

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

Chairperson
Mr. Bidhu Jha
Constituency of Radisson

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MANITOBA LEGISLATIVE ASSEMBLY
Fortieth Legislature

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

Wednesday, October 16, 2013

TIME – 2 p.m.

LOCATION – Winnipeg, Manitoba

CHAIRPERSON – Mr. Bidhu Jha (Radisson)

VICE-CHAIRPERSON – Mr. James Allum (Fort Garry-Riverview)

ATTENDANCE – 11 **QUORUM** – 6

Members of the Committee present:

Hon. Messrs. Chief, Rondeau

Messrs. Allum, Cullen, Dewar, Friesen, Gaudreau, Graydon, Jha, Saran, Wishart

APPEARING:

Hon. Jon Gerrard, MLA for River Heights

Mr. Winston Hodgins, President and Chief Executive Officer, Manitoba Liquor Control Commission

Ms. Corrine Scott, Director, Regulatory Services, Manitoba Liquor Control Commission

MATTERS UNDER CONSIDERATION:

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

Annual Report of the Manitoba Liquor Control Commission for the fiscal year ending March 31, 2012

Annual Report of the Manitoba Liquor Control Commission for the fiscal year ending March 31, 2013

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Mr. Chairperson: Good afternoon. Will the Standing Committee on Crown Corporations please come to order.

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

Mr. Gregory Dewar (Selkirk): I nominate Mr. Allum.

Mr. Chairperson: Mr. Allum has been nominated. Any other nominations?

Hearing no other nominations, Mr. Allum is elected as Vice-Chairperson.

The meeting has been called to consider the following reports: Annual Report of the Manitoba Liquor Control Commission for the fiscal year ending March 31st, 2011; Annual Report of the Manitoba Liquor Control Commission for the fiscal year ending March 31st, 2012; Annual Report of the Manitoba Liquor Control Commission for the fiscal year ending March 31st, 2013.

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

Mr. Cliff Cullen (Spruce Woods): I know we had a meeting back in April. I'm wondering if we could go 'til 3:30 and then have a look and see where we're at at that point in time.

Mr. Chairperson: Three thirty suggested. Is that agreed? [Agreed]

Is there any suggestions in order—in which order the committee should consider the reports?

Mr. Cullen: I think it was normal practice we've been doing them in a global manner. So I'd hope we'd be able to do that again today.

Mr. Chairperson: Is that agreed? [Agreed]

Does the honourable minister wish to make an opening statement? Would you kindly introduce your staff. Thank you, Mr. Minister.

Hon. Jim Rondeau (Minister charged with the administration of The Liquor Control Act): Good afternoon. It's a pleasure to be here with all honourable members to review the 2011, 2012, 2013 annual reports for the Manitoba Liquor Control Commission.

I'd like to take a moment to introduce board chair and members of the executive who are with us today from Manitoba Liquor and Lotteries. I would ask that you sort of wave or raise your hand, don't just raise your eyebrows. Tannis Mindell, who's the board chair; Winston Hodgins, who's the president

and CEO; Tracy Graham, who's the CF—chief financial officer; Larry Wandowich, who's the chief community relations and marketing officer, down on the end; Susan Olynik, vice-president of corporate communications and social responsibility; Marilyn Robinson, vice-president of the integration; Gerry Sul, vice-president of facilities, central support and security and surveillance; Brent Hlady, the senior executive director of corporate governance and business development; Al Roney, who's executive general manager of retail stores; Corrine Scott, who's the director of regulatory services; Gary Shewchuk, manager of inspections.

And before we get into—so welcome to all of you—before we open for questions, I'd like to briefly highlight some of the recent activities associated with The Liquor Control Act and MLCC since we appeared before standing committee.

On April 26th, we introduced—or announced that a 2 per cent of the new Liquor and Lotteries net income will be directed to responsible gaming and consumption initiatives, including dedicated funding to help Manitoba families coping with addictions. This commitment will increase the existing funding for social responsibility activities by about \$20 million over the next four years.

As part of this commitment, \$1 million will be directed to Addictions Foundation of Manitoba for operating costs of the River Point Centre, which is expected to be open in the winter of 2014; \$2.7 million will be provided for Marymount, in support of the new services; and up to \$371,000 will be allocated to open and operate withdrawal facility that's in Thompson.

On—and in September 17th, we were extremely pleased to announce a framework for new alcohol strategy to support a 'culturated'—a culture of moderation and improve public safety. A committee has been formed led by the chief provincial health officer, Dr. Michael Routledge, and with representatives from government, Manitoba Liquor and Lotteries, the Addictions Foundation of Manitoba, Department of Healthy Living, Seniors and Consumer Affairs, and the Canadian Centre on Substance Abuse, as well as the Manitoba Hotel Association, the Canadian Restaurant and Foodservices and the Manitoba Hotel Association, to develop a comprehensive provincial strategy to encourage responsible consumption in our province.

The aim is to bring families, industry and health experts together to have their say, create a plan to

increase the health and well-being of Manitobans, by preventing and reducing 'alcohol'-related harms and also continue to enhance the hospitality industry.

I would also like to touch on the legislative status of bills 43—which, I understand, you were up to chatting about last night, the new liquor and gaming act, since it was first tabled on May 15th of this year. The bill received second reading on September 12th and was presented yesterday to committee and will be presented to the House. This legislation will allow greater flexibility and clarity with respect to Manitoba Liquor and Lotteries business operations in the future, and defines in law and social responsibilities' mandate of the Crown corporation. It is anticipated the new legislation will receive royal assent next year.

On the consumer front, it was a busy spring and summer with the opening of two Liquor Marts and another Liquor Mart Express. Winnipeg's third Liquor Mart Express was opened next to Extra Foods in Charleswood Park West Mall on April 29th, in response to strong residential growth in recent years in the Charleswood area.

On July 30th, a ribbon cutting was held to open the new Brandon South Liquor Mart, constructed adjacent to Sobey's. This location offers 2,200 product listings in a modern, fresh decor that spans 6,800 square feet, has already been a great new shopping experience for the people in Brandon.

Additionally, on September 10th, Fort Richmond Liquor Mart was officially reopened, now located conveniently to serve south Winnipeggers. The expanded location features ample parking, environmentally friendly designs features, and both these projects reflect the goals outlined in the government hospitality strategy to improve the retail experience.

In the community, MLCC has been 'incredibly' involved in support of towards the number of local festivals, non-profit events and organizations. Working under the brand for the new corporation, Manitoba Liquor and Lotteries has sponsored more than 140 festivals and special events this summer, making our province once a great place to live, play and enjoy.

As a general update, regarding the merger of Manitoba Liquor and Lotteries—MLCC and the Lotteries Corporation announced in Budget 2012, I'm happy to report the integration is ongoing, and one of the key milestones was achieved late May, with the

co-location of more than 420 employees working in the same departments under the new structure to five office locations, representing Manitoba Liquor and Lotteries Corporate headquarters. But progress has been remarkable, given the complexity and size of the two organizations. My congratulations to the entire executive team, the board and all of the people involved for their accomplishments thus far, meeting the challenges and moving forward in a complex task but also in one that really will make some positive savings in the future.

Thank you very much, Mr. Chair.

Mr. Chairperson: Thank—we thank the honourable minister.

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

Mr. Cullen: Very briefly, obviously, we're in an interesting time, with Liquor and Lotteries and the ongoing merger. I think many Manitobans are looking forward to seeing the process forward. Clearly, there was a lot of discussion last night at committee, about how regulations will unfold and how that will impact the various stakeholders and, certainly, they're waiting with bated breath to see what the outcome of the—those discussions will be and what, in fact, the regulations will look like.

So, with those few comments, we look forward to having an interesting discussion this afternoon.

Mr. Chairperson: Thank the member.

Now, does the representative from Manitoba Liquor Control Commission, Mr. Hodgins—do you have any comments to make?

Mr. Winston Hodgins (President and Chief Executive Officer, Manitoba Liquor Control Commission): No.

Mr. Chairperson: Thank you. Now, the floor is open for questions.

Mr. Cullen: Mr. Chair, as a result of Bill 43 committee last night, there was some issues that were brought forward, you know, both by presenters and by some correspondence that was sent in by other stakeholders. So I just want to, hopefully, address some of the issues that were raised there, and maybe you can give me some insight into some of those questions.

One of the issues that was raised a couple times last night was privacy issues. And the issues centre

around some of the situations of some of the bars or hotels were having—where they were actually trying to—making sure that the people who were entering the facilities were of legal age, and, as a result, were recording—had set up their own program to record those individuals and the—you know, the database. And there were some issues, some federal issues, pertaining to privacy legislation there.

* (14:10)

I just wonder about your comments on that in terms of the, you know, what those people are trying to do to basically enforce the rules, at the same time being kind of caught in the envelope where there's privacy issues relative to what they're trying to accomplish.

Mr. Hodgins: The issue that you raise, I think, really falls within the regulatory part of the organization, and when we got together the last time, I explained that the regulatory function had been transferred to the Manitoba Gaming Control Commission. And it's not going to actually legally happen until, I guess, the new legislation is put in place. So it really falls within their mandate.

But I guess, from what I understand on the issue, is that the—some of the hotels that were trying to, I guess, put in place these security measures, they were retaining information for—I think it was for 24 hours. And there was some people—I think there were some folks who objected to that, and it went to the federal privacy investigator. And I guess there was a ruling that they weren't able to keep information for that long. My understanding is—and correct me if I'm getting off course here, Corrine—but the information was removed from any of the systems that they had in place after 24 hours, so there wasn't a long-term retention of that data, but apparently that fell outside the rules of the federal government. *[interjection]*

Mr. Chairperson: Kindly address to the—yes, please, go ahead. *[interjection]* You may have to ask for leave to speak, as you are not registered as a person to speak.

Mr. Cullen: I ask leave for the committee for—to have Ms. Scott respond to the question.

Mr. Chairperson: Is it agreed to give the leave the member asked? *[Agreed]*

The leave is granted. Please go ahead.

Ms. Corrine Scott (Director, Regulatory Services, Manitoba Liquor Control Commission): Hi, I just wanted to—I was here last night, of course, and was here listening to Leo Ledohowski give his presentation, so just on behalf of the regulatory side we know what his issues are and what he's looking for with respect to regulations. We are continuing to have our meetings with the hospitality industry group. So that's something that's still under way, but we're really—we're aware as a group, as an authority, of his concerns, and we're going to take that in mind as well.

Mr. Cullen: I guess to follow up with that and the premise that he put forward was there was potentially opportunity for us as a Manitoba government legislators to make changes that would allow that type of a process to happen. Is that the way you see it, and do you see if there's any way that the corporation could work with them to develop a process to make that happen? *[interjection]*

Mr. Chairperson: Again, kindly address through the Chair. Yes, please go ahead.

Ms. Scott: We're working with Crown counsel, civil legal counsel, so we're going to have to, obviously, do our due diligence with respect to looking into that to see if that's even feasible, but we're aware of his past situation and his concern.

Mr. Cullen: Maybe while you're in the chair might be a good time to discuss some of the other issues regarding, I guess, dispute resolution. It was brought up in—Association of Manitoba Municipalities submitted a letter, and in that letter they talked about opportunities for citizens and municipalities to provide input into the liquor licensing process, including a dispute resolution mechanism. Is that something that your group is also aware of, that there's issues relative to resolving some of those—*[interjection]*

Mr. Chairperson: Ms. Scott, kindly address—when answering questions and answers, please go through the Chair. Raise your hand and I'll recognize and then you speak. Then the Hansard records properly. Thank you very much for your co-operation. Yes, Ms. Scott.

Ms. Scott: My apologies, Mr. Chair.

Are you referring to dispute resolution on initial licensing or once a place is established as a licensed establishment?

Mr. Cullen: Yes, the way I read it, it would be under both circumstances, both when the application is made and then subsequent if there is issues that arise out of that licensed institution.

Ms. Scott: Yes, we haven't worked out the processes yet because, of course, we're working on the regulations. But there will be opportunity for the public to voice their concerns initially on—and potentially oppose the initial application for licensing as well as once the establishment is up, there's going to be a process in place.

Mr. Cullen: There was also comments made about the appeal process, so this would be a, you know, licensed premise that would be—it may have found guilty of some kind of offence. And there was some concern about the process that has been laid out or is currently laid out, in terms of their ability to appeal.

And I guess I'm seeking clarification. Has there been any changes in the process to date, and are you looking at any changes going forward?

Ms. Scott: I know they're looking at wanting to appeal on fact. Typically, that's not done.

With respect to the new entity, there won't be a licensing board any more. So the executive director will hear that initial appeal. I honestly think with the executive director's involvement with mediation and problem solving resolutions, that the likelihood of further appeals is really going to drop, maybe significantly. And I think that situation will rectify itself as it unfolds.

Mr. Hodgins: I was just going to mention that the appeal process that's being looked after; the liquor side will become similar to the process that we use on the gaming side now, which has worked very well.

Mr. Cullen: Appreciate the response.

There was a couple of companies had sent letters regarding cinemas and the new licensing agreements and arrangements that you have with cinemas. And, hopefully, they'd forwarded a copy to you as well, but certainly they were brought up for consideration for Bill 43 last night.

And I know those are new licences and relatively new licences, and I'm not familiar with the process. Maybe you could just take a few minutes to explain to the committee the licence that they do have or the options of licences that exist for cinemas in Manitoba.

Ms. Scott: There's only one cinema that's licensed at the moment and it's a spectator activities licence: 'cinemaplex'. *[interjection]* The spectator activities licence. Yes, so they have two theatres, I believe, and one is licensed, one isn't. There was a regulation change that allowed for that.

Mr. Cullen: So the cinemas operate under a spectator activities licence. Is that correct?

Ms. Scott: Yes.

Mr. Cullen: Well, the letter also references an ability to obtain occasional permits. Is there an option in there for these facilities to obtain occasional permits, or does the—sorry, the spectator activities licence, is that an ongoing licence that that facility would have?

Ms. Scott: Actually, I haven't seen that letter, so I'm not sure of the contents, but typically when a place, a licensed establishment, is licensed under one of our 12 classes of licence, they typically do not get an occasional permit because they are a licensed establishment. An occasional permit would go to an authorized banquet hall for a specific event, like a wedding or a social.

Mr. Cullen: How does the—our licensing, then, compare to other jurisdictions? Are we on similar, in terms of regulatory regime around licensing of cinemas in other jurisdictions?

Ms. Scott: I know some other jurisdictions do license cinemas. Actually, across the country, each jurisdiction is very different because the legislation is different across the boards. So it's like comparing apples to oranges; we're not all the same yet we're not all different.

Mr. Cullen: Another issue that was raised, it was interesting, the massage therapists organization presented last night in committee. It was quite interesting. Obviously, they have concerns of their members being forced to serve alcohol in those establishments, and I think there was certainly some assurances from the minister that that wasn't going to be the case. So have you had any other interesting situations like that develop as you go through the dialogue with the changes?

* (14:20)

Ms. Scott: I think that there's a variety of people that we're talking with, obviously, and, yes, Minister Chomiak did reassure Mr. Fraser, I believe his name was, that they would not be forced—nobody's going to be forced to provide liquor to anyone. But, again,

with respect to regulation, those are—we just finished with the bill, and regulations are still under way with a lot of dialogue between the stakeholders.

Mr. Cullen: Well, I think that's—that was one of the concerns that was raised last night in terms of the regulations, and we're all wondering what those regulations even look like. Let me see, the corporation's going to be quite involved in developing those regulations, and I'm kind of wondering of a time frame in terms of when we could expect those regulations, anticipating the legislation will probably pass in December, but just wondering if you could give us a bit of a sense in the time.

Mr. Rondeau: What we've been doing now is we've been actually having a discussion with the industry. We have some working groups between MLC and the industry that are ongoing. We're slowly crafting the regulations in discussion with them. I don't have a firm timeline, because, of course, the legislation hasn't been passed. But what we're trying to do is work with the industry to get this whole thing done, and so there is no specific hard timeline. We're just going to work our way through the regulations with the industry, because what we want to do is deal with responsible consumption and the hospitality industry. And you'll notice we also have that wonderful alcohol strategy that's going on now and it all fits together in the package.

Mr. Cullen: I appreciate the minister saying that. We'll look forward to having this whole thing unfold as it goes forward.

Another point that was raised by a few different presenters last night was the concept of competition, and I guess this is coming from the hotel vendor side. The vendor side, they were concerned that maybe the corporation was overstepping their bounds in terms of competing with selling products; in particular, you know, the cold beer issue was raised. And it appears that certainly the corporation is determined to sell some more cold beer products at their stores, and, obviously, the industry, the vendors, feel this is a competition to them. I wonder if you could comment on that.

Mr. Hodgins: The policy that we have in place in the corporation has not changed. We are not selling any different products now than what we were selling previously. Basically what it is, is we're selling single beverage products in the coolers in the Liquor Marts. We certainly don't have a cold domestic beer as the beer vendors do, and there's no

intent to change that policy. So I'm not sure where the industry feels that, you know, that they—competitiveness, if you like, has changed from what it has been.

Mr. Cullen: I wondered if you could share with us in terms, I guess, it would be volume—would probably be the way to look at it, the volume of beer sales that the corporation is selling now compared that it was selling a few years ago. Can you give us a bit of an idea in terms of the percentage in terms of the volume you were selling, say, last year versus across the province and where the trend is headed in that regard? *[interjection]*

Mr. Chairperson: Mr. Hodgins, kindly address.

Mr. Hodgins: I'll ask somebody to give me the percentage and how that's changed, and it has changed over the last few years. But, in terms of the beer industry, and it's a trend that's happening in North America, it's a trend that's sort of unique to Manitoba. But the consumption of beer has really been declining over the last number of years, and the people's habits are really changing as well. There's—I guess a lot of people used to drink the domestic beers, as we described them, and that would be the major manufacturers of beer like Labatt's and Canadian Molson. What's happening is the people are now switching over to more premium type beers, craft beers, and those have really changed the—I guess, the consumption patterns of people across North America, and that's happening in Manitoba as well. So, if you look at the statistics, you'll see that the volume of beer is declining, but the sales are going up, and that's because people are tending to move towards a more premium brand of beer. Now, in terms of the percentage, I believe the percentage currently is about 17 per cent of the beer sales are through our Liquor Marts and about 83 per cent or—is through the beer vendors.

Mr. Cullen: Can you—do you have numbers for a few years ago, say, could you go back three or four years and provide those same statistics or—I just want numbers to have.

Mr. Hodgins: If I could just take a minute, I may have that figure.

Fiscal '08, so that would be '07-08, so fiscal year '07-08, the Liquor Marts were, and I'll just round these figures off, if that's okay, they were roughly about 12 per cent—or I should say Liquor Marts, I'm sorry, were about 12 per cent. Liquor vendors were roughly about 2 per cent, and

the licensees, which includes the hotels, were 85 per cent, and that was in '07-08.

And then in '12-13, Liquor Marts were 14 per cent. The liquor vendors were 3 per cent, and the licensees were about 83 per cent. So there's been some shifting that's taken place.

Mr. Cullen: Just referring to the annual report—

Floor Comment: What page?

Mr. Cullen: This is on page eight. An initiative under the 2011 hospitality strategy to provide greater customer service to Manitobans, select retail beer vendors became eligible to sell coolers and ciders. Can you explain that to me? What was involved in the hospitality strategy and why was—why are those kind of changes being undertaken?

Mr. Hodgins: From what I understand about this, these discussions took place in about 2010, but there were discussions that were taking place between the industry and the corporation, and the industry was looking for different products that they could sell through their outlets to, I guess, to help sustain their businesses. And so there was an agreement with the industry that they would be able to sell coolers and ciders, and there was a policy that was put in place and it was jointly developed with the industry or with—it was jointly developed with the industry. I can tell you what the policy is, if that's helpful for you. But it's a—the—in order for a beer vendor to sell the coolers and ciders, the—it was for beer vendors that were located in a community with a MLCC Liquor Mart. It was to be located outside 30 kilometres from the Perimeter and it was to be located within—or located within the 30-kilometre zone around the Perimeter. It could be in a community without a Liquor Mart as long as there was not an established liquor vendor within a 10-kilometre driving distance. So those were the guidelines that were put in place that determined which beer vendors were able to sell those products.

* (14:30)

Mr. Cullen: Another issue that was raised last night was the whole idea of reducing red tape, making it easier for people to do business, you know, with the corporation and, you know, this might be part of the whole amalgamation discussion we're going to have. But as the corporation made a, you know, a concerted effort into reducing red tape, you know, when dealing with stakeholders that are dealing with the corporation.

Ms. Scott: Sorry, I was—I didn't hear your full question. Are you talking about reducing red tape with respect to the new authority? That's part of what we're doing on the regulatory side. For example, having a single process for applying for a liquor licence and VLTs, streamlining processes like that. Reducing red tape is another way with respect to eliminating the licensing board so that disputes can be resolved and breaches can be resolved more quickly and more informally.

Mr. Rondeau: And just to add, we're trying to do some permits online so that rather than have to go in you can also deliver some permits online.

Ms. Scott: That's correct. We have an online application process for an occasional permit so it makes it easier for the consumer, the customer at home to send in their application online so they don't have to come into a liquor store.

Mr. Cullen: Okay. Thank you very much. I guess in terms of amalgamation going forward here, has there been any changes in the board since we met in the spring?

Mr. Hodgins: No.

Mr. Cullen: Has there been any changes in the—pardon me—the executive management committee?

Mr. Hodgins: No. I did mention when we met the last time that we had at that time just recently recruited two new people to the senior team, and one was Peter Kenyon and I'm not sure whether his picture's in the annual report here, but he was one, and the second person that we have recruited is the VP of liquor operations, Robert Holmberg. With those two additions there have been no changes in the senior management team since that time.

Mr. Cullen: Yes, we briefly discussed the liquor and gaming authority, and I'm just trying to get a sense of where you're at in that transition. Like, they're not operating out of a separate headquarters at this point in time, I assume. They're still, in essence, two entities. Can you just kind of fill in where we're at in more detail?

Mr. Hodgins: What I was mentioning a little earlier is that prior to the merger taking place, of course, the—you know, the regulatory function, the licensing and inspection function was part of the Manitoba Liquor Control Commission, but with the merger, the regulatory—or the licensing and inspection function was transferred to the Manitoba Gaming Control Commission. Now, legally, that can't happen until

the new legislation is put in place. But what we did internally is that we made an arrangement whereby the licensing and inspection function could start to report through the Manitoba Gaming Control Commission.

Now, the—legally, that entity still reports to myself and the Manitoba Liquor Control Commission, but we thought it was important to try and make that transition as early as possible so that they could start to integrate the two areas together.

And so I can't speak in detail about the integration process. I know that they're—they have been working on trying to integrate both of those areas together in the same fashion that we have been looking at the integration of the operating side of the two corporations, lotteries and liquor.

And, as the minister mentioned in his comments, one of the, you know, I guess, important initiatives that we undertook since we met in April—and that was the co-location of 420 staff between Buffalo Place and Empress. And so what we were trying to do is that we were trying to consolidate the like functions. For example, we had a finance area in lotteries, which was located, you know, in the Empress area. We had a finance area located at Buffalo Place, and so what we want to do is to bring those areas together to help with the more efficient operation of the finance function for the new corporation. So that's a major initiative that was undertaken.

But, you know, with respect to your question and around, you know, the regulatory area, they are still physically located at Buffalo Place. The Manitoba Gaming Control Commission has their head office on Garry Street, so they haven't actually consolidated or co-located as we had.

Mr. Cullen: Yes, in terms of office space, I know there was some discussion earlier on that it would be nice to get as many people under one roof as possible. Is that something that's—the corporation is still considering?

Mr. Hodgins: Certainly, that's something that ultimately the corporation, you know, will, you know, hopefully move towards. There hasn't been, you know, a lot of movement in that area since we met in April. But it is something that, you know, that we have certainly continued to take a look at, but I'm not expecting that that's something that will happen in the short term.

Mr. Cullen: In terms of amalgamation, how many unions operate under the—well, I guess, the Liquor Control Commission at this point in time?

Mr. Hodgins: One. [*interjection*]

Mr. Chairperson: Mr. Cullen.

Mr. Cullen: Sorry, Mr. Chair. I guess we could get into that discussion tonight with lotteries that, obviously, there will be a number of different unions involved there. I guess the question we could—I could pose is: How are you going to bring those number of unions together? That, to me, that looks like it could be quite an undertaking.

Mr. Rondeau: I believe that's more up to the membership of the unions to discuss. It's not something management would proactively do. It's something that unions will work through.

Mr. Cullen: Well, sure. I can appreciate the minister's comments on that, but, obviously, whatever the outcome of those in terms of the collective agreements moving forward, that will certainly have a bearing on the corporations—or the new corporation. And I'm not sure if you're at a point in time or you're—in terms of your budget allocations, if you're at a point in time where you've taken that into consideration or, if not, that is going to be a considerable amount of time down the road.

Mr. Hodgins: The minister's quite right that, you know, the unions that represent the employees, it's really a decision of the employees, but, having said that, you're quite right that one of the more significant tasks that we has—have ahead of us, and that's how we bring the staff from the two organizations together, recognizing that there's different collective agreements, and that's something that, you know, we're working on as we speak. I'm not expecting that that's something that we're going to be able to necessarily deal with in the short term. It's something that we'll have to continue to work at. But it's a—and, you know, I recognize that this is probably one of the more significant challenges that we're going to have as a new organization, but it is something that we were—that we will work at. I'm not sure that there's a particular timeline in this—at this point in time as to when we'll get that resolved, but it is something that, over the longer term at least, that we have to deal with.

Mr. Cullen: I'm going to reference the annual report. There's a reference to a centralized merchandising project continuing this past year. Could you explain

to me what you're trying to accomplish by that project?

* (14:40)

Mr. Hodgins: This was a project that the Manitoba Liquor Control Commission was working on, actually, before the merger was announced, and it was initiative to try and, I guess, put an ordering process in place that was more efficient than the one that they had been using. The one that the—had been used in the corporation was the individual store managers were responsible for actually the inventory that they carried in that store, so they had to manage the—I guess the—when they were ordering new product to bring into the—into their stores. So it took up, you know, I think a fairly significant amount of their time to manage that inventory system. So the—this merchandising program that's being put in place is an automated system where the automated system will keep track of the product as it's being sold and will automatically order product for a particular store based on the levels that—you know, that they have actually in the store itself.

The other advantage of this system is that it's— it kind of moves you towards, you know, a just-in-time inventory control or an inventory management system, so there's some—certainly some efficiencies associated with having that type of a program in place. And then what it does do as well is it allows the managers of the store to spend their time dealing with customer service and, you know, trying to, I guess, provide the best customer service we can for our customers.

Mr. Cullen: The report references that the two Liquor Mart Express locations in grocery stores were opened last year. Is there anything open again since the report? And so that would be spring of 2013. Any other openings in Liquor Marts?

Mr. Vice-Chairperson in the Chair

Mr. Hodgins: I'm just trying to remember the timing of it. There are—the—I think this happened just shortly after we met the last time, but the Park West Liquor Mart Express store in Charleswood opened on April the 29th. I believe that was just shortly after the last time we got together. There's four express stores now that are open in the province.

Mr. Cullen: Mr. Chair, is there any consideration for more of those express stores in the near future?

Mr. Hodgins: We're operating on the basis that the hospitality strategy with—that was announced in 2011. And at that time the mandate that was given to the corporation for express stores was to have 10 in the province, and five of those would be in grocery stores and five would be in other locations. So we have four now, and so based on the mandate that was given to the corporation, there's an additional six that could be put in place.

Mr. Cullen: So there's no time frame set for when those stores would come online?

Mr. Hodgins: No, although what we're working towards is trying to put roughly about two stores per year in place.

Mr. Cullen: Just moving—working my way through the annual report, page 10, there was the—I'm getting into the—some of the financial and the performance results—there was just over \$260 million transferred over to the provincial government and clearly that was just a little bit above your target. How do you determine what that target will be?

Mr. Hodgins: Well, the corporation goes through a very extensive budgetary planning process every year. It does start off with—and I can say that the lotteries goes through the same process—it starts off with us going through a strategic planning process at the beginning of the process, and we do that in conjunction with the board of directors. We then move from that into the development of our business plans based on the strategic direction that's approved through the board of directors and the senior management consultations. And individual units within the organization will be asked to put together business plans for their forthcoming year, and, coming into that, there'll be—senior management will take the results of that review generally through the finance committee of the board of directors, then on to the board of directors, and coming out of that, then, is the budget that is determined for the year. And that is insured with the Province.

Mr. Cullen: Are you getting ongoing pressure to increase or have that target at a higher level?

Mr. Hodgins: Well, I guess one of the things that the lotteries and the liquor have been very diligent in is looking at their—not only their revenue side of their operations in terms of, I guess, providing good customer service and the kind of products that people are looking at, but we also spend a great deal of time looking at the expenditure side of our operations.

And so both of those, of course, will contribute to the bottom line.

So, you know, we're asked to operate as efficiently as we can, and, certainly, that's something that, you know, we devote a lot of our energies to. That merchandising program is an example of some of the things that have been done in the—on the liquor side. You know, we have undertaken various expenditure and management initiatives on the lotteries side of our operation as well, so both those organizations, you know, spend a lot of time looking at both the revenue and the expenditure side. And, you know, I think there's an expectation by our board that, you know, we're going to be able to, and I say this within, you know, a socially responsible manner, try and, I guess, maximize our revenues.

Mr. Cullen: I look forward to getting into the financial statements a little later in our discussion, but part of the annual report looks at business effectiveness. And I'm just wondering, obviously, there is some kind of a survey work that's being done both at, I guess, in store with your employees and also with the customers. How do you go about looking at surveying both your customers and your employees in terms of some of your business effectiveness and your workplace quality issues?

Mr. Hodgins: I guess a couple of things that I could point to: There is an employee engagement survey that's done with staff and, certainly, that plays a part in, you know, the, I guess, looking to see if we're meeting some of our, you know, efficiency measurements, but the—there's also mystery shops that are done in our stores to make sure that, you know, our staff are providing quality service to our customers. But they're also looking at, I guess, some of the policies in place such as, you know, checking people that appear to be under 25 years of age. So those are some of the other measures that are looked at as—through these customer surveys.

Mr. Chairperson in the Chair

And then there's—of course, there's lots of consultations that take place with the, you know, some of the major players in the industry itself to find out, you know, what the trends are in the industry. And, certainly, we do market research within the organization as well to try and see what the trends are that are taking place in the liquor business.

Mr. Cullen: Do you hire external consultants to do some of your survey work for you?

Mr. Hodgins: I'm going to have to ask if—I'm trying to remember if there's some specifics or—we do in—I know we do a lot of internal work, but there could be occasions when we hire some external consultants to assist us as well. If you can just give me a minute.

* (14:50)

I'll probably have to take this as notice, and I can get back to you with, you know, if we have hired some specific consultants around market research.

I was just reminded that the company that we hired to help us with our employee engagement survey was a company called Conexa, C-o-n-e-x-a, and, you know, they've been engaged by the corporation. But there could be some others. I'd have to check and get back to you on that. I'm just not sure.

Mr. Cullen: I would appreciate that undertaking if you would see if there was any outside consultants hired and, if so, if all those were tendered processes as well. So if you could confirm that for me, I'd appreciate it.

The other thing I think I should mention here as well, Mr. Chair, was—I know we did have a meeting back in April, and, actually, we just got some of the responses to those questions today in the mail. So I wonder if there might be a process there where we could have a little quicker follow-up in terms of some of the issues that are outstanding here, and it's—you know, maybe it's something we should have been following up with. But if there's some way that we could get those answers in a more expedited manner it would be appreciated.

Mr. Hodgins: Well, I would like to apologize for getting them to you late and we certainly will try and get them to you on a more timely basis in the future.

Mr. Ian Wishart (Portage la Prairie): Mr. Chairman, in the minister's opening remarks he indicated that 0.2 per cent of the estimated gross profit will be funded towards social responsibility, and you did list a few items that would be seeing increases. I've always wondered why we use that 0.2 per cent. Is that based in research? Is it based in other provinces? Is—how would we stack up?

Mr. Rondeau: What we did is we picked a number that would be in addition to the gen revenue number. So we've driven the general net revenue number from about \$10 million to about \$22 million. This adds further to that. It was just a number that we took as a beginning of a social policy initiative, and so

part of the funding for addiction services comes from general revenue, part of it, the 2 per cent, came from liquor and lotteries.

Mr. Wishart: I thank the minister for that answer.

Has any attempt been made to compare this to other jurisdictions? Do we underfund, overfund? Are we in line?

Mr. Rondeau: This gets into the responsible of addictions, et cetera. We've expanded it drastically. That's not part of this annual report, though. It's more of the Estimates process.

Mr. Wishart: Thank you, Mr. Minister, and we'll certainly save those questions for the future. That's part of the Estimates process.

I did note that advertising and promotions had increased substantially this last year and, of course, you're trying to sell a product so that makes sense. However, alcohol education, actually, was down quite substantially. I wonder what the rationale—is that clearly we still have a need for education process?

Mr. Rondeau: That doesn't come out of this. What that does is—we've focused on a lot of prevention in the schools, and that comes out of the addiction system, the general revenue, not out of the liquor or lotteries. So some of the money goes into treatment for youth, that's the Marymount. So it's treatment of addictions. A lot of the prevention initiatives is funded through the base of the Addictions Foundation, again, the other hat that I wear.

Mr. Wishart: Thank the Minister.

So we can expect that number to continue to decrease in the future as you shift funding or is there policy around this? Is there a plan?

Mr. Rondeau: What we're trying to do is we're trying to increase the services for treatment and support. So what we're trying to do through the hospitality is normalize appropriate responsible consumption, appropriate responsible gaming, and, at the same time, deal with the issues of it. That's the whole focus, the alcohol strategy. That's the focus of the responsible gaming. Where it gets actually funded from, that's an ongoing discussion and we're trying to put the funding where it's most appropriate. It's a policy decision, not necessarily a corporate one.

Mr. Wishart: Thank the minister for that answer.

There's been a fairly substantial increase in professional fees, and that may be a function of the

amalgamation process. I'm just wondering if that would be the case, or is there something else going on here?

Mr. Hodgins: Yes, what I understand the reason for the increase is the—we had to have Ernst & Young, our external auditors, do additional work for us, and so there was an increase in the fees for that additional work that they did. And so I think if I'm looking at the same line that you are, I think it's going from 524 to 569. Is that the line you're—yes.

Mr. Wishart: I'd like to—thank you, Mr. Chairman, and I'd like to thank the CEO for that.

So this is a one-time extra cost? It will not occur again?

Mr. Hodgins: It's a one-time cost. *[interjection]*

Mr. Chairperson: Mr. Wishart.

Mr. Wishart: We learn our reflexes here. Thank you, Mr. Chairman.

I also noted that there was a fairly substantial increase in a—retirement allowances between 2012 and 2013. Is there a reason for this, indicative of a trend that we may see?

Mr. Hodgins: The increase relates to an actuarial calculation that was done on our pension fund, so that was the reason for the increase. So, hopefully, the markets increase and it will go the other way, so.

Mr. Wishart: Thank you for that answer. I do wish you luck on that. Someone has to pay for it all eventually but—and that's not the first department we have seen a fairly substantial increase in retirement allowances.

Do we have a high rate of retirement? Are we reaching an age scenario that does occur, certainly, with the—especially the end of the baby boomers cycle where we'll be looking at a lot of retirements in the near term, in terms of your staff complements?

Mr. Hodgins: In the liquor corporation, the age of the workforce is older than what it is at Manitoba lotteries. I have to tell you that, I guess, the average age of people at lotteries is increasing as people come there and want to make careers in the organization, that it tends to be a younger workforce, and I think that that's certainly an issue that the corporation's going to have to address. My expectation is that there will be a number of retirements that will take place in Manitoba liquor.

Mr. Wishart: Well, it's good to plan for that continuum because it does seem to be occurring in a lot of areas and finding people that are qualified to fill your workforce requirements is pretty key.

Mr. Hodgins: You're quite right and, you know, with the new merged organization, I think, one of the initiatives that will certainly be given some priority, and that's succession planning. And so that's certainly something that, you know, we'll be paying some attention to, and we have been doing some work in that respect already.

Mr. Wishart: Thank you for the answer. I want to touch briefly on sustainability issues, and I know it's one of the platforms of your corporation, and, in particular, the returnability of the glassware that your product is often sold in. Clearly, you have some products that have a very well tried-and-true return cycle. Do you take beer bottle returns back through your corporation or is that left for the vendors to deal with?

*(15:00)

Mr. Hodgins: That's left for the beer vendors to manage. It is a—it's an issue that we are looking at in conjunction with the Manitoba Hotel Association. But this is an important source of revenue for the beer vendors, and so to this point in time, they have, you know, they manage that. So even the product that we sell through the Liquor Marts, it has to go back through the beer vendors, as you're probably aware.

Mr. Wishart: Yes, and, certainly, we've heard comments about whether it's a revenue source or a pain on their part, and I suspect it's probably some of both.

But where I really wanted to go is, there are substantial volumes of glassware and specialized plastic that you put out into the marketplace. Do you in any way contribute towards the recycling of that product?

Mr. Hodgins: I guess there's two ways for us to manage the, you know, the containers that, you know, that we sell through our corporation. One, you just mentioned, is through the beer vendors. The other one is through the blue box program, and we do contribute to the blue box program. I was trying to find—that's the figure to let you know how much we contribute each year to assist with that program, but it is a fairly significant amount of money and it's an important source of funding for the blue box program.

Mr. Wishart: Well, on page 24 there's an environmental protection tax entry, \$157,000. Is that the amount that you contribute towards the recycling through blue box, or is that something else?

Mr. Hodgins: Yes, the amount that we pay to the blue box program is—or for the blue box program is \$650,000. So that's what we pay annually to—it's the Multi-Material Stewardship Manitoba program.

Mr. Wishart: And thank you for that answer. How do you arrive at that amount, and is it based on your sales volume?

Mr. Hodgins: Apparently, it's based on weight.

An Honourable Member: On weight.

Mr. Hodgins: Right. So I think there's a—*[interjection]* Oh, sorry.

Mr. Chairperson: Mr. Hodgins.

Mr. Hodgins: Correct me if I'm wrong, Tracy, but I believe that there's an estimate that's done every year of the rate of the product that we would be selling through the organization, and on the basis of that we are assessed a fee of \$650,000 per year.

Mr. Wishart: Well, that does seem somewhat logical, as they sell their product by weight. But the amount per pound, I assume, or per tonne, is that set by you or set by them?

Mr. Hodgins: It's set by them.

Mr. Wishart: Well, thank you for that answer. So we hear frequently from the recycling people that glass is a money loser in a big way for them. Would it seem logical that, as you are a major contributor—it's been estimated maybe as much as 30 per cent of the glass product comes from liquor sales—would it be logical that you should be contributing more?

Mr. Hodgins: So what I understand is that the glass component is assessed as a separate item and so it is assessed at a higher value, so we are paying more for that.

But one other thing that I would like to mention to you is that the industry is also looking at glass containers that are lighter in weight, so, you know, not only to deal with, you know, the disposal of the product but also in the shipping of it and the handling of it. So that's something that, you know, the industry has certainly taken a look at. In some instances, people are using plastic as opposed to—or shouldn't say people, but some companies are using

plastic as opposed to glass, so, certainly, that also helps as well.

Mr. Wishart: Excuse me. Thank you very much, and I just wanted to touch briefly on the few examples that are in place now on the in-store express situations; you mentioned them earlier. Have you had much feedback in terms of whether that's being well received in sales numbers, and is it cost-effective in terms of staffing because you have staff on site at those?

Mr. Hodgins: The response from the customers has been very positive, and so—have we been doing any customer intercepts? *[interjection]* So—

Mr. Chairperson: Mr. Hodgins.

Mr. Hodgins: I was just checking to see if we'd done any, you know, customer intercepts and that. But this is not a formal, I guess, market review that we've done at this point in time. The—but it's based on, I guess, our staff interacting with the customers that they're serving, and to this point it's been very positive.

Mr. Wishart: And I appreciate it is early in the process, so do you have any analysis about—as regards to staff time per sales in that environment as compared to a regular liquor commission outlet?

Mr. Hodgins: One of the KPIs that we have as an organization is certainly measuring the productivity of our staff. And so we do keep measurements of, you know, the volume of sales that are going through stores, and that's actually the basis on which we staff our stores. So the higher the volumes, the higher the staffing will be in a store. So we do certainly keep track of that information.

Mr. Wishart: Well, and I appreciate that, and I did see some reference in your report to that. Do you have any separate information for that type of sales situation as compared to your regular outlet sales?

Mr. Hodgins: I don't have that information with me today, but it is certainly something that, you know, we could provide. But we do monitor that on an ongoing basis to see, you know, the volumes in all of our stores, actually. So we would keep track of, you know, those kinds of KPIs by individual store.

Mr. Wishart: And I would certainly appreciate any information you might be able to supply us with. I know it's early in the process, but it certainly would be useful to see whether this is a cost-efficient move or whether it's a convenience move. I certainly appreciate that people are happy with it, and that's

good news. That would be internal polling that you have done on that, I assume.

Mr. Hodgins: It would be, you know, the staff within the store interacting with the customers and, you know, and then giving feedback to our, well, to Al, who's in charge of the stores.

Hon. Jon Gerrard (River Heights): I just want to start by following up on a line of question that was started earlier by the MLA for Portage. The—under the combined lotteries and liquor commission, there will be a requirement to provide 2 per cent to responsible use of liquor, right? Does the—that apply to both sides, that is, to responsible gaming as well as to the use of liquor?

Mr. Hodgins: The 2 per cent has been in place with Manitoba Lotteries for quite a number of years now, so that continues, and the decision that was taken by the government and the corporation was that 2 per cent would be provided from the Manitoba Liquor to match what was being done on the lottery side. In fact, I think the 2 per cent is going to—be included in the new legislation. So it will be certainly ingrained in legislation, whereas on the lottery side, to this point, it's been a—based on policy.

* (15:10)

Mr. Gerrard: Will the funds that are derived from the lotteries component and the liquor component be separate or will they be pooled?

Mr. Rondeau: Those are discussions on how best money is spent. What we've been doing is there's some projects that make sense just for the money to directly transpire—go over to liquor and liquor responsible. Some from lottery goes straight to lottery, and then there's some money that's—that might be co-occurring disorders, other general things. So the final decisions haven't been made on policy on that yet. We do know that this does allow us a little bit more latitude on investments in addiction programs and initiatives.

Mr. Gerrard: For this year, which is a transition year, what will the allocations be in a percentage basis for liquor?

Mr. Hodgins: Two per cent.

Mr. Gerrard: Now, the 2 per cent is 2 per cent of precisely what?

Mr. Hodgins: Net income. *[interjection]*

Mr. Chairperson: Dr. Gerrard, kindly address—be recognized and then ask. Hansard will not recognize you otherwise. Thank you.

Mr. Gerrard: My question, Mr. Chair, is the precise allocation for this year.

Mr. Hodgins: Now, when you say precise, if I can give you, I guess, roughly what I think it's going to be, I can get you the precise figure, but based on—I'm trying to remember, now, the—

Mr. Chairperson: Mr. Hodgins?

Mr. Hodgins: I was trying to do the calculation in my head and I shouldn't do that. It's roughly about \$5.5 million.

Mr. Gerrard: Okay. Now, of the \$5 million, does that go into a single fund or into multiple funds?

Mr. Hodgins: Because we're two separate entities until the new legislation goes through, there'll be a fund that will be set up in—on the liquor side and there'll be a fund that will be set up—or a budget allocation, let me put it that way. There'll be a budget allocation on the liquor side and there'll be a budget allocation on the lotteries side. Once the corporation has merged, then it would be one budget allocation that would be done for the corporations.

Mr. Gerrard: And could you tell us how the allocation will be made? Who will be involved in that decision?

Mr. Hodgins: On the liquor side, the minister did outline how the 2 per cent was—had been allocated. That was in his opening remarks. I can go back through that if you like, but he did indicate how a good portion of that money was going to be used—some for Marymount and—

Mr. Chairperson: Mr. Minister.

Mr. Rondeau: Just to give you some specifics, Mr. Chair. A million dollars will be directed for Addictions Foundation of Manitoba for operating costs of the new River Point Centre which is expected to open in the winter of 2014. It's—2.7 will be provided to Marymount in support of new services, which is the youth addiction and treatment and intervention program, and 371—up to \$371,000 will be allocated to open and operate a withdrawal manage facility in Thompson, and it was really nice to go to the actual opening—or the announcement of that, where the town was really celebrating that opening. So those are three concrete projects that are moving forward with this money right now.

Mr. Gerrard: My question, in fact, had to do with the process. Is it the corporation which decides or the minister who decides?

Mr. Rondeau: Actually, it's—I have a discussion with the corporation. We have an open, blunt discussion as to the priorities that we'd like to see funded, period, in a global sense. And the corporation actually picks projects that they think that might be appropriate to sort of put their name on as far as we wish to have this new initiative. So the reality is the new Thompson facility, it's a new facility in Thompson. It's an area that has some addictions issues. We said this might be appropriate. The money is going towards that from the addictions.

Same thing with the River Point Centre. It's a new treatment centre. It's a new initiative. We have new money here from the corporation, so we're allocating it there. And it's a dialogue. And we have actual regular dialogue between the addictions part of my ministry and the liquor part of the industry. They're actually talking, and they're talking about how we at the same time have a hospitality strategy and an addictions strategy.

Mr. Gerrard: So, I mean, as I'm hearing it, my understanding is that the minister presents a number of options, and then the corporation has a look at those options and makes a decision as to what the allocations will be. Who, on the corporation—is there a—do you have a group or, you know, what is the process from the corporation's side?

Mr. Hodgins: We do have a group within the—the liquor and the lotteries corporation that has responsibility for corporate social responsibility. Our vice-president is Susan Olynik, Susan. And we have a team of people that work in the social responsibility area, and they certainly bring forward recommendations as to some of the initiatives that we should, you know, bring forward, ultimately, to our board of directors for approval.

Mr. Gerrard: Now, in terms of the goals, right, that the corporation has in the use of this money, are those goals carefully specified somewhere?

Mr. Hodgins: Well, as I was mentioning earlier, we do go through a strategic planning process every year with our board of directors, and we do outline, I guess, some of the priority initiatives that we should be looking at, including, you know, both related to social responsibility. And, you know, that strategic direction is taken into consideration when the staff work on specific proposals that they bring forward.

Mr. Gerrard: I'm—for example, it would seem to me that one of the logical goals would be the reduction of fetal alcohol spectrum disorders. Is that one of the goals?

Mr. Hodgins: Yes, it is, and I think the last time we got together, I mentioned that some of the work that the corporation has done in the past—they did have a program in place or we have a program in place, With Child-Without Alcohol program, and the corporation was spending roughly about \$200,000 a year on that program.

But I can tell you that more recently we just approved an initiative for, in total, it's over—it's going to spread over four fiscal years. There's work that's being done for the rest of this year, and then it runs into '16-17. So, basically, it's over about a three-year time frame, but it's an initiative for \$1,350,000 related to research on FASD. And it's research that's being conducted by the Canada-Israeli fetal alcohol consortium, which involves researchers from the University of Manitoba. And so this is an initiative that was approved. It was brought forward by staff to the board of directors, and our board of directors approved that. And that—it's being paid for out of the 2 per cent allocation that we've been talking about.

*(15:20)

Mr. Gerrard: I was just trying to fully understand the process. I mean, you set goals, one of which is the reduction of fetal alcohol spectrum disorders. When you get proposals, which may come from the minister or from elsewhere, that you would evaluate those proposals based on the expected benefit in terms of achieving the goal of reducing fetal alcohol syndrome. Is that approximately correct?

Mr. Hodgins: It's roughly correct, yes.

Mr. Gerrard: So, I mean, when you're setting goals and you're reducing fetal alcohol consumption, and, I mean, one of the things that is important then is measuring the outcomes of those goals. I mean, are we reducing alcohol consumption during pregnancy? Are, in fact, we reducing fetal alcohol spectrum disorders? And I'm just wondering what is the process by which you look at whether outcomes in terms of those goals are being achieved?

Mr. Rondeau: I think that's more of a 'pol'—government approach. So we do have an FASD strategy. It's actually led by a person across the table from you. And what this is, is that we have an overall government strategy, and I think it's obvious that Liquor and Lotteries is actually saying we can adopt

this as part of our policy, our strategy, to deal with it. Liquor and Lotteries don't lead the FASD strategy. It's led by government. They're just partners in trying to deal with the issue.

Mr. Gerrard: I mean, my approach would be that every penny should be spent well, and that when you're allocating dollars that—from a corporate perspective for a particular goal, that you should be following and making sure that those goals are actually being met, and I'm just wondering whether in fact the corporation is doing that.

Mr. Hodgins: I'll speak about lotteries first, then I'll talk about liquor. But in Manitoba Lotteries, we do evaluate the programs that, you know, we undertake through our social responsibility area. Roughly about half the money that has been approved through the 2 per cent allocation in lotteries has been targeted towards the Addictions Foundation of Manitoba. And we have initiatives that they have undertaken. They have come forward in the past with requests for money for specific activities, so when they finish those, we do go through and do a post-evaluation to see if the program was effective. So you—certainly trying to measure the success of it. So that's—has been a practice within Manitoba Lotteries.

In the case of the money that the minister mentioned that's being allocated for the initiatives that he indicated, there will be a reporting back through the—I think—believe it's the Department of Healthy Living, where the AFM will be reporting back on how the—how successful, you know, the utilization of the funding has been. And that information will then be given to the corporation. I guess, at the end of the day, if we have an audit, we want to make sure that we have documentation available to support, you know, the money that has been expended, where it's been used and what—for what purpose and how successful was it in terms of, you know, the original goals and objectives. So we do have, you know, evaluation mechanisms in place to try and measure the success of programs.

Mr. Gerrard: And so in the case of lotteries, you would have a report back on each of the expenditures you would make and you would follow the same practice when you have the 2 per cent in place for the liquor area as well?

Mr. Hodgins: That's correct.

Mr. Cameron Friesen (Morden-Winkler): I have a question when it comes to new spaces being developed or new locations being identified by the

corporation for expansion. And I was wondering if you could just shed a little light on how that happens, how decisions are made about where the next store may be located when it comes to the corporation?

Mr. Hodgins: We certainly go through and do a market survey on areas in the province that we feel that can support, you know, an—a—well, I think you're referring to Liquor Marts. If you—I mean, in the city of Winnipeg, you know, there's areas of the city that are growing faster than other areas. I just use an example, Sage Creek, which I'm sure you're probably familiar with, which is a area which is really expanding and, certainly, it's an area that we go in and do some market research on whether it can support a Liquor Mart.

In terms of how we, I guess, determine the actual location of it, it's—what the experience of the corporation has been is that if you can put the Liquor Marts in close proximity to grocery stores or strip malls, that that has been, I guess, proven to be a more successful location than, let's say, a stand-alone location somewhere which is isolated from where people are doing their shopping. So that's usually the process that we go through to determine where the store should be located.

Mr. Friesen: I represent the area of Morden-Winkler and, of course, you're—you'll have a new store located in the city of Winkler just coming up, and there's been actually some speculation in the local area whether or not we'd be able to decommission the four-lane highway between Morden and Winkler as a result of both communities having their own liquor store right now, but I won't ask for you to comment on the need for that kind of infrastructure change. But, in any case, I did have a few questions with respect to that store.

So why, in the case of the city of Winkler, was the decision made to locate a full store directly adjacent to a grocery store instead of, let's say, by contrast, to locate one of these mini-stores within the context of that supermarket? How would that decision have been made?

Mr. Hodgins: I think that just the, you know, the size of the city itself and our experience with other cities of similar size, that it could support a, you know, a—if I can call it a regular Liquor Mart as opposed to an express store.

Mr. Friesen: Earlier in our discussions this afternoon, there had been discussion about the products that vendors are able to vend from their

locations. Now, when a new store is established in a city like this where there hasn't been a store previously, is there a negative effect on an existing vendor or is there a grandfather clause for the—for a vendor down the road? Would there be any kind of a restriction on their product line going forward at the time when the liquor store would begin to function?

Mr. Hodgins: I'm not aware that there's ever been a grandfather clause that's been put in place when a store has been, you know, constructed. I guess the restriction, and it doesn't just apply in this case but across the provinces, is that the Liquor Marts do not sell domestic beer, cool domestic beer. So that's certainly a natural advantage for the beer vendors that they can sell, you know, cool—well, cool beer. That's certainly an advantage for them.

The other advantage, of course, is that they do, as we were talking about earlier, they do take in all of the empties, so it's another, I guess, advantage they have over the Liquor Marts. If people are going to be taking back their empties, they're going to buy there as opposed to dropping it off then going to the Liquor Mart. So those are, you know, some of the advantages that our beer vendors have.

Mr. Friesen: And earlier this afternoon, we also noted that vendors can sell products—some vendors can sell products like coolers and ciders. Now, in this case, the vendor in the city of Winkler would have met the definition or would have met the criteria to be able to do that. Would they, as a result of the opening of this new store, lose the ability to also vend coolers and ciders?

Mr. Hodgins: Based on the, you know, the policy that I was mentioning earlier, the beer vendor in Winkler would not have been able to sell coolers and ciders. Now, that individual will be able to sell that product line once there's a Liquor Mart there.

Mr. Chairperson: Time being 3:30, what is the will of the committee? Shall we—yes, Mr. Cullen.

Mr. Cullen: Thank you, Mr. Chair. I wonder if we could—the committee could have some indulgence for another 20 minutes.

Mr. Chairperson: Twenty minutes, is that the will of the committee to extend up to 3:40, 3:50?
[Agreed]

* (15:30)

Mr. Friesen: I'll just continue with a few more questions. I had a question with regard to hours of operation for the new Winkler store. I wondered if

the hours of operation for the new store would be consistent with the hours of operation for the Morden store, which is just nine miles down the road, or whether those determinations are made by local management of the store.

Mr. Hodgins: Yes. The decision on the hours of operation is really a head office decision. It's not left to the, you know, the local store. Certainly the local store have been put into it, but the final decision is with, you know, the head office. And the hours of operation will be largely determined by the hours of operation of other retail outlets in that community, and I'm told that in the case of Winkler the store will not be open on Sunday.

Mr. Friesen: I know from dealing with the chamber of commerce, too, that is an issue of some sensitivity in this city, and the city has tried to be progressive, at the same time try to reflect local values and things and there are sensitivities around Sunday openings.

I did want to also ask in conjunction with that, I know there's been concerns expressed in our community and other communities, as well, about the—about excessive—or I might—perhaps excessive is the wrong word—but additional hours of operation. I think back to this last weekend where even on Thanksgiving Day the stores were open. I know last year, even on Remembrance Day there was concern by veterans expressed by Manitoba liquor stores staying open on Remembrance Day. Will there be—will those same sensitivities to hours of operation be expressed even around issues like stat holidays or holidays like Remembrance Day and Christmas?

Mr. Hodgins: We certainly do try to take into consideration, you know, the sensitivities of the community. On Remembrance Day, for example, we opened after 1 o'clock, and that's certainly something that, you know, is—you know, we've discussed that with the legions and the veterans' organizations. So, you know, we certainly are sensitive to that, and if there are some, you know, days of the year such as Good Friday, if all the stores in Winkler are closed, then certainly we would not be open on that day. So we do try and take into consideration some of the local sensitivities when we will put our hours of operation.

Mr. Friesen: On a different subject—and I apologize even before I address this and your other answers. But is there any interest or initiative under way at this time to expand the existing number of private wine stores? Is there any interest in, you know,

creating the conditions in which new players could come to that field?

Mr. Hodgins: No.

Mr. Friesen: That's very plain and it's unequivocal, so that's good.

I have a question pertaining to something that might be related. When it comes to owners of stores who sell wine kits, I understand that's a different issue, but when it comes to owners of those kind of kit stores, if we can call them that, I've heard initial interest by some of these owners who would like to expand their store model to be able to actually not only sell the kits, but to, I guess, brew the kits for clients on premises. Now, that becomes a regulatory issue. Is that one that then falls under the regulations of the—that will be in force coming up?

Mr. Hodgins: That's—they're referred to as U-Brew U-Vins, and they are not currently permitted under our existing legislation. It is something that I believe is being looked at, but it—I don't think there's been any decision taken at this point in time.

Mr. Friesen: Is it a model that we see in other jurisdictions in Canada?

Mr. Chairperson: Excuse me—Mr. Hodgins, yes.

Mr. Hodgins: There's—I can give you the list of the provinces where they do have these U-Brew U-Vins. And I'd say roughly about half the provinces permit it and half don't. If you'd like the list I can give it to you.

Mr. Friesen: Yes, I would appreciate seeing the list. And just one more question with respect to that. So is that conversation—is there an organized conversation around that issue taking place led by that group of merchants and owner-operators?

Mr. Hodgins: My understanding is that this is something that is being, I guess, looked at through the regulatory review that's going on around the new legislation.

Mr. Friesen: One last question just pertaining to—coming back to that issue about the social responsibility initiatives. I know we had some considerable discussion before by Dr. Gerrard and others. I just had a question whether there can be applications received by the corporation or by the minister with respect to how those funds could be allocated and whether or not there could be—or there—is there a ratio established whereby some of that—those monies could be allocated generally but others

could be allocated in the local community in which the 'lo'—liquor store operates?

Mr. Hodgins: We do have—and I don't think this is what you're referring to, but we do have a research program in Manitoba Lotteries where researchers can make application for specific research that they want to undertake. But I think you're referring probably more in terms of the community that has a specific proposal that they would like to, I guess, have considered to assist with responsible gaming or responsible consumption. And we don't really have a formal process in place to do that, but I would never say you shouldn't do it. If you—if your community or some—if you know somebody that wants to put forward a proposal, it's certainly something that—you know, that I think that that we should—you know, we should take a look at.

Mr. Cullen: I have some questions related to the financial statements. So if you want to get your financial person up there.

Floor Comment: Which year?

Mr. Cullen: This latest year. So, first of all, I'm going to start on page 36 of the latest—the '12-13 report. I'm just going to seek some clarification on some line items if I could, first of all. So in terms of other income, there's border point fees. Can you explain what border point fees are? And I know there's considerable change this year.

Mr. Hodgins: Those are the fees that are collected at the border when you have to pay duty on liquor that you're bringing into Manitoba.

Mr. Chairperson: Mr. Cullen—sorry.

Mr. Cullen: Yes, it was interesting to see there was a considerable change year over year on that mark, so clearly looks like Manitobans are shopping elsewhere.

The other category is miscellaneous, and I know that it's probably a very broad category, but would there be a possibility that you could supply us a little more detailed breakdown of the miscellaneous income at some point in time?

Mr. Rondeau: We'll endeavour to get you a list of the—what miscellaneous actually comprises of.

Mr. Cullen: Just going down the page, and now we're into the expense side of it, I noticed the salaries and short-term benefits are up almost 8 per cent year over year. Can you—is that strictly a component of hiring more staff?

Mr. Hodgins: It's actually that plus it's also the collective agreements that we have in place that's contributing to that increase. Now we have additional stores, so there's additional staff that would be hired, so they would be paid out of the salary and short-term benefits. One—what is it? One and a half? How did we get one and a half? *[interjection]* Oh, I see. It's \$1.5 million in salaries related to a new store opening.

* (15:40)

Mr. Cullen: Something that I would like for my own reference, and I don't see it in this report, some other annual reports reference the number of staff. Would you indulge me and go back five years and provide a list of the total number of staff over the last five fiscal years. and in relation to that, too, as well, the number of stores that you've operated over the last five years as well. Could you endeavour to do that on an individual year-by-year basis?

Mr. Rondeau: Yes, that'll happen.

Mr. Cullen: The other significant change was retirement allowance. Could you expand on that significant change?

Mr. Hodgins: As I was mentioning earlier about the actuarial—I guess, a calculation that was done on our pension, and that's—the loss on it was \$3 million. So that's where we pick it up on our financial statements.

Mr. Cullen: Could you provide a statement in terms of the employee pension benefits in terms of where you're at financially on that?

Mr. Hodgins: Yes, we can do that.

Mr. Cullen: Thank you, I would appreciate that undertaking.

The other, I guess, significant expense is in bank charges. In bank charges, could you explain why the corporation has that significant amount of bank charges?

Mr. Hodgins: Yes, each of the charges for the credit and debit card transactions that take place at the stores.

Mr. Cullen: Okay, well, in speaking of that, I guess, back on the income side, there was impact fees and AIR MILES fees. What are the impact fees and then why was the AIR MILES, basically, the income reduced by 50 per cent?

Mr. Hodgins: Okay, the impact fees, these are the end-of-the-row displays by suppliers and these are the charges that—or the revenues we recover from the suppliers for having those displays in those locations, and the AIR MILES, this is the charge back to the suppliers for the AIR MILES program.

Mr. Cullen: And why was the revenue 50 per cent from the year before?

Mr. Hodgins: What I understand is that there was an accounting adjustment that was made in 2013 that brought it down from 205 to 102. I can get some additional information for you if you like on what that was.

Mr. Cullen: Yes, I would appreciate the explanation of the differences there. I'd certainly would appreciate that.

The alcohol education was reduced by 32 per cent year over year. Could you explain again—you know, I mean, you touched on that one under Mr. Gerrard's questioning—but why it's been reduced by 32 per cent.

Mr. Chairperson: Mr. Hodgins, yes, go ahead.

Mr. Hodgins: I'll have to get you the—I think what happened here is that the program was under review and so there was maybe some components of the education program that weren't being delivered. But I'll—let me get you the answer to your question.

Mr. Cullen: Yes, I would appreciate that too.

In the area of bad debt, too, it's been a significant increase in bad debt. Can you—I think there's a further note on the reference to bad debt and, you know, issues relative to that. Could you—can you kind of undertake how the corporation deals with that?

Mr. Hodgins: Again, what I'll do is I'll get you the details on it. But just by way of example where a bad debt, you know, where we would reflect that would be if there was, you know, a business that burned down and we weren't able to collect on the inventory that they were carrying. So that might be an example, but I'll get you the actual reason why it went from 6 to 51.

Mr. Cullen: Yes, I would appreciate that if you would.

Is the corporation carrying any debt?

Mr. Hodgins: No.

Mr. Cullen: In terms of sponsorship, we got some information—just received some information regarding—under the freedom of information—and there's quite a list of people like—organizations, pardon me, that are being sponsored by the corporation. How does the corporation go about determining which organizations will be sponsored, and how do you determine to what level they will be sponsored?

Mr. Hodgins: The—there are guidelines in place for the, you know, the sponsorship that we provide. I can tell you that—and I'm not sure of the particular list you were looking at, but the—I would expect much of it is product sponsorship. That was the kind of sponsorship that the corporation was—has been providing in the past. So I think that the amounts are probably fairly small. But there is an application process for any sponsorship that we provide.

Mr. Cullen: Yes, the list I'm looking at is a—it's a two-page list. It's fairly significant. Sponsorship ranges from, I guess, \$500 up to—well, I guess the highest is \$188,000, but—and there's everything in between there. So if you could provide me the policy that you reference, I would appreciate that.

Mr. Hodgins: Yes, we can do that.

Mr. Cullen: In reference to the policy, then, is that a policy that's established by the board and would the board approve the sponsorship packages?

Mr. Hodgins: That's something I'll have to check because that was—would have been, I guess, prior to my being involved with the corporation, and so I just want to double-check to make sure that, you know, it is—I assume it was a board-approved policy. And generally what happens, once the policy is adopted, then the staff operate within that policy and will approve applications based on, you know, the policy. But generally there's a dollar figure where you will have to, you know, go back to the board for approval even if it falls within the, you know, the policy guidelines or the policy—or the program criteria.

So it's—but if I could check that because, again, this goes back before my time. And I think your

question is was this a board-approved policy, and I'd like to check that, so okay.

Mr. Cullen: You know, in view of the time, I think some of us have to be back in a very short time, so we're prepared to look at reports.

Mr. Chairperson: Seeing no further questions, the question to the committee is:

Annual Report of the Manitoba Liquor Control Commission for the fiscal year ending March 31st, 2011—pass.

* (15:50)

Shall the Annual Report of Manitoba Liquor Control Commission for the fiscal year ending March 31st, 2012, pass?

Some Honourable Members: Pass.

An Honourable Member: No.

Mr. Chairperson: The report is not passed.

Shall the Annual Report of Manitoba Liquor Control Commission for the fiscal year ending March 31st, 2013, pass?

Some Honourable Members: Pass.

An Honourable Member: No.

Mr. Chairperson: We see a no. The report is not passed.

If any of these reports have not been passed, kindly leave them on the table for future meetings.

Now this concludes the business before us. The hour being 3:50, what's the will of the committee?

Some Honourable Members: Rise.

Mr. Chairperson: So committee rise. Thank you very much, all of the guests and members, and see you again. Thank you.

COMMITTEE ROSE AT: 3:50 p.m.

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