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Assemblée législative  
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## **Official Report of Debates (Hansard)**

**Tuesday 5 September 2006**

## **Journal des débats (Hansard)**

**Mardi 5 septembre 2006**

**Standing committee on  
government agencies**

Agency Review:  
Liquor Control Board of Ontario

Intended appointments

**Comité permanent des  
organismes gouvernementaux**

Examen des organismes  
gouvernementaux :  
Régie des alcools de l'Ontario

Nominations prévues

Chair: Tim Hudak  
Clerk: Tonia Grannum

Président : Tim Hudak  
Greffière : Tonia Grannum

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## LEGISLATIVE ASSEMBLY OF ONTARIO

## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON  
GOVERNMENT AGENCIESCOMITÉ PERMANENT DES  
ORGANISMES GOUVERNEMENTAUX

Tuesday 5 September 2006

Mardi 5 septembre 2006

*The committee met at 1003 in room 151.*

## SUBCOMMITTEE REPORT

**The Chair (Mr. Tim Hudak):** Good morning, ladies and gentlemen. The standing committee on government agencies for Tuesday, September 5, 2006, is now in session. Welcome back, members of the committee. It's good to see everybody again, although on my left side they don't seem so excited to see me.

**Mr. Brad Duguid (Scarborough Centre):** They never are.

**The Chair:** Thank you very much. I understand that M. Bisson is joining us as we speak, so his timing is perfect as always.

Folks, just to give some overview for today's session, first, I'd like to welcome members of the Liquor Control Board of Ontario. We'll get to that momentarily, but thank you for being here on time—early, as a matter of fact—for our committee. We have some ordinary business to take care of first, so why don't we proceed with that. Our first order of business is the report of the subcommittee on agency review.

**Mr. Ernie Parsons (Prince Edward–Hastings):** I guess I'm moving something first.

**The Chair:** Mr. Parsons moves its adoption. Do we need him to read it into the record?

**Mr. Parsons:** Yes.

**The Chair:** Please go ahead, sir.

**Mr. Parsons:** Your subcommittee met on Tuesday, June 13, 2006, to consider the method of proceeding with the review of agencies, boards and commissions and agreed to the following:

(1) That the committee meet on September 5, 6 and 7, 2006, to conduct its review of agencies, subject to change and scheduling availability.

(2) That the research officer prepare background papers on each agency selected prior to review by the committee and that the research officer prepare summaries of the hearings prior to report writing by the committee.

(3) That each caucus provide the clerk by June 30, 2006, with a list of two stakeholder groups per agency review they wish to invite to appear before the committee.

(4) That the committee meet on September 27, 2006, for the purpose of report writing and that the committee

meet during its regularly scheduled meeting time as needed to continue its report writing subject to change and scheduling availability.

(5) That the committee prepare and present a report to the House on each agency reviewed.

(6) That the clerk of the committee, in consultation with the Chair, be authorized prior to the passage of the report of the subcommittee to commence making any preliminary arrangements necessary to facilitate the committee's proceedings.

**The Chair:** Thank you, Mr. Parsons. Any discussion or debate on said motion? Seeing none, all of those in favour of its adoption? Opposed, if any? It is carried. Thank you. That is all we need to do for the time being on ordinary business.

## AGENCY REVIEW

**The Chair:** Just a quick overview and then I'll have Mr. Olsson begin comments on behalf of the LCBO.

Folks, this is the first time that this committee has done an agency review in probably about a decade's time, so I'm pleased that members of all three caucuses were able to get together to agree to a format for reviving this process, which is at the core of this committee's business, not simply reviewing intended appointees to various agencies, boards and commissions, but also offering constructive advice to the ministers and the Legislative Assembly as to where these groups should go in the future in the committee's opinion.

We start with the LCBO today, then the Ontario Lottery and Gaming Corp. tomorrow and Hydro One on Wednesday, which as members know will be back here at the Legislative Assembly.

We'll follow the following format: The LCBO will make an opening presentation, and we thought it best to maximize discussion by then opening the floor to questions and comments.

The LCBO is the government's request to come before the committee, therefore government members will begin the rotation and we'll divide up the remaining time after the presentation into 15-minute blocks when we will conclude at noon for our lunch break. We'll follow the normal rotation in 15-minute blocks following the LCBO's presentation. Then after the break, we'll move on to our requested guests to comment on the LCBO. They'll each make a brief presentation and we will

follow the normal rotation process, dividing up whatever time is left over in the half-hour block equally among the three caucuses.

Again, I will start the afternoon session with the government members. For the OLG it will be the official opposition who would begin questioning, and Hydro One will begin with the third party, reflecting the request of the various caucuses.

Folks, I think we know at the end of the day what our intent is, which is to file a report to the Legislative Assembly. Of course, the responsible ministers will as well get copies of these reports. I think in the past what has happened—and I would like to try to replicate that process—is that we would send a report as a whole committee. The committee may choose to review the agency in a broad manner or they may choose to focus on a particular aspect of that agency. It is possible that there may be several reports, if opposition parties choose to do a minority report, for example, or if members—that's presuming a vote would happen a certain way. My preference at the end of the day is for one report to go forward, I think reflecting how this process had worked some time ago.

**Ms. Monique M. Smith (Nipissing):** Just on the drafting of the report, are we going to have an opportunity to review a draft and discuss it before it's finalized, or what is the drafting procedure?

**The Chair:** Yes, absolutely. I'll ask the clerk if she could reflect on where we go forward on the drafting side.

**The Clerk of the Committee (Ms. Tonia Grannum):** We had agreed to meet on September 27. I think at that time research may have something that's before the committee to go through. If it takes more meetings, we'll just keep coming back and doing the report writing and trying to finalize something that everybody likes.

**The Chair:** It's the first go in some time, so the process may not be perfect the first time around. We'll sharpen up any necessary areas for our February session, but I think it should be very interesting.

Of course, I'll say to our visitors, those watching at home and committee members that this committee has a reputation for conducting themselves with exemplary decorum, which we will continue as part of this process.

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**Mr. Duguid:** You're looking at me.

**The Chair:** Yes, Duguid is new to the committee. He's been subbed in, so it makes me a little nervous. I'm going to keep an eye on the fellow next to—

*Interjection.*

**The Chair:** Okay, Parsons has him under control.

But I think we've established an excellent decorum here at the committee which will continue in the time ahead, especially for this new aspect of the committee, or this renewed aspect to the committee's mandate.

## LIQUOR CONTROL BOARD OF ONTARIO

**The Chair:** So with those long opening comments, Mr. Olsson, welcome. Nice to see you again, sir, and your colleagues from the Liquor Control Board of Ontario. Kindly introduce those with you there at the front bench who will be responding to any questions and then please open up with your remarks.

**Mr. Philip Olsson:** Thank you, Mr. Hudak, and good morning to the committee. We're pleased to have this opportunity to present information concerning the LCBO. We're particularly pleased to be the first agency you've called as part of this agency review process, and we look forward to your questions.

I will introduce the members of the LCBO team with me today. On my immediate right, to my left as you look at me, is our president and chief operating officer, Bob Peter, and next to Mr. Peter is our senior vice-president, finance and administration, and chief financial officer, Alex Browning. Seated next to me on my left, right as you look at me, our vice-president, merchandising, Tamara Burns, and our director of policy, Patrick Ford. Other members of our team are in the room, including Mary Fitzpatrick, our general counsel, should additional information be required to respond to your questions. I will direct the questions to the appropriate person as we proceed through.

As you know, when Andy Brandt retired in February 2006, I was vice-chairman at that time and I assumed the role of acting chair and CEO pursuant to the Liquor Control Act.

When I joined the LCBO board as vice-chair in June 2004, following confirmation by this committee, it was clear to me and other board members that there was an opportunity to modernize the governance structure of the LCBO to make it more consistent with best practices. Under the guidance of the LCBO's audit and governance review committee, the board undertook a comprehensive study of corporate governance at the LCBO in comparison to other progressive private and public sector companies.

After considerable deliberation, the board reached some conclusions. Under the direction of Andy Brandt, the LCBO had evolved significantly from what it had been in the past. Many of us remember what the LCBO was: an organization where good customer service meant putting a bottle into a brown bag. What impresses LCBO customers today is what the LCBO has become: a progressive retailer where you can obtain expert advice on what VQA cabernet goes best with your Ontario rack of lamb. In short, the LCBO has become a trusted adviser and knowledge source, helping customers make informed choices.

But while service levels and staff became more knowledgeable, LCBO corporate governance did not keep pace. The board concluded that the LCBO had reached the point in its maturity at which a separation of the role of chair and CEO was needed to support a modern governance structure. Based on its analysis of

best practices, the board recommended that this and other measures designed to strengthen corporate governance and increase the effectiveness of management be shared with government in the form of a recommendation that certain amendments be made to the governing legislation. Government officials have welcomed our input on this important matter and we are currently considering the introduction of these measures in the form of amendments to Liquor Control Act.

Many of the questions submitted in advance of today's session by this committee focused on how the LCBO delivers on its customer service mandate. As a progressive retailer, this is the LCBO's principal focus. The continuing evolution of the LCBO has been guided by two core values: serving the Ontario public in a socially responsible manner, and being an innovative, dynamic and efficient retailer to take advantage of business opportunities, meet challenges and mitigate risk.

For LCBO store employees, delivering good customer service involves not only providing helpful and knowledgeable service and good product selection, but also preventing sales to minors and to adults who appear intoxicated. Vigilant service is a responsibility that LCBO employees consistently identify as the most important aspect of their job and greatest source of pride.

When I was appointed vice-chair of the LCBO, my experience with the organization was that of a customer. I was of course curious to learn more about how the organization functioned. Those of you who were present at my hearing may recall that I had to say in many instances, "I look forward to learning more about that," and I set about doing that.

As I became acting chair and CEO in February of this year following the retirement of Andy Brandt, Andy told me that all Ontarians have three jobs: first, their day job; second, coach and general manager of the Leafs—or, I hasten to add, the Senators; and third, CEO of the LCBO. While almost everyone has an opinion of the LCBO, I'm fortunate that I have the opportunity to express those opinions to the people running the business.

Candidly, before becoming vice-chair of the LCBO board, I suspected that the record profits I kept reading about might be reflecting the organization's special status and a buoyant economy rather than the capabilities of management and staff. I no longer hold this view.

What has impressed me the most is the focus on continuous improvement, a focus that defines the corporate culture at the LCBO. This striving for excellence in every aspect of operations has been nurtured successfully by Bob Peter, and before him Larry Gee, the former executive vice-president, and of course by Andy Brandt over 15 successful years.

Not all organizations keep pace with the times and their customers' changing expectations. The business pages are full of stories of companies that have failed to remain relevant in a changing marketplace. Not so the LCBO. By embracing change and implementing improvements effectively, the LCBO has over the past 15 years transformed itself from a monolithic government

agency into a well-respected and award-winning retailer, twice named Innovative Retailer of the Year by the Retail Council of Canada, to name but one of many awards.

I think it's fair to say that few public or private enterprises have transformed themselves so successfully or completely as the LCBO. Management continues to focus on making operations even more customer-focused, effective and cost-efficient while also contributing to the success of Ontario's domestic beverage alcohol industries, promoting responsible drinking and discouraging high-risk activities such as drinking and driving.

The LCBO is now frequently cited as a leading exponent of retailing in areas such as supply chain, marketing, consumer research, staff development and store design. We frequently have delegates from other countries as well as other jurisdictions in North America visit the LCBO to see how we do it.

Five-year strategic plans and rigorously benchmarked performance against these and other plans have enabled the LCBO to better anticipate, understand and respond to forces shaping Ontario's beverage alcohol marketplace. Successful implementation of these plans has also enabled the LCBO to not only meet but exceed its financial goals, reflected in 11 consecutive years of record dividend transfers, while also adding value to the shopping experience. This is evidenced by consistently high levels of customer satisfaction measured through annual independent studies.

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In fiscal 2005-06, the LCBO dividend was an all-time high of \$1.2 billion, 7.6% above the previous year. This kind of fiscal performance does not just happen without good planning, careful management of expenses and resources and visionary leadership. I can say this from personal experience. Through my 29-year career in finance as an investment banker and professional investor, I have gained considerable experience in assessing the strategic discipline and business performance of a great many Canadian companies. Now that I am thoroughly familiar with the LCBO, I am prepared to say that, based on my experience, it is in fact one of the best-managed companies in Canada.

**The Chair:** Mr. Olsson, if we had not communicated this to you, we're asking for brief introductory comments of five minutes. If we didn't make that clear, I do apologize. Are you getting close to the conclusion of your remarks?

**Mr. Olsson:** I am three quarters of the way through. May I continue?

**The Chair:** Okay, go ahead.

**Mr. Gilles Bisson (Timmins—James Bay):** As long as we offer the same courtesy to other groups.

**The Chair:** We had specified, I believe, that it would be—

*Interjection.*

**The Chair:** Yes, it was in an initial letter that we sent out just asking for five minutes, just to maximize the exchange between committee members and those presenting.

**Mr. Olsson:** I'm afraid I often speak too slowly, sir.

**Ms. Smith:** We'll give up some of our question time so that he can complete it.

**The Chair:** Okay, we'll settle it that way. We'll make clear with the other two committees that it's a five-minute limit, and then what we'll do is just eat into the government's question time to allow Mr. Olsson to continue.

**Mr. Olsson:** Okay. My apologies, Mr. Chair.

I believe any well-considered and fair third-party evaluation of the LCBO would conclude that it does a good job of balancing its complex and at times conflicting mandates. These mandates require it to be both a profitable and customer-focused retailer, marketer of products and promoter of social responsibility, provider of international product selection and champion of the Ontario wine, spirits and beer industries. All these goals must be achieved while simultaneously supporting the policies of the government in office. When one considers this mix of responsibilities, the organization's financial performance is all the more noteworthy.

The LCBO is an important and valuable public asset, and the government and taxpayers understandably want assurances it is being well governed. We welcome your review. The board is responsible for ensuring the organization acts in the best interests of the people of Ontario. This includes striking the correct balance between fiscal and social goals. As acting chair and CEO, I take this responsibility very seriously, as do the other members of the board. Working with the government, we've recruited a skilled and experienced board, whose members bring an impressive range of talents to this important task.

Other questions the committee has asked relate to the numerous reviews of the LCBO in recent years. While time does not permit me to go into detail about the 12 reviews that have been conducted since 1987, two of the most recent, and in some ways significant, were the beverage alcohol system review and the Deloitte operational study, both conducted in 2005. The outcomes of these two studies are well known, and both reports support the view that the LCBO is a well-managed company.

As Finance Minister Greg Sorbara remarked at the time of the tabling of the BASR report, "It is our very strong view that the public interest of Ontarians is best served by the continued public ownership of the LCBO." The government's decision to maintain this role is viewed by the LCBO board, management and staff not as an endorsement of the status quo, but rather as a call to further improve service for our customers, generate greater value for taxpayers and do even more to promote Ontario products, all in a socially and environmentally responsible manner.

The LCBO fully recognizes that we have an overriding obligation to the government and people of Ontario for complete transparency and accountability in all our operations. We stand ready to support the government, to help it achieve its fiscal and other policy objectives, and to benefit from sound recommendations for

improvement from this committee and from other reviews.

Thank you again for the opportunity to address the committee. Again, my apologies for overrunning my time. Along with the members of the LCBO management present, I look forward to answering questions.

**The Chair:** Outstanding. Thank you very much, Mr. Olsson. Let me also say—I neglected to at the beginning—thank you to you and your team for the information that you provided to committee members. It was a relatively extensive survey, so we thank the entire team for their contributions to our 10-pound binder.

**Mr. Olsson:** We have the benefit of 12 reviews, as I've said.

**The Chair:** Thank you very much. We'll begin with the government side. Ms. Smith.

**Ms. Smith:** Thank you, Mr. Olsson, and to your team, for being here.

I wanted to talk briefly about your mandate to promote responsible drinking and to prevent drinking and driving and other high-risk activities. You talked about the vigilant service mentality that your employees have and the focus that you've put on this particular area. I was wondering if you could elaborate for us on some of the activities and partnerships that the LCBO has developed.

**Mr. Olsson:** We are indeed very proud of that. I think it would be appropriate to ask Patrick Ford if he could give a brief summary.

**Mr. Patrick Ford:** To start, I'd like to clarify that we know that the vast majority of our customers do consume beverage alcohol responsibly, but given the attendant problems that can occur, we have developed, as you point out, numerous partnerships over the years to develop a comprehensive range of programs to address socially responsible sales concerns and to reduce the likelihood of drinking and driving occurrences and consumption by minors.

The components of our strategy: It starts at the store level with a challenge and refusal program that's backed by extensive training of all of our staff that occurs on an annual basis, and it's mandatory. That resulted last year in 1.7 million of our customers being challenged either for proof of age or because they appeared intoxicated. That resulted in 112,000 of our customers not being provided with service, the vast majority of whom because they did not have the appropriate proof of legal age.

As well, a key component of our social responsibility mandate is achieved through advertising campaigns that are research-based. I'm sure committee members and others have seen television commercials that we've developed over the years in partnership with MADD Canada that target very specifically reducing drinking and driving. Our current campaign has just recently been on the air. Research from those campaigns has demonstrated to us that they do have an effect on viewers who are watching those commercials. Consistently, over three quarters of those who are surveyed after watching those commercials have commented that it would increase the likelihood that they would exercise greater care with

respect to circumstances involving drinking and driving and to avoiding those circumstances.

Another key component of our social responsibility mandate is our promotional programs. Through our various marketing efforts and initiatives, we, in partnership with social responsibility partners and the public health community as well, have developed numerous programs to provide our customers with tools and helpful ideas for how to avoid problems, whether it's mocktail guides, how to produce drinks at entertainment events that are non-beverage-alcohol-based, or what we call our Good Host Kit, something that will enable our customers to have a way in which to encourage people they are entertaining and guests at their house to stay overnight if they have consumed, rather than driving home.

A final key element that I wanted to flag is our educational programs, again working in partnership with groups such as MADD Canada and law enforcement agencies and others, that are designed to help particularly parents and educators in teaching children about responsible use of alcohol and preparing them for that later age in their life and for that.

**Ms. Smith:** Thank you.

**The Chair:** Ms. Mitchell.

**Mrs. Carol Mitchell (Huron-Bruce):** Mr. Olsson, I too want to thank you for bringing your team out and making the comprehensive presentation that you have, and also for the 10 pounds of paper. It really was very informative.

Part of what you talked about was the transformation and continuous improvement. I would like to give you the opportunity to expand on what the LCBO has done to make operations more efficient and more cost-effective.

1030

**Mr. Olsson:** Thank you, Mrs. Mitchell, for the opportunity to do that. I believe that Bob Peter, our president and chief operating officer, is only too anxious to tell you about some of his improvements in the LCBO.

**Mr. Bob Peter:** Good morning. There has been a huge transformation in the LCBO on many, many different fronts over the last 15 years: first, in customer service; upgrading of stores and marketing in the assortments that we offer to the consumers in Ontario; and in training of our staff. The latest one that we've been working on over the last four years has been supply chain, which has resulted in huge benefits to the organization and to the taxpayers of Ontario.

We've reduced inventory in the system by a substantial amount. We've gone from about 5.3 turns up to 7.6 turns. What that has meant is that we have reduced the net inventory by over \$100 million in the system. We've done that by ordering more frequently, delivering to the stores more frequently than we were in the past, by changing the way we do our assortments to a one-in, one-out basis, reducing the number of skews we carry that weren't performing. We put in new systems so that stores can order faster.

We've gone into a whole system of collaborative planning and forecasting, which we didn't do before.

That's where we work with suppliers in getting their forecast of what we anticipate a skew will sell, plus our own, and holding both people accountable on a score card as to the performance of the inventory.

We've also gone to an 18-month-out planning cycle for the promotions that we run. Suppliers know 18 months out what we're planning on doing, so they can plan their production and inventory to flow into that period of time.

We've done a number of things on the supply side that have made huge benefits to the organization. It has allowed easier handling of merchandise to our stores, because they come more frequently, so there are smaller loads flowing goods to the store.

There are many, many different things. We've done a fair bit of staff training on different programs. One is wonderful Ontario wines, helping our staff to be more confident in selling Ontario wine. We've also done a program on spirits advocates in stores, and we've also done a program on beer guys and gals. We know that when staff have more training they're more confident in selling the various products. We've also been working on upgrading our A and B store managers and their management skills. So there are a number of different facets that we're working on.

**The Chair:** Mr. Duguid?

**Mr. Duguid:** You mentioned in your opening statement the shopping experience. One of the things I've noticed as a customer is that there's no question that the shopping experience has really evolved over the last number of years, to the point where it is enjoyable to walk into an LCBO store and walk around. There are all kinds of things to see. I'm looking forward to the future. You've come a long way. What does the future hold in terms of improvements to the shopping experience?

**Mr. Olsson:** Perhaps, Mr. Peter, you would talk a bit about that.

**Mr. Peter:** On the customer service side, we're continuing to work on upgrading our staff on their skills, training and knowledge of the assortments. We're continuing to work on the assortments in our stores. We've seen quite an evolution in the last number of years of what we do sell in our stores. We're creating bigger vintage corners in a number of our stores and making them larger. Our assortment in beer is expanding, and the presentation of it. Our assortment in ready-to-drink has also been expanded quite dramatically.

On the store environment itself, we're building, where the market warrants it, larger stores with greater assortments in them. We're putting new elements in. We've built a number of stores with kitchens to allow people to take wine appreciation and cooking classes in the stores. We've put in a number of tasting bars, and we're increasing that area. We find that very effective. People love to learn about and discover the products.

There are a number of facets that are coming into the marketplace, but I guess more exciting stores, more exciting assortments. The assortments continue to change. We're in a fashion business in terms of what

sells in the LCBO. If you go back 10 years ago, the number one wine was white wine. Now it's red wine. It surpassed white wine. Ready-to-drinks continue to grow. What people buy in terms of upgrading and better products continue to go up. The price points appear to pay. So there's a lot of exploration going on in what people buy.

**Mr. Duguid:** Just to follow up on that, not too long ago, over the summer, I was in a store and the employee was sort of bragging about a new point-of-sale system that they had in place. I hadn't really noticed before, but it looked pretty impressive. It also looked pretty expensive. I'm just curious as to what this new point-of-sale system is and what it accomplishes and how it improves the service overall.

**Mr. Alex Browning:** I can comment a bit on the new point-of-sale system. Basically, in many respects, it allows us to actually serve the customer much more quickly. If you use a debit or credit card at the LCBO, there used to be a time when it would take anywhere between eight and 10 seconds for the transaction to go through. We have that down now to almost one second. So it gets the customer through the line. All our research indicates that the last thing the customer wants to do is spend a lot of time just standing in line.

It also has the ability to provide messaging on the cashier display, which is something new that some of the retailers have taken into account. We've now got them in place at the LCBO so we can actually use marketing information as well as social responsibility messaging. It also helps us to more efficiently manage our inventory. We've put radio-controlled devices in, so if we're doing inventory counts and product checks and price checks for the customer, we're able to do that much more quickly than we were in the past.

Also part of the system is a new sales audit system, which allows us to verify the financial information on a much more timely basis as well. So all that is part and parcel of this new system.

**The Chair:** Thank you very much. We will now go to the official opposition. Mr. Tascona.

**Mr. Joseph N. Tascona (Barrie-Simcoe-Bradford):** Thanks very much for coming here this morning. I really appreciate this.

I've got a question with respect to an area of your drinking responsibility program. On a fiscal-year basis, do you track the number of drinking and driving deaths and injuries?

**Mr. Ford:** I know that we do have access and we do review that information. I do not have that with me this morning, but that is information that we are aware of.

**Mr. Tascona:** Where do you get that information from?

**Mr. Ford:** I'm not certain at this stage, but we certainly could supply that.

**Mr. Tascona:** I'd be interested if you could supply that information, if you do track on a fiscal-year basis the drinking and driving deaths and injuries; also boating and

drinking deaths and injuries. Do you track that for boating?

**Mr. Ford:** I believe we do. I have not myself seen those figures in recent years, but I can certainly confirm and supply that information to the clerk.

**Mr. Olsson:** We don't actually track them; we acquire them from law enforcement agencies. But we'll be quite happy to respond to that.

**Mr. Tascona:** With respect to alcohol-related deaths like cirrhosis of the liver, other things that are the result of drinking, do you track that information, or do you acquire it from someone else?

**Mr. Ford:** I'll give the same answer there as Mr. Olsson has provided, in that we do not actively collect that information, but there would be other agencies, I assume, particularly law enforcement or the Solicitor General's department, we would acquire that information from—and are aware of it.

**Mr. Tascona:** Are you aware of the cost to the OHIP system with respect to the drinking and driving, boating and drinking, and alcohol-related deaths as a result of alcohol? Do you track that, or do you get that information at all with respect to the cost to the OHIP system with respect to drinking?

**Mr. Ford:** There have been, over the years, numerous reports by public health agencies, by government etc. that have assessed for Canada, Ontario specifically, and internationally public health costs and related costs associated with issues with beverage alcohol. We certainly, in the design of our social responsibility programs, in our education for our staff and related outreach work that we do, incorporate that information into the work that we do.

1040

**Mr. Tascona:** With respect to your social drinking responsibility program, what's your measure of whether it's working or not? Do you keep statistics in terms of whether drinking and driving is going down, boating and alcohol, and health-related deaths? Do you track that? How do you measure whether your social responsibility program is in fact effective?

**Mr. Ford:** One simple and key measure, as I mentioned earlier, was with respect to the frequency with which we challenge and refuse service on the basis of the appearance of intoxication or, as I mentioned before, the individual being under-aged.

**Mr. Tascona:** No, that's not the focus of the question. The question is related to drinking-and-driving deaths and injuries, drinking-and-boating deaths and injuries, alcohol-related health deaths—that information. Do you track that, in terms of your program, as to whether those in fact are going down or going up? Do you track that?

**Mr. Ford:** My apologies for misunderstanding the question. In our partnerships, particularly with MADD Canada and other social responsibility and public health agencies, that would be a routine part of a review of materials as we're designing new materials and so on. I personally am not aware of the specific trend at this stage of the game, although we have seen those numbers



before and we'd be happy to provide those as well to the committee.

**Mr. Tascona:** I think it's fair to say, if you would agree, that really the measure of the effectiveness of the social responsibility program is if in fact those particular categories were going down. Would you agree with me?

**Mr. Ford:** Certainly. And I think, in combination with the range of other programs with law enforcement agencies and so on, that would be a key part of ensuring the effectiveness, that RIDE programs and so on are all informed by those facts.

**Mr. Tascona:** Thanks very much. Now, with respect to Mr. Olsson, what are your responsibilities as chair and CEO in running a \$3-billion business?

**Mr. Olsson:** Well, under the act, as you know, when Mr. Brandt retired, the vice-chair assumed the role of acting chair and CEO. I think it's important to reflect on Mr. Brandt's contribution over the 15-year period that—

**Mr. Tabuns:** No, I'm asking you, Mr. Olsson. You're the part-time acting chair and CEO of a \$3-billion business. What are you doing on a day-to-day basis and how many hours a week do you put into your job?

**Mr. Olsson:** It's important in the context to say that as the role has evolved, it is now timely to split the two, and as I said in my opening remarks, we believe—and the government has accepted our advice—that it's timely to go to the model which is generally used in corporate Canada, and for that matter in almost all agencies of which we're aware, of splitting the role into non-executive chair and CEO. So that role will change, and that is a result of the progress that Mr. Brandt made in modernizing the LCBO over the last—

**Mr. Tascona:** But when is that role going to change? Right now you've said you're the acting CEO and chair, so I presume you're doing something there. You've been there over six months, so what have you been doing there for the last six months in terms of your job, in terms of hours of work and what you're doing?

**Mr. Olsson:** Okay, I'll be quite specific about that. Number one, I'm available constantly for the LCBO, and I should say that I ended up working most of the day over the last three holiday days. I make myself available as required. I am always in the office at least one day a week, and in fact I would say I'm spending more time than a typical chair of any agency with which I'm involved. And as far as I'm concerned, the role has been executed perfectly.

**Mr. Tascona:** Okay, thank you. With respect to that split, you say that the government has accepted that. Is that correct?

**Mr. Olsson:** Well, they have acknowledged that they agree with our advice and—

**Mr. Tascona:** Who's "they"?

**Mr. Olsson:** We report to public infrastructure renewal, so our minister is—

**Mr. Tascona:** Minister Caplan.

**Mr. Olsson:** —Minister Caplan.

**Mr. Tascona:** Do you have any time frame when that split would occur?

**Mr. Olsson:** It would require legislation, and that is a government responsibility.

**Mr. Tascona:** With respect to the appointment of a full-time chair, do you have any idea when the full-time chair would be appointed? Do you have any idea how long you're going to be in the job?

**Mr. Olsson:** Well, actually, our advice is there would not be a full-time chair. It would be a non-executive chair.

**Mr. Tascona:** Okay. Do you know when that would be occurring?

**Mr. Olsson:** Presumably, if legislation were passed, at some point after its proclamation.

**Mr. Tascona:** Have you got any idea how long you are going to be doing what you're doing currently?

**Mr. Olsson:** I serve at the pleasure of the government. Certainly until legislation were to be passed, if that's the case.

**Mr. Tascona:** So we're looking at a non-executive chair and a CEO that would be an employee of the LCBO?

**Mr. Olsson:** That would be our recommendation.

**Mr. Tascona:** I want to ask you some questions on microbrewers. As I understand it, the LCBO has a strict policy on "turns." How quickly a product on the shelf sells makes it difficult for microbreweries to get listed and discourages store managers from trying to sell them. Why can't a special system for them be established?

**Mr. Olsson:** I'm going to direct that question to Tamara Burns, who's our vice-president of merchandising. I would also note that Ontario Craft Brewers have been called for this afternoon, so presumably they could add further material to this.

**Ms. Tamara Burns:** We do support, with programs, all sizes of brewers. As Mr. Olsson mentioned, we have several programs for Ontario craft brewers and, at this point, we work with 21 producers who are members of the Ontario Craft Brewers association. They direct-deliver to our stores and it is up to each small brewer how many stores they feel they can distribute to with the resources they have. Then we, through the beer category management team, work with that brewer to facilitate the matching of the brewery and stores. Then the district manager and the store manager take over to work with that small brewer and have successful sales of that product in their store.

We have 40 stores that have specific fixtures to high-light Ontario craft beer, and we really consider that the size of a brewery doesn't limit their possibility or their potential with the LCBO. It's really up to the amount of work and how large their infrastructure is, how many stores they wish to support with their distribution system.

**Mr. Tascona:** From what I understand, sales of imported beer were projected to increase by 11%. American beer sales were pegged at increasing by 2.3%. However, domestic beer sales were expected to decrease by 2.1% and had dropped by 4.6% the previous year. It would appear they're being crowded out of the market. What's the reason for this?

**Ms. Burns:** The market for beer is becoming polarized at both ends of the spectrum. So customers are really enjoying being able to have access to value beer, which has really taken off. As well, customers, because of increased product knowledge and I think through a lot of the great work that the craft brewers have done, are far more interested in regional products, higher end, more premium beers, beers that are perhaps a little bit more unique and offer different choices. So the market is really moving to both ends of the spectrum and creating a well in the middle where mainstream products are not as popular nor selling at the same rate as they have in the past.

**Mr. Tascona:** In other countries and jurisdictions they're allowed to sell wine and beer in grocery stores, for example. Is there any consideration to be doing that?

**Mr. Olsson:** To begin with, I think it's appropriate to say that the liquor distribution and retailing system we have in Ontario is predicated by the policy of governments going back to 1927 that the sale of alcohol needs to be controlled. It's viewed again by government that the LCBO has a key role to play in that. As you know, we're not the only retail outlet. There are of course Beer Stores, independent stand-alone wine stores and winery stores, as well as licensees. So any decision regarding distribution of alcohol outside the existing system would clearly be a government decision. I would say that the beverage alcohol system review last year was given a mandate to investigate that, and ultimately no changes were proposed, or at least no changes were accepted by the government in that regard. I must defer to our shareholder and minister and the government in that regard.

1050

**Mr. Tascona:** I understand there's no bottle return program in place. Can you tell me why?

**Mr. Olsson:** Patrick, I think I would let you speak a bit about that.

**Mr. Ford:** The LCBO's plan in our current operations for dealing with the return of bottles or the recycling of bottles is structured around a comprehensive environmental strategic plan. It's one that's consistent with the province's long-standing blue box program and it is based on that.

The other key fundamental for our program is that it's based on the three Rs hierarchy, which starts with "reduce," followed by "reuse" and "recycle." So much of our campaign for the past number of years has been focused on reducing the weight and size of beverage alcohol packages and trying to encourage our customers and our suppliers as well to utilize those products more.

A deposit-return system works quite effectively at the Beer Store, which has approximately 85% of the beer marketplace in terms of sales in Ontario. The key reason why it works effectively in that system is because the vast majority of what they sell is the brands that are in a standard industry-refillable bottle, principally by the Beer Store's shareholders, the brewers that run and own that system. So again, the vast majority of products are domestic and refillable.

By contrast, the majority of the products that we sell are import, in part due to the fact that the Beer Store sells so much domestic product. We have wines and spirits and beers coming from 70 countries around the world. To consider a deposit-return and refillable system when we've got products coming from Australia and France and Chile would not be viable or environmentally sound.

Ultimately, the decision with respect to the program that the LCBO operates for deposit-return is a matter for government consideration in the context of its broader waste management strategy. We look to the government for any guidance with respect to that. But for the time being, we are pursuing more of a "reduce"-based strategy.

**Mr. Tascona:** Thank you very much for your answers.

**The Chair:** I think, Mr. Tascona, following our protocol, that's a 15-minute block. You're welcome to come back to those questions on the next round. It's now to the third party. Monsieur Bisson.

**Mr. Bisson:** Just as a follow-up to that question, I understand the difficulty in trying to come to a standardized bottle for spirits or wines or whatever, but what I've never understood is why you don't even have a recycling facility—not a facility, but if I go back to the liquor store and I bring back my three empty bottles of wine that I drank over the last four weeks—no, no, last night—there's no place that I can bring it into the store, you throw it into the recycling bin and it goes back into glass. Not everybody—basically, you go out to the beach and you've got your bottles in the back of your truck or wherever the heck they might be. Why don't you have even a tie-in to the basic local municipal recycling system? That would be a no-brainer.

**Mr. Olsson:** I'm sorry, but we do, actually. Where there's a blue box program, we are in effect tied in. In fact, in single-family homes in Toronto, LCBO glass is 96% recovered.

**Mr. Bisson:** But what I'm saying is, why don't you provide a recycling box even at your outlets?

**Mr. Olsson:** Maybe I'm not understanding, but why would people bring it to the outlet when they can put it at their curbside?

**Mr. Bisson:** Because there are a lot of places where you may not have municipal recycling programs, if there is a small community, number one. The other issue is that it's handier. For example, where I have my cottage, the recycling only comes every two weeks, and then if you put something at the curbside, they don't pick it up. My neighbour next door, as an example—last Wednesday when the garbage came by, they didn't pick up the paper. Why the recycling people would not pick up the paper, I don't know. The week before that, it was the bottles. So it would be a lot easier for a lot of people just to throw them in the back of the vehicle the next time they go shopping at one of your stores.

**Mr. Olsson:** Well, those are certainly interesting points you've made. I'm not sure that the issue is what is in our purview to do and what is not. Patrick?

**Mr. Ford:** Our strategy has focused on supporting existing municipal infrastructure in the blue box programs that exist province-wide, and for matters also associated with efficiency and avoiding redundancies, we've tried to put the focus on supporting that system. We have been a long-standing supporter financially of the blue box system and over the past seven years have contributed \$35 million to municipalities directly so that they can finance their blue box operations.

**Mr. Bisson:** I understand that most of it ends up in the municipal recycling stream. My question is, why don't we at least provide a recycling box at the local store? If I choose to bring my wine bottles or my spirit bottles to the store, the LCBO outlet, and you've got a recycling box that I can throw them into, it might entice a higher degree of recycling. That's all I'm saying.

**Mr. Ford:** Certainly, again, our emphasis has been to try to support the existing infrastructure rather than creating a duplicate and costs.

**Mr. Bisson:** I hear you, but why not put a blue box at the store? That's all I'm asking.

**Mr. Olsson:** I think we can agree to look into that.

**Mr. Bisson:** Thank you. That's all I'm asking.

I was looking at our research document here, and unfortunately you may not have a copy. Do they have a copy of this, Chair?

**Mr. Olsson:** We do not.

**Mr. Bisson:** They don't. Could you give them just page 5. This would be for your finance person. I think it's you, right? Hey, I got it right: Bob Peter.

**Mr. Browning:** Alex Browning.

**Mr. Bisson:** Oh, sorry. I got you the other way around. Sorry, Alex.

If you go to page 5, there's a list there, the 2000-01 to 2005-06 income statements from the LCBO. If you go down to the sixth block—I need a bit of an explanation here—there's "Finance and Administration Division," and then "Chairman, President, Security, Planning." If I read those numbers correctly, last year we spent \$2.8 million on that particular line. I'm just wondering, what the heck did we spend \$2.8 million on? Is that salary and the office, or what? "Chairman, President, Security, Planning": \$2.8 million.

**Mr. Browning:** It's a combination of expenses. A large part of it, though, is the cost of servicing the stores as far as putting investigations into stores around issues of violence or anything like that. So we have a security force, a loss prevention group which represents security. That's not head office security; that's the loss prevention group that goes out and does investigations around that. They are included also in that cost.

**Mr. Bisson:** And the planning would all be part of that?

**Mr. Browning:** The planning is just two people. The strategic planning group does our tactical business planning on an annual basis, and then every five years does our five-year plan as well.

**Mr. Bisson:** And then the line—go ahead, please. I'm going to come back to the security issue in a minute.

"Finance and Administration Division": \$15 million. That's the big office down here?

**Mr. Browning:** Yes. Basically, that represents two groups, though. In fact, what that also represents is our supply chain group. I have responsibility for the supply chain group, which got started in the year 2000, and basically that has represented the biggest increase to that line over the last five years.

**Mr. Bisson:** Can you provide us with a little bit of detail in regard to this? Do you have a financial—it's probably in my stuff. Do you have a breakdown of that in any way? I don't need itemized who gets what, just the lines. How much is security and how much—

**Mr. Browning:** I can get you that. I don't have it here with me, but I certainly can provide that.

**Mr. Bisson:** And the last question is—I always love these—"Other Corporate Programs": \$2.2 million. What is "other"?

**Mr. Browning:** Other corporate programs would be HR programs, issues like that. Some things where we may be doing some, I guess, review or investigation of opportunities we may have within the head office facility all fall under these "other" programs or one-offs.

**1100**

**Mr. Bisson:** Is there a lot of theft, like people walking out with bottles? I'm just curious. Somebody grabs a bottle and walks out with it?

**Mr. Peter:** We have probably the lowest shrink rate of any retailer.

**Mr. Bisson:** And you're not going to tell us your secret, right?

**Mr. Peter:** The way the stores are designed there is some theft, but our shrink rate this past year is the lowest it has been in years. It's under \$5 million.

**Mr. Bisson:** For total sales of—

**Mr. Peter:** Nearly \$4 billion—\$3.8 billion.

**Mr. Bisson:** The other thing is—and I don't remember reading this anywhere—break-ins in the LCBO are not something you hear a lot of.

**Mr. Peter:** We do have some.

**Mr. Bisson:** But when they're stealing, they're not going for the cash; they're going for the booze, I take it.

**Mr. Peter:** They're people who need a fix.

**Mr. Bisson:** Is that a problem? I'm just curious.

**Mr. Peter:** They go in rashes, the break-ins. Some are in the city. People break a window and go in and grab 10 bottles. Sometimes they drive a truck right through. In St. Catharines they drove a truck right through the front door and took all the rum.

**Mr. Bisson:** Go big or go home.

**Mr. Peter:** Usually you need some kind of vehicle to go very far in.

**Mr. Bisson:** I would ask you to look into something. This is a separate issue here. As you know, there are a number of dry communities in northwestern and north-eastern Ontario. You'll have stores in places like Red Lake, Moosonee and a few others, and we know there are a lot of reserves that are dry, where the band councils and the Nishnawbe-Aski Police Service actively try to catch

the bootleggers. But everybody knows who they are, including the people who sell the alcohol, and it seems to me that there's got to be better co-operation between the LCBO and the NAPS, the OPP and the rest. What are you doing at that end? It's a huge problem in some communities.

**Mr. Olsson:** We're very aware of it and there have been a number of meetings and discussions on it. Patrick Ford can give you some detail.

**Mr. Ford:** You mentioned the Nishnawbe-Aski Police Service. We've actually commenced a committee over the past number of months that we co-chair with Chief Paul Trivett of NAPS. We'll be doing a tour of the north this fall as part of our investigative component of the issue. But there's no doubt that this is an issue, that there are products that are sold through our stores, and possibly from other sources as well, that are being bootlegged on to dry reserves, with serious negative consequences. So we are working co-operatively with NAPS and with the OPP to come up with solutions. You have to forgive me in that we don't have a specific solution for this frankly long-standing problem, yet at this stage of the game we're doing a legislative review as well, looking at what kinds of legal instruments we could pursue to enhance enforcement, potentially, but also to try to curtail supply in those kinds of circumstances.

**Mr. Bisson:** So you're actively working with Paul Trivett.

Let me just explain something very quickly, and I'll get onto some other questions. There are dry reserves and there are wet reserves. I'm a fan of wet reserves. I think dry reserves are a disaster, because what happens is that people binge. Once the booze comes in, you've got to have it and you've got to have it now, and you have to have lots. It's a real problem in a number of communities. It really makes those communities fall back to a pretty sad state at times. You go into a community like Peawanuck, for example, that is wet, and it's not an issue. You don't see the level of vandalism, you don't see the problems you'll see in some of the other communities, and I believe one of the reasons for that is that over the years people, like everybody else, drink responsibly. The odd person, as in every community, has a drinking problem, but that's not a native issue; that's an issue in society overall. What strikes me is that as I go into the communities that are the dry reserves, community members—elders, band chiefs, band members, members on council—will tell me, "We know who these people are." They know, when these people walk into the liquor store, who they are.

Why in heck are we selling these people large amounts of booze? It's one thing for the bootlegger to walk in and say, "I want two bottles of Crown Royal," but if you drive up in a pickup truck, it should be a pretty good indication that it's not for local or personal consumption. I would suggest that when you're touring, park yourselves incognito in front of some of these stores in those northern communities and you'll be surprised at what you'll see. In some cases the OPP is right next door to the store. So certainly to God there's got to be some

way of connecting the staff at the LCBO. I understand from freedom of information and all of that stuff that you can't refuse somebody a sale, but certainly there's got to be tip line or something so that we can talk to each other about so-and-so having been in and buying a pickup load of booze, or five cases or whatever. Anyway, I'll just leave it at that. I'd ask you to pass that on to my friend Paul.

**Mr. Olsson:** One thing I believe that we could do, Patrick, is we could also make a point of consulting the MPPs from these areas, because clearly you have a lot of experience in this.

**Mr. Bisson:** We could facilitate a meeting when you do come up, if you want, with some of community leaders from the tribal councils or the communities. We could set it up whatever way, because there is a solution to be had and it's not very difficult. It's a question of everybody doing their bit, from the community level to the LCBO to NAPS to everybody.

**Mr. Olsson:** We will consult. Today we'd like to leave you with a clearer understanding that we take this very seriously.

**Mr. Bisson:** Please get a hold of me. We'll facilitate that for you.

All right. A couple of questions. Yes—

**The Chair:** This round has only two minutes left.

**Mr. Bisson:** In this round there are only two minutes left?

**The Chair:** Two minutes, yes.

**Mr. Bisson:** Fifteen minutes went by already?

**The Chair:** It's been very entertaining.

**Mr. Bisson:** I'm going to get another round, won't I?

**The Chair:** Absolutely. With that performance, for sure.

**Mr. Bisson:** Oh, wow. Let me ask you something. How much revenue does a mini-store generate, on average? I'm just curious, because I was looking at our briefing notes, and you have different types of stores. You've got the full-blown stores and you have the mini-stores. On average, what does a mini-store generate in sales? I'm just curious.

**Mr. Olsson:** Bob, are you the right person to answer that?

**Mr. Bisson:** What's the range?

**Mr. Peter:** A small rural store, you're talking about?

**Mr. Bisson:** Yes, like those mini-stores. They have in our note here the various types of stores—

**Mr. Peter:** They range anywhere from \$200,000 or \$230,000 up to \$2 million or \$2.5 million.

**Mr. Bisson:** How do you come to the decision of where you're going to establish an LCBO store?

**Mr. Olsson:** Just to be clear, you're not speaking of agency stores, are you?

**Mr. Bisson:** No, no, I'm talking about LCBO stores.

**Mr. Olsson:** LCBO corporate stores. Okay.

**Mr. Peter:** How do we establish it?

**Mr. Bisson:** How do you come to the rationale of saying, "There's a market here for another store?"

**Mr. Peter:** We have a market research department that analyzes where the markets are, where there are

sufficient people to warrant it. In the rural areas we base where we'll build a store more on where the population is. In the city we'd be basing it on a different methodology than we would in the rural areas, because with rural, you've got to be within a reasonable driving distance.

**Mr. Bisson:** Do you have a written policy somewhere that we can get? I'll tell you, in a number of communities you sort of scratch your head and wonder. You've got one LCBO store for a population of 45,000 people and you say to yourself, "Wow, those are pretty big line-ups at the store." In other cases, you have an agency store that's in close proximity of an LCBO outlet and you say to yourself, "There is big traffic going into the agency store. Why aren't we doing that ourselves?"

Do you have policies to get at all of this? And if so, can we get them?

**Mr. Peter:** I'm sure we could share them with you.

**Mr. Olsson:** To be clear, we don't have a written policy as such. What we try to do is establish proper levels of service in every community. We're always prepared to sit down with an MPP or with local officials, as we're doing later this week in one instance, to review our market strategy for the area and take any input. If what you say is true, that we have an agency store close to an existing LCBO store, that was certainly not a planned outcome. I'd be interested to know which case you're referring to.

*[Inaudible]*

**Mr. Bisson:** I know where the \$40-million store is. It's in my neighbourhood, because it's the only one.

**The Chair:** Thank you, Mr. Bisson. That's that segment of your time.

Mr. Bisson had asked some specific questions on the income statements on page 5 of the committee member's report, so I'm going to have the clerk follow up just to make sure we're clear. I'd ask, as the Chair, if you could put it through my office and make sure all committee members get the answer.

**Mr. Olsson:** In response to these questions today?

**The Chair:** There were specific questions he had on some of the lines on the income statements.

**Mr. Olsson:** I have a list, as I'm sure others here do, of follow-up items. We'll send them through you as Chair of the committee.

**The Chair:** Terrific, and then I'll distribute them to committee members; through the clerk's office, just to make sure, because I will download it to the clerk's desk after that.

**Mr. Bisson:** Just a quick question, Chair: Do you want me to give you in writing what I—

**The Chair:** She's going to check with the particular line items that you had mentioned.

But yes, if you don't mind, Mr. Olsson, technically through the clerk's office would be terrific and, if I could ask, by the date of September 16 at the latest. So that's one week from Friday, if I have my calendar correct. That way members will have it well in advance of our consideration of the report.

We'll now go to the government side. It's Ms. Smith.

**Ms. Smith:** Just to follow up on what Mr. Duguid was asking about, the shopping experience and customer satisfaction: First of all, Mr. Peter, we could spruce up the downtown North Bay one. That would be great. And there's at least one town in my community that needs an agency store, so we'd like that to move forward quickly too.

I do want to talk about customer satisfaction. I'm not a frequent shopper because I don't drink, but when I do go into the store it's definitely a good shopping experience, and I know that most of the people in my community are very pleased with what they find. I also note that people have commented on the easy accessibility to information on your website, finding out where a product is available; if not at your store, then where's the nearest store. I think it's really easily accessible for your shoppers, which is great.

**1110**

I also want to mention on customer satisfaction that they wrapped my Christmas gifts last year, which was really great. But how do you measure customer satisfaction? How do you monitor that and how do you report back on that to your board?

**Mr. Peter:** I'll answer that. We measure customer satisfaction in many different ways. We do an annual survey of all our customers across the province, about 2,500 customers, in-depth for about an hour on many different facets of their shopping experience at the LCBO, and we get a measurement out of that. So that's one measure.

Two, every month about 700 professional shoppers go into our stores all across the province and report back and then that's reported monthly at the management meeting by district and by regional manager. So it's monitored that way and it's fed back to the stores. For the stores that achieve an over-95% shopping report, their employees are also rewarded, so it's really important. We do another survey of customers on the phone, about 700 customers on the phone every month, on what their shopping experience is. So we're getting three different methodologies of looking at how the customer shopping experience is.

**Ms. Smith:** Sorry, your first survey, the hour-long one—I was a little distracted—is that done over the phone or live?

*Interjection.*

**Ms. Smith:** That's his whisper? He's got to work on that. Inside voice, Gilles; inside voice.

Your hour-long survey: Is it done over the phone or in person?

**Mr. Peter:** They're done on the phone.

**Ms. Smith:** Thanks.

**The Chair:** Mrs. Mitchell.

**Mrs. Mitchell:** Thank you. I also want to expand on the shopping experience and just relay something. When I had the opportunity to purchase a wedding gift—and for once, some of my friends were getting married, not divorced, so it was quite an opportunity—and I just want

to share with you. It was a particular bottle of wine that I wanted to give them, and the staff were top-drawer; they really were. They were so helpful, and in getting it in a timely manner, because I'm always running late for everything. It really was very valuable, and certainly I was very satisfied with the service that I received.

You probably don't know, but the riding that I represent is Huron-Bruce and we're very heavily into tourism. From one end to the other, that's our second-largest industry: tourism. So one of the things that we talk about a lot are wines and how much we do appreciate the service that you provide. But what I want to talk about specifically is that it's my understanding that the French Rabbit was the most successful wine launch for the LCBO. In the riding that I do have the privilege to represent, when we talk about the Tetra Pak fad it's a conversation that is happening all over my riding. Is it a fad? What's the Tetra Pak? What are the reasons for moving in that direction? Just expand on that. And congratulations on the French Rabbit.

**Mr. Olsson:** Thank you for that. We're now releasing Ontario wines as well. I think the question could be answered in two parts. Tamara can talk about the product launch, the results and what we have planned, but I think it's important that you understand the thought process behind the whole strategy of Tetra, which Patrick can supplement Tamara's remarks with.

**Ms. Burns:** As I believe you're aware, the LCBO was given a goal of reducing waste of 10 million kilograms per year. We talked a lot internally about how we were going to do that. Some jurisdictions, like the UK, for example, have been light-weighting glass. We were interested in more innovative solutions, because we've seen that other retailers that used to be predominantly in glass have moved out of glass. Through Bob Peter and our buying team, we challenged our suppliers to go out there and give us what would be the next generation of packaging. We were really after quality in alternative packaging, so we needed to ensure that we could create new vessels that would maintain or enhance the quality of the products inside.

One of our suppliers, Boisset, based in France, was the first to come forward. They had researched a Tetra Pak prisma package which they showed us and had decided, based on our mandate, that they wanted to hold the global launch in our province, which was tremendously exciting for us. The Tetra Pak package is 90% less weight than a glass bottle. It is fully recyclable, and approximately 80% of municipalities can recycle the Tetra Pak package.

We went ahead, and by August—this was in January—we had this product ready to launch, so a tremendous amount of resources by our supplier to do this. They put some great wine in that package and consumers really responded, even though we knew in advance that the majority of our consumers, when polled, were environmentally sensitive, and our most environmentally sensitive were our premium segment, so we knew we had a good match. What came back to us was the convenience, which they just loved. So at the end of

the day what really sold this product was it being light-weight, unbreakable, convenient. You can put it in the fridge, you can put it into non-glass environments such as patios, pools, camping. All of a sudden this product just took off. So because of that success, we were very happy to have additional suppliers come to the table.

Tetra Pak is not our only solution for this. You may have seen that just recently we launched Bilyara, which is the next generation of PET, a great wine from Wolf Blass in Australia, which is again a completely new package. PET is 100% recyclable, goes into great things like polar fleece, so it also has a higher after-market value for the recycled material. So along with aluminum, we're doing more in aluminum cans. We're doing spun-aluminum bottles. We've ended up going from zero to 79 products in our marketplace in just a little bit over a year and with great reductions already in our waste savings. So we're really pleased with the program.

**Mrs. Mitchell:** That has been very successful. I can tell you that the tourists are certainly embracing the Tetra Pak. Thank you.

**The Chair:** Mr. Parsons.

**Mr. Parsons:** Part of my riding includes Prince Edward county, which is well on its way to becoming the wine-making capital of the world. You may want to make a note of that. Literally eight years ago, there were no wineries in Prince Edward, and I think there are now 12 quality wineries, which, to me, is phenomenal in an eight-year period.

Certainly there was some concern among the wineries when they first started. Will they be able to get listed with LCBO? Will they be able to work with your rules? Because you're a very large organization. Then I noted with some pleasure last week that the Grange, one of the wineries in our area, is now listed with LCBO. The other wineries are saying very good things about you, and you should be complimented for that.

Winemaking is certainly a very important part of my community, and it's just part of your business, but what is LCBO doing to encourage the domestic winemaking industry?

**Mr. Olsson:** That is an extremely important part of our mandate. It's actually in our strategic plan. Tamara is our principal spokesman on this. I'll ask her to speak to it. But I will confirm that I have noted that Prince Edward county is to be identified as the wine-producing capital of the world.

**Mr. Parsons:** Of the world, yes.

**Mr. Olsson:** Thank you, Mr. Parsons. Tamara.

**Ms. Burns:** So that I don't spend a tremendous amount of time talking to you about this, Patrick has a handout, just a one-pager, that does recap our key activities for the Ontario wine industry. We do, by the way, have two wines coming out from Prince Edward county, so we have one that is on our Go to Market program, which is our entry level program for small Ontario wineries. Vintages has also purchased a wine for release from Prince Edward county, and we'll be doing a buying trip to your region in September. So we're looking forward to purchasing even more products.

We have a number of supports for the Ontario wine industry to promote sales. It's both on the sales side but also in-store, with every single person who works in our stores being trained about Ontario wine. In addition to that, we have, in close to 300 stores, LCBO employees who are designated their local Ontario wine advocate or what we call their WOW leader, to promote Ontario wine sales in those stores. It goes all the way from our buying programs, which from the smallest level is a winery delivering to perhaps five stores around their winery, all the way through to access to 600 stores, which goes through our regular distribution channel. In discussions with those wineries, we determine which program is right for them. We have nine different Vintages programs that are designed to work with Ontario wineries, and then we also have seven programs through the wines category, which is a much larger vehicle from time to time for Ontario wine. We graduate programs through, starting them off with Go to Market, then to Craft, which will give them up to 60 stores to work in. It's really a learn-as-you-go type of program.

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We also buy premium wine from Ontario wineries through a premier program, because Ontario wine is lagging behind imports in its overall share of the market in wines greater than \$12. So we know that we need some specific programs just targeted to premium wines to bring them up to the same rate of sale as imported wines. We have a huge raft of promotional programs that we do. Ontario wine is the only region that has an annual promotion at the LCBO. It's in September every year, which coincides with harvest. We also provide numerous discounts and ways of offsetting costs, such as freight costs waived and licensee sales discounts. So there's a raft of programs, and I think the handout will assist you with that.

**Mr. Parsons:** Time left?

**The Chair:** Two minutes.

**Mr. Parsons:** A quick question, then. I sometimes decide which gas I'm going to buy based on their incentive programs: whether I'm going to get air miles, or whatever, and the competition. I actually haven't had a drink since 1971, which means for 25 years, folks, I've been the designated driver who enabled you to stay in business, and I've done my best at that. But I see you have an air miles program. Why an air miles program when there isn't competition to attract someone from one store to another? Why the air miles?

**Mr. Olsson:** That's a very good question, and the answer, I think, is quite sound. Bob?

**Mr. Peter:** Air miles serves several purposes. One, it rewards customers for shopping with us. There are not too many other bonuses you get for shopping with us. But, more importantly, it provides an outlet for our suppliers to give a bonus for buying their particular product. We hold the price at the same price, but you get additional air miles. The third thing that benefits us, and we use tremendously, is for market research. We're able to track our customers, what stores they shop in, what the

size of their basket is. It gives us tremendous market research, and it pays for itself in dividends on that side.

Two, it provides a huge outlet for suppliers. Rather than having to give LPOs or prices, they can use air miles. They like it. Third is that the customer gets a win for it.

**Mr. Parsons:** Makes sense. Thank you.

**The Chair:** Thank you, Mr. Parsons. That concludes the time, so now the official opposition will go. Ms. Scott.

**Ms. Laurie Scott (Haliburton–Victoria–Brock):** Good morning, and thank you very much for appearing here before us today. I'll follow up a little bit on Mr. Parsons's topics. You had handed out the Ontario Wine Industry report, and we've seen some statistics about the decrease in the domestic sales that has been occurring. I know the Ontario wine strategy is out there and has a target of 50% of sales being Ontario wines by 2008.

I just wondered. There have been a lot of questions about having more shelf space in the LCBO, and I know that my colleague—and he's the Chair of the committee today—Tim Hudak introduced Bill 7, the VQA Wine Stores Act, in 2005. There is obviously a need to help promote domestic product, and I know that you're getting there, but do you have any idea of the Ontario wine sales that may occur, or the increase that you forecast to see, based on some of your promotional programs that you have here?

**Mr. Olsson:** I'm going to pass this to Tamara, but I'd just like to re-emphasize that we work very hard to promote Ontario wines. The lacklustre sales growth is not in fact demand-driven, and it's not a product of LCBO policy. As you probably know—certainly the Chair would know—we've had two short crops, and it has been very, very difficult for Ontario wineries to provide us the quantities that they need and that we would like. That's just something we're been working with the industry to deal with, including a whole new shelving program.

On the topic of VQA stores, that's really a government decision. It's not our decision, but we would assert that Ontario wines can stand up to the best the world has to offer, and we believe that they're best shown in competition. We have had made tremendous progress within our system. Knowing that customers can purchase wines from anywhere in the world in our stores, they choose Ontario wine, and we help them arrive at that conclusion.

Tamara?

**Ms. Burns:** Ontario's share did grow last year, and that was absolutely terrific. Of the last three years that we've been in this project, Ontario wine sales have grown in excess of imports for two of the three years. Currently, we're into period 6, and for this year to date, Ontario wine sales are also outpacing imported wine sales; not by a lot but by a little bit, which is absolutely fantastic and exactly what we want to have happen.

As well, Vintages sales, which are not tracked as part of the 50-50 project, have been growing, and they've been growing in double digits. For example, last year Vintages sales grew by about 15%. What's really exciting about that is that it is in a premium price band.

Another one of our goals, particularly a goal of the wine council, is to upsell, cross-sell and to premiumize their offering to the consumer.

**Ms. Scott:** On the sales of Ontario wines, do you have a percentage of the increase of domestic product over imported? Did you say it was an increase?

**Ms. Burns:** Yes.

**Ms. Scott:** They're ahead?

**Ms. Burns:** They're ahead.

**Ms. Scott:** By?

**Ms. Burns:** Right now, at the end of August, fiscal period 6, Ontario is growing at 5% and imported wine is growing at 4.4%, and that's in net dollars.

**Ms. Scott:** What percentage of your sales would be Ontario wines, just to put it in perspective?

**Ms. Burns:** First of all, the way the goal is split is, of the Ontario wine sales in the province, we are 57% of those sales, and the winery retail stores and direct delivery make up 43% of the sales. So that's what portion we're contributing into the overall growth of the market share. For Ontario sales altogether, we are about 30% of the volume and about 24% of the dollars at the LCBO for Ontario wine.

**Mr. Olsson:** Your question was, of the wine that we sell, what percentage is Ontario wine?

**Ms. Scott:** Yes. What percentage would be Ontario wine that was sold by LCBO stores, if you have current data?

**Ms. Burns:** Through the wines category in volume, it's about 30%.

**Ms. Scott:** I thought I had a decrease, it was a lower percentage, but it's around 30%?

**Ms. Burns:** In dollars, it's about 24%.

**Ms. Scott:** I notice British Columbia has set some aggressive targets for promoting VQA wines. In the vintage stores—I can't tell you I frequent the LCBO or the vintage stores a lot—approximately 4% of Vintages sales are VQA wines. Are those correct figures?

**Mr. Olsson:** Sorry, which?

**Ms. Scott:** About 4% of vintage store sales are VQA wines. Is that a correct percentage? These percentages are going around. It seems low, and I just wanted to verify.

**Ms. Burns:** It sounds high.

**Mr. Olsson:** Vintages is the premium. They're not separate stores; the Vintages departments are part of our stores. It's premium wine, and it is a small percentage. If 4% is the number—I'm not sure we do have that number.

There are two issues here. One is, we're trying to work with the producers to produce wines that can compete at the very top level of global wines, which means they will be featured more and more in Vintages. Second, we don't always get the first pick of Ontario wines. For economic reasons, they prefer to sell them at their own winery store or through their own independent stores. So it's sometimes difficult to get the product that we want.

**Ms. Scott:** In the private member's bill that Tim Hudak brought up, it would allow wineries to group together to sell their wines at new VQA stores. Would you have any problem with that possible proposal?

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**Mr. Olsson:** Again, it's a government decision; it's not our decision. Our view—and it probably wouldn't surprise you—is that Ontario wines should, rather than rely on a certain distribution mechanism that may or may not be successful, continue to develop and compete at the global level, and the best place to do that in Ontario is on our shelves.

**Ms. Scott:** All right. Just to recap, what percentage of shelf space is available right now to Ontario wines at LCBO stores?

**Mr. Olsson:** Patrick?

**Mr. Ford:** It varies by store. The way in which we allocate product to shelf space is based on sales within that particular store. We have established a commitment with the wine council and our ministry. It has been in place, I believe, for about three or four years now, where we will over-shelf—in other words, we will provide greater shelf space than what the actual market share of Ontario wine is in a particular market. It's a formula, basically, but for the majority of stores it means about a 4% greater linear footage of shelf space for Ontario wine than what their sales would otherwise warrant. As those Ontario wine sales grow within a particular store, there would be an opportunity for that over-shelving to be expanded in a corresponding manner.

**Mr. Olsson:** You'll also find that if you go into any one of our stores, it's very hard to miss the Ontario wine. They have the most prominent display in any of those stores. They're right there when you walk in the door.

**Ms. Scott:** You feel the marketing is adequate at the moment to promote Ontario wines? I realize there are some new programs out.

**Mr. Olsson:** We can always do better, but we are working as hard as we can to make it work.

**Ms. Scott:** Yes, and there are new wines coming out. I know Mr. Parsons mentioned his riding; I know they're making maple syrup wine in my riding. Go ahead—sorry—if you wanted to make further comment.

**Mr. Peter:** What you're going to see with the new legislation, with the help that the government has just put through for Ontario wines, which makes it more lucrative for them to sell to the LCBO—we'll see a lot more come on, particularly in the premium category, over the next three years, that weren't available to us before. For the wineries, it's a lot better for them to sell than it was previously in the way the pricing formula worked.

**Ms. Scott:** I want to follow up a little bit on the Tetra Pak question. The LCBO ran the program in the spring encouraging all stores to sell French Rabbit wine packaged in Tetra containers, but it was a foreign winery. It was their wine. You gave incentives of movie passes and barbecue sets to promote the product. Do you think that's appropriate for the LCBO to be promoting foreign wines with incentives like that?

**Mr. Peter:** It was an experiment. It worked well. We also offered the same thing to Ontario wineries, and they took it up too.

**Ms. Scott:** How many Ontario wineries?



**Mr. Peter:** Vincor Corp. did it. We did an offset. We wanted to see what it would do, and it worked fine.

**Ms. Scott:** Just on the recycling part of that then, according to Waste Diversion Ontario, only 13% of Tetra Pak packaging was recovered. So 87% ended up in landfills. Of course, then we're shipping the product to Michigan because we don't have the appropriate processing facilities here for that type of packaging. I was questioning how good it was for the environment when there was only really 13% uptake for the recycling.

**Mr. Olsson:** We're very pleased you asked that question, because there is a lot of misunderstanding about Tetra Pak. I'd like Patrick to try to make that topic very clear. Things have changed quite a bit in the last year.

**Mr. Ford:** Thank you, Phil. The 13% figure that WDO—Waste Diversion Ontario—has indicated pre-dates our involvement with this package format. We anticipate, first of all—even separate from any additional efforts that we'll be putting in and we are putting in to promote greater recycling and consumer awareness about recyclability of Tetra Paks—that those numbers will increase substantially.

Part of what suppresses the recycling in a sense, or the rate of recycling for Tetra Pak products—or at least the reported numbers—is that a significant portion, up until now, of Tetra Pak use and consumption has been in children's juice drinks, principally in places like schools. When recycling rates and recovery rates are calculated, institutions such as schools are not included within that kind of calculation, so it's our belief that the number is, first of all, possibly lower than what exists in reality.

But still, whatever the actual number is, it's one that we are committed to getting higher, along with all our strategy for increasing recovery rates. As Mr. Olsson mentioned earlier, we currently have a 64% recovery rate for our products in general. We believe, through our promotional campaigns for encouraging the recyclability of these products, that we will be able to get that number up.

A final point I'd like to make about this product, and this doesn't get in the way at all of our efforts to increase its recyclability, is with respect to it being, as Ms. Burns indicated, 90% smaller in terms of its weight and the actual amount of packaging involved. So even for that amount that ends up being not diverted through recycling, the burden that it puts on the waste management stream is quite small compared to other traditional package formats, particularly glass.

**Ms. Scott:** So we don't have the processing facility here, though, to handle Tetra Pak? Just clarify that point maybe.

**Mr. Ford:** Currently, the way in which processing of Tetra Pak is handled is actually in a facility in Michigan, where it's been for the past year. But in previous years and, we anticipate, in subsequent years too—it's a function that shifts jurisdiction based on the choice of municipalities as to where they will be sending the product. The actual type of facility where it can occur, and did occur until recently, was also in Scarborough. It's essentially a pulping facility that shreds the product and separates its

component elements. Where it exists, it's a market-driven issue and it's not—

**Ms. Scott:** Okay. I'm going to be short of time, so I'll ask one more quick question, if I could. I'm going to bring the BC example in. In their LCBO there, the BC Liquor Distribution Branch recovers about 86% of wine and spirit bottles, and almost the same percentage there of Tetra packaging ends up in landfills. Have you studied that system? It's in connection with glass recycling and BC's recovery. I hear a lot of reports in BC about how there are no bottles, there is no garbage on the sides of the roads etc., because of the incentive programs they have. I just wondered if you'd looked at BC's program and could comment.

**Mr. Olsson:** The aesthetics of a blue box are not something that we have a view on. But it is interesting to note that in Toronto, which has a very effective recycling program, in the curbside recycling for single family homes the recovery rate for LCBO glass is 96%. That number comes from both Stewardship Ontario and an audit by the city of Toronto.

The overall recycling rate in the province for our glass is 64%. In BC, the overall recovery rate is 69%, so we're pretty close to that. The big weakness in the system is multi-family dwellings, and, as one of your colleagues here pointed out, some of the municipalities do not have strong blue box programs. One would argue that you should work on the recovery system in every way possible, but it's primarily the responsibility of municipalities, although we are a founding member of Waste Diversion and Stewardship.

In the meantime, Tetra is a far superior component to glass in terms of its contribution to landfills. I'd just like to be very clear—Patrick alluded to this—that there is absolutely no problem with recycling Tetra in Ontario. It can be easily done. It's just a market choice by the participants to do it somewhere else.

**Ms. Scott:** Thank you very much.

**The Chair:** Monsieur Bisson, 15 minutes for yourself.

**Mr. Bisson:** Already? I was getting so excited.

I just want to come back to the issue of how you come to the decision to open stores. For example, in my hometown of Timmins, there are two stores, one in South Porcupine and the other one in Timmins. The Timmins one is quite full all the time. I'm just wondering, how do you come to the rationale for the need for opening another store? How do we get to that?

**Mr. Olsson:** Bob?

**Mr. Peter:** In large communities, when the sales get over \$2,500, \$2,800 a square foot, that usually triggers us to look at it. As we get capital available to us, we would start to look at additional sites and finding the right site to build the stores. So it's a number of different factors, but certainly when we get above \$2,500, \$2,800.

The LCBO had a large catch-up to do because it didn't have capital for a long time. In the last five or six years we've made major progress in infilling a lot of stores we needed to. We had stores as high as \$5,500 a square foot which we knew we were underservicing. Then we had to

find a location. To take Guelph for an example, we had a store that was \$5,500 a foot. Once we've got a new store there, it's shooting the lights out.

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**Mr. Bisson:** Shooting the lights out?

**Mr. Peter:** Yes, shooting the lights out—doing well.

**Mr. Bisson:** I thought that was—okay. So let's say you have a store at that point. You have a capital program and you—

**Mr. Peter:** One of the things you have to realize is that the LCBO started in a very different era, with counter stores and—

**M. Bisson:** Je me souviens.

**Mr. Peter:** —very small assortments in wine and very small assortments in beer.

**Mr. Bisson:** By over-the-counter; I remember.

**Mr. Peter:** Yes, right. In Moosonee we still have over-the-counter—the only store left in the province. As we've evolved, the design of a lot of these stores is inadequate to house the new assortments of today. So as we catch up, we go through them. It's a catch-up for those stores that need refitting. And then, as the population grows in Ontario, just doing the 905s and the Ottawa areas that have been growing—

**Mr. Bisson:** I guess my question is, when there's a need to open a second store, is there a competition for a little amount of capital dollars, or how does this work? That's my question.

**Mr. Peter:** We have a list. We have a real estate committee that looks at all the different options, where the best return is, where the best is from the customer point of view, and we tackle them that way.

**Mr. Bisson:** So you have a list. Is that rated in any way?

**Mr. Peter:** Yes. We go through them.

**Mr. Bisson:** Can we get a copy of that list?

**Mr. Peter:** We can show you what we're working on, sure.

**Mr. Bisson:** Will you add that to my list of questions, please?

I guess the follow-up is that you would be obviously prepared to meet with the local municipal people if they wanted to talk to you about this.

**Mr. Olsson:** Yes, we always entertain them when they wish to do that. We review our market strategy and accept any input that they might have. It wouldn't surprise you that municipalities never feel we have enough service.

**Mr. Bisson:** In fact they closed one down, but that's a whole other story. Anyway, let's not go there; we lost that battle.

So you've explained that. The other thing is that on the BASR recommendations the minister was pretty categorical in saying, "We ain't going there." This is dead, in your view? From within the agency, you guys aren't doing anything to encourage the privatization of LCBO outlets?

**Mr. Olsson:** Number one, as I've said before at this committee, it's a shareholder decision; it's not an LCBO

decision. But we have been made to understand clearly, as has the public, that there is no privatization planned. It's not being considered. There's no work being done. It will not happen under this government.

**Mr. Bisson:** In regard to agency stores, however, we see an increase in the number of agency stores being opened up. You're left scratching your head, saying, "What you can't do from the front door, maybe you're doing by the back door." We're going to get into that a little bit later, but what is the rationale for determining when to open up an agency store and not open up an LCBO store if the numbers are there? Because there are examples out there where you've got agency stores that are selling in excess of half a million dollars' worth of product, and from what I understood earlier, a mini-store is anywhere from \$200,000 up to \$2 million. So what's the rationale?

**Mr. Olsson:** First I'd like to make clear that we have two types of agency stores, as you would know and perhaps not everyone would. We have the northern stores, which have been around for quite a long time, and you'd be well acquainted with those. Simply because of distances and populations in the north, that's the only effective way to do it. There is an agency store system in the south. We recently announced 20 additional stores, and they're mainly a convenience factor. They're designed to meet needs where the distance to a corporate LCBO store is sufficiently long that one can justify a small agency store in a local community. It's important to these communities too, because in many cases they're attempting to preserve a fragile central business district, and if their citizens drive to a larger municipality some distance away to shop at an LCBO store because they can't acquire the products in the local community, then they may end up going to a Wal-Mart and a Loblaws and other things, further weakening the local business economy. So we tend to be aware of that, but it is a convenience.

**Mr. Bisson:** What is the policy, though? You said "the distance to an existing LCBO outlet." Is there a specific policy that you rely on, and if so, can we get a copy of that policy? What is it and can we get a copy?

**Mr. Olsson:** There's not a policy per se, but at the moment we are not approving agency stores less than 10 kilometres away from an existing LCBO store.

**Mr. Bisson:** It used to be more than that at one time, didn't it? It seems to me there was a policy of 15 or 20 kilometres or something.

**Mr. Olsson:** I'm not aware of it being greater than that. There's an understanding that we have with the Beer Store as well that's a slightly separate standard, that it would be a drive time rather than an actual distance. But it's equivalent, effectively, to the 10-kilometre rule. That rule hasn't always been in place, but it's certainly in place currently.

**Mr. Bisson:** Has there ever been an incident where you've determined, after opening up an agency store, that in fact there are sufficient sales in order to open an LCBO outlet, and if so, how would you approach that?

Let's say, hypothetically, you open up an agency store in community X, you have sales of a million bucks or \$800,000 or whatever it might be, and you come to a conclusion, "Hell, we can be doing this ourselves."

**Mr. Olsson:** A licence is for a limited period, of course, so they don't have to be renewed. Bob, are you aware of any such circumstance?

**Mr. Peter:** We haven't done any yet, but there are one or two that would probably qualify for that right now.

**Mr. Bisson:** That's why I'm asking.

**Mr. Olsson:** That will need to be addressed.

**Mr. Bisson:** Why wouldn't you do it? You'd make more money, right, or we would make more money, collectively.

**Mr. Olsson:** We would. As I say, the southern agency store program is still relatively young, so it's only now that we're beginning to address some of these areas.

**Mr. Bisson:** So you're saying that you're opening 20, and that's over the next 12 months, or—

**Mr. Olsson:** The locations have been approved. We publish a tender, then people present their qualifications and hopefully we can find a qualified applicant in each community.

**Mr. Bisson:** Do you have any plans in the next 12 months to open any more than those 20?

**Mr. Olsson:** It's strictly a decision of the government's. If they indicate a receptiveness to doing that, then we'll consider it. There are always underserved communities in Ontario.

**Mr. Bisson:** So you're saying the decision to open agency stores is not one of the LCBO itself, but of the government?

**Mr. Olsson:** It's ultimately a policy decision, but no, the government doesn't pick the stores or say how many.

**Mr. Bisson:** No, I understand you pick them, but you're saying the decision to open the 20 is a decision of the government, not of the agency.

**Mr. Olsson:** No, it's our decision, but we have to have the approval of our minister to do it. As I say, there's a long list of underserved communities.

**Mr. Bisson:** Okay, I get it. So over the next 12 months, other than the 20—I don't think I got an answer—are there any other stores that you're planning to open as agency stores?

**Mr. Olsson:** At the moment, we're not, but there is a long list of underserved communities, and we continually review that and discuss with our minister what our attitude should be.

**Mr. Bisson:** How many LCBO outlets are you currently planning to open in the next 12 months?

**Mr. Peter:** There are about maybe six new ones and about 12 that are relocations, redevelopments, and then there are about another 15 that are renovations to the existing store and expansions to it.

**Mr. Bisson:** So your market surveys are determining there's a greater need with the increase in population or whatever, and you are opening up new LCBO outlets. Are you closing any down? Is it a question of shutting two down to open one? What's the plan?

**Mr. Peter:** Often, we'll take a small store and relocate it to a much bigger location, so we do close stores down and move them around, yes.

**Mr. Bisson:** I recognize that, but of the six new ones that you're opening, are these brand new stores?

**Mr. Peter:** Yes, in places like Aurora, Richmond Hill.

**Mr. Bisson:** What's the policy for the sale of alcohol, spirits, to the agency stores? Where do they get their stuff from? I understand it's the local LCBOs, right?

**Mr. Olsson:** Correct.

**Mr. Bisson:** So, for example, Opasatika, which has an agency store, would buy from Mattice or whoever it might be. Is that always the case?

**Mr. Olsson:** Yes, it's FOB, an LCBO store.

**Mr. Bisson:** Basically all of the agency stores, then, get it from the local LCBO?

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**Mr. Olsson:** Yes. I suppose they can buy from depots if they wish.

**Mr. Ford:** We have one exception to that currently where we've provided the option to a particularly large agency store operator to purchase from and have it delivered from our customer service depot in the west end of Mississauga. So the nearby supplying store—that business has been transferred to the fulfilment of orders by our staff at one of our depots. From an efficiency perspective, it makes more sense. We sometimes have circumstances where the volume—because of incremental sales generated by some agency store locations where it's difficult for a local supplying store to handle so much wholesale traffic, it makes more sense from a business perspective to direct it that way. We have one store operating that way so far, in Beeton, and we do charge.

**Mr. Bisson:** You said in Mississauga. I didn't hear where.

**Mr. Ford:** The supplying location is our warehouse in Mississauga.

**Mr. Bisson:** No, the agency store is where?

**Mr. Ford:** It's in Beeton. And we charge the operator of the agency store a fee for the packaging and shipment of those—

**Mr. Bisson:** Does that result in any job losses in a local store? In our area, we have a number of agency stores in the northern part, and part of their work is supplying to the agency stores. Obviously, if you direct source, that would affect the number of jobs available in those communities.

**Mr. Olsson:** The depots are employees of the LCBO as well.

**Mr. Bisson:** I understand that, but what I'm saying is that in a small community somewhere, if you start sourcing to the central warehouse, you would need less staff in those other stores. In some communities, there are not a lot of jobs. For example, if you look at Smooth Rock Falls, they closed down the only employer there. I'm just asking, does this result in job losses in the local stores?

**Mr. Olsson:** We don't actually believe that it does. It's a rather theoretical argument. We certainly have undertaken as part of our collective agreement not to reduce jobs as a result of agency stores.

**Mr. Bisson:** I think what you said is you don't have a policy and then I saw you nodding your head that you do have a policy on how you come to the decision of opening agency stores. I just want to make it clear: Do you have written policy on that? You have to. I can't understand that you wouldn't. You must have something.

**Mr. Olsson:** We run the LCBO as a business—

**Mr. Bisson:** Quite well too.

**Mr. Olsson:** —and we pursue these things in business terms. Perhaps whoever was nodding their head could explain what policy we have.

**Mr. Ford:** We don't have a specific policy on those locations aside from, as Mr. Olsson indicated, a 10-kilometre requirement. In the process that we're going through right now for the 20 new stores that were recently announced, we consult with the local municipality to ensure their support before we will advertise for prospective operators. But we're continually in the process of receiving from local businesses, local consumers—sometimes it's prospective operators or sometimes it's local members—the requests for those.

**Mr. Bisson:** That's what I was wondering.

**Mr. Ford:** We look at those requests. We assess them on an ongoing basis. We share that information with the government as well. As Mr. Olsson has indicated, from time to time there's a decision taken that, of those that seem to have the greatest potential, there would be further stores opened.

**Mr. Bisson:** So the process at times—I'm out of time. We'll get you later on. Thank you.

**The Chair:** Thank you, Monsieur Bisson. The remaining seven minutes will be on the government side. Ms. Smith.

**Ms. Smith:** Just following up on some of the questions on agency stores, I just wanted to ask, when we discussed earlier about customer satisfaction and the surveys you do, is there a segregated amount of customer satisfaction review of agency stores or are they falling into the mix? Do you ask anything specific around agency stores? If the answer is yes to any of those, do you have any data on general customer satisfaction with the agency, the availability, that kind of thing?

**Mr. Peter:** We measure the agency stores as we do our own stores. The store managers who are responsible for the agency stores are required to visit them on a regular basis and look at the social responsibility and how they're presenting the merchandise. We do monitor them, but I don't think we send our shoppers in there.

**The Chair:** Mr. Milloy.

**Mr. John Milloy (Kitchener Centre):** My apologies for being late this morning. It was the first day of school and I was opening a brand new school in my riding, so I wish them well.

I want to ask about the LCBO. I'm always fascinated, as I'm sure most Ontarians are—are you the largest purchaser of alcohol in the world, or one of the largest?

I guess that's a bit of a double-edged sword. On the one hand, obviously it gives you the power to presumably seek very good prices in terms of the quantity that's being purchased, but at the same time there's managing inventory, inventory build-ups, that sort of thing. I was just remarking to one of my colleagues that I had been in an auto plant on a tour the other day and they kept their inventory of parts to four hours' supply because they wanted to keep their costs down. I just wondered, how does the LCBO deal with the buying of such large quantities and making sure that you're not stuck with these overhead costs of having huge amounts of inventory?

**Mr. Peter:** We don't have huge amounts of inventory; that I can tell you. I've made sure of that. But we're turning at 7.6 turns from four years ago, when we were turning at 5. What that means is, we're \$100 million less in net inventory. So we're doing \$1 billion more in sales than we were five years ago with the same inventory we had five years ago.

*Interjection.*

**Mr. Milloy:** Maybe I'll help Mr. Bisson and ask, how does that happen? What's been the secret of the success?

**Mr. Peter:** That's all the efforts we put into redoing our supply chain with the category management training we did and reformatting how we came at it. It's how we planogram our stores, how we flow the goods to our stores. We've taken stores that were getting once-a-week delivery and are getting anywhere from two to four deliveries a week now. There's just a whole list of different things. Rather than buying huge amounts of goods, we now have several boats en route from Australia with the same goods at intervals all the way along, so we're flowing them a lot faster than we used to.

So, to your point of what's on hand, the average store carries about three weeks of supply on hand. Likewise, they carry about three weeks in the distribution centres.

Tamara may want to—she lives and dies this every day.

**Ms. Burns:** We have really focused on inventory management, understanding that that's our largest cost to the system. We've worked collaboratively with our suppliers. We know we can't do this alone; we have to have their co-operation. We do a lot of collaborative planning. Promotional planning, in particular, is key. Because we put so many products on different levels of promotion, we have to be able to forecast that very accurately, all the way through to ensuring that it gets produced and ships on time. I think part of the secret to our success has been working so well with all of our trade partners.

**Mr. Milloy:** You mentioned three weeks' supply in the stores. What was it—I'm sorry; I forget the base year you had. Was it seven years or 10 years ago? How much would have been in the stores then? I mean, has there been a conscious effort to get it down?

**Mr. Peter:** It could have been six, seven, 10, 12, whatever: 20 weeks.

**Ms. Burns:** As well, there wasn't a specific store standard, and now we work to standards across all the regions and the stores. Everyone has their target.

**Mr. Milloy:** Do I have time?

**The Chair:** You have two minutes left.

**Mr. Milloy:** Then I'll turn it over to Mrs. Mitchell here.

**Mrs. Mitchell:** Thank you very much. I really do appreciate all the work that you have done in inventory control. As we all know, coming from business backgrounds, that's the only way that you increase the bottom line. But we achieve our maximum by working with our workforce, and I know that you have done a tremendous amount of work to ensure that your workforce is productive. I would like to give you the opportunity to expand on that.

**Mr. Olsson:** First, you'll have the opportunity to question our bargaining unit officials later today, so you should ask them for another view.

**Mrs. Mitchell:** I will.

**Mr. Olsson:** But we are quite proud of the way we work with employees, and I would ask Bob if he could make a comment.

**Mr. Peter:** One of the neat things in the LCBO is that we have very low turnover rates. We're blessed with having a very stable workforce who are very knowledgeable. Likewise in management, we have a very stable management group with very minimal turnover. That's part of the reason for the success: the huge knowledge base the people have.

We do employee attitude surveys every two years. We've just completed one in June, and the results came back that satisfaction is the highest it's ever been. We're not saying everything's utopia, but generally the people identify very strongly with the LCBO and the success of it. It's training, communicating and working with the team. But we have good relations with—

**Mrs. Mitchell:** The satisfaction is up, so what would you say was the major contributor to the satisfaction being up?

**Mr. Olsson:** In my observation as an observer from the outside, the average LCBO employee has a great deal of autonomy, and with the badge comes the gun as well. They are expected to enforce our social responsibility rules, and they take it very seriously. We have always believed that management get the employees they deserve, and the management I think takes care to delegate as far as possible down the chain decision-making by our people. It makes, by and large, for a very satisfying work experience. Certainly at the management level, which I observe most closely, that's the case.

**Mrs. Mitchell:** Thank you.

**The Chair:** That concludes this segment of the agencies meeting for today.

Just two concluding observations on the morning session. First, I'm going to ask government members just to consider as we go forward through the day, and then the subsequent two days, about the report-writing down the road. We have an opportunity to do a broad-based report. In my view, as Chair, the preference is to do a narrow report to focus on a particular area. The topics that I've noted came up the most tended to be around

recycling or Tetra Paks; domestic sales; the social responsibility mandate; fourth, a broad category of shopping experience, remote communities, customer satisfaction; admin costs and governance. The sixth one is, agency stores had a lot of questions.

In my view, if you cover all six topics, that's a pretty big report. What I'm going to do is have the clerk contact the subcommittee members to try to do a call next week, if we want, to try to focus. So I'd ask committee members to liaise with their subcommittee representative to see if you have preferences for the categories for the LCBO, how to run an OLG. As I said, I'm not going to restrict where the committee goes. We can do a big report, but I think what would be most productive at the end of the day is to narrow in on some of those categories.

I'll leave that for the time being. I'm glad to speak with members over lunch as well about that viewpoint. Again, the clerk will contact subcommittee members to arrange a call later next week.

Lastly, to Mr. Olsson and the team from LCBO, thank you very much, first of all, for being here today, appearing before the committee for two hours, and all of the work that I know was involved in putting together these binders. I certainly had a chance to work with many of the folks here very closely as a former minister. It's good seeing them again. Congratulations on the work achieved to date. Continued success.

Mr. Olsson, I would ask as well if some representatives would be able to stay here and maintain a presence during the day in case committee members—it's not a formal part of the agenda to ask questions, but there may be something that would come up from one of the deputants in the afternoon that may require clarification. So if you have the opportunity to leave some folks behind, that would be entirely helpful.

**Mr. Olsson:** We will be represented in a senior way today. Again, thank you, Mr. Chair, for a very efficiently run meeting.

**The Chair:** Thank you, sir. We appreciate it.

We are recessed until 1 p.m., same committee. Thank you, folks.

*The committee recessed from 1203 to 1304.*

**The Chair:** All right, folks, we are back in session for the second half of our review of the Liquor Control Board of Ontario as part of the business of the standing committee on government agencies. As members know, we now proceed into hearing from groups that are interested and have advice for the committee on the LCBO.

The format we're going to follow going forward for the afternoon is to invite our presenters to make a presentation, opening remarks, of up to 15 minutes—your call if you want to use all that time or not. We will then divide the time remaining in that half-hour segment equally among the caucuses. I'm going to begin, as I did this morning, with the government side and rotate. And then, for the second deputation, it will be the official opposition and rotate. So our traditional method of rotation will be followed for the afternoon session.

Last item for members: Just to remind you that beginning at 4 p.m., we do continue with the review of two intended appointments. Gemma Harmison and David O'Brien are on this afternoon, so we won't forget about that. Folks, thank you very much.

**ONTARIO PUBLIC SERVICE  
EMPLOYEES UNION**

**The Chair:** We have the Ontario Public Service Employees Union. Thank you very much for your patience. Ms. Casselman, good to see you again.

**Ms. Leah Casselman:** Nice to see you.

**The Chair:** I'd ask you, before you begin, to introduce the others who are with you, if they'll be making any remarks, and then the floor is yours.

**Ms. Casselman:** My absolute pleasure, and we're really pleased to be here this afternoon. Thank you very much. I am Leah Casselman, president of the Ontario Public Service Employees Union. With me here today is Jo Ann Fisher, who is the acting chair of OPSEU's liquor board employees division; Mike Sullivan, who is the vice-chair of OPSEU's liquor board employees division; and Terry Moore, who is our sector supervisor responsible for that division.

OPSEU has the privilege now of representing the more than 6,000 LCBO employees in the province of Ontario. We're really delighted to have them as part of our union. They certainly have been part of our national union for a number of years, but we're pleased to have them inside our house here in Ontario. We're also pleased to be able to share our perspectives, both on the important contributions the LCBO makes to Ontario communities and on some significant challenges it faces, now and in the future.

I want to start with a point that I am sure LCBO chair Philip Olsson and its COO, Bob Peter, made this morning: that the LCBO represents a unique success story for the provincial government and for Ontario communities. I recognize that that statement may come as a surprise. As many of you know, I have not been making a regular habit of singing the praises of employers, or, quite frankly, agreeing with them in public. But the fact of the matter is that as a publicly owned and operated government agency, the LCBO delivers exceptional value to the people of Ontario.

To start with, the LCBO has an important mandate to ensure that alcohol is sold in a way that reduces the risk of health and social problems in Ontario communities. In 2005-06, for example, trained LCBO staff challenged more than 1.7 million customers who appeared underage or intoxicated. I was not one of them. That's an average of roughly 4,700 challenges per day. Of this total, our members refused to serve 112,000 people—or more than 300 each day—mostly for being unable to provide valid proof of legal age.

The LCBO has also become a world-class retailer, providing excellent customer service and convenient access to thousands of products across the province.

Finally, the LCBO generated \$1.2 billion in provincial government revenue last year, not including taxes. Over the past five years, the total is more than \$5.2 billion. These funds help the province pay for vital public services on which our communities rely.

The LCBO has shown a remarkable ability to provide a reliable and growing stream of public revenue and deliver good customer service while protecting the health and safety of Ontario communities. This success is a direct result of the LCBO's status as a publicly owned and operated agency of the province.

This brings me to the single greatest challenge facing the LCBO: the threat of privatization. The case against privatization is clear and convincing. It reflects the experience of many other jurisdictions, which shows that privatization means more liquor stores open longer hours, selling more booze to more people. It means more sales to minors, more drinking and driving, more crime, and more health and social problems. What's more, in many jurisdictions, including Alberta, privatization has meant higher prices and lower government revenue. In the 10 years following privatization in Alberta, the government lost more than \$500 million through reduced alcohol taxes. Why? Because, despite what business lobbyists claim, a private system is not about customer service or government revenue or public health and community safety; it is about generating profit, and if that means prices have to go up and governments have to cut taxes, so be it.

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Of course, I'm not a scientist, and even if I were, we don't have the time to go through the huge body of research on the dangers of privatization. So instead, let me quote from a report written by eight leading research and public health organizations, including Ontario's Centre for Addiction and Mental Health, the Ontario Public Health Association and Mothers Against Drunk Driving. After reviewing the evidence, these groups concluded:

"Maintaining public alcohol retail distribution systems with a strong duty of social responsibility is one of the most effective ways of minimizing harm caused by alcohol...."

"Public systems are typically more restrained than their private counterparts in promoting alcohol sales and more likely to aggressively challenge and refuse to sell alcohol to underage youth and the already-intoxicated."

Of course, good public policy doesn't stop bad politics. After all, with the LCBO's annual sales topping \$4 billion, there's a lot of cash on the line. That might explain why industry groups, expert panels and private think tanks keep churning out proposals to turn the whole show over to the private sector. In Ontario, the most recent example was the government's own beverage alcohol system review panel. Last July this panel called on the government to auction off the LCBO's existing stores and warehouses to the highest bidders, hand the system over to private corporations and limit its role to licensing, regulation and enforcement of a fully private,

for-profit system. Fortunately, saner heads prevailed and on July 18, the same day that the panel's report was released, finance minister Greg Sorbara made the following statement:

"Let me be clear—we are not selling the LCBO. We will not turn the LCBO into an income trust. And, we will not permit the selling of beer and wine in corner stores.

"It is our very strong view that the public interest of Ontarians is best served by the continued public ownership of the LCBO."

Here again I may have to surprise some of you, this time by congratulating the government for making the right decision. But there's just one problem: While the government closed the front door to outright privatization, it has deliberately held the back door wide open to a gradual privatization by stealth. What I am referring to here is the LCBO's expanding network of privately owned and operated agency stores.

Under the agency store program, the LCBO licenses or franchises existing private businesses, usually grocery stores or general stores, to sell beer, wine and spirits. The program was started in the 1960s to serve remote northern communities that did not have reasonable access to a nearby LCBO store and where the market would not sustain a regular LCBO outlet. In the early 1990s this program was extended to communities in the south, and since then it has grown exponentially. Between 1995 and 2005, the number of agency stores more than doubled, from 82 to 194; total agency store sales jumped by 360%, from \$17 million to \$78 million per year; and average sales per agency store have roughly doubled, from \$207,000 to more than \$400,000 annually.

The rapid growth of the agency store program is a threat to Ontario communities for all the reasons that outright privatization is. So let's be clear: An agency store is a private business whose owners have a direct stake in maximizing alcohol sales and profits. This interest will always be in potential conflict with the local community's need to prevent alcohol-related problems, including drinking and driving and sales to minors. And while LCBO policy requires agency stores to train staff in social responsibility and track challenges and refusals, the reality is that the LCBO's system for monitoring agency stores is not up to the job of ensuring that they don't sell to kids or people who are intoxicated.

The fact is that alcohol is not just another consumer product like orange juice or Froot Loops. It should not be on sale in stores that serve people under the age of 19. Presumably, that is why Minister Sorbara committed his government to keeping beer and wine out of corner stores. But most agency stores are corner stores or grocery stores or gas stations. That's why it is so troubling that in May of this year the Ministry of Public Infrastructure Renewal announced plans to open new agency stores in another 20 Ontario communities. This decision violates a pre-election commitment by Premier McGuinty to stop further expansion of the number of agency stores and it runs directly contrary to the clear

evidence of the public health risks. Or, to put it differently, the continued growth in the number of agency stores, whether consciously or not, amounts to a government policy of turning a blind eye to the health and safety of our communities, including the risk of increased drinking and driving and sales to kids.

This immediate risk to communities is only compounded by the threat agency stores pose to existing LCBO outlets. The original rationale was that agency stores were necessary to serve communities that could not be served by a regular LCBO store. But over the last decade, agency stores have been cropping up within 10 or 15 kilometres of existing LCBO outlets or in communities where sales are more than sufficient to support a regular LCBO store. A classic example is Beeton, just south of Alliston. A private agency store was opened in the local IGA, even though there is an existing LCBO store just 11 kilometres down the road in Tottenham. What's more, in its first year, the Beeton agency store did more than \$1 million in sales, more than enough to sustain a regular LCBO outlet.

There are other ways that agency stores undercut the LCBO's regular outlets. For example, agency stores are permitted to open from 8 a.m. to 11 p.m., Monday to Saturday, and from noon, of course, till 5 p.m. on Sundays. That's a maximum of 83 hours per week, while the LCBO has cut back the hours of many of its own stores in nearby communities, often to 56 hours a week or less. The LCBO is also ordering many of its own stores to close one day a week between September and May. Many agency stores are also allowed to open on public holidays when nearby LCBO stores are closed, and this when police are mounting a special effort to stop drinking and driving.

Taken together, these policies all put the LCBO's own stores at a competitive disadvantage to private agency store operators. This denies communities access to a full-service LCBO outlet, it undercuts the LCBO's social responsibility mandate and it threatens the future of the LCBO's network of public stores.

The final problem that I want to mention is the complete absence of transparency and public accountability in the approval of new agency stores and in the renewal of existing agency store licences. The theory is that the selection of a host community requires community approval. In practice, however, there is no policy requiring public notification or public hearings and no set process for local approval, such as a vote by municipal council. Following a technical review, the final approval of any community is made by the Ministry of Public Infrastructure Renewal, but here again, there is no clearly stated policy for how such decisions are made. Finally, the selection of the individual store operator is made by the LCBO through a competitive bidding process, once again with no mechanism for local input. Simply put, this is no way to regulate a program that could affect community health and public safety.

Our recommendations are as follows: The public has a clear interest in maintaining and strengthening the

LCBO's mandate as a publicly owned and operated, socially responsible alcohol retailer. Against this standard, the current agency store program just doesn't measure up. OPSEU is therefore calling on the government and the LCBO to take a number of immediate steps which are outlined in the written document we have prepared for you today. These steps include declaring an immediate moratorium on all future agency store openings, including those announced on May 15 of this year, pending a thorough public review of the agency store program. This review should include public hearings in smaller communities served both by LCBO stores and private agency stores and focus specifically on the implications of the agency store program for public health and community safety, the LCBO's social-responsibility mandate and the LCBO's future as Ontario's public alcohol retailer.

In the meantime, we propose several immediate policy changes, including preventing existing agency stores from maintaining hours of operation that exceed those of neighbouring LCBO stores; ensuring that all agency stores are supplied and monitored by the closest regular LCBO store; replacing existing agency stores with regular LCBO stores where the current or projected agency store sales volumes meet the minimum level to sustain an LCBO-run outlet; developing alternative models of small LCBO-operated outlets, such as LCBO kiosks, to replace existing agency stores in areas that are underserved but not able to sustain a stand-alone LCBO store.

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If after the public review it is decided to continue the agency store program, the government and the LCBO should introduce regulations requiring prior public notification in the local media, public hearings and approval by a vote of the local municipal council for both a selection of any future agency store host communities and the approval of any individual store operator. There should also be regulations ensuring that no new agency store location will be considered unless there is no existing LCBO outlet within 15 kilometres, the community cannot be served through an existing LCBO store, current and future demand is not sufficient to sustain either a regular stand-alone LCBO store or an LCBO-operated kiosk, and the approval of an agency store will have not put other area businesses at a significant competitive disadvantage.

Finally, it should be a clear condition of the approval of any future agency stores and the renewal of any existing agency store licence that no agency store will be located in a host business or in a location that could raise risks regarding social responsibility, including the risk of increased sales to minors or drinking and driving; and that any agency store will be replaced by an LCBO-operated outlet if and when its sales volume reaches a minimum level to sustain either a regular LCBO store or an LCBO kiosk.

It is OPSEU's view and that of the members of the LCBO, our own division, that these proposals offer a reasonable framework for reducing the risk that the

current agency store program poses to Ontario communities.

I'd like to thank you again for this opportunity for making this presentation. We would be pleased to answer any questions that you may have.

**The Chair:** Outstanding, Ms. Casselman. Thank you very much for the presentation. It gives us just slightly over four minutes per caucus, beginning with the government. Any questions or comments? Ms. Smith.

**Ms. Smith:** I'd just like to start by talking about your own employees for a minute. My understanding, through the testimony of Mr. Olsson this morning, is that the LCBO did an employee attitude and satisfaction survey. I just wanted you to confirm for us that in fact the satisfaction of your employees in the LCBO has increased in the last year over the previous survey.

**Ms. Jo Ann Fisher:** We haven't seen that survey yet; the results have not come back to the liquor division. To tell you the truth, we have a majority right now of casual employees at 60%, so it would be interesting to us to see who was satisfied, whether it was full-time or casuals.

**Ms. Smith:** Generally speaking, in the surveys that you've had in the past, your employees have been satisfied with their work environment?

**Ms. Casselman:** Who wouldn't like to work in a liquor store? The point is—

**Ms. Smith:** I'm asking the question. There's a survey that's done, your employees have responded. Obviously you know some of the results.

**Ms. Casselman:** We'd like to see the results of the survey.

**Ms. Smith:** If you haven't seen the most recent one, perhaps you could comment on the previous one. Generally speaking, the satisfaction of your employees is quite high?

**Ms. Casselman:** The satisfaction of the employees who have full-time jobs would be high. For those who are having to hold down two or three jobs, one of them being working at the LCBO, it is not high.

**Ms. Smith:** Okay. Ms. Mitchell?

**Mrs. Mitchell:** I just wanted to expand on the agency stores, and just for a second I want to talk about how in Huron Bruce we were successful in a couple of agency stores and how important that is to our communities. Our downtowns are really struggling. Our hamlets, villages—in rural Ontario we are losing our population and our business community is struggling. What I hear from my constituents is the need for anchors, so I guess my question—and I'm going to get to the question—is, do you not feel that the agency stores do draw the customers and traffic and that that does act as an anchor for rural Ontario?

**Ms. Casselman:** Having had a lot of experience with anchor jobs across the province, clearly when you have a full-time job with benefits, you not only anchor full-time workers in your community so they're not having to go out and do a number of different jobs, but you also attract dentists because they have a drug plan and a dental plan. You actually attract other professions to your community



because you have full-time employment in that community. That's why we're arguing that when they reach a certain financial standard—and having spent a lot of time myself as a youth in those counties you represent, I'm sure there's probably a minimum standard they've reached there—to have full-time employment, open up an LCBO store and have full-time employment, and have workers there who have benefits and a pension plan and who want to stay in those communities and contribute and attract other professionals.

**Mrs. Mitchell:** But the agency stores are one way of getting it. I'm going to pass it back to Ms. Smith.

**Ms. Smith:** You weren't here this morning, but Bob Peter did note that there were at least two agency stores that they were considering looking at as permanent stores because of the sales numbers.

I come from northern Ontario, where agency stores are incredibly important to our communities. I have a number of communities right now that are seeking agency stores, so I was somewhat surprised at your recommendation that we do public consultations. We're getting public demand. We don't really need the consultation back again, because we know they want them and need them.

I just wonder about your assertion in your presentation that there is more service to youth and more drinking and driving problems associated with agency stores. On what do you base those assertions?

**Ms. Casselman:** It's the profit model. Clearly, when you have kids serving kids, you're going to have a different kind of criteria, I think, in who's going to be serving who.

**Ms. Smith:** So you have no evidence of that being the case? You have no statistical evidence of that being the case out of agency stores?

**Ms. Casselman:** Terry?

**Mr. Terry Moore:** What we have is anecdotal evidence from our members. In the C and D stores, which are in the areas around agency stores—they're what's called C and D stores—the store managers are in the OPSEU bargaining unit, and we have an agency store committee that's been created and populated by C and D store managers. We're in the process of working to develop a complete picture of the agency stores. One of the reasons we're asking for the committee's help with regard to studying the agency store problem is that we don't have the resources to completely study the entire system, but we're doing our best. We have anecdotal evidence from our members with respect to underage kids basically seeking to be served at an LCBO outlet and being refused, and going down the road to an agency store, getting served, and then coming back and going like this to our members. So there are examples. We don't have survey numbers for you.

**The Chair:** Thank you. I'm sorry, I just have to keep it on a tight time frame. It's time for the official opposition. Mr. Tascona.

**Mr. Tascona:** Thank you for the presentation. I'm truly shocked that Mr. McGuinty broke another pre-

election promise. How did he make that promise? Was that one in writing, or is that just another verbal one? Did you have that in writing that he wouldn't do that?

**Mr. Casselman:** On the agency store one?

**Mr. Moore:** That was verbal.

**Mr. Tascona:** It was verbal.

**Ms. Casselman:** Yes.

**Mr. Tascona:** Okay. Seeing that he broke another pre-election promise, how many stores has he opened since October 2003? There were some figures on that; they're up to 215. How many has he opened since October 2003, do you know?

**Ms. Casselman:** We'll get that number for you.

**Mr. Tascona:** Okay. Are you currently in negotiations with the government?

**Ms. Casselman:** No. We have a settled contract.

**Mr. Tascona:** When does it go to?

**Ms. Casselman:** The end of 2008.

**Mr. Tascona:** Does that contract deal in any way with the agency store issue?

**Mr. Moore:** Yes. There's a letter of understanding with respect to agency stores that's contained in the collective agreement.

**Mr. Tascona:** Is there any way you could table that with the committee so we could have a look at it?

**Ms. Casselman:** Sure.

**Mr. Tascona:** With respect to the risk with the agency program, which you point out at page 6, I guess I'd understand the risk to be an LCBO store closure, staff reductions at existing stores or a reduction in hours that they normally have worked. Has any of that occurred to date in terms of the impact of the agency stores?

**Mr. Moore:** Yes, we believe so.

**Mr. Tascona:** You believe so. Has there been, for example, any store closures because of—

**Mr. Moore:** No store closures, but reduced operating hours.

**Mr. Mike Sullivan:** What we're finding in some of the rural areas of the province is that there have been stores that were six-days-a-week operational stores that are now five-days-a-week operational stores. There's also been a reduction in overall opening hours of our own operational stores. Where every store in the province was open from 9 a.m. in the morning until 6 at night, 10 at night, depending where you lived, now the majority of the stores remain closed until 10 a.m. in the morning.

**Mr. Tascona:** What period of time does that collective agreement cover?

**Mr. Moore:** It actually expires on March 31, 2009.

**Mr. Tascona:** But when did it get entered into?

**Mr. Moore:** Last summer.

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**Mr. Tascona:** Last summer. What is the nature of the commitment with respect to agency stores?

**Mr. Moore:** There's a letter of understanding which contains a number of commitments, one of which is that there will be no closure of an existing LCBO outlet as a result of the operation of the agency store program and no reduction in the operating hours as a result of the operation of the agency store program.

**Mr. Tascona:** Okay.

**The Chair:** Last question.

**Mr. Tascona:** That's fine. I appreciate the presentation. It's very informative.

**Ms. Smith:** Chair, just to clarify one of the questions he asked about the expansion since 2003, my understanding is that the 20 announced this spring are the first expansion since 2003 of the agency program.

**The Chair:** Thank you. Mr. Bisson, four minutes.

**Mr. Bisson:** Thank you. Give me a quick answer to this question. Are you aware that there's any monitoring mechanism by the LCBO to watch the refusal rate in agency stores? We track it through our stores, but do we track it with agency stores?

**Ms. Fisher:** Yes. It was mentioned earlier about managers doing inspections in those agency stores. They are given the same forms that the LCBO stores have, the challenge and refusal report. They'll have them at the different cash registers, and those cashiers will identify with a check mark if somebody has been challenged. Those get recorded and sent to head office.

**Mr. Bisson:** Do you have any idea what the results are? Have you ever seen them?

**Ms. Fisher:** No.

**Mr. Bisson:** One of the things that's being asserted, and from what I understand in the case, is that a number of regular LCBO outlets have had their hours reduced and they're having to compete with agency stores that are open longer. Do you have a list of who they are and how many hours specifically? Can we get that?

**Mr. Moore:** We're in the process of trying to work with the LCBO to get a whole bunch of information with respect to agency stores, including precisely that kind of information. The LCBO is committed to giving us the information they have available. We have not received it yet.

**Mr. Bisson:** To the clerk of the committee, if we can have that information added to one of the questions I want to ask the LCBO.

**The Chair:** Noted.

**Mr. Bisson:** The other thing is that you say you want municipalities to have a role in the decision-making process of opening up an agency store. If so, whom? Why? I think I know why, but why?

**Ms. Casselman:** It probably takes it out of one political venue and puts it in another, but clearly the municipal structure would know their areas more clearly than someone sitting in Toronto trying to guess where to stick them in Huron-Perth or wherever, right? It's a matter of having some local input, because they know their communities. They know where the problem spots are and all those kinds of things. It would behoove them to do that.

**Mr. Bisson:** Have any of your members been laid off or had their hours reduced because of the agency stores?

**Mr. Sullivan:** Not that we can prove.

**Mr. Moore:** There has been a reduction in hours that we believe is related. But can we prove that? We suspect it; we can't prove it, no.

**Mr. Bisson:** So nobody per se has been laid off, but people have had their hours reduced.

**Ms. Casselman:** Yes. When we get letters from the Ontario Public Health Association written to the Premier in June saying they have a concern about agency stores—it's not just us looking at protecting our jobs; it's actually other organizations, public health organizations, that are concerned about the proliferation of agency stores and access to alcohol.

**Mr. Bisson:** If you had one question to ask the LCBO directly through this committee, what would it be?

**Ms. Casselman:** Why don't we do a test case with a Beeton store and convert it to an LCBO operation and see what happens up there?

**Mr. Bisson:** That was going to be my next question. You beat me to the punch.

**Ms. Casselman:** Sorry.

**Mr. Bisson:** I asked the question this morning of the LCBO: If we do end up in a situation where an agency store is showing that there is actually a demand for what would be a regular LCBO store, why is it we're not doing that?

**Ms. Casselman:** That's the question.

**Mr. Bisson:** Thank you.

**The Chair:** Mr. Bisson, thank you very much. Ms. Casselman and the gang from OPSEU, thank you very much for making your presentation today.

**Ms. Casselman:** Thank you.

**The Chair:** The questions that Mr. Tascona and Mr. Bisson want answered, if you have input on those, please give it to me through the clerk of the committee and we'll distribute it to all committee members. As you know, at the end of this process there will be a report coming forward from the committee to the assembly. Thank you for your participation in that, and hopefully you'll enjoy reading it.

**Ms. Casselman:** Thank you very much. A belated happy Labour Day.

**The Chair:** And happy Labour Day. Exactly.

I don't believe the Grape Growers of Ontario are yet in attendance at the committee. They're the next scheduled deputation before the standing committee.

#### ENVIRONMENTAL COMMISSIONER OF ONTARIO

**The Chair:** We are, however, blessed to have, early, Gord Miller, the Environmental Commissioner. Now, is the proper title His Honour, His Eminence?

*Interjections.*

**The Chair:** Some call him Gord. Folks, I'm going to ask the Environmental Commissioner, Mr. Miller, to come forward early, and hopefully we will be able to see if the Grape Growers of Ontario have been delayed. I'll give Mr. Miller a few moments, because he didn't have much notice on this, to get his slide show presentation put together. Mr. Miller has also brought a summary of what looks to be a PowerPoint presentation that's being handed out to committee members. We thank you,

Commissioner, for being so kind. I have no other way of filling the airspace here. I'm trying to stretch this as long as I can.

**Mr. Gord Miller:** You're doing a wonderful job.

**The Chair:** People are asking for some silence. In fact, this is the first of the commissioner's two appearances before the standing committee this week.

**Mr. Miller:** Showing the breadth of interest this committee has in the environment, and I thank them for it.

**The Chair:** Absolutely. You'll be appearing before us for Hydro One on Thursday.

Following our rotation model, so the members are aware, the official opposition will begin the questions of the Environmental Commissioner. When the next group comes forward, the third party will lead off the questions.

*Interjection.*

**The Chair:** They are now, and then next time it will be you.

**Mr. Bisson:** Gotcha.

**The Chair:** You're all set?

**Mr. Miller:** I'm set.

**The Chair:** Super. Mr. Commissioner, welcome to the standing committee on government agencies. You're welcome to make a presentation of up to 15 minutes, and the remaining half hour will be utilized in equal time by the committee for any questions or comments they have on your presentation. Sir, welcome. The floor is yours.

**Mr. Miller:** Well, thank you very much for inviting me to talk about this topic, which my office has been involved with for many years, as you'll see. I have a series of slides that I think will capture the essence of our concerns at the Environmental Commissioner's office. I'm going to talk about the issue from our perspective and some of the history, to give you perspective. This may be repetitive, something you've heard, but allow me to cast my presentation in this form—the situation, as the Environmental Commissioner's office sees it and some suggested actions to improve the situation, and just a summary sheet. That's what we're going to do.

The issue, I think you've probably anticipated, is LCBO containers: LCBO containers and their fate. Of course, they're inextricably interwoven with soft drink containers, which has been a big concern in our province for many years. The question is how to best recapture the embodied energy and the material value in these containers in the most environmentally sound way.

Now, we presently use the blue box, but it's not working well, in my opinion, and the municipalities don't want the containers in there. So we have a challenge regarding LCBO containers.

A little bit of the history: I think the story starts in 1962. Mr. Chair, you won't remember this, you weren't around, but I was. I was nine years old. The way we financed our activities in those days was to collect pop bottles out of the ditch and take them to the corner store and buy candy.

**Mr. Bisson:** Yepper.

**Mr. Miller:** You were there too.

**Mr. Bisson:** Same store.

**Mr. Miller:** Probably, and certainly the same town.

But in 1962 the first pop can emerged on the market, and that changed everything and started a long, multi-decade battle, which is really a shift from a totally refillable soft drink container structure to a non-refillable.

LCBO first appears in the story, in our records, in about 1991, when the MCCR tried to make the LCBO introduce refillables. The minister at that time tried and was met with considerable opposition; in fact, the effort failed.

**1340**

In 1994, we introduced the mandatory blue box. It had existed in some places before, but it became mandatory in 1994.

In 1997, my office recommended that MCCR study refillable PET for LCBO containers as a possible solution to this. PET is polyethylene terephthalate, the clear plastic bottle that we see so much of, probably in front of the chairman there.

In 1997, the city of Toronto did two things: They filed a request for a review under the Environmental Bill of Rights to review this whole policy, or the need for returnable containers at LCBO. That review was rejected. As well, they passed a bylaw requiring deposits on LCBO containers in the city of Toronto. That bylaw was neutralized by action by the Ministry of Municipal Affairs and Housing at the time.

In 1998, the LCBO came up with \$4 million in blue box funding.

In 1999, my office again discussed a deposit return as a more environmentally sound way of dealing with these materials.

In 2002, the LCBO upped the contribution to the blue box. This is money that goes into the blue box process so that some costs of collecting these containers are offset. It's \$5 million presently.

In 2005, there was the beverage alcohol system review panel. They recommended keeping the deposit return for beer bottles but doing an independent study of the life cycle of LCBO containers to determine the best system.

That's the history. As you can see, my office has been involved quite far back, and certainly the municipalities. This thing has been stewing and brewing a long time, and I'm going to cast the situation as I see it right now.

To start off with, there's a lot of jargon about recycling and what it really means. One has to sort of tease through the recycling term. Actually, of course, I'm using it myself in a very casual way, because the first thing I'm talking about here is refilling containers, and that's not really recycling; that's reuse, strictly speaking, according to the definitions. But I think for the layperson, for people talking, the concept of recycling is that it goes back to some other use.

In fact, you can think about these containers in four levels of recycling-type activity. (1) The container can be returned, cleaned and refilled. That's certainly the greenest, most environmentally sound way to do things. (2) Clean, segregated material can be taken back and remade into a new container. When that's possible, that's

not quite as good but certainly a very good green use as well. (3) The next tier down would be when material from the containers is recovered, usually in a blue box, and reprocessed into something else, some later end use. That's often termed down-cycled, not recycled, but that's another possible tier of this. (4) Finally and, of course, the least desirable outcome for this material is to be lost to landfill.

We've been watching what's been happening at the LCBO. I'm going to go through a very quick series of slides with a number of figures, how we see it happening. I'm going to caution the committee that in this area every figure everybody has is in contention, so all I can do, as an impartial observer with a known bias towards the environment, is tell you that this is the best we can come up with, trying to read everything everybody has given us.

Let's look at glass. I'm excluding refillable beer bottles. There is, of course, a small stream of regular Ontario beer bottles that comes through the LCBO and is largely captured by the Beer Store, hopefully. Ignoring that stream and looking at the non-refillable beer and all the other glasses in the LCBO, and the wine and spirits, what's happening now?

Refilling: Ignoring the beer, this doesn't happen. Remade: About 20% of the glass containers are finding their way back to the manufacturers of glass containers. That's according to the manufacturer. The rest is recovered to some degree in the blue box or it ends up in landfill. We're quite confident that about one third goes to landfill, in the strict sense of being absolutely lost. There is quite a bit of debate about that other 48% or so. Some of it certainly goes into better quality uses like fibreglass and other products, but some of it gets crushed as mixed broken glass and goes into cover on landfills—it may not be counted as landfill then—or it goes into road construction. It may not be counted as going to landfill if it goes to road construction. But certainly those are lower uses.

The objective, from my perspective, in a sustainable society is to move up this scale, to push the numbers up through these uses so that we don't have big numbers on the bottom; we have bigger numbers up at the top, to the extent we can. Glass is an ideal example because glass can be refilled and everything pushed up the scale. I certainly think there's lots of room to go up that scale.

We look at PET. Well, we have zero refilled PET in Ontario. PET can be refilled. It is refilled in Europe. The ones they refill are not the same ones we use here; they're much heavier, but they are, nonetheless, refilled in the normal manner. Remade? We don't remake PET into bottles. It's against the law in this country because of cleanliness issues, so that's not a factor. But it is recovered into other products like polar fleece. Best estimate? About 55% is being recovered from the LCBO material and the rest is lost to landfill—again, potentially some room for improvement.

Aluminum cans, of course, are the singular best container you can put anything in because they are abso-

lutely, totally recoverable and made into new containers. The percentage for the aluminum cans at the LCBO is very hard to get your hands on. We've looked at all the data we can and our best estimate is that about 45% to 50% is actually captured in the blue box and a tiny bit through the Beer Store when it's returned for deposit. So we're losing somewhere around half to landfill, and that really is problematic because aluminum, if you reuse it, is the best material to reuse. If you lose it to landfill, it is absolutely the most energy-costly material you could possibly lose to landfill. It's a horrendous waste from an environmental perspective.

The last is the aseptic cartons, which I'm sure you've heard about. They are not refilled, in any case. They are not remade. These are the cardboard, aluminum and plastic containers. They are recovered and downcycled into other uses. The fibre is recovered. Somewhere between 13% and 25% of the LCBO material is recovered and the rest is lost to landfill.

*Interjection.*

**Mr. Miller:** Tetra Pak. Sorry. Yes, brand name. Again, the numbers are very heavy on the bottom end of this scale here.

How do we improve the situation? Well, it's clear. The position of my office has always been a deposit-return system for all LCBO containers, using depots or beer stores, because the LCBOs recognize that they're not set up to receive returnables at this time. That's clearly the way. This is done everywhere else, including our own beer stores. The recovery rates and the reuse goes way up. If you have a deposit return, one of the things it does is support recovering what we call a clean cullet for remaking bottles. Right now, I'm sure you'll hear that most of the glass in the blue box comes out as mixed broken glass. That's where clear glass and coloured glass are mixed and broken up, and that becomes a lower-quality product. If you had clear flint glass, the flint glass-makers would grab that and make new bottles, and if you had segregated glass, that's what they want for remaking bottles.

If you have deposit return, it makes the possibility of refilling glass or refilling PET viable. Finally, on a very basic level, it's very clear from experience everywhere around the world that if you have deposit return, you will increase recovery and the capture of PET, of aseptic cartons and of aluminum cans substantially. For those reasons, I fully endorse deposit return at the LCBO.

How would you pay for it? This is probably one of the few government programs or government things I've ever seen that has enough money to do it. Unredeemed deposits and deposit returns are used to feed the deposit return system. As well, we have—I'm sure you've probably discussed it—this environmental levy. The Ministry of Finance has an environmental levy levied against the non-refillable containers that amounts to about \$65 million a year. This levy was put on to encourage the use of refillables. Well, I can't see any better use for that money that is presently just streaming into

the consolidated revenues. Perhaps the finance minister won't be pleased, but nonetheless, the money is there.

Finally, of course, there is a \$5-million contribution to the blue box, depending on the system that came in with deposit return, that would be freed up or available for funding this as well. So there doesn't seem to be a money problem.

How else do we improve the situation? There is another option that I would hope you consider, and that is, if you look at the LCBO as a government agency, and the decisions made by the LCBO in that way are an expression of the government, an expression of the will of our society, then perhaps the LCBO should be a prescribed agency under the Environmental Bill of Rights. The Environmental Bill of Rights, as it exists, recognizes that agencies may be prescribed, and if they are prescribed, their policies would be subject to review and comment by the public. They'd also be subject to something called request for review, which is a feature under the Environmental Bill of Rights where the public can file applications for a request for review on policy decisions as they impact the environment. So that is certainly an option here that would change the focus of the LCBO to being one that is much more responsive to the thrust of public policy in Ontario.

**1350**

In summary, the present LCBO system does not incent refilling or the highest use of container materials. Deposit return would improve environmental performance and outcomes. Sufficient funding seems to be available, and prescribing the LCBO under the EBR would increase transparency and accountability of their decision-making.

**The Chair:** Thank you very much, Mr. Commissioner. It's good to see you again. I appreciate the presentation. We'll now proceed to any questions or comments, beginning with the official opposition. We have about four minutes per caucus.

**Ms. Scott:** Thank you very much for coming before us today, Mr. Miller—a good presentation. Certainly, since I was elected in 2003, I've heard a lot from my constituents about why the LCBO does not have recycling, so you've brought a lot of those issues to light.

We had members of the Liquor Control Board of Ontario in earlier today, and they were asked in various questions about why they don't have bottle return. You're right: There are lots of statistics that vary in different groups. They brought in about foreign product and recycling foreign product, like different bottles of wine. Do you have any comment on that? You had some various choices that you could make for recycling glass etc. Could you comment?

**Mr. Miller:** I think you want to create a public bottle-return regime. To simplify it down, let's talk about wine bottles or even spirit bottles. First of all, you want to make it possible for any Ontario producer to reuse bottles if they see it's desirable. I can picture one manufacturer down in the southwest that has the most elaborate bottles, where the beautiful designs are embossed right on the bottles. Certainly, if there's some desire amongst manu-

facturers to do that, we should encourage that. The foreign bottles that come in are just glass cullet. They can be melted down and reused and sold into our own market or other markets by our manufacturers. So I don't see it as a problem; I see it as creating options. They're not forcing people to reuse bottles, they're not forcing people to do one thing or the other, just creating and incenting the system so that the highest possible use is made of these materials.

**Ms. Scott:** You mentioned the blue box system. They felt they were contributing to the blue box system, but you mentioned that a few municipalities aren't happy with it etc. Some of the glass is mixed, so therefore it's not used, its best use is not there. Do you have any comment about the blue box program and recycling? How could that mix in? Do you keep the blue box?

**Mr. Miller:** Absolutely, the blue box would stay, the glass from the LCBO being a major contributor of glass to the blue box. Glass is heavy, and glass bottles, wine bottles and such have a high volume and consume space and weight in the blue box. If you like, when you're picking up materials, it's a matter of how many trips you have to make to empty your trucks. So if we had a deposit return and got most of that glass out of the blue box, the blue box would still be very viable and used very extensively. I think that's what the municipalities will probably tell you, that it doesn't threaten the blue box program; in fact, it makes it somewhat cleaner and simpler. Glass is not a high-value material for the municipalities, because they use this mixed broken glass, and it's a problem for them. So I can see the blue box program actually operating better and more efficiently from the municipalities' point of view without LCBO glass, if LCBO glass was finding its way through a deposit-return system.

**The Chair:** Thirty seconds.

**Ms. Scott:** The environmental levy of \$65 million—it's not clear where it's going right now, what it's funding. You say that could go into the LCBO recycling program.

**Mr. Miller:** I might add, I'm not an economist and I haven't worked the numbers, but we've done rough calculations, fooling around with this, looking at costs that are being incurred. The \$65 million is far and away more than is required here, so it's not about using the whole amount. I just make the point that there's revenue there to the province. It is for that purpose, ostensibly. Certainly, if there's a shortcoming, I wouldn't want that it should be tapped into.

**Mr. Bisson:** You've kind of answered part of my question, but I want to just be clear. You are not advocating—you would not support, I guess would be the best way to put it, mandating a standard bottle in the wine industry in Ontario. You're saying go the route of incentives.

**Mr. Miller:** That's right. Create an environment in which various producers can choose the path that they choose, because I think some of the wine producers in this province, for instance, may choose to refill for their own sake, for their own environmental intent.

**Mr. Bisson:** If we had some sort of incentive program that said, “Okay, for the wine industry and the liquor industry here in Ontario, here are some standard bottles you can use,” and created some sort of incentive for them to use them, you’re saying, at the end of the day, that may have a positive impact on recycling.

**Mr. Miller:** I think to the extent that we can get bottles into a cycle of being reused, it is a desirable thing environmentally, yes.

**Mr. Bisson:** I asked the LCBO earlier why it is that we don’t put blue boxes at the LCBOs themselves. Is there a reason for not doing that from an environmental point of view?

**Mr. Miller:** Not from an environmental point of view. I think the issue is that the blue box is a municipal program and the LCBO sees itself as a commercial activity.

**Mr. Bisson:** I was fascinated with some of your numbers, if you can actually flash some of them up when it goes back to the government side, because I want to take some down. The amount of stuff that actually doesn’t get to the landfills is a lot higher than I expected. Obviously, it should have some benefit. If you were to mandate the LCBO, by way of policy, to have municipal blue boxes at their outlets, there may be a positive impact on being able to take some of that out of the garbage stream.

**Mr. Miller:** Certainly I would agree. From our look at the issue, part of the reason—because there are some real mysteries, and I think this gets to your point, Mr. Bisson. Why isn’t material coming back through the Beer Store, for instance? Some of the positive stuff from the LCBO is weak in terms of returns, especially in aluminum. I think the issue is that people go to the LCBO, they buy their beer and liquor there and they come back to their point of residence, and it may or may not make it into their home blue box.

**Mr. Bisson:** Just the very last slide you had is the one I’m trying to get. It’s the one I missed.

**Mr. Miller:** Which one?

**Mr. Bisson:** After cans. Yes, that’s the one. My last question is, are there any stats on refillables? I know in Europe and different places that I’ve seen some writing on, people go in with their bottle and they pick up their wine. What has that meant as far as overall reduction into the garbage stream?

**Mr. Miller:** I have no stats to give you now, but we have looked at it. There are stats available from Europe, and the rate of recovery and reuse is very high. It approaches what we’re achieving at the Beer Store, although the Beer Store is probably the best in the world.

**The Chair:** To the government side. Ms. Smith.

**Ms. Smith:** Lovely to see you, Gord. I have some questions about Tetra Paks, which you call aseptic cartons. I’ll just call them Tetra Paks, because I find it easier to say. In your presentation on that particular slide you talk about the fact that 75% of the Tetra Paks are lost to landfill. However, we heard earlier that Tetra Paks have only been introduced in the last year or year and a

bit at the LCBO. So I’m wondering where you’re getting these stats, because it seems odd.

**Mr. Miller:** We look at the LCBO stats and blue box stats from municipal reporting, and we’ve calculated—if you look on the Tetra Pak website, they claim 23% or 25% themselves, so that’s the higher figure. The 13% comes from one of the other estimates; I’ve forgotten which one. Tetra Paks, of course, have only been used in the LCBO recently, but they’ve been in use in our society for quite a period of time, so there is quite a blue box history. On blue box funding, they have to pay and there have to be measurements of recovery rates.

**Ms. Smith:** Right. But I also understand that the Tetra Paks have been used historically for juice boxes for kids, and that through the schools they haven’t been processed through the blue box system. So the numbers in the blue box system don’t necessarily reflect the level of recycling for those containers.

**Mr. Miller:** True.

**Ms. Smith:** I did also want to talk about the containers themselves. My understanding is that as far as space and waste, they take up much less in a landfill if they ultimately end up there than the glass bottles do. So with the LCBO heading in that direction, wouldn’t you agree that at least it’s moving in the right environmental direction with respect to these kinds of containers?

**Mr. Miller:** The issue about how environmentally friendly Tetra Paks are relative to glass really is a technically complex one and one we’re struggling with and we have not had the time and resources to come to a final conclusion. There are some other variables. Weight is a big factor, but glass is an inert material. Tetra Paks have aluminum and plastic and wood fibre, so that’s a complex material and there are implications there. The energy cost of aluminum is high. At LCBO, shipping weight is perhaps not that big an issue because the Tetra Paks are being filled locally here and the bottles, let’s say Niagara, are filled locally as well, so there aren’t long shipping distances except for the foreign stuff, and of course we don’t control that. It’s a really complex thing. I won’t disagree with what you say, but I’ll say the jury’s out in my shop on the environmental benefits of one or the other.

**1400**

**Ms. Smith:** They tell me I only have one question, but I actually have two—they’re very quick. I want to know what you mean by “unredeemed deposits.” My other question, slightly tongue-in-cheek, is, is this the only time you’ve suggested where that \$65 million could be spent?

**Mr. Miller:** Yes, on the \$65 million. Under—

**Ms. Smith:** Really? The only place you, as Environmental Commissioner, have ever thought it should be spent?

**Mr. Miller:** Yes, because it’s supposedly dedicated.

On the unredeemed deposits, in every deposit return system that’s ever operated there is a percentage that doesn’t come back. Those deposits that don’t come back aren’t claimed. As such, there’s money left over, and that money is typically fed into the administration.

**The Chair:** Mr. Commissioner, thank you very much for your presentation and your responses to government and opposition members' questions. As you know, at the end of the day there will be a report coming out of this to the Legislative Assembly, so hopefully you can look forward to your input as part of that report.

**Mr. Miller:** Thank you, and we'll see you on Thursday.

**The Chair:** We look forward to it.

#### GRAPE GROWERS OF ONTARIO

**The Chair:** Folks, we have now been joined by Debbie Zimmerman, the chief executive officer of the Grape Growers of Ontario. Certainly I know that getting caught on the Queen Elizabeth highway is often a very unpredictable circumstance for your drive time, so, Ms. Zimmerman, welcome to the standing committee on government agencies. Please make yourself comfortable.

**Ms. Debbie Zimmerman:** Thank you, Mr. Hudak. We do need that Niagara-GTA corridor.

**The Chair:** There we go.

**Ms. Zimmerman:** I'm not here to speak about that today, but I'll throw that in while I'm here.

**The Chair:** I knew that would be a good pitch to throw up there.

**Mr. Bisson:** You should get the local member to get you a better highway.

**The Chair:** Ms. Zimmerman, you've been here, so you've seen how the committee works. You're welcome to make a presentation from the Grape Growers of Ontario's point of view about the LCBO, and then we'll have questions in the remaining time from all three parties, beginning with Mr. Bisson from the third party. The floor is yours.

**Ms. Zimmerman:** Thank you very much. Members, I do appreciate the opportunity to present today. I want to start out by saying that first and foremost, as CEO of the Grape Growers of Ontario, I represent an agency that looks after about 540 of your finest growers in Ontario. I really don't want to talk about what's wrong with the LCBO and how we can make changes to make it right; I want to talk about how we can work together to make it better.

The Grape Growers of Ontario do depend on a healthy value chain. That means producers, obviously growers and, at the end of the day, a very healthy distribution channel. And the distribution channel that we currently have access to for most of our fine products that we produce out of Ontario grapes is the LCBO. But we're also in a situation, quite frankly, in Niagara and parts of Ontario where our growers are in a greenbelt, and while we support wholeheartedly the greenbelt and we think in fact that the government of Ontario has done a lot of the right things to preserve this land for the future, the challenge for our growers is, how do we grow our product when we're limited in access to market? So one of the things I want to talk about today is that, hopefully, out of all of this before the standing committee we would like to

see changes made where we have more opportunity to access the market through VQA.

VQA, as most of you know—and if you're not buying VQA wines, shame on you, for you should be—is the hallmark of Ontario and the most responsible way in which our growers can grow quality and grow the finest wines. Part of our challenge doesn't rest with the LCBO; it's some of the government policies over the years—I won't label one government, because I think they're all responsible—for issues and relative importance where there has not been enough emphasis on what we call VQA. Data we have received—and if you look across the LCBO store system in Ontario, we do not have enough VQA wines on the shelves. We want to congratulate the government of Ontario because they have signalled their intent to improve more access for these wines at the LCBO. But without marketing strategies long-term—

I want to congratulate the LCBO's CEO/acting board chair, because he has sent the right signals to our industry, that he wants to talk about how we grow a varietal that will be successful in Ontario. And there are many, many varietals that are not yet on the shelves. In fact, there are so many small VQA wineries that don't have access to the LCBO, not largely through a fault of their own but only because it is very difficult and the margins are extremely high for their product to get on the shelf. Clearly, for those of us who are in a greenbelt, we feel we are being disadvantaged by being in a greenbelt without government policies that give our growers an opportunity to grow their product.

About 60% of Niagara's lands and Ontario's lands are currently in the greenbelt. Of those lands, we have about 45% that are under grape growing. We would like to grow that land base, but I would say to you that our growers are extremely reluctant to put that kind of investment into the ground unless there is an open-access distribution system for their product. We are making great strides—we are, currently—but we believe that there are opportunities to grow through the LCBO and, in particular, opportunities for VQA.

I know you've heard a lot, and I know Member Hudak has a VQA bill that we admire. We also know that there may be some trade barriers with regard to that bill. We'd like to take it one step further. We'd like to suggest that potentially VQA could come under the LCBO. The LCBO, in our regard, since it's an agency of the government of Ontario, and in fact I would say the Ontario government is their owner—we would suggest that there be a VQA division developed under the LCBO.

Again, we think because the LCBO can print licences at their will rather than what we're currently facing, and I say that tongue-in-cheek, many of our off-site winery retail stores—if you recall the alcohol beverage review report that was commissioned by Minister Sorbara, that report in fact suggested that there be an equalizing of those winery retail licences. For those of you who are not familiar with this system, currently there are about 290 of these licences in Ontario, and they're owned by only two players: Vincor/Constellation and Andrés. Unfortunately,

those licences clearly disadvantage our small wineries. Many of those recommendations of the alcohol beverage review report, which we recommend, should have been moved on, but unfortunately they have not. We do support that report wholeheartedly and would suggest that this government take a second look at how those licences could be more fairly distributed amongst our small wineries.

If that does not happen and if we continue to operate in a very isolated system where we only have access to the market through the LCBO, we feel that many of our growers will not continue to be successful in the green-belt, and I think, quite frankly, that many of our growers would not be willing to make the kind of investment that is necessary for the future. We think there are options available to the LCBO through the government of Ontario, but we also believe it is a partnership, and it is a long-term partnership. It should be a partnership where we grow the VQA side of our industry.

Quite frankly, if you look at the taxes generated by the LCBO—I think they've done a remarkable job and that is why they're one of Canada's most successful companies—if you look at it in that perspective, the fact of the matter is that every vine that is planted in Ontario generates \$13 in tax for the province. If you equate that out, it's around \$250 million each year in actual tax dollars that are generated by our industry. You cannot have wine without grapes, so I take you right back to the vineyard, where the taxes are generated from our product.

We believe that in order to grow the economy within the greenbelt, we need policies that help our industry grow. Our growers are determined to be successful, and we're also determined that we are going to grow the best for Ontario. It does us no good to have a wine of Ontario that contains 99.9% imported product. We feel that would not be good for us for the long term. So we are quite determined that we will, and we would like to see some of the changes made into our product base.

We do congratulate the government of Ontario again for taking a hard look at our industry. We are fortunate that we have five deputy ministers currently working with us on a number of issues. We think that that will generate more opportunity for us to grow the VQA side of our industry.

I don't want to continue to talk too much, Mr. Hudak. I would certainly like to leave enough time for questions and answers if any of the members have some, and I'm sure they do.

**The Chair:** Ms. Zimmerman, thank you very much for a presentation that does leave lots of time for questions. That's always a bonus, and we're beginning with Monsieur Bisson, if I'm doing my—let's see; you surprised me by ending early.

**Mr. Bisson:** The answer is yes.

**The Chair:** With about six and a half or seven minutes each, M. Bisson.

**Mr. Bisson:** Thank you very much, and again, welcome. What are the barriers to getting your products on the LCBO shelf?

**Ms. Zimmerman:** I think some of the challenges, obviously, for small wineries are the margins that make it difficult. Currently, the number of cases that they need to have on the shelf and so forth are challenges most small wineries have in Ontario.

I think one of the most difficult things for small wineries is the exposure and marketing. The distinct advantage that the winery retail store system has—and this is the off-site store system. You have to be clear here on what I'm saying. These are the stores that you see in the grocery stores. Of those 290 licences, two of the largest players own a majority of those licences. So they get to trial their products to the consumer. Small wineries have one chance: out their back door or hopefully on the shelves of the LCBO. If you had a winery retail store system, which currently is monopolized by two large players, it would be a heck of a lot easier to get your product on the shelf if you had the same access to market.

1410

**Mr. Bisson:** That was my point, because you have some of those in grocery stores and whatever, and the wines that I see there are the ones that I buy at the LCBO. I don't see any small wineries per se in the markets that I'm in. So how are they advantaged going through them rather than the LCBO?

**Ms. Zimmerman:** Okay, what you have to clearly understand here is that there are two players, Andrés and Constellation, so only their products are on their shelves at an off-site winery retail store. Only their product is on their shelves, so they wouldn't sell, let's say, as an example, a Henry of Pelham wine, which is a mid-size winery.

**Mr. Bisson:** So the problem, then, is that the smaller I am, as far as quantity of product, the more difficult it is to get it on the LCBO shelf.

**Ms. Zimmerman:** There are some very good programs that the LCBO has come up with. There's a craft winery program that they have started as well, and there are more opportunities to try to encourage them through that stream. I would say we need more of our VQA wines, our varietal selection across Ontario in general list and Vintages. Those are the two components within the LCBO that will help grow our industry. This is a key component for small wineries to get on the general list, stay on the general list and get into the Vintages section. That's why, if there is an opportunity to create a VQA-only store under the auspices of the LCBO, we would encourage that. We encourage that for consideration, we encourage that as an alternative option to what is presently being suggested. We believe VQA is our future as growers, and as long as you're going to protect the land, we need insurances that there's going to be a protected marketplace as well.

**Mr. Bisson:** So what can this committee do to assist you in getting to the point of getting your grape growers on the LCBO shelves? Is there something we can recommend?

**Ms. Zimmerman:** There are a number of things. Obviously, it goes back to the alcohol beverage review



report that was originally suggested. There were a number of things about equalizing access to the marketplace. Those winery retail store licences that were originally issued were issued to compound the fact that we needed to create opportunities for the Ontario marketplace. They were grandfathered in 1993, which means there's no new access to those licences. We think there should be an equal distribution of those licences across Ontario.

LCBO has done a wonderful job for our industry. I'm not here to diminish the role that they play. What I'm suggesting is that it can be a better role in the future of Ontario's grape lands, and particularly we want to see the success of the greenbelt.

**The Chair:** Mr. Bisson, thank you very much. The government members. Mr. Parsons.

**Mr. Parsons:** I represent Prince Edward–Hastings. I suspect when you hear, “Prince Edward county,” your reaction is, “Oh, Prince Edward county, the winemaking capital of the world.”

**Ms. Zimmerman:** We were just there last weekend, so we would agree with you, for now.

**Mr. Parsons:** That seems to be the going trend that I hear everywhere I go.

Now, as the wineries have developed—and we've literally gone from zero to about 12 in the last eight years—I got fairly involved in what is a very complex and highly regulated industry, it turns out. I'm quite proud of our government initiatives in the past year for the wine industry, and in the last budget. I hear from wineries in my community about LCBO, and they're very positive things. But one of the things I guess I'm struggling with a little bit is that not all wineries like each other. When I got into some of the restrictions that were making life difficult for new wineries to start, they may have been LCBO regulations from quite some time ago, but they were regulations that were developed because of advice from other large wineries. I get the sense sometimes that the wineries are as interested in competing against their next door neighbour as they are wine from another country, from France or Chile or whatever. I guess my question to you is—and maybe it's getting better; in fact, I think it is getting better—what can the wineries do by working together? You may be from an area that's quite cohesive, I don't know. But there's more than one location in Ontario where grapes are grown and wine is made, and they're highly competitive with each other. I think probably we would make more gains by working together. So my question is, what can the wineries do to work together?

**Ms. Zimmerman:** I can't speak for the wineries. I think your perception is probably fairly clear, that it's a very competitive marketplace. I think what we have in Ontario, and I ask you to go back and think about this—again, I will emphasize the fact that the LCBO currently, for our small VQA wineries, many of them in Prince Edward county, is the access to the marketplace. The off-site winery retail store licences are currently owned by two players in this province. That's what you can do: You can recommend a policy that opens the door to

access to those licences for the small VQA wineries, or create a VQA winery store system. That's one of the options I would ask you to look at, and whether or not you can do it under the current auspices of the LCBO and their act or under the provincial government. Have a serious look at how we create access to the marketplace for these small wineries. These are not large distributors; these are entrepreneurs in Ontario. These are families that have come together and have decided to put their money into a winery and grow grapes for Ontario—and 100% Ontario.

There are a number of things with regard to the Wine Content and Labelling Act which aren't part of the review of the standing committee today that I would suggest the government have a look at. But clearly, we need to increase consumers' understanding of what is VQA and what is Ontario-grown. There is a misconception out there that Ontario wine is actually 100% Ontario-grown, and that is one of the biggest problems I think we have in the consumers' perception of what Ontario wine actually is. I think the blended product is one of the largest challenges we have. But if you look at the tax dollars generated by 100% Ontario-grown, it's hard to turn your back on the economics of that for the province of Ontario: \$13 in tax value from one vine that's planted in the ground, a tremendous amount of economic potential within Ontario. Our organization represents all of Ontario. We just spent a lovely weekend in Prince Edward county, by the way.

**The Chair:** Mrs. Mitchell.

**Mrs. Mitchell:** Thank you very much, Debbie, for coming and making the presentation on behalf of the growers. I just wondered if you would like to expand on how you found the relationship working with the LCBO, the wineries and the growers with “Cellared in Canada.”

**Ms. Zimmerman:** Cellared in Canada?

**Mrs. Mitchell:** Yes, to develop the new “Cellared in Canada.”

**Ms. Zimmerman:** The short crop MOU? Is that what you're referring to? I'm not sure, really.

**Mrs. Mitchell:** It's the signage in the LCBO stores.

**Ms. Zimmerman:** I'm sorry. Yes, okay. There are so many different regulations.

**Mrs. Mitchell:** You talked about the positive working relationship with the LCBO, and I thought it would be a good idea to give an example of how it all came together.

**Ms. Zimmerman:** The short crop MOU is not one of our finer moments, I must say, because allowing that much foreign content into a bottle of wine and putting it under a section still labelled as Ontario was a huge concern for us. Unfortunately, the short crop situation forced us to sit at the table—not forced us, but we went to the table with serious concerns again about the consumer being confused about what a wine from Ontario is. We think the LCBO in fact had some wonderful suggestions. Not all of them were incorporated. I would thank the LCBO for at least encouraging a marketing strategy they thought would least hurt the reputation of Ontario wines. That was a difficult decision for us, because obviously,

when people pick up a bottle of wine and it says “Cellared in Canada,” that may leave a conception in their mind that it is actually a product of Canada, and it truly is not.

Despite all of that, the working relationship has been exceptional. It’s probably better than it ever has been. From their marketing team on down, we’ve had opportunities to work directly with them, and we are going to use this opportunity to foster a better relationship as we go forward, because, at the end of the day, we know that what goes in the ground has to be sold on the shelf.

1420

**Mrs. Mitchell:** Just to follow up on that, what, then, Debbie, do you see that the growers can do? You’ve talked about what the LCBO and the government can do, but what can the growers do, when I think about the “Cellared”?

**Ms. Zimmerman:** Well, the “Cellared in Canada” is something that we would like to see truly reflect an imported product. If it’s going to be “Cellared in Canada,” it should be in the portage section; it should not show up in the Ontario section. We want a clear definition of what is an Ontario wine and 100% VQA, as compared to what is an imported product, and we will continue to work with the LCBO on those brand development opportunities. The growers, obviously, will continue to focus on growing quality and growing brands that sell, and that’s one of the things we’re working on right now with the government of Ontario.

**The Chair:** Ms. Scott, you have about six and a half minutes.

**Ms. Scott:** Thank you very much for appearing before us today. You certainly know your industry really well and have helped educate us, I think, today on some of the difficulties that the wine industry faces.

You mentioned the labelling, and I know I get a lot of that feedback from the agricultural community because, say, corn is grown in the States, but it’s stamped and graded here. So it says “Product of Canada” when in fact—people think they’re buying Canadian corn and they’re not. So you have a similar problem. Now, is the LCBO able to change that labelling? What jurisdiction do labelling and content fall under?

**Ms. Zimmerman:** The Wine Content and Labelling Act is a government policy.

**Ms. Scott:** Provincial.

**Ms. Zimmerman:** Provincial, yes, and it’s through the government of Ontario that that act would reflect any changes made to it. We would encourage a review of the act. As I said today, I think a lot of what I’m saying is not so much what is missing at the LCBO; it’s where the partnership has to work together to grow the Ontario wine industry. When I say, “Ontario wine industry,” it’s a VQA standard, and that’s where we want to be.

We cannot continue to have our prices of grapes compared to product coming in from Chile and Argentina on boatloads up the Welland Canal. That is not going to grow a greenbelt, that will not make a greenbelt successful, and that clearly diminishes our opportunity to successfully grow grapes for Ontario wine.

Unfortunately, you could pick up a bottle of wine—and I love to use a bit of symbolism, but I didn’t bring it with me today—labelled “Jackson-Triggs,” and they call it “white label” and in fact it will contain up to 75% foreign product, or in this case 99% foreign product and 1% Ontario. That is a confusion the consumers have. We just finished a major consumer report. We have not yet distributed that, but that report in itself showed that consumers are confused about what is an Ontario wine and what is a VQA wine. We would encourage more education.

The only reason I illustrate that today is because of the tax opportunities for the government of Ontario. When you collect that amount of tax from 100% Ontario-grown product, it means that the Ontario economy can be more successful.

**Ms. Scott:** So some changes to the act would help you. Certainly, I wouldn’t be able to tell in a liquor store, unless I had some more education on wines and where products were from.

There was talk earlier this morning from the LCBO, and it was about shelf space and the allotment. I don’t know if you want to expand a little bit more on the way the formula works now. It depends on sales, and that doesn’t sound like it’s giving you any advantage. So I just wanted to know if you could expand a little bit on what you’d like to see.

**Ms. Zimmerman:** We’ve heard about the VQA store bill that the member of the opposition has put forward. That’s one of the reasons why you’ve got small wineries calling out for opportunities to sell their product. When you can only sell it out your backdoor or to the major distributor, and you have limits on the shelf space, there is obviously a need to review how much of the Ontario product—100% Ontario product—is actually reaching the store shelves across Ontario.

If you look at some of the data collected, you may go to Wawa, Ontario, and not be able to buy a bottle of Ontario wine. You may only be able to buy two. Certainly, you should be able to buy many more than that, because there are 129 wineries in Ontario that sell 100% Ontario product.

I can’t speak specifically to what the formula should be. I would encourage more shelf space for 100% Ontario wine, more shelf space and more marketing. I’d love to see more marketing and, in fact, I congratulate the LCBO. They did a wonderful Riesling marketing program at Easter, and it produced magnificent results. Just imagine if we had a VQA store system in Ontario just selling Ontario product, just like they do in BC. They celebrate their wines differently than we do here. We’d like to see more of it. Why not, under the auspices of the LCBO, give them the opportunity to market? Use their successful marketing and business strategy to create VQA stores.

**Ms. Scott:** Do we have any more time?

**The Chair:** You guys, if you want to, have two more minutes left on the clock.

**Ms. Scott:** Okay. I’ll get your comments on the Tetra Paks and the French Rabbit wine that came in. We had a

lot of discussion earlier today about that. It was offered to Ontario winemakers. Is that of any benefit to you? We had discussion of its environmental benefits, or not. Was that offered to you? Is that something that you'll be looking into possibly?

**Ms. Zimmerman:** I don't produce wine. We grow the grapes that go into the wine. We're saying, whatever sells the wine. We are not opposed to the Tetra Paks, as the Grape Growers of Ontario. They are an opportunity, again. We'd love to see more Ontario wines, VQA wines, but it's up to VQA Ontario to make the decision of whether VQA should go into Tetra Pak. The LCBO had to do what we think is leading edge in terms of both recycling and the marketability, and it is an opportunity. I think if you camp, you travel, you find them more convenient. Our challenge, obviously, is that we want to see Ontario first whenever it comes to any product that is being sold in Ontario. We have to. If we are going to be successful, with our land base frozen in a greenbelt, we have to push for marketing strategies that are going to grow our industry.

**Ms. Scott:** Good. Thank you very much for coming today. I appreciate that.

**The Chair:** Ms. Zimmerman, good to see you again. Thank you for your presentation to the committee. Your input will help with our committee's report, which will be tabled with the Legislative Assembly. So thanks very much.

#### MADD CANADA

**The Chair:** Our next deputation: MADD, Mothers Against Drunk Driving, Andrew Murie, chief executive officer. Mr. Murie, good to see you again as well. Welcome to the standing committee on government agencies.

**Mr. Andrew Murie:** Thanks, Mr. Chair. Good to see you again.

**The Chair:** We'd ask you to make a presentation of up to 15 minutes on MADD's advice with respect to the Liquor Control Board of Ontario. Any time you leave in a total of a half-hour's allotment will be used up by the committee members for questioning in equal shares, beginning with the government this time. Mr. Murie, the floor is yours.

**Mr. Murie:** Thank you for the opportunity. It's good to see some of the members again. I don't have a lot to say, but I do have a couple of key messages to deliver today.

The first one is, in a recent study for the World Health Organization, one of the key initiatives for controlling alcohol harms was alcohol monopolies—government control. Why? Because they have trained staff. They control sales to minors, intoxicated patrons. There are higher taxes on alcohol products. There's all kinds of research to say that the lower the cost of alcohol products, the more alcohol-related harms there are. They control pricing on high-percentage alcohol products. Again, those products that are bought in the most dangerous situations are controlled and priced accordingly. It

also avoids the corner store mentality to selling alcohol, which you have in Alberta, where on each corner there's a store selling alcohol, versus what we have here in this province. There's a huge focus on social responsibility.

When you look at the LCBO and you look at the research from the World Health Organization, the LCBO has all these attributes and qualities, and does them very well. The bottom line is, the extra cost of running a public monopoly is good for public safety.

The second thing is, I have recently been involved in a national committee put on by Health Canada and the Canadian Centre on Substance Abuse. We spent a year and a half together trying to work on Canada's new strategy for alcohol. One of the recommendations coming out of that group is to keep the status quo of Canada's current system of selling and marketing alcohol. Again, it's part of our national strategy.

Third, the survey data: The Ontario public is very satisfied with the LCBO on a whole range of issues. This has been survey material that's been done by the Centre for Addiction and Mental Health, our own survey data and some of the survey data I've seen from the LCBO. The public feels that the LCBO does an excellent job in controlling service to minors and intoxicated patrons. In fact, last year they challenged 1.7 million people and refused service on over 100,000 people coming into their stores, which is quite an impressive statistic. I know of very few other public monopolies that publish that kind of statistical data for the public record.

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The other thing is, MADD Canada and LCBO have had an ongoing partnership on social responsibility. We've been together for 11 years. We've done all kinds of things, from websites to television ads to radio ads to posters, magazines, movie theatres, etc. The focus is always based on research: Who are the people most likely to drink and drive and be involved in alcohol-related fatalities and injuries? Based on that, then, the research is done and the campaign is rolled out targeting that specific target group, also using media outlets that have a high percentage of that target group watching. For example, when we do television ads, males 21 to 34 are a huge problem when it comes to drinking and driving. A lot of the television ads run when they're watching television, so sports and those types of things—effective use of the money.

The other thing is that I believe the work we do together is a trendsetter, and I just want to give you one example, a recent ad two years ago called Pants. I think most of you have seen it, where the one man is trying to exit the party. The host takes the keys from him and puts them down his pants and sort of says, "Come and get them." But what happened before that is the real important part of that. Everybody remembers that commercial, but the interesting part was, we had done almost 18 years up to that point of drinking and driving. We've shown car scenes, we've shown graveyards, we've shown people sitting in jail, but the focus was always on the individual.

Working together, we decided that we needed something broader than that. There was a study in Alberta that

brought that message home, that in 90% of the people the police charged with impaired driving, only 10% of the time did the guests or others around them try to stop them from driving. Clearly, we needed to involve society on a bigger level, so the empowerment of others around an individual who's making poor choices, and that was the creation of Pants. Now, Pants wasn't the only thing, and as we've gone along, we've given other alternatives, but it showed that we were able to change people's thinking, to take the focus off the individual and put the focus on others and run a very successful campaign. Everybody remembers that campaign, so it was good. We're setting the trends and we're making sure.

The last thing I want to say is about the staff and the organization of the LCBO. I've been the CEO of MADD Canada for the past 10 years, so I've had an opportunity over a long term to work with the LCBO; in fact, 10 out of the 11 years of our partnership. If I look at our own organization, why we're successful, it's because we have committed people to the cause. I see the same thing in the LCBO. When I work with the management staff, it's people who are committed to making sure the social responsibility program is a theme throughout the whole selling and marketing of alcohol, that that's always taken into consideration. They use their resources wisely to target the groups most needed to be targeted, and they make a big difference.

The other thing is, on the store level you see totally committed people stopping service to minors and intoxicated patrons, but they are also the kind of people who, if they see somebody they refused service to who's grossly intoxicated, will call the police or the authorities to make sure that person doesn't cause damage to another. That's a commitment. You're not going to get that in a privatized system.

Thank you.

**The Chair:** Mr. Murrie, thank you for your presentation and also for leaving ample time for questions from committee members: about seven minutes each. This time, we go to the government members. Mr. Milloy.

**Mr. Milloy:** I wanted to first of all thank the witness for his presentation and thank MADD Canada for the great work they do. Certainly I think all members around the table will have had contact with the organization or local chapters and have worked with them.

I wanted to ask you a little bit more about your partnership with the LCBO. How does that work formally? Is there some funding that the LCBO provides? You talked about some of the commercials and things like that, but how has the day-to-day formal relationship evolved?

**Mr. Murrie:** The relationship is that in any type of campaign that we do together, we work from the start of the campaign to the end of the campaign which you see in some media outlet, so MADD Canada is involved in the whole process. We're not brought in at the last, to say, "Do you want to be part of this thing?" We're a team that works through the process from there. The LCBO

pays for that work and the work through the advertisement that you would see, for example, on television. Then we, as part of the partnership, agree to share our logo with that advertisement, which gives the credibility. In all the survey data that we follow up on in any television or media outlet that we use, the credibility of LCBO, the seller, and MADD Canada is seen as an authority on drinking and driving and alcohol-related harms. They see that as a good partnership that brings credibility to what the message is.

**Mr. Milloy:** But is there, for lack of a better term, a table between MADD Canada and the LCBO where you're having regular consultations and discussions on these issues, or is it sort of based on the campaigns that come forward?

**Mr. Murrie:** We have ongoing relationships, so it's not like there are regularly scheduled meetings every month, but when we're in the midst of preparing for a campaign, there might be a flurry of activity leading there. So it's ongoing relationships. We have a 12-month relationship, and we keep each other up to date on other things that we're doing.

We also have the campaigns where the LCBO store raises money for MADD Canada, and that money goes back into local Ontario communities to show our multi-media show, which about 500,000 Ontario high school students see each day in their community from September to June. So there's a big impact.

**Mr. Milloy:** How do they raise it, specifically? Is it by donations?

**Mr. Murrie:** Yes, it's all by donations; it's all from the public. LCBO is just a feeder to the organization, and so people come in and donate and take a red ribbon or make a donation on their credit card when making a purchase. It's very effective for us.

**The Chair:** Thank you, Mr. Milloy. Ms. Smith.

**Ms. Smith:** I just wanted to take the opportunity to thank you as well. We have a very active MADD organization in North Bay and area, where we have our band challenge. Our group does a great job to bring all of our high schools together for a big competition, which is lots of fun—very loud, but lots of fun. So I wanted to thank you for that and all of the good work you're doing.

I recognize that there's a relationship in the advertising and the promotion of responsible drinking, but I just want to talk a little bit about the LCBO as a responsible retailer. I recognize that you have a relationship on the one hand, but I just wanted to discuss with you the LCBO as a responsible retailer in serving its customers and also serving the needs of the wider community. If you could just comment on that.

**Mr. Murrie:** I've had the fortunate opportunity in my position to travel globally, and you're not going to find a better public monopoly than the LCBO. From the commitment of the staff, the kinds of programs they run and the commitment of money they put into social responsibility, you're not going to find a better one, and that's in Europe and other places. So we have something that's very good, and that's why we fight very hard as an

organization to hold on to it, because we believe this public monopoly works and it protects public safety.

**Ms. Smith:** That's great. Thanks.

I think Ms. Mitchell had a question, if there's time.

**The Chair:** Absolutely. We still have lots of time, actually. We've got about three minutes.

**Mrs. Mitchell:** Thank you very much, Andrew, for coming in and making the presentation.

You talked about the Pants ad and how it gave the ability to empower the people who, I guess, were directly affected before they got behind the wheel. I'm not familiar with the Pants ad; I don't get much time to see TV. So could you just expand on that a bit for me?

**Mr. Murrie:** I think if you look back on it, just sort of a quick history lesson, that about 60% of the deaths in 1980 were alcohol-related. We're down to about 35% or 37%. We made great progress during the 1980s and the early part of the 1990s, because we got those people who were generally socially responsible and got them to change to responsible behaviours. There's a group, and it's probably somewhere around 20% of the population, that drinks at dangerous levels at one time or another. That group is more involved in the alcohol-related harms than the other 80%. So the focus came on—some of it you can do by behaviour; some of it you have to do by others around, and that was the part of the LCBO Pants ad: If you're seeing somebody tumbling down the stairs intoxicated, keys in hand, you have a responsibility to do something. That's the message that we're trying to get out there, and I think Pants did that very effectively. Then there are others that need technology—things that stop the cars and other legislative things that we've done as well.

1440

**Mrs. Mitchell:** So you've talked about the excellent working relationship that you have with the LCBO and you talked about empowerment and using it differently as another way to address the same old problem. Where do you see it going now, Andrew, after this? Where do you see the next empowerment needs to come from in order to continue to lower those percentages?

**Mr. Murrie:** Well, I think there are two focuses. There's a focus on the group that continues to drink and drive, and you have to really continue to use as much thinking ability and creativity as you can, and we do that very well. I think our trouble is that we've been so successful the challenge is, how can we be more successful than last time? We always come to meet that challenge.

The second thing, which is really, really important, is if we've been successful with changing 80% of people's behaviours, it's also important to run campaigns to maintain that behaviour. So you can't just totally focus on the problem; you've got to do a dual type of campaign all the time.

**Mrs. Mitchell:** Thank you, Andrew.

**The Chair:** To the official opposition.

**Mr. Tascona:** Thanks for coming here this afternoon. I don't know whether you specified or not, but how much money do you get from the LCBO?

**Mr. Murrie:** We don't receive any money from the LCBO. Any money we get from the LCBO comes through campaigns that customers donate to. So, for example, in that type of program in 2005, it was \$145,000. So in various programs that they would run, customers would either do a direct donation or buy a product with a certain percentage of that product going to our organization. That money is used, as I said, for our program in Ontario high schools.

**Mr. Tascona:** Can you give me an example of a sponsor that would be involved?

**Mr. Murrie:** Sure. For example, in 2005, again fitting the theme of social responsibility, they had an overnight program. So if you had an unexpected overnight guest, it was a little kit that had shampoo, toothpaste, all those things that you would need to accommodate a sudden overnight guest. That sold for \$9.99 at LCBO stores and Shoppers Drug Mart; \$4 of that \$10 came back to our organization.

**Mr. Tascona:** Okay. We heard today already from OPSEU, the Ontario Public Service Employees Union, that agency stores are a threat to Ontario communities from a health and safety perspective. We were shocked to hear that that was a reversal of a pre-election commitment by Premier McGuinty that the Liberal government would halt any further expansion of the agency store program.

Do you have any opinion on the expansion of the agency store program, how it affects drinking and driving in this province?

**Mr. Murrie:** As an organization, we value basing our opinions on empirical evidence, so we need to have evidence to say something in public, to say, "We believe this because of this." To my knowledge, there's been no gathering of data on agency stores versus LCBO stores, so I'm unaware of any data in dealing with agency stores.

I think the other perspective, which we've said to both parties, is that we see this more as an employer-employee type of situation that needs to be worked out between those two parties.

**Mr. Tascona:** With respect to drinking and driving in this province, and law enforcement, do you think the government should be moving even more strongly into this area? Because obviously education isn't working in terms of removing this problem. Do we need to have tougher law enforcement, or is there another jurisdiction whose lead we could be following in terms of where we should go to try to stamp out drinking and driving?

**Mr. Murrie:** Absolutely. Unfortunately, Ontario has had a bit of a reversal when it comes to drinking and driving, so in the latest statistics in Ontario, the actual percentage of alcohol-related deaths and injuries has gone up. We have met with a series of ministers to put recommendations. There are two reports that MADD Canada has out there. We've just released a youth report with recommendations on how to deal with drinking and driving with youth. They represent in Ontario, for example, 13% of the population of licensed drivers, yet they represent 25% of the fatalities. Obviously, there's a

disconnect. There are certain things with youth and drinking and driving that need to be dealt with.

The other thing is, in a month's time we will be handing out our three-year report card on drinking and driving, where we rate each province. That will come out the week of October 16, and there will be a series of recommendations on how Ontario is ranked and what Ontario can do in the future.

**Mr. Tascona:** Without sharing with us the entirety of that report, where do you think we need to improve here in this province in law enforcement?

**Mr. Murie:** The big issue is suspended drivers: 50% of people who are convicted of drinking and driving do not return to the licensing system. They don't go to the programs that we've all worked on together: Back on Track, which is a very good remedial program, the alcohol interlock. By their going outside of the licensing system, we don't get them the programs that they need to deal with the drinking issue. The second thing is, and we'll be releasing a study very shortly on the suspended drivers in Ontario, they are overrepresented in the fatalities and injuries. It should be no surprise; that's the data. Worldwide on that. But we need to give the police the ability, the information. For example, in Alberta, Saskatchewan and Manitoba, if a person does not show up for those programs, the licensing officials give that information to police enforcement agencies to follow up. In Ontario, there's no co-operation between the Ministry of Transportation licensing and police enforcement agencies. If you look at Saskatchewan, they have 27% of their drivers that don't go back into the licensing system; direct comparison to Ontario, 55%. We're not doing our job.

**Mr. Tascona:** That's astounding.

**Mr. Murie:** I know, it's astounding. We're very disappointed that there's not been more done, both at the police enforcement and government levels.

**Mr. Tascona:** Could you share that youth report with this committee and, when that other report comes out on October 16, could you share that with this committee?

**Mr. Murie:** Oh, absolutely.

**The Chair:** One last question, if you have one.

**Mr. Tascona:** With respect to dealing with the suspended drivers, and I understand what you're saying. How do you deal with these people who would drive without insurance, who would drive without a driver's licence? How do you deal with them?

**Mr. Murie:** There are three things that you do. First of all, you give police the information to deal with it. You've got to make the sanctions for driving suspended more severe than coming back into the licensing system. In Manitoba, for example, if you continue to drive suspended, they will seize your vehicle and they'll sell it. Basically, that's how you have to deal with it. If a licence suspension has no impact, then you've got to go to the next thing, which is the actual vehicle. I find it perplexing that in this province, if you hunt or fish out of season, they'll take your boat, they'll take all your equipment, but it's okay to not drive with a proper licence, put

others at risk on a major highway, and we don't treat them the same.

**Mr. Tascona:** I agree; that's unacceptable.

**Mr. Bisson:** Interesting stats. I'm just curious, are there any stats in regard to recidivism, those who have been charged and have had their licence reinstated from jurisdiction to jurisdiction? How does Ontario stack up?

**Mr. Murie:** There's not much fluctuation. Basically, what we know about people who get charged with drinking and driving is that 30% continue to get charged with a second or third or fourth offence. About 70% of people who are charged the first time never come back into the system within a 10-year window.

**Mr. Bisson:** And that's normal, that's pretty well standard across the various jurisdictions?

**Mr. Murie:** Pretty much. When I talk about variation, it might be 1% or 2%, but it's a pretty standard process. There really doesn't seem to be any great variation from province to province. The problem comes in the follow-up: What do you do when have these people suspended? As I was saying before, other jurisdictions do a lot more than what Ontario is doing right now.

1450

**Mr. Bisson:** I'm a bit perplexed—not perplexed, but I have the following comment, and tell me what you think. I agree with you that we have to have stiff penalties and we have to take this seriously. I've been here for 15 or 16 years—17 years now—and every government has stiffened the penalties and rules when it comes to drinking and driving. It is not the same game as it was 17 years ago. This government has, the Tories have and we have.

It seems to me that although we should keep up on those efforts, the really heavy amount of the work that we need to be doing is the stuff that MADD does, which is the education, in order to try to stop people from getting behind the wheel, which brings us to the point of these hearings.

What do we have to do within the LCBO, because that's what we're reviewing today, in order to be able to increase the awareness and education needed to try to stop people from getting behind the wheel?

**Mr. Murie:** I disagree with you. I think we've been successful because of a comprehensive strategy. It's because we've had legislation, we've had education; we've had all of those things.

**Mr. Bisson:** I think we're in agreement. I'm just saying we also need to put a lot of emphasis on education.

**Mr. Murie:** Absolutely; you need all of them. Quite frankly, my views wouldn't change if we didn't have the partnership with the LCBO or if we didn't receive any local work. We'd still want a public monopoly here. One of the values you have with the public monopoly and the social responsibility budget is that you increase that. You put it as a percentage of the operating budget so that it makes sure there's that kind of money and accountability going in and making sure the social responsibility piece is a big part of all the initiatives of the LCBO. It loses some of its effectiveness if it just comes as a seller and a marketer of alcohol. That's a key component and that's one of the pieces we want to see.

**Mr. Bisson:** I think we're agreeing, but I'm just asking the question: Is there some recommendation this committee could make as part of its report that would help you to do what you need to do through the LCBO?

**Mr. Murie:** Currently, the LCBO's budget for social responsibility is \$2.5 million per year. I'd like to see that significantly increased so that it's a part of all the aspects, so that there are no budget considerations. We only do things at a certain period of time because that's all the money that's available.

**Mr. Bisson:** Are there any other jurisdictions that are doing interesting things through their LCBO-type outlets that we should be looking at: Quebec with the Régie, or Manitoba or whoever?

**Mr. Murie:** When it comes to monopolies, LCBO is by far the leader. They've got the best programs. We work with a lot of other public monopolies as well, but certainly the elaboration, the sophistication, is here.

**Mr. Bisson:** Do you need a more formal relationship with the LCBO as far as some sort of mandated mechanism to make sure that you're heard, and that at the end of the day we take this issue even more seriously than we are now?

**Mr. Murie:** No. We're very comfortable with our current working relationship. The only thing I'd say is, keep it the way it is; increase the funding.

**Mr. Bisson:** Okay. Thank you.

**The Chair:** Mr. Murie, thank you very much for your presentation on behalf of MADD. We look forward to seeing you again at some time very soon.

#### ONTARIO CRAFT BREWERS

**The Chair:** Folks, we will now proceed with our next deputation: John Hay, on behalf of Ontario Craft Brewers. Mr. Hay has been here in attendance. Welcome to the standing committee on government agencies. You're welcome to make opening comments of up to 15 minutes if you so choose, and any time that you leave filling up to half an hour total will be divided up equally among the caucuses, this time beginning with the official opposition. Mr. Hay, the floor is yours.

**Mr. John Hay:** Thank you, Mr. Chairman and honourable members. I'll speak for about seven minutes—I'll read from this prepared text to make sure I cover everything—and I'll hand out a few little items as we go through, if that's okay.

First of all, thank you for inviting me to speak on behalf of the Ontario Craft Brewers as part of your LCBO agency review. The Ontario Craft Brewers represent 29 breweries, with close to 500 jobs, located in over 20 communities across Ontario. We have about five per cent of the Ontario beer market and are growing our sales at about 10% per year. This growth is due to a significant shift in consumer demand towards premium-quality products, to hard work by our brewers, to a number of supportive government policies and to our Ontario Craft Brewers marketing program, which is largely funded by the Ontario government.

We have also received some great support from the LCBO currently and in our early stages. Here are some examples:

- the preparation of our strategic plan, which led directly to a \$5-million grant—\$1 million a year over five years;

- in-store promotion programs in 40 LCBO stores for the last two years, and now in 50 stores, including bulk-head signage, brochures and newspaper inserts, as well as free-standing displays in about 20 of these stores.

I'll just stop and pass some of these documents around so people will get an idea of some of the things I'm talking about. You can keep a couple of the ones with elastics. We have extra copies.

- the development of an excellent craft brewers video, used for staff education and public sale;

- very good access to the beer guys and gals and regional meetings for tutored tastings and product orientation programs, as well as the development of a pocket book on OCB for beer guys and gals—that's on its way around as well—and regular inclusion in the beer guys and gals newsletter;

- improved access to LCBO in-store tasting programs;

- seminars just for OCB on how to do business with the LCBO and the LCBO image programs; and

- initial work on an ongoing product-testing program.

Our sales in the LCBO have grown last year by 30% to 50%, depending on the time period you look at. This growth is very welcome and has great potential to grow much more. We believe it reflects the appealing retail environment that is found in the LCBO versus our other retail channel, where the shopping experience is being seriously curtailed. To maintain that growth, however, some very important opportunities are being worked on. To this end, we have established excellent working relationships with the LCBO at all levels, from a steering committee level down to working committees. We also have open access to the ministry for work on policies and other ideas.

To elaborate slightly, the tax generation component and the retail environment of the LCBO does mean that it is a more expensive retail system, and our LCBO margins are fairly thin. We are continuing to look for ways to deal with the LCBO and with other government ministries.

Secondly, the LCBO is a very large system and it's run on a very businesslike basis, with the number one objective being to generate dividends for the province. The other clear objectives are consumer focus and safe sale, followed by support for local industry.

Naturally, there are many ways to increase the support for local industry. However, some of these come with a potential reduction to overall revenues. Of course, local industry generates many other benefits besides direct contribution to the LCBO bottom line; we recognize that, as do they. So we continually work with the LCBO to find the right balance between local industry support and the revenue generation targets set by treasury and finance.

We believe that the intent of the Ontario government, with its small brewer tax incentives and grants, is to develop a vibrant, regionally dispersed craft brewing industry.

For this selling season, our approach has been to work within the LCBO's current retailing structure, in terms of how they generate plan-o-grams, shelf space allocation, listing rules etc. Stable retail visibility is key to our survival and growth, as we do not have huge advertising and promotions budgets.

We know for sure that some small brewers are able to grow in this environment, but it is very tough to meet all the criteria that a well-funded multinational brewer can meet. We are currently assessing whether we have a broad enough spectrum of brewers growing under this approach.

The last point, in terms of general points, is that the LCBO is clearly embracing the concept of Ontario craft brewers. Naturally, any brewer who feels they are a craft brewer or wants to sell themselves as a craft brewer is working hard to be included under this banner. We are working hard to ensure that our identity is maintained now that everyone is jumping onto the bandwagon. In-store information is very helpful in that regard; that's point-of-purchase information.

In conclusion, our growth in the LCBO in the last couple of years has been very good and is very welcome. We do want to ensure, however, that the majority of our brewers can successfully grow in this system. We have some very important programs to finish putting in place to secure and then accelerate that growth. Lastly, when we complete it, it will ensure a rebirth of our Canadian brewing heritage right here in Ontario. Thank you.

1500

**The Chair:** Thank you very much, Mr. Hay. My Tim Hortons seems to have attracted attention here.

**Mr. Hay:** Am I ahead of schedule or did we start early?

**The Chair:** You're doing very well. We started early, and you took only seven minutes of the allotted time, which is very generous in allowing committee members to ask questions. That gives about seven minutes per caucus for questions, beginning with the official opposition.

**Mr. Tascona:** Thank you for your presentation. I received your brochure on the Ontario craft beer route. I know in Barrie we have the Robert Simpson Brewing Co. In my view, they're an excellent corporate citizen. They also serve an excellent product. I'm pleased to see that they're part of your organization.

With respect to this particular area you've been covering, I want to ask you a question: What kind of social responsibility programs do you have in place to ensure that you sell to people who are of the age of majority? Do you have any programs in place for your brewers?

**Mr. Hay:** Basically, our sales are largely done through licensees, the LCBO or the Beer Store system. We would support for sure any of the other programs.

There isn't a formal program in place, if that's what you're asking, that we sponsor.

**Mr. Tascona:** Well, the Robert Simpson brewery, for example, sells directly from their store to the public, walk-in traffic. I don't know how the other breweries work, but I would have thought that your organization would have some kind of program to deal with ensuring that people who buy are of the age of majority.

**Mr. Hay:** I think each brewery has basically its own policy. We also circulate any directives or policies that come from government as well.

**Mr. Tascona:** So you don't have a formalized policy for your organization.

**Mr. Hay:** Not per se.

**Mr. Tascona:** Not per se. Okay.

Are any of those brewers unionized?

**Mr. Hay:** None of the craft brewers are unionized in Ontario, to my knowledge. A lot of them are fairly small.

**Mr. Tascona:** Do they have access to sell their product in the agency stores?

**Mr. Hay:** Sorry, could you repeat that?

**Mr. Tascona:** Do they have access to sell their product in the LCBO agency stores?

**Mr. Hay:** Yes, they do.

**Mr. Tascona:** How has that worked out?

**Mr. Hay:** At this point, it's looked upon fairly favourably because in some ways there's not as much attention paid to the marketing in those stores as there is in the larger stores, so it's a little easier to access the stores.

**Mr. Tascona:** You indicate in your conclusion that there has been growth in the LCBO over the last few years in the sales of your product. Where do you find that your biggest gains have been in Ontario with respect to the sales of your product?

**Mr. Hay:** They would largely be in the GTA and related area. That's where our marketing campaigns have been targeted and that's where most of the growth would be, although you'd see good growth as well in any of the centres where we have breweries located.

**Mr. Tascona:** Is that dealing directly with bars?

**Mr. Hay:** I was just speaking of LCBO growth.

**Mr. Tascona:** I wasn't referring to geographic areas; apart from the LCBO in terms of how your growth has gone, in terms of what form of sales.

**Mr. Hay:** Our growth in the LCBO would be the highest from the data that we have. The Beer Store growth would likely be quite a bit less. We do not have much data from there. Licensee growth, we believe, is fairly healthy as well.

**Mr. Tascona:** What do you mean by licensee?

**Mr. Hay:** Bars, restaurants: 12,000 or so, 15,000.

**Mr. Tascona:** What would be the approach to get involved in that? Is that just a verbal negotiation to try to get into a bar for a licensee? How does that work?

**Mr. Hay:** Basically, licensees are very important to this industry because a lot of small brewers start by producing a draft product—it's not a bottled product—and the first client really is the local bar. So they'll take



the product in there, talk about it, work with the local bar, try and get a few tap handles, and get started that way.

**Mr. Tascona:** It must be pretty competitive.

**Mr. Hay:** It's very competitive, but really, the most competitive area would be the chain accounts.

**Mr. Tascona:** The chain accounts?

**Mr. Hay:** The chain accounts: any large supplier or licensee, any person who owns a group of licensees, becomes a very important point to focus on for a sales department because they can control so much volume.

**Mr. Tascona:** What kind of terms of the licence would allow you to get into those operations? Do you have some kind of favourable terms?

**Mr. Hay:** The large accounts that own many, many licensees are pretty much off-limits. They're pretty much tied up with promotional arrangements. So we tend to market in the local bars and the smaller bars, and a lot of the bars have licensees that specialize in craft brewing products. There are more and more of those out there and the consumer is more and more interested, so that's where we focus right now.

**Mr. Tascona:** In terms of your relationship with the LCBO, do you believe that there's a process in place that you're working on to have your product more regularly sold, like a special system for microbrewers?

**Mr. Hay:** We're continually working on those kinds of programs. They've done a lot of marketing this year to help in that regard. We will continually look for ways to get what I would call stickier access to shelf space, ways to stay on the shelf a little bit longer, because we don't have the advertising to drive the consumer to the shelf. We need the shopping experience to work. So we're continually looking for those and there are a lot of programs in place and forums for accessing those, but we need more.

**Mr. Tascona:** Okay. Thanks very much.

**The Chair:** Monsieur Bisson.

**Mr. Bisson:** A couple of things. You made a comment that the profit margins are thin when selling through the LCBO. Is that because they exact a larger cut into the product price? Explain that one a bit.

**Mr. Hay:** Yes, the LCBO is a superb retail environment, so you do have to pay for that a little bit in the service fees; the service fees are a little higher. Also, there's a bit of a tax component in the service fees. Those two combine and it becomes a more expensive system for us to operate in, but we can grow in it as well.

**Mr. Bisson:** So what would be the difference, let's say, between me walking into the microbrewery and buying 24—not for me, but for the seller?

**Mr. Hay:** It would be around \$50 to \$60 a hectolitre. A hectolitre is 12 cases, so divide 50 or 60 by 12—\$5 a case.

**Mr. Bisson:** So there's about a \$5 added cost.

**Mr. Hay:** That would be maximum. But of course, not everybody can go to the retail store, so someone has to pay for the convenience.

**Mr. Bisson:** Are there things the LCBO should be doing, in your view, in order to promote the microbreweries?

**Mr. Hay:** They're doing a lot now. We could always use more promotion on the marketing side. It's always wonderful to get to be featured. And as I mentioned before, anything we can do to keep our product on the shelf a little bit longer to give the consumers time to get used to it is great. But don't forget, that product space can generate revenue for them and the treasurer is looking for a lot of money, so it's a trade-off.

**Mr. Bisson:** So how hard is it to get in? Let's say I'm a current microbrewery or a new one. I have a new product that's currently not on the LCBO shelf. How difficult is it for me to get it on the shelf?

1510

**Mr. Hay:** It's fairly easy to get it on the shelf. It's quite difficult to keep it there.

**Mr. Bisson:** Because then it's based on who buys, how much volume.

**Mr. Hay:** Most of it is volume-based—sometimes there are other reasons—as opposed to maybe growth-based, which might help us a little bit in the early stages. So we're working on that. It's easy to get on the system. It's just very hard to stay. It's very competitive.

**Mr. Bisson:** So you're saying that it should be growth-based, not volume-based.

**Mr. Hay:** One of the models we will discuss, and continue to discuss, is a little easier access at the front end—we're getting some help now for sure—leaving it based on growth for a little while and then moving to the volume criteria. But we're now into, to some extent, the minutiae of listing strategies here, and there are many of these.

**Mr. Bisson:** When you finally do get your beer in the LCBO, is it only in selected stores, I would imagine? It's not in every store, because there are various sizes of stores, right? Is that an issue?

**Mr. Hay:** The listings are done store by store. There are some core brand listings, which we would not be involved in because we don't have enough volume for that. So you pretty much have to go store to store, even though the programs and the supports are, for the whole GTA, for a group of stores. It's a store-by-store system. It's not a system where you buy a listing and you're listed in a certain number of stores. It doesn't work that way.

**Mr. Bisson:** That's what I'm wondering. Do you have any control about which stores your product goes into, or is that entirely the LCBO's choice?

**Mr. Hay:** It's the LCBO's and primarily the store manager's choice, and it's your choice in that if you work hard enough and put enough investment into it, you will get into more stores. It's a labour-intensive system but it works once you get it going.

**Mr. Bisson:** What could be done to improve on that? What recommendation could we make?

**Mr. Hay:** From this committee's perspective, I guess the simplest thing is to continue to encourage the LCBO and the government to work on programs that help small brewers get off the ground in the stores. Anything along those lines works. There are lots of ways of doing that,

but just that basic help to give us a little extra push: a little extra time on the shelf; a simpler listing policy. Those kinds of things really help.

**Mr. Bisson:** Do you have anything in writing as far as suggestions?

**Mr. Hay:** We could produce a little bit but it's pretty much all in internal documentation.

**Mr. Bisson:** It would be helpful if you could provide us with that. This is entirely up to you. I can't presume what the committee is going to vote for or not vote for when it comes to recommendations. But if there's something specific that you would want to see the LCBO do to assist your industry, it would be helpful if you could provide the clerk with that information, and we can take a look at it and see if we want to make it part of our report.

**Mr. Hay:** We can produce a general comment. The other aspect like that is the thin margins. If the committee in any way can prevail upon finance to either lower the target or put an adjustment in the LCBO's targets to allow us some kind of rebate or offset on a piece of the costs, that would be wonderful. These are things we've all talked about with the LCBO and others many times.

**Mr. Bisson:** I encourage you to pass that on to our clerk.

A couple of quick questions: Is there a huge difference in the amount of beer you sell through Brewers Retail versus the LCBO?

**Mr. Hay:** There should be but there isn't. We should sell about 15%, maybe 25%, through the LCBO, and the rest through the Beer Store. As it turns out, we sell about the same amount. We're severely underrepresented in the Beer Store system.

**Mr. Bisson:** That was my question, because a lot of your beers—

**Mr. Hay:** In our view, anyway.

**Mr. Bisson:** Yes, because a lot of times you have to go to the LCBO if you're looking for a particular brand from your breweries.

One last thing, and I know this is not a slight on northern Ontario: I take it that you don't have microbreweries in the north.

**Mr. Hay:** I wish we did.

**Mr. Bisson:** But I want to point out that there's a big part of Ontario missing, and Monique and I were just wondering how we're going to get home tonight following this map.

**Mr. Hay:** We need some more breweries up there. Anything you can do to help would be wonderful.

**Mr. Bisson:** Northern Breweries is not part of your system, right?

**Mr. Hay:** Northern was on the verge of joining again. They're not making it but they may be revived again. I wish they would; we hope they will be. They would be in for sure.

**The Chair:** Thank you, Mr. Bisson. It looks like an opportunity for some job creation in Timmins.

**Mr. Bisson:** There we go.

**The Chair:** To the government side.

**Mrs. Mitchell:** Where you ended, Gilles, I'll begin. I would draw everyone's attention to the greater southwest and seize the opportunity the map has afforded you. Thank you. I couldn't resist.

I have a couple of questions here. The 30% to 50% growth: You must have been very pleased with the working relationship you have with the LCBO. Was that what you expected? Were those numbers targeted in the strategic plan? Have you achieved where you wanted to be?

**Mr. Hay:** We had some targeting that we'd worked out around the 30% area. So those numbers are very good. Those are wonderful numbers in any kind of consumer product, those kinds of growth numbers.

**Mrs. Mitchell:** Certainly 30% to 50% growth in any business is welcome. So the relationship that you have developed with the LCBO has been quite successful.

**Mr. Hay:** It's an excellent relationship, and it has fostered a lot of wonderful things.

**Mrs. Mitchell:** Your five-year strategic plan: Over five years, what year are you in now?

**Mr. Hay:** We're just into the second year. It's actually a 10-year plan, and the target is to grow to a million hectolitres—we were at a little under 200,000 hectolitres—in 10 years, by 2014.

**Mrs. Mitchell:** Very good. Part of your conclusion here is that you would like to see the rebirth of Canadian brewing heritage. So is that part of your strategic plan? I mean, one of the breweries—I have a number of them in my riding. It's Neustadt, and they have a lot of—

**Mr. Hay:** Yes, it's wonderful.

**Mrs. Mitchell:** It's not right in, but it's right beside. So where do you see the heritage? Is that covered off in the strategic plan, what it has brought to Ontario?

**Mr. Hay:** Very much. Our craft brewers are very active in the community. They're part of the community. They grow from the community. Generally speaking, they maintain those community roots and community involvement as they grow.

The Canadian brewing industry was once, at least, a very proud Canadian-owned industry; it is no longer. There is a new version coming up, and it's coming up right across Canada. There are 90 small brewers across Canada, with over 2,000 jobs. Ontario would probably be in the lead. In volume, it would be close to in the lead. Certainly in number of brewers and activity, it would be in the lead. We'd like Ontario to be a centre for excellence for craft brewing and continue with that brewing heritage.

These are Canadian-owned. They're husband-and-wife, brother-and-sister, father-mother-grandmother invested enterprises.

**Mrs. Mitchell:** Thank you, John. Ms. Smith has some questions.

**Ms. Smith:** I just wanted to follow up with a couple of questions on your strategic plan. You noted in your presentation that you received \$5 million in funding over five years. Where was that from, and what was it for?

**Mr. Hay:** Basically, it was in the budget a couple of years ago. It was \$1 million a year. It is to implement the

strategic plan. It's largely a marketing co-op, but there's also money in there for developing group purchasing programs, for quality programs, for basic research, market research and other kinds of research.

**Ms. Smith:** Great. So it would go towards some of the brochures that you showed us today?

**Mr. Hay:** All of the tourism.

**Ms. Smith:** The tour ones?

**Mr. Hay:** Yes.

**Ms. Smith:** Okay. You also provided us with some other information that has the LCBO stamp on it. So that's some of the co-operative work that you've done with the LCBO?

**Mr. Hay:** That's exactly what it is. That's the beer guys and gals guide that they have to help them when a customer asks them a question about what kind of beer goes with what kind of food, what they taste like, what they look like. That's what that's for. They've been extremely interested in our program, the guys and gals.

**Ms. Smith:** The beer guys and gals, just for those of us who are uninitiated in this, are they staff members of the LCBO who sell just in the beer section?

**Mr. Hay:** Yes. The LCBO has staff members all through the organization. This is one of their real strong points. They have staff members all through the organization who specialize in different products. There's a group that specializes in beer, the beer guys and gals. They're in a lot of the stores. They also have product consultants, who also are very interested in the programs and work very hard at it. We also have wonderful access to the regional district managers, meetings to do tutored tastings. We have unbelievable access to the system.

1520

**Ms. Smith:** Great. This morning we heard from one of the LCBO executives—I believe it was the director of marketing or merchandising—Tamara, whose last name I don't remember. Sorry.

**Mr. Hay:** Tamara Burns.

**Ms. Smith:** Tamara Burns. She talked about working with the craft brewery industry and helping you to develop your industry, which is very well reflected in your presentation this afternoon. One of the things she talked about was the fact that you were somewhat limited in the listing of your product by the size or the ability of growth of your various brewers. So I just wanted to follow up on your discussion with Mr. Bisson, who was asking about how many stores you can list in or if you're limited in the number of stores you can list in. This morning I got the impression that part of the limitation is that your breweries are small and fledgling, and so as they grow, the LCBO has been trying to work with you to develop larger listings. But in the beginning stages, you are, because of the fact of their size, limited to the number of stores they list in.

**Mr. Hay:** Yes, that's absolutely correct. Anything we'd look for in listings would be in those stores we can deliver products to. But by and large, we can deliver products to a lot of southwestern Ontario quite well. We're working with other ministries to find ways to help

improve our distribution systems as well, different ways that we can work together.

**Ms. Smith:** Great. That's it for me. Thank you, Chair.

**The Chair:** Super. Thank you, Ms. Smith, Mrs. Mitchell.

Mr. Hay, thank you very much for your presentation. It's always good to hear from the craft brewers of Ontario, with all the bonus material they bring for committee members as well. I do want to note that some said they were feeling thirsty after your presentation this afternoon. Thank you for your time.

I'm going to put Mr. Olsson on the spot here. We finished slightly ahead of our agenda. Are there any other comments that the LCBO wanted to bring forward, having heard the depositions this afternoon? Are you satisfied with your presentation as it stands?

**Mr. Olsson:** With your permission—

**The Chair:** Yes, please come on up. We'll just need you on the microphone so that you can be recorded for the benefit of Hansard.

Folks, we won't have time for questions here unless—

*Interjection.*

**The Chair:** You really want to? We'll see. I thought I'd give Mr. Olsson a chance to respond to some of the presentations here today.

**Mr. Olsson:** It would be hard to, with some of the nice things that were said about us today—I'm probably risking something by saying anything further.

I think there are two areas that probably are worth addressing. I'd like to go for a moment to the agency store question, the southern agency stores. I won't repeat the discourse about what the nature of the evidence is that underage or intoxicated people are buying from agency stores. We're unaware of any such evidence, even anecdotal, but I would like to be clear that you should understand the dynamics and what the motivation of an agency store operator would be.

The agency store purchases its beverage alcohol from the LCBO—they have slightly different arrangements with the Beer Stores—wine, spirits and imported beer, at a 10% discount from retail, FOB LCBO premises. So typically what these small operators do is, once or twice a week they get in their van, they drive to the LCBO store they shop at and pick up their orders and take them back. So by the time they're on the shelves, they're operating with a less than 10% gross margin.

As I referred to in my remarks, many of these stores are fighting for their very existence in some of these small communities. The business communities are very fragile. This is a traffic-builder; it's not much of a profit-maker. I don't think there's anybody in an agency store who's going to be retiring off the fact that they get an LCBO licence. In fact, I can prove that, because whenever we propose to put an agency store in a community, we advertise, and our biggest problem often is finding someone. There isn't an entrepreneur going around the province saying, "Oh, boy, I'd like to find one of these small communities where I can set up an agency store." It's not a profit-making proposition.

I'm leading up to the key point. The risk to the agent in selling beverage alcohol to unqualified consumers—to minors or to intoxicated people—is very great because they could lose their licence, whereas the net revenue that they might make is quite small. I would take issue with the assertion that the “profit motive” means that sales have to be irresponsible. If the profit motive means anything, and you look at the entire picture of how the economics work, the profit motive would say, “Under no circumstance sell to a minor or an intoxicated person.” That's one point I'd like to make.

The second point relates to the Environmental Commissioner's presentation. I think we probably should make some further submissions on this. I would refer you to Hansard, where you will note that he said that, “Everything I'm going to tell you is in dispute.” Facts when it comes to recycling and reuse are typically of questionable—there is a variety of sources. The sources we used this morning were drawn from Stewardship Ontario, which was set up by the government and of which the LCBO was a founding member, to assess and quantify the stream so that they can charge back to the participants who pay into the blue box program. It's about \$130 million that's charged back to participants.

Also, there was a city of Toronto audit, and I'd refer you to the city of Toronto works committee memorandum of March 6, 2006, where they state, “Recycling ratios for the LCBO are more or less equivalent to those in deposit-return systems.” That was based on work done by the city. They also confirmed by independent audit that our recycle ratio in the blue box system is 96% in single-family homes in Toronto. So the areas of issue are multi-family dwellings and rural areas.

The assertion that a recycling program or a deposit-return would result in more reuse of glass I think needs more examination. We understand that coloured glass bottles, whether they come in through the blue box program or through deposit-return systems, wind up in the same place, which is ground up into aggregate. By the way, there's nothing much wrong with that in our view because that's aggregate that doesn't get dug out of the moraine and it is a useful product.

I would also like to point out that our aseptic carton recycling—in other words, what we were referring to this morning as Tetra Pak, and I think one of the questions hit at this—number one, the loss-to-the-landfill statistic is based on, as we understand it, Tetra statistics, which are mainly built on the use of juice boxes. We've only been at this for a year and we only really have about six months of heavy usage of the Tetra program, so that has not been assessed. When you crush a Tetra box, even if it goes to the landfill, it still takes up less than 10% of the weight and the volume that a glass bottle takes. So it is an incredibly effective means to limit waste.

Those would be my closing comments. Patrick, do you wish to add anything to that, or Tara?

**Mr. Ford:** I think the only thing I'd like to add is that in an additional comment from the commissioner in, I think, close to his concluding remarks—

**The Chair:** You just have one minute left, if you don't mind.

**1530**

**Mr. Ford:** Certainly, Mr. Chair. Specifically, he mentioned that he felt that the jury was still out in terms of the merits of aseptic Tetra over glass. We would certainly encourage that if there's any question remaining, we'd be happy to support any further analysis that was done on that, and whether or not there are upsides to one or the other.

**Mr. Olsson:** Having said that, it's ultimately a public policy decision, and we would be very interested in the committee's views on that.

**The Chair:** Outstanding. Again, thank you very much.

**Mr. Olsson:** Thank you very much.

**The Chair:** We appreciate you spending your afternoon with us as well, and responding to some of the presentations. Thank you, folks.

**Mr. Bisson:** Do we have a chance to ask questions—

**The Chair:** No. We just don't have the time. If we had more, we probably could. So no; we've concluded this part of our agenda.

Folks, thanks very much. It's much appreciated.

#### SUBCOMMITTEE REPORTS

**The Chair:** We'll now proceed with our 3:30 scheduled subcommittee reports. I think we're ahead of schedule, in all likelihood, unless there's significant debate on the subcommittee business, so we've asked our 4:00 and 4:30 p.m. intended appointees to try to arrive a bit earlier. We may have to break, but hopefully this will flow relatively smoothly. In the meantime, I will slow my cadence down to a very annoying drawl.

**Mr. Parsons:** More annoying.

**The Chair:** Oh, now you're hurting my feelings. All right; fine.

We will now proceed with the subcommittee reports.

Let me add this: If we have other business, I will try to fit it in between the subcommittee reports and the deputations unless we happen to brush up against 4 o'clock.

Our first order of business is the report of the subcommittee on committee business dated Thursday, June 8, 2006.

**Mr. Parsons:** I move its adoption.

**The Chair:** Mr. Parsons moves its adoption. Any debate on the subcommittee on committee business report of June 8, 2006?

**Mr. Milloy:** I had a 20-minute speech.

**The Chair:** Mr. Milloy is going to table his 20-minute speech. Any other comments?

**Mr. Bisson:** I had a question. I asked them directly, but for the record I'd like the clerk to pass on the following questions to the LCBO. The first one is if they can provide us with the stats of the agency store refusal rate for selling alcohol to people underage, because we have what it is for LCBOs; we don't have what it is for agency stores.

**The Chair:** Are there other questions that you want, or is that it?

**Mr. Bisson:** That was it.

**The Chair:** Okay, thanks. I was going to defer anything else; we could do it during other business. But if you got it on the record and the clerk has it, we're fine.

Mr. Parsons has moved the adoption of the subcommittee on committee business report of Thursday, June 8, 2006. There's no other debate? All in favour? Opposed? It is carried.

The next order of business is the report of the subcommittee on committee business dated Thursday, June 15, 2006.

**Mr. Parsons:** I would move adoption.

**The Chair:** Mr. Parsons moves its adoption. Discussion? There being none, all in favour? Opposed, if any? It is carried.

The next order of business is the revised report of the subcommittee on committee business dated Thursday, June 29, 2006. I'll remind members that this is the revised report of the subcommittee on committee business, as opposed to the original, unrevised report of the subcommittee on committee business.

*Interjection.*

**The Chair:** You actually have a question? Let's see if it's moved for adoption.

**Mr. Parsons:** I would move adoption of the revised report.

**Mr. Bisson:** I'm just trying to remember—

**The Chair:** An additional appointee was added to the report.

**Mr. Bisson:** Oh, that's right. That's fine. Okay.

**The Chair:** We're good? Any further debate or discussion? All those in favour? Opposed, if any? I'll stretch this out for dramatic effect. Carried.

The next order of business is the report of the subcommittee on committee business dated Thursday, June 29, 2006.

**Mr. Parsons:** I move its adoption.

**The Chair:** Mr. Parsons moves its adoption. Comments, questions, debate?

**Mr. Milloy:** How can we be voting on the revised report and voting for the report?

**The Chair:** That's a good question. Mr. Milloy asks a good question. We will stand that down. See, the new guy on committee caught us out already.

*Interjections.*

**The Chair:** This actually does stand on its own. As members will see from the extensive package that has been given to them—let me look at this—Thursday, June 29 is in here.

Shall we proceed with the vote? All those in favour? Opposed, if any? It is carried.

The next order of business is the report of the subcommittee on committee business dated Thursday, July 6, 2006.

**Mr. Parsons:** Having figured out the pattern, I would move its adoption.

**The Chair:** Mr. Parsons moves its adoption. Is there any debate? Seeing none, all those in favour? Opposed, if any? It is carried.

The next order of business is the report of the subcommittee on committee business dated Thursday, July 27, 2006.

**Mr. Parsons:** I move its adoption.

**The Chair:** Mr. Parsons has moved its adoption. Any debate? All those in favour? Opposed, if any? It is carried.

The next order of business is the report of the subcommittee on committee business dated Thursday, August 17, 2006.

**Mr. Parsons:** I move its adoption.

**The Chair:** Mr. Parsons moves its adoption. Is there any discussion? Seeing none, all those in favour? Opposed, if any? It is carried.

The next and final order of business in this particular part of the agenda is the report of the subcommittee on committee business dated Thursday, August 31, 2006.

**Mr. Parsons:** And I move adoption.

**The Chair:** Mr. Parsons has moved adoption. Mr. Tascona has a question on that subcommittee report.

**Mr. Tascona:** I have two pages here. The second page has an extension of deadline for review of the intended appointee included in the amendment to the August 25, 2006, certificate received on August 30. The original deadline was September 29, 2006. The new deadline is October 29, 2006. This is regarding Mark Lewis for the Ontario Labour Relations Board. We would be reviewing them when we return to the House, I take it, for this one?

**The Clerk of the Committee:** Yes. They amended the certificate and added an additional person, but we have to treat it with new deadlines. The deadline is not actually till today at 5. I know you've already responded and selected him. We have to extend the deadline, because it would be up for September 29, just in case we don't get a chance to—

**Mr. Tascona:** That's great. Thank you.

**The Chair:** Any other comments or questions? All those in favour? Opposed, if any? It is carried.

We need a unanimous consent agreement on the following extension of deadlines. Pursuant to standing order 106(e)11, unanimous consent is required by the committee to extend the 30-day deadline for consideration for the following intended appointee: Mark Lewis, intended appointee to the Ontario Labour Relations Board. Do we have unanimous consent to extend this deadline to October 29, 2006? Hearing unanimous consent, that motion passes.

#### INTENDED APPOINTMENTS

**The Chair:** We will now try to move to appointments review. We are 20 minutes ahead of schedule. We do have one of the intended appointees here, so I would like to move to intended appointees. Is that okay? We still have another matter for other business, but we may as well go ahead.

## GEMMA HARMISON

Review of intended appointment, selected by official opposition party: Gemma Harmison, intended appointee as member, Criminal Injuries Compensation Board.

**The Chair:** Our first interview is with Gemma Harmison. Ms. Harmison is the intended appointee as a member of the Criminal Injuries Compensation Board. Ms. Harmison, please make yourself comfortable. As you're aware, you have an opportunity to make some opening comments about your background and your interest in the Criminal Injuries Compensation Board. Subsequent to that, there will be questions from all three caucuses, dividing up the time equally. We'll begin today's questioning with Mr. Bisson of the third party.

Ms. Harmison, the floor is yours. You're welcome to make some opening comments.

1540

**Ms. Gemma Harmison:** Thank you very much. Good afternoon, Mr. Chairman and committee members. I appreciate the opportunity to appear before you today and to answer any questions you may have regarding my intended appointment to the Criminal Injuries Compensation Board. I have prepared a very brief opening statement and then would welcome any questions you may have.

I have about 10-plus years' experience working with victims of violence. I have an undergraduate degree in law—a four-year honours degree. While completing my thesis in November 1995, I had the opportunity to work for a non-profit organization that provided support and services to victims of violent crime. This involved direct service to victims, including scheduling and attending meetings with crime victims and accompanying victims to court and other legal proceedings. In that position, I also had the opportunity to research, prepare and present submissions before the federal standing committee on justice and legal affairs.

Regarding issues related to victimization, including the Victims Bill of Rights and high-risk offenders, I also had the opportunity to provide numerous guest lectures at secondary and post-secondary institutions, community organizations and policing organizations.

In September 1997, I was appointed to the Criminal Injuries Compensation Board as a board member and served two terms as a board member. In 1998, at the request of the vice-chair of the board, I began assisting in training and developing new board members who were appointed. That included the initial training program, what we call a refresher training program, which was generally offered six months into a new term for a board member, as well as overall availability to new board members during the balance of their terms with the board.

At times I was also asked to assume some of the chair's duties while the chair was on annual leave, including attending to any board member questions or concerns as well as any inquiries of the board's administrative staff.

During my six years as a board member, I also had an opportunity to conduct a week of hearings for crown law civil related to cases that had fallen outside the abuse and provincial institutions program.

From February 2004 until June 2005, I was employed as the executive assistant to the chair. This involved communicating with crime victims, both in person and via telephone, investigating and resolving complex or contentious issues that had been addressed to the chair's office, as well as providing advice to adjudicators and administrative staff on a variety of administrative and technical issues.

In June 2005, I relocated to Barrie and commenced employment in the court services division under the Ministry of the Attorney General. I worked in the family law office, which involved receiving and issuing family court documents, informing the public, litigants and members of the legal profession regarding court procedures and rules, and communicating with a number of government and non-government agencies, such as the office of the children's lawyer, Family Responsibility Office and the children's aid society.

Most recently, in March 2006, I began clerking for a lawyer in Barrie, a sole practitioner who focuses primarily on family law. I meet with clients, draft and file court documents and attend court as required.

The last year and a bit, working in family law, there is certainly an overlap with family law cases and issues of victimization in terms of processing family law restraining orders, emergency ex parte motions for exclusive possession, as well as instances of child abuse in applications brought by the children's aid society.

A couple of other areas of professional experience or development I'd like to discuss include participating in a week-long training program with the Society of Adjudicators and Regulators, participating in a national conference for representatives of criminal injuries compensation boards, as well as being a participant at the conference of the Council of Canadian Administrative Tribunals.

I've also had the opportunity to make a number of presentations on issues related to victimization, including being a guest presenter at the senior officers' meeting of the Stormont, Dundas and Glengarry detachment of the Ontario Provincial Police; guest speaker at the Canadian Police College RCMP week program; and guest lecturer at Carleton University, the University of Ottawa and Algonquin College.

As I mentioned at the outset, it was a very brief opening statement. I certainly welcome any questions you may have.

**The Chair:** Ms. Harmison, thank you very much for your background and your interest in the position. As I mentioned, all three caucuses will have the chance to ask questions, beginning with the third party.

**Mr. Bisson:** I don't have a problem as far as your qualifications. You've been around the Criminal Injuries Compensation Board for a long time. Just to be clear, though, you had two three-year appointments in 1997

through 2003, and since then you've worked as the executive assistant to the chair up to 2005, right?

**Ms. Harmison:** Yes.

**Mr. Bisson:** So you are no longer with the board in any capacity?

**Ms. Harmison:** In any capacity, no.

**Mr. Bisson:** So what makes you want to go back? How did you end up back here again? I'm just curious.

**Ms. Harmison:** Certainly working with victims and with the board is important work for me. I was unable to continue on as a board member working in the OPS. You can't be in the OPS as well as have an appointment. Certainly in March, when I switched and left the OPS to work for a lawyer out in private practice, it was an opportunity to return to do work that I am very much committed to.

**Mr. Bisson:** Well, I guess my question is, did you seek the appointment or did somebody seek for you to reapply?

**Ms. Harmison:** I sought the appointment.

**Mr. Bisson:** I'm just curious, to legislative research. I think it's the first time I've seen this, where somebody comes back. It's not a very common practice, right?

**Ms. Carrie Hull:** I think they may have.

**Mr. Bisson:** There are no rules. This particular appointment, though, to the Criminal Injuries Compensation Board, can only be a maximum of two. Is that what the rules are on this one? Obviously, this is not a re-appointment, because she's reapplying, but just for my own knowledge.

**The Chair:** We'll look it up and get back to you, if you don't mind.

**Mr. Bisson:** Those are all my questions.

**The Chair:** We'll proceed to the government members. Mr. Parsons.

**Mr. Parsons:** We've certainly read your resumé and application, and I guess my thought that you're certainly more than qualified was only reinforced by your actually being here. I'm not sure why you were called to appear today, because you certainly have the experience and qualifications. Thank you.

**The Chair:** Thank you, Mr. Parsons. The official opposition.

**Mr. Tascona:** Gemma, I appreciate your coming here today. I had some questions I wanted to ask you. I know you've got a strong interest in this area. Just to follow through on it, where were you residing when you had your two terms? You said you moved to Barrie in 2005.

**Ms. Harmison:** In the Ottawa area, originally right in Ottawa and then, subsequently, in Prescott-Russell.

**Mr. Tascona:** Your term ended September 2003. Is that because you could only serve two terms?

**Ms. Harmison:** My understanding was that at the time, generally, it was a maximum of two three-year terms.

**Mr. Tascona:** So you didn't get reappointed after September 2003. And then you became the executive assistant to the chair of the board from February 2004 to June 2005?

**Ms. Harmison:** Yes.

**Mr. Tascona:** That would have been as an employee role?

**Ms. Harmison:** Yes, that was within the OPS.

**Mr. Tascona:** Were you a part-time board member back in 1997 to 2003?

**Ms. Harmison:** Yes, that's all part-time membership.

**Mr. Tascona:** And this one's a part-time also.

Now, from the research paper that we were provided it says that all part-time members receive a per diem of \$135 for every day spent on board business. The act sets no limit on the length of term members can serve, but it's usually three years, with the possibility of reappointment. My question is not necessarily to you. It falls out of the new policy that has been put in place by the Minister of Government Services. He set a new policy in place on September 1 with respect to public appointments.

**1550**

I guess my question to the legal researcher is whether this particular appointment would be covered by the new policy that has been put forth by the Minister of Government Services, in terms of how that would apply. The Minister of Government Services, just for your information, has put forth that "appointments will now be up to a maximum of 10 years, and structured as follows:

"Initial appointment of two years

"Reappointment for a term of three years, a decision that rests with the appointing authority

"Reappointment for a further term of five years, a decision that rests with the appointing authority."

I'd like to understand what kind of term of appointment we're dealing with here. I don't know whether you can expand on that. Do you know what term you're up for?

**Ms. Harmison:** I don't know, and I'm not familiar with what you've just indicated as the new procedure in that regard.

**Mr. Tascona:** It just came in place September 1. It's new to everybody. I thank you on that one.

The other part of it is in terms of the Ombudsman, André Marin, who issued a press release on August 23. I don't know whether you're familiar with this, but he's investigating the Criminal Injuries Compensation Board with respect to whether—they've been getting an increasing number of complaints over the last five-month period, and he's going to look into them with respect to certain areas. I'll just share these with you, and you may want to offer your comments if you can:

"Many of the complaints allege lengthy administrative delays, in some cases of up to several years, before a decision or award is received. Complaints also allege that victims of crime are being re-victimized as they go through the process of seeking compensation through the board and they are unable to obtain closure due to the long, drawn-out procedure. Concerns have also been raised about heavy bureaucratic burdens and demands for complex and voluminous paperwork, which are placed on victims who are applying to the board for compen-

sation for injuries including compensation for pain and suffering, medical care and treatment and lost income.”

Just to be fair, you’ve got a fair amount of experience in this particular area. Do you want to comment on any of that? Do you have any comment with respect to those remarks made by the Ombudsman with respect to your experience?

**Ms. Harmison:** I certainly did read the report. I haven’t been working with the board over the past year. I don’t believe it would be appropriate for me at this time to make a comment with regard to an ongoing investigation.

**Mr. Tascona:** Yes. You’re coming back now, and you certainly have the qualifications and the interest, which is great. What areas interest you that you really want to work on in terms of being a part-time member of this particular board?

**Ms. Harmison:** Certainly doing the best that I can as a board member in that capacity to serve crime victims. What that means for a board member is reaching fair decisions that are in accordance with the applicable statutes, and submitting those decisions that I make as a board member in a timely fashion.

**Mr. Tascona:** But what brings you to this area? What interests you in this area? What do you find intriguing about the work? It sounds like it’s fairly challenging.

**Ms. Harmison:** It’s certainly something that most of my working experience has involved: serving crime victims. I’ve had the opportunity to serve and/or represent crime victims at a community, provincial and federal level and it’s something I feel very strongly about and very committed towards.

**Mr. Tascona:** Just explain the process in terms of how your job would work, because you’ve been there. Can you just share it with us?

**Ms. Harmison:** As an adjudicator?

**Mr. Tascona:** Yes.

**Ms. Harmison:** It involves either sitting as a single member on documentary hearings—that would be making decisions based on the documentary evidence that’s contained in the particular file, which would include records from the police, from hospital, from other treatment professionals, and reaching a decision based on that information in accordance with the applicable statutes—and at times sitting as part of a two-member panel on oral hearings that are held throughout the province.

**Mr. Tascona:** In terms of your work, will you be working throughout the province or would you be specifically in the Barrie area in terms of the types of cases you hear?

**Ms. Harmison:** It’s my understanding that I’d be doing predominantly the documentary decisions, which are decisions based on a file review, as opposed to travelling. I’ve travelled for six years and lived out of a suitcase for six years doing that. Primarily, at this point, I believe it would be doing documentary decisions or perhaps at times sitting as a two-member panel at hear-

ings that are held in Orillia, which is one of the locations where the board sits.

**Mr. Tascona:** So where would you do the documentary review?

**Ms. Harmison:** That’s something that’s done at home, at a time outside of regular work hours.

**Mr. Tascona:** What’s the purpose of a documentary review?

**Ms. Harmison:** It’s to adjudicate a file, just as it would be to adjudicate a file at an oral hearing. Generally, files that are scheduled for a documentary review are ones that are straightforward, where there’s sufficient information based on the documents alone for a board member to make a decision. Those are the ones that are set down for a documentary hearing, as opposed to an oral hearing.

Where I say they are straightforward cases, it may be an instance where the police report indicates that there’s been a conviction and, under the legislation, a conviction is conclusive evidence that the crime has in fact occurred. In addition, there would be sufficient medical evidence—so hospital records, reports from various other treatment professionals indicating what the injuries were, both physical and emotional—and sufficient information to base a fair decision on.

**Mr. Tascona:** I’ve heard reports that the system is being used not only by innocent victims of crime, but also that people who perpetrate the crime have come to this fund looking for compensation. Has that been your experience?

**Ms. Harmison:** There may be cases where that happens. The criminal injuries board, like any other agency, may have cases that come before it that don’t entirely fall under the intended mandate of the board.

**Mr. Tascona:** So the mandate of the board could cover non-innocent victims of crime?

**Ms. Harmison:** Subsection 17(1) of the act requires that the board take into consideration any behaviour on the part of an applicant which may have contributed directly or indirectly to the crime that was committed. As well, subsection 17(2) of the act requires that the board take into account the level of co-operation that’s provided to law enforcement agencies. So although there may be those who are involved in crime themselves who have applied, there are sections of the act that speak directly to that.

**Mr. Tascona:** Do you think that’s sufficient or should there be amendments?

**Ms. Harmison:** I don’t know if that’s something I should comment on, particularly. Right now, board members are responsible for working under the confines of the act as it stands, and that’s the legislation that we have.

**Mr. Tascona:** That’s a fair comment. It would just seem to me that even a layperson would look at it and say, “Why are we compensating people who perpetrate the crime?” I’ve heard of these people applying for that in reports. So that’s very interesting.

I thank you very much. I think you’ll be an excellent addition for your reappointment. We’ll find out for you,



if we can, in terms of what your term is and how it applies under the September 1 policy.

**The Chair:** Ms. Harmison, thank you very much for your presentation. As you know, we are half an hour ahead of schedule. So thank you for being here earlier to help facilitate the changes in the agenda or, actually, the rapid flow of the agenda today. I welcome you to stick around. We're going to move to the concurrence votes probably in a half hour to 45 minutes' time. If not, thank you for appearing before the committee.

Mr. Bisson and Mr. Tascona both asked questions of legislative research with respect to the potential re-appointment of Ms. Harmison—and the terms, I believe, from Mr. Tascona. We don't know the answer to whether the new policy impacts as of yet. So legislative research will be making an inquiry through the appointments secretariat and through the ministry to try to get back to committee members on those two questions.

Our next intended appointee is Mr. O'Brien. That was scheduled for 4:30. We tried to get in contact with him but are unable to do so, so we should expect him around 4:30. In the interim, I'll move to other business and see if we have any other business that committee members want to discuss until Mr. O'Brien arrives.

1600

**Mr. Tascona:** I've raised with the members who sit on the subcommittee—Mr. Parsons and Mr. Bisson—two areas that I've put out for consideration at this point. I'd like to consider what my thoughts were, and I spoke with these members about inviting the Minister of Government Services and his staff to discuss with this committee two areas that the minister is acting on. The first is the policy that came into effect September 1, 2006, with respect to changing the approach of provincial adjudicative and regulatory agencies with respect to compensation, and also their terms. That was put forth in a news release of June 29, 2006, by the minister, which indicates: "Effective September 1, 2006, appointees to regulatory and adjudicative agencies will be paid an amount similar to Ontario public service executives." The appointments process will also be changed.

Secondly, I received, as other members would have received, a press release that was sent out on September 1, 2006, "Ontario Launches Pilot Project to Modernize Administrative Justice Agencies." It indicates: "The Ontario government has appointed a facilitator to lead a project that will improve public services at provincial administrative justice agencies." The facilitator is going to be Kevin Whitaker, who is currently the chair of the Ontario Labour Relations Board. He's going to work with a group of five agencies to improve service. The agencies that he's going to deal with, apparently, are the Assessment Review Board, the Board of Negotiation, the Conservation Review Board, the Environmental Review Tribunal and the Ontario Municipal Board. That's another initiative that's being taken by the Minister of Government Services.

I put that to Mr. Bisson, the invitation to Minister Phillips and his staff to discuss those two areas with the

standing committee. I want that to be on the record. Mr. Parsons has been kind enough to say that he's going to review this. Mr. Bisson at this point in time has indicated he's in support of it and would like to do it. So I'll just leave that for the record, and Mr. Parsons can get back to us as soon as possible, hopefully before the end of the hearings this week.

**The Chair:** Any further comments or questions on Mr. Tascona's point? Seeing no other comments or questions, is there any other business to discuss with the committee at this point in time?

To kill time, why don't we move to the concurrence vote on Gemma Harmison?

**Ms. Smith:** She wanted to be here.

**The Chair:** Is she still here?

*Interjection.*

**The Chair:** I'd like to take this moment to introduce a couple of guests we have in the audience. These are Chinese delegates from the research office of the National People's Congress: Ms. Chenfeng Cai, senior legislative researcher, and Dr. Chunhua Li, senior legislative researcher. Welcome to the committee. It's good to see you both. How many members are there in the National People's Congress?

*Interjection.*

**The Chair:** Wow. Do you know them all by name?

I also recognize Doug Arnott, who is with us as well today. Mr. Arnott, it's always a pleasure to see you, sir. Is it true that you're spying on Tonia to check up on her and do peer review?

Any other business, by the way?

*Interjection.*

**The Chair:** She's here. Ms. Harmison, welcome back to the gallery. We thought, in the interests of time, we may as well move ahead with your intended appointment vote. I'm pleased that you're here in attendance for this aspect of the committee hearings. I'll move to concurrences for Ms. Harmison, and then we'll revert to intended appointments.

We'll now consider the intended appointment of Gemma Harmison, the intended appointee as member of the Criminal Injuries Compensation Board.

**Mr. Parsons:** I would move concurrence.

**The Chair:** Mr. Parsons moves its concurrence. Is there any discussion?

**Mr. Tascona:** I would second that.

**The Chair:** Thank you, Mr. Tascona. Any other discussion? All those in favour? Opposed, if any? It is carried.

Ms. Harmison, congratulations. Best wishes at the Criminal Injuries Compensation Board. Thank you for sticking around.

DAVID O'BRIEN

Review of intended appointment, selected by official opposition party: David O'Brien, intended appointee as member, OMERS Administration Corp.

**The Chair:** This handsome gentleman who just walked in is David O'Brien, if I recognize Mr. O'Brien. Thank you for joining us. Please come forward to the table. Mr. O'Brien, as members will know, is an intended appointee as a member of the OMERS Administration Corp., the new entity following the passage of, what was it, Bill 102?

**Mr. David O'Brien:** Bill 206.

**The Chair:** Bill 206, the OMERS legislation.

Mr. O'Brien, thank you for coming in early as well. We had speedily dispatched with the earlier part of the agenda, so thanks for being here. You are welcome to make some opening comments about your experience with OMERS and your plans as we go forward. Then we will begin with the government for any questions or comments and do a rotation basis of 10 minutes per caucus. Mr. O'Brien, welcome. The floors is yours.

**Mr. O'Brien:** First of all, let me thank the committee for the opportunity to appear before you this afternoon. I'm going to make a very brief statement at the beginning and try to review some of my experience, which may lead to a better understanding of my qualifications for this appointment. I'm proud to say that I've been a member of OMERS for 32 years, I hate to say, and have been a sustaining member. I've contributed for all of those years.

My present position is president and CEO of Toronto Hydro Corp., which is the largest municipal public utility in Canada. We have about 1,800 employees. About 20% of the energy that's produced in this province comes through our system, and we do about \$2.5 billion a year in revenue that comes through our company. I've only been in that position for a little over two years. My experience is primarily in the municipal world, and that's where I earned my spurs, I guess. I started my career in Sudbury, way back when, in 1974, and moved from there to Ottawa and actually worked for three municipalities in the Ottawa area—the region of Ottawa-Carleton, the city of Gloucester and the city of Ottawa—before going to Mississauga in 1995. I had the pleasure of spending 10 years in Mississauga as the city manager, working with Hazel McCallion, which was an experience I'll never forget. She continues to be a dear friend.

During that time, Hazel had a penchant for seconding me to various situations, I guess is the best way to put it. Some of the members here will recall the famous Who Does What panel that was set up under David Crombie some time ago. Hazel was appointed to that committee and I was appointed to the secretariat. I should say that I was the only municipal employee working on the secretariat that supported that committee; all the other members were staff from the provincial government. I was also seconded to do the restructuring of the Hamilton-Wentworth region. And for a very brief time, in 2004, I was seconded as the associate and then Deputy Minister of Energy. I think I'm the shortest-serving deputy minister in the history of the province, certainly in the Ministry of Energy. I think I was the actual deputy for about two months. The reason for that was that I was

seconded for a six-month period, and on my way back to Mississauga, after Hazel hounded the Premier that I should come back, I was asked if I would be interested in the job with Toronto Hydro, which I accepted and have no regrets about. It's a wonderful company and a wonderful place to work.

My community experience: I've been involved with both the hospitals in Mississauga—the Trillium hospital and the Port Credit hospital—on the board of both. For six years, I was involved with Sheridan College, and was the chairman of the board of governors of Sheridan for about two years.

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From an industry perspective, one of the other secondments that I had from Hazel and the city of Mississauga was that I was the founding CEO of Enersource Mississauga, which is the Mississauga electrical utility. I set that company up. That was at the time that the utilities were moving from commissions into OBCA companies. Therefore, we had to set the new organizations up to be private sector companies. I served in that role, establishing the company and setting its wheels in motion for a year, and then was appointed by the city council to the board for five years.

I'm a member of the Electrical Distributors Association board, and I am the incoming chair of the Ontario Energy Association.

I think that my experience both in the municipal world and now in the quasi-private sector gives me the background required to go into this particular position. I've had an interest in OMERS for a long time. I have known the executives of the company and many members of the board over the years. I think that, without question, I can bring the benefit of my years of experience in the municipal world and now the utility world to the board. The OMERS membership is vastly made up of employees of the municipal sector—certainly the CUPE members, the non-union and management members and the police and fire make up the majority of the membership of that particular board—so I feel very comfortable that I can lend some expertise to the board over the next number of years.

**The Chair:** We'll begin any questions or comments with the government side. The government side has five minutes. Mr. Parsons.

**Mr. Parsons:** We have no questions. It was very impressive.

**The Chair:** You have four minutes and 50 seconds.

**Ms. Smith:** We'd be happy to end early.

**The Chair:** All right. The official opposition. Mr. Tascona.

**Mr. Tascona:** Thanks very much for coming here today. I really appreciate it. This is an area that I find interesting because of the pension implications. I understand, just from our research—we have research that was done, and I don't know whether they share that with you—

**Mr. O'Brien:** They did; they sent me a copy. Thank you.

**Mr. Tascona:** Great. Is it correct that you're going to be a representative of other participating employers?

**Mr. O'Brien:** Yes. I was nominated to the board after a request from the Minister of Municipal Affairs to the Electrical Distributors Association for two members: one for the administration board and one for the sponsors corporation.

**Mr. Tascona:** Looking at the plan—and I'm looking at page 8 of this document. If I can refer you to that, it's under table 8, "Plan Valuation," under "Financial Management of the Plan." Just to understand this—it says that the actuarial valuation as at December 31, 2005, is in the millions. Would the actuarial assets be \$38 billion?

**Mr. O'Brien:** Yes.

**Mr. Tascona:** And then the actuarial liabilities would be \$41 billion.

**Mr. O'Brien:** Yes.

**Mr. Tascona:** So the basic plan funding deficit is \$2.7 billion. So it's underfunded at the moment. But then it refers to the "full earnings plan funding deficit," which is \$138 million. Can you just explain to me what the difference between those two is?

**Mr. O'Brien:** The plan is actuarial-based, so as the actuarial numbers unfold, the plan valuation will change. It's also dependent upon the mix of the investments. They have private equity investments and investments in the markets, so a combination of the actuarial long-term look and the projected incomes would make up that particular difference. But I should say that there's no doubt that OMERS, at the present time, is running a deficit.

**Mr. Tascona:** But what does "basic plan funding deficit" mean?

**Mr. O'Brien:** That's the very basic plan, where members have what they call normal retirement, age 65, if you calculate it on that basis. It's when people decide to leave early or there are supplemental plans where people—police and fire, as an example—could contribute more and can leave early. All of that adds up to the balance of the difference.

**Mr. Tascona:** Then the full earnings plan funding deficit is a much lower figure.

**Mr. O'Brien:** It is, yes.

**Mr. Tascona:** So what is that as a percentage—

**Mr. O'Brien:** I don't know what it is, offhand. Sorry.

**Mr. Tascona:** Okay. Now the return is, you know, very impressive. It was 12% the previous year; it was 16% in the most recent fiscal year. That's a fairly significant percentage of return. Based on the deficit that you do have—because that's a fairly significant deficit, \$2.7 billion—is there any discussion or are you aware of any plans to address that, either through increased contributions or—I guess if you can continue to hit home runs on your investment returns. I'd like to get 16%; that's impressive. Do you have any information to share with us on that?

**Mr. O'Brien:** Yes. I'd like to say two things. One is: Will there be increased contributions in the future? Probably. As a matter of fact, the members have been

advised that there will quite possibly be a contribution increase, although that decision has yet to be made by the board.

The second thing, as I said a little earlier, is the mix. If you look on page 9, you'll see that some of the mix that OMERS has in table 10—the infrastructure and real estate portions of the mix are the ones that are driving that 16% return. It's not the public market investments that are driving that return. The emphasis will be to increase the infrastructure and real estate investments to drive that return.

Will the return be 16% sustained over a long haul? Probably not. It will probably be lower than that, but hopefully it'll be north of 10%.

**Mr. Tascona:** When you say "public market," I take it that's stock market.

**Mr. O'Brien:** Yes.

**Mr. Tascona:** Is any of that in Canada?

**Mr. O'Brien:** Oh, yes; lots of it's in Canada. I don't know the proportion, but there is a large portion of it in Canada, yes.

**Mr. Tascona:** Okay. And "private equity": What does that mean?

**Mr. O'Brien:** It's investments by OMERS in non-public-market assets: companies, new innovations, up-and-coming technologies—things like that.

**Mr. Tascona:** How's it going to work with respect to the supplemental benefits that, I take it, the paramedics and the police and fire are going to receive? Are they going to have to make increased contributions to get that? Where is that money going to come from?

**Mr. O'Brien:** What's going to happen there is that they're basically going to fund their own plan. What it will do is allow them to do things a little differently. Presently, every member of OMERS works under a "highest invests 60 months" to calculate the pension, so your "highest invests five years" is what drives your pension, based on a normal retirement age of 65. You can go earlier if you've got 30 years of service and are aged 55. Police, fire and paramedics have the opportunity to leave at 60, and they already contribute more to that plan than those who contribute to the 65 level.

The new plan under the proposed sponsors committee is that the 60-month period of calculation will be reduced to either three or four years rather than five. In order to get that decreased calculation you have to increase your contribution. So the sponsors fund will have to fund that particular initiative on its own. It will not affect the broad fund. It's very focused into that.

Under Bill 206 the sponsors committee can choose to amend the benefits over a period of time. Every three years they can amend a portion of the benefits their members are going to get. It's only restricted to police, fire and paramedics.

**Mr. Tascona:** That's their own fund. What happens if they're underfunded?

**Mr. O'Brien:** If they're underfunded, the main fund has the liability.

**Mr. Tascona:** Really? What control do you have with respect that they invest their funds in a reasonable—

**Mr. O'Brien:** We are the investment. The admin board does all of OMERS' investments.

**Mr. Tascona:** Okay. So that would include their supplemental plan.

**Mr. O'Brien:** Absolutely. Yes.

**Mr. Tascona:** Do they have their own representatives on the supplemental plan?

**Mr. O'Brien:** They have, I believe—I'm going to say 14 members; it may be 12: six non-union management and six union from the various unions that are represented by the plan overall. What they can do in that plan is very restricted. They can't come in holus-bolus on day one and say, "Okay, we're going to change everything." You can change one component of it every three years as you move forward.

**Mr. Tascona:** I take it that the municipality is going to have to be an agreed partner in that arrangement.

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**Mr. O'Brien:** Yes, and that's a very good point. As Bill 206 evolved, the sponsors corporation was a very contentious issue, because obviously the plan is funded with equal contributions by employer and employee. So if the employees, under the sponsorship program, increased their benefits, that logically increases the employer's contribution. In the end, Bill 206 required that a two-thirds majority be required in the sponsors corporation to amend any of the benefits. That's one of the checks and balances that have been built in.

**Mr. Tascona:** Two thirds of what?

**Mr. O'Brien:** Two thirds of that sponsors corporation board has to approve an amendment to a plan. So that's kind of a control that's built in. Without two thirds, you can't do the amendment.

**Mr. Tascona:** Okay. In terms of the age of active members, they didn't give the percentages here on page 6, but certainly of the retired members a significant portion is 60 and above.

**Mr. O'Brien:** Yes.

**Mr. Tascona:** With respect to active members, it would appear to be heavily weighted between 40 and 59.

**Mr. O'Brien:** Yes.

**Mr. Tascona:** So that's going to be a challenge.

**Mr. O'Brien:** It's a challenge. It's not only a challenge with respect to the OMERS pension fund; it's a challenge, as you probably know, in business right now. The baby boomers are fast approaching their exit years. In my company, the average age of our employees is 48. So we're very concerned about what's going to happen in the future. And the plan is the same way. That's why you have to be very careful about your investments and that you put them in areas that have tremendous growth opportunities like infrastructure, real estate and public equity. The bond markets and investments in the stock market are just not going to drive the agenda.

**Mr. Tascona:** Thanks very much. I appreciate it.

**The Chair:** Mr. Bisson.

**Mr. Bisson:** You actually answered most of the questions I had. There are just two additional questions.

One is on this report that we got from legislative counsel or legislative research, which is quite good, I must say; a good job on this one. There's a shift coming where we're going to be moving from 80% to 60% in the mix when it comes to investments in public assets versus more in real estate, and I think the other one—was it private equities?

**Mr. O'Brien:** Private equity, yes.

**Mr. Bisson:** Is that wise? I heard what you said at the end, but—

**Mr. O'Brien:** I think it is wise, for this reason: If you look at the infrastructure in this province—and I'll look at it from the context of the municipal world, which I'm most comfortable with—the infrastructure is in tremendous need of fixing. My company over the next 10 years will invest about \$1.5 billion in the utility assets in Toronto, and that's just a utility company. You can imagine all the other public sector agencies, if you look at it in that context. So I think moving your investments over there is probably a very good idea, because that's where the demand is going to be, a big demand in that area.

**Mr. Bisson:** So it's not real estate in the typical sense. What types of investments would that include?

**Mr. O'Brien:** Acquiring the big office towers in downtown Toronto and in major urban centres.

**Mr. Bisson:** So not shady real estate deals.

**Mr. O'Brien:** Oh, no.

**Mr. Bisson:** I was just wondering. There was a flag that went up in my head.

**Mr. O'Brien:** OMERS bought Oxford Properties, as an example, a couple of years ago, and that formed the basis of the real estate.

**Mr. Bisson:** And you're saying, based on what we know, what we're projecting as far as economic growth, that there will be more and more need for space and therefore blah, blah, blah.

**Mr. O'Brien:** Yes.

**Mr. Bisson:** On private equities: What kinds of investments are those specifically?

**Mr. O'Brien:** Start-up companies, where we would take up a part of it.

**Mr. Bisson:** All right. The other thing is that your appointment comes as representing what group?

**Mr. O'Brien:** The Electricity Distributors Association, which is the association that represents all the electrical utilities in Ontario.

**Mr. Bisson:** So you would be their voice at this particular—

**Mr. O'Brien:** Yes. We would have two members. One would be on the sponsors corporation, and I would be on the admin board.

**Mr. Bisson:** So we should have a chat afterwards about my portfolio. Thank you.

**Mr. O'Brien:** I'm going to have to sign a conflict of interest, so I would not be able to advise you.

**Mr. Bisson:** No, it's just a mug's game, you know.

**Mr. O'Brien:** It is.

**The Chair:** Any other questions, Mr. Bisson?

**Mr. Bisson:** No.

**The Chair:** Mr. O'Brien, thank you for your appearance before the committee. That concludes our time together.

**Mr. O'Brien:** Thank you very much.

**The Chair:** No problem. Please stick around, because the next thing we will do is to vote on your intended appointment. So you're welcome to stay and watch the fireworks.

We will now consider the intended appointment of David S. O'Brien, intended appointee as member of OMERS Administration Corp.

**Mr. Parsons:** I would move concurrence.

**The Chair:** Mr. Parsons moves concurrence.

Debate? Comments or questions? Seeing none, all those in favour of the motion? Opposed? It is carried.

Mr. O'Brien, congratulations. We wish you the best in the OMERS Administration Corp. Again, thank you for coming in earlier today than originally scheduled. We much appreciate it.

Folks, that concludes our lengthy agenda for the regular meeting of Tuesday, September 5. I would remind members that we reconvene tomorrow at 10 a.m. We'll be back in the Amethyst Room, room 151; we'll be the stars of the show tomorrow in the Amethyst Room. The Ontario Lottery and Gaming Corp. will be our guest. That was a call of the official opposition, so the official opposition will open the round of questioning. We'll follow the same pattern as we did today: You'll start, and then we'll do 15-minute rotations. Similarly, in the afternoon, the official opposition will open the questioning with the Canadian Gaming Association.

Members may be aware that we had a number of cancellations, so our last delegates will be appearing at 2 p.m. tomorrow, as opposed to 3:30 as normally scheduled.

My friends, thank you very much. We are adjourned until tomorrow at 10 a.m.

*The committee adjourned at 1626.*





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