



Third Session - Thirty-Fifth Legislature
of the
Legislative Assembly of Manitoba

STANDING COMMITTEE
on
ECONOMIC DEVELOPMENT

39-40 Elizabeth II

Chairperson
Mrs. Jack Reimer
Constituency of Niakwa



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MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Fifth Legislature

Members, Constituencies and Political Affiliation

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CARSTAIRS, Sharon	River Heights	Liberal
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LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON ECONOMIC DEVELOPMENT

Thursday, May 21, 1992

TIME – 10 a.m.

LOCATION – Winnipeg, Manitoba

CHAIRPERSON – Mr. Jack Reimer (Niakwa)

ATTENDANCE - 9 – QUORUM - 6

Members of the Committee present:

Hon. Mr. Enns, Mrs. Mitchelson

Mr. Dewar, Ms. Friesen, Messrs. Lamoureux,
Laurendeau, McAlpine, Reimer, Rose

APPEARING:

Bill Funk, General Manager, Manitoba
Lotteries Foundation

MATTERS UNDER DISCUSSION:

Annual Report of the Manitoba Lotteries
Foundation for the year ended March 31, 1991

* * *

Mr. Chairperson: Will the Committee on Economic Development please come to order. This committee will consider the Annual Report for the Manitoba Lotteries Foundation for the fiscal period ending March 31, 1991. For the committee's information, copies of the Annual Report for the Manitoba Lotteries Foundation are available at the front table.

The treatment of this annual report and the subject matter of the foundation is somewhat different from the usual committee consideration of annual reports. Given that there is no legislative requirement for the report to be passed and reported by this committee, when the committee has exhausted its consideration of this matter, the committee rises without passing the report.

I would invite the minister responsible to introduce officials present and to make an opening statement regarding the 1991 Annual Report for the Manitoba Lotteries Foundation.

Hon. Bonnie Mitchelson (Minister charged with the administration of The Manitoba Lotteries Foundation Act): Mr. Chairperson, good morning. Appearing before committee this morning on behalf of Manitoba Lotteries are Mr. Bill Funk, who is the General Manager, Manitoba Lotteries; and Mr.

Peter Hak, the Director of Finance and Administration.

(Mr. Marcel Laurendeau, Acting Chairperson, in the Chair)

Mr. Acting Chairperson, our focus today is on the operation and financial performance of Manitoba Lotteries. Based on the recommendations of a needs assessment study, the Lotteries distribution system was created on April 1, 1990. The creation of the Lotteries distribution system changed the way lottery revenue is administered, not the overall philosophy of how monies are spent.

As Manitoba Lotteries does not administer the distribution of gaming revenues, any questions on how lottery funds are channelled should be asked during the Estimates process.

Manitoba Lotteries is the Crown agency responsible for gaming in this province and has the responsibility of offering a socially acceptable mix of gaming products to Manitobans while maintaining a high level of business integrity within the community. A controlled and organized approach to gaming activities has been and will continue to be the standard for Manitoba Lotteries.

The goal of Manitoba Lotteries is to maximize long-term economic returns to the province. To this end, the agency continues to be successful in supporting worthwhile initiatives that benefit and enrich the lives of all Manitobans.

* (1005)

Manitoba Lotteries plays a pivotal role in developing and shaping the gaming industry. It does so by interpreting the role the government expects gaming to play within the social fabric of Manitoba.

The government believes that gaming revenues can be positively used to strengthen the community in which we live. As a result, Manitoba's gaming revenue is used to fund a wide range of nonprofit community organizations and projects in the areas of health, community service, conservation, multiculturalism, heritage, recreation, the arts and amateur sports.

The gaming industry in Manitoba is indeed a progressive one. Manitoba Lotteries continues to fulfill their mission by recognizing and dealing with the major issues facing the gaming industry in Manitoba. The agency responds to the needs of the marketplace and has done an exceptional job in meeting and satisfying the demands placed upon it.

Manitoba Lotteries manages and operates a year-round casino, a VLT network, two bingo halls in Winnipeg, and licenses raffles, Calcutta auctions, midways, wheels of fortune, Monte Carlo casinos and the sale of breakopen tickets. It also distributes breakopen tickets, lottery products and bingo paper throughout the province.

I am also very pleased to announce that the introduction of the video lottery terminals in rural Manitoba has been met with overwhelming acceptance and enthusiasm. The VLT program is expected to generate \$5.3 million in revenue in 1992-93, and preliminary reports show that we may exceed that figure.

The income generated from the VLTs will be invested in the Rural Economic Development Initiative program. The REDI program will fund a variety of initiatives to encourage economic growth and development in rural Manitoba.

Gaming in Manitoba, having generated over \$500 million in net revenue since 1984, is healthy and prosperous. In the first nine months of 1991-92, the net profit for Manitoba Lotteries was \$49,320,000, an increase of 8.3 percent over the same period last year.

The Crystal Casino continues to be a positive attraction for the city of Winnipeg. It has set the standard of excellence in quality and customer service for all casinos in Canada. Over 320,000 patrons attended the casino during the first nine months. The increased revenue, \$10,453,000, as at December of 1991, compared to \$5,939,000 at December 1990, is attributed to a number of factors, including the increase in the number of slot machines from 175 to 216 and the introduction of two new table games in September 1991, Super Pan Nine and Pai Gow Poker.

We have already exceeded our net revenue expectations of \$10 million for the Crystal Casino in the 1991-92 fiscal year. During Grey Cup week the casino extended its hours of operation resulting in peak attendance.

The growing popularity of the Crystal Casino since its opening in 1989 has been of great benefit

to our province economically. I am pleased to say that the Crystal Casino will welcome its one millionth customer this summer. Proceeds generated from the casino support health care projects through Manitoba's Health Services Development Fund.

Bingo and breakopen tickets also continue to be very popular. Net revenue has increased 12 percent in the first nine months over the same period last year; \$4,184,000 as at December 1991 compared to \$3,730,000 at December 1990. Breakopen products now available at 24 lottery retail outlets account for most of this increase.

Manitoba Lotteries bingo halls net revenue also increased by 5 percent. Manitoba Lotteries is a forerunner in Canadian gaming by developing market specific theme tickets with a unique ticket design, such as Grey Cup, Vive le Voyageur, Folklorama and Fun 'n Fitness.

New concepts for breakopen tickets include environmentally friendly ticket designs, double-sided breakopen games, die-cut tickets and special event themes. All of these initiatives help satisfy the demand for increased and diversified gaming activities in the province.

Lottery ticket products comprise the major portion of gaming profits, with revenue at \$32,666,000 for the first nine months of 1991.

* (1010)

Manitoba Lotteries is the sole distributor of lottery products in Manitoba, is responsible for the development and maintenance of an effective retailer network for the sale of lottery tickets and works co-operatively with the Western Canada Lottery Corporation in the marketing of lottery tickets. The cornerstone of this effective network continues to be providing excellent customer service and training by Manitoba Lotteries professionals.

The establishment of native gaming commissions in Manitoba is an important step to ensuring that all gaming in Manitoba is protected through uniform terms, conditions and accountability. To date, five native gaming commissions have been established, representing 15 Indian bands: The Pas Native Gaming Commission; the West Region Economic Development Corporation, representing nine Indian bands; the Norway House Native Gaming Commission; Roseau River-Anishinabe First Nation and Mathias Colomb Band Native Gaming Commissions.

Through a co-operative effort with Manitoba Lotteries, the Department of Native and Northern Affairs and the Justice department, negotiations with other Indian bands continue.

Revenues from gaming activities in Manitoba have been designed to improve the quality of life for all citizens who live in Manitoba. One of the key objectives at Manitoba Lotteries is to ensure that regulatory efforts are efficient and effective. They must be timely, responsive and adaptable to change. Community organizations must be able to easily seek assistance and guidance in accessing funds through gaming revenue. The Lotteries distribution system continues to meet those needs by being a flexible, accountable and accessible mechanism for the disbursement of funds.

The Lotteries distribution system co-ordinates the distribution of funds in co-operation with government departments, funding umbrellas and community support programs.

Requests from nonprofit organizations are growing. The province's ongoing commitment to art, sport, multicultural, conservation, heritage, community service and health care programs continues to enrich the lives of all Manitobans.

Manitoba Lotteries exists in a very complex and dynamic environment. Strategic planning has laid a solid foundation for future success. Manitoba Lotteries can certainly be proud of all its accomplishments.

I am confident that Manitoba Lotteries will continue to enrich the lives of all Manitobans. It has been a privilege for me to speak this morning in my opening comments about the benefits of lotteries to the province of Manitoba. Thank you.

The Acting Chairperson (Mr. Laurendeau): We thank the honorable minister for those opening statements. Does the honorable critic for the official opposition have an opening statement?

Mr. Gregory Dewar (Selkirk): No.

The Acting Chairperson (Mr. Laurendeau): Would the honorable critic for the second opposition party have an opening statement?

Mr. Kevin Lamoureux (Inkster): No.

The Acting Chairperson (Mr. Laurendeau): Then we will carry on with questions.

Mr. Dewar: Mr. Acting Chairperson, I was wondering if the minister could tell us which games

are sliding from last year, which games have been showing a decrease in revenues?

Mrs. Mitchelson: If I might have Bill Funk, who is the General Manager, answer this question.

Mr. Bill Funk (General Manager, Manitoba Lotteries Foundation): I think if we move to page 1(a), it is right after page 12 in the financial section, you can see the lottery sales and the percentage changes which indicate which games are doing well and which games are sliding.

Overall, we are looking at a very static situation for traditional lottery games.

Mr. Dewar: Can you explain why some of these games are sliding?

* (1015)

Mr. Funk: I think it is a question of going up through the normal product life cycle. When a new game is introduced, there is a novelty factor to it. It ranges up through the mature plateau cycle and then after a few years it is on its downward slope and you come up with a new game to complement the declining product.

Mr. Dewar: I would like to ask some questions about video lottery terminals. I was wondering how many machines are currently in use in the province.

Mr. Funk: 1,251.

Mr. Dewar: Where are they currently in use?

Mr. Funk: In approximately 230 locations.

Mr. Dewar: But where in the province?

Mr. Funk: In all rural sections of the province.

Mr. Dewar: What is the criteria that is used to determine the placement of a video lottery terminal?

Mr. Funk: They are restricted to liquor-licensed establishments in hotel beverage rooms and in rural, licensed, freestanding lounges with 50 seats or more.

Mr. Dewar: I was wondering what the percentage of the payout is to winners at the terminals?

(Mr. Chairperson in the Chair)

Mr. Funk: Mr. Chairperson, 92 to 95 percent, depending on the game.

Mr. Dewar: What would be the percentage of revenue to the hotel owner and then back to the province as well?

Mr. Funk: The percentage to the hotel owner is 20 percent and, of course, the difference then after expenses is what accrues to the province.

Mr. Dewar: You are saying 90 percent of all the money goes to the winners, and then out of the remaining 10 percent, 20 percent goes to the hotel owner. What is the provincial share of that so far, do you know?

Mr. Funk: Well, we are right on track with the \$5.3 million which was estimated and, in fact, if we continue on this particular trend, we will exceed that.

Mr. Dewar: Can you tell me how that provincial share will be distributed?

Mr. Funk: We are not really part and parcel of the distribution network. We simply send a monthly cheque to the government.

Mrs. Mitchelson: If I might just indicate what does happen, the Lotteries Foundation is responsible for generating the revenue and ensuring that there is licensing, integrity and security, but the ultimate decision on where the monies will go is determined by government.

It has been announced that the money will go back into rural economic development through the REDI program that has been established. It will be administered through the Department of Rural Development under the responsibility of the minister.

Mr. Dewar: Has there been a report of a machine that I think was malfunctioning in Lockport, where the winner of the game reported he was receiving only 70 to 80 percent? Is that right?

Mr. Funk: No, that is incorrect. I think what you are referring to was a statement by one of the retail establishments, one of the locations that took the readings off the metre. When we talk about the return to the players, a lot of players of course will not stop playing, they will play and, in fact, if you start with a dollar, you could walk away with only 80 percent of what you started with. I think that is what was being referred to.

Mr. Dewar: I think it was in a newspaper article where they said the machine was malfunctioning. Have there been any reports of machines that have malfunctioned in the province.

Mr. Funk: Yes. Machines, of course, with this level of play will malfunction simply because they are machines. That was related to a static discharge. We have redundant metres within the machine, so if a machine does malfunction we can always tell the bet that was placed, how much

money the individual had put into the machine and what the machine in fact owed to the individual.

Mr. Dewar: What has been your response to ensure that these machines do not malfunction?

Mr. Funk: I guess as far as technology is available, the machines that we have are the latest in technology. They have the highest amount of electrostatic discharge protection and what they call electronic or ESD hardening built into them.

It is a fact of life that every machine has a possibility over a million random occurrences of being affected by a static spike somewhere. What you then have to do is have systems in place that provide some redundancy so that when a machine does malfunction, because it is a machine, you can go back and find out what the starting position was and where the player's position was.

Mr. Dewar: If a machine malfunctions, who has to accept the loss?

Mr. Funk: There is no loss associated with a malfunctioning machine. It simply stops at that particular point in time and then we can go back to the credit metres to find out how much the player had put in. That can be then returned to the player and he or she can move on to another machine.

* (1020)

Mr. Dewar: I would like the minister to comment on this quote that was in an article in the Winnipeg Sun, where a board member of the Manitoba Hotel Association was quoted as saying VLTs will be placed in Winnipeg after a two-year trial basis in rural Manitoba. Would you mind commenting on that?

Mrs. Mitchelson: We at this point in time have announced video lottery terminals in rural Manitoba to go to rural economic development. There has been no communication, there has been no indication to the Hotel Association—I think that the Hotel Association has found that they have been very beneficial and have saved a lot of rural Manitoba hotels, but we have not communicated with them or indicated to them in any way that it was a trial period and there would be any length of time before VLTs would move into the city of Winnipeg.

Mr. Dewar: Well, then, are there plans to move VLTs into Winnipeg?

Mrs. Mitchelson: I think that down the road we will certainly be contemplating that, looking at the success of what has happened in rural Manitoba

and seeing whether in fact it is feasible to move into Winnipeg.

Mr. Dewar: I guess it is very obvious then that revenues would increase. Do you have any idea what those revenues would be if they were to enlarge the program into Winnipeg?

Mr. Funk: Mr. Chairperson, if I could address that, we simply have not run those calculations because, at this point, we do not have any plans formulated to move into the city. On a machine basis, they would be very similar to what is currently being experienced in the rural area.

Mr. Dewar: It would definitely be an incentive then for the foundation to consider moving these machines into the city.

Mrs. Mitchelson: Mr. Chairperson, I think that I would anticipate that there will be in—I know there already has been a very strong lobby from the Hotel Association to move into the city of Winnipeg, but that kind of decision has not been made as yet.

Mr. Dewar: Where is the location of the video lottery head office?

Mrs. Mitchelson: In Morris, Manitoba.

Mr. Dewar: Can the minister explain to us why that particular location was picked?

Mrs. Mitchelson: Given that video lottery terminals were a rural Manitoba initiative, it was determined that probably the head office for the running of video lottery terminals should be in rural Manitoba somewhere. It was a decentralization initiative just as our government has moved towards decentralization of government services throughout the province.

I believe, and Mr. Funk could probably elaborate a little bit more, but there were several sites looked at throughout rural Manitoba. We were looking at a place that could be fairly easily set up, and I could ask him for the detail on the reason the Lotteries Foundation chose Morris, Manitoba.

Mr. Funk: Mr. Chairperson, we certainly looked at a number of sites and, as the minister indicated, it was certainly going to be a rural distribution of machines. Morris was quite centrally located for that because the bulk of the machines are in southern Manitoba. It provides quick commute distance from our central office on Empress to this decentralized site. It certainly had all the communications infrastructure which we required. It was simply a business decision.

Mr. Dewar: Who made that final business decision?

Mrs. Mitchelson: Mr. Chairperson, if I might, what happened was, government sets policy direction. We determined and communicated to the Lotteries Foundation that we would like to see the head office in rural Manitoba.

They looked at several different options in different communities, and it was their determination that Morris, I think for the reasons that Mr. Funk has already indicated, a location fairly close to the city of Winnipeg, and it did have the communication infrastructure.

I do not know if any of you have visited any of the site locations that have video lottery terminals in them. The central hook-up that monitors the security and the integrity of the machines requires a fairly sophisticated telecommunication system. Morris had the infrastructure in place and it was determined, based on a good business decision by the Lotteries Foundation, that that should be the location and that was what was recommended to government.

Mr. Dewar: What other locations then were looked at before Morris was decided upon as the site?

Mrs. Mitchelson: Mr. Chairperson, I am told that they looked at every fairly major centre with a communications infrastructure throughout the province.

* (1025)

Mr. Dewar: Will there be a present building that you are renovating, or is it a new structure that you are constructing?

Mr. Funk: It is a new structure.

Mr. Dewar: Can you explain the cost of the construction?

Mr. Funk: Approximately \$900,000.

Mr. Dewar: Who won that contract?

Mr. Funk: Mr. Chairperson, that was Baretta Construction.

Mr. Dewar: And that firm is from?

Mr. Funk: I believe it is a Winnipeg-based firm.

Mr. Dewar: When the building is constructed, how many employees are anticipated that will be working out of this office?

Mr. Funk: Approximately 20 to 22.

Mr. Dewar: Can the minister explain to us, I think they are called gray machines or illegal gaming devices? Are there any of these currently in use in Manitoba?

Mr. Funk: Mr. Chairperson, there are probably a small number. Where they come to the attention of either Manitoba Lotteries or the RCMP, they are dealt with, because they are illegal in this province as they are in every other province.

Mr. Dewar: How did they find their way into Manitoba?

Mr. Funk: Individuals who are engaged in that type of activity can find a way, whether they put them in the back of their trunk and ship them cross-border. Another avenue is to bring them from the U.S. and then alter the machines once they pass customs.

Mr. Dewar: So they are similar to a video lottery terminal?

Mr. Funk: They are similar with a few differences. They have things called knock-off switches, so that if you play a gray machine, you are certainly not guaranteed of the integrity of the game. They can be altered and the credits can disappear with using something like a remote control television device.

Mr. Dewar: I was wondering, we talked a bit about the casino here. Why is there an increase in revenues at the casino, such an increase, in your opinion?

Mr. Funk: Well, I think that there has been a lot of publicity about casinos. Certainly the publicity with the casinos that have been established in Minnesota, South Dakota, Ontario, Quebec and other jurisdictions moving into casinos has aroused an interest in casinos. The primary increase at the Crystal Casino has been the fact that we did not have a work stoppage in the last year, which accounted for an additional 10 weeks of revenue, and the addition of slot machines from 175 to 216 machines.

Mr. Dewar: I think I heard in the media somewhere where it was reported that these huge megacasinos are being planned for just across the border. Can the minister comment on that?

Mrs. Mitchelson: Well, Mr. Chairperson, it certainly was not my decision for jurisdictions outside the province of Manitoba to set up casinos, but it is becoming a very big industry just south of the border to us.

We do know also that Ontario is contemplating putting up six casinos probably along the border in Ontario. Quebec is also presently looking at establishing casinos. I am not sure quite how many, but we do know that there are people, many people from Manitoba, that do travel by bus across the border to gamble.

It has become quite a tourist business for the southern states. I suppose those are the only comments that I can make, that there are people that choose to gamble or find gaming a form of entertainment and are willing to travel by bus for several hours to participate in those kinds of activities.

Mr. Dewar: Do you have any idea what the impacts would be upon our gaming in this province if that was to occur?

* (1030)

Mrs. Mitchelson: Mr. Chairperson, I do not think at this point in time that we have lost any revenues. Revenues are not going down at our casino. It is full, I suppose, to capacity, many times standing room only.

We are generating over what we anticipated or expected in revenues from the casino. What impact it might have remains to be seen, I suppose. That is something that we will have to monitor. The one that has been most recently announced, a casino I think with some 1,000 slot machines in Mandan, North Dakota, will probably be on stream within a year to a year and a half. That is our understanding anyway.

Mr. Dewar: Of course, it is well known that the Hotel Fort Garry is having some serious financial problems. These problems, do they jeopardize the operations of the casino at all?

Mrs. Mitchelson: Mr. Chairperson, I think that maybe Bill could comment a little more, but I do know that we lease the space from the Hotel Fort Garry and we do have a lease in place. We are pretty well independently self-sufficient, so all indications are that the casino could function even though the hotel might be in some difficulty. I might ask Mr. Funk if he wants to expand on that.

Mr. Funk: Mr. Chairperson, I would just like to add that it always appeared from the discussions which took place with the Malenfant family that the Hotel Fort Garry itself was never in question. The idea was just wrapped up within the greater context of the financial difficulties of the so-called Malenfant

hotel empire. I think this was evidenced by how quickly the hotel was taken out of receivership and repurchased by a consortium composed of family members.

We certainly have indications that the hotel is on a healthy financial footing and that the casino has contributed to its success.

Mr. Dewar: Do you have a contingency plan if the hotel was to fail, operations there were to fail?

Mr. Funk: We always look at contingencies, but the situation is such that we do not believe that there would be any necessity to leave the Hotel Fort Garry and, as such, it would be something that would not be in the realm of possibility at this point.

Mr. Dewar: You are negotiating with your employees now. Do you want to comment on the status of those negotiations?

Mr. Funk: Mr. Chairperson, the negotiations are ongoing.

Mr. Dewar: How much money did the casino lose last year because of the strike, or the previous year?

Mr. Funk: Again it is very difficult to come up with that type of an estimate, simply from the viewpoint that when the casino was not in service so to speak, there was a built-up latent demand which we picked up afterwards. I do not believe we would be very prudent to come up with an estimate on that.

Mr. Dewar: I believe we had an estimate last year; it was quite high.

Are there any plans for the Lotteries Foundation to expand casinos outside of the city?

Mrs. Mitchelson: Mr. Chairperson, at this point in time, we do not have any definite plans for expansion of casinos.

Mr. Dewar: As I guess everyone is probably aware, we have all been canvassed by the owner of the M.S. Lord Selkirk II riverboat. I was wondering, are there plans to expand casinos onto that. What is the feeling of the minister on that?

Mrs. Mitchelson: Mr. Chairperson, yes, we have met with the owner-operator of the M.S. Lord Selkirk and have had several discussions with him. He believes, and I suppose you know his sense is that it could be quite a tourist attraction if in fact there was a casino on the M.S. Lord Selkirk. We have been in ongoing discussions. There has not been any decision though to move into expanded casinos at the present time in Manitoba.

Mr. Dewar: What would be some of the problems you feel that you would encounter if you were to allow the casino on the boat?

Mrs. Mitchelson: I guess I might ask the question first of all whether the official opposition would be promoting or supportive of expansion of casinos onto the riverboats in our province.

I might get Mr. Funk to deal with some of the specifics of those questions because I know that feasibility is—first of all, it is a government policy decision that we are not contemplating expanding casinos. There might be some technical reasons why it might work or might not work that we might be able to expand on but, ultimately, it is a policy decision by government.

Mr. Funk: Mr. Chairperson, if I could just again supplement the minister's statements on that. When you are looking at any drawbacks, one of the key things one has to look at is the market base and whether or not, given the capacity of the Crystal Casino and others, whether that is a prudent business decision. There are also security decisions. Of course with enough time and money, those things can be dealt with, but the key one is whether or not the market is receptive to that type of an initiative.

Mr. Dewar: You are expanding or you are constructing some new bingo halls. Where will they be located?

Mrs. Mitchelson: What we presently have in the city of Winnipeg is two major bingo halls. I do not know if you have visited or worked at either one of those bingo halls for any charitable organization that might receive bingo days, but they are in fact barns of sorts that are up. What we are doing is replacing those two bingo halls in pretty well the same location. One is on Nairn and one is on McPhillips. The one on Nairn, I think, will be a little further east and, on McPhillips, right across the street from the other one. We will be taking down the old ones and replacing them with new bingo halls.

Mr. Dewar: What would be the player capacity of these new halls?

Mr. Funk: We are just at the programming stage, but initial indications are that when it comes to the paper bingo situation, we probably will keep more or less the same capacity, which is about a thousand per each facility.

Mr. Dewar: What exactly would be the replacement cost for these new bingo halls?

Mr. Funk: Because we are just at the programming and design stage, we do not have a definitive budget at this point.

Mr. Dewar: I would like to ask about a bit of an issue that we have had to deal with here, some of the jobs that have been shipped out of province. I was wondering if there is any more demand for Manitoba jobs from Alberta recently.

Mrs. Mitchelson: Yes, that was an issue that has been resolved with Western Canada Lottery. They wanted some economic benefit because Alberta, through Western Canada Lottery, generates about two-thirds of the revenue for Western Canada Lottery. They felt that they should have some jobs and some economic benefit.

This was a problem, of course, that was ongoing before we came to government. We negotiated. Alberta had threatened to pull out of Western Canada Lottery and set up their own head office. It would have meant over 100 jobs lost to Manitoba.

We were able to negotiate something that allowed 50-some jobs to move to Alberta, but we still kept most of the head office here; the marketing division did go. There has been no further demand for transfer of jobs by Alberta.

Mr. Dewar: How many individuals did move to Stettler?

Mrs. Mitchelson: I cannot give you the definite numbers right here. I do know there were 52 jobs created. There were very few people who chose to move to Stettler from Manitoba.

Mr. Dewar: The individuals who did not move, did they find work elsewhere within the foundation?

Mrs. Mitchelson: Some found jobs elsewhere. Pollard Banknote did hire some of them. Some of them were absorbed into the Manitoba Lotteries Foundation.

I do not know whether we have a figure on the number of people who are not employed to date as a result of that move.

Mr. Dewar: This loss left, I think, vacant office space within the foundation. Is this space now being utilized.

*(1040)

Mr. Funk: Again, because the Western Canada Lottery Corporation is a triprovincial body that is somewhat autonomous, I understand that they are still looking to sublease that space.

Mr. Dewar: How many employees are there at the Manitoba Lotteries Foundation?

Mr. Funk: There are 342.

Mr. Dewar: How would this compare to previous years?

Mr. Funk: It would be approximately 26 new positions, a net of 26 additional positions. We added 28 positions as a result of the VLT initiative and reduced two positions as a result of a reorganization.

Mr. Dewar: Can you comment on that reorganization? I believe you hired a consulting firm to review your operations. Can you give us a breakdown of the status of that review?

Mr. Funk: Mr. Chairperson, the review was completed and we have implemented most of the organizational changes which were contemplated at that review.

Mr. Dewar: Does that mean any significant job loss because of the reorganization?

Mr. Funk: It was basically predicated on a number of technological changes which were driven by the Western Canada Lottery Corporation from the viewpoint of mechanizing the validation of tickets. The job losses, of course, were not significant because it was not a job reduction exercise. It was more to keep pace with the changing face of the industry.

Mr. Dewar: Is it true that the Western Canada Lottery Corporation was contacted by Revenue Canada on behalf of the Internal Revenue Service seeking information on ticket winners?

Mr. Funk: That is correct.

Mr. Dewar: Is that normal practice? Have they done this before?

Mr. Funk: Mr. Chairperson, I cannot answer for the Revenue department, whether that is normal practice. They certainly requested the information, and it has been taken under advisement because of the nature in which the question was asked.

Some provinces who are part of the Interprovincial Lottery Corporation will have some difficulty providing that information because players are not tracked by geography.

Mr. Dewar: What was the level of winnings that they are interested in?

Mr. Funk: I will have to refer back to my notes. We can answer that later.

Mr. Dewar: Is the minister considering introducing breakopen vending machines to the province?

Mr. Funk: We had a test that was ongoing and there are no plans at the moment to implement breakopen vending machines in the province of Manitoba.

Mr. Dewar: They are not currently in use in your bingo halls?

Mr. Funk: Mr. Chairperson, they are currently in use in the bingo halls, but they are not going to be introduced and there are no plans to introduce them at this time in the general population.

Mr. Dewar: Perhaps you have the answer there now.

Mr. Funk: They were asked to provide information on lottery ticket winners of over \$10,000.

Mr. Dewar: The minister was mentioning earlier Native Gaming Commissions. Which reserves currently have agreements with the Manitoba Lotteries Foundation?

Mrs. Mitchelson: There are agreements signed which cover five Native Gaming Commissions representing 15 Indian bands. There is The Pas, which was our first Native Gaming Commission; the West Region Economic Development Corporation, and that represents nine Indian bands in the west region; Norway House; Roseau River; and Mathias Colomb.

Mr. Dewar: Is the minister now negotiating with other bands who do not have agreements but are operating gaming on their reserves?

Mrs. Mitchelson: Mr. Chairperson, there are presently ongoing negotiations with 15 other bands.

Mr. Dewar: I want to speak a bit about compulsive gambling. Does this addiction raise any particular concerns with the minister?

Mrs. Mitchelson: I suppose, associated with any form of gambling, there is always the fear or the reality that there could be addiction. We presently are working with the Department of Health through the Mental Health division to, first of all, determine what the problem might be and how we might be able to work to attempt to combat the problem.

Mr. Dewar: Has the foundation considered setting funds aside from its revenues to look at the problem and maybe find some solutions?

Mrs. Mitchelson: I think that given that it is government that does regulate and is responsible

for gaming in the province of Manitoba, government will have to make that decision. What we need to do is find out, first of all, how large the problem is here in Manitoba, what the problem is, is it related or attributed to government gaming activities, and what in fact we need to do. There needs to be a fair amount of work done prior to a determination whether there should be money or how much money should be set aside.

I might indicate that \$10 million from the casino revenue goes into the Health Services Development Fund, and I suppose that might be an avenue or a vehicle for looking at any type of compulsive behaviour.

Mr. Dewar: Is money set aside then from that particular fund? Are there currently funds that are set aside to study this problem?

Mrs. Mitchelson: Mr. Chairperson, as I indicated, we are currently dealing with the Mental Health division of the Department of Health to determine what the problem might be here in Manitoba.

I guess compulsive gambling is not unlike any other compulsive behaviour, whether it is drinking—some people might say I have a compulsive shopping habit—or smoking, I suppose; all of those are addictions of some sort. I do know that there are services available, you know, mental health services through psychiatrists for attempting to deal with some of the compulsive behaviours that do presently exist.

I think we have to look at the overall picture. Is gambling any different sort of compulsive behaviour than alcohol or smoking or overeating? There are all kinds of different things that we need to look at in the context of whether we need to specifically look at gaming as different from any other form of compulsive behaviour.

Mr. Dewar: That is fine. Thank you.

Mr. Lamoureux: Mr. Chairperson, I have a number of questions that I want to ask on several different issue areas. I want to first start off with the VLTs and ask once again for Mr. Funk to go over the criteria for receiving a VLT.

Mr. Funk: The criteria are very simple. You have to be in a rural establishment, it has to be Manitoba Liquor Control Commission licensed, and it has to be in a hotel or in a freestanding lounge with 50 seats or more.

* (1050)

Mr. Lamoureux: So, if it does not meet any of those three criteria, there are exceptions that are made for any hotels?

Mr. Funk: Mr. Chairperson, to the best of my knowledge, there are no exceptions made from the criteria.

Mr. Lamoureux: There are a couple of things. One is specifically, and I will get into that one, and then I am going to go into in general as to why it is that we have the 50-seat requirement as a criterion. I understand that the Woodridge Inn had made application to have some VLTs put in, but they do not have the 50-seat requirement. I just want to verify in fact that they did apply or, if they did apply, if you can tell me that right offhand.

Mr. Funk: Mr. Chairperson, I do not have the list of those locations that may have requested that did not meet the criteria with me, so I simply cannot answer at this point, but it is conceivable that they may have.

Mr. Lamoureux: I am going to go by the assumption that the information I was given is in fact correct and they do not have the requirement, that is, the criteria that they do not meet. I would ask in terms of, I understand that there is a lounge in Piney that has a VLT. I was looking for some sort of confirmation on that.

Mr. Funk: Again, Mr. Chairperson, we would have to go to our list. There are 230-plus locations that have VLTs and I certainly do not have them all memorized, but one of the things you should be aware of is that we are currently reviewing the policy with respect to the 50-seat limit.

By way of clarification, when we first entered into this program where we looked at putting a minimum of two machines into each establishment that qualified, one of the things we were concerned about was the fact that there would be a certain return on investment on these machines to make it an economic and viable project. We were quite concerned that if we expanded the program to approximately 50 to 60 freestanding lounges with 50 seats or less, that there would be a fairly substantial investment with a fairly low return.

Mr. Lamoureux: Mr. Chairperson, this is quite important, this particular one. You mean to tell me that you cannot tell me, you do not have the papers here before the committee even though you are reporting to the committee on whether or not Piney has VLTs and what their capacity is. I was led to believe that their seating capacity is 33 and they

have a video terminal. I would like to be able to confirm if in fact that is true or if that is false. I would suggest that we should have that information at the table before us now.

Mr. Funk: I think that one of the things is that we have to have the specific legal name of the establishment before we can ascertain that. A lot of the establishments go by this type of lounge or that type of lounge. We need to know the legal name of the establishment, and we can certainly ascertain that, because we have a list of all establishments that have VLTs currently.

Mr. Lamoureux: I will respect that and try and get back the official name that has the VLT in it but, once again, the information that I was given is that they had 33 seats—they were given it under those circumstances—if they have 33 seats or anything below 50, again to confirm, that they would not be entitled to have a VLT.

Mr. Funk: Mr. Chairperson, if they are in a hotel lounge, they could have less than 50 seats. The restriction for 50 seats applies to freestanding lounges.

Mrs. Mitchelson: Yes, if I might just comment on that. Bill was correct in saying that we looked at hotels. This was a rural initiative, but it also was an initiative to deal with the problems that seem to be surrounding the rural Manitoba hotels which were closing up. They were going broke.

We looked at ensuring that, first of all, the hotels were serviced with VLTs and then freestanding lounges over 50 seats were also contemplated. We have received some letters from those who might have freestanding lounges under 50 seats who might be in a community where there is no hotel and have said that they would like us to look at providing VLTs.

We are presently looking at that policy to see whether in fact we need to change it in any way to try to deal with those communities that feel they should be able to have VLTs, but they do not have a hotel. They might have a lounge in place.

We are looking at that right now and will be making a decision. There have been some people who have written and expressed some very valid concerns. We need to look at that, but presently we have not changed that.

Mr. Funk: Mr. Chairperson, just going through the list, we do have two VLTs in an establishment called

the Piney Hotel, so that would not be inconsistent with either the criteria or with your statements.

Mr. Lamoureux: Okay, can Mr. Funk tell me what the seating capacity is at that particular facility?

Mr. Funk: I would suggest it would be relatively small because of the minimum number of VLTs in the establishment.

Mr. Lamoureux: Then I would suggest that Woodridge Inn, which from what I understand is very similar to it, if they were to apply, and I now assume that they have not applied because, had they applied, they should have been given the same treatment as this.

I had started off my preface, I had said that there were no exceptions to the under 50 seats. Then it was further expanded upon, well, with hotels and motels there are some exceptions to it or there is an exception in the sense as long as they have a freestanding area. I just want it to be made very clear for all the hotels, whatever their size might be, are they entitled to have VLTs?

Mrs. Mitchelson: Mr. Chairperson, yes, all hotels—and maybe your first question, we would have to check back in Hansard, was not extremely clear on whether you were talking about lounges or hotels. There is a criterion that was set up before the program was put in place. That criterion indicated that all hotels, no matter what the size or what the seating capacity was, if they were Liquor Control Commission licensed and they were age restricted that in fact all hotels would be able to receive VLTs. The number of VLTs is proportionate on the size of the lounge within the hotel.

When we looked at freestanding lounges that were not attached to a hotel with rooms, the criterion was established that those freestanding lounges had to have 50 seats.

That was the criteria that was set up. There will be hotels that have less than 50 seats, but it is freestanding lounges that are not associated with hotels. Those were the criteria that were put in place.

As I indicated, there are some freestanding lounges that have had some concerns, and we are presently looking at the policy to see whether it does need to be changed and others should be allowed to have VLTs based on special circumstances.

Mr. Lamoureux: Mr. Chairperson, I am going to leave it at that. I appreciate the clarification and, if there are any questions, I will be sure to pass them

forward to the minister if she wants to respond to them.

Mrs. Mitchelson: If there is a specific hotel that has indicated that they have been denied VLTs, and it appears that you might have some information in that respect, and I cannot recall what correspondence I have received, I know we have received correspondence from different parts of the province, different communities that have asked for reconsideration of our policy, we will certainly look into that and try to get an answer back.

Mr. Lamoureux: Another issue that I want to go on is a letter that was sent to both opposition leaders and Mr. Warren on CJOB. It makes some very strong allegations against Mr. Funk. I do not know if he has ever received a copy of the letter, and I will be sure to pass a copy of the letter on to the minister, but it raises a couple of very serious allegations that I think do need to be addressed. I am going to try and do this ever so delicately so that I can just once again get it clarified.

* (1100)

I understand that there were some jobs that were filled with MLF with respect to directors. I would ask Mr. Funk if in fact that is the case, that there were some hirings just last year.

Mrs. Mitchelson: Mr. Chairperson, I might ask that given the member is reading from that whether we might have a copy of that now, and I will get Mr. Funk to answer the questions. Is that possible?

Mr. Lamoureux: Okay, sure.

Mr. Funk: If I could address that, first of all, I do not think those allegations are serious at all simply from the viewpoint that on a contractual basis for some consulting services, yes, I did hire two people who had expertise in the areas in which we required.

The board had certainly interviewed and ratified them, but I would like to point out, though they had Via Rail experience as part of their history, prior to joining us, they had worked for one of the major banks for a period of time. That was one individual. The other individual had been self-employed and had a major contract with another firm. I would stress that we probably have more ex-Safeway workers working in our organization than we do have ex-Via Rail employees.

Mr. Lamoureux: Did you say they are contract terms, short term; are they permanent, what type of positions would they fill? What is the actual title of the positions?

Mr. Funk: Mr. Chairperson, the title was director, and it was simply from a viewpoint of pegging them organizationally within the structure of Manitoba Lotteries.

Mr. Lamoureux: How many directors does MLF have?

Mr. Funk: Mr. Chairperson, there are six directors.

Mr. Lamoureux: These two hirings that have been referred to, are these new positions? The letter alleges that in fact there are two new directors, directorships that were not there in the past.

Mr. Funk: Mr. Chairperson, that is correct. One position was put in charge of the video lottery terminal project; the other position was in charge of reorganizing the sales with the implementation of on-line validation and transfer distribution depots and associated functions from the Western Canada Lottery Corporation to that of Manitoba Lotteries.

Mr. Lamoureux: I am trying to come up with some sort of rationalization as to why these additional two directors were needed. We had a number of employees shifted over to Stettler. Yes, we have had the VLT opened up, which is very important no doubt in terms of having some sort of supervisor in at that level. I am wondering as to how it was determined that these additional two directors were needed—not the individuals, but the positions themselves.

Mr. Funk: Mr. Chairperson, the best way to describe that is that through the study that was undertaken of the organization and the rapid development of the gaming industry in Manitoba, it was simply a function of, the work outpaced our ability to handle it with the existing skill sets that we had internally.

Mr. Lamoureux: Mr. Chairperson, as the ethics critic for the Liberal Party, I often criticize the government when they do not go towards open competition, and I would ask if these directors were given open competition for these positions?

Mr. Funk: Because these are not employees of Manitoba Lotteries, there was no open competition. It was simply a matter of being aware of the skill sets and trying to purchase those skill sets at the best possible price.

Mr. Lamoureux: You know, that answer just does not make me feel too comfortable. Let us put it this way. Whenever you are giving out jobs, whatever they might be, whether it is in the public sector,

Crown corporations to some degree, we do not necessarily attempt to control the private sector for obvious reasons, but what is very important is a question of perception from within corporations to within governments in the way in which positions are filled. I know quite often when the government fills a position without opening it for competition that the manner in which they try to justify it does not settle or make those individuals who believe that what they have done is wrong feel any better.

I would ask Mr. Funk once again in terms of why there would not have been an open competition, given the creation of these two new director spots. These are long-term director spots; they are not going to be gone six months, seven months from now. He himself said that for the VLTs, it is anticipated that, if anything, there is going to be growth in that area, so the director itself is going to be staying around. Why would we not have seen an open competition?

Mr. Funk: Mr. Chairperson, I would like to clarify that these are not long-term positions. Both individuals were hired for specific projects, one in particular to lead the video lottery terminal project. I would like to add that the person who is the director in charge of the actual operations was an internal candidate who received the position through an open competition. The other individual is working on a discrete project, which is the on-line validation and the transfer of responsibilities from the Western Canada Lottery Corporation.

I would like to reiterate, all employment positions with Manitoba Lotteries are posted and done through competitions.

Mr. Lamoureux: I have circulated the letter and it actually makes reference to the fact that it should have been bulletined or opened for competition. I would ask, these two individuals, how long is their contract for?

Mr. Funk: Mr. Chairperson, their contract was for one year.

Mr. Lamoureux: Is the corporation looking at renewing the contracts?

Mr. Funk: If the corporation requires their services in the future, their contracts will be renewed. They may not be renewed in the configuration that they were presently. It depends on the needs of the corporation.

Mr. Lamoureux: What was the process in terms of selecting the two individuals themselves?

Mr. Funk: The process for these types of situations are as they would be in business. If there is a need and a requirement, one looks internally to see whether those skill sets exist. If they do not exist, then you purchase them elsewhere.

In my particular situation, I ensured that the board of directors was fully informed and had an ability to review the skill sets of the individuals and, in fact, ratify management's decision to proceed.

Mr. Lamoureux: I have been on boards myself in the past and usually what happens, whether it is an executive director, will come forward with the recommendation, and as long as it is not called into question or the executive director, for example, feels quite confident that this is the direction that we should go, that ratification goes quite well.

What I am more interested in is, in terms of the actual decision of these two individuals, who made the decision for that recommendation for ratification purposes?

Mr. Funk: Mr. Chairperson, if I could just clarify once again, I simply cannot comment on the boards on which the honorable member sits, but I can say that our board is very businesslike and they serve a very important second-track function on management's decision making.

* (1110)

If in fact management does their homework properly and has a well-sounded recommendation, I would expect it to be passed. If it does not, I would expect it not to be passed. It was simply management's recommendation and not altogether unusual from any other business.

Mr. Lamoureux: Was there a selection committee from the management group that chose the two individuals? Where did they come from? How did the names come forward?

The impression that has been given here in this particular letter that I have tabled is not a positive one. I want to know where these two names came from. There are many different individuals who have expertise, whether it is in banking, whether it is in Safeway, or wherever you might want to look. I want to know where and how these two individual names would have come forward.

Mr. Funk: Mr. Chairperson, I was quite knowledgeable, and I am knowledgeable with many of the professionals in this particular city. I knew that these individuals had the expertise that was

required, and I approached them to see whether or not they would consider doing a job for us.

I believe the success of the VLT project has certainly illustrated the wisdom of management's choice and the board's ratification of that choice. If you talk to the Hotel Association and the interest that we have received from other provinces in trying to duplicate Manitoba's system, I think that goes to validate the correct decision. I am not sure I can add anything further to that.

Mr. Lamoureux: I just wanted to, because I do not know if there is anything worthwhile in terms of pursuing that particular issue, but to express some disappointment in it. I would rather have seen something a bit more open than that, because I believe the allegation that is being made in that part of the letter is very hard to refute, given the circumstances surrounding it.

When I came to the committee and was going to ask the questions, I was hoping to hear more of a response that there was a committee which went out that had a number of different individuals. The impression that I have been given from the committee, from Mr. Funk is in fact that there were two individuals who were approached and recommended and now sit on the directorship even though it is on a one-year contract.

He knows as well as I do that that one-year contract can be very easily continued. No doubt if information of this nature gets down to individuals like myself and the Leaders of the two opposition parties, there is a feeling amongst no doubt some of the employees. I think that that does somewhat of a disservice for, Mr. Chairperson, the morale from within. Whether it was done intentionally or not, as I had pointed out earlier, it is a question of perception. The perception is in my opinion, given the remarks, not a positive one.

I know the minister wants to add to it before I go on to the next question.

Mrs. Mitchelson: Mr. Chairperson, it is unfortunate I was not here for all of the questioning and the comments. When we hired Mr. Funk as the General Manager of Manitoba Lotteries, there was an extensive search done and Mr. Funk came up as the most qualified person to do the job and to lead the Lotteries Foundation into some major change.

The Lotteries Foundation was set up in 1984 I believe by the former administration to deal with

licensing and the security and integrity in the gaming that government was involved in.

Mr. Chairperson, the foundation grew by leaps and bounds because in fact we all know what happened to Lotteries revenues. They exceeded all expectations, I think. As there were changes in different venues of gaming introduced into the province of Manitoba, there was just an add-on, ad-hoc to what the Lotteries Foundation had, and there were little departments and things added on.

When Mr. Funk came to the Manitoba Lotteries Foundation, he felt that there needed to be some major restructuring and some major changes to make it work efficiently and effectively as a business. I have every confidence that his assessment and his analysis was right and that in fact we needed a consulting group to come in and take a look at the organizational structure.

No one in their right mind—I do not know what experience the member for Inkster has had in business operations or managing business, but I think that one of the first and foremost things that a business needs to do is to look at its structure, see how well it is functioning. If it is not functioning well and there is duplication and there is overlap, things need to be changed so that you can maximize the efficiency and the effectiveness and the profit that is generated.

Mr. Chairperson, I have every confidence that the right decisions were made. As we went into new initiatives like introduction of the video lottery terminals, we hired a general manager that we thought could manage and make the decisions that were in the best interests of the corporation and the people of Manitoba and the government. In fact, he had people that he knew within the community that he felt could do the job.

I do not think anyone can argue that in fact the video lottery program that was introduced into rural Manitoba was not introduced in a very efficient and effective way. The people of Manitoba are the ones who are the benefactors of a new initiative that has been put in place. Obviously that tells me that the right people were in the right positions doing the right jobs and making the right decisions so that in fact we had a very smooth introduction of the video lottery terminals. Ultimately, the people of Manitoba will benefit from that initiative.

I take great exception to an anonymous letter that is not signed. When someone does not have the guts, if I can say, to put their name to a letter when

they are making accusations and allegations, I do not have much time. I know when people call me and will not give me their name but expect me to answer for something, I say to them, would in fact you provide me with your name? If they do not want to give me their name, I do not talk to that person, because I believe they have to respect. They know who they are talking to, and if they are not prepared to tell me who they are when they are coming up with allegations and accusations, I am afraid that I do not have any time for that kind of activity.

I find it absolutely appalling and slimy that the member for Inkster would bring forward a letter and make these accusations. He knows absolutely nothing about the people who were hired, and he has asked some questions of the general manager. He has every confidence that he has hired the right people.

If in fact the member for Inkster has something to indicate that these people are not competent, qualified business people who can do the job, I would like him to bring that information forward right now and provide for me any information that he might have that might indicate that these people are not competent and qualified to do the job. If he does not have anything, I really resent his coming to this committee today bringing forward anonymously a letter that makes some allegations.

There are all kinds of people out there today in this world who are dissatisfied with things that are going on within the workplace, but if they have legitimate concerns, I would believe that they should have the forthright common sense and decency to put their name to allegations that have been made, I believe, about very respectable, very competent and very qualified people in our community who have done nothing but a good job for the Lotteries Foundation and, ultimately, for the people of Manitoba through this process.

I reiterate again, if there is anything that the member for Inkster has that would indicate to this committee or to the people of Manitoba that in fact these people are not qualified to do the job, if he has any information that might verify that or justify that, I would like him to bring that forward or apologize for his conduct and his activity this morning.

Mr. Lamoureux: Mr. Chairperson, I find it absolutely amazing that the minister would take that sort of an approach. Let me expand on why I feel that.

Number one, I would ask the minister if in fact she condones not having a competition for these types of positions. I know that the minister's own track record has not been the greatest, but I want to address several of the points that the minister has brought up.

* (1120)

She makes reference to an anonymous letter. At the beginning of my remarks, I said that I received a letter through the Leader of my party and also the Leader of the New Democratic Party that was sent a copy of it. I then went ahead and started to ask some general questions in regard to the hiring of directors, at which time I was told that, yes, the directors were hired, yes, there were no competitions, and so forth. Those allegations that I made reference to that the minister was so happy to condemn are in fact being substantiated from the board itself, that yes, there was no competition, there was no bulletin.

Mr. Chairperson, I want to go on through this letter. I have a responsibility as the minister has a responsibility. The minister has a responsibility, and I would argue that she might not even be living up to that responsibility, but for her to make the allegations that she is making about myself as being irresponsible and should apologize—apologize for what?

Mrs. Mitchelson: I do want to indicate that these positions, first of all, are contract positions. They are not Civil Service positions as such. They are contracts. They have no Civil Service benefits.

In fact, I do condone what the general manager, who was hired by an extensive search and competition to run and to manage the Manitoba Lotteries Foundation in the best interests of the people of Manitoba, has done. I have said, and I mean we can argue on whether I condone or do not condone, I believe that people have been put in place to generate and to maximize the efficiency of the operation of the Manitoba Lotteries Foundation, which is not unusual in many circumstances, to ensure that the people of Manitoba are being well served.

I believe that the decisions that have been made by the general manager, approved by the board of the Manitoba Lotteries Foundation, are the right decisions, as I said, for the Lotteries Foundation and for the people of Manitoba.

I resent someone coming to this House with anonymous allegations that has no idea who these people are, what their qualifications are. If the member for Inkster has something to substantiate that they are not qualified to do the job, I want him to bring that information forward. He knows nothing about these people, nothing about the running of the Manitoba Lotteries Foundation.

In fact, he is condemning, and he does it time and time again, condemning people, decent people, in the province of Manitoba in many different areas with very unsubstantiated allegations. He has no knowledge of who they are. If he did have something to indicate that they were not competent, I am sure he would be only willing to bring that kind of information forward.

Today, in this committee, he has not indicated to me or to this committee that in fact we have people that are incompetent of doing the job. If he has that kind of information, I would like him to bring it forward or apologize to those people who he is so severely criticizing as contract people for the Manitoba Lotteries Foundation.

Mr. Lamoureux: Mr. Chairperson, that is a bunch of garbage. Not once have I ever commented on the qualifications of an individual. The minister better understand that what I am calling into question is the process. What I understand from the minister is, she is supporting the process. That should not surprise me, because I have seen the minister act when it comes to multiculturalism in her own department.

Mrs. Mitchelson: I have to come back again to say that these people are contract people. I believe it is the prerogative of the general manager of the Manitoba Lotteries Foundation to hire people who he believes can do a job for the Lotteries Foundation. They are not civil servants. They do not receive Civil Service benefits or pensions or anything. They are people that were hired to do a job on contract completely within the responsibility of the general manager of the Manitoba Lotteries Foundation. I will not apologize for that and I will not apologize for the process.

Mr. Lamoureux: I am going to move on and ask in terms of the number of trips that are made with respect for expansion or the creation of the casinos, the bingo halls and so forth, how many trips have been made and what is the policy of the corporation in terms of having these trips?

Mr. Funk: Mr. Chairperson, I do not have the exact numbers at hand. It would be less than five trips a year.

One of the things that I would like people here to understand though is that the locus of our industry is in Nevada. I can assure you that the most recent trip, which we took to London to look at the bingo halls, and we did it in three days and left on a Sunday, the private individuals, the architects and designers and engineers that we took with us, I think that they were relatively amazed at how strenuous a trip like this could be. They came back and said they needed two days off afterwards.

These are not junkets. These are done as necessity dictates, whether it is to negotiate a contract or whether it is to see what the competition is doing and to learn from that.

Mr. Lamoureux: I would ask if I could be given a copy of the trips in the last couple of years that have been made to various places.

Mr. Funk: Absolutely.

Mr. Lamoureux: To move on in terms of one of the concerns that had been brought up, is bingo halls, robberies and casino cheating, I would ask if it is a serious problem within the corporation?

Mr. Funk: Mr. Chairperson, no more serious than in society in general.

Mr. Lamoureux: Can Mr. Funk expand in terms of the casino. I know that this is an issue that has been brought up in the media previously and would ask him to expand upon it. To what severity, how severe is it? Does this average out to what other casinos have? Are we well above average? Is it a serious problem?

Mr. Funk: Mr. Chairperson, I guess the best thing I can do is quote Inspector Johns, who has been asked during the Ontario debate to quote on Manitoba as a model to emulate. We have probably had less than a dozen situations that would have warranted their involvement, and that is a dozen situations over almost a million customers. In fact, I think we have been very successful in ensuring that we have set our operations up in such a way that it dissuades the criminal element from trying to take advantage of us.

Mr. Lamoureux: I want to ask the minister, the member for Selkirk was talking about the possibility of having additional casinos in the province of Manitoba. The minister has said that the government is not planning on having any. Are they

giving any consideration whatsoever to expanding the number of casinos?

Mrs. Mitchelson: Mr. Chairperson, I guess there is always a major lobby. I think you have probably heard in the media, the mayor from Brandon has been advocating a casino in Brandon for the last several months, would like to see that happen. There seems to be a sense that casinos are springing up all around us. I suppose the debate will have to be, do we remain with our casino at the Fort Garry Hotel as the only casino in the province, or do we expand at some point in time?

As I indicated, we had not until this point in time contemplated expansion of casinos. The market may tell us that, given that Ontario is going to six casinos, I know the province of Quebec is looking at two at least casinos, all governments of all political stripes are looking at ways to generate revenue and I think also compete with the tourist business that casinos seem to attract. I know research that we have done indicates that at least half of the dollars that Manitobans spend on gaming or gambling go outside of our province presently, whether it be down to the States, you know just south of the border, or whether it be to Reno or Las Vegas, those kinds of activities.

I suppose the debate will have to be around, do we in Manitoba keep up and compete and try to keep the dollars that Manitobans spend on gaming here in our province, or are we satisfied to let the tourist trade from other jurisdictions continue to deplete the resources that might be available here for Manitoba to spend, money that Manitobans spend, and also maybe to attract tourists from other areas.

* (1130)

I suppose that debate will be ongoing. I do not think we can close our minds today and say, no, there will not be expansion. I think we have to look realistically at what is happening around us, where the trend is, and see whether in fact we want to be keeping Manitoba's gambling dollars right here in Manitoba or letting them continue to go elsewhere and maybe in greater amounts as gaming springs up elsewhere.

Mr. Lamoureux: Mr. Chairperson, I know in the past, whether it was the casino or the VLTs, whenever the government has decided to go ahead with this form of gambling if you will, they seem to tie it into something that everyone I believe in the province virtually would agree is an admirable thing.

For example, with the casino, it is health care. I know in my constituency, it is definitely the No. 1 issue. When it is the VLT machines, it is the economics of rural Manitoba, and again everyone wants to see rural Manitoba prosper.

An Honourable Member: Do you not?

Mr. Lamoureux: To the Deputy Premier, yes, I too want to see that, but I think that what happens is that we are missing out on another debate. We can debate those two issues at any point in time; in fact, we virtually do it every day when we sit, in some form or another, but one of the debates that we really have not had inside the Chamber is one of gambling.

I know the minister could just as easily ask myself or the member for Selkirk, well, what is the Liberal Party's or the NDP party's position on gambling, and it is a fair question to ask.

I would suggest to the minister and to the Deputy Premier that the answer might be forthwith if we actually had a debate on gambling, because then you somewhat put an obligation on all three political parties to go out, to consult with different interest groups and so forth to take a stand on gambling, and would ask the minister specifically, future announcements that might be coming down the pipe, if you will, can the minister give us some sort of an indication whether they will be tied to some sort of an issue that would sidestep the debate of gambling?

Mrs. Mitchelson: Mr. Chairperson, it has not been something that has been debated extensively. I suppose that this might be a forum or a venue for people to provide what their different policies might be.

I think our policy is clear as a government. We want to certainly maximize the benefits of lottery dollars to the people of Manitoba through, as I said, efficiency, effectiveness, security. We want to ensure that the profits that are maximized are returned to our Manitoba community to make good things happen. Lotteries do really make good things happen.

We have several different nonprofit and charitable, religious organizations that hold their own bingos on a regular basis. There were some 1,800 of those licences provided in the last year. All we do is provide the licence, but in fact those organizations that run those bingos have generated some \$22 million in revenue that is redistributed into very worthwhile community projects. That is over

and above what the Lotteries Foundation does in generating revenue for very worthwhile causes.

I think that we look at the kinds of things that are funded through Lotteries dollars, and we see that the money that is generated, besides the job creation at the Lotteries Foundation, that whatever goes into expenditure for job creation and maybe capital for new initiatives goes right back into the community in many different areas.

Health is one of the new areas; of course, rural economic development; conservation is one area as a result of the needs assessment. It was determined through market research and survey that people felt lotteries dollars should also go to conservation, so we have a conservation fund in place to provide money back to the communities for conservation initiatives.

I think it probably crosses all party lines. If government is to be involved in gaming, and we are in gaming, and I think we will continue to be, any stripe of or any political party that forms the government of Manitoba, as the NDP established the Lotteries Foundation and sort of took control of gaming activities, I do not think there will be any government of any political stripe that would change that. I think we have been able to prove that it is very secure, that there is a lot of integrity, there is a licensing procedure, and that the maximum amount of profits that are generated do go back into the community in many different areas for very worthwhile things.

There are people who say, well, why would you not put every lottery dollar into health care. When you look at a \$1.8-billion budget for health care in our province and you look at the generation through the Lotteries Foundation of maybe \$50 million, even if we took every dollar that was generated and put it into health care, it would not have a terribly major impact on our health care system. We would be depriving and denying sports, the arts, multiculturalism, heritage and conservation of small amounts of dollars that do really enhance the quality of life for many Manitobans.

A little bit of money sometimes goes a very long way in order to improve the quality of life that I think is second to none, here in Manitoba.

Our policy is to continue to maximize the profits which ultimately go back to the community for worthwhile projects. I believe that we do have to look seriously at being competitive with other provinces and other jurisdictions.

I do too have to commend the Manitoba Lotteries Foundation. Maybe it was something that was established under the former administration but, in fact, I think we have a foundation that has met the challenge and is somewhat a leader. As a matter of fact, other provinces are looking to Manitoba for advice, for consultation on how we operate here and what they can do.

The realities are that I suppose governments of all stripes are looking for ways to generate revenue and put money back into the community in whatever way they deem appropriate. I do say that we will continue to look at remaining the integral operation that we are, the Manitoba Lotteries Foundation.

We will continue to try to maximize the amount of money that goes out to the community through different vehicles and will continue to look at ways and means of generating the revenue that Manitobans want in the ways they would like to see lotteries developed to, as I say, make good things happen for Manitoba and Manitobans.

Mr. Lamoureux: Mr. Chairperson, because of what is happening in Ontario, I have had a number of phone calls from some of the Ontario media asking my opinion in terms of what is going on in Ontario. One of the concerns that I have expressed is the whole question of when the Ontario government makes the announcement of bringing them in, they will likely tie it into something else, whether it is health care, whatever the issue might be of the day that they feel they would be able to pass it through, if you will.

The unfortunate thing is that the public is not given the debate on the whole question of gambling as they rightfully deserve. One of the reporters commented something to the effect, well, the government is taking the easy way out and letting off the opposition parties from having to take a position on what could be an extremely controversial issue.

To some degree, I had to agree in terms of even as an opposition party, because the government is not forcing opposition parties to make a clear statement as to what positions are, and would recommend or at least suggest to the government, to the minister, because I believe, had the casino not been there, monies that would have gone from the casino into the health care for those special projects could and would have in all likelihood come through the Minister of Health (Mr. Orchard), maybe

not at the same time, but six months later or something of this nature.

* (1140)

It is flagged to health care. It is flagged to economic development in order to avoid what could be a potential debate, and I would suggest to the minister that if the government does decide to come up with additional casinos that it does allow for some sort of debate on the whole question of gambling, whether it is in the form of a government resolution, if they feel obligated still to tie it into things in order to try to justify it to the public.

I did want to close my remarks so that we can in fact have the committee rise and the corporation does not have to come by.

Earlier in the questions that I had asked specifically to Mr. Funk, I feel it is important that I make sure that what I have said is very clear, and it is fairly consistent in terms of what I have done in the past. I have never, nor will I ever, call into question the qualifications of individuals. I believe that the corporation is doing a wonderful job, all things considered.

What I have called into question today is something that you, myself, the minister and myself obviously are going to have to agree to disagree on. As the minister knows full well, we often agree to disagree on numerous issues, but I feel very strongly that it is important wherever possible that competitions do be held.

I know the minister has had competitions. I do not want to try and take any sort of credit for her having those competitions. I believe she felt that it was necessary to have the competitions. I would just encourage the corporation wherever possible that competitions or at least bulletins of some sort should be held so that in fact in the future you cannot get people like myself raising it as criticism.

Having said that, Mr. Chairperson, I would be prepared to pass the report.

Mrs. Mitchelson: Mr. Chairperson, I thank the member for Inkster for clarifying that he was not personally attacking. I guess then that sort of brings into the whole debate, and I will not get into it in great detail.

I do know that from time to time there are specific jobs that need to be done within corporations, within departments of government and there are people hired on a contract basis, not put into a Civil Service position without competition. That is completely

within the prerogative of either the Crown corporation, the Crown agency, or government departments. It has happened from the beginning of time. I think it has probably happened through all different political party stripes.

I guess there seems to be some difficulty with the member for Inkster sort of coming around that issue himself. I suppose maybe it is from lack of experience. I do not know sort of how much exposure he has had to the business world and managing and running the affairs of businesses or government, but I do know that it has been a practice of all different governments of all political stripes.

I would venture to guess that if ever the member for Inkster was a part of a government and sat around the cabinet table and ran a department, that from time to time he would find there are instances and times when a certain job would need to be done and he might want to hire a consultant for a period of time to get that job accomplished and that he would probably practice the same types of procedures that have been going on since the beginning of time and the beginning of government.

Ms. Jean Friesen (Wolseley): I had a couple of constituency issues that I have corresponded with the minister about, so I think both she and the staff are familiar. One of them in particular left me with some questions of policy in mind, and I wanted to follow those up.

This was a letter that I had from the minister January 14 with reference to an Everyday Foodstore in Wolseley on Westminster. You did investigate it. I am quoting from your letter. It says: I am advised that Everyday Foodstore falls far short of the lottery product sales level required to warrant the placement of a terminal. As well, there are six established lottery ticket centres in the area serving a mature lottery market with very little sales growth in 1991. The addition of another lottery terminal into that market would increase costs for the Lotteries Foundation and would dilute revenues for the existing retailers' network in the area.

I wondered if you could perhaps outline for me the policy behind that. What levels do you expect? How do you determine what a catchment area is? Is it a matter for the particular stores to prove increase in revenues, or are there actual finite levels that they have to reach? Do you have policy documents on this? This is actually the second case that I had in a year where people were inquiring

about this. Are there policy documents on this that I can refer them to?

Mr. Funk: Mr. Chairperson, I do believe we did send the criteria to your office on Everyday Foodstore outlining the levels. The Everyday Foodstore of course knows as well what the levels and the criteria are, because we have visited the proprietor both before your inquiry and again after the inquiry.

Quite simply, one of the major criteria is the amount of passive tickets. Those are not on-line tickets that they sell. The catchment area varies depending on the density and the market share. If in fact sales are rising in general through a particular area, let us say it is within a space of a kilometer, then there may be some justification for adding another outlet, but if there are five or six outlets within a kilometer, by simply adding another 6/49 terminal, because that is what we are talking about, they are very expensive machines and they are also on line so that they are continuously connected by way of telephone charges.

So really what you are doing is, you are taking the same pie and you are cutting it in many smaller slices. I guess it is very analogous to having a McDonald's franchise. There are quite a few McDonald's throughout the city of Winnipeg, but not every street corner, and not everybody who wants a McDonald's can have a McDonald's. It is as simple as that.

Ms. Friesen: What I am trying to get at is, what are the numbers of passive tickets? For example, you are giving me the area of one kilometer. Is it one kilometer, first of all? Is it one kilometer in St. Norbert, and is it one kilometer in Wolseley? Is it one kilometer in Morris, Manitoba? How do those densities vary? Is it a population density? Does it have reference to the number of stores, and what are the actual numbers of tickets that you are looking for? I understand the categories. Now I want the amounts.

Mr. Funk: Mr. Chairperson, \$25,000 in passive sales.

Ms. Friesen: For what? Over what period of time? Twenty-five thousand passive ticket sales over?

Mr. Funk: Over a year. You have to attain a level of \$25,000 worth of passive tickets—those are the instant scratch tickets—before you are considered a candidate. These levels are in line with the other provinces, as well, and they have been calculated

as indicating the fact that there is sufficient traffic and sufficient interest in lottery products in order to justify putting an on-line terminal in.

* (1150)

Ms. Friesen: As I understand it then, you have to have 25,000 passive tickets sold in a calendar year, or is it fiscal year?

Mr. Funk: It does not make any difference whether it is a fiscal year or a calendar year.

Ms. Friesen: Well, it does if you actually happen to be applying for one.

Mr. Funk: Mr. Chairperson, we look at it going back into a 12-month period from the time of the application.

Ms. Friesen: Could we look then at the other issue then which was densities and districts and catchment areas and how those are determined?

Mr. Funk: It is determined in relation to the ticket sales within the surrounding area. It can vary because we are dealing with an established network rather than putting a new network in. If we were probably looking at putting a new network in, we would probably have fewer outlets, because of course there would be less fixed cost. People would simply have to travel more.

The system was an evolving one, going back many, many years now. So we are sort of stuck, if you might say, with a distribution system that is already in place and a distribution system that is very difficult to rationalize because of the incomes that would be impacted by it.

Ms. Friesen: But your letter does refer to area. It does refer to districts. How do you determine those districts when you are evaluating a new application?

Mr. Funk: When we get a new application, we first of all look at whether or not the passive sales criteria are met, then we look at the growth in the industry. There is not a finite district, because you can have a retailer 1.2 kilometres away from an existing one, and then you can have another one 600 feet away from the existing one, all applying simultaneously.

The districts are somewhat fluid. You have to look at it with what is happening in the vicinity. Generally a kilometre, sometimes less, is a good indicator. If we find that sales are climbing in a particular area, we will look at all the surrounding retailers. We will simply look at everybody to the left, right, north and south of the existing retailer to see if the market is expanding but, given the fact that

traditional lottery products are being sold through very mature locations in a mature marketplace, there is not a lot of room for growth, and most retailers do realize that.

Ms. Friesen: When you replied in your letter of January 14 that there are six established lottery ticket centres in the area, I mean, why six? Why not 15? Why did you decide on those six as the area? Can you tell me which six they were so that any other requests that I have from my constituents, I will have a sense of what area you are looking at.

Mr. Funk: Mr. Chairperson, again the six was simply a way of looking at those that were in the near vicinity. We look at every application on its own individual merits. I can certainly give you the six establishments that were surrounding that particular case. I have no difficulty with that, but I am not sure that would help you. If the next applicant was on a periphery of the sixth furthest out, then you would have another four or five that were probably in focus around it.

If you look at having 600 retailers or thereabouts in the city of Winnipeg, you are always adjacent to somebody. You simply have to drive down virtually any street and see the lottery ticket centre signs so, you know, the population is well served, and there is not a lot of expansion into new retailers.

Ms. Friesen: Do you have a map with the lotteries locations plotted in the city of Winnipeg?

Mr. Funk: Mr. Chairperson, we certainly do, and it has a lot of little red pins in it. The city is blanketed with little red pins.

Ms. Friesen: Is it possible to get a copy of that or some version of that which would give me a sense of what the density is in different areas, first of all?

My second question is: Can you give me a sense of how rates of sales differ in different parts of the city? Obviously what I am concerned about is if there are for example, and I do not want you to use this as a specific example, but the principle I am getting at, is there for example a far greater density of purchase in the inner city say compared to St. James?

Here we are looking at a particular lottery outlet which could be included in either. You may have decided, for example, to say, oh, the district surrounding this is entirely inner city, or you may have decided, again from the answers you have given me, to say, oh, this is entirely a sort of a west end-St. James kind of location. Now is that a useful

question to ask? Are there differences in purchase practices across the city?

Mr. Funk: Mr. Chairperson, no, I would suggest that the purchasing patterns for lottery products are virtually uniform because they cross all social and age demographics. The purchasing patterns vary more by the type of location and the effort that is put into it, a good example being there are certain kiosks whose sole business is the sale of lottery tickets. They do very well. Then there are those such as the Everyday Foodstore that sell passive tickets. That is simply an adjunct or another product line, like selling licorices or anything else.

There is no uniform pattern to it other than to say that we do not cover our fixed costs unless there is a certain level of sales through the lottery ticket terminals that are put in.

We can certainly provide you with a map. I suppose the only thing that it illustrates to me is that there are probably too many lottery ticket outlets. One could certainly maximize revenue by having people consolidate some of these areas. On the other hand, what you are doing is taking away marginal incomes from them, which is something that is not socially justifiable.

Ms. Friesen: I think I would like to see the map. It would be useful as an example certainly of your policy.

I am puzzled, though, by the fact that you claim there is no difference in the purchasing practices across the city of Winnipeg. Are you actually saying that there are as many lottery tickets purchased per head in a suburban area, for example, compared to downtown? Surely there must be people working downtown who are purchasing their tickets there at these kiosks and, hence, skewing the statistics in some way that way.

One would also assume, without having looked at any of the studies, that there are socioeconomic characteristics to people who buy certain types of lottery tickets. What kind of information do you have on that?

Mr. Funk: Actually, Mr. Chairperson, the studies done by the Western Canada Lottery Corporation and the Ontario Lottery Corporation, the Ontario Lottery Corporation having done an even more extensive study than the Western Canada Lottery Corporation in this regard, have found that the great bulk of the population buys traditional lottery products and that it cuts across all

sociodemographic lines virtually in equal proportion. The myth that poor people buy more lottery tickets did not hold up in the study, that in fact poor people in relation to their proportionate income bought fewer lottery tickets.

As I reiterated, the distribution of purchases of lottery products are more related to the nature of the location, a good example being a kiosk. You have kiosks in Polo Park that sell lottery tickets and you have kiosks in Grant Park and Portage Place. They will all do equally well even though one might be classified as, if I could classify Grant Park as suburban, whereas Portage Place might be classified as inner city.

So literally the distribution is one of type of outlet rather than location within the city. Because so many people buy lottery tickets, it is just spread right across.

Ms. Friesen: I am interested in the Ontario study you referred to. Is it possible for you to send me a copy or at least the reference? For example, I am interested in what is classified as poverty. You said poor people. Is that under \$30,000 or under \$20,000? I would be interested generally in that particular study.

* (1200)

Mr. Funk: Mr. Chairperson, I do not have the actual study in hand. It would be worthwhile perhaps for you to make your own individual contact with the Ontario Lottery Corporation. I am sure that they would be pleased to—in fact, they have publicly said that people who want copies can have copies of that study.

Ms. Friesen: Does that mean that the department does not have a copy?

Mr. Funk: I have excerpts from it, but I do not have the complete and exhaustive study.

Ms. Friesen: Could you then either now or at a later date provide me with the exact title and date? It is often very difficult writing to an out-of-province organization without that.

Mr. Funk: We can certainly do that. I would be pleased to do so.

Ms. Friesen: To follow up, I wanted to thank you for visiting the Everyday Foodstore. I gather you did. There was another store in my area as well, on Wolseley Avenue, which I believe you also planned to visit. I did not actually hear back whether you had. You did? Okay, well, thank you very much.

Mr. Dewar: When you were considering different locations for the headquarters of the video lottery terminals, did you consider the community of Selkirk?

Mr. Funk: We looked at a wide range of locations. When we look at the community of Selkirk, in many respects, it is almost contiguous with the metropolitan city of Winnipeg.

Mr. Dewar: Well, I do not know, I thought we were part of rural Manitoba. So you did consider Selkirk then?

Mr. Funk: Mr. Chairperson, we looked at a wide range and we looked at it from the viewpoint of where the bulk of the machines were going to go. We knew that the location bounded by Selkirk, and if I can use the eastern, in terms of Beausejour and the Whiteshell, there would certainly be fewer machines there than along the southern border towns.

One of our criterion was to try to place the establishment in such a way that the communications would be maximized from the viewpoint of the lines coming into the particular location, because they are very much dependent on phone lines and the cost of phone lines.

Mr. Dewar: That is unfortunate, because those 20 jobs would just about make up for the ones the government took away in recent budgetary decisions.

Anyway, I have one last question. I believe you are establishing a new system of validation for lottery tickets. Is that correct? Do you want to comment on that?

Mr. Funk: Yes, we have implemented, as has Saskatchewan and Alberta, an on-line validation system, which is simply bar codes on tickets to verify prizes. There are advantages to the retail outlets in that there is less accounting involved and also the doctoring and the theft of tickets is eliminated because the tickets do not really become live until they are validated. Tickets that are not authentic can be tracked through the use of bar codes. You have to have the right control numbers and the right bar codes in combination.

Mr. Dewar: How are these machines supplied to the stores?

Mr. Funk: Mr. Chairperson, I do not understand the question.

Mr. Dewar: Is it the responsibility of the owner of the store to purchase the machines, or are they supplied by the foundation?

Mr. Funk: They are supplied by the foundation. Actually, they are supplied by the Western Canada Lottery Corporation.

Mr. Dewar: How are the decisions made as to which stores receive the machines?

Mr. Funk: Again, are we talking originally at the start of the network, or are we talking with a mature network now?

Mr. Dewar: The current situation, a mature network.

Mr. Funk: Mr. Chairperson, right now it is based on the level of passive sales that they have attained for getting new machines. On the whole, there is not an expansion of the network, per se, because lottery sales in the traditional sense, the on-line games, have matured and we are no longer climbing up that rapid growth curve which we did in 1983 and 1984.

Mr. Dewar: All stores that sell lottery tickets, will they all be receiving these machines?

Mr. Funk: Mr. Chairperson, there are two types of retailers. There are those that are on line, who have 6/49 terminals and they also sell these passive tickets, instant scratch tickets, those types of tickets. There are those that simply sell passive tickets.

If you attain a certain level of passive sales, which is approximately \$25,000, then you become a candidate for an on-line terminal. Because the market and the network is fairly static, we have not had a lot of new outlets coming on stream, if any. In fact, we are trying to reduce where possible. Some individuals voluntarily give them up as well. They go out of business, all kinds of things.

I would just like to take one opportunity to clarify what the honourable member stated about posting positions. I think it is very important to get this clear for the record, that all employee positions in Manitoba Lotteries are posted. We abide by the Civil Service guidelines, and that is verified every year through their audit of our hiring procedures.

This particular case in point, where we hire somebody to do a special project—and in fact the title was director of special projects, which indicates that it is a fairly finite assignment to put in place the VLT terminal—is very similar to the other types of contracts which we let. It was simply a contract for

consulting services. It was not an employee contract. I would just like to get that clear.

We often get criticism. When you run an organization as large as ours, there is always bound to be somebody who is disgruntled by change, particularly if they feel that change impacts them negatively.

Certainly establishing the VLT program was done in a very judicious manner. It is being held up as an example by other provinces as the way to do it, and I certainly think that we took all of the prudent steps. We certainly abided by all of the authorities that were incumbent upon us to abide by in letting that particular contract for those services.

We could have gone on an exhaustive search and spent a great deal of money looking for that skill set. That skill set was available, gainfully employed by another corporation. We actively sought out that individual with those skills that were necessary to make this thing successful.

I would just like to leave you all with one passing thought, that this was not an employee contract. It is not an employee contract. It was not intended to be an employee contract. Our employees, which we communicate with quite regularly, do realize, do know, and we are always subject to audit on this, that we do post and abide by all legitimate hiring practices. That is really all I can say on that.

Mrs. Mitchelson: If I might just say—I know there was a question by the member for Inkster (Mr. Lamoureux) earlier about Woodridge Inn having 33 seats and not having VLTs. It is my understanding that Woodridge Inn is not a hotel as such but, in fact, it is a freestanding lounge, and it does have 33 seats, which is less than the minimum. So Piney, because it is a hotel, was given VLTs, but Woodridge Inn, with 33 seats, freestanding, not in a hotel, would not be eligible.

That does not mean to say that after review of our policy there might be some changes, and I think those kinds of things might have to in the future. [interjection] Yes, we are.

As a result of some of the concerns that have come forward to us from freestanding lounges and small communities that might not have a hotel in that community and that kind of thing, we are taking a look at it right now and, hopefully, fairly soon we will be able to make a decision on possibly changing the policy a bit to accommodate some of those people.

Mr. Chairperson: Thank you. That concludes the matters under discussion of this committee. I would like to thank the minister and the staff of Manitoba Lotteries Foundation. I would also like to thank the committee for their contribution this morning.

Committee rise.

COMMITTEE ROSE AT: 12:08 p.m.