

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

*Chairperson*  
*Mr. Daryl Reid*  
*Constituency of Transcona*

**Vol. LXI No. 1 - 7 p.m., Monday, March 16, 2009**

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**MANITOBA LEGISLATIVE ASSEMBLY**  
**Thirty-Ninth Legislature**

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

**Monday, March 16, 2009**

**TIME – 7 p.m.**

**LOCATION – Winnipeg, Manitoba**

**CHAIRPERSON – Mr. Daryl Reid (Transcona)**

**VICE-CHAIRPERSON – Ms. Flor Marcelino (Wellington)**

**ATTENDANCE – 11 QUORUM – 6**

*Members of the Committee present:*

Hon. Ms. Irvin-Ross, Hon. Mr. Swan

Mses. Blady, Brick, Messrs. Cullen, Dewar, Graydon, Ms. Marcelino, Mr. Reid, Mmes. Rowat, Taillieu

**APPEARING:**

Mr. Kevin Lamoureux, MLA for Inkster

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

Mr. Tim Valgardson, Board Chair, Manitoba Lotteries Corporation

**MATTERS UNDER CONSIDERATION:**

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

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

The Annual Report of the Manitoba Lotteries Corporation for the year ended March 31, 2008

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**Clerk Assistant (Ms. Monique Grenier):** Good evening. Will the committee please come to order.

I have before me the resignation of Ms. Brick as Chairperson of the Standing Committee on Crown Corporations.

Before the committee can proceed with business before it, it must elect a new Chairperson. Are there any nominations for this position?

**Mr. Gregory Dewar (Selkirk):** It's my pleasure to nominate Mr. Reid.

**Clerk Assistant:** Mr. Reid has been nominated.

Are there any other nominations? Hearing no other nominations, Mr. Reid, will you please take the Chair.

**Mr. Chairperson:** Good evening, everyone. Our next item of business is the election of a Vice-Chairperson. Are there any nominations?

**Mr. Dewar:** I nominate Ms. Marcelino.

**Mr. Chairperson:** Ms. Marcelino has been nominated. Are there any further nominations? Seeing no further nominations, Ms. Marcelino has been elected as the Vice-Chairperson of this committee.

The business under consideration—and there are some housekeeping items as well—this meeting has been called to consider the annual reports of the Manitoba Lotteries Corporation for the years ending March 31, 2004; March 31, 2005; March 31, 2006; March 31, 2007; and March 31, 2008.

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

**Mr. Cliff Graydon (Emerson):** Mr. Chairperson, we would be prepared to sit till 9 p.m. and review it at that time to see if there was a reason to carry on.

**Mr. Chairperson:** It has been a suggestion that this committee sit till 9 p.m. and review at that point in time. Is that the will of this committee? *[Agreed]*

Are there any suggestions as to which order the committee wishes to consider the reports that have been indicated?

**Mr. Graydon:** I would be prepared to consider them globally, Mr. Chairperson.

**Mr. Chairperson:** Globally? Is that the will of the committee to consider the reports in a global fashion? *[Agreed]*

Thank you very much to committee members.

We'll now proceed. Does the honourable minister wish to make an opening statement, and would he also please introduce his officials that are with us here this evening?

**Hon. Andrew Swan (Minister charged with the administration of The Manitoba Lotteries Corporation Act):** Yes, I will.

Mr. Chairperson, thank you. A good evening to committee members and thank you for the opportunity to be here tonight to speak to you on behalf of the Manitoba Lotteries Corporation about their business activities.

I'd like to introduce the Chair of MLC's board of directors, Mr. Tim Valgardson. As well, tonight, the President and Chief Executive Officer, Winston Hodgins; Executive Vice-President and Chief Financial Officer, Cheryl Eason; Executive Vice-President of Gaming Operations, Max Dressler; Vice-President, Corporate Marketing and People Services, Marilyn Robinson; and the Vice-President of Communications and Public Affairs, Susan Olynik.

It's my pleasure to be here with the committee today to review the initiatives and the achievements of Manitoba Lotteries. Since the previous appearance before the standing committee in November 2007, this is my first opportunity as Minister responsible for Lotteries to be here.

Manitoba Lotteries continues to enjoy growth and success while maintaining the utmost in integrity and commitment to Manitoba. Since the last time that Lotteries was here at Crown Corporations committee, Manitoba Lotteries has continued to make significant investments in its people, its products and its properties, all based on the principles of good governance, fiscal prudence, careful planning and sound research. These results are indicative through its revenue growth, increasingly satisfied customers, and also with great business and community relationships that Lotteries has carefully nurtured over the years. It's fair to say that each and every member on this committee has an event, a charity or an organization in our home constituencies and neighbourhoods that benefits from the involvement of the Manitoba Lotteries Corporation.

As a Crown corporation, MLC's net income from gaming operations flows to our communities through several sources. Ten percent of the revenues from commercial video lottery terminal operations go directly to Manitoba municipalities. Another 25 percent of VLT revenue is invested, or re-invested if you will, in community economic development projects through the Rural and the Urban Economic Development Initiatives. This has amounted to more than \$1 billion since VLTs were introduced in Manitoba by the previous government in 1991. The remainder of the net income is allocated to provincial government programs to support our health-care system, education, community and social services, with 10 percent of casino revenues directly going to support the Winnipeg Police Service. In addition, bingos at our casinos provide approximately \$4 million annually to more than 400 non-profit organizations, again, located across the province in each of our home communities and home neighbourhoods.

The Lotteries board of directors recently approved a newly revised strategic framework and methodology as well as a renewed mission statement, vision statement, core values, goals and objectives. This more streamlined framework with straightforward objectives will enable management to articulate the corporation's direction and goals.

There are five succinct and clear goals related to customer satisfaction: being a valued member of the community, efficiencies and effectiveness, employee satisfaction and growing its customer base. Lotteries is further enhancing its goal attainment with assistance from the firm of KPMG on the use and benefits of performance indicators to make sure they continue in the right direction.

Our corporate strategic plan for 2009 to 2012 is now being implemented and executed by managers and employees building on the corporation's ongoing success. The drive to continue improving customer services and products, as well as increasing productivity and operational excellence, is recognized as a function of every single Lotteries employee whose efforts and accomplishments have been recognized within the business community through various awards and accolades.

Manitoba Lotteries continues to excel as the Crown corporation which is responsible for managing gaming in the province and the delivery of a total entertainment gaming experience for visitors to the casinos of Winnipeg. The corporation has

worked hard to enhance and to grow its non-gaming amenities and the results of these efforts are worth noting.

Attendance continues to be strong at both casino properties, surpassing the five million mark this past year. Sales activity in the restaurants on the casino properties is significantly increased, representing a 249 percent increase in revenues over two years ago and a 190 percent increase in volume for the same time period. Those who attend the casinos' main stage offerings reflect a 15 percent increase this current fiscal versus last year. Jaguars Dance Club at Club Regent has been an unparalleled success averaging 700 guests a week, or about 37,000 per year.

\* (19:10)

Manitoba Lotteries' banquet and special event business is also doing well, with 70 booked events per year with an estimated 10,000 guests in total.

In terms of cost savings, Lotteries has implemented a number of major initiatives that have provided ongoing cost savings for the corporation. Since 2001-2002, more than \$73 million has been realized in savings associated with major initiatives, including the centralization of their service and warehousing facility, introduction of coinless technology at the casinos of Winnipeg, as well as the VLT replacement program. New programs including the bingo gaming system and central surveillance are expected to generate further savings. On an ongoing basis, I'm told these cost savings will continue to contribute approximately \$19 million a year in cost reductions or approximately 5 percent of net income. Cumulatively over a 10-year period, from fiscal year 2001-2002, these cost savings are estimated to be approximately \$130 million.

Lotteries has worked to maintain high standards of integrity related to the western Canada lotteries products that it manages at the retail level in Manitoba.

Immediately following the first media reports on gaming irregularities in Ontario and British Columbia, Lotteries initiated a review of all of its regulatory and compliance processes to demonstrate and to assure the public that integrity is a core value of the corporation, and, further, the Western Canada Lottery Corporation or WCLC offers one of the safest and most secure gaming products available. The review that was performed indicated that core consumer protection measures through the WCLC

are strong. There is no evidence of wrongdoing found in any retail or major prize claims in this jurisdiction.

Working closely with an independent consultant, the WCLC board of directors, as well as our counterparts in Alberta and Saskatchewan, many of the reviews recommendations were implemented immediately, including an automated customer complaint tracking system.

Further preventative retail measures will ensure integrity and consistency remain or being part of all retail lottery processes in the province of Manitoba.

Additionally, Lotteries is working closely with the WCLC regarding the current Deloitte Touche review by ensuring regular updates are provided to the office of the Manitoba Ombudsman. The Ombudsman has been kept apprised and has reported high satisfaction with the work undertaken so far.

In terms of VLT commissions, our video lottery terminals continue to make a significant and a positive impact on site holder revenues. VLTs have now contributed over \$950 million in commission revenue to Manitoba hotel owners, restaurant operators, veterans' organizations, Assiniboia Downs and First Nations.

The VLT commission rate for veterans' associations was increased from 20 percent to 25 percent in 2007 as a way to assist the Royal Canadian Legion and the Army, Navy and Air Force Veterans, which are both, of course, non-profit organizations. The rate change in 2007 has translated to total revenue increases of more than \$700,000 a year for those member organizations.

MLC is proud to support First Nations economic development initiatives as they partner with Manitoba First Nations communities through the VLT program and also the conduct and management of the Aseneskak and South Beach casinos. MLC also stands ready to assist First Nations as the intended casino near Brandon comes on line. MLC will continue to provide any assistance that is required in terms of providing machines, providing assistance once the proponents have sorted out their differences and are ready to proceed.

MLC's new tourism strategy identifies six key areas of opportunity for tourism development, including research, new products, partnerships, marketing, sales and services. This year Lotteries forged a number of successful partnerships, resulting in promotions that got positive responses from

customers in the general public. These included two popular promotional contests with the *Winnipeg Sun*, the *Winnipeg Free Press*, as well as sponsoring Volunteer Manitoba series of video vignettes produced and aired in 2008 by Global TV.

In 2007-2008 the casinos of Winnipeg hosted more than 747 bus tours from within Manitoba but also from Alberta, Saskatchewan, Ontario and several northern U.S. states.

In terms of corporate social responsibility, Manitoba Lotteries is keenly aware of the unique role that it plays in the province as the Crown corporation responsible for conducting gaming in a socially responsible manner. Conducting its business affairs effectively and efficiently in order to generate revenue has to always be balanced with sensitivity towards the community in which it operates and the people for whom gambling can become problematic. With that in mind, corporate social responsibility has always been a priority for MLC and, as public expectation for transparency and accountability increases, the corporation recognizes it must continue to show its commitment to stakeholders and the environment in measurable and meaningful ways.

Following approval by MLC's board of directors of the formal corporate social responsibility policy, a comprehensive long-term strategy was developed in 2008, the initial steps of which were recently begun. This began in conjunction with the release of MLC's corporate social responsibility report, a document designed to communicate this philosophy and the activities that Lotteries are taking to demonstrate its commitment.

Mr. Chair, MLC has embarked on a stakeholder engagement analysis meeting directly with representatives and advocacy groups and beneficiaries, as well as customers and non-customers to gain a better understanding of MLC's view to the community as a corporate citizen. In fact, there have been others outside of the province, who have commented on the work Lotteries has done. Dr. Jay Handelman of Queen's University is one of Canada's leading active experts in the field of corporate social responsibility. He had this to say about MLC, and I quote: "More and more companies have been engaged with Corporate Social Responsibility initiatives; however, few have taken these initiatives to a new frontier—directly engaging their stakeholders in order to understand what social responsibility is from their point of view. Manitoba Lotteries Corporation is one of the few organizations

that I know that is genuinely embarking on an initiative of stakeholder engagement, taking on this challenge to further evolve their CSR"—Corporate Social Responsibility—"initiatives to an unprecedented level."

The four pillars of Lotteries' activities to demonstrate corporate social responsibility include its multifaceted and leading-edge work in responsible gaming, as well as its highly regarded community support program that I spoke of earlier. These programs provide very tangible and very visible benefits to a multitude of non-profit groups, organizations and special events that truly enhance Manitoba's quality of life.

Great strides have been made over the years to reduce MLC's greenhouse gas emissions, minimize its waste, improve its recycling and reuse programs, and to procure green goods and services. All of this is part of the corporation's commitment to sustainable development, which is founded on the principle of making the most responsible decisions possible in order to minimize the organization's long-term environmental footprint.

Mr. Chairperson, Manitoba Lotteries continues to be recognized as an industry leader in the field of responsible gaming, making information available to help players make informed choices with gaming, publicly promoting and funding problem-gambling services, implementing programs to reduce the risk of problem gambling and actively engaging in research and program development. Manitoba should be proud that the work that lotteries has undertaken in the area of responsible gaming is without equal in Canada and, indeed, most of the world. The corporation commits up to 2 percent of its annual net income to responsible gaming and problem-gambling initiatives. This demonstrates our government's commitment and lotteries' commitment to operate gaming in a socially responsible manner.

Lotteries is committed to providing funding for problem-gambling prevention, education, treatment, help line and research programs throughout Manitoba. The corporation has funded AFM's problem-gambling program since its inception through joint-initiative programs such as responsible gaming, as staff training of casino, VLT and lottery retailers, as well as player information initiatives and responsible gaming information centres. MLC has demonstrated its commitment to work closely with the Addictions Foundation of Manitoba to ensure the province's problem-gambling program needs are met.

MLC provided \$3 million in funding to the AFM in 2008-09 for programs such as the problem-gambling help line, individual and group treatment programs and prevention activities. Services are available throughout Manitoba. Highlights include a residential treatment program in Brandon and specialized education services for youth, for seniors, for Asian and for Aboriginal communities. I'm pleased to note that now, with additional funding, the problem-gambling help line was recently enhanced to provide a higher level of service to nighttime and weekend callers. The AFM gambling services Web site now features unique educational software and supportive information in several Asian languages. AFM's It's Your Lucky Day and Keeping Your Shirt On youth awareness programs continue as part of Manitoba's middle school and high school gambling awareness program.

To further promote responsible play, the casinos of Winnipeg have responsible gaming information centres located on the gaming floor, which are staffed by AFM professionals. These centres educate players about responsible gaming, in addition to providing support and referral to casino visitors concerned about their gambling. These centres were, in fact, the first in North America and just the second in the world. They've been since implemented by every other jurisdiction in Canada with assistance from the expertise provided by Manitoba Lotteries.

\* (19:20)

This year leading-edge technology was introduced to the responsible gaming information centres in the form of interactive touch screens. This valuable new resource increases access to accurate gaming information and serves as an attractive feature to encourage more guests to visit the centre. Since these centres have been implemented, 27,000 guests have visited.

The MLC also supports work in partnership with the Community Financial Counselling Services by providing funding to speed up access to financial counselling for those negatively affected by gambling. MLC is also an active founding member of the Canadian Partnership for Responsible Gaming. In collaboration with non-profit organizations, gaming providers, research centres and regulators across Canada work to find and promote effective ways to reduce the risk of problem gambling.

MLC launched its third Responsible Gaming Awareness campaign, which ran for six weeks in April and May 2008. The campaign had two main

messages to inform the public: first, to promote the importance of getting information about gambling before people play and where that information is available; and, secondly, the availability of treatment and support for those who may need it can be found through the AFM problem gambling help line. An entire campaign is set to run again in 2009-2010.

**Mr. Chairperson:** I thank the honourable minister for the opening statement.

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

**Mr. Graydon:** Mr. Chairperson, I would just like to congratulate the minister on his appointment as the Minister of Lotteries, and I would like to thank his staff tonight for taking the time to come in and be with us to provide us with the information that we'll be asking for. Other than that, I have no other statement.

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

Do the representatives of Manitoba Lotteries Corporation have an opening statement? No. Then we'll proceed to questions.

**Mr. Graydon:** Mr. Chairperson, if the minister hadn't been reading so fast, I might have been able not to ask any questions at all tonight. However, I would like to go to the VLTs to begin with, if it would please the minister. I have a number of questions that relate to the VLTs, the sites and the cap, the moratorium or the cap that is on VLTs, but the first question I would like to pose to the minister is the criteria for removal of VLTs from certain sites.

First of all, how many sites are there for VLTs in Manitoba?

**Mr. Swan:** You've heard me talk a bit. If it's all right with Mr. Graydon, I would invite Mr. Hodgins to answer the question, unless you—if you want me to answer it, I will, but I think Mr. Hodgins may have more material at his fingertips.

**Mr. Winston Hodgins (President and Chief Executive Officer, Manitoba Lotteries Corporation):** Yes, we have roughly about 560 site holders in Manitoba.

**Mr. Graydon:** The site holders are commercial site holders?

**Mr. Hodgins:** They're primarily all commercial site holders. In addition to that, there are some additional site holders. We have the Assiniboia Downs. There's

the MTS Centre, and then there are First Nations site holders as well. There are 31 First Nations site holders.

**Mr. Graydon:** Could you perhaps tell me what the criteria are for small communities? How do you evaluate how many VLTs would be in each of these locations?

**Mr. Hodgins:** When we put VLTs into a site holder, it's based on their liquor licence and the number of seats that they have in their establishment. So that is primarily the criteria that are used for how many VLTs that they receive initially.

Now, based on their performance, the number of machines can be increased, or conversely they can be reduced, depending on the performance of the equipment, but I would mention that in the criteria that we have in place is that no site holder can have less than three VLTs unless they only had two when they initially had them put into their site.

**Mr. Graydon:** Thank you. Initially, when the VLTs were put into rural Manitoba, could you tell me the purpose of them?

**Mr. Hodgins:** The purpose of putting the VLTs into the rural communities was to provide some support to the hotel and restaurant industry. They were experiencing some difficulty at that time; that was in the early '90s, 1991. That was the original purpose of putting them into rural Manitoba.

**Mr. Graydon:** At that time, would you agree that most of the—even though it was by their liquor licence and the seating capacity, most of the hotels at that time had five or six units.

**Mr. Hodgins:** That's probably going back well before my time, and I wouldn't want to tell you that they all had five machines at that time. I suspect that there was a variety of machines, you know, in terms of numbers throughout the rural part of the province, whether it was five or, on average, I couldn't really say for sure.

**Mr. Chairperson:** Mr. Graydon.

**Mr. Hodgins:** Sorry. I would suspect it's not unlike what it is now, that some of the larger centres would have more machines and some of the smaller centres would have less, but whether it was, on average, five, I really couldn't comment on that.

**Mr. Graydon:** So then, the seating capacity is one of them and performance is another one of the criterion. Can you tell me what the scope or the expanse of the

performance is from, say, is it from \$100 revenue to \$100,000, or that type of a comparison? Could you tell me what that is?

**Mr. Swan:** Just to clarify, Mr. Graydon, you're talking about the VLT redistribution program now. Is that really what you want to get at, because I want to make sure that we're addressing the concern you're raising.

**Mr. Graydon:** No, I'm referring to the number of VLTs in each site. They're there by the seating capacity by the licence, apparently. That's one of the criteria. The other criteria is by performance. So if you have a hotel that has three and they outperform another hotel that has three, that they would get four. I just need to know what that level is, of performance.

**Mr. Swan:** Yes, I think—and I'm going to have Mr. Hodgins step in after—you are talking about the VLT redistribution program a couple of times now, and Mr. Hodgins will speak with more detail. With the guidance of the Hotel and Restaurant Associations, there has been an analysis of which VLTs are the highest performing, which are the lowest performing, and there has been a redistribution done, I believe on three occasions, to move some VLTs from lower performing locations to higher performing locations. There is a number of parameters on that, and I'll get Mr. Hodgins to speak to that, but I think we are all talking about the same thing. You're asking about the redistribution where there are, sometimes, VLTs moved from one hotel or one restaurant to another hotel or restaurant.

**Mr. Hodgins:** Yes, we've completed three redistributions. We're working on the fourth one right now, and if I could maybe just step back, the first redistribution took place in 2001. That was really generated at the request of the Hotel Association and probably to a lesser extent, the Restaurant Association, because we have a very long waiting list, and the only way in which we could deal with that waiting list was to redistribute machines from the lower performing sites to the higher performing sites. So that was done in 2001. We did undertake a second redistribution in 2002. There were less sites and less machines that were involved in it, and then again in 2008 we had a third redistribution. There were more sites again and more machines that were involved in that redistribution, but, again, it was moving machines from lower producing sites to higher producing sites, and, in



part, to deal with waiting lists that we had from sites that wanted additional machines.

In all cases there was this, you know, there was a criteria in place that we could not reduce machines to less than three machines, and, as I mentioned, unless there were two machines that were in a site. Again, well, in 2008, we have been working with the Hotel Association and the Restaurant Association in this redistribution, and there is an appeal process that's part of the redistribution, and the advice that we're getting from those associations and the site holders is that they would like to have an annual redistribution. So that's what we've moved to beginning this year.

\* (19:30)

How we determine whether they're going to be moved is based on the net win of the machines in a site. So there are situations. If we have a smaller site that only has three machines but they're producing at a level that would suggest that they should have more than that, a small site could get a fourth machine.

On the other hand, we have some very small sites that are—if there wasn't this three machine criteria that was in place, some of those would probably lose machines, but because that criteria is in place, they don't go below that level.

So we look at the net win of the sites, and in the case of this year, we're looking at the net win of the machines based on the 2007 calendar year. That was the same year that we used for the 2008 redistribution. So that's the process that we use for redistribution.

The other thing I would mention to you is that we have a separate pool of machines for the city of Winnipeg and a separate pool of machines outside the city of Winnipeg, so we're not moving machines back and forth between those two pools. That then protects the machines that are in the rural part of the province and the northern part of the province.

The final point that I would make is that because you lose machines doesn't necessarily mean that you're going to lose revenue. What our experience has been, and we have tracked the performance of the machines or the sites that lost machines last year, and the amount of revenue in total for all the sites that lost machines is roughly about the same as what they were generating previous to that.

So I think what it suggests to us is that those machines are underutilized. You know, the fact that

we're taking machines out of these sites doesn't necessarily mean that the site holder is going to lose money.

**Mr. Graydon:** Thank you for that answer. It's a tough call I'm sure from your perspective because your perspective is that the machines need to make money and there are only so many machines, but at the onset, I believe that the reason that they were put into these hotels in rural Manitoba was to help that economy and keep those rural hotels open.

I think you have to understand, and you'll probably agree with me that the peak periods for those hotels will be at lunch time and at 5 o'clock, at quitting time, if there are people that work in town or going through town. That's the peak period that they can be utilized. There's not a lot of activity in between that particular time.

So if you're limited to three machines but you have a First Nation, perhaps, or I would say a First Nation or a larger community 10 miles away or 15 miles away, then you will see people migrate to those machines. That's a normal occurrence. So when you say that you don't see a big difference when they remove some of the machines, I think in the economy as it is in rural Manitoba that a lot of those small mom and pop operations, it doesn't take a lot of difference in their revenue to decide whether the doors stay open or they close.

So I'm wondering now if you're going to do an annual redistribution. Will you then change the criteria from three down to two? Is that what you have in mind going forward? Is that something that's—

**Mr. Swan:** Just so it's clear for the record, the redistributions are—it's something that actually was recommended to us by the Manitoba Hotel Association and the Manitoba food and restaurant association because they know there is a cap on the number of VLTs across the province. The advice that we received from them is it was a good thing to do this from time to time so that the machines could be placed in the places where they will be the busiest.

So the decision was made that no facility that had three or more VLTs would wind up with less than three. We think that's a fair compromise so that busier locations have the chance of getting more machines, but at the low end, some of the smaller operations you talked about will still be able to keep at least three machines.

So it has been a policy that I think has been fair and, as Mr. Hodgins also pointed out, we're careful not to pit the rural operators against the city operators. There are two separate pools so that we wouldn't redistribute VLTs from rural Manitoba into the city even though the city machines may have a higher net win in the course of a year.

So it's always a balance, but we think in light of the fact that we're not adding more commercial VLTs, it's a reasonable balance that we've taken.

**Mr. Graydon:** The question was, are you considering borrowing it from the threshold of three to the threshold of two going forward if the goal of the corporation is to utilize to the maximum the VLTs that you have?

**Mr. Swan:** The answer is no. The intention is to leave a minimum of three VLTs. There are some hotels in some [inaudible] two VLTs, and they would simply retain those two.

**Mrs. Leanne Rowat (Minnedosa):** I have a couple of questions just regarding some statements that were made by the minister in his opening comments, and then just some fallout from Mr. Hodgins.

Last year based on *Hansard* from November 2007, the comments made, I believe, by Mr. Hodgins that there were 600 sites in Manitoba for VLTs, in your opening statement, Mr. Minister, you had indicated this year there are 560 sites. Can Mr. Hodgins explain to me why there is such a drastic reduction in sites in Manitoba for VLTs?

**Mr. Hodgins:** I'm going to have to correct the figures. I did mention that it was 560, but the actual number is 518.

**Mrs. Rowat:** It's even less.

**Mr. Hodgins:** So they go up and down. There are sites that are waiting for machines now, so it can fluctuate up and down. I can get the figures from the previous years, but it does go up and down. There hasn't been, you know, a significant shift one way or the other in the number of sites.

**Mrs. Rowat:** Thank you, Mr. Hodgins. I would like to know if you could share with me the breakdown in numbers for the last six years, seven years—seven years, I guess, of VLT sites, if you can share those numbers with me. Also, while we're looking at numbers, if you could also share with me the number of VLTs in the province. I believe last year in this process the number was 5,600 VLTs, if I can get a

breakdown of the last seven years of the number of VLTs in the province.

**Mr. Hodgins:** In terms of getting you the information going back that far, I don't have all that information with me tonight, but I can certainly get that for you. I can give you the number of sites as of March of 2009, if you'd like to have that information now, but, in terms of going back for six or seven years, I'd have to get that information for you.

**Mrs. Rowat:** Thank you, Mr. Hodgins. Could you give me some examples of why numbers would drop from, say, 600 last year to 518 this year? What would be some examples of reasons for the drop? Also, if you can indicate to me where the majority of those sites' reductions would take place—if you can actually provide me with the breakdown of where those sites have taken place.

**Mr. Hodgins:** Well, I guess the reason for the change in the sites is there are sites that close. There are others that open and that takes place throughout the whole province. That's primarily the reason for the changes that take place in site holders.

I guess in terms of the number of VLTs for commercial site holders, it's 4,482. I think that was maybe a figure that we talked about when we met the last time. That has not changed. That actually has been a figure that has been in place for a number of years now. That's the cap on VLTs, the 4,482. The actual number of machines that were in site holders on that particular date was 4,451. So there are machines that are out of service as a result of maybe site holders shutting down, and so we are going through a process of relocating those machines to other sites.

The Assiniboia Downs has 140 machines. They've had 140 machines for quite a number of years now. I think it goes back to about the mid-1990s, if I recall correctly. First Nations have 1,043 machines, so that should be 5,634 machines that are in place as of March of 2009.

\* (19:40)

**Mrs. Rowat:** Mr. Hodgins, can you indicate to me where these 40 sites—no, I guess it's more than that—almost 100 sites, where these 100 sites—or 90—some sites—have closed, where they were located in the last year?

**Mr. Swan:** In fairness to Mr. Hodgins, I think he's suggesting that if the impression was given that 90 sites had closed, that was an error. So he's

undertaken to give you the breakdown over the last number of years. I don't think it's correct to say that there are 90 sites that have closed. There may be a couple of hotels that have gone out of business. I know, unfortunately, there have been a couple of hotels that have burned down. There may be other restaurants.

We can check the *Hansard*, but I don't think it's right there's been that kind of a reduction. So we'll certainly correct that, but we've already undertaken to give you those numbers. I just want to set the record straight.

**Mrs. Rowat:** Thank you, Mr. Chair, and Mr. Hodgins is going to provide me with the breakdown. I would also like to know where those 40 sites are, or 90 sites are, where they've been closed and where they've been re-opened, if that's going to be the case. So I look forward to that information.

I'm just very curious to see—I'm trying to determine if there are some challenges or some issues with regard to some of the sites. Obviously, some of the rural hotels are finding some challenges. Some of the urban hotels are finding some challenges, and I'm just wanting to ensure to myself that the current policies with regard to hoteliers is not being restrictive to the hotel owners and that there isn't an issue with the decisions that are being made with regard to underutilization. I'm just trying to make sure that I feel comfortable with the current policies that are in place with regard to the distributions.

**Mr. Hodgins:** So what you're looking for, then, is for each year the openings and closures of site holders.

**Mrs. Rowat:** Yes, I would appreciate that. I'd also like to know exactly why these sites have been closed. If there's a policy process in place, then I would like to know what that is.

As a follow-up, you had indicated there are four redistributions this current year, this year. Could you indicate what you mean by that? Can you clarify—you know, was it a closure of something and opening of another? I don't quite understand what that means, and if you could just share with me so I have some idea of what that means.

**Mr. Swan:** Mrs. Rowat, I just, again, want to move us along. You're talking again about the redistribution of VLTs that we were discussing. It's not the fourth time this year, it's the fourth time overall there's been a redistribution of VLTs. So

Mr. Hodgins can take you through the details of how and why that occurs and what the criteria are, although, if you're satisfied, Mr. Graydon has asked the question and got the answer, we can move on.

**An Honourable Member:** That's fine.

**Mr. Hodgins:** You have asked if we can provide you with the reasons why site holders have closed. I'm not sure that we can tell you in every case why they closed because we don't have that information. In some instances, we're just advised they're closing and we're asked to come and get the machines. So I'm not sure that we would have the information specific to every site. If the hotel burns down, or something of that nature, it's obvious what's happening in those situations, but, as much as what we can, we'll provide you with information.

**Mrs. Rowat:** I appreciate that.

Regarding retail lottery wins, recently, I believe it was in January, there were a number of kiosks that were closed across the province and, I believe, across the country, and I believe there are approximately a thousand people laid off from those positions and from those kiosks. I'm just wanting to know, if Mr. Hodgins can share with me, was this an indication of declining lottery sales, or was Manitoba's decision to close those kiosks based on the recommendations made from the—

*Audio system failure*

**Mr. Chairperson:** We'll resume the proceedings.

A question was posed from Mrs. Rowat. Mr. Hodgins, to respond, please.

**Mr. Hodgins:** Yes, you had asked about Infoplacé kiosk closing in Winnipeg, and actually some closed in Brandon as well. But this is a Canadian company, and the decision was taken out of Toronto to close all of the kiosks across the country. So Manitoba was impacted by it, but it wasn't a company located here in Manitoba.

I think the other part of your question, was it related to the sale of lottery products, and the answer to that is that I don't believe it was because our lottery products are still selling strongly. So there may have been other reasons for the company to close down.

**Mrs. Mavis Taillieu (Morris):** Thank you very much. I just have a few questions—probably going to turn into more than a few.

My first question is: I notice that in the last report, the annual report in 2007-2008, that revenues did go up. I'm wondering if you've noticed any trend up or down since this report was finalized in terms of: Are people pulling back in spending, or have you noticed any change? Recognizing that we are in some difficult times right now, have there been noticeable changes in revenues?

**Mr. Hodgins:** I guess I think I got in trouble last year because I was talking about years outside of the annual reports, but I think that your question is probably more relevant to the current fiscal year.

I guess in response to your question, the year started strongly. We were performing very well. Things have slowed down—I guess beginning last fall somewhat. We're still having very strong performance but certainly not as strong as at the beginning of the year.

**Mrs. Taillieu:** Is there sort of an expected amount of revenue that is needed to be generated by the Lotteries commission? I guess, is there a target that you strive for every year, and what happens, then, if there is such a target, if it's not met?

**Mr. Hodgins:** Well, we go through a business-planning process every year. We spend from beginning in June going through until January, February, our business planning process each year, and that culminates in us taking up a plan forward to the finance committee of our board of directors. Then, ultimately, it goes to our board of directors, and there is a budget figure that is approved by our board of directors. That's the amount that you see showing up in the revenue estimates of the Province of Manitoba each year.

For example, in '08-09, the budget figure, I believe it's in the printed revenue estimates, is \$301 million. That's what the estimated profits would be for the corporation for the year. So that's what we work towards. We do that each year. So there is a process in place for us to establish targets for us to achieve.

**Mrs. Taillieu:** In the event that revenues decrease, expenses need to be covered for MLC; you have obligations in terms of pensions and debt servicing. So what takes priority: the money that flows to government or taking care of those things that I mentioned, and who makes those decisions?

**Mr. Hodgins:** Well, I like to think that we take a balanced approach to it. We are conscious of, you know, the revenues, but we certainly try and do it in

a responsible fashion. It was mentioned by the minister that we have a very aggressive Responsible Gaming program in the corporation, and so we try and balance, I guess, the revenue side of our operations with our expense side.

We have been very conscious of the expense side of our operations. We don't simply just dwell on trying to generate more revenue, and we have undertaken a number of initiatives to try and operate as to what we can from an operational perspective. I think the minister mentioned a few of the things that we've done. For example, we have a warehouse on Pacific Avenue. A few years ago, we had six warehouses in the city of Winnipeg and we made a decision that we were going to consolidate that operation into one facility on Pacific. We did a business case on it. The business case indicated that we could save money for the corporation by doing that. When we finished the consolidation a few months after, we did a review of how effective that had been, and, in fact, the savings were more significant than what we had originally estimated because there were more staff savings associated with what we had built into our business case.

We're constantly looking at the expenses of the corporation to make sure that, you know, we're, I guess, utilizing our dollars as effectively as what we can so that, you know, we're not, I guess, reducing potential profits that go to our shareholder.

We do review our expenses on an ongoing basis. One of the things that was mentioned is that we do set performance indicators. We monitor on a monthly basis our expenses as a percentage of our net revenue to make sure that our expenses are in line with industry standards. When I say that, it's difficult for us to compare ourselves to other gaming organizations in the country because we're a bit unique in that we have a broader span of responsibility than most gaming organizations in Canada, but we try and compare ourselves as much as we can with other organizations.

So we are conscious of both revenues and expenses.

**Mrs. Taillieu:** Obviously, you know, you're looking at both sides of the ledger with revenue and expenses. If there is a downturn in revenues, you have to take care of the expenses and, of course, one of the major expenses in any corporation is people. I'm wondering if, at some point, should your revenues decrease, have you considered the

possibility of having to lay off people versus, I guess, profitability?

Would you keep the people on and pay less revenues, dividends, to the Province, or would you be forced with laying off people and paying less revenues to the Province, and who makes those decisions?

**Mr. Swan:** You know, Mrs. Taillieu, [*inaudible*] did go through to some extent the way that the budgeting process is done, the way that targets are set, and Lotteries always is careful to see how things are going. Of course, there's a quarterly report prepared.

I don't think it's fair to ask Mr. Hodgins to answer a hypothetical question. Lotteries expects to meet its targets for this year. They've been careful in their budgeting process. I just don't think it's fair to ask him what might happen if, indeed, the economic downturn that seems to be affecting many places in the world actually should come to Manitoba.

**Mrs. Taillieu:** I think I was looking for what would be the policy in terms of—if you came to the point where you needed to lay off staff, would there be a policy that we would keep the staff and turn less revenue to the Province or we lay off the staff and produce more revenue to the Province? Is there a policy? Have you looked at possibilities? I think that it's fair to say also that all corporations are looking at possibilities in the future down the road, recognizing that there may be some tough economic times ahead.

\* (20:00)

**Mr. Swan:** The first and foremost thing that, as minister, I expect from Lotteries is to have fiscal governance and projections that will turn out to be correct as we go. From being minister for a year, and also from having seen the results over the past several years—which may, coincidentally or not coincidentally, be since Mr. Hodgins became the CEO—I think, as Manitobans, we can all really be proud of the realistic approach that Lotteries has taken. So, again, you never say never. Lotteries would look at issues should they arise in the future. Mr. Hodgins can't speak today about hypotheticals. We, of course, would examine that, if, in the future, there turned out to be shortfall.

**Mrs. Taillieu:** I feel that it is prudent and actually desirable, I guess, in any organization that you look to the future, what the future holds, and plan accordingly. Hence, that was why I was pursuing that line of questioning just to see how the

organization felt about future profitability and what implications there might be there.

I'll just go on to a few more questions. I think the minister did say in his opening statement—I'm not sure that I quite caught the actual numbers—but I think there was a 2 percent portion of the net profits from the organization that went to Responsible Gaming, and I take that to include such organizations as the Addictions Foundation of Manitoba and others that were mentioned. Again, I guess, you know, you think about the possibility of decreased revenues coming into organizations and you look at what impact that can have on the bottom line of other organizations that receive funding from organizations like Manitoba Lotteries. So I'm a little concerned if there is a decrease in revenues to the Manitoba Lotteries Corporation or commission, that this could impact negatively on Responsible Gaming revenues. I'm just wondering if there's any way that you can say that this 2 percent will continue, or how are those decisions arrived at should there not be the money there?

**Mr. Hodgins:** Well, this is a discussion that we would have to have with our board of directors, about not just the Responsible Gaming program, and I would certainly hope that we can maintain our 2 percent commitment. I don't see any reason why we wouldn't, but there's a variety of different areas that we would have to take a look at. That could be possibly one of them.

**Mrs. Taillieu:** I think that there was a Canada West Foundation study—in 2005 it was, I think—discussed in the last committee meeting in November of 2007. At that time, that study identified that Manitoba has the highest proportion of at-risk gamblers, at 9.4 percent, and actually spends less per capita compared to Saskatchewan. I think that at that time it was determined that Saskatchewan spent \$75 per at-risk gambler and Manitoba spent \$32 per at-risk gambler.

I wonder can you tell me what the numbers are for Manitoba Lotteries commission today. How much would be spent, dollars per at-risk gambler?

**Mr. Hodgins:** This goes back to the 2 percent that we were just speaking to and the budget allocation for responsible gaming is \$6 million. That would be 2 percent of the \$301 million that we have projected for this year.

**Mrs. Taillieu:** Thanks. I'll do the math on that later. I do have a calculator with me.

Has the Lotteries commission undertaken a study of the number of at-risk gamblers in the province of Manitoba? I know that Ontario did a study some time ago and found that the number of at-risk gamblers was increasing. So the number of people that were spending a lot of money and having an addiction was actually increasing, which has social costs. I'm wondering if there has been such a study in Manitoba.

**Mr. Hodgins:** I believe what you're referring to is a study that would be undertaken by the Addictions Foundation of Manitoba. Manitoba Lotteries Corporation itself does not undertake those studies.

**Mrs. Taillieu:** Thank you for that answer. You alluded a couple of answers ago about performance indicators. Can you tell me what exactly are you talking about when you say performance indicators?

**Mr. Hodgins:** Well, if I might just use a couple of examples. One of the issues that's critical to our success is that customer service. In all the research that we do—and I think it's probably consistent with what's done by other gaming organizations across the country, and that is if you're going to be successful, you have to provide really good customer service. And so what we do on a regular basis is that we survey our customers to find out the quality of service that we are providing as an organization. So, over a series of months and the surveys that we've done, we see some trends taking place. If customer satisfaction is increasing, that is, it's a key performance indicator for us, in time what we want to try and do is establish a specific target that we want to work towards, and so we are probably going to set it higher than what it is in the surveys that we've done up to this point. So that would be kind of an example of a key performance indicator for the organization.

**Mrs. Taillieu:** So, how do you determine that? You mentioned surveys. How else do you determine if you're performing and you do have customer satisfaction?

**Mr. Hodgins:** It's largely by customer intercepts, that we have third-party organizations that they do that on our behalf. That's one way we can collect that information. We can do telephone surveys of people that attend our facilities. We can do focus testing. We use a variety of different tools to establish those targets.

**Mrs. Taillieu:** So when you do telephone surveys or focus groups, is that done internally or do you hire other people to do that?

**Mr. Hodgins:** We do both. We have staff who can facilitate focus group sessions and, on certain occasions, we'll hire external companies to do that for us as well.

**Mrs. Taillieu:** What would you call the organizations that you hire?

**Mr. Hodgins:** I'd better get the correct—two organizations that we hire to do this research for us, one is Probe and the other is an organization called kiskquared. [*interjection*] kiskquared. It's a Winnipeg-based company.

**Mrs. Taillieu:** Perhaps Mr. Hodgins could tell me more about—I didn't get quite the name of that last company, kiskquared. I'm just not familiar with that company.

**Mr. Hodgins:** It's spelled k-i-s-q-u-a-r-e-d. It's a Winnipeg-based company.

\* (20:10)

**Mrs. Taillieu:** Okay. I thank you very much, Mr. Chairperson. I just haven't heard of that company. How long has that company been around, how long have you used them, and who is the principal owner of the company?

**Mr. Hodgins:** They don't recall who the principal is, but apparently we've been using them for about four or five years.

**Mrs. Taillieu:** Okay. Thank you.

I read over the last *Hansard* from the last committee, so I had some questions sort of arising from there. At that time, in November of 2007, you indicated that you had undertaken a research project looking at the impact and effectiveness of responsible gaming features in the new VLTs, and I believe those VLTs came in, in 2004.

Has that research project been completed? What have you determined from that, and have you adjusted those features in any way because of the outcomes of your survey?

**Mr. Hodgins:** The research project is not finalized at this point in time. It's going to take a bit longer to finalize it. But there really has not been a need to utilize the results of that up to this point in time because we haven't replaced any of the equipment we purchased back in 2004, but it will be very

valuable research for us when the current equipment has to be replaced.

**Mrs. Taillieu:** How often is the equipment replaced?

**Mr. Hodgins:** Well, the equipment that was replaced in 2004, that was equipment that was put in back in 1991, and, I think, in the city in about '93. So it was very old equipment. It went well beyond, you know, its useful life. Usually gaming equipment has, if you like, a shelf life of about five years.

The technology is changing so quickly in the gaming industry that it's like going out and buying a computer at, I guess, one of the local stores, and usually the life of that equipment is not that long.

**Mrs. Taillieu:** I've [*inaudible*] the minister's opening statements. He talked about the food and beverage and how that's increased over the—I'm not sure of the time frame—but I recognize that it has increased.

Does the Lotteries commission do all of their own food and beverage? Is it all done through Lotteries? It's not contracted out to any other organization?

**Mr. Hodgins:** When the casinos were expanded back in the latter part of the '90s—actually they opened in 1999—the food and beverage operations were provided from two sources. McDonald's was located in the facility and, actually, McDonald's had been in the facility from when the site originally opened, and I do believe it was 1993. When the facility was expanded, they also expanded their food and beverage operation and the work was contracted out at that time. A few years ago we made a decision that we were going to take that in-house because we thought that we could operate it much more efficiently [*inaudible*] earlier about the need for us to operate as efficiently as possible. So for that reason, we made a decision that we were going to take it in-house and provide that service with Manitoba Lotteries staff. So we have done that.

The performance of our food and beverage has been, I think, a success. It was about three years ago that the number of covers—the number of covers is a meal that is served—was about 135,000 covers. By the end of this fiscal year, which is at the end of the month, we expect that we're going to serve over 400,000 covers at the casinos this year. There's been a significant increase in the amount of service that's been provided through food and beverage operations. We've gone from a significant loss situation to one in

which we're expecting to make the profit on that operation this year.

**Mrs. Taillieu:** You mentioned McDonald's was providing some of the food to the MLC casinos. Was there any other organization or corporation or company that provided food or beverage services?

**Mr. Hodgins:** McDonald's was providing the fast-food service in the casinos, but, in terms of the sit-down meals and the banquets—I guess this would be back in 2000 when I first went to the corporation—there was a company called Fresh Food Management, which was a private company, that was providing food and beverage services in addition to those that were offered by McDonald's.

**Mrs. Taillieu:** Is this Fresh Food Management still in existence?

**Mr. Hodgins:** No.

**Mrs. Taillieu:** Was the casino, then, the only source of revenue for Fresh Food Management?

**Mr. Hodgins:** I believe that that company was established to offer food and beverage services at the casino.

**Mrs. Taillieu:** So, when the decision was made in 2000 to do it in-house, that company effectively went out of business.

**Mr. Hodgins:** That's correct.

**Mrs. Taillieu:** The food and beverage now are provided by MLC. Are all the MLC employees unionized?

**Mr. Hodgins:** Yes, they are.

**Mrs. Taillieu:** Are they all in the same union, and what union would that be?

**Mr. Hodgins:** The food and beverage staff are part of the MGEU, and the rest of the staff are members of Teamsters. We have two unions that are in the corporation.

**Mrs. Taillieu:** How many belong to each of those groups? I think I read somewhere you had 1,800 employees. Oh, that would be for Lotteries, I'm sorry. I'll let you answer.

**Mr. Hodgins:** Yes, we have roughly about 1,800 employees that work for the corporation, and that includes our food and beverage operations. The staff are unionized in those two units.

**Mrs. Taillieu:** Can you indicate, in 2000 when Fresh Food Management went out of business because

their service was no longer required by Manitoba Lotteries, whose decision was that to not contract to the private sector and take it all in-house?

**Mr. Hodgins:** That was a decision taken by the corporation.

**Mrs. Taillieu:** Was there any discussion when the decision was made to do that? Was there any discussion with any ministers of the government?

**Mr. Hodgins:** I believe that was the discussion that took place with our board of directors. I don't believe that there was any discussion. I think that's an operational issue.

**Mrs. Taillieu:** Was there a particular problem with Fresh Food Management services, or was there a problem identified with Fresh Food Management?

**Mr. Hodgins:** One of the most significant problems was we were losing a significant amount of money.

**Mrs. Taillieu:** You say that you were losing a significant amount of money. In what time frame?

**Mr. Hodgins:** Annually.

**Mrs. Taillieu:** Was there any process whereby other private food service organizations were asked to participate in a tender process to, perhaps, gain that contract?

**Mr. Hodgins:** The decision that was taken by the corporation was that we were going to provide food and beverage services within the corporation because we felt that we could provide a better service to our customers.

One of the other issues that was problematic was the high management fees that were being charged, but that was all part of the losses that we were incurring as an organization.

**Mrs. Taillieu:** Can you just then—and I'll get off of this—but could you just tell me the date that that decision was made?

\* (20:20)

**Mr. Hodgins:** I can't tell you off the top of my head.

**Mrs. Taillieu:** What year?

**Mr. Hodgins:** Pardon me. The year? Apparently, it was April 2003.

**Mrs. Taillieu:** I guess just one more question. When you're looking at contracting work, you look at the skill sets of the corporation, the company and their past performance before you actually hire them as a

subcontractor. In your case, here, where you decided to do it in-house, what did you base—what past performance did you base your ability to hire yourself, so to speak? What was the expertise or the past experience of providing food and beverage services to casinos?

**Mr. Hodgins:** Well, a number of the staff that worked for fresh food management continued on with this after the decision was made. We felt that we had a strong management team in place and that what resources that are beyond those that were already working in our food and beverage operation, we could recruit those people to come in and assist us with the delivery of that service.

**Mrs. Taillieu:** Just a couple more questions I have right now.

I'm going to go to this, just for reference, on page [*inaudible*], it talks about your investment into your MLC Holdings Inc. You have properties or holdings or assets or capital in something to the value of \$28.1 million as of the date of this report. I'm just wondering if you could indicate kind of right now if the value is—first of all, let me just back up a bit.

What exactly are the holdings in MLC Holdings Inc.?

**Mr. Hodgins:** I'm told it's primarily our gaming equipment.

**Mrs. Taillieu:** Okay, then, just to clarify. You don't hold property?

**Mr. Hodgins:** For the most part we don't, but it's kind of a mixed bag, to be quite honest. We do have some holdings, but, for the most part, the holdings of the corporation are in the name of Her Majesty, which is the Province. It's actually through government services.

**Mrs. Taillieu:** Just to clarify, then, you hold property through government services in the name of the Province of Manitoba or the name of Manitoba Lotteries commission?

**Mr. Swan:** Maybe I can help to clarify and maybe [*inaudible*]

I think, Mrs. Taillieu, you ask about real property as opposed to personal property. Personal property is the VLTs, and you're asking now about real property, the real estate, the two casino locations, the corporate head offices, if that helps at all.



**Mr. Hodgins:** The property that's in the holding company is largely our gaming equipment. Any of the property that's held in the name of Her Majesty is not in that holding company. It's only the capital assets that were within the Crown corporation's holdings.

**Mrs. Taillieu:** So is there depreciation on those assets then, or how does—I'll let Mr. Hodgins answer.

**Mr. Hodgins:** They are depreciated in the same fashion as all of our other assets. You're looking in the notes of the financial statement, I believe. Earlier on there is this schedule in there that shows you how our assets are depreciated. So all of our assets are depreciated based on that schedule.

**Mrs. Taillieu:** I wanted to ask about your pension plan. I notice that your employees are part of the superannuation pension fund as of 2004. I'd like to know what kind of pension plan. Is it a defined benefit plan?

**Mr. Hodgins:** A defined pension plan. It's a plan which is quite similar to the plan that the provincial civil servants have.

**Mrs. Taillieu:** Again, and I don't want to sound negative on this, but I do need to ask the question because I think it has some implications for people in the organization and for Manitobans. Has there been a significant decrease or loss in the pension funds for MLC employees?

**Mr. Hodgins:** We're part of the superannuation fund, so they would be the ones that would be in the best position to comment on the portfolio. We're, I guess, part of that same portfolio, so we would be in the same position as other civil servants are.

**Mrs. Taillieu:** Do you have a number of people intending to take retirement this year?

**Mr. Hodgins:** They don't always tell me, but I'm not anticipating that we're going to have a significant number of people that are going to retire. There will be some, but we have a relatively young workforce, and so I don't think that we're going to be facing the same challenge that a lot of other organizations are.

So, as far as I'm aware, we're not going to have a significant number of retirements in the organization.

**Mrs. Taillieu:** Okay, a few more questions. In repayment of long-term debt, I notice in 2007, if I'm reading the financial statements correctly—and I'm on page 39 of that report—it appears to me, and correct me if I'm wrong, that the debt repayment last year

was \$39 million, and the debt repayment in 2008 was \$17 million. Am I correct there? Under financing activities, repayment of long-term debt. *[interjection]* Thirty-nine. Financing activities.

**Mr. Hodgins:** Page 39? Oh, okay, sorry. This is a little bit complicated, but you were asking earlier about the holding company. So when we set up the holding company, we transferred our capital assets from the corporation to this holding company. When we did that, we were able to get a tax refund from the federal government, the GST, and it was roughly about \$20 million, and the decision was taken that we would apply that \$20 million to reduce our debt.

\* (20:30)

So that's the reason why there's a significant decrease in our—well, the repayment of our long-term debt, why there's a decrease, because there was a one-time lump-sum payment of the \$20 million in 2007 and so it kind of skews the figures for those two years.

**Mrs. Taillieu:** Okay. So you did this just to take advantage of the tax credit there. *[interjection]* Okay. I still have one more.

Okay, I just had one more question. This is going back to the November 2007 committee *Hansard* notes, and I notice that you said that you had 300 MLC employees who volunteered and contributed 3,600 hours of time on a volunteer basis. They do not get paid for this. Is this volunteer time—I mean how do you know that? I guess it's time that they're given from work to volunteer.

**Mr. Hodgins:** This is time that they contribute themselves on their own time to various community projects within our Community Support program. So they either take vacation time or we have what's called a discretionary leave time that they can choose to use that for the volunteer work that they do. This is not the corporation giving people time off to go and work on these projects.

Let me just give you an example. The Habitat for Humanity is a program that we have been involved in now for three years, and for the last two years we have, as an organization, contributed \$125,000 a year for the build of a house under the Habitat program. The actual build, the volunteer time that is given for that project is from staff from our corporation who take vacation time or DLT time to go on the build. So there are 125 staff from our corporation that have volunteered each year for the

last two years for this build. So that's the kind of thing.

The Manitoba Marathon is another example of where our staff are volunteering their time. Now this is on a Sunday, so staff are going out—not just the staff but their families, and they're going there as early as 4 o'clock in the morning to set up water stations along the course. There are people who work in the infield at the marathon, but this is time that they're giving to their community. I have to say that our staff are excellent in contributing their time for various community projects.

So the figure that I think you quoted there is an example of the kinds of things that people are doing in the organization to, I guess, make our province a better place to live in.

**Mrs. Taillieu:** Well, thank you very much. I think that the staff at the Lotteries commission should be commended for the projects that they do such as you mentioned and others. Forgive me, but it begs the question because here we have November of 2007 and you said last spring and, of course, we had an election in the spring of 2007, so would some of the Manitoba Lotteries' employees have taken discretionary leave to help out with the election?

**Mr. Hodgins:** I'm not sure I can answer. If they did that on their own personal time, that's their decision, but they certainly didn't take any time away from their work at the corporation to do that. I think under legislation if a person wants to get involved they can take a leave of absence to get involved in an election, but in terms of taking time off from their—or taking company time to get involved in an election, that doesn't happen, not as far as I'm aware anyway.

**Mrs. Taillieu:** Mr. Chair, I did want to clarify. I did say discretionary times so I know that it would be their own time, but, you know, it sort of begged the question here when you say last spring. You know, you did distinctly say last spring, as not all through the year or all through last October, but you said last spring, so, recognizing that we did have an election in May of 2007, and there were 300 people that had taken hours in the spring, it just begged the question of, perhaps, did they take discretionary time for that purpose? I certainly think that they can if they want, but I just wondered if you would be able to indicate that.

Actually, I don't think that I have any more questions. So I will turn it back to Mr. Cullen.

**Mr. Cliff Cullen (Turtle Mountain):** I want to go back to a request made by Mrs. Rowat a little while ago, and she had asked for the number of gaming sites over the last seven years. I would like to ask if the number of VLTs in the province might be made available over that same period, that seven-year time period. I'd like to see it broken down by category, and by category I mean rural VLTs, city VLTs, the VLTs within commissioned casinos, First Nations VLTs and any other entities such as Assiniboia Downs or MTS, if the corporation would provide us those numbers over the last seven years. Would that be available?

**Mr. Hodgins:** Yes, we could provide that information.

**Mr. Cullen:** Thank you very much. I certainly would appreciate looking at those numbers.

The minister, in his opening statement, made reference to the fact that a higher commission was going to be paid to the Royal Canadian Legion facilities around the province. I'm sorry, I didn't catch those numbers. Could you just indicate what those percentages are, and what the change is, and when that's taking place?

**Mr. Hodgins:** The commissions were increased from 20 percent to 25 percent for the veterans' organizations. Give me a second, I'll just check.

The effective date of the increase was January '08.

**Mr. Cullen:** Thank you for the answer. What percentage of profits is paid to the hotel and restaurant industry now? Is it the same from urban and the urban, in the city, what percentage is paid to the hotels and the restaurants?

**Mr. Hodgins:** Twenty percent.

**Mr. Cullen:** I guess I ask the question given that certainly the hotel and some of the restaurant business is facing tough times right now and, given the fact that the minister responsible for the liquor commission has actually changed the rates charged for the liquor licences, which has very negatively impacted some of the smaller establishments across Manitoba and especially in rural Manitoba. A lot of those restaurants and hotels have seen their licence fees for liquor almost double. So they certainly are having very serious financial repercussions as a result.

The question is I'm wondering if the corporation is looking at potentially making any change to the

commission paid or the profit sharing paid to the hotel and restaurant business.

**Mr. Swan:** I just want to correct some misinformation on the record. In fact, there was a change for some of the hotels and restaurants that have liquor licences, which actually reduced the overall amount paid by the hotel and restaurant industry—in fact, returned about \$700,000 each year to that industry.

So, now that I've corrected that, we can move on to the second piece, which is the percentage which is paid out to hotels and restaurants. In fact, Manitoba pays out one of the highest percentages of the net win to hotels and restaurants in the entire country.

**Mr. Cullen:** Well, if the minister would like to get outside of the Perimeter, he can go and talk to some of these rural restaurants and hotels that have had their licensing fees more than double over the last year as a result of this government. Clearly, if there are any savings to be had, they will be had by the larger corporations doing business inside the city limits. So, the fact remains, Minister, that's the situation in rural Manitoba.

I take it, by your comments, that you're suggesting that there'll be no change in that 20 percent allocation to restaurants and hotels.

\*(20:40)

**Mr. Swan:** No, I think we've had a pretty positive night and I really resent the suggestion, as minister and as an MLA, that I don't travel outside the Perimeter. If we want to take it down that road, we can go there. I would rather not and keep this—I think we've had a pretty positive night tonight in terms of a lot of questions and a lot of very good answers.

The take, which is permitted to hotels and restaurants, again, across the province, is one of the highest in the entire country and there is no plan at this time to re-examine that.

**Mr. Cullen:** The redistribution program, and I understand it's based on performance, are all agencies, all entities outside of hotels and restaurants looked at when we talk about redistribution, too? Are we bringing in, say, the First Nations communities or Assiniboia Downs or MTS? Are all those entities looked at when we talk about the redistribution process?

**Mr. Hodgins:** No, the redistribution is applicable to the commercial site holders. Those that are outside of

that process are the veterans' organizations, First Nations, Assiniboia Downs and the MTS Centre.

**Mr. Cullen:** Would the corporation be able to share the percentage of profits generated by those other entities, such as Assiniboia Downs and the MTS Centre and First Nations establishments?

**Mr. Hodgins:** Yes, we could provide that information.

**Mr. Cullen:** The corporation, I believe, requested a study be done on the horse racing industry in Manitoba. We've requested that report from the corporation some time ago. The report was not complete. It's our understanding the report is now complete at this time. That report was referenced in the Manitoba Horse Racing Commission's annual report at least once, maybe, twice. I guess, the thought within that report was the report that's being undertaken by the corporation, it could be very important to the future of the horse racing industry in Manitoba.

I'm just wondering what the status of that particular report is?

**Mr. Swan:** Indeed, that result has been received and it has been shared with the Manitoba Jockey Club. Manitoba Lotteries Corporation has been a strong supporter of the Manitoba Jockey Club for the past several years. We are in negotiations now for a new multiyear agreement, a new agreement between the Lotteries Corporation and the Manitoba Jockey Club. We're hoping to get those negotiations completed fairly soon.

**Mr. Cullen:** My question would be, then, when will that report be made available to the public?

**Mr. Swan:** Well, there's been a request made by, I know, your caucus, Mr. Cullen, for that report. We won't be releasing that until we've completed our negotiations with the Jockey Club.

**Mr. Cullen:** I guess I'll take the minister back a couple of years where we had an industry, the standard-bred industry, had been asked by the Province to come up with a funding formula for the standard-bred industry. The industry took it on themselves to see what they could do to, I guess, make sure the industry was going to survive into the future. They were able to acquire a company that was willing to come and do business in Manitoba, spend somewhere in the neighbourhood of, I'm going to say, about \$16 million and put up a racetrack in the Brandon area. They were trying to work with the

Province here in terms of setting up a—I would call it, kind of a racino or a gaming location, so that they could attract visitors to that area and, at the same time, make the racetrack viable and also keep the standard-bred industry alive here in Manitoba.

Unfortunately, the government decision was not to work with that particular group. They were declined requests for VLTs at that time. I guess I'm wondering where that particular industry is going to be left in view of the negotiations that are going on with the Jockey Club behind closed doors. I understand, you know, thoroughbred is certainly a big industry here in Manitoba. We do have a lot of those horses actually come from North Dakota and a lot of that purse money ends up going into the States.

Now, we have a fairly good standard-bred industry here in Manitoba. They are, for the most part, Manitoba-bred horses, and, for the most part, those people live and do business here in Manitoba. We would hate to lose that business here in Manitoba because these families will pick up and move out of the province to go where other resources might be available. I'm trying to get a bit of a sense from the minister if he is aware of that particular industry, and if there are any recommendations in that report that could work to the benefit of that industry.

**Mr. Swan:** What I can tell you, Mr. Cullen, is that all forms of racing, thoroughbred racing, standard-bred, and also quarter horses is an industry which, unfortunately, has challenges across North America. All three of those industries—I think it's going to be fair to say—have been in decline for a number of years, and we are hoping to work out some ways to keep all three of those industries going.

In terms of the thoroughbred industry, certainly the Jockey Club and Assiniboia Downs have had some challenges. There have been some steps they've taken to try and increase their revenue. I know that there have been some requests put forward by other groups dealing with standard-bred and quarter horse racing. If it was a perfect world, I would have all those organizations working more closely together, but, as you probably know, there have been some challenges on that front. Manitoba Lotteries actually has, in the past, supported the standard-bred industry as well. I know that there's a circuit around many towns and villages in southern Manitoba. Our negotiations with the Jockey Club don't stop the Province working with the standard-breds.

**Mr. Cullen:** I guess the question has to be asked: Have you had the opportunity to bring all of the

groups together and have a look at this report, and then kind of work to build a consensus and move forward for the benefit of the entire industry?

**Mr. Swan:** Again, if I could just say that—I'll be as diplomatic as I can—that it's not really seen as one industry. The thoroughbred people, the standard-bred people, and the quarter horse people are all very proud folks, and there have been some difficulties in getting a combined approach to what we could possibly do.

So we will hopefully be negotiating the deal with the Jockey Club, and we can deal with the other industries as we go.

**Mr. Cullen:** Well, I look at your annual report, and under your core values of integrity is we are fair, honest, respectful, transparent and trustworthy.

My view would be, why would you not share this information with the public, as far as the report goes, and, possibly, the agencies concerned. The three of them, if you will, may have some positive input into this. We're negotiating something with the Jockey Club here in closed doors, leaving the other two entities out in the cold, if you will. I just think there would be some benefit in sharing this if we are really going to be transparent about what we're doing. The future of hundreds, if not thousands of Manitobans could be held in the balance here if we're moving down a road which isn't going to work in the long run.

**Mr. Swan:** As I've indicated, the commission always follows its practices, and, as we've indicated, we will be releasing the report to your office once we've concluded those negotiations.

**Mr. Cullen:** Speaking about transparency and trustworthiness and openness, I wonder if the minister could share his role in the discussions that are ongoing with the casino potentially being located just outside the city of Brandon.

**Mr. Swan:** That's a fair question, Mr. Cullen. Manitoba Lotteries has been involved in assisting other First Nations owned and operated casinos. Certainly, with South Beach, we are very pleased that since the last time this committee met, we've signed a new agreement with South Beach. They have a new expanded casino and indeed is doing very well.

I was very pleased to be up in The Pas just a couple of weeks ago with some colleagues from both sides of the aisle as we signed a historic new

agreement with the Aseneskak, and, certainly, I am hopeful, as Lotteries Minister, that the situation in Brandon will be resolved.

\* (20:50)

Manitoba Lotteries Corporation's role certainly is to own the machines that go in and, if requested and if agreed to, assist First Nations casinos to manage and operate their casinos. At this point, as the Lotteries Minister and on behalf of the Manitoba Lotteries Corporation, we are awaiting, hopefully, a resolution to what's going on out there, and we'll give whatever assistance we can as we go forward.

**Mr. Cullen:** Is the Province of Manitoba or your office or any agency within government actively pursuing negotiations that I guess aren't going on in that neck of the woods? Is there an undertaking by the Province to get the parties together?

**Mr. Swan:** As Lotteries Minister, it actually isn't my place to be part of those negotiations. As I understand it, the Assembly of Manitoba Chiefs and the proposed host First Nations have some differences to work out, and as Lotteries Minister I'm not part of those discussions.

**Mr. Cullen:** I'm looking for kind of a clear indication of where the Province is in terms of their policy or their framework on expanding gaming. It looks like it's with First Nations, but what's the framework around that? What is the policy? Is there somewhere we can go to say here's the policy and here's how we're going to develop gaming within the province of Manitoba, who's going to be at the table. Here are the rules they're going to play by in terms of revenue sharing.

Is there somewhere that we have that policy, that the Province has that policy?

**Mr. Swan:** Well, maybe we can move it along by breaking that question down a little bit more. Are you talking specifically about casino development or are you talking about other gaming VLTs at First Nations? Just give me some direction and we can move forward.

**Mr. Cullen:** Well, I guess I am interested in both. Obviously, the hot topic right now is the casino. It's hard for us, sitting down here, being critics to say, well, we'd like to understand the process. If we knew what the process was in black and white, well, that would be great. We could look at it and we could analyze it and we could say whether we agreed with it or not.

But we, and also the public, don't understand the process. We don't understand how casinos are being developed. We don't understand, you know, the relationship by moving VLTs from facility to facility and how things are developed within First Nations. There seem to be different rules for each community and each First Nation establishment there, and we're just looking for the framework and the black and white, what the rules are that we are playing by.

**Mr. Swan:** Well, we're here to talk about the Manitoba Lotteries Corporation. So, I mean, to start with, you say you're not sure about the rules for moving VLTs. We've already been down the road of talking about the redistribution of VLTs, and I will have Mr. Hodgins give more details on exactly how that works if you wish.

We've committed that First Nations that come forward with both the desire and a business plan can have up to 60 VLTs located on reserve property.

Then in terms of a casino, I will leave that for the Minister responsible for Gaming to deal with in his Estimates or in questions that you may wish to put to him, because Manitoba Lotteries is not actively involved in the development of a casino. We stand ready to assist when the Assembly of Manitoba Chiefs and the host communities come back and tell us that they would like to get going.

So if you want to pursue the VLTs on First Nations more, we can certainly do that.

**Mr. Cullen:** Well, I just want to maybe leave a closing comment. In your opening remarks, you said that the corporation here is actively managing gaming in Manitoba. From what we've seen over the last few weeks, quite frankly, it doesn't appear that anyone is managing gaming here in Manitoba. I know that the staff here—once things are established, certainly the corporation itself can manage the day-to-day operations. But, you know, as far as moving forward and understanding what the framework and the policy is within the Province, it's just not very clear.

So I think we as Manitobans would like some clear indication of what the policy framework is for moving the industry forward here in Manitoba.

**Mr. Swan:** Well, that's certainly why we're here. Again, we can answer any further questions you or any of your colleagues have about commercial VLTs, about legion VLTs, about Assiniboia Downs, about the MTS Centre. I can also give you any information you may want on the policy and

numbers in terms of VLTs going on First Nations. In terms of development for the casino, as I've said, we await some advice from the First Nations in western Manitoba, how they intend to proceed. So, if that troubles you, we can try and answer your questions.

**Mr. Graydon:** How many applications are there for commercial or VLTs now in the province of Manitoba? How long is that waiting list?

**Mr. Hodgins:** My understanding is that there are roughly about 10 machines that are on the waiting list. Now, some of the sites have been dealt with through the redistribution that's taking place, but at this point in time—and the list changes almost daily—but the last figure that we have is about 10 machines.

**Mr. Graydon:** Well, I understand that you have 10 machines that are unemployed right now.

**Mr. Hodgins:** I understood your question was: How many machines are on the waiting list for site holders? Was that your question?

**Mr. Graydon:** The question was: How many site holders are waiting for machines?

**Mr. Hodgins:** I'd say there are probably about three or four, but, as I say, it does change daily.

**Mr. Graydon:** The minister I think just indicated that there are up to 60 VLTs for First Nations reserved.

**Mr. Swan:** That's right. A First Nation can ask for up to 60 VLTs. There has to be, first of all, a request from the First Nation. There also has to be an appropriate business plan showing that it would be worthwhile to provide with VLTs.

**Mr. Graydon:** In the case of the proposed casino in Brandon, how many would qualify for there—would there be *[inaudible]* for that casino?

**Mr. Swan:** The casino numbers would be separate and apart from the VLTs that each First Nation can apply for.

**Mr. Graydon:** How many machines would be allocated to a casino?

**Mr. Swan:** That would depend on the size of the casino and the business plan that's put forward by the casino to Lotteries.

**Mr. Graydon:** I wouldn't ask for it tonight, Mr. Minister, but could you provide us with that type of criteria going forward?

**Mr. Swan:** In particular, for the proposed west Brandon casino, if we have the number of VLTs or of gaming machines being requested, we can provide that to you, sure.

**Mr. Graydon:** I'm more interested in—you say the size of the casino relates to the amount of machines that can go there and the business plan put forward. If you would give me a couple of scenarios, hypothetical scenarios, something that I can work with so that I can see how that applies to other gaming centres in our country. Not just necessarily in our province, but I'd just like to compare how our province—tonight we've heard all of the good things that our province compares with the other ones, and I'm sure that we do. I certainly don't doubt your word. I'd just like to see how we compare with some of the nuts and bolts of the criteria that go along with this, and I'm sure you have done that in your business plans as well for MLC.

**Mr. Swan:** Let me ponder that, but I think what I can do is provide you with some information on what those criteria are, and I won't give you a hypothetical. I'd like to actually provide you with the policy. We can do that.

**Mr. Graydon:** I would appreciate that. Yes, it would be best if it wasn't a hypothetical answer to that. The VLTs, the revenue generated for the province in rural Manitoba. Is that separated in your books someplace? I'm not sure that it is in the report, but what I'd like is the revenue generated in rural Manitoba for the Province of Manitoba and what's generated in Winnipeg and Brandon for the Province.

\* (21:00)

**Mr. Hodgins:** We do have that breakdown, but I don't believe that we brought it with us this evening. So, you know, we can provide you with that breakdown. What you're looking for is the VLT revenues in the city of Winnipeg and then outside the city. Is that what you're looking for?

**Mr. Graydon:** If you can provide that for us in the future, that would be great, just for the time constraints, and try to look it up.

I have a question. Everything we're talking about is done in percentages. We talk about 25 percent of the VLT money that comes in goes to the legions and 20 percent goes to the hotels and restaurants and 90 percent to the First Nations. Then, when we go to programs, we look at the responsible gaming programs, and that again, is a percentage. Moving

forward, as much as we all like to think that we are on an island here and that we're immune to recession that the rest of the country is facing, we're going to see that recession here I'm certain, and at the time that that happens, I think we see gaming is probably a resort that people turn to when maybe they have lost their job. They need money; then they go to the game of chance to try and maybe improve their lot.

I'm wondering, then, if this 2 percent—if, first of all, we may see some revenue drop from the people that are responsible gamblers, so to speak, but we see an uptake of problem gamblers. I'm wondering if 2 percent—when we look at 2 percent of a moving target, always, maybe it really isn't going to cover what the problem we may be facing, and I don't think that's a hypothetical problem.

I guess since the last time we've met, I've had several letters and phone calls from particularly one individual who described herself as a compulsive gambler. She made many attempts to go into the Voluntary Exclusion program, and yet she was allowed into the casinos time and time again on a first-name basis with the people that operated the casino. I don't doubt that you have some programs in place, and I'm just really wondering, are the programs working as they're intended, Mr. Minister, or are they just window dressing?

**Mr. Swan:** I'll start by answering your questions, but Mr. Hodgins, I think, will follow-up with more detail on the programs. The first is a fair comment when you say about the percentages, is it dollars? I mean, the 2 percent—it's dedicated toward Responsible Gaming—actually works out to be just over \$6 million in programming for 2008-09. About \$3 million of that was provided to the Addictions Foundation of Manitoba, or AFM, and the other \$3 million or so was provided to other agencies. I'm told that's 375 percent more than the amount of money which was put towards responsible gaming in 1998-99.

In terms of the Voluntary Exclusion program, I will ask Mr. Hodgins to explain in more detail, but the casinos do actually take that very seriously. They do have programs in place to try and keep people who are voluntarily excluded out of the casinos, and if they enter the casinos, to approach them and to remind them of what they wanted the casinos to do. No system is foolproof. Mr. Hodgins will talk a bit more about the efforts that have been made, including facial recognition software, which exists in the two casinos, which is intended to assist casino

staff to identify people who've said they want to be excluded from the casinos. Casino staff are well trained and very careful to deal with people appropriately and in a responsible manner, but no system is foolproof.

I can throw it to Mr. Hodgins by saying that Lotteries is always looking for ways to improve those systems.

**Mr. Chairperson:** Order, please. The hour being just 9 p.m., this committee had previously agreed to review the sitting time at this point, so I'm asking for the will of the committee.

**Mr. Graydon:** I would like to extend the time for at least half an hour, Mr. Chair, and perhaps review it if it's still being beneficial to all participants.

**Mr. Chairperson:** It's been suggested to the committee that we sit for an additional half hour. Is that the will of the committee? *[Agreed]*

Then we'll review the sitting time 30 minutes from now. Thank you to members of the committee.

Mr. Hodgins, did you wish to continue with the response?

**Mr. Hodgins:** I guess just to add to what the minister was indicating. The Voluntary Exclusion program has been in place for quite a number of years and it's one that was largely a manual process. So, at the present time, there are about 890 people that are part of the Voluntary Exclusion program. So it's quite an extensive list of people that our staff are expected to monitor and, I guess, assist those that are trying to get into the casinos to not come in. So it's dependent on our staff being able to, I guess, recall all the people that are part of that voluntary exclusion list and as the minister mentioned, we make our best efforts to try and assist those people not to enter the facilities.

Now, there are a few things that we have done recently. One of the initiatives that the minister mentions is using technology to assist us, and that's using facial recognition. But it is a program that was just introduced and not that long ago. It's dependent on having recent pictures of individuals so that when people are coming into the casinos, the facial recognition program can identify them to our staff and we can then prevent them from coming into the casinos. But it's going to take us a bit of time to be able to get a current, up-to-date database of pictures of individuals who are part of that program. So, from

the time it was introduced, which was a few months ago, we're building our database to try and, I guess, get as many people as possible into that system to assist our staff.

One of the other things that our staff have just recently started doing is our surveillance staff are starting to go out on the floor of the casino to specifically look for people who are part of the Voluntary Exclusion program. We have some people who have remarkable memories, and they know the people that are trying to—you know, that are part of that program. So if they identify those people they will certainly ask them to leave our facilities if they have gained entrance into the casino.

We also have monitors in our surveillance room. You know, pictures of those that are part of the Voluntary Exclusion program are, I guess, brought to the attention of our staff. So it's not just looking through pictures of individuals in a book. So it assists them in that fashion.

I guess the other thing I would say is that we are always looking for other technology to assist us to try and complement what we already have, but the staff do make their best effort to try and keep people out of the facilities that have excluded themselves.

**Mr. Graydon:** I just want to check to see if—how many people did you say were on that program, on the self-exclusion program?

**Mr. Hodgins:** At the end of March, there were about 890 people that were part of that program.

**Mr. Graydon:** I'd just like to set the record straight a little bit when the minister was talking about the amount of money that goes into the program today is a third more than what it was in 1998-1999. I'd probably remind the minister that the income of his numbers are anywhere near correct, is probably double of the income it was in 1998 and 1999. Therefore, on a percentage basis, I would expect the amount of money to be spent in this program to be much higher.

\* (21:10)

I just wonder, maybe touch on the other qualifications or responsibilities that MLC puts on. MLCC puts on different bars if they need to keep track of people that are problem people. I'm talking about people that they would bar. So they have a system that works fairly well that they're not allowed in their establishments. I'm sure that if you had a discussion with these people, they have the

technology and, perhaps, the management that they could probably assist you at a reasonable cost to bring yourself up to speed and, at the same time, perhaps, a monitoring system to see how your plans are working. I'm not sure. Maybe you do have checks and balances in how the program works and how well it's doing and what you're getting for your money. I think the general population would really like to know that. I think it's important, as well, to the gamblers that may not be a problem gambler today, but could become one, to know that there is some safety there.

**Mr. Swan:** I'll let Mr. Hodgins answer the question, but maybe I wasn't clear enough in my comment. The amount of money that's dedicated towards responsible gaming in Manitoba has increased 375 percent since 1998-99, so it's almost five times as high if you add 375 percent to what was being spent.

**Mr. Hodgins:** Just a couple of comments that I would make. One of the things that I maybe should have mentioned to you in my earlier comments is the number of people that are coming to the casinos on an annual basis. We have in excess of five million people visiting the casinos every year, while there is a lot of people that we're monitoring on an ongoing basis. But, having said that, if there are organizations such as MLCC or any other organization that has any technology or any processes that they use to help them with these kinds of issues, we are certainly open to looking at them and adopting them if they can work in our situation.

**Mr. Graydon:** A couple of quick questions on the promotional spending. Can you tell me what the promotional spending is within Manitoba and if there is promotional spending outside of Manitoba and how much that amounts to in a year?

**Mr. Hodgins:** I'm not sure that we have the information broken out in the fashion that you're asking. We can certainly try and put it together. As I understand the question, what you're asking for are the expenditures on promotions that, I guess, are promotional kinds of items that the corporation would, I guess, expend each year. You're not looking at our advertising budget per se, but the promotions, or am I misunderstanding the question?

**Mr. Graydon:** In the report, it's difficult to try and understand where the money is spent. So I would like to know where it is spent and how it's allocated in your report. If we're doing it outside the province, I think the Province of Manitoba and the people of



Manitoba have a right to know where it's going and how much it is and why it's being spent there, so, yes, we would—

**Mr. Hodgins:** We'll have to prepare that information for you in the way in which you're asking. It isn't included in that particular fashion in the annual report, but I think we could probably put it together from our internal reports.

**Mr. Swan:** If I can just add that we'll make every effort to provide that. It may be that the certain breakdown is some information, be something that Lotteries would not want to provide, not that we have any difficulty providing it to you, but if it goes into the public record, it may be something that a competitor might find helpful. So we won't be difficult on this, but there may be some information that, for competitive reasons, we simply can't put into the public domain.

**Mr. Graydon:** You raise a good point, Mr. Minister. I'm not exactly sure who the competitor is in the province of Manitoba.

**Mr. Swan:** Well, in fact, I'm glad you asked the question because, in fact, the competitive environment that Lotteries and the casinos find themselves in is truly competitive. Just several years ago there were only eight casinos located within a day's drive of Winnipeg. I'm told now there's approximately 50 casinos within a day's drive of Winnipeg: Saskatchewan, North Dakota, South Dakota and Minnesota. So, indeed, we are in a truly competitive environment and want to make sure that Manitoba Lotteries and the casinos of Winnipeg are doing their best to retain Manitobans in Manitoba at the facilities but also attracting people from across the area.

**Mr. Graydon:** In your opening statement, you spoke about the strategic planning and the first three-year long-term strategic plan was coming to an end. What does the next strategy entail? What have you got in mind going forward?

**Mr. Swan:** That's a process that actually is undertaken by the board and senior management in terms of the strategic planning. Mr. Valgardson, if you want to enter the discussions, you may.

**Mr. Tim Valgardson (Board Chair, Manitoba Lotteries Corporation):** I think to try and answer your question what I can say is the board meets annually with management. Management brings forward a strategic plan to the board of directors. It's discussed at the board level. If it's approved by the

board, and historically it has been approved by the board, management then relies on that strategic plan to put together its business cases and business plans for the year forward.

**Mr. Graydon:** I have one question. I'm not clear on Lotteries role that they play in the casinos here in Winnipeg. Who manages the casinos? Is that Gaming or is that Lotteries?

**Mr. Swan:** The management of the casinos is the Manitoba Lotteries Corporation.

**Mr. Graydon:** My next question, Mr. Minister, is: Would it be in the best interests of all players in any development of casinos going forward that the Lotteries commission manage them on behalf of, we'll say, the First Nations because that's what's being proposed now—if they would manage that casino on behalf of them for all of the players, all of the 64 bands that are involved?

**Mr. Swan:** Again, there are two separate issues. There's VLT centres which each First Nation may request. Then there's the casinos. If Lotteries was asked to manage a First Nation casino, that is something that Lotteries would attempt to negotiate with the consortium of First Nations or the First Nation.

If First Nations tell us that they want to manage the casino themselves or have another party do that, we are prepared to accept that. We believe that First Nations have the right to greater self-determination and greater opportunities. We will, as Lotteries, provide whatever services they may require.

**Mr. Graydon:** There's nothing in the rule book that says that you couldn't do it. I guess that's my question.

**Mr. Swan:** Well, I believe that if we insisted to the Assembly of Manitoba Chiefs that Manitoba Lotteries would be managing any casino in Manitoba, even if it was owned by First Nations, I think they would be unhappy with that.

Just to clarify one thing, the ownership of the machines always remains within Manitoba Lotteries Corporation. Under the Criminal Code of Canada, we're required to own the machines. So the ultimate authority to keep the machines turned on rests with the Manitoba Lotteries Corporation.

In terms of operating a casino, it is our belief that the First Nations have the right to, within those guidelines, decide how they want to manage those casinos.

\* (21:20)

**Mr. Graydon:** Just for clarification, I didn't insinuate that you would force anybody to do anything. I just asked a simple question if it was possible that you could do that, that there were no rules in the rule book that would indicate that it couldn't be managed the same as other casinos or managed for the rest of Manitobans, and those few casinos—or the casinos in Winnipeg that I had in mind. Thanks very much for the answer.

**Mrs. Rowat:** There are just some follow-up questions to the retail lottery kiosks that I was asking about briefly. Just a couple of further questions. The status of the recommendations of the 2007 Ernst & Young report, there were several recommendations that were made by that company, and I believe that the recommendations are being followed through on some of them.

I'm just wanting to know what the status is of those recommendations and if you could just give me an update on that.

**Mr. Swan:** Just to clarify, Mrs. Rowat, you're talking about the follow-up. You're not dealing with the earlier questions about the Ontario company that had closed its kiosks. You're talking about the Ernst & Young report which was done last year. Is that what you mean?

**Mrs. Rowat:** Yes, I was asking some questions on the kiosks that were closed, and, as a follow-up, I'm wanting to know what the status is of the 2007 Ernst & Young report that was looking at recommendations with regard to stronger scopes of practice in dealing with some outstanding safety issues or consumer concerns.

**Mr. Valgardson:** Yes, I just wanted to clarify one thing. We're now dealing with something that is handled by the Western Canada Lottery Corporation and not Manitoba Lotteries. But I can answer that question for you, and I can tell you that the Western Canada Lottery Corporation, I believe, has now implemented 21 of the 24 recommendations that came out of the 2007 Ernst & Young report and, I believe, is moving on the other three recommendations. You may know that the Western Canada Lottery Corporation worked with the three ombudsmen, the one from Manitoba, from Saskatchewan and Alberta, both on the Ernst & Young report and the recommendations that came out of that report.

**Mrs. Rowat:** Could you indicate to me what three recommendations are still outstanding?

**Mr. Valgardson:** We would have to get back to you on that because I couldn't answer which three are currently not completed as of yet.

**Mrs. Rowat:** I believe that the Deloitte Touche report review is currently being looked at as well. I believe that they were doing a review of the statistics and looking at some time lines and scope. I'm just wanting to know if the minister or, I guess, Mr. Hodgins can give me an update on that review as well. I believe it's a follow-up to the 2007 report, or is it something that's totally new in scope? If you could just give me some background and the status of that report.

**Mr. Swan:** I'll start and I expect that either Mr. Hodgins or Mr. Valgardson will have a bit more detail. In the fall of 2008, the Western Canada Lottery Corporation started talking with Deloitte Touche about doing some work, asking them to conduct a forensic audit and a review of the winners' data base and to have another look at the current security practices of WCLC and the retailers across the west. So I understand there has now been a formal engagement letter that was signed in February 2009 and that Deloitte Touche will be going forward with that process.

**Mr. Valgardson:** Yes, and I can just add to that that the Western Canada Lottery Corporation is just currently finalizing the terms of engagement for Deloitte on the project. They have met with the Ombudsman from Manitoba as well as the ombudsmen from Saskatchewan and Alberta. It's been agreed between the parties that the terms of engagement for Deloitte will be shared with the ombudsmen once they're finalized by the Western Canada Lottery Corporation.

**Mrs. Rowat:** So what will the role be of the Lotteries commission? Will they be a part of that review, or—

**Mr. Valgardson:** Manitoba Lotteries Corporation?

**Mrs. Rowat:** Yes, thank you.

**Mr. Valgardson:** The Manitoba Lotteries Corporation really doesn't play a role in that respect. It's the Western Canada Lottery Corporation that undertakes that and is doing so with Deloitte and the Ombudsman.

I can tell you that I sit, as the chair of Manitoba Lotteries, I sit on the Western Canada Lottery

Corporation Board and that's how I'm able to answer the questions.

**Mrs. Rowat:** So the report from Ernst & Young, is that available? We had asked for the report several months ago, and I believe that we've just recently received it through the CBC Web site, but there was nothing available on the Lotteries commission's Web site. Is there a reason why it's not available on the Lotteries Web site?

**Mr. Valgardson:** The Ernst & Young report is on the Western Canada Lottery Corporation Web site and I believe it has been for quite some time now.

**Mrs. Rowat:** The Ombudsman office, you had indicated that they're involved in the investigation. Could you give me a bit of information on the scope of the Ombudsman's role in that, the Manitoba Ombudsman?

**Mr. Valgardson:** I'd just like to correct you. I did not indicate to you that the Ombudsman was involved in the investigation. I said to you that the Western Canada Lottery Corporation had met with the Ombudsman and it shared with them what the go-forward was and what the plan of the Western Canada Lottery Corporation, and it was agreed amongst the parties that the terms of reference or the scope of engagement of Deloitte would be shared with the Ombudsman and that the final report coming out from Deloitte would be shared with them.

I can take you even back a little bit further and advise you that when the Ernst & Young report was commissioned by the Western Canada Lottery Corporation we undertook the exact same process. We met with the three ombudsmen when we were about to engage Ernst & Young. We shared with the three ombudsmen the terms of reference of the scope of engagement of Ernst & Young and provided them with the final report. We then gave them updated reports as we were implementing the recommendations for changes.

**Mrs. Rowat:** Just to clarify, it is my understanding that the Ombudsman was a part of the investigation, or is a part of the investigation, or has said that they will be investigating some of the recommendations and the follow-through in those recommendations. Am I incorrect?

**Mr. Valgardson:** You are using the word "investigation," and I am reluctant to use that word because nobody has used it with me, certainly not the Ombudsman.

My discussions and the Western Canada Lottery Corporation's discussions with the ombudsmen, both for Manitoba and for Saskatchewan and Alberta, is that we will share with them the terms of engagement and we will share with them the final report that we expect to get from Deloitte.

**Mrs. Rowat:** Okay. I'll change the word.

Is there a dialogue with the Western Canada Lottery commission and the Manitoba Lotteries commission? Is there going to be a continued dialogue with the Ombudsman's office to ensure that recommendations that have been presented through the '07 report and the upcoming review—is there going to be continued dialogue with the Ombudsman, and has there been a request by the Ombudsman to continue that dialogue?

**Mr. Valgardson:** Any dialogue with the Ombudsman will not involve the Manitoba Lotteries Corporation. It is involving the Western Canada Lottery Corporation and what has been agreed to between the Western Canada Lottery Corporation and the Ombudsman is to share the terms of engagement, or the scope of engagement, with Deloitte. All parties would be free at that time to discuss the scope of engagement and, if the Ombudsman had a concern or wanted that expanded, I am sure they would advise us of that and, quite frankly, I would expect to meet with the Ombudsman when we present them with the terms of engagement.

\* (21:30)

Similarly, when we get the report, I would expect the Ombudsman would be interested in not only what the report said, but if any recommendations come out of that report as to what steps the Western Canada Lottery Corporation has taken to implement it. I can advise the member that, I believe it was July of last year, we received notification from the Ombudsman that they were satisfied with the steps the Western Canada Lottery Corporation had taken with respect to the implementation of the recommendations in the Ernst & Young report. So I expect we'll be working with them in a similar way on a go-forward basis.

**Mrs. Rowat:** One further question to that point: Are there any time lines that you can share with me with regard to the scope and review that is going to be undertaken.

**Mr. Valgardson:** There isn't really a time line. I can tell you that the desire of the Western Canada Lottery Corporation and of the board is to ensure that

the terms of engagement and the scope of Deloitte is adequate to meet the needs of the corporation. So, as the minister said to you, these meetings started with Deloitte in the fall or early winter of 2008. A letter of understanding, I believe, was entered into in February, and we're currently in the process right now of finalizing the terms of engagement. Once that is done, that will be shared with the Ombudsman and what comes out of that will be Deloitte being retained to move forward with the report.

**Mr. Kevin Lamoureux (Inkster):** I do have a couple of brief questions. I raised the issue in terms of question period late last fall regarding scratch and save, and I'm wondering if the minister can indicate through me to Manitobans that this is an issue that will be dealt with. I look for his comment.

**Mr. Swan:** Since last fall when CBC, I suppose, asked some questions about this issue, there was a class action suit that's been brought by the Merchant Law Group in Saskatchewan, and as well against a few other lotteries corporations across the country. I understand that lawsuit hasn't gone very far, but as it is an outstanding lawsuit, there is really very little that Manitoba Lotteries can say.

**Mr. Lamoureux:** Is the government, then, of the opinion that there is nothing wrong with allowing consumers to continue to purchase the scratch-and-win tickets, knowing full well that the grand prize has actually been won?

**Mr. Swan:** Well, just again to clarify for Mr. Lamoureux, the scratch-and-win games are actually run by the Western Canada Lottery Corporation, of which the Manitoba Lotteries Corporation is one partner. The three prairie provinces as well as the territories are partners in the WCLC, and together those jurisdictions decide on appropriate practices for the various scratch-and-win and other games.

**Mr. Lamoureux:** Mr. Chair, I would ask the chairperson of Manitoba Lotteries whether or not he, representing Manitoba Lotteries, has expressed to Western Lotteries that this is an issue that has to be dealt with and what is Manitoba's position.

**Mr. Valgardson:** I can tell you I serve on the board of the Western Canada Lottery Corporation. All of our games are discussed at the board. Rules of the games are discussed at the board. Those games are constantly looked at for ways in which they can be improved.

I'm somewhat reluctant to discuss the scratch-and-win game in particular right now, as it is the

subject of a lawsuit, and, quite frankly, it's not only the subject of a lawsuit in the western Canada jurisdiction, it's the subject of a class action lawsuit right across the country. Every lottery jurisdiction in this country is facing the same class action lawsuit. So it's very difficult to answer those questions given that it's currently before the courts.

**Mr. Lamoureux:** I think it's important for us to recognize there are some jurisdictions in North America that have, in fact, taken legislative steps to ensure that the consumers are, in fact, being protected. If the political will in the Province of Manitoba was to do likewise, they, too, would be able to protect the interest of the consumer.

My question, and this is my final question, is of a very specific nature: Does the head of Manitoba's Lotteries believe that it is appropriate to be selling a ticket when the grand prize has already been won? I'm referring to the scratch tickets.

**Mr. Swan:** Maybe I can help out, Mr. Lamoureux. There's a number of facts that I think you should be aware of. First of all, for scratch-and-win games, the major prize, as you call it, is usually only a very small amount of the total prizes which are available. For most games, the major prize is no more than 7 percent of the total prize pool.

I think you should also be aware that the Western Canada Lottery Corporation provides to players detailed information on the Web site which is updated once a week, every Thursday morning, and also through their toll-free number about the games they play, the odds of winning and the prizes which are still remaining. As well, scratch-and-win tickets carry a disclaimer on the back of all tickets which remind everybody that some of the prizes offered by this game may already have been claimed. The current policy of the WCLC is that scratch-and-win tickets with top prizes of \$500,000 and over are removed from the marketplace once all the prizes over \$10,000 have been won.

**Mr. Chairperson:** Order, please. As previously agreed, this committee had agreed to extend the sitting time this evening for an extra 30 minutes and we've reached that point in time. What's the will of the committee?

**Mr. Graydon:** I would ask the indulgence of the committee, with the answers that we've got, to extend it until 10 o'clock, Mr. Chairperson. We don't get to sit that often, it's been fairly productive, and I

think we're on a theme that is going to carry on with its productivity.

**Mr. Chairperson:** It's been suggested to this committee that we continue to sit until 10 p.m. Is that agreed by the committee? *[Agreed]* Then we'll proceed with the questions.

**Mr. Graydon:** I just want to thank you for agreeing and I'll turn it over to my colleague.

**Mrs. Rowat:** I'm just going through my notes here and I've come across an article that says that the Manitoba Ombudsman is reopening the case on lottery wins. It appears that the Manitoba provincial Ombudsman will be looking at the Western Canada Lottery system in the near future.

So I guess I just want to go back to that for a second and just ask for further clarification on this, just sort of see if the minister or if Mr. Hodgins is willing to just give me some background on exactly what the parameters are in this additional review that is being taken on by the Ombudsman.

**Mr. Valgardson:** I believe what you're referring to is one of the media reports that came out surrounding this issue. I can tell you that I'm not aware of the Ombudsman being involved in any type of reinvestigation. I'm not aware of the Ombudsman opening any file or reopening any file with respect to this issue.

I can tell you that the primary purpose that Deloitte will be looking at for the Western Canada Lottery Corporation is taking a look at the recommendations made by Ernst & Young with respect to player protections and advising us if there are other player protections that we could incorporate to better protect the player on the lottery system.

**Mrs. Rowat:** With regard to complaints that individuals would make, is there a complaint process that is currently used by your department in dealing with complaints? Can you walk me through a process where if somebody had a concern or a complaint with regard to an issue with a retailer, what would that individual do to file a complaint?

\* (21:40)

**Mr. Valgardson:** I take it you're referring to a complaint with respect to a lottery product. Typically, what would happen is a complaint could come from a number of different ways, but the complaint would ultimately go to the Western Canada Lottery Corporation that would take the

complaint and do the initial investigation into that complaint.

If the complaint could not be answered through the file kept at the Western Canada Lottery Corporation and its server, that would be turned over to the individual province, in Manitoba's case to the Manitoba Lotteries Corporation, who would then investigate the case further and make recommendations on that. I can tell you that that's currently the process in place.

**Mrs. Rowat:** Does the organization keep stats of complaints and the types of complaints received from clients?

**Mr. Valgardson:** To answer your question with one word, the answer is yes, but I'd like to answer it a little bit further than that.

Coming out of the Ernst & Young review, the Western Canada Lottery Corporation incorporated a broad-based database to collect and gather data on complaints. There's a comprehensive list of complaints that is currently kept.

**Mrs. Rowat:** Is that information available to the general public? If I had requested that information from you tonight, would I be able to receive a detailed copy of the complaints, the types of complaints and the number of complaints that you receive?

**Mr. Valgardson:** That is not information that we could provide to you because of our privacy laws surrounding the disclosure of that type of information. I can tell you that that was one of the recommendations that came out of Ernst & Young. It was dealt with the ombudsmen. The ombudsmen saw what was implemented by the Western Canada Lottery Corporation.

I've referred you earlier to a letter we had received in July from the Ombudsman. If you give me one sec—what the three ombudsmen said with respect to that is we are impressed with the steps the WCLC has taken in response to the issues identified. So I believe they were in approval in the processes adopted by the WCLC with respect to your question.

**Mrs. Rowat:** Thank you, Mr. Chair. I'd like to know what part of the statistics would be considered a breach of confidence in providing this information.

**Mr. Valgardson:** I think what you were asking me for are the actual complaints, and complaints would have a lot of details of names and addresses. If what you're asking me for are certain kinds of statistics, in

other words how many complaints do you have that somebody hasn't received the right winnings for a ticket, that could possibly be made available.

**Mrs. Rowat:** I think that is one of the recommendations that has been made, is that you keep a central registry of the types of, or the numbers of complaints and the types of complaints, so I would assume, then, that, statistically, that type of information would be available. I would appreciate receiving that.

I do believe, based on the report from Ernst & Young, that they were at a period of time—I think in 2004 the number of complaints were lower. The increased number in complaints has risen. I'm just curious to see over the last few years where those numbers are at. I do understand, based on, obviously, education and some of the issues that have been coming forward with regard to complaints or situations with retailers, obviously, the numbers are going to increase, but I would like to know if I could get a copy of the statistics with regard to the number of complaints and probably the types of kinds of complaints. I don't need the details. I just need to know what types of complaints and that type of thing. So, if I could get that information, I'd appreciate it.

**Mr. Valgardson:** Yes, we could certainly look at that for you.

**Mr. Lamoureux:** I want to follow-up with the scratch-and-win tickets for the chairperson. I suspect that the chair of Manitoba Lotteries is very much familiar with his clients and the consumers. If you have a consumer that's going to one of these ticket kiosks and they're aware that the \$25,000 grand prize has already been handed out or given, does he believe that would have an impact on their decision to purchase a ticket?

**Mr. Valgardson:** That's an extremely difficult question to answer because our sales of the tickets continue to be strong notwithstanding the press around that issue. I think that partly answers your question.

As the minister had indicated to you, the WCLC keeps a Web page where all prizes that have been claimed are posted on that Web page—all prizes claimed that we're aware of. Part of what you have to understand, sir, is that people have 12 months to cash a winning ticket. So some tickets with the major prize or a significant prize could be in the visor of their car that they haven't claimed yet. A ticket could

be sold that is the major prize that's going to be a birthday gift or a Christmas gift that isn't going to be given away for a while. So the major prize could have been sold and we're simply not aware of that. When we become aware of that, we advise the purchasers on our Web page of that. We provide a disclaimer on the back of every single scratch-and-win ticket advising people that some of the prizes may have been claimed, and if that, we see, where on games of one of the major prizes is \$500,000 or more, that we pull the ticket once all the major prizes have been claimed.

**Mr. Lamoureux:** What we're talking about is the tickets where the grand prize has knowingly been won. My understanding of the consumer market is that it would have a dramatic impact if the consumer actually had a choice. They can buy this \$2 ticket where the grand prize is won or this \$2 ticket where the grand prize has not been won. Is my perception wrong, that that wouldn't have an impact on the consumer?

**Mr. Swan:** I don't think that Mr. Valgardson or Mr. Hodgins can answer a hypothetical question about what an individual lottery consumer may or may not think. Mr. Valgardson has indicated, despite the media reports, that sales of scratch-and-win tickets remain strong. People that play the games are aware that there is a whole range of prizes, again, that the large prize in most cases is no more than 7 percent of the total prize pool. People are aware that tickets are being sold. Actually, it's a sign of how much confidence we have in the system that, when Western Canada Lottery Corporation distributes the tickets, there is no way to know where the winning ticket is. It could be in the Yukon, it could be in Alberta, it could be in Manitoba. The procedures are actually so safe that nobody knows where the tickets may be.

Certainly we want people to have that information. There've been steps taken by Western Canada Lottery Corporation to provide that if consumers want some more information and want to know how many tickets are still outstanding. But again, as Mr. Valgardson said, just because the Web site shows that all the tickets, the large winning tickets are remaining, they may already be sold. They might be sitting in the visor of somebody's car. They may have accidentally been thrown out. They may be sitting under the Christmas tree. So there is a lot of variables and people who buy scratch-and-win tickets are aware of those variables.

**Mr. Lamoureux:** Mr. Chairperson, based on the answers that I've received, I think that we're underestimating the intelligence of Manitobans and their consumers. It's somewhat disappointing where it's kind of like a doubletalk around the question at hand.

Let me ask if the minister is wanting to be so transparent, he makes reference to the Web site and so forth, why then would he oppose that once a grand prize has been known, a retailer is obligated to put up a visible sign indicating that the grand prize has been won on these scratch-and-win? Why would you oppose doing something of that nature?

\* (21:50)

**Mr. Swan:** Well, with all due respect, Mr. Lamoureux, I think actually your comments underestimate the intelligence of Manitoba consumers. Consumers have a decision. They can make the decision to buy tickets or to not buy tickets. Given the way that scratch-and-win tickets are distributed, sold—so we have a system, frankly, that works. There's absolute confidence that the tickets, as they're manufactured and distributed, are fairly distributed across not just Manitoba, but western Canada. If people are troubled by the fact that a prize which is 7 percent of the prize pool may have been sold, then it's their choice not to buy a ticket. There are all kinds of other lottery products that they're able to purchase if they prefer.

**Mr. Chairperson:** Mr. Lamoureux, did you have further questions, sir?

**Mrs. Taillieu:** Mr. Chair, I just wanted clarification on a previous question and it was in regard to monitoring or determining public satisfaction. When you did the surveys or focus groups—and you mentioned that you used two companies. You said Probe Research and kisquared? Sorry.

I don't remember if I asked the question or whether you answered it, but are those tendered contracts or awarded contracts?

**Mr. Hodgins:** Tendered.

**Mrs. Taillieu:** One more. Can you tell me the amount that's spent on determining that kind of information?

**Mr. Hodgins:** I don't have that information with me this evening but, I mean, we go through a competitive process and we do that for all the contracts, not each and every contract, but the bulk of our contracts are tendered contracts.

**Mrs. Taillieu:** Are contracts always awarded to the lowest bidder?

**Mr. Hodgins:** Not necessarily, no. For the most part we use what's called a two-envelope process we go through. We evaluate the company on the basis of their bids, excluding what their costs are going to be. Once we've gone through the evaluation of the first process, we then open the cost of the contract and we divide the valuation score into the price that they quote, and we use a point system to award it. So, when you ask is it always the lowest bid, it may not necessarily always be the low bid. Generally it is, but you could have somebody who has clearly got more qualities and skills to offer for a particular contract. Their price might be slightly higher but when you do this ratio they will come out as the best company. So what we're doing is we're looking for the best value for money and awarding our contracts.

**Mrs. Taillieu:** With kisquared and Probe, were they the lowest bidders in these contracts?

**Mr. Hodgins:** I can't tell you that tonight. I mean, we have hundreds of contracts that we award. I can tell you, in this particular case, I think that they were awarded actually a year or two ago.

**Mrs. Taillieu:** Just one further—how long is the contract for?

**Mr. Hodgins:** I can't tell you that, either. That would be information that I have to get for you. I really don't know, and I don't want to tell you something that I'm not sure about.

**Mrs. Taillieu:** Perhaps I could get the answers to those questions then from you in the future sometime. Thank you.

**Mr. Graydon:** Thank you, Mr. Chairman. Could you tell me the criteria for a new site? I'm thinking that there's some hotels that are closing for whatever reasons in rural Manitoba. Whatever the reasons are, they're closing. These VLTs become available for redistribution. So I just need to better understand, where we've had a hotel, and nothing for 10 miles in every direction, and a hotel closes but there's a club there—it's called a club, it's a licensed club, licensed for alcohol and food—what would they have to do to get machines?

**Mr. Hodgins:** The first thing that they have to do is that they have to get a licence from the Manitoba Liquor Control Commission to have a licensed premise. That's the first requirement. Then they would make application to our corporation for VLTs,

and then we would take a look at their liquor licence, the number of seats that have been approved for their particular facility, and they would then be evaluated on the basis of, I guess, that information.

**Mr. Swan:** Just so we don't leave the wrong impression, are you talking about a private club applying?

**Floor Comment:** No.

**Mr. Swan:** Okay, another hotel or restaurant.

**Mr. Graydon:** Just to clarify that, Mr. Minister, and for you, Mr. Hodgins, it's a club, not a private club, a public club. There's a membership at large for the club. It has a liquor licence today. It is there. I just wanted to know what the criteria is for them, because there have been hotels closing in that area and not operating.

**Mr. Hodgins:** I'm told that private clubs do not qualify for VLTs.

**Mr. Graydon:** I thought I made that clear. It's not a private club; it's a public club. It's open to the public at all times. There are a few of those in the province. I know it's probably a shock to the minister, but he's new in that position; I'm just having fun now. But the club has been in operation for probably 20-some years. The hotel within five, six miles closed and there's a possibility that they'll be looking for VLTs.

The other situation, then, you say it has to have a liquor licence before they can qualify for gambling. But, yet, if you offer a liquor licence to a new club today, they can't have a pool table. I mean, that's irrelevant to the question I started with, but that's been turned down by this minister.

**Mr. Swan:** Maybe you could save half of that question for when the liquor commission is up. That's why I clarified this because I think we need a bit more information, Mr. Graydon, before we can give you a definitive answer because the nature of a club is a club from which the public can be excluded. Even if a private club may have a very welcoming approach to get people in, I think we would need to know more details before we could really answer your question. I just want to make sure we don't leave you with the wrong impression tonight.

**Mr. Graydon:** All clubs can have the right to exclude people. All hotels have the right to exclude people. All the bars that there are VLTs in have the right to exclude people.

**Mr. Swan:** Well, that may be in certain cases. There are limits on why and for what reason somebody can be excluded from a hotel which is normally open to the public. I'm not trying to be difficult, Mr. Graydon; I just think we need more information before we can give you a better answer. We need to understand more about the nature of the club, how they operate, probably their by-laws, before we could really give you a good answer. I don't want to give you the wrong answer tonight.

**Mr. Graydon:** Okay, thank you. I will get you that information and we will follow this up.

**Ms. Marilyn Brick (St. Norbert):** I just wondered if we could canvass the room to see if we can pass any of the reports that are here.

**Mr. Chairperson:** Has the committee concluded with the questions for this evening?

**Mr. Graydon:** I believe that we have concluded this evening, Mr. Chairperson.

**Mr. Chairperson:** And we're ready to proceed with the reports, Mr. Graydon?

**Mr. Graydon:** We are prepared to proceed to pass one report, 2003-2004, Mr. Chairperson.

**Mr. Chairperson:** All right, thank you.

Annual Report for the Manitoba Lotteries Corporation for the year ended March 31, 2004—pass.

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

**Some Honourable Members:** Pass.

**An Honourable Member:** No.

**Mr. Chairperson:** The 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.

**An Honourable Member:** No.

**Mr. Chairperson:** I heard a no. 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.

**An Honourable Member:** No.



**Mr. Chairperson:** I hear a no. The report is not passed.

Shall the Annual Report of the Manitoba Lotteries Corporation for the year ended March 31, 2008, pass?

**Some Honourable Members:** Pass.

**An Honourable Member:** No.

**Mr. Chairperson:** I hear a no. The report is not passed.

The hour being 9:59 p.m., what's the will of the committee?

**Mr. Graydon:** I would like a closing remark, Mr. Chairperson. I would just like to thank the staff tonight for their patience, for coming in tonight and

the patience that they showed to the questions that we asked. We really appreciate that.

I would also suggest to the minister that we would be prepared to pass more resolutions if we have more meetings. Thank you.

**Mr. Chairperson:** It sounds like the committee's ready for committee rise.

The time being 10 p.m., committee rise.

For information of committee members, if you don't need the reports before you, please leave them here for subsequent meetings. Thank you.

Committee rise.

**COMMITTEE ROSE AT:** 10 p.m.

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