

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

Chairperson
Mr. Daryl Reid
Constituency of Transcona

Vol. LX No. 1 – 3:30 p.m., Wednesday, November 21, 2007

ISSN 1708-6604

MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Ninth Legislature

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

Wednesday, November 21, 2007

TIME – 3:30 p.m.

LOCATION – Winnipeg, Manitoba

CHAIRPERSON – Mr. Daryl Reid (Transcona)

VICE-CHAIRPERSON – Mr. Bidhu Jha (Radisson)

ATTENDANCE – 11 QUORUM – 6

Members of the Committee present:

Hon. Mr. Selinger

Messrs. Borotsik, Dewar, Eichler, Faurichou, Graydon, Jha, Mses. Korzeniowski, Marcelino, Mr. Reid, Ms. Selby

APPEARING:

Mr. Leonard Derkach, MLA for Russell

Mrs. Mavis Taillieu, MLA for Morris

Mrs. Leanne Rowat, MLA for Minnedosa

Mr. Kevin Lamoureux, MLA for Inkster

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

MATTERS UNDER CONSIDERATION:

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

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

Annual Report of the Manitoba Lotteries Corporation for the year ended March 31, 2005

Annual Report of the Manitoba Lotteries Corporation for the year ended March 31, 2006

Annual Report of the Manitoba Lotteries Corporation for the year ended March 31, 2007

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Mr. Vice-Chairperson: Good afternoon. Now will the Standing Committee on Crown Corporations please come to order.

Our first item of business is election of a Chairperson. Are there any nominations for this position?

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

Mr. Vice-Chairperson: Any other nominations?

Mr. Daryl Reid has now been nominated. Since there are no other nominations, Mr. Reid, will you accept the nomination?

Mr. Daryl Reid (Transcona): I do. Thanks for my nomination.

Mr. Vice-Chairperson: Thank you.

Mr. Chairperson: Hello, everyone. Welcome to the Standing Committee on Crown Corporations.

This meeting has been called to consider the following reports: the Annual Report of the Manitoba Lotteries Corporation for the year ended March 31, 2003; the Annual Report of the Manitoba Lotteries Corporation for the year ended March 31, 2004; the Annual Report of the Manitoba Lotteries Corporation for the year ended March 31, 2005; the Annual Report of the Manitoba Lotteries Corporation for the year ended March 31, 2006; and the Annual Report of the Manitoba Lotteries Corporation for the year ended March 31, 2007.

Before we start, are there any suggestions from the committee on how long we should sit this afternoon?

Mr. Cliff Graydon (Emerson): Mr. Chairman, I would suggest that we sit for two hours and review it after the two-hour period, if that's agreeable with the minister.

Mr. Chairperson: It has been proposed that this committee sit for two hours and then review at that time. Is the committee in agreement?

Some Honourable Members: Agreed.

Mr. David Faurichou (Portage la Prairie): I believe we have been summoned to a reception for all MLAs at 5 o'clock this afternoon. Perhaps we should review after an hour and a half. I don't know whether the Chairman was aware.

Mr. Chairperson: Is the amendment—Mr. Graydon?

Mr. Graydon: I find the amendment to our liking, yes.

Mr. Chairperson: So it's been proposed that this committee sit for an hour and a half and that we review it at that time. The committee in agreement? *[Agreed]* Thank you.

Are there any suggestions on what order this committee should review the annual reports?

Mr. Graydon: I would suggest that we review them as any of the questions come up and then we'll be prepared to pass. At the end of the hour and a half we'll pass the 2002-2003 report.

Mr. Chairperson: So, then, it's been suggested that we have a general discussion, if I understand correctly, with respect to all of the annual reports. At that time we'll give consideration to the passage of certain reports. Is that agreed? *[Agreed]* Thank you.

Does the honourable minister wish to make an opening statement and would you please also introduce your officials that are with you here this afternoon?

Hon. Greg Selinger (Minister charged with the administration of The Manitoba Lotteries Corporation Act): I'm going to dispense with an opening statement and simply introduce the senior members of the Lotteries Corporation. I have with me, of course, Winston Hodgins, President and CEO; Cheryl Eason, our CFO; Max Dressler, our executive vice president of Gaming Operations; and Susan Olynik, our vice president for Communications; and Bev Mehmel, our director of Responsible Gaming. Did I miss somebody? Marilyn Robinson, of course, Vice President, Corporate Marketing & People Services HR.

Rather than do a lengthy opening statement, I've asked the corporation to prepare a PowerPoint presentation because I think all of us benefit by sort of getting good background information. Then we can proceed as long as you wish in terms of questions and answers. But with the indulgence of the committee, I'd like to ask the Lotteries Corporation to give us the presentation that they've prepared which I think will probably anticipate and answer a lot of questions you might be wanting to know anyway.

Mr. Chairperson: We thank the honourable minister for the opening statement.

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

Mr. Graydon: Mr. Chairman, I do have a few opening remarks and if I could do that now I would.

I would like to welcome the individuals from the Lotteries who have taken the time out of their busy day to provide information to this committee. I'm new in the role, so many of my questions will be basic and exploratory. I'm looking to gain a greater understanding of the Manitoba Lotteries Corporation. We appreciate and applaud the work of the MLC staff. When we ask about the political policy decisions, we in no way wish to suggest that any of our criticism is directed at the fine staff of the MLC.

I'm interested in learning about the implications of the high dollar on the MLC. The interest and the increase in the value of our dollar will make it less attractive for American tourists to visit Manitoba for recreation and gaming. This means that the MLC will be more dependent on the local population, and this is troubling, given that Manitoba has the highest gaming addiction rate in the nation.

We know that the Assembly of Manitoba Chiefs in the province of Manitoba retained HLT Advisory to conduct an independent study on a potential market for additional First Nations gaming facilities in Manitoba. That study was released on August 31, 2007. The study found that, aside from Brandon, the province could not support an additional casino development.

* (15:40)

Casino expansion in Manitoba is a hot topic and there are issues related to the location of any new sites, the markets for more gaming and ownership. We have specific questions relating to this and we're also interested in hearing more about the plans of the First Peoples Economic Growth Fund.

So, Mr. Chairman, these are just a few points that we would like to touch on, and we would be prepared to watch your PowerPoint presentation at this point.

Mr. Chairperson: We thank the critic for the official opposition for the opening statement.

First, I must ask the committee: Is there leave of the committee to proceed to the PowerPoint presentation? *[Agreed]* Thank you. Then we'll proceed to the PowerPoint.

Mr. Hodgins, it's your turn.

Mr. Winston Hodgins (President and Chief Executive Officer, Manitoba Lotteries Corporation): Thank you. Just before I begin, I was just going to ask if you want the lights turned off so you can see the PowerPoint presentation.

I'll go through the presentation fairly quickly. If there are any questions that you have along the way, if you want to ask them, I'd certainly be prepared to try and answer them. Hopefully, the presentation that we provide you will answer some of the questions that you were mentioning in your opening comments. So I'm going to try and provide you with an overview of the corporation, some of its activities.

The areas that we were going to cover in the overview is who we are. I was going to talk a little bit about our role versus that of the Manitoba Gaming Control Commission because there is sometimes confusion as to who's responsible for what. I know that there were a couple of points that you made in your opening comments about the economic development fund and there was also the marketing study. Those are actually initiatives that are undertaken by the Manitoba Gaming Control Commission. So those are really outside of our area of responsibility, but I'll get into that in just a minute.

I was going to talk about our environment, how it's changed over the years; our lines of business; our accountability and transparency; corporate social responsibility, which we spend a lot of time working on—we're presently involved in development of a strategy related to the corporate social responsibility; and then just talk very quickly about some of the recognition that the corporation received over the years.

In terms of who we are, our responsibilities really entail the operation of the two casinos here in Winnipeg. We have responsibility for the VLT network across the province. We're also responsible for the lottery retailer network. When I talk about the lottery retailer network, that's the 649 and Super 7, those types of products.

In terms of First Nations, we have two roles that we play with respect to First Nations. One is that we provide what's called conduct and management, and that's really providing an oversight of the First Nations gaming to ensure that it's operated with integrity and fairness.

The other role that we play, we acquire the equipment, and that is the requirement of legislation

that we own all gaming equipment in the province. So we acquire the equipment and provide it to First Nations and they will then pay us for the equipment we provide them, and this is just gaming equipment. Any of the non-gaming equipment is the responsibility of the First Nations themselves.

In terms of the Manitoba Gaming Control Commission, in some provinces the gaming control commission and the operating areas such as MLC are in one area. Back in the mid-'90s there was a decision that was taken, as a result of the Desjardins report, to separate those functions. So MGCC was set up as a separate entity at that time and was separated out of the Manitoba Lotteries Commission. That model is really based on best practices to keep the regulatory function separate from operations.

So the Manitoba Gaming Control Commission is responsible for licensing specific gaming activities like raffles and bingos and break-open tickets. They're also responsible for the regulatory oversight of First Nations gaming. They're also responsible for providing policy advice to the government through the Minister responsible for Gaming, Minister Chomiak.

I'd like to move on now and just talk about the environment and the lines of business. This is what the environment looked like back in the 1990s. There was the one casino in Winnipeg that was the Crystal Casino that was in the Fort Garry Hotel. There were a few casinos that existed in Minnesota and the Dakotas, but beyond that there really wasn't much gaming activity that was taking place in Canada, and that was true. It shows Saskatchewan here, but there were no casinos in Alberta at that time.

It's very much changed since that time. You can see that there's been a significant expansion in gaming that's taken place throughout Canada and in the United States. When we look at what competition exists out there, there are about 50 casinos within a day's drive of Winnipeg now. So it's a very competitive marketplace, not only internal to the province, but very much so with respect to the other Canadian provinces and, certainly, the United States. So it is very competitive now.

Some of the challenges as a result of the environment that we're involved in now, as I mentioned, there's increased competition, and that certainly has an impact on provincial gaming revenues. There's rapidly changing technology. The gaming industry is very much based on information

technology, and so it's changing very rapidly as it does in other industries.

One of the other challenges, of course, is customer satisfaction through the product offerings and the customer service that we provide. This is certainly foremost on the minds of our customers. Any of the research we do on customers that are attending our facilities, they indicate to us that customer service is very important to them. They want to feel special when they come to our facilities, so it's very important that we provide good customer service to the individuals who are attending the casinos. Of course, being as competitive as it is now, it's also important from that perspective as well.

Of course, one of the other challenges is balancing customer demand with responsible gaming needs. So responsible gaming, I'm going to get into more detail on that later, but that's a very important initiative of our corporation.

What do our customers tell us? As I mentioned, we do a lot of customer research. They want quality customer service when they come to the facilities. They want value for their money. They want more entertainment value. They want gifts, comping, rewards because they get this when they go to other facilities, and they want us to offer as much or more than what our competitors offer.

Something that's really been on the top of their mind for some time—we've addressed this now, but that's complimentary soft drinks and coffee. We have now provided that to them, as many other casinos do, and so the 78 percent was an indication of the kind of feedback we're getting from our customers as to the fact that they really want these kinds of services.

They want a fun and exciting atmosphere. The theming and amenities are very important. Entertainment is an important part of our facilities. They want the newest, latest games, because when they go to other casinos and they play in the games, they come back and say, well, how come you haven't done that?

Again, I'll talk a little bit more about this later, but a couple of major initiatives we've had within the corporation, and that is to try and change out of our equipment which is very—some of it was very, very dated. Certainly, in terms of that, they want penny machines, they want two-cent machines to play on because they can play on the machines longer, and, certainly, a lot of people that come to our facilities

are looking for the entertainment value associated with going.

The other direction the gaming industry is going in now is non-gaming amenities. That's certainly very much a priority of our corporation in terms of moving in that direction. In Las Vegas, they make more money now out of non-gaming amenities than they do out of the gaming part of it. So it's a very significant change.

In terms of our lines of business, we have been a provincial Crown corporation since 1993. We have over 1,800 employees and we make approximately \$275 million to \$280 million annually in net profits which are turned over to the Province for health, education, community services and economic development programs. As I mentioned, we are in three lines of business: the casinos of Winnipeg, the video-lottery program and our lottery retailer network.

In terms of the Casinos of Winnipeg, there's 360,000 square feet of gaming and non-gaming amenities in the two casinos in Winnipeg, roughly about 180,000 in each one of them. We have approximately 2,400 electronic games at the two facilities. There are 64 table games and there are over 850 paper bingo stations that are at the two casinos.

We average about 6,000 to 7,000 people or customers per day per site. So, between the two casinos, on average, we're getting between 12,000 to 14,000 customers, which I think is roughly about the size of Portage la Prairie, so there's a lot of people that are coming to the facilities on a daily basis.

* (15:50)

In terms of visitations—and I think this was a point that you were making in your opening comments—about 76 percent of them come from Winnipeg. About 12 percent come from rural and northern Manitoba. Other places, really this is other Canadian provinces, is about 10 percent, and from the U.S., about 2 percent of our customer base is coming from the U.S. I can tell you that this is a real challenge, not only for us, but I think the tourism industry in general, but I can tell you the commercial casinos down in Ontario that are on the U.S.-Ontario border are facing huge challenges right now because of, I guess, the change in the dollar, the passport issue. Just going through customs has certainly created challenges for them, and their profits are down substantially.

As I mentioned, we do offer non-gaming amenities. We have entertainment at the casinos, and maybe some of you have had the opportunity to attend the entertainment. We have food and beverage. We offer two restaurants at the casinos; plus, we also have what's called multi-purpose rooms where we hold banquets and that. Certainly, that's a big part of our operation as well. Recently, we opened what's called the Jaguars Dance Club, which has proven to be very popular with customers. It's targeted towards a different demographic than what you might find in some of the nightclubs in Winnipeg. It's an older demographic that's attending, and certainly they very much enjoy it.

Of the 1,800 employees, we have 1,400 that work at the two casinos, so the bulk of our employment is at the two casinos.

We've been working very hard to develop business partnerships, well, generally within the corporation, but with respect to the casinos of Winnipeg. We have a very good working relationship with the Manitoba and Winnipeg Chambers of Commerce, Travel Manitoba, Destination Winnipeg and the tour operators. On an annual basis we get about 750 buses that come to the casinos each year, which is a lot, but it's down from what it was previously. That's, to some extent, due to the competition that exists out there in the other provinces and the U.S.

Some of the customers' performance indicators. I mentioned to you we do a lot of research with our customers, and we have focus groups with them. We talk to them a lot to try and find out exactly what it is that they're looking for when they come to the casinos. In doing that, we got some feedback, some performance indicators. In terms of customer satisfaction, it's at about 80 percent. We asked them if they would recommend this to their friends; it's about 90 percent would do that. Cleanliness in the casinos, which is very important to the customers—and of course, I think that the staff at our casinos excel at this—it's at 90 percent. Personal safety in the casinos at about 92 percent, is one of the reasons why people like coming there. They feel safe when they come there. We have a very significant security presence at the casino. We also have probably the best surveillance system in the province, and I would say we probably rank up there as one of the best in the country when it comes to casinos. The overall atmosphere is important to our customers, and about 80 percent of our customers are indicating that they are very satisfied with that. Food and beverage:

90 percent have indicated they're very satisfied. Likely to recommend to their friends: 97 percent. Slot satisfaction—we're always working hard to try and improve this to get it up to the level in some of these others, but when people don't necessarily win, well, they don't necessarily go away happy—but slot satisfaction is 62 percent, but that is up from what it was previously, and table game satisfaction is at 74 percent.

Moving on to our video lotto business, the head office, of course, is in Morris, Manitoba. There is about 5,600 VLTs provincially at 600 sites. The commissions that are paid to the site holders—the commercial site holders, that would be like your hotels and your restaurants—20 percent; and First Nations, 90 percent; veterans, currently 20 percent, but it's increasing to 25 percent as of January 1, 2008. The commissions that are paid to site holders was \$98 million, I think that was in '06-07, Cheryl? There are 50 staff that work at video lotto.

In terms of business partnership, we work very closely with the Manitoba Hotel Association and the Manitoba restaurant and food association.

Lotteries. We, as I mentioned, are the distributor of Western Canada Lotteries Corporation products. The 6/49, Super 7, et cetera. There are 840 retailers across the country, or across the province, I'm sorry. There are 17 staff. The commissions that are paid out to the retailers are \$11 million.

I thought I'd just touch very quickly on an issue I'm sure that you've probably seen on TV or on radio. This is related to the lottery review of consumer-retailer prize claims processes, and that's certainly a very significant issue that exists as a result of a *Fifth Estate* report.

The initial allegations were made in Ontario, but it's been a very significant issue in B.C. and Atlantic Canada. As a result of that, the Western Canada Lotteries Corporation undertook a review of our retailer prize claim process. It was undertaken by Ernst & Young. We have been consulting and engaging the Ombudsman in Manitoba, Saskatchewan and Alberta as part of this process. The report has been finished. It's been sent to the Ombudsman, and we're hoping to get their response very shortly.

To give you just a very high-level overview of some of the findings of the Ernst & Young report, they have found no evidence of retailer fraud. Some of the areas where they've told us that we can

improve our processes are around documentation and files. We've already undertaken to address many of the recommendations that are coming out of the Ernst & Young report, and, of course, the challenge is to find the right balance between public protection and public cost, because some of the recommendations that were made, particularly in B.C., are very, very costly to implement. So you're going to have to find the right balance to make sure you protect the consumer but at the same time be concerned about the cost.

We're also a delivery arm for Western Canada Lotteries Corporation, so we did undertake a review of our own internal processes. What we were doing, I guess, prior to this review is that both the delivery and the investigation of any complaints were undertaken by our lottery staff. What we've done now is we've separated that responsibility. The lottery staff is no longer involved in the complaint process. That is something that is undertaken by our corporate security staff, which is a separate part of the corporation. These are trained individuals. Many of them have a lot of police experience and that, so I think it's a much better process that we have in place now.

We do criminal records checks of site operators. We do that through the MGCC. I guess, up until recently, we had ticket checkers at about 60 percent of our lottery sites, and by the end of December we'll have ticket checkers at all the 840 sites throughout the province, so that's certainly something that will be of benefit to the consumers. They can check their tickets before they actually go to the retailer to cash them if they choose to do that.

Western Canada Lotteries Corporation is in the process of putting new lottery terminals in across the province, and these are going to be monitors that are going to face the customer and will indicate whether you're a winner, so that it's another, I guess, method of ensuring that consumers are going to receive the winnings that they are entitled to. We're currently in a roll-out stage right now. We had a test stage that we were undertaking. We had four sites in Winnipeg. We had three in Brandon, and they have proven to be successful, so we're now ready to roll it out into the rest of the province, which we're doing now.

There's a requirement that you sign your tickets now, mandatory signing of tickets prior to redemption, again, another important part of the protection of consumers. We have spent quite a lot of time trying to educate consumers in how they can

protect themselves, and you may have seen some of the advertising that took place this past summer.

We have a mystery shopper compliance program that we undertake so that we go out with the mystery shoppers, and they will go to different lottery site holders and ensure that they're following all the procedures that they should. I mentioned about the multi-media campaign.

I guess, just a couple of final slides. This is an indication of the performance of the corporation over the last number of years. You can see that in '03-04, there was a dip in our profits, and that was when the smoking ban was introduced. It was initially introduced into Brandon. Then it was into Winnipeg, and then across the rest of the province, but we have been able to recover from that.

We have certainly been actively looking at how we can bring customers back even though there's a smoking ban. I can tell you that it's very popular in our casinos, the non-smoking. There's been some push-back with a few of our customers, but generally it's been very well received by our customers. So our profit last year, as reflected in our annual report, is \$283 million, and that was the amount that we turned over to the Province last year.

* (16:00)

The economic impact of the corporation. As I mentioned, we have 1,800 employees. There's 13 percent of our workforce that is Aboriginal; 25 percent is visible minorities; and 3 percent is disabled. So we're a very significant employer of Aboriginal and visible minorities and disabled folks. In addition to the 1,800 people that we directly employ, because of the economic impact to the corporation, it's been estimated that we have created or been responsible for creating another 2,295 jobs. The economic impact is estimated at \$337 million: about \$51 million in income taxes generated as a result of the corporation's activities; \$204 million in direct and indirect expenditures; and \$109 million in site holder and retailer commissions, and that would include the ones we talked about previously, the lotteries and the VLT commissions. So they total roughly about \$109 million. So there's a lot of money that's going back into the community. This is very important to the hotel industry and the restaurant industry, as you can appreciate.

In terms of First Nations, we do act as an agent for the Province of Manitoba in the conduct and management of First Nation casinos, as I mentioned

to you before. There are two First Nation casinos in the province. The Aseneskak, which is located in The Pas, opened in February of 2002. They have 188 slots, nine tables. South Beach opened in May of 2005. They have 300 slots and 12 tables.

One or two, just touch very quickly on accountability and transparency, this is something that the corporation has been working at very diligently over the last number of years, and this is just a sort of a pictorial of the process that we use on an annual basis. Board executive management governance is something that we worked on quite extensively, and, I guess in my view anyway, I think we have a very good board governance structure in place.

We spent a lot of time on strategic planning. I think this is particularly important because of all the changes that are going on in the industry, and we have to make sure that we invest our money in the proper equipment and are making the right decisions so we can certainly remain competitive in the marketplace. We have a very good business planning process associated with strategic planning and business planning. We have an enterprise risk management process that we use for looking at what risks the corporation faces in total, but we also take it down to the project level where we will look at the risks associated with undertaking any project. It helps us to identify all of the areas that we need to be thinking about and to address at the front end of projects so that we're not making mistakes along the way. So it's a very structured process and has served us very well.

I talked about corporate and social responsibility, and I'll get to that in a minute. People services, of course, are a very important part of our corporation as well. We do try and develop what's called KPIs, key performance indicators and benchmarks, to make sure that we're performing as effectively as we can. And then we have a reporting process back to our board of directors. We also report back to our minister and, of course, to the Legislature, as we're doing today. But we do issue regular reports on our financial performance.

I'll just skip over some of these fairly quickly. The board and the executive governance, as I mentioned, it has been in place since 2004, and the board governance is important because it defines the responsibilities between the board and the executive management of the corporation. So it outlines authority, accountability, best practices and guiding

principles that we follow, and it does clarify the rules, responsibilities, authority for myself and the rest of our executive management team and our divisional leaders. So it is something that we've shared with other corporations and other individuals who are looking at board governance as well.

Strategic planning. As I mentioned, we do this annually and then we monitor throughout the year. But we are coming to the completion of our first three-year, long-term strategic plan. We have been looking at our next strategy which will cover the years 2008 to 2011. The five areas that we're going to be focussing on are consumer products and services, marketing opportunities, operational excellence, responsibility to community and people and services. So those are the strategic areas that we're going to be focussing on over the next three years.

Business planning. We have a very rigorous process in place and it certainly has served us well. As a result of the business planning we've done, we have been able to achieve savings of \$60 million since '01-02. So we're looking at both the revenue side of our operations and, as well, on the expenditure side which we think is as important as the revenue side.

We've been very successful in being able to address a number of cost-saving measures. As a result of the work that we've done in this area, the Government Finance Officers Association—this is a North American group, but it's based out of the U.S. I think it's Chicago—have evaluated our business planning process, and we have received awards over the last three years for that. That's really a tribute to Cheryl and her staff.

Enterprise risk management. I talked about this. I don't know that there's really anything else that I need to say on that, but it really has served us very, very well.

In the area of corporate social responsibility, we have been proactively trying to develop a strategy in this area. It's a work that's in progress now. That is one that we feel is very important that we develop an effective corporate social responsibility strategy.

Some of the areas that have improved under our corporate social responsibility area, of course, is in the area of responsible gaming, and Manitoba is very much seen to be a leader in the area of responsible gaming. Again, I'll talk a bit more about that in a minute.

Sustainable development is also an area that we have devoted a lot of energy to in terms of trying to be as sustainable as possible.

Our community support program is very active and is one that engages us extensively in the communities throughout the province, and certainly it is something that is very positive.

People services. We spend a lot of time investing in our people and their careers. We have a very extensive training budget that we offer training to our staff to try and upgrade their skills.

French language services is another area under CRS where we've partnered with the Francophone community to develop French language services.

We actually have a language bank program in our corporation. There are 43 languages in this language bank. These are people that work for the corporation who have volunteered to participate in this program, and there have been departments and agencies outside of our corporation who have come to us and asked if they can use our staff when they have people who are visiting from outside of Manitoba. So it's again something that we feel is important. It's a contribution that we can make to the community.

Just moving on to talk about responsible gaming, I think we're viewed very positively as a leader, both in Canada and I say worldwide because, when you go to the United States, responsible gaming isn't necessarily on the top of their minds down there, which is, again, kind of a challenge because most of the vendors come out of the United States. So we have to spend a lot of time trying to encourage our vendors to put forward effective responsible gaming features on the equipment they provide us.

We're fortunate that we have a very effective working relationship with the Addictions Foundation of Manitoba, and it's kind of unique in Canada and worldwide. I know Bev Mehmel, who works extensively in this area, has commented that in many of the other provinces they don't have that kind of relationship, and so it makes it more difficult to develop effective responsible gaming programs and projects.

Some of the areas that we have worked on, the responsible gaming information centres, for any of you that have been to the casinos. We have one in each casino. We were the first in Canada—I'd say in North America—to have an information centre at each of our casinos and the second in the world.

The first one, it was a Crown casino in Australia. So we were the first in Canada. We're very much called on by other jurisdictions across the country to assist them in the development of their information centres, and I think that most of the casinos now in Canada have these information centres. What makes ours unique is that these are not manned by our staff; they're manned by staff from the Addictions Foundation of Manitoba. Anybody that wants to go and find out about how slot machines work or any issues related to gaming, they can go to these centres and receive information from AFM staff. It's been a very positive partnership between ourselves and the AFM.

*(16:10)

The VLT responsible gaming features. I think many of you are aware that we did put in the new machines back in 2004. At that time, we had the most up-to-date array of features that were on the VLTs at that time. Some of the things that we did back in 2004 are now being introduced by provinces across the country.

We do have a research project that's under way now which is looking at the impact and effectiveness of those responsible gaming features. We're hoping through this study that we'll be able to find out which ones have worked well, which ones haven't, and that might lead us to look at other areas that we could explore to try and build on what we already have.

One of the other things that we did do in the designated bilingual area is that the messaging related to responsible gaming is now offered in a bilingual format.

We also have a lot of staff training. All of our staff, actually, at the casinos take training. There are three levels of training. There's the basic training that all of our staff receive. Our managers receive a second level of training which gives them more information related to responsible gaming, and then our most senior staff take the third level. That's where if somebody is having problems with gaming, our more senior staff can certainly dialogue with them to see if there's something that we can do to help them. One of the other things, again, that other jurisdictions are drawing on the expertise of our staff. I know Bev spends a lot of time talking and actually travelling to other jurisdictions to provide her expertise to those areas.

Lottery retailer training. Again, we provide training to our lottery retailers. This is the first in

Canada and it provides them with a guidance as to what they should do if they feel that there's somebody that's having a problem with gambling.

We were, again, the first to have a voluntary exclusion mandatory re-entry course. So, if anybody is excluded from the casinos, they have to take a mandatory re-entry course that's offered by the AFM. If they don't do that, they're not allowed to come back into the casinos. Again, this is largely due to the partnership that we have with the AFM and we've had that in place since 2000. Again, this has generated a lot of interest across the country.

Some of the goals that we have in place for our responsible gaming program. Goal 1 is to advocate responsible use play of our MLC products. The second goal is to minimize the potential for harm from involvement with MLC products. The third goal is to recognize consequences of problem gambling and promote necessary services. Goal 4, funding for research and program development, and we certainly have. We've dedicated 2 percent—up to 2 percent of our bottom line is dedicated for responsible gaming.

I think I'm going to move over some of these because I have talked to you about a number of them, the responsible play, there are the information centres. One other thing I could mention to you. We have had two phases of advertising which some of you may have seen on television and heard on the radio, but we're going to be coming out with a third phase of advertising related to responsible gaming. It's nearing the end of its development and it will probably be airing shortly.

We have provided player information booklets. We've got a number of booklets that are available to players if they want to find out more about the VLTs or other aspects of gaming. So those are available to players as well.

Harm minimization, we do have extensive training as I mentioned. We do have a problem-gambling help line. We have the voluntary exclusion of mandatory re-entry program and then the features I mentioned on the VLTs.

Problem-gambling services, funding to the AFM. We provide the AFM about \$2.8 million annually. This is a 25 percent increase in funding to the AFM as of '05-06, and that was when we made the decision that we were going to commit 2 percent of our net profits to responsible gaming, so we increased the funding to the AFM as part of that

\$500,000. That funding is directed to the core programming of the AFM. They use it for treatment, prevention, research and a help line and, of course, we've talked about the information centres.

In terms of enhancement to problem-gambling services, there's the residential problem-gambling treatment facility that's in Brandon. We provide educational training programs for middle school, high school and university awareness programs. I say we; I mean AFM. There are help-line services, and then there's enhanced treatment services and staff training.

The research fund, we provide financial support to Community Financial Counselling Services, which is a service that is offered in the inner city of Winnipeg for people that are having a problem. There's also the VLT Responsible Gaming Features study I mentioned. There's also a longitudinal study of young adults. This is one that's just being undertaken. It's a five-year study that will examine, I guess, how gaming impacts on young adults. Then we're working on a national basis on a socio-economic impact study of gambling. That's something where they're trying to develop the framework, the methodology and framework for undertaking this study which I'm told is very difficult.

Sustainable development, as I mentioned earlier, we have been doing a lot of work in that area. We're considered carbon neutral as a result of some of the initiatives we've undertaken around tree-planting. Again, we received another award from the GFOA for excellence for innovative SD practices. I guess we practise the four Rs.

Supporting our communities, we have been very, very active in that respect. We support quite a number of them. I have to congratulate our staff here for the volunteerism that they have shown. They are more than willing to contribute their time to the various activities going on in the community. Last year we had about 300 MLC employees who volunteered and they contributed 3,600 hours of time on a volunteer basis. They do not get paid for this. This is all on their own time. We provide over 6 million annually in sponsorships and volunteer bingo charity contributions.

One I'll just point out is the ECHO program. This is Employees Care by Helping Others. This is a program that was developed and it's administered by the staff within the corporation. The first project that they raised money on through volunteer activities

was a \$100,000 project for the Children's Hospital where they bought a heart machine for the Children's Hospital. Again, this is something that they do on their own and is certainly a tribute to them. Now that they've finished the first project, they've now chosen two others. This was done through a voting process amongst the staff at the corporation. They've chosen two other projects at the Children's—I think it's at the Children's Hospital, Cheryl? Yes.

This just gives you a list of some of the activities that we're involved in. It is quite an extensive list. It is province-wide. We do make an effort to try and identify activities outside of the city of Winnipeg. So there's work going on throughout the province.

In terms of people services, we like to be seen as a career destination area. We do invest a lot in our employees and their careers. We were selected as one of the top 10 employers in Manitoba in '06 and the top 15 in '07, and that was by *Maclean's* magazine.

One thing I did want to just point out to you is some of the benefits that we have been able to provide to our employees. Since 2000, the salaries and benefits to the employees have more than doubled, and that is something that we work very hard at. From a personal perspective, one of the things that the staff did not have when I went to the corporation, they were not able to participate in the Manitoba Civil Service Superannuation pension plan, and that was something that we've been able to negotiate through our collective bargaining process. I think this is very, very important for people that want to make a career at Manitoba Lotteries. But you can see back in '98-99, the salaries of staff was just over \$21,000, and in '06-07, the salaries and benefits now amount, on average, to just over \$45,000.

* (16:20)

Just a couple of final things I wanted to mention to you, I've talked to you about some of the awards that the corporation has been able to achieve over the last few years. We take a lot of pride in the work that we've done in this respect. In the area of governance and accountability, I've listed a few there. I mentioned to you the GFOA awards that we received. In community support, one that the corporation takes a lot of pride in, that was a Manitoba Chamber of Commerce 2006 Lieutenant-Governor's award for outstanding contribution to the community. The corporation was selected by, I think, the business leaders and community leaders. So we

very much appreciated being awarded it. It was the first time a corporation had received this award.

In the area of corporate social responsibility, there is the Progressive Aboriginal Relations program. We received a silver award. We work very hard to develop our relationship with the Aboriginal community. We have a large Aboriginal workforce and we try and do as much business as we can with the Aboriginal business community.

In terms of people services, I mentioned to you about being selected by *Maclean's*, and again that is something that we take a lot of pride in.

That concludes my presentation. Hopefully, I haven't taken up too much time of the committee. Hopefully, I've been able to answer some of your questions. If there are others that you have of the—*[interjection]* I thought there might be. So thank you for your indulgence.

Mr. Chairperson: Thank you, Mr. Hodgins, for your presentation here today.

Honourable Minister?

Mr. Selinger: Yes. Thanks for the presentation. I think there's some useful information there. I'd like to congratulate the corporation on the awards they received both for financial management, human resources and employment equity. To be ranked in Canada as one of the top 10 employers, in the top tier for employment, I think is a pretty remarkable achievement. With that, I'd like to turn it over to my opposition critic.

Mr. Chairperson: The floor is now open for questions.

Mr. Graydon: I'd like to thank you as well for your presentation. Congratulations as well on your awards. I can see with the presentation that you've worked very diligently to get those, and you made an excellent presentation. If I could make one suggestion for the next presentation, if you could supply popcorn for this side.

However, I'd like to get to the question, and I brought it up in my opening statement: the implication of the high dollar. The high dollar has many implications for the province of Manitoba and for the people that work in the province of Manitoba in all sectors of our province, whether that's in production work or whatever.

So, eventually, we will lead to a downturn in our exports. Perhaps right now we're enjoying a very

flush time, should we say, for employment opportunities, but we know that it goes in cycles, and at some point, we're going to have a cycle that goes the opposite direction. Then we're going to see perhaps more people looking at an opportunity or a way to express themselves or to add to their income, and gambling is one of those things. And so it could end up being a gaming problem. The question probably is two things. In your presentation, I see that you have 2 percent of the people in your gaming establishments from the U.S. Has that been a constant 2 percent?

Mr. Hodgins: It's probably down about 1 percent or 2 percent. I guess when I first got involved in the corporation and the research that we did, the U.S. customers were ranging from about 3 percent to 5 percent. It's gone down to roughly about 2 percent now. So there has been a decline in the number of U.S. visitors. We do work very hard to try and attract the U.S. customers to come to Manitoba. We do advertise in the U.S. The other area that we work very diligently on is to try and attract tour buses to come from the U.S.

So, we have been successful, but no doubt, I guess we're like everyone else, you know we're having our challenges for the reasons that I've mentioned to you earlier in trying to increase the number of U.S. visitors, but certainly we will continue to work to try and bring them to Manitoba. We do work extensively with Tourism Manitoba and also Destination Winnipeg in trying to attract visitors to come to Winnipeg as well. So, when they go to different conventions for tour bus operators or for different tourism shows, we will go down as a team to work with both those groups to see if we can attract visitors to come from the U.S.

Mr. Graydon: When we say that 2 percent of the patrons are from the U.S., what would that translate into in percentage of dollars? I guess it would be a tough answer, but until the dollar was par, I'm pretty sure that you had a way of telling how much money the Americans were spending here.

Mr. Hodgins: Actually, we don't have an effective way of being able to determine what that is. I guess you have to know what each individual is expending, and we don't have the capability to do that. So the best we can do is through our customer intercepts and talking to them about what they may have expended while they were at the casinos. Now, they could be playing VLTs when they're here, as opposed to the slots, so we would never know

exactly what that would be. So, to try and quantify that, we could try and make a best estimate, but to be quite honest with you, I'm not sure how accurate it would be.

Mr. Graydon: If we're going to see the high dollar discourage Americans from coming to Manitoba, do you see this leading to a greater problem for Manitoba gamblers, if we have a downturn or are faced with a downturn in our economy?

Mr. Hodgins: I wouldn't say that there would be a more significant problem than what might exist today. I think that's why it's very important that we continue to work very diligently on our responsible gaming program, and you know, there's new technology that is being developed as we speak. Certainly, one of the things that we very actively do is to talk to vendors about what's coming into the marketplace, and there are some things we're looking at that we might be able to introduce in the future that would assist those that might develop problems with gambling.

I think that we have to really focus on our responsible gaming programs. As I mentioned to you in my presentation, we spend a lot of time working on that. We have a leadership role in Canada, and I would like to think that we would be able to retain that.

Mr. Graydon: I'll turn it over to my colleague. He probably has one small question.

Mr. Rick Borotsik (Brandon West): I would echo Mr. Graydon's, my colleague's, comments. Thank you for being here. Great presentation. The corporation has always been well operated, well maintained, well run, well managed. You're doing a great job, although the revenues are a little static, and we're going to talk about that.

A couple of issues. The very first one, the most important one: you know what the winning numbers are for tonight's Lotto 6/49?

Mr. Hodgins: Yes, I have them.

Mr. Borotsik: You have them. Okay. Before you leave, we'll have a chat, if you wouldn't mind.

Your revenues, as you've shown, have grown, except for that one non-smoking year, although they are basically increasing at the rate of inflation at the present time. For this year, 2007-2008, you do daily receipts, I assume, or you know what kind of revenues you're generating on a daily, not only a weekly or monthly basis.

What are the revenues like for this year? Are you seeing that they've been fairly static, or are you going to have some loss of revenues going into this fiscal year?

Mr. Hodgins: Our budget is \$275 million. That's what was tabled in the Legislature in the last budget package, and we're on target to achieve that.

Mr. Borotsik: Last year was \$282 million. So you're looking at \$7 million less for this fiscal year?

Mr. Hodgins: Last year was a bit of an unusual year in that in our lotteries program, we had an exceptionally good year. There were a number of large jackpots; we had a lot of winners in Manitoba. It's amazing how sales increase in Manitoba when we have big jackpot winners, and so we did very well in our lottery profits, if you like.

So we're not expecting that we're going to be quite as successful this year. We're almost at the end of November and there are four months to go. It doesn't take very much to swing our profits one way or the other. So it depends on the competition. It depends on the amount of play, but we're expecting that we'll be on target to at least achieve the \$275 million. You mentioned a large jackpot that's going to be drawn tonight, and if it rolls over, there'll be increased sales, but you can't necessarily anticipate that's going to happen.

* (16:30)

Mr. Borotsik: You did show the amount of competition has grown quite substantially, not only in Saskatchewan but also in the U.S. with the Canadian dollar at par, above par right now. We're seeing that there's a fair amount of leakage, not only from retail sales right now, but certainly people just moving their entertainment dollars south of the border as well. Have you done any research? Have you looked at any statistical data at the present time to see if that leakage has been increasing over the last three months, two months? As I say, I know you do daily counts, so I know that you know what your revenues are. Are you seeing any leakage going south of the border?

Mr. Hodgins: Well, you know, definitely, there's leakage going south, but I guess a lot of the people from at least Winnipeg, and I assume that the Westman area are going to the Minot-Grand Forks-Fargo area and at the present time—

Floor Comment: Belcourt.

Mr. Hodgins: Yeah, well, they go to Belcourt; there's no question about that. I know people that go there. But I don't think that Belcourt's going to have a significant impact on the profits of Manitoba Lotteries Corporation. I think that they could have some, but when people go to Grand Forks and Fargo, there are no gaming venues there now. If they want to go to a gaming venue, they have to go over to Mahnomen or they have to go over to Thief River Falls.

But that's not to say that if they don't continue to, you know, if they continue to go down south, they may decide they might want to go over to these other gaming venues. Where it's the most significant competition is the buses that go down south across, not necessarily the people that are going to shop in Grand Forks or Fargo or Minot, it's the people who are getting on the buses to go south. You know, Mahnomen, for example; they provide a lot of incentives for people to go down there. I hadn't been down there for a while, but I was through there, I guess it was last June, and I was really quite surprised at the hotels that have developed at Mahnomen now. So they have a capacity to house people when they go down there. When I'd been down there previously, and it'd been a while ago, they were just building a first hotel. So, you know, that makes it more competitive.

So that's why it's very important for us to stay on top of what's happening in the marketplace, and it's important for us to be able to provide not just gaming amenities, but also to provide non-gaming amenities and bring people in. A lot of people tell me they like coming to the casinos because they can go there for an evening and enjoy themselves and they don't have to game the whole evening. They can go there. They can go to eat, they can game, and they can go to, you know, the entertainment or the dance club, whatever.

Mr. Borotsik: I can see that Mr. Hodgins has learned over his many years of experience in this place that the longer the answers, the less of the questions. There are a number of questions we have and I know my colleagues do as well, but I'm not finished just yet.

I noticed in your financials the debt that currently is on the books for Manitoba Lotteries is approximately \$180 million. In 2011, there's a balloon payment of 147. All of the debt, as I assume—and correct me if I'm wrong—all of the debt is to the Province of Manitoba. I have seen the schedule and you borrow from the Province; you pay

them back on different interest rates. You have a balloon payment of 147 in 2011. What is the strategy for the retirement of that particular debt?

Mr. Hodgins: I mean we have a strategy in place to pay off our debt. Was it 147? Well, I wouldn't really call it balloon, because it's typical to go out and borrow money and then you'll refinance it at some point and then you amortize it over a certain period of time. If you look at our annual reports, you'll see the amortization schedules that we have for the various assets that we acquire through our debt financing.

Mr. Borotsik: I have done all of that and I see that, and I do know that you have your amortization schedule. I've seen the repayment schedule, but, certainly—so you anticipate to refinance that \$147 million back to the Province. The reason I ask that is you've got some substantial cash flows, as you're well aware. You gave to the Province this year some \$282 million. There's lots of cash flow. You could actually retire that debt. That's not in the strategy, I assume. You're going to carry the debt and you're going to continue with the full revenue back to the Province on an annual basis.

Mr. Hodgins: Yes, I would anticipate that would be the case. I mean, I think that most businesses will amortize their debt over a period of time. I guess we could pay it off, but I'm not sure that would be a good business decision because, if we did that, that could compromise what we want to do in terms of other enhancements, you know, to our assets.

Mr. Borotsik: You could do it. You have substantial cash, but, certainly, you have a responsibility to flow those revenues to the Province, and I assume that the Province isn't going to give up those revenues so that you could retire your debt.

In saying that, there are two questions I have, and I know my colleagues have a lot of questions. I probably have substantially more. One of the ways of obviously generating more revenues is to expand the gaming in Manitoba. You, in your presentation, have indicated that part of your management strategy is to look at the different ways of growing that revenue. One of them would be additional casinos within the province of Manitoba. We just had a report come out recently where there is only one community that would accommodate a casino, and that report indicates that Brandon would have the ability to do that.

Has your executive and has your board looked at the possibility of that expansion of casino gaming into Brandon?

Mr. Selinger: Just in the first instance, there's no decision been made on that, and it wouldn't be a decision made by the Lotteries Corporation; it's the Gaming Control Commission that allocates casino opportunities. So I don't want to put the CEO in a position of answering a question that's not really his responsibility.

Mr. Borotsik: Thank you, Mr. Minister, and I do know the relationship between the Gaming Commission and the Lotteries commission. Is there a liaison between the Manitoba Gaming Commission and the Manitoba Lotteries commission in order to look at those expansions of revenues? Do you ever put forward your positions with respect to expansion of gaming? *[interjection]* If the minister figures this is strictly political, I guess I'll go off on a different tangent.

Mr. Selinger: I just want to say I don't think it's appropriate for the Lotteries Corporation to be promoting casino expansion. Their job is to look at their product lines, but the concept of whether or not there should be an additional casino, I would hope they wouldn't have an opinion on that. I would hope that that would be a decision made by the Gaming Control Commission and recommended to government. I do think it actually is an inappropriate question to ask the CEO.

Mr. Borotsik: I will agree to disagree on that. I believe, certainly from Manitoba Lotteries' perspective, if they're looking at trying to expand their business, then that would be one thing that they would have to look at. But we'll agree to disagree on that particular thing.

With First Nations, you do act as an agent, though, for First Nations gaming, and I did notice in your presentation that as that agent with VLTs to the First Nations gaming, which is an expansion, they receive 90 percent of the total revenues and the Manitoba Lotteries Corporation receives 10 percent. Is that 10 percent on a break-even basis? And does that also include the carrying costs of all of the equipment? And does Manitoba Lotteries break even on that 10 percent management fee?

Mr. Hodgins: The 10 percent is to cover—let me just back up. We have our staff in Morris which service the VLT network in Manitoba, and the 10 percent is provided to our corporation to cover the costs of us

servicing that equipment. In terms of the gaming equipment itself that is either to put into First Nation VLT sites or is put into casinos, if you go back and look through The Loan Act, you'll see that there is money that's allocated there for First Nations gaming. So the First Nations gaming equipment is financed through The Loan Act, and then the First Nations will pay us for the cost of that equipment. They amortize it over, I think it's seven years or 10 years.

Mr. Borotsik: I saw some receivables in your financials from First Nations coming back, so I assume those receivables would be part of that capital cost for the equipment itself. But my question is: Is the 10 percent that is generated, is that a break-even for the cost that you incur on that?

Mr. Hodgins: It covers our cost. Yes.

Mr. Borotsik: I waited, Mr. Chairman. Thank you very much.

Mr. Chairperson: Thank you. I appreciate it.

Mr. Borotsik: There are 5,600 VLTs throughout the province of Manitoba right now. You're in charge of VLTs. We've seen that in your operation. We have 600 sites. Does Manitoba Lotteries commission have the authority to move those VLTs to the sites that are best suited for those VLTs, that will generate the majority of the revenue? Is that your decision or is that someone else's decision?

Mr. Hodgins: The redistributions that I think you're referring to, there have been two that have occurred in the past. When I first went to the corporation, one of the reasons that we undertook a redistribution was because there was a very significant waiting list. The commercial site-holder VLTs have been capped. They've been capped since, I think it's the mid-'90s, and so the only way we have to address a request for additional machines is through re-allocation of those VLTs. So to try and address some of the—I guess the waiting list that existed, the decision was taken that we would redistribute some of those VLTs.

* (16:40)

We had one subsequent re-allocation. So we look at that from time to time, but I guess the other part of your question, is that our decision to do that? Yes, it is.

Mr. Chairperson: Mr. Borotsik.

Mr. Hodgins: If I could just add—

Mr. Chairperson: Mr. Hodgins, to complete.

Mr. Hodgins: I mean, we do that with the approval of our board of directors.

Mr. Borotsik: I guess that would bring me to my final question, which may be a little bit more difficult. If you have the authority to re-allocate VLTs to different locations based on potential revenue generation, you have re-allocated some of those machines. I know the South Beach Casino received a hundred additional machines, if memory serves me correctly. There was a proposal put forward with a horse park in the city of Brandon. Was it your corporation's decision not to allow that re-allocation of VLTs to that particular enterprise?

Mr. Hodgins: No, that's not a decision that we would make. That would be a decision that the government would make, if there was to be, I guess, a park that was put in place.

Mr. Borotsik: But you just told me that you have the authority to re-allocate VLTs, the equipment and machines, to different areas depending on the revenue generation.

Mr. Hodgins: Within the commercial site-holder locations, but this is clearly, I guess, a new initiative. It's something that would have to be dealt with by the government if there was a decision to proceed in that respect.

Mr. Borotsik: Okay, then, if I can, I'm still confused. So some of the First Nations, we see them popping up all over the place. There is one in Headingley actually. When I drive in every day or every week into Winnipeg, there's a new gaming facility there in Headingley. It has VLTs.

Those VLTs were re-allocated from other commercial enterprises and went to that? That's not the case? Those are new VLTs over the 5,600?

Mr. Hodgins: There's a cap that exists for commercial site holders, and that's where the redistribution takes place, within that cap. Then the First Nation sites are over and above that. They're within the 56, but they're over and above the cap that exists for commercial site holders.

Mr. Borotsik: Now can you just help me with that one? I'm confused. There's 5,600 that are capped. The First Nations are within that 5,600, you just said.

Mr. Hodgins: Let me try and clarify it. Within the 5,600, there are roughly 4,482 for commercial site holders, 4,482. That's what's allocated for commercial site holders. What's included in the commercial site holders are the hotels, restaurants,

Assiniboia Downs, the MTS Centre. Have I missed any? I think those are the four that are within that 4,482.

Mr. Borotsik: So, when the VLTs went to the Assiniboia Downs, that was a decision made by Manitoba Lotteries Corporation, of that 4,482 to reallocate some of those to the Assiniboia Downs. Is that correct?

Mr. Hodgins: That was actually before my time. I'm not sure if it was done through reallocation or whether it was an addition to. I'd have to check that. I'm not sure what the answer is to that.

Mr. Borotsik: Last question and I promise to pass on. My chairman's giving me the evil eye here right now and I certainly—*[interjection]* Okay, the last question. I'm still confused. The First Nations gaming, the VLTs that went into Headingley, that was part of 5,600 less 4,400 that go to commercial units, so you have 1,200 VLT units for First Nations? Is that it? That's all, or was there a different allocation somewhere else that went to the Headingley site that's now there with VLTs?

Mr. Hodgins: It is a bit confusing. The First Nations are allowed 60 VLTs. *[interjection]* First Nations sites are allowed up to 60 VLTs, okay? That's the maximum that they can have. They had some VLTs at their site in Swan Lake. So they have a site out in Swan Lake. They also have a site at Headingley which they opened. They have part of their machines in Headingley and part of their machines in Swan Lake.

I can't quote you the exact numbers. I'd have to go back and check, but they had a portion of the 60 that they were entitled to receive under the current policy of the government. When they opened their site in Brandon, they moved some of their machines from Swan Lake, and they asked for some additional within their 60 allocation. Those 60 are over and above the 4,482, but part of the 5,600.

Mr. Selinger: Just a clarification. I believe the site at Headingley had to first be designated as a reserve site, and that was a decision of the federal government to grant that reserve status for them. Just so you know.

Mr. Borotsik: Yes, but that has no bearing on how many VLT units. That's still a provincial jurisdiction, so that's VLTs. As a matter of fact, there's another—in fact, my colleague may wish to speak to that. In Foxwarren there's also another designation, and

there's going to be another gaming centre going to be put in and there are going to be more VLTs. Just very quickly, where will those VLTs come from? Within the 1,200 that are already allocated for First Nations?

Mr. Selinger: The allocation of VLTs is done by the Gaming Control corporation. It's not a decision made here, and they've been allocated up to 60, as I understand it. Once again, I'm not the Minister responsible for the Gaming Control Commission, so I'm going to give you my ad-libbed answer, but the proper question would be put to the minister. As I understand it, the Gaming Control Commission allocates up to 60 per First Nation on First Nations status property and what the CEO is explaining, in the case of Headingley, they reallocated some of the 60 they had to new locations that they had designated with reserve status.

In the case of new situations, First Nations, as I understand it, can apply to get up to 60 on a business case to the Gaming Control Commission.

Mr. Leonard Derkach (Russell): Just to follow this line of questioning, if I may, because it does impact on a community of mine, namely, Foxwarren. I know that the First Nations have applied for reserve status on the property that they have selected for a gaming centre, and it happens to be a school that is no longer used.

My question is whether or not a First Nations reserve would be allowed 60 machines on the reserve. If they had another gaming centre off the reserve, if that were allowed, would that be another complement of 60, or is that still part of the 60 because 60 is allocated to the reserve?

Mr. Selinger: I just want to clarify the policy established by the Gaming Control Commission was up to 60 on a business case per reserve, but then they applied to get them from the Lotteries Corporation, and so then the specifics of your question I'll ask the CEO if he knows the details.

Mr. Hodgins: I can't recall what the particular First Nation is that you—I know the Foxwarren, but each reserve is allowed to apply for up to 60 VLTs, okay, per reserve. Now, they have two different locations of their reserve, they can't apply for 60 in one and 60 in the other, if that's the question that you are asking. I can give you an example.

Long Plains—I'll just used them as the example. There are other cases I could point to, but Long Plains, I think you're probably familiar, have the

property right next to Portage la Prairie. The original reserve is about 15 miles outside of Portage la Prairie, southwest of Portage la Prairie. They are allowed 60 VLTs and they can locate them as they choose between those two locations as long as there is a business case for it. So they can't apply for 60 on the original reserve and 60 for the property next to Portage for 120. I think that was the question that you were asking. So, if the reserve in Foxwarren is applying for VLTs, they would be allowed up to a maximum of 60 if they have a business case to support that.

* (16:50)

Mr. Derkach: This is a chicken and egg question, I guess, because what do they have to do first? Get approval for a gaming centre by the Province, or acquire the land on the basis of reserve status?

Mr. Hodgins: The first step they have to go through is to apply for reserve status and actually get it approved by the federal government.

Mr. Derkach: So the Province makes no commitment to them on the basis of them applying for reserve status for a specific location as a gaming centre? The reason I ask the question is there is, as you can probably appreciate, a lot of discussion and debate in the community regarding the pros and cons of a gaming centre in the community. There's some confusion as to whether or not they have already been given the okay for a gaming centre if they acquire the land for reserve status.

Mr. Hodgins: As far as I'm aware, they have not been given any approval for the VLTs. Foxwarren hasn't been given any approval for the VLTs. They may have had consultation with our staff. I'm not sure about that, but what we require initially is the reserve status has to be sorted out, because if they don't get reserve status for whatever reason, then we've gone through an exercise of, you know, I guess of proving something that can't happen.

Mr. Derkach: But, even if they get reserve status, there is no guarantee that the Province will automatically give them a licence to operate a gaming centre once they've got reserve status. There's no guarantee of that.

Mr. Hodgins: It has to be supported by a business case. So I mean, I would hope that the First Nation would go through a business planning process to identify whether there's a market there before they go through, you know, getting the reserve status. I would assume through that business case process that

they should have a pretty good idea whether they feel confident that they think there's a business there for them. If there is, then, you know, I would assume that the process of going through and applying for VLTs would be much easier. You know, they may want 60. At the end of the day, if they can't justify it, then we would likely prove up to whatever their business case would determine. That's in their best interest in any event because, you know, no one wants them to get into a situation where they're not going to be successful.

Mr. Derkach: In assessing an area for a gaming centre, does the Lotteries Corporation consult with the community where the gaming centre's going to be located as well?

Mr. Hodgins: In terms of allocating the machines, I would assume that they've gone through that process already. That's not the role of Manitoba Lotteries to be consulting with the community. There's a process in place prior to our getting involved to deal with that.

Mr. Derkach: So are there factors which are considered in terms of community response to an application for a gaming centre in the province?

Mr. Hodgins: That would be outside the, I guess, the mandate of the Manitoba Lotteries Corporation. I assume there are other processes that could be used that, you know, I guess the community could use, but that's not our role to get involved with the community to go through the process that you're describing.

Mr. Derkach: So neither the corporation nor the government, in this case, really gets involved in the potential social impacts of a gaming centre in a community on that community?

Mr. Hodgins: In terms of the review process, we look at it from a business perspective as to whether there's a market there for the product.

Mrs. Mavis Taillieu (Morris): Good afternoon, Mr. Hodgins. Just to follow along that line of questioning, I believe that once a reserve status is acquired for Aboriginal land, they can apply to the Province for a casino licence. It was my understanding several years ago now that the Province said that they would license up to five Aboriginal casinos.

Can you tell me how many are licensed in the province right now?

Mr. Hodgins: There are two. That is Aseneskak and Brokenhead.

Mrs. Taillieu: Thank you. My second question is, when you talked about the sharing of VLTs, and you used the example of Swan Lake First Nation, that they had 60 VLTs and they could share them between their locations and some of those were relocated in Headingley. Do they have a casino licence?

Mr. Hodgins: No, they have a VLT site-holder's agreement. It's different than the casino licence.

Mrs. Taillieu: Can you explain to me how it's different?

Mr. Hodgins: Well, the two casinos that have been licensed up to this point in time, there's actually an agreement that is entered into by the Manitoba Gaming Control Commission—and I'll use Brokenhead as the example—and Brokenhead. That is actually the agreement that is negotiated to approve the casino being put in place. The agreement that we sign with them is related to our conduct and management responsibilities.

As I was mentioning—I'm not sure if you were here at the time that I was talking about that, but what I'd mentioned is that the role that we play in First Nations is that we have an oversight responsibility to ensure that the gaming is conducted with integrity. But it's not our role to actually authorize the casino. That's the role of the Manitoba Gaming Control Commission, to do that.

With respect to the VLT site holders, we enter into VLT site-holder agreements with each site holder. The site-holder agreement that we have with the commercial site holders, it's a consistent agreement that we sign with each and every site holder. We do the same thing with First Nations. The site-holder agreements are quite similar. There are some unique aspects of the First Nations site-holder agreements, but for the most part they're quite similar. Again, it kind of outlines what their responsibilities are and what our responsibilities are.

Mrs. Taillieu: Thank you very much for your answer. Is there a level at the number of VLTs that would be on a site before they would be considered a casino?

Mr. Hodgins: You can't be a VLT site holder and then eventually evolve to a casino. You're either a VLT site holder or you're a casino. There's only, as I mentioned, the two. The process that you were

describing about the five that were, I guess, initially identified, that process is finished. If there's to be any future expansion of casinos, First Nation casinos in the province, that would have to be approved through the Gaming Control Commission.

Mrs. Taillieu: Just to clarify, then, there are two Aboriginal licensed casinos, so any more licences then have to be approved. So this has run out then, this time frame for this licensing of up to five. So, then, in the future, there is a possibility to be licensing for more than five?

Mr. Selinger: I have to say that this is the Gaming Control Commission's question. It's not really fair to him to answer that, okay? The minister responsible for that is Minister Chomiak.

Mr. Derkach: Well, this is difficult to—how do you scrutinize an annual report when you can't get answers to questions because they relate to the Gaming Commission? Is there any way that we can combine ministers or something, so that this doesn't become necessarily a confrontational issue? Rather, it becomes an issue where we can get information and be better equipped, if you like, or aware, because we do have questions that come at us from our constituents, especially if you have a gaming centre coming up or being contemplated.

* (17:00)

For that reason, Mr. Chair, I'm wondering whether there is an ability to accommodate, to have perhaps somebody from the Gaming Commission present, or the minister, when we ask questions that fall into the jurisdiction of the commission.

Mr. Chairperson: I think I understand the suggestion that's being made here, but that falls outside the purview of this committee itself. That would be something that would have to be negotiated between the House leaders to arrange for a future meeting. So, if I might make the suggestion that perhaps that suggestion be passed on to the House leaders and that some future standing committee could be struck to deal with those matters, but we can't deal with it at this particular standing committee. It falls outside the purview of the reports that we have before us.

Mr. Derkach: Mr. Chair, an unprecedented recommendation then perhaps on behalf of the committee members here because I think this falls on the shoulders of this committee, and I think both government and opposition have an obligation here. I would like to recommend that, perhaps at a future

meeting, a recommendation coming out of this committee would be that a member or the Minister responsible for the Gaming Commission could be present to answer questions that fall within the jurisdiction of the commission so that we can come out of here better equipped and better informed.

Mr. Chairperson: The Chair will undertake to make sure that the appropriate minister is aware of the recommendations that will come out of this particular committee, if that's okay with you.

Mrs. Leanne Rowat (Minnedosa): There was discussion on the cap on VLTs and I just would like to know, Mr. Chair, if there's any type of a table showing the allocation of VLTs throughout Winnipeg and also throughout Manitoba. Is there any type of a table that would give us a clear visual of the number of VLTs allocated throughout Winnipeg and also the province?

Mr. Hodgins: We could provide you with a table. What you're looking for is the individual site holders and how many VLTs that they have. Is that what you're looking for? Because I don't have it with me today, but I could get that for you.

Mr. Chairperson: The hour being 5 p.m., what's the will of the committee?

Mr. Graydon: Mr. Chairman, it appears that we still have a lot of unanswered questions and if it would be the committee's—with their permission we'd like to go on for at least another hour.

An Honourable Member: 5:30 anyway.

Mr. Graydon: At least 5:30. Another half an hour, I think. Could we wrap that up and—we'll try that and review it at 5:30.

Mr. Chairperson: Okay. It's been recommended that the committee sit for an additional half hour to 5:30 and review at that point in time.

Mr. Kevin Lamoureux (Inkster): It's been a while since we've had Lotteries before the committee, and I would welcome the opportunity to be able to get some questions. I appreciate the need for a number of members to ask questions and I'm very patient in terms of listening. I listened attentively upstairs, came to the committee room for the presentation and so forth. I do have some questions and, given the nature, I think we should all be accommodated the opportunity to ask the questions we want to ask.

Mr. Selinger: I think we're perfectly comfortable going to 5:30. I don't know if you were here before.

There's some reception that some people wanted to attend, and so we'll talk at 5:30 and see what we want to do.

Mr. Chairperson: So the committee's agreed then that we'll sit till 5:30? *[Agreed]*

Thank you. Ms. Rowat, to continue the question.

Mrs. Rowat: Thank you. With the allocation table that Mr. Hodgins is going to be sharing with me, I'd also like to know if he could indicate to me if there is still a moratorium on the total number of VLTs.

Mr. Hodgins: That's for commercial site holders you're asking?

There is a moratorium or a cap on the number of VLTs for commercial site holders. That's the 4,482 that I mentioned. With respect to First Nation VLTs, that is determined—there is a policy decision that they can apply for up to 60 VLTs per First Nation, and so that's, I guess, the cap per reserve.

Mrs. Rowat: So that is on a case-by-case situation. I guess my question of asking if there are going to be any plans to reduce the number of VLTs would be moot.

Can you indicate to me whether the 5,600 is a cap, that if at one point the commercial end and First Nations VLTs reached the 5,600, would there be then a total moratorium on First Nations and commercial?

Mr. Hodgins: The moratorium that exists is on the commercial site holders, the 4,482, and if other First Nations that have not applied to this point in time were to apply for VLTs, the number could go higher than the 5,600.

Mrs. Rowat: You talked about supporting our communities and indicated a number of initiatives or organizations that benefit. Could you please tell me if Spirited Energy has been a recipient of dollars from MLC? And if you could indicate to me the total amount of dollars that the Spirited Energy campaign has received?

Mr. Hodgins: There was no money that was provided through our community support program for the Spirited Energy program. We did do some—there were some expenditures by the corporation. I believe it was around \$21,000 or \$22,000.

Mrs. Rowat: Is that the total amount of money that the corporation has contributed toward the Spirited Energy campaign?

Mr. Hodgins: That's correct.

Mrs. Rowat: Can you indicate to me what the \$22,000 was allocated for specifically? What was it used for?

Mr. Hodgins: There were two large banners that were purchased for the casinos. I think you've probably seen them around the city, and so it was some, I guess, some advertising that was done by the corporation itself, and it was for this signage that we put on the two casinos.

Mrs. Rowat: And that was a total of \$22,000, was for the two banners? Okay. Thank you.

Was the decision made by MLC to contribute the \$22,000 to the Spirited Energy campaign or were you asked by the government to contribute toward the campaign?

Mr. Hodgins: If I was honest, I'm not sure how the process evolved. We, you know, made a decision as a corporation to participate in the program as other organizations did. But I'd have to go back and check it so I can give you an accurate answer. I suspect that it was a decision that was made by the corporation.

Mrs. Rowat: Mr. Chair, where would I be able to—am I able to locate a list of the over 400 non-profit organizations that benefit from supporting our communities or that type of a program? I guess what I'm looking for is a list of the benefactors of your contributions that you had indicated you supply, you know, supports to different community organizations. I'm having trouble locating a list, and I believe there are over 400 organizations that receive support from your organization.

Mr. Hodgins: Many of the recipients of that support are the community organizations that come in and participate in our community bingo program at the casinos, and then, of course, there are other organizations that we support, some of which I had listed in my presentation. I'm not sure if you were here for the whole—

Mrs. Rowat: Yes. I saw that.

Mr. Hodgins: But if you wanted a list of who those organizations are, I don't think that you probably could find it in any public information that's available, but if you wanted that information, we could certainly provide it to you.

* (17:10)

Mrs. Rowat: Thank you. That would be a list of the non-profit organizations that benefit and the extent to

which each one benefits from MLC, so probably the dollar amounts and the types of contribution. And I guess process to that, who chooses the beneficiaries of the MLC? Is it the board or the executive? If you can give me just a sort of a snapshot of how that decision making takes place.

Mr. Hodgins: The bulk of the recipients are through the community bingo program, and there's a process in place for community groups to make application. It's generally through their associations that they will apply and, I guess, be recommended to receive support through the bingo program.

In terms of the rest of the support that is provided through our community support program, organizations will submit applications to us. If organizations are interested in receiving support from us, there are guidelines that are in place. For example, we don't normally support capital projects. There are guidelines like that that are in place that organizations have to meet those guidelines in order to qualify. There is information on our Web site that we point organizations to that they can go in and look to see whether they would fall within the guidelines that would make them eligible for support.

I mentioned that we have a fairly rigorous business planning process so we would go through our annual business planning process. The organizations that have made application and ones that we feel qualify for support will be included in that process. We do try and keep some contingency funding available so that we can address requests that come in throughout the year, but ultimately where it goes to is our board of directors, and our board of directors will approve it through our business planning process.

Mrs. Rowat: In trying to access different reports or studies and surveys done by MLC, there seem to be some challenges in getting information at times not only just from this corporation but through others. Could you indicate to me what your policy is on releasing results to the public on various research projects or surveys?

Mr. Hodgins: There are the freedom of information requests that can be made to the corporation, and there are guidelines that are outlined in that. We try and respond as much as we can to provide information to people who make inquiries through that process. As I was mentioning in my presentation, it's a very competitive industry. We could be getting requests coming in that we feel

might compromise our competitive position so we look at that as one of the issues. If it involves third parties, we have to be conscious of those individuals, and sometimes we have to seek their approval in order to be able to release information. There are those kinds of situations that arise, but, you know, as much as what we can, we try and provide information when the public is asking for information.

Mrs. Rowat: We've recently met with the Provincial Council of Women, and they had indicated quite strongly their concerns with regard to getting information on research and surveys, et cetera, that have been done by MLC. I strongly encourage the support that the council is looking for. I believe that the work that they do in trying to address the social and economic challenges or damages that gaming does inflict on society, when they've made requests, they've found that they face several barriers in getting information. I just want to put that on the record that I think it's really important that outside groups such as this who do excellent work in the area of educating the public and pulling together reports and information for individuals to address these addictions it would probably be in the best interest of all of us to support releasing these types of studies.

I guess I'll turn it back to you, and I'll come back to the other issues later.

Mr. Graydon: Mr. Chairperson, I believe Mr. Eichler has a question.

Mr. Ralph Eichler (Lakeside): Two questions. The first one is falling upon the VLT allocation. We have a situation in Lakeside that one of the reserves, Roseau River, has established a reserve there of which one of their long-term plans is for a casino. Could you outline the process there would be in order to have VLTs transferred to that particular site, or would they have to apply for a new licence for that area?

Mr. Hodgins: I guess this gets into the same issue that we were talking about earlier. We as an organization do not get involved in the approval of casinos. There's the two that exist now. If there are requests for new casinos, that is not a process that Manitoba Lotteries Corporation gets involved in.

Mr. Eichler: So then they couldn't transfer VLTs from that reserve or from another casino without a licensing agreement, is that correct?

Mr. Hodgins: Typically, or at least it hasn't happened up to this point in time where VLTs have actually been transferred or reallocated to a casino. It's two different programs, if you like. There's our VLT program and then there's the casino program, so, if there was ever a decision taken that they were going to approve a casino, if the government was to approve a casino, those machines would be approved as part of the approval of the casino. They would not be reallocated from the VLT allocation.

The VLT program is very much distinct from any decisions made around casinos.

Mr. Selinger: I don't know if the member was here earlier, but we have the Gaming Control Commission which makes these decisions. But a site-holder agreement for VLTs maxes out at 60 based on a business case. They have to have a business case for it. We had a situation earlier where—is it Swan valley had allocated some to Headingley—*[interjection]* Swan Lake, excuse me, had allocated some of their—I don't know if they had a total of 60, but of the allocation they had, they had reallocated some to an urban reserve that they had designated by the federal government outside of Headingley.

So we don't give pre-commitments. If they're going to create a new site, as I think you're concerned about in your area, they, first of all, have to get federal authority and permission to designate it as a reserve, and then only after that's done can they look at whether or not some VLTs can go there on a business case, at which case Lotteries will consider that request up to a maximum of 60.

Mr. Eichler: Yes, it's already received reserve status, so that avenue has already been done, but it was transferred under the assumption that it would be staying as agricultural land rather than a commercial venture. So I'll follow up on that.

The other question I had, during your presentation you talked about the French language services. What's the process there? Is this the dollars that would be allocated to build French language services in various communities? Is that part of that? No?

Mr. Selinger: I'll give a shot at that as the Minister responsible for French Language Services. We have a policy in the government that's been there for 18, 19 years now to develop French language services, and Crown corporations have to have a policy of

offering a service where there's a population of Francophones that are asking for that service.

The corporation took that responsibility seriously as a result of some complaints about not having services available to the public in French. They developed a policy and installed it. I think it's mostly concentrated on the Regent Avenue casino location. There is the possibility, if people want to go gaming there in French, they can do that. There are some employees that have bilingual capacity to provide that service.

So the corporation developed that policy on the request of myself after we had media complaints and community complaints requesting that service.

Mr. Faurshou: First question on behalf of a constituent who has attended to the McPhillips Street Station and within that attendance had the opportunity for the viewing of, I believe it's Millennium Express Theatre, is it? You can correct me if I've got the wrong terminology, but, having viewed that presentation, thought it was an extraordinarily well done and could potentially be something that could be incorporated into geography/history curriculums for schoolchildren and perhaps field trip value.

* (17:20)

Mr. Hodgins: You're not actually the first one that's raised that. It is very educational, I agree. It's a quick snapshot of the history of Manitoba, and it's really unfortunate that we can't make it available to school children. We have requests coming from schools if they can attend, but, unfortunately, minors can't come into the casinos. So it's not possible for them to view this Millennium Express project. It's unfortunate, but that's just something that exists.

Mr. Faurshou: Well, I ask the minister then, is there any consideration of making access to the theatre without the restriction of being 18 years of age or older to actually come through the front door? There's no consideration of another entrance being developed?

Mr. Selinger: I don't think so, unless you can guarantee me there would be no criticism from the opposition or the media, but I do say this, there will come a time when they'll want to refresh their offerings to the public and at that point—we have had a brief discussion about this—that facility, that opportunity might be relocated elsewhere in the

future and made available to the public at a later date. That's a possibility downstream.

Mr. Faurshou: Good. Well, I do want to also credit, though, Mr. Hodgins. I believe in his former capacity in rural development that he had played a significant role in actually the production being created. So I want to compliment him because it is a very well-done presentation.

Insofar as the \$6 million that you made mention of in your presentation towards charitable and not-for-profit organizations, how do you derive \$6 million? Does the minister responsible just come along and say, okay, profits are at X level; you can have \$6 million this year? Or is it a percentage? Or do you determine that on your own, and you just keep going and maybe you won't turn over \$277 million to the government, you'll take care of it elsewhere?

Mr. Hodgins: It doesn't work quite that way, no. We go through, as I was mentioning, a business planning process where we review our budget, and ultimately it goes to our board of directors, and the final approval is through our board of directors, but I can tell you, of that \$6 million, that \$4 million of it is for the bingo program. That's been an amount that's been in place for quite a number of years. I'm not sure exactly when it was established, that \$4 million, but it was before my time with the corporation. So that constitutes about two-thirds of the \$6 million, and then what we look at are specific requests. I don't know if you recall or not, but when we were here the last time, you had asked us if we would give serious consideration to supporting an event that was in your community, which we eventually ended up doing. So it met the criteria for our program, and it went through the process of being approved ultimately by our board of directors.

Mr. Faurshou: Actually, I was just going to compliment and commend the organization for supporting the Canadian Seniors Games in Portage la Prairie and how an outstanding success it was. The Premier (Mr. Doer) was in Portage not so long ago and announced Portage la Prairie would be now hosting, in 2010, the Manitoba Winter Games. Perhaps maybe the corporation could be as generous or at least considerate thereof, of another event in Portage.

Jesting aside, I do want to compliment the corporation for its good work, but the bottom line of my previous question was: Is \$6 million a cap

established by a budget provided to you by the minister's office?

Mr. Hodgins: It isn't a cap, but it is a process we review every year. It could go up, it could go down, but it is something that's approved through our business planning process and ultimately approved by the board of directors. So it's something that's looked at every year.

Mr. Faursehou: Another line that you noted in your presentation was that of the contributions towards responsible gaming. You stated that you were leading the nation with 2 percent of your bottom line going towards responsible gaming and supporting those that have problems with gaming. That is not supported by Stats Canada. Stats Canada actually says that we are not faring very well. Insofar as the support for problem gamings, according to Stats Canada, is running about \$32 per person identified with problem gaming. That is only half of Saskatchewan. According to the Stats Canada 2005 report, Manitoba had identified at-risk gaming, of persons that do game, 9.4 percent, which is the highest percentage of those engaged in gaming identified as having a problem. Recognizing those that have a problem, the budget by this corporation was about \$32 per problem gambler. In Saskatchewan, they've allocated about \$75 to assist an individual with the gaming addiction.

Now, is it just how it's broken out that Stats Canada has listed Manitoba as No. 1?

Mr. Hodgins: I'm not sure that I can comment on the actual numbers that you're referring to there. I'd have to take a look at the report and the years that Stats Canada is reporting on it. I'm not sure, it could be going back a few years that they were reporting on what the actual expenditures were.

I can tell you that when I first went to the corporation, the amount of money that was being dedicated to responsible gaming was the funding that was being provided to the Addictions Foundation of Manitoba, and it was somewhere—I'm going on memory now. I think it was about a million eight, or something of that nature, a million seven, million eight. Since that time, we have committed up to 2 percent of our bottom line, which has certainly significantly increased our commitment to responsible gaming. We now have a responsible gaming unit that's in place in our corporation, and it's led by Bev Mehmel, who is our executive director of Responsible Gaming.

So we have staff resources that are now in place that didn't exist before. We have a fund that's available to help us with some research that we feel is important that we undertake, and I mentioned some of the studies that we have going on. I'd have to take a look at what Saskatchewan's doing, but I'm not aware that Saskatchewan is doing that much more than what we are.

I'm not sure what year the figures are that you're referring to. If you could share a copy of that report with us, we could certainly take a look at it and tell you what the differences are or how our figures compare to theirs.

Mr. Selinger: I just want to say that, if the member will make his data available to us, we'll take a look at it and get back to him, hopefully in writing, with sort of our analysis of how we stack up against them, for your information and for my information.

Mr. Borotsik: Just one very quick question. You generated \$161 million in revenue from the Casinos of Winnipeg. What's the percentage the City of Winnipeg gets of that total revenue? How much did you pay the City of Winnipeg?

Mr. Hodgins: Directly we do not pay anything to the City of Winnipeg. Our money flows to the Province of Manitoba that would allocate it then. There's money that goes through the UEDI program which you're familiar with, but that goes through a provincial department.

So we don't pay money directly to the City of Winnipeg other than we pay taxes and that to them. We pay taxes to all the municipalities that we're located in.

Mrs. Rowat: Could the chairperson please—or the chair ask or, I'm sorry, explain the financial relationship between MLC and the Gaming Control Commission, the financial relationship. I'm trying to be a little bit more clear on the roles and responsibilities of both. So what is the financial relationship between MLC and the Gaming Commission?

* (17:30)

Mr. Hodgins: I guess in terms of the financial relationship, they impose a fee on all of the gaming equipment that we have which we pay to them. That's how they generate their income to operate. So that's, I guess, the financial relationship, if you like. Is there anything else I'm missing? *[interjection]* So it's a levy that's placed on each gaming machine and

that's paid to the Manitoba Gaming Control Commission.

Mr. Chairperson: The hour being 5:30, is the committee willing to consider certain reports?

Mr. Graydon: Mr. Chairman, it seems that we still have a number of outstanding questions and I haven't gotten through any. What I would ask is the committee's indulgence to perhaps—and this will be the ministers' decision and we can take it forward—but I would suggest that we talk to our House leaders and reconvene a meeting next week, on Monday. Would that be an agreement between the ministers?

Mr. Selinger: We'd have to leave that to the House leaders. Would another half hour now be helpful because I'd be quite prepared to—

Mr. Graydon: Well, it would be helpful, but it's just that I can see right now that we're not going to complete this in a half hour and so I'd—

Mr. Selinger: I'd be happy to ask my House leader to discuss with your House leader, and I'd also be willing to go another half hour right now because I know there are some people that would like to ask some questions.

Mr. Graydon: Right. Well, we'll go that extra half an hour and we'll take a look at this at that time. I think we might end up doing just like you had suggested that we'll each talk to our House leader and maybe reconvene next Monday, but we'll go that extra half an hour now and then we'll pass one report.

Mr. Selinger: I just would say we'll just have to—like Monday many people have booked in schedules, so I'll have to see if we can make it work, given all the other commitments—

An Honourable Member: Or one day next week. Can we do it that way?

Mr. Selinger: We'll see what's possible.

Mr. Derkach: Well, Mr. Chair, perhaps to make it a little more formal, would there be agreement of the committee to recommend to the House leaders that another meeting be convened next week? We won't necessarily name the date but that a recommendation from this committee go to the House leaders to convene a meeting next week of this committee to consider the annual reports that are outstanding with Manitoba Lotteries Commission.

Mr. Chairperson: It sounds like there's an interest of this committee to extend the sitting time this

evening for at least another half hour and the committee's agreed on that? *[Agreed]*

Then the second part, we have a couple of options for information for the committee members. We have the option of a formal motion to which we'd go to a vote or we could include in our report from this committee hearing today back to the House the suggestion of further committee meetings that would be undertaken in discussions between the two House leaders or the three House leaders.

An Honourable Member: Just a recommendation, the latter, yeah.

Mr. Chairperson: Latter?

An Honourable Member: Yeah.

Mr. Chairperson: We'll include that in the report to this committee back to the House then, and then we'll continue the sitting for an additional half hour up to 6 p.m. and at that time, then we'll open the floor again for questions.

Mr. Derkach: Well, I have a number of areas that I'd like to ask some questions on but I'd like to begin with where I left off perhaps. I guess my interest is a little bit parochial in this instance because of the area that I represent and the fact that there appears to be a gaming centre in the offing at Foxwarren. It has been met with mixed reviews from the community. There are those who support it unanimously or wholeheartedly, others who are somewhat apprehensive about what will happen to the community in terms of the social impact and also in terms of the volume of traffic that could be coming through a small community.

I just want to know from either the minister or perhaps the CEO, Mr. Hodgins, whether or not there's anybody who does kind of an impact study on a community that can be accessed by the community or by the municipalities regarding the potential impact of a gaming centre in the community.

Mr. Selinger: I'd have to take it under advisement. I'm not aware of those kinds of studies being formally required. It certainly isn't the obligation of the Lotteries Corporation to do that, and I don't know what the purview of the Gaming Control Commission is because I'm not the minister responsible for it. Then I guess there are areas of zoning, questions of zoning, et cetera, when you set up these facilities. I know municipalities sometimes, if there is a zoning or a conditional use question, will

examine these questions as part of their discussion, but I don't know that they require a formal study.

Mr. Derkach: If the minister could undertake to get back to me on that issue. I know it's not maybe an issue that is of concern to the entire committee, but it certainly is one that I've been asked about. Quite frankly, I don't have an answer that I can give to my constituents, and it would be helpful if we could find that answer. If the minister could provide it, that would be helpful.

Still on the issue of reserve gambling, is there now in place an agreement for every gaming centre that is operating in the province of Manitoba, every Aboriginal gaming centre that is operating in the province of Manitoba? Is there a current agreement in place with every reserve that is operating a gaming centre in the province?

Mr. Hodgins: For every VLT site when you say gaming centre? I mean, our responsibility is with respect to the VLT sites that are operated on First Nations, and we do have agreements in place for the VLT sites. But the MGCC also authorizes various gaming activities. There's bingo and those types of activities, and I really can't comment on that part of it. But, with respect to the VLT site holders, there are agreements in place for all the site holders.

Mr. Derkach: So it's the Manitoba Gaming Control Commission that would answer those questions with regard to agreements for gaming centres outside of the narrow area of VLTs?

Mr. Hodgins: That's correct.

Mr. Derkach: My next question is with regard to audits from the various reserves regarding the revenues and where the money has been spent from the revenues that they receive. Does the Lotteries Corporation have in its possession a current audit of every reserve and every entity, if you like, with regard to the VLTs? Because I can't ask about the other.

Mr. Hodgins: The question you are asking is about the profits that are generated through the VLTs and the reporting back to the community?

Mr. Derkach: I'm asking for audited financial statements from each centre.

Mr. Hodgins: Again, that's the responsibility of the Manitoba Gaming Control Commission.

Mr. Derkach: It may be their responsibility, but is it not also in the best interests of the corporation to

ensure that there is an audited financial statement for every centre that they license so that indeed the VLTs and the money that comes from them and where that money finds its way to is accounted for? Is that not in the best interests of the corporation as well?

Mr. Hodgins: Well, I would think that's probably in the best interest of everyone, not just the corporation.

Mr. Derkach: Absolutely. That's why I'm asking the question.

Mr. Hodgins: But, again, the responsibility for ensuring that those audited reports are produced lies with the Manitoba Gaming Control Commission, and certainly we would like to see that all those auditor reports are submitted, I guess, as they're required by the Manitoba Gaming Control Commission.

Mr. Derkach: Does the corporation get a copy of the audited financial statements, then, from the various site holders?

Mr. Hodgins: I'm advised that we don't get copies of all of them. If we have an interest in a particular site, then we could obtain it probably from the Control Commission.

Mr. Derkach: So the corporation doesn't really know whether there's a financial audited statement for each site holder in the province?

Mr. Hodgins: Not unless we were to specifically ask the Manitoba Gaming Control Commission for that information.

* (17:40)

Mr. Derkach: So, in terms of the revenues that are generated on reserve institutions, or whatever you want to call them; they're entities. Are they then obliged to account for the money that they generate as profit in terms of what categories, if you like, that money is spent on within the reserves? As I understand it, money generated from VLTs, or gaming projects, is restricted in terms of where that money is to be spent and what types of projects that it's spent on? In other words, an individual can't take that money for personal gain or for enhancing his or her financial state.

Mr. Hodgins: That's certainly my understanding that they're not to be using it for personal gain, and, as I understand it, there's supposed to be approving the disbursement of the funds through their councils. That should be reported back through their audited financial statements how they're utilizing that

funding. But it's to be used for, if I can put it, the greater benefit of the community, not individuals.

Mr. Derkach: So the corporation doesn't track that kind of spending—or that kind of investment that various reserves make with regard to monies that are generated from lotteries?

Mr. Hodgins: The Manitoba Gaming Control Commission is responsible for that activity.

Mr. Derkach: So is it the Gaming Control Commission, then, who also controls the categories where communities spend money who have bingos and gaming functions of that kind? Is it the Control Commission, then, that controls that as well?

Mr. Hodgins: I'm not sure that I'm in a position to respond to that. You're getting into a lot of details that I'm not necessarily familiar with in terms of the operations of the Manitoba Gaming Control Commission, but I assume that would be the case.

Mr. Derkach: So there's somewhat of a disconnect between the commission and the corporation, then, in terms of holding site holders to account? The information is not readily shared between the corporation and the commission. Is that true?

Mr. Selinger: You'll recall in the presentation made by Mr. Hodgins that there was a recommendation to separate the control functions from the corporation lottery service or provision of opportunities for entertainment and gaming. That's been in place since the '90s, and the minister responsible for that is also the Minister of Justice. He tables an annual report, and he's available for discussion through Estimates on this.

I think Mr. Hodgins is trying to answer the questions, but he really isn't in command of the information. It's not his mandate. It's not his legislation. It's not his job to answer those questions.

Mr. Derkach: I apologize for perhaps appearing somewhat ignorant on these issues, but I was only asking the questions to get information because it's difficult for us in opposition to gain that information if we don't have it readily at our fingertips. That's why we ask those questions.

I, again, don't know whether this is within the purview of the corporation or the minister here, and that is with regard to monies generated from video lottery terminals and where that money is spent. Now, Mr. Hodgins indicated that the monies are forwarded to the Province of Manitoba, who then

make the allocations to various departments or agencies, I guess.

Can the corporation make available for us how much money is generated from VLTs outside of the city of Winnipeg?

Mr. Hodgins: Yes.

Mr. Derkach: Is that something that you can share with us today?

Mr. Hodgins: We haven't got the detail with us, but we can get it. What you're looking for is a breakdown of how much VLT revenue that's turned over to the Province comes from rural Manitoba out of the total allocation—or VLT profits.

Mr. Derkach: Instead of trying to piecemeal my questions, maybe I can ask the questions in a broader sense and have some response from the corporation in that regard. What I'm looking for is how much money is generated from VLTs in rural Manitoba, outside of the city? How much money is generated from the city of Brandon? How much money is generated from VLTs in the city of Winnipeg?

Then, my next question would be: How much money is then reallocated or does the corporation deal with that or does the corporation simply just put all of the money in one pool and forward it on to the Province, and the Province, then, decides on how much money goes back to communities via the percentage that municipalities get, for example, and, then, also, for programs outside of straight grants, in other words, programs like the Community Places, REDI, et cetera, that function in the province?

So that's where I'm going with the questions. So, if the CEO or the minister could get that information for us for the next sitting, I have some questions with regard to how much money is generated, where it is spent and how it's accounted for.

Mr. Hodgins: I can certainly get you the information with respect to how much is generated from the city of Brandon, how much is generated from the city of Winnipeg and how much is generated from the rest of the province. I think that was what you were asking for. But you're quite right, when the money comes into the corporation from all those three areas, that amount of money is then transferred to the Province of Manitoba and it's allocated to, I guess, the various programs. Now, I shouldn't really, I shouldn't speak on behalf of the Province. I'm not sure if they can allocate it out. You're familiar with the 10 percent that goes to the municipality and the

25 to UEDI and REDI. There are a couple of other allocations, I think, being approved, but the rest of it just goes into Consolidated Fund. I'm not sure that it would be possible to be able to say that, you know, whatever's left after those allocations I was just mentioning, where it goes to. It just goes into the Consolidated Fund.

Mr. Derkach: But these are the kinds of questions that I think are important to us who represent various areas in Manitoba. Let me just give you a very simple example: If people living in a community know that VLTs generate \$10 million out of their community and that money goes into Lotteries, but they examined from all of their revenues that they get from the Province through Community Places, support to sports, whatever it might be, that they get back a very small and minute, if any, portion of it, then that becomes a concern to communities.

What we want to do is not look at the micro sort of projects, but look at an overall picture and see whether or not there's an equitable sharing of revenues from gaming to all of Manitoba, whether it's to the city or to the rural parts. That, perhaps, is a question that is better directed to the minister, and one that, you know, we could, perhaps, have the minister explore and do some research on and come back with.

Mr. Selinger: I'd like to say that, other than the programs that the CEO mentioned, the REDI, UEDI programs which have allocations and are used for those types of activities at the municipal level, the money comes into general revenue. It goes back into public schools. It goes back into health care. It goes back into infrastructure. It goes back into all those allocations that we debate in the budget. It's just one part of the overall revenue of government. So that's your answer. I mean, does that community get its schools funded? Does that community get its hospital or its health services funded? It's road works; it's other infrastructure projects, water, sewer, all the other services that are available throughout Manitoba. The short answer is that we—that's the debate on the budget.

Mr. Derkach: That is a fair response and I know that, but there are specific programs, targeted programs that—

* (17:50)

An Honourable Member: UEDI and REDI.

Mr. Derkach: Yeah, where money flowed directly from Lotteries to specific programs. One of them was the Grow Bonds program, for example. That program does not exist now, but there is another program in place of it, according to the Minister of Agriculture (Ms. Wowchuk), and that is a tax rebate program for investment. My understanding is that that is a targeted program where lottery money does go into. Now, if that is not correct, then that's the kind of information I'm looking for.

Mr. Selinger: I would say that the Minister of Agriculture and rural development is responsible for the REDI budget. They can explain where that money goes, there. The Minister of Intergovernmental Affairs (Mr. Ashton) is responsible for the UEDI budget, and they can explain where that money goes, there. It's allocated for various activities in municipal and urban areas according to demand, according to priorities, issues, Main Streets Manitoba, for example, a variety of programs. I think there are actually some economic development programs funded through that money outside of Winnipeg, some of the community development corporations.

But, once again, those are Estimates questions, really, for how the money is doled out. *[interjection]* Well, but, yeah, that money is—we can go right to the Estimates and see how much money is available in the REDI envelope, how much is in the UEDI envelope, and then we can have discussions with those ministers through Estimates about what they've done with that money every year. So there is an accountability mechanism for those specific allocations.

Mr. Derkach: I understand that very clearly, but at one point in time there was a separate program for Community Places, as an example. Although the Community Places program is there, it's now reallocated to various departments. It's not a program that is called a Community Places program.

An Honourable Member: Yes, it is.

Mr. Derkach: If it is, then I'm not seeing it in that it's not broken up into factions. So perhaps the minister could enlighten us there. Because that money is coming out of Lotteries as well.

Mr. Selinger: My understanding is, and I'll stand to be corrected on this, but the Community Places program is under the Department of Culture and Heritage. It's a general revenue allocation to it, and it has been increased, but, I mean, it's not specifically tied to lottery revenues. There's a general allocation made to the Community Places program. I think we would all agree the Community Places program is—*[interjection]* No, Community Places is available province-wide for applications, based on the criteria, et cetera. There have been increased resources put into it because it's a very popular program, but it's not specifically earmarked out of lottery revenues.

An Honourable Member: It isn't.

Mr. Selinger: No.

Mr. Lamoureux: I do have a series of questions. I'll try to keep them as brief as I can. I'm wondering if you can give an indication, I know there's a mathematical equation that's used in terms of returns on VLTs. So, if a consumer was to spend \$100, or every \$100 that would go into a VLT machine, what would be the rate of return?

Mr. Hodgins: When we put out our annual report each year we do provide information on the average payout. I'm not sure if you have a copy. I'll just mention to you that on page 29 of our '06-07 annual report you can find that information. But for video lottos the payout is 92.9 percent, and for the Casinos of Winnipeg it's 91.7 percent.

Mr. Lamoureux: In the slide presentation, you talked a great deal about how casinos virtually exploded during the '90s. At one time there were only two or three, and now there're a dozen or so. How does Manitoba's payout compare to those other communities?

Mr. Hodgins: I'd have to go and take a look at the individual jurisdictions, but I would think that our payouts are in line with the payouts in other provinces.

Mr. Dressler formerly worked in Saskatchewan. He tells me that the payout at the Casino Regina is roughly about 92 percent. So it's about the same as what ours is.

Mr. Lamoureux: Now the payout in Manitoba would be the same no matter where you are, whether you're in a licensed beverage room, an Aboriginal casino or McPhillips Station?

Mr. Hodgins: It does vary slightly between the casinos and the VLTs. Roughly, in this particular instance, there's about a 1 percent difference between the VLTs and the casinos, and it could fluctuate each year. If we have a large winner or several large winners in a particular year, the percentage could be higher than that, of payouts.

Mr. Lamoureux: That last comment might have answered the next question. The fluctuation, then, is not something that's pre-programmed. It's just by chance that the fluctuation occurs. Correct?

Mr. Hodgins: The machines are based on, I guess, random winnings, what they call the EPROMs. That's the internal, I guess, software that generates the winnings. It's all random winning. So it can fluctuate for that reason. It's not predetermined. So it could, you know, fluctuate.

Mr. Lamoureux: If I'm a cultural group or some non-profit organization and I want to be able to see if I can raise some money for my own organization, it would be one of your staff people, somewhere in the organization that they would approach. Where would they actually go to see if they could host a bingo, for example?

Mr. Hodgins: The umbrella organization that administers the bingo program is called the Manitoba community council. If you have some organizations that are interested in being considered and they're wanting to get information, what I would suggest that they do is they get in touch with us if they're having difficulty. We could certainly help them to get to the right spot. I know that sometimes it's confusing trying to find the right person, but, if you do have organizations that are interested in participating in the bingo program, we can, certainly, you know, direct them to the right area to find out if they qualify.

Mr. Lamoureux: A previous questioner had asked about individuals or groups that were receiving the benefit of being able to do the volunteer work for exchange for the revenue for their organization. You had indicated that there was a list. Would it be possible to get a copy of that list that you're providing that other member?

Mr. Hodgins: You're looking for a list of the different, I guess, community groups that were involved in the—the list that we talked about previously. If I provided that to you, would that be okay?

Mr. Lamoureux: Yes, that would suffice.

The final area that I wanted to comment on is in regard to gambling addictions. I understand that you provide money for the Addictions Foundation. Is there any follow-up or studies or anything that you do as a corporation to see how effective the programming is with regard to dealing with that particular issue?

Mr. Hodgins: Yes. We do that on a regular basis. One of the projects that we're funding—it's actually outside the Addictions Foundation. It's a community financial services organization. We are trying that one on a pilot basis, but there's an evaluation process that is involved with that. When we increased the funding to the Addictions Foundation of Manitoba by \$500,000, they did undertake a number of pilot projects. There were evaluations done of each of those before a decision was made to continue to fund them on an ongoing basis. That's something that Bev and her staff work closely with the foundation, to make sure that, you know, that we're satisfied that we're getting value for our money.

* (18:00)

Mr. Lamoureux: Finally, I appreciate the answers, and maybe what I'll do is, either myself or my leader may be getting in contact. Any sort of information that we might be able to be afforded with regard to the addiction issue is something that we'd be interested in.

There is no question, Mr. Chairperson, to Mr. Hodgins, but for the Minister of Finance (Mr. Selinger). I appreciate the fact that we've seen, I believe, a fairly productive discussion this afternoon. I would encourage that what we should be looking at is the possibility of having more meetings on a regular basis so that not only members of opposition, government members, people should really be afforded the opportunity to ask the questions they want. I know myself personally, I probably could have gone on for another half an hour. I appreciate the official opposition for letting me get this time. Thank you.

Mr. Derkach: At the conclusion of this meeting, I just wanted to congratulate the members of the corporation because I think, by and large, Manitoba is well served by the corporation and its members.

Mr. Graydon: Mr. Chairman, I also would like to congratulate them. For going with the extensions tonight, we really appreciate that. I've one quick

question, and then I'd like to pass one of the accounts.

The question goes back to what my colleague from Lakeside was asking about. The VLT machines, when you go from one reserve to another or, if it's a reserve status, then they can apply for a licence and get 60 new machines? Is that—and I'm thinking of the Rosser situation and Roseau band.

Mr. Hodgins: One of the requirements in order to qualify for First Nation VLTs is that they have reserve status, and then they can make an application for VLTs. The maximum number that they can receive is 60, but they have to put forward a business case to, I guess, justify whatever number that they might ask for. There have been instances in the past where we haven't necessarily agreed with the requests that they've made, and they have received a lesser number. So it's very much dependent on, you know, the business case that they bring forward.

Mr. Graydon: I'm still a little bit confused. It would be in two different locations in this situation, because you have the one in Letellier, Ginew, and now, if this is a reserve status, that would be a different location. Could they qualify for 60 in each location?

Mr. Hodgins: The answer is no. They can qualify for a total of 60 for both sites. So they could then come forward and say we would like 60 machines. We'd like to have 10 on the original reserve and 50 on our new reserve or some variation, but they cannot apply for 60 at the original reserve and 60 for the one that's just received reserve status for, you're suggesting, 120. The maximum number a reserve can receive is 60.

Mr. Graydon: If they own two reserves?

Mr. Hodgins: It's by the reserve. It's not by the number of, I guess, physical sites that they have.

Mr. Graydon: I didn't say physical sites. I said two reserves. They have reserve A and reserve B.

An Honourable Member: Same band?

Mr. Graydon: Pardon. I don't know exactly what constitutes a band, but it's Roseau A and Roseau B.

An Honourable Member: As I understand it, one band, one First Nation has a maximum of 60. That's what I understand.

Mr. Graydon: Thank you very much.

At this point, Mr. Chairman, I would be prepared to move that we pass.

Mr. Chairperson: Seeing no further questions, we'll move to the annual reports.

Annual Report of the Manitoba Lotteries Corporation for the year ended March 31, 2003—pass.

Shall the Annual Report for the Manitoba Lotteries Corporation for the year ended March 31, 2004 pass?

Some Honourable Members: Pass.

Some Honourable Members: No.

Mr. Chairperson: The report is not passed.

Shall the Annual Report to the Manitoba Lotteries Corporation for the year ended March 31, 2005 pass?

Some Honourable Members: Pass.

Some Honourable Members: No.

Mr. Chairperson: I hear a no, so that report is not passed.

Shall the Annual Report of the Manitoba Lotteries Corporation for the year ended March 31, 2006 pass?

Some Honourable Members: Pass.

Some Honourable Members: No.

Mr. Chairperson: I hear a no, so the report is not passed.

Shall the Annual Report of the Manitoba Lotteries Corporation for the year ended March 31, 2007 pass?

Some Honourable Members: Pass.

Some Honourable Members: No.

Mr. Chairperson: I hear a no, so the report is not passed.

The hour being after 6 p.m., what's the will of the committee?

An Honourable Member: Committee rise.

Mr. Chairperson: Committee rise. Thank you to members of the Manitoba Lotteries Corporation for your attendance here before this committee.

COMMITTEE ROSE AT: 6:05 p.m.

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