

**Third Session – Forty-Second Legislature**  
**of the**  
**Legislative Assembly of Manitoba**  
**Standing Committee**  
**on**  
**Crown Corporations**

*Chairperson*  
*Mr. Alan Lagimodiere*  
*Constituency of Selkirk*

**Vol. LXXV No. 2 - 1 p.m., Monday, June 21, 2021**

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**MANITOBA LEGISLATIVE ASSEMBLY**  
**Forty-Second Legislature**

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

**Monday, June 21, 2021**

**TIME – 1 p.m.**

**LOCATION – Winnipeg, Manitoba**

**CHAIRPERSON – Mr. Alan Lagimodiere (Selkirk)**

**VICE-CHAIRPERSON – Ms. Janice Morley-Lecomte (Seine River)**

**ATTENDANCE – 6 QUORUM – 4**

*Members of the Committee present:*

*Hon. Messrs. Pedersen, Wharton*

*Messrs. Kinew, Lagimodiere,  
Ms. Morley-Lecomte, Mr. Sala*

**APPEARING:**

*Mr. Manny Atwal, President and Chief Executive Officer, Manitoba Liquor & Lotteries*

**MATTERS UNDER CONSIDERATION:**

*Annual Report of Manitoba Liquor & Lotteries for the fiscal year ending March 31, 2020*

\* \* \*

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

Our first item of business is the election of a new Vice-Chair.

Are there any nominations?

**Hon. Blaine Pedersen (Minister of Agriculture and Resource Development):** I nominate Janice Morley-Lecomte as Vice-Chair.

**Mr. Chairperson:** We are currently just waiting for Ms. Morley-Lecomte to join us so, yes, we will start as soon as she joins us.

Mr. Pedersen, could we get you to do your nomination one more time?

**Mr. Pedersen:** I nominate Janice Morley-Lecomte to be Vice-Chair.

**Mr. Chairperson:** Janice Morley-Lecomte has been nominated.

Are there any other nominations?

Hearing no other nominations, Janice Morley-Lecomte is elected Vice-Chairperson.

This meeting has been called to consider the Annual Report of Manitoba Liquor & Lotteries for the fiscal year ending March 31st, 2020.

Before we get started, I want to draw everyone's attention to the clock interface you can see as a Zoom participant. We are testing a new piece of software that, if successful, will be fully operational for future committee meetings. Please use this clock as a reference when speaking. If there are any issues with the software during the course of today's meeting, I will also be keeping track of speaking times in the usual way.

Now, are there any suggestions from the committee as to how long we should sit this afternoon?

**Mr. Pedersen:** I would suggest we sit for a maximum of two and a half hours.

**Mr. Chairperson:** Two and a half hours has been recommended.

Is that the will of the committee? *[Agreed]*

So we will sit for two and a half hours.

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

**Hon. Jeff Wharton (Minister of Crown Services):** Good afternoon, members of the committee.

I'm pleased to be joined today by my deputy minister, Bernadette Preun; also our executive director, Mr. Rob Marrese; and also Eidan Hassan, my special assistant; and Madhur Sharma, my executive assistant. And, again, I'll also like to, and very pleased to have joining us today the CEO for Manitoba Liquor & Lotteries, Manny Atwal, and our board chair, Mr. Randy Williams.

Also good afternoon and, again, great to be here to present Liquor & Lotteries–Manitoba Liquor & Lotteries Corporation fiscal year ending March 31st, 2020. I would also again acknowledge the CEO and the board chair that are joining

us [*inaudible*] we're looking forward to having a discussion with on the fiscal of March 31st, 2020, today.

As the attendees to this meeting know, Manitoba Liquor & Lotteries plays an important part in generating revenue for the provincial budget from gaming, cannabis and liquor sales. To that end, I've tasked Manitoba Liquor & Lotteries to continue to refine and modernize the ways that Liquor & Lotteries conducts business with the means to drive efficiencies and reduce red tape for Manitobans and Manitoba businesses.

Despite the challenges of COVID-19 pandemic, Manitoba—in Manitoba, I know that the board of Manitoba Liquor & Lotteries and the staff, Crown corporation, have performed exceptionally well carrying out their mandate on all; as well, continuing to deliver services in this ever-changing and shifting pandemic environment.

I know that the board and staff at Liquor & Lotteries will continue to deliver services to the best of their ability as we move through this pandemic, and we look forward to an eventual reopening and a return to normalcy and, certainly, what that'll look like post-pandemic.

Certainly, I'm pleased now to turn it over to Manny—is now ready to respond to any of your questions, and, again, we're looking forward to hearing from Randy as well, and we look forward to a very wholesome discussion this afternoon on the March 2020 fiscals.

Thank you, Mr. Chair.

**Mr. Chairperson:** We thank the honourable minister.

Does the critic for the official opposition have an opening statement? [*interjection*]

I have to recognize—Mr. Sala.

**Mr. Adrien Sala (St. James):** I'd like to begin by just welcoming the clerks, the minister, of course, and all staff to committee this afternoon and, of course, welcome back to Mr. Atwal and Mr. Williams; it's good to see you both.

It goes without saying that the last year has obviously been tremendously tough on this Crown corporation. And I know when we met last year I don't think any of us necessarily thought the pandemic was going to have this large and long of an impact on our lives and our economy.

And it's pretty clear that it's had a pretty tremendous impact both financially and on jobs within

MBLL, particularly in casino jobs, and sadly that seems to have only continued. So we're looking forward to learning more about the status of MBLL and the impacts of COVID today from Mr. Atwal and Mr. Williams.

And with that, I hope today's committee can be productive and we can have an open and transparent conversation, and I look forward to the discussion.

**Mr. Chairperson:** We thank the member.

Do the representatives from Manitoba Liquor & Lotteries wish to make an opening statement?

**Mr. Manny Atwal (President and Chief Executive Officer, Manitoba Liquor & Lotteries):** Good afternoon. Thank you for the opportunity to speak with you today about the business activities of Manitoba Liquor & Lotteries.

My first 20 months as CEO has certainly been eventful, and we've faced numerous new situations which we've navigated through. Whether it was the rash of Liquor Mart thefts and robberies, which endangered our staff and our customers, to the multitude of challenges caused by the pandemic, or even the incredible pace in which technology's enabling our people, business and customer expectations, our team has done an exceptional job to position Liquor & Lotteries for a dynamic future.

I'd like to provide you an overview of some initiatives and the major milestones our corporation's accomplished since we were last before a standing committee.

Let's start with net income. In fiscal 2019-20, the corporation was on pace for a record year in total net income, which was forecast to be just over \$630 million. We would've hit our budget for the year and we would've been approximately \$15 million over the previous year.

\*(13:10)

As a result of the pandemic, we were required to shut our casinos and VLT network in mid-March, which resulted in missing out on income for the last half of March. This impact, along with stay-at-home orders, increased PPE expenses for our Liquor Marts, dropped our net income to \$606 million, approximately \$10 million below the 2018-19 actuals.

In the 2019-20 year, which is under review today, saw an increased focus on our overall operating costs and key initiatives driven to ensure continued strong customer satisfaction. It also saw the first few weeks

of a global pandemic that drove us to take immediate action on our spending and speed up key initiatives to improve our business model.

On the liquor side of the business, we saw steady demand from our customers through the year, with a spike at the end of the year driven by unfounded fears of shutdowns due to the pandemic. The most critical actions we took were to improve how we protect our staff and our customers due to the increased levels of thefts and robberies in our stores.

Implementation of controlled entrances in the majority of our stores saw a significant reduction in overall thefts and almost an elimination of robberies. This has created a much safer shopping environment for our customers and, just as important, a safer workplace for our employees. The entrances were completed both on time and under budget.

I give tremendous credit to all the Liquor Mart staff who continued to provide exceptional customer service as we worked through the implementation of these entrances. Feedback both from customers and staff is overwhelmingly positive. While we did not want to take this step, we needed to do this for the protection of our staff and our customers.

Another major initiative was to relocate our liquor distribution centre from Buffalo Place to King Edward. This massive project was a culmination of three years of work to ensure the Liquor & Lotteries distribution centre is able to support the market demand for our products today and for years to come. It also provided us an opportunity to implement some improvements in our processes which will result in better service levels and increased selection.

With the pandemic fears, we saw renewed interest in purchasing alcohol through our established but little-known home delivery service in Winnipeg and Brandon. Volumes initially increased by over 1,000 per cent due to heightened fears related to in-person shopping.

Our gaming business saw steady performance in 2019-20, and we were on track to meet overall budgets and targets until the last two weeks of March when the pandemic caused a shutdown of our casinos and impacted our VLT sites.

This also resulted us in having to lay off over 1,300 of our employees at the end of March and into April. Most of these employees were from our casino operations group which saw the shutdown of our business lines, and many employees were from our

corporate offices and support areas, which saw a reduction of work levels.

Over the '20 to '21 year, we were able to temporarily assign over 130 employees to other departments and support increased COVID cleaning protocols in our retail and corporate locations. We were also able to relocate over 20 employees to support the Province in its pandemic response and vaccine implementation.

To support employees who have been laid off, Liquor & Lotteries has continued to extend health, dental, basic life insurance benefits, paying both the employer and employee portion of these benefits. When an employee returns to work, they will resume paying their portion of the benefit costs and we will return to full benefits. The employee and family assistance plan will also be continued to be available to laid-off employees throughout the entire layoff period.

To ensure employees who are laid off are able to access much-needed information and resources, a password-protected website was established and continues to operate and be updated regularly. Once we are able to reopen our casinos and have full capacity back in our VLT network, the vast majority of those employees will be recalled.

While the casinos are closed, we did take advantage of the situation and completed much-needed maintenance activities, relocated a number of our machines and have reset the sites to ensure good physical distancing while playing our games. We also implemented numerous process and system improvements, which included items in our events centre, identifying areas to reduce customer touch points, bingo gaming system upgrades and stadium gaming.

With regard to stadium gaming, this concept was reviewed prior to the pandemic and follows the evolution of table gaming and leveraging technology to improve customer experience, reduce gaming integrity risk and reduce total costs. This concept has actually been at our casinos over—for over a decade with our roulette game.

Numerous other jurisdictions in North America have already adopted this approach over the past five years, and it was natural for us to implement this in the '21-22 fiscal. This resulted in a voluntary separation of approximately 120 staff, mostly dealers, as the total number of tables will be reduced by approximately 50 per cent.

There were no significant changes to our lottery or VLT network in the 2019-20 year until they were shut down in the public health orders in mid-March. Throughout the following fiscal, the VLT and lottery networks had some start-stop phases related to public health orders. We were able to work with many of the retailers and partners to optimize their floor space for VLTs and help implement curbside pickup for lottery products.

A bright spot for us was our performance related to iGaming. Even prior to the pandemic, we had various initiatives to increase the consumer awareness and satisfaction levels with our customers. As you are aware, the PlayNow.com platform is the only legal and approved gaming site for Manitobans.

We'd initiated various programs using technology to increase customer awareness and direct customers to our site. This was started prior to the pandemic and resulted in approximately 25 per cent increase in business. As the pandemic hit and our other gaming venue options were limited, consumers registered and moved over to our platform, which saw over 200 per cent growth in a short period of time.

We realized a large number of Manitobans also moved to other grey-market providers. We were working on ways to try to guide them to our platform. In the 2020-21 fiscal, we have seen over 53,000 Manitobans sign up as new customers and are working to keep them on our platform.

In our cannabis business, we saw significant increase in the total number of stores, resulting in increased revenues for us during the first full year of legal sales. During the year, over 40 private sector retailers were established and running their businesses throughout Manitoba. We also added 22 new suppliers, and that resulted in over 600 new products for Manitobans.

We have seen significant interest in suppliers and retailers looking to invest in Manitoba. We will have significantly more retailers for the '21-22 fiscal and beyond.

We all know the pandemic's played a key role in how we do business and also in how we need to approach the future, as there will be a change in how customers shop and what their expectations will be. This will include how online and other technology-enabled services will need to be available for changing consumer behaviours and preferences for how they do business with us.

We will need to adjust how we support our employees, ensure they are prepared for the post-pandemic business we will be in. The work-from-home model we put together quickly, though it has worked and has resulted in excellent performance levels for the vast majority of our employees. That said, we know we will see an increase in mental health requirements for our teams when things return to a new normal. As such, we are increasing our efforts for—in this area for the future.

The pandemic drove us to find overall business improvements. This self-reflection helped us identify key parts of our technology infrastructure that are antiquated and in some cases unsupported, putting at risk our net income performance. We are developing a multi-year strategy that will update key systems and that will drive improvements not only to net income, but working capital as well.

Last year, when I met with this committee, I said things will not be the same as before and we will need to adjust for the future. That statement rings true one year later. I can also say that our team is more than ready for this and have already started to approach our business from this new reality.

In closing, Mr. Chairman and members of the standing committee, I want to acknowledge the tireless and extremely strong efforts of the entire Manitoba Liquor & Lotteries team: all 3,000-plus of us. During a year that saw truly unprecedented change, tame was able—the team was able to pull together and do what we needed to protect our business, our people, our customers and fellow Manitobans.

It was not easy. There were numerous challenges, but our reactions and our approach ensured that Manitobans can feel confident this Crown corporation weathered the storm and is more than ready for the future. We do this to enrich the lives of Manitobans.

Thank you.

**Mr. Chairperson:** Thank you.

The floor is now open for questions.

**Mr. Sala:** I'd just like to thank Mr. Atwal for that really helpful overall summary of status of things and I'd also like to thank you for your steady leadership at MBL during a very difficult time. It's very clear that the corporation is very lucky to have you there doing the work you're doing.

I just want to start by talking a bit about layoffs. We talked a bit about that last year.

Last year, you explained that 1,309 regular employees were impacted by temporary layoffs. I'm hoping you can provide an update on what the current number of layoffs are.

**Mr. Chairperson:** Mr. Atwal.

Mr. Atwal, I think you're muted still.

**Mr. Atwal:** Yes, thank you. I was just trying to pull up the data. Thank you, Mr. Chair.

As of the end of last month, we have 978 employees currently on layoff.

**Mr. Sala:** Thanks so much for that, Mr. Atwal.

I'm wondering, is that decrease attributable to any permanent terminations?

\* (13:20)

**Mr. Atwal:** Yes, part of that decrease was the 130 voluntary separations that occurred during the implementation of stadium gaming.

Additionally, we had some involuntary changes, approximately 12 staff in our shuttle bus service, and we also had some—we had the reduction of two executive, or 20 per cent of our executive team, and approximately 25 other corporate positions as well.

**Mr. Sala:** Thank you so much for that.

Were there any staff redeployed to aid with the pandemic response since last June? I know you did reference that in your opening remarks but hoping you can provide maybe a bit more clarity around that. Where were staff redeployed and total numbers of staff, if possible.

**Mr. Atwal:** We had—at any given point in time, we had somewhere between 15 and 25 staff that were redeployed as part of the overall vaccination implementation and pandemic response the government was looking for. The process that was used was that the government would put up a request for employees, essentially a job search: we need employees with these types of skills.

We would actually take that and go through our workforce and identify those employees that had similar skills and ask them to apply for the roles and, as they applied, they would enter that particular role and get trained and be implemented.

Not all the roles were permanent or full time, obviously, and some were for different portions of time. As of one month ago, we have 16 employees still with the government.

**Mr. Sala:** Thank you very much for that response, Mr. Atwal.

I'm wondering if any management have taken pay cuts in an effort to reduce layoffs among staff.

**Mr. Atwal:** As is the case with our organization, we have wage ban freezes that are applicable to all employees, including management and executive. Additionally, as part of our approach, as we reorganized our business, we reduced 20 per cent of our executive and that resulted in savings for the corporation.

**Mr. Sala:** Have any discussions regarding pay cuts taken place? Was it something that was ever considered?

**Mr. Atwal:** At the onset of the pandemic, we looked at every option and all the different options that were on the table, and pay cuts was one of them among others. When we initially looked at the different ways for us to try to reduce costs, save money and provide best value for Manitobans, we had over 100 line items that we were trying to look at and figure out what the best thing to do would be for the corporation. As we went through them, pay cuts were not ones that were chosen at that time.

**Mr. Sala:** Thank you, Mr. Atwal, for that response.

Hoping to move now to talk about the vaccine lottery. And, you know, across the world we've seen governments use a variety of incentives to try and increase vaccine uptake among their populations, and vaccine lotteries have been one of the those tools that have been used.

So I'm wondering, was there preliminary research into the effectiveness of a vaccine lottery by MBLL prior to it being announced, and, if so, what type of evidence have you seen that has demonstrated that it helped to—that using that approach has helped to increase vaccine uptake among populations?

**Mr. Atwal:** We were asked to take a look at what a vaccine lottery might look like and what effectiveness it might have. As everybody is aware, there isn't a lot of data out there that specifically says, yes, the lottery will contribute X, Y or Z.

Just like any true marketing initiative, because that is essentially what we're trying to do here, is trying to modify behaviour and change behaviour. Not a single vector will be able to do that. You need to have a multipronged approach, in most cases, try to have vaccine uptake.

So when we looked at the lottery at the time, Ohio, Maryland had announced them, and, actually, in Ohio there was a quick uptake. The number of people that signed up very shortly after the lottery announcement was up 76 per cent from prior to that. Maryland saw an increase as well.

So when we looked at those options, we presented that data. We showed, here's different jurisdictions, here's the benefits that they've seen. We can't clearly say that, yes, because of the lottery, we did see this uptake. We have seen an uptake in immunizations, uptake in requests, but to definitively say it's due to the lottery, I can't tell you that. But I would say that, yes, the lottery does play a role in having people get vaccinated. And part of that role is having them get vaccinated sooner.

So when you broke down the data as to why people weren't getting vaccinated, there is a portion that, no matter what you say, they will not. It—there's just a percentage that has that. There is a very large percentage that was, yes, we're all over it. Then there's the percentages in between.

And there's a significant portion of those that were, yes, I'll get to it. And we are trying to make sure we got to it sooner, and so we could reopen things faster. That was the—it's part of the reason as well.

**Mr. Sala:** Thanks for that response.

We've heard that some incentives like lotteries can actually be counterintuitive in getting people vaccinated, and some people perhaps seeing it more as a bribe than an initiative. And many of the people who haven't been vaccinated live in areas where gambling isn't super popular.

So I'm wondering what type of evidence may have been gathered to show the effectiveness of a lottery for vaccine-hesitant communities where there isn't a large interest in gambling.

**Mr. Atwal:** Again, specifically on that line item, there isn't research, there isn't data there that you can substantiate, yes, that we'll go down that path where you can make that change. What we were trying to do is trying to get people that were on the fence, and we're also trying to get people that were close to deciding or have decided but weren't going to do it right away. The faster we get them vaccinated, the better it would be for the province there as well.

**Mr. Sala:** Thank you very much.

How was the decision made to make it an opt-out draw rather than an opt-in draw?

**Mr. Atwal:** Just a moment. For that particular question, I'd probably want to defer to Manitoba Health.

**Mr. Chairperson:** Mr. Atwal, go ahead.

**Mr. Atwal:** For that particular question, I would like to defer to Manitoba Health.

**Mr. Sala:** Thank you for that, Mr. Atwal.

For those aged 12 to 17, they're being entered in draws for scholarships. And when this was first announced a couple weeks ago, details were still being sorted on the legal and tax side of how scholarships would be awarded.

I'm wondering if you could provide an update for the committee on any progress made in regards to the technical details of the scholarship winnings.

**Mr. Atwal:** At this time, we are still working through some of the logistics involved with that, so I don't have an answer yet.

**Mr. Sala:** Was there any concern amongst MBL about administering this type of lottery and how it may exclude those who are vulnerable or have issues accessing a vaccine for various reasons, including language barriers, mobility issues or simply health reasons that wouldn't allow it?

**Mr. Atwal:** I'll defer to the minister.

**Mr. Wharton:** Certainly, you know, I believe this line of questioning would be better dealt with through—or through Health, through the Health Department, through Manitoba Health. Certainly, there is a number of ties between Manitoba Health and this process to ensure that Manitobans are getting vaccinated and, of course, getting their second doses. So I would suspect that this question should be posed to Manitoba Health.

**Mr. Sala:** I appreciate the advice from the minister.

As a corporation—and this question is for Mr. Atwal—as a corporation, how will you—how will these vaccine lotteries be administered so as to ensure a fair process?

**Mr. Atwal:** Manitoba Liquor & Lotteries is in the business of developing game integrity and having lotteries that have proper controls in place and is fair for those that are participating in the lottery. It's what we do.

\* (13:30)



Working with the LGCA and ourselves and our partners, this is the actual physical elements of doing the draw. It is something that's part of our core, and we've got the appropriate checks and balances in place to ensure that any audit that's being done would show that it was fair.

**Mr. Sala:** I thank you very much for that, Mr. Atwal.

You explained—or you've explained that a third-party arbitrator was providing oversight to the lottery. I'm wondering if an independent fairness monitor has been hired to ensure that this lottery's carried out in an equitable manner.

**Mr. Atwal:** As I mentioned, we have the LGCA providing support in that particular manner, and we are looking at an independent organization to oversee the actual draw as it happens, as well.

**Mr. Sala:** Thank you very much for that.

We're going to move on now to talk about private liquor sales, and we know for the last few years MBLL has been carrying over money allotted to social responsibility initiatives. Specifically, in the 2019-2020 or '20 annual report there was \$1.8 million carried over to this past fiscal, 2020-21.

Why was the allocated money—why wasn't it spent in full in 2019-20?

**Mr. Atwal:** As we look at our social responsibility spent, we are trying to identify the best programs to spend that money on and try to time it for when it's most appropriate for us to make that spend.

So, in 2018-19, we had \$1.96 million carry-over. In 2019-20 it was 1.8, so we were able to catch up a little bit on that.

So we will look for those opportunities, and we will try to find the best way to spend the money. The money is there. It's not going to go anywhere else, and it will be used for social responsibility.

**Mr. Sala:** Thank you very much.

Can I ask, Mr. Atwal, was there any direction provided to you to hold back any amount of those funds that were to be used for social responsibility purposes?

**Mr. Atwal:** No, there was not any direction on that.

**Mr. Sala:** And what plans do you have to ensure that monies allocated are fully spent?

**Mr. Atwal:** We have a social responsibility group that will actually ensure that we'll have the budget—

essentially, that the money that's being provisioned aside is a budget for that particular team to use and that's the budget they work to. And, again, they'll identify the opportunities to make best return for that particular spend, get the best return for Manitoba, in terms of the effectiveness of the money that's being spent and how it's being spent.

It's already provisioned in our profitability, so it's not like we make less money if we don't spend it that particular year. We provision for that particular spend, as well. So it's provisioned to be spent as it's legislated.

**Mr. Sala:** Thank you for that response.

What amount did MBLL have available and what amount was spent on social responsibility for 2020-21, and we understand that you may not have the final quarter complete, but I would take up to the end of Q3, if you had it.

**Mr. Chairperson:** Just a reminder to Mr. Sala, to please put your questions through the Chair.

**Mr. Atwal:** So with the 2021, approximately \$12.9 million of social responsibility funding has been set aside, and I don't have a final number at this point as to what we have spent there. There will be some level of carry forward; I don't have that handy at this minute.

**Mr. Sala:** Might we ask for that to be provided at a later date?

**Mr. Atwal:** I believe we're covering the 2019-2020 fiscal.

**Mr. Sala:** Apologies. That question was in relation to 2020-2021.

**Mr. Atwal:** That number will be available when our annual report is finalized.

**Mr. Chairperson:** Okay, just a reminder to all committee members, we're covering the information in the 2019-2020 statements.

**Mr. Sala:** Can you outline, in your view, what are the benefits of a publicly operated and integrated corporation that retails and distributes liquor in Manitoba?

**Mr. Chairperson:** And just a reminder to please put your questions through the Chair.

**Mr. Atwal:** I'm sorry, Mr. Sala, could you repeat the question?

**Mr. Sala:** Yes, no problem at all.

I was hoping, Mr. Atwal, that you would be able to outline, in your view, the benefits of a publicly operated and integrated corporation that retails and distributes liquor in Manitoba.

**Mr. Atwal:** In—may—I don't necessarily have an opinion or perspective on the public corporation side versus anything else at this point. We run our corporation the way it's been set up and legislated, and we run it through our board and with direction from the board. So I don't think I have the experience to provide that perspective.

**Mr. Sala:** Thank you very much.

Maybe I'll ask it just a bit differently, and the question is, essentially, what do you see as the benefits of having a public liquor monopoly versus having a greater presence of private liquor sales in a province?

**Mr. Wharton:** I know that in the financials that we're discussing today I don't believe there's any mention of—any indication of what the member from St. James is going down. Certainly, we understand during—and the member knows it—it's public. Our mandate letter is clear, and we also have a legislation in front of the House. And certainly the member knows that.

So I think maybe we should get back to why we're here today, and let's talk about the financials for the corporation of fiscal '19-20.

**Mr. Sala:** Hoping to ask about what the impact on social responsibility initiatives—what would be the impact on social responsibility initiatives currently undertake if liquor sales were privatized. How would funding for these programs be impacted?

**Mr. Wharton:** Again, Mr. Chair, thank you, and I'm not sure where—while I am sure where the line of questioning is going, however, we should be sticking to the task at hand and, again, that's discussing the financials for '19-20.

And certainly looking forward to having those discussions, as we have in the past during this committee and we did last year. And looking forward to those—having further deep dives into the financials and, of course, looking forward to a strong year as we go through this year coming out of the pandemic.

**Mr. Sala:** I thank the minister, and I do recall last year having a very open and transparent global conversation and had hoped that we could have something similar to those lines today.

Proceed with another question here, somewhat related but the question is, I'd like to ask the—about the

corporation's expenditures of money on the secure entrances that were put in place due to rising liquor thefts. And, Mr. Chair, I'd like to ask, if sales of liquor were to become privatized, what the CO would think of—the impacts would be on safety for those retailers and the public?

**Mr. Wharton:** Certainly happy to take that question as well.

As you know, during the process of the brazen thefts at our Liquor Marts throughout Winnipeg and Manitoba, working in collaboration with MBLL to protect not only our staff but our customers, we endeavoured to move forward with securing entrances at Liquor Marts throughout the city and throughout the province, which we did in partnership with MBLL. And, certainly, those initiatives have paid dividends.

\* (13:40)

I know, in speaking to staff at particular locations throughout Winnipeg and the province, that they were very pleased to be able to come to work and feel that sense of security, and we were very pleased to be able to partner with MBLL when this initiative was kicked off to help combat some of those issues with brazen thefts that took place that put the risk of employees and staff—pardon me—and customers at risk on a day-to-day operation.

So, glad to answer that question, glad we were able to make that investment, along with our partners at MBLL. And I thank the leadership of Mr. Atwal and his team and the board and the board chair as well, Mr. Williams, for their leadership to ensure that Manitobans are kept safe and they can walk into a Liquor Mart anywhere in the province and anywhere in the city of Winnipeg and certainly—and feel like they're secure when they're doing that.

**Mr. Sala:** I appreciate the response of the minister and, of course, our concern is that Manitobans are able to stay safe wherever they buy liquor. And, of course, in the future, with potential for more private liquor retailers, I think it is of interest, of course, to ensure that we continue to protect Manitobans in all those environments where they'll be purchasing liquor, and so—but I do appreciate the response from the minister, and we will move on, here.

The government's own VIRGO report outlined how alcohol is still one of the biggest sources of addictions in Manitoba. MBLL and Liquor Marts have a social responsibility to consumers right now to keep them safe. So my question to the CO is, how

would you ensure private operators aren't going to drive addictions if alcohol sales were privatized?

**Mr. Chairperson:** A reminder just to put your questions through the Chair at all times.

**Mr. Wharton:** You know, again, I don't think this line of questioning is any—has anything to do with the reason why we're sitting for two and a half hours today, again, to talk about the financial year-end of March '20, Mr. Chair. And, you know, certainly, I think the member could move on to questions regarding the financials.

Certainly, it's important to Manitobans that the corporation continues to move along during these very difficult times with the pandemic now several months in. And, certainly, the numbers were much more favourable today, being in single digits for two days in a row with test positivity coming down, so that's good, but we're a long ways from getting back to what we'll deem as normal, and that includes our folks and the leadership at MBLL and the team there, with respect to casinos, that have been closed and opened over the last several months.

So again, I would appreciate—I would assume that the member would like to get on to some questions about the financials. It is important to Manitobans, it's important to Liquor & Lotteries and it's important to the staff and customers. So certainly, I know the member will move on to questions regarding the financials.

**Mr. Sala:** I'd just like to clearly state, for the minister's benefit, that page 26 of the annual report explains that in anticipation of private liquor sales, the corporation—this is quote—"the Corporation will investigate changes that may be required to its existing distribution policies to support this new private sector opportunity."

So the report very does clearly reference these questions, and I do appreciate the opportunity to ask some questions about this—these very important concerns to the CO directly.

And so, you know, in relation to that, to continuing along the lines of these questions, I'd like to ask, has MBLL done any analysis on what the financial impacts would be to the Crown corporation if liquor sales were privatized?

**Mr. Wharton:** With all due respect for the member from St. James, certainly, we know that it's been almost two years since a public mandate went out through Crown Services and we know that the

mandate of the minister is to look for other ways to serve Manitobans when it comes to liquor retail. And that's no secret to anybody here on the line today, any Manitobans that have dialed in today as well that are listening. And certainly, our colleagues and members of the Crown corporation are certainly aware of that mandate as well.

So absolutely continue to have those discussions with Manitobans, and we will continue to, as it is in my mandate to ensure that we can provide an enhanced liquor retail throughout Manitoba, in particular, and certainly provide expanded choice, potentially, and other areas as well.

So, you know, the member knows, just like I know, that when you're in business, you have to look for ways to ensure that, you know, you can move forward with the times. And unlike any one of—any other of our Crown corporations, they're all moving forward to ensure that they're ready for the future, and we know M-B-L is certainly doing that as well and we look forward to their leadership and, again, their collaboration with Manitobans and government as we go forward, as they have been.

So we're really looking forward to the next—the upcoming year when it comes to liquor modernization.

**Mr. Sala:** I thank the minister for that.

I think, you know, the minister's response just highlights that, you know, obviously the government does have the prerogative to serve a mandate to its Crown corporations to undertake certain strategic directions, but in relation to that, it's clearly important that Manitobans have some transparency and understanding about the impact of those directions that may be set by government.

And I think, in relation to that, it's really important that Manitobans get a sense of what the Crown corporation has assessed in terms of the potential impacts of what this government is recommending as a future direction for MBLL, which is obviously an incredibly profitable corporation that serves Manitobans in many, many ways.

And so maybe I'll just ask again to the CO whether or not—or, to the Chair—whether or not there has been analysis done on what financial impacts would be if Crown corporation—to the Crown corporation if liquor sales were privatized?

**Mr. Wharton:** The member knows, being a seating—'sitted' member in the House, that there's legislation

that we—that is in front of the House that was held, by the opposition, to the fall sitting. And certainly, that—them holding that legislation back would—obviously would hold back any information, because the bill is pretty clear.

So until the bill gets debated in the House and Manitobans have an opportunity to speak to the bill, certainly I think we should be talking about the financials, particularly the financial end of '19-20. And I think the member would agree that that would be a discussion that would be more appropriate in today's timeframe with respect to the fact that the particular legislation has been withheld until fall by the opposition, and he knows that.

So we're looking forward to those discussions this fall.

**Mr. Sala:** We'll try one right out of the annual report.

I already quoted this, but I'll requote it again. Page 26 of the annual report explains, in anticipation of private liquor sales, that, quote, the corporation will investigate changes that may be required to its existing distribution policies to support this new private sector initiative. End quote.

Hoping for an explanation of any changes that have identified so far that would be required of MBL to accommodate this.

**Mr. Atwal:** At this point, we don't have changes in our business to accommodate that further. As is also noted in the report, we have over 200 private sector partners already. We also have a number of wine stores already that are private sector partners within Manitoba. We continue to leverage those.

When we take a look at some of our—and I mentioned it in my earlier in my initial notes—some of our infrastructure to deal with our IT systems and our distribution and like within our supply chain is antiquated. It's going to require some investment to change, so we want to make sure that's up and running. And so a part of that is to make sure we conserve our current partners and our current private sector, whether it's beer vendors, liquor vendors, wine stores and that. We do need to make sure we're ready to do that.

Additionally, with the evolution of alcohol itself and having new products—so in terms of refreshment beverages, we've been—increased the ability to distribute refreshment beverages to Manitobans as well.

\* (13:50)

**Mr. Sala:** I thank Mr. Atwal for that response.

So, in relation to that, in those preparations, I'm wondering, Mr. Chair, if we could get any sense at all about some of the projected impacts of liquor privatization that may have been done, any analysis, any summary of insights that may have been obtained in some of the work that's been done so far in preparation for this future and that's just been outlined by Mr. Atwal.

**Mr. Wharton:** And again, I can appreciate the member going down this road again after he realizes that, wait a minute, we have '19-20 financials to speak to, so certainly respect the member to move forward with the financials.

Certainly, I know that the CEO and the board chair are anxious to talk about the challenges that they've had during the course of this pandemic and looking forward to understanding and hearing how they're going to be mapping out that plan as they go forward to ensure when casinos are reopened, hopefully in the coming weeks and months, that Manitobans can get back to what we'll deem as a new normal, and we're looking forward to that.

So, the financials are very important to Manitobans that are listening today. Absolutely, they want to understand the impact, of course, and a go-forward what that's going to look like. So I thank the member for that question, and we're looking forward to having those debates later on this fall.

**Mr. Sala:** On April 24th, 2019, the minister mandated the chair of MLCC to, quote, review markup policies on liquor products to ensure current practices support economic development in Manitoba and submit a report to me by July 31st, 2019. End quote.

Hoping that the minister could undertake to provide the committee with a copy of that report. Would that be a possibility?

**Mr. Chairperson:** Apparently, Mr. Wharton was accidentally taken off the call, and he's trying to reboot right now, so it'll be a moment.

Mr. Sala.

**Mr. Sala:** Would also direct that question to Mr. Atwal at the moment. Would that be appropriate in the minister's absence?

I can restate the question. This was on April 24th—

**Mr. Chairperson:** Mr. Sala, go ahead.

**Mr. Sala:** So, on April 24th, 2019, the minister had mandated the chair of MLLC to review markup policies on liquor products to ensure current practices support economic development in Manitoba.

I'm just wondering if it would be feasible to provide a copy of that report.

**Mr. Atwal:** That was prior to myself starting with Manitoba Liquor & Lotteries, so I wasn't involved in that particular process.

**Mr. Sala:** Might I ask, how is the delivery of alcohol through restaurants going? Have there been any issues with compliance by restaurants for those underage accessing alcohol?

**Mr. Atwal:** I don't have data specific to each individual restaurant. That being said, that is potentially available through complaints or data we provide the LGCA.

At this point, we don't have any red flags that point out that it's been more of an issue today than it might've been before or if it's less of an issue than it's been before.

**Mr. Sala:** I'd like to, again, just ask whether or not MBLL has done any analysis on what financial impacts would be to the Crown corporation if liquor sales were privatized.

**Mr. Atwal:** Should defer that one to the minister, but he's having trouble getting back into the system. Oh, there we go.

**Mr. Chairperson:** Minister Wharton is back on now.

Mr. Sala, would you like to ask your question again?

**Mr. Sala:** I thought we'd take one more go-around here to asking whether or not we might be able to get Manitobans a little bit of clarity on the financial impacts of privatization and whether or not we have any clarity on the presumed impacts on the Crown corporation if liquor sales were privatized.

**Mr. Wharton:** For some reason we lost our Internet signal, so thank you to all the technical supporters to get us back in, appreciate it.

And I just—if I may ask, Mr. Chair, the member from St. James had a question just before we lost our signal. Certainly want to endeavour to understand that question; didn't quite understand what it was. So if we could get—I'd ask if the member could give us that question again so that we have an opportunity to

provide the member with that answer. Certainly, if that is acceptable, would like to be able to do that.

**Mr. Sala:** Absolutely.

The question was, on April 24th, 2019, the minister mandated the chair of MLLC to review—this was, quote—review markup policies on liquor products to ensure current practices support economic development in Manitoba and submit a report to me by July 31st, 2019. End quote.

Could the minister undertake to provide the committee with a copy of the report?

\* (14:00)

**Mr. Wharton:** Appreciate the member from St. James giving us an opportunity to answer that question. Again, at this point, I can tell the member—assure the member and colleagues on the line that there is no report at this time.

I can speak to, though, again, in light of the pandemic, too, that there was an adjustment for local producers when it comes to markup to ensure that they were able to recognize a return on their sales a little bit higher than what they were accustomed to. So there was an adjustment there to help Manitobans. Again, that was a move done at the request of the local producers. And certainly, our government listened.

**Mr. Sala:** Thank you, the minister, for that response. So just to clarify, there—was there a report that was produced in relation to that request that was made to the MLLC chair?

**Mr. Wharton:** There is no report.

**Mr. Sala:** On April 24th, 2019, the minister mandated the chair of MLLC to, quote, engage with the private sector to identify opportunities for increased participation in liquor—the liquor retail and distribution sectors, end quote.

Could the minister advise the committee what opportunities have been identified?

**Mr. Wharton:** Certainly appreciate the question from the member.

Again, line of questioning is really directly related to the bill that's currently in front of the House. And certainly, when that bill comes back this fall, we're looking forward to a wholesome debate with the opposition, of course, and the independent members in the House, and also looking forward to engaging Manitobans, as we do, as the government has done in the past and will continue to do as we go forward.

**Mr. Sala:** I think it's fair to say that today's a great opportunity to have an open conversation with the individuals that we have here present today, including, of course, the chair, Mr. Williams. And so I might direct this question to Mr. Williams.

Same question, which is whether or not this committee might be able to be provided with any clarity on what opportunities were identified relating to that question that was posed by the minister to the chair of M-L-C-C?

**Mr. Wharton:** Certainly, again, I'll repeat the same—as the member's doing now, repeating the same question, I'll repeat the same answer.

Maybe enlighten it a bit for the member but, you know, this is a great discussion to have when the Bill 40 is back in front of the House. We know that. The member knows that the bill was held up, and we're looking forward to those wholesome discussions with Manitobans and a full debate coming this fall.

So we look forward to having this discussion at the next fiscal after the bill runs through—the course in the House in the fall, Mr. Chair.

Thank you.

**Mr. Sala:** With the continuation of COVID-19 since we last met, the prolonged closure of casinos, people being at home more, I wanted to provide an opportunity for the CEO to explain the impact of COVID-19—or, what the impact has been on the corporation over the last year.

Has MBLL seen a rise in revenues in some areas, and what has the overall impact been to the corporation's net income?

**Mr. Atwal:** With regard to the 2020-21 fiscal—I'm sorry, in regard to the '20—yes, '20-21 fiscal, sorry, the total impact that COVID-19 had on our entire business impacted us negatively to the tune of \$333 million at the gross margin level, primarily driven by casino, lottery and VLT operations, when you compare that to our budget for the 2020-21 fiscal.

We also took a number of actions to reduce overall expenses and also push out certain expenses that we could do in a later year, as well, and reduce our total capital cost spend to reduce total cash spend, as well.

As we went through those exercises, we found savings of about \$37.9 million that would offset some of those. We also saw an increase in COVID PPE

costs for all of our businesses, so extra cleaning, whether it's a distribution centre or retail locations when the casinos were open at different points of the time, VLT network and distancing, and that impacted us for almost \$7 million.

So the total margin impact is around \$302 million, based on a number of the initiatives that were taking place, also based on an increase in iGaming, a smaller increase in liquor gross margins relative to—with an increase in sales, as well. Our total impact was just over \$200 million relative to our budget.

**Mr. Sala:** Thank you very much for that response, Mr. Atwal.

As explained in the 2019-20 annual report and similar to the explanation that was provided last time this committee met, liquor sales peaked in March as people thought stores were going to close and then they levelled off.

Hoping Mr. Atwal might provide an update to the committee on how liquor sales progressed through the rest of the year. Were they higher compared to previous years?

**Mr. Atwal:** The short answer is yes, sales were higher by approximately 10 per cent in total dollars prior to the previous year. The spike that had happened tapered off over—throughout the year.

Now, while sales were higher by approximately 10 per cent, total volume sold was higher, closer to 6 to 7 per cent.

So it showed us a few things. One is, our customers were premiumizing a bit more. So for—instead of spending \$25 on a bottle, they would spend \$30. So our total physical volume was up 6 to 8 per cent while dollar sales were up approximately 10 per cent for the year, and as the pandemic continued on and we achieved sort of a level state, on average, we are approximately 2 per cent higher than pre-pandemic levels for liquor.

The other piece of data that we were able to identify is that prior to pandemic there were more people that would be travelling away from Manitoba than there would be people in Manitoba. So, based on that, we saw a slight increase. Part of that increase could be attributed to few Manitobans leaving and purchasing their alcohol in Manitoba rather than outside of Manitoba, as well.

**Mr. Sala:** Appreciate that response.

Hoping we can be provided with the estimated net income for the past fiscal year, 2020-21.

**Mr. Atwal:** That will be available when the annual report is ready.

**Mr. Sala:** What were the operating expenses in 2019-20 and how are they compared to—how do they compare to 2020-21? Would expect some level of decrease due to the casinos and maybe a decrease or increase due to the secure entrances.

**Mr. Atwal:** As that's related to the '20-21 final financials, which are not a hundred per cent completed yet, I don't have that information available just yet. It will be part of the 2020-21 annual report.

\* (14:10)

**Mr. Sala:** Hoping for comment on MBLL allocation to the Province in 2020-21, or even estimated.

**Mr. Atwal:** The answer is still the same. Until we have our final—our financials finalized, 'thay' 'nannal' report ready, we're not able to provide that number.

**Mr. Sala:** That's fair. Can't give what you don't have. Appreciate that.

Like to ask, is construction on secure entrances for stores outside of Winnipeg commenced?

**Mr. Atwal:** The construction on stores outside of Winnipeg has actually been completed in a few locations, including Brandon, Portage and Selkirk. And we are also looking at implementing controlled entrances in two other northern Manitoba locations as well, and that is in progress as we speak.

**Mr. Sala:** Thank you very much for that.

Are there still thefts happening with the secure entrances at locations in Winnipeg?

**Mr. Atwal:** There are still a small number of thefts happening. They tend to be in the shoplifting type of category. They are certainly not in the brazen category, certainly not robberies and certainly not the types of activities that impact the well-being of our employees and our customers. And total theft is down approximately 96 per cent prior to controlled entrances.

**Mr. Sala:** Just want to state right now that it's really phenomenal to hear about that increase in safety for not only customers but, of course, MBLL staff. So that's wonderful news that you're sharing there.

In relation to this question about thefts, obviously, there's been this huge reduction within MBLL stores,

but wondering for any comment on what we've learned about whether or not some of those thefts have moved over to private operators for wine and beer, as an example.

**Mr. Atwal:** We have regular discussions with the private wine stores, private beer vendors, private liquor vendors. And up to this point—at this point, in this stage, we have not seen the—a transition of thefts. They have not seen an increase in thefts.

**Mr. Chairperson:** I believe you're muted, Mr. Sala.

Go ahead, Mr. Sala.

**Mr. Sala:** The question was: How much does it cost to operate the secure entrances?

Of course, we need security staff to staff them, so hoping for some clarity on estimated costs of operating those secure entrances.

**Mr. Atwal:** The total approximate cost annually is approximately \$5 million. And it would depend upon the store, the hours and how that number might go up or down.

Additionally, we have launched a couple pilot projects this year to be able to reduce that total cost, as well, without changing the security and the benefits of security.

**Mr. Sala:** Thanks for that clarification.

Would like to ask if thefts are still happening in rural locations. I understand there's been this significant reduction, but if you can comment specifically on what's been happening—or, sorry, I apologize, Mr. Chair—if we could receive comment on what's been happening in rural locations, that would be of help.

**Mr. Atwal:** Yes, we continually monitor thefts that happen in all of our locations, and especially if there's any brazen theft or robbery as well.

So, based on the analysis that we do and the data that we collected and monitor, we did determine that two locations were seeing an increase. And it's not something we wanted, so we initiated the implementation of controlled entrances in those two locations. All of our other locations at this time showed no significant increase whatsoever in terms of theft, and especially robbery.

**Mr. Sala:** Thank you, Mr. Atwal.

Hoping for some—just to discuss the home delivery services question and for some commentary around how those home delivery services are going.

How much has home delivery contributed to the corporation's liquor sales revenues?

**Mr. Atwal:** Home delivery has contributed approximately \$5 million in total sales.

**Mr. Sala:** And how much does it currently cost to operate the home delivery services?

Hoping for some clarity that—or, hoping for some information about who those delivery services have been outsourced to and who.

**Mr. Atwal:** For clarity, it's very difficult to determine exactly the costs of what those home delivery services are because we're sharing the same infrastructure that we have in our distribution centre to do the home deliveries.

So whether we're doing a bottle pick for our licensee customers, we're using the same infrastructure and similar people to do the home deliveries, so we don't necessarily allocate those dollars or those costs separately, but we do try to make sure that the combined costs are within what we believe they need to be for our business.

For delivery, we do use third-party delivery. We have contracts in place with a couple different providers. And, again, there's a bit of a variety, a bit of a range somewhere between \$10 and \$20. That would be a reasonable average if you take a look at these providers and what it would cost to do for the home delivery.

**Mr. Sala:** Thank you for that response.

One thing we've noted is an RFP was recently posted for delivery services. And hoping for some commentary on whether or not MBLL is looking for a new vendor for delivery.

**Mr. Atwal:** Just like any corporation out there, you know, we have agreements in place. Some agreements will expire; some agreements require renewal. When we have an opportunity to improve services, we'll try to go out and RFP and look for that.

I would also like to note that when we first started to move towards increased home delivery, it was prior to the pandemic. We already had home delivery before, but we were trying to focus on it a bit more. But the pandemic made us rush to implement something as soon as possible, which is what we did—try to make sure that it was working and work for everybody, and now we're at a time where we can take a better look and make sure that we've got the right provider and make sure we're getting best value for the services.

So that is what the RFP is for.

**Mr. Sala:** Thank you very much for that information.

The annual report explains that MBLL was operating under the assumption that due to COVID-19, quote, permanent closures and bankruptcies are likely for certain of its commercial customers. As a result, an allowance of \$4.1 million was recorded in the 2019-20 year for expected credit losses and travel receivables due to the impacts of the pandemic. Close quote.

When a place closes or goes bankrupt, their liquor licence, I assume, expires, and so wondering if there's any indication about how many places closed as a result of the pandemic.

**Mr. Atwal:** It is difficult to get accurate answer for that particular question because, due to the pandemic, many locations may have stopped buying alcohol but not necessarily shut their business, or they may be temporarily closed and will reopen when they're allowed to.

The—so at this point, they would only be—we would only know, or I guess they would only be out of business once they cancel their licence and their licences with the LGCA.

**Mr. Sala:** So do we have any clarity on how many businesses access the interest-free payment options?

**Mr. Atwal:** Approximately 15 to 20 businesses took advantage of that interest-free deferred payment plan.

**Mr. Sala:** With the \$5 million in home delivery for 2020 and '21, and—how much is that up from the previous year?

\* (14:20)

**Mr. Atwal:** The \$5 million would be relatively approximately 12 months of time for 2020 to 2021, and prior to the pandemic our annual sales for home delivery were under \$500,000.

Prior to the pandemic, we were actually in the process of trying to increase and promote that particular line of business, and we were up about 20 per cent, 25 per cent, so we would've been in the \$600,000 range relative to that. And once the pandemic hit is when we saw the, essentially, a tenfold increase in total home delivery.

**Mr. Sala:** Going back to the question about the secure entrances, there was a reference to pilots. I'm hoping for some clarity on where those pilots were located.



**Mr. Atwal:** The pilot was at Tyndall Park. We also had a pilot at Ellice and Hargrave, and there was a pilot at Portage and Burnell.

**Mr. Sala:** Would now like to just shift to talk a bit about the internal review of MBLL that we understand is potentially taking place. The questions are, are there any internal reviews that are happening right now that are set to take place or that have already taken place?

**Mr. Atwal:** As—again, as any corporation, any business that operates, we have internal reviews or internal discussions and analyzing our business constantly, whether it's putting our business plans together, whether it's putting our strategic plans together, whether it's a monthly review of our dashboards and such, so it would need to be more specific. We're always doing internal reviews.

**Mr. Sala:** Are there any major reviews happening in any key lines of business at this point in time?

**Mr. Atwal:** Our largest review is we are going through our strategic business planning process, and it's an initiative that we had launched.

Again, world-class organizations, best-in-class organizations have a regular strategic planning process that goes on and looks at the entirety of the business, and they would look at current and typically X number of years forward, depending upon the industry you're in, some as low as two or three years, some as high as 20, if you're in the highly capital industry.

You know, we kind of look at ours as the four-year current plus three-year strategic plan. So that was our largest initiative that encompassed and took a fair bit of time for my executive team and also had a board involvement, and we were in the process of putting that final strategic plan together. But, again, like any good strategic plan, it's a living document—it would be a current plan—and it gets evaluated and reviewed quarterly and then updated on an annual basis.

**Mr. Sala:** Were external supports hired to support that process?

**Mr. Atwal:** Yes, we brought on board a facilitator for one day to help us with a strategic planning workshop with our executive management team.

**Mr. Sala:** I thank Mr. Atwal for that information.

Are there any other key internal reviews happening on major lines of business in cannabis, gaming, liquor sales that are currently in play or that are—that will soon be in play?

**Mr. Atwal:** The short answer is yes. We have regular analysis all the time in every one of our businesses. So our gaming businesses, and even when you break down our gaming businesses, what, you know, are we able to review our casinos or review the VLTs and our iGaming, et cetera. Same thing with our liquor business, whether it's our retail or distribution side, our cannabis business, if you look at that review and agreements that are being put in place and application process move forward.

So we are constantly reviewing every part of our business on a regular basis and using that information to help drive decisions and run the business effectively.

**Mr. Sala:** That's greatly appreciated. And so just so I'm clear, MBLL is currently in the process of creating a four-year strategy, but that work is being done and managed internally.

**Mr. Atwal:** Yes, internally with our executive management team and the board; I would call board internal, so, yes, it's being managed internally—our board of directors.

**Mr. Sala:** Thank you very much, Mr. Atwal.

We'll go to—on some questions here about gaming. Has MBLL established an internal gaming strategy that is guiding changes?

**Mr. Atwal:** As I mentioned a little bit earlier as well, yes, we will look at developing strategies for the changes that happen—the marketplace, new opportunities that come up, our consumer behaviours that are changing today as well.

As—you know, as an example, iGaming is interesting as an example because it's seen such a significant shift in consumer behaviour, consumer demand. And we were fortunate that we were already looking at that space to make further investments in improving that overall service to our customers and we were able to implement that faster as the pandemic hit for our customers that were still looking for an option for their gaming as we shut down casinos and VLTs. So we will continually do that.

As we mentioned earlier as well, stadium gaming is an evolution as well, and it's not just an evolution that we've made up or we created, it's been well documented, well researched and well implemented throughout jurisdictions that—in North America for a number of years. So we're taking the lessons learned from that, what the benefits are, what the impact would be. Also, customer feedback and what they're

looking for and we created that particular strategy on stadium gaming, as we move forward. We're—you know, we're tweaking parts of our electronic bingo in a similar way.

So the short answer is yes, we continually will get different parts for our business in gaming or any other part and will make adjustments that best suit what the return would be for Manitobans and also ensuring that we're meeting our customer requirements and customer demands, as well, in a socially—in a sort of responsible way.

**Mr. Sala:** How much does MBLL plan to expand electronic gaming?

**Mr. Atwal:** We have—maybe for clarity, when you say expand electronic gaming, I'd like to—could—just more clarity what the question is. Electronic gaming is a pretty broad statement.

**Mr. Sala:** Online gaming.

**Mr. Atwal:** We're not expanding online gaming. Online gaming—the platform at PlayNow.com is around for a number of years, and it's in partnership with BCLC that runs a platform, and we leverage off that particular platform.

We don't have plans to expand to different platforms or new platforms. Our current agreement is with BCLC on PlayNow.com will continue to be so. The agreement covers all the different types of gaming that is available, and that hasn't changed in—certainly since I've been part of the organization, that the gaming is—the number—the types of games—the types of ways to game, that really hasn't changed.

Some of the actual individual games or some of the rules within the games, those can obviously change and tweak, but it's still the same game at the end, even in that particular platform.

**Mr. Sala:** I thank Mr. Atwal for that.

We know that there's a private members' bill at the federal level that's come forward to legalize single sport betting. I'm just wondering if we can hear any comment about advance work in preparation for that.

**Mr. Atwal:** Again, like any world-class organization, we want to try to take a look and see what's out there, and we need to prepare for it. And if there's anything that comes up, we want to make sure we're ready to react one way or the other.

So with regard to that particular private members' bill, we have taken a look and see what would be needed to—if—should that—should rule change happen

and instead of a parlay you can do a single game bet because, really, it's just a rule change from a parlay to single, would we be able to accommodate that? And we have done work to determine that when that—should that bill pass, working with our partner, BCLC at PlayNow.com, we would be able to make the rule change.

**Mr. Sala:** Very good. Thank you very much.

Are there any other plans in the works to change the gaming experience at casinos?

**Mr. Atwal:** I apologize, can Mr. Sala repeat the question?

**Mr. Sala:** Gladly.

Are there any other plans in the works to change the gaming experience at casinos?

\* (14:30)

**Mr. Atwal:** The short answer is yes. We are making a number of changes within our casinos. We are re-adjusting and moving a number of different machines to ensure that we've got physical distancing. In the future, it's our opinion—and we've been working with different jurisdictions on this as well—as consumers come back, there's going to be a hesitancy, particularly with some of the clients 'om' our market segments that we've got. They'll still want to have some level with distancing.

They'll still—we've been doing this for a long time under the pandemic and trying to go back to where we were, I don't think that'll be where our customers want to be in the short term. So we've moved a number of pieces of equipment around. We'll be spacing tables in different ways.

In reality, I'm—it is unlikely that table gaming will open up when the casinos open up. Not sure the consumer demand will be there for it, I'm not sure Public Health will be ready for it at that point, so we'll need to make adjustments there as we need to—as we return to business and take a look at that particular model.

And if you take a look at our food and beverage services too, we want to make sure those are aligned and we're making adjustments to that to understand consumers might be—look at things a little different in the future than today.

So the short answer is yes, we're looking at making a number of different adjustments in our casinos.

**Mr. Sala:** Hoping for an update to the committee on what stage the gaming review is at.

**Mr. Wharton:** Appreciate the question from the member.

And as the member knows, in the Throne Speech of 2018 there was discussion about this particular topic and, certainly, full motivation to move forward with a review on gaming. And then the pandemic came along and has certainly thrown a wrench into those gears.

But, again, we know that we are committed to that review and we'll continue to move forward with that review.

**Mr. Sala:** It has been an extended period of time since we learned of this, and I guess the question is there's been 1.5 years to do it before the pandemic, so it's getting to be quite long.

So maybe I would ask the minister, have consultations of any kind begun in—on that review?

**Mr. Wharton:** Again, appreciate the comment from the member from St. James.

Per—the member will know this: per capita, Manitoba has the largest amount of VLTs any—in any other jurisdiction. So we certainly look at the overall picture of gaming in Manitoba and we recognize that we need to do a real deep dive to ensure that all areas of not only the size of our—I guess, for lack of a better term, our fleet of machines, but to ensure that, you know, social responsibility is also looked at.

It's a pretty deep dive when we get into the areas of gaming and certainly—and also ensuring that Manitobans are protected throughout the process as far as gaming. And we know social responsibility is a huge part of that.

So, again, we're—we are going to be moving forward. The pandemic has thrown a rather large year-and-a-half wrench into the gears. But, again, it is a mandate of ours to move that forward, and that's exactly what we're going to do.

**Mr. Sala:** When do we anticipate the review will be complete? *[interjection]*

**Mr. Chairperson:** Mr. Wharton.

**Mr. Wharton:** Mr. Chair, sorry about that. Stay tuned.

**Mr. Sala:** Okay. We will move on.

A memo was sent to all MBLL employees informing them that MBLL is planning to transition to a hybrid model. In the memo it states, quote, this approach will also enable us to reduce our corporate environmental footprint and real estate holdings by decreasing inter-office travel and the number of offices we need. End quote.

So is there a plan to get rid of other office space such as that at Empress, which MBLL owns, or not renewing the lease at Milt Stegall?

**Mr. Chairperson:** Could we have Mr. Sala rephrase the question so it's more in line with the matters under consideration, the annual report of the Manitoba Liquor & Lotteries for fiscal year ending March 31st, 2020?

**An Honourable Member:** I'll ask another question here.

**Mr. Chairperson:** Mr. Sala.

**Mr. Sala:** Is the plan to consolidate into one single office space? Is that the end goal?

**Mr. Atwal:** No, that is not the end goal to consolidate in one single office space. We have no plans to leave Empress or Milt Stegall.

As everybody is aware publicly, we have put our facility at Buffalo Place up for sale. It was a distribution centre, and now that we've moved the distribution centre to King Edward, we are putting that part up for sale. But it also has almost 200 employees in our office space. And by leveraging a hybrid work model and our spaces at Milt Stegall and Empress, and making the changes necessary at those particular locations, additionally leveraging some space in our casinos for our gaming team and the distribution centre for our liquor team, we no longer need the spaces at Buffalo Place.

So we can actually sell that property, which is up for sale right now. And we would be able to accommodate all of our employees at our other locations as part of this hybrid work model.

**Mr. Sala:** At committee last year, it was explained that Buffalo Place had the liquor operations group, including HR, finance and safety teams. Will all of those teams move to King Edward once folks are back to work on the hybrid model?

**Mr. Atwal:** As I just mentioned, the people that are at location will be moving to the different sites. As an example, there are some folks within Empress today that are supporting our gaming group. They will

actually move into our casino and be based out of that location.

Our—the entire liquor operations team that is based in Buffalo will move to the King Edward liquor distribution centre, so that entire business stays together.

HR and finance will move to Empress and Milt Stegall, and we will do some shifting within those two locations to ensure that groups stay together in their particular functions and have the appropriate resources to work effectively.

**Mr. Sala:** Thanks so much for that clarity, Mr. Atwal.

Wondering, did MBLL purchase the new King Edward building, and if not, how long is the lease?

**Mr. Chairperson:** Mr. Sala, just another quick reminder to please address your questions through the Chair.

**Mr. Atwal:** MBLL did not purchase King Edward. We have a 20-year lease on the King Edward distribution centre.

**Mr. Sala:** Thank you so much for that.

\* (14:40)

I'm going to move on now to talk a bit about cannabis. According to the '20-21–2020-21 third quarter report, cannabis revenue increased again from the 2019-20 year to \$9.9 million. This past fiscal year, more cannabis retail vendors opened up. So does MBLL anticipate cannabis revenue to climb and does MBLL expect a big jump with the new retail stores that have opened?

**Mr. Atwal:** The MBLL does expect some increase over periods of time and we actually budgeted and planned for a gradual increase throughout the fiscal as more stores apply for licences, as more stores hit additional neighbourhoods and have better coverage. We would expect to see increased total cannabis sales within the legal and approved network.

We do not expect to see, I would term, a big jump. We would expect to see gradual growth as stores are added on an incremental basis.

**Mr. Sala:** How many cannabis retail vendors are there now?

**Mr. Atwal:** At present, we have just over 80 in Manitoba.

**Mr. Chairperson:** Mr. Sala, you must be muted again.

**Mr. Sala:** The annual report explains that, quote: social responsibility initiatives related to the responsible use of cannabis will be included in future years, end quote.

Has any work on this commenced?

**Mr. Atwal:** We work closely with the LGCA in terms of social responsibility messaging and working to provide consumer education, consumer awareness on the products and the impact of the products and how to safely consume the products and have—responsibly how to use the particular products.

**Mr. Sala:** Looking for some insight into some of the social responsibility initiatives that have been in discussion and any clarity we can be provided on some of the possible directions on this front.

**Mr. Atwal:** Two points here.

One is our primary focus at this point has been consumer awareness. In particular, one of the initiatives that we have is consumer awareness related to the impact of alcohol and cannabis consumption when combined and how that can impact people in an unsafe way.

We continue to look at other initiatives that we can partake in that will help with us providing increased social responsibility on the cannabis side, similar to our approach in social responsibility in general. We don't want to just rush and do something for the sake of it. We want to make sure where the investment of social responsibility is made, it will make a difference to Manitobans and it will impact in a positive way, and we are looking at those particular opportunities on the cannabis side.

**Mr. Sala:** I thank Mr. Atwal for that.

Moving to another area of questioning, seeking to find out, was MBLL consulted with at all in regards to Bill 56?

**Mr. Chairperson:** Mr. Sala, just a reminder, you're not allowed to ask questions regarding specific bills.

**Mr. Sala:** Thank you, Mr. Chair.

Bill 56 has passed, so it seems like a reasonable subject area for conversation here.

Might I ask, what's the estimated impact to loss of revenue for First Nations as a result of the closure of VLTs and casinos in 2020-21?

**Mr. Wharton:** And again, I don't see how this line of questioning has anything to do with the fiscal '19-20. So, I'd ask the member to consider moving back to,

again, questions that surround the operating and revenue of '19-20.

**Mr. Sala:** I'd like to ask if any review has been undertaken or is ongoing regarding First Nations gaming.

**Mr. Wharton:** Certainly appreciate the question from the member and certainly update the committee that, again, these discussions are just starting up, and we're looking forward to continuing those discussions as we go forward through this process.

**Mr. Sala:** I'd like to move back to a broader question about the reopening of casinos. I'm just wondering if we could receive comment on whether MBLL has received any indication of when casinos will be—will open up in line with public health orders.

**Mr. Atwal:** At this point, we do not know. We continue to work closely with Public Health and get information from Public Health, but at this point we do not have any date from Public Health.

**Mr. Sala:** I thank Mr. Atwal for the response. I'd like to ask if we could take a five-minute recess.

**Mr. Chairperson:** Is it the will of the committee to take a five-minute recess? *[Agreed]*

We will take a five-minute recess.

*The committee recessed at 2:48 p.m.*

*The committee resumed at 2:54 p.m.*

**Mr. Chairperson:** Our five minutes is up. Could we get everybody to please turn your cameras back on.

We will resume with our questioning.

**Mr. Sala:** Appreciate support for taking that brief recess.

Just want to dive back a little bit deeper here into the question about casino reopening, given its importance and Mr. Atwal commented on that; appreciate that.

But just hoping we can dive a bit deeper into the plan. Of course, we don't know exactly where the pandemic will take us, but looking for some clarity as to what is some of the markers or plans in terms of certain milestones and how the corporation intends on ultimately preparing for the potential reopening of those casinos. Just a little bit more information around what we can expect on that front.

**Mr. Atwal:** In terms of milestones and markers, really, those are up to Public Health, not us, to determine and move forward on.

What we have been doing, in terms of preparation, is making sure that the casinos are—we've made the changes and adjustments to the casino that we planned, to which I indicated moving machines around. We had some necessary maintenance needed to get done. It was better to get it done when everything was closed, so that particular aspect was all completed.

We continue to review what the potential food and beverage might look like so we have—you know, we're preparing for we're allowed to do any, versus are we back to normal, and what would it look like in between in food and beverage. Casino capacity, too; we don't know what that would look like, so we're trying to make sure we have plans in place. Say, for casino capacity is 10 per cent or 20 per cent or 50; we doubt it would be 100, so we just try to plan for those and try to have contingencies in place for each one of those.

So I would say that what we're doing is just contingencies at this point until we know what it's going to look like. We're not able to act on those contingencies.

With regard to our employees that are on layoff, as I mentioned, we'd set up a password-protected website where we'll continue to provide updates and information to them, and as we get more information, we'll continue to update that and ensure that they're aware of what's going on.

**Mr. Sala:** Hoping for some clarity on how MBLL would prepare for a stage 3 opening or reopening at 10 per cent, 25 per cent, et cetera; a little more detail around that question.

**Mr. Atwal:** The level of detail that we worked down to is thousands of line items in terms of the different categories and different elements. If I move it up to a few levels for us to discuss at this point, what I would say is we have our teams looking at, let's assume 10 per cent is the number just for illustrative purpose at this point. If it's 10 per cent, then we would take a look and see, based on 10 per cent capacity, based on our previous data, on when customers come in weekdays versus evenings versus weekends, et cetera; when do we expect peaks and valleys in our business; what type of revenue would we expect; what type of expenses would we have in place for that particular revenue; do we have the proper safety procedures in

place; how many extra cleaning staff will we need for that particular level.

So—and that's just, literally, we open the casinos. Then we can talk a bit about the equipment in itself. But we have all of our games on; is there value to turn them all on or have some of them on? Would table games be open or not, and if they are open, would we only open one versus 10 in a particular—as I mentioned, there's a lot of detail that will go into it and there quite literally are thousands of line items.

But I would summarize it in the highest level to say that our casino team has developed multiple plans and contingencies, and whatever we developed, reality is something that'll be a little bit different than what we're planning for, and I'll make that adjustment as we know that information from Public Health and when we're able to open.

And it will start everything from when we contact employees, when their return dates will be. There'll be some training required for employees as they come back. We moved some things around so there'll be some in-house orientation that will need to be done. We'll need to notify the public. We'll need to notify the public if there's any changes. So I'm sure it can be appreciated that the question's quite broad, and maybe for the context, I'm wondering if that does answer the question.

**Mr. Sala:** It does provide some insight and I appreciate that.

Looking for some clarity on the impact on staffing levels at differing levels, so at 10 per cent reopening, at 25 per cent reopening, at 50 per cent reopening. What's—what is MBL's expectations in terms of the impact on staffing at those various sort of expected levels of reopening?

**Mr. Atwal:** Each one of those levels will have a slightly different model for what the staffing would look like. We would work with our different bargaining units and ensure that we follow the agreements that are in place as we recall staff. We would ensure that we're meeting the staff's requirements, the employees' requirements, and follow that particular process and it would also then depend upon consumer demand.

\* (15:00)

So, as an example, we could say 25 per cent is open, but if only 10 per cent of capacity is actually in demand, then we'd have to make adjustments based on that as well.

So, until we actually start running some of those adjustments we don't know in advance.

**Mr. Sala:** Thank you for that information.

And in terms of preparing for the reopening—and again lots of uncertainty, we don't exactly know where things are going to go here—I'm hoping for a deeper dive into the safety protocols and some of the changes around safety that we might expect, if we might learn a little bit about what Manitobans entering a casino might expect in terms of the change in their experience and what additional safety protocols we can expect will be put in place as we go forward.

**Mr. Atwal:** In terms of a guideline, Manitoba Public Health would be the absolute minimum that we would look at in terms of what regulations, rules and requirements they would have. Reality is, in most cases, we go beyond the minimum.

And as we look at reopening and safety, we would start with informing our customers of what that experience would be and what that would look like. So based through some different elements of social media and some animated—and some video that we would have done, we would show that when you—what to expect when you come to our casino. That would be on our website, then. So, when you arrive, here's what you would expect; here's the lineup that you would expect to come in, or the process you'd be allowed to come in.

The expectation on masks, what that would look like. Again, minimum public health guidelines. I expect that we will follow up on that, and the expectation of how we clean the equipment after somebody's used it. So when the casinos were open during the pandemic at different periods of time, we had cleaning staff on standby in various parts of casino. When somebody would leave a machine, they would go clean that particular machine and then make it available to the next customer, so it set those expectations as well.

There'll be expectations from customers on what to expect for food and beverage. And, again, minimum public health guidelines and, again, reality. We'll take a look and see what's safest for our customers, what we can have open, what we can't. We used to have self-serve coffee, as an example. Reality is, we probably won't be able to do that as we go forward in the short term, so we will take a look at those and make sure that's available to our customers.

The aspect of communicating with our customers is so important for us. Most of our customers, or a vast

majority of our customers, have a Casinos of Winnipeg player's card, so we have their contact information. We can send them emails; we can make sure that—we can ask them to follow us on social media to make sure that they're getting the latest and greatest information about what to expect when they do come to our casinos, what to prepare for, so we will leverage that.

As I mentioned, we would create some video tools. The last time that we opened during the pandemic—we were allowed to open, we created a short video, posted that on our website and on social media and that we had a combination of live and animation to explain what we're doing to keep everybody safe and what to expect as a customer as you come into our casinos as well. So those would be the bare minimum that we would look at and there's so much more to work through as well.

Internally, we work with our staff in terms of what the expectations are, customer facing, in terms of safety and cleanliness and those protocols, and also backroom, lunchroom, what they can expect, what they're able to do, what they're not able to do, wherever they can sit or not sit as well. All that will be based on public health guidelines and the feedback we would get from Public Health, at a bare minimum.

**Mr. Sala:** Is there any clarity on what types of services or what Manitobans could expect when the casinos first reopen? What can they expect will be on offer?

**Mr. Atwal:** It's difficult to predict what that would look like, but I would say a safe response would be that a percentage of our electronic games would be open, so our response would be a percentage of those that would be open. What that percentage is, I don't know. That will depend on Public Health, but a percentage of slots would be open.

We would likely have some level of food service. And, again, this is me anticipating, not saying that will be the case. We would likely see some level of food service.

It is unlikely, in my opinion as well, that we would see table gaming from day one. But table gaming, we do make that as part of our business going forward. We do plan for it in our strategy; we do plan for it in our casinos. It's part of our future there as well. But I would say it's unlikely that would be the case very early on in the reopening, but sometime later when, again Public Health would allow, then we

would start looking at opening up table games at that point as well.

So the objective would be for us to get to as close to where we were prior to the pandemic as we could with the proper safety protocols, procedures, public health requirements in place to make sure the customers have that type of experience.

**Mr. Sala:** With all the uncertainty ahead, how has MBLL modelled demand, likely demand? How has it approached that question in planning?

**Mr. Atwal:** We did have two reopenings during the pandemic, so we have a little bit of data there that shows what pent-up demand might look like and where that would—what we might be—expect to see. We look at some other jurisdictions as well and we try to determine what that might look like, both Canadian and US jurisdictions, too. So we will see which ones were closed, which ones closed by how much, capacity of the gaming in those different jurisdictions. While some jurisdictions want more capacity than others, so we take a look and see what the consumer expectations were there.

We try not to look at just a week or two; we want to try to see a few months of data because, again, the expectation would be we'd probably see an initial spike as things start to open and probably some normalizing as to what that normal demand might look like. So we would try to review data from that standpoint there as well.

**Mr. Sala:** Like to focus in on a bit of a different area here and talk a bit about contact tracing within the Liquor Mart system. Hoping for some broad commentary around some of the challenges that have been faced by MBLL in contact tracing within the Liquor Marts.

**Mr. Atwal:** I believe our challenges are the same as all retailers and actually all places that the public might be going to for finding service they receive.

When we actually look at our data, in most months or most situations, we actually have fewer incidents of an employee either being a close contact or having COVID than the general public in some of those areas. Our protocols are generally pretty good. When we take a look at all the incidents that have happened which have led to somebody needing—one of our employees needing to be self-isolated or going for a test, we also review—engage with the employee, do an interview with them.

If they're not sure whether they followed protocols or not, we can ask them if we can look at the videos and look at videos and see if they were interacting with people outside of protocols and stage protocols we put in place. That will help determine what the next steps would need to be.

We have worked closely with Public Health and actually had them take a look at our procedures and what we have in place. We were assured that we were further beyond most other organizations or all other organizations that they'd seen. So they felt very comfortable with the protocols and systems that we have put in place.

We've also ensured to make fast decisions. Early on in the process, we launched a COVID response team, and the COVID response team includes the executive that can make decisions immediately; and that team is on call 24 hours a day, seven days a week, and we have two or three different teams to make sure we get the right coverage. That'll include operational, our safety team, operations team, our executive team, our management team, so that if there's things we need to do immediately they've got the authority and decision making to do that and also the experience and expertise, as we've built that along the way, to make sure we make the right decisions and protect our employees and protect our customers as well.

**Mr. Sala:** How does MBLL trace and notify contacts internally?

**Mr. Atwal:** As I mentioned, once an employee has notified us that there was a reason for us to take action, a reason for us to call our COVID response team together, which could be a close contact; it could be that they weren't feeling well, you know, they should be screening out before they come in; they'll have screening questions. If for some reason they didn't, we notify that. If they tell us they have a positive COVID test or a family member did, once we—there needs to be a trigger for us to say, okay, something—we need to do something, and now we need to follow our protocols to do that.

\* (15:10)

Once an employee says, yes, I'm a close contact or I've been tested positive or I'm not feeling well and need to do something, so immediately, we would interview the employee and say, when was the last time you were in? What actions were you doing or what tasks were you doing? What areas were you in? Were you in the lunchroom? Were you in the distribution centre? Were you in the retail locations?

Did you wear your mask? Did you follow proper protocols?

If necessary, if they're not sure, we can ask them, can we review the video, because we do have video in our retail locations and parts of our DC, and then we can see if they've had interactions with other employees that may need to be contacted and notified—you were a close contact—and then, again, those employees then would contact Public Health and say, here is the situation; here's my—here's what gets checked off or not, and we would take public health advice on that as well.

Actual true contact tracing is done by Public Health. We're just doing the stuff specifically in our locations to ensure that our fellow employees and customers are safe.

**Mr. Sala:** Appreciate that response.

Wondering about what kind of exposure to COVID that MBLL saw internally. Do we—is there any data on that to speak to levels of exposure within the corporation?

**Mr. Atwal:** Our COVID response team collects data as it's actioned: everything from a phone call requesting information to when we need to close a store down and do extra cleaning or when we need to contact an employee because they may or may not have been a close contact. To respect the privacy of our employees, we would not publish that data or make that data public.

**Mr. Sala:** Appreciate that response.

Going to shift back to cannabis a bit here and just ask a few more questions in that area. We know that as we've seen cannabis, you know, increasing, we saw the, of course, the legalization of cannabis edibles, drinks. Hoping for some commentary around what's expected next in that market space.

What can Manitobans inexpect—expect as the next round of products, or what's coming in cannabis in Manitoba?

**Mr. Atwal:** That will be—depend upon the market, consumer demand, to request product development.

So, at this stage, the products that are available now or in Manitoba and as new products come to surface or come out, as new products meet the health requirements and the criteria that they need to be approved by Canada Health, then those will be evaluated.

And the retailers themselves actually make the decision; the private retailers, they decide what they



want to have on their shelves, what they don't. Final decision is on them and they choose off of the approved list that we would have.

**Mr. Sala:** Appreciate that information.

Another question is, you know, Manitobans, I think, at large, are interested or concerned about the question about whether or not they'll be able to grow any amount of cannabis at—in their own residences. Wondering about any commentary around exploring that question from the perspective of MBL.

Has there been any exploration of that as a possibility and any commentary that could be provided around that?

**Mr. Atwal:** That doesn't fall within our mandate and within our—with our business model, so, no.

**Mr. Sala:** And going back to the question about new products, we know that the—as you said, the market will sort of dictate where we end up going, but are there new or emerging products that are being looked at currently, to your knowledge, that Manitobans might expect is coming or that are being explored?

**Mr. Atwal:** There's continuously new products, variations of products, different types of products. That market is—while it's mature in some ways, it's actually relatively new from a legal perspective in Canada. Other jurisdictions have a lot of different products there as well.

So the answer is yes, there's likely things that are being looked at, but it will be up to the consumer and the retailers to determine what that would look like, again, as long as it meets Canada Health guidelines and is approved through there. *[interjection]*

**Mr. Chairperson:** Mr. Sala.

**Mr. Sala:** I'd like to pass the floor to my colleague, Mr. Kinew.

**Mr. Wab Kinew (Leader of the Official Opposition):** Oh, my feed lagged there for a second.

Thanks for the opportunity to speak, Mr. Chair, and good afternoon to everybody on the committee, and of course, thank you both to the president, CEO; and the board chair as well as to the minister and his staff.

I wanted to just back up and discuss a bit more about the impact of the pandemic on MBL. One of the things that has sort of been touched on a few times

is the real changes to, you know, people's consumption, maybe starting with the Liquor Marts. We saw big lineups at various stages during the pandemic.

I was just wondering if you could help quantify that for us and maybe if you could maybe provide a bit of a chronology along with narrating what was going on there, because I suspect that looking at the year that has been or the 16 months that has been doesn't tell the whole story because we may have seen some peaks and valleys in terms of people's demand at the Liquor Marts and, you know, the purchases people were making.

So I'm just wondering if, you know, at, you know, a fairly high level, but also providing us with enough insight for it to be meaningful, if you could just walk us through, starting with the Liquor Marts: how did the pandemic affect people's consumption patterns?

**Mr. Atwal:** When we take a look at the sales number, as I mentioned, it was up approximately 10 per cent year over year. And that doesn't necessarily mean Manitobans are drinking more. Part of that increase in sales was related to the premiumization, so—again, instead of somebody purchasing something for \$25, they're spending \$30. So the quantity purchased is the same, but the actual dollar revenue is a little bit higher because they're purchasing something a little bit more premium.

We do collect data, and working with our social responsibility and research teams, we've been collecting throughout the pandemic. It—the generalization of the data has—also shows that those customers who regularly consumed alcohol on a weekly basis prior to the pandemic and were likely already exceeding Canada's low-risk guidelines did, in fact, consume some more alcohol during the pandemic. This is a minority group within the total population that consume alcohol, and the group itself is large enough to potentially impact some of the other sales or some of the other measures that we have in our market.

It is—should be very much noted that the larger percentage of consumers appear to have developed a healthier relationship with alcohol in the course of the year, and there's—while there's been a small bump in the number of—on the amount of alcohol consumed, a lot of Manitobans have reported a decreased amount of alcohol they consumed throughout the pandemic.

Additionally, when you look at some of the seals and volumes that we've sold, the newer categories of alcohol tend to be lower alcohol products.

So whether it's refreshment beverages or even certain spirits that, instead of 40 per cent-ish, they're down to 20 per cent-ish, and we've seen an increase in those particular products as well. So, again, one unit would have less alcohol than the others, but the revenue dollars would be similar or higher in some cases.

Some of the drivers that we looked at when we did the analysis—we—early on—so, I would probably say the first month, month and a half of the pandemic was really about panic buying. We saw that in other products and services around the world.

So if you take that off the table and you start to look at what's the trend over a year, as I mentioned earlier, right now, we believe that the steady state is approximately 2 per cent higher than what it was last year, and part of that 2 per cent is premiumization; part of that 2 per cent is increased volume there as well.

\* (15:20)

There's a little bit of bulk purchasing, and they went on early on. Also, you know, some—you know, they might have the—a lot of consumers might have a same drinking habits, but it's a different venue. So with restaurants closed, bars closed, there—people who would be drinking more at home, but the quantity was very likely similar. Maybe it's a little bit more if they weren't driving. So some of our data did take a look at that.

But as I mentioned, the weekly drinkers that were likely already above the Canada health guidelines on alcohol, they did purchase a little bit more and likely consumed a bit more. Our data shows that it would work out to be approximately one extra drink per week for that particular subset.

**Mr. Kinew:** Thanks for that answer.

Just building on what you shared there—and I appreciate you, you know, teaching me some terms like premiumization and some terms of art like that. You know, I'd expect that MBLL is making some forecasts. Again, at this point, we don't know what a post-pandemic Manitoba is going to look out, but what are some of the ranges of scenarios?

Do we expect that that, you know, lean towards premiumization continues, or once people are able to spend money traveling again, do we expect that maybe, you know, their consumer preference will switch back towards maybe cheaper products? Again, restaurants reopening: do we see those consumption

patterns shift from a Liquor Mart to restaurants? Or are things going to unfold in maybe a unexpected or slightly surprising way?

So, just wondering if you can share with us, you know—and again, we're not going to hold you—because, again, we're all in uncharted territory—we're not going to hold you to a Nostradamus-type standard. But if you could just offer a range of scenarios in terms of, you know, what is your educated guess at this point in terms of, you know, the coming market trends for MBLL?

**Mr. Chairperson:** Just a reminder to Mr. Kinew to put his questions to the Chair.

**Mr. Atwal:** That was also the first time I've heard Nostradamus in a formal meeting I was in. So, kudos to that.

So what we're doing right now is we are using some data from other jurisdictions, but it's really difficult because there's really not a true apples to apples, and so you sort of get to some order of magnitude or some idea, and some of the jurisdictions we look at, they aren't further—much further along than we are at this point.

So when we do our forecast, what we assumed is that until we see people travelling a lot more, we think our net population will probably be a little bit higher than it typically is. And, again, that's just, you know, a percentage point or so.

So we think the ongoing forward here would be—we're planning for approximately, you know, 1 to 2 per cent more. Part of that, again, is based on price, a little bit. Part of that, again, might be a little bit more in volume, but we don't expect—or we're not planning for increased volumes from that perspective there.

But the word—again, we don't have enough data to definitively say. So I would—so that's kind of our expectation, but it can—we don't know until we get there.

**Mr. Kinew:** You know, I thank the CEO for that answer. I was just wondering whether there's any sort of, you know, commentary on the cannabis side in terms of both consumption and forecasts that the CEO might be able to offer if he does have anything there.

**Mr. Atwal:** What we will likely see is, as more retail locations get implemented, we'll start to probably see a little bit more total sales.

Now, what we've been learning is that some of these sales remain in the black market or the grey

market, anyway. So it's hard to say, is it an increase in cannabis consumption, or is it a shift from where we don't keep track of it to where we do actually keep track of it now as well? So we don't have any firm data on that, but there's definitely consumers that have shifted from black market, grey market, to the legal market.

**Mr. Kinew:** Interesting to raise that black and grey market shift, I guess, for lack of a better term there.

I did want to return to the earlier commentary about single-game betting in sports, whether that's online or in other venues. I was just wondering, does MBLL know the size of that market in Manitoba? Like, how many people are placing bets on, you know, the so-called offshore sites, or whether it's black market, grey market? What's the size of that market in Manitoba?

**Mr. Atwal:** It's impossible to get an exact number. You just don't have access to that data. When we take a look at some basic modelling, and if you look at other jurisdictions, and it's hard to say that if Ontario is X or if New Jersey is Y, Winnipeg's population, you'd say that's that the case. But just sort of indicative, the—that particular market is in the tens of millions in total wagering within Manitoba, but it'd be very difficult to try to pin that down much more than that.

**An Honourable Member:** Mr. Chair.

**Mr. Chairperson:** We had originally agreed to ask questions for two and a half hours or we have probably only a couple of questions that we could still have here today, so just a reminder for everyone.

So we'll be rising at two, three—3:32, so only time for a couple more questions.

**Mr. Kinew:** Okay, thanks for that, Mr. Chair.

And, so, yes, just wanted to go into that previous answer that was provided by the CEO there. So, again, you know, we're talking ballparks here.

Were that private member's bill at the federal level to pass—and it—I believe it does have support from enough parties to do so, if not all parties—I'm just curious, what's the forecast, what's the model in terms of how much you might be able to capture? Like, is it everyone will all of a sudden move over to the legalized venue? Do you lose some? Like, is—how does that all work out based on past experiences with introducing PlayNow, I guess is one example?

**Mr. Atwal:** The answer is we're not entirely sure how much would transition over. We do know it's—there's a market out there today, and they're spending, you know, tens of millions of dollars today wagering in that particular area.

How many will transition over, we don't know exactly. We don't even have a lot of data from the jurisdictions to say.

Now, that being said, we do know that our PlayNow.com platform is more popular today than it was a year ago, and that's driven by us trying to make sure people realize it's a safe and legal spot to place their wagers. It's—the money stays in Manitoba. We've got GameSense is part of that to protect consumers and customers that are using that particular platform.

So, at this point, we don't have something that I would be comfortable sharing it—you know, on a percentage it's very difficult for us to say, but we will definitely transition some over; I would say very unlikely it would be all.

**An Honourable Member:** Mr. Chairman, Blaine here.

**Mr. Chairperson:** Mr. Kinew actually holds the floor by Manitoba practice until he cedes it.

Mr. Kinew.

**Mr. Kinew:** Thanks for that, Mr. Chair, and always appreciate your instruction.

Just wanted to return, also, to some of the pandemic, I guess the regulatory and legislative framework in terms of how that interacts with MBLL. In the most recent public health orders that came out, one of the rules is that after a certain threshold, employers are supposed to report, you know, if they have an outbreak, to Manitoba Public Health.

I'm just wondering since those orders came out if MBLL has had to avail themselves of that reporting.

**Mr. Atwal:** We are following all Manitoba Health guidelines in terms of reporting and involvement from Public Health as well. So they are well aware of what our—with what our experience is right now.

**Mr. Kinew:** So has MBLL have had to report under—I believe it's 6.1 and 6.2 of the new public—or most recent public health orders?

\* (15:30)

**Mr. Atwal:** We've actually had Public Health involved prior to meeting those thresholds anyway. So we have not had an outbreak for Public Health, so we didn't have to report there.

We also do public notifications if it's in our stores, and, again, we don't have to, but we do. So we haven't met that threshold—that's probably best way—but we do continue to provide information to Public Health so they're aware.

**Mr. Chairperson:** So we are going to interrupt at this point, and I'll now put the question on the report. We

have reached our time of one and a half—or two and a half hours here.

Annual Report of Manitoba Liquor & Lotteries for the fiscal year ending March 31st, 2020—pass.

The hour being 3:30, rise. What is the will of the committee?

**Some Honourable Members:** Committee rise.

**Mr. Chairperson:** Committee rise.

*COMMITTEE ROSE AT: 3:31 p.m.*

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