

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, October 16, 2013

TIME – 6 p.m.

LOCATION – Winnipeg, Manitoba

CHAIRPERSON – Mr. Bidhu Jha (Radisson)

VICE-CHAIRPERSON – Ms. Erna Braun (Rossmere)

ATTENDANCE – 11 QUORUM – 6

Members of the Committee present:

Hon. Mr. Ashton

Mses. Blady, Braun, Messrs. Cullen, Dewar, Friesen, Gaudreau, Graydon, Jha, Nevakshonoff, Pedersen

Substitutions:

Mr. Pedersen for Mr. Wishart

APPEARING:

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, 2012.

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Mr. Chairperson: Good evening. Will the standing committee of Crown corporations please come to order. The first item of business is election of Vice-Chairperson.

Are there any nominations?

Mr. Gregory Dewar (Selkirk): Mr. Chair, I nominate Ms. Braun.

Mr. Chairperson: Ms. Braun has been nominated. Are there any other nominations? Hearing no other nominations, Ms. Braun is elected Vice-Chairperson.

Committee Substitution

Mr. Chairperson: I'd like to inform the committee that under rule 85(2), the following membership substitution has been made for this committee,

effective immediately: Mr. Pedersen is replaced for Mr. Wishart. Thank you.

* * *

Mr. Chairperson: This committee has been called to consider the Annual Report of Manitoba Lotteries Corporation for the fiscal year ending March 31st, 2012.

Before we start, are there any suggestions from the committee as to how long we should be sitting this evening?

Mr. Cliff Cullen (Spruce Woods): Mr. Chair, hopefully by 7:30, we'll have the questions and answers through tonight. If everything goes well tonight, we hope to be done by 7:30. We could review it at that time.

Mr. Chairperson: Seven-thirty is recommended. Is that accepted by the committee? *[Agreed]*

Does the honourable minister wish to make an opening statement?

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

Mr. Chairperson: And would you kindly introduce your staff.

Mr. Ashton: I will. In order to save paper, I'm going to do this electronically.

I would like to introduce Tannis Mindell, our board chair; Winston Hodgins, president and CEO of lotteries and liquor; Tracey Graham, chief financial officer; Peter Hak, chief corporate services officer; Larry Wandowich, chief community relations marketing officer; Susan Olynik, vice-president, corporate communications and social responsibility; Marilyn Robinson, vice-president, integration; Dan Sanscartier, vice-president, gaming operations; Brent Hlady, the senior executive director, corporate governance and business development.

Before proceeding, I have an opening-brief opening statement. Before proceeding, I just want to indicate that there's been a number of significant developments this year. Obviously, the integration of liquor and lotteries, a very significant move that will

provide in cost saving to the province, but also streamlining of the operations. I do want to indicate that the combined entity is a very important part in terms of its fiscal contribution to government. I also emphasize the social responsibility, more particularly, highlight the gaming research at work that is being done, again, part of the lotteries' side commitment.

I'll just give a quick scan of some of the things that are happening because I'm sure a lot of these issues may come up in the question period. But we've been renewing the VLTs. This is something that hasn't been done since 2004. There's been some, you know, some reallocation, as well, in terms of that. We've seen the opening of the Shark Club which, again, is part of our ongoing commitment to the development of the MTS Centre. We have seen a number of other initiatives internally. I do want to indicate that the lotteries side—and I know both the lotteries and liquor sides were involved in terms of supporting community activities. Also, it applied the evolution of the ambassador's program. We're partnering with well-known Manitobans and Canadians in terms of both our shared work and their commitment to our communities, and I can indicate that, again, we have received numerous recognition awards. This is a organization that I think is a model employer. It's certainly been recognized here in Manitoba and across Canada, and a lot of that, I think, it's the dedication of Winston and his senior staff, and also Tannis and the board's commitment as well.

So rather than an extensive opening set of comments, I'll just leave it at that.

Mr. Chairperson: Thank you, Mr. Minister, for your opening statement and introduction of the officials in attendance.

Now, does the critic of official opposition have an opening statement?

Mr. Cullen: Yes, very briefly, as I mentioned earlier today. I think we're—and Manitobans—are looking forward to the outcome of the amalgamation of liquor and lotteries and see what the new corporation looks like and see how the regulatory framework is going to unfold and what kind of opportunities that will present Manitobans. So they're certainly looking forward to the conclusion of the amalgamation and maybe follow-up outcomes from there.

So with that, that's all I have to say on that, Mr. Chair.

Mr. Chairperson: We thank the member. Does the representative from the lotteries corporation have anything to say on opening statement? *[interjection]* Thank you.

Now, the floor is open for questions.

Mr. Cullen: It seems like we just left here, but tonight we're reviewing, actually, just the one report from Manitoba Lotteries, and I'm certainly looking forward to going through the report, hopefully determine some of the information we're looking for on this side.

The opening pages that talks about where the money goes, and I know the—in this report there was \$342 million allocated to the Province of Manitoba, and I'm just wondering if you could explain to me how you arrived at that particular number, and from there who could explain to me where the—how you decide where the allocation is going to go. There's four areas that are described on page 4 and 5 there, so that's the frame of the question.

Mr. Winston Hodgins (President and Chief Executive Officer, Manitoba Lotteries Corporation): Okay. Maybe what I'll do is I'll just take you further into the report. I just have to find the right page here. If you want to move to page 26.

* (18:10)

So that presents you with information on the three lines of business of the corporation: the video-lotto or the VLT program, the casinos, the lotteries, which we are responsible for the delivery system for the Western Canada Lotteries Corporation. But you can see at the bottom there, the total allocation that—or the net income from each of the lines of business, the VLTs, at roughly about \$194 million. The casinos were about \$89 million and the lottery program was just over \$60 million. So our net income for the year was in the order of about \$343 million. Just by, I guess, comparison, you can see what the allocation was for 2011, for comparative purposes.

And I'm just referring back to page 5. Of that \$342 million, there was \$270,000 that was allocated by the Province for a variety of different initiatives. This is money that we turn over to the Minister of Finance each year, and it's used for programming such as education and health care and programs of that nature.

There's also \$46 million which is allocated for community development, and I think you're may—

you may be familiar with the REDI program and the UDI program. There's 25 per cent of VLT profits are allocated to the—each of those program components and are used for economic development in Winnipeg and rural Manitoba.

There's also an—a allocation that's made to municipalities, the unconditional grants; there's \$16.5 million that was allocated. That's 10 per cent of VLT revenues. And there's also an allocation to the Winnipeg Police Service of \$9.9 million.

So all of the \$342 million is actually turned over to the Minister of Finance and then monies are allocated to various government departments for purposes of the programming that's mentioned here.

Mr. Cullen: So the Winnipeg Police Service of \$9.9 million, is that a percentage of any certain figure? Or how is that figure arrived at?

Mr. Hodgins: It's a program allocation, so it's not based on a percentage.

Mr. Cullen: So those figures that you went through, the percentages on the VLTs and the program allocation, is that set by the board or is that set by the Province?

Mr. Hodgins: This actually goes back—I think it was with the introduction of VLTs in the province, that at the time it was a government decision as to how the profits of the VLTs would be allocated. So this has been a—I guess, an allocation or percentage allocation that's been in place for quite some time.

Mr. Cullen: So the Winnipeg Police Service allocation, that's been ongoing for quite some time as well?

Mr. Hodgins: Yes.

Mr. Cullen: Okay, thank you. I appreciate the response there.

I want to switch to page 8 and 9, and we talked about strategic planning and then key performance and some questions relative to what happens there. And the first line, it talks about the customer satisfaction rating and some of the calculations that are done and data sources. Obviously, there's a lot of customer service—customer satisfaction studies that are done. Can you kind of explain to us, the committee, how you go about doing that? It obviously looks like an annual type of a survey you're doing, and how you decide what the questions are and who does the survey?

Mr. Hodgins: The study is actually done on a quarterly basis. It's contracted out. And it's done, as I recall it now, on a customer-intercept basis. So we will intercept customers as they're leaving the—you know, our facility, and we will—there's a series of questions that we pose to them around the different services that we're providing, and it's—the responses are rated. I believe it's from 1 to 7 on the quality of service that we're providing. So we do monitor this on a—on an ongoing basis to find out what our customers think about, you know, our gaming amenities, also our non-gaming amenities. And it's with that feedback, if there's things that we should be adjusting to try and improve the—you know, the quality of customer service that we're providing, that it will allow us to do that.

Mr. Cullen: Just to clarify then, you—that's not done internally, you hire someone to do that?

Mr. Hodgins: That's correct.

Mr. Cullen: So I'm wondering about the process of hiring someone. You have someone—and you would tender this out and this—would this be a long-term contract that you would tender?

Mr. Hodgins: It would have been tendered.

Mr. Cullen: And it—is it a long-term contract you had with that respective company and can you name the company for us?

Mr. Hodgins: In this particular case what we have done is that we went through a tendering process and we have a standing offer with a number of companies that do research for us. In this particular case it's Probe Research that does these customer intercepts for us, and I believe it's—*[interjection]* So the—in this particular case the contract is for three years, and so every three years we go through this tendering process to hire the companies that, you know, we have available for the standing—well, for the standing offer.

Mr. Cullen: Just below that then, there's a corporate image study, also conducted quarterly. Could you explain the parameters around that particular study as well?

Mr. Hodgins: Yes, in this particular case we have a company that does telephone surveys for us to, I guess, get feedback from the public as to, I guess, their impressions of the corporation, and, unfortunately, I can't tell you what the name of the company is. I can get it for you, but I don't have that information with me tonight.

Mr. Cullen: I'd appreciate that if you could supply the name of the company and, again, the term of the contract and if or not that contract was tendered.

Mr. Hodgins: I can tell you that it was tendered, but I'll just—I'll have to get the name of the company for you.

Mr. Cullen: Just go back up the page a little bit here, in terms of your revenues, and your revenues are about \$30 million below your target. I wonder if you could—we'll probably get into the details a little later—but I'm just wondering if you could give us kind of a broad perspective on why the revenue is down the \$30 million from what you targeted?

Mr. Hodgins: The—as you point out, the target was the 595 and we achieved about 569, and the shortfall was in our VLT program and that was because of the aging VLT equipment. So there was a decline in revenues—in the VLT revenues. This is prior to the replacement of the equipment.

* (18:20)

Mr. Cullen: Yes, we'll maybe get back to the VLTs a little later then. I just want to continue on this line of questioning.

Your business development—I know the minister talked a little bit about your—the active club card. Can you give us a little bit of a perspective in terms of your marketing, you know, how you (a) you seeking new business and (b) how you're trying to keep that business to return to you? Can you provide the committee your strategy in terms of market development and how you retain your customers?

Mr. Hodgins: If you do look down, you mention, I believe, the club card program, you can see that the target that we had was about 130,000 club card members. There's—and this is a point in time, but at March 31st, the number of club card members that we had was about 120,000. It has got up to about 126,000. What we do periodically is we go through and if there are club card members that have not utilized their card for a period of time—I believe it's 18 months, I think it is—they are then taken out of the data bank. So we haven't got up to the 130,000. That's a target that we have. We've got as high as 126,000.

But I think one of the most important things for us in terms of marketing and retaining people in our club card data bank is to provide good customer service. It's also important that we provide the kind of gaming equipment that they're interested in. We

do get feedback from our customers if the equipment that we have is not what they would like to have. We have had a strategy in place for the last number of years where we replace about 20 per cent of our gaming equipment at the casinos each year, and, certainly, having up-to-date equipment is a major factor in, you know, retaining our customers. We also offer non-gaming amenities, which people, if they have a club card, for example, if they're going to entertainment at our venues, they can get a discount for doing that. They can also get a discount for some of the other non-gaming amenities that we offer at our casinos as well.

We do have—we do use, you know, social media to advertise. We also use the Internet to communicate with our customers. One of the things that we do when a person becomes a club card member is that we ask them if we can communicate with them through the Internet, and, certainly, it's a very effective means of communicating with our club card members. But we also have mailers that we send out to people as well. And then, of course, we—you know, we're out in the community quite a bit through our community support program, which is also another way in which we can profile the corporation as well. So those are some of the techniques that we use to market our facilities.

Mr. Cullen: How do you determine how much money you're going to allocate to your advertising campaign?

Mr. Hodgins: Well, we go through our business planning process each year, and the amount of money that we allocate to our marketing promotion budget tends to be fairly consistent from one year to another. There are occasions when we may allocate some additional money. For example, when we introduced PlayNow, we did add some additional money to our budget for marketing and promotion of the e-gaming site. So there are occasions when we'll add some additional money for advertising and promotions.

But, you know, one of the things that we have done as an organization, we do look at ways in which we can be more cost-effective. We—one of the reasons why we went to the, you know, the Internet in terms of advertising and marketing was because it was the cheaper way of communicating with our players. It's certainly cheaper than—and much more efficient and it's much faster, but it's much cheaper than, you know, sending it out through the traditional means like the mail and, you know, or advertising in

the media. So we've kind of changed the way in which we market and promote our organization.

Mr. Cullen: I see your advertising dollars in '11-12 fiscal year was, well, just under \$1.8 million, and then the next year in 2012-13 it was over \$2.3 million. So certainly a substantial change, almost a \$600,000 difference there. Could you explain the difference in the allocation to your advertising budget year over year?

Mr. Hodgins: Yes, there was, I guess, a couple of reasons for the increase. Part of it was the advertising we were doing around PlayNow. I mentioned that we might add in additional money. You know, we have initiatives. So I think part of it was related to the PlayNow and the second component of it was with the renovations that were going on at Club Regent. We did some additional advertising around the changes that were taking place there so that we could keep our customers informed of what was happening.

Mr. Cullen: Would it be possible to get a further breakdown of the advertising sort of by category in terms of where you're directing your advertising? Is that something you can provide to us at a later date?

Mr. Hodgins: Yes.

Mr. Cullen: Thank you, I appreciate that.

Another study they talk about here is the Gaming Market Tracking Study, and I think—could you explain to the committee a little more about what the intent is of that and, again, the parameters, who does that for you and what the terms of the contract are?

Mr. Hodgins: Yes, this is additional research that we do and it's—we're trying to track the play of our players and, again, it is a—it's research that is done by a, you know, external marketing company. In this case it's NRG Research and it's one of the companies that's part of the standing offer.

Mr. Cullen: Something the report made reference to was the—and you talked about it as well—was the online gaming, and I know it kicked off back in January of this year. I'm just trying to get a sense of, you know, where things have progressed since January, and can you give us an overview of how—your perception on the 'e-line' gaming?

Mr. Hodgins: Yes, the initiative's really progressing as we had anticipated that it would. The—I think you're aware that we're in partnership with BCLC

in the delivery of our online gaming. One of the components that—well, the online gaming was introduced in January of 2013, and what the original plan was is that we were going to be introducing e-lottery in June and e-bingo was also supposed to be part of that program implementation, and BC came back and advised us that there would be some delays in the introduction of the e-lottery. It was deferred until mid-September, but it is now launched, and the e-bingo it's still in the developmental stage and it's scheduled to be implemented in March of '14. So it's actually progressing, with the exception of those two areas, it is progressing as we had anticipated.

* (18:30)

We have approximately 8,000 people who have registered to—you know, as customers on the e-lottery site. So from the feedback that we received from BC, they thought that that was, you know, that we were doing quite well in terms of player registration.

Mr. Cullen: Can you give me a bit of sense in terms of the—how that contract works financially with the corporation? Do you—do they just turn over a net number to you, or how's that contract awarded?

Mr. Hodgins: I am kind of bound by client confidentiality, but just to talk about it in general, when we negotiated with BC, they indicated to us that they would not charge us any developmental costs that they had incurred up to the, you know, the point where we were looking at, you know, joining their system, so there was a lot of developmental work that they'd done over the years which we did not have to compensate them for. So it was basically from the point when we made the decision that we wanted to partner with them and the developmental work that was required to get us up and running that we had to pick up some of those developmental costs, and then it's based on a revenue sharing after that, so they get a certain portion of our net income to cover costs.

Mr. Cullen: And there was a initial expectation the corporation would be netting about 1 and a half million dollars the first year of operations, and you can correct me if I'm wrong there. But I'm just wondering where you see the revenue at this point in time since the January rollout.

Mr. Hodgins: I would say that we're probably looking at somewhere about 7 or 8 hundred thousand dollars as opposed to the 1 and a half million. And that—in part, that's because of the delay in the

implementation of those two components that I mentioned to you.

Mr. Cullen: Yes, maybe I'm jumping ahead here. I'm reading the three months ending June 30th, and the e-gaming looked to me like there was—or there was—I guess there was revenue of 935, right, minus expenses from that portion as well?

Mr. Hodgins: I'm not sure what statement that you're looking at. I'm sorry.

Mr. Cullen: Sorry, Mr. Chair, I'm really jumping ahead, because that was the next quarter, so it wouldn't be reflecting in this—so that's good, I'll leave your answer as it is, just so we get a sense of—I just wanted a sense of where we were in terms of the target that you'd set, so that pretty well helps me resolve that.

So as far as the e-lotto, then, that is now on stream, effective this fall, I understand.

Mr. Hodgins: That's correct, it is. And we have—just to add a little bit to what I mentioned to you before, we have a interim solution in place right now where the e-lottery is only offering the two national games; that's the 6/49 and the Lotto Max.

There is a longer term project that we're working on now with BCLC and WCLC, and when it's completed—and it's expected it'll be completed before the end of this fiscal year—not only will we offer the two national games I mentioned, but we'll also be offering some of the regional games as well, like Western Max and that, so there'd be a broader range of products that will be available when we put the longer term solution in place.

Mr. Cullen: I'm trying to get a sense of what percentage of the market if—you believe that the e-lotto will take up just in the first year or so. And I guess my thought is, what are the implications for your current vendors? Are they going—they're obviously going to be losing a share of the market. And do you have some studies that might ascertain how much that will impact the vendors?

Mr. Hodgins: Well, we did—in fact, I think we may have talked about this the last time we got together. But the—I guess the experience that BC had was that there wasn't any cannibalization of the—I guess, what I call the traditional retailers. What the—the lottery products tend to be more of a spontaneous kind of a purchase.

So what BC found was is that the—that it was a net new business that was being generated through

the introduction of the online gaming. So it's—it—there really isn't, as far as that we're aware, any cannibalization. We have not had any feedback from our traditional retailers that—you know, that they're experiencing any problems.

Mr. Cullen: I guess, with the advent of the new technology, the other issue is, you know, market studies. What kind of market studies are you doing on a broad scale in terms of is there opportunities, further opportunities, in the marketplace in Manitoba for more gaming? Are you doing those types of studies?

Mr. Hodgins: We really haven't focused on that. This is a—tends to be more done through the Manitoba Gaming Control Commission in terms of looking at, you know, the marketplace and, you know, how much capacity there is for additional gaming. So we really haven't, you know, done any broad studies like that.

Mr. Cullen: In terms of your expansion, maybe you can give us a bit of a flavour in terms of where you're at. First of all, at the McPhillips Station, I know you're—got some work you're doing there, and, obviously, work with some private enterprise. Can you give us a flavour of where things are at there?

Mr. Hodgins: Well, we've done, well, fairly extensive work with a private sector developer, and we're, I guess, at the point now where there's a final decision that has to be made by the developer as to whether he wants to proceed with the project. So there's discussions that will be taking place in the very near future to hopefully finalize, you know, any issues that are outstanding related to that project.

We also have the—a parkade that has been—well, it's under construction at McPhillips. And there's also some work that is being done. It's very preliminary in nature in terms of the—any potential renovations that we might want to look at down the road for the interior of the casino.

One of the things you got to remember is that, you know, the casinos have been there for some time, and the original casinos were constructed in—I guess it was in the late—oh, it was in the early '90s, and the expansion took place in the latter part of the '90s. And there really hasn't been an awful lot of work that's been done, you know, in the interior of the—of that facility for some time. So, you know, it's—what we're looking at is, you know, what kind of a refresh that we be putting in place that would

complement, you know, the other works that are going on at that site.

Mr. Cullen: Appreciate those comments.

Then, additionally, there's certainly proposals on the table for Club Regent. Could you outline what the corporation is intending to do at Club Regent?

* (18:40)

Mr. Hodgins: Well, we do have—we—you know, as we did with—you know, as I described before, McPhillips, looking at, you know, what kind of a refresh that we should undertake at Club Regent as they're—we're actually further advanced there than we are, say, at—you know, at the McPhillips casino. We have undertaken some renewal within the property, and what's working—what we're working on at the moment is what we call the event centre, which I think you're probably familiar with. And so that work is ongoing as we speak. It's going to take some period of time before it's completed. There's, you know, there's still some work that needs to be done on the gaming floor of Club Regent, but that work won't start until after we finish the event centre because it's important that we don't disrupt the entire operation while we're, you know, with all these renovations that are going on. So we're trying to stage it in a way in which it'll minimize the impact on our customer base.

Mr. Cullen: Can you provide the committee, kind of, the intent for the renovations that you're undertaking there? Like, why are you going the route that you're going, in terms of, you know, changes to the facility?

Mr. Hodgins: Well, I think, primarily, it's, we'll, there's two things I guess I'd mention, and one is that, you know, it's basically a refresh of the property, and I think that's important. You know, the property's been in place for some period of time and so, you know, as with any, I guess, business, it's important that you refresh it from time to time, so that's one of the primary objectives of the work that's being—going on.

The other thing is that with our event centre, when the casinos were originally opened in the early '90s, the event centre was probably, well, it was the only one in western Canada, really, and so we moved from being sort of the leader in that, to the other casinos in, you know, in western Canada. The entertainment venues that they have are much larger than the one that we had. And so we felt it was important that if we're going to be able to continue to

be part of the casino circuit, if you like, the—you know—the entertainers that, you know, cross the country, that it's—we would only be able to do that if we were able to enlarge the size of our facility. So we went from having the only event centre, really, in western Canada in the early '90s, to one that was, I guess, on—very much smaller than what was available, you know, in other areas. And what we were in danger of is not attracting, you know, the kind of entertainment that we have in the past and maybe even other entertainers that might be coming on that, you know, that circuit.

Mr. Cullen: So, will that facility be available for other activities, as well, besides just providing an entertainment venue?

Mr. Hodgins: Well, I if I go back, I guess, to the—when the casino was expanded in '99, what it—with the, I guess, the additions that were made at that time, it really moved from just strictly a gaming facility to more of a destination site. And there was, I guess, at that time, there was entertainment being provided, but the other non-gaming amenities then moved to, I guess, having the ability to offer conferences, banquets, that type of thing. Each of the facilities, when they were expanded, added a multi-'pur'—what was called a multi-purpose room, so that there was ability to hold banquets and that. There was also ability to hold banquets in the concert facility.

So, you know, there's—since '99, we've been, you know, offering banquets and, you know, people can have conventions and that type of thing at our facility. So we're really—by the changes that we're making—we're really not changing, I guess, the kind of, you know, non-gaming amenities that we're offering. We're just—it, in fact, the capacity, the banquet capacity's not really going to change at Club Regent. It'll be staying at the same capacity it has been. There is going to be a reduction in capacity over at McPhillips when the—you know, as we move ahead with the changes over there, but so the kinds of things that we've been offering all along are things that we'll continue to offer when the changes are finished at Club Regent.

Mr. Cullen: Well, appreciate your comments. I just—going to echo some of the comments that we heard last night at committee, and I'm sure your—some of your staff would have heard it. I guess some of your, I use the term competitors, maybe are viewing you as more and more of a competitor, as well. And I just want to get your sense in that. I guess their feeling is

there's only so much, you know, market out there for certain—hosting certain events, and they feel that you're maybe coming and expanding a little bit on their turf, and I just want to get your comments on that.

Mr. Hodgins: Well, I guess what I would say, I don't—I guess the one that's closest to us as a private operator is really Canad Inns. I see them more as a partner as opposed to a competitor. We work closely together on various initiatives, and so I don't see that changing as we go forward. The—you know, the size of the banquet facilities that we're going to have at Club Regent are going to be the same as what they have been in the past few years. So, from that perspective, I don't really see that—you know, that we're in any way, you know, competing any differently than we did before. And, as I say, I don't really see us in a competitive environment. I think that with the changes that we're making at Club Regent that, you know, there's going to be significant benefits not only to the—you know, the hotel at Club Regent, but to the other businesses in that area, as well.

In terms of McPhillips, again, we're going to be reducing our banquet capacity at McPhillips. And if the—you know, the hotel goes ahead they are going to have a banquet capacity in this, and so I would see that the two facilities probably could complement each other. It was kind of interesting on the weekend, and I don't know if you saw the article, but I see where the Victoria Inn is going to be expanding their conference base because they see a growing market. I don't see the market being static; I see it growing, so, you know, it's not as if, you know, all the players in that area are going to be competing for a—you know, a—I guess, a fixed market, if you like. It seems to be growing fast. So, according to the newspaper article I read, the Victoria Inn's going to have, I think, one of the largest banquet facilities in the city. So they must see that the market's growing.

Mr. Cullen: And I guess, to follow up on that, you haven't done any market surveys to say that, you know, there—it looks like there's more opportunity for that type of a banquet or, in reality, you're not doing that. I guess it's almost like a business plan. You must have a business plan you're looking at down the road in terms of what—where you should be investing money for the best bang for your dollar, if you will.

Mr. Hodgins: Some of the research that we have done in the past, that we've talked to a lot of industry experts about the kind of, you know, investments

that we should be making as a—what I call, as a company, to ensure that—you know, that we're going to be sustainable in the long-term and that, you know, we've got advice from the so-called gaming industry experts as to the—you know, the kinds of investments that we should be making.

Mr. Cullen: Appreciate those comments.

The other, you know, comments that were out there was a—again, this goes back to the competition-based. There may be some allegations that you're able to do a little cross-subsidization. You know, you can offer some maybe less expensive meals or discounts on meals, and, you know, using gaming revenue to support that. Interested in your comments on that.

Mr. Hodgins: I hear that all the time, too, and so this is not something new. I don't necessarily agree with it. I think if you look at the price structure of the—you know, the food and beverage that's offered at the casinos is in the same, I guess, range as what's offered in the marketplace. The suggestion that we're undercutting prices, that's not the case. If that argument had of been made 15 years ago, I would agree with it. There was, I think that at the time, you know, the price of the food and beverage that was being offered at the casinos was very attractive, but the prices have been increased over the years and I think that—you know, that what we offer is an—it's—I don't think anybody could suggest that we're undercutting the—you know, the prices.

* (18:50)

You know, our entertainment, when I first went to the corporation, it was offered for free. You don't—well, you may get the odd concert that's free, but you don't get anything that's offered for free at the casinos. The entertainment that's offered there, there's price points of up to \$80 for tickets for people to go to entertainment. So it's, you know—that's certainly, you know, in the range of what others in the industry are charging, and I would expect that when the event centre is open, that the price point will be even higher than that for some of the entertainment that will be brought in.

Mr. Cullen: So you don't really buy the argument that there's been a change in the philosophy or the business arrangements between yourselves and the business community? You don't believe there's any difference in relationships or anything there over the course of the last few years?

Mr. Hodgins: From, I guess, from my perspective, I don't think so. Maybe others feel differently, but I certainly don't think that there's any change. I, you know, I said the corporation has a very good working relationship with the business community. We're very active in the community. I think if you had a chance to take a look through their report, you'll see that, you know, our staff are very involved in the community. There's a lot of volunteerism that's provided, and certainly that goes a long way to developing relationships in the community. And so, you know, any feedback that I've received certainly hasn't been, generally, you know, negative towards the corporation.

Mr. Cullen: In terms of the expansion, then, at Club Regent, what kind of dollar figure are you looking at in terms of the renovations there?

Mr. Hodgins: Well, we're just in the midst of the renovations, so, you know, I'm not in a position to be able to start, you know, I guess, quoting figures in terms of the various pieces of work that is going on. I think that, you know, that, at some point down the road, we'll be able to provide that kind of information. But at this point, you know, it's difficult to start quoting figures.

Mr. Cullen: I was just trying to get a sense of, you know, ballpark, what kind of money you'd ballpark for the renovation there, assuming, again, it was going to be added to the long-term debt. And maybe we can just have a quick discussion about debt. I think it's page 54 of the report. I just want to get a sense of where we're at. There certainly has been some change in the debt from 2011-2012. I'd just like to get your comments on that, you know, where we're at in the cycle here in terms of your long-term debt.

Mr. Hodgins: The debt for the corporation, if you kind of tracked it over a period of time, you'll see that there's kind of peaks and valleys in it. And, just to give you one example, the VLT renewal program, you know, we've talked about this in some of the other sessions we've had, but the life cycle of the equipment is generally in the order of eight to 10 years. I know that when we replaced the equipment in 2004, it was going on, I think it was, like, 13 or 14 years, which was way too long; it should have been replaced before that. And when we invest in the VLTs, they're generally very significant capital investments. Now, they are financed over—they're amortized over seven years. But—so you'll see that there'll be a spike when we, for example, replace

the VLTs and then it's—as we amortize it over the life of the asset, it then decreases. So there's kind of peaks and valleys in our debt.

Mr. Cullen: Maybe you could help me out here. I don't know if there's a breakdown of the long-term debt in terms of, you know, what we're looking at in terms of capital or, you know, of VLTs. Just so I get a breakdown on the \$163 million, is there—is that in this report somewhere?

Mr. Hodgins: It's not in this report.

Mr. Cullen: That's probably why I couldn't find it, then. Is that something you could share with us in terms of ballpark figures, you know, what you're looking at in terms of your long-term capital? Would—

Mr. Chairperson: Mr. Hodgins.

Mr. Hodgins: I'm not sure that I'd be in a position that I could start doing projections for you in terms of what our, you know, our long-term debt's going to be. But, you know, just trying to think now.

I'll—one of the ways that you can probably get a sense of what it is, is that—and if I can take you back to the page you were—the debt page on 54, the very first item, the—that \$124 million is for the original expansion of the casinos in 1999.

And just to go back in history a little bit, when I went to the corporation, the corporation was financing its debt program out of short-term debt. It was going to external financial institutions and borrowing the money, and we changed that process so that any capital borrowings of the corporation had to be approved through the Legislature. And so each year, if you look at the loan act, you'll see that there's a line in there that is set up for the corporation.

I can't remember what it was last year, it was—where is it? I forget what the actual amount was, but it does define what our capital borrowings will be each year. So that maybe, you know, is the best source of information in terms of what the capital programs are or is for the corporation. So if you go back through the loan act each year, you could see how much is being requested for the corporation. It's broken into two pieces: one's for the corporation itself and the other is for First Nations gaming equipment. So it's in two pieces, and I honestly can't remember what the loan act amount is for this year.

Mr. Cullen: That helps fill in the blanks for me. And I was just looking in broad terms in terms of the—you know, the capital we had. So clearly the big chunk is

the capital and the reinvestment back in '99. So I do appreciate that.

In terms of the VLTs, then, we're undertaking to replace the VLTs. Can you give us a sense of where that program's at? Are we done the recycling?

Mr. Hodgins: Yes, and maybe just to give you a little bit of background on it, when we replaced the VLTs in 2004, the only piece of the system that we replaced was the VLTs themselves, which is the machines that are in the VLT sites. This time we replaced the entire system. So not only did we replace the machines, but we replaced the network because we—the old system was a dial-up system. So the VLTs, when they were playing during the day, there's what's called a site controller, and all the VLTs are connected to the site controllers. So the data is collected there and then in the middle of the night the central computer system would go out and collect the data from the site controllers.

Now what we're—the system that we have in place is a real-time system. So there's actually communications going on during the central computer system and the individual sites, and the reason that we wanted to go in that direction—there's a couple of reasons. One is that we want to have what's called a player-user interface, which is going to be a mechanism for us to be able to communicate with the individual sites. So we could have messaging going out that would appear on the VLTs themselves, and it's—you're asking, really, about marketing. This could be a way in which we could market. We might have some of our—you know, our liquor companies might want to do some advertising. So we could use this player-user interface to do some marketing through that technique. It's also a way in which we can send out messaging around, I guess, a social responsibility perspective. And so, it wasn't possible before because we didn't have a mechanism to communicate instantaneously.

The other reason that we wanted—well, there's two other reasons that we want to have this, then, I guess, this ability to communicate, and one is that eventually what we hope to do is to put a progressive on the VLTs so that people would be able to play for—it would be, probably, a three-level progressive. So there'd be accumulation of some of the play—and the money from the play and, you know, there would be winners across the province. So if you're playing on it you could win one of these progressive amounts, and when that happens, then there would

be a notification across the whole system that Cliff Cullen's just won X dollars on the—but that's the other end.

* (19:00)

And I guess from a corporate social responsibility perspective, it will give us ability to use player cards so that, you know, people—it'll help people that may have problems with play. Right now, we have no ability to exclude anybody from, you know, playing VLTs, but, you know, at the casinos, if you have a club card, you can exclude yourself from playing. We also have a voluntary excluding—exclusion program as well. But it would also be certainly advantageous from a corporate social responsibility perspective.

Mr. Cullen: So I guess we're pretty well complete; that whole cycle's been completed, then. I guess also in that same question, then, the minister mentioned the reallocation and a different framework to the—at least the hotel groups, in terms of the allocation of the revenue there, so that's been completed, as well? So, two-part question.

Mr. Hodgins: I'm sorry; I got talking too much about the other issue, but we have finished putting the machines in place. I think there's two locations in Churchill where we still have to put machines. But all the machines have now been put into the field. The redistribution program that we have, and we kind of postponed the redistribution program over the last year or so because of the installation of the new machines, but in order to have the ability to provide machines for sites that don't, you know, that either don't have any equipment or are—they're looking for more equipment based on a—on their business requirements, we, you know, we'd address that through the redistribution program. And that's a program that's been in place now for a few years, and we developed it in conjunction with the Manitoba Hotel Association and Manitoba restaurant association. And that's worked very well.
[interjection]

Mr. Chairperson: Mr. Cullen.

Mr. Cullen: Sorry, Mr. Chair.

Just to recap, then, so in terms of the different allocation schemes, I will call them for lack of a better term, we have the hotel distribution rate. We've got a different rate for First Nations. We've got a different rate for Assiniboia Downs. And we've got a different rate for the True North—*[interjection]* Shark Club, right? So we've—plus, the Legions

probably have a different category, as well. So in my view, and just confirm that, we've probably got about five different allocation scenarios out there. Is that correct?

Mr. Hodgins: That would be roughly true, yes.

Mr. Cullen: You know, we've had a lot of discussion in the last year or so over the Assiniboia Downs and the situation there, and I know you had signed a contract with the Jockey Club in terms of a—their agreement or arrangement back some time ago, and I understand that contract is still in place at this point in time. Could you confirm that for me?

Mr. Hodgins: It's an interim agreement that's—that's the one we're operating with.

Mr. Cullen: Okay, well, thanks. I appreciate that. We look forward to further discussion on that.

And, I guess, maybe on that note, and I'm not sure whose responsibility it is, but we'd always asked or looked forward to some direction from the government or lotteries or someone to have a look at kind of a vision for horse racing in Manitoba and how, you know, how gaming plays a role with horse racing in Manitoba, and, I don't know if the corporation's been involved in any discussions vis-à-vis the future of the vision for horse racing in Manitoba.

Mr. Ashton: Yes, and I can sort of separate out here the lotteries side where, you know, basically, as was indicated, we've been involved on the gaming side, certainly with the 140 machines with Assiniboia Downs and the previous cost-sharing arrangement. The new cost-sharing arrangement, obviously, there have been some policy changes in terms of that. We continue to be committed to horse racing in the province, continue to provide support to the Jockey Club at a reduced amount that is actually similar to other stakeholders, with the one big difference being that they have many more machines, very significant difference. Also, the continuing presence of the parimutuel levy—you know, again, which is more of a finance issue than an issue relating to lotteries—and we've also indicated, as well, our commitment to the harness racing side of things, which I know has come up at previous committees as well. Again, that really goes beyond lotteries. I mean, I can really speak more as Lotteries Minister. Really, those are those are more broader issues in terms of government policy.

Mr. Cameron Friesen (Morden-Winkler): This afternoon when we were discussing the Manitoba

liquor commission report there was allusion to an intern program. I was wondering if Manitoba Lotteries was also participating in an intern program that would place Manitobans with disabilities in the workplace?

Mr. Hodgins: Yes, we have, I guess, let's refer to it as a diversity program in the corporation. It's sort of multifaceted and one of the elements does deal with people with a disability. So—there's other elements to it as well.

Mr. Friesen: How long has the diversity program been in place at Manitoba Lotteries?

Mr. Hodgins: I can't give you a specific year, but it's more than 10 years.

Mr. Friesen: And so just for an example, in the last year's operating year, how many placements and how many of those placements might have been made through that specific program?

Mr. Hodgins: There's six.

Mr. Friesen: Is there a relationship there professionally between the corporation and the Society for Manitobans with Disabilities or is this something that is done through provincial government or if, perhaps, through another entity? Just—I'm just inviting a little bit more information about how this program functions within the corporation.

Mr. Hodgins: I'm told that we have a professional relationship with a number of different organizations, including SMD.

Mr. Friesen: And just so I understand better how the program functions, would there be a—would it be a system whereby there would be a term of employment that might be cost shared at the end of which there might be even an offer of employment made by the corporation?

Mr. Hodgins: I gather that when they, you know—we have these arrangements in place there's the specific jobs that people are assigned to. What we do is that we give them the opportunity to apply for jobs in the corporation. So, but in terms of specific placements, we don't.

One of the organizations that we have had, like I say, a professional relationship with is the Metis Federation, and we had a program about two or three years ago where we had a number of clients that were referred to us by the Metis Federation where they come in and they worked in our food and

beverage area. And so we provided them with, you know, a training period so that they could enhance their skills in that area and then some of them did stay on with the corporation, but there are others that went on to work in the—in other jobs.

*(19:10)

Mr. Friesen: So I am correct, then, in assuming that the diversity program is a program in which the corporation participates, but it is not a program that is specific to or developed by and put in place by the corporation. It's a larger program in which you participate.

Mr. Hodgins: There's—a lot of the programs that we put in place we've developed ourselves, and we do that in conjunction with these partner organizations that I mentioned to you.

So the—our workforce is very diversified, and I'm not sure—I can't refer you to a page now with those figures in it, but, if you like, we would—you know, or we could certainly provide you with that information. I mean, it's one of the programs that we're very proud of in the organization, you know, the diversity of the organization.

We have a—just—this is a bit of an aside, but we have a language bank—how many languages are there in the language bank, can you remember? *[interjection]* We have what we call a language bank in the corporation, and there's 46 different languages that are represented in that language bank. And the reason we did this was from a customer service perspective, because we have a variety of different customers come in and English isn't necessarily their first language. And many cases, you know, if the customer's having trouble communicating with one of our staff, we'll then go to our language bank and identify a staff person that could come and assist them with communicating with our staff.

Mr. Friesen: I'm back on page 4 of the report and I'm just looking at the allocation for responsible gaming initiatives, and my estimate would be is that it would be a, you know, just over 1 per cent of total, I guess, net revenues. I don't think I would be incorrect in assuming that, and correct me if I'm wrong. I'm just wondering, in your estimation, could I ask you to comment, does the corporation believe that responsible gaming initiatives allocation is appropriate and adequate in the province of Manitoba?

Mr. Hodgins: I can tell you that we're one of the few corporations that—in the gaming industry that

allocates a specific percentage of our net income, and we do budget every year for 2 per cent of our net income. What this reflects is the actual expenditures.

Now, what I can also tell you is that, at this time, we're in the process of developing a research program, and so the budget for the corporation, just using round figures, was about three—we'll say 350, so the 2 per cent we would have budgeted would be in the order of about \$7 million. So we don't—we're not always able to spend all the money, but we were in the process of developing a research program that—I think we talked a little bit about it this afternoon. And so that money would come out of that 2 per cent.

What I can also tell you is the responsible gaming allocation, this 4.3, roughly about—for this year, it was probably in the order of about 3.3 or 3.4 million of that went to the Addictions Foundation of Manitoba.

Mr. Friesen: You did that very well, because my question was going to be how did that spending compare to other jurisdictions, and my next one was going to be what was your relationship with Addictions Foundation of Manitoba. So I do appreciate that comment because, you know, obviously, when it comes to gaming, you know, there can be practices that are unsustainable and families in unsustainable and communities, and it's important that we understand this and allocate resources to address the challenges that arise in communities. And, of course, AFM is important because we have capacity and resources there in communities in which gaming takes place, and I think that's so important in this industry.

Now, you indicated that basically we allocate 2 per cent of net profit here. Is there ever conversation around the table about even increasing that amount to more—even more aggressively target, you know, those gaming initiatives or responsible gaming initiatives and—when it comes to putting those resources in communities?

Mr. Hodgins: I guess the way I would respond to that is, there hasn't been specific discussion around increasing the 2 per cent allocation for the responsible gaming, but—well, as we were talking about this afternoon, the responsible gaming allocation on the liquor side is going to go from 0.2 per cent to 2 per cent. So that's a very significant commitment, and I can also tell you that in our e-lottery, there's also some money there that is allocated for responsible gaming. It's in—it's roughly

about 5 per cent. I'm trying to remember the split. Two per cent and 3 per cent, one of them goes to the AFM, and so there's also money—it would've been gaming that's going towards responsible gaming.

So there is going to be a very sizable increase in the commitment of funds for responsible gaming and responsible consumption in the new merged corporation, as compared to what it has been.

Mr. Friesen: Now, you indicated that under those initiatives there's research prevention and treatment all captured underneath there. Are you 'indi'-able to indicate approximately what the allocation is to each of those areas under this umbrella funding?

Mr. Hodgins: I'm sure we could do that for you, but I don't have that with me tonight. But if you'd like, I could get that breakdown for you. Now that would be funding that's going to the AFM and how they're utilizing that, but I'm sure that we could break it out for you in that fashion.

Mr. Friesen: Yes, and to be clear, of course, when it comes to some of the new research projects about which you spoke, that wouldn't be money allocated to AFM, but still under that responsible gaming initiative. So, yes, I would welcome any information that could be supplied that would indicate how monies are disbursed under that heading.

Just turning briefly to e-gaming, if I could just invite your comments. At this point in time we know that e-gaming is in its infancy and we know it's just commenced and we're getting a sense of what revenues might be generated, and I know that behind the scenes there's considerable work given to estimating how this will perform and how this aspect of operations will perform. Would you say at this point in time that it's the corporation's view that e-gaming is falling short of, is meeting or exceeding expectations?

Mr. Hodgins: Well, just to go back a little bit. When we did our studies on the e-gaming, we hired a very reputable—one of the—I think they're considered a world-class organization that did a study on us of e-gaming that was taking place in the Manitoba market. And at that time, they were estimating that there was about \$37 million a year that was being played in the grey market. So what we were hoping to do was to capture some part of that \$37 million. It's a very competitive marketplace. The grey market's spends a huge amount of money on advertising promotion, and you were asking earlier about our advertising promotion budget. But they

have a 'sig'—you know, a significant budget that they commit towards that too. So they won't lose their customers.

So we're hoping that we can capture some part of that \$37 million. So it's not like it's incremental play. It's play that's taking place already and, I guess, what our thought was, it's better to keep that money in Manitoba as opposed to having it going offshore.

And one of the—a couple advantages that we got that will hopefully allow us to capture some of that market is the reputation of the corporation. People feel more comfortable giving us personal information and credit card information. I personally would feel really uncomfortable giving my credit card to somebody in the Caribbean; you never know where it's going to end up. So that's one of the reasons why people, you know, will, you know, maybe move from playing in the grey market to playing on our site.

The other thing is that we're going to be able to offer games from some of the traditional vendors that the grey market can't. And when I say traditional vendors I'm thinking of gaming suppliers like IGT, Williams, companies like that that were—the equipment's in the casinos, so people are familiar with it. They have their favourite games they want to play so they can, you know, they can then, you know, play those on our site where they can't do that in—you know, on the grey site.

So, you know, the other, of course, is some of the lottery products that, you know, that we're going to be offering, and the experience of BC was is that when they started off with e-lottery and so they had a large customer base. Because of people that play in the marketplace, whether it's Manitoba or anywhere, most of them play lotteries, as opposed to going to the casinos or the VLTs. So they'll buy a 6/49 or Lotto Max. But what the experience in BC was is that they would—the people that were in their e-lottery, I guess, program, many of them, when they introduced the e—you know, the rest of their e-gaming platform, migrated over. So that was a way of helping to capture some of them so that, rather than them going into the grey market, they were then playing in the BC site. So that's another way of helping to capture that market as well.

* (19:20)

But I'm not sure what the, you know, the current estimate is of the amount of gaming that's going on in Manitoba, but, at the time we did it, it was

\$37 million, so we're hoping to capture that. And we're—as we were talking about earlier, we're just getting started, so, you know, it's just kind of the initial stages. So what we got to do is we got to be able to offer a product that has integrity and offers the kinds of games and—that people want to play.

One of the things that will also help us in the long run is e-poker. It's what they call liquidity, and that is you won't need to have a large player base because when players want to play, they want to go and play when it's convenient to them, not just when it happens to be available through the, you know, the corporation. So there's currently BC, Manitoba and Québec that are currently participating in the poker. Ontario's going to be joining shortly, and I expect that, you know, the other western provinces will probably move in that direction, you know, down the road as well. So the more jurisdictions there are, the more players that you have, and so the larger your base, you know, the more attractive it is. And so that's one of the advantages that the grey market has on us right now is that they have very large player bases and so they can offer really large prizes, but we'll be able to increase our prize payouts as, you know, as our player base increases. So it'll be important when Ontario comes on and also, say, Alberta and Saskatchewan, if they decide at some point down the road to join the, you know, the e-gaming area.

Mr. Friesen: I thank you for that answer. So is the corporation estimating revenue projections at this time for the first year? I know that in the first quarter—I believe you shared that—we have just under a million dollars in revenue, so is the corporation projecting that total revenues for the first year of operation for e-gaming may be equal to or around \$4 million, or is the estimate higher or lower than that?

Mr. Hodgins: We had estimated in the first year that it would be roughly about \$2.2 million.

Mr. Friesen: So, then, to answer my own question, we would say from before that we are exceeding expectations when it comes to revenues generated from e-gaming, that, you know, for that first quarter, clearing almost a million dollars, that would be significant to me. Can you share—is the corporation estimating—after five years, what percentage of operations—of all revenues might flow from e-gaming? I imagine we're doing modelling and projections, and I would just invite you to, you

know, to share if you have some ideas of—I understand that we'd be talking high-low and we're projecting here, but do we have some sense of how much of total revenues might be generated from e-gaming initiatives?

Mr. Hodgins: As much as I'd like to give you a figure, I'm reluctant to forecast out five years. What I can tell you is it's not going to be a significant part of the corporation's overall revenue stream.

Mr. Friesen: Sorry, just to clarify, I thought I missed a word. Did you say it—you're projecting it would be or would not be a significant part of the scheme?

Mr. Hodgins: Because if you look at the—and I—you know, if you go to the—back to page 26, I mean, on the VLTs, we generated \$194 million in, you know, in profits for the VLTs. If we got everybody in the—in Manitoba that, you know, is playing in the grey market, got \$37 million, then you compare it to these other business lines—and we're not going to get all \$37 million, I can assure you that—but it's—so relative to our other lines of business, it's not the largest, but it's an important part of our revenue stream.

Mr. Friesen: I have to confess I was just having a chuckle there because the first time you alluded to the grey market I thought you were talking about that segment of the Manitoba population that you were targeting for these revenues, but now I understand you're talking about non-Manitoba-based gaming initiatives. So I was about to claim there was some prejudicial aspect to your operations there, but you've—I now—I don't have that concern anymore. I'm getting there fast enough, my children assure me.

I did want to just ask you, although, about this. When it comes to e-gaming—and I'm sorry that I don't know the answer to this, but e-gaming initiatives will be able to apply to hand-held devices. Is that correct? That all of the electronic, you know, kinds of forums of gaming can be accessed from—wirelessly and on hand-held devices as well?

Mr. Hodgins: Yes, that's correct. That—like, that's where the e-gaming market's going.

Mr. Friesen: Right, as opposed to PC or terminal based. The—I would imagine, then, that what's also happening is that the focus is increasingly becoming on the younger markets and young people who have access to—and whose, you know, operations are increasingly focused on hand-held devices. Will there be resources allocated, you know,

commensurate with the profile of the gamers who are accessing these new forms of gambling? I'm thinking about will there be additional resources flowing to address issues pertaining to, you know, problem gambling with youth and problem gambling with young professionals and things like that?

Mr. Hodgins: One of the things that we talked about this afternoon was, you know, whether we evaluate our programs, and we certainly do. And one of the areas that we've done program evaluation in, and that's the—around our responsible gaming area. And so I don't think we should ever assume that what we're doing today we may necessarily be doing tomorrow. So, if there's a need for us to redirect some of our resources to deal with issues that may come up in the future that we don't necessarily have today, certainly we would be prepared to do that.

The one thing that, you know, I would mention, and that is that, you know, if people are playing on the grey market now and if the money's going offshore, you know, we have no ability to utilize any of that money for the kind of issues you're talking about by having, you know, our e-gaming programming available to people that are playing there now. Some of the money that—you know, that we're going to generate, can be made available for the very thing that you're talking about. In fact, there's some money that's allocated out of the e-gaming for responsible gaming.

Mr. Cullen: We just touched on it briefly today in the liquor side, and that—and we talked about losses, and we talked about loss of a vendor and where they lost their property. And I guess the same thing could happen in the—on the gaming side of it, too, if you had a vendor there that had a—his kiosk, if you will, his machines there to sell tickets and has an inventory of tickets. What happens in a situation like that? Is he the owner of those tickets, and is he also responsible for the equipment? Has he become the owner of that equipment?

Mr. Hodgins: I guess to respond to your question, the equipment itself, we own that, like, the terminals and that. So, if there was a loss, that would be something that we would be responsible for. Now, I know in the case of the VLTs, the site holders have to have insurance on their VLTs so that if there's a fire the insurance covers the loss. In terms of the tickets themselves, the—we take back tickets from—if there's—if they're—if it's possible to recover them. Now, if there's a loss, presumably it would be covered by insurance. But I just want check and—

Mr. Chairperson: Time being 7:30, what's the will of the committee?

* (19:30)

Mr. Cullen: Mr. Chair, I think we just have a few lines of questioning here, so if the committee would just indulge us for just a few minutes, I think we could wrap things up fairly shortly.

Mr. Chairperson: Agreed? *[Agreed]* Please go ahead.

Mr. Hodgins: Yes, I was just checking to see if there's a requirement for the site holders to have insurance on the lottery terminals, and I'm not sure if they do. I'd have to check that. I know they do, as I mentioned, on the VLTs, so—but, of course, the lottery terminals are quite inexpensive, compared to the VLT terminals.

Mr. Cullen: Do you know what the—like, a lottery terminal would be worth? So if I've got a little retail operation set-up, a grocery store, and I've got, you know, my terminal set up there and, you know, what kind of money would somebody be looking at for that? And I guess, ultimately, I'd like to hear the answer to that; who is actually responsible for that? Is that your terminal or is the vendor or the retailer responsible for that?

Mr. Hodgins: I'll—rather than give you some information that's not accurate, I'll get that information for you. I can't just remember what the figures are off the top of my head, but there are some—like, in the case of the VLTs, the site holder, the only responsibility they have is to provide the space and they have to have the 'util,' or, you know, like, the electrical hookups and that type of thing, but I can't remember in the case of electric terminals what the, you know, what the split is in responsibilities, but I can get that and let you know.

Mr. Cullen: Yes, I'd be very interested in that and also, I guess, the terms of the contract. I would assume you would have a contract framework established for those vendors so that they would know what they were responsible for. Clearly, if they're going to be responsible for that equipment, then there would certainly be their liability issues that would have to come into play there. And I also wonder if you'd undertake to check for me, then, if there's a—any kind of a certificate of insurance that's required for the vendors as well.

And I guess, along with that, too, then, if we have a situation arise where a facility burns down,

an establishment burns down, clearly there's going to be start-up costs. And I want to get the—your understanding of who's going to be responsible for those extra start-up costs. And I guess it would be similar to having a new establishment set up, as well.

So who's on the hook for the reconnect, if you will, once an establishment has been lost? So if you could investigate that, I would certainly appreciate it.

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

Mr. Cullen: I guess a couple closing questions. Is the corporation involved in any lawsuits at this point in time?

Mr. Hodgins: The corporation isn't directly involved, but it is through WCLC. There's a scratch-and-win lawsuit that's going on, but it's in sort of the preliminary stages.

Mr. Cullen: So any other previous lawsuits have been resolved?

Mr. Hodgins: The—one thing I should mention, we have, you know, I guess, trips and falls and minor kinds of issues that like at the casinos, but I can't think of any recent lawsuits that we've been involved in, you know, significant ones.

There was—and I can't remember the individual's name now, but there was a lawsuit that one of our casino customers took against us and it was related to—well, they were a voluntary excluded individual and they kept going back into the casinos and then they took out a lawsuit against us, that it was our responsibility to keep them out of the casino. But nothing has happened on that file for a number of years now, so I'm not that sure if it's still active.

Mr. Cullen: And just a follow-up question I asked today was the staffing complement. If you could provide me the number of staff the corporation has had over the last five years, I would appreciate that, too.

Mr. Hodgins: Now, did you—just to clarify on that, we have a FTE complement, a full-time equivalent complement, that we operate within and we have, I guess, an actual number of people that work, because a lot of them are casuals or part-time. So, I mean, we can give you both if you want, but I just—if there's something specific, is it—if—do you want—would you like both of them?

Mr. Cullen: Yes, if I had both, that would be very helpful.

Mr. Hodgins: We'll do that.

Mr. Cullen: That's all the questions I have. I just want to thank Mr. Hodgins and staff and everything. I appreciate the day.

Mr. Chairperson: Thank you.

Seeing no further questions, question before the committee is:

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

The hour now being 7:36, what is the will of the committee?

Some Honourable Members: Committee rise.

Mr. Chairperson: Rise. Committee rises. Thank you.

COMMITTEE ROSE AT: 7:36 p.m.

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