

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

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

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

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

**Tuesday, October 12, 2010**

**TIME – 6 p.m.**

**LOCATION – Winnipeg, Manitoba**

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

**VICE-CHAIRPERSON – Mr. Bidhu Jha (Radisson)**

**ATTENDANCE – 11 QUORUM – 6**

*Members of the Committee present:*

*Hon. Messrs. Ashton, Bjornson*

*Messrs. Briese, Eichler, Faurschou, Jha, Ms. Korzeniowski, Messrs. Martindale, Pedersen, Reid, Saran*

**APPEARING:**

*Mr. Kevin Lamoureux, MLA for Inkster*

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

*Mr. Tim Valgardson, Chair, Board of Directors, Manitoba Lotteries Corporation*

**MATTERS UNDER CONSIDERATION:**

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

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

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

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

*The Annual Report of the Manitoba Lotteries Corporation for the year ended March 31, 2009*

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**Mr. Chairperson:** Good evening, everyone. Will the Standing Committee on Crown Corporations please come to order. This meeting has been called to consider the annual reports of the Manitoba Lotteries Corporation for the years ending March 31st, 2005, 2006, 2007, 2008 and 2009.

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

**Mr. Blaine Pedersen (Carman):** I would suggest that we sit till 8 o'clock, and then if we can revisit the time at that time to see if there's more time needed for questions.

**Mr. Chairperson:** It's been suggested that this committee sit until 8 p.m. and then re-evaluate at that point in time. Is it agreed? *[Agreed]*

Are there any suggestions from committee members as to which order we want to consider the reports that I previously mentioned?

**Mr. Pedersen:** I'd suggest we go on globally.

**Mr. Chairperson:** It's been suggested that this committee consider the reports in a global fashion. Is that agreed? *[Agreed]* Thank you.

Now proceed with opening statements.

Does the honourable minister responsible for the corporation have an opening statement?

**Hon. Steve Ashton (Minister charged with the administration of The Manitoba Lotteries Corporation Act):** Yes, I do. And if I could start by introducing the Lotteries staff, and also we have the chair with us. The chair is Tim Valgardson, and we also have our senior staff here: Winston Hodgins, President, CEO; Tracy Graham, Executive Vice-President and Chief Financial Officer; Marilyn Robinson, Vice-President, Corporate Marketing and People Services; Susan Olynik, Vice-President, Communications and Public Affairs; Dan Sanscartier, Acting Vice-President, Gaming Operations; and Bev Mehmel, Director of Responsible Gaming and Research.

What I like to do in the opening comments is give an overview of some of the activities, initiatives of Manitoba Lotteries. I do want to, in my opening comments, commend Manitoba Lotteries. They do a very good job in terms of both the operation of our various gaming activities, but also on the community side as well. I think all members of this committee will be aware of a lot of the activities that Manitoba Lotteries is involved with in terms of local community activities, as well as, of course, their overall mandate in terms of having publicly

operated, socially responsible gaming that also provides support to the Province itself.

In terms of some of the current activities in terms of corporate governance, efficiency in operational excellence, there's a strong corporate governance framework. Certainly, I'm aware as minister at the degree to which Lotteries has long-term goals and strategic plans that have a clear structure. Sound corporate governance is important to both—it's the bottom line at Manitoba Lotteries—but its broader mandate in terms of responsible corporate citizenship and ensuring sound ethical, conscientious and transparent business practices.

Like all competitive businesses, and gaming is a competitive business, it's important to have long-term strategic plans to identify products and services that meet the consumer expectations and our sound investment in the future. The past 18 months have been challenging on all fronts for Manitoba Lotteries, given the situation in the North American and global economy.

Despite that, Manitoba Lotteries has prudently managed its operations while remaining proactive about seeking and maximizing new opportunities for growth, with a focus on improved integration of strategic planning and business capital planning, including 'prioritization' of resource allocation. Also, to better support projects and rotation and execution, Manitoba Lotteries has continued to effect a variety of entertaining experience for our customers as well maintaining a quality workplace.

During the year-long budget process, there's been a significant focus on the culture of efficiency and continuous improvement. So that's including bringing a number of cost-saving measures. These savings were realized through careful management relative to corporate business travel, use of overtime, managing full-time position vacancies, in-sourcing, investments in new, more efficient technologies, as well as purchasing and installing energy-efficient equipment for Manitoba Lotteries' properties and amenities.

On the strategic side, Manitoba Lotteries continues to provide significant support to provincial programs in the Manitoba community. From a public benefit perspective, that resulted in \$304.8 million in revenues in 2008-2009 coming back to the Province. That, of course, supports health care, education, social services and economic development.

Manitoba Lotteries has made significant investments in its people, products and properties. I think it's particularly important to note the efforts that Lotteries undertakes to not only work with its employees, but in both its—both Manitoba Lotteries and its employers in the broader community.

As a Crown corporation, of course, MLC's net income from gaming throughout flows through several sources. For example, last year over \$67 million in VLT revenues provided in the form of unconditional grants to Manitoba municipalities and rural and economic development initiatives. The remainder of its net income, which includes 65 percent of VLT revenue, was used by the government of Manitoba to support programming in areas such as health care, education, community and social services and economic development. In addition, bingos at the casinos provide approximately \$4 million annually to more than 400 non-profit organizations.

\* (18:10)

In terms of video lotteries and First Nations gaming, VLTs continue to make a significant contribution in terms of site-holder revenues. VLTs have contributed over \$1 billion in commission revenues to hoteliers, restaurant operators, veterans' organizations, Assiniboia Downs and First Nations across Manitoba.

Manitoba Lotteries continues to support First Nations economic development initiatives, and as they partner with Manitoba First Nations communities through the VLT program and in the conduct and management of the Aseneskak and South Beach casinos.

In terms of a number of issues that I'd like to address, which members of the committee may be interested in, one issue that's been in the news, obviously, over the last period of time is lottery product integrity. Manitoba Lotteries has continued to work very diligently and proactively to maintain a high standard of integrity related to the Western Canada lottery products that it manages at the retail level in Manitoba.

When an inordinate number of retailer wins was investigated in Ontario a few years ago—and we're certainly aware of some of the more recent developments in Ontario, Manitoba Lotteries did review its processes, procedures and brought in an independent consultant to provide consultation and analysis. This resulted in the review by an Ernst

Young which found no evidence of wrongdoings for major retailer prize claims in Manitoba.

It confirmed that Western Canada Lotteries Corporation's core consumer protection measures were sound. Even so, we set out to ensure even stronger consumer protection. This involved the development of the Lottery Retailer Code of Conduct manual and that's something that articulates the corporate's expectations in terms of lottery transactions and prize payout procedures. In addition, amendments were made to The Gaming Control Act to provide additional regulatory oversight of lottery ticket gaming and lottery ticket retailers.

The lottery retailer mystery shop program is also in place to ensure the integrity of the program. This is important in terms of doing site checks, in terms of what is happening in terms of the operation of ticket terminals and the procedures involved with all aspects of it.

In terms of corporate social responsibility we continue to have a very significant contribution towards corporate citizenship. This is highlighted with the release of the corporate social responsibility update. This report focusses—or focussed on the dialogue between Manitoba stakeholders about our commitments to the CSR, ensuring that community feedback is part of the current and future direction and decisions. This is important and we continue to work with stakeholders on the corporate social responsibility update.

There's a very significant commitment to social responsibility and I want to indicate that we've been recognized for the sixth consecutive year by the Distinguished Budget award from the Government Finance Officers Association.

Lotteries also maintained its progressive Aboriginal relations gold level status in the Canadian Council for Aboriginal Business and for the seventh consecutive year the Human Resource Management Association of Manitoba recognized Manitoba Lotteries for its human resources practices and programs.

Additionally, Lotteries was recognized this year as one of Canada's best diversity employers and Deloitte Inc. recognized Manitoba Lotteries as a leader amongst federal and provincial corporations.

In terms of responsible gaming this continues to be an important aspect for Manitoba Lotteries. We currently contribute 2 percent of our annual net

income to gaming and problem gaming initiatives and we've also moved on a number of initiatives in—both in casino and externally to promote social responsibility. We've also been part of a number of national initiatives and that continues to be an important focus for Lotteries.

In terms of responsible gaming research and evaluation we have a commitment to gaming-related research and evaluation. We're developing a framework for a research program that we're supporting to enhance responsible gaming.

Community support is very important. Last year we provided support to 400 community organizations, and I'm not going to list them all off but I know—I don't think there's an MLA around this table that hasn't in some way, shape, or form seen that impact in your constituency and I want to stress that that's very important.

Lotteries is particularly proud of its connection with the Habitat for Humanity and Manitoba Lotteries Habitat for Humanity Legacy Build Program. This is all a part of Lotteries' mandate, and I certainly want to indicate how important that is.

We're committed to sustainable development, and I do want to note that we have a very significant community volunteer approach at Lotteries. We encourage our employees to be involved in the community.

Just in conclusion, notwithstanding all the challenges in the North American global economy, Manitoba Lotteries continues to be an important part of support to important public programs. Lotteries is very focussed on a balanced approach to gaming, a responsible gaming approach. What I'd like to do in my concluding comments is particularly thank the board of directors, the executive management team and all the staff at Lotteries for all their hard work over the years. I really think it's a model Crown corporation. It does us all proud in Manitoba. Thank you very much.

**Mr. Chairperson:** Thank the honourable minister for the opening statement.

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

**Mr. Pedersen:** Just very briefly, first of all I want to thank the minister and the staff and board for a briefing that was given to me—I think it was around the 1st of September or so. I came out of that meeting with an armload of material, which I have

managed to wade through most of it. But it was helpful in terms of being able to understand the portfolio much better and so certainly want to thank you for that.

We're dealing with the up to 2008-09 statement here, and it's unfortunate we don't have the 2009-10, given that we are six months into the fiscal year. But, however, we'll deal with that as best we can.

So without any further ado, Mr. Chairman, I think we should just get into questions, and we'll see where it goes from there. Thank you.

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

We'll now proceed to questions from the floor. The floor is now open for questions.

**Mr. Pedersen:** If I could deal with the financial end of it a bit at first here. There is—when I was going through the book and you introduced Tracy Graham as executive vice-president and chief financial officer, because I am dealing with 2008 and '09, I am assuming you could bring me up to date as to the staff changes there.

**Mr. Winston Hodgins (President and Chief Executive Officer, Manitoba Lotteries Corporation):** There's two that I would mention from our executive management team. Cheryl Eason, who was our executive vice-president and chief financial officer, left our organization to go to B.C. for a position in B.C., and Max Dressler, who was our executive vice-president of Gaming Operations, also left us to go to a position in B.C. as well.

So those are the only changes that have taken place, I guess, since this report was issued.

**Mr. Pedersen:** So who replaced Max Dressler then, as executive vice-president?

**Mr. Hodgins:** Dan Sanscartier, who is sitting just behind us.

**Mr. Pedersen:** Thank you. Okay, so if you get into—no, there's a couple of other questions here first.

When I was reading through the '08-09 financial statement here, on page 37, it says under First Nations—just a—just clarity: as such, MLC has been appointed to act as the agent—as its agent in the conduct and management of all gaming activity. Can you explain what that entails, and just so that I'm clear because, as I understand, gaming, which is under a different minister, oversees gaming and then—so what—can you decipher this for me?

**Mr. Hodgins:** I'll try my best. The Minister responsible for Gaming has overall responsibility for gaming in the province, and so he not only provides regulatory oversight to the Manitoba Lotteries Corporation, but he also provides regulatory oversight to First Nations gaming as well.

\* (18:20)

In terms of our responsibilities with respect to First Nations, by law, which is the Criminal Code of Canada, only the Province can own gaming equipment in the province, and so any gaming equipment that is acquired and brought into the province, well, it has to be approved through the Manitoba Gaming Control Commission, which reports to the Minister responsible for Gaming. And so any equipment that's purchased for First Nations is purchased through Manitoba Lotteries Corporation. And so we acquire that equipment and put it into the First Nations sites; they have a responsibility to repay the corporation for that equipment. And so once that equipment is put in place, such as at South Beach or Aseneskak, we have responsibility to ensure that the gaming is conducted with integrity and that's what our role is in the—you know, with respect to First Nations. That would also apply with respect to the video lotto terminals that are put into First Nations sites as well. All that equipment is owned by Manitoba Lotteries Corporation and that's required by law.

**Mr. Pedersen:** But the VLTs are owned by MLC throughout the province, not just on the First Nations. There's no separate agreement for VL—is there a different agreement on First Nations versus non-First Nations?

**Mr. Hodgins:** Every site holder has an agreement. The agreements with First Nations and the commercial site holders is for the most part the same but there are a few differences that exist. Like when we put equipment into the commercial site holders, they do not have to repay for that equipment. So that's one of the differences between First Nations VLTs and commercial site holders. So, for example, if I can use an example in Carman, there's a hotel in Carman that has VLTs. That equipment is purchased and paid for by Manitoba Lotteries Corporation. Any VLTs that are placed on First Nations sites would be purchased by us but the First Nations are required to repay us over a five-year time frame for that equipment.

**Mr. Pedersen:** So what happens to the equipment then over the five-year time period it is paid out?

Does it become the property then of the First Nations?

**Mr. Hodgins:** No, it doesn't. It always is the property of Manitoba Lotteries Corporation. So we have an amortization period of five years and generally the equipment only lasts for that period of time. And so whenever we then go back to—go out to replace that equipment, we would remove that equipment from First Nations sites and replace it with any new equipment that we would acquire. And at that point in time, First Nations would then be responsible for paying for that equipment at that time.

**Mr. Pedersen:** And this probably relates back then to the different funding arrangement there is between First Nations versus commercial site holders. So that's the difference then in the paying for the capital versus not paying for the capital.

**Mr. Hodgins:** In the case of First Nations, they receive 90 percent of the proceeds. That's for the VLTs. In the case of the casinos, First Nations casinos, they keep all the proceeds from the operation of those facilities. In the case of our commercial site holders, we receive 80 percent of the profits and the site holders receive 20 percent.

**Mr. Pedersen:** And we will come back to VLTs, I'm sure, before the evening's out here, but I just want to do a few more of the financials questions on here. Page—just give me a moment here. On the financials, I think it was mentioned somewhere in here and I just—for the financial year end of—yes, page 50 on net profit to the corporation or paid back to the government. Oh, I think I'm on the wrong page again here. The net sum from 2008 to 2009—right, sorry, I'm on page 47—\$296 million in 2008 and \$304 thousand—or \$304 million in 2009, and this would be payable to the government and, as I understand, there's monthly payments and a reconciliation, if I'm correct there, at the year end. Just a minute, Mr. Chairman. And perhaps you could explain that, how that—when this 296 and 304,000, how it's paid out to government. Is it paid out over the year as instalments or is it—when is it paid?

**Mr. Hodgins:** Yes, we pay the money to the Province on a monthly basis. So the profits on a monthly basis will vary from month to month, so, you know, there could be different amounts that we'll pay. But you're quite right; at the end of the year, we'll do a reconciliation.

And in the case of 2008-2009, the amount that was paid to the Province was, in round figures, \$305 million.

If I could just refer you to page 46: So you can see the net income and comprehensive income was 304,780 or \$305 million, and the previous year it was roughly about \$297 million. So that was the amount that we paid to the Minister of Finance.

**Mr. Pedersen:** So because I don't have 2009-2010, I'm sure that you have the numbers there somewhere, but they haven't been released in a report yet, in a statement yet. Could you give me what the net proceeds to the Province would be?

**Mr. Hodgins:** The profits for what would be '09-10 will be slightly higher than '08-09, marginally higher.

**Mr. Pedersen:** That's a nice round number. So marginally higher, if I understand.

**Mr. Hodgins:** It'll be roughly about \$307 million.

**Mr. Pedersen:** Thank you. So in a corporation—and I know that your corporation's doing it. You're budgeting for the year ahead. You've already done your budget because we're six months into the year already.

In round figures and generally, what is the profit expected to be for 2010-11?

**Mr. Hodgins:** What is the question? Sorry.

**Mr. Pedersen:** Sorry, Mr. Chairperson. What is it—I should stress that this is a budgeted figure for 2010-11, and we all know budgets can come and go, but you have a fair bit of experience and a good number of people working on this. So where do you expect it to be for 2010-11?

**Mr. Hodgins:** The budget for the current fiscal year is \$312 million, and based on where things are at at this point in time, we expect to be on budget at year-end.

Now, as you can appreciate, and you mentioned that things can change between now and then, but we anticipate that we'll be on budget at year-end.

**Mr. Pedersen:** When I was reading through it—just a bit of an aside on to the numbers here, there is a finance committee of the board of directors, and I assume that that finance committee would be working on it. Can I assume that they'd be working on budgets and whatnot? Who is made up—from the board of directors, who makes up that finance committee?

**Mr. Tim Valgardson (Chair, Board of Directors, Manitoba Lotteries Corporation):** Yes, I can answer that. The finance committee is Lyn Wray, Gerald Rosenby, J.P.—one second.

Yeah, Jean Paul Gobeil, Karen Botting, Lyn Wray, Gerald Rosenby—I think he just came off. For the year you're looking at, though, it would've been Gerald Kolesar as well.

**Mr. Pedersen:** As well as yourself.

**Mr. Valgardson:** As the Chair, I sit ex-officio on all committees. So I'm not a voting member of any of the committees.

\* (18:30)

**Mr. Pedersen:** Thank you. That will help me in there.

Page 47 of the financial statement—and again, I'm only dealing with 2008-2009—pension—provision for employee pension benefits, 55,000 in '08 and 164,000 in '09. Can you explain why its pension—provision for employee pension benefits would be that much different?

**Mr. Hodgins:** What I have been advised is that the superannuation board—and our employees are a member of the superannuation pension plan—but the board does the calculation to determine whether the benefits—the benefit calculations in the past have been correct and if there's a need for any adjustments they will do so. And so this was the adjustment that was made in 2009 to ensure that there were adequate funds in the pension for our employees. So this is a—went from 55,000 to 164,000 year over year. So there's roughly about \$110,000 adjustment that was made.

**Mr. Pedersen:** And this is the corporate part of the—the corporate donation part—or donation—corporate part of the employee pension benefits.

**Mr. Hodgins:** That's correct. This is what the corporation would be paying on behalf of the employees.

**Mr. Pedersen:** So what is it for 2010? It adjust again?

**Mr. Hodgins:** There hasn't—there wasn't an adjustment in 2010. I believe it's only made every three years. So the next one will probably be in 2012.

**Mr. Pedersen:** The topic of pensions brings some more questions on there. In terms of your work force, and there is quite a number—I don't have the number

in front of me of your total employees—it's—do you have the average age of your employees or years of service sort of as a snapshot of your employee base?

**Mr. Hodgins:** Yes, we do. It's actually a younger work force than, say, in other corporations or in the Province. It was 37 years of age. But can I—I'll just double-check that to make sure it's—oh, it's increased; it's 43 years. They aged a lot since the last time I looked.

**Mr. Pedersen:** That's why we would like to have more committees so we can keep up to date with this—the aging over a year and a half.

So there—in terms—and what I—where I was going with this, I was looking at retirements pending. Obviously, you've got a lot of investment in your staff in terms of training, experience. Is this—are—in spite of you having a, you know, somewhat younger work force there is always the turnover of staff, and is either retirements or just staff moving on to other jobs—is this a significant challenge for the corporation at this date?

**Mr. Hodgins:** Actually, it hasn't been a significant problem for us. Our turnover rate, and I am going to make it one exception here, we run or food and beverage operations—and I'll speak specifically to that—but in our corporation outside of the food and beverage area, our turnover rate is roughly about 6 percent, and in the industry that we're in, that is pretty low. Generally, it's much higher when you're in, you know, the kind of industry that we're in. Our food and beverage is higher and that's just the nature of the business. It—probably our turnover rate would be about 10 or 11 percent if you factor in the food and beverage workers. So we haven't had a significant problem in terms of, you know, recruiting people or staff turnover. We have roughly about 1,800 employees in our corporation.

One of the things that we take a lot of pride in is the training programs that we offer for our staff, and we think it's very important to invest in our people. Hopefully, they'll stay with us. But if they choose to, you know, to move to other jobs, hopefully they'll stay in Manitoba, and we see that as an investment in Manitoba. So the fact that we invest a lot of money in our staff, we think it's a good investment for the Province as a whole.

I—you know, in the discussions that I have with staff, I have what I call lunch with the president, and I meet with half—about six to eight people every month from across the corporation. And without

prompting, one of the things that they talk about quite regularly is the training that's offered in our corporation, and they see this as a significant benefit that's available to them. And particularly employees that come from other organizations, that they see that this is certainly something that's very positive for them, and if they want to develop their careers there's every opportunity to do that from an academic perspective. And I guess from an experience perspective, they're able to move throughout the corporation so it allows them to gain not only academic training but also experience in the workplace.

So it's been very, very positive. And I think possibly the minister mentioned that, you know, we have received awards in the past about—as an employer of choice in the province, and that certainly contributes to it, in terms of the staff training that we provide to our staff.

**Mr. Valgardson:** Could I add to that, Winston, because I think this will answer your question as well, Mr. Pedersen, is something the board takes particular interest in is our staff, and back in the early 2000s we had a turnover rate that was around 22 percent. Some of our staff that work in our casinos have eight weeks of training before they're allowed to go on the floor, and it was something the board took a great deal of interest in and monitors on a quarterly basis, what our turnover rates are. And the corporation has brought those, through the initiatives that Winston has talked about, from the 22 percent down to a more respectful level now, and it's monitored regularly.

**Mr. Pedersen:** So of these 1,800 staff, and I'm assuming that—does that include the food and beverage workers too? Okay, but I'm—and I realize that there is—just due to the nature, as you said, nature of the business in food and beverage, there is a larger turnover and not the training that there would be in working particularly in casinos and that. How many of those 1,800 staff would be First Nations?

**Mr. Hodgins:** Roughly about 11 to 12 percent of our work force is Aboriginal.

**Mr. Pedersen:** On page 47 of the '08-09—and it's purchase of property and equipment. However—and proceeds from disposal of property and equipment. And I'm assuming that that is probably VLT equipment or equipment of the trade, if I can call it that.

Obviously, the—you purchased a hotel in—on McPhillips Street that would not be included in this. Can you give me some information about what it was—what you paid for, what the plans are?

**Mr. Hodgins:** Yes. The Days Inn, which I believe is what—the hotel you're referring to, there were two components to the purchase. There was the hotel and two acres of land, and then the vendor had additional parcel of land which we also purchased from him as well. There was seven acres of land plus a strip mall. We paid six point—\$3.9 million for the seven acres of land and the strip mall and \$6.7 million for the hotel and two acres of land.

Now, you're—I believe you're also asking about what our plans are for the property. If I can just step back a little bit, one of the critical factors for any casino is to have adequate parking, and McPhillips has been challenged, well, since I've been with the corporation, in terms of parking. And so we have, you know, been looking at ways in which we can acquire adequate parking, and when I say parking, it has to be parking that's convenient to our customers.

Now, we've had an arrangement with the Days Inn where we actually rented four acres of the seven acres of land for parking. But what the concern was is that over the longer term if, you know, the owner of that property decided to sell it to someone else and it was developed in a way in which we did not have access to those four acres of land, that that could really put us in a very difficult position in terms of being able to provide adequate parking for our customers.

\*(18:40)

The only alternative that was possible, or would likely have been possible, was if we had built a parkade of some nature, and that's extremely expensive when you get into that. So, from our perspective, that it was much more cost-effective for us to acquire the property that we have now obtained.

The other issue that existed with respect to that property was the safety and security of not only our customers but our staff. There was a lot of activity that was going on at that property that was problematic, if I can put it that way, and so—

**An Honourable Member:** That's very nice.

**Mr. Hodgins:** So we—when the opportunity come up for us to acquire that property, we felt that we should take advantage of that.

Now what our intent is is that we're going to be demolishing the hotel, and we have no desire to get into developing and running a hotel. That's not our core business. What we would like to do, though, is that we would like to, hopefully, attract a developer to come in and build a new hotel at the site, and that would be what our longer-term plans are.

So, we do have property in behind the Days Inn. There's a strip of land there that we were able to acquire from the CP. So, with the land that we now have with the Days Inn we have one continuous piece of property that will allow us to, you know, provide the kind of parking that's necessary for the long-term requirements of the casino. So, strategically, it was a very important purchase for us.

**Mr. Pedersen:** And you have used parking across the street, across McPhillips Street, right now, if I remember correctly. Is that parcel of land owned by you—by the corporation, too, or—and what will happen to it then if you develop your parking—needed parking so that you're not crossing the street, which is problematic in itself, and what part does that play in your long-term plans?

**Mr. Hodgins:** Yeah, that's a good question. Actually, if we go back a few years ago, that lot was used by our customers and what we found was that people were trying to go across the street without going to the intersection. We had one individual who got hit by a vehicle on McPhillips and it was fortunate that, you know, that individual was not killed in that accident.

So what we decided to do is that we would dedicate that parcel of land for the parking of our staff and so it's restricted to staff parking now. So, all of the customer parking is on the west side of McPhillips and they use the lot which is south of the casino, if you're familiar with the area. There is a street that, you know, that they have to cross but you really have to go to the intersection to get across so there isn't that same kind of safety concern. And then, of course, where the Days Inn and the property just west of that is where our customers park now.

**Mr. Pedersen:** Thank you for that answer, and I assume part of staff training will be how to get across McPhillips avenue in a proper manner, too.

And just a couple more questions on the financial end—on page 50, there is Manitoba Gaming Control Commission fees, \$1.1 million in '08 and zero in '09. Can you explain that for me?

**Mr. Hodgins:** We pay the Manitoba Gaming Control Commission a fee on each electronic game—piece of gaming equipment that we own in the province. So, on the VLTs we pay \$425. The lottery terminals we paid \$425, plus the gaming equipment we have in the casinos, we pay a fee on that as well and that money is paid to the Manitoba Gaming Control Commission, and these are prepaid expenses. It isn't that we didn't pay them but it was—I'm told that it was just the timing of the payments. So these—the expenses would've been incurred prior to the end of the fiscal year. So there was no amount that was outstanding at that point in time. So that was the reason why there's no amount showing up. *[interjection]* Yeah, the amount that we paid in '09 was \$3.1 million to the Manitoba Gaming Control Commission.

**Mr. Pedersen:** So \$3.1 million for the '09-10 fiscal year?

**Mr. Hodgins:** Sorry, in 2008 we paid \$2.2 million, and the reason for that increase is because there was a fee increase that was implemented by the Manitoba Gaming Control Commission. So they increased the amount they were charging on each of the pieces of gaming equipment.

**Mr. Pedersen:** And how much was the fee increase, in a percentage?

**Mr. Hodgins:** I should know that answer. It was \$100 per machine and that would have taken it up from \$325 to \$425 so *[interjection]* a 30 percent increase.

**Mr. Pedersen:** I can do the math on that one after, but it's a \$100 increase, and there's no extra services provided there. That's just a fee increase? And there—the fee was \$325 per machine—or per unit, before, and it's gone to \$425. There's no extra services provided for that. It's just a straight fee increase.

**Mr. Hodgins:** The fees are imposed to finance the operations of the Manitoba Gaming Control Commission, so—

**Mr. Pedersen:** I can appreciate that you don't have to respond to why the gaming commission needs a \$100 increase. I can save that for a different minister, I'm sure. And same line there, that 5, prepaid expenses, 844,000, and that would be on maintenance contracts and 1.4. Is there—was there an—and again, it's prepaid expenses, so you've prepaid out front and that's fine because you have the cash flow. It's nice to have a company that has cash

flow, but at the same time, it's a fairly—was there an increase in the maintenance contracts costs?

**Mr. Hodgins:** If you go to page 58, maintenance equipment, you can see that the expenses decreased from \$13.8 million to \$12.6 so there was really no significant changes in our contracts. This is—*[interjection]*—I'm sorry, page 58. If you look under the second line just below salaries, and you can see that our costs are roughly the same. So it was more of a timing issue than anything else with respect to the other statement.

**Mr. Pedersen:** And I can appreciate those are—again, they're prepaid expenses so it's just a matter of cash flow when it happens and whatnot.

Just, if I could ask the minister then, just a quick question on this because I know he has expertise in all facets here, the Manitoba Gaming Control Commission, is there—would there be—could you answer why they would need a \$100-per-unit increase in costs and is the Manitoba Gaming Control Commission, does it return money to the Province, as well, or does it run on a break-even basis?

**Mr. Ashton:** Yeah, for a number of years now, we've had a separation between the operating side of Lotteries and the regulatory side through the gaming commission, and you know, as a former gaming control minister, I can indicate that what you see is a very clear delineation. Lotteries does provide the collection of the fees that allow the gaming commission to undertake its activities, but I think what's really important here is there's a clear separation, you know, in terms of anything other than Lotteries' financial contributions to the gaming commission and the gaming commission is entirely independent of the operating side and it does allow for a very clear delineation because, obviously, there's a very different mandate which I'm very cognizant of as the operator of the gaming facilities as compared to the regulatory side.

\* (18:50)

So any questions, you know, on the gaming commission's operating expenses and activities would be best asked to that minister because I haven't been minister for a number of years, so, you know, there's been a broader focus now. There's certainly been some shifts that I'm aware of, as other MLAs are. But, by design, when you're Lotteries Minister, you're not involved in any of the activities of the gaming commission. It wouldn't be

appropriate for me. So your information would be as good mine. All I have access to is really the—we're just the collecting agent, if you like, for the fees that go to the gaming commission, so I'd recommend that, if you have any specific questions, ask it directly to the minister responsible.

**Mr. Pedersen:** That's a long ways around to say, no, I don't know, but that's good. I'm glad—

**An Honourable Member:** Or even if I do know, I wouldn't—

**Mr. Pedersen:** You probably wouldn't tell me. I understand that.

One more question on financials, and then we'll get into some different material. Page 56 is a foreign exchange risk. How much of your customer base would be using—and I'm, in particular, talking about U.S. currency—how much of your customers, in your casinos, would be U.S. based, using U.S. currency?

**Mr. Hodgins:** Yes, the number of U.S. tourists is—I think that's the question you're asking—has declined somewhat from, say, a few years ago. I would say, roughly, about 2 percent of our customer base comes from the U.S. It used to be in the range from about 3 or 4 percent, but it's now down around 2 or 3 percent.

And I think you can appreciate some of the challenges we have trying to bring U.S. tourists to our casinos. The passport issue, certainly, a major issue. The exchange rate, it was very attractive when they used to get a significant exchange on their dollars. We don't have a lot of, you know, a lot of U.S. tourists coming in with U.S. currency. We will pay them, you know, the exchange rate on it if they do come in, but it's not significant. So it's not a major factor for us.

**Mr. Pedersen:** And can I assume that most of the equipment that you're buying, whether it's VLTs or whether it's other casino equipment—is it coming out of the U.S.?

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

**Mr. Pedersen:** So, obviously, this little rise in the Canadian dollar has helped the corporation, then, in terms of—because you're purchasing it in U.S. dollars.

**Mr. Hodgins:** Significantly.

**Mr. Pedersen:** In another lifetime, I used to sell a lot of cattle. I always liked the low Canadian dollar, but I appreciate when you buy back, it makes a nice change.

But, anyway, what I would like to do is I would like to move into the VLT issue. The last time this committee met, which was in March of 2009, you indicated that the—Mr. Hodgins, you were indicating that the corporation was moving to annual redistribution of VLTs. Can you give me an update as—in terms of what is happening in terms of VLT redistribution?

**Mr. Hodgins:** Yes, I can. If I could just go back a little bit in time, the first redistribution—if you can just give me a second here, there's a piece of paper I would like to get.

**Mr. Chairperson:** Mr. Hodgins, please proceed when you're ready.

**Mr. Hodgins:** In year 2001, that was the first year that we had a redistribution. The reason that we had the redistribution, we had the—particularly the Hotel Association, not so much the Restaurant Association, but we had the Hotel Association approach us about how we would be able to address the number of requests that were on our waiting list for site holders that wanted equipment, so the only way that we were able to address that on a timely basis was through a redistribution, because we operate within a cap of 4,482 machines.

So that was the first year. We did have redistribution in 2002, and then we—our waiting list wasn't that long, so we didn't have any for a few years. But we did have the hotel and restaurant association, and some of the site holders raised with us, I guess, their desire to have an annual redistribution, and so we did start that process beginning in 2008. So we've had one in 2008, 2009, and the next one would be in—probably in January-February time frame next year. There was one—and I'm sorry—in 2010 as well. So there was three years that we've had a annual redistribution.

The process that we used for our redistribution is that we have a committee that consists of not only people from Manitoba Lotteries Corporation but also from the restaurant and hotel association that sit on this committee that looks at the redistribution and people. There is an appeal process. So, if somebody wants to appeal, you know, the removal of machines from their sites, they can come to this committee, and it has worked reasonably well, you know, in the past. So I think that, you know, at least based on the recommendation coming from the two associations, and our site holders should probably continue with a redistribution on an annual basis.

**Mr. Pedersen:** And there's—when there is an appeal, can—is there—have there been any of the appeals been successfully challenged for moving the machines out for, like this particular—obviously, they're appealing because they're losing machines and has there been—how has that worked out?

**Mr. Hodgins:** I could just give you some figures if that would be helpful in terms of the successful appeals in the past. In 2002, there were four successful appeals. There was—the initial number of sites that were to be impacted was 57. And, in 2008, there was 90 sites and there were 25 successful appeals. In 2009, there were 39 sites to be impacted; there were nine successful appeals. And, in 2010, there were 45 sites that were impacted and 10 successful appeals.

So, generally, this involves sites where there's some extenuating circumstances. I know, for example, one of the years there was some flooding out in the southwest part of the province, and so that was taken into consideration in the appeal process. And, as I mentioned to you, there's a member of the two associations in our—and a member from our corporation that sit as the—to hear the appeals. So it has, to this point in time, worked out basically well.

**Mr. Pedersen:** And is there—what is it the wait time for new sites? There's—the rural VLTs remain rural. The urban ones and First Nations are all separate pools, if I can call it that, and so there is demand for new sites. And what is the demand like today? Also, I will include in this question too then, Mr. Hodgins, is that there has been to date a minimum number of machines per site, is that still in play there now? And so, again, what is the demand for new sites?

**Mr. Hodgins:** At the moment, you know, there's ongoing requests for machines for new sites that may be opening, or, in some cases, you know, there could be requests for additional machines from certain sites. But the list is a workable list at the moment. The—you're quite right: there are pools. The veterans organization, who have 404 machines, they are outside of this process, so they're not included in this. The First Nations, because they actually are responsible for paying for their equipment, are outside of this process. The Assiniboia Downs are outside of the process, as is the machines that are at the MTS Centre. So those are outside of this process. So it's the rest of the commercial site holders.

Now we do have a pool of machines for the city of Winnipeg, and then we have a pool outside, and we have tried to keep them separated so that we don't

have a lot of machines moving one way or the other. So, you know, the redistribution that takes place within those sites outside of Winnipeg are from that pool of machines, and the machines within the city of Winnipeg move within the city of Winnipeg. So that's the process that we use.

\* (19:00)

**Mr. Pedersen:** The MLC had—has, I understand, reversed its decision to start charging VLT site holders the GST on their commissions. That was an issue when the commission—Manitoba Lotteries said they were going to charge GST on the commissions. Do I understand correctly that you've backed off of that now?

**Mr. Ashton:** Yeah, that is—I'll manage to indicate that in listening to the various stakeholders out there, the decision was made not to proceed with that. Certainly, there were issues with First Nations, most individual site holders, so we did listen to the stakeholders and that we are not proceeding on that.

**Mr. Pedersen:** And certainly one of the common complaints that I get from—and I'm dealing mainly with rural site holders, is the updating of machines. There are complaints that they are not being updated on a timely basis, and I'm only just sticking primarily to the rural site holders because again that's what I'm familiar with, and they, rightly or wrongly, they're complaining that they're not competitive now. The VLT customer is very up to date on what games are in there and so they're—and ultimately that affects how much the machine is used in their facilities.

Can you elaborate for me how these—and I'm just particularly going to stay with the rural site holders for now. There's lots of other issues in that but how are they—how are the machines updated and 'regularly'?

**Mr. Hodgins:** I have to share the frustration of the site holders and I'll tell you the reason why. When we purchased the machines that are at the sites now, part of the deal that we made with the vendor was that we would get a game refresh.

We have had significant difficulties with the vendor, in terms of being able to get the new games that—approved through the regulators. As I'd mentioned to you in some of my earlier comments, before we can put any equipment into the field it has to be approved initially by a company called GLI. It's out of the U.S. They test the integrity of the equipment, and then it has to be approved by the Manitoba Gaming Control Commission and,

unfortunately, the vendor hasn't been able to meet the—I guess the requirements of that process and so we haven't been able to refresh the games as we had—and, I guess, initially intended that the games would be refreshed what was about a year ago—a year ago last May, and we're still struggling with trying to deal with that issue. So we would certainly like to get the game refresh into the field as much as what our site holders would like to get it.

And, you know, what the site holders are sharing with you is not unlike our experience with the casinos where our—you know, the customers that we serve at the casinos travel a lot. They go to different venues and so they know what's in the marketplace, and so they want to have the same opportunity to experience, you know, those games at our casinos and at our VLT sites that they do when they go to other locations outside of Manitoba.

And so it's important for us to be able to refresh the equipment, you know, not only for the casinos but for the VLTs as well. And when we replace the VLTs the next time we've got to look at a different model so that we can ensure that we will be able to refresh the games on a regular basis.

**Mr. Pedersen:** So, if I understand you correctly then even at casinos you're not able to refresh them as—your two casinos and these two First Nations casinos, you're not able to refresh those as—is it the same as the rurals or are you able to refresh them somewhat but just not as what you—to be competitive with other jurisdictions?

**Mr. Hodgins:** Maybe I didn't articulate that well enough but we do update our casinos on a very regular basis. We—you know, we are in constant touch with the market to find out, you know, what's in the marketplace in terms of games.

We do a lot of customer research. We do focus testing with our customers. We meet with them on a personal basis to talk to them. Some of the best advice we get are from our customers who have gone to other locations, but we do attend a lot of conferences and trade shows to find out what's going on in the marketplace. But I didn't mean to mislead you. We do update the, you know, the games at the casinos, as do the First Nation casinos as well.

**Mr. Pedersen:** So why wouldn't you refresh the rules, then, with—when you—with the same games that you have in the casinos?

**Mr. Hodgins:** That's what we're trying—you're talking about the VLT sites. Now, that's what we've

been trying to do, but the vendor who is supposed to be providing us with the product hasn't been able to get it approved through the approval process. There's some quality control problems with the product that they have been trying to develop to put onto the VLTs.

**Mr. Pedersen:** So help me with the confusion I'm having here, then. You're able to refresh VLTs in the casinos and you're not able to do them in the rurals. What am I not understanding here?

**Mr. Hodgins:** I think where the confusion is is that they're two completely different product lines. Okay? There's slots that we have at the casinos and there's VLTs at the—in the sites that you're referring to, and they're completely different product lines. So, you know, the slots were—we have been able to update, but the VLTs, being—and it's a different product line with a different computer system that operates, and we haven't been able to get the vendor to the point where we can get new product into the field.

**Mr. Pedersen:** Does this GLI company, then, are they supplying both slots and VLTs?

**Mr. Hodgins:** The GLI company is the company that tests the integrity of the games. They're not the supplier of the equipment that—the supplier of the equipment provides this product to GLI who do the integrity testing, and they have been able to get it approved through that process.

**Mr. Pedersen:** Are there—is—all right. I'm struggling with this. I'm trying to figure this out here. And GLI is testing the integrity of the games that your—your vendor is supplying to GLI the games, and GLI tests the integrity. And what you're saying is that GLI is not approving the integrity of these machines. So how do you solve this problem?

**Mr. Hodgins:** Well, it's really not our problem to solve. This is—the vendor has to solve the problem because they produced the product. So it's—we're—it's like, I guess, you going buying any product from a vendor, you know, if they're not producing something that meets the standard, it's not up to you to fix the problem, it's up to them, and that's what we're trying to do is to work with the vendors to try and see if they can't solve the problem for us.

**Mr. Pedersen:** So are there other vendors out there that would be able to move this process along better? Are you—and I'm not accusing you of using a bad vendor or anything like that, but, obviously, there's a problem here. And how do you solve this for the best of both the site holders and for your own casinos?

Because there's two different products. I understand that. Is this—how long is this problem going to maintain or stay there until you can solve it?

**Mr. Hodgins:** Well, the vendor that we're buying the equipment from is the largest manufacturer of gaming equipment in the world. So they're a very large organization and, when we purchased the VLTs back in 2004, we purchased it from a single vendor, and so they are the one who are going to have to provide the, you know, the game refresh. We can't go to another vendor and ask them to come in and put machine—or games on, you know, the current vendor's product. That's just isn't going to be possible to do that. So we've got to work with our current vendor to see if we can get them to sort out the problem.

I mean, I'd like to get this solved tomorrow, but unfortunately it's a—it's been a very significant problem that we haven't been able to get sorted out.

**Mr. Pedersen:** And again, just for my clarity here, you're talking about slots in casinos versus VLTs in, whether it's rural site holder—commercial site—let's just call them commercial site holders. There are no VLT games in your casinos?

**Mr. Hodgins:** No.

\* (19:10)

**Mr. Pedersen:** Sorry, Mr. Chairman.

**Mr. Chairperson:** He answered.

**Mr. Pedersen:** So I—when I talk to my rural site holders then, we're not talking about the same games then in terms of their asking for these to be refreshed and there—obviously, there's a different machine, a different game, that they are competing with. The rural site holders are competing. You're all out there for customers, so that's a different game and a different customer—or the customer's looking at a different game between, in this case, commercial site holders and the casinos.

**Mr. Hodgins:** Yes, they are different products. They're not the same products. One is a slot. One is a VLT and they're quite different in terms of the product. So we can't take what we have in the casinos and put into the commercial site-holder sites 'cause it's a different product line. If we could do that, we would, but it's not possible to do it.

**Mr. Pedersen:** Why is it not possible?

**Mr. Hodgins:** Well, it's like mixing apples and oranges. We have our slot products which we have in

the casinos and we have our VLT products which are in the commercial sites and they're different products so you can't, you know, mix and match them, if you like. It's a different product line and so you can't just take a machine that's in the casino and move it into the commercial site-holder site and have it operate.

**Mr. Valgardson:** A VLT is part of a network and we have—all of our VLTs are run out of the Morris office. So every VLT in the province ties into that system and all runs off that system. A slot machine can be a stand-alone machine where it's not integrated with any other machine. Now, there's exceptions to that because you'll see banks of slots where they'll have every one within a bank of slots all playing against each other, but by and large, a slot machine can be a stand-alone machine that isn't tied into a network that runs the entire system.

So the VLT is a box and, inside that box, there's a number of games and they're all the same. And one of the things we're trying to do and what we want to do is we want to change the games in that and it's very, very different than a slot machine where, as a stand-alone creature, this is something that when they put a game in, it's got to go out to the 5,000, 5,500—whatever the number is of VLTs in the province. So it's a little—it's extremely complicated and I think, with the vendor that's providing this, it's not a problem unique to Manitoba. It's a problem the company is having that we and others are working with to try and resolve that. Everyone—our revenue depends on that. So when the rural site holder is wanting a game refreshed, we want that as well because our revenue is tied to theirs.

**Mr. Pedersen:** So there's no way a rural site holder can go for a—have a slot machine put in?

**Mr. Chairperson:** Mr. Hodgins—Mr. Pedersen.

**Mr. Hodgins:** Can I just—

**Mr. Chairperson:** Mr. Hodgins, to continue.

**Mr. Hodgins:** A slot machine, well, as Tim was mentioning, the central system that operates all the VLTs in the province is in Morris, okay. That's where it's—our head office is located there so it's—all operates out of Morris, and all the 5,500 machines are all hooked to that one computer. And that computer will only operate the VLTs. It will not operate the slot machines. The slot machines are hooked into a completely different computer in Winnipeg and so they're two completely different systems. So to try and take a slot machine and hook

it to a VLT system, it just, technically it won't work, so.

**Mr. Pedersen:** I'll take your word on that. We do have electricity out in the rural areas as I had to remind—when I was at a conference in the U.S., she asked if we had staples and I said, yes, we have electricity in rural Manitoba, so I look forward to the day when we can hook in or do something different. And just as a—one final question and I'm out. How long is this contract with this current vendor for the VLTs? Is it a contract that needs to be renewed? Has it been renewed? When will it be renewed?

**Mr. Hodgins:** There is a contract. It—you know—how can I explain this. When we went out to replace the VLT machines in 2004, we entered into a contract with the vendor to provide the VLTs for the Province, and so we have that contract in place where, you know, that they will provide the new—or they were supposed to be providing new games, game refresh, for us. But we're not obligated with that vendor to stay for a defined period of time. If we were to make a decision tonight that we're going out to replace the VLTs, we could go to the marketplace and, through an RFP process, and replace them within whatever's a reasonable period of time to do that. So we're not locked into that contract other than we'll have to continue to use it as long as that product is in the field.

**Mr. Pedersen:** I'm going to turn it over to Mr. Eichler.

**Mr. Ralph Eichler (Lakeside):** In regards to the Manitoba Jockey Club in particular, I notice the contract will be up, I believe, December 31st of this year, and on page 56 of your 2008-09 financial statements, could you give us the details of where that—is that at this point in time and how much revenue or changes is going to be made within—with that organization?

**Mr. Hodgins:** The arrangement that we have with the Jockey Club is that when it was signed, it was for a one-year period. They wanted to go to a 75-25 cost-sharing arrangement, which we agreed to do. But the contract also said that it would continue on until a alternate arrangement was put in place. So there—it will continue on on the basis of 75-25 until such time as there's a different arrangement that is put in place. And the Jockey Club this year, I think, is estimating that with the financing that we're providing them they'll probably be—it'll probably be in the range of six and a half to \$7 million that the Jockey Club will receive from us because they

receive the 75 percent from the VLTs plus they also have off-track betting and they receive the revenues from that as well.

**Mr. Eichler:** The off-track revenue, is that through the commission as well?

**Mr. Hodgins:** They—well, we have off-track betting at the casinos and they also have some sites in some lounges in the city. And our arrangement with them is that they get all of the revenue from the off-track betting, so we don't get any of that. Now, I'm not sure—I'm sorry.

**Mr. Chairperson:** Mr. Hodgins to continue.

**Mr. Hodgins:** I'm not sure what the arrangement is they have with other site holders where they have the off-track betting.

**Mr. Eichler:** Then to follow up on that, is that something that the rural hotels or rural areas clients can tap in as well for another source of revenue, being, you know, track racing or that type of thing that you're referring to?

**Mr. Hodgins:** You're referring to the off-track betting? I think that, you know, if there's some interest in them, you know, seeing if there's an opportunity in that respect, then they would be best to talk directly to the Downs. I'm not sure what they could, you know, what they could put in place, whether they have technology to put it through at the Province, I'm not really sure.

**Mr. Eichler:** Of the six and a half to seven million, what portion of that would be, other than VLTs and slots, would that be included in the total revenue package?

**Mr. Hodgins:** That's primarily all VLT revenue.

**Mr. Eichler:** And when was the last date that the units were updated at the—at Assiniboia Downs?

**Mr. Hodgins:** Ah, 2004. They had their—if I could just add—they had their equipment updated at the same time that we updated the equipment at the other commercial site holders. And generally what we do is we use them as a beta site where we will go in and, if we got new equipment that's coming in, when we put the equipment in in 2004, it was put in at the Downs first, and it was tested there before it was rolled out into the rest of the province. And that way if we have any operational problems, they're close by so we can get them sorted out. And then we moved into the rest of the province and put the new machines in.

\* (19:20)

**Mr. Eichler:** So your normal lifespan of the machine, you said earlier in your comments, was five years. This is six years, so they're due for replacement roughly according to your lifespan of a machine?

**Mr. Hodgins:** Yes, they're getting to that point.

One of the challenges that we run into with the gaming equipment is that they will produce it and they will maintain it for a certain period of time, but then just like any other technology, they develop new equipment and so they will stop producing, you know, certain gaming equipment.

The challenge we got right now with the existing VLTs is that we're having problems trying to get product from them. So it probably—you know, we—you know, we'll have to look at a replacement program in the near future.

**Mr. Eichler:** Do you have the number of machines that are allocated for the Downs itself?

**Mr. Hodgins:** A hundred and forty.

**Mr. Eichler:** What's the criteria used to establish the number of units to be at that location?

**Mr. Hodgins:** That has been the number that's been at the Downs for as long as I have been at the corporation, and that's—I joined the corporation in 2000—and I think it was an arrangement that was made between the Province and the Downs. And so they—it's always been at that number, since that arrangement has been made and it hasn't changed from then, from that time.

**Mr. Eichler:** In regards to the standardbred, with the betting and the money that flows to them, I didn't see it in your financial statements. Do you have those figures available?

**Mr. Hodgins:** Are you referring to the harness racing?

**Mr. Eichler:** Yes.

**Mr. Hodgins:** A number of years ago we used to provide support to the harness racing group, but that was transferred to the Department of Agriculture, and so I'm not familiar with, you know, what the arrangements are between the harness racing group and the Department of Agriculture.

**Mr. Eichler:** Is that something that could be rolled over in regards to betting venues, similar to that of the horse racing?

**Mr. Hodgins:** That would have to probably be a decision of the, I guess, of the Province, if they wanted to do that. But I guess I would say, though, that we're really not in the horse racing business; we run gaming. So—

**Mr. Eichler:** Well, it's just that I know that industry is one important one to us in the province of Manitoba and anything we can do to help them move forward, we're certainly prepared to have a look at those.

In regards to your 2 percent for problem gambling, I think that you spent, according to your chart here, 3.9 million—or 3.4 million—in '08-'09. Is that pretty well what your 2 percent works out to, in regards to supporting of the addictions?

**Mr. Hodgins:** I believe you're looking at page 60, are you?

**An Honourable Member:** Yes.

**Mr. Hodgins:** Yes, the amount that you see there, that is the amount that is paid to the Addictions Foundation of Manitoba out of our 2 percent. Our 2 percent is, roughly, about \$6 million and about 3.4 of that is paid to the Addictions Foundation, AFM, for their programming, and then we have other costs in excess of that for responsible gaming.

**Mr. Eichler:** So the excess between 3.4 and the 6, then, where does that money go?

**Mr. Hodgins:** We have a responsible gaming unit within the corporation that's responsible for our responsible gaming programming. Susan Olynik, who is our vice-president of communication, has responsibility for our responsible gaming program, and we have a unit that is headed up by Bev Mehmel who is our director, sitting behind me. And so they have responsibility for the research and other activities that is undertaken by the corporation.

**Mr. Eichler:** I know that, you know, in some of my constituency towns and villages that I've seen the number of outlets increase. Is there a swing to have more outlets within rural Manitoba as far as terminals and dispensing of tickets?

**Mr. Hodgins:** Now, are you referring to the lotteries or the VLT sites?

**An Honourable Member:** Lotteries.

**Mr. Hodgins:** The lotteries, they have been relatively constant. We did get approval to increase our allocation so that we could service some of the northern sites. We now can do that through satellite.

So there was—before, when we didn't have, you know, communications into those northern sites, we weren't able to service them. But the number of sites has remained relatively constant over the years.

**Mr. Eichler:** One more question in regards to charitable and community organizations. I notice that your numbers were down significantly from '08 to '09. Is this just a result of the lack of community organizations and the trend to not have as many organizations involved, because I think that you were down substantially, when you look at the overall monies paid out to organizations from '08 to '09.

**Mr. Hodgins:** I think you're looking at page 60 again, is it? And that's from '07-'08 where it was—our funding was \$7 million to 5.9, and the reason for that decrease is that in '07-'08 we paid an amount to the Museum of Human Rights. It was a million dollars. So if you take that out—it was a one-time payment, of course—and so if you take that out of the 7 million it's been pretty constant over the last few years.

**Mr. Eichler:** On the human rights, I understand that they are—another question—well over budget. Is—have they been requesting additional funds from you?

**Mr. Hodgins:** No.

**Mr. Kevin Lamoureux (Inkster):** Thank you.

Mr. Hodgins. I noticed, in looking through the numbers, that in 2009 revenue would have been at 197 million, compared to 2004 where revenue would have been 184 million. What I thought was interesting was the net incomes: 2009 at 197 in revenue, you had a net income of 50 million; in 2004, revenue of 183 million, and you had a net income of 58 million. And you take a look at the operating costs and you can see some significant changes.

I wonder if you can just explain to the committee why there would be such a better profit, let's say, in 2004 margin than in 2009.

**Mr. Hodgins:** I'm sorry. Are the figures that you're looking at, are they in the '08-'09?

**Mr. Lamoureux:** They would be in the 2004-2005 book on page 47, and it'll show that your casino revenues for Winnipeg would be at 183.850 million and it shows a net income of 58.527 million. And what I'm doing is I'm contrasting that against the 2009 annual report where it shows the casino revenue at 197 million compared to a net income of 50.635 million. And it just seems to me, in 2004 the

casinos made a lot more money, yet, in 2009 they had a lot more revenue.

**Mr. Hodgins:** Just, I guess, quickly looking at it, one of the major differences—if I'm looking at the figures correctly—you're looking at the casinos of Winnipeg in 2004, I believe it is. Is that correct, and where the profits were 58 and in 2009 they are \$50 million. So they're down roughly about \$8 million, but our revenues are up. I think that's the question you're asking. Yes.

\* (19:30)

And I think that, you know, just quickly looking at it, if you look at the—one of the reasons is the operating expenses, and if—you can see that the operating expenses in 2004 is 97 and it's \$117 million in 2009. And I believe that the salary—our salaries and benefits are included in that line, and so the salaries and benefits that we are now paying our staff is much higher now than what it was back in 2004. So that would be one of the reasons for why, you know, our profits are less than, you know, what they were in 2004, because our operating expenses have gone up from 97 to 117, which is about a \$20-million increase.

And so, for over the—I guess it's roughly about a five-year period—you know, one of the goals that we have in the corporation is that we wanted to pay our staff on a competitive basis with other organizations, so we have provided increased salaries and benefits. When I went to the corporation in 2000 our staff were not members of the superannuation pension plan, and I personally felt that our staff should have the same opportunity to participate in that plan as other Crown corporations and the provincial government. And so we did change that and so there were some additional costs associated with moving our staff from, you know, from the plan they were in to a new plan. And then there was just the collective agreements that we negotiated, where there was additional costs associated with salaries that we were paying our staff.

So that—just a quick look at this, this would be one of the reasons why our, you know, our profits are down roughly about \$8 million. Our costs went up on salaries and benefits by 20, but our profits went down by eight. So, you know, I'd say some of that relates to our—the salaries and benefits that we've paid out.

**Mr. Lamoureux:** Manitoba Lotteries operate, then, completely independent of the civil service for the

Province of Manitoba when it comes to negotiating with employees?

**Mr. Hodgins:** Yes, we do. We have our own collective agreements.

**Mr. Lamoureux:** When you achieve a collective agreement, does the government play any role in that? Like, is there any obligation on you to go back to the government and say, here is the proposal that's been put forward, or do you do that, again, completely independent of any sort of ministerial direction?

**Mr. Hodgins:** No, there has to be some consistency, you know, in the—they don't have to be exactly the same, but there has to be some consistency between, you know, the mandate that our—that we're negotiating with versus what, say, they negotiate in other Crown corporations or in the Province.

We do have to have some flexibility in our negotiations. For example, something that we have at Manitoba Lotteries that other Crowns I don't believe have, and that's discretionary leave time. And so what it allows our staff is some flexibility, if they have some personal matters that they have to deal with, that they are allowed then to take time off to address those.

**Mr. Lamoureux:** I just want to pick up on Mr. Pedersen's questions, because I learned something myself on this, is—am I correct to understand—and we'll just talk about the McPhillips Street casino. And McPhillips Street casino, would they have both VLTs and slot machines, or what would they have?

**Mr. Hodgins:** The casino only has slot machines. We don't have any VLTs at either of the casinos.

**Mr. Lamoureux:** So if I understood correctly, all VLT machines are connected into Morris, and Morris, that mainframe computer or whatever it is, is ultimately what makes the determination as to how much each and every one of those VLT machines would play, and those VLT machines are not incorporated into our casinos in Winnipeg.

**Mr. Hodgins:** Yes, that's kind of a—roughly what it is, yes.

**Mr. Lamoureux:** Now, would that include—there's the casino on Sandy Lake, is it? I think it's Sandy Lake. That would include that place, too, just slot machines? Or would they have VLT machines?

**Mr. Hodgins:** Sandy Lake—

**An Honourable Member:** Sandy Hook? It's the one north—

**Mr. Hodgins:** —oh, Brokenhead? You mean the South Beach? Is that the—

**An Honourable Member:** Yes, South Beach.

**Mr. Hodgins:** South Beach? Yes. *[interjection]* Yes, South Beach is a stand-alone entity. They are owned and operated by First Nations, and they have slot machines at that particular site. But they also have their own computer system that they operate those slot machines. So, for the—just to clarify, the two casinos in Winnipeg—we have a central system in Winnipeg here that operates the slot machines at the two casinos in Winnipeg. South Beach has 600 slot machines; they have their own central system, and they operate their machines. Aseneskak in The Pas, when they first opened, they were hooked into our central system but they have since acquired their own central system, and so they operate independent of us as well.

**Mr. Lamoureux:** So, if you go into McPhillips Street Station and you play a slot machine, are they tied in to the other slot machines on site, or are they completely independent and the chances of winning at one slot machine is just as good at the other slot machine? Like, and I don't quite follow that.

**Mr. Hodgins:** Well, there's a random number generator in every slot machine so it's all very random. So you don't have any better chance. I should—I have to come and talk to—who's our responsible gaming person—but you don't have any better chance of winning at one machine versus the other. It's misconception to think that you can win at one machine or another. But there are some machines that operate, as the Chair was mentioning, independently. They're stand-alone machines that—there's others that what we call 'progressives' that are hooked together at the site. There are progressives that are hooked between the two casinos. Now that's just the casinos in Winnipeg. We're not hooked into any other casinos. So we operate independent of everybody else. So it can be a stand alone, a progressive just within the casino or a progressive that's between the casinos.

**Mr. Lamoureux:** Last question is, is that: How many slot machines would be in the McPhillips Street Station and what would then be—how much money would those—each one of those machines on

average make for the Province of Manitoba in terms of net revenue? Would you have those two numbers?

Maybe your staff can locate those numbers and you can continue to answer other questions and then you can—

**Floor Comment:** Okay.

**Mr. Lamoureux:** —I can be patient and wait for those—that response, because I know there's—

**Mr. Hodgins:** I can tell you how many electronic gaming machines there are at each of the casinos if—to start off with, and then we'll try and get you a—I can tell you the win per hour but I'm not sure that I can tell you how much revenue per day that they generate but—on average—but I think you might be able to get that. But the electronic gaming machines at McPhillips, this was at September, 2010, they fluctuate a little bit, but not too much. There's about 1,189 machines at McPhillips and at Club Regent there was 1,201.

**Mr. David Faurshou (Portage la Prairie):** A very good evening.

Just for the record, when can we expect, Mr. Minister, the current report? Looking at previous submissions of the reports, they'd always come to the Legislative Assembly in the month of September; we are now in the month of October. I'm not suggesting that the current minister is a little less tardy than the others, or a little more tardy, but I wonder if the minister can give us an indication of when we can be more current in our deliberations.

**Mr. Ashton:** I think the distribution is going to be imminent. I know it's been finalized. I think it's been printed and will be distributed very shortly.

**Mr. Faurshou:** Then we can look forward to a more current discussions of the committee in the not-too-distant future, I would hope.

In—as it pertains to questions that were posed earlier by the honourable member for Carman (Mr. Pedersen), as—pertaining to the Manitoba gaming commission, perhaps the minister can explain very specifically how we go about asking questions of the commission, because I attempted to do so in committee of Estimates earlier this year and it was designated as a special operating agency, and the minister was unavailable for any questioning. So, perhaps, maybe, could you enlighten the committee members as to how we can actually ask questions of the gaming commission?

**Mr. Ashton:** I know that the member for Carman (Mr. Pedersen) thought I spent an inordinate amount of time answering a similar-themed question before to say no, and I don't think I can be of assistance; I'm not responsible for the gaming commission, and nor could I advise the member. My suggestion would be to take it up with the gaming minister directly, obviously, or through House leaders. I realize that it is a bit of a different situation, being a special lottery agency, but I'm certainly responsible, as Minister for Lotteries, for the operating side, not for the commission.

\* (19:40)

**Mr. Faurchou:** Well, I want the record to record that it is to my knowledge and as a sitting member for almost 14 years, have yet to try and get a direct answer out of the gaming commission. I know that there was a situation in Portage la Prairie earlier on where illegal gaming equipment was entered into Manitoba. It was seized under the excise tax legislation of the federal government, but I'm wondering whether or not there's any similar situations that exist here in the province at the present time, and that's the type of questions I'd like to try and get answered. I don't know whether there's anyone present here this evening that can add any information to that.

No. Seeing no positive response, I'd like to move to, well, first off, a little bit of kudos to the corporation, first off, for the Portage la Prairie Manitoba Winter Games. Outstanding support. Really want to recognize that and the legacy that was left in Portage la Prairie at the PCU Centre and playgrounds throughout the—my constituency. I also want to compliment whoever's been responsible for some of the shows that are content to the regency casino; they're well appreciated, especially Trooper. I was there earlier on this year.

Also, two homes were dedicated through Habitat for Humanity in Portage la Prairie this year. Phenomenal support by the corporation. I do want to express my appreciation on behalf of the two young, female, single parents that are now enjoying the homes and raising their families. So I hope that would continue.

You earlier stated that you're down from 2—to 2 percent from over 4 percent from the U.S. visitors. I wondered, are you refocussing then your advertising dollars away from the U.S. as a potential marketplace and coming to other junctures because I

see a significant increase in your advertising year over year in the reports that we have before us this evening.

**Mr. Hodgins:** Yes, we have recently updated some of our advertising boards that are in the U.S., and certainly we try and promote the tour bus program to bring the tour buses into the province. We work with Tourism Manitoba and Destination Winnipeg in efforts to try and, you know, bring people from outside the province to, well, not only to our casinos but to the province as well. So yes, we are making efforts to, you know, in an attempt to try and bring more people into Manitoba.

One of the things I just read in the paper just recently where the number of visits by U.S. tourists seem to be increasing so maybe things are going to turn around a little bit, but with the exchange rate the way it is right now, it's very difficult to try and, you know, attract people to come across the border. The passport issue is a big issue as well. People just don't want to spend the money on a passport to come across the border. So it makes it—it's a challenge.

**Mr. Faurchou:** I appreciate the challenge of the re-entry into the States. They can certainly come to Canada but re-entering the U.S. requires a passport.

But you have tripled the dollars allocated for marketing. Can you be a little bit more specific as to where those marketing dollars are now being focussed?

**Mr. Hodgins:** I'm not sure which figure you're looking at, but I would say that probably the major reason for the increase in—is it the marketing expenses that you're looking at?

**Mr. Faurchou:** Maybe I can clarify. It's tourism marketing and currently sits just under \$10 million for the most recent report, up from 3.2 million in the most aged report. So you're almost—you've more than tripled your expenditures over the course of the reports in front of us this evening under the same category.

**Mr. Hodgins:** What page?

**Mr. Faurchou:** Tourism marketing. And it's on—the most current one is 58, and on the oldest report is page 50–58—tourism marketing, under expenses.

**Mr. Hodgins:** Yes, the two figures, if I got them correctly here, you're looking on page 50, I think it is, in '04-05 where the tourism marketing expenses

are roughly about 3.2 million, and they've gone to \$9.9 million, and a large part of that increase is related to our Club Card program. That's the program where people can use cards to—if—well, you're familiar with it—to generate points. And so they can cash those points in for various amenities that we offer at the casinos. We don't offer cash back, which some casinos do, but people can use them to buy meals at—or entertainment you're referring to, so they can use it for that, valet parking. So a variety of different things at the casinos. And so those costs have to be charged to our accounts, and that—I think it's the reason why there's the bulk of the increase that's showing up there.

**Mr. Faurshou:** I understand now, and it's very similar to the Manitoba Liquor Control Commission that went into an agreement on AIR MILES and they're charging those expended dollars back through marketing, and it'd be a similar type of program.

I'd like to, though, then move to—well, if you could, though, elaborate just a little bit, where do you see the greatest tourism return right at the present time? Is it from Saskatchewan? Is it from Ontario? Are we looking farther afield with tourists coming to Manitoba as generated by your activities?

**Mr. Hodgins:** Yes, the bulk of the tourists that we have coming to the casinos—of course, there's a significant number of people that come from, you know, rural Manitoba and northern Manitoba, but a significant market for us is Ontario, western Ontario and northern Ontario; there's a lot of people that come from that area to the casinos. Many of them come to the entertainment that you're referring to, but certainly there's a lot of people that stay at the Club Regent Casino Hotel and attend our casinos.

There's also tour buses coming from Saskatchewan and Alberta, not as many as what we used to get, and that's largely because there's such—been such a significant increase in the number of casinos in those jurisdictions and, for example, in Alberta, if you go back to the, say, mid or late '90s, there were virtually no casinos in Alberta; now there's 26. In Saskatchewan, I think they have about seven or eight casinos in Saskatchewan now. So we used to get a significant number of tour buses coming from those two provinces, but because of the fact—you know, they got access to casinos there. So, you know, the number of people that are coming by tour buses has decreased.

What we're finding is that there's actually quite an increase in people coming by vehicle. So people

that are actually travelling themselves as opposed to coming on bus tours. And so what they're looking for are package arrangements so that they can get a hotel room. They want to have, you know, access to entertainment and then, of course, all the other things that are offered at the casino as well. So we see an increase in that kind of traffic as opposed to the bus tours.

**Mr. Faurshou:** Well, thank you very much. I do want to ask you about your sponsorship leading off what I said about Portage la Prairie. How far in advance do you put that together? Do you have a whole year sort of mapped out for your sponsorship and your donations and—I don't want to take the committee's time, but is that possible to receive your anticipated budgetary type of sponsorship and donations as the—as you see it coming this forthcoming year?

\*(19:50)

**Mr. Hodgins:** Well, we're actually just starting into the process for next year. So there are organizations that we have been supporting for some period of time and so I would assume that they would probably be part of, you know, what would we be funding for next year.

What we're finding is that there's a significant number of organizations that are approaching us for support. We have a lot of pressure for funding from different organizations and I think it's happening for a couple of reasons. One is that just because of the economy and that it's more challenging for organizations to get support for the, you know, the activities they have going on. And in some instances organizations that have had support from different, you know, companies or firms, it's been withdrawn or reduced and so, you know, they're coming to us asking us to assist them. We're also finding there's many more new organizations that are approaching us for funding support as well. So there's a lot of, you know, pressure to, you know, to deal with the organizations that we'd like to within the funding we have allocated.

**Mr. Faurshou:** Moving a couple of lines down on the expense chart I wanted to draw your attention to the consulting fees. In the most current report, we're looking at over \$6 million of expenditure and if we go back to the most aged report our consulting fees are 2.4, significant, once again, increase.

At last committee there was a question asked as to the direction or who was employed by the

corporation in this activity. It was stated that there were two consulting firms that were mentioned in the previous transcripts. I wonder maybe we could have an update seeing that there is a significant increase just in the last report. It goes from 2.1 million to \$6.07 million just in that consulting fee, darn near a threefold increase year over year. That's pretty substantive in anybody's ledger.

**Mr. Hodgins:** We have a lot of activity that goes on in the corporation. We, you know, generally it's been in, I think, around the two or three million dollar mark but, you know, we've been looking at different opportunities to redevelop the casinos and so in order to do that we really don't have any in-house expertise to assist us with that. So for us to take a look at how we might be able to refresh the casinos or redevelop them so that we can keep them attractive to people we do have to engage consultants. Now that's part of it. There are other consulting services that we use as well.

I think you were mentioning when we met in 2009 I think there was questions around, I guess, some of the—I believe it was some of the consulting work that we have done in our human resources area and we do have standing offers that—with different consulting companies to assist us with the work that we do in that respect.

We do a lot of market research. In fact, that's where the standing offers were that we were asked about. So we feel that if we were going to remain relevant and if we're going to be providing the kind of products that we—you know that's important to the people that are coming to our casinos or if we want to try and broaden our customer base out that we need to consult extensively with Manitobans and others. So we do spend money on consulting companies to assist us with that exercise. So it is a significant amount of money but I think that you'll find in future years that it's going down from that particular amount. It was kind of a one-off if you like.

**Mr. Faurchou:** I understand so perhaps this just a peak in expenditures on this line. Could though you specify as to the individual corporations that you now have employed or engaged in this \$6 million worth of expenditure.

I know that the one you—k-squared, I guess it's spelled k-i-s-q-u-a-r-e-d was the spelling you provided to committee March 16th, 2009. That was a consulting firm that was—had—was receiving significant dollars. Is that firm still engaged?

**Mr. Hodgins:** Yes, it is. We, you know, we use a variety of different consultants. I probably could give you quite an extensive list of consulting companies that we do—probably we try and spread our work around. You know, for the redevelopment work that we do, we, you know, we've engaged Smith Carter. We've engaged Number TEN. So we use a variety of different organizations, but, you know, the specific one that you're mentioning is one that we have used and continue to use and will likely continue using for a period of time.

**Mr. Faurchou:** Just being conscious of our conflict-of-interest legislation as we as elected officials must comply with, the principal in the named consulting firm is Katherine Devine. Would you have any indication as to whether or not that is a relative of Ginny Devine who operates Viewpoints? The same spelling is—the surname is consistent.

**Mr. Hodgins:** I don't know the individual you're referring to, but I'm told that it's not—that they're not related.

**Mr. Faurchou:** No relation between the two Devine ladies that are responsible for the consulting budget of the corporation.

Seeing that it is a blip on the—for the 2009, can you indicate to the committee that—I'm sorry. I'm out of order. I can't ask about a report that hasn't been tabled yet.

Insofar as it—the consulting companies employed by the corporation, you say that it's quite a number of them. Could you possibly provide to committee the listing of the engaged companies that are—would be consuming the \$6 million?

**Mr. Hodgins:** I don't think there's any reason why we couldn't provide that information to you.

**Mr. Chairperson:** Before we proceed to the next question, we're rapidly approaching the hour of 8 p.m., and it was the will of the committee to review our sitting time at that point, and I'd like to test the will of the committee.

**Mr. Pedersen:** I have a—I know that Mr. Briese wants to ask a couple of questions, and I have a few more things that I would like to clean up if you see the will of the committee to sit till 8:30.

**Mr. Chairperson:** It's been suggested we sit till 8:30 p.m. Is that agreed? *[Agreed]* Thank you.

We'll now proceed with the next question.

**Mr. Faurschou:** Thank you. I'm going to—my very last question here. There had been rumours in past about the relocation of the Western Canada Lottery Corporation headquarters that is here in Manitoba. Is—that rumour still persists. Can you perhaps alleviate members' concerns as to the residency of that headquarters?

**Mr. Valgardson:** I could answer that. There's absolutely nothing to that rumour. In fact, Manitoba just this year entered into a long-term agreement with the Western Canada Lottery Corporation, with Saskatchewan and with the Province of Alberta, and I believe it's a 10-year agreement, keeping the head office in Winnipeg for the foreseeable future, certainly for the next 10 years. So there's no thought at all of moving that.

**An Honourable Member:** Very good. Thank you.

**Mr. Chairperson:** Mr. Hodgins, to—further comments on that question?

**Mr. Hodgins:** I—Mr. Lamoureux had asked me a question earlier. Is it possible to—just to provide him with the information now?

**Mr. Chairperson:** Yes, please proceed.

**Mr. Hodgins:** So, you had asked the question about what the win was for slot machine at—it turns out that it's almost the same at each of the casinos. So the average net win per machine at the casinos is \$90,000. That's per year.

**An Honourable Member:** That's how much the Province makes.

**Mr. Hodgins:** I'm sorry, I didn't hear what you said.

**Mr. Lamoureux:** Would that be how much the Province makes each machine that—no. The 90,000 is—just explain what the 90,000 actually is?

\* (20:00)

**Mr. Hodgins:** The 90,000 would be how much we receive as profits from that machine on an annual basis. That would be after the prizes are paid out, but it's before we incur our expenses to operate the facility.

**Mr. Chairperson:** Mr. Briese, thank you for your patience.

**Mr. Stuart Briese (Ste. Rose):** I just probably have one question—maybe one supplemental to it. But pertaining to the portion of the VLT revenue that goes to municipalities, I presume—I've been away

from municipalities for a little while, but I presume that's still done on the same basis, is it, that a lump sum of 5,000 to each of the municipalities and then 10 percent of the—the 10 percent, that comes off the net receipts of the VLTs? I see a figure in here of 16.2 million in this report.

**Mr. Hodgins:** As far as I'm aware, this is done through the—by the provincial department of—I forget what they call it now, but—

**An Honourable Member:** Local Government.

**Mr. Hodgins:** —Local Government. But as far as I'm aware, it's the same formula that you're familiar with—the 10 percent. But the 10 percent comes from the net win of the VLT, so that would be based on the amount of money that's put in the machine, less than how much is won and, so it's the net amount that's left after.

**Mr. Ashton:** Certainly as the former minister of Intergovernmental Affairs, I can indicate there's been no change in the actual formula for allocation to municipalities in the last several years.

**Mr. Briese:** Probably to the minister then: So from what I am seeing in these reports, that should be going up slightly every year?

**Mr. Ashton:** Yes, I mean it's—it does fluctuate somewhat as the member knows, but I think the key thing is you can read into these reports is there's been a consistency of income that, you know, perhaps a number of years ago there was growth factor. I know municipalities have to have growth source of revenue, but there's been a consistency that has been very significant in terms of transfer to municipalities.

So, you know, we're into another year right now, the report will be coming about the, you know, the last year, the annual report over the next, you know, in a short period of time. So there is some fluctuation in terms of revenues. But it's been fairly consistent now if you look at the reports in the last number of years.

**Mr. Briese:** My other comment is a little tongue in cheek. I remember when the VLTs first went in and there were these lovely banners went up that said: All proceeds to go to rural economic development. When things changed—I think it was when the VLTs went into Winnipeg was the big change—I went around to several hotels to try and find one of those banners. And I'm just wondering where you've got the warehouse because I could not find a one. They sure disappeared in a hurry.

**Mr. Ashton:** I think the previous government put them in a warehouse and we're not sure where they are either.

**Mr. Chairperson:** Mr. Pedersen.

Or Mr. Briese, did you have any further questions, sir?

**Mr. Briese:** That's probably quite true because I sure couldn't find one. Thank you.

**Mr. Pedersen:** I just want to bring up a few questions that have come out of the discussion here and then I've got a few areas I'd like to cover, keeping in mind the time.

And I'm only going to ask—I promise to only ask one more VLT question, but it's—and we were talking about resets or refreshing and resetting—reset—refreshing VLTs.

Do you track what other provinces, neighbouring provinces such as Saskatchewan and Ontario, are they facing the same issues you are or are their VLTs being refreshed in somewhat different manner?

**Mr. Hodgins:** I'll speak to Saskatchewan and Alberta.

Saskatchewan put their VLTs into the field—I think it was roughly about a year before we did or a year or two before we did, if I remember correctly, and they do not have a refresh program as far as I'm aware in Saskatchewan. So the next time the machine—or the games are updated will be when they replace the machines. So that's Saskatchewan.

Alberta is the same way. They do not have a refresh program in Alberta, and I think that they're—you know, they will be replacing their machines for the same reason that we will be, but they have not got a program in Alberta. We—*[interjection]* They have one, as we talked about earlier, and I'm still hopeful that we can do something.

**Mr. Pedersen:** As promised, I won't ask about VLTs anymore, but there is a couple of other questions that I have. Does Manitoba Lotteries pay any commissions or make any payments to the federal government in terms of lottery proceeds?

**Mr. Hodgins:** The—and maybe what I could do is I could refer you to the annual report, if I could find the right section here. If I could just refer you to page 55, and it's footnote 13(b). And so that is the—in January of 1980, the federal government withdrew its involvement in lotteries, and in return the 10

provinces contribute an annual sum of \$24 million adjusted for inflation to the federal government.

And so Manitoba's share in 2009 was \$2.3 million. So that was—the federal government agreed to get out of the lotteries area, but the—all 10 provinces agreed to compensate them for doing that, and our share of the \$24 million adjusted for inflation—I'm not sure what that \$24-million figure is now, but it's—our share is \$2.3 million. And it—and that amount shows up in the financial statements on page 58. That amount would be included under what's called Allocations and Payments.

**Mr. Pedersen:** Thank you for that. I knew I'd seen it in here somewhere, but I—thanks for answering that.

And one other question that came up during the discussion here: the standardbred—the harness-racing people, as I understand it, have been sending approximately two busloads of patrons to your casinos on a monthly basis. Is that a goodwill gesture on their part to further relations with you or what—is there any formal agreement there?

**Mr. Hodgins:** They've informed me that they've been sending two busloads to the casinos, and I accept that they've been doing that. There's no formal agreement in place that, you know, with the harness-racing people, to send any buses to the casino.

**Mr. Pedersen:** And the Jockey Club has asked in the previous—has asked previously to be allowed to run a racino, and is there any progress on that or where—what is the status of a racino for Assiniboia Downs?

**Mr. Ashton:** Basically, there's been no decision to proceed. You're talking about the specific proposal from the association? Yeah, that—again, there's been no decision on that.

**Mr. Pedersen:** Corporate image study: In the most recent annual report, which is the '08-09, page 15 indicates that MLC's undergoing a corporate image study to determine the public perception. Where are we at with this study? Who did it? How much did it cost? How was the vendor selected? And what is the ongoing status of the corporate image study.

\* (20:10)

**Mr. Hodgins:** If you can just give me a minute, I'll have to—*[interjection]* What I'll have to do is ask you if we could get back to you on that. I don't have the—all the detailed information that you're asking. I know that we do corporate image work on a regular basis to—where we consult with Manitobans. But I can't just recall the, you know, the particular firm

that's involved and the cost. But if you like, I could get back to you on that.

**Mr. Pedersen:** Yes, certainly, we don't need to have it tonight if I get a written report from you. I do have some other requests coming up here, too, for some written material so I assume it can all be included then.

Under problem gambling, does the corporation have a plan to deal with—how—maybe I should put it this way, what about the Voluntary Exclusion Program? Is it working? Is there issues that you're dealing with? And under that, I was reading the *Hansard* from March '09 and they were talking about face recognition technology and all. It's 18 months ago, are we—is that part of dealing with problem gambling?

**Mr. Hodgins:** Yes, the Voluntary Exclusion Program is, you know, is one that we have in place in—at the casinos. It has been in place for some time. We do make our best efforts to try and identify individuals that, you know, have voluntarily excluded 'themselves' from our facilities. We have about 1,000 people that are part of the, you know, of the program, and we have, I guess, a number of measures in place to assist us with trying to identify individuals who are part of that program.

You mention the facial recognition technology, and that is one piece of technology that we have in place already at the casinos. One of the problems with our facial recognition technology program is that you need to have up-to-date photographs of people, and so it isn't always possible for us to have the 1,000 people come in to have their photographs taken, and so it's a challenge. But we try and update that information as much as we can as, you know, as people will agree to have their photographs taken.

Another piece of technology that we're going to be installing, and we're hoping to have it in place in December or January, and that's a licence plate recognition program. So when vehicles are coming in to the casinos, we'll be able to record their licences, and those that—where people are part of the voluntary recognition program are involved, our security people at the front at our entranceways would be alerted to individuals that are part of that program. So it would help them to identify people are coming so we can assist in keeping them out of our facilities.

We also have an electronic—what we call electronic photo binder that our staff use, and, so,

rather than—previously what we've had to use is binders, literally, of the 1,000 people that are part of that program; now we have electronic binders that are available to assist us. So people that are coming into our casinos more frequently, that information is made available to our staff.

We also have our surveillance staff scanning the casinos, and certainly people who are frequently trying to get back into our facilities we try and identify them through that process using our surveillance staff. And we also have security staff who are literally walking the floor looking for people who are part of that program as well. So, you know, we use a variety of techniques in an effort to try and identify individuals who are part of that program that are trying to get back into our casinos.

**Mr. Pedersen:** Is there any potential lawsuits that you're aware of? There has been lawsuits, I believe it was in Ontario, from people who were on an exclusion program, is there anything pending here in Manitoba?

**Mr. Hodgins:** We have one particular individual who has a statement of claim against us, and it's currently before the courts.

**Mr. Pedersen:** So obviously, if it's before the courts we're not going to comment on it here. So is there any—ever been any thought or discussion about membership cards so that—or some sort of admission system so that you would actually know who was coming into the door? And if I may, Mr. Chairman, I realize that perhaps you could comment if—I'm sure you've looked at it—but the upside and the downside of doing such a program.

**Mr. Hodgins:** Well, I'm going to look into the future a few years, because this won't happen, you know, in the next few weeks because, you know, the technological challenges are significant.

But currently we run three lines of business. We have our casino business and we have a separate set of clients that, you know, go there. We have our VLT clients. Some of them go to the casinos and some of them go to the VLT sites, and then we have our lottery patrons, but—and many of them, you know, are involved in all three. And so what we're looking at—and this, as I say, is going to take some time to develop—but what we're looking at is what we call—is a single view of the customer, and so what we would ultimately be able to do is that people—you know, a customer such as myself, if I'm playing all three product lines, we would be able to have a

system whereby the information would be collected about my activities, you know, in those three lines of business.

Now, what we would ultimately be able to do if we're able to develop this kind of technology is to go to a player card. And so if you, you know, if you wanted to play the VLTs, you know—a major policy decision would have to be taken by the Corporation and, you know, the government of the day, would be whether you make it mandatory—but if you did make it mandatory, people would then put this card into the VLT. If they go to the casinos they'd put the card into a slot machine, or if they wanted to buy a lottery product they would use their card to acquire that, you know, that kind of product.

Now, associated with that kind of technology, you could have, you know, what we call account-based play, where you would set up an account, whereby people would actually put money into this account, to play the kind of products.

Now, the advantage of that is that you could—it would solve all your problems around the voluntary exclusion program, because if you are part of the voluntary excluded program, you, you know, if you put your card in, then it would exclude you from playing VLTs or the—in the casinos. One of the problems in any voluntary excluded program—it's not just us, but it's any gaming organization—and that is you can exclude people from the casinos, but there's no way of excluding them from playing the other product lines. So if you had this single card that they had to use, it would solve that problem.

People would then have the option of being able to choose, you know, if they want to limit themselves in terms of the amount of play, so it's, you know, assist people that maybe have problems with gaming, so it would certainly help your responsible gaming program.

So, you know, I could go on on this, but I know there's—time's running out, but the answer to your question is at some point down the road, there will be the opportunity to develop technology that will allow us to issue cards to players so that, you know, we can manage the industry more effectively.

**Mr. Pedersen:** But right now you do issue a reward card—and I don't know, you may have a different term for it, but I'm calling it a reward card—that, I walk in the door, I can sign up for a reward card. Got one hanging in my office downstairs. From that, you could—you can track every time that card is played,

where that person is going within—in fact, you can even probably track the person within the casino, where they're moving around, just based on where they're playing and whatnot.

So you're using that somewhat now anyway. I would assume you're using it to track people. It's not simply just a—it's not strictly a reward card to get them to play more. You're also being able to track them.

**Mr. Hodgins:** Well, we do have the capability of, you know, of tracking play that's going on within the facilities. Now, this card's not—you don't have to use it. It's not mandatory. It's optional, so some people choose not to. Roughly about, I'd say, 45 to 50 percent of our play at the casino is carded play, so there's 50 to 55 percent of the people that are not using that card, and some people don't want to use cards, and so it's—so we can't capture that information for everybody.

\* (20:20)

**Mr. Pedersen:** In terms of advertising and sponsorships, and I believe Mr. Fauschou was asking some of these questions, but—make sure that we're there. Can I get a list of all MLC's corporate sponsorships in the last fiscal—and I guess we'll be talking about 2008 and '09; 2009-10's are not out yet, so I can't get that one. But could I get a list of the corporate sponsorships in the last fiscal year, 2008-09, and the amount of money spent on each?

**Mr. Hodgins:** You want a list of everybody that we provided funding to through our sponsorship program?

**Mr. Pedersen:** Well, there's two different—I think there's two different lists is what I'm going to ask, and I'll ask—first of all, it's the corporate sponsorships such as the Moose—Manitoba Moose games, you have corporate sponsorship there and at a number of other entities where you have corporate sponsorship. Blue Bombers, I would imagine you're there also—now that they're winning. But—

**An Honourable Member:** What about this weekend?

**Mr. Pedersen:** I said that—but also if I—you could provide me with a list of the contributions that you've made to the community organizations. That would be different, now, and, yes, I think you eluded to that before, was some 400 members. If I could get a list from that and, obviously, we're not doing it here tonight. We don't have the time and all the rest of it.

But if you can provide me with a list of the community organizations you sponsored, and the amount and give it—

**Mr. Hodgins:** No, I think I understand what you're looking for. You're looking for the corporate sponsorships and the community organizations that we support through our community support program. Yes.

Did you also want the bingo program, because we support both. That would be community support, I guess.

**Mr. Pedersen:** Yes, also the bingo because that's—it's like community support. Or, I assume they're different, but it's the same motive in the end is to support community organizations.

And I'm—I look forward to getting that. I think there was something other written that you were going to provide me too—oh, the corporate image study.

I will ask what the time frame is to get this back because I know the good minister has still got some written questions outstanding from a different committee to me. So I need to ask when I would be able to get this.

**Mr. Hodgins:** If—in the next three or four weeks. Is that soon enough?

**Mr. Pedersen:** Absolutely. That would be fantastic if I could get it in the next, then—and I just had to ask so that I didn't want to come back in a year-and-a-half from now and ask you why wasn't—when was that supposed to happen? So, very good. I appreciate that.

The advertising program we roll together is out on billboards and in advertisements, various magazines right now. Can you provide me with the cost of that, and the target audience and what the purpose—obviously, when you roll out an advertisement program you've got a specific target in it. Can you provide that for me?

**Mr. Hodgins:** Yes.

**Mr. Pedersen:** And that will be in the written report also. Thank you very much.

Well, I believe, Mr. Chairman, that I am getting very close to the end and—then, I believe, Mr. Chairman, I will just wrap up by thanking Mr. Hodgins, Mr. Valgardson for their answers and their help tonight, and I look forward to getting those written reports back.

**Mr. Chairperson:** Any further questions from committee members? Seeing none, I will put the questions regarding the annual reports that I have previously mentioned.

Annual Report of the Manitoba Lotteries Corporation for the year ended March 31st, 2005—pass.

Annual Report of the Manitoba Lotteries Corporation for the year ended March 31st, 2006—pass.

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

**Some Honourable Members:** No.

**Mr. Chairperson:** The Chair hears a no. The report is not passed.

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

**Some Honourable Members:** Pass.

**Some Honourable Members:** No.

**Mr. Chairperson:** The Chair hears a no. The report is not passed.

Shall the Annual Report of the Manitoba Lotteries Corporation for the year ended March 31st, 2009, pass?

**Some Honourable Members:** Pass.

**Some Honourable Members:** No.

**Mr. Chairperson:** The Chair hears a no. The report is not passed.

The hour being 8:25 p.m., what's the will of committee?

**Some Honourable Members:** Committee rise.

**Mr. Chairperson:** Thank you to members of the committee and members of the Manitoba Lotteries Corporation for your attendance and participation here this evening.

And for information of all members, if you don't require the annual reports, please leave them on the table for future meetings.

Thank you and the meeting is adjourned. Committee rise.

**COMMITTEE ROSE AT: 8:25 p.m.**

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