked at expanding their market. For me to do a case-by-case analysis of their business plan, whether it be positive or whether it be negative, certainly I would not want to do that. I believe that is best left in the hands of people that are in the industry, in the business. They are a positive industry and, I believe, have made some good decisions. They have been of benefit certainly here in the Capital Region, certainly here in Winnipeg. They are looking at expanding their market and they will do their own assessment on what those costs might be, and the capital outlay, and the costs, and whether or not that is positive for them. That would be up to them and best left with them.

* (11:30)

Mr. Jack Penner: Is the minister then suggesting that he might consider that the Liquor Commission actually become involved in helping promote Manitoba products? Before he seemed hesitant to want to move in that direction. It has always been my view that the government owned and operated commission should in fact be supportive of local industries and local product manufacturers. I am wondering whether the minister has now changed his mind by comments that he has just made on the viability of our microbrewery industry and whether it could in fact successfully compete. It seems that he is now saying his view might be they could. Would he then suggest to the commission that they in fact promote the industry and help them build an industry? I refer to Denmark and about 600 microbreweries operating out of Denmark very successfully. I wonder whether he sees our province having that same kind of competitive advantage, or advantage of product competitiveness within a much larger scale than he sees it now. Would he suggest to his commission that they help promote that.

Mr. Smith: I would just like to put it on record just so the Member for Emerson (Mr. Penner) does not become confused on the issue. Positives of the microbrewery and the folks that have established the markets here in Manitoba deserve accolades. Certainly, I believe that they have done a good job. They have provided a product and established a market and stepped

into it. That is good, strong business practice. I give them all the benefits of that. To suggest that I would put anything on record to say that they are negative, that is totally up to their business practice. The member from Emerson might have been confused in my comments. It appears to be that these folks are doing, in some way, a negative job. That is certainly not the intention. In fact, quite the opposite. I would suggest to the member that they appear to be a hardworking group of individuals and entrepreneurs that have done quite a substantial and good job here in the Capital Region. The support he mentioned in some of the international areas, where support is given by local jurisdictions—he could speak of Denmark or Italy or Sweden, or some of the other areas where this may be the case. Manitoba is interested in people within this province. Entrepreneurs, people that want to establish businesses and business practices here in the province, are welcome. In fact, I would quite encourage people to do so.

In regard to the question, I believe, of distribution or placement of a product with the MLCC, I will defer to Don Lussier for a comment on that.

Mr. Lussier: We have to be somewhat careful in our practices with respect to beer, as our former minister will be well aware. With international agreements being what they are, the international community watches practices very, very closely. That being said, I think it is safe to say that our store system is very positively inclined towards good display space for our local product, and I can safely say that if you walked into any of our stores, you will see it rather prominently displayed. We also feature it front and centre when we do our premium beer festival, which is coming up in the spring, and has been for the last few years. So our marketing department, the first call that they make, is to the local brewers. The two, particularly Fort Gary and Agassi, are in a very growth-oriented part of the market. They are in the premium beer section, which has been growing in the area of 18 percent per year. They have done very well, and we would like nothing better than to see them succeed. In terms of display in other outlets, the beer vendors, that is, of course, private operators, they make their own decisions.

Mr. Jack Penner: Just one more question. It has to do with transportation. However, before I ask that question, I want to just briefly comment on the minister's remarks. I think the Liquor Commission has done an admirable job of centre-staging a Manitoba product, and the only reason I ask the question—it seemed to me that the minister was somewhat doubtful in his remarks initially as to whether the microbrewery industry could compete in the marketplace. I think he has now clarified that. Either he has changed his mind, or that is not what he meant. But that is the way that it sounded to me, that he had doubts as to the competitiveness of that industry.

I want to ask the commission through the minister whether their transportation policy has, in fact, changed, or how they allocate liquor transportation in the province. I understand that they are now into tendering the transportation of their goods. What prompted them to do that, and how do they think that affects the small operators in the small communities? I refer to the small transfer companies that operate in communities such as Letellier, LaBroquerie and other communities in this province, and how they assume that they could competitively tender on contracts they had let on transportation.

Mr. Lussier: We have had discussions on this in the past. How it came about, answering the first part of the question, we have, for a number of years, dealt almost exclusively with small local carriers. We had concerns expressed by some of those carriers, as well as by some of the larger carriers, that the business was never open for competition. During the '90s, the Motor Transport Board opened competition. Up till that time it was set rates per pound on all the rates. Once that occurred, competition came into effect. So, once we received a number of concerns from private operators, we instituted a request for proposal.

A request for proposal is not quite like a tender. It allows us more latitude to consider local needs, so we can consider things like service levels, equipment, service to the local communities and so on. So what we did in January, the most recent example, we put out for proposal the areas of southwest and eastern Manitoba. We sent RFP packages, request-for-

proposal packages, to all of our current carriers. Most responded, and we are in the process of examining those tenders and considering. We will be going to the board with a recommendation at the end of this month. We have considered and, as we did in the first tender, tried to accommodate the local carrier as much as possible and tried to give them a fair opportunity to compete.

Mr. Harold Gilleshammer (Minnedosa): In your expense statement, under Community Support, where there was not any expense in '97 and '98, in 1999 there was \$689,000 spent on community support. Can you explain to me what that was. Mr. Minister?

Mr. Smith: I will defer that to Don.

Mr. Lussier: That was the Pan Am Games largely, our support of the Pan Am Games at that time.

Mr. Gilleshammer: In the year 2000, under Community Support, the line reads an expenditure of \$755,000. What would that be for?

Mr. Lussier: That is also the same. That was the second portion of our support of Pan Am Games, largely.

Mr. Gilleshammer: What would be the other part of the expenditure?

Mr. Lussier: There are a number of events, community-based organizations that we support, from Folklorama to Festival du Voyageur, the Winnipeg Blue Bombers, Goldeyes, the Moose to a small degree, Dauphin Country Fest, a number of community events.

Mr. Gilleshammer: So none of these were supported in 1998?

Mr. Lussier: Some but not as much. I would have to go into the detail to get that for you.

Mr. Gilleshammer: So in fact there were expenditures in 1997 and 1998 under Community Support?

Mr. Lussier: I need my accountant to help me out on this one. Could I defer that and get back to you on that one?

Mr. Gilleshammer: Yes. I would like if I could be provided with a printout of those expenditures for 1997, '98, '99 and the year 2000. Secondly, are there any liquor marts that have a volume less than a million dollars in sales?

Mr. Lussier: Yes, there are.

Mr. Gilleshammer: There was a time when those were seen as not so profitable liquor marts. I am wondering if the minister would follow the former practice of looking at converting those to liquor vendors.

Mr. Smith: Certainly, I would look at the situation and take it under advisement and hold it for consideration.

* (11:40)

Mr. Gilleshammer: Can you indicate which of those liquor marts have a volume of a million dollars or less?

Mr. Lussier: Pine Falls would be, I believe going from memory, the only one left in that circumstance. Most of the others are at or around a million dollars, Carman being probably the next one that is close.

Mr. Gilleshammer: So the minister is saying that he would actively pursue that issue of converting a liquor mart to a liquor vendor then in those communities where the volume is such that profits are not what the commission expects?

Mr. Smith: Madam Chair, just for added clarity, "aggressively pursue" or whatever terminology the member had used would certainly be taken under advisement for consideration.

Mr. Gilleshammer: So the minister is saying that the past practice of converting liquor marts to liquor vendors is still on the table and that he would entertain that idea, given that those liquor marts are not seen as very profitable.

Mr. Smith: Certainly, consideration would be given on certain situations. Obviously, as Mr. Lussier has mentioned, customer service and certain regions will have different impacts for consideration. Regardless, different considerations within those jurisdictions would have to be taken into account. Consideration would be given to past practice, and whether or not those past practices are the line to follow for the new millennium and different considerations within the region on adjustments of practices.

Mr. Gilleshammer: So, Madam Chair, is the minister indicating that the service in liquor vendors is inferior to that provided by the liquor marts?

Mr. Smith: Madam Chair, I just had sound in one ear. If the member would just repeat the question, please.

Mr. Gilleshammer: From the minister's previous statement, is he indicating that the service in liquor vendors is inferior to what one might expect at a liquor mart?

Mr. Smith: No, that is not correct. Just so that the member is very clear, no, that is not the case.

Mr. Gilleshammer: Madam Chairperson, could I ask the chair of the board what the status of the search for a new president-CEO is at?

Ms. Neufeld: The board of directors is still considering our options, whether we promote from within—as you know, Mr. Lussier is in an acting capacity—or whether we do a full candidate search. We should be making a decision quite shortly on our choice.

Mr. Gilleshammer: Once that decision is made, what is the process that you are going to use?

Ms. Neufeld: Well, the process is either one of a complete candidate search or to promote from within. Either way it is a contractual agreement, and the individual would be appointed.

Mr. Gilleshammer: What time line do you see on that process?

Ms. Neufeld: Well, we certainly—

Madam Chairperson: Ms. Neufeld.

Ms. Neufeld: Sorry, I keep forgetting that I have to be acknowledged before I speak. I am not used to that.

We certainly hope to come to a decision within the next six weeks.

Madam Chairperson: Mr. Gilleshammer.

Mr. Gilleshammer: I defer to my colleague from Gimli.

Mr. Edward Helwer (Gimli): At the present time, the MLCC has a regulation whereby they will not allow vendors in rural areas to be less than 20 kilometres apart. Last year, when the committee met and was touring the province reviewing the MLCC, I made representation at the meeting at Gimli, and at that time the chairperson said that the MLCC would be looking at that regulation to see whether it could be altered and do away possibly with that regulation. I wonder if they actually have dealt with this, or whether there have been any changes in that.

Mr. Smith: The issue has been raised. I think the member would probably agree over the period of the last number of years the 20-kilometre limit, with the exception of the Capital Region here in Winnipeg—Don might correct me if I am wrong; I believe it is a 10-kilometre radius—that the 20-kilometre radius within the Capital Region here in the city of Winnipeg is the exception to the rule. As well, we know that there have been exceptions to the rule, grandfathered, if you will. A number of locations have been grandfathered throughout the province, and, quite apparently, many of the folks that have had the locations on business practices—franchise rights is a good example of one of the things that might be taken into entertainment on impacting other areas and other businesses by changing the practice. It is not the intention at the time to do that. There have been a number of cases in the last seven weeks.

Since I have been in, I think I have had quite a few folks who would like to establish locations throughout the province, but the impact of that, I am sure you will agree, on business practice for all the folks that have been out there for a number of years could certainly be impacted by those decisions being made. It is something that

is not positive for the many locations throughout the province now. We heard quite strongly from people that are out there right now that changing that could impact certain locations and have a very, very negative effect. It is not something that is being considered right now. It is certainly something that should not be considered in a hurry. There is, as I mentioned before, a process of developing and speaking on any subject that folks might want to bring forth, but at this time it is not being considered.

* (11:50)

Mr. Helwer: Madam Chair, I think there should be exceptions to the rule because of the fact that I happen to represent an area—it is just north of Selkirk, as a matter of fact, and it is a cottage area and it is a tourist area whereby the population during the summer months increases by quite a large number. So it does create, I believe, a possibility for a vendor there.

The store that is already there has applied a number of times for a vendor licence, and the reason they have been rejected is because of this 20-kilometre rule. Yet these people who do operate, they are very reputable people and operate a good store. They are allowed to operate—and they meet all the criteria at the present time—a franchise post office. They do operate by good business practices and, I believe, they do qualify or meet all the criteria and qualify for a vendor licence. Yet, because of the 20-kilometre rule, they have been rejected a number of times.

As I said, this is an area with quite a rapid growth especially in the tourism and the cottage area, and I think that the MLCC should look at some exceptions to the rules in these kinds of particular cases. Is there any hope that in the near future you will be looking at exceptions to the rule?

Mr. Smith: Madam Chair, the member mentions people with good business practices, and certainly that can be out there and mentioned in a great number of locations where there are folks that have very good business practices and may want to add on to the expansion of their business. I have been reviewing and looking at the process just over

the last half a decade or so. I know it has been mentioned and brought forward on a number of occasions, in '97 and '98 and as early as the summer of '99, for consideration at that time.

It was the choice, and I know the member had mentioned he would like to thank me for positive attributes toward the previous administration and, quite frankly, regardless of what administration when things are positive, attributes should be given kudos. The reasoning simply, as the previous administration identified, is the impact of many of the others. You speak of demographic changes and seasonal values of different locations. In the information I have read over the last three and four years that it has been brought forward, that is a very good concern, a very good point of view.

To reply to your final statement on your last question, it is not being considered right now at this time.

Mrs. Stefanson: We talked earlier about the expenditures in advertising and promotions increasing from about \$130,000 in '97 to about \$1.13 million in 2000. Is there a breakdown? I know \$700,000 of that is specifically for AIR MILES. But is there a breakdown in the promotional area for, specifically, promotions and advertising geared towards wine sales?

Mr. Lussier: Yes, I can give you an idea of the magnitude of expenditures on a yearly basis. I will give you the F'2000 breakdown. Beer summer promotion is \$33,000; imported wine promotion, \$7,000; wines of Canada, \$7000; premium products, \$7,000; Wonderful Wedding show, \$3,000; millennium promotion, \$19,000; Pan Am Festival, \$44,000; general image campaign, \$26,000; and then advertising of Bottle N'Cork, \$82,000; TV, \$20,000; MLCC services, that is our wine courses, et cetera, \$3,000; Web page, \$8,000; our LTO advertising, \$16,000; also, Holiday Lights publication prior to Christmas, \$48,000; rural advertising, \$5,000; and just general, about \$50,000.

Mrs. Stefanson: The one other question that I had: In March of 2000, the MLCC implemented some additional fees that were geared specifically towards the wine stores. The wine stores had to pay some additional fees, but the

MLCC did not. Clearly this gives the MLCC a competitive advantage over the wine stores. Would the minister consider doing away with these additional expenses to offer a level playing field between the specialty wine stores and the MLCC?

Mr. Smith: The member has one opinion, and certainly I have another. "Unfair advantage"—I certainly would disagree with that type of terminology. There are the advantages that MLCC has done, and the efficiencies that they have created, to run like a very, very well-run business—the practices of increasing growth and whatnot is a positive result—but in expanding and in getting further into the question and the relevance of your question, expanding on the question, the member is well aware that this is in front of the courts at this time. To expand and to get into further detail would be not something that I would like to head into. It is being dealt with by the court system at this time, as the member knows. Certainly, that is due process and what should happen, and the result from that will be considered at that time.

Mr. Jim Maloway (Elmwood): Madam Chair, I want to thank the critic for the Official Opposition for giving me the time to ask my question. Coming out of this report today, the 2000 annual report, I wanted to ask the minister whether he would consider putting the annual reports on-line in the future because I currently understand the commission is spending roughly \$10,000 producing these reports. This is common to all government agencies, and in the private sector as well, but if you were to put these reports on-line, we could save \$10,000. We would not be paying \$10 to \$12 a report. The report would be available 24 hours a day for anybody in the Legislature, here, or anywhere in the world that wants to look at the report.

I would also suggest or ask the minister whether the Liquor Commission is looking at the inspection system software that was developed by BSI. It is a world-class system; it has been bought, I believe, by Saskatchewan right now. There are at least 20-plus locations in Manitoba that can use this system; it is being used in the Department of Labour right now very successfully. I would hate to see the Liquor Commission sourcing it independently

somewhere else when it is available right here at home.

The third part of my question was whether you could look into the possibility of using an on-line tendering system if the Government were to adopt something like that, whether there would be applications to the Liquor Commission for purchasing your product on a worldwide basis on an on-line basis. That type of system is saving enormous amounts of money in other jurisdictions in the world. Thank you.

Mr. Smith: Being somewhat of a Luddite myself in the technological advances, to your question, certainly you would have to look at the impact of cost to do that. But it strikes me as very positive and it would be something the commission should look at and consideration of cost for that. It is a good suggestion to put it on-line. It would allow Manitobans and people in the province the access, be it their home or 24 hours a day for that access of information, and, in fact, it sounds quite possible that there could be a cost recovery and ability to reduce cost.

The inspection system that you speak of, unfortunately, I have no information or knowledge on it. It is certainly something that I would recommend that Mr. Lussier consider and look at.

The advantages of what might come out of that system and the technological advances and the efficiencies that we can gain from on-line, and any information we can put out to Manitobans, I believe, is nothing but a positive benefit. So the answer to your question is: Yes, it would be looked at considerably.

Mr. Faurschou: Madam Chairperson, to start out two hours ago and to be looking at two minutes now, it is a little disappointing that we have not covered all the items that we have. I hope the minister will see fit to give the Chair the option to call this committee, reconvene it, in a very short while. We are looking at a new report in a couple of weeks' time ending the accounting period March 31 of 2001. I would like to see that we remain current, and we have done a lot today to do so. So I would like to have the minister's commitment, before we adjourn

today, that he will be looking at reconvening this committee in the not-too-distant future.

Madam Chairperson: The committee does not have the power to call committee meetings. The hour being 12 noon, what is the will of the committee?

An Honourable Member: Committee rise.

Madam Chairperson: Committee rise.

COMMITTEE ROSE AT: 12 p.m.