



**First Session - Thirty-Sixth Legislature**

**of the**

**Legislative Assembly of Manitoba**

**Standing Committee**

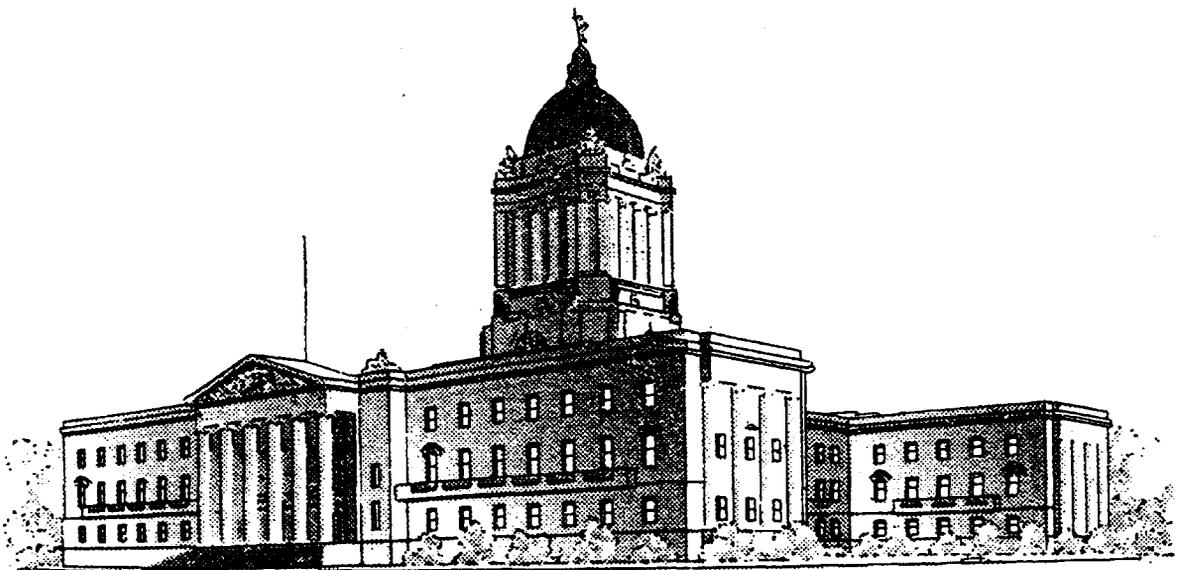
**on**

**Public Utilities**

**and**

**Natural Resources**

*Chairperson*  
*Mr. Frank Pitura*  
*Constituency of Morris*



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**MANITOBA LEGISLATIVE ASSEMBLY**  
**Thirty-Sixth Legislature**

**Members, Constituencies and Political Affiliation**

<u>Name</u>	<u>Constituency</u>	<u>Party</u>
ASHTON, Steve	Thompson	N.D.P.
BARRETT, Becky	Wellington	N.D.P.
CERILLI, Marianne	Radisson	N.D.P.
CHOMIAK, Dave	Kildonan	N.D.P.
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GILLESHAMMER, Harold, Hon.	Minnedosa	P.C.
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HICKES, George	Point Douglas	N.D.P.
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LAMOUREUX, Kevin	Inkster	Lib.
LATHLIN, Oscar	The Pas	N.D.P.
LAURENDEAU, Marcel	St. Norbert	P.C.
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NEWMAN, David	Riel	P.C.
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PITURA, Frank	Morris	P.C.
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**LEGISLATIVE ASSEMBLY OF MANITOBA  
THE STANDING COMMITTEE ON PUBLIC UTILITIES AND NATURAL RESOURCES**

**Tuesday, October 3, 1995**

**TIME** – 10 a.m.

**LOCATION** – Winnipeg, Manitoba

**CHAIRPERSON** – Mr. Frank Pitura (Morris)

**ATTENDANCE** - 11 – QUORUM - 6

***Members of the Committee present:***

Hon. Mr. Gilleshammer

Messrs. Ashton, Evans (Interlake), Kowalski,  
Laurendeau, McAlpine, Ms. Mihychuk, Messrs.  
Pitura, Radcliffe, Sveinson, Tweed

**APPEARING:**

Mr. Derek Smith, President and Chief Executive  
Officer, Manitoba Liquor Control Commission.

**MATTERS UNDER DISCUSSION:**

Annual Reports of the Manitoba Liquor Control  
Commission for the years ended March 31, 1994 and  
1995.

\* \* \*

**Mr. Chairperson:** Will the Standing Committee on Public Utilities and Natural Resources please come to order. This morning the committee will be considering the Annual Reports of the Manitoba Liquor Control Commission for the years ended March 31, 1994, and March 31, 1995.

Does the minister responsible have an opening statement and did you wish to introduce the officials in attendance from the Manitoba Liquor Control Commission?

**Hon. Harold Gilleshammer (Minister charged with the administration of The Liquor Control Act):** Yes, Mr. Chairman, and good morning everyone. This is a continuation of a committee on the Annual Report, 1993-94, and all I am going to do this morning is introduce staff that are here. Hopefully, we can

proceed with the passage of the 1993-94 report, and then if there are questions on the new report we can deal with them.

At any rate, Grant Holmes, Chair of the Board, is with us this morning seated on the left here; Derek Smith, who is the President and CEO of the Manitoba Liquor Control Commission. We also have some staff members: Al Ahoff, who is Vice-President, Finance; Don Lussier, who is Vice-President, Purchasing and Sales; Roman Zubach, Vice-President, Human Resources; and Bob Kelln, Manager, Licensing.

So with that, Mr. Chairman, we are prepared to proceed with the Annual Report, 1993-94.

**Mr. Chairperson:** We thank the minister for those remarks. Did the critic from the official opposition party—Mr. Ashton, do you wish to make an opening statement?

**Mr. Steve Ashton (Thompson):** Yes, I just want to start briefly by indicating we will be raising a number of questions. One area we will be raising questions on relates to both annual reports; it will be in terms of the government's plans with the Liquor Control Commission. The government, upon recommendations, I understand, from the Liquor Control Board, did move to a partial privatization, at least in terms of four wine stores that were opened. We will be asking a number of questions about whether the government wishes to proceed any further on the road to privatization.

I will be asking some other general questions about the Liquor Control Commission, which I would note has turned around the general decline of revenues in the last period of time and also that is reflected in the most recent report in terms of profits. We will ask a number of questions on other matters involving the Liquor Control Commission related to inspections, permits, et cetera. So those are the general areas in which I will be looking for information, and we might as well get right into question, I guess.

**Mr. Chairperson:** We thank Mr. Ashton for those remarks. Did the representatives present from the Manitoba Liquor Control Commission wish to make a statement to the committee?

**Floor Comment:** No, we do not.

**Mr. Chairperson:** Does the committee wish to consider the reports separately or individually, or shall they be considered all together or in their entirety and have general discussion?

**Mr. Ashton:** I would suggest we can deal with them either way. I have questions going back to the report that has not been passed, so I think we could probably deal with general questions, probably relating to both reports, because that is where we were at the end of the meeting.

I would also ask too if we have a target for adjournment. I was going to recommend twelve o'clock.

**Mr. Marcel Laurendeau (St. Norbert):** I am going to have to disagree with Mr. Ashton on this one. I think we should deal with the '93-94. If he has got some questions on this one, this is where he should ask his questions. Once we have passed that we can move on to the next report, Mr. Chairperson.

**Mr. Chairperson:** Thank you, Mr. Laurendeau. Is it the wish—

**Mr. Mike Radcliffe (River Heights):** I concur that we adjourn at twelve o'clock.

**Mr. Chairperson:** Okay, the will of the committee is then to adjourn at twelve o'clock? Is that agreed? [agreed]

The question is as to how to deal with the reports. One suggestion is that we deal with the reports collectively, another suggestion is that we deal with them individually. What is the wish of the committee? It does not matter?

**Mr. Ashton:** I think we sometimes get hung up on this. We usually have fairly general questions on

items. It is not that I do not intend on passing the '93 report but, just to be fair to the minister, there will be some questions that relate to the activities of the Liquor Commission that is covered by that particular report, some of which will then lead into other periods of time. So, to my mind, I would suggest we not pass those reports. I can indicate that I do not see any difficulty in, certainly, passing the one report. If we complete questions on the most recent report we may be able to pass both of them by the end of the day, but I certainly do not think there will be any problem passing at least the one.

**Mr. Laurendeau:** Then why do we not just pass the first one, and we will deal on general questions through both of them anyway. We will have had the first one out of the way. That is what you are saying, you are willing to pass the first one.

**Mr. Ashton:** Some of the questions are directly related to this one.

**Mr. Laurendeau:** Well, we will still allow the questions to be related to this. Pass the first one.

**Mr. Chairperson:** Is it the will of the committee to pass—

**Mr. Laurendeau:** Then we will deal with them one at a time. Ask your questions, stay relevant.

**Mr. Ashton:** Mr. Chairperson, I do not understand why the member for St. Norbert is in this particular mode today.

**Mr. Laurendeau:** Because I am sick of you dragging the papers every time we come to committee . . . pile it up. Year after year you do this.

**Mr. Ashton:** It is quite common for us to deal with general questions, and I have indicated the willingness to pass this report at the end of the day. I think it is appropriate though if I am going to be asking questions related to this time period that it may lead into the other periods. Not to pass either of the reports, certainly on a technical basis, but I do not understand why there would be any difficulties with what we normally do, which is allow general questions.

**Mr. Laurendeau:** Because you have made that same commitment that you would pass reports before, we get to twelve o'clock, and you do not pass them. That is why. It has happened before when I have been in this committee.

**Mr. Chairperson:** I would suggest then to the committee that we deal with each report separately. Is that agreed?

**Mr. Ashton:** Well, it is not agreed by our side, but if the government wishes to get particular about this, that is fine. I would rather get into direct questions than argue with the member for St. Norbert.

**Mr. Chairperson:** Okay, are there any questions? We are going to be discussing the March 31, 1994, report. Are there any questions?

**Mr. Ashton:** Yes, I want to ask some questions related to proceedings that led to the establishment of the four private wine stores which occurred. I have the various notices that were put out over that period.

I would like to ask the minister if he could perhaps give us some idea of the time frame, certainly for committee members who do not have that information, as to when this matter was first discussed by the board, when there was any recommendation by the board that this be the process that would be followed, this establishment of private wine stores, and if the minister could also indicate the legislative and regulatory changes that were brought in to allow for what the time frame was.

\* (1010)

**Mr. Gilleshammer:** I, perhaps, do not have all that detail with me. I will ask Mr. Smith to make some comments, or some of the other staff, but the member is well aware that there were legislative changes made in 1993, when the act was open before the Legislature, which allowed for the commission to proceed with private wine stores.

Information was sent out to the public, and there were a number of interested groups and individuals from across the province who showed some initial

interest in opening the private wine stores. Then we had the Arthur Andersen & Co. do some of the detail work on the regulations and the manner in which we would proceed with a public call. When that work was finalized, the information was sent out to those who had displayed some interest in proceeding with the private wine store.

The Arthur Andersen & Co. received those applications and reviewed them and brought recommendations back to the board and to the commission that we proceed with the four stores at this time, and eventually those contracts were signed and awarded. At the present time, those four wine stores are operating in the city of Winnipeg, and they are still in their first year of operation.

**Mr. Ashton:** So this matter was then discussed by the commission itself at various board meetings throughout this period of time?

**Mr. Gilleshammer:** I have indicated that the process in the Legislature and at the board and the staff of the commission were all involved in discussions around this initiative.

**Mr. Ashton:** I would like to ask if the minister could indicate, or commission staff can indicate, when this matter was first discussed at the board level.

**Mr. Gilleshammer:** I do not have that information. I would ask Mr. Smith if he has any detail on that.

**Mr. Derek Smith (President and Chief Executive Officer, Manitoba Liquor Control Commission):** I am sorry I do not have that information with me, but it would have been discussed sometime in 1993.

**Mr. Ashton:** What I would like to ask is if at any point and during the discussions at the board level, whether any member of the board withdrew from those discussions for reasons of potential conflict of interest.

**Mr. Gilleshammer:** I am not sure what the member is getting at, but we did have some changes on the board that would be documented in the minutes. We could certainly provide the time of the board changes for the member, unless Mr. Smith has that with him today.

I am told we had a resignation of a board member in September of 1993.

**Mr. Ashton:** I am just wondering if that board member participated in any of those discussions related to the private wine stores.

**Mr. Gilleshammer:** I am told that there were general discussions at the board level.

**Mr. Ashton:** To be more specific, the board member I am asking about is Mr. Denardi, who was a former Conservative candidate in Crescentwood, but more specifically does have a direct family connection with one of the stores which did eventually end up getting one of the private wine stores. I would like to ask the minister if he has looked at whether there was any possible conflict of interest if participating in the general discussions. I understand Mr. Denardi did withdraw from any votes on specific items, which is the appropriate thing to do, but I am just wondering if it was appropriate for any board member with what was clearly a potential conflict of interest to be participating in those discussions.

**Mr. Gilleshammer:** His resignation from the board was prior to my appointment as minister, and the development of the wine stores certainly took place after that resignation.

**Mr. Ashton:** I realize that it is somewhat difficult for the minister to answer that. Perhaps I can ask the board then what the board guidelines are in terms of conflict of interest. You know, there is clearly a member of the board who had an indirect family, which was a direct family interest in terms of one of the eventual wine stores, and I would like to ask whether there was any potential conflict of interest. I raise that in the context that as MLAs if there is any potential conflict of interest we have to withdraw not only from votes but also from discussions relating to matters in which we have a pecuniary interest. So perhaps if the Liquor Control Commission could indicate what guidelines it has either internal or from government in terms of conflict of interest.

**Mr. Smith:** Mr. Chairman, we do have a policy, a conflict of interest policy, which is applicable to all

employees of the Liquor Commission and members of the Board of Commissioners. There have been some opportunities where items have been discussed at a board level which board members have felt that they could be in conflict and have either excused themselves from the discussion or have not voted on the item.

I would like to also clarify the fact that Mr. Denardi was a member of the board and at the time of his resignation there were no detailed discussions about specialty wine stores. The terms of reference had not been established and the details in terms of the criteria had not been established. So he was not privy to any information whatsoever as a board member regarding the specialty wine stores.

**Mr. Ashton:** Mr. Chairperson, perhaps it clears it up for members of the government party, but it does not in terms of the questions I asked. I indicated specifically, my understanding was that Mr. Denardi—[interjection] Well, if members on the government side wish to ask questions they may do so, but I am asking. So the minister and the commission is indicating that the member of the board did participate in the initial discussions related to private wine stores. We have someone who was appointed to the board in 1992, resigned in 1993.

I did not say that he participated in any discussions relating to the specific contract that was given to his family as one of the four. I indicated that my understanding was that he had withdrawn from that, but I was trying to get some idea of what took place prior to that because I think it does raise a question as to whether someone who is in that situation, appointed to a public board, should be participating in any discussions related to a matter where within a very short period of time afterwards there is a direct pecuniary interest. So what is being indicated is there was no involvement in the detailed discussions once the contracts were let, but there was discussion earlier in terms of the general movement, a significant movement by the Liquor Commission to private wine stores, four wine stores which are currently in operation.

**Mr. Gilleshammer:** Well, I can say to the member for Thompson, there were discussions here in the Legislature as that particular piece of legislation was

being developed. They were entirely conceptual at that time. We had those discussions here in the Legislature and in committee. The specific details that put into action the changes in the act in 1993 were developed after that individual's resignation from the board, and I would point out that the specific details were developed by the Arthur Andersen & Co., and they also sent the information out to the people who were prospective owners of these wine stores and they also brought the recommendations back to government and to the board which were accepted.

**Mr. Ashton:** Would the minister be prepared to provide me with a copy of the conflict of interest guidelines which the Liquor Commission indicates apply to staff and to board members?

**Mr. Gilleshammer:** Yes.

**Mr. Ashton:** I appreciate that, and I hope that it will be clear that this question certainly is a question that has been raised with me, and I think that the minister, knowing full well the kind of obligation we are under as members of the Legislature, in which we have to withdraw not only from votes but also discussions in which we may have a pecuniary interest, certainly apply, I would suggest, to the board of the Liquor Commission or any other public entity.

\* (1020)

When you do have a situation where in this particular case one of the first four wine stores has a direct relation to one of the board members, obviously that is a question that is raised, and I indicated very clearly, and I want to make this clear, that my understanding is that Mr. Denardi did not involve himself in the direct discussions related to the specific contracts. My questions were related to the development of the policy of private wine stores, and if I can have that undertaking to get that copy of the conflict of interest guidelines, I will move on to further questions, and I appreciate the minister's assurance I will receive that.

**Mr. Gilleshammer:** As I have indicated, those developments were prior to my time as minister and Mr. Holmes' time as Chair of the Board. I do accept Mr. Smith's comments that there were no direct

discussions and we will provide the member with the conflict of interest guidelines.

**Mr. Ashton:** I thank the minister for that, and I think it does raise the important question though in terms of the role of people who are appointed to boards of Crown corporations and Crown entities, and my concern raising these questions is—and, by the way, it is not the question of the patronage side of it. There is a former president of the Conservative Party, we have a former Conservative candidate that is appointed, I mean, I think we know that this is a common procedure when it comes to boards and commissions. That was not the point of my question—Mr. Denardi, whether he was a Conservative candidate or not.

The fact of it, though, is that concerns have been raised by many people within the Liquor Commission itself, staff and members of the public—[interjection] Well, the reason I have raised it is that I want to make sure there was no conflict of interest. It is a fair question, and I do not understand why government members are trying to continue the debate.

In fact, if they wish to ask questions themselves, they may wish to ask the same sort of questions, and the point is that when you are appointed to a board of a Crown corporation there is a very strong obligation to ensure that you are there to represent the people of Manitoba and not to engage in anything that may involve a pecuniary benefit or a conflict of interest. What I would like to do is move on to asking some questions about the experience with the private wine stores and the arrangements that were made in terms of the private wine stores in 1993 when they were approved by the commission.

I would like to ask the minister if he can indicate what the specific relationship is between the private wine stores and the Liquor Commission. I would like to ask that in terms of purchase of stock, also in terms of such questions as testing of stock. What is the specific commercial relation between the wine stores and the Liquor Commission in terms of those specific aspects of their operation?

**Mr. Gilleshammer:** Again, I will let the CEO give you some of the detail on that, but the stock that is for

sale within the wine stores is all stock that comes in through the Liquor Commission. The purchases are made through the commission, and the testing is done through the commission.

**Mr. Ashton:** In fact, the commission pays all the costs, including testing. Then it is sold at whatever discount rate to the private wine stores with all those costs having been absorbed by the Liquor Commission.

**Mr. Gilleshammer:** Yes, and I would point out to my honourable friend that to have vendors in Manitoba is not a new thing. We have 170 liquor vendors within the province, and I know that the member is aware of that. We now also have vendors that sell wine and specialty wines, so the board and the commission have a long history of dealing with vendors who are in the private sector.

**Mr. Ashton:** I just want to ask, in terms of the specific selection of wines, what is the arrangement with the commission as to what private wine stores can or cannot sell? Are they allowed to sell items which are not sold by the commission, items that are sold by the commission? If wine stores import a specialty brand, is the commission still able to import that specialty brand if there is demand from the public? What is the arrangement in terms of the specific wines that are actually sold?

**Mr. Gilleshammer:** Each of the wine stores sells a combination of listed and unlisted products. If the product is one that is listed by the commission, the wine store sells it at the same price as the commission stores and the other vendors would sell it. They also have the ability to seek out and purchase, through the commission, unlisted wines, and they have some freedom in setting the price that that is placed on the shelf.

**Mr. Ashton:** I am just wondering if there has been any review, now that this has been in place, first of all, of the economic viability of the four operations that are in place; second of all, whether there would be any expansion of this particular type of retailing through private individuals; and, third, whether there has been any review, both the experience of this partial privatization and the experience in other provinces of the whole question of privatization.

I guess the bottom line I am looking for is whether the government is going to be expanding this privatization or whether it is going to be listening to those—I point to, for example, the experience of Alberta where, I would suggest, the privatization that took place there was nothing short of a disaster economically for the province, both in terms of revenues to the province and also to the kind of deal the people get as consumers where prices increase, selection decreases as well.

**Mr. Gilleshammer:** As I indicated earlier, the wine stores are just partway through their first full year of operation, and I have discussed with Mr. Holmes and Mr. Smith that after the completion of the first full year would be an appropriate time to review our situation with the stores in terms of are they meeting their business plans, how are they impacting in terms of service to the community. So I do anticipate that we will review our experience with those four stores after the completion of the first full year.

I am aware that other provinces have gone different directions. Our plan at this time is to certainly proceed with the operations that we have in Manitoba. As I indicated a few minutes ago, there has been a fair amount of privatization in the Manitoba scene with the liquor vendors. At the current time I think we have in excess of 170 vendors and around 45 to 50 commission stores. So I think Manitoba has always had a good balance, keeping in mind service to the customer and being able to provide that service in both a timely location and an economical way.

So any review that we do of the wine stores, in particular, will be after we have had at least a full year of experience.

**Mr. Ashton:** I appreciate that and I take from the minister's comments, and I ask this directly, that the government at this point in time is not looking at any further privatization of the distribution of liquor in this province.

**Mr. Gilleshammer:** Well, we have had no discussions about that, and as I say, we would like to review our situation and our history with the wine stores after we have had some experience with them.

**Mr. Ashton:** Well, I find that somewhat encouraging. I am concerned with some of the Crown corporations, with the intentions of the government, but I note that the Premier (Mr. Filmon) even—I have a quote from the Premier in 1994 indicating at that time that the government was not looking at major privatization.

I would suggest to the minister that I too would be very interested to see the analysis of what has happened with the existing private wine stores because, despite the arrangements that have been made, I suspect that the experience would be very similar to Alberta.

I think that it would be very interesting to talk to the individuals that have been involved in the private wine stores because I know, certainly, there was concern expressed about other potential retailers who decided not to proceed with putting in an application under the private wine store provisions that the government brought in place because they felt it was not financially viable.

\* (1030)

This is I think the key thing with liquor. I do not believe you can partially privatize it—and I understand what the minister is saying in terms of rural areas where you have stores that, you know, act as Liquor Commission outlets where there is no Liquor Commission outlet—but if you start getting involved in partial privatization in the city, I would suggest to you that you will run into Alberta and then some, in the sense that even the stores themselves, the liquor stores, will probably not be profitable, given the requirements that have been placed on them by the Liquor Control Commission, the investment requirements, the pricing requirements, et cetera.

So I suspect that you will have to make the decision of complete privatization, which will be an even bigger disaster given the Alberta experience, or sticking with what I think is in the public interest which is to maintain the current distribution through the Liquor Control Commission which provides not only the best return for the government but the best selection and best customer service, and also I believe, the least potential involvement of other factors in the selling process. By that, I mean when you have the Liquor

Control Commission, we have this check, the Minister responsible for the Liquor Control Commission has some check over the marketing tactics of the Liquor Control Commission to ensure that they are not only commercially responsible but socially responsible as well.

I just want to put that on the record because our party's position is very clear that we are opposed to the privatization. We felt even at the time of the private wine stores, quite frankly, that the experience we will have with those four private wine stores—and I would appreciate any feedback that the commission may have received from the operators, but I would suspect that even the operators themselves may be thinking twice about having got involved in this because I do not believe that they can effectively compete with the Liquor Commission. In fact, I would like to ask the minister whether there has been any initial response or feedback from the private wine store operators to their experience either to the commission or to him as minister.

**Mr. Gilleshammer:** Well, I know the honourable member knows that there are a number of organizations within this industry that meet with the minister and with the commission on a regular basis. I know that he and his colleagues have attended events that are sponsored by the Restaurant Association and the Hotel Association and other sort of players in the industry, so those meetings do take place on a fairly regular basis. The wine store operators have recently formed an organization, and I have met with them. I believe they have met with the commission on one occasion to talk about the implementation and issues that are relevant to them.

You know, when the honourable member talks about privatization, I know that he understands that in the Manitoba context we have a great deal of privatization in the rural liquor vendors, and it is, again, a system that serves the customer well, and there is, I think, with the vendors association a pretty positive relationship with the commission. That is not to say that from time to time there is not some change in ownership of vendors and review of where vendors are located. Similarly, I have indicated that when we get to a full year's experience with the wine stores, we will be

conducting a review just to see how they are making out and how they are meeting their business plans. Again, I would anticipate that would be an external review from the commission so that we have an independent picture of just how they are making out within a larger system.

**Mr. Ashton:** I will be looking forward to that information once the review takes place.

I would also like to ask the minister, and this goes back to the same report we are dealing with, a significant number of amendments were made on July 27, 1993, through Bill 42, to The Liquor Control Act, that dealt with a whole series of licensing issues. I would like to ask the commission if there has been any review of the impact or any feedback in terms of the impact of those specific changes. They dealt with everything from cabaret and hotel licensing requirements to sampling of beer, hotel vendors being able to sell imported, domestic. There is a whole series of them. I will not go through the specific items. I would like to ask if there has been any feedback in response to those specific changes.

**Mr. Gilleshammer:** Maybe I will turn that over to Mr. Smith to answer.

**Mr. Smith:** In response to that question, I can only say that there has been positive feedback by the Hotel Association, the Restaurant Association and all the individuals who have been affected by these changes. They have been viewed as progressive changes to allow them to better operate and better control their businesses in the same way we put a number of safeguards in there to assist the operators in preventing such things as minors consuming alcohol and that type of thing. They have been very positively responded to by all licensees and all operators.

**Mr. Ashton:** I want to indicate that we supported many of the changes. We felt they were common-sense changes, and certainly I would concur with the feedback I have received both from retailers, whether it be hotel owners, restaurant owners or else customers.

I would like to ask a question, and I just want to get back, and I apologize for this, in terms of the review

the minister mentioned would take place of the private wine stores. Who will conduct that review?

**Mr. Gilleshammer:** That has not been determined at this point. I did indicate that I would foresee an external process away from the board and the commission, someone that can bring back, I guess, a good picture for the commission and the board of just how the wine stores are making out within the larger system.

**Mr. Ashton:** I am just curious as to whether it is going to KPMG or Ernst & Young or A. Andersen. It just seems that their services are much in demand by this government in other areas.

**Mr. Gilleshammer:** Well, quite frankly, we have not discussed what sort of proposal call we would put out. I am just indicating it would be my intention to have a review, and I think it is quite premature to ask who might be doing that, other than we want to be sure that we are able to have someone with the ability to do it, give us a good snapshot of how the stores are doing.

**Mr. Ashton:** I would like to ask some questions, and it basically goes to the original bringing in of VLTs which are in licensed premises in rural areas. One concern that has been expressed to us is in terms of the enforcement of the 18-and-under provisions for the VLTs, children not being able to play VLTs, and whether the commission is ensuring through its inspection process, and I realize it is not directly, it is mandate, but there is an assumption I think that when you are in a licensed premise that you have to be 18. This is not always the case; it depends on the particular licence. In some cases, there are areas where VLTs are where people can be below the age of 18. I am wondering if there has been any co-operation perhaps with Lotteries to ensure that underage children are not playing the VLTs in the licensed premises.

\* (1040)

**Mr. Smith:** We have not paid any large amount of time to ensuring that minors are playing VLTs, but what we have done is made sure that we are—for instance, in beverage rooms where minors are not allowed, that they are neither allowed in the beverage

rooms so they cannot consume liquor or play VLTs. However, in cocktail lounges where minors are allowed with parents or guardians, we have done some spot checks to ensure that minors are not playing VLTs. However, it is not our mandate. If we have seen it, we have brought it to the attention of the manager or owner just to assist the Lotteries Foundation, but that has been a program that we instituted ourselves as opposed to being asked.

**Mr. Ashton:** I appreciate the fact that the Liquor Commission is doing that. I am just wondering if the Lotteries Corporation, if they have communicated at all with the Liquor Commission, whether there is any joint inspection, whether there has been any request by Lotteries to ask liquor inspectors to also inspect—because, as I said, and this was pointed out, there are certain licences whereby underage people are allowed in facilities which serve liquor, whether it be clubs under certain licences or in terms of lounges.

I am just wondering if the Lotteries Corporation has made any request or tried to work out a joint strategy on this issue.

**Mr. Smith:** The Lotteries commission, to my knowledge, has not directly asked us to co-operate or to assist them in doing that. We are controlling age-controlled areas, and as I mentioned before, we have participated in assisting the licensees basically to make sure that minors are not playing VLTs.

**Mr. Ashton:** I appreciate once again the Liquor Commission's role, and I will be raising this with the Lotteries Foundation because it is a fairly significant concern. I think there is significant evidence of underage gambling in other fields, and I think, given the potential for serious social problems that can develop with underage gambling, from my own knowledge—I mean, it has been raised with me that underage individuals are using VLTs.

Part of the problem is the assumption that all licensed premises do not allow underage individuals on the premise, and that is not the case. I think there is a real confusion with the public out there. I think most members of the public would assume that if you are in a lounge, you have to be 18, and that is not the case. If

you are in a club facility, it is not necessarily the case either, so I appreciate the response on that.

I would like to ask in terms of some further questions on inspections per se, a number of concerns have been expressed to me directly and I know to other MLAs regarding certain occasional permit functions, and I want to indicate this is not the majority. It is a very small minority of occasional-permit functions where there has been a significant number of underage people, both in attendance at the function and consuming alcohol. I have raised this directly with the Liquor Commission as the MLA in my area, and it has been raised by parents.

I am wondering what the commission has put in place to deal with this, not only in terms of inspections, whether there has been a stepping up of that, but whether there has been any case where groups that have been significant repeat offenders—and I know of some in my own case where I would say, from reports I have received, as much as 30, 40, 50 percent of the people in attendance at the function were underage—if they have been denied or if there is any mechanism to deny them a future occasional permit when they are repeat offenders.

I would suggest that it is probably the 1 or 2 percent of the permit holders, not even that probably, who are causing 90 percent of the problem.

**Mr. Smith:** We have been aware of this difficulty and have worked with communities, hall owners and the organizations that apply for permits to make sure that the consumption of liquor by minors is controlled.

There is a great deal of controversy, or there was in some communities, because in some communities the public would prefer that minors not attend social functions, which creates problems because then the parents are at these social functions and they are not sure where the kids are. On the other hand, in other communities the parents would prefer that the minors are in the permit functions so they know where their children are.

One of the concerns that we have had is to make sure that there is an experienced bartender who knows

the regulations and The Liquor Control Act. We provide signs. We provide pamphlets. We provide educational seminars. In fact, we have taken away, denied permits to certain community groups and, for that matter, have barred hall owners from holding socials because of that problem. We are working, through our inspection department, to prevent that, but there is a great deal of concern in the communities that, I guess, the parents are split whether the minors should be allowed or not.

The biggest problem we have is parents or other adults buying liquor for minors. The RCMP work very closely with us, especially in the rural areas, but we think that things have improved significantly over the past two or three years. We are nevertheless very conscious of it and working at it.

**Mr. Ashton:** I just want to indicate that it is not a question of underage individuals attending social events. I concur with the suggestion that there are different views on that, different views with different groups. I know of some social events which are licensed where family members are encouraged to attend. I actually personally feel that is not necessarily, depending on the event, a bad thing, because I think, to a certain extent, it takes away one of the factors which is contributing to underage liquor abuse, which is the forbidden fruit. If someone is prevented from attending, someone assumes that there is something that one should not know about, then, when one does attend, either legally or otherwise, it does lead to abuse.

I am just wondering how many groups have been refused licences because of repeat liquor offences.

**Mr. Smith:** We have, in our latest annual report, on page 11, disciplinary action where we show that suspension of permit privileges has occurred over the last five years. In 1995, there were 21 suspensions of permit privileges, and there were 28 warning letters. If you look at that chart, you will see that it is kind of up and down. It seemed to increase with a high in 1993. That is when we really took some action, and the message got through. We really think that the educational seminars that we are providing to the occasional permit holders, the community groups and the hall owners is making them more responsible in

holding these permit functions in a responsible way to the community.

**Mr. Ashton:** I would certainly encourage the Liquor Commission to further deal with licensees because I still receive complaints. I know the spot checks do take place, but there is a specific problem, I think, that you run into with a lot of social events, especially larger social events, and that is because you essentially—I mean it is common that one person goes and buys for the entire table, so the real difficulty is not so much that underage people are purchasing the alcohol, it is that underage people are consuming the alcohol.

I realize it is difficult, when you are in a hall of 300, 400 or 500 people, to be able to police that, but it is quite a different situation than in a normal licensed premise, where you have that direct contact of the server with the consumer at the table and you have all the legal obligations that go with ensuring that underage people do not consume alcohol.

I know, in my own community, it is a problem, and it is a problem with certain social events. I know groups that have been warned on a number of occasions that continue to not police this themselves, do not have sufficient security to do it. I am, by the way, not suggesting that the Liquor Commission hire security at each event to police it itself. That is not its role.

I would strongly urge the commission to deal with this, because there is also a particular problem at a lot of social events, given the nature of purchase of the alcohol whereby people are buying 10, 15, 20, 30 tickets at a time, so you end up with a fairly high volume. It is at a fairly inexpensive price compared to other facilities—so there is a real potential for abuse. I would say in my own community, I have had some very serious concerns expressed by parents, primarily about specific groups involving underage consumption of alcohol. In fact, reports I have received are that as high as 30, 40, 50 percent of the people at the functions—and these are not family functions by any stretch of the imagination, these are functions where you have a certain community organization that goes and sells cheap tickets, cheap beer and attracts a fairly significant percentage of underage individuals.

\* (1050)

In fact, I would like to ask a further question in terms of the geographic breakdown of inspection, how that is dealt with, because there is a significant number of occasional permits particularly outside of the city and it is very much, and I am not against occasional permits, I should indicate that. It is part of the sort of role in northern culture. In fact, I have had people say that the kind of socials we have in Manitoba exist only here. Maybe it is our culture, maybe it is our liquor laws, I do not know which one. I am just wondering how the commission deals with a lot of the rural and northern events, which are obviously more difficult to inspect because of geographic distance.

**Mr. Smith:** Mr. Chairman, for the northern regions, we have a senior inspector housed in Thompson, but we also have auxiliary inspectors who work closely with the RCMP and with our senior inspector in all communities in the North. In most cases, the permit functions are being inspected by the auxiliary inspectors, although our inspector does, if there is a hint of a problem or for instance if there has been a warning letter issued to a particular group, we will go in and make sure that the provisions of The Liquor Control Act and regulations are being adhered to.

So the North is pretty well covered, but it is difficult. You can go in there at nine o'clock and everything is fine, go in there at twelve o'clock, everything appears to be fine, but it is between the hours of nine and 12, because sometimes in these northern communities there could be two or three socials. But we contend that if we continue to work with the groups and the hall owners that we can reach relatively good success and, hopefully, the parents can share some of that responsibility too.

**Mr. Ashton:** I am just wondering what requirements there are, if any, for security because that seems to be one of the key elements in policing this with the current permit structure. Groups that tend to have, either through the hall itself or through their own efforts, a significant amount of security tend to have less in the way of problems, whether it is underage drinking or fights or whatever may occur.

I am just wondering if there are any specific guidelines in terms of security because that is, I would suggest, one of the ways of dealing with that gap that occurs in between inspections and the gap that occurs between the serving of the alcohol and the consumption by underage people.

**Mr. Smith:** The responsibility for security and making sure that there is a knowledgeable, preferably a licensed, if you like, professional bartender is that of the hall owner. The requirement of security is not necessarily required, but it is strongly suggested that if the hall owner cannot run the function properly then he is going to be banned or that particular hall is going to be banned from holding socials. In many small communities, especially those halls that are run by not-for-profit organizations, these socials are a major source of income, so it gets through to the responsible hall owners to make sure that the socials are held appropriately.

I should also mention the fact, though, that because these nonprofit organizations really are a volunteer group, we sometimes have a very difficult time getting through to the executive of the service club or the community group to make sure that they understand the provisions. They are changing all the time, so it almost appears as if you have got to go out to these communities once or even twice a year to impress upon these hall owners that they have got to have not only appropriate facilities but the appropriate security and service personnel to handle these socials.

It is something that we are working very hard at, and I think some of the actions we took in '93 and '94 are starting to get through. I should also point out that some people were very upset when some of the halls were closed.

**Mr. Ashton:** I have one more question in terms of occasional permits and I have a series of other questions after; I can return to that.

There has been a steady decline in the number of occasional permits issued; in fact, I think that was referenced specifically in the '93-94 report. I think outside of sports groups and lounges, which are the two

growth areas in terms of licensing the last number of years, other types of licence have been fairly static.

I am just wondering if the commission can indicate if there is any reason for that. I would assume in the case of some of the growth that has taken place in sports facilities and also in terms of lounges, that may be related somewhat to the changes that have taken place in terms of the legislative framework—Sunday openings, for example, being allowed in certain types of premises, other changes that have taken place, but I am just wondering if there is any specific reason the commission could indicate why those permits have dropped quite so significantly.

**Mr. Smith:** Well, the occasional permits have dropped probably because of an aging population and because of the requirements that we put on the occasional permit holders and the hall owners that they realize that the situation of sitting in somebody's living room on a Friday night and saying, let us form a club and we will have a social and we will raise some money for whatever we want to do, is gone. These organizations have to be organized. They have got to have an executive. We put a lot more restrictions on who can hold an occasional permit, so I think those are probably many of the reasons why occasional permits have decreased.

In terms of increases in other facilities, other licensed premises, it is a number of reasons. Certainly early in the 1990s, VLTs had a lot to do with an increase in cocktail lounges, but there appears to be more demand in certain areas, in the case of rural areas and other areas, for restaurants and dining rooms and lounges and other licensed premises to open up—customer demand.

**Mr. Ashton:** So you are suggesting one of the reasons for lounges increasing, I assume—we are dealing with lounges here, when they are attached to other facilities, whether it be hotels or restaurants—is because of VLTs and the requirements that VLTs be placed in that type of facility rather than just a standard restaurant?

**Mr. Smith:** That is correct. Many dining rooms have added cocktail lounges to their dining rooms so they could have VLTs back in '93-94.

**Mr. Ashton:** I find it rather interesting that that would be one growth area. I was thinking it might be from other areas, but I think it is interesting again though—perhaps I will just finish on this question, if you can confirm that even though machines are allowed in lounges that, and I mentioned this before, there is the problem of access to the lounges in some cases because of underage people. So even having the fact of the lounge does allow someone to obtain VLTs, it does not ensure that there is no access of underage individuals to that particular part of the facility.

**Mr. Smith:** Well, Mr. Chairman, all VLTs are located in each controlled operation, and it is really up to the manager-owner to make sure that minors are not in there playing VLTs or consuming liquor.

**Mr. Laurendeau:** I have one question, but there might be two supplementary questions to it. There will be no preamble to it and no postamble.

The occasional permits, is there a minimum price and a maximum price involved when the occasional permits are established?

**Mr. Smith:** Mr. Chairman, there is a maximum price for occasional permits. There is no minimum price.

**Mr. Laurendeau:** There is no minimum price.

**Mr. Smith:** That is correct.

\* (1100)

**Mr. Laurendeau:** The reason I bring this forward is that I have had it brought to my attention by a number of constituents as well as some of the students who have been attending some of the bars in the community, and they have great offence to these 99-cent shooter nights that are taking effect in some of the local—what we call "kiddy bars" in our area as well as throughout the city where they promote 99-cent drinks. I take offence to it, as do a number of other people, that we would allow these children, I mean, yes, they are 18 years old, to go in, and for 99 cents, drink 10 drinks and be totally mashed and then allow them to leave.

I believe we have a social responsibility to stand in and say that there should be a minimum charge brought

forward for these drinks. Has anybody within the industry brought forward this type of resolution?

**Mr. Smith:** Mr. Chairman, there have been some discussions at the Manitoba Hotel Association; however, nothing has been brought forward officially requesting the setting of a minimum price to the commission.

I also want to point out that the 99-cent drinks have been around for some time, but again the emphasis is on the bar owner-manager to ensure that people do not get "mashed," using your terminology. In fact, we introduced, in conjunction with the Hotel Association and other groups, a server intervention program in 1994, which has been quite popular. A number of people have been trained, and certainly our inspectors have seen a significant difference in I guess the operations of licensed premises in terms of knowing when to curtail the service of beverage alcohol to clients.

**Mr. Laurendeau:** I would like to be kept in touch on the matter. I will be following it up and I will be paying special attention to where some of these liquor outlets are. If there are any concerns, I will be bringing them forward to the minister at a later date, and, hopefully, they will be able to bring forward another report as well. Thank you.

**Mr. Gilleshammer:** I appreciate getting the information from any of the members of the Legislature. I am just wondering, we have had a wide-ranging discussion, whether there is a mind to pass the '93-94 report at this time.

**Mr. Ashton:** Mr. Chairperson, I was going to raise some questions later on this. I would note that the member for St. Norbert (Mr. Laurendeau) is quite correct. Concern has been expressed upon cheap liquor.

In fact, the Winnipeg police have specifically raised their concern. They have pinpointed over the last number of years the fact that there has been some pretty traumatic incidents of violence associated with some nightclubs. That was the then-acting crime superintendent, Conrad Gislason. Virtually every one of them has been alcohol related.

I also have a concern I was going to raise as well about even the assumption by the police itself. I had a case. I was just called yesterday by a constituent of mine who was very concerned that his daughter was assaulted in a certain food establishment. In this case the police did not intervene. The concern was they did not intervene because I guess his daughter and the others who were involved had been at a bar and then had gone to eat something afterwards and were then assaulted.

So I think we are ending up to the situation where because of alcohol-related problems even those who are being assaulted are not necessarily receiving the attention they deserve. I will be raising this directly with the Winnipeg police because I still believe, I mean just if someone happens to go out and drink responsibly and they get assaulted, they should be entitled to the same protection from the police and the same intervention as someone who has not been drinking.

It is a concern. In fact I would like to ask the Liquor Commission if they have met with the Winnipeg police or the RCMP to discuss those specific concerns and specifically will look at the source of a lot of them.

I think the member pointed quite accurately to one of the major sources being the shooters that are sold at very low mark-up, and they are sold at the tables. They are taken to the tables. They are sold often to people later on in the evening. I have seen this happen, so this is not just hearsay. I have seen where they are sold to people. The assumption basically is that the more people are inebriated the more they are going to purchase these particular shooters.

I understand the facilities have to market their products but there is a fine line between marketing your products, and all the lectures about the responsible servicing et cetera can go out the window when you have staff that are told by management that they have to get out and push these particular products.

So I would like to ask, (a) if there has been any contact with the police on this, and (b) whether there has been any review of the type of serving practices that do take place because I think one way of dealing with the problem of shooters for example would be not

to allow the sale of liquor that has not been ordered by a table server.

Currently you do not sell beer and other products going table to table when they have not been ordered but shooters are sold in that manner.

I am wondering if the Liquor Commission has looked at a possible amendment to the regulations. It would not affect people serving themselves at a bar. It would not affect people receiving table service but you could only then be served on something that you had ordered rather than something that was brought in front of you and offered to you without any order having taken place?

**Mr. Smith:** I guess there are two questions. First of all the Liquor Commission works very closely with the Winnipeg Police Services, the RCMP and the Brandon Police Services. In fact, we work very closely with the community police-front operations and do a number of joint inspections with these police officers in some of those areas that you may be referring to.

The second part of your question is the commission has not looked at any regulations changing the service of shooters or any other products in these licensed premises.

**Mr. Chairperson:** If there are no further questions on the—

**Mr. Gary Kowalski (The Maples):** Just a quick comment and question in regard to this issue of the shooters and the overservice.

I think the comments made earlier about the responsibility is to the servers and to the managers. Whatever way we market liquor, these establishments are created to sell liquor, okay. And if people overserve, that is the problem. How it is marketed, how it is served, is not the problem.

One question I have is, in the United States, especially on university campuses, there were some fatal incidents with shooters in regards to a certain German liqueur. I do not know the name of it. It was a marketing scheme by one manufacturer of a German

liqueur, and they went around campuses, and kids would have contests to see how many of these shooters they could drink, and there were some fatal incidents.

Do you know the name of that liqueur, and is it sold in Manitoba liquor stores?

**Mr. Smith:** The name of the product is Jaegermeister. It is sold in liquor stores. The campaign that the company had in the United States did result in a number of problems, as you indicated, but these events are not happening in Canada, and we would take some actions if, in fact, Jaegermeister or any other product were introduced in these bars in that fashion.

**Mr. Chairperson:** If there are no further questions, shall the March 31, 1994, Annual Report of the Manitoba Liquor Control Commission pass—pass.

The discussion will now continue on the report ending March 31, 1995, of the Manitoba Liquor Control Commission.

**Mr. Ashton:** I want to continue further on the social responsibility issue, as well, in moving to the current report, which does delve into it on pages 12 and 13. I want to stress again that my concern, and I think the concern of other members that has been expressed, is expressed towards a small group of hotel operators, licensed premise operators. It is not intended to in any way malign the industry in general.

I am wondering if the minister could perhaps outline some of the initiatives that are in place—I know, for example, the It's Good Business initiative, which I think originated back in '93, is still ongoing—to indicate what is being done in conjunction with the industry to deal with some of the social responsibility questions.

\* (1110)

**Mr. Gilleshammer:** These are issues that get discussed on a regular basis with the Hotel Association and with the Restaurant Association, and I know that those groups are well known to members of the NDP caucus and regularly make presentations.

Probably the event that has created the biggest change in the industry was the drinking and driving

laws that were brought in by Minister McCrae a number of years ago and I think given wide support across the province, and the hoteliers have accepted that, that the patterns of sales and the patterns of their clientele have changed dramatically from the '70s and '80s, and, of course, before that.

The member in his first comments talked about the decline of sales in the latter part of the '80s, early part of the '90s, and I think the tough legislation on drinking and driving has probably had the most dramatic effect on that.

Over and above that, the commission has certainly taken seriously the mandate they have to provide information to the public and working with a number of committees and the Addictions Foundation and groups of medical practitioners, a number of posters and pamphlets have been put out, and, of course, the commission also meets on a regular basis with community groups. I think there are a series of those meetings coming up this fall to discuss issues with the public around the issues with the Liquor Commission.

With other groups, certainly the Hotel Association, the Restaurant Association have bought in to the Server Intervention Program. We feel that that is having an effect and can have a dramatic effect on the consumption patterns in those licensed establishments as we have better-trained personnel who can, I suppose, spot problems early and deal with them.

We have also been supporters of the designated driver initiatives and, with the Addictions Foundation, provided some funding to groups like TADD. I can tell you, in many rural communities that I am familiar with, the Teenagers Against Drunk Driving do a tremendous job within their community and within the schools to make young people aware of the dangers of overconsumption and drinking and driving.

So the commission, I think, has been very proactive in working with the community and providing leadership to be sure that the public makes proper decisions out there and works well with the industry in addressing some of the issues that the member is concerned with.

**Mr. Ashton:** I appreciate the update on that. As I said, I think the industry is generally a responsible industry.

I want to get back to some of the issues we discussed in the context of the previous report which is in terms of cheap liquor prices, certain establishments where there has been a significant amount of violence. Is there any follow-up done in terms of that? Have any licensees received any significant suspensions or any significant review or penalties related to these, because I think we all know, in our own communities, certain establishments—not strictly hotels, it can be cabarets; it can be restaurants—where there are significant problems. Partly, it is cheap prices, and obviously the question has to be raised about serving practices and management practices. I really believe that in a lot of cases that is the situation.

But has there been any effort to deal with facilities where there have been a significant number of violent incidences, for example, directly related to alcohol? I mention that the police are corroborating this. I think we all know, in our own communities, certain facilities that are the 1 percent, if you like, that are creating 99 percent of the problems. I raise this partly as a question but partly in the hopes that something will be done to deal with these kinds of premises. I think what happens is, first of all, they give the industry a bad name and, second of all, they are responsible for a lot of the problems, whether it be through, as I said, cheap liquor prices, which is an issue, or whether it be in terms of promotion of liquor within that facility and serving of liquor.

**Mr. Gilleshammer:** Well, I will just make a few comments and let Mr. Smith give some detail on that.

If I understand the member's comments, he believes that the industry is doing a good job and that the commission is doing a good job and that there is a problem perhaps with, I think he said, 1 percent of the facilities and licences and so forth. I can tell the member that there are licences that are suspended from time to time for violations of the act and that our inspectors and the police work very closely together in trying to, I guess, change the practices of some of these licensed facilities.

I know that members of the Legislature, from time to time, become aware of these, and I know I have a letter from one of the member's colleagues commenting on the suspension of a certain licence within his constituency. So I know that members are aware that licensees do face some suspensions from time to time and that the commission does deal with them. For further detail, I would just ask Mr. Smith to make some comments.

**Mr. Smith:** Mr. Chairman, I can only iterate that what the minister has said is absolutely right, and some of the words that I used earlier, that we are aware of some of the licensed premises that do violate not only The Liquor Control Act, but I guess some of the community values, and we work very closely with the police forces in Manitoba in an attempt to resolve those problems. As an example, we formed a team with the Manitoba Hotel Association and the Winnipeg Police Services and our inspection department to do some work on the Main Street strip in an attempt to resolve many of the problems that were going on down there, and they were quite successful. So we are continuing to do that.

**Mr. Ashton:** I appreciate that, and I want to indicate that I would certainly suggest that suspensions, you know, where they are required they be applied. I appreciate by the way the fact this is identified in the current report. That is very useful information in terms of disciplinary actions. In 1995 there were 24 suspensions, 68 days of suspension in the various facilities involved, and 57 other warnings or other actions. That is just under licensees. There are also permittees and holders?

I would like to ask, how many premises were involved in the suspensions?

**Mr. Smith:** Sorry, how many—

**Mr. Ashton:** How many premises? There were 24 suspensions that were handed out. Were these 24 facilities? You know, was this one facility suspended 24 times?

**Mr. Smith:** No, generally speaking—I have not got the information in front of me—but that would generally be 24 premises, each of which would have a suspension.

Now, there may be some others. There may be one that has two suspensions, but I do not have that information with me.

**Mr. Ashton:** I am somewhat surprised by that because it would seem to me that I know from reports I receive that there are certain licensees, that other source as I said, you know, the 1 percent that is responsible for 90 percent of the problems. I am just wondering what the length is. It is listed at 68 days total suspension, but obviously you have a significant number of one-day suspensions. What other kind of suspensions have been handed out? Two days? Three days?

**Mr. Smith:** Again, I am sorry, I do not have that information with me, but I would probably say that the suspensions could run five days. That would be not the usual situation. It would be one, two or three days. You usually find that if the licensed premises gets a one-, two- or three-day suspension, that becomes a significant economic factor, and they resolve their difficulties very quickly.

**Mr. Ashton:** I am just wondering if the length of suspension is related to the number of offences that have occurred in the past.

**Mr. Smith:** Mr. Chairman, certainly that is taken into consideration when the suspensions are provided. The Licensing Board looks at the record of operation and on the basis of the number of either warning letters or suspensions will certainly increase the number of days suspension for those premises which have not adhered to the act or regulations.

\* (1120)

**Mr. Ashton:** I am just wondering, in terms of the days of suspension that are handed out, obviously there is a big difference between say a Monday and a Tuesday and the impact it will have on the premise than a Friday and a Saturday. How are those days determined? Is it just randomly? Is it just within a certain time after which the offence is identified?

**Mr. Smith:** Generally speaking, the suspension is given on the day of infraction, so if it happens on a Friday the suspension is a Friday.

**Mr. Ashton:** I certainly consider that appropriate and I would suggest that there are certain premises, the 1 percent again where I would strongly urge that there be increased penalty rather than even a day or two or three. I realize that it does have a significant economic impact, but quite frankly I would not doubt that there are some premises that can factor that in to their sales as being the price of doing business, the suspension, and that really concerns me.

As I said there are a few premises which I think make a heck of a lot more money by abusing the system than they do when they are finally suspended. I am wondering if the minister will undertake to review that because I want to see the 1 percent punished, not the owner that may have transgressed one or two regulations, perhaps a server that maybe did not follow something or management that did something wrong. I am not looking for punitive action against a responsible licensee, but I am wondering if the commission will review whether it is appropriate and I quite frankly, given what I know, what people have raised with me, I was surprised that there were not more lengthy suspensions, because I know some facilities that probably should be shut down for a heck of a lot longer than two or three days.

**Mr. Smith:** We will certainly take that into consideration. I know our Licensing Board is very cognizant of the fact that when a severe infraction is brought to their attention, they act in a very appropriate manner.

**Mr. Ashton:** I just have a question on an unrelated matter, and that is in regard to advertising. I would like to ask the amount of money that the commission spends on advertising, both including its standard advertising and also any social responsibility programs, and who does the advertising and if there can be a break down. I know there are some general figures in terms of advertising, but I am more specifically interested in breaking down the amounts that are being spent by the commission, and who is doing it, and what the costs of productions are and the cost of placing ads and other promotional materials.

**Mr. Smith:** Mr. Chairman, the numbers I guess relating to the questions are on page 26 of the fiscal '95

Annual Report. Shown under advertising and promotions, \$92,000.

Previously there were informational programs which also covers the social responsibility programs. In terms of the social responsibility programs, the amount of money that the commission spent probably does not exceed \$25,000 over the last four years where we have been heavily involved in providing information, educational material, et cetera. But of course we also publish a number of pamphlets and educational material for our licensing and inspection seminars, so that would be covered under our informational programs.

In terms of advertising and promotions, some of that money is used by our advertising agency Jake Marks for our marketing efforts, our signage in our stores and a number of items that are used in our commercial operations, but there are some other activities that the commission does, for instance, for public meetings and for other activities in terms of educational where the dollar amount is under advertising and promotions.

A lot of the work is done in house, but we do use an outside advertising agency for some of these promotions. I am sorry I do not have the amount that we paid to that advertising agency, but I believe it does not exceed \$50,000.

**Mr. Ashton:** Is this contract tendered?

**Mr. Smith:** Mr. Chairman, the commission has used this advertising agency for as long as I have been with the commission. They know our requirements. They work very closely with us in terms of all the programs that we have, including social responsibility, and the work is not tendered.

**Mr. Ashton:** I note that under the advertising and promotions line in this report it is listed at 92,000. Last year there was nothing indicated. What is the reason for that?

**Mr. Smith:** Mr. Chairman, that was a change in the way we showed the accounts, if you like, to split out advertising and promotions.

**Mr. Ashton:** I am somewhat surprised at how low the amount was, spent in terms of social responsibility aspect of the commission's mandate, and I am just wondering if the minister feels that is an appropriate amount, \$25,000. I mean, I know the commission has been doing some good things, and I realize these are not all the social responsibility activities. There are a lot of good programs underway with the Hotel Association, other industry groups, but given the fact that there are significant social problems from alcohol—I think we have to recognize that—does the minister feel that is an appropriate amount?

**Mr. Gilleshammer:** Mr. Chairman, the commission of course has made some dramatic changes in the fact that they now are involved in social responsibility issues, and I mentioned some of them in the past. Certainly we feel, and the groups that we deal with feel they do have a responsibility to educate the public, to provide those pamphlets, to work with the groups within the industry to try and do our responsible thing. If the member is saying that we should be spending more money, that is a decision that I am sure the board will be taking into consideration—and the commission. I can say that the commission does far more work in that area than it did five years ago and 10 years ago and 20 years ago. If the groups that we deal with out there on social responsibility issues bring forward recommendations of new initiatives, I am sure that both the commission and the board would listen very intently and, if the case is a good one, that more resources could be attributed to that area.

**Mr. Ashton:** I have further questions, but I know there are other members in the committee that have questions. I will return to those at a later time.

**Mr. Kowalski:** Last year, May 31, 1994, when we were talking about the Liquor Control Commission the previous session, we talked about the subject of fetal alcohol syndrome and fetal alcohol effects, and much was put on the record about that. This year's annual report shows, I think, the Liquor Control Commission had a profit of approximately \$142 million. At the rate of \$1.25 million per child who has fetal alcohol syndrome, cost to the taxpayer, it would only take 110 children with fetal alcohol syndrome to eat away all the net profits of the Manitoba Liquor Control

Commission. So I think I want to carry along the lines that the previous member talked about, the \$25,000 a year, when we are looking at for each child born with fetal alcohol syndrome.

In this session of the Legislature we have already debated a resolution I brought forward about fetal alcohol syndrome, and I think members from all three parties expressed a concern about this. I would like to know if the commission is hearing from this Legislature the strong feelings about the importance of this issue and whether \$25,000 a year, the Liquor Control Commission, the board, will look at it as an appropriate amount considering the concerns that have been expressed in this Legislature by all three parties about this problem.

\* (1130)

**Mr. Smith:** I think it is important, for that question and for the previous question, to understand that it is not a restriction on the commission to spend money in terms of social responsibility. We do not have, as part of our staff, researchers or a department that is dealing with the research in how to deal with social responsibility problems, including the FAS/FAE problem that exists throughout the world.

We partner with other organizations, and, therefore, a lot of material which has been researched by these organizations, such as the College of Physicians and Surgeons, the Native Physicians Association, the Addictions Foundation and more recently the Committee on Alcohol and Pregnancy (CAP), they are the people that are doing the research. We are the participants. We are partners, if you like, with these organizations. What we do is we attract. All these organizations know full well that if they are running a program that is going benefit Manitobans that we are usually first on the list. They give us a call and they make these programs available to us. It does not cost us a penny.

We have displayed some of the things in our last annual report, for instance, the program that was offered to university and community college programs called the bowling program. This only cost us about \$2,000 or \$3,000, but it was a program that was

developed in Alberta that probably cost \$50,000 or \$100,000. We are partnering with as many organizations as we can to try to get information that is developed by others that is proven, it has been done by research.

We piggyback onto those programs. Sometimes it costs us some money just to get the programs printed, but the amount of material that has been made available to us and distributed throughout Manitoba to do with fetal alcohol syndrome, for instance, through either AFM or the Native Physicians of Canada, I think is making a significant mark in at least bringing this to attention. Again, we fully know that according to statistics there are only 4 percent or 5 percent of people out there that abuse alcohol, and unfortunately some of whom are women who are pregnant.

**Mr. Gilleshammer:** I might just add that the resolution that was debated in the Legislature brought forward by the honourable member for The Maples (Mr. Kowalski) has been shared with the commission and the staff. I might just say both of those groups were quite impressed with the knowledge of members of the Legislature as it relates to this particular issue. It certainly has been brought to their attention that we do have a concern and a responsibility in this area.

I would also like to emphasize the partnering that we do out there with so many groups. Certainly, as Mr. Smith has indicated, when someone has a good idea out there, often the first people they call is the commission to see if we can provide some resources.

I would also point out that the commission historically has provided the general revenue in excess of \$140 million, money that does go into the education system, the justice system, the health system to deal with some of the effects of the misuse of alcohol with that minority of people in society. It is not that this money is not being put to good use, and as I have indicated to the member for Thompson, if there are ideas from groups out there about additional education issues that any of our partners have, whether it is the Hotel Association or the medical community, the commission, I think, and the board have been very open to listening to that and providing a leadership role in terms of bringing that education to our society.

**Mr. Kowalski:** What I am concerned about is that \$140 million that does go to the general revenue to leave the impression that the sale of alcohol in Manitoba by the Manitoba Liquor Control Commission is a benefit to Manitoba where, if it was taken before it goes into the Health department, before it goes into the Justice department, before it goes into the need for education, if it was taken out of the net profits of the Manitoba Liquor Commission, the true cost of the effects of alcohol, it would better reflect what is happening in Manitoba. In Manitoba we have a lot of children who suffer fetal alcohol syndrome, fetal alcohol effects. It is a large cost to taxpayers, and rather than it go to general revenues where it may or may not be used—it could be used for deficit reduction as opposed to the treatment of the children or to the social needs of these children who suffer these effects.

My desire would be to see that the Liquor Control Commission, out of their net profits, put more of that net profit into programs that will have an impact on the number of fetal alcohol syndrome, fetal alcohol affected children that we have in this province.

**Mr. Gilleshammer:** Well, I know the member would agree that we can only spend that money once, and, when it goes into the general revenue, the expenditures are not attributed to where the revenue came from. The member, I know, also is in touch with reality in that we do have a regulated system within the province, and members here today have indicated that they accept the job that the commission is doing in terms of regulation. The member for Thompson (Mr. Ashton) has indicated that there maybe is a problem with 1 percent of the licensees who perhaps get into difficulty from time to time, so we readily admit we do not have a perfect system. There are issues out there that we will continue to address.

I know the member knows that there are other substances, as well, that are a part of this problem over and above the consumption of alcohol, but I tell you that there has been a tremendous raising of the awareness of the issue. I think the commission has reacted responsibly with many, many groups in society who see this as an issue and are open to suggestions and representations that come forward from anyone within the community to address this issue.

**Mr. Kowalski:** The next question on this subject—and I am looking at page 13 of the annual report under social responsibility. There are some examples of liquor bags and pamphlets, yet research has shown that 95 percent of women of childbearing age know the effect of alcohol, that women who are heavy drinkers and at greatest risk are unlikely to either heed the warnings or many of them who will give birth to children with fetal alcohol syndrome will be illiterate, and the value of this type of expenditure has to be questioned without doing some research. The money that is put into labelling of bottles, to labelling of liquor bags, to pamphlets and information, is it really useful, or is it just an attempt to do something, to look like doing something, as opposed to something that is effective?

**Mr. Gilleshammer:** Well, the member raises a very valid question that there is no one right answer to. We, I think, are making a very strong and conscientious effort to provide information and education. I agree with the member that there are clients out there who are not receptive to the information or the education, and I think we have to keep searching for different methods, better methods, to get that message out there. To that end, the commission works very closely with people associated to the industry but also very closely to law enforcement groups and with the medical community. We have tried to work with, I suppose, the best minds in Manitoba and across the country and to follow suggestions that fall within the purview of the commission to address this issue.

Again, if the honourable member is—and I know he is not saying do away with these efforts. I think it is a legitimate question to say, how do you measure their effectiveness? That is an issue that revolves around many programs with government and with nongovernment agencies, that you end up, I think, with some hard data that you can measure, and you also end up with some opinions, in talking to people within the industry, within law enforcement, within the medical community. As I say, we are following the best advice we can get, and, if there is better advice out there, we are certainly prepared to heed it.

**Ms. MaryAnn Mihychuk (St. James):** I too would like to discuss the social responsibility program in

terms of FAS and FAE. One of the comments that Mr. Smith made in regard to, approximately 4 to 5 percent of people will abuse alcohol. My question is that, given that the research that I am familiar with indicates that perhaps one drink can cause brain deterioration of the fetus, that one drink at certain points during the pregnancy can cause permanent retardation, this issue is not one that only deals with the small percentage that abuse but actually affects all of us, every woman who has conceived and carried a child and every man who is fathering and, as a society, I would argue, all of us because, if you have ever met a child who has incurred these damages because of alcohol consumption, you will realize how difficult they are to deal with in the school setting, what a trauma and loss society has because of somebody's, perhaps, ignorance.

\* (1140)

You could go for dinner as a pregnant woman and have a few glasses of wine. Who would think that that could cause serious brain damage to your infant? I am not sure that women understand that. I am not sure that all women understand that the only safe way to ensure a healthy child is total abstinence, and so I ask the minister if, given the seriousness of the condition and the broad spectre of the issue where it affects every family in Manitoba. Can we look at more effective ways? Are we willing to look at more effective ways, and, as a third question, has the committee that the Manitoba Liquor Commission sits on, are they making further recommendations in terms of public awareness?

**Mr. Gilleshammer:** Well, let me thank the honourable member for her interest and concern. She speaks of her research, and we would certainly maybe benefit from a sharing of that research, and I would be very open to passing that on to the commission and the board if she would like to provide it for me. The education of the public, of women who are pregnant, is the responsibility of many people. Certainly the personal responsibility is there, the family responsibility is there, there is the responsibility of the medical community to reinforce that. We do it through literature, through advertising, through slogans, and I say that we are very much prepared to listen to any new ideas that come forward that can be presented to the groups who provide recommendations to the MLCC, and I do

emphasize that we very much appreciate and want the medical community to be involved and they do provide, I think, a leadership role in this area.

But if there are new ideas out there that work in other jurisdictions that we are not aware of, we certainly will give it the appropriate scrutiny, and if it is doable, we would be very interested in proceeding with it.

**Ms. Mihychuk:** The research that I cite is recent books and documents that are provided to women on pregnancy and the effects of alcohol. They are fairly well known. Most of the literature now that is coming out is saying, the only safe way to ensure a healthy child is total abstinence. I mean, you may be able to have a drink and it not affect the fetus. However, the risk is there.

So again, I think we should emphasize that we are not talking about a small percentage, we are talking about all women and all families. I must commend the Liquor Control Commission. I do think that having the bags and the pamphlets does raise awareness. It is one step, and I agree, and I look through to a more comprehensive approach in dealing with this issue. I perhaps think that there may be a more direct message that alcohol is dangerous to a person who is pregnant and that that message needs to be put out to the public.

In terms of the bags and the pamphlets, I understand they were distributed in January and April. Were those sufficient quantities provided? Were they provided to all stores, and is this a regular supply of this information to stores?

**Mr. Gilleshammer:** Again I would invite the member to provide that research that she has done on this issue so that we can pass it on to the commission and to the board to review that.

The message that alcohol is dangerous is an interesting way of tackling this issue, and I think what we considered and looked at and discussed with these many, many groups is providing an accurate message. I think, to individuals, women who are pregnant, some of them, alcohol is dangerous, but we have to be careful that we do not provide that message for

everybody that consumes alcohol. I think, if the member is suggesting that the labelling on the bag should be that alcohol is dangerous, then are we misleading other members of the public?

It is always a delicate balance and who you are targeting that message for and how you are delivering that message. Do we create, for instance, in the mind of someone who is pregnant, a lot of fear and trauma if perhaps they had consumed a drink and later find out that alcohol is dangerous? We have a responsibility, I think, to provide an accurate message. We do not want to underplay the issue, but it may be just as dangerous to overplay the issue.

I can tell you, in a number of the meetings that I sat on with people who represented health, who represented some of the people within the industry, members of the commission, there is a real struggle to give that message, and we can err on the side of severity, I think, if we do not select the appropriate wordage.

I can tell you that an awful lot of time and energy was spent in consultation with people who are really concerned with this issue to try and zero in on the appropriate message, but I say to you, there are two sides to it. We can create some harm by giving too severe a message that is inappropriate.

So, again, I would welcome an opportunity to see the member's research, to have a chance to pass it on to the commission, and, if there are good ideas within there, we certainly would be willing to consider them. Again, there is a committee made up of people from the medical community that we have relied heavily on, people from the Addictions Foundation who have worked in this area for many, many years. I can tell you, the board wants to do the correct thing and the appropriate thing, and we would again welcome the member's input.

**Ms. Mihychuk:** I would like to move to two other areas. Just before I do, I would like to say that I will attempt to provide the information. Given our schedule here, it may not be as quickly as I hope. I will make note of it and try and dig up the books that I was reading. As a woman about to give birth to my daughter only last year, I was particularly interested in

this aspect. So I will make a note of it and try to provide that information.

\* (1150)

Moving on, I would like to go and ask some questions on staffing levels and personnel. I did not notice in the '94-95 Annual Report what our staffing levels are for the Liquor Control Commission; however, they are stated in the previous annual report.

**Mr. Smith:** The staffing level at the commission, let us say as of today, is 335 people, but we have about 140 or 150-some-odd full-time equivalence who are part-timers.

**Ms. Mihychuk:** I think that continues the trend that we have seen from 1993, where we had 360 permanent staff down to 351. Now we are looking at 335, so we are looking at a reduction of staffing levels in the Liquor Control Commission.

Would the minister share with us whether this has resulted in any impact of service delivery in the Manitoba Liquor Control Commission?

**Mr. Gilleshammer:** Not that I am aware of. As I travel around the province and talk to people, I think there is a general feeling out there that the public is being well served by the Liquor Commission within their stores and within the vendors. I, as the minister responsible for the last two years, do not recall receiving any letters of complaint that there are problems with service levels.

If the member has any information on that that she would like to share I would be pleased to receive it, but as I talked to members of the public, as I am sure she does, I have not had the feeling or the direction or the complaint that service has done anything but get better.

I compliment the board and the management of I think doing more staff training with commissioned staff. I reflect back on the situation in Manitoba a couple of decades ago where I think the service was very much different than it is today. I hear very positive comments within the industry from the Restaurant Association, the hoteliers, other consumer

groups, who feel they are being well served by the commission and the system that we have in Manitoba.

**Ms. Mihychuk:** Can the minister or the department or the Liquor Control Commission share with us what the salary settlement was for the past year?

**Mr. Smith:** Mr. Chairman, we finalized a contract with the Manitoba Government Employees Union that came into effect April 1, 1995, that was completed in late June, and the salary increase for the April 1 to March 31, 1996, period was zero percent.

**Ms. Mihychuk:** Many workers across Manitoba have been taking zero, have been taking reductions in terms of their salary, Filmon Fridays, perhaps a rollback in salaries. With the report, I noticed that we see a parallel increase in the boards, provision in the budget, and as we know this government has gone and increased the honorariums or provision for board members this year.

I ask my question to the minister: For what reason do we see an increase, given that salaries for workers have remained frozen? What is the reason for the increase in the board's budget line?

**Mr. Gilleshammer:** I can tell the honourable member that there has been no change in the honorariums that are paid to the board chair and to board members.

**Ms. Mihychuk:** Can the minister explain the \$4,000 increase in the allocation, on page 26, which indicates that the Board of Commissioners, salaries and expenses, has gone up \$4,000?

**Mr. Smith:** Mr. Chairman, the reason for the slight increase is as a result of a member of the board coming from out of town, and therefore there are travelling expenses. I also believe, in 1994, there was a member—who was not filled during a portion of that time; therefore, the salaries would have decreased because there was no payment for his services.

**Ms. Mihychuk:** One final area of questions is what does the Liquor Control Commission have in terms of plans for employment equity and what strategies do you have to meet those goals?

**Mr. Smith:** Mr. Chairman, the commission is very aware and works very hard to have employment equity for not only women but also other ethnic organizations or other ethnic people. However, because the turnover rate at the commission is zero and the fact that we have hardly hired anybody over the last five years, it is very difficult to get our numbers increased for those groups. Nevertheless, we are and we do wherever possible encourage and attempt to fulfill employment equity policies.

**Mr. Ashton:** Mr. Chairperson, I just wonder if we might not see the clock for about two minutes here. I just have a few comments I want to put on the record rather than ask questions. There are a couple of areas I want to deal with and I think we can pass the final report. So could we just have two minutes?

**Mr. Chairperson:** Are we agreed? [agreed]

**Mr. Ashton:** I was going to ask some questions in terms of some of the marketing, some of the changes that have taken place in the Liquor Commission. I know the Liquor Commission has changed the store locations, and my understanding, certainly from people I have talked to, is that it has produced improved service to the public.

I wanted to get some details on that. I know some concerns were expressed initially, but the information I have received is that it has been fairly positive.

I did have a few other questions, but what I will do in terms of some of the more detailed information is perhaps write the questions to the minister in writing. I just wanted to finish off by saying that I would certainly commend, as critic and I think our party, the

overall management of the Liquor Control Commission. I think it is a well-run public asset.

It is one of the reasons we raised the questions about privatization. We want to see it maintained in public hands. I think we have identified some areas of social responsibility where we would like to see more action, both in terms of suspensions and also, if possible, changes in procedures and also in terms of promotion.

I think the comments made by various members about fetal alcohol syndrome are well taken, but though we would like to see more perhaps social responsibility, activities and initiatives from the Liquor Commission, I just wanted to finish by saying that we certainly see it as a significant public asset.

I commend all those in the commission that are involved in its day-to-day operation. I think it is very professionally run and generally receives very good marks from Manitobans for being the kind of model of a fairly well-run Crown entity.

I just wanted to put those comments on the record, because I know sometimes—you know, after two and a half hours or two hours of lengthy questioning, which sometimes is critical, that there may be that lack of context. I want to put it into context. Thanks.

**Mr. Chairperson:** There being no more questions, shall the March 31, 1995, Annual Report of the Manitoba Liquor Control Commission pass? [agreed] The report is accordingly passed.

The time is now twelve noon, the committee will rise.

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