

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

*Chairperson*  
*Mr. Bidhu Jha*  
*Constituency of Radisson*

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**MANITOBA LEGISLATIVE ASSEMBLY**  
**Fortieth Legislature**

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

**Wednesday, April 3, 2013**

**TIME – 6 p.m.**

**LOCATION – Winnipeg, Manitoba**

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

**VICE-CHAIRPERSON – Ms. Melanie Wight (Burrows)**

**ATTENDANCE – 11 QUORUM – 6**

*Members of the Committee present:*

*Hon. Mr. Ashton, Hon. Ms. Irvin-Ross*

*Messrs. Briese, Cullen, Graydon, Jha, Maguire, Maloway, Marcelino, Saran, Ms. Wight*

**APPEARING:**

*Hon. Jon Gerrard, MLA for River Heights*

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

**MATTERS UNDER CONSIDERATION:**

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

*Annual Report of the Manitoba Lotteries Corporation for the fiscal year ending March 31, 2012*

\* \* \*

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

Our first item on the business is the election of a Vice-Chairperson. Are there any nominations?

**Hon. Kerri Irvin-Ross (Minister of Housing and Community Development):** I nominate Melanie Wight.

**Mr. Chairperson:** Melanie Wight has been nominated. Are there any other nominations?

Hearing no other nominations, Melanie Wight is elected Vice-Chairperson.

This meeting has been called to consider the following reports: Annual Report of Manitoba

Lotteries Corporation for the fiscal year ending March 31st, 2011; Annual Report of Manitoba Lotteries Corporation for the fiscal year ending March 31st, 2012.

Before we get started, any suggestions from the committee as to how long we should be sitting this evening?

**Mr. Cliff Cullen (Spruce Woods):** I suggest we sit 'til 8 o'clock and then review our situation at that time.

**Mr. Chairperson:** Eight o'clock has been to-committed.

Any suggestions? Any objections? Is it okay?  
[Agreed]

So we'll sit 'til 8 o'clock.

Any suggestions as to the order in which we should consider this report?

**Mr. Cullen:** 'Hopeling' we could review the situation in a global manner tonight so we can have a broad range of questions put forward.

**Mr. Chairperson:** Okay, a global approach is recommended.

Any suggestions? Any objections? Agreed.

Does the honourable minister wish to make an opening statement, and would you please introduce the staff and officials in attendance today.

**Hon. Steve Ashton (Minister charged with the administration of The Manitoba Lotteries Corporation Act):** Yes, Mr. Chairperson.

First of all, I'd like to introduce the board and staff that are here: Tannis Mindell, board chair; Winston Hodgins, president and chief executive officer; Tracy Graham, chief financial officer; Peter Hack, chief corporate service officer; Larry Wandowich, chief community relations marketing officer; Susan Olynik, vice-president, corporate communications, social responsibility; Marilyn Robinson, vice-president integration; Dan Sanscartier, vice-president, gaming operations; and

Bev Mehmel, the director of corporate social responsibility.

I would like to begin by acknowledging that there's been a significant amount of activity over the last year, certainly not in the period necessarily covered by the annual reports we're dealing with, which relates to the amalgamation of Manitoba Lotteries and the Manitoba Liquor Control Commission. I do want to indicate we've made some significant progress, certainly in terms of organizational structure, our executive leadership team, and a significant amount of progress has been made in terms of merging common areas. I want to remind committee members that certainly this is one of the goals of the amalgamation was to bring together two excellent Crown corporations that we believe can be even better as an amalgamated entity, certainly resulting in some cost savings to government, but also some improved efficiencies overall.

So we've been dealing with what will be a blended workforce of 3,000 people and, certainly, I want to acknowledge the efforts that are taking place at all levels. And our goal is to continue to operate what we consider some of the best quality gaming and entertainment options within a framework of social responsibility and both fiscal management and operational integrity. Net revenues are directed back to the Province, and just to put it in perspective, in 2011-2012, that was a contribution of \$342.9 million.

I would like to highlight some of the accomplishments and business initiatives that Manitoba Lotteries are undertaking in the near future. One of the, I think, significant developments in recent months has been the launch of online gaming this past February. PlayNow.com is a safe, regulated gambling site that offers an alternative to the 2,000-plus grey-market or black-market sites. I say grey market and black market because it's often very difficult to determine who is actually necessarily running them, where the proceeds go, what the rules are, and there's certainly no focus on responsible gaming. This does provide both the gaming option, but also encourages responsible play through the responsible play brand Game Sense, and we believe that is important. Currently there are 5,000 registered players and it's anticipated we're looking at about \$1.5 million in terms of net income this year, increasing to \$17 million by 2018. Five per cent of that has been earmarked directly to existing responsible gaming initiatives and additional funding

for the AFM. A further 15 per cent will be dedicated support and expanded provincial programming for Aboriginal sport and recreational activities.

We're also excited about the anticipated opening of the downtown gaming centre later this spring. Manitoba Lotteries was at the table with True North Sports & Entertainment, and we are extending our involvement. Again this is something was announced at the time when the Jets were brought back to Winnipeg, and again we're directly involved, I think, with what has been seen as one of the great success stories of these type of ventures across—pretty well across North America.

We're also refreshing our VLT network, upgrading the aging machine network. That, again, is something that certainly we've heard from stakeholders, and we'll—we're in the process of rolling it out right now, and we're certainly more than prepared to answer questions as we go through the committee hearing.

And in terms of responsible gaming, I think it's important to note that we budget 2 per cent of annual income towards these goals. That's \$4.3 million of which \$3.2 million went directly to AFM for the excellent programming they provide. I'd like to highlight that the Manitoba Gambling Research Program is now half way through its second year of operation and is providing gambling research and is funding high quality, Manitoba-based gaming research. Again this is a significant new initiative over the last couple of years.

I want to highlight the close to \$6 million in community funding and supports that are provided through the hundreds of charitable and community organizations through the province, including 400 groups that participated in the Bingo Volunteer Program.

\*(18:10)

We've also expanded our reach and impact even further this year with the introduction of a new and very exciting, unique charitable initiative called the Flight Deck Program with the Winnipeg Jets and Winnipeg Blue Bombers. It's designed to support Manitoba youth through sports—Manitoba's Respect in Sport program—1,045 kids and their coaches saw a Jets game and 313 kids and their coaches saw a Bombers game. Again, very much appreciated by everyone that was involved.

We are also continuing to provide a wide range of sport to community festivals, events. Folklorama,

Manito Ahbee, the Dauphin CountryFests, Royal Winter Fair in Brandon, the Gimli Film Festival, the Manitoba Marathon are just some of the very worthwhile areas that we are involved in terms of that.

In closing, I'd like to once again express my sincere thanks to the board of directors and the staff. I'd particularly like to commend our outgoing board of directors. With the amalgamation, we had a significant number of long-serving board members that now have—are no longer involved with lotteries with the amalgamated board and I really want to credit them.

And I do want to note, by the way, that we've been recognized with the top 25 employers in Manitoba and the top 100 in Canada, and our goal, as we go through this period in terms of the amalgamation, is to continue to maintain what we believe is some of the highest standards of corporate responsibility, including social responsibility. I think some of the leading edge in terms of the kind of entertainment and options we provide and, dare I say it, at the same time also a very significant contributor to many valuable programs here in the province.

**Mr. Cullen:** I thank the minister for his comments tonight as well. I certainly want to welcome all the staff from Manitoba Lotteries and liquor here tonight as well, and I appreciate the good work that you are doing on behalf of Manitobans.

Clearly, Manitoba Lotteries and liquor corporation are going through some significant changes and will be for the next period of time. Hopefully, we can have a little bit of discussion tonight in terms of where you're at, I'm sure Manitobans are eager to hear what progress we are making in that regard. So I just wanted to say thanks for sharing your time with us this evening and we look forward to an open dialogue about some of the exciting things that are happening and going to happen in the future.

**Mr. Chairperson:** Do the representatives from the Manitoba Lotteries Corporation—Mr. Hodgins, do you want to make any opening statement?

**Mr. Winston Hodgins (President and Chief Executive Officer, Manitoba Lotteries Corporation):** No.

**Mr. Chairperson:** Thank you.

Now the floor is open for questions.

**Mr. Cullen:** Clearly one of the undertakings that we are in the middle of, and as the minister alluded to, is the amalgamation process. And, obviously, Manitobans are seeing some new logos out there and they're probably going to want to get a sense of where things are progressing.

So I just wondered if you could give us a bit of an overview in terms of where we are in that process and take it from there.

**Mr. Hodgins:** Maybe I'll go back a little bit to give you some insight into the activities that we have been undertaking since we started on this road of a merger and this goes back to, I guess, last spring.

When the merger was announced, one of the first things that we did is that we set up a transition team, what we called a transition team. And we had senior staff from both corporations that sat on this transition team and the work that the transition team undertook was to start looking at some of the common functional areas that existed in the two corporations to see what opportunities there were to bring those functional areas together. There was a decision at that time that the Crown Corporations Council would engage a consultant to come in to take a look at the two organizations at a high level and to make recommendations as to the best organizational structure for the new corporation.

So that work went on over the summer and the fall, and we did receive a report from Meyers Norris Penny, on the recommendations that they felt that we should implement to bring this new organization together. There's a copy of the report that is online if—you know, if anyone is interested in having a look at it. So that information is certainly available.

At that point, the transition team had completed its work and so it was disbanded, and what we did at that point is we set up a integration team, what we called an integration team, and the responsibility that that integration team was given was to take the recommendations that had been tabled by Meyers Norris Penny and start moving ahead with the implementation of those recommendations. And so that work has been going on for the last several months.

The advice that the consultants gave us at that time was that they told us that this is a significant effort and that there's—it's probably going to take us a minimum of two years to complete that work. And having started down that road, I can assure you that it

probably will take us some period of time to complete all the detailed work that is necessary.

The consultants at that time did indicate that we should be able to achieve \$3 million in savings, and they had some specific recommendations in terms of where we could find those savings. And I can tell you that the work that the transition team did, and our integration team, have identified some additional efficiencies that we can achieve through the work that they're doing.

To this point in time, we have reduced our senior management ranks by nine positions. So those have been deleted from the complement of the two corporations, and that has entailed a savings of about \$1.6 million. We're now functioning, as the minister mentioned, with one board, so there's been a saving of over a hundred thousand dollars by operating with one board as opposed to two, so that's additional saving as well.

And to this—well, for the last fiscal year, which just ended this past weekend, we've achieved some operating savings, roughly about \$900,000. So we've achieved about almost \$2.6 million in savings to this point in time. And based on the work that, you know, that we've done, we feel that there's probably another 1.5 to 1.6 that we've been able to identify at this point in time.

So we're—we've actually, with the work that we've been able to accomplish to this point and what we'll be doing over the next couple of years, we should be able to exceed the savings that, you know, were identified by the consultants. And so we're feeling very positive about that.

And I would think that as the, you know, the integration team looks at these various, you know, functional areas—and what I mean by functional area is that we had two finance areas which we'll be bringing together as one unit. As that work continues, I'm expecting that we should be able to achieve some further savings beyond that.

So, work's ongoing, and so it will be for some period of time.

**Mr. Cullen:** Was there any work done prior to the government announcement in terms of looking at the two organizations and see if there was some compatibilities, or was all the work done subsequent to the government announcement? *[interjection]*

**Mr. Chairperson:** May I request, kindly, questions should go through the Chair.

Yes, Mr. Hodgins.

**Mr. Hodgins:** Sorry about that. The work that I've been involved in, of course, took place subsequent to the announcement, so I'm not aware what other work may have been done prior to that.

**Mr. Cullen:** I know there was a letter sent out under your signature as the CEO at the time of the announcement, and there was a reference to hiring a firm, a professional consulting firm, to assist in the amalgamation. Was that Meyers Norris Penny that you're referring to? *[interjection]*

**Mr. Chairperson:** Mr.—kindly address it through the Chair. *[interjection]*

No problem. Thank you very much.

Yes, Mr. Hodgins.

**Mr. Hodgins:** Yes, that's the comp—that's the organization, Meyers Norris Penny.

**Mr. Cullen:** Is there any other consulting firm, or has there been any other consultant firm hired since Meyers Norris Penny to assist in that transition, or is all that work being undertaking in-house?

\* (18:20)

**Mr. Hodgins:** The bulk of the work that has taken place since the work was completed by Meyers Norris Penny, has been done by our staff in-house. We have used Meyers Norris Penny to help us with the recruitment of a senior position that was recommended by Meyers Norris Penny so there was some additional work that they did in that respect.

There—we did use a consultant to help us with the new logo. The—I guess the new branding that the organization has now—you've mentioned it in your comments. So there was some work that—it was a significant amount of work, but it was done by McKim agencies to assist us with that, and I would expect that there may be a need for us to use other consultants as we move forward. There's some fairly complex issues that we have to deal with around our information technology area and also our finance area.

We have two fairly significant financial systems that we're operating with now. The one in lotteries was—it was developed and implemented not that long ago and the one in liquor is a little bit older than the one in lotteries. But these systems are very, very expensive and we can't afford just to throw them

away. So what we're going to have to look at is what type of, I guess, of a system can we put in place that will bring the information together from those two financial systems to report for the new corporation. So we may need some consulting services to assist us with that kind of work. So there could be, you know, some additional consulting work that we may need, but we'll have to kind of deal with that as we move forward.

**Mr. Cullen:** You acknowledge that you realized some cost savings to this point in time. Are those net cost savings or—obviously, you're incurring additional costs to go through the process. Can you give me a bit of a sense where you expect to be in two years from now in terms of net cost, bearing in mind that you're going to have to employ consultants?

**Mr. Hodgins:** I can't give you a specific figure on that. There are going to be some cost savings, further cost savings beyond the ones that I mentioned here. There will be some additional cost. But I think that I can probably give you assurances that we will save at least the amount that the consultants identified, which is, you know, the three million. And I'm—quite honestly, I'm quite confident that we can achieve more than that.

**Mr. Cullen:** You've referenced to some change in staff. Can you give us a bit of sense in terms of if there was any staff laid off up 'til now and sort of what areas of expertise in terms of executive positions or what type of positions we're looking at if there are—has been any layoffs?

**Mr. Hodgins:** One of the—I guess, the statements that the government made when there was the announcement of the merger that there would be no layoff of front-line staff and so the staff that I mentioned that have been reduced are at the senior-management level and it was—there were some vacant positions that were involved with those nine positions that I mentioned. There's been some retirements of people that have been with either one of the two organizations for a fairly extended period of time so they have made decisions they're going to retire, and there was one other individual that chose to leave the organization. So there haven't been, you know, significant layoffs or people leaving the organization.

**Mr. Cullen:** I reference, again, the letter of April 17th with your signature. There's talk in there about a new labour-management committee to be created to help ensure a smooth transition.

Has there been that new labour-management committee established?

**Mr. Hodgins:** Yes, it was set up almost immediately after the merger was announced. Manitoba liquor has one union and lotteries has five unions so it was important for us to be able to communicate on an ongoing and effective way. So there was a labour-management committee that was set up shortly after merger announcement and it's been meeting periodically, you know, since that time.

**Mr. Cullen:** You referenced my next question. I just want to see what type of communication there is back to the employees there, if there is a—something you've established there so the employees are aware of the situation, the ongoing situation.

**Mr. Chairperson:** Mr. Hodgins, do you want to answer that?

**Mr. Hodgins:** Maybe I'll—

**Mr. Chairperson:** Okay.

**Mr. Hodgins:** If you don't mind, maybe I'll—what I'll just add to that, you know, you're mentioning about the labour-management committee and the communication there, but I'd just add that one of the important elements of the, you know, the consolidation of the two organizations is the—is to ensure that you keep the staff aware of what's going on, and we've spent an extensive amount of time meeting with staff to keep them informed of, you know, the progress that we're making with the merger. And we've used a number of different, I guess, tools to do that.

We did have resources in both organization—change management agents that we have utilized them extensively to assist us with the changes that are going on in various parts of the organization. We also asked staff in both organizations if they would like to put their names forward to volunteer to be what we called ambassadors that would be, I guess, expected to go out and communicate with their co-workers and ensure that people were kept informed of, you know, what was taking place in the organization.

We use the Intranet quite extensively to communicate with staff in the organization as well. So we've tried to use a variety of different tools. I've gone out and met with staff in both organizations to answer any questions that they might have as has our other senior management in the organization as well. So we've been quite active in trying to communicate.

And one of the things, I mean, it—this was not rocket science; we're quite aware of that from some of the work that we did in lotteries, and I'm sure the same thing in liquor—but, if you're going to be successful in these kinds of projects, communication is one of the key elements in ensuring that it's going to be successful.

**Mr. Cullen:** And in speaking of communication, I know there's been an exercise in trying to consult with the public in terms of changes going forward with both lotteries and liquor, and I know there was a discussion paper put out to the public and they were invited to come and make presentations, both in public and on online as well.

Can you give us a bit of a sense in terms of where that process is at this point in time?

**Mr. Ashton:** We certainly have received a significant amount of feedback from the public, and we are currently going through that feedback, we're going through some possible options and we'll be making an announcement in due course. Again, with the amalgamation I referenced certainly a lot of the advantages on the organizational side but, certainly, with the restructuring, it was also an opportunity to look at the various regulatory issues that fall in the purview of both lotteries and the Liquor Control Commission and, of course, the Gaming Control Commission which deals with gaming regulation.

So we will be certainly making an announcement in due course in terms of any of the results of that feedback.

**Mr. Cullen:** Thank you, Mr. Chair, and I appreciate the minister's comments.

Will that—will there be a public document in terms of what the public had said to that committee? Will the committee then be providing a report that will be a public document?

**Mr. Ashton:** Well, it wasn't a—you know a legislative committee, so there's obviously no, you know, a direct transcript. The meetings were open, not only to the public but media as well. I'm not sure the degree to which that will be documented in any formal report, but clearly, you know, again, the whole process has been public. And I think most people that have been participating in any of the meetings will also probably be the first to say that, just like a lot of other things in the province, when it comes to gaming or liquor—and I'll only speak perhaps from the gaming side as Lotteries Minister tonight—there's a variety of different views, and, you

know, I think you'll find that reflected in any of the reports, certainly, the media reports in what was discussed.

So, again, it was more an exercise in, you know, in terms of listening to the public, not a formal, you know, committee hearing, but all of the proceedings were open to the public, and I'm not directly, obviously, involved as minister in that. We had a—MLAs that were involved. We had outreach, you know, but, generally speaking, it was pretty good participation from throughout the province.

\* (18:30)

So, again, where, you know, the report will lead to some recommendations and of course it goes through any of the internal and legislative processes, so it may very well lead to some further changes. And I want to stress again we are opening up the whole act to some degree even just by the amalgamation itself. Obviously there's, you know, formal aspects to that, so it seemed like the appropriate time, and I think the response from Manitobans is that they also thought it was appropriate as well—not necessarily a consensus on every issue, but some really useful feedback.

**Mr. Cullen:** I appreciate the minister's comments.

Clearly there's a wide range of topics that the public's interested in and is going to be involved in this amalgamation. Obviously, and there's—the other side of it is there's a lot of people that are impacted by the legislation and regulations under both corporations, and I think they'd like to get a bit of a sense if we're looking at changing in legislation in one year or two years from now.

Can you give us a bit of a sense of when you see that may come together?

**Mr. Ashton:** Well, I think it's important to note there's two dimensions to these issues: one is the legislative; the second is the regulatory side. Obviously, regulations can be changed more quickly. Legislation does take some greater period of time, and I've had the luxury of being in opposition and I know a lot of it actually also depends on the opposition in terms of the grade of scrutiny and debate they put any kind of bill through.

So I think the simple answer is basically that we're anticipating that there will be, you know, a number of recommendations we'll be putting forward and it really will depend on whether they're strictly



regulatory or were to require a legislative change. And, you know, I think in general there'll be, you know, a range of time frames involved.

**Mr. Larry Maguire (Arthur-Virden):** I just want to refer back to some of the questions that my colleague has asked earlier and just a little bit of follow-up on it.

Here, Mr. Hodson, you indicated that there were some senior positions coming out of the report that were recommended to be hired, and I wondered if you could just inform me as to what position that is.

**Mr. Hodgins:** It was a chief operating officer, and that position would have responsibility for our gaming. It would also have responsibility for liquor. There's also an area that was in lotteries; it was called strategic gaming. It was really a group that was looking at changes that were taking place in the gaming industry and giving us advice as to the direction we should move as a corporation.

We make some fairly significant investments in gaming equipment and so we didn't want to be making mistakes in terms of those investments. And Meyers Norris Penny felt that that would probably be an area that we should expand to include liquor as well as the gaming. So that area reports to the chief operating officer and will give the chief operating officer advice as to, you know, what kind of recommendations that he should be making.

There's also a vice-president of hospitality and entertainment that reports to that position as well. So that was a position that was—sorry, I'll get closer—that was a position that was recommended by Meyers Norris Penny, and so we just recently recruited an individual to fill that position.

**Mr. Maguire:** And I was just going to ask if it's public yet as to who that person is and when it was—when the hiring took place. *[interjection]*

**Mr. Chairperson:** Excuse me. Kindly—questions and answers, kindly address through the Chair. Sorry, just raise your hand and I recognize. I understand the temptations, but please go through the Chair. Thank you.

Thank you, Mr. Hodgins. Go ahead.

**Mr. Hodgins:** So the individual is Peter Kenyon and Peter is originally from Calgary. He worked for Pepsi for 23 years in a very—in a senior position, was in Winnipeg—lived here on two different occasions, lived in the Maritimes and is currently living in

Toronto. He'll be moving to Winnipeg shortly. So he's somebody that's got a lot of experience in the beverage distribution. He also worked for a liquor organization for a period of time, and so he's got that experience as well. So we felt that he was somebody that was going to be able to bring a lot of value to the organization. And he just started roughly about a month ago.

**Mr. Maguire:** Yes, thank you.

And just to follow-up to that, then he will be receiving or will he be providing reports on both the lotteries and the liquor side then?

**Mr. Hodgins:** Yes, that's correct. Yes.

**Mr. Maguire:** The other one was—there were some outstanding issues, Mr. Chairman, in regards to other issues that you mentioned, and the information technology was one of the ways of getting information out to staff and that sort of thing as well, and I wondered if there were other—you mentioned that there were other issues in each of these areas and I just wondered what some of those might be as an example.

**Mr. Hodgins:** Sure, I'll try and expand on a few areas. There is—you know, the information technology area is a very significant part of the operation of both liquor and lotteries. Our whole, you know, gaming operation basically is being driven by IT now, so that is a very important part of our operation. And it's also true for liquor where they have a very extensive IT area as well. So it's a matter of trying to integrate those two areas into, you know, into one area, so there's—and there's expertise that exists on both sides, so—and that's certainly one of the values that, you know, we found by the merger, and we've had—and I can give you an example: In our information technology area in lotteries we were looking for an individual with some expertise in the area of security and they had that expertise in liquor, and so we were able to draw on that to assist both organizations. So it's been very helpful.

I mentioned about the finance area, and we have two major financial systems that are operating. We just can't afford to throw both those away and go out and create a new system because, you know, for example, the one that is in lotteries, it's what—about three years old—three-four years old? And we invested a lot of money to put that system in place.

And so the same thing is true in—on the liquor side. Their financial system is a bit older than ours, but they chose their system because, you know, it

suited their needs, you know, best for the kind of operation that they had in that corporation. And so what we've got to look at is what kind of a—what I call a kind of an umbrella system we can put in place to bring the information together from those two systems so that when we come before this committee with one report you know we're going to have, you know, information that's going to be produced on a timely basis and it's accurate, so the challenge that Tracy has here is that she's going to have to look at how can we do that in the most cost-effective fashion.

So those are a couple of examples. Others might be around our HR systems and, you know, our payroll systems and being able to integrate those systems together. So those are some of the challenges that we're dealing with in the corporation.

**Mr. Maguire:** Yes. Those lottery systems would probably be easier to do in regards to amalgamation than some. As you say, there was two pretty good entities operating there before and so they'll continue and I assume, as you indicated, and then amalgamate those results for a full report.

**Mr. Hodgins:** Yes, that's correct. Yes.

**Mr. Maguire:** Thank you. That's good for me for now.

**Mr. Cliff Graydon (Emerson):** Mr. Chair, I think I'd like to talk about online gambling that has just been launched in the last year, and there was a lot of fanfare at the time of the launching and how it would be safe and legal and that people could play on it.

I'm just wondering: Have we some way to measure the amount of usage on that particular site?

\* (18:40)

**Mr. Hodgins:** Yes, we—as you're aware, we did partner with BCLC for our online system and they have some fairly significant reporting systems in place to provide us with information. So as we get very extensive reporting in the, you know, the systems that we have at Manitoba Lotteries, BC has equally good reporting systems for the systems that they're operating.

**Mr. Graydon:** So, currently, what would we say the average would be on a monthly basis?

**Mr. Hodgins:** When you say average, are you talking about the average amount of revenue that

we're generating, or is there some specific information you're looking for?

**Mr. Graydon:** The average amount of users.

**Mr. Hodgins:** Well, we've only been in operation now since January the 23rd so it's fairly recent. But the last time I checked, which was just a couple days ago, we have about 5,500 registered players in the system now.

**Mr. Graydon:** There seems to be some limits set of \$3,000 a day, \$6,000 a week, \$12,000 a month. How do you monitor that?

**Mr. Hodgins:** Well, the maximum amount that an individual can play on the system on a weekly basis is \$9,999. That—that's the maximum.

Now, within that overall limit, it's up to the player to decide what the limits are that they want to play, so they could set the limits that you're talking about. So, if I—if I'm a player on the system, I can set the limit up to, you know, the \$9,999 but I might choose to only, say, set a thousand.

And so, if I want to change that within that one-week period, I could only do that by requesting that change and then waiting for 24 hours. Like, the change won't take place immediately. And—however, if I was—had a limit I will say of \$5,000 and I wanted to reduce it to \$3,000, I can do that immediately. So, to go up you have to wait 24 hours to—kind of a—if you like—a cooling off period, but if you choose to reduce your limits, you can do that immediately.

**Mr. Graydon:** I'm having a little bit of trouble understanding how I know or how you know when I've reached my limit and that stops me.

**Mr. Hodgins:** Well, the system will do that. So, it keeps track of the betting that you're doing, so when you get to your limits, it will prevent you from playing any further. It's an account-based system so you have to set up an account to play in it, and so the system will keep track of, you know, the wagering you're doing. So when you hit your upper limit, it will stop you at that point.

**Mr. Graydon:** Why weren't there, say, lower artificial limits imposed?

**Mr. Hodgins:** Are you referring to the \$9,999? That—well, that was the decision that BCLC chose as their limits and so when we made the decision that we're going to partner with them, we chose to use the limits that they did. If we hadn't, we probably would

have had to make some fairly significant system changes, which would have cost a lot of money and a lot of time to do. So, we felt it was important to follow the procedures that they were following.

**Mr. Graydon:** So basically we adopted everything that BC was using?

**Mr. Hodgins:** That's correct, for the most part, yes. And, quite honestly, I can't think of where we made any changes. If some of the people behind me can give me some advice where there's been any changes that—where we haven't followed the follow of—or the practices of BC. But, as far as I know, we're following the same practices that they do, and we reviewed them and felt comfortable with them.

**Mr. Graydon:** Well—and I don't doubt that you would feel comfortable with the—with their system. I mean, after all, it has been used by them and they have a track record.

One of the questions that comes to mind is, what does it cost Manitoba Lotteries to use their system?

**Mr. Hodgins:** Well, it's a revenue-based formula that we use, so they recover based on the success that we have here in the programming that we offer. So—and I have to tell you that we did have to sign a confidentiality agreement with them in terms of the specifics of, you know, the sharing arrangements that we have with them. I suspect that, you know, that BC will make their system available to other jurisdictions, as well, in the future so they wanted to keep the commercial terms of the arrangement confidential. But it is a revenue-based system where we pay them based on the success that we have with the delivery of the program.

**Mr. Graydon:** Well, I can certainly understand why they would want to keep their details confidential if they were going to do this with other jurisdictions.

But one of the questions maybe that comes to mind, it—then there would probably be a set fee and then revenue sharing above that fee?

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

**Mr. Graydon:** How do you respond to the—to a CBC article that was published that suggested Manitoba's online gaming site won't be as successful as advertised? How do you respond to that?

**Mr. Hodgins:** I guess I have to be careful here what I say, don't I?

I don't know where the CBC gets some of their facts, but I think that I would probably be more comfortable with our business case than maybe the one that they're using.

**Mr. Graydon:** And I thought they were factual all the time. You've just burst my balloon.

So what is the size of the Manitoba online gambling market that you hope to capture in Manitoba?

**Mr. Hodgins:** Well, the studies that have been done indicated that there was about \$37 million that was being, I guess, gamed—well, people were gaming on the grey-market sites and so we're hoping that we can capture 40 to 50 per cent of that market. And it's going to take us some time to do that, but we are quite pleased with the registrations that have taken place up to this point in time.

**Mr. Graydon:** When you say it's going to take a bit of time—and if I understand, your projection is about \$1.5 million in the first year. How do you explain that you'll get to the \$18 million in—what is it?—or up to \$18 million by 2018. So that would be another five years. How do you explain that?

**Mr. Hodgins:** Well, the registrations—well, let me step back. There's only—not the full suite of games are being offered on the system right now. There's—poker's being offered. There's the casino-style games. There's roulette. So those games are being offered right now.

One of the significant components of the online system will be lottery products and we're just developing that now. So in the research that, you know, that we've done just for people in—well, in Manitoba—and I think they're probably typical of those in other parts of the country—the majority of people that game, they're gaming in—through the purchase of lottery products. So until such time as we can get the lottery component of the program in place we're not going to capture all the individuals that we ultimately expect to. So, as I say, we're working on that now.

This summer or later in the fall we expect that lottery products will be available for people online and at that point we expect that there will be further sign ups, and what will happen is that there'll be a migration of people from the lottery element of our program into the other products that we're offering. So it's important that, you know, if we're going to be—to achieve the targets that I mentioned that we're going to, you know, be able to continue to capture,

you know, additional people on our system. But we're getting regular sign ups on our system each week, so we're—as I say, we're quite comfortable with the number of players that have registered to this point in time.

\* (18:50)

**Mr. Graydon:** Maybe I'm—I don't know much about gambling, I just farm. So when you talk about lottery products, I don't understand what lottery products are, but I do understand that you adopted a program that BC has but you didn't get this type of service with it and it's going to be separate. Is that what you're saying?

**Mr. Hodgins:** Well, the piece that they were able to put in place initially were the products that I mentioned. The—there's the—you know, the poker, the casino-style games, but they indicated to us that to put the lottery products onto the online gaming system would take them some additional time, and so that's what they're working on right now. And I should tell you that that is an interim solution. Ultimately, we want to move to the Western Canada Lottery Corporation and offer our lottery products through there. So when I say lottery products, lottery products entail the 6/49 product, there's the Lotto Max, so those types of products are the—what I'm referring to as lottery products, and those are the—well, there's a very large part of our population play those games.

**Mr. Graydon:** So if these products—then you'll be in direct competition with some of your—I don't know, I guess you would call them some of your agents throughout the province. And when I go to my general store, I see that he's an agent for lotteries and—but you'll be in direct competition with them as well, too, then.

**Mr. Hodgins:** I wouldn't really say that we're going to be in competition. I mean, people could choose to buy online, but what the experience of BC was—and we specifically raised this issue with them, you know, how much are we going to cannibalize our agents if we do put lottery products online, and they told us that the experience they had was that there was very little if no cannibalization took place, that these kinds of products tend to be more spontaneous. So, that's—if you happen to be in the corner store and you remember to buy it, you'll buy it, but there's a lot of times that people will forget to do that, so they have the opportunity then to go online to buy it; they'll do that. But they said that the business that

they're—that was being delivered through their agents was not impacted significantly by the online product.

**Mr. Graydon:** Then I—to go from the 1.5 to the 17 million, seems like a stretch if you're not going to be cannibalizing someone in the province. I mean, we have X number of gambling dollars available, and I almost think that the agents—were they talked to at all or consulted at all about this being a product that you're—you expect to go from 1.5 to 17 million in five years by using these products? It has to come from some place.

**Mr. Hodgins:** Well, who we hope to cannibalize are the grey-market operators; that's who we hope to cannibalize. And there are people who are playing in the grey market now, and what we're attempting to do is to attract those people to come and play at the Manitoba site as opposed to going to the grey market. That's where we hope to capture, you know, the additional business to achieve the targets that you're referring to.

**Mr. Graydon:** Do you have any examples of this happening in other jurisdictions where they have actually cannibalized, as you put it, the grey market or the black market or the offshore? Have you got any examples where they have really maximized that recapture?

**Mr. Hodgins:** Well, BC is an example of where they have been able to capture some of the grey-market players. So it's our partner, and now beyond Manitoba, online gaming is only offered in Québec, and Ontario's going to be entering the market shortly, but there's only Québec and BC and ourselves that are in the marketplace now.

**Mr. Graydon:** If I'm correct, there's—there is offshore gambling going on in the province today, right?

**Mr. Hodgins:** Yes.

**Mr. Graydon:** So when we say that these other provinces are only going to be coming on stream now—I think I'm looking more towards the United Kingdom where they felt that they should be able to capture a huge portion of that grey area that you speak of, and yet they didn't come anywhere near what they had projected. And I'm just wondering what percentage you think you can capture of that \$37 million that you spoke of to raise your expectations from the first year of 1.5 to 17 or 18 million in five years.

**Mr. Hodgins:** Well, we did have a very extensive business case that was developed for us by a very reputable company that, you know, that was the initial step we took when we first started looking at this, you know, this project. And, certainly, the, you know, the information that they provided us supported, you know, growth in the—in this initiative. BC, as I mentioned to you, has experienced growth, and, you know, it's coming from the grey market.

And I would—I hope we're successful because I'd rather see the money stay in Manitoba than be going into the grey market. You know, there's, as I mentioned to you, there's \$37 million that's leaving the province every year, and, to me, I'd rather have the \$37 million in Manitoba than someplace down in the Caribbean. But I don't expect we're going to be able to capture all of that, but I hope that we'll be able to achieve the targets that we're working towards.

And so we're going to have to work hard at it. We're going to have to market our product, and we're going to have to deliver it, with, you know, with integrity. That's one of the real benefits of this system, and that is the integrity associated with it. People have confidence in Manitoba Lotteries Corporation. We're a Crown corporation. We've got a proven track record here in Manitoba. And I, you know, I only—I don't—I can't game because I'm not allowed to, but if I was going into the online market, where would I want to put—give my credit card to? I don't think I'd feel real comfortable giving my credit card to somebody down the in Caribbean as opposed to the Crown corporation here in Manitoba.

So, I mean, time will tell if we're successful, but I certainly hope that we are because that money could be—can be used much more, I guess, well, I'd like to see it used here as opposed to being used down in the Caribbean.

**Mr. Graydon:** Well, I certainly appreciate your faith in Manitoba and actually wanting to see it in Manitoba. We—I think we all want to see Manitoba money stay here and be invested here. I don't know that gambling is a good investment, but at the same time, it is leaving the province, so perhaps it's better that it is here. But when I take a look at the United Kingdom, says that they found that perhaps they garnered 25 per cent of the grey market, which would be about \$10 million. And so then what that tells me is that your projection is that only \$8 million is going to be generated by your products that you're putting out there for people to use and utilize.

**Mr. Hodgins:** Well, I can't, you know, really comment about how well they operate their business in the UK. I—maybe they got some room for improvement to improve it; on the other hand, maybe they're doing a bang-up job, I'm not sure. But, you know, based on the advice that we received from, you know, this company that developed our business case, based on our discussions with BCLC, you know, we're hopeful that we can achieve the targets that the minister spoke about.

\* (19:00)

**Mr. Graydon:** Is there a way to—it seems like we're able to create regulations for pretty well everything now. Is there a way to create regulations, then, or a law and enforce and prevent access to offshore sites in Manitoba?

**Mr. Hodgins:** I don't know that Manitoba can do that and I'm not sure the federal government could do it. I think if the United States can't do it I'm not sure that Manitoba could do it. So they've taken measures in the US to prevent online gaming and yet the grey market still exists there and people are still playing on it.

**Mr. Ashton:** Yes, and I think it's a very good question because the answer's very clear: it's on the internet. There are more than 2,000 sites. It's—it would be virtually impossible to do that.

There's also a bit of a historical precedent because before we had legalized gaming of any kind there was a significant illegal gaming set of activities in Manitoba, and if you go back historically there are probably people in this room who remember things like the Irish sweepstakes tickets and other semi-legal versions that were brought in. Well, the experience that the federal government, actually, even with gaming that was geographically based where you had some potential theoretical ability to go after it was that it was very, very difficult. In fact, even if you—even with legalized gaming before the casinos were established there were numerous illegal gaming sites throughout the province and that was one of the concerns, you know, that led to the establishment of the casinos in the 1990s by the previous government. So it's actually a good question because the simple answer is: no. And, you know, in fact, not only, no, it—you're into a situation where more and more people are on the Internet. If there's no other option available that's where they're going to go, to one of those 2,000 illegal sites.

**Mr. Cullen:** Just maybe a follow-up question to the online gaming. You referenced the study that you had commissioned there, and where I'm coming from is our current vendors. You know, we have a lot of vendors out in the hotel business that have VLTs and, clearly, they're relying on some revenue that's generated in their facilities. Did your study have a look at what kind of reduction there could be in terms of the VLTs out of those hotel vendors, what kind of impact the online gaming would have on their commission, basically?

**Mr. Hodgins:** Sorry about that. I just wanted to check something.

The—I can't recall if there was anything that was in the consultant's report that was done for us. This was a few years ago. But I was just reminded that BCLC, their experience was—now, they don't have VLTs in BC, but what their experience was is that when the online gaming was introduced in BC attendance at the casinos actually went up. So now I can check, if you like, about whether there was any reference to the VLTs in the original study that we did, and if you like I can check and I can get back to you about it. My expectation is is that there probably was not any impact on—for the VLT—or no expected impact on the VLTs. So—but, if you'd like, I can check that.

**Mr. Cullen:** I would appreciate you checking that for me, and I think it's something that we'll have to monitor as we go forward and see what kind of an impact it is going to have, and if we can determine what kind of impact it's going to have on our local vendors as we move forward.

And just in regard to that, I just got a letter just recently from—signed by the CEO in reference to our previous committee so I do appreciate your responding to some of the questions we had at our last committee meeting.

And one of the issues in there that we talked about was the True North centre and the situation we had over there at—I guess that was in the Tavern United. We had a number of VLTs established there to assist in the funding of the arena. And the minister made reference to it, and we're looking at a new gaming centre in cityplace. And I don't think that facility is up and running at this point in time.

When do you expect that gaming centre to be up and running?

**Mr. Hodgins:** I guess just to clarify, this is a centre that's being developed by True North, so they're—they

have responsibility for the project. But from what we understand, is that it will be opening in May-June time frame.

**Mr. Cullen:** Okay, well, maybe I misunderstood. I understood the new gaming centre was going to be operated by Manitoba Lotteries.

**Mr. Hodgins:** Yes, and I guess I look at it from a broader perspective because it entails a fairly significant food-and-beverage sports bar that's going to be opened there, in—and that the gaming centre is kind of contiguous to it, part of it. But they—the—so the gaming centre will open in conjunction with, you know, the other part of the facility. And so the sports bar and the gaming centre, I expect, will probably be opening in May-June time frame.

**Mr. Cullen:** So then, Manitoba Lotteries will be only responsible for the operation of the gaming component, and then will True North then be responsible for the food-and-beverage component? Is that the way I should understand it?

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

**Mr. Cullen:** So, the facility itself, it's in cityplace, so will—obviously there, you or True North are going to have to rent that facility. Can you explain how that will work?

**Mr. Hodgins:** The space is being leased by True North. Basically, they're just contracting with us to operate the gaming centre for them, because of our expertise in the gaming industry. And they will be entering into another arrangement with a third party food-and-beverage operator. And I don't believe that they have announced who that's going to be, so I suspect that will probably be something they will be doing in the near future.

**Mr. Cullen:** So in terms of the gaming side of it, then, will you be responsible for what VLTs, or what slots, or what type of tables go into that facility?

**Mr. Hodgins:** Yes. We'll do the selection of the particular slot machines that will be going in there. And there'll be six tables that will be going in there as well.

**Mr. Cullen:** Will there be VLTs in that gaming centre as well?

**Mr. Hodgins:** No.

**Mr. Cullen:** So the VLTs, there was—I think there was 50 VLTs at Tavern United. Will those VLTs remain at that current site?

**Mr. Hodgins:** The—well, the Tavern United will have to apply for VLTs as is a normal site holder. So that will be, I guess, their decision whether they want to do that. I expect they probably will be, but they'll be treated just as a regular site holder.

**Mr. Cullen:** So how many staff do you think will be required at the new gaming centre?

**Mr. Hodgins:** We have allocated 40 FTEs to operate the gaming centre. Now, there could be people that are working part-time. If you're looking for an actual, I guess, number of people, I can probably get that figure. I can't just recall what it is off the top of my head, but there's about 40 FTEs that have been budgeted for that operation.

**Mr. Cullen:** Mr. Chair, do you have at this time an understanding of what kind of hours of operation will be in that gaming facility?

**Mr. Hodgins:** It will be the same as what we operate McPhillips and Club Regent.

**Mr. Cullen:** What type of money do you anticipate 'generating' under that facility on an annual basis? And I guess the question would be, net to Manitoba Lotteries Corporation.

\* (19:10)

**Mr. Hodgins:** We're estimating roughly about \$2 million.

**Mr. Cullen:** Yes. Do you have an idea, then, how much money True North will be generating from that facility?

**Mr. Hodgins:** Well, the agreement that's in place is that all the expenses of operating the gaming centre will be deducted from the revenues generated from the centre. The—there's an agreement that \$5.5 million will be made available to True North to cover the mortgage payments on the MTS Centre, and then the balance of the profits will be directed to the corporation, and we're estimating that'll be about \$2 million.

**Mr. Cullen:** So, and just to clarify, that's \$2 million net to the Lotteries Corporation is what you anticipate.

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

**Mr. Cullen:** Yes, clearly we're adding some more gaming to the marketplace in Winnipeg and in Manitoba. Did you have an assessment undertaken in terms of what kind of impact that would have to your

other operations or to gaming around the city of Winnipeg?

**Mr. Hodgins:** We're really not anticipating that it's going to have any impact on other gaming that's taking place. The clientele that is probably going to be going to the gaming centre will be those that are attending the events that are held at the MTS Centre. There's a significant amount of traffic during the day there from the convention centre, from people that are staying at some of the hotels in that area, so we think that it will be a, you know, a new clientele that will be utilizing the gaming centre.

**Mr. Cullen:** So there was no market analysis done prior to entering into this agreement.

**Mr. Hodgins:** There wasn't a formal analysis, if that's what you're referring to, by, say, a third party. We didn't engage anybody; we just felt, based on our experience, that we, you know, had a comfort level with, you know, what we expected the centre would do.

**Mr. Cullen:** Could you share with us the length of the terms of this contract?

**Mr. Hodgins:** It's a 20-year agreement.

**Mr. Cullen:** And then just to confirm, for the length of the 20 years, then, the figures that—and the sliding scale, that will not change over the length in there—or the term of the agreement.

**Mr. Hodgins:** Not as far as I'm aware. I'm getting into an area that I'm not necessarily familiar with all the details, so I'm not sure that I should really comment on that.

**Mr. Cullen:** And maybe I should just backtrack here on the \$5.5-million figure you talked about. Was that a guarantee to True North? Is that a guaranteed amount on an annual basis to True North?

**Mr. Hodgins:** No.

**Mr. Cullen:** Yes. So to clarify, then, there's no real guaranteed amount, floor amount to True North. It's all based on whatever revenue is generated through that facility.

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

**Hon. Jon Gerrard (River Heights):** First of all, perhaps you could provide a little more clarity on the extra costs. I mean, the mius—Meyers Norris Penny report is an extra cost because of the merger. What did that—what was the cost there?

**Mr. Hodgins:** Excuse me. It was \$300,000.

**Mr. Gerrard:** And what other extra costs were identified? What other extra costs were identified as a result of the amalgamation?

**Mr. Hodgins:** Well, to this point in time the only incremental costs that we have incurred relates to, as I mentioned earlier, the rebranding that took place. This when we created our new logo for the new corporation, which was about \$20,000. And there was also some assistance that we requested that was about \$170,000. So that's it to this point.

**Mr. Gerrard:** Now, you mentioned earlier that there was the necessity of putting in an additional IT system, which you called an umbrella system, which you wouldn't have had to have with the two separate systems existing. Is that an extra cost?

**Mr. Hodgins:** Yes, it will be, but we have yet to determine exactly what the solution will be for, you know, for that. So that's not a cost that we've incurred, or we've been able to put a specific figure to it at this point in time.

**Mr. Gerrard:** And in addition to the umbrella system, are there other areas where you're expecting future additional costs?

**Mr. Hodgins:** I would expect that we will incur some additional costs as we move forward.

**Mr. Gerrard:** Perhaps you could explain a little bit about how you brought together the area of advertising, communications, marketing from the two corporations.

**Mr. Hodgins:** Well, one of the, I guess, the exercise that we have going on at the moment is to merge the common areas of the two corporations. We—one of the areas that we will be bringing together is our marketing area for the two corporations; we're working on that as we speak. And so the advertising and promotion budgets of those two areas will have to be consolidated, and we'll have to look at it to ensure that there's no duplication. And so there's some potential opportunities that we could achieve some efficiencies as a result of, you know, bringing them together.

**Mr. Gerrard:** Just wondering, as you bring together the marketing of liquor and lotteries, is—do you foresee any concerns over, you know, increasing people who've got problems with addictions of gambling and liquor?

**Mr. Hodgins:** Well, I would think that both organizations would continue to—as a new organization—to have the same kind of goals and

objectives that I can say that we had in lotteries and that was similar in liquor. I think you're probably aware that we did commit 2 per cent of our net income to responsible gaming initiatives in Manitoba Lotteries, and, certainly, I think that there'll be some consideration to increasing funding for similar kinds of activities in the liquor side.

So we are very conscious of, you know, responsible gaming and responsible consumption. So that will continue to be a priority of the new organization as it has been in both of the former organizations.

**Mr. Gerrard:** Do you envisage single advertising or promotions which would promote both liquor and gaming activities at the same time?

**Mr. Hodgins:** I would say that it's probably premature to arrive at that conclusion. They're completely different product lines that are offered, so I'm not sure that we would necessarily be advertising them, you know, in a single ad, if that's what you're referring to. I think that's really, you know, it's premature to make that kind of a conclusion.

**Mr. Gerrard:** So what you're saying is you're not ruling it out. *[interjection]*

**Mr. Chairperson:** Kindly again. Request you to questions to council through the Chair.

Yes, Mr. Hodgins.

**Mr. Hodgins:** Well, as I mentioned, I think it's premature. I'm not going to form any conclusion on it at this table tonight that yes or no. I think that we want to take a look at it and see, you know, what is in the best interests of, you know, the—Manitobans. We're not going to go out and do something irresponsible. So if that means we advertise them independently, that's what—that's the direction we'll go. But I would like to have the opportunity to take a look at that issue before forming any final conclusions on it.

\* (19:20)

**Mr. Gerrard:** Will there be any changes in your communications budgets or your communications staff? Sorry, will there be changes in the communications budget or the communications staff as the result of the amalgamation?

**Mr. Hodgins:** Well that's the work that's going on now that we're looking at, you know, staffing levels—we're—and bringing them together, and if there's



opportunities to do things more efficiently through having less staff or in maybe some cases we'll have to add staff. I'm not sure, but that's part of the work that's going on at the moment.

So I mentioned at the, I guess, at the outset that the consultants told us that it's going to take us a couple years to complete this work. So, you know, it's not something that we'll have, you know, the answers for. Maybe in the short term we will—maybe take us some time to review some of these issues and to take a look at them and then form some final decisions as the direction we should be going.

**Mr. Gerrard:** In the new downtown facility, what you're putting up at the True North—with True North—there's quite a little bit of low-income housing around that area. Have you looked at, you know, whether in fact this will draw in people with low incomes to be greater participants in gambling in this area?

**Mr. Ashton:** Yes, I think it's important to note that there are literally dozens of facilities in the downtown area, a number of which are in close proximity to the gaming centre that will be established. There already is a gaming facility that is in place at Tavern United, and regardless of what happens in the future in that specific site, again, this is all in the downtown area. I don't know if we have a full list of stakeholders, but I think you'd be into a couple of dozen facilities in the downtown area that do have video gaming available—video, you know, VLTs and, of course, these are slots which are, you know, very similar in terms of that.

So it, again, in terms of the location that it's in those opportunities already exist and I think the anticipation here is that, as the CEO pointed to, there's also a very significant influx of people that come into the downtown because of the True North centre, the MTS Centre, both for, you know, for hockey games, but also for many of the entertainment activities, the concerts. And there are others that are coming into the downtown area, of course, with the expanded Convention Centre that will only increase.

So the short answer really is this doesn't significantly change what's happening in that area. There already does exist that opportunity for people to game and, again, I just want to emphasize what the CEO pointed to as well, that we do take the social responsibility activity very seriously. We do fund them and that is part of what's done through the VLT sites will be, again, one of the contacts that

people can have. The information will be available at this new facility as well. So it doesn't dramatically change the character of the downtown in terms of availability of this activity.

**Mr. Chairperson:** Ms. Wight, did you want to ask a question?

**Ms. Melanie Wight (Burrows):** May I? Yes, I would like to.

You were speaking about social responsibility and that's sort of the question that I get asked about the most in my area.

So I would really like to know a bit more, if you could sort of expand on what we're doing to that and if we're taking research around addiction and then using that for policy. You know, like, you spoke of a cooling off period, for example, on the online gambling of 24 hours. And I was just curious, of those things, are—is that based on, you know, research? That that really helps people, you know, slow down if they're doing online gambling and what other things specifically, do we actually do? Like, in the casinos and things like that, are there responsibility things? I'd love to know more about that.

**Mr. Hodgins:** Sure. Maybe what I could do, is I could talk a little bit about some of the programming that we have in both the corporations at the present time.

I was mentioning earlier that we do allocate 2 per cent of our net income to responsible gaming initiatives, and of that 2 per cent, well, for, I guess, our current budget, it's about six and a half million dollars that's allocated for responsible gaming. About 3.6 of that goes to the Addictions Foundation of Manitoba for programming that they deliver. There's also about \$150,000 that's made available to the Community Financial Counselling Services, which is an agency that provides assistance to people that have gaming issues, from a financial perspective.

We also have about \$1.9 million that's available for research and program development. Now, there's about a million dollars of that that is—has been allocated to the research council that was established roughly about a year ago by the minister. And so that's—that is administered by an external board, and they have been in the process of looking at various research projects that they—you know, that they're considering for approval. And, in fact, there's a

brochure that I could probably make available to you if you're interested in more information on the kinds of projects that are being approved through that research fund.

On the liquor side, we have allocated about \$900,000 for a variety of different programs that are offered through the liquor commission, and they're educational in nature and trying to provide people with information on, I guess, some of the downsides of—some of the—I guess, the issues associated with liquor consumption. And as I mentioned to Mr. Gerrard, there's also—we're taking a look at whether there's a—whether we should be expanding that—you know, that funding to, I guess, assist people that have those—have consumption problems.

So those are some of the kinds of things that we're doing as an organization. We also—on the gaming side, we have been very active over the years in looking at various initiatives. We were—as an organization, we were the first to put responsible gaming information centres in the casinos. There was a pilot that was started—it was in the early part of the—of 2000s, where we put a information site at—I forgot which of the casinos it was. But anyway, the pilot was very successful, and so we then expanded it to the other casino. It's manned by staff from the Addictions Foundation of Manitoba. So they're—you know, they've got the expertise that's necessary. So we get a lot of people from the casinos that, if they want any information on how gaming works or the odds in gaming or if they want referral services, they can then go to the—you know, to those staff, and they—and, ultimately, I guess, they could, you know, use the services of AFM if they choose to do that.

There's—we also have a voluntary self-exclusion program at the casino, so if somebody feels that they have a problem or they want to exclude themselves from the casino, they can do that. Manitoba was actually the first to start this, and so anybody that does voluntarily exclude themselves from the program, they have to go to the AFM for, I guess, a training program or a—or an information program before they—they're allowed to re-enter the casinos. So it's a way of trying to assist people.

The—I was just mentioning earlier about our online gaming. The profits from online gaming, 2 per cent of that money is going to be going to the responsible gaming program at lotteries, and 3 per cent is going to be going to the AFM to assist them with some of the programming that they're delivering.

So I may be forgetting some of the initiatives that we have under way, but the work that our responsible gaming people undertake is certainly recognized as being leading edge and ours is recognized in Canada for the work that they're doing.

\*(19:30)

**Mr. Ted Marcelino (Tyndall Park):** Yes, just one quick question. Maybe the information that you might give will give me peace of mind that we're doing the right thing with the expansion that you have undertaken with the gaming centre and the online games. What is the payroll of Manitoba Lotteries, say 2012? And, corollary to that, how many employees do we have?

**Mr. Hodgins:** The payroll for Manitoba Lotteries, and this is for the fiscal year '11-12, it was, in round figures, 92 and a half million dollars. That was the payroll, and we have roughly about 1,800 employees in the corporation.

**Mr. Graydon:** Mr. Chair, we've heard now that there are—and we heard this last year, as well—that there were going to be some new machines and that there were some issues, that the new machines required different types of hookups than what the old machines do. How are we progressing with the new machines? What percentage are we at now with changing this up because I'm sure that you didn't change them all in one day?

**Mr. Hodgins:** We would've liked to, but it's taken us a little longer than that. But just to give you a little bit of background in terms of the—what we're doing this time as compared to, say, 2004—we did talk the last time we got together about some of the issues that we were dealing with. Back in 2004, we did install roughly about 5,000 machines, and the only—I guess the only part of the project that was involved at that time was the actual installation of the 5,000 machines, and we were dealing with a single vendor and there were eight games on the machine. So although at the time it was a very complex project, you know, by comparison with what we're doing this time it's—certainly, it pales by comparison.

This time what we're doing is that we're not only putting in the new machines and instead of one vendor we're now dealing with three vendors, so that makes the project that more complex. There's eight games on each of the vendors' machines, so we're talking about 24 games now as opposed to the eight when we installed the machines in 2004.

We're also installing a new central system this time, which has created some further complexities in the project, and the other part of the system that we're installing is the network that actually connects the central system to the machines. So we're also installing that at the same time. So the complexity of the project is certainly much more—I guess, well, it's more significant than what it was when we dealt with it back in 2004. So it—when we installed the machines in 2004 we did it during the summertime which certainly was a much easier process than what we've experienced this past winter with, I guess, the weather conditions that we've had to deal with. So that's made it another challenge.

So, I guess, in terms of where we're at, we have completed the installation of all of the VLTs in rural and northern Manitoba. There's about 33 sites that we still have to go back and deal with in rural Manitoba but those were sites that were, I think, for the most part, kind of remote, and there's been some issues in terms of putting the—well, getting the network into those sites. So that work's going on. We will get that work done. But it's taking a little bit longer.

So we did start the installation in Winnipeg last week, and we're hopeful that by the end of this month that we'll have—we'll complete the installation of the remaining machines for this system, though, there are, I guess, a number of issues that, you know, that we—that we've got to deal with yet in rural Manitoba, but we do have staff that are committed to do that and so, hopefully, you know, the installation of the machines go a little bit smoother in Winnipeg than what we experienced outside the city.

But Alberta and Saskatchewan are installing machines and they are encountering the same kind of issues that we are, so it's not that we are unique, everybody's encountering the same kind of issues. But we are hopeful, as I say, that we'll have this project completed by the end of the month.

**Mr. Graydon:** So, in 2004, we talked about 5,000 machines. Are we still talking about the same amount of machines today?

**Mr. Chairperson:** Sorry, your question is over?

**Mr. Graydon:** Yes, it was.

**Mr. Chairperson:** Thank you.

**Mr. Hodgins:** The number of machines that we're installing this time is, in round figures, about 5,800.

**Mr. Graydon:** Of the 33 sites in rural and northern Manitoba that aren't completed at this point and, yet, you did state, if I understood right, that the machines have been installed but just not completed, they're not hooked up.

Is that what you mean by not completed?

**Mr. Hodgins:** No, I—if that's what you thought, I misled you in that. We haven't actually installed any machines in those 33 sites yet, but we will go in and install them once they have the network into those 33 communities.

**Mr. Graydon:** When we speak of the network into those communities, can you expand on that, what the network would entail?

**Mr. Hodgins:** This is just the fibre network going into the communities that's being installed by MTS.

**Mr. Graydon:** So, then, are you referring to high-speed internet?

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

**Mr. Graydon:** So all of the machines now that are being used have to have high-speed internet in order to operate.

One of the things that I am wondering is if I have a site, or if I build on a site, and I'll pick a site where a hotel is burned down, and the—of course, the units were destroyed at the same time, but I am going to build a new hotel there. How do I go about getting the same amount of machines that were there before?

**Mr. Hodgins:** Well, there would be an application process that you would go through, and the, I guess, the number of machines that would be put into that site would be based on an assessment of the business levels in that particular community.

We will put machines into any site, whether it's the site you are referring to or any other site, it would be based on a business analysis, and so the number of machines that go there will be based on that analysis. If it's determined that after a—I guess, an assessment period, as I recall it now, I think that the assessment period is roughly about six months. If the play is such that, you know, there should be additional machines in there, we have the ability to do that. If it's determined that, you know, that they can't support the number of machines that were put in and they should actually be operating with less, we can also reduce the number of machines as well.

**Mr. Graydon:** So then, if my understanding is right, I would qualify—upon application, I would qualify

for the amount of machines that were historically there prior to the fire, and if I could demonstrate usage because of the new facility and perhaps the location and some of the other amenities that I am offering, then, I could apply for—or I would apply for more? Do I have to apply or would you automatically come down and say, Cliff, you are doing a great job, you are a nice guy and we are going to give you another dozen machines? How does that work?

\* (19:40)

**Mr. Hodgins:** It isn't whether Cliff's a nice guy or not, that's not our analysis. What we would do, is if Cliff was running a first-class operation and he had six machines before, and we felt that he could sustain six machines with his brand-new facility, we would put the—probably put six back in there. And if Cliff is doing a better job than he did before because he's got a better facility to operate in, and you can support getting two more machines, we would put two more machines in.

**Mr. Graydon:** And then would it matter whether Cliff did it on his own or whether he has partners? Does it really make a difference who owns the hotel?

**Mr. Hodgins:** Yes, it does matter who owns the hotel, and you have to be registered by the Manitoba Gaming Control Commission. So—and I won't use you as an example—but if there was a hotel where there were some people that I guess were partners in it that were maybe individuals that we would not want to provide gaming equipment to because of some of their past history, then they probably wouldn't get registered by the Manitoba Gaming Control Commission and we wouldn't put machines there.

**Mr. Graydon:** Can you give me an example so that I can be wary of who I partner with?

**Mr. Hodgins:** I don't think you'd want to necessarily partner with some biker gangs, if I can use that as an example.

**Mr. Graydon:** So it's unsavoury characters that you're speaking of, people who perhaps have a record or Mafia connections or whatever it happens to be, but a criminal record would probably.

**Mr. Hodgins:** I would say that's generally true, yes.

**Mr. Graydon:** That's the question I had. Like if I—because I'm not sure who I am going to have for partners at this point, but at least I know who not to have, so thank you for that.

**Mr. Hodgins:** We'll be checking your application probably more closely than the others.

**Mr. Cullen:** And just referencing the 2011-2012 annual report, page 26, there's a reference to Assiniboia Downs in the document, and it makes reference to the Manitoba Lotteries entering into a new funding agreement with the Manitoba Jockey Club which enhances the share of VLT revenues that are received by the Manitoba Jockey Club by providing up to \$6.5 million revenue plus an additional 20 commission if VLT reaches—revenues reach higher than expected thresholds. And I just wondering what the length of that particular agreement was, if you could—if you're familiar with what that agreement was and is and what the length of the term of that agreement is.

**Mr. Hodgins:** What the return is, did—I know you had some previous question, but did you—you were asking about what the return was on it? Oh, the length. Okay.

The agreement that is in place is an interim agreement that we negotiated with the Jockey Club, and the—I guess the intent was is that it would be there until there was a new agreement put in place.

**Mr. Cullen:** Kind of curious in that. I mean, we go—we look at—the True North contract was a 20-year contract, right, with them, with specified terms not to change over 20 years. You know, clearly it looks like we've changed the agreement here, but there's no set terms in terms of the length of the term, and obviously we're not sure what the terms of the contract were. I'm just—find that interesting.

**Mr. Ashton:** Well, and I think there's a whole history to the Assiniboia Downs which is unique to Assiniboia Downs. There's been a number of shifts even just in the last number of years in terms of the gaming side. It's important to note that we as Manitoba Lotteries—I speak here as Minister responsible for Manitoba Lotteries—do obviously provide and operate the machines that are in—that in place.

Ultimately, of course, the decisions in regards to the proceeds that go to the Downs are a separate issue and I think you've probably seen some of the recent discussion which I'm not going to get into, in terms of detail. Obviously, I—you know, there's various different dimensions, but obviously the Minister of Finance (Mr. Struthers) is—has met with Assiniboia Downs and, again, I want to stress that Manitoba Lotteries, you know, we have been

engaged, certainly recently—refresh machines which has been an issue, obviously, on the revenue side, but the key element here is we're involved through lotteries in terms of providing the actual gaming environment, but obviously in terms of longer term agreement, again, this is something that's part of broader government policy—budget policy and, obviously, ultimately, you know, is an element of what's considered at the legislative level, too, in terms of budgets.

**Mr. Cullen:** I appreciate the minister's comment on that, and I know there is a lot of history in the horse racing business in Manitoba. And I've certainly been on the record as saying that, both from the standardbred and the thoroughbred side, that there is some onus on the Province to have a look at the big picture here and try to see what's best for the province in those industries in the long term. And it's been kind of unfortunate that we haven't had that dialogue.

I guess the question that I would have—clearly, the horse racing industry has a bearing on what happens to Manitoba Lotteries Corporation. I know there was a study done on the impacts the horse racing industry had on the province. Clearly, there's a connection between the horse racing industry and Manitoba Lotteries. Are you—have you undertaken any kind of a study to see what that relationship looks like, in terms of profitability for both of those sectors?

**Mr. Ashton:** Well, I mean, you know, there've been ongoing gaming activities there. It's really not that much different than any of the other gaming activities throughout the province. We certainly, you know, in terms of lotteries, have various projections in terms of the revenues that have direct—you know, direct operated lotteries facilities. I'm talking about the two casinos, but the gaming activity at Assiniboia Downs isn't new and Winston may want to, you know, some added terms of that element, but there's really not been a significant shift, in terms of any impact, you know, on our own activities.

But, again, I mean, we have hundreds of gaming sites throughout the province. We have obviously private businesses. We have, you know, the veterans' organizations, First Nations' VLTs—they're all part of the market, if we just talk about the market side of it. And obviously Manitoba Lotteries' two direct operated casinos are also part of that market, as well, and there's really not been a significant shift that would impact on us. And I think if you put into

perspective the number of machines that are currently in place and the revenue, it's a very small percentage, you know, of gaming activity in the province. And even with any kind of trend within that facility would not necessarily impact on overall gaming activities in the province.

**Mr. Graydon:** Mr. Chair, I'd like to go back to the projected income from our—from the lotteries, and I'm just wondering if the—I understand that there's a proposal for a casino in Spruce Woods that's pending. Is that going to have an impact on your projected incomes in the future?

**Mr. Hodgins:** We're not anticipating that it will have any material impact on our operations. I mean, if you look at Aseneskak and South Beach, both of them have been operating for a number of years. South Beach has most—I guess is the closest facility to our two casinos here in Winnipeg. And if you look at, you know, the financial performance of the corporation over the last number of years, well, you know, since South Beach has been put in place, our revenues have grown. And so I don't think that it'll have any meaningful—I shouldn't say meaning—it won't have a significant impact on our corporation.

\* (19:50)

**Mr. Graydon:** Do you believe there's a saturation point eventually in this process?

**Mr. Hodgins:** That's a question we ask ourselves every year when we're going through our business planning process. You know, we have 1.1 or I guess it's probably 1.3 million people in our province, and you know, the—people aren't just gaming here in Manitoba, but they're going outside the province to game as well. But you know, the performance of the corporation has continued to grow over that period of time. But, you know, you have to ask yourself at some point, do you kind of reach a saturation point.

**Mr. Graydon:** I think my vision of say a facility like Spruce Woods would be a destination. Would you describe that as a destination point in Manitoba that would attract people from outside of our boundaries?

**Mr. Hodgins:** I'm not sure that I really should be commenting on that, because that doesn't really fall within our mandate. This is, you know, a project that is managed by the Minister responsible for Gaming, which is outside of Manitoba Lotteries, I guess, area of responsibility. What our role is, and I think we've talked about this in the past, and that is that we provide the gaming equipment when the site is ready to accept them. And we're responsible for what's

called conduct in management and really what it is, is we provide oversight in terms of, you know, the gaming that is conducted at that site or any of the other First Nations sites. And so, you know, beyond that, I'm not sure that I'm in a position really to comment on that.

**Mr. Graydon:** I'm going to go back to the saturation of the marketplace. And I know that there are other areas in the province that would really like to have gaming in their area, and I'll be more specific, I'm thinking that the mayor of Brandon has lobbied very hard. If she was successful in securing a gaming facility in Brandon, do you feel that that would impact your bottom line?

**Mr. Ashton:** Yeah, on Brandon, I think it's part of—you know, it's really an academic question. The people of Brandon have voted twice on the establishment of an actual casino in Brandon, have spoken, you know, fairly clearly both times. Certainly mayors, councils, you know, people in the business community there have raised other, you know, potential options. As Winston pointed out, the handling of Aboriginal gaming is under the purview of the gaming commission. You know, we are involved really strictly in terms of the operation of that.

The key element we're obviously involved with through the gaming commission—I won't speak for them, but I'll make the members aware that, you know, there's the Bostrom report which dates back to the 1990s is a whole process in place with AMC. There's a very significant focus on ensuring that whatever proceeds does have a business plan that would be successful. So obviously that would look at markets, et cetera. The market that was looked—was obviously the entire southwest, I mean the original proposed sites were in Brandon themselves. So clearly these issues, you know, and again I'm not speaking for that minister, but those issues have been dealt with.

And I mean, I'm fully anticipating that any number of municipalities will continue to raise various, you know, options. We do get various ideas coming from different municipalities about ideas about gaming facilities, et cetera. But the key element here—you know, this relates to Aboriginal casinos under the purview of the gaming commission. And there is a whole history to how we ended up with the current location, which is proceeding. And again, I'm probably getting even a bit beyond what is the purview of lotteries. But our

involvement is really much more on the providing of equipment, and even in terms of determination of the market, you know, that the gaming commission and the components of any Aboriginal casino would go through, again, our role is not to be involved directly in that—those decisions; you know, it's more of a service provider.

And I think, as the CEO pointed out a few minutes ago, even existing gaming facilities—the Aboriginal gaming facilities, the casinos, have not really impacted that much on other procedures, largely because they're—much of the business plan they have is in terms of becoming destination casinos, including attracting tourists. That's very much part of—certainly what they do as part of their business plan, and those, you know, those destination tourists, if you like, are adding, you know, money into the market that wouldn't otherwise be there. And, in fact, it's not just a matter of adding in a market, it's also a retention of people who might otherwise go to Saskatchewan or, you know, to the US because there's the options again there of many Aboriginal casinos.

So, you know, I think the key answer here is that we—it's not really an issue here whether it would impact on lotteries' bottom line, the indication's probably not, but determinations of, you know, market share and feasibility are already done through the gaming commission and its process in cooperation with AMC.

**Mr. Graydon:** I certainly understand that lotteries is basically a facilitator to casinos and—but I—and I also know that Brandon has voted down a casino twice, so it's not appropriate for a question on a casino in this particular committee, I understand that.

But I also understand that elected officials are very resilient and they sometimes think out of the box, and so I—and I see Brandon as a very progressive community expanding rapidly, and they do have a fairly strong and competitive hockey team, and I'm just wondering if they were to approach lotteries and say, we want the same type of support that you're doing for the Winnipeg Jets, what would your response be to that type of a request, or, we want to support all of the sports in Brandon with a sports bar and that would be set up in the Keystone Centre, what would your response be and would that cut into your bottom line?

**Mr. Ashton:** Well, actually, it's a very good question because it allows me to really identify what the agreement with True North is, and it's not an

agreement that is directly or indirectly involved with the hockey team. We went that approach in the 1990s; didn't work, we lost the Jets. What it is, and going back to 2004—since 2004, the Province, and through the allocation issue of VLTs and now with the new gaming centre, has been a significant part of the business plan of the facility itself. And I think if you were to reflect on what's happened in Brandon over the years, the Province has been a significant part of all of the capital developments that are currently in place, including the facility that the Wheat Kings use.

So it may be a different mechanism, but it's not that we're subsidizing the Winnipeg Jets; we're not. What we're doing is we're being part of the business plan. Yes, it significantly helped bring them back, and I think that was the right decision to do. But it's no different than what we do in Brandon. And, quite frankly, if you look throughout the province, we're involved in the funding of significant recreation facilities, some with junior hockey teams, some in my community that would probably like to have a junior hockey team, and we're working on it. We've done it through some of our infrastructure funding as well.

So the key thing is we fund facilities that are really making a difference. We don't fund hockey teams directly, and I think that's really what Manitobans would see as a fair balance here. I think there'd be a significant backlash if we were to somehow to be directly involved with funding, you know, the Jets or another professional sports team directly, which we're not.

\* (20:00)

**Mr. Chairperson:** The hour being 8 p.m., what is the will of the committee?

**Mr. Cullen:** Mr. Chair, I think, with the indulgence of the committee, we just have one or two more further questions, if we could.

**Some Honourable Members:** Agreed.

**Mr. Chairperson:** Agreed? Okay. Yes.

**Mr. Maguire:** Mr. Chair, and just in regards to follow up to my colleague's last question, there's been some discussions in Winnipeg I know, as well, when you were talking to hockey teams. Similar owners in Edmonton and Calgary, Vancouver, as an example, all run National Hockey League teams but they also run Western Hockey League teams, too. If a similar—if the owners of the Jets or the group in

True North came forward and said we want to have a Western Hockey League team parallel to the other cities, and would some of this funding be able to be used for the establishment of that Western Hockey League team here in the city of Winnipeg, as well?

**Mr. Ashton:** Well, I want to stress again the point is that we have significantly contributed as a Province towards the building of the True North centre, now the MTS Centre, by the initial allocation of VLT revenue in 2004 and by the gaming centre, which we announced in 2011 when we were at the table as part of the significant effort to get the Jets back. But that doesn't go to the running of the hockey team. It goes to the, you know, to the cost of the facility itself. And I'm glad the members mention other jurisdictions because what also stands out with our funding for True North centre is the degree to which our involvement, and I was criticized at the time, and I'm not going to revisit that debate, but it actually is largely a privately driven facility. It's one of the most successful entertainment complexes in North America.

So it shows not just the wisdom of what was done, but the degree to which we helped. We're partners but we did not engage in a significant, you know, public investment. It's largely private investment, and what we've done through the 2011 agreement, as well, is we're now moving to the next level of it, and again I think bring the Jets here, the ongoing activities at True North, the MTS Centre. I can speak for my constituents. There's a lot more people that come into Winnipeg now as a result. It's been a real boost. But I think it's a source of pride for the whole province.

So, you know, if there are people that are interested in establishing any other kind of sports activities obviously they're going to work out their own business plans, et cetera. But the reality is because we have those facilities, the Keystone Centre in Brandon, or any number of the recreation facilities throughout the province, you know, you can't in many cases set up any kind of professional or junior or [*inaudible*] minor hockey team, you know, because we had the Moose, which was an excellent, you know, hockey team, not NHL obviously but we had them for a number of years. I mean, you can't have them unless you have the facilities. So what we've done is we focus on facilities, and we're continuing to invest throughout the province on that. True North, you know, through this one specific forum, Keystone has got a whole history; each facility does. But that's the key element. It's not a

question of whether we'd say yes or no to a WHL or any other particular franchise; what we've done is we focused on the facilities.

**Mr. Maguire:** I'm aware of that, Mr. Chairman. I thank the minister for that reply. But my question wasn't about that; it was—and, of course, if you want to talk about private industries bringing hockey teams, I'll give you the example of Virden and how well it's worked this year and the MJHL. But I—so we know about that.

My question was purely the agreement that you have now with the present system city centre that'll be built here in Winnipeg is with True North or can the minister indicate to me who that's with?

**Mr. Ashton:** True North.

**Mr. Maguire:** Yes, for the record. So, thank you, Mr. Chairman.

So my question is: If that's going to be set up with True North—who are, you know, owners of the Jets—could they also use part of that money that's being raised for other programs that they want to set up, like a junior hockey team?

**Mr. Ashton:** Well, the key element here is this is, you know, basically predicated on the facility itself. The facility's there. If there was another potential user for the facility, obviously, I'm sure True North would be more than open in looking at that, whether it was WHL or, you know, any other potential user. The fact of having that facility is the key element, and I think one of the key, you know, other messages, you know, that's really come out of that facility is it's often, you know, assumed to be strictly a, nowadays, the home of the Winnipeg Jets. It's only been the home of the Winnipeg Jets since we got them back, you know for the time period we initially started it was the originally the Moose. You know, it's a facility that is used numerous times, I mean, you know, we've had various We Day, we've had, you know, there Manito Ahbee, you know there's a lot of even non-commercial concert use. I don't know how many people have been to it for a concert, it's used extensively for concerts.

That's the key element we focused in on being a partner in getting the facility built in it, and it is done. And it's no different, by the way, with the Bombers stadium, which a bit delayed, but when it opens it's going to be a huge community asset, not the least to which is for the University of Manitoba.

So, again by focusing on facilities I think we've learned the lessons of the '90s where we got caught in some, you know, direct subsidies of losses of hockey teams. Essentially in the 1990s we were paying for hockey players' salaries, now we are 'playing' for facilities that can be used, yes, by sports teams; including professional sports teams but are used by the community general.

**Mr. Maguire:** I want to just ask a couple of questions in regards to the First Nations gaming market study that was done by HLT Advisory Inc. and can maybe the—Mr. Hodgins indicate to me just where HLT Advisory Inc. is from and what type of company work they do? It's obviously in consulting and gaming. They originated here in Manitoba, or just? I am not familiar with them

**Mr. Hodgins:** HLT is an Ontario-based company and they do specialize in the gaming industry and do work all across the country for various gaming organizations.

**Mr. Maguire:** One of the findings I think that they concluded was that gaming doesn't draw many people to Manitoba because they come for other reasons.

I guess that's not my point. If we've studied whether these types of facilities draw people to Manitoba we would be doing that to try and find that out if they're not drawing many people to Manitoba the converse of that is are we building these to prevent people from leaving Manitoba? Or to provide another alternative so that people don't have to leave Manitoba?

And if so, have you done studies or did HLT provide advice as to how many present people are presently in Manitoba that would be leaving to go to Saskatchewan, North Dakota, Ontario, our neighbours, to do gambling?

**Mr. Hodgins:** Well the particular study that you're referencing was actually, I believe, a study that was done for the Gaming Minister but, to answer your question, the number of, I guess, people that come from say, outside the province to our facilities is probably about 2 to 3 per cent. So, you know, that the casinos, and I'm speaking about our casinos, I think I can probably generalize and talk about all the casinos in Manitoba, but, you know the—we are a locals market, and if we didn't have the casinos here people would be travelling to other parts of Canada and United States to go to these locations.



When the casinos were originally built, and this goes back to the early '90s, we were probably the only game in town, there was very few casinos that existed in western Canada and in the northern US. Today people got lots of choices, there's probably 50 to 60 casinos within a day's drive of Winnipeg. And I know there's lots of people from, you know, the Manitoba area that go down to Mahanomen, to Shooting Star, there's, I think there's a lot that probably go down to, one you're probably familiar with, I can't remember the name of it, but it's in Dunseith, that area, Bottineau. So there are people that are travelling across the, you know, the border to go to these sites.

And by having, you know, the facilities that we do in Manitoba, and you know, I have to say that the facilities there are ones that we get lots of compliments from people that do visit them. You know, they are well maintained, they are beautiful facilities. And so, I think, you know, it does keep a lot of people in the province that otherwise probably would be taking their money outside the, you know, the boundaries of the province. And, so I—

\*(20:10)

**Mr. Chairperson:** Mr. Maguire.

**Mr. Maguire:** Thank you for that answer.

Just the last question, then, is in regards to the facility—a facility in western Manitoba, then. Has there been any work done on looking at the number of people, if most of the people that are gambling come from within our province—has there been any work done on looking at the amount of persons from, say, let's just use the western region, because that's what we were talking about as a facility before—coming to Winnipeg? Has there been any analysis done of how many western Manitobans come to Winnipeg to gamble?

**Mr. Hodgins:** We have a club card program, and we could—you know, there are members of, you know—or there are members of the club card program that come from all over the province. There's a—our club

card program constitutes—well, it's about 120,000 people that are part of our club card program, and many of them are from outside the—you know, outside the city.

Now, the actual numbers of, you know—from what locations throughout the province, you know, we have that information. I can't tell you just off the top of my head what it is, but there's no question that there are people from all over rural northern Manitoba that come to Winnipeg. Some come specifically for—you know, to go to the entertainment that we offer at our facilities, but there's others who are coming in to visit friends or to shop or whatever, that—you know, that will visit the casinos.

**Mr. Maguire:** Yes, I wasn't looking for a specific number, more of a percentage of what might be there, something like that, but I don't know if you have that or not.

**Mr. Hodgins:** Probably our traffic from outside the Capital Region would be about 20 to 30 per cent.

**Mr. Chairperson:** Thank you. There are no more questions?

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

Shall the Annual Report of the Manitoba Lotteries Corporation for the fiscal year ending March 31, 2012, pass?

**Some Honourable Members:** Pass.

**An Honourable Member:** No.

**Mr. Chairperson:** The report is not passed.

So please leave the copies of the report which have not passed on the table.

And now, hour being 8—10 past 8, what is the will of the committee?

**Some Honourable Members:** Rise.

**Mr. Chairperson:** Committee rises.

**COMMITTEE ROSE AT: 8:12 p.m.**

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