

Third Session - Thirty-Eighth Legislature
of the
Legislative Assembly of Manitoba
Standing Committee
on
Crown Corporations

Chairperson
Mr. Doug Martindale
Constituency of Burrows

Vol. LVI No. 2 – 1:30 p.m., Thursday, October 6, 2005

ISSN 1708-6604

MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Eighth Legislature

Member	Constituency	Political Affiliation
AGLUGUB, Cris	The Maples	N.D.P.
ALLAN, Nancy, Hon.	St. Vital	N.D.P.
ALTEMEYER, Rob	Wolseley	N.D.P.
ASHTON, Steve, Hon.	Thompson	N.D.P.
BJORNSON, Peter, Hon.	Gimli	N.D.P.
BRICK, Marilyn	St. Norbert	N.D.P.
CALDWELL, Drew	Brandon East	N.D.P.
CHOMIAK, Dave, Hon.	Kildonan	N.D.P.
CULLEN, Cliff	Turtle Mountain	P.C.
CUMMINGS, Glen	Ste. Rose	P.C.
DERKACH, Leonard	Russell	P.C.
DEWAR, Gregory	Selkirk	N.D.P.
DOER, Gary, Hon.	Concordia	N.D.P.
DRIEDGER, Myrna	Charleswood	P.C.
DYCK, Peter	Pembina	P.C.
EICHLER, Ralph	Lakeside	P.C.
FAURSCHOU, David	Portage la Prairie	P.C.
GERRARD, Jon, Hon.	River Heights	Lib.
GOERTZEN, Kelvin	Steinbach	P.C.
HAWRANIK, Gerald	Lac du Bonnet	P.C.
HICKES, George, Hon.	Point Douglas	N.D.P.
IRVIN-ROSS, Kerri	Fort Garri	N.D.P.
JENNISSEN, Gerard	Flin Flon	N.D.P.
JHA, Bidhu	Radisson	N.D.P.
KORZENIOWSKI, Bonnie	St. James	N.D.P.
LAMOUREUX, Kevin	Inkster	Lib.
LATHLIN, Oscar, Hon.	The Pas	N.D.P.
LEMIEUX, Ron, Hon.	La Verendrye	N.D.P.
MACKINTOSH, Gord, Hon.	St. Johns	N.D.P.
MAGUIRE, Larry	Arthur-Virden	P.C.
MALOWAY, Jim	Elmwood	N.D.P.
MARTINDALE, Doug	Burrows	N.D.P.
McGIFFORD, Diane, Hon.	Lord Roberts	N.D.P.
MELNICK, Christine, Hon.	Riel	N.D.P.
MITCHELSON, Bonnie	River East	P.C.
MURRAY, Stuart	Kirkfield Park	P.C.
NEVAKSHONOFF, Tom	Interlake	N.D.P.
OSWALD, Theresa, Hon.	Seine River	N.D.P.
PENNER, Jack	Emerson	P.C.
REID, Daryl	Transcona	N.D.P.
REIMER, Jack	Southdale	P.C.
ROBINSON, Eric, Hon.	Rupertsland	N.D.P.
ROCAN, Denis	Carman	P.C.
RONDEAU, Jim, Hon.	Assiniboia	N.D.P.
ROWAT, Leanne	Minnedosa	P.C.
SALE, Tim, Hon.	Fort Rouge	N.D.P.
SANTOS, Conrad	Wellington	N.D.P.
SCHELLENBERG, Harry	Rossmere	N.D.P.
SCHULER, Ron	Springfield	P.C.
SELINGER, Greg, Hon.	St. Boniface	N.D.P.
SMITH, Scott, Hon.	Brandon West	N.D.P.
STEFANSON, Heather	Tuxedo	P.C.
STRUTHERS, Stan, Hon.	Dauphin-Roblin	N.D.P.
SWAN, Andrew	Minto	N.D.P.
TAILLIEU, Mavis	Morris	P.C.
<i>Vacant</i>	Fort Whyte	P.C.
WOWCHUK, Rosann, Hon.	Swan River	N.D.P.

LEGISLATIVE ASSEMBLY OF MANITOBA

THE STANDING COMMITTEE ON CROWN CORPORATIONS

Thursday, October 6, 2005

TIME – 1:30 p.m.

LOCATION – Winnipeg, Manitoba

**CHAIRPERSON – Mr. Doug Martindale
(Burrows)**

**VICE-CHAIRPERSON – Ms. Marilyn Brick
(St. Norbert)**

ATTENDANCE – 11 QUORUM – 6

Members of the Committee present:

Hon. Mr. Smith

Ms. Brick, Messrs. Dewar, Eichler, Faurschou,
Jha, Martindale, Reid, Rocan, Schellenberg,
Schuler

APPEARING:

Hon. Jon Gerrard, MLA for River Heights

Mr. Winston Hodgins, President and Chief
Executive Officer, Manitoba Lotteries
Corporation

MATTERS UNDER CONSIDERATION:

Annual Report of the Manitoba Lotteries
Corporation for the year ending March 31, 2000

Annual Report of the Manitoba Lotteries
Corporation for the year ending March 31, 2001

Annual Report of the Manitoba Lotteries
Corporation for the year ending March 31, 2002

Annual Report of the Manitoba Lotteries
Corporation for the year ending March 31, 2003

Annual Report of the Manitoba Lotteries
Corporation for the year ending March 31, 2004

* * *

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

This meeting has been called to consider the annual reports from the Manitoba Lotteries Corporation for the years ending March 31, 2000, 2001, 2002, 2003 and 2004.

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

Mr. Daryl Reid (Transcona): If I might make a suggestion that this committee sit until 3:30 this afternoon and review at that time the questions that are occurring, whether or not there is a need to sit beyond the 3:30 time limit. But we will review it perhaps at 3:30.

Mr. Chairperson: Thank you, Mr. Reid. It has been suggested we sit until 3:30 and review it at that time. Were there any further suggestions?

Mr. Ron Schuler (Springfield): As long as we have a review at 3:30, we would be fine with that.

Mr. Chairperson: There seems to be agreement. Are there any suggestions as to the order in which we should consider the reports?

Mr. Reid: I am wondering, it is my understanding that there are a number of reports before us here today for some five years, and I believe that the 2005 report has just been released. I am wondering if there is a willingness of committee members to have the 2005 report added to the agenda for discussion here today.

Mr. Schuler: Yes, we would agree to that.

Mr. Reid: I thank committee members for that. I am wondering also if there is an opportunity, since there are a number of reports before us now that are quite dated and have had the opportunity to be discussed at some length over previous committee hearings, whether or not there is a willingness of the committee members to have the report for the year ending March 31, 2000, the year ending March 31, 2001, and the year ending March 31, 2002, passed by this committee.

Mr. Chairperson: Members of the committee, I am going to take these items separately because, first of all, I have been informed that the most recent report that you referred to is not available today. The Clerk's office informs me that it is not here, so we have a bit of a problem. It has not been tabled in the House.

Hon. Scott Smith (Minister charged with the administration of The Manitoba Lotteries Corporation Act): I believe that the recommendation was for discussion. I believe it has been released to all MLAs and the Legislature, and I think we had mentioned open for discussion. I know members opposite, I believe, have copies. I know we have copies, and it is open for discussion. I think that was what was suggested.

Mr. Chairperson: I am informed that this goes against practice, so we do not want to set a precedent. But with unanimous consent we can agree to discuss it.

* (13:40)

Mr. Denis Rocan (Carman): We on this side, and, indeed, as we have just indicated, we are more than prepared to pass the 2000, 2001, 2002, and also to accept the recommendation of the honourable member where we indeed will grant unanimous consent to have the 2005 deemed to be tabled here today.

Mr. Chairperson: Thank you, Mr. Rocan.

So we have unanimous consent for discussion of the 2005 report if we get that far, and we have also had suggestions to—Mr. Reid.

Mr. Reid: Mr. Chairperson, I am wondering if there is willingness on committee members, since we now have the 2005 report deemed to be added to the committee hearings this afternoon, whether or not there is a willingness of committee members to pass the now two-year-old report for the year ending March 31, 2003.

Mr. Chairperson: It has been suggested that we also pass 2003. Is there any discussion?

Mr. Rocan: As previously discussed, and I think we were agreeing on this side, we are more than prepared to pass '99-2000, 2000-2001, 2001-2002

ending March 31, 2000, March 31, 2001 and ending March 2002. Those three we are prepared to pass without any disagreement whatsoever.

Mr. Chairperson: We seem to have a common understanding here, so I am going to continue with the script and then we will get to those reports.

I would like to repeat the new rules for speaking times in standing committees. For the information of the committee, I would like to mention that, as part of the rules package adopted by the House on June 16, 2005, we have a new rule governing speaking times for members in standing committees. While speaking times in committee had previously been unlimited, according to our new Rule 87.2, "No MLA attending a Standing and Special Committee meeting may speak for more than 10 minutes at one time in any debate, however there is no limit on the number of times a Member can speak, unless otherwise agreed to by the Committee." Thank you in advance for paying attention to this rule.

Does the honourable Minister Smith wish to make an opening statement and would he please introduce his officials in attendance?

Mr. Smith: Thank you very much, Mr. Chair. Yes, I would like to make an opening statement here this afternoon.

Before doing that, as you have mentioned, I will introduce the folks that I have with us here today. I would like to introduce our MLC board of directors' chair, Mr. Tim Valgardson. We have with us here today Winston Hodgins, President and Chief Executive Officer. We have Eric Luke sitting in the back there, the little guy, Vice President of Finance and Administration. We have Marilyn Robinson, Vice President, Corporate Marketing and People Services. We have Susan Olynik, Vice President, Communications and Public Affairs, and we have Bev Mehmel, the director of Responsible Gaming programs and research.

Just on an opening statement, it is a pleasure to join, certainly, my colleagues and critic that we have met, I believe, last year, September of '04, in front of the standing committee, at which time we reviewed in great detail the challenges, opportunities and development of the Manitoba Lotteries Corporation from the previous appearance before the standing committee, which was in 2001. At that time as well,

we tabled the '01-02, '02-03 annual reports and we also noted that the corporation had fulfilled all of the recommendations in the Auditor General's report of 2000 by placing a priority of developing and implementing effective and transparent financial management and planning practices, and to date has undertaken many initiatives to ensure best practices are followed by the MLC.

The financial issues identified at that time were related to inadequate policies and poor administrative practices prior to the year 2000. Corrective policies and procedures were put into place to improve transparency and accountability and restore confidence in the administration of the corporation. The provincial auditor, in his first annual report on compliance and special audits, provided an update on actions taken by MLC and concluded: "We are very pleased with the significant progress that the corporation has made in addressing the issues raised in our original report."

In terms of initiatives, it is important to note that MLC's governance framework was developed in 2002 and, since that time, a comprehensive corporate governance manual including board composition, director code of conduct and board evaluation and a records management audit recommendations were adopted at the fiscal year '03-04. MLC's first corporate strategic plan was developed in the year 2000-2001. MLC's first corporate strategic plan was developed in the year 2000-2001 and has evolved each fiscal year since then, leading to the most recent plan, a three-year comprehensive strategic plan for the years 2005 through 2008.

The MLC continues to advance strategies under this plan and also initiated a quarterly progress reporting system to monitor progress in priority areas. Corporate social responsibility is now built into MLC's mandate and corporate values by integrating economic, social and environmental considerations into all its decision-making processes. The board and executive management also guides its operations according to sustainable development principles, ensuring that MLC conserves resources while optimizing economic benefits. These practices stress the responsibility of our government to improve the quality of life within our communities.

The Conference Board of Canada defines corporate social responsibility as the overall relationship a corporation has with all of its

stakeholders. Elements of social responsibility include investment and community outreach, employee relations, the creation and maintenance of employment, environmental stewardship and financial performance. Ensuring that MLC's business priorities are balanced with a sensitive approach to its working environment's social and community needs is a foundation of our government's commitment to corporate and social responsibility.

Socially, the work MLC has undertaken in the area of responsible gaming is without equal in Canada and most of the world. Its financial commitment to support responsible gaming initiatives and programs will increase to 2 percent of its estimated net income in '05-06, to a projected \$5.4 million in total. This is an increase of 94 percent over the current fiscal year and 242 percent since '98-99. As a result, the AFM will receive an additional \$500,000, increasing their budget by 25 percent. In addition to that, MLC has established a Manitoba-based research and program development fund to increase the capacity for research in the problem gaming and responsible gaming fields in Manitoba.

The corporation will commit \$10 million over five years to research and programming in the areas of adolescent gaming, the relationship between mental health disorders and gaming, gambling, Aboriginal gambling and best practices and prevention, treatment and awareness. A considerable body of research has already been conducted by MLC, AFM and MGCC, including pilot projects, program evaluation research, prevalence studies and research into public attitudes and awareness of responsible gaming.

MLC continues to be recognized as a industry leader in the field of responsible gaming. These new funds and increased commitments in other areas will further enhance our position, bringing MLC's total spending on responsible gaming to an estimated \$27 million over the next five years. In addition to research, MLC's ongoing responsible gaming initiatives include the first ever in North America in-house responsible gaming information centres, continuing to impress and inspire our colleagues from other jurisdictions. Following Manitoba's lead, gaming operators in Saskatchewan, Ontario and Nova Scotia have recently opened their own information centres and similar services are being planned in several other jurisdictions, including British Columbia. MLC continues to provide

information in a consultative manner, most recently meeting with the RGIC staff member from the Casino Regina.

As a Crown corporation of the Province of Manitoba, Manitoba Lotteries Corporation is directly connected to the economic well-being of Manitoba. As a Crown corporation, MLC's net income from gaming operations flows to our communities through several sources. Ten percent of the revenues from video lottery terminals operations go directly into Manitoba municipalities. Another 25 percent of VLT revenue is invested in community economic development projects through the Rural Economic Development Initiative and the Urban Development Initiative. This has amounted to more than \$1 billion since the VLTs were introduced in Manitoba in 1991. The remainder of its net income was allocated to provincial government programs to provide health care, education, community and social services and economic development.

* (13:50)

A recent economic impact study indicated that MLC's economic impact on the Province of Manitoba approached \$340 million, based on the data from the '03-04. At that time, the study said that 2295 jobs were supported by MLC activities, and the corporation directly employed over 2000 people. The casinos of Winnipeg are a major tourism attraction to this province. In '03-04, the casinos hosted 78 615 coach tour passenger visits with more than 13 000 casino guests from the United States and other parts of Canada staying overnight in Winnipeg hotels. These visitors contribute to Manitoba's tourism industry and provide economic impact for local hotels, restaurants, shopping and other attractions as well.

In 2003-2004, MLC contributed \$5.2 million to community and charitable organizations. This support encompassed over 400 non-profit groups that sent volunteers to work at the casinos of Winnipeg bingos. It also sponsors countless events that help to fund health, community outreach, sport, education and cultural activities. Annual corporate and marketing sponsorships provide funding support to numerous Manitoba events and organizations including the CNIB, Dauphin Country Fest, Folklorama, Manitoba Arts Network tour, Manitoba Marathon, Manitoba Moose, Manitoba Museum, Partners in the Park, Prairie Theatre Exchange,

Rainbow Stage, Royal Winnipeg Ballet, Royal Winter Fair, the Royal SuperDogs show at Brandon's Royal Manitoba Winter Fair, the Cancer Society's Relay for Life throughout Manitoba. This support and others helps to fund sport, cultural and tourism organizations and events such as the Winnipeg Goldeyes, Manitoba Moose, Winnipeg Blue Bombers and Manitoba's Lottery Derby at Assiniboia Downs.

Last summer's successful replacement of the VLTs in age-restricted hotels, beverage rooms, legions and First Nations gaming facilities has brought the most progressive state-of-the-art responsible gaming features to patrons across the province to enhance their gaming experience and provide important information on how gambling works and how to access support services such as the AFM's problem gaming hotline. A research project to measure the performance and impact of the new VLT responsible gaming features in assisting player control in time and money and in educating players about gambling and responsible gambling is under way. The impact of the VLTRG features needs to be tested to ensure that the features are having the desired impact on their behaviour. It is also important to measure the impact of these features to compare with other provinces offering similar features.

I know we have a time limit, Mr. Chair, but certainly when you consider the impact on Manitoba Lotteries, what we have done with responsible gaming in the province, and certainly the positive effects that Manitoba Lotteries has taken in its concern for people with addictions and problems, we believe that the MLC's targeted adherence to responsible gaming for people who have addictions problems and its social and economic responsibility is well incorporated into its business plan.

Thank you for those few comments.

Mr. Chairperson: We thank the minister.

Does the critic for the official opposition, Mr. Schuler, have an opening statement?

Mr. Schuler: Thank you very much, Mr. Chairman. I want to start off by welcoming individuals from Lotteries to this committee. We certainly appreciate the professionalism and the work that is done on behalf of all Manitobans.

When we have issues with Lotteries in the province, I hope it comes across very clearly that our issues are at a political level, and never do we have an issue with individuals who work for the corporation. Certainly, nothing has ever come to our attention to this point in time that there has been anything on the side of those who run the corporation.

Our issues are basically at a political level, and that is where I want to now direct my comments. I do, however, want to welcome you to this committee and thank all of you for the time and the effort and the professionalism you put in.

The minister, as we expect, of course, gives us a very glowing report of where gaming has moved to in the province. We on this side, however, see a different side to gaming, and I guess that happens when the sides change in politics. You go from being opposition to government or government to opposition, and I know that some of my colleagues at this table have over the years put some fairly out-there comments on the record, so I will be careful how I choose my words. However, we do have some very definite concerns about where gaming is going in Manitoba, and in no particular order I do want to list a few of them.

One of the concerns that we have had and we did raise in the media was the targeting of the local population. Previous to the NDP regime coming into power, Lotteries was seen, by and large, as being an attraction of tourists to Manitoba and was not seen as much as a target of the local population. In fact, I can remember when the Premier (Mr. Doer) of this government first got elected making great fun out of the fact that there used to be a bus painted with Lotteries on it and how bad that was that it used to drive up Henderson Highway and his children had to look at it.

Well, this government certainly has gone a long way in targeting the local population, I think too many, and this is not casting any negatives on anybody who came up with the ads; the ads are of course quite witty, but "Go for the fun of it!" I think for a lot of people, and this is a political comment, "Go for the fun of it!" is actually offensive to a lot of individuals who watch loved ones walk out the front door and go and gamble away grocery money, gamble away, often, savings, gamble away the livelihood of the family, and we have this rather trivial approach to "Go for the fun of it!", that you

need a fancy shirt and red shoes and it is all good. We know that is not the case. So targeting the local population has been something that we have found to be outside of what the original intent was of Lotteries, and we think it is problematic.

I do want to go even further in that a while back, there was the targeting of rural populations where there was a mailer going into areas that were particularly hard hit with the BSE. We thought the timing of that was very poor, especially because of the struggles that were going on in communities. Yes, people do need to get away from their everyday lives and from the reality they live in. I am not too sure where we wanted them to move to get a break away from what was going on in their lives. The best place was to go and play VLTs. We objected greatly that there was a campaign on, a brochure, a literature campaign on in rural areas that were suffering greatly. I do not know where the decision came from, but I can tell you that I have individuals very close to myself—I know of one couple, and maybe you have heard examples or maybe you have not, who were of retirement age and by the time they sold their cattle are in debt to the tune of more than what the farm is worth. So they are both working, both in their seventies, just to pay the interest, and know that when they pass away they will leave basically nothing but debt behind. To have targeted them with gaming, we just felt was a very inopportune time, that maybe, if we were going to target a local population, there could have been better timing. We certainly raised that issue with the political leadership here at the Manitoba Legislature.

Another great concern to the opposition, certainly the Conservative opposition and myself as the critic, is the statistic that Manitoba has the highest addiction gambling rate in the country, and that is of great concern. Again, Lotteries was meant to bring in tourism, the argument being that if we can get American bus tours to come up to Winnipeg, do some shopping, do a little bit of gambling, certainly we were looking at a much different American dollar versus the Canadian dollar at that time. I think we did very well at that, bringing tourists in. We were targeting that. I have made the argument at many events that I do not see Las Vegas, when revenues were down, that they would target residents of Las Vegas. They look around North America and they target other jurisdictions.

* (14:00)

We have a gambling problem in the province and, I daresay, we have a problem across North America. We have all seen the newspaper articles. We have seen the studies. We know full well that ours is not the only jurisdiction that is having difficulty with gaming and with gambling, VLTs in particular. The rates that we face as a province are a warning sign of what is going on out there in our communities, especially when you consider that lately tourism is down substantially in Canada for many reasons: the U.S. dollar is not what it used to be, fears of problems with, and I choose my words carefully here, problems with terrorism. Why that would include Canada, I am not too sure, but there seems to be a problem. But tourism is down and, clearly, that is affecting and that is where we have a problem that we are now targetting local population.

We have seen other jurisdictions do studies and find out that, yes, there is on the one side of the balance sheet money that comes in, but on the other side of the balance sheet, when you add in all the costs to society, that actually there is really no gain to the province, and have set about reducing the amount of VLTs in the province. That is why we as an opposition have gone quite far in suggesting that a moratorium be put into place of all expansion of gaming in the province.

We are not being irresponsible by saying cutting whatever at this point in time. What we are saying is a moratorium on all expansion of gaming until an independent study, and again I want to be very clear, that it must be an independent study of all economic and social impacts to Manitoba. I think the minister spoke about \$27 million over five years is going towards responsible gaming programs. That is a little bit more than \$5 million a year, and we feel that that is a good start, but that does not really address the problems that we are facing. What is the impact to our neighbours? What is the impact to the citizens that live in our communities? Who is gambling? Who is being affected? I am sure, the individuals across from me, that you get the phone calls, you get the stories. Certainly, you read the newspapers.

We have addressed quite a bit to this minister and to his government that there are serious consequences to the kind of gaming that is going on. Yes, gaming has expanded over the years across many political parties and we have seen it rise not just in our jurisdiction but across North America. Is it now not the time, and these are my comments to

the minister, is it now not time to step back and say we have brought it to this point, should we not look at what cost it is exacting from our neighbours, from our communities, from Manitobans? Should we not find out what impact this has? You know, if there is very little impact and there is a lot of revenue being generated, well, then, let us have the study and find out. Let us, however, find out what negative impacts may also be there.

So I think we have been very clear as an opposition that we have some concerns and, as we work through the annual reports, want to take the opportunity to raise these concerns and others; some of my colleagues will be raising other issues. Ours is not here to stonewall the process. We are pleased to get about the business and pass three reports that we feel have been gone over in great detail. However, we do want to stop and ask some very specific questions on specific issues and find out where lotteries and gaming is going to go in the future. So, with those few comments, I would like to thank the committee for giving me my few moments here, and we would like to move on and start asking very specific questions. Thank you.

Mr. Chairperson: We thank the critic.

Do the representatives from the Manitoba Lotteries Corporation wish to make an opening statement? Thank you.

The floor is now open for questions.

Annual Report of the Manitoba Lotteries Corporation for the year ending March 31, 2000–pass.

Annual Report of the Manitoba Lotteries Corporation for the year ending March 31, 2001–pass.

Annual Report of the Manitoba Lotteries Corporation for the year ending March 31, 2002–pass.

Shall the Annual Report of the Manitoba Lotteries Corporation for the year ending March 31, 2003 pass?

Mr. Schuler: Mr. Chairman, in my opening comments I mentioned that we would have some questions that we want to ask and I know that

colleagues at the table certainly will have questions. We want to make sure that everybody has an opportunity to get their questions in front of the committee.

I would like to ask the minister what brought about the decision to start targeting Manitobans as compared to using lotteries as a means to attract tourism to Manitoba. What brought about that change in policy?

Mr. Smith: As we try to have our discussions around the table, we all hear the ghosts of the Legislature banging on the radiators over here. It is actually fairly hard to hear. But to the critic's question, it is not something that is obviously something that is new. The advertising dollars obviously in Manitoba were done back in the nineties. Certainly, advertising expenditures were put out way back by the Conservative government targeting Manitoba. Obviously, in some of their considerations at that time was having a corporation that has a business plan to enhance and bring people to a feature that we have in Manitoba. It is something that over the last number of years has certainly become more and more relevant that within eight hours of road-drive from the city of Winnipeg, you can hit some 40 casinos within that period of time.

Certainly, they advertise and they come into our markets and certainly offer their services and what they have as features in their different locations, and certainly Manitoba realizes that we are in a competitive environment, not only with Lotteries, but with many other businesses and corporations that we have here in the province. So I think when you go back certainly over the years and you look at the number of advertising campaigns that were done through the nineties prior to this government coming in targeting specifically Manitoba, it is not something new. It is something that we have seen over the last some 15 years with the corporation as it has grown and expanded, but it is not something new. The previous government did target some of the areas, realizing the competition we have from outside sources.

Certainly, we have to be competitive in not only our own province, but in our surrounding areas, and the target is not specific to Manitobans. Obviously, it is having Manitobans recognize within our own province that we have a corporation and we have services here that some would say are better and certainly would rival anything within our eight-hour

driving district, but obviously to let Manitobans know that. I think Manitobans would like to know that of their Crown corporation that they own that it is competitive, that it does compete against outside markets. It is a reality that we are faced with now more than ever.

Certainly, when you take Shooting Star Casino or the casino of Regina or some of the northern U.S. marketplaces that are out there, Manitoba does need to have Manitobans recognize that we do have those facilities right within the province for people who would like to entertain using that product. That is something that was done prior to us. We do not spend the record amounts of money on advertising that the previous government had going back into the 1990s.

But certainly the targeted market does need to be addressed. The company has a corporate mandate to have its product recognized by not only Manitobans, but outside our market to be competitive, and certainly advertising rules of conduct and responsible gaming policy are taken into consideration when we do develop any of those campaigns which were not in effect going back into the nineties. There were no advertising rules of conduct and responsibility where there are now.

Certainly, we do recognize that Manitoba is a market. Jurisdictions surrounding Manitoba market, the corporation in its due diligence on its business plan does need to be competitive. That was done in the nineties and it is being done now.

Mr. Schuler: For the annual report in front of us, 2002-2003, can the minister tell us how much was spent on advertising that year, and what would be the percentage? How much of that was spent in Manitoba and how much was spent outside of Manitoba?

Mr. Smith: Maybe we will recommend that question go to the CEO that has the technical information at his fingertips.

Mr. Winston Hodgins (President and Chief Executive Officer, Manitoba Lotteries Corporation): For the year 2000-2003, the total expenditures on advertising were, in round figures, \$1.2 million.

* (14:10)

Mr. Chairperson: Mr. Hodgins, perhaps you could repeat that into the microphone so that Hansard records it. Thank you.

Mr. Hodgins: For the year 2000-2003, advertising expenditures were, I can give you the exact figure, round figure, \$1.2 million and, of that amount, about \$250,000 of that was for responsible gaming. Now to break it out between what was expended in Manitoba versus what was expended outside of Manitoba, I do not have that figure broken out in that fashion. I can certainly get that, but I do not have it with me today.

Mr. Schuler: I would like to thank Mr. Hodgins for that answer.

Could he tell us where in the report we would find that number, under what category?

Mr. Hodgins: I do not believe in the annual report that it is broken out in that fashion. If I can just take a minute, I will take a quick look and see if it is broken. If you look on page 38, it is the marketing and merchandising prizes for that fiscal year. The total expenditures were \$3.6 million and the advertising would be included within that figure. So we do not break it out in that level of detail in our annual report.

Mr. Schuler: So, under marketing 3.6, 1.2 million would be advertising, actually a little less than that; 1.95 would be advertising; 250,000 would be responsible gaming and the rest would be what?

Mr. Hodgins: That would be for different kinds of marketing initiatives that we have. It would not be advertising. We buy promotional types of items that we use for different sponsorships that type of thing.

Mr. Schuler: I thank you very much for that.

The next question I have has to deal with the addiction gambling rate in Manitoba. We have heard of the study, that Manitoba has the highest addiction gambling rate in Manitoba. I would like to ask the minister if he could comment on what he thinks precipitates such a high degree of gambling addiction in Manitoba.

Mr. Smith: The member recognizes we do use the AFM study. Certainly, using the gambling prevalence rate over the last number of years, both in Manitoba and across Canada, and when you take into account AFM's study, when you take into account

the moderate and you take into account the problem gaming on the index, Manitoba, in fact, is lower than the prevalence rate. In fact, it has come down over the last number of years.

It was, in the mid-nineties, around 4.3 percent on the prevalence rate, taking into account the moderate-risk gamblers and the high-risk or problem gamblers. It is now 1.1 percent of the problem gamblers and it is 2.3 percent for the moderate-risk gamblers. So, if you take Manitoba, Alberta, Saskatchewan, Ontario and British Columbia, Manitoba, in fact, is probably the best on that prevalence rate, in fact, has the least amount of people with problem gaming in that category at 3.4 percent. You look at Alberta, with the moderate-risk gamblers, it is 3.9, 1.3 for 5.2, which is higher; Saskatchewan at 5.9 combined; Ontario, 3.8; and British Columbia, 4.6.

So I think that, when you take into context the stats that have come out by AFM in 2001, they are coming down. Certainly, that is what we have looked at with our responsible gaming strategy, is the combined effect to bring those numbers down. I think there is not a person around this table that, certainly, does not recognize that the information was put together on the prevalence rate studies is factual information. It is good information. It was done by professionals. Certainly, Manitoba, unlike the member had said being one of the highest, is certainly the lowest of the five western provinces starting at Ontario to the Pacific Ocean. The prevalence rate, we continue to work on that with our responsible gaming strategy. We would like to bring those numbers down.

Certainly, we recognize that there are people with problems that do end up with problems in gaming and, certainly, through the initiatives that we have taken and the initiatives that we continue to take, we will work with the professionals of AFM and other organizations to bring those numbers down even further.

So I think, as the member alluded to the dollars and the financial support that has gone into the responsible gaming strategy that we did develop in 2001, where there was not one prior, it is beginning to work. We feel that the initiatives that we have undertaken, the initiatives we have put forward, the advice that we have gotten from professionals is working.

Certainly, we will continue with that. The new \$10-million strategy that we have, \$2 million per year for the next five years, will bring us even further ahead in that strategy, in bringing pertinent information to us on what areas we can look at to reduce those numbers even further. So, not to be argumentative, but the facts, quite frankly, show, on the national problem gaming prevalence rate chart that we have, that Manitoba is the lowest in those categories in the five western provinces.

Mr. Schuler: I do not know if the minister misspoke himself, but he has left the impression with this committee that he is quoting numbers from 2001, and I guess I am asking him about current numbers that came out that show Manitoba has the highest addiction gambling rate in the country.

Of course, the committee would not expect anything else. The minister has to defend his government, and he chooses to use numbers most favourable to himself, and those would be from 2001. I would like to focus the minister at least on the numbers that we are quoting from 2002-2003.

Also, I do not know if the minister misspoke himself, but he said the new strategy of \$10 million over five years or \$2 million a year, and in his opening statements he mentioned \$27 million over five years. I am not too sure which numbers he is dealing with, but I mean that could be a misunderstanding by the committee on which numbers he is using. But, just, I think we should make sure that we are really clear about which numbers we are quoting.

I guess my question to the minister is if, as per his words as of 2001, using old numbers, there is no problem with gaming addiction—in fact, we look better than most jurisdictions—why would we move from \$250,000 going into responsible gaming as per what we heard at committee in 2002-2003 to—and I am not too sure which numbers to quote of the minister, either it is \$10 million over five years or \$27 million over five years, why that substantial growth in monies going into responsible gaming.

Mr. Smith: The critic chooses to use certain reports that he has, and we choose to use relevant reports that we have, certainly done by professionals both. Just to clarify the \$10 million, the \$10 million is in addition to the funding that we already put into Lotteries. This is new funding that the government is

committing, \$10 million over the next five years to fund research and program development into problem gaming and responsible gaming. So that is to look at research that we can use for the reduction in problem gaming in the province of Manitoba, utilizing professionals and research directed to enhance those reductions.

The \$27 million is \$27 million combined. This \$10 million is in addition to the money that was already being funded into responsible gaming. So that was announced in, I believe, the spring of this year, that this is a new initiative over and above all funding for responsible gaming that we have initiated. So it is \$27 million in total. It is \$10 million additional dollars that was announced in the spring of this year for that research into program development for problem gaming and responsible gaming in Manitoba. So I think that is quite clear.

Obviously, you can break the increases down of 94 percent alone over '04-05 from '03-04, and to total this year; if we were discussing numbers that we put forward this year, it would be a 242 percent increase since 1998-1999 which had basically no strategy on responsible gaming.

*(14:20)

So \$27 million is the number in total; \$10 million is in addition to the dollars we were already putting into responsible gaming. Certainly, the development of that policy and strategy does continue in a strategic way where there was no policy and strategy prior to us forming government in 1999.

Mr. Schuler: This minister is very astute at spinning numbers, and I do not think the committee quite understands. Is it \$27 million and 10 million on top to make \$37 million, or is it \$27 million of which 10 million is earmarked for something specifically? The minister is never quite clear on that when he quotes those numbers.

I do, however, want to quote the *Winnipeg Free Press* of June 4, 2005, just so that we do not leave the committee with the impression that we are citing sources that may not be credible. It is page A1 and it is titled "Betting Your Life," and again it says, "but despite studies that show Manitoba leads the nation both in number of gaming machines per capita and in gambling-related problems." I just want to be very

clear to the committee that it is not bad studies versus good studies. What we are comparing here is the minister's old study of 2001 as compared to current studies.

Again, I want to be very clear, we do have an addiction gambling rate in Manitoba, and I think the minister has proven with his answers that we do not know why that is, where the impact is and what it is doing to our communities both on a social and economic basis. I guess that is what the committee is trying to get at, and that is what we are trying to encourage the government to do, a proper study, not nickel-and-dime a study and not get friendly organizations to the government to do studies, but to get an independent study to see what are the social and economic impacts to the province.

Again, I think I have been, I, as the critic for the opposition, have been very above board. We know that various parties have been government over the years. It started, the whole increase in gaming started, under the New Democratic government of Premier Howard Pawley. It grew under the administration of the Conservative government, and now has continued under this current administration. It is not one bad, one not bad. What it is, is we have come to a certain point in time and it is now not a responsible moment in the increase of gaming to say it is time to do a proper study. That is what I am trying to ask the minister. I do not think we are looking for spin or looking for who is to blame.

I ask the minister very directly: Is it not now time to do an assessment of where we are as a province and look at what impact gaming has on our province? Is now not the time? Certainly, one does that in business every 10, 15 years; one does an assessment of where the business is. Why would we not do the same thing when it comes to gaming in Manitoba?

Mr. Smith: The member raises a good point and, certainly, not to belittle any study that is done by groups or organizations that are out there, certainly you take into account studies of all directions when you are dealing with any issue. Studies, depending on the scope of what the study was and actually the information provided within that study, are all relevant. You can take all studies and consider them. Certainly, it is interesting.

The member, when he mentions considering or looking at impacts of gaming in the province of

Manitoba, in 1991, VLTs were introduced into the province of Manitoba, and, basically, at that time, it was implemented into rural Manitoba. I believe, at that time, Minister Mitchelson was the minister responsible at that time and had these directed towards supporting and helping rural Manitoba and the tourism industry in the province of Manitoba.

In 1993, they were introduced into the urban centres and introduced into the city of Winnipeg and then the casinos were developed and built shortly thereafter. In about 1998, 1999, two large casinos were built in the city of Winnipeg at an estimated cost by the previous administration of around \$50 million. The final outcome was well over \$145 million, but that is another point I can make at a later date.

The gaming strategy over that period of time was, well, there was not one. There was no gaming strategy. There was no strategy on responsible gaming in the province of Manitoba. The strategy virtually was nil. When we formed government in '99-2000, by considerations of the Auditor General, changes were made, and then in 2001 a responsible gaming strategy was established by this government. Information such as the member mentions, background information, forward-thinking information was combined with strategies that we have done over the last four years on a responsible gaming strategy in the province of Manitoba, using the Canadian Problem Gaming Index, which most of the industry is beginning to use, numbers that we feel, and professionals feel, are relevant information to take into account. So, in 2001-2002, through both AFM and StatsCan, information provided by them, decisions were made on our responsible gaming strategy and our strategy moving ahead.

The member talks about spinning numbers. There is no spinning of numbers with \$27 million in support over the next five years for responsible gaming in the province of Manitoba. Ten million is combined with the \$17 million to make \$27 million in total. That is 242 percent higher than anything that was put in going back to 1998-99, frankly with no strategy. Now there is a strategy with 242 percent more dollars per year on that strategy.

The combination of what we will see over the next period of time in information that will be gained from that new initiative, the \$27 million minus the \$10 million, that will go into research and programs,

will certainly incorporate a number of different fields that are out there, information that we will gather, strategic information that we will gather from professionals to look at our strategy as we move ahead using both our province and some of the best practices that we see in other jurisdictions, in other provinces. So that research and those programs are something we see as being a very positive step toward gaining information, gathering pertinent information and certainly what those social impacts will be over the next period of years in the end, also, as well, as the economic impacts that we will see.

Since the year 2000, Manitoba has been involved in national efforts, certainly with addictions and treatment research fields in many of the different jurisdictions to develop and put the appropriate measures and methodology into research and what we will have for research with that \$10-million fund over the next period of time. So we are taking certainly the problem gaming research, and where the rubber hits the road, we are putting those efforts into eliminating it as greatly as we can, trying to bring those numbers down in a very serious way. We have been the only government in this province that has developed that strategy, has put serious dollars forward, up to 2 percent of the net revenue of Manitoba Lotteries, towards those programs, and certainly we have seen the numbers go down in the information that we have.

We will work with professionals to bring those numbers down again. We do have a strategy, unlike the nineties.

Mr. Schuler: Clearly, we have to start spending more money on responsible gaming. I would like to quote again from the *Winnipeg Free Press*, June 4, page A1: "VLTs in '99-2000: 5107; VLTs '04-05: 5368", a substantial increase. "Slot machines, '99-2000: 2449; '04-05: 2877." As gaming increases, so does money to responsible gaming. That still does not mean that we do not need a proper study on the impact.

* (14:30)

I do, however, want to ask one further question, and a few of my colleagues want to ask some questions, and then I will continue after that. I would like to point out to the committee the annual report 2002-2003, page 39. I guess what I find interesting, if you look at net income from '98-99, income would

have gone up—I do not have my calculator with me—approximately 20 percent from '98-99 to '02-03, yet operating expense at the same time went up substantially.

I am just wondering why there was such a heavy increase in the operating expenses.

Mr. Smith: I think we would refer that technical question to the CEO, Mr. Winston Hodgins.

Mr. Hodgins: Just to clarify, now you are looking at the net income for '02-03, was it, 265, and the operating expense of 107 and you are comparing that to which year now, from '98-99 to 2000? Okay. The reason for that significant increase is really because of the expansion of the two casinos. When the two casinos were expanded in 1999, there was an increase of roughly about 700 staff in the corporation in order to manage the expanded facilities and, of course, a significant part of our operating costs relate to the salaries and benefits we pay our staff. So a good portion of that increase relates to the casinos when they were expanded.

Mr. Schuler: I just want to conclude on that one. Clearly, we have seen over the years, at the bottom of page 39, the operating expenses as percentage of net revenue. I understand that we have an expansion; you have the first initial hit of the costs and then, as it grows, your percentage of expenses as per net revenue then, in theory, should go down, yet we have seen it go down a total of 0.8 percent. In '02-03, it is still at 26 percent of net revenue from a low of 20 percent. Is there a reason why it seems to be stuck at such a high percentage?

Mr. Hodgins: Actually, we are quite proud of the fact that we are at that because, I think, if you look at other comparable gaming operations that the percentage would probably be higher than that. It is something that we do monitor on a regular basis and, I think, if I remember correctly, the percentage that we are at currently is around 24 or 25 percent. So we are very conscious of keeping our costs under control and so we feel 26 percent is not out of line.

Mr. Schuler: Again, I apologize to the committee, I know others have questions.

Again, just technical in nature, the reason why it is staying at that is because of expansion, and you are comparing yourself to whom?

Mr. Hodgins: We compare ourselves to other gaming operations across Canada, but I have to tell you it is always difficult to—well, a couple of things, one is that there is not necessarily other operations that are similar to ours because gaming is delivered in different ways in different provinces and we find a lot of gaming operations which are privately operated are reluctant to give us information. We do have a good working relationship with Regina and the Saskatchewan Gaming Corporation, so we do exchange information with them on a regular basis. So we try and compare ourselves with them because they tend to be a similar kind of market to ourselves.

Mr. Schuler: So, comparing ourselves to Regina, they have a higher percentage rate of operating expenses as percentage of net revenue?

Mr. Hodgins: You know, I honestly cannot tell you what their percentage is. I cannot remember what it is, but I can certainly get that information for you.

Mr. Ralph Eichler (Lakeside): Mr. Chair, I have a question in regard to the Aboriginal casinos. What is the current policy on expansion, and is there a limit or maximum of which you are looking at with the expansion of the Aboriginal-run casinos in the province of Manitoba?

Mr. Smith: Yes, let me take that into consideration. I think the member is aware of the Bostrom Report where it was considered that the possibility of five casinos would be established throughout the province of Manitoba. We have had the two casinos open up over the last period of time: Aseneskak Casino in The Pas, and we had the South Beach Casino open up a short time ago, I believe early this spring or this summer. So there are two of a possibility of five casinos that were opened up through MGCC, obviously the regulatory body for that area. There is not a consideration right now of any more casinos opening up in Manitoba and, basically, the two casinos that have opened up are under their business plan. Obviously, they are a private business, so we do not deal with their financial dollars and statements or what their business plans may be. So that may be a question that may be considered asking in MGCC.

Mr. Eichler: Just further to that, Mr. Chairman, could the minister clarify for us, out of those five, what is the basis of which the revenues are to be shared with the other Aboriginal reserves within the

province, or are they going to be just held by the reserve that builds that casino?

Mr. Hodgins: The sharing ratio is, Aseneskak and South Beach, they retained 70 percent. There is a sharing of 27.5, and 2.5 percent is to go to responsible gaming initiative.

Mr. Eichler: Using those numbers, then, does the Province see a decline in the total revenues, or an increase as a result of the gaming on the reserves, then, for the province as a whole?

Mr. Smith: Just to clarify the question, you are asking whether or not the First Nations casinos have had an impact on the overall revenue for the province of Manitoba, in total?

The overall revenue in the province, obviously, has had variables spike up and down for a number of reasons over the last few years, obviously, taking parochially that as an impact on reducing revenues is something that I do not think would be very meaningful in a discussion, I think there has been a number of impacts, obviously, in September 1, I believe it was September 1, of 2003, because of some changes on smoking policy and regulations, that had an impact. We had impacts because of economic, both rural and urban, challenges from BSE and many other things in the province of Manitoba over the last period of years.

So to say whether or not it has had an impact on Manitoba Lotteries Corporation, singularly, would likely not be a question that is easy to answer. There are a number of variables that are out there. Obviously, the impact from the smoking ban had an impact, quite a large impact, on the number of operations throughout the province in the fall of '03, spring of '04. Other variables have now brought those profits up for Lotteries. So the question is very difficult to answer. Just put that as something that is reduced because of the openings of First Nations casinos to have an impact on Lotteries, singularly, would be very difficult to pinpoint and answer.

Mr. Eichler: Just to follow up on that, then, with the hotel industry hurting the way it is in rural Manitoba, and not only from the BSE as you referred to, but just the decline in overall dollars that are available, was the hotel association offered any share in these casinos whenever they were being built? To me it seems like we are probably having a double standard out there.

Mr. Smith: It is not something that you would term a double standard. Obviously, when the casinos opened in Winnipeg, there was not an offer, certainly, at that time within the city of Winnipeg. We as a government made a policy change to follow the Bostrom Report, which we did follow, and it was not the matter of a double standard at all. It was following a report that was well done and followed along with that report.

* (14:40)

The hotel operators, and you mentioned the hotel industry that was out there. Quite frankly, over the last period of time we have worked very closely with that industry, with Mr. Jim Baker and the hotel industry, on looking at impacts they have had through economic downturns in rural and remote areas in the province and what we could do to stimulate and bring the intent of what, in 1991, lotteries was introduced into rural Manitoba for, and that is the ability for tourism to remain and monies to remain in local communities.

So, certainly, over a number of years, the evolution of Manitoba Lotteries itself, the casinos were opened on Sundays. A change was made a few years back to create a level and fair playing field for operators and hoteliers in rural areas, certainly on the suggestion in working with the hotel industry to be on a level playing field, if you will, with what has been the practice for quite some time on Assiniboia Downs and the casinos of Winnipeg, to have the hours of extension into Sundays following along with the legalities of the Manitoba Liquor Control Commission, VLTs within every one of those facilities.

Certainly, the address of outdated and old equipment, that Manitoba was the first province in Canada to introduce VLTs into the system in 1991, and the last province to update and have new equipment put in. So that has had a positive effect for all industry, all hoteliers. They are not only on the responsible gaming side and features of the new equipment, but also on the new equipment and the ability to attract new players and people within the community on a positive for the industry.

So a double standard? No, not a double standard. Following the Bostrom Report was something that was done. It was publicly done. It was introduced quite some time ago. The casinos outside of the city of Winnipeg were seen by some and seen by others

as being a positive step. The amount of employment and spin-off from those casinos in both Aseneskak in The Pas and from South Beach has benefited immensely with job creation and, certainly, with positive spin-offs within those areas where they are. It has been quite positive for a lot of the local hoteliers and the industry around those casinos, quite frankly.

Mr. Rocan: Mr. Chairperson, dealing with the report that is presently before the commission, they talk about their mission, which is to provide a fun and entertaining gaming experience in a socially responsible manner, that their vision is to have an excellent work environment, to have successful First Nations casinos that contribute to the economic development of First Nations communities. Their goals are to implement a First Nations casino project. Their mandate is to ensure and maintain a respectful workplace for all employees, suppliers and guests. Their core values are MLC is responsive. We respond to the requirements of our customers, the minister, the government and Manitobans. MLC is supportive. We are a good corporate citizen that supports our communities and improves the quality of life for all Manitobans.

Indeed, I am respectful of the fact that the minister was with me on the committee where we toured the province when we were dealing with the smoking committee, that we were getting input from the general public. Today, the minister is still responsible for the MLC. I would hence ask the minister again: Will somebody please put on the public record the reasons why, if there is a reason why, why we, I say we, MLC, will not enforce any type of smoking in casinos that are situated on reserve land?

Mr. Smith: The member asks a question that I believe he has heard the answer to many times. The jurisdictional challenges that, certainly, are on federal land and with the First Nations, are quite obvious. Court rulings have been very obvious in that area. Certainly, we have done our mandate to set out and what we are able to do in the province of Manitoba, and we have done it very quickly. Quite frankly, it was the City of Brandon that had initially introduced, through a by-law and jurisdictional by-law within the city of Brandon, the initial smoking ban in the province of Manitoba.

The City of Winnipeg followed suit a short time later with the introduction of that through the

Winnipeg Charter and the ability to do that. The Municipal Act allowed other jurisdictions throughout the entire province to have the ability to do that if they had seen fit. The Province of Manitoba considered, as the member had mentioned, in our deliberations and in our committee meetings throughout the entire province of Manitoba a very set direction from citizens across the province of Manitoba who would like to see mandated non-smoking in public areas throughout the province of Manitoba.

Manitoba, leading Canada in that effort, did in fact initiate that non-smoking by-law and, in fact, it was brought into the Manitoba Legislature and agreed upon by all parties unanimously. That, obviously, was something that, under our jurisdictional process through the province of Manitoba, enabled us to do and enabled us to do very quickly, and certainly jurisdictional issues do not permit us, and it is quite clear in court rulings, to mandate that on federal lands or First Nations.

Mr. Rocan: How many contracts would there be presently in the province of Manitoba with different First Nations reserves?

Mr. Smith: I have absolutely no idea how many contracts the province of Manitoba has with First Nations in the province of Manitoba. If you are specifically referring—

Floor Comment: Specifically on MLC.

Mr. Smith: If you are specifically referring to conduct in management projects that we may have under Manitoba Lotteries Corporation, I will refer that to our CEO, Mr. Winston Hodgins, if you are talking specifically of Manitoba Lotteries Corporation.

Mr. Hodgins: As I understand your question, what you are asking is how many contracts we have with First Nations with respect to VLTs and also the casinos.

Floor Comment: Right.

Mr. Hodgins: Well, there are about 26 contracts as it relates to First Nations VLT sites and two casinos.

Mr. Rocan: For clarification, that we have 26 contracts. Of them, there are 24 that deal with VLTs and 2 that deal with—

Mr. Hodgins: It is 28 in total, of which 26 are VLT site holders and two are casinos.

Mr. Rocan: These contracts are all basically the same template that fits across the board type of thing?

Mr. Hodgins: The VLT site holder agreements are consistent from one site to the other. The casino contracts are very much more comprehensive, but they are generally consistent from one site to the other.

Mr. Rocan: Would we have an opportunity to review these or to see these contracts, or are they of a confidential sort of a nature? What are they?

Mr. Hodgins: I would say, with respect to the VLT site holder contracts, they are kind of a boilerplate. If you wanted to see one, we could certainly show that to you. With respect to the casinos, I am not sure that we would be in a position to share those. I think there would be third-party confidentiality associated with those because they are private companies that are operating the casinos.

Mr. Schuler: My question is on the same issue. You have 26 contracts with VLT sites and two casinos, to come up with a number of 28. My question is do they have to provide you with financial statements.

Mr. Hodgins: That is actually the responsibility of the Manitoba Gaming Control Commission that monitors the financial performance. We do get information, of course, through our systems, but it is the responsibility of MGCC to provide oversight for First Nations.

Mr. Schuler: Then I would direct that question to the minister. Of the 28 sites, do they have to provide financial statements?

Mr. Smith: It is my understanding that, through the Manitoba Gaming Control Commission, those have to be provided. Whether it is on annual basis, it would be probably best to ask the MGCC for that information. But, certainly, MGCC handles that area, and those questions would be best directed to either Minister Chomiak or, certainly, to MGCC.

Mr. Schuler: My question to the minister is how many of these are in compliance right now.

Mr. Chairperson: Before I recognize the minister, I would like to remind the member that the Manitoba

Gaming Commission is not part of the agenda of this committee today. So we are kind of bordering on a relevance question, but I will let the minister respond if he would like to.

* (14:50)

Mr. Smith: I think the critic is confusing the two. Manitoba Lotteries Corporation is strictly that, the Manitoba Lotteries Corporation. The Manitoba Gaming Control Commission handles the regulation and, certainly, those questions would, as the Chair has advised, very much be referred to either asking that information through the minister's office or, certainly, asking Manitoba Gaming Control Commission for those specifics, which they do deal with.

Mr. Schuler: Okay, then my question is, the officials at the table mentioned that there are currently two casinos. The government commitment was five casinos, and where are the other three casino designations? Where do they stand? What is the status and where are they being targeted?

Mr. Smith: As the member mentions, there were five targeted, up to. Certainly, it was based on business cases, business plans and the relevance of those First Nations putting together those plans to submit and bring in, in a timely manner. That time has been surpassed. Obviously, it has been some period of time. Two business cases, obviously, have met the criteria. They are up and running. Certainly, there was never a time or anything set that it must be five. It was up to five.

Certainly, the relevance on going ahead will involve many factors. It will involve, certainly, consideration of market analysis and studies, but the time has been surpassed. I believe the member knows that. The question of there being five, it was never said that there would be five. It would be considerations of up to five, and two, obviously, are up and running and quite successful from what we can see.

Mr. Rocan: Mr. Chairperson, again, we are aware now that there are 26 VLT lounges, I use that terminology, and 28 casinos that would have a contract with MLC. In those contracts, would we not have an opportunity, Sir, to put in place a particular rule, restriction, or asking, in order to have a safe and healthy workplace? Would we not have that

opportunity to have that as part of our deal with the First Nations people prior to getting a VLT lounge, that one of the things we would ask for would be a safe and healthy workplace?

Mr. Smith: I think it was extremely clear in the position that Manitoba took, the first in Canada, of a non-smoking legislated policy throughout the entire province of Manitoba, that we had heard loud and clear from communities right across this entire province of Manitoba, there was no gray area whatsoever in the decision, and I think the decision of all parties that smoking in public places, under the jurisdiction of the Province of Manitoba, is something that we had done. The jurisdictional issues and issues of federal jurisdiction, provincial jurisdiction, certainly are quite clear, and they are quite clear in court case after court case and decision after decision that has been presented across the province. We were crystal clear. In what we can do immediately, we did do that. I believe that it was extremely positive. I think it was positive right across. Now you are seeing other provinces, obviously, follow Manitoba's lead, Manitoba's leadership role, in this initiative.

The conduct and management that we control, certainly, with equipment and through our gaming is, obviously, something, whether it is on federal land or not, that we can control in our agreement. The federal jurisdiction in other areas is something that we are not enabled to control. Obviously, we recommend, and we have recommended to all of Manitoba, that there be no smoking in a public place. Jurisdictional issues are a completely different issue. Jurisdictional issues do not allow us to have that or mandate that or pressure anyone on a federally controlled jurisdiction to follow suit.

Mr. Rocan: The minister makes reference to "crystal clear," and, again, I will agree with him on that part of it. But it seems to me that if we are writing up a contract with a particular First Nation which would benefit them by putting in place a VLT lounge where we will install the VLT machines, and if we do not put in place a particular restriction on, say, smoking, for example—because I am informed now that we have technical people who are refusing to go in.

Madam Vice-Chairperson in the Chair

So who is looking after the VLT machines, because these individuals are refusing to go into that

particular establishment to service the machinery? Yet we seem to have no qualms about allowing them to run a facility. It seems to me that we would have that opportunity. I am sure there has to be an age requirement. There has to be a requirement that there is no drinking allowed, or if there is drinking allowed it is between these hours and these hours. I am sure we cannot open at six in the morning and close at four the following day. I do not know, there have to be certain requirements put on the jurisdictions, on their operating time.

So why is it then if we cannot have full-blown non-smoking? Why is there is not a way to put in some sort of negative air pressure room or something to appease a certain group, that segment of society who want to smoke in a VLT lounge on a First Nation?

Mr. Smith: That is quite a barrage of questions, but certainly if the member has any information they would like to relay to us on certain particulars, on people who are being impacted or maybe employees being impacted, certainly we would like to have that referred to the MLC to be looked at, considered and dealt with on that level. Obviously, if there is some information that the member has and would like to pass on, on any particular, MLC would be more than happy to look at that specific.

The member talks about positive flow or negative flow air systems put into certain facilities to eliminate smoking. The choice was by the government and certainly by the all-party task force in fact not to do that. The choice was not to have smoking, period, in these facilities. Obviously, through jurisdictional changes on decks and things like that, the City of Winnipeg has chosen patios and made a change on that side, but inside of confined spaces and buildings we have chosen that an air make-up system was not as positive as eliminating smoking, period. I believe that was the right decision. A decision in the future going to an air make-up system within a confined facility is not something I would support. Certainly, that is something, from the information that I heard going throughout the entire province of Manitoba, that it was not as positive as eliminating smoking, period, within confined spaces.

The jurisdictional issue still is the issue that has to be considered, and certainly in our jurisdiction we have eliminated smoking, period, within confined

spaces. I do not believe that an air make-up system is adequate. I believe the elimination of smoking within those facilities is something we considered, something we had jurisdiction to mandate through legislation, and I believe it was the right choice.

Mr. Rocan: Madam Chairperson, I guess a straightforward question to the commission. We have everybody here responsible for something today, representing a particular area of expertise. The question would be have there been any of our technical people refusing to go into a VLT lounge where there is smoking that is being allowed.

Mr. Hodgins: As far as I am aware, none of the MLC staff have refused to go in and service machines.

Mr. Rocan: Okay, so now what we hear is that there have been none of the MLC staff who have indicated that they will not enter into a particular facility. That is what I am hearing.

That is not the information I have. I will undertake to get the names of these individuals and see if I cannot pass that on to Mr. Hodgins or the minister, indeed, because if these individuals are refusing to go in, I mean, I do not suppose anybody would be holding a gun to their head, but, I mean, there has to be a reason, and we will attempt to find out.

*(15:00)

Not wanting to take away from revenues that will be generated on reserves, anticipated revenues that they believe they will gather up in the event that these casinos or VLT lounges of theirs are successful, because I am reading here now from the *Altona Red River Valley Echo*, where we talk of a particular reserve, the Roseau Reserve, where, I believe, in March 2003 they had a qualified audit, and the band was something like \$4.8 million in debt. Well, back in 2004, now, this band is \$310,000 ahead of the game, if you want to use that terminology. They are extremely successful when they want to be I guess is the term that I am probably going to use because, from this report, I mean, they have dug themselves out of a hole, \$5 million. Who then, now, would be responsible, because in the same article he indicates that they used none of that money to purchase VLT machines, or there is no government money, I guess? I am looking to find out

who actually paid for all those machines to go into that particular casino.

Mr. Smith: The Roseau River, I believe you are talking about not a casino but a building that houses VLTs in the Roseau River, as opposed to a casino. The machines, obviously, are paid for by First Nations. They pay for those machines over a set period of time, whatever that period of time is established, based on, certainly, agreed-upon terms. The VLTs, obviously, it sounds like, and I am not quite aware of the particular article the member is mentioning, but it sounds like they have brought their debt-to-equity ratio into a positive over the last period of time, and I would assume it is, from the article, evident from the games, from the VLT profits. So the answer to the question is the First Nations pay for the machines, they pay Manitoba Lotteries Corporation for those machines, and the conduct and management is dealt with through Manitoba Lotteries in support of those machines. The Roseau River First Nation is moving forward on their business development plan.

The member talks about debt-to-equity ratio. I will bet, on this particular First Nations reserve, we are seeing, certainly, that positive side in a number of First Nations communities on a policy, again, from the recommendations going back to '97, '98, '99 in the Bostrom Report, of additional VLTs at these sites, from 40 machines max to 60. That may have an impact. It has had an impact in a lot of other areas on the positive revenue side. But on, I guess, any established business where you have initial capital outlay, not this particular instance, but anywhere you have a large capital outlay or outstanding debt-to-equity ratio, whether it is on First Nations or any hotel or any business across the province of Manitoba, your first few years, anyway, are usually burdened with a heavier debt-to-equity ratio. We see that in some of the casinos that have started up, with Aseneskak and, again, with the new casino that started up, obviously, with good cases, business plans and management. It looks like in this instance it could be a good example of some positive management.

Mr. Rocan: I thank the minister for that response.

Very quickly, in order to save a bit of time here, is the minister or the government, the Premier (Mr. Doer), anybody, lobbying the federal government, so as that jurisdiction that he talks

about, where this crystal clear—these rulings that have come down where it is, indeed, a federal government responsibility—are we lobbying the federal government in order to make that change so that the hotel owners or those individuals that have VLTs in their bars, specifically in rural Manitoba, to put them on a level playing field?

I use for example Swan Lake. Swan Lake First Nation has a VLT lounge, and all the surrounding communities that encompass that particular area have seen a major decline in their patrons that they have had who used to frequent their establishment who now go to Swan Lake First Nation because they can smoke in that particular VLT lounge. So I am asking the minister: Is there a move afoot in order to try and convince the federal government that the requirement that we have imposed on our local people, that it would also be enforceable on First Nations land?

Mr. Smith: I think the start of the question, where the member had mentioned lobbying for a level playing field, I think, that was quite clear when we introduced the smoking ban right across the province. As I mentioned prior, the two largest urban centres in the province of Manitoba, both Brandon and Winnipeg, had initiated the smoking bans, and we heard quite clear around those jurisdictions and areas a negative impact on those locations, some 70 percent of the province of Manitoba. We had other jurisdictions, local municipalities, considering and looking at implementing smoking bans within their community, and we heard that quite clearly across Manitoba, to make it a level playing field in something that we had jurisdictional control over. We made that choice.

We have spoken very clearly from the government's side that banning smoking in enclosed spaces and workplaces in the province of Manitoba is something that the Province of Manitoba supports. We do support that. We are, certainly, quite proud of the fact, and I believe all members around this table should be quite proud of the fact that, within our jurisdictional control, we have announced that for the first time right across Canada.

The military bases and the federal prisons and the other areas where federal government has control and, in fact, the issues of jurisdiction on First Nations and others is, certainly, something we have been quite clear, that we believe spaces where there

are employees or customers or people conducting business should be smoke free. So that has been, and I will mention again, our crystal-clear policy in the province. We believe that in enclosed spaces, in spaces within our jurisdiction, it is something that we have control on, and we have said that it is better for health, it is positive to have a smoke-free environment in facilities, and our jurisdiction is what I can deal with. Obviously, other jurisdictions that are dealt with by the federal government are something that I quite frankly cannot, but I have been quite clear, members around this table have been quite clear, that we believe that smoke-free environments are the healthiest environments.

Mr. Rocan: I thank again the minister for that response, and the minister has never wavered on his support for that particular piece of legislation that went through the House.

In that same little article that I was referring to about Altona, *Red River Valley Echo*, they make reference to a David Doer. I guess my question to the corporation is has David Doer been responsible for acquiring, securing several of the contracts for these 26 VLTs, two casinos. Has he been a proponent, a lobbyist, if you will, on behalf of the First Nations people to the corporation?

Mr. Smith: Just looking at the article, who David Doer may be, I do not know if it is someone that I guess I can forward to our CEO to see whether any dealings—or to answer the member's question.

Mr. Schuler: My question is Mr. Bill Funk, who was the CEO, was let go and is currently suing MLC for wrongful dismissal. Also Brian, I will probably pronounce his name wrong, Stepnuk, was also let go. He was CFO, and recently Richard Cone was fired, and he was vice-president of marketing. Have any of these been settled?

* (15:10)

Mr. Smith: As before, I was going to let the CEO answer the question I was asked by the previous member, and anything to do with human resources and personnel we can certainly forward to the CEO to provide that information. There are some 1700 to 2000 staff at the Manitoba Lotteries, so I will refer that over to the CEO.

Mr. Hodgins: Of the three people that you mention, the only one that I am aware of that has an outstanding, I guess, lawsuit against the government is Mr. Funk, and the lawsuit is with the government, not MLC. So I am not aware where it is at. It goes beyond the corporation.

Mr. Chairperson in the Chair

Mr. Chairperson: I understand Mr. Eichler is next. No?

Floor Comment: If you can defer for a second.

Mr. Eichler: The minister had said there were business plans that had to be put forward in respect to these other casinos that were going to be built or proposed within the province, up to a maximum of five. What is the current dollar amount of revenue that comes in within the 26 contracts and the two casinos that comes to the Province of Manitoba each year at the current time?

Mr. Smith: Obviously, the contracts between two private business entities, the two casinos that the member mentions, are something that would be confidential information and something that we do not supply information for. That information, obviously, would go to, again, MGCC.

But the contracts and the dollar amounts for VLTs, or I guess you are asking revenue generated by VLTs on First Nations, is that the question that you asked? The member is nodding. So I will turn that over to our CEO, Mr. Hodgins, who, I believe, has some information.

Mr. Hodgins: I can provide you with the information as it relates to the VLTs, but, as it relates to the two casinos, I am not in a position to comment on those because those are private companies. I can share with you the information as it relates to the VLTs. In which particular year was it that you were asking for?

Floor Comment: It does not matter what year.

Mr. Hodgins: I guess the last year that is under consideration today is 2004-2005, and it is approximately \$30 million. Now that includes all of the revenues. That includes there is a sharing ratio,

90 percent of the win goes to the First Nations and 10 percent goes to the corporation for administering the system. That \$30 million includes both of those amounts, so it is the 100 percent.

Mr. Eichler: So then the province only receives a portion of the casino revenue based upon the fee only? They receive no revenue out of the casinos other than that? Is that what you are saying?

Mr. Hodgins: The question was do we get any fees from the casinos. The answer is, no, we do not. All of the revenue that is, I guess, generated through the casinos goes to First Nations.

Mr. David Faurshou (Portage la Prairie): I appreciate the opportunity to ask questions of the Manitoba Lotteries Corporation.

In the reading of the reports, I first want to thank the corporation for its support of Portage la Prairie, the constituency which I am most proud to represent. I know that there were proceeds from their operations that assisted with the construction of, or support infrastructure for, the Simplot Corporation location in Portage, and also to the ongoing operations of the Great Western Harness Racing Circuit operations that come to Portage as well.

I just want also to make mention, though, that Portage la Prairie next year will be hosting, for the very first time in Manitoba, the Canadian senior games and—

Floor Comment: How much is it going to cost?

Mr. Faurshou: I am getting there. I just want to ask whether that would be a particular entity or event that the corporation would consider as another worthwhile organization and event being hosted here in the province of Manitoba.

Mr. Smith: I appreciate the member from Portage passing on accolades to the Manitoba Lotteries for obviously a lot of the positive work that they do in every one of our communities right across Manitoba.

The particular senior games that the member is speaking about, obviously, there is an application and process for acceptance of funding from Manitoba Lotteries. If it meets criteria, we support many, many functions right across the province of

Manitoba, supporting events and many others. Obviously, it is something that is near and dear to the member.

Obviously, if the folks that are administering or the executive from the Manitoba seniors' event do not know the process, we would be more than happy to sit down and speak to them about submitting an application, getting their application in early for consideration, and, obviously, it sounds like a good, positive event within a community with benefits. Certainly, to submit that, it will follow through the processes, as many of the others do, and would be considered at that level.

Mr. Faurshou: I thank the minister for his response. It is at this point in time, as I say, a first for Manitoba and, obviously, for Portage la Prairie and the consideration of support. I want to take this opportunity to raise the issue, and if there is personnel that can assist the organizing committee in garnering for a potential sponsorship and support we would certainly like to pursue that.

I would like to just ask a follow-up question to the member from Carman in regard to air quality of persons having to work within the facilities on First Nations which still allow consumption of tobacco products. The Manitoba Department of Labour, do they take on the responsibility of air quality sampling to effectively make certain that the air quality for not only patrons but the persons working within those facilities meets the criteria of the workplace safety and health air quality control standards?

Mr. Smith: That is a question that basically anything within our jurisdictional purview would be dealt with if we have jurisdiction over certain policies, and the member from Portage is nodding adamantly like, probably, the good lawyer that he is. I am not certain of exactly what that jurisdictional issue would entail. To the Minister of Labour's (Ms. Allan) office, it might be a good question that could be asked and answers gotten from that department on the jurisdictional issue that he has asked and, certainly, from Manitoba Lotteries that we are dealing with here today. It is not something that I can, off the top of my head, answer.

Mr. Faurshou: I will be pursuing that question, then, when we have the opportunity, because I did motion to the minister while he was responding, yes, we do have the jurisdiction, workplace safety and

health air quality, as we have arrangements with the First Nations as far as environment is concerned. That is jurisdictional understanding, shall I say. It was resolved so provincial inspectors do attend to First Nations on that basis.

Now I would like to ask the corporation, as a comparison of payout, like when we are looking at the annual reports here, there is a comparison made to net income versus gross income. I presume that the difference is the payout between the gross revenue and the cost of sales. That would be the payout, so the percentage between gross revenue and net revenue after the cost of sales, I presume, would be the payout, the difference. I would like to ask, as a percentage from year over year, has that changed, and how does this compare to other jurisdictions in Canada?

* (15:20)

Mr. Smith: Mr. Chair, the comparison he is asking, just to be clear for staff, and I believe you are looking, Mr. Faurschou, at '03, right now it appears that you have got the book '03-04 open, I believe Mr. Schuler had been asking the same question regarding '02-03. So you would like the comparison of '02-03 to '03-04, just to be clear, or are you comparing to this present year?

Mr. Faurschou: Well, we have a nicely coloured bar graph that makes comparisons year over year in a number of categories. However, the category that I do not see is the comparison between gross revenue and the cost of sales.

Now, first off, maybe I had best clarify, the cost of sales is the proceeds which the patrons receive as payouts, winnings in other words?

Mr. Smith: I will refer to our CEO, Mr. Winston Hodgins, the percentage we had talked about prior being—and I think you clarified it a bit in your questioning, so I will refer that technical question to our CEO and financial officer regarding this.

Mr. Hodgins: If I can just clarify, you are looking at page 38 of the '03-04 statement, and you are looking at—for '04, you are looking at \$196 million? It starts off with the gross revenues at 584 and the 196—you are wanting to know what the 196 includes? That includes the commissions, for example, that we paid to VLT site holders. It also includes some prize

payouts related to our lottery products. There are also prizes that are paid out of that amount as well. So the 387 is the net amount after those payouts.

Mr. Faurschou: Thank you for the clarification. So the \$196,621 actually includes more than just the winnings. It includes the commissions to the facilities that have the VLTs. Is there anything else within that 196? That would be all of the gaming which you as a corporation have jurisdiction over from the scratch-and-wins, break-opens, through to the 649 and others.

Mr. Hodgins: Yes. It gets a little complicated. The Western Canada Lottery Corporation has responsibility for administering the 649 and the Super 7 and those products. So the amount that comes to the corporation is net of the prize payouts. So there are some prize payouts, with respect to that product line, actually out of it before it is reflected in our statements.

Then the video lotto product line, that is the commissions that are paid to the site holders. I believe the prizes are already reflected in those figures before they show up here. Then the casinos of Winnipeg, there are also prize payouts there, and those are reflected in the 196. It gets a little complicated.

Mr. Faurschou: I appreciate trying to school this member in exactly what the cost of sales are, but, if I could ask if there was any comparison between the jurisdiction of Manitoba in which you operate and, say, Saskatchewan or New Brunswick, to see if we are in line with the prizes versus the revenue which we receive from those gaming activities.

Mr. Hodgins: I guess every jurisdiction delivers their gaming a little differently. I will just use the two examples that you are mentioning. In the province of Saskatchewan, the Saskatchewan Gaming Corporation is only responsible for the casinos. Actually, the VLT operation is delivered through the Western Canada Lottery Corporation.

So they have separate entities that are looking after it. We are one of the few jurisdictions where we have all three business lines included within one corporation. I would say that Atlantic Canada is closer to our model than would be the case, although in Atlantic Canada the casinos are privately operated. So they have a different, I guess, arrangement with

respect to the sharing of the proceeds from those operations.

So it is a little difficult to start comparing them. I think I mentioned that to one of the honourable members before, that it gets difficult when you are trying to compare how well you are doing from an operational perspective to, say—

Floor Comment: Where would you go to gamble?

Mr. Hodgins: But to maybe try and answer your question, you know, our prize payouts through the Western Canada Lottery Corporation, are, well, they would be consistent with what is offered across the country. Our video lotto operations payout on average is about 92 percent, and our casinos are roughly about 93 percent. So, I would say that if you are trying to do a comparison we would be, probably, roughly comparable with those other jurisdictions.

Mr. Rocan: Mr. Chairperson, very quickly, because time is of the essence here, I need a driver's licence to drive a vehicle on First Nations land; that is part of the law that is written in the province of Manitoba. I also need a licence plate on my vehicle which will be driven on First Nations land; that also, Sir, is a law in the province of Manitoba.

I would now ask the minister to give to this committee and myself an example of a particular court challenge that he makes reference to that was undertaken that would give credibility to the minister's claim on jurisdiction.

Mr. Smith: The member uses a couple of jurisdictional issues that affect and that we have control on through the Province of Manitoba through different legislation, such as The Highways and Transportation Act. Licence plates and driver licences are both in that department. The jurisdictional issues and the complexity of legalities on different issues on First Nations land, and what we have jurisdiction over, and the ability to control that jurisdiction on federal lands, is something that we are informed, and we have been advised in legal counsel, certainly, that there are jurisdictional issues that we do not have control on, on federal lands. The information supplied to us is we do not have a clear jurisdictional issue over banning smoking on First Nations land. Therefore, we have not promoted or pushed that forward.

So the member cites a couple of examples. We rely on, certainly, being clear on what we have jurisdiction on, as I mentioned before, such as military bases or any federal building that is out there.

The federal government in some cases has chosen to have non-smoking on their sites in some areas; in other areas they have not. That is their jurisdictional decision to make. We have jurisdiction over municipal acts and in charters, such as Winnipeg, which is clear, clear jurisdiction. We have the ability through provincial resources and legislation to control that.

The member, using his examples, certainly, basically identifies a legality that we are enabled to, through jurisdiction, control through different legislative processes and legal means. The ability for control of non-smoking on First Nations land is not clear jurisdiction. Certainly, we, as I mentioned before to the member, have put our case forward that we believe all areas in the province of Manitoba, and anything we have had jurisdiction on, we have been very clear that we would like those to be smoke-free in those environments. I support that.

The seven First Nations have chosen to have non-smoking, and non-smoking areas, and that has been their jurisdictional right. I would suggest to anyone that asked me, anybody that questions me whether I believe, in all areas right across Canada, it should be non-smoking in confined spaces or workplaces, I would say, yes, it should be. But the clear definition of those jurisdictional issues is complex, non-defined, and we do and we have taken action on our legislation in areas of clear jurisdiction.

Mr. Reid: Mr. Chairperson, I think there was an agreement when this committee started to review the sitting time at 3:30 p.m. I am wondering whether or not committee members would be willing to have the committee time extended to 4 p.m.

Mr. Chairperson: It has been suggested that we sit until 4 p.m. Is that agreed? *[Agreed]*

* (15:30)

Mr. Faurshou: Mr. Chairperson, I would like to ask Mr. Hodgins, in regard to the 92-93 percent, that is referring to the number of dollars placed in, say, a VLT. Only 8 percent would not be returned to the

patrons, and, out of that 8 percent then, we are looking at \$387 million worth of gross revenues out of—and that represents about 8 percent. So we are talking a substantive number of dollars going in and out of machines over the year. Could you tell me approximately the figure that actually goes through the motions of gaming here in the province of Manitoba?

Mr. Hodgins: In that same report we were talking about earlier, if I could refer you to page 22. I think this provides you with the information that you are looking for.

I will just use video lotto as an example. You can see that the Dollars Deposited are in round figures, about \$675 million, and the Dollars Cashed Out are \$474 million. Now, the Dollars Played, that is when people play their initial bet. So, then, the Dollars Won. So the difference between the 675 and 474 is the 201, which is the figure that shows up on the page that we were just looking at, page 38.

You look over to page 38. That is 201,908. The \$56 million is the commissions that we pay to the site holders. So the net amount left after that is \$145 million. So the question, I think, that you had was how much are we paying out of the amount that people are betting. In this particular year, I think I mentioned it was roughly about 93 percent of what people bet. It is paid back out. So the amount that is retained by the corporation is less than 7 percent.

Mr. Faurchou: I really appreciate clarifying that. I was not on the right page in this case, but I see that now.

In regard to the expenses versus revenue, and you do have it listed in a bar graph on page 39 of the 2003-2004 report, your operating expenses represent 29.1 percent of net revenues of the corporation, which is substantially higher than it was five years ago when it was around 25 percent. I was wanting to ask the corporation if this is a trend in the industry where your operating expenses are getting to be significantly higher as a percent of your revenues. If I was looking at a business plan here I would be starting to get pretty concerned.

Mr. Hodgins: Yes, I mean, there are two factors that are involved with this calculation. One is what your operating expenses are, and the other one is what your revenues are. In the year in which you are looking, that was the year in which the smoking

bans were implemented. So, as the minister had mentioned earlier, the smoking bans did have an impact on our operation. So the revenues declined, and our expenses, I think if you look up above, you will see that our operating expenses from 2002 to 2003 went up from about 107 to 113. So there was not a significant increase in our operating expenses. The reason for the percentage going up was because our revenues dropped.

Now I do not know if you have a copy of our next year's report, but when you have an opportunity to take a look at it you will notice that ratio is down under 25 percent. It is actually 24.2. I think you have to kind of look at that chart, but you also have to look at it in conjunction with our operating expenses. We have actually taken a number of initiatives to try and manage our operating expenses as effectively as we can. We have introduced a lot of technology into the corporation to try and take advantage of the efficiencies associated with that, and there are other measures that we have undertaken as well to try and ensure that we manage the corporation as cost-effectively as possible. There are other things I could go into.

Mr. Faurchou: I appreciate that I did not have the most current information, unlike Manitoba Public Insurance Corporation where we did have the most current report. They had extra copies at the time. I guess you did not bring those along today, but we will look forward to seeing a copy when we have it at the next opportunity.

Is this in line with other jurisdictions, or do you have an opportunity to compare your operating expenses versus revenues to other jurisdictions and make certain that you are not out of line with other like activities?

Mr. Hodgins: Yes, we do try and compare ourselves to other gaming operations, but I think I mentioned earlier that there is difficulty in trying to do that. I guess our closest working relationship with another jurisdiction is Saskatchewan, and I would say that we are comparable to Saskatchewan.

Mr. Faurchou: I believe that the corporation directly funded a program called Community Places grants. Is that still the case now, or how do you decide—*[interjection]*

Community Places was, I believe, directly funded. Has that relationship changed, or how do

you decide on what charitable organizations, what not-for-profit organizations are supported throughout a year?

Mr. Hodgins: The Community Places program, and I am drawing on history now, I have not been involved in it recently, but I believe that it continues to be a government program. So it is funded through the government, but my understanding is that it is funded from MLC revenues that are turned over to the Minister of Finance (Mr. Selinger).

Mr. Faurschou: I appreciate Mr. Hodgins' response, and, yes, it is a program that I believe does a lot of good work in communities all around the province.

In regard to community support, I see in the report that I do have back to the 2003-04 that you do have a significant increase in your community support, more than doubling the number of dollars that have been put to community organizations. Is that continuing to expand in the new report?

Mr. Hodgins: The Community Support chart that you are looking at, the community support was \$5.2 million. Is that the one that you are looking at?

Mr. Faurschou: Yes, that is the bar graph chart I am referring to, but, when you break it down between charitable organizations that benefit from the operations of bingo's throughout the year, those 400 organizations versus the Community Support line, which is on page 38, it rose from \$511,000 to \$1.259 million in 2004, a significant increase in community support. I am to understand that figure is added to the charitable organizations that are found on page 28, and that is how you get the \$5.5 million.

* (15:40)

Mr. Hodgins: The reason for the increase from the 511 to the 1.259 million was because of the support that we provided Partners in the Park in 2003-2004, and also our support for the Western Canada Summer Games that were held in four rural communities: Selkirk, Beausejour and a couple of others.

Mr. Faurschou: I am very pleased, obviously, and have a smile on my face so that perhaps the seniors games can be expected to see that kind of support.

I really appreciate the opportunity for the corporation coming forward today and answering my

questions, and wish the very best to all involved in the continued operations of the Manitoba Lotteries Corporation, as I truly believe that it is a well-run organization of which all of you should be very, very proud. Thank you.

Mr. Smith: Thank you. I appreciate the members' questioning and comments. Just one quick word. If the member from Portage would like to provide either Manitoba Lotteries or someone in his community assistance in getting hold of Manitoba Lotteries regarding his community in the event that he is speaking about, Manitoba Lotteries would be very happy to assist him or the people's names that he could provide us in the process. So, if he could entail to do that, we would be more than happy to address it.

Mr. Chairperson: The very patient, Dr. Jon Gerrard.

Floor Comment: Can I just ask one quick question?

Mr. Chairperson: Mr. Gerrard has been waiting all afternoon, and I recognized him.

Hon. Jon Gerrard (River Heights): Why do you not let Mr. Schuler do one, and then I will.

Mr. Schuler: A question to the minister: As the critic, and not having been critic that long, would the minister have any difficulty if I were, say, to approach the CFO and see if, perhaps, I could have a tour through one of the facilities just to get a better understanding of how the operation is run?

Mr. Smith: I think, as elected officials in Manitoba, this is a Crown corporation owned by Manitobans, and I think that all MLAs should be more than apprised and aware of the facilities that we have for Manitobans. So, obviously, I think that is probably a good suggestion by the MLA. Anyone that would like to, certainly as MLAs, we should be able to take back to our communities answers of corporations that Manitobans own. Absolutely, if he would like to set that up and do it, it would be with my blessing.

Mr. Gerrard: My question is directed to the president and CEO of the Manitoba Lotteries Corporation. I understand that, on the payroll of the Manitoba Lotteries Corporation, he is an individual who works in the minister's office, and I wondered if

the president would confirm, indeed, that there is an individual working in the minister's office on the payroll of the Manitoba Lotteries Corporation.

Mr. Hodgins: There was a person that was working in the minister's office that was on our payroll, but he is no longer on our payroll.

Mr. Gerrard: My question to the president and CEO is when did that individual start on the payroll, and when was that individual ended in terms of being on the payroll?

Mr. Hodgins: I cannot tell you the specific dates, but I can get those for you. I believe it was roughly, I would say, about a year, a year and a half ago that he started. He left the corporation, I would say, probably about two or three weeks ago.

Mr. Gerrard: I wonder if the president and CEO could table the terms of reference for that position.

Mr. Smith: I think the member is asking for the terms of reference. That is something that does come through the chief of staff's office with the province of Manitoba here at the Legislature. Certainly, that is done in minister's offices with the minister's staff and staffing, and that is dealt with through all ministerial staff that are in ministers' offices through the chief of staff in the Manitoba Legislature. Questioning or information on that may be directed probably to the chief of staff. Obviously this position, certainly, is a critical one.

In this particular case, with this person, the person that was in my office has accepted a position in another area. I intend to very quickly try to have this position filled again for the workload that we have in this department that is being dealt with through the chief of staff. The chief of staff's office right now is looking at applications, qualifications, and someone to forward. There are a number of people for consideration in the minister's office; quite frankly, the sooner the better. I would say it is a very heavy workload dealing with this corporation, and the amount of calls and inquiries and information that I need, certainly, as a minister, and most of the MLAs, when they are asking and looking for information, have dealt with this position. So it is something I would like to move on as quickly as possible, obviously, to put another person in place.

Mr. Gerrard: A follow-up to the president and CEO of the corporation. I am astonished, quite frankly,

that the president does not have a terms of reference for a position for somebody on his payroll. You know this would be, I would presume, rather unusual that you do not have a terms of reference for somebody on your payroll. Is that not correct?

Mr. Hodgins: For people that we employ in our corporation we have job descriptions and terms of reference for all of our staff.

Mr. Gerrard: This is quite different from the normal then. You have somebody on your payroll, but you do not have terms of reference for that person?

Mr. Hodgins: I do not believe that is what I said. I think what you asked me was when he was employed. I think that was the question that you asked me.

Mr. Gerrard: Yes. My follow-up question was to ask you to table the terms of reference. Can you tell me whether you have the terms of reference? Can the president tell us whether he has terms of reference? If so, I would presume you would be able to table it.

Mr. Hodgins: I do not see any problem in doing that.

Mr. Gerrard: All right. Well, I look forward to that document being tabled shortly then. Thank you.

Mr. Smith: Just to add that the different Crown corporations have different skill sets, obviously, that are needed with this particular employment. In the case of Manitoba Lotteries and the person working in the minister's office, obviously, it is a specific set of skills that are needed. Obviously dealing at the highest level with information, confidential information in many cases back and forth through the minister's office and confidentiality with the corporation, and the amount of work, and the work that they do for a lot of inquiries from all MLAs that we get constantly to the minister's office, specifically regarding, in this case, the Crown corporation, the Manitoba Lotteries Corporation, and that information in a timely basis from executive groups in Manitoba Lotteries to the minister's office, and factual, pertinent information that needs to be directed out in a timely manner to MLAs and to the general public. Skill sets, obviously, need to be varied and depending on individual corporations, but the person in this particular case, that I would like to see filled

quite quickly, deals with Manitoba Lotteries and Manitoba Lotteries issues and information regarding Manitoba Lotteries.

Obviously, they need to have a good basic general understanding of the complexities of legislative priorities and legislative governance and process. So the skill sets are varied. The person needs to be quite highly skilled and have a good understanding of government and process. The person obviously needs to be highly skilled in dealing with and regarding the general public where, in fact, in the minister's office on Manitoba Lotteries there are many, many calls, not only from MLAs, obviously, but from the general public to the minister's office. This person works in conjunction with Manitoba Lotteries regarding issues in Manitoba Lotteries and gets that information back and forth in a timely way, which Manitobans expect, and I expect. Quite frankly, this person is paid through Manitoba Lotteries because they are dealing with issues regarding Manitoba Lotteries in this particular case.

* (15:50)

Mr. Gerrard: My question is to the president and CEO: Are any other expenses of this individual who, when he was on the payroll, I gather, for almost a year and a half, travel expenses, other expenses related to the position—were any of those paid by the Manitoba Lotteries Corporation?

Mr. Hodgins: You know, quite honestly, I would have to go back and check that. I think there might have been some incidental expenses, but I think they were insignificant, quite frankly.

Floor Comment: Maybe speak in your mike.

Mr. Hodgins: I said to get the specific details I would have to go back and check the records, but, as I recall, any expenses that he may have incurred were insignificant.

Mr. Gerrard: It would certainly be helpful for those details, and, if those could be provided along with the specific terms of reference, that would be very helpful.

My question at this point is to the minister: Can the minister provide the name of the individual, and

can the minister provide us with some information as to how many phone calls and how many letters would be needed to be written in a day, relative to Manitoba Lotteries Corporation, from the minister's office?

Mr. Smith: The incumbent who was in the position for a couple of years certainly is something under The Privacy Act. Certainly, that can be accessed and the member could get that. The previous incumbent, I know, in '99, that information is also available from March of '99, or whatever the date was for that individual. Certainly, if that is available through channels, the member could get that. The incumbent who was employed was employed up to, I believe, August of this year, and that has been vacant and, quite frankly, the sooner that is filled the better it will be.

In terms of the amount of calls, the office gets numerous calls. Obviously, in my particular department, in my particular office, through Intergovernmental Affairs and Trade, there are a number of calls that come in every day and are directed to specific, in some cases SAs, which is someone I had through Intergovernmental Affairs who works on intergovernmental affairs and trade issues. The questions that come in regarding Manitoba Lotteries that go to the individual are many. I can say that on a daily basis. The amount of correspondence and letters that come in, that certainly come through my office that I see, are referred to that office as well.

So those are records that, in fact, we do not have a running count of. I do not believe that we have a running count on the amount of calls or letters we get in Intergovernmental Affairs, as opposed to Trade, as opposed to Emergency Measures, as opposed to Manitoba Lotteries, as opposed to Manitoba Liquor Control Commission.

So the calls, I can certainly say, are numerous, directly to the minister's office. Many are certainly through MLAs and the general public, but a number a day, quite a few per day. That information is followed up by that person, and factual information is gotten from Manitoba Lotteries quite quickly, but I can certainly tell the member that I do recognize and do know that there are a number of calls per day, and there are certainly a number of letters per day that will vary throughout the season from time to time. So, on a month-to-month, day-to-day basis, it is very

difficult to pin those numbers. Many times it will be related to an article that may have come out in a media correspondence where those calls may be greatly increased on a certain week, and then the next week the calls may be less. The person that is in that position is very busy and deals with a lot of correspondence.

Mr. Gerrard: In addition to specific calls and correspondence, did that individual, when he was there, deal with legislation? Did that individual deal with the media and calls to the media that arose during the period?

Mr. Smith: That individual's job was to deal with the issues regarding and related to Manitoba Lotteries Corporation. The calls, whether it was from an individual or whether it was dealt with by an MLA or whether it was dealt with by anyone, the person would correspond and get back to them. As far as it was, I believe, part of your question, were they in that position to deal with the media, they would be dealing with anyone that had inquiries or questions and get the specifics, look at the information. Obviously, the media calls and other issues are dealt with by other staffing that we have within the corporation. They may have been asked or this position could have been questioned about certain information, but that would be directed to another person within the corporation that does do media inquiries. Certainly, that would be referred to that department.

Susan Olynik, I believe, is our person in Manitoba Lotteries that deals with most all media and media inquiries, but, obviously, this position with the amount of calls that do come in could be questioned. He or she would normally refer to our corporation, Susan Olynik in that department, to deal with media calls and direct inquiries from the media in the large part.

Someone walking down the legislative halls that may ask that person knowing that they are in the position that they are in may have a conversation, but it is not their task to deal specifically with the media or media calls. It is to deal with all operations in Manitoba Lotteries and get information from the minister and transfer that information back and forth

by whoever asks the question and put them to the proper department to deal with the issues.

Mr. Gerrard: Would that individual be involved in prompting or briefing the minister on Manitoba Lotteries Corporation issues relative to Question Period, for example?

Mr. Smith: As I mentioned prior to that, any issues dealing with Manitoba Lotteries, Manitoba Lotteries Corporation information that the minister would request or information that the minister would need regarding specifics on factual information regarding Manitoba Lotteries Corporation, could be assisted from the senior executive through this person to get information that the minister may need regarding Manitoba Lotteries and the policies dealing in Manitoba Lotteries Corporation.

Mr. Reid: Mr. Chairperson, I am wondering if there is a willingness of the committee members to give consideration for the passage of the Annual Report of the Manitoba Lotteries Corporation for the year ending March 31, 2003. There has been a lot of good work that has been accomplished here today. We still have the reports of 2004 and 2005 that would still be on the table for general discussion, and I am wondering whether or not the members would give consideration to the passage of the '03 report, which is somewhat dated now.

Mr. Schuler: I do not think Dr. Gerrard was quite finished with all his questions in this report, so if it is fine with the committee, we would like to still proceed with questioning of the report at hand.

Mr. Chairperson: I do not think there is a willingness to pass this report.

The hour being four o'clock, what is the will of the committee?

Some Honourable Members: Committee rise.

Mr. Chairperson: Before we rise, please leave behind copies of annual reports, if you do not need them, so we can save paper.

Committee rise.

COMMITTEE ROSE AT: 3:59 p.m.