

First Session - Fortieth Legislature
of the
Legislative Assembly of Manitoba
Standing Committee
on
Crown Corporations

Chairperson
Mr. Bidhu Jha
Constituency of Radisson

Vol. LXIV No. 5 - 6 p.m., Monday, April 23, 2012

ISSN 1708-6604

MANITOBA LEGISLATIVE ASSEMBLY
Fortieth Legislature

Member	Constituency	Political Affiliation
ALLAN, Nancy, Hon.	St. Vital	NDP
ALLUM, James	Fort Garry-Riverview	NDP
ALTEMEYER, Rob	Wolseley	NDP
ASHTON, Steve, Hon.	Thompson	NDP
BJORNSON, Peter, Hon.	Gimli	NDP
BLADY, Sharon	Kirkfield Park	NDP
BRAUN, Erna	Rossmere	NDP
BRIESE, Stuart	Agassiz	PC
CALDWELL, Drew	Brandon East	NDP
CHIEF, Kevin, Hon.	Point Douglas	NDP
CHOMIAK, Dave, Hon.	Kildonan	NDP
CROTHERS, Deanne	St. James	NDP
CULLEN, Cliff	Spruce Woods	PC
DEWAR, Gregory	Selkirk	NDP
DRIEDGER, Myrna	Charleswood	PC
EICHLER, Ralph	Lakeside	PC
EWASKO, Wayne	Lac du Bonnet	PC
FRIESEN, Cameron	Morden-Winkler	PC
GAUDREAU, Dave	St. Norbert	NDP
GERRARD, Jon, Hon.	River Heights	Liberal
GOERTZEN, Kelvin	Steinbach	PC
GRAYDON, Cliff	Emerson	PC
HELWER, Reg	Brandon West	PC
HOWARD, Jennifer, Hon.	Fort Rouge	NDP
IRVIN-ROSS, Kerri, Hon.	Fort Richmond	NDP
JHA, Bidhu	Radisson	NDP
KOSTYSHYN, Ron, Hon.	Swan River	NDP
LEMIEUX, Ron, Hon.	Dawson Trail	NDP
MACKINTOSH, Gord, Hon.	St. Johns	NDP
MAGUIRE, Larry	Arthur-Virden	PC
MALOWAY, Jim	Elmwood	NDP
MARCELINO, Flor, Hon.	Logan	NDP
MARCELINO, Ted	Tyndall Park	NDP
McFADYEN, Hugh	Fort Whyte	PC
MELNICK, Christine, Hon.	Riel	NDP
MITCHELSON, Bonnie	River East	PC
NEVAKSHONOFF, Tom	Interlake	NDP
OSWALD, Theresa, Hon.	Seine River	NDP
PEDERSEN, Blaine	Midland	PC
PETTERSEN, Clarence	Flin Flon	NDP
REID, Daryl, Hon.	Transcona	NDP
ROBINSON, Eric, Hon.	Kewatinook	NDP
RONDEAU, Jim, Hon.	Assiniboia	NDP
ROWAT, Leanne	Riding Mountain	PC
SARAN, Mohinder	The Maples	NDP
SCHULER, Ron	St. Paul	PC
SELBY, Erin, Hon.	Southdale	NDP
SELINGER, Greg, Hon.	St. Boniface	NDP
SMOOK, Dennis	La Verendrye	PC
STEFANSON, Heather	Tuxedo	PC
STRUTHERS, Stan, Hon.	Dauphin	NDP
SWAN, Andrew, Hon.	Minto	NDP
TAILLIEU, Mavis	Morris	PC
WHITEHEAD, Frank	The Pas	NDP
WIEBE, Matt	Concordia	NDP
WIGHT, Melanie	Burrows	NDP
WISHART, Ian	Portage la Prairie	PC

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

Monday, April 23, 2012

TIME – 6 p.m.

LOCATION – Winnipeg, Manitoba

CHAIRPERSON – Mr. Bidhu Jha (Radisson)

VICE-CHAIRPERSON – Mr. Matt Wiebe (Concordia)

ATTENDANCE – 11 QUORUM – 6

Members of the Committee present:

Hon. Mr. Ashton, Hon. Ms. Selby, Hon. Mr. Swan

Messrs. Altemeyer, Briese, Ewasko, Graydon, Jha, Nevakshonoff, Mrs. Stefanson, Mr. Wiebe

APPEARING:

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

Ms. Bev Mehmel, Director, Corporate Social Responsibility, Manitoba Lotteries Corporation

MATTERS UNDER CONSIDERATION:

Annual Report of the Manitoba Lotteries Corporation for the fiscal year ending March 31, 2010

Annual Report of the Manitoba Lotteries Corporation for the fiscal year ending March 31, 2011

* * *

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

First item of business is the election of a vice-president. Are there any nominations? Vice-Chairperson, sorry.

Mr. Rob Altemeyer (Wolseley): I would like to nominate Mr. Matt Wiebe, MLA for Concordia.

Mr. Chairperson: Matt Wiebe has been nominated. Are there any other nominations?

Hearing no other nominations, Matt Wiebe is elected as Vice-Chairperson.

The committee has been called to consider the following reports: Annual Report of the Manitoba Lotteries Corporation for the fiscal year ending March 31, 2010; Annual Report of the Manitoba Lotteries Corporation for the fiscal year ending March 31, 2011.

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

Mr. Cliff Graydon (Emerson): I would suggest that we sit till at least 8 o'clock, Mr. Chairman, and then re-evaluate whether we have any—have we made any progress and are there still questions to be asked.

Mr. Chairperson: Mr. Graydon suggests 8 p.m. Is that agreed? *[Agreed]*

Are there any suggestions as to the order in which we should consider these reports?

Mr. Graydon: I would suggest that we address the reports globally, Mr. Chairman.

Mr. Chairperson: It has been suggested we address the reports globally. Any other suggestions, or agreement? *[Agreed]*

Does the honourable minister wish to make an opening statement, and would he please introduce the officials in the attendance?

Hon. Steve Ashton (Minister charged with the administration of The Manitoba Lotteries Corporation Act): Yes, Mr. Chairperson, I do, and good evening. It's a real honour to be here again as Minister responsible for Manitoba Lotteries, and I do want to make a number of introductions.

With us we have our board chair, Tim Valgardson; Winston Hodgins, the president and CEO; Tracy Graham, executive vice-president and chief financial officer; Peter Hak, executive vice-president of corporate services; Susan Olynik, vice-president, corporate communications, social responsibility; Marilyn Robinson, vice-president, people services and business transformation; Larry Wandowich, vice-president of community relations and corporate security; and Bev Mehmel, the director of corporate social responsibility.

I do want to highlight a couple of the key elements in terms of policies, but I do want to begin by putting on the record again how Manitoba Lotteries is being recognized as a model employer, and I can say, as minister, having had the opportunity to be minister the last couple of years, I've had the chance to see directly what is certainly being recognized. It's been recognized as one of Canada's top 100 employers and it's a first-time honour for Manitoba Lotteries, which I know everyone is very proud of, to receive recognition for budgetary excellence by the Government Finance Officers Association of the US and Canada, and this is the eighth consecutive year that it has been recognized for this. These are just two of the recognitions that have been received, and I think it's important to put on the record. Really, it's a reflection of what, I think, most Manitobans would know anyway, which is the degree to which it's a very well-run corporation.

Since our last committee hearing a year ago, there's been a number of new initiatives, and I will give a bit of a quick summary of some of the significant initiatives of the last year and going ahead into the future. First of all, April 5th of this year we announced that Manitoba Lotteries is partnering with British Columbia Lottery Corporation to deliver online gaming for Manitobans. This builds on BCLC's existing secure website platform. For us, it was not a decision we took lightly. We looked at all of the various aspects of it, but if you consider the number of unregulated sites that are already in existence, we felt it made sense to have a regulated site right here in Manitoba with the social responsibility features and of course with the revenue staying in our province. We expect online gaming to be operational the first quarter of 2013.

The initial net income the first year will probably be in the range of \$1.5 million, which will grow over time, and I'm certainly willing to get into questions, if members have any questions, about what the business plan is. I do want to note that 5 per cent of the revenue has been earmarked for MLC responsible gaming initiatives, and that is over and above what's been the traditional 2 per cent. I mean, ironically, when it comes to online gaming, when we're dealing with problem gamers, in many cases if it's online gaming—but right now, it's nothing to do with Manitoba Lotteries or with the Province of Manitoba. But you are—you know, we're recognizing that it is a category of gaming and it's recognized in that. And we have 15 per cent dedicated to provincial

programming for Aboriginal sport and recreation activities. I think if you look across the province, you'll see very much why that, you know, is a very important need in our communities.

In terms of the corporation's VLT terminal aspect of what we do, we'll be replacing the entire network of VLTs later this year at over 500 sites in Manitoba. That includes First Nations, commercial and veteran sites. With the installation of the VLTs there'll be greater variety of gaming options available to customers. It's very important again to note the history of the program and what the program does. It's very important to its support for hotels and small businesses, particularly in rural communities. Sixty-five per cent of the revenue goes to provincial programs. That's everything from health care through to education; 25 per cent goes to community economic development projects, whether it's REDI or UDI; and 10 per cent of course is to provide unconditional grants to Manitoba's municipalities, LGDs, towns and Northern Affairs communities, and also as well in terms of Winnipeg Police Service through the City of Winnipeg.

* (18:10)

Certainly, from a community support perspective, we provide events for many organizations throughout the province. We have 400 groups that now participate in the bingo volunteer program, and I would also point to some of our other support programs as well. We've been working to design a Manitoba youth through Sport Manitoba's Respect in Sport certification program. We were involved in this NHL season and, of course, that's a first, the Flight Deck program, which brought over 900 deserving youth and their coaches to see the Jets and people came from afar—as away as Cranberry Portage and Red Sucker Lake in northern Manitoba. And also, sports is something that is of major focus. Lotteries has initiated the creation of a program, you know, as a way of supporting the dedication of the many coaches and assistant coaches that volunteer their time to amateur sport in Manitoba.

In the area of responsible gaming, we've established the Manitoba Gambling Research Program. It was launched in December 15th, 2001, and directs \$1 million annually towards researcher opportunities.

And finally, I—and I can provide more detail on any of the issues we've—that I've raised, but I did want to make a few comments about what I'm sure

will be very much on committee members' minds, and that is the amalgamation that we're proceeding forward with. As everybody's aware, in the provincial budget the Finance Minister announced that Manitoba Lotteries and Manitoba Liquor Control Commission will be amalgamated into a new corporation.

I think it's going to be a very significant move for both corporations. And I think the Liquor Commission has a history of about 90 years; our history in Lotteries is a little shorter, but we're both very well-respected organizations in the province. Certainly, we've identified the importance of—on the administrative side—of having various efficiencies. And I would note that we've already had the appointment of Winston Hodgins as the joint CEO for both Liquor and Lotteries.

Over the next few weeks, there'll be an RFP that will engage in a professional team to support a smooth and quick merger, and we will also be consulting with stakeholders in terms of the amalgamations. This, of course, will require legislative changes, which will be drafted and released in the Manitoba Legislature as well. We have indicated that we will be appointing a new board. Tannis Mindell, who, many people will know, will be the chair of the board. Leslie Turnbull will be the vice-chair. There'll be further appointments made over the next period of time.

I do want to take this opportunity, by the way, to thank the current board and particularly the chair. And if I could—Tim if you could pass on, I think from all members of the Legislature, our appreciation for the dedication of the board members. I tell you, you know, I've had the opportunity to play various different roles as an MLA and I see many organizations in government, and there's no organization that's more committed to the community—and, I think, has a track record that's respected throughout Manitoba—than Manitoba Lotteries.

And whatever happens in the amalgamation, as we move ahead under Winston's leadership, I do want to really credit the board and the staff—staff here and the staff throughout the province—because it really is an organization that has come a long way and is now extremely well respected and well positioned for whatever will happen with the merger.

And I want to say, whatever happens with the merger, I'm sure it will keep many of the core values that Manitoba Lotteries has really defined over the

last number of years, whether it be its efficient operation, or its connection to the community, and many other hallmarks that are pretty much part of the corporate culture at Manitoba Lotteries. End of statement.

Mr. Chairperson: We thank the honourable minister. Does the critic of the official opposition have an opening statement?

Mr. Graydon: Just a few words.

I thank the minister for introducing his staff, and I'd like to thank the staff for taking the evening off it's—from home. It's not actually an evening off for you. It's a grilling and I—and you need to be commended for that. I'd also like to congratulate Winston for the work you've done in the past and also the—taking on the task of doing the merger and being the target for the opposition in the House, at least at committees. And we certainly have a great deal of respect for your ability, and I know you will do a great job. You'll make the minister look very good and probably better than he deserves.

So with those few words, Mr. Chairman, thank you.

Mr. Chairperson: We thank the member. Does the representative from Manitoba Lotteries Corporation—to make an opening statement?

Floor Comment: No, I don't think so. No.

Mr. Chairperson: Thank you. Now the floor is open for questions.

Mr. Graydon: We'll start off with the—basically the regular questions.

Does Lotteries hold any season tickets or purchase individual event tickets to either sports teams or cultural arts performances in Manitoba?

Mr. Ashton: The answer is yes, and perhaps if I could ask Winston to outline the many ways in which we're supportive of sports and—arts and sports and culture in the province.

Mr. Winston Hodgins (President and Chief Executive Officer, Manitoba Lotteries Corporation): Yes, we have purchased tickets. The Winnipeg Jets; we purchased 32 tickets. Twenty-four of them are used for the Flight Deck program, which is a program that's available for sports teams across the province. So there were quite a number of teams from all across the province and, I'd like to emphasize, that were able to participate. I'd say probably in the vicinity of about a thousand young

athletes from across Manitoba had the opportunity to see the Jets. And, I think, in many cases, probably wouldn't have that opportunity if we wouldn't have had the program. It is a draw-based program, so everyone has an opportunity to participate in it from across the province. It's athletes from 8 to 17 years old.

We also—of the 32 tickets, we had four that we use for promotional purposes at the casinos, so those tickets were given to guests that attend the casinos. And then four of the tickets were used for business purposes, and that's where we would be hosting guests that are our vendors or other business partners that we deal with on an ongoing basis throughout the year. So those are the 32 tickets that we have.

Now, did you want me to cover some other tickets, as well? We do have four tickets for the Bombers and, in that case, those are also given out to customers through our casinos. I don't believe that we have any Goldeye tickets. We do provide sponsorship to the Goldeyes, but I don't believe that we have any tickets to the Goldeyes, but I can check that to get—to make sure that that's correct information.

Mr. Graydon: Thank you for that. And the Royal Winnipeg Ballet, MTC and the concerts; do we also own tickets for those?

Mr. Hodgins: In the case of the Royal Manitoba Theatre Centre, we have four season tickets to the theatre centre.

I was right; we did not acquire any tickets for the Goldeyes. I mentioned the Blue Bombers; there's four. There's also the Winnipeg Jets, and those are the season tickets that we have.

Mr. Graydon: So there are none for the Royal Winnipeg Ballet then? *[interjection]*

Mr. Chairperson: Mr.—Mr. Graydon.

Mr. Graydon: And, of the tickets that you have for the Jets, and for special business people, and/or for the Manitoba Theatre Centre, or the Bombers, do the minister or any of his staff get to use these?

Mr. Chairperson: Could I remind honourable members that answering questions and asking questions, please go through the Chair. Thank you. *[interjection]*

Mr. Ashton: And I can answer, since it deals with the minister's staff.

Not as a normal rule. The only exception to that was we had a visiting delegation from Saskatchewan Lotteries, and I did attend a Jets game with the visiting delegation, through Manitoba Lotteries, but we also have a—I mean, it's a new situation with Jets tickets. We didn't have to worry about that until last year. But under the interim policy that we've adapted, that will be at my expense. We don't have ongoing access to tickets as, either as minister or as minister's office. It was—in the case of Lotteries it was one event where we had the delegation from Saskatchewan Lotteries here.

* (18:20)

Mr. Graydon: What steps are being taken to increase public awareness of Manitoba Lotteries and has public perception improved in any measureable amounts?

Mr. Hodgins: Well, we are very active in the community, as I think you're aware. We have a number of programs that are available for non-profit community organizations if they wish to apply for assistance. So I think that through, you know, through that program, certainly, you know, we get a lot of, I think, recognition in the community and have served the corporation well.

One of the things that's really noteworthy around our community support program is the amount of volunteerism that is given by our staff. And, for example, it was in—last year there was over 7,000 hours of volunteer time that was given to various community events throughout the province.

So the fact that our staff are out, you know, in the community representing the organization, I think, has been very positive in terms of the image and profile of the corporation. We, you know, we certainly do advertising. We use various, you know, media outlets for advertising, and that's to advertise our community support programs or different events that are going on at our venues. So, again, you know, that gives the corporation recognition and I think a positive profile. The—so those are some of the things that the corporation has, you know, has done to improve the image of the corporation.

Maybe one other thing that I could mention, and that is the, you know, the awards that the corporation has won over the years. Some of them were mentioned by the minister. I guess one of the most recent awards that I think that the corporation takes with some pride and that's to be selected as one of

Canada's top 100 employers in the country. And I know that when that occurred I did get a number of calls and emails from people in the community. So again, I think those kinds of things certainly help us to create a positive image of the corporation.

Mr. Graydon: Well, thank you for that answer and you answered my next question—two of the performance indicators, and I agree that if you've been receiving awards that's a pretty good indication that the corporation has been run very well.

But when we talked about advertising and you did mention that, one of the things that I noticed—and I don't often watch The Weather Channel at five o'clock in the morning, but I did this morning, now on Shaw, because of the music, actually—and I saw the insignia of Lotteries there. What are you promoting there? Basically the insignia was there and then it's gone. And I don't know that we needed The Weather Channel at 5 o'clock in the morning being subsidized by Lotteries. So—

Mr. Hodgins: If I was quite honest with you, I didn't realize that we were advertising at 5 o'clock in the morning.

But I think that if you're going to get, I guess, the most, I guess, benefit from your advertising, you're probably better to be at a more reasonable time of the day. But we have a, kind of a broad cross-section of advertising that takes place and so I assume that that was just part of the package that we negotiated with, in this case, the weather channel. But, certainly, I can follow up on that to find out why we chose that particular time.

Mr. Graydon: Thank you for that, and just before I leave that, I do know that you have a lot of volunteer programs and you have a lot of volunteer people. The bingo program is one of them. But one of the ones that has come to mind—and I should know the answer to this question, but I don't recall it—but I do know that volunteer fire departments have applied for a bingo and have been turned down. And I would suggest that they're one of the most worthy volunteer groups in the province and I find it rather strange and unsettling, to say the least, after the types of events that we've had in southern Manitoba in the recent past of last October long weekend, with 27 volunteer fire departments from all over the province helping fight the wild fires, and when they apply to do a bingo to raise some money to buy some new equipment and are not accepted, I just wonder if that's an oversight.

Mr. Hodgins: Just to explain how the program runs—and we don't have control over the organizations that actually come to the casinos to volunteer for those bingos; there's seven umbrella groups that, I guess, that control who is going to be approved to actually participate in the bingo program. Sport Manitoba, for example, is one particular umbrella group that provides their membership with the opportunity to participate in the program. So we actually conduct the bingos and we host the volunteers when they come, but the actual groups that participate in the—you know, in the bingo volunteer program are ones that are selected by one of these seven volunteer—or umbrella groups.

So in terms of the particular group that you're mentioning, it wasn't our, I guess, decision not to include them in that program. They—I assume that what they did is that they may have applied through one of the seven umbrella groups and for whatever reason weren't chosen. So it's—you know, it's not our decision as to which particular groups participate. Over the course of a year, there's about 400 groups that are approved for the bingo volunteer program.

Mr. Graydon: Who appoints the seven umbrella groups? How are they selected?

Mr. Hodgins: They're actually under the—the seven umbrella groups are under various ministers in the government and the—I guess the umbrella groups—I'm not entirely sure how they select their boards or the—I guess, the group that manages them, but I could get you some information on that. I'm not personally familiar with, you know, how they do select the groups.

Mr. Graydon: Perhaps the minister can shed some light on this.

Mr. Ashton: You're talking about the selection process for who's eligible for bingos?

Mr. Graydon: The president suggested that there's seven umbrella groups that are in charge of who qualifies and the question is how do these—who appoints these umbrella groups—and they're part of lotteries obviously, I mean, that's—the bingos are part of lotteries, so as—at whose discretion—and maybe you can explain that process to me.

Mr. Ashton: I appreciate the clarification in terms of the question. I believe the CEO's referring to Sport and other umbrella groups. The—my understanding is that Lotteries doesn't pick and choose within that, a lot of it is left to the umbrella groups itself. The—I think the assumption being that they know their

various groups. They have various—you know, various priorities that they establish. But I think the CEO may wish to add to that.

Mr. Graydon: Perhaps if the president can—or Mr. Hodgins can get the—that information, we'd certainly appreciate it.

Mr. Hodgins: Yes, no—that's not a problem, I can find that out and provide you with the information. But, you know, for example, the sports federation is one particular umbrella group and I would assume it would be the Minister of Sport (Mr. Robinson) that would be responsible for appointing, I guess, the board of directors for that particular group. And then there's the multicultural grants, and I assume that would be under the Minister of Culture (Ms. Marcelino). So what I can do is I can—you know, I can obtain some additional information that would identify which minister is responsible for each of these—you know, these organizations. And I guess the governance structure that's used for each of them and how the board members are appointed in each case.

Mr. Graydon: Just to—further to that—when you have seven umbrella groups, and so we're—we have seven applications, who determines priority?

* (18:30)

Mr. Hodgins: It would be each of the umbrella groups would solicit, I guess, applications in each case, and I'm sure they probably have selection criteria that they use to select the groups that would be eligible to participate in this program.

Mr. Graydon: It seems to me that we have a layer of bureaucracy that we can't seem to question tonight because we don't really know the process of this. But, if there's seven of them applying for Friday the 13th, who's going to get the preference? And you don't have any say in that at all, you just wake up in the morning and they say, that's it, this is who's doing the bingos tonight.

Mr. Hodgins: Well, we indicate to the various organizations how many bingos are available for a year. Each of the umbrella groups are given so many bingos within that overall allocation and then they make the decision as to which of their members are going to participate in the bingos that are given to them. So we have a schedule of, you know, the groups that are going to be coming throughout the year, but it's up to the individual umbrella groups to decide which of their members are actually going to be participating.

Mr. Ashton: Yes, and I think the key point here—and I just want to emphasize what the CEO is saying—I mean, Manitoba Lotteries' role here really is we're the operating entity.

This has quite a bit of history with the establishment of the original casinos back in the 1990s, as the member will know, and this, you know, was—one of the outcomes was to ensure that there was continued opportunity for some of the bingos that were significantly affected at the time.

So we do provide the opportunity for the fundraising. It's really an institutional part of what we do, but we don't pick and choose which groups. We're—the Manitoba Lotteries' role here is very much in terms of providing that opportunity for the groups themselves.

And I, you know, I appreciate the member asking the question. I was certainly trying to get more information on that. But I do think the intent here is to make sure that Manitoba Lotteries is not involved in, you know, the discretionary aspect of it and that we trust the judgment of the various different umbrella organizations that are out there.

And I do know there are various organizations that have been able to operate bingos in the past, others that have at some point in time and there may be others that are unable to do so. It's a balancing act and, of course, I suppose we could make a discretionary decision on each and every one of the situations, but I think the best policy decision really is what we have in place. And I believe it's been in place for many years, and that basically is to allow the organizations, the umbrella organizations—sports, cultural and other organizations—the opportunity to make those kind of decisions. They know their members. They represent, you know, broad provincial interests. And, you know, I know the member may disagree with some of the decisions about who's eligible and who isn't, but I'm not sure if he would really want the Manitoba Lotteries to be making that decision. It's really beyond our mandate; it really is.

You know, our mandate is to provide that bingo opportunity and that's what we do.

Mr. Wayne Ewasko (Lac du Bonnet): Just a quick question: Can you list off the seven umbrella groups, please?

Mr. Hodgins: There's Sports Federation, the Heritage Grants Advisory umbrella group, Manitoba Community Services, Multicultural Grants Advisory

group, the Manitoba Arts Council, the Lotteries distribution group and the Manitoba community education group.

These umbrella groups have been in place for an extended period of time, so this is not something that's just been created recently. This program's been in place for quite a number of years.

Mr. Graydon: What types of charitable or community-based organizations does the Manitoba Lotteries help to fund?

Mr. Hodgins: There's a broad base of organizations. I guess one of the criteria is that you have to be a non-profit organization. We do not typically fund capital projects, so those are a couple of the, you know, the primary criteria that we have for our community support program. So I'm not sure if there's some specific areas that you're particularly interested in.

Mr. Graydon: When you say you don't fund capital projects, can you give me an example of a project that you wouldn't fund?

Mr. Hodgins: Typically, I guess, the bricks and mortar kind of projects that, you know, that come forward would be the ones that we typically do not get involved in. It's more event-based kinds of funding events that we get involved in.

I can tell you that, you know, we get a significant number of requests every year for funding and so, you know, we've had to put some parameters around the programs that, you know, that we do offer and one of the criteria is, is that we don't typically fund capital projects.

Mr. Graydon: Would Human Rights Museum fall into that category?

Mr. Hodgins: That was probably one of the exceptions. I mentioned that we don't typically provide funding to capital projects, but there have been exceptions at—and that's one of the ones that—where we did provide funding. That was a few years ago that we provided funding for that particular event.

Mr. Graydon: Would we expect the same type of funding for the new Bomber stadium?

Mr. Hodgins: We have not been asked to provide any funding for the, I guess, the Bomber stadium. We do provide funding to the Bombers themselves but that's not for their stadium.

Mr. Graydon: Would—are you suggesting that the Bombers are a not-for-profit organization?

Mr. Hodgins: I think they're a non—not-for-profit but.

Mr. Graydon: So is there a review process after an organization has received sponsorship or funding from Manitoba Lotteries?

Is there a review process afterwards to measure the success and reliability of the—of that organization and of the sponsorship?

Mr. Hodgins: Yes, we do follow-up evaluations of the sponsorships to see if they—if we get requests. We—in some instances, we get requests each year to fund organizations, you know, a couple that we've talked about.

There's the Bombers, the Jets, we have, you know, agreements with them where we provide them funding every year, but there will be events that will come along that may only occur every few years and certainly we'll do evaluations on those to see if, you know, we—if we've got value for our dollar and if there's some things that we should change if, you know, if they were to come forward and ask for funding, you know, in future years.

We'll also do that for the ongoing ones as well to make sure that, you know, we're receiving value for the funding that we're putting forward.

Mr. Graydon: Could you tell me what the amount is that we fund the Bombers?

Mr. Hodgins: Are you referring to '10-11, fiscal year '10-11?

Mr. Graydon: I'm referring to the comment that you've made that we fund the Bombers. Yes.

* (18:40)

Mr. Chairperson: Kindly, before answering questions, wait to be recognized and you could raise your hands. Thank you, Mr. Hodgins.

Mr. Hodgins: The—in fiscal year '11-12, the funding that we provided to the Winnipeg Blue Bombers was \$115,000.

Mr. Graydon: And what was that specifically for?

Mr. Hodgins: Well, there was a variety of, I guess, items that we received for the \$115,000. We're the sponsor for the Banjo Bowl weekend. So there's some activities that take place at the casinos, for example, as part of that sponsorship. We get

advertising within the football stadium itself. During the regular season there was the Manitoba Lotteries logo that was on the field. There's also, I guess, advertising that we receive in their magazine.

So there's a variety of things like that that we get for the \$115,000, and then, I believe, the four season tickets was also within that sponsorship of \$115,000 as well.

Mr. Graydon: Thank you for that. And perhaps, if I could be so bold as to ask for a breakdown in writing at a later date, would that be too much to ask?

Mr. Hodgins: No, we can provide that.

Mr. Graydon: And the Winnipeg Jets, how much funding do we do with the Winnipeg Jets?

Mr. Hodgins: So there's two components to our sponsorship with the Winnipeg Jets, and this is our current sponsorship that I'm referring to.

There's a community sponsorship component to it which is \$150,000, and that includes the Flight Deck program that I mentioned. Those are the 24 season tickets for the youth. It also includes the other eight tickets that I referred to as well.

We also have an advantage here at the casinos where we have participation of all the Winnipeg Jet hockey players. So that is also part of that sponsorship package as well.

We also have a marketing sponsorship package, which is \$500,000, and we, as part of that sponsorship—we're the exclusive sponsorship in the gaming casino category for the MTS Centre and also the Winnipeg Jets as well.

Within the arena we have advertising that's on the power ring. I don't know if you've been to the MTS Centre, but there's that power ring within the stadium which we have advertising on the power ring.

We also have main concourse directional signage. If you have been in the MTS Centre, if you look at the directional signage on the main concourse, that is all Manitoba Lotteries signage.

And, in addition to that, we're also going to be able to have what we call integrated digital signs within the main concourse. So that will allow us to actually have advertising at the MTS Centre for 365 days a year, which will be advertising about different events that are happening, for example, at our casinos or other promotional kinds of activity of that nature. And we're also going to have that same

digital signage on the upper concourse, so, again, we'll be able to advertise to the customers that are attending the MTS Centre.

If you've walked through the public walkway at the MTS Centre, at the south end of the arena, there's a wall mural that we have there now that's—is advertising Manitoba Lotteries. There's—what we're looking at is the possibility of also putting digital signage there, so all the traffic that's going through there will be advertising and promoting activities that are going on in the corporation.

We also have a full-page colour advertisement in the game day programs of the Jets, so if you've attended any of the Jet games, you'll see that we have an advertisement in each of those game day programs that they give out at the hockey games.

We also have advertising in the pocket schedule advertisements. These are the small, I guess, pocket documents that have all the games for the Jets on them. And, as I think I mentioned earlier, that we're also recognized as the official partner for the Winnipeg Jets. So that's all part of our sponsorship package for the team.

Mr. Graydon: So it sounds like you get a good bang for your 150,000-dollar buck, then.

Mr. Hodgins: Sorry, what I was just mentioning, that's part of our marketing initiative; that's part of the \$500,000.

Mr. Graydon: Okay, so that's part of the \$500,000 as well. All right, then. That makes a little bit more sense to me.

The—you mentioned a casino, and in the back of my mind I thought that the Winnipeg Jets have access to the funds from some of the VLTs. Is that true?

Mr. Hodgins: Well, the True North has an agreement with the government where there is 50 VLTs that are in the Tavern United, just—which is connected to the MTS Centre.

Mr. Graydon: So what would those 50 VLTs generate?

Mr. Hodgins: In round figures, roughly about a million five.

Mr. Graydon: How long is that agreement?

Mr. Hodgins: I want to double-check this, but I don't think that there's any end date to the agreement.

I think it's in place as long as the, you know, the hockey team is in the city.

Mr. Chairperson: Mr. Graydon. *[interjection]* Mr. Graydon.

Mr. Graydon: So the Woodmore Night Owls are setting up a field hockey. Could we get that same type of agreement? And we wouldn't need quite that much money a year, but we would take the .5 if it's a never-ending agreement. My goodness, that's a sweetheart deal. How did we negotiate this?

Mr. Ashton: Yes, I would just remind the member that this is actually all part of how we actually got the MTS Centre built, which was primarily with private money but with some strategically placed involvement from the provincial government.

And I'm sure there are many other worthwhile organizations throughout the province, but I do note that we got the arena and last year we got the Jets back, and the two are definitely interconnected. So I think I could tell you who negotiated that deal: we did. And I think getting the MTS Centre and the Jets back in Winnipeg, without, by the way, what had happened to the previous Jets, where the provincial government underwrote the losses and didn't build an arena—but anyway, I don't want to get into a debate here.

I guess I just want to put on the record that we negotiated that and I think it was a good deal.

Mr. Graydon: Well, at any time if the minister wants to negotiate with the Woodmore Night Owls, we'd be willing to sit down and talk. I think the people of Manitoba have a right to know what it costs to have the amenities that we have and I'm quite certain that even the minister can't tell us that with his crystal ball.

So we'll move on to: Does Manitoba Lotteries have any fleet vehicles?

Mr. Hodgins: Yes, we do.

Mr. Graydon: What are the criteria for these vehicles?

Mr. Hodgins: I'm not sure what you mean by what criteria.

We have vehicles that we use, for example, with our security staff, you know, the patrols that we have around the casinos, for example. We also have vehicles for our VLT technical staff that travel throughout the province to, you know, provide maintenance and support to the various hotels and

other VLT sites throughout the province. I think that—oh, the other group of staff that have vehicles would be our lottery staff, the lottery retailers. There's—we provide support to our lottery retailers. So those are the, you know, the staff that have vehicles that, you know, we provide to them.

* (18:50)

Mr. Graydon: Could you tell us how many vehicles there are? And the other question, or the other part of that question is have you used any of the hybrid vehicles, any of the electric vehicles, some of the greener type of vehicles? Are you doing that?

Mr. Hodgins: I'm going on memory here now, and I'm—and I'll double-check this figure, but I think we have 58 vehicles in our fleet, but I want to check that. But, yes, we do. We use hybrid vehicles for our—some of our fleet vehicles. One—if I can also—I'm sorry, if I could just add—I don't know if you've been to the casinos, but we also have a shuttle service at the casinos, the buses and that, that we use to shuttle people from the parking lot to the casinos. That's also part of our fleet as well.

Mr. Graydon: Actually, no, I haven't been to your casinos. I don't gamble. I farm, but I don't gamble.

What type of expenditures fall under Manitoba Lotteries' sundry account?

Mr. Hodgins: Would you happen to know which sundry account you're—*[interjection]* There may be more than this particular sundry account, but there's—under the consolidated schedule of net income and comprehensive income—that's on page 61 of the '10-11—or of the '10-11 annual report. I think that's maybe what you're referring to. There's \$4.6 million. There's—you know, I really should get some details for you on that because I—I mean, it's—there's a variety of different things that would be included in that particular account, so that to give you, I guess, an accurate answer, if I can back to you on that one to break out what some of the major items are within that account.

Mr. Graydon: The reason for the question, obviously, and if you'll look on that page you'll see that the account doubled between 2010 and 2011, and that's what has raised the question. So, if you can explain that to me, I would be very appreciative.

Mr. Hodgins: Yes, we'll do that.

Mr. Graydon: Is the jump in the salaries from 89.3 in 2010 to 91.18 in 2011 a normal salary bump, year to year?

Mr. Hodgins: Well, the salary increases are based on the collective agreements that we have with our staff. So it would be—for the most part it would be based on those collective agreements. I can tell you that our staffing complement in the corporation has remained constant for quite a number of years at roughly about 1,624 FTEs, so the increase that you refer to would be related to the collective bargaining agreement.

Mr. Graydon: So in saying that, then, you're saying that the staff has remained relatively stable and, of course, you do have some that retire in a year and some quit, of course, for some reason or another. So you have a certain percentage that are new to Manitoba Lotteries. Do you have any idea what that percentage might be year over year?

Mr. Hodgins: The turnover rate at the corporation is roughly about 6 and a half per cent a year. So there would be—that would be the turnover that would take place.

Mr. Graydon: So then you have six and a half per cent of the 1,600, so you roughly have, what, 80 people that—I'm just guessing, 80, 90 people a year. What type of training does the average Manitoba Lotteries employee go through and receive on an annual basis?

Mr. Hodgins: Actually, our training program is one that we're very proud of. I can tell you that when I went to the corporation back in 2000 there wasn't a lot of training that was taking place. In fact, back in 2000 the turnover was around 25 per cent, which is a huge turnover rate because, you know, the amount of training that you need to, you know, to bring new staff up to speed so they can do their jobs efficiently is—I mean, that's a huge strain on your training budget. But we have increased the amount of training that we provide at the corporation so that we meet all of the, you know, the requirements our staff need to do their job.

I have what's called lunch with the president every month except in the summertime with the staff from across the corporation, and these are front-line staff. And one of the things that they invariably raise is how happy they are with the training that the corporation provides to them. And so it's—it—you know, the nature of the training really depends on, you know, the particular area of the corporation. For example, in our VLT area the training that we would provide to our staff there would be more technical in nature. We have security staff that work at the

casinos and the kind of training that we would provide to them would be quite different than our VLT staff because they're dealing with, you know, issues, you know, around confrontation with, you know, between customers or maybe with our staff so they have to know how to diffuse those kinds of situations. So that training would be very much different.

We also have training that's available to our managers, and so depend on what level they are within the corporation—the nature of the training that would be provided. But staff can, if they choose, they can go back and take either a community college-type training or they go to university to take training to help to upgrade the, you know, their skills and their academic credentials, and that's what allows them to hopefully be able to progress within our organization.

One of the things that, you know, that we chose to do as an organization a number of years ago was to attempt to make Manitoba Lotteries as a destination point for people to come and make a career there. What was happening—when I mentioned to you about the 25 per cent turnover—is that people, this was kind of a place they stopped at on their way to another job. And we wanted to change that so that we could attract people to come and work within the organization, make a career there, and the longer they work there, you know, they—the more effective they are in their jobs because they gain experience and, hopefully, they'll take training to upgrade themselves. And so, you know, that's been a goal that we've had as an organization for some time. And I think that the training that we provide and some of the other things that we do as an organization is it's, in part, the reason why we were selected as one of Canada's top 100 employers.

We've also been selected—I think it's for six years now—as one of Manitoba's top 25 employers. And so some of the programs that we've had in place in the organization have allowed us to be able to, you know, be selected in those cases, and part of that is the training that we provide to our staff. So I think that if you talk to our employees that they would probably tell you that, you know, the opportunities they have to improve themselves are probably greater in our organization than many that, you know, they might work for in the province, and so we're very proud of that.

Mr. Graydon: Who covers the cost of that when you're doing the in-house training? I assume that you

are, but at the same time for—you did mention going to Red River College or some other institution and gaining some more skills and more education. Do you cover that cost as well?

* (19:00)

Mr. Hodgins: Yes, we do.

Mr. Graydon: In 2010, Manitoba Lotteries paid \$2.6 million in consultant fees. What sort of projects does Manitoba Lotteries require consultants for, and are they paid on a case-by-case or is this on a tender or is it a cost-plus?

Mr. Hodgins: Well, we use a variety of consultants in the corporation. We do select our consultants—well, there may be the odd exception, but for—in almost every case, we go through a tendering process to select our consultants. We may, in some instance, where somebody has a really specialized skill set that we may have a sole source contract, but it doesn't happen very frequently. But where we use consultants, if we're, for example, if there's a renewal project at one of the casinos, we will hire an architectural firm as a consultant to come in and assist us with, you know, the design work associated with that.

We use consultants quite frequently in our information technology area. We're a very dependent organization on technology, so we require some skill sets to assist our staff to be able to undertake some of the projects that, you know, that we—that we're proceeding with. One—and I know that you—you've raised this in the past. You've been interested in our VLT replacement program because I think some of the—maybe the site-holders in your area have an interest in us replacing the VLTs.

The VLTs are becoming so much more sophisticated and complicated that, you know, you need, you know, some specialized skills to be able to move those projects forward. So what we will do is that we will hire information technology consultants to assist us with the design and the development of the technology related to the VLT replacement program.

So those are some of the kinds of consultants that we use in the organization.

Mr. Graydon: Thank you for that. And, perhaps, then, as I pointed out, it was \$2.6 million in 2010. It jumped to \$3.6 million in 2011. Was there a special project that you were looking at in 2011 that caused this jump? Perhaps you could explain that.

Mr. Hodgins: There was—I guess I'll mention one in particular that it was a fairly large contract that occurred in the year you're referring to, '10-11, and that was with IBM Canada, where we hired them to assist us with its—the—what we call the MSC, which is the McPhillips Station Casino data centre, and there was also a business analytics project that they worked with us on and also a disaster recovery project. So that was a large contract that we had with IBM Canada.

So that—so typically what happens is that, you know, that the amount will maybe fluctuate year over year. It's quite possible, I don't know offhand, but I—I'd have to check, but it's quite possible the consulting costs have gone down the next year. I can tell you that, you know, we—we've been doing a lot of work around our casino renewal program where we've required consulting services on architectural fees, that type of thing, to assist us with, the, you know, some of the renewal projects that we're looking at.

So I would expect over the next little while, we—our consulting fees may be up compared to what they may have been three or four years ago. So it's kind of cyclical.

Mr. Graydon: Since you brought up the replacing of the VLTs, and you've raised some questions in my mind, but where will the new machines be purchased, and what is the timeline for replacing all of the VLTs at the same time?

Mr. Hodgins: When we purchased the VLTs in 2004, we used a single vendor, which was IGT, which is a—it's the largest gaming vendor in, well, it's in the world. So we used one vendor. We're currently in negotiations with three vendors at this point in time for the replacement of the machines this time. How many vendors we end up with will, I guess, it will be dependent on the outcome of those negotiations.

So I would expect at the end of the day that we will have more than one vendor, which I think will be to our advantage, because when you get dependent on one vendor you, certainly, you know, there's a risk associated with that. So the—in terms of the dates for the—putting the equipment into the field, we're hoping that we can start that process in October.

Mr. Graydon: The requirements of these new machines—are the requirements the same today, like for operating them, or are you going to require some

more sophisticated technology to operate the machines?

Mr. Hodgins: I thought it was a complex project when we did it back in 2004, but by comparison with the advancements in technology since then, the project was pretty straightforward in 2004. The answer to your question is, yes, it's a very complex project that we have going on right now. And so it requires, you know, some assistance from, in the—well, you asked about consultants. In some cases, we have to seek the assistance of consultants in helping to develop this project and make sure that we do this in an efficient and effective manner.

Mr. Graydon: So one of the requirements for the new machines—will that be high-speed Internet?

Mr. Hodgins: Yes, it will. In fact, we've awarded a contract to MTS to install, I guess what I refer to as real time. The system that we have in place right now is the—our central system, which is located in Morris, will communicate with the various site-holders on a dial-up basis. I think it's a—I believe it's done on a daily basis in the—at nighttime.

But the system that we're going to be going to is a real-time system, and so we've had to—we've got to install Internet lines to all of the site-holders, so that, you know, we can move to this real-time system.

Mr. Graydon: How do you do that if there's no high-speed Internet in some of the communities where the machines are? Are you going to remove their machines, or how do you do that?

Mr. Hodgins: We will actually be installing lines into those communities that don't have lines right now. It's not our intent to take machines out of any site, you know, if they wish to keep their machines. I mean their machines will be, I guess in terms of who keeps machines and who doesn't, is done through—we've talked about this before—our annual redistribution program, and so it's based on performance. It's not whether they have an Internet line or not. If—we will be putting Internet lines into virtually all of the communities that require them.

Mr. Graydon: So are these fibre-optic lines that you're putting in?

Mr. Hodgins: I'm getting way over my ability to deal with that issue. So I should check that, and I'll have to let you know if that's what they are. I think that's what they are, but just to be sure that I'm accurate in that I'd like to check that and get back to you on that.

Mr. Graydon: Well, they'll either be fibre optic or you're going to be using a broadband system. So then it has to be towers and—

Mr. Chairperson: Mr. Hodgins.

Mr. Hodgins: It'll be the former. As long as it works—I think it's fibre optics. It's not broadband, I can tell you that. The only exception to fibre optics, and I'm assuming that's what it is, would be use a satellite, and we looked at that and we found that that wasn't—in the long term, that was not the most cost-effective way to do it.

* (19:10)

Mr. Graydon: Well, I agree with you on the satellite part of that because the satellite ends up being overloaded and is slower than dial-up so it wouldn't be acceptable to the machines and you would have a lot of unhappy customers.

What is your status with your collective agreements with the staff?

Mr. Hodgins: We have collective agreements with all of the unions with the exception of one, which is CUPE, and negotiations are going on with that particular union at the—as we speak, and we're hopeful that we'll be able to have something completed on that in the near future.

Mr. Graydon: Have the Star Centres been completed and at what cost and how will they be used?

Mr. Hodgins: The Star Centres are training facilities at each of the casinos, and if I can just step back, the training that we've talked about previously, pretty much all of it was taking place at the—at our head office which is on St. James. And we found it really to be quite inefficient, to have our staff travelling back and forth between the casinos and the—and our head office. So we felt that we should try and provide training on-site so that, you know, we would not be incurring the costs. There's time and there's travel costs associated with our staff going back and forth. So we made the decision that we would put these training centres at each of the casinos so that training could actually be provided on-site.

The one element that we're still working on is to have video conferencing capability between our head office and the sites, so that training could be taking place at head office but would be available to our staff in the—at the casinos, and it could be—well, it's primarily at the casinos, so that, you know, they don't—again, it will give them more flexibility to be

able to take training. We can take staff off the floor. They can go down for half an hour, an hour's training at the Star Centre and then go back to their work. If, you know—if, well, under the old scenario, the, you know, people had to travel back and forth; it was really quite inefficient. So it's really worked out quite well.

Mr. Graydon: Do you do the—or do the training sessions, are they provided for the Aboriginal casinos, as well?

Mr. Hodgins: We do provide some training to the Aboriginal casinos if—but it's on the basis that they will request us to provide training. Our training with the Aboriginal casinos is more targeted at, you know, the gaming aspect of the training that's required, for example, table game dealers and that type of thing, if they need any assistance with respect to that. It could be around surveillance or security issues. So that's where it typically focuses, but they—you know, they certainly don't require the same amount of training as when they were initially being—you know, when they started operation.

Mr. Graydon: Well, I don't doubt that they don't require the same amount of training but, at the same time, we've created training centres in non-Aboriginal casinos for efficiencies and, obviously, we don't need the same amount of training as you needed in 2000. You've improved your staff to the point where there's 6 per cent turnover and yet there are no type—there's not that type of a training centre in any one of the Aboriginal casinos. And I just wonder why they would be that much smarter, so to say, than what's in the non-Aboriginal casinos.

Mr. Hodgins: Well, we would certainly be prepared to provide them whatever training they, you know, they might require, and certainly they will ask for assistance from time to time. That's certainly not an issue.

So, if, I mean I think if, you know, they were looking at putting training centres in their facilities, they'd have to look at, you know, the return on investment whether it, you know, it's worthwhile for them to invest, to have a separate stand-alone training facility and video conferencing capability.

But, as I say, if they—any training that they would like to have from us, we're more than willing to provide it.

Mr. Graydon: Well, it's obvious that you feel that there is a return on the investment to have that training in your facilities that have less than a

7 per cent turnover. I would suspect that the Aboriginal casinos have the same situation, but you, obviously, don't have any influence in the Aboriginal casinos, then, on how they're run.

Mr. Hodgins: Well, the role that we play with respect to the Aboriginal casinos is to provide conduct and management which was really providing oversight on the gaming that takes place at the Aboriginal casinos, and that's a requirement by law that we provide that responsibility. So, you know, we do have a role to play in the same way, well, that the Manitoba Gaming Control Commission also has a role to provide, or to play, with respect to the Aboriginal casinos.

Mr. Graydon: What were the fees paid to Manitoba Gaming Control Commission? How much are they a year? I didn't have the opportunity to have the copy of the last two reports, so I—you have to bear with me.

Mr. Hodgins: Just to give you some information in terms of the fees that are charged by MGCC, they have a fee that they place on the gaming equipment. So, with respect to the equipment that we have at Manitoba Lotteries casinos, it is \$425 per machine, and it's actually the same amount for First Nation casinos. They—the First Nation casinos pay that themselves. The VLTs, there's a fee again of \$425. Manitoba Lotteries pays \$275 of that and the site-holders pay \$150, and in the case of the lottery retailers, they also pay \$425 and again Manitoba Lotteries pays \$275 of that fee and the site-holder pays \$150.

Now, if you look at page 50 of the report you have there, the gaming commission fees and the levies that are paid as—was about \$3.1 million in fiscal year '10-11.

If you look under the allocation and payments, is that the total amount?

So those fees that I just mentioned that are levied on each of the gaming machines in the province, it generates about \$3.1 million of revenue for the Manitoba Gaming Control Commission.

Mr. Graydon: How much is current advertising account for in your expenses?

Mr. Hodgins: Wait for a minute. What I could do is I can give you the, I guess, the two years in question that we're talking about tonight, if that's—so for fiscal year '09-10 the advertising was \$2.2 million and for '10-11 it was \$1.8 million.

* (19:20)

Mr. Graydon: Can you explain the efficiency that you worked into the system? Can you explain the efficiency that you worked into the system from 2.2 down to 1.8?

Mr. Hodgins: In fiscal year '09-10, we had an advertising campaign for—we recall that the issues that we had around lottery tickets and it was advertising to encourage people to sign the back of their tickets. So we incurred some advertising costs in '09-10 that we did not incur in '10-11. So that's the difference in the figures. That was the efficiency that we achieved in those two years.

Mr. Ewasko: Earlier on, Mr.—thank you Mr. Chair—the minister mentioned that there's five hired sites of machines that are going to be needing to be redone. How many machines in total is that?

Mr. Hodgins: In total we'll be replacing, in round figures, about 5,800 machines.

Mr. Ewasko: What's the cost of that going to be and also, as far as a two-part question, the timeline as well?

Mr. Hodgins: It's—I guess at this point in time I can't quote you a figure because we're in negotiations with the vendors right now. So, you know, once we have completed the—you know, those negotiations, we'd be in a better position to provide that information. And in terms of the timelines, you're wondering about when we'll be installing that particular equipment, is that the question you're asking? Yes, we hope to begin installation of the equipment in October of this year.

Mr. Ewasko: In regards to timelines and fixing of machines, how do you go about in finding out what the lifespan of a machine is and what are the new machines going to basically be able to do that the old ones can't?

Mr. Hodgins: The—well, I think you can appreciate that the technology is changing so quickly that—but we're hopeful that the—you know, that the life cycle for the new equipment would be in the order of five to seven years. I think that's probably fair. We amortize our equipment on the basis of that timeframe, so I would think that it would be reasonable to assume that it would be about five to seven years. The—one of the things that we're attempting to do this time is to build game refreshes into the—into that five to year—five to seven year timeframe. So, hopefully, we'll be able to update the

games on a fairly regular basis. I'm not sure that I answered, maybe, the second part of your question, or did I?

Mr. Ewasko: No, that's fine.

Mr. Briese.

Mr. Chairperson: Mr. Briese.

Mr. Stuart Briese (Agassiz): I noticed, from one report here to the next one that there seems to be—unless I can't read these things right—a drop in the municipal share of VLT revenue. Could you explain that? One year it's at 19.3 and the next year it's at 16.5 if I'm reading this right.

Mr. Hodgins: Yes, the amounts that are made available to the municipalities, and that's through a program that's offered within the provincial government itself, but the—that—the formula that we have to allocate out—or the government has to allocate out the VLT revenues is based on a percentage of our VLT net income. And what occurred in the years that you're looking at is that there was a decrease in VLT revenues.

And if I could just maybe provide you—what our experience has been, and it's not only with our VLTs but also our casino machines as well, is that you have to refresh the games so that, you know, people will, you know, will continue to play them because they get tired of the old games. And so typically what happens if you try and go with the same games for five to seven years is that there'll be an increase in revenue, it'll plateau and then it'll start to decline and then it will generally just level off.

So part of, you know, the strategy that we were trying to put in place this time is to ensure that we will have vendors who will update the games so that people will continue to find them more entertaining. So hopefully that'll address the issue with respect to the municipality.

Mr. Briese: Yes, if I recall correctly, the—I believe it's 12 and a half per cent of the—but I'm not sure whether it's gross revenue or net revenue out of the VLTs, but it's 12 and a half per cent that's supposed to go to the municipalities.

I do recall—and this would go way back to when you were wearing another hat, too, I think—that when the VLTs were first put in rural Manitoba there were big, yellow banners went up and they said, all revenues will go to rural economic development. And then when the VLTs were placed in Winnipeg all of a sudden that changed, and I ran all over the

province trying to find one of those banners and they really hid them well. I wanted to get one to save so I could throw it back at somebody later on.

But another question—not so much on the municipalities, because I do kind of understand how those numbers are arrived at. I notice the overall revenue found in here somewhere will drop a little bit and yet the profits actually went up. I wonder if there's—from time to time is there a change on the payout that actually comes out of those machines, or are they always at the same certain percentage of payout for the amount of play that's on them?

Mr. Hodgins: Actually, the payouts remain pretty stable year over year, and there is a table that's in the annual report. I was looking to see what I did with my book. I think, oh—

But—if you turn to page 41 on—in your '10-11 annual report, you can see that the payout on the video lotto machines is about 92.9, and if you just go to the other side of the page there you'll see the casinos is about 91.9. And if you, you know, if you go back and you look at, you know, the payouts—well, beginning in '03-04, for example, they were 91.7 and that was the lowest, and then in '10-11, they were 91.9. So they're pretty stable throughout that whole period of time.

* (19:30)

In the case of—now that was the casinos. I'm sorry. And in the case of the video lotto they generally run around—well they were at a high of 93.2 to 92.9, so they're pretty stable throughout that time frame. So there wasn't—there certainly wasn't any change in the, you know, the overall payouts of the machines. But just to maybe come back to the question you raised about, you know, our revenues went down but our overall profits went up.

You know, we don't only focus on the revenue side of our operations at the casinos. We spend a lot of time looking at our operations to see what—how we can operate more efficiently. And you know there's been a number of initiatives that we've undertaken to try and maintain our expenditures so that we can certainly try and achieve our bottom line. If you go back, you know we were talking about back in 2000, our staffing complement at that time was—it was about 1,875 FTEs, and through a number of measures we now have it down at 1,624 FTEs. So we've really spent a lot of time looking at the expenditure side of our operations.

There's also a number of other measures that we have implemented in the corporation. I can certainly run through them if you have some interest, but the bottom line is that we spend a lot of time looking at our expenditures as well as our revenues to try and achieve our bottom line figure.

Mrs. Heather Stefanson (Tuxedo): Just have a couple of questions just on the financial statements. First off, my colleague has already touched on this with respect to the municipalities. I noticed last year in last—sorry, not last year, in the '09-10 annual report on page 7 of where the money goes, there is the \$19.3 million to municipalities, but far over on the right there it says payment to other levels of government of \$18 million, and I don't see that at all in the 2010 and '11. I'm just wondering, is that payment no longer made now, or—and where—I guess if you could just elaborate a little bit about what that is, if that went to municipalities as well, and has that then now been eliminated in the most recent budget that we're questioning this evening?

Mr. Hodgins: This is actually a question that came up the last time we were here, so I happen to have the answer for you, and we provided this to Mr. Pedersen, but I can provide you with the information if you like. So it's \$18 million, I believe, that you're looking at, so what that comprises is that there is payments to Alberta and Saskatchewan of \$3.3 million, okay, and what those payments relate to are what are called equalization payments. And so, because we have the head office of Western Canada Lottery Corporation in Winnipeg, there was an agreement—and this goes back quite a number of years ago—there was an agreement that Manitoba would pay an equalization payment of \$35,000 per employee in Winnipeg to each of Alberta and Saskatchewan for the right to have the head office here in Winnipeg. And that, as I mentioned, was \$3.3 million. There's also a payment that's made each year to the Government of Canada. Back in 1980 the federal government agreed to withdraw from the lotteries program, and I guess for the right—giving that right to the provinces, each province has to make a payment to the federal government and that amounts to \$2.3 million in the case of Manitoba. As I recall it now, I think the total amount is about \$24 million that's paid to the Government of Canada.

The gaming commission fees and Crown levy, that's what we were just talking about in terms of the fees that they have in each of the machines. The—in—I guess in this case it was \$2.8 million. That must have been for '09-10. It increased to the figure of whatever

we—what was it? 3.8 before? Yes, 3.1. And then the goods and services tax, this is—we have to pay goods and services tax to the federal government, and that amounted to \$8.3 million.

And then there is also a goods and services tax on our lottery products, which is another \$1.2 million. So that would constitute the \$18 million. Now we included that in the '09-10—I think it was the '09-10 annual report, but we didn't include it in the same fashion in '10-11, but we have those figures. If you have some interest, we could certainly provide that to you.

Mrs. Stefanson: Yes, I'm just trying to look for a comparison here of what it might be this year. Sorry, I didn't mean to make you go through all of that, but I—but it is good to know, and I have seen some of those figures in here. But what is the total figure that would correspond to the most—to this report that we're—the, sorry 2010-2011 report, just so we can compare, yes.

Mr. Hodgins: It's \$15 million for '10-11.

Mrs. Stefanson: Thank you very much. And the net income of \$332.1 million, that goes back to the Province; in the 2010-11 report, there is a breakdown of where those go. Do you pay—I'm just wondering, sort of, how this works from a procedural standpoint. Do you pay one cheque to the government for the net income and then they disburse that—those monies according to these? Or do you actually make these payments directly to the departments from Lotteries?

Mr. Hodgins: We actually pay the money to the Minister of Finance (Mr. Struthers), so—and we pay the money to the Minister of Finance on a monthly basis. So the money goes to the Minister of Finance and then that money is put into general revenue, and the government makes the decisions as to how those net profits are to be allocated out to various government programs.

Mrs. Stefanson: Sorry, and I'm just jumping around a little bit here, as I've flagged parts of the report, so I'm just referring to page 40. And just in the—where it has a description of Assiniboia Downs, I wonder if you could explain what the reasoning was behind the changes that took place there, and the impact that they have had.

Mr. Hodgins: Well, I guess the way I might describe this is some tax planning that we were doing in the corporation. And just to go back in history, the commissions—and if—it's the same process for the Downs, but if I can just use the commercial

site-holders. The commission that was paid to the commercial site-holders of the net proceeds from the VLTs was 20 per cent. So that was the commission that we were paying. And at the time that, you know, the machines were initially put in place, which goes back to 1991, I guess at that time it was felt by the corporation that 20 per cent was a reasonable amount that recognized, if you like, the leases that we were paying to—lease payments we were making to the site-holders.

Now, over the years, the VLT revenues have increased significantly, and so has the 20 per cent. So we—when the GST was introduced, it's charged against the 20 per cent commission. So we have been paying that 20 per cent to the federal government. In looking at those commissions, we felt that they—because of the increase and the dollar value of that 20 per cent, we felt that that amount was more than what you would reasonably pay to a site-holder, as a lease payment to them, to have the machines in their facilities.

* (19:40)

So we did work with KPMG, who is our tax consultants, and we felt that a more reasonable amount would be 10 per cent. So, what we did is we adjusted the 20 per cent, so that 10 per cent related to, if I can put it, as a lease payment for having the machines in the site. And the other 10 per cent was given to them as a grant for tourism promotion in the province.

And so the GST then only applied to the 10 per cent, as opposed to the 20 per cent. So that's why the amount has gone down. And we did that for the commercial site-holders, we did it for the First Nations and we did it for Assiniboia Downs, and that's what this note refers to there, is that adjustment that we made there.

Is that clear?

Mrs. Stefanson: Yes, and if we could just move forward to page 49 of the same report. Just under the liabilities and retained earnings and our current liabilities payable to the Province of Manitoba, the amount seems to have jumped from \$1.6 million to \$19.4 million. Could you explain that increase?

Mr. Hodgins: Yes, this kind of gets back to what we were just talking about when you were asking about the money that flows to the Province. And so we do make payments to the Minister of Finance (Mr. Struthers) at—on a monthly basis. And really all this

is, is a timing issue, when we flow the money to the minister.

So, when our books were cut off at the end of this fiscal year, this is the amount that we still had outstanding that we were owing to the Province of Manitoba. So it's really just a timing issue and sometimes it depends on what day March 31st falls, so.

Mrs. Stefanson: Okay. There must be a better way to maybe compare that—I guess, moving—I mean, it just does—it seems to be, yes—it's a little odd that it would be that different.

In terms of—and again just jumping forward to page 56—in terms of the long-term debt, is—does the—does Manitoba Lotteries pay a fee to the Province to guarantee the debt?

Mr. Hodgins: No, we don't pay a fee to guarantee the debt.

Mrs. Stefanson: Wondering because other—well, there's the Crown corporations that do. I know Manitoba Hydro, I believe, does, and I just wanted to know sort of how that extends through.

Mr. Hodgins: What I can mention to you is that we don't pay a fee to guarantee the debt but we do pay a fee, an administrative fee, for them to—they actually—they go out and borrow the money for us and administer it for us. So they have a fee to cover their costs on that.

Mrs. Stefanson: Okay. So it's actually the Province of Manitoba, the Department of Finance that actually borrows the money on behalf of Manitoba Lotteries. Is that correct?

Mr. Hodgins: That's correct.

Mrs. Stefanson: So is there, I guess—so, if it's the department that's sort of in control of the debt, I mean, is it the corporation that lets them know what you need, in terms of any new debt that's—or any new borrowings that need to take place? Or how does that process work?

Mr. Hodgins: Well, just to go back in terms of the process for our capital projects, we have an internal process in the corporation where we would go through in—with the staff to determine what our capital requirements are. When we've finalized what that amount is at the staff level, we then take that through the board's finance committee to our board of directors. If it's approved by the board of directors, it then goes to the Crown Corporations Council for

review and then they then submit our capital requirements to the government.

And so when you see The Loan Act that—each year, if you see a line that says Manitoba Lotteries Corporation, that's the net amount of capital that we require. And so when it goes through the legislative process, if it gets approved, then throughout the year our finance people will work with the finance people in the Province to, I guess, draw down on that capital as we require it. And so that's when you see in that statement that you were just looking at, that's the net result of that.

Now, there's two streams that we have, of capital authority: one is for the corporation itself and then there's another piece that's for the First Nations gaming that takes place in the province. So you'll see two different lines that will appear in The Loan Act, one for Manitoba Lotteries Corporation and another one, I believe it's there, it's the second line, for the First Nations gaming.

Mrs. Stefanson: In terms of the long term that—then as money comes due and money comes up for, I guess, renewal, I guess, who makes the decision from there about the rates, and so on, and how it's going to be reinvested? Is that the Department of Finance or do they work with Manitoba Lotteries on that?

Mr. Hodgins: We don't actually get involved in investing any of the funds. But Tracy, who is our CFO, will deal with finance people, the debt-management people in the provincial Department of Finance. And we will, you know, work with them to determine when we need to draw down on capital authority for projects. And so that will largely be based on the timing of when we think our projects are going to be proceeding. So, you know, there's a close working relationship but it's—but it is the provincial Department of Finance that goes out to the market to borrow the money for us.

Mrs. Stefanson: And just, sort of, a more general question, we're obviously looking at the governor of the Bank of Canada who's talking about potential rate hikes in the near future, and does the—does Manitoba Lotteries, sort of, look at some of those things and how that might impact the bottom line? And, if so, what can you—what do you—how are you, sort of, preparing for that in the event of a rate hike?

Mr. Hodgins: Well, that's a good question because we do deal with finance in terms of when we lock the loans into long-term debt and that's something that

we have just recently done with the provincial Department of Finance, because we were concerned that the rates might go up. So, we do monitor that on an ongoing base.

The other factor that comes into play—because a lot of the gaming vendors that we deal with are out of the US, so exchange rates, when we were looking at the VLT replacement program back in 2004, we were looking at exchange rates of around 30 per cent. And so now we're in a very advantageous position that, with the Canadian dollar the way it is, it's really helped us with the financing of the equipment coming out of the US.

Mrs. Stefanson: And I guess, just on that note, is there any—I mean, we're looking at a fairly good position. Are you purchasing machines out of the US? I guess you're in a good position now. What happens and how do you account for risk in currency exchanges?

Mr. Hodgins: We don't hedge, but we try and, I guess, monitor what's happening with exchange rates and interest rates so that we can try and get to the market at the most advantageous time.

Mrs. Stefanson: Sorry, just a couple more questions here. I know my colleagues are anxious to take over here.

So, just—page 50, the consolidated statement of net income and comprehensive income and retained earnings. Under allocations of payments, we've got a tourism contribution there that seems to have increased pretty significantly and just wondering if you could explain why?

Mr. Hodgins: This gets back to what we were just discussing about the change in the commission rate. So, when we reduced the 20 per cent down to 10 per cent, the other portion of that we called tourism contribution. So the amount of—that was—well, you can see the \$25 million, which is an increase of about \$19 million over the previous year, so we—previously, all the amounts that are showing for the tourism contribution were showing under cost of sales previously.

* (19:50)

Sorry, she just—Tracy just clarified something for me. If for the year '09-10, the \$6.3 million, that was for three months, and the 25.1 is for 12 months because we implemented this change on January 1 of 2010. So the—this new formula—so we only—so there's

only three months of costs in the 6.3 and 12 months in the 25.1.

Mrs. Stefanson: Okay, as I recall, I don't have it in front of me right now, but for '09, was that just for three months as well? Because it didn't seem to be that much—seemed to be around that 6.2 or—million. I'm just wondering if you could explain that. Is that just for three months as well or—

Mr. Chairperson: Mr. Hodgins.

Mr. Hodgins: If you look on page 46—so you can see the 6.251 million there and then—*[interjection]* Yes.

Mrs. Stefanson: Just a question on the tourism contribution. Is that—what sort of programs—is there a criteria for programs that you sponsor, or is it something that, you know, the Province would indicate this is what we'd like you to maybe get involved with, or how is—how are those decisions made as to where the tourism contributions go?

Mr. Hodgins: This is really money that's flowing to the VLT site-holders just in the same fashion it was before, okay? So we just called it tourism contribution. So it's not like there's a separate kind of tourism program that we have here. So they receive the same amount of money now as they did under the old formula—or I shouldn't say the same amount of money, but the formula is essentially the same as what it was previously.

Mrs. Stefanson: Okay, I had one—just one last question here, page 62, just noticing the operating expenses, a percentage of net revenue. The '08-09 year is quite a bit higher. I'm just wondering if you can explain. Was there something that was notable during that period of time?

Mr. Hodgins: If you look on page 46 of the other report there—the '09-10 one. Yes, if you look on page 46 under '08-09—under—you'll see amortization, \$39 million, and it went down to \$30 million. And that was—we finished amortizing the VLTs in '08-09.

Mr. Chairperson: Since there are no questions—any more questions?

Mr. Ewasko: Sorry, *[inaudible]* keep going. Yes, thank you.

As of right now Manitoba has highest proportion of problem gamblers in Canada. What are some of the initiatives that you've taken on to target some of these issues?

Mr. Hodgins: Sorry. We have a very extensive, very responsible gaming program in Manitoba.

And certainly we've implemented a number of initiatives to address problem gambling with—I guess with respect to the VLT program. And we introduced the new machines in 2004. We put the latest technology in place that was available at that time, and I can certainly take you through some of the features that we have on—had on the VLTs and have on the VLTs, if you like.

But certainly we, you know, introduced time—or the time clock on the machines. There was also messaging on the VLT machines for people that want to gain help. So there was a variety of different, I guess, initiatives that were undertaken, with respect to the VLTs.

We've also increased our funding to the AFM significantly over the years. The amount of funding that we provide to the AFM now is, well, in excess of \$3 million, which they have available for various treatment and education programs. So there's a variety of things that we did in that respect.

We've put in, at the casinos, we've put in the responsible gaming centres. So there's staff from the AFM that are actually on-site, that can provide information and assistance to anyone that feels that they may require some, I guess, counselling or guidance with respect to problem gambling.

We've also undertaken a number of, you know, research projects over the years to look at how we might be able to address responsible gaming. One of the initiatives that was just announced in December of 2011, which the minister was just referring to, is a responsible gaming research program. There's a million dollars that's going to be provided each year for research that will be undertaken on responsible gaming.

We've—also have a very extensive advertising program that—and that takes several forms. We have brochures that—in our casinos that are available to our customers if they'd like to have access to that kind of information. We also have that same kind of information at our VLT sites. We also do advertising on TV and through various radio outlets. So those are some of the kinds of things that we have been doing as an organization to address responsible gaming.

Manitoba's seen as one of the leaders in the area of responsible gaming. And certainly, you know, it's something that, we, our board of directors really established this as a, you know, as a priority. One of the things that I should mention, too, is that we now

commit 2 per cent of our net profits to responsible gaming, which is an initiative that was introduced a few years ago by our corporation, with the approval of our board of directors.

Mr. Ewasko: Two per cent you just mentioned, does that go towards the centres? Does that go to the fund?

Mr. Hodgins: Actually, it goes to all those initiatives. There's—it amounts to—well, our profits are in excess of three—\$300 million, so the responsible gaming funding that we set aside each year for that program is about just over \$6 million. There's \$3 million of it goes to the Addictions Foundation of Manitoba. And the rest of it is then used for the responsible gaming research program, as well as for our responsible gaming staff that we have employed in the corporation.

Mr. Ewasko: As I'm sure you know, 49.7 per cent of those gamblers, no matter if you have the time clocks on the machines or you have the messaging, they pretty much think that they're due to win. And they're going to sit there no matter if the time clock says you've been here for two hours, or the message comes up, you know, you've pumped in this much money.

How do you feel that they—or what's the numbers or the stats of the amount of people that are actually going to those centres and starting to access and acknowledging that they actually have a little bit of an addiction?

Mr. Hodgins: That is actually a question that should be directed to the Addictions Foundation of Manitoba. We provide the funding but, you know, that's a program that's delivered by the AFM. So it's probably a question that should be directed to them.

Mr. Chairperson: Before I request the honourable minister to comment, time being close to eight o'clock, what's the will of the committee?

Mr. Graydon: Mr. Chairperson, I would ask that we would sit for at least another hour. There's a number of questions that haven't been asked.

Mr. Chairperson: Thank you.

* (20:00)

Mr. Ashton: Yes, on the—the member's question, I think, as—once it's pointed out—the this is really probably more for AFM. I mean, AFM also does, obviously, protect the privacy of individuals going

through treatment or having contact with the organization, so it wouldn't be something that would be shared in a direct way with Lotteries. And, certainly, I do want to indicate from the Lotteries perspective, again, one of the things that is clear is the degree to which we take responsible gaming seriously.

I don't underestimate or overestimate the impacts on individual Manitobans. I do want to point out that, essentially, I think the decision by the previous government and the current government has really been when it comes to Lotteries, to basically regulate it, but also understand that there are some individuals that are susceptible and that there are ways of minimizing that impact. I can indicate and compare it to, certainly, my meetings with AFM, compared to other addictions and, obviously, we face challenges with alcohol, for example, and it's a very similar approach there. We've had prohibition at one time. We currently have a regulated approach.

Ironically, actually, perhaps just to get the attention, but there's actually a higher percentage of people who have problems with alcohol than do with gaming and it's—there's not an immediate crossover actually, either. It's a—if you look at the studies, there's clear indication you have different—in many cases, different people with different levels of addiction. But notwithstanding the fact that we don't have that information here, I do want to stress again is once it's pointed out that we take responsible gaming very seriously and, again, that's reflected in the new announcement on online gaming where we've actually put in place 5 per cent of the funding.

And that does reflect, by the way, that if you're dealing with online gaming, right now, a hundred per cent of the people that would have a problem with that, if they have a problem, it's nothing to do with Manitoba Lotteries. We're not in the business yet, but notwithstanding that, we will be providing higher than the standard 2 per cent, which is a fairly significant commitment, and I think is really part of the balance here.

Mr. Ewasko: I appreciate the answer on the confidentiality of clients who are possibly attending AFM, but do you have—whether it's minister or Mr. Hodgins, do you have any kind of stats as far as how many people are accessing AFM and for gambling addictions? And that doesn't necessarily label or name anybody, but there are stats and there is funds that you're directing from your organization to AFM, and I'm certain that there's some sort of level of

accountability to make sure that those funds are being used appropriately.

Mr. Vice-Chairperson in the Chair

Mr. Ashton: Yes, once again, it's not something that's directly within the purview of Manitoba Lotteries. But I could certainly undertake to raise this with the minister responsible for AFM, and either through AFM's appearance, you know, in the budgetary process or directly, I'll ask if that information can be ascertained and we'll provide it to the member.

Mr. Ewasko: Well, my next question was going to be along the lines of high school programs for students as far as AFM's concerned because of the initiatives put on for gambling and then there are addictions. It is a trickle-down effect as far as high school students that are—high school students or even students—I shouldn't just label them high school students, but who have to absolutely deal with these situations at home. But I guess this will be something—I'm just wondering if anybody does have any answers in regards to that.

Mr. Ashton: Yes, once again, probably best raised directly with AFM. I can indicate, by the way, that one of the key factors we have looked at with online gaming is the security features. I know that's a question that has been raised where online gaming has been brought in. BC's lottery system has very significant protection against underage gaming. That's something that's not necessarily the case with many existing sites. So in addition to—obviously, our focus on our physical premises and, also by extension the VLT sites, which again are age restricted, is a significant concern for us and it is probably an area that, I think, Lotteries has a very good reputation and it will be extended on the online sphere.

So, in terms of understanding underage gaming, I think that's something that is inherent in all our activities.

The reason I mention online gaming is its most recent example where, I'll be very upfront, that was one of the major considerations we looked at. It's one of the first questions I asked, and others have asked, and we will make sure that there's a—through BC Lotteries, we'll have state-of-the-art protection against underage gaming.

Mr. Ewasko: I appreciate the minister's comments on underage gaming, but I was more so leaning towards the fact that there are underage people that

are affected by gaming from them, their parents or grandparents or those relationships, so that's where I was going with that question.

In regards to the AFM's gambling residential treatment program, funding has dropped, so are we labelling that onto the minister in charge of AFM, then, as well? Why funding dropped from 204 roughly in '09-10 to 168? So, do you have any contributions to that or any say in that, or is that also another question for another minister?

Mr. Hodgins: What I was going to ask is if it's okay if Bev Mehmel, who's our director of Corporate Social Responsibility, could respond to the question?

Mr. Vice-Chairperson: Is there agreement in the committee to allow the question? *[Agreed]*

Ms. Bev Mehmel (Director, Corporate Social Responsibility, Manitoba Lotteries Corporation): Back to the—to do with the education programs by AFM, they actually have three of them as part of the funding that we give them for problem gambling and education services.

One they have for middle school, it's called Lucky Day and that's an in-school program delivered by AFM staff and, as well, they have a website that is promoted called luckyday.ca.

For high school students they have a program called Youth Gambling Facts and, again, that's delivered online—not online, in person, around the province by AFM staff. As well, it has a website as well.

And more recently developed by AFM is a program for college and university students called You Don't Know Jack. And again, that's on-campus sessions and, as well, they have a web link as well. So—because the importance of getting information to young people, you know, before they turn 18.

And in terms of the residential treatment funding, I'm not aware of—that we can—probably could get that from AFM. The issue is we give AFM funding and they allocate it to their programs.

Mr. Ewasko: I appreciate the answers. Just to note, a lot of the funding in regards for AFM programs for high school programs, middle years programs, have actually been downloaded on to the backs of the school divisions from the provinces. There is a certain percentage, but in order to actually have those staff in the buildings, it seems that it is getting offloaded onto local governments in regards to trustees.

So, with that, thank you.

Mr. Graydon: The—we'll go to the online gaming. Now, before I do that, I want to go to a different—we'll just switch gears here.

The harness racing industry in the province of Manitoba has suffered some very hard times over a number of years and they've approached Lotteries from time to time, and can you tell me if there's going to be a better situation and a better day for them in the near future?

* (20:10)

Mr. Hodgins: I think you're right, they have approached us about funding. But they have also approached the Ministry of Agriculture as well, as I understand it, with respect to a proposal they have to deal with harness racing in the province and, quite honestly, I think this is false, probably more appropriately under the mandate of the Agriculture Department as opposed to Manitoba Lotteries. I mean, if there's a decision to, you know, to provide funding for harness racing, I mean, that's certainly something that would be considered by the corporation, but I'm not sure that it's really within our mandate to make a decision as to whether, you know, there should be any changes in the programming for that group.

Mr. Graydon: Is there any funding currently for the—from Lotteries for the harness racing?

Mr. Hodgins: No.

Mr. Graydon: Is there any funding currently for the Assiniboia Downs and the thoroughbred racing?

Mr. Hodgins: Well, they do have the VLT machines at the Downs and, last year, the amount of funding was roughly in the order of about six and a half million dollars that was paid to Assiniboia Downs.

Mr. Chairperson in the Chair

Mr. Graydon: And so what you're saying is that the thoroughbreds are funded, but you don't see that the harness racing falls under your purview, that they would fall under Agriculture. Can you explain why you think that?

Mr. Ashton: Well, yes, that's a policy decision. I would point out that the Province has been a significant part of maintaining thoroughbred racing in the province. It does have significant tourism benefits, and I certainly wouldn't want to underestimate the impact that our government, previous governments, have had through that. I do

want to stress it's through VLTs, not direct grants, and, again, I know the thoroughbred racers—pardon me—the harness racers have been in discussion with the Department of Agriculture. I don't underestimate, by the way, the challenges both in terms of thoroughbred racing and all racing. There's pressure continent-wide even with thoroughbred racing, a reduced attendance and significant financial pressures.

So what we have done over the years is maintain a very significant tourist destination through the VLTs. It's a different scenario with the harness racing. I know there's efforts to maintain—establish a significant circuit throughout rural Manitoba and I don't want to—I'm not sure the two are directly comparable, but I don't want to, in any way, inhibit any discussions that harness racers may have with the Minister of Agriculture (Mr. Kostyshyn) in terms of their arguments. But they're—you know, they are—obviously, they have horses and they race, but beyond that I wouldn't want to overstate the comparison or—even though it's a general decision of government, I also think that the ongoing support for Assiniboia Downs has been a valuable one. I know it's sort of been advocated by the members of the opposition as well as by government so I'm not strictly talking about our involvement. I think it's something that has been worthwhile. But there are some challenges there as well, and I think that's something that needs to be noted on the record.

Mr. Graydon: So the harness racing association has met with you and requested funding?

Mr. Hodgins: Yes, they have.

Mr. Graydon: Was part of their argument that they can race year-round where the thoroughbreds don't race year-round? Was that part of their argument?

Mr. Hodgins: My understanding of the proposal was that they wouldn't be racing year-round but they would be racing in the fall and early winter after the thoroughbred racing was completed.

Mr. Graydon: So would you agree, then, that this would provide entertainment for a number of people in the city of Winnipeg?

Mr. Hodgins: I'm not sure I'm in a position to really comment about whether it would provide people in Winnipeg with entertainment.

Mr. Ashton: Well, then, I can. I'm just asking for an opinion here, but I'll just restate what I stated earlier. We have worked quite closely with Assiniboine

Downs in some very challenging circumstances. They faced some significant challenges the last period of time. That's certainly been a priority for us, and we continue to be committed. And, certainly, through Lotteries, there is the allocation of VLT revenues, which Winston outlined earlier. And whatever happens in terms of horse racing in the province, obviously we start with trying to maintain as much as possible of the thoroughbred racing, which is important not just in terms of the tourism, but also breeders, spin-offs in the west end of the city—there's a significant amount of employment from it.

And it's not to take away from any of the discussions of the harness races they have, but that has been the prime focus of this government and, I believe, the Conservative government of the 1990s. This is a historic connection that the Province has had for many years, so I'm not in any way, shape or form taking away from any of the arguments that harness racing may have, and certainly they are free to make those arguments, and are making those arguments, to the Minister of Agriculture.

But our focus, as has been the case with the previous government, has been maintaining the thoroughbred racing industry in the province, and it's not to preclude any further discussions on the harness racing.

Mr. Graydon: So I deduct from that answer, then, that you feel that—that the minister feels that harness racing is just as important as the thoroughbreds. Is that a fair assessment of your answer?

Mr. Ashton: I usually believe that members of the opposite—opposition ask questions. I've been in opposition and ministers give answers, that members of the opposition don't put words in minister's mouth and I don't put words the opposition member's mouth. I made it very clear that, whatever presentations the harness racing industry wants to make, they are more than free to do that. I just wanted to put on the record the historic sport that we in this province have given to the thoroughbred racing. And I'm not sure it's really valuable to get into a comparison of the two. The two do have races with horses, but there's a very different set of circumstances for each of them. And our focus over the last number of years has been to maintain thoroughbred racing, which is a hugely important part of the province, and we're going to continue to do that even with challenging circumstances.

I think the member knows the harness racing organization has been in discussion. There's been various proposals been made over the last period of time, but I'll let them speak for themselves, and if the member wants to speak on their behalf, lobbying for them, that's fair ball as well, too. I just want to the member a sense of what Lotteries does here. Our key role here is for the VLTs. It's not a direct grant and it's got historic reasons. And I'm sure we could get into more detail of sort of how it evolved, and there's been a number of shifts over the last number of years to reflect the changing circumstance. I think Winston referred to that in some of his answers to previous questions. So, you know, I'm not trying to compare the one or the other. What I'm trying to do is give the member a clear idea why Lotteries is involved as part of overall government policy in providing sport to the thoroughbred industry.

And, whatever discussions take place in terms of harness racing, those are, to my mind, appropriate discussions for the harness racing organization to put forward. That's their every right, but we are committed to thoroughbred racing and we'll continue to work with thoroughbred racing, as I said, in a rather difficult time across North America. You've seen other tracks close or significantly reduce their involvements. Things have shifted quite a bit over the last decade—last two decades in terms of that side, so.

Mr. Graydon: So, now, Mr. Hodgins, can we say, then, that there will be no VLTs allotted for harness racing, that there will be no comparison to what is already given to the thoroughbred racing, that there's no intentions to move in that direction, although we have moved in that direction in other cases? And I'm just going to refer to 50 machines that True North have with an unlimited time frame.

* (20:20)

We see that the thoroughbreds have VLTs. Is there any indication from you or your board that you're going to move in that direction for harness racing?

Mr. Ashton: Again, that's an issue of government policy, and I think I've answered the question. Well, they—for the member, the board doesn't unilaterally—there's no history of the board unilaterally, outside of government policy, allocating VLTs going back to the 1990s, but there's been various policies.

But the previous government—for example, when VLTs were brought into this province, in terms of

number of overall VLTs in the province, there's been allocation of VLTs in a number of areas: First Nations across the province. There are also First Nations casinos. We have 'allocationed'—member's mentioned True North. Again, that's been part of the public record going back to, I think, 2003, 2004, and there's been a significant allocation again for thoroughbred racing in the province, and again those are all issues of broader government policy. They're not unilaterally made by the Lotteries board. The Lotteries board and the CEO and senior staff basically, within the parameters of government policy, do a very good job of administering, in a very efficient way and a socially responsible way, gaming policy in the province. But it's not a unilateral decision made by the CEO and board. It is a decision of government.

Mr. Graydon: Well, just because the minister did go back in time, I'm going to read a quote from the minister from back in time when he was on this side of the table: And the government in its search for general revenues has allowed a dramatic increase in gambling. The Lotteries Foundation has basically turned into a revenue-seeking organization for government. That is why I consider it absolutely unacceptable with some of the dramatic increases in gambling, and we will get into that—we will get into what has happened. I quote. And that was you, Mr. Minister.

And today, now, you want to go online gambling. Perhaps you can explain to me why, in one hand, we have a long tradition of being with thoroughbreds but not with standardbreds, and then—we have a long tradition—some of us have a long tradition and a strong feeling a long time ago—would change your mind and go into online gambling. So perhaps you can explain the online gambling change in your attitude. Or was your quote—or does it still hold true that it's a revenue-seeking organization for government?

Mr. Ashton: Well, I'm glad the—you know, the member's raised it, because it really does point to the fact that in the 1990s when VLTs were brought in the province, there were no VLTs until they were brought into the province. There was a rapid expansion of that. I think, at the time, there was some significant concern expressed by many people about whether the right balance had been found. I always—and I think the members, the public always felt that the key issue was to find the right regulatory balance. That's a point to remember with lotteries, that it wasn't that long ago, it was actually covered under

the Criminal Code, and I think outside of Irish sweepstakes tickets—it was a bit before my time—that was about the only option available to Manitobans.

The difference with online gaming is very, very clear. There already is online gaming. The member can take his Blackberry, go to his home computer, he can go online right now and there are numerous sites—numerous sites—which we, in many cases, have limited knowledge about who's behind it. No guarantees of social responsibility, protection against underage gaming. And I do know, by the way, that when we first announced a review for online gaming, that the AFM itself, which deals with addictions, the CEO of the AFM at the time—and this is a statement that's been reflected again more recently by a AFM spokesperson—is that they support it, having the provincial operated and regulated option available, because it is far superior to the existing online sites that offer none of those protections. So, to argue it's an expansion of gaming, I would argue that, in fact, online gaming exists; it's fairly widespread. We're estimating in the range of about \$38 million annually is spent on online gaming. What this will do, it will provide an option, and any of the proceeds will stay here in the province.

Some of it will go to ensuring that we treat people that do have difficulty with online gaming, including people who have addiction-related issues to online gaming sites that we have no involvement with. That's—again, I mentioned we put 5 per cent in, not just the 2 per cent. But we'll have funds for general revenue to support health, education, and other general government expenditures, and I was—and a—I think a very important allocation of 15 per cent to Aboriginal sports and rec, which is a real need in this province. There's many Aboriginal people that just don't have the kind of rec and sports opportunities that many other Manitobans would have.

And, to argue that's an expansion of gaming, the member may want to make that argument, if he wishes, but I think we've come to the same conclusion that British Columbia, that Québec has. I know other provinces, like Saskatchewan, are looking at it. Ontario's reached the same conclusion. There are many jurisdictions that have felt that it's happening anyway. The question is: Do we have a regulated option, and our decision is—after considerable consideration was yes.

Mr. Graydon: Can I ask Mr. Hodgins when he expects this project to get off the ground?

Mr. Hodgins: Well, we've started the initial work on the project, and we're anticipating that it will be completed in the last quarter of this fiscal year.

Mr. Graydon: How's the partnering with BC effective?

Mr. Hodgins: I'm sorry, I—*[interjection]* I think that the partnership has several different benefits for Manitoba. If we were to proceed with this initiative on our own, there would be a significant financial investment that would be required by the province. It would require a significant effort on the part of the corporation to be able to develop this initiative. So it's going to allow us to get to market much quicker than what we would otherwise. But in partnering with BC, because of the experience that they've had in the past, we're going to be able to take advantage of the expertise that they have developed over the years in this area. There's certainly the—as I mentioned, the financial investment will be substantially less by moving in this direction.

Mr. Graydon: So, if the investment is substantially less, then obviously British Columbia isn't a close relative to Santa Claus, so there's going to be a fee for service. Is that going to cut into your profit?

Mr. Hodgins: Well, there's—I guess there's the initial capital investment, if we were to go on our own, and then there's the ongoing, you know, cost to operate the, you know, the program after it's up and operational. Manitoba is not going to be required to make that initial investment because we're going to be able to take advantage of the work that BC has already done.

There will be a fee that we will be paying to BC to provide this service to us, but we factored that in to the calculation of what the profits are estimated to be for the online gaming project. So those are things that we've already accounted for in the, I guess, the work that we've done.

Mr. Graydon: Well, I certainly wouldn't expect any less from you. I know that you're—you do due diligence before you make any steps in any direction, and so I would have expected that you had done that. Can you tell me what the fees will be?

Mr. Hodgins: We have just started the negotiations with BC, so, you know, we're not at the point where we're in a position where we can, you know, provide, you know, that level of detail.

* (20:30)

Mr. Graydon: Are you leading me to believe that we're going to have this up and running within the next quarter, or two quarters of the year and you don't know what it's going to cost you?

Mr. Hodgins: Well, the initiative was only announced just recently, and so part of the project will be the development of the commercial agreement that we will enter into with BC. We've had some preliminary discussions with them, but that's all part of the development of the project will be the commercial agreement that we'll enter into with BC.

Mr. Graydon: So the fee schedule, is that going to be on a quarterly basis, on a semi-annual basis or on a yearly basis or on monthly basis? How is that—and is that going to be a set fee for how long a period of time?

Mr. Hodgins: Well, as I mentioned, those are all, you know, the details that we will be negotiating with BC, and I'm not in a position that I can, you know, share that kind of information tonight.

Mr. Graydon: So, have you had that type of discussion with any other province to—or any other provider, for that matter, who may want to or may have been a potential partner?

Mr. Hodgins: The only partner that is available for this type of partnership is BC. Ontario, as the minister mentioned, is just developing their project. The—Saskatchewan and Alberta have not made a decision at this point in time whether they're going to proceed. Québec just recently implemented online gaming and ALC is not in a position to provide this type of partnership. So the only partner that's available to provide this kind of a service to us is BC.

Mr. Graydon: So, in saying that, then you're bargaining from a very, very disadvantaged position at this point going forward. And, as you say, it was—the announcement was just made recently, but surely there's been discussion that was going on for a month or two prior to the minister making the announcement.

Mr. Ashton: Yes, I just want to stress here we do have an agreement in principle with British Columbia Lotteries. There has been due diligence. British Columbia Lotteries has indicated that it will engage in us with this—discussions based on a recovery to them of operating costs, not the capital costs that have already been incurred by British Columbia Lotteries. This is quite significant because

it means essentially we, as a province, don't have to start from scratch either directly or through, you know, through any kind of agreement with BC Lotteries, cover costs that have already been incurred to set up the basic system. So we've now made the announcement, the AIP, and it's not unusual in any commercial arrangement to then proceed to the detailed discussion.

But the broader issues have been made. The due diligence was done. We—as the member knows, we signalled publicly some time ago that we were looking at online gaming. We've had discussions. I met with BC Lotteries; so has lottery staff. So, are all the details determined? No, but the basic framework is, and I believe it's a good agreement for Manitoba. It's not too often that you can be involved in a start-up venture of any kind where essentially the discussions are going to be based on operating costs, not previously incurred capital costs or new capital costs that you're incurring as well. So it's actually a very good deal. And the reasons—and I'll defer to BC Lotteries to talk for themselves as to why they have a particular interest in that as well. But not only are we not at a disadvantage, the basic framework of the agreement is very advantageous for Manitoba Lotteries and for the province.

Mr. Graydon: I understand what you've been saying, Mr. Minister, and it was clear that from when Mr. Hodgins explained that part of it, but you did bring up something that was—that I've been trying to get the answer to, and that was the broad aspect of this. We know what the broad aspects are. That's what you said.

So that's all I'm asking and if you don't have the hard facts of how much money it's going to cost and so on and so forth, at least then you know what part of the parameters are—part of the parameters are you're going to be making payments. Do the payments go monthly? Do they go quarterly? And are they based on revenue generated or are they a solid figure?

Mr. Hodgins: Well, I can't add anything more than what I mentioned to you before. Those are details that we will be working out with BC. I can tell you that this isn't just to, you know, BC's advantage in terms of the fee structure. There are some other programming issues here that are very advantageous for BC.

Liquidity is an important issue to BC and that's the number of players that will be playing in some of the games that they're offering and so, you know, we

certainly have that to, you know, to bring to the table when we're negotiating with BC.

Because of the volume of, I guess, the games that are going to be acquired by BC and some of the programs they're going to be developing, there's also some efficiencies that can be achieved by having Manitoba as part of their program.

So there's some real benefits that they will achieve themselves as a result of having Manitoba as part of, you know, this consortium, if you like.

So this isn't—when we sit down to talk to them, this isn't just BC having all the advantages here. We are bringing something to the table for them that is also going to be advantageous and so, you know, in the discussions that we've had, the minister talked about some of the discussions. We've had some discussions with BC. They certainly see the value of having Manitoba as a partner in this program and so that's going to allow us to negotiate, in my opinion, an agreement that's going to be fair for both parties.

Mr. Graydon: So in that negotiation, then, and I'm sure that you're not going to give me the answer to this, so what I'm going to do is I'm going to ask you: Have you phoned to gamble on BC's online gambling line? Have you done that for Manitoba? Have you made an attempt to do that?

Mr. Hodgins: I could try that, but I wouldn't be allowed to get into their system because the only people that can game on the BC system are BC residents, and the program that's going to be developed for Manitoba, only Manitoba residents can game on our site.

Mr. Graydon: So the benefits to BC, then, is that they're going to be paid for the work that they have done developing their program. It's not going to be that they're going to have more people on their program and more opportunity to get money from another province.

Theirs is restricted to BC only and so what they have is they've developed a program and they're selling that program to you; I understand that now. So that's—you're still not in a great bargaining position and what happens if you can't come to an agreement, then? Does that mean, then, we're not going to have online gambling in the province of Manitoba?

Mr. Hodgins: I'm quite optimistic that we will be able to negotiate a deal that we will be comfortable

with. I think if you take a look at what it would cost Manitoba to develop online gaming if we did it on our own, plus the ongoing cost, as compared to what it'll cost us to partner with BC, I think that you would find that this is going to be much more cost-effective than what it would be if we went on our own.

And as I mentioned to you, there are some benefits that we are going to bring to BC as part of this partnership that will, I'm sure, allow us to negotiate a deal that will be one that is fair for both sides.

Mr. Graydon: Can you be more specific on what you're offering?

Mr. Hodgins: Sorry. One example is the players that we will be bringing to some of the games that are offered. I mentioned that there's this issue of liquidity and that's when people want to go on site to play poker, for example. They—if there's only the players in BC, then there's not enough critical mass at times for the games to be played.

So what's happening is, is that BC is partnering with Québec. They also want to partner with us so that there's an adequate base of players that are going to be able to play poker when they want to go online. So when people want to go online and play they want to have enough players that are going to allow them to play at—when they choose to do that.

* (20:40)

Mr. Graydon: Can you explain then how—you had just said just previously, that I couldn't play in BC. They only allow BC residents to play in BC on their game. We will do the same in Manitoba. I have no idea what Québec does, but I'm confused now. So perhaps you can help me out?

Mr. Chairperson: *[interjection]* Mr. Hodgins.

Mr. Hodgins: Oh, sorry, I forget.

So the BC players will, you know, play against players in Manitoba and Québec, but the money that is generated in BC will stay in BC, the money that's generated in Manitoba will stay in Manitoba, and the money that is made in Québec stays in Québec.

Québec or BC cannot come and attract our players to go and play on their site in the table games. If they do play in—as part of this, I guess, Canada-wide system, they—the profits that are generated in each province will remain in that province.

Just by way of, I guess, the other games that will be offered, for example, the casino-style games. Only the BC players will be able to play on the games that are offered on the BC site. The Manitoba players will only play on the Manitoba site. There's no crossover into other jurisdictions. So, the games where there's this cross-Canada pooling of players, is in poker, and if bingo is developed and implemented, which is being looked at right now.

Mr. Graydon: Are there any other online gambling sites that can gamble across all of the provinces?

Mr. Hodgins: The 2,000 grey-market sites. That's where players are playing right now. They are playing and there is, as the minister mentioned, there's roughly about—the estimate is that there's about \$37 million worth of gaming revenue that's leaving Manitoba every year—is going to these 2,000 grey-market sites. They can market anywhere in the world and that's who we're going to be competing against, will be these grey-market sites.

Mr. Graydon: British Columbia has a certain amount of history up to this point, and how do they feel they have competed with these 2,000, as you say, grey market—you'd probably be closer if you got to black market.

Mr. Hodgins: Black market—but the information that they have shared with this—us, is that they feel that, you know, that they're quite comfortable. That they have been able to attract the player base that they anticipated when they started down this road.

Mr. Graydon: I understand that BC is now going to complement their online gaming with online casino. Is that a long-term goal or is that a short-term goal for Manitoba Lotteries?

Mr. Hodgins: I'm not sure what you mean by—they have casino-style games already, if that's what you're meaning by a virtual casino, if you like, but maybe I misunderstood your question.

Mr. Chairperson: [*interjection*] Mr. Graydon.

Mr. Graydon: I'm sorry about that Mr. Chairman. Sometimes I get a little bit over excited about this.

They do have, and I understand they have just started this new program, that the casino games are online, a virtual casino, as you say. Is that part of Manitoba Lotteries goal as well?

Mr. Hodgins: That is—those are the games that are offered now. BC offers casino-style games. They offer poker. They also offer lottery products on line.

In fact, they've been offering lottery products online since 2004. So, those are the products that they are currently offering. They're looking at the potential to maybe add bingo to their product line as well.

When we go live, there's a possibility that bingo could be up and operating at that time. So what we will offer will be casino-style games, poker, potentially bingo.

We will not be able to offer lottery products when we go live in the fourth quarter because that is a product that we have to develop with the Western Canada Lottery Corporation, and so we'll have to sit down and start having some discussions with them as to how we can offer lottery products through the Western Canada Lottery Corporation.

Mr. Graydon: Will you also be able to bet on sports?

Mr. Hodgins: They—my understanding is that BC does offer the, well, it's called Sport Select here, and I think, I forget what they call it in BC, but they're comparable product. In BC they do offer that online now, and that would be something that we would have to probably have provided through Western Canada Lottery Corporation. So we would—so when we are able to bring Western Canada Lottery Corporation online, then we would be offering the Sports Select betting at that time.

Mr. Ashton: Yes, and just to add to that, I think, I'm not sure if the member's aware but the kind of sports betting you see in many other countries is prohibited for a number of reasons in Canada, both at the national level but also in terms of many of the sports leagues themselves.

There, you know, there's a very different attitude towards that, but there is, there has been some lobbying at the national level to allow more direct betting. But right now the only betting is really, sort of, what's an aggregate bet, you know, which is the Sports Select; it's not on direct sports results. But I do want to flag that that is something the member may have even heard is being talked about nationally, because the federal government is still—everything we do under Lotteries is under assignment of the jurisdiction under the Criminal Code by the federal government.

Mr. Graydon: So if we have casino-styled games on—that are becoming online in the fourth quarter, will that impact the casinos now that you operate here in the city? And more specifically, will it impact the Aboriginal casinos and their revenues?

Mr. Hodgins: The research that we've done on this project is that there will be no or very limited cannibalization of our casinos or First Nations casinos. So it's a different market. Now, that the—one of the things that will be really advantageous here is the opportunity to do some cross marketing between our online product and the bricks and mortar casinos, if you like. So there's some benefits associated with that that, you know, will be very helpful for us.

Mr. Graydon: Well, I believe that you're going to attract a different demographic than normally goes to the casinos. The casinos, I believe, were designed and the VLTs were designed to raise a certain amount of money in rural Manitoba, and also attract out-of-province tourism. And I think the minister will agree with that. That's what the draw was—was to bring dollars into Manitoba.

What you're doing now seems to be to stop dollars from going out, but at the same time I think you're going to distract from the casinos. But if you've done the study, then I guess only time will tell.

How will the Lotteries and MLCC merger—what is the timeline for that?

Mr. Ashton: Yes, I should probably answer that. I know certainly Winston is going to be the CEO moving forward. What we've done already is we've announced the chair, the vice-chair and also the appointment of Winston Hodgins as the CEO for the amalgamated Crown.

We will, over the next short period of time, be announcing the board for the new amalgamated Crown. We've already given notice that we will also be putting on a RFP in the private sector to obtain private-sector expertise on ways in which we can bring forward the merger and get greater synergies and efficiencies between the two organizations.

We've indicated that there will be no layoffs of front-line staff. We've also indicated that we're very much looking to maintain some of the excellent aspects, the corporate culture of both Lotteries. I mentioned that earlier, and I won't speak for the Minister responsible for the Liquor Commission.

* (20:50)

We are anticipating that one other thing we will be doing is consulting with stakeholders. Clearly, both Lotteries and the Liquor Commission have a significant number of stakeholders, but our intent is to—well, I was going to say, to move, but we already

have moved fairly significant in this area. And we'll be rolling out further aspects of the merger over the next period of time.

I know certainly the CEO has communicated to staff of both Crowns. I'm not sure if the member's seen the letter, but we can certainly make it available to the member if he hasn't. A letter was sent to the 3,000 staff, and certainly in terms of time frames, there's different—various different components. I would anticipate we'll have a new board up and running probably within a matter of days or weeks. And the other aspects will roll out fairly soon after.

Mr. Graydon: Could Winston tell me what the management structure will look like after the merger takes place? Would the current management team stay in place? And what would be the makeup of the board of directors?

Mr. Ashton: Well, I want to stress again that we're going to be appointing an RFP—putting out an RFP that will provide private-sector expertise. I'm sure Winston in his considerations too as CEO will also be looking at that, but that RFP will be out shortly and we'll look very much at both the synergies and potential efficiencies of combining the two organizations. I can indicate that we've already got some significant synergy and efficiency in the fact that Winston is now going to be the chair of both. I think, as the member knows, there was no permanent chair for—or permanent CEO for the Liquor Commission. So we've already started. There'll be some reduction, of course, in the board as well. There'll be a single board for this merged organization.

And, in terms of the specific organizational structure, that will evolve after the RFP, the management consultants, and the work that will be done in the interim period of time. So that'll be over the next number of months.

Mr. Graydon: Why were these two corporations a perfect fit, Mr. Minister?

Mr. Ashton: Well, first of all, it did not escape our notice that in other provinces there are provinces that have a combined liquor and lotteries organization. Second of all, I do want to point out that one of the elements that we've also announced is rationalizing the regulatory side and the operations side for not only Lotteries where that's been the case since the '90s where we have the gaming commission, which, you know, regulates gaming, and Lotteries, which operates gaming. And we will now have the same

thing happen with liquor because currently both the regulatory and the operating side is actually within the liquor commission. It's two separate sections, but we'll be able to separate that out. So we'll have one entity dealing with the regulation and one dealing with the operation for liquor and lotteries. So, you know, there's some symmetry there.

And I think also the rationale was very much based on the feeling at a time when there are overall budgetary pressures—and I'm not going to revisit the, you know, the budget debate—but I think the member's aware of the overall budgetary pressures. There was an opportunity here to get some efficiencies but also synergies as well, and when I say synergies, you know, I've had the opportunity to meet with Lotteries senior staff since the announcement was made. My view is there's a lot of things that Lotteries does that may help on the liquor side and a lot of things that liquor does that may help on the lotteries side. I mean, they're very different organizations. One's 90 years old; one's been around since 1984, I think, with Lotteries—have similar mandates, you know, the social responsibility as well as providing, you know, efficiency and revenue to government.

So, you know, there's a logical fit there, and again I think our sense is both of them have a proud tradition but the amalgamated entity will be able to be not just efficient but innovative and have the kind of social responsibility mandate that we expect from anything involving liquor and lotteries.

Mr. Graydon: Well, I certainly appreciate Mr. Hodgins's due diligence that he does before he makes any moves, so I'm sure that he has done some studying on this and perhaps he has come to the same conclusion that I have, that any of the provinces with a combined liquor and lotteries corporation also have the highest gambling problems and addictions of any of the provinces, and, as it turns out, Manitoba does have the highest gambling problem, before we start.

So, is this going to be a condition or a situation that just magnifies itself as we go forward?

Mr. Ashton: Well, I, you know, I don't want to get into a debate on the—you know, what is—I'll—you know, a serious issue. In terms of revenues, you can compare revenues back and forth provincially. We have not announced outside of the initiative on online gaming, and again, I'll make the argument that what we have is a government—that it's not an expansion of gaming, it's having one regulated site as

an option for Manitobans instead of 2000 unregulated sites.

We have not proceeded with any expansion—gaming in terms of VLTs, in fact, if I remember correctly, and it's before my time as minister, but I believe even the previous government had reduced the number of VLTs by 10 per cent in the late '90s.

There's been no overall increase outside of the Aboriginal casinos and, again, that goes back to the 1990s with the Bostrom report, where it—which recommended up to five casinos. So the two entities will still be under the kind of debate and discussion we traditionally have in Manitoba, whether it's lotteries or liquor, and it's finding the right balance.

You know, I won't comment extensively on the liquor side other than to say that's there's been some significant changes over the last number of years and—even some communities that have not been—you know, not had a licensed facilities, now have licensed facilities. We've evolved in terms of regulations. That debate will continue.

The key element here with the amalgamated lotteries and liquor is efficiency, which is better return for government—synergies, again, which will provide better return for government. But I can tell you, both liquor and lotteries will continue to have the strong, social responsibility mandate that goes with—you know, not with just the fact that they're two, well-respected public institutions that will become one, because that's what Manitobans expect. So this is not about changing any of the balance for liquor and lotteries, it's about efficiencies and synergies.

Mr. Graydon: Thank you for that, Mr. Minister, and if you keep stretching out the answers we'll be here for a long time yet tonight. What I would like to say though is that Manitoba has the third highest income for revenue from gaming in the province, and yet we have the percentage of government gambling revenue that is distributed to problem gambling, is the third lowest. And also the gaming revenue distributed for problem gambling per persons 18 is the third lowest as well. So I say that there's a challenge out there right now with our gaming in the province and I don't see that it's going to get any better when the other provinces, that do have this type of combination, this merger, have the highest gambling addiction in Canada.

So, having said that, I would suggest that you have your work cut out for you and, Mr. Hodgins,

I expect you to be able to turn that around in the province of Manitoba.

What I would like to ask is the makeup of the Board. What type of person do you look for now as a board member? What type of criteria do you use to select the members that are going to be on your boards? And you're going to have the gaming commission, of course, and the liquor commission, plus your board of directors for Lotteries. What type of criteria do you use, Mr. Hodgins?

Mr. Ashton: Well, first of all, I'd just—to correct the member, the CO doesn't select the board. It's—if anything, it's the other way around. We will have one board, we've already announced the chair and the vice-chair. I think—Tannis Mindell, you'll be aware of her background, many years career as civil servant; Leslie Turnbull's had significant board experience at Manitoba Hydro. We'll be making the announcement of the combined board.

* (21:00)

When I say the combined board, there will be one board for the combined entity over the next—probably the next number of days, maybe a week or two, and it'll be no different than any of the boards of our major Crowns. Whether it's Hydro or MPI, it'll have a wide range of expertise, will probably reflect the province, you know, geographically, as usually, you know, significant gender balance, a variety of factors that go into it, and that board will be announced shortly.

Mr. Chairperson: Before I recognize the member, the time being 9 o'clock, what's the will of the committee?

An Honourable Member: I ask that the committee sit for another half an hour.

Mr. Chairperson: Thank you.

Mr. Graydon: And so if the minister would be so kind as to give some of the criteria that he would use to select the members for these—for this board as we go forward.

Mr. Ashton: Well, just the CEO won't be selecting the board and neither will I. It's the same process we have for any of the Crowns that go through order-in-council, and it'll be to have a board that basically is able to oversee the functioning of the—organization and the kind of criteria that go into what we have with other significant boards, Crowns, whether it's MPI or Manitoba Hydro, and I think if you look at the two appointees that we have

announced thus far, you'll see that they both bring to the table some significant expertise.

Again, we're—we haven't finalized the selection of the board, that will be done very shortly, and I think when the member sees the board, he'll see a number of the factors I referenced reflected. But it's not something I will select, and I'm the minister for Lotteries, I'm not the minister for the combined entity, and this will be through order-in-council through Cabinet.

Mr. Ewasko: Quickly, how many—you have 11 board members for Lotteries right now, correct? How many board members are there with the liquor commission right now? Minister, do you know?

Mr. Ashton: It's approximately the same size. I'm not the minister, you know, directly, eight or 10.

Mr. Ewasko: So then when we talk about somewhat bringing it down to a single board, you don't—do you have any kind of numbers in mind as far as what this board is going to be made up of?

Mr. Ashton: It will be a smaller board than the combined two entities. We've already announced that, and that's again—you know, I'll be the first one to say that what we pay our board members is in many cases nothing compared to what they contribute back. But there will be a cost saving; fewer board members, fewer board costs as a result.

Mr. Ewasko: So to go back to your introduction there, Minister, of—in regards to online gaming I don't want to put words into your mouth, but you did mention that the CEO or a spokesperson of AFM basically gave the green light. Can you—without putting words in your mouth can you just reiterate, sort of, what the positives to this move is from their standpoint?

Mr. Ashton: Yes, it's John Borody, I believe, two years ago—I'm just trying to remember the exact date—but we could find the quote and he stated on behalf of AFM at the time that they felt it was—it made sense to have a regulated option rather than just have the 2,000 unregulated options available, and if I recall the context, it was very much the fact that you can have the social responsibility elements that you have no control over with the 2,000 sites, and I do believe the spokesperson for AFM has commented since that time or reiterated that's the current position of AFM as well today.

Mr. Ewasko: Okay, so then the 2 per cent that right now is coming from Lotteries going over to AFM

and then they can disburse and do whatever they want with it. Do we see any kind—I know that you've done some due diligence in regards to checking to see the impacts, but how about the amount of gambling addictions. Does it increase with online gambling? Does it decrease? Does it stay the same? What's your findings?

Mr. Hodgins: I guess based on the information that we have available that there is no evidence that there's any appreciable increase in gaming—or in problem gambling as a result of the online gaming. We are anticipating that a large number of the players that will play online at our site are people that are already playing in the grey market, and from what the—the information that is being provided by AFM is that I guess the people who are going for their services, that I guess it's reported that not many of them are attributing online gaming as being the reason why they're going to seek the services of the AFM.

Mr. Ewasko: So, then, in regard to online gaming, some of the provisions that are being put into place—I know that you're just sort of—it sounds at times like you're at the ground floor of this, but it sounds like it's already moving quite quickly. So are we going to be having these little time clocks pop up or anything, because when you're gambling online—I'm assuming this is a 24/7 set-up.

Mr. Hodgins: I can tell you that the responsible gaming features that BC has introduced into their online gaming are leading edge. They have a very strong, responsible gaming program in British Columbia. But I guess some of the provisions that will be involved with the online gaming is that there will be provisions to prevent access by underage players, so that is a very important, I guess, component of the program that BC offers, and it was certainly something we were very interested in. There's limit setting and time reminders that are available on the BC site as well.

There's a 24-hour cooling off period to increase deposit limits, so if somebody wants to increase their limit—if you're sitting playing and you want to increase the amount, you know, your limits and that, you have to—there's a 24-hour cooling off period before that you're allowed to do that just so that people don't make decisions on the spur of the moment.

The site's also going to include information and tips on responsible play, so, again, that is similar to what we have, you know, with our VLT machines

and some of the other, I guess, programs that I mentioned earlier.

So there's information links to problem gambling support, so if people want to talk to somebody about a potential problem they might have, it also has that feature. Players can also receive reports on play that they have been conducting so that they can monitor their spending, and there's also a self-monitoring tool that will allow players to exclude themselves from the site as well.

And one of the benefits of the online gaming from a responsible gaming perspective is it's account base, so that means that in order to play online you have to have an account, and so when you set that up you provide information that isn't available in some of the land-based gaming that we offer. For example, with the VLTs, you know, whoever goes in to play the VLTs, that we really don't have any information on those players. We do at the casinos for those that use our club cards. But, in the online gaming, everyone that plays—there's an account that's set up for them, and so there's information that's available. And that's going to allow the development of, I guess, more effective responsible gaming programs that will be available to assist players that potentially will—may have a problem.

So the technology is much more advanced around online gaming than it is on, say, the land-based casinos or with our VLT program.

Now I should—I could mention to you—you were inquiring about the VLT program, and with all the technological advances that are being developed with our VLTs and with the—we talked earlier about the, you know, the real time system that we're going to have, eventually there's—you know, an option will be available, and a policy decision would have to be taken, whether people would use cards to play on the VLTs. And so—but I guess what it suggests is that online gaming is much more advanced than, say, some of the other gaming that's being offered across the country now.

* (21:10)

Mr. Ewasko: Yes, this is more so a comment than anything else. A little bit worried that we're making this announcement to go forward with online gaming when there almost seems to be—or seems to need to be a little more research into the stats as far as the addictions piece. I mean, then again, as the minister mentioned earlier, I will have to ask some of these questions to the minister in charge of AFM, but I do

believe that there is a—quite the waiting list to get in there, and I think we're just going to be upping the amount of clients. But I thank you for your answers to our questions.

Mr. Chairperson: Any more questions? Yes.

Mr. Graydon: Just one last question, and it's a short question. At the last committee there was a case before the courts regarding Voluntary Exclusion Program. Have there been more, and what were the results of that case?

Mr. Hodgins: There have been no other cases that have come forward since we met the last time, and the case that I believe that you're referring to is still before the courts. And, as far as I'm aware, there has been nothing that's happened around that case. It's still with the courts.

Mr. Graydon: Well, thank you for that, Mr. Hodgins. You've been very patient tonight. And I would say that that concludes our questions for the evening.

Mr. Chairperson: Thank you very much.

Annual Report of Manitoba Lotteries Corporation for the fiscal year ending March 31st, 2010—pass.

Shall the Annual Report of Manitoba Lotteries Corporation for the fiscal year ending March 31st, 2011 pass?

Some Honourable Members: Pass.

An Honourable Member: No.

Mr. Chairperson: The report is not passed.

The report is not passed. Kindly request the members to leave those copies on the tables.

The hour now being 12 past 9, what is the will of the committee?

Some Honourable Members: Rise.

Mr. Chairperson: Committee rise.

COMMITTEE ROSE AT: 9:12 p.m.

The Legislative Assembly of Manitoba Debates and Proceedings
are also available on the Internet at the following address:

<http://www.gov.mb.ca/legislature/hansard/index.html>