

Second Session - Thirty-Eighth Legislature
of the
Legislative Assembly of Manitoba
Standing Committee
on
Crown Corporations

Chairperson
Mr. Doug Martindale
Constituency of Burrows

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MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Eighth Legislature

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LEGISLATIVE ASSEMBLY OF MANITOBA

THE STANDING COMMITTEE ON CROWN CORPORATIONS

Thursday, September 16, 2004

TIME – 9:30 a.m.

for the years ended March 31, 2000; March 31, 2001; March 31, 2002; and March 31, 2003.

LOCATION – Winnipeg, Manitoba

CHAIRPERSON – Mr. Doug Martindale (Burrows)

Before we get started, are there any suggestions from the committee as to how long we should sit this morning?

VICE-CHAIRPERSON – Ms. Theresa Oswald (Seine River)

Ms. Theresa Oswald (Seine River): I note that there a number of reports on the agenda. I know we are anxious to have a good look at them. I propose that perhaps we look to twelve o'clock today and make an assessment of where we are and make a decision at that time.

ATTENDANCE - 11 – QUORUM - 6

Members of the Committee present:

Hon. Mr. Smith

Messrs. Cullen, Eichler, Goertzen, Ms. Irvin-Ross, Messrs. Jha, Loewen, Martindale, Ms. Oswald, Messrs. Reid, Schellenberg

Mr. Kelvin Goertzen (Steinbach): I appreciate the comments from my friend across the way. I think twelve noon is a good time to set for the rise of the committee. I know that there are some members of the committee on our side who have other meetings that they need to attend and commitments in terms of things after that, so I think twelve noon would be a good time for the committee to rise.

APPEARING:

Mr. Kevin Lamoureux, MLA for Inkster

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

Mr. Chairperson: Is it agreed that we adjourn at twelve noon? *[Agreed]*

MATTERS UNDER CONSIDERATION:

Annual Report of the Manitoba Lotteries Corporation for the year ended March 31, 2000

Annual Report of the Manitoba Lotteries Corporation for the year ended March 31, 2001

Annual Report of the Manitoba Lotteries Corporation for the year ended March 31, 2002

Annual Report of the Manitoba Lotteries Corporation for the year ended March 31, 2003

Are there any suggestions as to the order in which we should consider the reports?

Mr. Goertzen: Mr. Chairperson, probably because of the nature of the number of the reports that we have, I think it would be prudent if we had a global discussion on the Lotteries Corporation and look at passing some of the reports closer to our rise time at noon. But a global discussion would probably facilitate discussions easier for members of the committee as we go through a number of broad issues that relate to the Crown corporation.

* * *

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

Mr. Chairperson: It has been suggested by Mr. Goertzen that we have a global discussion and look at passing reports closer to twelve noon. Is that agreed? *[Agreed]*

This meeting has been called to consider the annual reports of the Manitoba Lotteries Corporation

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

Hon. Scott Smith (Minister charged with the Administration of The Manitoba Lotteries Corporation Act): Good morning, everyone, and thank you very much, Mr. Chair. I would like to introduce some people from Lotteries whom I have here with me today. First, I would like to introduce the Chair of the MLC's board of directors, Mr. Tim Valgardson. The members of the executive team, we have Winston Hodgins who is with us here this morning, President and Chief Executive Officer; Peter Hak, the Executive Vice-President of Gaming Operations we have with us today; Eric Luke, the Executive Vice-President of Corporate Services sitting on the end; over there we have got Cheryl Eason, the Vice-President of Finance and Administration; Marilyn Robinson, Vice-President of Human Resources; and Susan Olynyk, Vice-President of Communications and Public Affairs, here with us this morning.

It is a pleasure for me to be here this morning and put a few words on the record certainly to all honourable members who we have here and look at the review, as Mr. Goertzen has identified, of the 2000, 2001, 2002 and 2003 annual reports of the Manitoba Lotteries Corporation.

Since last appearing before the standing committee in December of 2001 much positive change has occurred in Manitoba Lotteries Corporation. The board and the executive management have been guided by a true and steady purpose; that is, to promote the capacity of this organization within the highest standards of economic sustainability, fiscal accountability, corporate governance and social responsibility. It is important to note that all of the concerns addressed in the Auditor General and Sushe report of the year 2000 have been corrected. The senior management and the board of directors have worked diligently to develop a corporate governance model, build effective and transparent financial management and planning practices and applied the necessary resources to improve human resource policies, employee training, opportunities and internal communication.

Debt load was a critical concern four years ago when there was a debt increase of \$119 million between '98 and 2000, as we will see in our annual reports. Due to casino expansions in 2001, through debt restructuring, MLC was able to reduce its debt load by \$8 million.

MLC's corporate governance framework is now comprised of governance by-laws, a corporate

governance model and manual, a board record management system, a code of conduct for directors, key performance indicators and a continued development of its enterprise risk management system. Corporate responsibility is now built in to MLC's mandate and corporate values by integrating economic, social environmental considerations into all its decision-making processes. The board and executive management also guide its operations according to sustainable development principles ensuring that MLC conserves resources while optimizing economic benefits.

These practices stress the responsibility of our government to improve the quality of life within all of our communities. The governance and the Conference Board of Canada defines corporate social responsibility as the overall relationship a corporation has with all its stakeholders. Elements of social responsibility include investment in community outreach, employee relations, the creation and maintenance of employment, environmental stewardship and financial performance. Ensuring that MLC's business priorities are balanced with the sensitive approach to its working environment's social and community needs is a foundation of our government's commitment to corporate social responsibility.

Socially, the work the MLC has undertaken in the area of responsible gaming is without equal in Canada and without equal almost around the world. Funding of \$2.37 million was invested in this area in 2003-2004, an increase of 24 percent over the prior year, and 77 percent since our government took over the responsible gaming policies and programs implemented in 1999. By 2008, Manitoba's contribution to responsible gaming policies will represent approximately \$4 million, heading in the area of up to 2 percent.

It is interesting to note that MLC, as a Crown corporation of the province of Manitoba, was recently recognized for its pioneering efforts in this regard in an article published in Great Britain. I quote from this article written by Mr. Marc Etches, managing director of Leisure Parks Ltd. and a promoter of resort gaming as a catalyst to the economic generation of the Blackpool area in Great Britain. He spent time here in March on a fact-finding mission, and was hugely impressed at the work MLC is undertaking in conjunction with the Addictions Foundation of Manitoba and the cutting-

edge responsible gaming initiatives it has implemented.

In his words, "I took a close look at a jurisdiction that is passionate about their commitment to its responsible gaming policy, not so much a policy but more of a way of life, I found. While I was in town, the AFM hosted an open house at McPhillips casino, including a computer mock-up of a slot machine revealing the technical secrets of how the casino, over time, gets to keep your money. Initially, this struck me as along the ideas of a food industry placing a booth in a supermarket to tell customers how unhealthy the ingredients in certain products are and then asking them to buy those products. But over the course of the week, I came to appreciate that the casino is trying to educate its customers, not alienate them. Manitoba clearly recognizes that relying on the few who have problems controlling their gambling is obviously not sustainable." Those words reflect what we have heard over and over from across Canada, across North America and from around the world.

The members here should know that Manitoba is the only jurisdiction in the world, other than Australia, to have a responsible gaming information centre with on-site addictions counsellors. MLC is a founding member of the Canadian Partnership for Responsible Gambling. Led by the Responsible Gambling Council in Ontario, this collaboration of non-profit organizations, gaming providers, researchers and regulators promotes effective ways to reduce the risk of problem gambling. The partnership's objectives are to foster a better understanding and implementation of responsible gaming programs through joint research, issue analysis and information sharing. Other jurisdictions, including Atlantic lotteries and gaming bodies in Saskatchewan and Alberta, are looking closely at Manitoba's responsible gaming policies and initiatives and will likely be following our lead in the near future.

* (9:40)

As a Crown corporation in the province of Manitoba, Manitoba Lotteries Corporation is directly connected to the economic well-being of Manitoba. MLC's revenues continue to flow to our communities through several streams: 10 percent of the revenues from video lottery terminal operations go directly to Manitoba municipalities. Another 25 percent of the VLT revenue is invested in Community Economic

Development projects through the Rural Economic Development Initiative, REDI, and the Urban Economic Development Initiative, UEDI. This has amounted to more than \$1 billion since the VLTs were first introduced in Manitoba in 1991. The remainder of its net income is allocated to provincial government programs that provide health care, education, community and social services, and economic development.

There is also a community impact in the spin-off economic activity MLC generates, including more than \$70 million a year in payroll and benefits, more than \$67 million in commissions on sales, \$38.6 million in operating expenses, and \$3.9 million in property taxes.

The corporation is a significant factor in Manitoba's growing tourist industry, attracting thousands of visitors each year on bus tours to our casinos. Last year, it hosted 78 615 coach tour passenger visits, with about 13 000 casino guests staying overnight in Winnipeg hotels.

MLC is confident in its contributions to the economy and our society's growth. Its focus now is to continue to strengthen those community ties. It has made great impact in this regard already, including efforts to ensure the future viability of Assiniboia Downs and to maintain thousands of direct and indirect jobs. MLC negotiated a new gaming agreement with Downs owners, the Manitoba Jockey Club, including the replacement of their outdated VLTs and additional monetary support over the next few years to enhance the racing experience of the customers.

MLC is also partnering with the Manitoba quarter horse industry in the Manitoba Great Western Harness Racing Circuit, which stages events held in eight rural communities: Deloraine, Killarney, Miami, Wawanesa, Minnedosa, Holland, Glenboro, and Portage la Prairie.

In '03-04, MLC contributed \$5.2 million to community and charitable organizations. This support encompassed over 400 non-profit groups that sent volunteers to work at Casinos of Winnipeg bingos. It also sponsors countless events that help to fund health, community outreach, sport, education, and cultural initiatives. As the title sponsor of the Manitoba Lotteries 2003 Western Canada Games in August last year, MLC was very involved in this

exciting event that drew 15 000 spectators and participants to venues in Stonewall, Selkirk, Gimli, and Beausejour.

Other MLC sponsorships included Festival du Voyageur, Royal Superdogs at Brandon's Royal Manitoba Winter Fair, and the Cancer Society's Relay for Life throughout all of Manitoba. This support helps to fund sport, cultural and tourism organizations and events, such as the Winnipeg Goldeyes, Manitoba Moose, Winnipeg Blue Bombers and the Manitoba Lotteries Derby at Assiniboia Downs.

The corporation has recently completed and replaced all VLTs in hotels, beverage rooms, legions and First Nations gaming facilities across the province. As mentioned, the new VLTs feature the most progressive, state of the art, responsible gaming features to enhance player control and provide information, such as problem gambling help-line messages and how gambling works.

At age-restricted locations across the province, VLTs have remained a popular form of entertainment for adults since they were introduced in 1991 to help support the hospitality industry, specifically initiated in rural Manitoba.

In conformance with The Sustainable Development Act of Manitoba, the MLC has developed a sustainable development policy to guide its efforts toward corporate sustainability, together with a code of practice, procurement guidelines, and financial management procedures. The corporation's sustainable development co-ordinator has established a steering committee to ensure its facilities and activities are managed in a socially responsible, prudent, and ethical manner.

Working groups are addressing ways to improve how the corporation conducts its recycling activities, manages its greenhouse gas emissions, and incorporates the best practices into its procurement process, to name just a few. This is no easy task, but the board and executive management of Manitoba Lotteries are committed to not only honouring this responsibility but also leaving a legacy for future generations, from both business and community perspectives.

Responsible for establishing direction and shaping expectations, the MLC's corporate strategic plan is now the major tool for guiding its operations,

business plans, and future expectations. The plan, now in its fourth year of evolution, utilizes seven key building blocks that make up the overall framework of the corporation. They focus on two basic principles: first, that everything it does is for the benefit of all Manitobans; and second, that it always conducts its business with integrity and in a socially and fiscally responsible manner.

All seven components are connected to build quality customer service, offer support to the people and communities in Manitoba, and establish a positive and productive workplace with staff at the MLC. In terms of marketing MLC will have to adopt a progressive yet responsible agenda to remain competitive.

Increased competition and gaming in the local and regional markets, the proliferation of Internet gaming, new product offerings and shifting demographics are just a few of the many challenges facing this corporation. Providing employment opportunities in our communities and creating a positive, dynamic workplace are additional aspects of MLC's commitment to corporate social responsibility. Manitoba Lotteries remains connected to this principle through its commitment to becoming an employer of choice. Its goal is to develop a workforce that is highly skilled, representative of the Manitoba population and well prepared to work in the MLC environment.

The corporation's career development programs have established the superior level of training for all MLC staff, enhancing the individual as well as organizational effectiveness. Courses range from computer technology training, team work and innovation to performance management, workplace coaching and leadership training. Financial aid is also available to employees who pursue related educational opportunities at recognized institutions.

In partnership with the University of Nevada, Reno, MLC recently hosted a first session of the Canadian gaming education forum. At the forum, MLC made the most advanced technical and professional knowledge in the gaming industry available to employees and guest participants from across Canada and the U.S. In the past four years, MLC has been recognized by a variety of external bodies for excellence related to best practices and organizational effectiveness, including several awards for the human resource initiatives.

MLC is also a partner and member of the Progressive Aboriginal Relations Program, PAR, operated by the Canadian Council for Aboriginal Business. This year, the Council awarded bronze-level status to MLC for increasing Aboriginal employment, assisting business development, building knowledge capacity and enhancing Aboriginal community relations. We are one of only five Manitoba companies, and the only Crown corporation, to receive this recognition.

Just in closing, Mr. Chair, I would like to extend my sincere thanks and appreciation to the board of directors, the executive management and to all staff, the over 1700 staff, for their ongoing commitment to excellence through this vibrant, dynamic community ownership that we have. Thank you.

Mr. Chairperson: Thank you, Mr. Minister. Does the critic for the official opposition have an opening statement?

Mr. Goertzen: Mr. Chairperson, in fact I do have an opening statement. I want to thank the minister for his comments and echo also his thanks to the board and the staff of the Manitoba Lotteries Corporation.

We understand that it is not always an easy job that you perform, that you do have the degree of scrutiny, both publicly and, I am sure, internally, that you on-go for the decisions that are made, but that is never, I think, a question about the dedication of the staff and their desire to do what they believe is best for the corporation.

A number of things that the minister touched on, I think, bear some further analysis and some that he did not touch on as well. I know that we are not here on the agenda, officially, to discuss the 2004 annual operating report. My understanding is that the report would probably be in the minister's office, I would suspect, at this time. I believe, looking at the Web site yesterday for Manitoba Lotteries Corporation, that last year's report was filed early in September with the minister, if I am correct, with the opening cover letter. So I suspect the minister has the 2004 report at this time.

I know under legislation he would have it this month. It is probably unfortunate that we do not have that report here before the committee today. A number of things have happened over the course of the last year in the Manitoba Lotteries Corporation

that have been a cause for concern, I think, for Manitobans, a cause for question. Obviously, there has been discussion about the reduction of revenue that the Manitoba Lotteries Corporation has undergone and is expecting to undergo, ostensibly as a result of the smoking ban, but perhaps other reasons as well.

* (9:50)

I think those are questions that need to be asked and answered by the minister as we look forward on what is happening within Manitoba Lotteries Corporation. This would have been a prime opportunity for the minister to ensure that that report was here for this committee today. I know the minister would probably, if the minister had the chance to, and I note the Chair was conferring with the minister, and that is probably just to give sage advice. I know the Chair has often spoken out against gambling in the past, and I am sure he is just repeating those comments now to the minister about the great concerns he has had about gambling in the past.

Regarding the annual report for this year, again, I think it would have been a good opportunity for the minister to bring forward that report. He will say, I suspect, that some of these older reports that we are dealing with before the committee today, perhaps he would have liked to have seen some of them passed and moved forward, but it would have been also, I think, a good move on his part to have brought forward the most recent report for the sense of transparency. The minister talks about issues of transparency within the Manitoba Lotteries Corporation in his opening comments, and that would have put some action behind the words the minister spoke. Of course, it is not too late. The minister is early into this discussion and he might yet surprise us and bring forward that report, and we would be happy to see it here today.

The issue regarding Manitoba Lotteries Corporation and the issue about gambling in the province has sparked a lot of debate over the last number of years. Admittedly, I think that the debate was strongly put forward by the government when they were in opposition. I could, if I wanted to, and I probably have in the past, bring forward the litany of quotes that have been uttered by members that are now in government regarding the difficulties that gambling brings within their own communities. I

remember certain ministers remarking that a day does not go by that they do not receive concerns about the effects of gambling on constituents in their own areas. I do not hear those comments as much any more from members opposite. It is often quiet when discussions about gambling happen either in the Legislature or in the Chamber, and I think that is disappointing in some way. Probably there is cynicism that has arisen from the public when they, on the one hand hear discussions that come forward about the problems of gambling, and then those same members a short time later say very little when they have expanded gambling, expanded advertising of gaming casinos in the province, and then they have nothing more to say about the difficulties gambling can cause families. I think that causes some cynicism among Manitobans and, probably, rightly so.

I also know there is a lot of concern regarding the motivation for this particular government when it comes to gambling in the province. Certainly, we know in the 1990s there was concern about people leaving Manitoba to partake in entertainment opportunities in other jurisdictions. Some of the expansion of that time was done to address those issues, but it was never done, of course, in isolation of a broader economic plan. That seems to be the case under the current government, in terms of the expansion of economic activity where it has become an economic plan. It is not simply a means of repatriating, if you will, dollars that might otherwise go to other jurisdictions. Now it is, in fact, an economic engine for the Province.

Nobody would dispute that the revenues, the income that the Manitoba Lotteries Corporation brings in every year is important to the Province, and that it is a significant part of the revenues that come to our jurisdiction or to the Province of Manitoba. I do not think that is in dispute. What perhaps is in dispute is whether or not there is an over reliance on those revenues, whether or not instead of it becoming simply a part of the revenue stream of Manitoba, it has become the economic focus of this current government. That, of course, would have an impact on officials and staff of the Manitoba Lotteries Corporation, as their role would change from not simply being there to provide entertainment opportunities to Manitobans, but rather the added pressure of really being an economic generator for the Province of Manitoba in the absence of any other activity.

Those are concerns that have been raised, not just by the opposition, but by Manitobans across the province when they come forward and ask where is the plan for the government, where is the financial plan in terms of what the province is going to do to create jobs, to promote opportunity and to create economic viability of the province in the future. I think they see that there is an economic reliance on gambling and that it is certainly not a panacea for the government, but also that there is a limit to the expansion that can happen on that side.

We have seen it, of course, now with the Aboriginal initiative in terms of Aboriginal-run casinos which the government promoted in 1999 to some degree of fanfare, of their own fanfare, but the results now over the last number of years have been less than optimistic. I think we are into the second casino that is being built now with the Brokenhead group, but it has not been the, and again I will use the phrase, economic driver that the government had thought it would be for the Aboriginal community. All members of this House want to ensure that members of our Aboriginal community in Manitoba are full participants and active participants in the wealth and the economy of our province. We on the opposition side have a great deal of confidence that the members of the Aboriginal community will be great leaders in our province and are already, in many industries, great leaders in our province, and can continue to be so.

Unfortunately, there is some sense that, perhaps, the government has offered up all of their eggs in one basket with Aboriginal-run casinos as being something of the cure-all for the difficulties that some Aboriginal people have in participating in the economy. We have a greater faith than that in our Aboriginal community, and want to see a plan that is broader than that, is deeper than that and is more sustainable than the one that the government has put forward and, in hindsight, that has now failed.

Each of us, I think, would have, if we went around this table and were frank and were having a frank discussion, would have experiences within our own family of people who have had difficulty with addiction as a result of gambling; gambling addictions. We know the hardship that it causes, not only to them as individuals, but also their extended families. Those concerns, I think, can be addressed in a number of ways. We know that there are some initiatives that are being undertaken, and the minister

mentioned some of those regarding treatment, if you will, or identification of addictions, either on-site or there were other organizations like the Addictions Foundation of Manitoba that does good work in terms of treating addictions. But it is only one side of the equation, because while those programs, I think, are helpful and in many ways are beneficial to individuals in terms of helping treat the addictions, we have not spent as much focus in terms of identifying those problems, identifying what the problems are in Manitoba, in terms of addictions throughout the province, specifically as a result of the expansion of gambling in the province. Really, I think the industry is probably at a maturity now, having been a number of years since the major casinos have opened in Winnipeg, that it would be a good time to stop and to look back and to really do an in-depth analysis of what the situation is in terms of problem gambling in the province.

I think after a number of years of experience, we could really judge where we are as a province. The difficulty, of course, is that we have seen focussed, off and on, on the revenue side of whatever comes in from gambling in the province, but it is a bit like, and those on the committee who have financial experience reading financial statements would note that no good accountant or auditor would simply ever look at the assets or the revenue side of a company's books, that you would also want to look at the liability side, and when we are looking at liabilities from the prospect of Manitoba Lotteries Corporation, where gambling was generally in the province, it is not just the physical liabilities that are there for a corporation or the indebtedness of a corporation.

It is also the liabilities of individuals and what social impact that the gambling in the province causes individuals. That is the liability side of the equation that we have not, as a province, taken, I do not think, full responsibility to examine and to look at. For that, I think the government bears responsibility, because it has very aggressively looked at expanding gambling in the province and making it kind of a key economic driver for revenues in the province, and also for the Aboriginal community, as mentioned, but to do that in absence of a true understanding of the costs, the costs of that expansion I think are detrimental, and I do not think it is a responsible way to proceed. I think Manitobans have a reason to be concerned.

* (10:00)

Certainly, we have talked in the past about advertising of the casinos and of gambling within the province. I think that is probably where the majority of concern lies. The government's decision over the last few years to begin an aggressive advertising campaign within the borders of Manitoba to try to get more Manitobans into the casinos is something that has been questioned, both in the Legislature and within our individual communities, about the appropriateness of that decision, about what it is we are trying to do with the Manitoba Lotteries Corporation, whether it is simply a vehicle to provide an opportunity for Manitobans not to go elsewhere, if they are looking for this particular form of entertainment, or whether in fact we are trying to ratchet up the demand for gambling within the province for means that are not simply there as general entertainment.

I think those are legitimate questions that need to be asked. Again, in the absence of a full and in-depth study of knowing what the impact of gambling is, some of these decisions I think are made in isolation from the true facts and in isolation from a full discussion.

From the government's perspective, perhaps they feel this is good politics. I suppose it might be politically difficult to have a full and in-depth analysis of the cost of gambling on a Monday and then, on a Tuesday, try to announce a new casino that is coming forward, whether it is being looked at in the minister's home community of Brandon, or whether it is Aboriginal communities throughout the province. It would, clearly, I think, be a difficult position for the government to be in, but in a situation like gambling in the province, the Manitoba Lotteries Corporation, I think it is incumbent upon the government not to simply look at what is politically expedient and what is politically easy but also what is appropriate and what is the right thing to do for Manitobans as a whole.

The last year has seen a number of changes within Manitoba's lotteries corporation. We know and the minister mentioned in his opening comments, there are new VLTs that are being installed throughout the province. The minister, in his opening comments, seemed to frame it in the context that it was being done perhaps because these new VLT machines have additional ways of preventing or restricting problem gamblers from continuing on. To the extent that those programs are

built into the machines, we would say that is a good thing, but I do not think the minister should try, and maybe it was not his intention, to make it seem as though that was the reason for these new machines, because I think it is widely understood that the new VLTs were brought into Manitoba at a significant cost to try to increase the level of play within the establishments that have the VLTs, to increase the revenues that will be coming in to the Manitoba Lotteries Corporation. So the fact that new technology is used to try to restrict those who have problem gaming addictions, if those are beneficial then that is a positive thing, but let us not fool ourselves into thinking those are the reasons these new machines were brought in. I think everybody would understand it would only be being fair to ourselves to recognize the reasons the new VLTs were put in, and that was because the government is continuing to try to increase revenues and sustain the revenues coming in through gambling within the province.

Obviously, there are concerns that have been raised within the Legislature and beyond the Legislature on support for programs like the Addictions Foundation of Manitoba. We see that the foundation does good work, and they do good work with limited resources. It must be frustrating for members of AFM who see increased problems. Of course we are talking here about gambling addictions today more specifically, but there are other addictions that AFM deals with on a daily basis, and the difficult situations they deal with. Yet they have had to make adjustments because the revenues they receive have been declining. On the one hand, they have extended pressures daily, the fact there are more and more people facing different kinds of addictions so they have more people at their door seeking help, and yet they seem to have less and less revenue from this government to meet those addictions.

That is something that is concerning to all Manitobans. I think some Manitobans would consider it cruel for a government to increase addictions within Manitoba but on the other hand reduce the supports that there are for those people who become addicted as a result of those decisions. It seems a heavy-handed decision for a government to make. I do not say that lightly. I do not say that without a great deal of thought, but I think it is important that it is said because I know it is not coming from members of the government anymore. Their

comments on gambling and the problems of addictions have largely ceased in public, and so it needs to be expressed here. It needs to be expressed in other forums within the province.

With that, Mr. Chairperson, I know there are a number of members of the committee, including myself, who have questions more specifically to the minister in a number of areas and we are looking forward to posing those over the next couple of hours. Perhaps this is a good opportunity for the minister to indicate whether or not he is prepared to bring forward the most recent annual report for the Manitoba Lotteries Corporation.

Mr. Chairperson: Before we do that, I need to ask the officials from the Lotteries Corporation if they wish to make an opening statement. No? Okay.

The floor is open for questions, and we have already had one so, Mr. Minister.

Mr. Smith: I would like to thank, I am not sure if it is the official critic or not, Mr. Goertzen. Obviously, the comments he has he takes very passionately, and listens to his constituents and people in Manitoba in general and brings in comments and considers comments, as we all do.

From the terms of the 2004 report, you are quite right, by the end of September sometime, I should receive that report, and it will be out very shortly thereafter. I would be more than happy to share that report once I receive it and peruse that report, and would be more than happy to do that with the critic when that time comes.

The reports we have to deal with here today, Mr. Goertzen had mentioned the relevance of changes, and changes in those reports. Quotes he had mentioned, I know when he had worked for the previous administration in the capacity that he did, he put together a number of those reports for the ministers at that time, and I am sure he has a boxful, as do I, from people who are quite positive. We can trade quotes, I am sure, as we move along in the committee, and I would be more than happy to do that.

The one inaccuracy that he mentions, and just to correct that, was the reliance of the overall revenue from Lotteries as a component with the Province of Manitoba. I am proud to say that this government is

less reliant, percentage-wise, on the amount of dollars from Manitoba Lotteries than it was through the nineties by the previous government. That number has gone down in percentage of overall revenue that the government does use now. That is a positive, I believe. It is something that reflects this government's commitment not to be as reliant on gaming here in the province of Manitoba on a percentage that the previous government was.

The rationale, obviously, with AFM is something the member had talked about. I am sure we will talk about it in greater length, but I am very proud that we have increased our funding and our support with AFM through this government, through the Manitoba Lotteries. The funding for them was under \$1 million prior to us forming government in 1999. That has increased every single year, to AFM and to programs, and in a partnership that we are very proud of, now to be well over double what was funded as late as 1999. Those programs, working with those professionals, have enabled us to look at the prevalence rate of gaming addiction and problems here in the province of Manitoba, and to work with them on initiatives to curtail people that do run into problems.

*(10:10)

The member is quite right. There are people that use video lottery machines and others that do have a problem. We want to identify that to reduce those numbers in a responsible way. That is being done.

The reports and the partnerships and the information that we are collecting with AFM and many other partners certainly enables us to direct our funding working with them to bring down problem gambling in Manitoba.

I will note for the member that number has come down. The prevalence rate has come down from the mid-nineties at 4.3 percent, using the criteria of AFM, to now 3.4 percent. Certainly, the 1.1 percent of problem gamblers are identified and the moderate problems of 2.3 now is down from the mid-nineties.

I believe that the initiatives that we have brought forward with the AFM and others—many of the initiatives that we have had in our responsible gaming policy, and I might add for the members opposite and for the critic.

I know the critic is listening intently so he can jot down these points and I appreciate that. Certainly, as the critic responds to members opposite as I am speaking to him, I am sure that out of the other ear he is obviously listening to all the detailed information that he has asked for and am providing him. So I am sure he will not ask the questions over again later in the committee.

The responsible gaming policy has been very well received. Obviously, the initiatives of the first, and I might add and I know the member likely knows this, but I will remind him, the first responsible gaming policy in Manitoba was in 2001 done by the board and the executives in Manitoba Lotteries and it has made a difference. We have seen positives from that in opening up an office with AFM in one of the locations here in Winnipeg and one of the casinos that the members had built prior to our government and over expended quite considerable dollars that we carried, certainly, has been successful.

We have seen the success of the pilot project of opening that office, to expanding it to both casinos. We are getting a lot of good results from that. We have hired professionals to work in there and that is part of the expansion of dollars that we have done with AFM. The training programs for the employees, VLT site holders and lottery retailers on the awareness of signs of problem gambling is certainly something we are proud of. This fall, it will kick off and it will be another tool that will be used for identifying people that do have gaming addictions or problems, and providing help with that.

The AFM problem gaming hotline certainly is identified and gets a number of hits, and it does make a difference in assisting and helping people with problems and gives them an avenue to follow to get the desired help that they need.

The recruitment of the manager for the responsible gaming was certainly tasked with the implementing of a five-year strategy, as well as conducting research into the trends. As the member had questioned before, certainly that strategy is now a government and a corporation that does have a strategy, where there was not a strategy before. The strategic plan again, introduced in 2001, using business principles and practices on a socially responsible side component, will make a difference. Certainly, that was first introduced in 2001. There is

now a strategic plan. It is fully identified for staff, employees and people that deal with Manitoba Lotteries in any form and customers and consumers that choose to use the services. So that plan has been introduced.

The plan on the responsible gaming is something that all Manitobans can be very proud of with the corporation that all Manitobans own and be fully apprised of issues that are out there. And certainly that is being identified, that responsible gaming plan is now a template across all of North America. It is a template that is being looked at and I had one quote from someone that had come over from Europe, from Blackpool in England. Those comments are seen, they are appreciated. Certainly, we will move ahead with the plan that we have in place and with a strategic plan that was not in place before. It is making a difference for Manitobans.

The member may wish to ask some other questions. I know I did not catch all the questions that he had asked when he had mentioned and talked before. I know he was listening intently. He probably will not ask the questions that I have already answered to him, because I know he was listening intently and taking notes as I was speaking, and certainly we can continue on with the committee.

Mr. Goertzen: I am not sure, I think I may have misunderstood it, it seemed as though we had reverted back to the opening statements of the minister. In fact, the minister was not listening to the question that I asked originally, which was about the 2004 report. I asked if he would bring forward that report now and, somehow, back into the diatribe we got into talking back about a number of different initiatives that he mentioned in his opening statements, so I thought perhaps he had simply reverted back to opening statements. But I am persistent, so I will try again, and I will ask the minister if he is prepared to table the 2004 report, or if he even asked his officials to bring forward the 2004 report so it would be ready for this committee hearing as a transparent and open minister would probably do.

Mr. Smith: I am slightly disappointed that the member may not have been listening to me when I did answer that question prior. I know that certainly the members beside him were, as he had mentioned before about the Chair when the Chair was asking me if I wanted more water or some writing paper, I

know the member beside him was probably saying, "Mr. Goertzen, for God's sake, he already answered that question." He may have wanted to listen, but I am not sure what the member beside him was saying, so I will not have any hypothetical dealings on that issue. But now that I have got the member's attention and he is focussed and he is looking at me, I will answer that question again, that the 2004 report, as I mentioned before to the member, will be certainly by the end of September received by my office, and once the information is perused and looked at and considered, I would be more than happy if the member is going to be in his office during that period of time, I will get him there or maybe at home or on his cell phone or wherever I can track him down, if I can track him down, maybe through some of the other members, to go over that report with him and to look at that report once I receive it, consider it and will be introduced in the next short period of time.

Mr. Chairperson: Just before I recognize Mr. Goertzen, I would like to offer some procedural advice and say that, since the 2004 report has not been tabled and is not on our agenda today, the minister nor the critic can ask questions about it.

Mr. Goertzen: Thank you for your procedural advice, Mr. Chairperson. It certainly was not a question of procedure. I did not raise it as a point of order. I think I raised it as a point of good practice of government. The minister in his opening statement talked about transparency, he talked about openness. All I was asking was, because there had been sufficient notice, I think, of this particular meeting, I have known about it for two or three weeks, that I was coming, I am sure the minister knew about it for an equal amount of time, and I thought it would have been a good practice, if not necessarily by the letter of the rules of the act that the minister has to follow, but a good practice for him to have brought forward that report so it could have been discussed.

Mr. Chair, I certainly take your advice in terms of it not being required that the minister bring it forward and that it not be discussed about its specifics today, and I certainly could not discuss the specifics as I have not seen it. Let us be frank here in saying that this is not a good indication of an open and transparent minister. It would have just simply been a good gesture, I think, of good will and would have been appreciated by all Manitobans, but having accepted the fact that the minister is not prepared to do that and did not even take any cursory actions to

try to see if it was available for him to bring forward to the committees, I will just move on in my disappointment with that issue.

I would like to ask the minister specifically how much money has been set aside, or is being set aside, for the study of problem gambling, on an annual basis, from the Manitoba Lotteries Corporation. Is there a plan, either one that has been discussed in the past in the reports that we are dealing with or on a go-forward basis, in terms of the amount of money that is being set aside to discuss or to examine, to research, the extent of problem gambling in the province? Just to hone the minister in on what I am looking for, it is not money that is being spent to treat the problem of gambling. We know that that is out there, but this is more to research what the actual problem of gambling is in the province of Manitoba.

*(10:20)

Mr. Smith: The responsible gambling initiatives that this government has undertaken, has certainly undertaken them with the utmost of importance. When we look back and we take time frames and certainly when gaming was introduced in the province of Manitoba, you are back in 1991, there was no plan at that time at all. Certainly, there was nearly a decade of massive expansion of gaming in the province of Manitoba with no plan and no resources dedicated to the component of socially responsible gaming in the province of Manitoba. Unfortunate, but very true.

The expansion of the VLTs and the VLTs in the province of Manitoba through '91, '92 and '93 originally started out, as the member would know being from rural Manitoba, as an assistance to rural communities that were suffering through some difficult times, certainly with people leaving rural Manitoba through those years and migrating to larger centres and urban centres both in Manitoba and, in fact, in more numbers outside of Manitoba through the nineties, people leaving.

I can tell the member that certainly when the responsible gaming policies were drafted with the province it was done with the direction of the board and executive as being a priority for the government to identify and look at social responsibility in the province of Manitoba.

The casinos that were built through the nineties, again, massive expansion in gaming, unprecedented

in any province right across Canada were done and the two casinos were opened. Certainly once we came into government in '99 that was all in place. What was not in place were any initiatives to look at the effects and the compounding effects of gaming in Manitoba, and what that had on people in Manitoba, and certainly identify solutions for assistance for people that are suffering any form of addiction on the gaming side.

The Addictions Foundation of Manitoba was consulted and worked extensively to highlight and identify areas of concern. Those commitments have continued with this government's policies on gaming and its strategy on gaming. From November of 2001 the first of its kind highlighted customers and employees, stakeholders and suppliers' comments to formulate the strategy that is now in place and the offices that are in place. The initiatives are many.

I will remind the member that certainly at McPhillips Street Station, Club Regent, on-site assistance is available. Offices are available there now. Even with the new machines that the member I know personally does not like, and that is certainly his prerogative, but even with the new machines that are out there now, the key component and in fact technically the technology was the best of any machine produced and any machine out there on the responsible gaming side.

That is having an impact. That is a key part of responsible gaming. It is at the source. It is at the identified problem where people can identify the messaging that is on there and certainly that is identified half way around the world in Europe as being a good initiative that is out there.

Certainly, research is being done. The MGCC is working with the Manitoba Lotteries and with other partners on a number of initiatives that are out there. The Adolescent Problem Gambling Index study that is being done is in partnership with Manitoba Lotteries through MGCC and many others. The Canadian Partnership for Responsible Gambling with its partners is being considered. The Social and Economic Impact of Gambling, the SCIG study in partnership with Ontario Problem Gambling and with Manitoba Lotteries, and with the Manitoba Gaming Control Commission, the attitudes and awareness—this research is a project that is nearing completion. I know as early as the end of this year the two-year survey and study will be completed and

information from that will be disseminated and considered and looked at by Manitoba Lotteries, Manitoba Gaming Control Commission and AFM and our many partners to expand on the initiatives that we implemented in informing government and, certainly, the dollar amount toward that is a strategic plan. It is going to increase; it did not, it was flat lined by the previous government over a number of years coming into 1999, and those dollar amounts are well appreciated, and the initiatives that we have taken. It has been a 77% increase, in fact, for AFM on funding put toward projects that they believe are priorities, and they have the expertise and experience to put their money toward. So the member may want to recall that just even year-over-year from last year is an 18% increase for AFM.

The pilot projects that we have initiated are working. They are a positive. We are seeing slight reductions in the prevalence rate of people with major gambling problems and people with moderate-risk problems and we are quite proud of that commitment. Up to 2 percent by 2007 and 2008 of overall revenue is this government's commitment to Manitobans and Manitobans with disability in terms of having a gambling addiction, and that is well received and making a difference. With those few comments, Mr. Chairperson, I will have the member ask another question.

Mr. Goertzen: The minister references to a few comments. There are certainly more than a few comments, and none of them address the question that was asked.

I was curious as to why there were so many reports dating back from a number of years that were still before this committee, but my curiosity is being lifted somewhat because I am beginning to understand why reports do not get passed in this committee, because the minister simply does not answer questions. If his predecessor conducted herself in committees like this, I am not surprised that these reports still sit before committees.

The question was very specific about the amount of dollars that were being set aside annually from the revenues of gambling to be studying what the impact of gambling was on Manitobans, specifically on Manitobans, not on a cross-section of Canada. I understand those reports are important in their own right, but when we are looking at expansion of gambling in the province of Manitoba specifically, I

think that it calls for a very specific analysis of what the problem is in terms of gambling in our province.

The minister simply did not want to give those figures and skirted around and kind of restated a number of things that he had stated in his two previous minister's statements that he has led off with now today. I might say respectfully to the minister that we might not get through reports again today if we just simply do not get some more specific answers. So I will try again. Maybe the minister can give us a specific dollar figure in terms of the amount of money that is set aside to study problem gambling in Manitoba and the reports that come from those expenditures within the province. Again, this is not money that is there to treat people who have been identified with gambling addictions problems; this is to study what the overall gambling addiction problem is in Manitoba.

Mr. Smith: I appreciate the member's questions to allow me to identify for the member, again, more initiatives that are being done right now. On the responsible gaming side, it is an issue that, once taken on by this government, became a key component of how this corporation is run and every decision that is made by the corporation, regardless of what that decision is, is a key and founding component, that social and economic responsibility is a key component for the corporation.

* (10:30)

As I mentioned before to the member, when we look at specific dollars and dollar amounts, when I mention under \$1 million by the previous government funded to AFM with, and I will repeat again, with no responsible gaming policy throughout the entire nineties when the massive expansion took place. Once this government was formed, and once we had worked with Manitoba Lotteries, there were a number of changes done, and I know the members will recall those changes through the years 2000 and 2001, the percentage, as I have mentioned—

Point of Order

Mr. Chairperson: Excuse me; we have a point of order.

Mr. John Loewen (Fort Whyte): Mr. Chair, I appreciate that. I just interject simply because I know the minister would like his facts to be accurate on the

record. I am looking at the 1999 report which was before us, which ends March 31, 1999, which indicates that \$1.577 million was given to the Addictions Foundation, so I just suggest to the minister of Manitoba that maybe the minister might want to rephrase his answer and take a quick look at the books. So he understands that, when he says under a million, the last time I looked, a million and five, it was over a million.

Mr. Chairperson: This is not a point of order. It is a dispute over the facts.

* * *

Mr. Smith: As I was mentioning, Mr. Chair, the dollars that are expended now are targeted dollars with the professional assistance from people from the AFM and others. As the previous government spent under a million dollars a year with no strategy, this government has increased that year over year over year. I can tell you that, if the member would like specific numbers and targeted dollars, it was under a million dollars with no plan in the nineties. We are looking at the board, and the board is committed to increasing those dollars, up to 2 percent of annual net income, which is substantial. It would be nearing the highest in all of North America, and that is estimated to be \$4.68 million by '07-08. I am sure the member jotted that number down and will recall it in further questions, and certainly \$4.68 million by 2007 and 2008 is well over a 400% increase in committed funding for responsible gaming initiatives. That being done, certainly it does add to the AFM's gambling treatment, prevention and education programming.

Directing dollars for professionals. Maybe a few members, I am not sure of the member opposite's background, may be professionals, and they know where those dollars would be distributed best. Certainly, AFM and professionals at AFM have identified the area of best use of dollars for the treatment and prevention of problem gaming in Manitoba. The dollars in the province, currently \$2.79 million annually to responsible gaming for the year coming up, have been projected, and certainly that includes \$1.82 million to fund AFM's gambling treatment, prevention and education programming. So it has targeted dollars; it has targeted, I believe, by professionals for the best use in this area, and \$0.24 million to AFM pilot projects, \$0.73 million toward MLC's own initiatives in the next year's

budget, the '04-05 budget. Those dollar projections are quite a bit ahead of previous governments, and I think the members need to identify and realize that \$1 million compared to \$4.68 is well over a 400% increase in targeted investment.

The next five years with the machines that were brought into the province and with their responsible gaming initiatives on them, part of the projection will be \$100,000 a year by that company to targeted responsible gaming components; \$500,000 is part of the contract. Certainly, that, in addition to the 2% target that we are going to, exceeds by well over 400 percent the dollars and initiatives that the previous members had done.

The strategy is there. The professionals are working with us. Obviously, the research is being considered and done. That information is being brought forward.

The member made a statement that I must respond to. He had asked a question, and I am more than happy to respond to it. In fact, the treatment of Manitobans is important, but I do not think in a vacuum you create your information just simply alone from the province. He mentioned that we are working with Ontario and cause and research on addictions and why. That research is critically important, in not only, I would suggest, Canada but the United States and around the world, to come up with the best possible solutions on the treatment. If the member disagrees with that, that is totally the member's prerogative, but the collection of information and the best practices, I believe, are something that we should be considering and we should be looking at. The partners that we are working with, the others right across Canada and the nation and the best treatments possible are something this government is very interested in.

Mr. Goertzen: I am not sure, Mr. Chairperson, if I am more embarrassed for the minister or, perhaps, that his very capable staff from the Manitoba Lotteries Corporation has to listen to this. It was a very specific question about the dollar amount that was being used for research and problem gambling in Manitoba.

I recognize the importance of cross-country and bilateral initiatives in terms of research, but the minister seems to not want to discuss the specific problem in Manitoba that we are dealing with. Yet

he has grand plans for expanding gambling in the province, for going to Aboriginal-run casinos to possibly looking at other casinos, maybe near his own home community, but he does not discuss the most specific reports to deal with the problem in Manitoba. He references Ontario, and I will ask the minister, the Ontario Problem Gambling Research Centre, has the minister heard of a study, or is he aware of the study, entitled *Gambling and Problem Gambling in Aboriginal Communities in Ontario*? Is he aware of that study?

Mr. Smith: The information collected, I am glad to hear the member mention that he does agree that information should be collected, and the relevance of that information collected, the report that he refers to, and many, many others.

What I can identify to Mr. Goertzen, certainly, is that there is a target, and there is a targeted amount, and that amount is increased year over year over year; 77 percent just for AFM over the last number of years. A considerable amount of money directed toward reports and initiatives that AFM and many others are compiling and putting together. The target is going to increase. That target is going to increase by the year 2007-2008 to 2 percent of the annual net revenue of the Manitoba Lotteries Corporation, a considerable amount of dollars invested in research in dealing with education, in dealing with dissemination of that information once it is compiled.

If the members opposite had compiled the information as they massively expanded gaming across the province of Manitoba throughout the entire nineties, that information would have been available. Unfortunately, that was not done until we took government, set a directive, looked at policies to assist and help anyone with problem gaming and getting the partners together to put that information together. That is certainly being done. There is a lot of information that will be compiled over the next year or two years that will be relevant for AFM to consider and many of the other professionals that we work with and deal with. Our commitment is, as I mentioned before, somewhere in the area of 400% increase in direct funding from Manitoba Lotteries Corporation to professionals to provide us with that information, assistance and partnership.

Mr. Goertzen: I take it the minister has not, in fact, heard of the report *Gambling and Problem Gambling in Aboriginal Communities*, because he did not say

that he did. He said a lot of other things that were not relevant to the question, but he might want to take a look at the premise of that study. In fact it is being conducted, or has been conducted, by two University of Manitoba professors, which I think is laudable, and I am surprised that the Minister of Advanced Education (Ms. McGifford) did not put out a news release that two professors from Manitoba had been selected to study the issue of problem gambling in Aboriginal communities. Maybe that is because it is being studied in Ontario and that we do not do those studies here in Manitoba, that we have not taken advantage of our own academic research that we have available to the minister just a couple of miles south of the Legislative Building.

They are going to Ontario to study the problem, because our own government does not seem so interested. *Gambling and Problem Gambling in Aboriginal Communities*, is the report that was submitted to the Ontario Research Centre earlier this year. In July 2003, *Examining Gambling and Problem Gambling in Ontario Aboriginal Communities*, a separate report submitted to the Ontario research centre and funded by lottery revenues in 2003; *Schools, Students and Adolescent Gambling in Ontario*, September 2003; *Gambling and Problem Gambling in Ontario: A Replication Study*, submitted April 2004; *The Demographics of Ontario Gaming Revenue* submitted June 2003; *Measuring Gambling Behaviours, Knowledge and Attitudes in Ontario* submitted May 2004.

*(10:40)

Madam Vice-Chairperson in the Chair

Six separate studies done on the problem gambling in Ontario within two years and this minister has nothing, nothing to bring forward to Manitobans to justify how it is that he can go forward with expansion of gambling in the province. He sits here and talks about 1991, 1992 and 1993. He has been sitting in the minister's chair for a number of months. His government has been in government for five years, and you do not have a report to bring forward to tell us what the real problem of gambling is in this particular province. When our neighbours just to the east, the government next door has brought forward six, at least, that I am aware of, six separate specific reports on problem gambling in Ontario, and this minister produces nothing before this committee.

I am absolutely appalled and I am ashamed that the minister cannot bring forward real information for Manitobans who are suffering. How can the minister justify—maybe he can answer—these six separate reports? Has he been able to judge up one comprehensive and good report in the last 12 months on problem gambling in Manitoba when Ontario has brought forward six?

Mr. Smith: The member is correct in one component of his comments; we do have good qualified people here in the province of Manitoba. We have a number of professors throughout the province of Manitoba, as does every province right across the nation, certainly in Canada, and I would suggest the United States and Europe and around the world. The interesting component or the piece that the member, on one hand, says that we should consider all reports, factual information, and best practices, and on the other hand, wants to consider strict reports in their singularity.

There is a commitment by the corporation as we see now and the commitment by this government on focussing and actually creating a strategic plan in moving forward with the problems of people with addictions, and certainly the professionals and the initiatives that we have done, that the previous administration did not.

I know that the member was not in that administration at that time other than working, I believe, for one of the ministers at that time through the nineties. Unfortunately, the information was not considered. There was no strategic plan and there was really no direction on the responsible gaming at that time.

The short period of time that we are dealing with here in the 2000, 2001 and 2002 reports that we have before us, show an increase every year in commitment by this administration, by the government. The Canadian partnership will receive research right across Canada and the nation and certainly not have a duplication of information and direct resources in that partnership to strategic issues that need to be addressed.

They are putting together the resources in many other provinces that we are working with, and certainly that information, when compiled, the educational component, the information from that will be useful to not only Manitoba, but it will

certainly be useful on a systemic problem that we have seen right across the entire nation to work together with best practices, initiate those practices.

Manitoba is a long way ahead of many of the other provinces now because of the initiatives that we launched in 2000-2001 and working with the professionals that we do have in this province. In many cases, doctors of all stripes in the province of Manitoba and social professionals that we have in the province, the people from AFM that have dealt with these issues for a number of years. But we do see, and we are quite proud.

Even with the initiatives that we have taken since 2000, that we are seeing the CPGI category rates reducing in Manitoba. They are down slightly. We would like to see those continue in that line. The obvious impacts of not having a plan in the nineties was detrimental to a number of people that did have addictions of certain forms in the gambling industry. This government has turned that around. We believe that the initiatives that we have taken are certainly positive ones. They are ones that we need to work on. It is something that we are rolling up our sleeves every day addressing. Part of the strategic plan identifies a social responsibility now with the first strategic plan the Lotteries has ever had in 2001 and the responsible gaming policy. It is making a difference. It is making a difference for Manitobans as the member is concerned about, as I am concerned about, as everyone around this table certainly should be concerned about. The initiatives are turning a disaster of the nineties into a positive, working with the many communities from right across Canada.

Mr. Loewen: I will direct my questions to the officials we have from the Lotteries Corporation here. Could you tell me who are the auditors for the corporation, as of record, to date?

Mr. Winston Hodgins (President and Chief Executive Officer, Manitoba Lotteries Corporation): The auditors that were involved in those particular reports were Deloitte & Touche.

Mr. Loewen: I thank you. Just for clarification, the reason I asked the question is it was Deloitte & Touche, I notice the letter in 2003 came from Ernst & Young, so I am really wondering if Ernst & Young are still the auditors this year, when they took over and if they are still working.

Mr. Hodgins: Deloitte & Touche were at the time that those reports were issued. There was a change in our auditors. We now have Ernst & Young who are our auditors of record at this point in time.

Mr. Loewen: Just for clarification because you mentioned that Deloitte & Touche were for these reports, but we are dealing, I believe, with 2003, and in 2003, the letter is from Ernst & Young. So if maybe you could just clarify by indicating when Ernst & Young took over the audit responsibility.

Mr. Hodgins: It was for the year 2002-2003. There was a contract with Deloitte & Touche which expired, then we went through a tendering process and Ernst & Young was the successful company and did do the audit of 2002-2003.

Mr. Loewen: Thank you. The reason I just want to clarify is because all the reports indicate that the auditors were through their work in May or early May and had submitted auditor's letters to the board and to the corporation. Was there anything unusual this year that would have delayed the submission of the audit by the auditors to the corporation?

Mr. Hodgins: There is nothing unusual that is taking place with respect to the audit that is going on. They were in in the spring and completed their audit. The report that was asked about earlier is actually at the printer's now. We are expecting it back in the next few days, but there is nothing unusual that is going on and the audit that was done with respect to 2003-2004 is typical of the audits that were done in the past.

Mr. Loewen: Thanks. I appreciate that information.

Obviously, the government has decided that they want to hold this committee before they release the report and I guess that is why we are here today without a report.

There have been some changes over the course of the years of the reports we are looking at in terms of how revenue and expenses are reported. I am just trying to get a handle on how they compare from 1999 to 2003, and so I have done some kind of quick math here. My quick math indicates that gross revenue for the Lotteries Corporation has gone from \$462.7 million, roughly, to what is indicated in 2003, over \$617 million. Would that be an accurate reflection of the revenue increases?

Mr. Hodgins: That is correct.

Mr. Loewen: So there has been approximately \$155 million increase in gross revenue from 1999 to 2003 in terms of the corporation.

Mr. Hodgins: That is correct.

Mr. Loewen: Mr. Hodgins, could you give us a little more explanation of gross revenue? Is that the total dollars taken in less any payouts, or is that just the total amount bet?

Mr. Hodgins: Yes, that would be after prize payouts, so it would be the net amount.

Mr. Loewen: So, in effect, and I apologize, I just want to make sure I got this clear in my mind, that is \$617 million that has actually come out of players' pockets and gone to the revenue corporation, whether it is VLTs of the casinos or lottery break-out tickets. That \$617 million is the net of any prize money that has gone back to anybody. Well, there cannot be many people who are fortunate enough to be winners with those numbers, but just for clarification that is the net number?

Mr. Hodgins: That is correct.

Mr. Loewen: The cost of sales then, and I am looking specifically at page 28 of the report 2003, of \$206 million, that has nothing to do with prize payouts. That is strictly commissions that are paid. Maybe you can clarify for me what that comprises.

* (10:50)

Mr. Hodgins: There would be commissions that would be paid out of that to our site holders. That would be the VLT site holders and also the lottery site holders.

Mr. Loewen: I do not have a number for that for 1999 because, as I had mentioned, the numbers were a little differently. Would your staff here have a number that they could give me for the cost of sales for 1999?

Mr. Hodgins: There was a change in the way in which we present the information, as you are aware, and that was done at the recommendation of our

external auditors. I am not sure I can give you a comparable figure immediately.

We could recalculate it and certainly give you that information, but it would probably take a little bit of time to go back and recalculate it in exactly the same format for '99-2000. If you like, we can attempt to do that.

Mr. Loewen: Yes I would appreciate that. Again, there is no real rush to it. If you could get back to me at some point after the committee has risen, that would be fine. The reason I ask is because again there has been 154, roughly \$155 million in increased revenue. When I look at the profitability of the corporation, I just want to make sure I have this right. I am looking at a number from 1999 of approximately \$225,130,000 going to 2003 of \$265 million. I just want to make sure I am comparing apples to apples.

Mr. Hodgins: We are really in three lines of business. There are the VLTs; there are the lotteries, which are the Western Canada products; and then there are the casinos. The majority of our net income is generated through our VLT program, in terms of the bottom line. The casinos certainly generate net income for the corporation; but, because of the facilities that we have to operate there, certainly there is a significant expenditure related to that. So, in terms of the percentage of net income, in total, it is certainly less than for VLT program, and then the lotteries program, of course, which is administered through the Western Canada Lottery Corporation, we provide the field delivery system for that. There is a profit related to that as well, but there has been some maturity in that market recently. So profits are in around about the \$50-million amount that we receive from Western Canada Lottery Corporation.

Mr. Loewen: Thank you. I appreciate that. What I am just trying to clarify, I just want to make sure I have the right numbers here because of the different reporting structure since 1999, the changes. From what I see there is \$225 million of profit in net income in 1999 and the number of 265 for 2003. I just want to make sure that I am comparing apples to apples, that they are the same figures.

Mr. Hodgins: That is correct.

Mr. Loewen: Okay. Thank you. So during that period from 1999 to 2003 we have seen the revenue

of the corporation grow by \$155 million or 33 percent, and we have seen the profit only grow by \$40 million, not an unsubstantial sum put on the backs of Manitobans, I would suggest, but only 18 percent. You know it seemed to me that in the normal operation of business that when you get into this incremental revenue a higher percentage of that would tend to flow to the bottom line. Maybe you could give me some explanation as to why there is, I guess, only an 18% increase in profit when there has been over close to a 35% increase in top line revenue.

Mr. Hodgins: There is, actually, I think a few reasons for that. If you take a look at the video lotto program, for example, you will see that there was some maturity in the program in the early 2000s, where if you were looking at the gross revenues there was not a material increase after about '01-02. So I think that was indicating, for a few reasons, the revenues in that case were plateauing.

The Lotteries' profits tend to fluctuate from year to year, depending on the prizes. If there are large prize payouts, if you looked at the paper yesterday there was a person from Roblin who won \$3.1 million, and a couple of years ago we had some very significant prize winners in Manitoba, which tended to increase the amount of, I guess, participation in the products that were offered by Lotteries. After those prize payouts occurred and it did not take place as much in the next year, our profits were down in the lotteries area.

I think the most significant factor is probably the casinos. If you look at the gross revenue side, there are increases in terms of the play at the casinos and there are significant payouts there in terms of prizes, but there is a very significant infrastructure that has to be supported there.

Just by way of an example, when the casinos were expanded in 1999 staffing increased by 700 in the corporation just to support the expansion of those casinos. Generally, in any business your payroll costs are one of the most significant factors that you are dealing with. So, although the revenues were increasing in our casinos, if you look at the gross revenues there are some very significant costs that are in place to support those facilities. So you do not get the same level of return at your casinos that you might get with your VLTs. In our VLT program we have roughly about 60 staff, within the corporation

of about just over 1700 employees, who administer that program. So we do not have the same level of staffing in that program to administer it as we do at the casinos where we have roughly, in round figures, about 1200 staff who work in the casinos.

Mr. Loewen: I appreciate that. In terms of the cash cow for the corporation, that would indicate that, although obviously from the statements it is all a cash cow, the VLTs are generally the biggest cash cow, I guess, for the corporation. I appreciate that.

During the same period, this is a period from 1999 to 2003, I just want to touch on this figure, because I think the minister was in error on record in terms of referring to the amounts to the Addictions Foundation of Manitoba. So I just want to make sure I have it right in my mind and we have it right on the record. In this period when the gross revenue of the corporation went up by \$155 million the net return to government was up \$40 million.

Am I right to compare here that the Addictions Foundation of Manitoba received, out of that \$155 million, or \$40 million, however you want to look at it, the Addictions Foundation received an increase of funding of \$321,000?

Mr. Hodgins: I guess the year that you referenced earlier, the \$1.65 million, that is funding that was provided to the AFM for their core programming.

Mr. Loewen: Just for clarification, I am looking actually at 1999 and I am comparing to 2003. The minister said less than a million, I am looking at the number here, which is 1.577, so 1,577,000; now going on page 28 of this report to 1,898,000, which is, by my quick math, a difference of \$321,000, those are the numbers I am comparing.

Mr. Hodgins: If you are starting a year earlier, about \$1.577 million was the core funding that was provided to the AFM for their core programming. In '04-05 that has increased to roughly about \$2.1 million.

Mr. Loewen: Well, again, just for clarification, I appreciate we have a new individual in the Chair, but we were directed by the Chair specifically to stay away from '04-05. That is why I am dealing with '03. I would like to get into '04-05. It is nice that the government can make projections about what they

might do, but I think we had better stick to the exact figures here just for clarification.

* (11:00)

Mr. Hodgins: The core funding in '02-03 for AFM was \$1.8 million. In addition to that, there was funding that was allocated for responsible gaming which was approximately \$0.4 million.

Mr. Chairperson in the Chair

Mr. Smith: Just in response to a question the member had asked, and just for clarification, when you go back in the actuals and you consider the funding for AFM, I know the member had asked as '99 and, certainly, it is indicative of us to compare years prior to that as well. I did mention \$1 million or less to AMM throughout that time period; in fact, when you go back to '94-95, considerably less than that, half of that.

Point of Order

Mr. Chairperson: Will you excuse me. We have a point of order.

Mr. Loewen: On a point of order, Mr. Chair. We are dealing with specific reports here. You have given us instruction earlier on in the committee meeting that we are to keep our comments to those reports, that we are not to deal with the '03-04 report which is not on the agenda. I would just say in terms of fairness that if you have directed the committee to deal with the reports, let us deal with the reports. I would ask you to give the same direction to the minister in his responses.

Mr. Chairperson: This actually is a point of order. We are not into the 2004 annual report, so we will try to be relevant to the reports that are on the agenda today.

* * *

Mr. Smith: As the critic for the opposition had mentioned, we would speak globally. I think we came to an agreement generally and, certainly, as we move through the agenda and we look at the figures and once we have an opportunity to identify those figures, the question, certainly, is being considered and answered.

The dollar figure has gone from '97-98 and '98-99 from \$1 million to now funding for the AFM in the latest, the 2002-2003, and, '03-04 up to \$1.87. The '02-03 that we are looking at here today is \$1.77 million; that is a 77% increase and \$770,000 increase to AFM. It does not get any clearer than that. I think that when we look at the reports and we look at the numbers, you can easily identify that.

One thing the member does recognize, I am sure, is the breaking of the line now with responsible gaming. The numbers now are separate and, certainly, that is over and above the dollars that are allocated to AFM, which takes it up considerably from those numbers.

Mr. Loewen: Again, I was just mentioning to the minister that the reason I am asking questions of the staff of Lotteries is because I, from experience, get intelligent answers from them. So I would appreciate it if the minister would allow me the privilege of posing my questions to the Lotteries staff and having them answer. We are dealing with reports from '99 and 2003. It is a simple matter and the good folks from Lotteries have confirmed that in a period when the government has received \$155 million more on an annual basis and in gross revenue and \$40 million more on an annual basis in terms of net income, they have had the good grace, as Mr. Hodgins has confirmed, to increase funding to the Addictions Foundation of Manitoba by a whopping \$321,000 for core funding and an extra \$400,000.

My next question to the folks from Lotteries is, is there anything else that is missing in there? You mentioned the difference of \$321,000, the other \$400,000 which you have given to AFM for responsible gaming. Is there anything else that is not identified in this statement that is going to the Addictions Foundation of Manitoba?

Mr. Smith: As the member mentioned, certainly it does get intelligent answers from Lotteries, not always relevant with questioning, but it does. I am proud of the staff, of the answers they give us. Clarification is certainly there. I know that the questions that the member asked are very relevant, and I am proud to say that I am glad that he agrees with me that the answers are responded to in an intelligent way.

The part of what the member had said and part of his questioning, "What debt was being carried?"

was in spite of the massive debt that was incurred, a \$50-million projection on the side of the casinos was \$141 million in debt. That certainly was a considerable debt to carry over and above the estimates and, in spite of that, the dollar ratio has increased. Certainly, on the side of the Western Canada Lottery Corporation, those dollars have increased.

The member asked for relevance of funding with AFM, and the simple fact is that it is a 77% increase to AFM over that period of time.

Mr. Loewen: Thank you. I appreciate that. I shake my head because I think if the minister were to go through Hansard he would certainly realize that I had not mentioned the word "debt" once—yet. We will get into that subject, but so who wants to know? I mean, he likes to go off on these tangents, I guess, to waste our time. Who knows? I guess that is his prerogative, seeing as how he is sitting in the chair at this time.

Just to confirm, and again, unfortunately, Mr. Hodgins did not have the opportunity to answer the question. I just want to clarify for my own mind that what he said is that from '99 to 2003, again, a period in which the government has \$155 million more in total revenue and \$40 million more in profit, they have given Addictions Foundation of Manitoba \$321,000 for core-funding increase and another \$400,000 for responsible gaming programs.

Is there anything else that is not broken out in this statement? I do not see anything else here. I am just wondering if there are other numbers maybe that are incorporated in other numbers in the report.

Mr. Hodgins: For that fiscal year, that was the funding that was provided to the AFM and for responsible gaming initiatives.

Mr. Loewen: Thank you for that. With regard to the amount of money given to the AFM, is that something that is decided at the management level of the corporation, at the board level, or is that something that is instructed by government?

Mr. Hodgins: The process that we go through is that staff has discussions with AFM. They bring forward their funding proposals to us. That is dealt through our annual business planning process. It ultimately ends up we take it to our finance committee and then ultimately the board of directors. The board of

directors makes the final approval on our budget. But it is done through a consultative process with the AFM. The minister mentioned earlier that there were four initiatives that AFM approached us about. They felt these were some studies they did want to undertake and through the consultative process we went through and, then taking you through the process that I described, there was an additional \$200,000 that was approved for four initiatives they wanted to undertake.

In answer to your question, it is a consultative process we go through with the AFM, and it ultimately goes through our finance committee and then our board of directors for approval.

Mr. Loewen: So, just for clarification, your government-appointed board of directors has the final say?

Mr. Hodgins: That is correct.

Mr. Loewen: With regard to the balance sheet, I am looking at page 27 for the 2003 report. I notice there is what I would call a substantial increase in long-term debt from \$135 million to \$168 million. Could you give the committee an indication of what those funds were allocated to? Were they capital assets, or—?

Mr. Hodgins: If I can just reference page 27. If you look under 2002, you will see there is a current portion of long-term debt which is \$30 million, and then there is a long-term debt amount of 135, and the majority of that debt is for the expansion of the casinos. The \$30-million debt during that fiscal year matured and, in consultations with our Department of Finance, they recommended we should convert it to long-term debt. So there is not actually an increase. If you add the two amounts together, you will see it does go from 165 to 168, but it is largely for the purposes of the expansion of the casinos.

Mr. Loewen: I appreciate that. Can you give me an indication of what the rate was on that \$30 million that matured and what the new rate is in terms of your placing it? I guess I would be looking for the term as well.

* (11:10)

Mr. Hodgins: Can you just give me a minute? If I could just refer you to page 34, footnote 9, it provides you with the information.

Mr. Loewen: I appreciate that. With regard to the \$135 million, I believe in the '99 report it indicates that the majority of that debt was financed through the Royal Bank and that since, I gather from the note here, has been converted to debt from the Province of Manitoba. Was that debt put out for tender? Could you give me a bit of an indication of how that process took place?

Mr. Hodgins: When I joined the corporation, if I can maybe just take a couple of minutes to give you a bit of background on it, when the expansion of the casinos was taking place, the financing that was, I guess, secured for that expansion was done by the corporation, not through the Royal Bank. One of the recommendations that were made by the provincial auditor when he did a review of the corporation back in 2000 was that we should revisit that issue in terms of the process we used for securing debt for the corporation.

The corporation no longer goes directly to financial institutions to borrow money. What we do is we go through our business planning process each year. Once a decision is made by the board of directors as to, I guess, their recommendation in terms of the level of debt that we should be or, let me put it this way, the level of capital programming that we should undertake for the forthcoming fiscal year, that is submitted through our Crown corporation's counsel to the government for review and the amount that is ultimately approved is submitted through The Loan Act for approval in the Legislature. We felt it was important for transparency and accountability to the Legislature that we go through that kind of a process, as opposed to going directly to the financial institutions.

In terms of whether there was a tendering process that was used I, personally, cannot speak to that because that is something that we asked the Department of Finance to do on our behalf.

Mr. Loewen: I believe what you are telling me as a matter of policy, then, is that the Lotteries Corporation in all its long-term debt will go to the Province of Manitoba as the lender of choice as opposed to looking to an outside source.

Mr. Hodgins: That is correct.

Mr. Loewen: Would that apply as well to any future debt that was required by the corporation?

Mr. Hodgins: That is correct. We will be submitting any of our capital programming requirements to the government, and it would then be approved through the Legislature.

Mr. Loewen: One of the reasons I ask is it seems to me that the numbers in these statements are somewhat higher than what the government has indicated their cost of borrowing is in the last estimates that the Minister of Finance has here. I just wondered, could you indicate how the rate is arrived at? Is that a negotiation between yourselves and the government of Manitoba? Is the rate set by the government of Manitoba? Do you have any kind of breakdown as to what they borrow at versus what they lend to you at?

Mr. Hodgins: The rates are fluctuating, I think, probably on a daily basis and when we approach them they will give us advice as to whether we should go long term, short term and they indicate to us at that time what the rates will be. It is not a negotiation process.

Mr. Loewen: So, essentially the government is setting the rate at which you will be allowed to borrow money if they agree that—

Mr. Hodgins: That is correct.

Mr. Loewen: I thank Mr. Hodgins for that information. With regard, I guess, in particular to the video lotto revenue, there is an indication in the 2003 report that there has been a reduction as a result of the smoking ban that was in place in Brandon and in Winnipeg. I am just wondering if we could get some more information from the Lotteries Corporation officials on what they perceive to be the realistic numbers going forward, given that they have had some experience with this report. I know they made some projections in 2003 as to how it will impact the revenue, particularly with regard to VLTs. I am just wondering if they had an opportunity to update that information or change those numbers at all.

Mr. Smith: It is a very relevant question and, obviously, the projections that were done were based on the experience, as the member mentions, was found from Brandon. The projections in most other jurisdictions that looked at it were very similar to what we had experienced in Brandon and then in Winnipeg, slightly over the 20 percent on VLTs, in that percentage. They are holding true, slightly higher than the member—I am not sure if he had

wanted to get the latest projections or just up to the relevance of what we have here in our documentation. I think it has been out there that certainly by August of this year our projection is somewhere in the area between \$50 million on the VLT side, \$25 million and about the same on the casino side. They are very close to the projections that we had.

Obviously, some of the initiatives that we have taken with the hotel association and others in the province will adjust those numbers to the positive, I believe, for rural Manitoba, certainly. Rural Manitoba is obviously the one that was impacted first. It will be the one that is impacted greatly after October 1.

So the numbers that we have are not something we can take into account until a longer period of time is done, but they are very, very close to what was projected. What has happened in other jurisdictions, certainly, was the opening of VLTs on Sunday has had a slight impact on the positive. The new machines will have a slight impact, but we will not have those numbers until after a few quarters are experienced.

Mr. Loewen: I am looking for the numbers from the officials from Lotteries Corporation, because the minister is on record and has been in the newspaper a number of times as saying that the new VLTs are newer and more exciting, and will generate more revenue. So I am just trying to get a grip in terms of the '02-03 report what the net effect will be to the Lotteries Corporation. You have got some possible impact on your gross revenue as a result of decreased gambling because of the smoking ban, and yet you have got new VLTs which are not really incorporated in the results that you are reporting in '02-03. I am just wondering if I can get an update on that.

Mr. Smith: If, in fact, the member wants to look at the specific numbers, he had asked prior for a recent update so, I guess, we will deal with strictly the numbers that we have before us. The impact is projected, and has been relevant and holding very true with the decrease that we have projected. The numbers are very close. We can have the CEO explain in detail to the relevance in our reports here.

Mr. Hodgins: I think I can just reiterate what the minister said. With respect to '02-03, it was only a partial year that we are dealing with here, because

the smoking ban was implemented in Brandon on October 1. We did experience some decline in our revenues in Brandon as a result of the smoking ban and the experience that we had there. As the minister indicated, we did talk to a number of jurisdictions who had gone a non-smoking route prior to us, but the decline in the revenues was roughly about 20 percent. That was the experience we had in Brandon. It was roughly the same experience that we had in Winnipeg when the smoking ban was implemented in Winnipeg. What our experience will be when the smoking ban is implemented in the rest of the province, I guess we will have to wait and see, but if Brandon and Winnipeg are any indication, it probably will be in the same area.

* (11:20)

Mr. Loewen: Well, thank you for that information. Within those projections, can you put a percentage increase on what extra revenue the new VLTs will bring in?

Mr. Hodgins: I guess it is really premature to start speculating what our revenue increases are going to be. We just finished the installation of the machines, actually, two weeks ago today, so to try to get into speculating what the increases might be, it is really quite difficult.

Mr. Loewen: Thank you. I appreciate that. I would assume the corporation has some type of projection going forward in their budget, but that is fine. We will get to that, I guess, in due course.

With regard to the new VLTs, how many were installed?

Mr. Hodgins: It was approximately 5300 machines that were installed in the province.

Mr. Loewen: I would just go back again to the '99 report which is before the committee, which indicates that on March 31, 2000, there were 4448 machines. Now the Lotteries officials indicated that there are 5300 machines in play in Manitoba. Could the officials give me some indication of where those extra roughly 900 machines are?

Mr. Smith: The number has not changed on the commercial side, the 4400 and some machines that are still identified. The 4448 VLTs at the 543 locations, obviously, is something that on that side

remain the same. The Assiniboia Downs, obviously, 140 machines in their pari-mutuel increase. The initiative that was undertaken was that some of the increase on the First Nations' side was something that was growth and increase, but the actual numbers on the corporate side, the VLTs that had been there prior, as well as the 519, I guess, in total at the First Nations' site were the only increase. It was something that was considered by the previous government for the increase and not acted upon, the Bostrom Report and, certainly, that has been enacted. The only action that was taken was the consideration of the machine increase from 40 per site on First Nations to 60. The previous government had put that in motion, although it did not act on it, and had the increase. It has been an increase in some locations.

Mr. Loewen: So just for clarification, the increase really has only been on First Nations' sites. Is that what you are telling me?

Mr. Hodgins: That is correct.

Mr. Loewen: Thank you. Mr. Hodgins, can you indicate to the committee—just for clarification we will go to pages 35 and 36 of the '03 financial statement which breaks down the video lotto revenue for '03 and '02—how much of that gross revenue comes from rural Manitoba versus how much comes from the City of Winnipeg?

Mr. Hodgins: Just on a point of clarification, which number are you looking at right now?

Mr. Loewen: I am looking on page 35, the \$211,706,000 that is recorded as gross revenue for video lotto terminals.

Mr. Hodgins: I am going to have to add up a couple of figures here for you to get to the \$211.6. For the commercial site holders, it is, in round figures, about \$104 million; Assiniboine Downs is \$6.2. So, if you include Assiniboine Downs within the city of Winnipeg, that is roughly about \$110 million. The balance is for the rural and northern site holders; it is \$84 million, and First Nations is \$17. So, I guess if you include First Nations as being in the rural northern calculation that would be roughly about \$101 million. I think that adds up to the \$211.

Mr. Loewen: Close enough. I appreciate those figures. Could we have the same breakdown for your net income line?

Mr. Hodgins: The figure that we have with us today is the \$153. We do not have the \$137 allocated in that fashion, because, if you look at the expenses, those are the expenses of our staff operating out of Morris, and then there are a couple of allocations that are factored in to arrive at the net income. I can give you the breakdown based on the \$153; that would be after commissions, but I cannot break it down the other way. We could allocate it out in some fashion if you want.

Mr. Loewen: That is a good point, and, no, the allocation of the \$153 would suffice.

Mr. Hodgins: The city is \$83 million; rural is \$67; Assiniboine Downs \$1.6; and First Nations is \$1.7.

Mr. Loewen: With regard to that, I just want to check some numbers. I am not sure whether the folks from Lotteries Commission would have these numbers or not; maybe the minister has them. I am not sure, but there is an article that was published in December in the *Free Press* that indicated there was \$50.125 million directed back to communities, and of that \$16.225 million went to rural economic development; \$18.9 to the urban economic development; \$7.5 to the City of Winnipeg; and rural cities and municipalities received \$7.5. I would just like some clarification from either the minister or the folks at Lotteries that those numbers are, in fact, accurate.

Mr. Hodgins: I would not want to comment on the accuracy of them until we had a chance to really take a look at them, but, just for the information of the member, what I can tell you is this that the net profits of our corporation do go to the government, as I think you are aware, and, with respect to the VLT program, 10 percent of the profits of VLTs are returned to the municipalities, unconditionally. There is another 25 percent that is committed for economic development initiatives or REDI/UEDI programming in government departments and then the other 65 percent was back into general revenue for other high-priority government programs. I think that the article is probably referencing the amounts that are built into departmental budgets, and so I would not want to comment on that unless I had an opportunity to kind of go back and check.

Mr. Loewen: I appreciate that information. So, basically, what you are saying then is that of all the monies taken in from rural Manitoba in terms of

VLTs, that 35 percent goes back in those two tranches, one 10 percent, one 25 percent and the other 65 percent just goes into general revenue for the government to spend?

Mr. Hodgins: That is correct.

Mr. Loewen: Just a quick question to the minister. Does that reflect what he believes happens to the money from VLTs? Is that a proper reflection: the 10, 25 and 65?

Mr. Smith: Yes, it is a reflection of what the income goes into. Obviously, when you take the '03-04, of the \$235 million, you generate more than \$185 million in economic activity in the province. The dollars are expended back in through the rural and economic development—

* (11:30)

Point of Order

Mr. Chairperson: Excuse me. On a point of order.

Mr. Loewen: Thank you. Again, the minister is mentioning '03-04. My understanding is that he does not even have the '03-04 report before him, so I do not know how he expects us to deal with the '03-04 numbers that he is refusing to release and claims that he does not have. If it is a simple slip of the tongue—but I do not see that number that he has referenced anywhere in the '02-03 report, so I am just curious.

Again, the same instructions as before, if we are dealing with reports let us deal with the ones before us. If he has other information for '03-04 that he would like to put before the committee, as we have indicated, we would be more than happy to receive it but, unless he does, perhaps he could just stick to the numbers that we can also reference.

Mr. Chairperson: As I previously ruled, this was a valid point of order, so we will ask everyone to stick to the reports that are before the committee.

Mr. Smith: The projections by MLC are usually very close, and the economic activity that is projected from the 10 percent going directly back to the municipalities is accurate. The 25 percent above that is also split into two components. One is

between the REDI program and one is split between the UDI program that does go back into rural activity, mainly in rural Manitoba. The other 65 percent, as Mr. Hodgins has mentioned, does go into general revenue for priorities of Manitobans and, obviously, one of the key priorities in that is to go into health care and education and many of the other social programs that we have for Manitobans. So he is accurate; 10 percent does go back to the municipalities. That is the arrangement; 25 percent does become split between REDI and UDI and economic initiatives in large part in rural communities, and 65 percent does go into general revenue for priorities of the government.

Mr. Loewen: I would just indicate to the minister and the folks I have a myriad of questions, but I know some of my other colleagues have more questions, too, and we are running out of time.

I am just wondering if the good folks from the Lotteries Corporation could indicate—because I do not really, and maybe I have missed it, I do not see it broken down anywhere specifically here—how much money is spent on the pure advertising in terms of the billboard campaigns, the casinos of Winnipeg. You know, "Come for the fun of it," I think is what they call it. Can you give me a specific number for those direct advertising programs?

Mr. Hodgins: I may not be able to break it out at this point in the way in which you are looking for it, but I can give you some global numbers. In '02-03, if I can put it this way, our general advertising was roughly about \$989,000 and our responsible gaming advertising was \$245,000.

An Honourable Member: Over and above?

Mr. Hodgins: Over and above.

Mr. Loewen: Thank you. I just want to get those numbers on the record. Just for clarification, it is \$989,000 and then the \$245,000 is over and above that, so the total is closer to \$1.3 million in total; \$989 for presumably advertising to get people in to play the machines, and the other \$245 is for responsible gambling.

Mr. Hodgins: That is correct. It is \$1,234,000.

Mr. Loewen: I appreciate that information. As I said, I have quite a few more questions, but I know

we have some very serious time restraints. Just in closing, in 2003, the coroners and chief medical examiners from across Canada passed a unanimous motion that they would provide statistics to the governments and, presumably, to the operators of the gambling facilities across Canada with regard to the number of suicides that bore some relationship to gambling activity or addictions to gambling. I am just curious if the officials at the Lotteries Corporation have those numbers and if they would be willing to share them with us.

Mr. Hodgins: We have received information from the Chief Medical Examiner, and I guess I would just qualify it by saying that it is very, very difficult to pinpoint suicides on any particular reason. I think that you are alluding to that as well, but, in terms of what the Chief Medical Examiner has suggested where gaming may have been an issue in a suicide since 1999, and again these figures may go beyond '02-03, I am not sure, I would have to check, there were 11 suicides where gaming may have contributed to this issue, and that is, I guess, based on roughly about 150 to 160 suicides per year in the province.

Mr. Loewen: I appreciate that information. I guess, just for clarification, does that go up to the end of '03?

Mr. Hodgins: It is for the five years since 1999; so that would take us up to 2004. It is 11 in total; not 11 per year. It is 11 in total since 1999, and the average number of suicides per year is about 150 to 160.

Mr. Loewen: I appreciate that information, and I concur that the numbers are 150 to 160 a year. I guess the problem is, and it was a difficulty that my colleague from Steinbach was trying to point out to the minister of the day, that new reports and new information are surfacing all the time and it has now been estimated that, in fact, those numbers are considerably higher than have been recorded in the past, and, in fact, the provinces such as Alberta and others are indicating that there are as high as 10 percent of suicides in their jurisdictions are related in some respect to gambling. So, again, it just emphasizes the very, very serious nature of this whole issue. If that were the case, we would be looking at 15 to 16 deaths in Manitoba a year as a result, and I agree you cannot say it was only gambling; it was only this or only that. They are all interrelated, but the fact that gambling is a part of it, I think, is a very, very serious social issue.

The member from Burrows indicated back in '99, the Chair of this committee, that there was a considerable social cost and that there may be evidence that the social costs are greater than the revenue. Those are his words, which I would agree, and I would on that basis encourage the minister and his colleagues to take seriously the need to do some real studying on the social costs and implications of gambling in our society. Maybe they can put a number by themselves in terms of how many suicides they are prepared to deal with before they come down with more information on this issue. On that basis, I know that there are other committee members who have questions to ask, so I will defer to them.

Mr. Smith: I commend the member for his passion on that issue. I know he has raised it a number of times, and we would all agree that it has been identified in some cases by many of the professionals and the coroners out there as being a contributing factor. As to what percentage of that, I believe, the report is moving ahead in the gathering of information, and may be able to formulate more accuracy to that end. With the programming we have put into place on responsible gaming and the partners that we have, I believe we are moving positively ahead in getting a lot of that information and, certainly, in identifying and putting our resources to key points to where the rubber hits the road, if you will, where the professionals are identifying resources and the direction of the resources in the best possible way to deal with issues. Some people do run into problems with addiction in the form of gaming and, certainly, that has been done.

There is a strategic plan now. There is a corporation that, as one of its priorities, has identified these issues, how to address them, the professional advice and education that we can get moving ahead with, so I do not disagree with the member in wanting to have more resources and more information in that area. That is being done. We are working with the professionals. That will continue on the priority that we have and, in a larger extent, with more resources as we have identified and, in fact, identified those resources right up until the years '07-08, but I guess I will not mention that because we are not dealing with '07-08.

Mr. Goertzen: I thank the member for Inkster. I know he has some questions and I will be brief with just a few questions to the officials for the

corporation. I appreciate the candour and the answers that they have provided to my colleague from Fort Whyte.

In relation to the Aboriginal gaming initiative, has the corporation undertaken a review in terms of what they think the impact may be in terms of expansion or new casinos being brought on-line by the Aboriginal community on the mainline casinos in Winnipeg? I know we have talked about the impact of the smoking ban, but is there some discussion in terms of what the revenue impact might be on the Winnipeg casinos to new gaming opportunities?

* (11:40)

Mr. Smith: The question is quite extensive. I know the member would not want to get into too great a detail, or he may and I can do that. Obviously, the impact on First Nations has been quite positive since initiating some of the Bostrom Report that was considered by this government and looked at. We can take the Aseneskak initiative up in The Pas that the First Nations have taken and had up and running for a period of a few years now that has been extremely successful. The folks from up there, the First Nations—obviously with any business and any business you have out there, unless the member is different from the average business person, usually experiences some trials and tribulations and, certainly, some difficulties in its first couple years.

That has been turned around with the expertise that has been gained with the assistance from Manitoba Lotteries and a will and an initiative of the government to assist First Nations in economic performance within their communities. The Aseneskak employs, let us not forget, nearing 200 people. Certainly, the economic spin-off from that for the community, for the families and for those people, has been immense. The increase in some of the VLT revenues that has gone back, obviously, into communities and into economic stimulus within First Nations communities has been quite extensive and the educational opportunities continue to grow with First Nations.

There are others that are being looked at and considered right now. The business plan is being considered and looked at in one case with the MGCC, as it should be. Certainly, there is a great deal of interest from First Nations in the acceptance this government has provided with, in large extent,

some of the initiatives that were brought forth in the Bostrom Report that obviously sat around for a period of time, unfortunately, and was considered again after we formed government and looked at it. So, in regard to positives, it has been very large. The initiative has been well received by the First Nations communities and the acceptance in the planning of those initiatives has been well received. The economic benefits are many and the economic benefits of the educational move forward component of that are immense.

Mr. Goertzen: The minister did not want his officials to answer the question. The specific question was not about the benefits to the Aboriginal community. Certainly, all of us hope that the Aboriginal community finds benefits in a number of economic milieus in the province. There is, obviously, some dispute between what the minister considers to be an economic benefit and some of the officials in the casino in The Pas saying that they have lost a million dollars in their first year. So that dispute, I guess, will just have to remain there. I guess the minister's benefit is a million-dollar loss, and they do not necessarily see it that way.

Hopefully, benefits will proceed in the future, but since the minister kind of intervened in that question and did not allow his officials from Lotteries to answer, maybe we will pursue another avenue away from the market studies. We will just have to assume that the minister does not want that question answered.

In regard to the staff of the Manitoba Lotteries Corporation that was referenced by officials here today, 1700 staff, I believe it was mentioned, working at the casinos. I know that there has been public discussion about the buyout packages offered to some employees of Manitoba Lotteries Corporation. Is there an update in terms of the number of employees who have taken the buyout packages and what the cost, the actual cost, of those buyout packages was?

Mr. Smith: The Lotteries Corporation's direction under Mr. Hodgins, I believe has been a positive one on the staffing side. When we initiated government in September of '99, the turnover rate at that time in Manitoba Lotteries Corporation was somewhere in the area of 25 percent. Looking at a company of nearing 2000 employees, you can well imagine the impact that has on the corporation. The focus now has become very much on the employee and the

acceptance of the employee and the decision making of the Manitoba Lotteries.

I can tell you I am quite proud of the Manitoba Lotteries Corporation and the board of directors and the decisions and the efforts they have put in to the treatment of employees. The staff turnover rate now is under half of what it was coming into government in '99, and the acceptance of staff in decision making has been very large. The buyout package was accepted. Certainly, when you look at the impact of smoking and new technology and the changes in business decision making, obviously many businesses, as Manitoba Lotteries has looked at, should have a business case and a business plan on a go-ahead basis with changes in many factors.

The buyout package was accepted, and the exact numbers can be relayed by Winston, but, obviously, the savings on the other side are large as well. The costs are somewhere in the area, I believe, of nearing a couple of million dollars, and the savings, I believe, projected on a yearly basis, year-over-year, will be somewhere in the area of about \$8 million.

The thing that I am proud of with Manitoba Lotteries is no one is getting laid off. There are not people being laid off. It is an option for people, a transition for employees, and it has been extremely well accepted. I believe that it was a very good direction on the Lotteries Corporation to look at that. As for the employees now, I believe the morale in the corporation is quite the opposite of what it was in the late nineties, and I believe that has a lot to do with the excellent management and the board of directors we have presently guiding the Manitoba Lotteries Corporation.

Mr. Kevin Lamoureux (Inkster): I do have a couple of questions. The first one is to Mr. Hodgins. The gross revenue, as has been pointed out, is over \$600 million in 2003. I am wondering if one is to pose the question in terms of to what degree in the sense of size is the gambling industry in the province of Manitoba. For example, if I was to say it is a billion-dollar industry, would Mr. Hodgins agree with that?

Mr. Smith: The question is quite hypothetical at best, and, certainly—

Point of Order

Mr. Chairperson: Excuse me. We have a point of order from Mr. Lamoureux.

Mr. Lamoureux: Yes. On a point of order, Mr. Chairperson, if the minister wants to run any sort of interference, and he has a valid point of order, he is saying something that is hypothetical, he should rise on a point of order.

I would ask, as I have been waiting patiently here since 9:30 this morning to ask a few questions, to allow his civil servants to answer the questions. That is why they are here is to answer the questions. We do not want to hear the baffleleg of the minister.

Mr. Chair, I would ask that if the minister has a point of order to raise it as a point of order, but not to waste my time.

Mr. Chairperson: Mr. Minister, on the same point of order.

Mr. Smith: Yes, Mr. Chair. On the same point of order, the hypothetical question could be answered in many different ways and, certainly, I know the CEO from the Manitoba Lotteries Corporation deals with the facts and presents the facts and as the member opposite has mentioned, does it very well. Certainly, if there is a factual question dealing with the reports that are presented here in front of us, I know Mr. Hodgins is more than capable and more than willing to answer that question. The opinions of people, I guess, can be answered by anyone, but what we can say is that the corporation does generate a great deal of profits for people in Manitoba, that do go into the general revenue for the priorities of Manitobans.

Mr. Chairperson: The Member for Inkster (Mr. Lamoureux) does not have a point of order.

Mr. Loewen, on the same point of order?

Mr. Loewen: On the same point of order. I mean, I agree fully with the minister. The good staff from the Lotteries Corporation does provide intelligent answers. We have seen that. Unfortunately, they were asked a specific question, and the minister once again decided to jump in with his usual baffleleg, which has wasted most of the morning. The simple question was would you consider yourselves a billion-dollar industry. I cannot, for the life of me, understand why this—well, I know the minister, so I guess I can understand, but it seems ridiculous that he would not allow the people to answer.

* (11:50)

Mr. Chairperson: The Member for Inkster does not have a point of order. It is the minister's prerogative whether he answers the questions or allows his staff to answer the questions.

* * *

Mr. Lamoureux: Well, Mr. Chair, given that the minister refuses to allow his civil servants to answer questions, or he is going to select which questions are answerable and which are not answerable, I find it most unfortunate. You see, Manitobans have a right to see and allow members of the opposition hold government accountable for its actions or inactions. I am really disturbed. This is a billion-dollar industry and we will spend maybe a half an hour or 45 minutes in terms of questioning this corporation. I would suggest to you that you virtually wasted the time and energies of the individuals that you have invited here today. You know, a half hour or 45 minutes of actual questions for a billion-dollar industry which is more than 50 percent spearheaded by the Province of Manitoba, and I am talking about indirectly, in which the Manitoba government is more than the 50 percent direct of a \$600-plus billion gross revenues, I do not know how the minister can justify having a committee meet but once a year and allowing opposition members 45 minutes of questions in which we can actually ask the civil servants and, then, selectively choose to run interference because he does not like the questions that are being asked.

My question to the minister, because he wants to answer the questions, is this: How does the minister suggest that I tell my constituents that I am allowed the opportunity to hold Manitoba Lotteries accountable when I am provided, maybe, 10 minutes or 15 minutes of being able to ask questions of which, if the minister does not like the question, he can run interference?

How am I able to represent my constituents by holding this government accountable with relation to Manitoba Lotteries? How is he doing a service to Manitobans by his behaviour today?

Mr. Smith: I would like to thank the member for his question. Certainly, once we go to committee meetings, I know the member opposite tries to make it to as many committee meetings as he possibly can. Obviously, he cannot make it to all of them and, at times, is not able to do that. The amount of committees that we have, the opposition, with the

amount of members that they have, are a strong showing at all the committees.

I know yourself and the leader of the party try to make all the committees that you can but, on the questioning, when you put a specific number out or ask a billion-dollar industry, as you term it, could be the billion dollars of benefits to Manitobans, I guess we could look at it in that light, and the spin-off for Manitoba Lotteries, and, obviously, the over 1700 employees and people who benefit in Manitoba if you want to take off the spin from that on the rural Manitoba accountability for the dollars that go back into their communities. If you add up all the benefits that are out there in the industry to communities and the dollars that are allocated and go back through the corporation to all communities, if you add all that up, I guess, you could term it as a billion-dollar benefit to Manitobans in the long run. Obviously, they want a lot of businesses and people that are employed, outside of the over 1700 employees, to benefit. If you add all those dollars up, I would say to the member that, yes, there are a billion dollars of benefits to Manitobans; I would suggest.

Mr. Lamoureux: Mr. Chair, I would suggest that this particular minister has followed the lead of the Premier (Mr. Doer) and shown a genuine lack of respect for true accountability by his behaviour. I tell you that there are opportunities for MLAs to pose questions, to hold government accountable, to hold Crown corporations accountable. When you contribute an excess of a billion dollars to an industry, MLAs should be afforded appropriate time to be able to hold a corporation or hold this government accountable.

You can baffle all you want. I listened for the first 45 minutes of this committee where there was one question that was actually posed, and that question was not even answered appropriately, and that is in a three-hour committee. This minister might feel that that is appropriate. I tend to disagree. If, in fact, you were to have more of an unlimited time for questions and answers in which MLAs were provided the opportunity to be able to ask questions until they felt satisfied, that they were adequately answered, I think, then, if the minister wanted to contribute and interfere in different questions and so forth that, then, it might be appropriate, but not when you have a finite, a very small amount of time to be able to deal with issues.

I think there are issues within Manitoba's lotteries that do have to be answered. There is the

issue of entertainment. I have met with constituents, one in particular who has expressed concern in terms of how entertainment at the casinos has become a fairly costly venture. Over the years, entertainment has gone up in terms of paying for special events that they might choose to go to. It would have been wonderful to have got some sort of dialogue with the corporation or some of the members that are here.

There is a social cost, as the member from Steinbach has pointed out. I truly believe that there is a significant number of individuals who are incarcerated in our jails throughout the province today who are there, at least in good part or in part, as a result of gambling. It would have been nice to have been able to have some sort of a discussion and dialogue on that issue.

You have literally millions of dollars that go out to community supports. I very much am interested in knowing which types of communities, which organizations are actually applying for these grants. What sort of protocols or procedures are there? Is there an outside group that would like to be able to host one of these bingos in the casinos? I think they are numerous.

I was listening to the member from Fort Whyte and the questions that he was asking. I think those are legitimate questions in which he could have easily expounded upon and drawn out more information which would have made, again, a higher sense of accountability. I see a genuine lack of accountability because of the way in which this government has chosen to deal with issues. If it was up to me, I would not pass these reports. I think that this minister is virtually in contempt of this particular committee. I would not pass the reports, but it is not necessarily for me to determine that at this moment. The only thing I would ask is that I would like to see and be provided with a list of organizations that do apply and do volunteer through the Community Support Program. I will leave it at that. Thank you, Mr. Chair.

Mr. Smith: Any MLA is able to ask questions. I know the good will of the official opposition. I know the member is not officially a committee member on a committee, but to suggest that the official opposition member was not making any points in the first 45 minutes—I believe he asked a lot of relevant and good questions during that time and, certainly, got answers. I know many of the other members did and the committee obviously had agreed. I believe

Mr. Goertzen had made a suggestion on a time for sitting. I believe the committee had come to acceptance of that agreement as a whole, if I remember correctly, and that is the will of the committee.

Mr. Chairperson: It being close to 12, is it the will of the committee to pass any reports before we adjourn?

Mr. Goertzen: Mr. Chairperson, I think the Member for Inkster (Mr. Lamoureux) makes a valid point. For clarification, if I understand, and the Member for Inkster can correct me if he wants, but I think what he said was there were three questions asked that all had to be repeated—they were the same question—in the first 45 minutes because the minister did not give an answer. We got three opening statements on our first question which had to do with the amount of money that was being spent to study problem gambling in the province. Forty-five minutes was used on one very specific question. Forty-five minutes. The minister went off on a repeat of his opening statement three times. It is disrespectful to the committee, and the Member for Inkster, I think, is correct in saying that.

He is not an official member, perhaps, of the committee, but he is very correct in saying that reports will not get passed until answers are brought forward. There was an agreement in terms of when the committee would sit till. We came forward. I think, between myself and the other members of the committee, we probably had 30 or 40 questions that we could have gone through in three and a half hours with the kind of direct answers that were being provided by the staff of the Manitoba Lotteries Corporation. I commend them for those direct answers, but the minister simply would not allow that process to take place, and until he does and until the government does, we will not get through this process, because we have a job as opposition to hold government accountable and to ask questions and get answers. If we do not get those answers and just simply pass reports because the minister decides to stall and to hold things back, we would not be doing our job.

* (12:00)

Mr. Chairperson: The hour being twelve noon, as previously agreed—

An Honourable Member: There are a few seconds.

Mr. Chairperson: There are a few seconds?

Mr. Loewen: A quick one to the folks from the Lotteries Corporation. I know that if the Premier (Mr. Doer) was here, he would probably want an answer to this question. Can you explain to the committee why, when you go to one of your casinos, you cannot buy a Manitoba-produced beer?

Mr. Chairperson: Is it the will of the committee to extend the time, or to adjourn?

Extend the time to answer this question.

Mr. Hodgins: That is a good question. It has been raised with us in the past. I guess what we are trying to do as a business is provide products that people are actually interested in, and, for the most part, I guess the products that they are looking for are the traditional ones.

However, because that issue was raised by some of our customers, there was a direction that was given by the management that we should carry some Manitoba products. I will certainly follow up on this, but my understanding is that we do carry Manitoba products at the casinos now. In fact, if I remember correctly, is it Fort Garry Pale Ale? I do not drink it myself, but, certainly, we want to try and promote Manitoba products as much as we can. We do that in many different ways. Through our food and beverage services, we do try and provide Manitoba products and, on occasion, we will serve banquets that are all Manitoba products. We are certainly conscious of that issue and it has been brought to our attention.

Mr. Chairperson: The adjournment time having been already passed—

Point of Order

Mr. Chairperson: Ms. Oswald, on a point of order.

Ms. Oswald: Just on a procedural issue, Mr. Chair. There has been some discussion around the table concerning time, and I did propose initially during the meeting that we would look at the clock at twelve o'clock. There does seem to be considerable interest by members opposite to look at some issues further. I would propose that we look to, perhaps, sitting until one o'clock and then review the issue then, as I suggested earlier, in the name of affording the opposition the opportunity to address some of these

issues that they are, indeed, very concerned about addressing.

Mr. Chairperson: That would be a change from a previous decision, but what is the will of the committee?

Mr. Goertzen: I think, Mr. Chairperson, what is key to the issue here is not necessarily or specifically the amount of time. The amount of time is only relative to the amount of questions that are answered. I can ask the same question over and over again, and the minister can give a 45-minute opening statement to every question I answer and simply not respond. We asked the question three times; never received an answer; still do not know the answer. The minister wants to give a specific dollar figure in terms of how much money is being provided to study problem gambling in the province. We will still take the answer, but the reality is that to sit here another hour, another two hours, another ten hours does not solve the problem because the minister refuses to answer the questions.

I think that was the issue that was raised by the Member for Inkster (Mr. Lamoureux) about how we are spending our time. You could have a committee hearing that was an hour; you could get off 60 directed questions and get 60 directed answers and that would be a very efficient committee. We have sat here for three and a half hours or two and a half hours and have not received significant answers. That is the issue; it is not the amount of time. I just simply do not see, without the minister making an undertaking to actually answer questions, what the point would be.

Mr. Chairperson: What is the will of the committee, to adjourn or to continue?

Some Honourable Members: Dispense.

Some Honourable Members: Committee rise.

Mr. Chairperson: There is no unanimous agreement, so committee rise.

COMMITTEE ROSE AT: 12:04 p.m.