

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

Chairperson
Mr. Dave Gaudreau
Constituency of St. Norbert

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MANITOBA LEGISLATIVE ASSEMBLY
Fortieth Legislature

Member	Constituency	Political Affiliation
ALLAN, Nancy	St. Vital	NDP
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LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON CROWN CORPORATIONS

Tuesday, September 8, 2015

TIME – 2 p.m.

LOCATION – Winnipeg, Manitoba

CHAIRPERSON – Mr. Dave Gaudreau
 (St. Norbert)

VICE-CHAIRPERSON – Ms. Nancy Allan (St. Vital); Mr. Ted Marcelino (Tyndall Park) as of 4:24 p.m.

ATTENDANCE – 11 QUORUM – 6

Members of the Committee present:

Hon. Ms. Irvin-Ross, Hon. Mr. Lemieux

*Ms. Allan, Messrs. Altemeyer, Cullen,
 Mrs. Driedger, Messrs. Gaudreau, Pedersen,
 Saran, Schuler, Wiebe*

Substitutions:

Mr. Marcelino for Ms. Allan at 4:24 p.m.

APPEARING:

Hon. Jon Gerrard, MLA for River Heights

*Ms. Tannis Mindell, Chairperson, Board of
 Directors, Manitoba Liquor & Lotteries
 Corporation*

*Mr. John Stinson, Chief Executive Officer,
 Manitoba Liquor & Lotteries Corporation*

*Ms. Kadri Irwin, Director of Licensing, Liquor
 and Gaming Authority*

*Ms. Tracy Graham, Chief Financial Officer,
 Manitoba Liquor & Lotteries Corporation*

*Ms. Corrine Scott, Director of Compliance,
 Liquor and Gaming Authority*

MATTERS UNDER CONSIDERATION:

*Annual Report of the Manitoba Liquor Control
 Commission for the fiscal year ending
 March 31, 2014*

*Annual Report of the Manitoba Lotteries
 Corporation for the fiscal year ending
 March 31, 2014*

* * *

Clerk Assistant (Mr. Andrea Signorelli): Good afternoon. Will the Standing Committee on Crown Corporations please come to order.

Before the committee can proceed with the business before it, it must elect a new Chairperson. Are there any nominations for this position?

Mr. Matt Wiebe (Concordia): I'd like to nominate Mr. Gaudreau.

Clerk Assistant: Mr. Gaudreau has been nominated. Are there any other nominations?

Hearing no other nominations, Mr. Gaudreau, will you please take the Chair.

Mr. Chairperson: Our next item of business is the election of a Vice-Chairperson. Are there any nominations?

Mr. Wiebe: I'd like to nominate Ms. Allan.

Mr. Chairperson: Ms. Allan's been nominated Vice-Chair. Are there any other nominations?

Hearing none, Ms. Allan is elected Vice-Chair.

This meeting has been called to consider the following reports: the Annual Report of Manitoba Liquor Control Commission for the fiscal year ending March 31st, 2014, and the Annual Report of Manitoba Lotteries Corporation for the fiscal year ending March 31st, 2014.

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

Mr. Blaine Pedersen (Midland): Mr. Chairman, before we decide that, does the corporation have a presentation at the beginning of the committee here?

Mr. Chairperson: No, no. The committee—they don't have a presentation for the committee.

Mr. Pedersen: Then I would suggest we sit for two hours and re-evaluate at that time to see whether we're finished or not.

Mr. Chairperson: Sit for two hours and then evaluate—is that acceptable to the committee?
 [Agreed]

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

Mr. Ron Schuler (St. Paul): How about we would start on a global basis and ask questions, seeing as we are dealing with two different corporations that have now been brought together and sort of on a global basis at first and then go through—I don't think there's really a preference here after that.

Mr. Chairperson: Is that acceptable to the committee?

Ms. Nancy Allan (St. Vital): For clarification, are you suggesting that we do global and start with the Manitoba Liquor Control Commission first and then the Manitoba Lotteries Corporation second, or do you want to go completely global?

Mr. Schuler: Completely global.

Mr. Chairperson: Completely global? Okay. Committee agree? *[Agreed]* Okay. We're going to proceed completely global.

So, does the honourable minister wish to make an opening statement and also please introduce the officials in attendance.

Hon. Ron Lemieux (Minister responsible for Manitoba Liquor and Lotteries Corporation): What I'll do is I'll keep my comments brief so we can start getting into the questions, and I think everyone will appreciate that, including my colleagues. What I'll do is I'll introduce the people that are here today, and that's why I'm very comfortable with going global because we have people here that can answer questions related to liquor or lotteries and we have everyone in the room.

So, the first person I'd like to introduce is Tannis Mindell. She's the board chair. John Stinson, chief executive officer, which he's just passed his first six months, I believe; and Tracy Graham, chief financial officer; Peter Hak, chief corporate services officer; Larry Wandowich—somewhere at the back as well, sitting against the wall. Also—and Larry is the chief community relations and marketing officer; and Dan Sanscartier, vice-president, Gaming Operations; Al Roney, executive general manager, Retail Stores; Corrine Scott, director of compliance with Liquor and Gaming Authority; and Kadri Irwin, director, Licensing with the Liquor and Gaming Authority.

The only comment I will make is that we're certainly pleased to be here to answer every question that we certainly can, and if there is something that is not answerable today that we will try to get back to the opposition or whoever has the question as soon as we can.

So, with that, I just want to say, Mr. Chair, that we'd like to proceed.

Mr. Chairperson: Does the critic for the official opposition have an opening statement?

Mr. Schuler: No. We are ready to go right into questions.

Mr. Chairperson: Thank the member.

Do the representatives from Manitoba Liquor & Lotteries Corporation wish to make an opening statement? No? Okay, thank you.

Then the floor is now open for questions.

Mr. Schuler: Well, clearly, times are changing. I think that's the first time I've been to committee where we haven't had a presentation by the corporation. And we appreciate that you've gone through quite a change, not just within the corporation, but also at the board.

So, certainly, the committee, and I think all Manitobans, have a keen interest on how things are going and where things are going. So we do have a whole series of questions so we should probably get right to it.

And my first question is: How often does the new board chair and the present CEO meet with the minister?

Ms. Tannis Mindell (Chairperson, Board of Directors, Manitoba Liquor & Lotteries Corporation): We tend to meet bimonthly, so once—is that once every two weeks? Biweekly, sorry.

Mr. Schuler: When was the last time the executive met with the minister?

Mr. John Stinson (Chief Executive Officer, Manitoba Liquor & Lotteries Corporation): Last Thursday, so the September the 3rd.

Mr. Schuler: Does the board or executive meet with any other ministers, and if so, with whom?

Mr. Stinson: No, not on a regular basis, unless by extenuating circumstance we were invited; I'm sure we'd say yes.

Mr. Schuler: Does the minister provide any policy directives to the board?

Mr. Stinson: The meetings are intended to provide information and updates to the minister. He doesn't provide direction. So he will have questions regarding particular programs or initiatives within the corporation, and then we'll provide the information either at that meeting or get the information to the minister at the appropriate time.

Mr. Schuler: Could the corporation tell us, have top executive salaries gone up over the last three years more than cost of living?

Mr. Stinson: The salaries for executives within the corporation have a annual increase of between 2 and 3 per cent, usually tied to cost of living or to the settlements within union agreements to then reflect those union agreements. So we've been pretty steady with just cost of living and the union agreements and not with any bonuses of any kind or any extra amounts.

Mr. Schuler: Manitoba Hydro has indicated the reason why they gave substantial increases to their executives was to attract key senior executives. They said there was a problem with attracting key individuals because the wages weren't high enough. Thus they had to raise the wages of executive members substantially.

Could that same argument be made for the MLL?

Mr. Stinson: I mean, it's challenging to recruit and retain staff, as you know, and other jurisdictions across the country and other jurisdictions in our business of liquor and gaming retail are very competitive both south of the border and across the country. We would be the lowest paid or one of the most lowest paid jurisdictions in that area. But we're committed to being in the middle of the pack as far as wages for our executives within Crown corporations in Manitoba.

From a philosophical point of view, we know that our position is to raise revenue for government to help support programs such as health care, social services, infrastructure, et cetera. So we want to be competitive and attract but we've had great success in promoting from within and grooming people within the corporation to move forward into executive positions.

Mr. Schuler: So I just want to be very clear, MLL, as compared across North America, seemingly,

you're either—is it that MLL is in the middle of the pack or is it at the bottom of the pack?

Mr. Stinson: Sorry I wasn't clear enough: in the middle of the pack of Manitoba Crown corporations but at the low end as far as North America or Canada would be concerned.

Mr. Schuler: So, over the last three years, have you had a substantial drain on your top executives to other jurisdictions because of that pay disparity?

Mr. Stinson: We have not. We've had great success, as I said, in recruiting from within, and also we've recruited a few people from outside of the organization. I would be an example of that. But we've had great success in sustaining Manitobans to work in Manitoba, so that's been very positive for our Crown.

Mr. Schuler: If you're at the bottom of the pay scale, and that would be one of the reasons why somebody wouldn't stay, what would be some of the reasons why top executives would stay? Is it a very positive environment? Is it a, you know, great workplace? Is it the top person at the pyramid is doing such a great job? What would it be that would keep top managers in positions instead of looking for other jurisdictions?

*(14:10)

Mr. Stinson: I'd like to say it was myself that attracted folks, but I can't take credit for that. I think that the former president and CEO Winston Hodgins set a very good example of worth 'ettic'-ethic and attracted people to the organization. You could probably ask the team of folks sitting behind me and some that are sitting in the audience why they stay. I think it is because it's an exciting organization to work for. I think it has the great blend of having one foot in a retail environment where you're allowed to be very creative and find ways to develop products and present services to Manitobans. And on the other side we're doing that within the framework of social responsibility, and I think it attracts a certain kind of individual, and they find that very rewarding, to be able to work both in an environment that's creative but also has a conscience. So I think that's what's doing it.

Mr. Schuler: Winston would probably sit here and take some of the credit himself. He's a great guy and he's done a lot of great work for this province.

And my question to you is: Does the environment within a corporate structure play more

importance to top executives than pay or are they equal? Is one weighted more than the other?

Mr. Stinson: My experience predominantly, as you know, is in the health-care field, and I think in all top executive kinds of positions, whether that's the private sector or the public sector, I think it's a blend. I don't think one is more important than the other. It depends on the individual. I like to think that most people working for Manitoba Liquor & Lotteries are motivated because they are interested in the work and care about working in that framework of social responsibility, at the same time have the opportunity to drive revenue for government to support programs such as health care and infrastructure and education, social services.

But I also know that if we suddenly cut everyone's salary in half I'd probably have an exodus of people leaving the corporation. So I do think it's a combination of dollars and of interest in the job. But I think in Manitoba we've demonstrated in so many different areas, including health-care, including in Crown corporations, even in our private sector and small business sectors that people stay here because of the lifestyle, stay here because of the people and the neighbours. And I think we're reflective of that in the Crown corporation as well.

Mr. Schuler: Certainly I appreciate that forthright answer.

One more question on this then we can move on. Has there been any discussion within the corporation and the minister about a substantial increase in corporate pay?

Mr. Stinson: Absolutely not.

Mr. Schuler: Well, that's pretty direct. We—the Chair of the committee couldn't even get his glass—a sip of water done before that answer was done.

Thank you very much.

A question further is: Does the board chair, CEO or any other member of the board meet with the Premier (Mr. Selinger) or persons designated from the Premier's office? If so, how many times do they meet?

Mr. Stinson: Just to ask you to repeat that Mr. Schuler. Sorry.

Mr. Schuler: Does the board chair, CEO or any other member of the board meet with the Premier or persons designated from the Premier's office? If so, how many times do they meet?

Mr. Stinson: Not on a regular basis. There would be times dependent on the issue or the program that we're developing that we would brief the Premier at the request of the minister, of course, who is our contact through government. So we would never go directly to the Premier and have not have been invited to do so to my knowledge.

Mr. Schuler: Can you recollect when the last time was that you were invited to speak with the Premier?

Mr. Stinson: Just reminded of when it was. A meeting was set up between one of the stakeholders in the Manitoba Hotel Association with the Premier, and the Premier invited us to his office to provide a briefing through communication with the minister's office, and that was in August.

Mr. Schuler: How are board members chosen?

Ms. Mindell: They are chosen by the government. However, they ask for input in terms of skill level and ability and the types of skills that we're looking for. So I provide some feedback to boards and commissions on the types of individuals and the skill set that we're looking for.

Mr. Schuler: How often do the board of commissioners meet?

Ms. Mindell: Our bylaws say that they're supposed to meet six times per year for board meetings. But we meet 10 times a year at minimum.

Mr. Schuler: How many board members are currently serving with expired terms?

Ms. Mindell: None.

Mr. Schuler: When is the expected timeline to complete any reappointments that are coming due? Like—let me rephrase the question: Are there reappointments that are coming due, and when will that be completed?

Ms. Mindell: The majority of the board members have a term until April 24th, 2019, but there are a couple that—who had served previously that expire in 2017.

Mr. Schuler: So could the argument be made it's a fairly new board?

Ms. Mindell: Yes.

Mr. Schuler: Is there a cap on the number of times an individual can be appointed to the board?

Ms. Mindell: The practice is no more than 10 years, as recommended by the Auditor General.

Mr. Schuler: Is the corporation adhering to that recommendation?

Ms. Mindell: Yes.

Mr. Schuler: Are appointments staggered?

Ms. Mindell: Yes, there are a couple of appointments that are staggered, and the remainder have the same duration. So there will be, I believe, three people who come off before—earlier in 2017 and the remainder will go to 2019.

Mr. Schuler: Is there any form of succession planning for the board and/or senior management?

Ms. Mindell: Succession planning for the board would be my responsibility to ensure that I communicate with boards and commissions on the types of individuals that we're needing to replace those who are—whose terms are coming due. And I'll let John answer.

Mr. Stinson: Succession planning for executive is done through ongoing education and performance evaluation with management staff within the organization. What we want to ensure is that there's an opportunity for people to move through the organization and move into positions of more responsibility. We have just developed a more rigorous process for the CEO evaluation that will be mirrored in a more rigorous process for senior staff evaluation over the coming year. I think that that ongoing performance evaluation, the opportunity to sit down and look at both performance, job satisfaction, goals for an individual within the workplace, helps move that succession forward and ensures you're going to keep a cadre of folks who want to stay in the organization.

There is, of course, natural turnover within an organization, and that's a healthy thing; literature would suggest that you want somewhere between 5 and 10 per cent of turnover, from a healthy perspective, just to have that kind of turnover at the senior level. But, ideally, what we're doing is we're always feeding from other positions within the organization, and we do that through the performance evaluation and performance management process.

Mr. Schuler: What qualifications or credentials are required for board appointments?

Ms. Mindell: We have at the current time two lawyers, and we have two chartered accountants, or there's a new phrase for accountants, CPAs. And so we like to keep that balance on the board because

there is a skill set that's very important to our organization. We also have the need for people who have experience in administration, in program delivery and marketing, and we always try to ensure that we have an Aboriginal representation on the board.

Mr. Schuler: Are the minutes of public meetings publicly available?

Mr. Chairperson: Ms. Mindell? Mr. Stinson.

Mr. Stinson: If I can ask a clarifying question, you're meaning the—when the board meets?

An Honourable Member: When the board meets.

Mr. Stinson: Yes.

Mr. Schuler: Thank you.

Are the minutes of board meetings publicly available? That was actually the question.

Mr. Stinson: Our minutes go to the Crown council corporation, and then they're made available through the Crown council corporation. I'm not sure if they're posted on their website or not. But I know that if individuals ask for those, then the minutes would be open for public viewing at any request.

Mr. Schuler: Could you just let us know if those are publicly available and where we would find them?
[interjection]

Mr. Chairperson: Mr. Stinson.

Mr. Stinson: Sorry. I will ensure we get that back to you in writing.

Mr. Schuler: The committee thanks Mr. Stinson.

Is there any evaluation of board members done on a regular basis?

Ms. Mindell: I do that personally. In addition, we do a formal evaluation four times of year—four times per year of our board meetings and once per year of our committee meetings where there's a form that people complete and provide information and advice.

Mr. Schuler: Does the board approve its own expenses?

* (14:20)

Ms. Mindell: No.

Mr. Schuler: Who approves board expenses?

Ms. Mindell: I approve the board expenses as chair, and my expenses are approved by the chair of the audit, risk management and technology committee.

Mr. Schuler: Are board-approved board expenses available publicly?

Ms. Mindell: They would be upon request.

Mr. Schuler: So they're not on a website somewhere or something like that. It's on request. Is—and just one other question: Is that a FIPPA request or just a request?

Ms. Mindell: Can I get back to you on that?

Mr. Schuler: I think the committee would appreciate it if you would just give us that in writing, and that would be fine.

Mr. Stinson: Just as an addendum to your question, at the Crown council corporation we have regular CEO round tables for the Crowns, and at our CEO round-table meeting upcoming in October, we put on the agenda this discussion of public disclosure of expenses and minutes with the intent of having a fulsome discussion on how should we do that in Manitoba. We think it's an important thing to do, so your question is very germane in that it's front of mind for the Crowns.

Mr. Schuler: The committee thanks Mr. Stinson for that.

Is there a specific conflict-of-interest document that has to be signed similar to what we do here in the Legislature for board members?

Ms. Mindell: Yes.

Mr. Schuler: What does that look like? Is it something that's available by the public to know what has—not that—what people declare but what that would look like?

Ms. Mindell: We have a comprehensive board governance manual that goes through all kinds of items that are of importance to the board. We've recently completed a combination manual between the two corporations. It's pretty extensive, and I understand that some of the other Crowns are looking at ours as a model, but we'd be happy to provide you with a copy of that if you'd like.

Mr. Schuler: Thank you. That would be appreciated.

What are the current procedures for training for the board of commissioners? And this comes from a recurring theme in the annual general reports, that boards are not knowledgeable about how to be board members and what their role is, et cetera. So, again, back to the question, what are the current

procedures that you have for training the board of commissioners?

Ms. Mindell: The corporation is a member of the Institute of Corporate Directors, and we also are an active participant in the Crown Corporations Council training programs. We have an allocation per board member so that they can take advantage of courses either within the province or outside the province, and we encourage training. The assistant in my office sends out notifications to all of the board members of anything that might be of interest to our board and makes sure that they're aware and can sign up for board training.

Mr. Schuler: And what is the budget for that on a yearly basis?

Mr. Stinson: Can we get that as one of the things we put in writing? I don't know it off the top of my head, so I don't want to put in Hansard an incorrect amount.

Mr. Schuler: Yes, we wouldn't want that around here. I thank Mr. Stinson for that.

Floor Comment: That's never happened before.

Mr. Schuler: Good thing you're not on the record.

To change gears here slightly, does the Crown corporation own any surface-level parking lots in downtown Winnipeg? If so, where?

Mr. Stinson: Not to my knowledge, no. No.

Mr. Schuler: And that would include both corporations that have now come together as one?

Mr. Stinson: Yes, that's correct. We don't own any in the downtown area. We do, of course, own the building at Buffalo Place and own our building on Empress Street, two of the corporate offices that currently exist, and we have parking, surface parking lots, at both those buildings.

Mr. Schuler: Page 34 of the MLCC annual report shows administrative and general expenses increased by 6.4 per cent for 2013-2014. What would be the main factor for this increase?

Mr. Stinson: Page 32?

Mr. Schuler: Page 34, 2013-2014 MLCC report.

Mr. Stinson: Well, I mean, there is a number of reasons that they increase. Mostly, it's general salary increases of the 0.2 per cent. It's new stores and costs associated with benefits and more employees being hired. So salaries, benefits, pensions, all those things

increase on an annual basis as employees have a term within the organization, and, of course, as they get more mature in that term, their salary goes up and the costs of their benefits go up in relation to salary.

Mr. Schuler: If committee would turn to page 16: MLL encourages diversity in the workplace. Is there a goal or target MLL wishes to reach with the equality representation participation rate? And there's a chart on page 16—or page 11 of the Lotteries report.

Mr. Stinson: If I can quickly get the exact figure from our VP of HR who was sitting right there. Is it—am I allowed to get up and just whip over there? *[interjection]* They can come over here?

Mr. Chairperson: Yes.

And during this second break while he's conferring, I just want to introduce two new pages for 2015-16. We've got Kieran Smith and Megha Kaushal over here. They're joining us for the next year.

Mr. Stinson: So our rates for target are set by the Province in the sense that whenever the Province sets rates for representation of First Nations folks, for example, within the workforce, we would try to achieve those. I don't know what that number is, off the top of my head, from the Province. I think it's around the 12 per cent rate right now for First Nations, as that example.

I think as a corporation, we've had fairly good success in attracting folks, particularly from visible minorities and women. I think we're doing better in First Nations, Metis and Inuit recruitment. As you know, there's a separate gaming infrastructure for First Nations, and a number of the folks obviously working within that infrastructure are First Nations, and folks wishing to have a career in that environment often want to work for a First Nations casino rather than working for one of our casinos. But we are always looking for qualified people from under-represented populations within our workforce in the Province.

Mr. Schuler: The question was, and I'm not too sure I heard the answer, have you set targets? *[interjection]*

Mr. Chairperson: Mr. Stinson.

Mr. Stinson: The target is the same as what is set by the Province. So, when the Province sets a target for representation across the workforce, that's what we strive towards. So, if the Province has set a representation of 10 per cent within the public

service, we would try to represent 10 per cent within our corporation as well.

Mr. Schuler: What are those targets, and how close have you come?

Mr. Stinson: I know we're close, and I don't know what the exact number is, so that'll have to be a piece, if I may, to include in writing to you in our letter that we respond to you.

Mr. Schuler: Would the minister know what the provincial targets are?

Mr. Lemieux: We'll have to get back to you with that information.

Mr. Schuler: I moved a little bit too quickly. I was wondering if we could go back to the 6.4 per cent increase attributed to administrative expenses, general expenses. Could the corporation tell us what is that attributed to? Is that all labour cost overages? Is that moving—like, what exactly would have driven that 6.4 per cent increase? *[interjection]*

Mr. Chairperson: Mr. Stinson.

Mr. Stinson: Luckily, the accountant is with me, and that's always key. Three new store locations have been the primary driver of those increased costs.

Mr. Schuler: Must be nice being able to travel with your accountant. I've wanted that for a long time, and it just doesn't work for me. So, anyway, I'd like to thank you for that.

In May of 2013-2014, 420 MLL employees were relocated due to the merger. How many of these employees were from MLCC and how many were from Lotteries?

* (14:30)

Mr. Stinson: My answer to that is I don't know an exact figure. The former Lotteries corporation had about a two-to-one ratio of number of employees. So I would extrapolate that most of the employees came from the former lotteries corporation and the lesser amount came from liquor. But I would ask you to indulge us one more time and I would include that figure in the correspondence back to you.

Mr. Schuler: Thank you.

And were any of these employees unable to be relocated? Were there—let me rephrase that. Were there any employees who were not able to be relocated?

Mr. Stinson: No. All were able to be relocated and accommodated.

Mr. Schuler: Were any employees terminated?

Mr. Stinson: No. No employees were terminated. There was a natural attrition through retirements, and other employees then were reallocated to different parts of the corporation.

Mr. Schuler: What is the total employee count now for MLL after the merger?

Mr. Stinson: Sorry, the—just over 3,000 employees.

Mr. Schuler: What was the employee count for MLCC separately and Lotteries separately before the merger?

Mr. Stinson: Just over 1,000 employees for MLCC and just over 2,000 employees for Manitoba Lotteries Corporation.

Mr. Schuler: I'd like to go back to the first answer you gave. So what is the total count for MLL after the merger?

Mr. Stinson: Just over 3,000 employees. So that would account for some of the attrition as to why you're going—why is there now—it seems like there's less employees now than there was before. And, indeed, we've remained within the FTE complement of the two corporations and have not grown beyond that. So we have had some attrition through retirements. We do have vacancy management where we fill positions based on need. We have a rigorous full-time equivalent committee that reviews all requests for hiring. So we haven't grown the workforce significantly.

Mr. Schuler: In 2013-2014, MLCC rolled out the two new e-learning courses for employees: office ergonomics and respectful workplace.

Were these courses taken by all employees? And that's on page 17 of the MLCC report.

Mr. Stinson: Our goal, of course, is to have all employees participate in training. If it's required and compulsory they do that. So respectful workplace training, our target is 100 per cent. I'm not sure we actually have met the 100 per cent yet. But in the others, some of the courses would be elective and based on when people can take them and their timing, so we tend not to be able to reach 100 per cent as quickly as we would like all the time. But our goal when we have required courses is of course to have every one of the staff take those required courses.

Mr. Schuler: Was there a pass-fail component, or is it purely informational based?

Mr. Stinson: It's information and training. We wouldn't then punish anyone if they didn't pass or fail. It wouldn't be evaluated in that way; it would be evaluated based on participation in questions and understanding the material presented.

Mr. Schuler: So there was no average that needed to be met?

Mr. Stinson: No. But, as I said, our goal would be to have as many employees as possible and ideally 100 per cent of the employees exposed, particularly in the safe workplace training. That's a goal of reaching 100 per cent. Some of the other stuff isn't a target of 100 per cent. But we want to offer the programs that are meaningful for employees to get to them and find ways to make it so they can get to them.

Mr. Schuler: I just want to apologize to the committee. I'm usually not used to answers being that succinct and that, you know, short, because usually we have the minister in Estimates and the answers tend to be a little longer. So the fact that we have to go back once in a while is just a virtue that I keep confusing this with Estimates, but it's a Crown corporation.

I just want to go back for a—

An Honourable Member: Fulsome, fulsome answers from the minister.

Mr. Schuler: Yes, usually the minister gives us fulsome answers. I think some people call it dragging the puck, which the minister might understand that analogy.

But I just want to go back for one moment and that is—the early retirement, you spoke about that. What were the costs of the early retirements due to the merger?

Mr. Stinson: Just wanted to clarify, and we did not have a package for anyone. So there wasn't an early retirement package per se. It was folks who were eligible for their retirement at that moment in time and made a choice to retire, or a position that they may have been offered within the organization to go to in the reorganization wasn't as appealing to them and they went, well, I'm eligible for retirement so I'll retire.

Mr. Schuler: And how many individuals would that have been?

Mr. Stinson: We don't have an exact number. I apologize for that. But it would be less than 50, a very small number of employees.

Mr. Schuler: Thank you for that.

Meanwhile, back to where we left off. MLCC classroom sessions for employees were planned for 2014-2015, including challenge and refusal, non-violent crisis intervention, CPY and first aid, production educations and the technology security policy review. Were these sessions delivered to staff? And that comes out of page 17 of the MLCC report.

Mr. Stinson: Sorry about that consultation with the peeps. The—indeed, we had great uptake from staff. Those courses were offered. We had about a 95 per cent participation rate from staff in those programs.

Mr. Schuler: And, again, none of those are pass-fail?

Mr. Stinson: No, they're not a pass-fail. They're about building the skill set of the employees and exposing employees to the appropriate information, so not a pass-fail model.

Mr. Schuler: What full-time equivalency positions have been added in the IT, information technology, area since 2013?

Mr. Stinson: So we haven't added any positions in the IT area. In fact, we saved a few positions through the merger, six or seven positions; it's less than 10, but we don't know the exact number. So not a huge number of positions saved, but we haven't grown that department. We've been able to move people around and integrate the two IT departments from the former Manitoba Liquor Control Commission and the Manitoba Lotteries Corporation.

Mr. Schuler: Could the corporation provide us an update on the following MLCC retail store constructions or renovations or completions? And I'll just list them off one by one: the Fort Richmond Plaza.

Mr. Stinson: That's complete. The renovation is complete in that store. Renovations are all done.

Mr. Schuler: Brandon South?

Mr. Stinson: That store, the renovations are complete as well. *[interjection]*

Mr. Chairperson: Mr. Schuler. Sorry, Mr. Schuler, you've got to say it again.

Mr. Schuler: Winkler, Manitoba?

Mr. Stinson: Those are complete and those renovations are done. And I was there a couple of weeks ago on a rural tour of all the Liquor Marts in the province along with Al and a couple of other staff, and it's a great store. I encourage you to go to it.

Mr. Schuler: Yes, I would just caution Mr. Stinson he should choose his words carefully, because I don't think Winkler views itself as being rural. They now view themselves as being urban. And lucky for you that my colleague from that area—yes, we have this tense moment between Steinbach and Winkler-Morden which is the fastest growing city, and it's one of those—anyway, no, we appreciate that you went around and had a look at them.

And I'd like to move on to Northdale.

Mr. Stinson: Northdale is complete.

And, as a former resident of La Broquerie, Manitoba, and Beausejour, knowing the rural area really well, I know that struggle of determining whether you're rural or urban. So I appreciate those comments.

* (14:40)

Mr. Schuler: And what about the metropolis of Steinbach?

Mr. Stinson: That's complete. The renovations there are complete—another great store to go visit.

Mr. Schuler: Spring Meadow Square, is that in the design stage or has that already been constructed?

Mr. Stinson: The Spring Meadow is open. Yes, it's complete.

Mr. Schuler: I understand Sage Creek Village Centre, that's been built and opened?

Mr. Stinson: Yes, that's complete and open and a great announcement in July.

Mr. Schuler: The budgets for the stores, and if you want I can list them all for you for the renovations and/or builds, were they under budget? Were they on budget, on time? Were there overruns? Were there excessive overruns with any particular store?

Mr. Stinson: Happy to say that they were all under budget.

Mr. Schuler: And would that be available—is that information available?

Mr. Stinson: Yes, we can include that in the correspondence we send you, Mr. Schuler.

Mr. Schuler: That would be appreciated.

What margin is MLCC running on their products? It used to be 40 per cent in 2010. Is this still the case now?

Mr. Stinson: The margin on products varies by category. Our margin is larger, for example, on spirits than it is on beer or wine, so it really depends on the category of product on what the margins are, but the margin is set per category.

Mr. Schuler: I believe there was an overall margin that was given, and I'm sorry I do not have the page number here. If one of our researchers happens to find it, they can pass it along. And the question is, is that—are the margins increasing or decreasing?

Mr. Stinson: I would ask if I can ask Grant Boak to just run up to be closer to me to give me that exact answer so I get it right, because otherwise they'll beat me when I get back to the office. We just want to make sure we've got the exact—sorry to take time.

Mr. Schuler: Would it be possible to go on to questions, and then as soon as that information's available that could just be presented?

Mr. Stinson: Sorry for the delay on that. The wine margin is 95 per cent. The spirits margin is 153 per cent. The beer margin is 49 per cent, and the cooler margin is 95 per cent, so cooler and, you know, Smirnoff Ice, stuff like that.

Mr. Schuler: Now, is that the number for last year or is that the current number?

Mr. Stinson: That's the current number. It hasn't changed, and we keep the margins fairly steady. I know one of the things that is often confusing for the consumer about pricing is that we will set our margins. They're set; that's our retail markup, the same as if I'm purchasing a suit and someone manufactures it and then there's a retail markup on it. Then the suppliers themselves will add what their margin will be on that. So, at the end of the day, the actual prices that you see at the liquor store would, in essence, the final price be set by the supplier.

Mr. Schuler: Thank you for that information.

In the quarterly financial report, nine months ending December 31st, 2011, it is mentioned that the

MLCC has issued a request for proposals for Liquor Marts in grocery stores and that response is reviewed and those negotiations are under way. Beyond the Pembina Village Safeway and the Brandon West End Sobeys, what was the status of the information that was reviewed?

Mr. Stinson: I just have to look up my note here on Liquor Mart Expresses and we'll be able to help you out.

So we've had the Liquor Mart Expresses at part of the two hundred—2011 Hospitality Strategy. That RFP for Liquor Mart Express locations within grocery stores was issued on October 14th, 2011, and closed on November 7th, 2011. Responses from Safeway, Loblaws and Sobeys were received, and they were all reviewed and scored accordingly.

The following activity has since occurred. Two most recent Liquor Mart Express locations opened in June of 2015: 920 Jefferson Avenue at McPhillips inside a Safeway—this location represents the seventh Liquor Mart Express in Manitoba—and 7 Reenders Drive inside a Sobeys opened on June 30th, 2015. This location represents the eighth Liquor Mart Express in Manitoba.

Negotiations have been finalized on a new Liquor Mart Express outlet to be located inside a grocery store at 215 St. Anne's Road inside the Superstore with anticipated opening next month in October 2015.

There's an additional Liquor Mart Express location planned for 1500 Dakota Street but it was not a desirable location following further review by Liquor & Lotteries. Obviously, the previous locations are the airport Liquor Mart Express, which people are familiar with, the Pembina Village Liquor Mart Express that you mentioned, the Brandon West End Liquor Mart that you mentioned, the Park West Liquor Mart Express—which is a stand-alone which opened on April 29th, 2013—the Gateway Liquor Mart Express within the Superstore, August 22nd, 2014, and the Sargent Avenue Liquor Mart Express within the Superstore on February 27th, 2015.

Mr. Schuler: So how many current Liquor Mart Express stores are operating?

Mr. Stinson: There's eight Liquor Mart Express stores currently operating.

Mr. Schuler: Are there potential other grocery stores being earmarked for a potential Liquor Mart Express?

Mr. Stinson: Yes. The original target in the pilot was for 10 Liquor Mart Express stores. We're still working out the locations on the final two. Some slowdown is just based on the vendors that we were working with, not slowdowns on our part. We've also announced that we want to increase a further five Liquor Mart Express stores across the province, three of those to be built within the next 12 months and a further two to be built in 2017. We're currently examining locations for those. One of the final—the first 10 is, of course, in Osborne Village at Confusion Corner within the Organza store, and we're just working out final details for that one. That will be the ninth. And then a 10th one, we're still determining a final location for that one.

Mr. Schuler: Is MLCC also looking at expanding their stand-alone operations, and if so, what kind of expansion are they looking at for those?

Mr. Stinson: Expansion is driven, often, by volume of sales and expectations of the consumer for access to variety of product. So when, for example, a community gets close to \$2 million in sales within a liquor vendor location rurally, we would then look at is there a case to be made to put a Liquor Mart in that location. Or is there a discussion to be had with the liquor vendor in that location? Would it make sense for a Liquor Mart Express?

We are working on and almost complete with a liquor retail strategy that we will be presenting to our board of directors in October. What we want to achieve with that strategy around liquor store development is the opportunity to be more creative and flexible in how we move forward with liquor store and Liquor Mart Express implementation. In the past, the standard was, let's just build another Liquor Mart. We want—that's obviously an option where it makes sense, but we want to become a bit more open-ended than that.

We want to be able to engage our stakeholder partners who are already in the liquor business as private rural liquor vendors, for example, the impact on hotel beer vendors. Does it make sense to put it in a grocery store? Whether that grocery store is a Safeway, a Sobeys, an Organza, a Foodfare, a Co-op, whatever, we want to ensure we're engaging all our partners rather than just being a corporation that moves forward with this is our model and we're going to do this no matter what.

*(14:50)

So that's very much a part of the liquor retail strategy. We want to ensure that we're as flexible and partnership driven as possible.

Mr. Schuler: We thank the—Mr. Stinson for that answer.

Was the MLCC's increase in profits and sales for the 2013-2014 year a result of an increase in sales volume or an increase in the prices at MLCC? And that comes from page 39 of the MLCC report.

Mr. Stinson: The answer is it's actually a combination of both those things. So part of it was pricing, particularly on the premium product end, so not on the economy or deluxe product end but premium product pricing. And Manitobans have an appetite for premium vodkas and premium whiskies, and that drove part of that increase in revenue. The other was volume: certain things, there was a volume increase.

Mr. Schuler: Why are physical sales this year so poor in comparison to previous years?

Mr. Stinson: A key component of that was a nationwide trend in beer volumes going down and the sales of beer going down, particularly for national beer products. Although craft beer products and specialty beer products were rising at the time, they weren't rising in significant volume to compensate for the lack of interest by consumers in some of the national beer products. And that happened in jurisdictions across the country.

Mr. Schuler: With the volume sales of beer and spirits down, basically the lowest in five years, what is Manitoba's current price of beer and spirits in comparison to other provinces, as the MLCC has in recent past prided itself on the low cost of its product?

Mr. Stinson: You know, the pricing structure for liquor in Canada is complicated and a bit of a Chinese puzzle, but I'll try to put it into a plain framework.

So, recently, I'm sure folks know that there's been media coverage around the pricing and that we have very expensive pricing. And that's based on data from the Canadian Association of Liquor Jurisdictions. The Canadian Association of Liquor Jurisdictions takes 1.5 per cent of the products we sell—so we have over 4,000 listings—they take 1.5 per cent of that and they do a comparison with other jurisdictions across the country that are selling those

similar products; Crown Royal would be one of those products, for example. So it's a very, very narrow comparison, and I think it's misleading to the consumer to try to compare different jurisdictions.

On the economy and deluxe end of the scale, we are in the bottom half of costs. So, for example, Polar Ice vodka, the No. 1 selling vodka in Canada, we're the third most reasonable in all of Canada for Polar Ice vodka. Apothic red wine—I suspect there's a few Apothic red wine drinkers in this room because that's the most popular red wine in Canada—we're the most reasonable for Apothic red.

So there's a variety of things that impact price, but at the economy end and deluxe end, we tend to be on the lower end of the pricing scale. At the premium and ultra-premium end, Grey Goose vodka, for example, some very high-end single malt Scotches, we tend to have higher prices than other jurisdictions.

Mr. Schuler: The question, then, is: Will Manitobans expect a price increase for beer and spirits in perhaps the next six months because is the corporation going to have to raise prices due to lower consumption?

Mr. Stinson: No. So to extrapolate on that, in the current fiscal year, we've seen real positive growth in liquor sales and in revenue on the liquor side. Part of that is we had a pretty perfect summer, so beer sales are up and the sales of liquor is up, spirits is up and wine is up. So we are not going to be raising prices.

Mr. Schuler: So the fact that volume sales—I will accept that answer for now and we're going to move on. I'm scared we're going to get into this debate and we have a lot, a lot of questions.

I guess my last question then is we've got more stores, far more access, far more availability, and yet our sales are down. Would that have anything to do with the fact that we have more taxes now in the last year and year and a half? Without getting into the debate of the last year and a half, could that have been a factor?

Mr. Stinson: In my opinion that wouldn't be a factor. Liquor sales remain pretty steady even though there is some fluctuation in all jurisdictions in Canada. Liquor sales are impacted by various trends in the economy but mostly they remain pretty steady. Like all retail operations, there's always going to be some kind of fluctuation, and, as I said, we're having a phenomenally good year in liquor sales right now. The weather has contributed to that.

So, from a theoretical point of view, could that have an impact? Maybe, but I think there's a natural variation in retail sales so there's always going to be a certain amount of fluctuation between fiscal years.

Mr. Schuler: What is the status of the MLCC Brandon regional office?

Mr. Stinson: That's actually a Liquor and Gaming Authority of Manitoba office. I don't know if we would want to get that answer from one of my colleagues from the Liquor and Gaming Authority of Manitoba, if that would be okay. Would you provide leave for that?

Mr. Chairperson: Does your staff have the answers?

Mr. Stinson: It's actually not my staff. It's staff from the Liquor and Gaming Authority of Manitoba, because, of course, we're two separate entities now but it's their office there. Do I have your leave to?

Mr. Chairperson: Yes, you go ahead and consult.

Do we have leave of the committee for—sorry, Ms. Irwin to answer the question? *[Agreed]*

Okay, proceed, Ms. Irwin.

Ms. Kadri Irwin (Director of Licensing, Liquor and Gaming Authority): We maintain—the LGA maintains a small office in Brandon. We have five staff there, mostly compliance staff and one licensing staff.

Mr. Schuler: One last question.

Were they new hires or were those transfers from Winnipeg?

Ms. Irwin: No, those were all existing staff. They're—we did combine those liquor licensing staff with staff members who were already there in our gaming area so the actual office now is a little bit larger, I think six or seven staff. They were all existing gaming commission or regulatory affairs staff.

Mr. Schuler: We thank you, Ms. Irwin, for your brief moment at the table and we didn't realize that that was a different office, and I thank the minister for allowing that switch to take place. They were just very simple, straightforward questions, and thank you.

Mr. Chairperson: Thank you.

Mr. Schuler: Does the MLL have any plans for regional offices outside Winnipeg in the near future?

Mr. Stinson: Is that—are you asking just over all about the Liquor & Lotteries Corporation or specific to liquor or specific to lotteries?

Mr. Schuler: I understand you're not one corporation, so is there any discussion of having an MLL regional office in another jurisdiction outside of Winnipeg?

Mr. Stinson: We, of course, have offices outside of Winnipeg. In Brandon we have a lotteries repair depot in an office that provides a home base for some of our technicians. We have an office on the gaming side in Morris, Manitoba, where our operations for launching our VLT program and our technicians for VLTs work out of. So we have two rural presences. That's it.

Mr. Schuler: Thank you for that.

And moving on, how much did the new 900-stall parkade at McPhillips Street Station casino cost?

Mr. Stinson: Just under \$26 million.

* (15:00)

Mr. Schuler: Was that amount over or under budget?

Mr. Stinson: That was under budget.

Mr. Schuler: By how much was that under budget?

Mr. Stinson: Just under \$7.5 million under budget.

Mr. Schuler: Page 7 of the Lotteries annual report, Manitoba Lotteries, 2013-2014, what new renovations are being planned at Club Regent Casino? I believe it's entitled Refreshing the Casinos of Winnipeg. So that obviously indicates renovations. What's being planned?

Mr. Stinson: As you know—as you may know, a request for interest has gone out to the private sector around the development on the west side of the Club Regent Casino. And that's still under way, so I can't comment in detail on that, but I can say there are plans for two restaurants and a boutique hotel. And, of course, those would be with the private sector, so we're waiting for the expression of interest to be wrapped up so that a request for proposals can go forward to the private sector.

Mr. Schuler: The boutique hotel, that would be for the McPhillips Street Station?

Mr. Stinson: No, a second hotel at the Club Regent location.

Mr. Schuler: With that, will there also be a parkade part of that, or is—or are they still going to try to do surface parking?

Mr. Stinson: A parkade project is currently under way.

Mr. Schuler: Last time I was there, I must have missed it. I was there for a Ukrainian kula [*phonetic*] or something and missed it, but I'll have a closer look at that and appreciate that information.

Mr. Stinson: I don't think the actual groundbreaking or anything has happened. Yes, it's in the design phase, so you would have to visualize it. And it'll be on the north side of the property.

An Honourable Member: Thank you. I was starting to question my sanity, because I saw no construction there, and fact that I missed it doesn't mean it's not happening, but I'm pretty astute on those kinds of things. And I had opportunity to be at Club Regent for two events, a graduation and then for the Ukrainian event, and I did not notice that there was a new parkade being built, so appreciate—so when is that—

Mr. Chairperson: Mr. Schuler. Okay, I didn't—sorry, I didn't recognize you after you went back and forth. So, Mr. Schuler, go ahead. Just want to make sure you're on record.

Mr. Schuler: And we certainly want these questions on the record, so I appreciate that.

When is—what's the time frame for that?

Mr. Stinson: We plan to go to market in the fall with—to find a builder for that and then construction to begin in spring of 2016.

Mr. Schuler: How successful was the new website, mll.ca? How successful has it been for promoting MML services and products?

Mr. Stinson: Recently launched, as you know, we haven't done a full evaluation on its success. We've had some positive feedback initially, but I wouldn't want to say it's been a great success or a great failure because it's been neither of those things. We still need to evaluate that. It's been a very recent launch.

Mr. Schuler: How much did the website cost?

Mr. Stinson: May I beg the opportunity for Susan Olynik to run and give me that figure? We should be paying rent, I think, in the gallery area since we have so many employees here.

Yes, so we did all of the development of the website within our existing budget and existing staff complement, so there wasn't a hived-off, specific budget for it. So it was done through the communications. Great work by Susan Olynik 's department.

Mr. Schuler: And I don't know if this is appropriate to say, but I think Susan Olynik has been longer at MLCC than I've been an MLA, so great to see her here. She's done a great job, and know the name well, and that's for another day's discussion.

So I'd like to move on. If committee would go to page 34, MLCC consultation and professional fees nearly doubled from 2013 to 2014. Why the big change, and why did that occur for this large difference in expenses? So page 34 of the professional fees.

Mr. Stinson: By luck, we have the accountant's annotated version of the thing now. So we had—Mr. Chair, just because I want to make sure I get Tracy's writing correct, if it—would it be acceptable if Tracy actually read her own writing?

Mr. Chairperson: Do we have leave from the committee to allow her to read her notes?

An Honourable Member: Absolutely.

Mr. Chairperson: Leave's been granted.

Ms. Tracy Graham (Chief Financial Officer, Manitoba Liquor & Lotteries Corporation): Professional fees and consulting fees are annually specific relating to what projects we have on a go. In 2014 we had some additional projects, so our audit fees for the year did go up as a result of the end of the term of the fees, and so they were fairly increased to represent fair audit fees. Each corporation paid for 50 per cent of the legislative—cost of the legislation draft. The corporation had a lawsuit relating to the supplementary licences, which was successfully defended. We had a—we had speciality wine store negotiations during that year. We were evaluating system selections between the two corporations as to which would be the financial system and the HR systems post-merger between the original legacy corporations.

There were projects specific to the MMP review and the follow-up and the interim report that was released in the fall of 2014, and then also as part of the merger we did a benefits review. So these were additional projects. Some were related to the merger

and they were part of the net merger savings in the MMP report.

Mr. Schuler: Well, she certainly read those handwritten notes way better than Mr. Stinson could've, so we're glad that we gave leave.

Long-term debt for Manitoba Lotteries increased substantially from 2013 to 2014, approximately from \$219 million to \$251 million. What occurred to make this increase scale to such a large degree? Page 42 of Lotteries.

Mr. Stinson: My apologies. I was looking in the wrong book. I actually have these notes.

So, in the first area we had the issue of First Nations payment installments. We had the issue of The Pas, the equipment at the casino, in the First Nations casino in The Pas. We had the issue of the casino renewal, 2011 and 2012 projects, the Mazda property being purchased so we could demolish that on the west side of the Club Regent Casino. We had the South Beach Casino and Aseneskak Casino equipment purchase. We had the Shark Club equipment purchase. We had the Shark Club bridge financing. We had some IT systems for the First Nations. We had VLT expenditures. We had term capital programs, a variety of those and, of course, we had to finance, at the very bottom line, that some fleet vehicle stuff that was due.

Mr. Schuler: Is this sustainable, and do you project similar increases in the years to come?

* (15:10)

Mr. Stinson: It is sustainable. It is attached to our revenue program to ensure its sustainability, and we have a capital management program that's tied to \$70 million a year, so we cap that to ensure we're not going over that so we can manage the cash flow and manage the debt.

Mr. Cliff Cullen (Spruce Woods): In terms of the recent renovation, expansion there at Club Regent, is that capital there, is that reflected in this report, or is that something we'll see in the next report?

Mr. Stinson: Some of it is in this report. The event centre's started, but you'll also see it in the next annual report as well. So it will continue forward. It's not all reflected here.

Mr. Cullen: What was the—what's the total cost of that capital cost of that expansion?

Mr. Stinson: Fifty million dollars.

Mr. Cullen: And that expansion is complete at this point in time?

Mr. Stinson: It's still under way. If you've been to the casino, you'll notice that there's still construction going on, but it will be completed over the coming years.

Mr. Cullen: In terms of the long-term debt, the last issue on page 42 was a finance lease obligation to the Province at 7.6 per cent. What's that for?

Mr. Stinson: That's for fleet vehicle through the VEMA program.

Mr. Cullen: One other question. I guess it's the third item from the bottom. It's an interest rate of 5 per cent, and it's substantially higher than the other terms. Can you explain that?

Mr. Stinson: That's related to casino expansion that started in 1999, and the interest rate was different at that point in time, so it was tied in at a different interest rate.

Mr. Schuler: Thank you very much, and my next question is, why has the number of MLCC occasional permits issues—issued dropped so heavily? It has been in decline since 2010, and the question is why. I'm referring to page 42 of the MLCC report.

Mr. Stinson: Chair, I would ask leave for that question to be answered by representatives from the Liquor and Gaming Authority of Manitoba, as that's their purview and not ours and I won't be able to give a good answer but they will.

Mr. Chairperson: Does the committee allow for leave for a direct answer? *[Agreed]*

Ms. Irwin: Sorry, may I ask the question to be repeated?

Mr. Schuler: On page 41 of the MLCC report, if one were to look at the occasional permits issued, the total amount has dropped from 10,762 all the way down to 8,761. What would be the reason for the decline since 2010?

Ms. Irwin: I can't give you a specific reason for the decline. I'm not aware of it other than simple lifestyle changes and perhaps not as many people applying for permits. I do know that the permit numbers that we have for this year are the same—pretty much the same as last year. So we're looking at a fairly—probably a stabilization of permit applications in the province now.

Mr. Schuler: If one would go to page 42 in MLCC, applications, education sessions, final inspections and licensee visits are all down across the board. Why is this?

Ms. Irwin: To that question, I don't feel I'm the appropriate respondent, so I would ask Corrine Scott, who is the director of compliance, if she may answer that question.

Mr. Chairperson: Does the committee have leave for Ms. Scott to come answer the question? *[Agreed]*

Mr. Schuler, would you like to repeat the question to Ms. Scott?

Mr. Schuler: With a decrease in—I'll try that again. In MLCC, page 42, applications, education sessions, final inspections and licensee visits are all down across the board. Why is this?

Ms. Corrine Scott (Director of Compliance, Liquor and Gaming Authority): This is—they're not—they don't increase or decrease. They kind of fluctuate throughout the year. So one year you might have somebody—more licensees applying for—to be licensed as a licensed premises. There's—it's not written in stone. So these fluctuate over the years. There's no specific reason that could be allocated to that, because next year we could have more licensee applications who would then be going to more education sessions because the number of licensed premises would go up.

Mr. Schuler: We're going to switch gears again, so I don't know who this goes to. Who produces the advertising campaigns for the MLCC or now the new MLL?

Mr. Stinson: The corporation is responsible for the advertising for Manitoba Liquor Control Commission and for Manitoba Lotteries Corporation at the time of this report.

Mr. Schuler: Are there any contracts ever tendered out for advertising campaigns?

Mr. Stinson: Yes.

Mr. Schuler: In the last year, how many of those have been tendered out?

Mr. Stinson: So what we often do is we'll put out an RFP for a standing offer, and a variety of advertising agencies and firms that would do advertising will then compete in that RFP, and we'll create a standing offer with the various corporations depending on what the need of the advertising is. So, for example, in game marketing, we have a standing

offer with Direct Focus Marketing Communications and with McKim Communications Group, so that that standing offer then allows us to be nimble when we need to do advertising so that we're able to go to that organization within the standing offer and ask them to work with us to produce a piece of advertising.

So our RFP looks to build a foundation of organizations that we would work with, companies that we would work with, and then we would repeat that RFP in a five-year period. So we would do an RFP for a five-year standing offer.

Mr. Schuler: And it's always an open tender?

Mr. Stinson: Always an open tender. A clarification on that, though, just to be clear for the record, is that, of course, with the standing offer, during that period after the award of the standing offer, we're going to work with those organizations that have been successful in the RFP for the standing offer, and then we will do another RFP for a future standing offer after the five-year expiry of that standing offer.

Mr. Schuler: Always the lowest tender?

Mr. Stinson: Yes—no, always best value but not always lowest bid.

Mr. Schuler: What is the amount that MLL now spends on advertising and media regarding social drinking, gaming responsibly in Manitoba?

Mr. Stinson: Larry's just turning to that page, my apologies.

Mr. Schuler, did you have another question while we're waiting for Larry to look that up?

Mr. Schuler: What is the MLL advertising budget for the Winnipeg Blue Bombers? *[interjection]*

Mr. Chairperson: Mr. Stinson. Sorry, say that again, Mr. Stinson.

Mr. Stinson: Larry will look that up at the same time.

Going back to the advertising question, in 2013-14, advertising for Lotteries was \$2.6 million. Advertising for Liquor was \$1.4 million, actually 1.398, but close enough to 1.4.

Mr. Schuler: What is the MLL advertising budget for the Winnipeg Blue Bombers? *[interjection]*

Mr. Chairperson: Mr. Stinson.

* (15:20)

Mr. Stinson: Larry Wandowich is just getting that figure for us.

It is the curse of having a CEO that's only six months in. I apologize.

So, we have an agreement with the Winnipeg Blue Bombers. The agreement expires at the end of 2018. For the 2014 season it was \$257,500 plus GST. There's an annual increase built into that agreement of 3 per cent a year.

Mr. Schuler: And what does MML—what does MLL get for that \$257,000?

Mr. Stinson: I apologize. I was just reading another note and I wondered if you could repeat that question.

Mr. Schuler: I'd like to reference—this is starting to sound more and more like at home with my teenagers, but I don't want to do that. So what exactly does MLL get for the \$257,000 advertising budget with Winnipeg Blue Bombers?

Mr. Stinson: Our major benefits are entrance naming rights at the southwest corner gate entrance of Investors Group Field, including all internal and external signage and related activations benefits; suite-level naming rights, which includes corporation's name and logo; logo and brand identification on press conference walls, including stationery and portable, movable signs; two double-sided sign-line signs; two in-game video spots and two ads on video boards during each game; 10 minutes of exposure per game on the ribbon board; website banner ad on Winnipeg Blue Bombers website; two full-page ads in the media guide; advertising in pocket schedule; exclusive advertising and sponsorship rights in casino gaming category and retailer supplier of beverage alcohol category; advertising and marketing use of Bombers' logo; and official partner status.

Mr. Schuler: I would like to ask the corporation—I probably shouldn't—if they could do a little bit better with their \$250,000 on the results of the Bombers, but I don't think we should go there. So my next question is: What is the advertising budget for the Winnipeg Jets?

Mr. Stinson: Luckily, Larry's in that section of the binder at this time. My apologies for the delay; a \$800,000 advertising budget in '13-14.

Mr. Schuler: How long is that contract for?

Mr. Stinson: We will continue until the '17-18 fiscal year. It expires at the end of the '17-18 fiscal year.

Mr. Schuler: So the duration of that contract—what was the full contract worth?

Mr. Stinson: I'll just need to do a quick math in my head, so I apologize for that as I look at these numbers. You had \$800,000 in '13-14. You have \$546,000 in '14-15, \$562,000 in '15-16, \$580,000 in '16-17, and \$600,000 in '17-18.

Mr. Schuler: Why the substantial bump up for '13-14?

Mr. Stinson: Two corporations were involved still at that point in time so they both had advertising arrangements with the Jets. Subsequently, we were able to negotiate a better deal going forward after the merger.

Mr. Schuler: What does the corporation get for that money?

Mr. Stinson: Luckily, I have that right here, and I don't have to ask Larry to look for it in the binder. So the rights to Winnipeg Jets marks and logos to include commercial purposes for casino promotions; in addition, Manitoba Liquor & Lotteries has asked True North to remove a clause that limits the use of these marks and logos to a 50-mile radius from the city of Winnipeg so we can use them all over. This allows for promotional events in Liquor Marts with partner brands throughout the province rather than just within the Winnipeg and surrounding area; game program advertising for Liquor Mart and for social responsibility advertising; power ring platinum package for Liquor Marts and social responsibility advertising, so that's that, you know, neon ring thing that happens at the arena; backlit signs for product and Liquor Mart advertising; corporate season tickets, four corporate season tickets for business hosting; and, of course, tickets that we have through our social responsibility and promotion for our Flight Deck program that brings young people and their coaches to the Jets games; and exclusivity of wine products at the MTS Centre.

And these as well: concourse naming rights for both main and upper concourses; name and logo placement on directional signage within concourses including eight digital signs; one wall mural on public walkway between MTS Centre and cityplace; advertising in official pocket schedule; full-page game program advertising for each game; power ring advertising and noisemaker feature on power ring; official partner status on website with link to

Manitoba Liquor & Lotteries website; exclusive advertising and sponsorship rights in casino gaming category; and advertising and marketing use of Jets logo and official partner status.

Mr. Schuler: Does the MLL have an advertising budget for the Canadian Human Rights Museum?

Mr. Stinson: We don't have an advertising budget with them; we have a sponsorship contract with the Canadian Museum for Human Rights. Slightly different, so in our sponsorship program, of course, it's a value exchange. We want to position the corporation both to promote our products but also to promote social responsibility and our corporate social responsibility. So it's a sponsorship arrangement rather than an advertising arrangement.

Mr. Schuler: And the cost of that is how much?

Mr. Stinson: The initial contribution was \$1 million to the Canadian Museum for Human Rights; that's spearheaded by the Friends of the Canadian Museum for Human Rights as a fundraising to create the museum, and then on top of that an additional \$100,000—\$100,000 from each of the former corporations—was approved by the board to go to support the development of the galleries and displays within the Human Rights Museum.

Mr. Schuler: That \$100,000, will that be on an ongoing basis?

Mr. Stinson: No, it's a one-time grant. Of course, I'm sure that there will be discussions in the future with the Canadian museum of human rights on other ways that we can work with them.

Mr. Schuler: Mr. Stinson also made it very clear there's a difference between advertising and sponsorship. Can you tell us how many other sponsorships there are?

Mr. Chairperson: Mr. Schuler, can you repeat the question?

Mr. Schuler: Mr. Stinson made it very clear there's a difference between an advertising budget and a sponsorship. Can you tell us what other sponsorships there are?

Mr. Stinson: So we have sponsorships with over 400 organizations, which actually we probably have a page in the binder somewhere where I could read those out but that may not be welcome by the committee, and \$4 million goes towards those sponsorships.

Mr. Schuler: Would the corporation be agreeable to just send that to the committee? *[interjection]*

Mr. Chairperson: Mr. Stinson.

Mr. Stinson: Absolutely.

Mr. Schuler: Is there a special advertising—a separate advertising budget for the MTS Centre or is that included in with the Jets?

* (15:30)

Mr. Stinson: That's included with the Jets.

Mr. Schuler: Is there a separate advertising budget for the new Investors Group Field, or is that included in the advertising with Winnipeg Blue Bombers? *[interjection]*

Mr. Chairperson: Mr. Stinson?

Mr. Stinson: Sorry. That's included with the Winnipeg Blue Bombers advertising amount.

Mr. Schuler: Is MLL a season ticket holder for the Winnipeg Jets?

Mr. Stinson: As part of the agreement, yes, we have tickets built in to the agreement.

Mr. Schuler: How many tickets would that be?

Mr. Stinson: We have 12 corporate seats and 24 Flight Deck seats. And Flight Deck Program, as I said, is for youth involved in amateur sport and their coaches to come to the Jets games.

Mr. Schuler: Could the corporation provide for committee a list of board members, ministers, senior staff and officials who would have used those tickets? And I want to be very clear: committee is not interested in if children or—went for a promo of some kind. We're very clearly that it would be board members, ministers, senior staff and/or officials who used the tickets. Could the member give—could Mr. Stinson give us that list?

Mr. Stinson: We can and we will provide that in writing but I can say for the record there were zero. There was no board members, no political folks and no senior staff attending games in the last year.

Mr. Schuler: Is the MLL a sponsor or advertiser for the upcoming Cavalia show?

Mr. Stinson: Yes, we are, and I'm just going to look to Larry for what the amount is because I know that's the second part of the question.

Yes, we are, as I said, for \$90,000 is the contribution. Our benefits for that are 300 show tickets for charitable giving with a youth focus, 20 VIP show tickets for Liquor Mart and casino contesting, 10 per cent brochure discount offer for Liquor Mart and casino customers, sponsor logo on stage screen before curtain call, 15-second video on TV screens in the VIP and concession tents, brochure placement at the box office, brochure placement in the boutique bags, press release mention, logo placement and link to website at Cavalia.net, invitation to media preview event.

Mr. Schuler: Mr.—could Mr. Stinson tell committee, are any board members, ministers, senior staff or any officials that may be receiving any of those tickets?

Mr. Stinson: I can answer that. There's two of us who are actually attending the opening night: myself and one of our employees who's been involved with Cavalia. So we are attending the opening night for those two tickets. *[interjection]*

Mr. Chairperson: Mr. Stinson.

Mr. Stinson: I'm not attending on those tickets; I'm attending on different tickets that have been provided by Cavalia, inviting me and inviting our staff person that's been working with them.

Mr. Schuler: Could I ask Mr. Stinson, what is the purpose of sponsorship? What is the value proposition to Manitobans who pay for the event sponsorship amounts through their purchases?

Mr. Stinson: I think the answer to that is twofold and the first component is a value exchange. As I said, we want to promote the products and services that we sell as a corporation and as an—in a retail environment. You want to ensure you get your name out there, attached to positive events that will be received in a great way by the community.

I think another way that it's beneficial is economic development. We want to ensure that when there is a rural rodeo, for example, that helps the economy of a rural community that we may be involved in a sponsorship with that rural rodeo to provide support for their volunteers during that rodeo. We may want to help with an organization to bring their volunteers together to host a music festival in a community.

In the case of Cavalia Odysseo, we see that as beneficial to the community's economy and as a Crown corporation see ourselves as having a responsibility to put our brand within that to help

promote that event within the community and give an opportunity in that exchange for a number of folks to be able to attend from the charitable aspect that wouldn't be able to afford to attend otherwise.

Mr. Schuler: What criteria and what evaluation method do you use determining what events, organizations you provide sponsorship to? For instance, on what basis does the corporation provide funds for cultural events versus sporting events, amateur events versus professional events? Again, what is the criteria and evaluation that's used?

Mr. Stinson: Luckily, Larry is anticipating us in the binder at this point, so we're able to move to it more quickly.

All sponsorships are reviewed based on established criteria: The organization is based in Manitoba and is a registered charity or has a non-profit designation. The majority of funds raised stay in the province of Manitoba and primarily benefit Manitobans. The event project is broad-based and appeals to a large audience, provides benefits to urban, rural or northern regions of the province. The event or project has significant economic gains for the host community. The event or project provides significant activation and branding opportunities for Manitoba Liquor & Lotteries, so we're getting our brand out, we're getting our products out. The event project provides recognition benefits and demonstrated a reasonable return on investment. The event reaches a targeted audience specific to Manitoba Liquor & Lotteries business objectives. The event organization has a direct business relationship to one or more of Manitoba Liquor & Lotteries' business units. The event project provides an opportunity for social responsibility messaging. The event provides an opportunity for product or liquor education. The event provides a volunteer opportunity for Manitoba Liquor & Lotteries employees; to that end, our employees provide about 7,000 hours of volunteer time at different events across the province each year, including Habitat for Humanity, so that's really important for us to find an opportunity for our staff to be involved in those things, who like to be involved in those things. And the event project is a community or neighbourhood initiative that takes place in the vicinity of Manitoba Liquor & Lotteries properties.

Mr. Schuler: Earlier on, Mr. Stinson gave us a number of what the advertising dollars were for Lotteries and MLCC, so my question now is more specific. What is the budget for MLL for promoting,

advertising its products and services for this current year as a new corporation?

Mr. Stinson: We were planning on the focus of '13-14. We actually didn't bring the exact number for the '14-15 year. My apologies for that.

Mr. Schuler: If possible, could we—could the committee have that sent to us?

Mr. Stinson: Yes. We'll include that in the material that we're sending you in writing.

Mr. Schuler: Again, because the committee is basically now working in the dark because we only have the two separate annual reports, we actually don't have a annual report in front of committee with the combined together, so that's why we're asking, and if that could be provided, that would be fine.

Furthermore, where and through what mediums—TV, radio, social media, print—have you typically advertised? How did you come to a determination on which are most effective, you know, what are the most effective means through which to advertise products and services?

Mr. Stinson: In response to that, the ad agencies and others that we work with obviously have a lot of metrics and data that help determine what are the best channels to use for specific products, so we rely on their advice on where we want to go with a very specific product. All of you would be familiar with the regular newspaper advertising that we do for the Liquor Marts, for example, and that's been very effective for us.

Mr. Schuler: What is the purpose of product and service advertising? What is the value proposition to Manitobans who pay for the product and service advertising through increased prices?

Mr. Stinson: In the retail business, which we're in, it's important to advertise the products that we're selling, and as a Crown we're in a unique position of being somewhat of a government organization and somewhat of a private sector organization at the same time, so it's important that we're able to advertise our products and promote those to folks in the same way that any retail operation would. So that's the purpose behind that.

Our main goal, of course, is to continue to raise revenue for government to help support projects such as health care, social services, education and infrastructure. And we want to ensure that people have access to our products, and advertising is just part of that equation.

* (15:40)

Mr. Schuler: Has MLL or the previous MLCC and Gaming Control Commission, have you ever conducted a public opinion or done research to develop and improve effectiveness of product and service advertising?

Mr. Stinson: We don't use specific research on the impact of advertising. We rely on our advertising companies and those who've been successful in the RFP for standing offer to give us that kind of advice based on the information they have. They do a lot of that stuff and invest in that, so that's part of the value that we get from those contracts. We do do extensive customer survey satisfaction. We do focus groups on the image of our organization, the accessibility to our products, are people happy with customer service, et cetera. So we do a lot of research, but we don't do research specific to advertising; we rely on the information that we get from our advertising firms that we contract with as they have invested heavily in that, and, as I said, that's a value add for us.

Mr. Schuler: And now we're getting a little bit more specific. So how much has Liquor & Lotteries spent in the last fiscal year on advertising the corporation logo or Manitoba Liquor & Lotteries brand name? For example, the logo by itself appears in several locations at events and sporting venues. The brand name has been advertised on radio tags, for instance, traffic report brought to you by Manitoba Liquor & Lotteries. How much has been spent just on logo and brand name advertising?

Mr. Stinson: We don't, as Larry's just informed me, we don't track the exact way we do with advertising because it's a bit of a leverage of the variety of things that we do. So we have advertising budgets, for example, with the Winnipeg Jets. So we leverage our logo to be present at Winnipeg Jets games, on Winnipeg Jets publications, et cetera, and get our logo and our products advertised and our corporation brand advertised that way. The same with the Bombers. In our sponsorship events, of course, our logo is present. I'm just asking Larry to look up exactly what we pay in the marketing department for the arrangement we have with CJOB on the traffic helicopter. But we don't have that overall number, but we could pull that together and I could include that in the writing piece that we're sending to you. Would that be okay?

Mr. Schuler: Thank you very much. That would be great.

What is the purpose of logo and brand name advertising slash promotion?

Mr. Stinson: To raise the awareness of our products and our corporation so that people will know who they're dealing with. One of the things that we've learned from our research with focus groups and with our customers around customer satisfaction is building up a trust factor with the corporation, knowing that they can get a reliable service and a reliable product. So, in all brand marketing, one of the major goals for brand marketing, as it would be for a political party's brand, for example, is to get that brand out there for people to identify a certain image with that brand. And in our case, we want to be attached to programs and events that we think appeal to the demographic that we're serving, which is an over-18 demographic, people going to the casinos, going to the liquor commissions, hence our involvement with organizations like the Jets, the Bombers and the variety of different events that—around the province that we may be involved with in sponsorship.

Mr. Schuler: I thank Mr. Stinson for that answer because further to that, for instance, Coca-Cola advertises its brand name because it's competing with Pepsi. Canadian Tire promotes its brand name because it's competing with Walmart. And, interestingly enough, you mentioned political parties; for instance, the PC Party of Manitoba would be advertising because its competitor would be the NDP. So then the question is: Who is Manitoba Liquor & Lotteries competing with that it would necessitate investment in brand awareness unrelated to a specific product, specific service or public service messaging?

Mr. Stinson: In the case of our competitors, our competitors are also our partners, I mean, would be the answer I would provide for that. So, for example, we sell liquor products, and there are eight times as many private retailers selling liquor products in our province, whether those be hotel beer vendors, rural liquor vendors, private wine stores. Although those are partners for our organization and we work closely with them to develop strategies on how best to reach the customer, on how best to provide the customer with the products and services that they want, we're also in competition with those folks for the dollar. It's helpful for everybody in the case of the liquor side of the equation wherever they buy their products, because that's beneficial for Manitobans.

Not so the same on the casino side of the equation. We're in competition with casinos that may be in North Dakota, may be in Saskatchewan, may be in northwest Ontario. We're in competition with Las Vegas and cheap flights from Grand Forks, North Dakota, to fly down to Las Vegas to spend your gaming dollar, so it's very important that we, on the gaming side in particular, promote and advertise our logo and our brands so that people choose to come to our product and our service rather than jumping on that plane and going to Las Vegas so that we keep those dollars in Manitoba.

Mr. Schuler: Interesting—our partners are our competitors. I've not heard that one before; that's very interesting.

So one of the arguments for Lotteries would be that you're advertising here so that people don't travel elsewhere to gamble.

What would the argument be again for Manitoba Liquor to advertise here? Is that so that they wouldn't go elsewhere for alcohol because it might be cheaper, or what would be the rationale for that?

Mr. Stinson: The rationale is twofold on the liquor side of the equation. I mean, the first is that, of course, we want to let people know the products that we have and if there's any AIR MILES deals or if there's a sale on for some particular product, because the supplier of that product is running a promotion for that. So we want to ensure that people are aware of those promotions so they're able to save a few bucks. If, for example, Peller wines decides they want to sell the wines that they have in our Liquor Marts at a lower price because, as I said, the supplier sets the final price on the shelf, they may go, hey, we want to bring some people to this new wine, so we want to be able to advertise that and get that out there in the channel.

So that's one of the reasons we advertise. Also, people drive south of the border and go down to Happy Harry's and purchase their wine and their beer and their spirits down there as well, and we want to ensure that they know that there's good product available here.

Mr. Schuler: You know, if the committee would give us an extra four hours, I'd love to keep all 40 or 50 of us here to discuss exactly how that all works. However, I know there are a lot of other questions that we did want to still get to, so very interesting, and certainly, if we have the opportunity on another

day, I would love to get into that one a little bit more, but I do want to move on.

But I see Mr. Stinson wants to add to that.

Mr. Stinson: If I could be allowed to have a further comment on that. I mean, your observation of partners and competitors at the same time—it is an interesting concept, and I think that if you talk to business folks, as I know you have, the idea of rising the tide, the idea of increasing the opportunity for the economy to grow overall. For example, the Manitoba Hotel Association has a variety of members. They're all under one umbrella in that association, so they will come and talk to the corporation on concerns they have and say, would you do this, would you do this. But each of those members of the Manitoba Hotel Association are also in competition with each other for folks to come to their various establishments, whether that's for hotel beer vendor services, whether that's for rooms, whether that's for banquet services, yet they would still see themselves as partners. So I think one of the important roles that the corporation plays, and it's very significant for Manitobans, is that we're investing in rising the tide of business in wanting to create a partnership arrangement with those that are also selling the products that we sell so that we can make it better for everyone overall.

Mr. Schuler: Great segue into the next set of questions. How does Manitoba compare to other jurisdictions with regards to prices for beer and spirits, and how does that cost compare to neighbouring jurisdictions, for instance, Ontario and Saskatchewan?

Mr. Stinson: I think I stated before that on the economy and deluxe brands, which are the two lower-end brands, so there's the economy, deluxe, premium and ultra-premium brands, for example, in the Liquor Marts. We fare very well on the economy and deluxe brands when we compare prices with our neighbouring jurisdictions in Saskatchewan and Ontario. We don't fare as well on the ultra-premium brands, particularly with Ontario. That's largely due to the volumes you can drive.

* (15:50)

As you may appreciate, the price is set based on a variety of factors, including shipping costs, the amount of volume that's going to be sold. So in Ontario, which is like comparing David to Goliath, us being David and them being Goliath, their volume and the amount of purchasing power that they have

based on that volume helps keep some of their prices lower than ours, particularly at the premium end of the equation, not so much at the economy and deluxe end of the equation.

So, if we took a list of every individual product that Saskatchewan sells the same as us and that Ontario sells the same as us, we're going to come out very well, as I said, on that economy and deluxe product range. We're probably going to be at the more expensive end of the scale on the premium and ultrapremium, simply because we're not buying the same volumes.

I think the other piece on that that's really important to note is just that variety of landed costs and the kinds of incentives that are given. I think one of the criticisms that's been levelled recently at the corporation, at Manitoba Liquor & Lotteries, around our pricing, and do we have—are we involved in the private sector, should we privatize, all those kinds of questions—we have a robust system in Manitoba. We have 53 Liquor Marts right now and we have six LMX stores for a total of 59 stores that are managed by the corporation. We have 173 liquor vendors in rural Manitoba who are private and managed by a local pharmacy, a grocery store, a lumber store, an insurance store, or whatever, that sell liquor and beer and wine products in their store. We have 247 hotel beer vendors, also private. And we have eight specialty wine stores.

So, as I said earlier, that's about a 7.8-to-one ratio on the amount of private involvement in our system and exclusively public involvement in our system. And I think it's created a really robust system. But we do have a challenge in keeping our pricing down on the ultra-premium, largely because of volume, and we're not bringing in the number of cases or number of pallets as Ontario in particular would be.

Mr. Schuler: Overall, what impact has tax increases had on the revenues for the corporation?

Mr. Stinson: Well, of course, a tax increase is after the fact, so that goes directly to the Province. The tax isn't built into the price you see on the shelf; that's added when you go through the checkout at the liquor store. So that would be revenue that's going to government separate from the revenue that we provide to government from our sales.

Mr. Schuler: Has the—have the tax increases had an impact on the revenues of the corporation?
[interjection]

Mr. Chairperson: Mr. Stinson.

Mr. Stinson: Sorry. I would say, no, they have not had an impact, either positive or negative. They're an add-on, as I said, at the retail checkout in the case of liquor products, so people are coming and purchasing a bottle of wine—as I said, Apothic Red, for example, is the most popular wine in Canada and our biggest seller in Manitoba, so people are still picking up their bottle of Apothic Red for the price that it is on the shelf and then whatever the GST and the PST are gets added at the cash register, and those are revenues that go directly to government separate from the revenues that we would provide under the umbrella of the corporation.

Mr. Schuler: Quoting from a CBC news article: Lawyers for a man arrested for transporting too much booze from Quebec to New Brunswick argued in court Tuesday that the trade barriers restricting the flow of alcohol and other goods across the provincial borders was unconstitutional. Gerard Comeau, a retired sales worker from Tracadie, is fighting a charge under the New Brunswick Liquor Control Act for illegally bringing liquor across the border into New Brunswick from Quebec. The case has important legal implications because it could result in the striking down of interprovincial trade barriers. This comes from August 25th, 2015, CBC News article, so that we're all very clear that I'm quoting from someone else.

My question is: Has the corporation undertaken or completed a risk analysis on the implication of the New Brunswick court case?

Mr. Stinson: We haven't taken that risk analysis because we already have open borders between provinces in Manitoba. So, for personal use, someone can go online and go to a winery in British Columbia and order the wine that they want to come here, and they've got to pay their shipping costs or they can ask us to do that for them, and then they can purchase it, you know, through us to bring that wine in. We don't have those barriers currently in Manitoba between provinces. So we're ahead of the game on that ruling. So we're in a good position.

Mr. Schuler: So, to be very clear, you can go to Ontario and load 'er up for as much as the springs will handle in the vehicle, and you can bring that across the border?

Mr. Stinson: For personal consumption, of course. From a social responsibility perspective, you know, we do have challenges on occasion within liquor

operations where there will be someone who will purchase a large volume of alcoholic beverages to take to a community, for example, that may be a dry community, and want to sell that in—for lack of a better term—as a bootlegger. We like to discourage that and that raises a red flag for us. So if someone comes into one of our stores who may be from a community that's dry and does a large purchase we're likely to have a conversation with them about, you know, really, is this for personal consumption?

But in the case of going out to cottage country and your favourite wine is in the Kenora wine store, and it doesn't happen to be in our Liquor Marts, the first thing I would say is please talk to your Liquor Mart that you go to and they'll bring that wine in and we'll get it listed. But the second thing I would say is, sure, load up the cases in the back of your car and there's not going to be anyone checking you at the border.

Mr. Schuler: Moving on to the next topic, what is the average age of Manitoba VLT stock?

Mr. Stinson: So two and a half years is the age. So two and a half years is the review period for us for VLTs. So on average they're two and a half years old.

Mr. Schuler: Is there any upgrade planned of those machines?

Mr. Stinson: It's an ongoing—two and a half years is the cycle; we do a regular upgrade on machines. We want to keep the machines as relevant and as up to date as possible. Gamers in casinos are very particular and, as I said earlier, our competition is the casinos south of the border in Minnesota, North Dakota, casinos in northwest Ontario or Saskatchewan, and particularly Vegas where there's the most updated machines. So we want to ensure that our slots, our VLTs, all our equipment is up to date.

Mr. Schuler: How many of these machines will needed to be upgraded or replaced in the current fiscal year? *[interjection]*

Mr. Chairperson: Mr. Stinson.

Mr. Stinson: Oh, sorry. None, simply because we're on that two-and-a-half-year cycle. So we're in an ongoing evergreening process with our VLTs so that they're always up to date. So it's not like—so if something's two and a half years old, it gets cycled

out and put in so it's an ongoing evergreening process.

Mr. Pedersen: On the topic of VLTs, these new VLTs that have been brought in, mainly in the rural hotels, has there been any comments back from the owners about their operations? And I'm particularly asking about there's been talk about higher power usage, hydro usage of—the payouts have been changed on this. Can you—would you care to comment on those comments that are coming back to me as a rural MLA?

Mr. Stinson: So I apologize in advance that this is going to be a bit longer of an answer than I've tended to give today but 93 per cent is the payout in the machines. It hasn't changed. That's been consistent. It costs \$22 per machine for the hydro bill if you're running it 17 hours a day. Most people aren't running it 17 hours a day so it's \$22 per machine for that hydro bill.

The long part of the answer is and, you know, we're working with our rural hotel stakeholders around some of the challenges they have. As a person who lived rurally for many years I know that economies are changing for many of our rural communities and there's huge challenges with keeping local business open, and I think rural hotels are one of those that are feeling that pinch as they've been able to keep open their beverage room and maybe some food service. Many of them aren't renting out rooms anymore and they're not able to keep those rooms up to par. Any changes to any of their metrics for cost are hugely impactful for them. People aren't driving to the bar like they used to because we've been very successful in the preventing drinking and driving program. So there's been some historical things that I think have really impacted.

* (16:00)

In October, we have a meeting set up with all the stakeholders that we engage with, with a focus on the rural hotel, the Manitoba Hotel Association, the rural liquor vendors, our private wine stores, the Restaurant Association, to bring them together to basically talk about what I call as the glitch list, the things that are driving our partners crazy that they think we could have some impact on. Is there a way that we can positively work with them to address some of the challenges they have?

So without letting the cat out of the bag, one of the ideas, for example, that we've talked about internally and we would like to engage our

stakeholders in is the idea of the renewal of chairs for the VLT machines in the rural hotels, for example. For them to buy new chairs is a huge cost outlay; is there a way we can provide an interest-free program where they could pay those off a little bit and renew that stuff?

So we want to find ways that we can support as many businesses to remain viable and remain strong as long as possible. But at the end of the day, I've said in my role as CEO, we don't want to see ourselves backed into a corner where we're subsidizing business where the business case may not exist anymore. And that's a really difficult conversation to have. These are people's livelihoods. These are communities, small businesses. So it's a very difficult conversation to have, but it's one that we hope to begin to have at the meeting in October with our stakeholders.

Mr. Chairperson: As per our agreement at the beginning of the meeting, we agreed to two hours for the committee, and it is now the two-hour point, so I'm seeing what the will of the committee is.

Mr. Pedersen: Mr. Chair, if we could go for another half hour and then assess at 4:30 again, we'll see where we're going with that then.

Mr. Chairperson: Another half hour and assess? Is the committee agreed? *[Agreed]*

Mr. Schuler: Could the corporation tell us what has been the growth of VLTs since 2009-2010? What is the number of VLTs today as compared to then?

Mr. Stinson: Mr. Schuler, we'd like to get you exact numbers as part of our written submission to you, but there are about 6,500 VLTs active in the province. We haven't grown significantly on the VLTs that we're distributing to the sites. We do grow as demand grows and people put an application in for more VLTs. But there is consistent growth within the First Nations gaming community. But we can get you those exact numbers and we'll put them in the written response to you.

Mr. Schuler: Thank you very much for that. Is the number of VLTs in the province expected to grow or decline in the next two fiscal years, and by how much?

Mr. Stinson: I can answer that it is expected to grow as people put application in for VLTs. As to how much, I don't think I could—I don't want to dip into a crystal ball to suggest how much. I mean, I do think

we're going to see some challenges going forward as, particularly in some of our rural communities, some of the businesses struggle to—with their broader business model of is their hotel still viable, is their beverage room still viable, is their restaurant still viable, and that obviously impacts their VLT revenue and whether they can sustain being a host to those VLTs. But it is our anticipation it will continue to grow, but I can't say by exactly how much.

Mr. Schuler: Moving on and talking about casinos now, are there currently any additional casinos under any level of active consideration?

Mr. Stinson: No.

Mr. Schuler: June 19th, 2015, Dan Lett reported in the Winnipeg Free Press that Peguis First Nation is seeking the relocation of the OCN casino permission which was supposed to be near The Pas to land near Assiniboine downs.

The story includes the following quote, and if I—again, this is quoting right from the Winnipeg Free Press: A copy of the draft memo of understanding obtained by the Free Press clearly lays out the process by which OCN would be relocated to land in Winnipeg owned or soon to be owned by Peguis First Nation. The MOU acknowledges that no relocation can take place without advance approval of the Manitoba government. However, it states that the Manitoba government has agreed to consider providing its consent to the relocation of the casino to Peguis lands or Peguis reserve lands located in Winnipeg or near the Assiniboia Downs. Peguis Chief Cindy Spence could not be reached for comment, but further—but former chief Glenn Hudson confirmed Peguis had been talking to the First Nations that control the casino about moving it to Winnipeg. Moreover, Hudson said he personally talked with Premier Greg Selinger and Dave Chomiak, the minister responsible for gaming, on several occasions about moving the casino to Winnipeg. He goes on to say, "I certainly broached the idea two or three times with both Chomiak and Premier Selinger," said Hudson, who lost an election to Spence in March." Both said they would take it back and consider it and discuss it with their people.

Question is: When—if this is going to happen, when is this going to happen?

Mr. Stinson: There has been no particular conversations with myself or the corporation on this. In fact, the corporation's position would be that the

Winnipeg gaming market is probably saturated, that there is a potential for some growth of VLTs in certain hotels where there's lots of positive things. But is there an opportunity to grow further casinos? That would probably be out of our purview, but we haven't had those discussions.

However, Manitoba Liquor & Lotteries is involved on a working group on First Nations gamings. The other members of that working group include Liquor and Gaming Authority and the Assembly of Manitoba Chiefs where we're doing some research on the capacity for First Nations gaming within the province. It's a very positive look at is there a way of growing gaming for First Nations. I think that 25 years ago or 20 years ago, gaming was seen as a bit of a magic bullet when it came to if you build it they will come. I don't think that's the way it is anymore, and the data would suggest that that's not the way it is anymore.

So I think it's very important that we're taking a deliberate look at the potential of growing gaming and specifically First Nations gaming through that working group that is a good partnership between Assembly of Manitoba Chiefs and the Liquor and Gaming Authority and Manitoba Liquor & Lotteries.

Mr. Schuler: The casino, then, planned for The Pas, has that been started? Is that still on hold? Is it still under discussion?

Mr. Stinson: The—for The Pas, the casino—there is one in The Pas currently.

Mr. Schuler: So the corporation is not in any discussion to move the OCN casino from The Pas to Winnipeg?

Mr. Stinson: No.

Mr. Schuler: There's a Headingley bypass being planned. The question is: Is there going to be any consideration for the bypass to put in any kind of turnoff for the new casino should it, at some point in time, be transferred to the lands around the Assiniboia Downs? Is that part of it at all? And that would be more to the minister than to the corporation.

Mr. Lemieux: As a former minister of MIT, I can tell you that the department is looking at all kinds of options with regard to CentrePort way and where it goes. Does it go to White Horse Plain? You know, where exactly is this route that's supposedly going to happen?

As far as I know, there are no plans in place or drawings or any kind of design done with regard to the road at all. So it'd certainly be just speculating as to what kind of turnoffs or any kind of roads that would come off of that particular roadway. I know that there's been always talk and conversation going on with a bypass. For example, I know our Chairperson is the MLA for St. Norbert, and there's always been a discussion as to going by Brady landfill site; how do you bypass the community of St. Norbert? And I know the MLA has been a strong advocate for that particular project taking semi-trailers and large trucks away from that particular community. You've got a great community market garden that takes place there every summer, and a lot of big traffic goes through there.

So I digress slightly, but what I'm saying here is that MIT does an analysis of the transportation needs, and they bring those forward to government, whoever the government may be in the day. And, I mean, as far as I know, we are still, you know, awaiting any kind of plan or any kind of design with regard to any kind of bypass. I know people are speculating about the bypass going around St. Norbert and the bypass going around Headingley. As far as I know, that's all it is. I don't believe there's been any announcement, any concrete announcement with regard to those projects because you're talking about hundreds of millions of dollars to do that.

So I know we're short of time, but all I would say is that there's all kinds of studies taking place or looks taking place at what are we going to do with our transportation network around the city of Winnipeg and the Capital Region, and how do we better take advantage of the fact that we've got CentrePort right here in the middle of the country, and how do you move that semi traffic around the city and not through residential areas.

*(16:10)

So I mean all we're doing is speculating as to, you know, which road, what turnoff, what, you know, where are these roads going to go.

Mr. Schuler: My question to the minister is, is he in any discussions with the Peguis First Nation about moving the casino down from The Pas to Headingley? Is he in any of those discussions with them?

Mr. Lemieux: No.

Mr. Schuler: I thank the minister and the corporation for a frank discussion on that.

I'd like to move on to—unless there are more questions on this—I'd like to move on to the proposed new consolidated headquarters for the corporation. I have a question for either the minister or the corporation: Is this going to be an open process?

Mr. Stinson: Can I ask you what you mean by open process? I mean, there's been a public RFP and, you know, it's been in due diligence and an announcement is expected shortly, but I'm kind of curious what you mean by open process.

Mr. Schuler: I think one of the things that most Manitobans or all Manitobans probably want is a very transparent process, and so, like when a decision is made, is the rationale for the decision going to be made? Is it going to be an open and transparent process?

Mr. Stinson: Yes, it is; that's the intent. I don't know if the minister has anything he wants to add.

Mr. Lemieux: Well, I guess I would just answer, yes, it is. I mean, just the fact that requests for proposals have been put out there. People have put in their proposals. The due diligence is being done with regard to those proposals, and I know that people within the corporation who are making those decisions and recommendations are going to take a look at all aspects related to that and then, I mean, announcements will be forthcoming. So I'm just saying, yes, the transparency is there.

Mr. Stinson: I think one of the—in my previous life I dealt with health capital both as CEO of our regional health authorities and as an ADM in corporate for Health and, you know, that due diligence, that it's complicated. As you know, major capital projects are hugely complicated, and always every time you seem to be walking through a door of further understanding four more doors open that present 20 more questions to you and you want to ensure you answer them right.

I think the real strength of the corporation's approach to the development of the due diligence on the head offices has been very transparent, public RFP process, a number of proponents coming forward, those being narrowed down to a smaller number of proponents reviewing some very specific places. But then as you review those it gets more and more specific.

The great irony of capital projects, of course, is 20 more questions come out, and we've wanted to ensure as a corporation that there is no mistakes made, that the recommendation that comes forward

is one that is so sound and rock solid that it just makes sense and people go, oh, yes, so that due diligence is very, very important.

Mr. Schuler: The RFP indicates that only qualified applicants from the RFQ could submit an application. How many applicants applied to the RFP?

Mr. Stinson: Twenty applied to the RFQ; two of those didn't qualify and then nine were considered and invited to submit proposals.

Mr. Schuler: Is the corporation looking for Class A space?

Mr. Stinson: No, we're looking for Class B space.

Mr. Schuler: How many of the RFQ submissions failed one or multiple of the mandatory requirements found in section 4, part 1 of attachment D in the RFP application?

Mr. Stinson: It was two that didn't qualify based on section D of the application.

Mr. Schuler: Out of those applications which participated in the RFP process, how did each applicant score in the following parts of section 4 of attachment D found in the RFP application? First one, part two, and step one.

Mr. Stinson: I do apologize, but I'm not able to comment on that because the process is still ongoing and the announcement hasn't happened, so I wouldn't be able to comment on that for the record. So my apologies.

Mr. Schuler: I appreciate that, and these are just highly technical questions, so perhaps what we'll do is we'll pick these up again the next time around.

I guess the question then should be the deadline for proposals was October 31st, 2014. Is that correct?

Mr. Stinson: That's correct.

Mr. Schuler: Why has nothing transpired publicly since that date other than it's been delayed again?

Mr. Stinson: Go back to my previous comment. I—you know, a project of this magnitude is always more complicated than you want it to be. Again, doing the review of those proponents that were invited to submit application has been extensive. There was details associated with a number of the ones that had submitted that required an extension of the RFP in the first case to the beginning of July that allowed for some follow-up with some of the proponents on some of the things that they had

proposed that we weren't able to confirm they would be able to deliver on. And then, further to that, a further extension was needed just to finalize the process.

At the time we make a decision, of course, we need to be able to tell all the proponents about this. We want to make sure all the t's are crossed and all the i's are dotted and it's, as I said, a much more complicated process than we would like it to be, but I think that that complication and those challenges demand very, very diligent due diligence.

Mr. Schuler: One of the complications, was that by any chance—or did the events which took place this winter/spring between City of Winnipeg and True North, did that have any effect on advancing the RFP process? Was that part of the complication? *[interjection]*

Mr. Chairperson: Oh, sorry. Mr. Stinson, go ahead.

Mr. Stinson: Oh, sorry. I apologize that, with the process still ongoing, I couldn't make a comment on that.

Mr. Schuler: Is there a date, a soft target anywhere in the near future, where you could advise this committee when a decision might be made?

Mr. Stinson: This fall we will be making a decision, so I would say it's very forthcoming.

Mr. Schuler: And I would point out to minister who's sitting here and the corporation and to all members, this isn't the largest footprint that's ever been out there. In fact, by probably most accounts, it's not even that big of a footprint.

Why would this be so much more difficult than any other tenant looking for space? Why would this one be wrought with—and I've been watching you and, you know, you're expressing that this was very difficult and this was very onerous. Why would this one be so onerous? Why would this be so difficult when it's not even that big of a footprint?

Mr. Stinson: I think that there has been a public expectation in the last couple years that we, as public organizations, are extremely cautious about how we move forward in capital investment. Recent things that have happened in other areas of public investments and capital expenditure have not turned out so well, as we know, and we need to ensure that we're über diligent, if you will—just very, very cautious as we move forward. I don't think it's more complicated; I think we're just trying to ensure that

we give the appropriate attention to every detail so that when the announcement is made we're able to answer every question that arises confidently without having to hesitate on any answer.

Mr. Lemieux: Just to maybe add to the answers that Mr. Stinson gave, is that I think the member opposite answered his own question when he said, you know, is there going to be a clear and transparent process? Is there going to be due diligence? Well, the answer is yes, and that's happening, and we want to make sure that the process is done right and that all aspects are looked at this project.

So, you know, I appreciate Mr. Stinson's answer and it's accurate to say that, you know, it needs to be done in a very fair and transparent and open way, that all proponents know that they can trust that it has been done that way, and I would just second what Mr. Stinson said.

And, you know, maybe I can just add this, is that, you know, once the decision is made in this fall sometime, as to where the headquarters go, I would offer a personal briefing for the member opposite, for the—for my critic, as well as the leader of the Liberal Party, once the announcement's made, to have an opportunity to get a briefing and get—ask whatever questions they want with regard at that time, because then the corporation can be more open than they can necessarily right now when they're in the decision process. So I would offer that to my critic as well as to the leader of the Liberal Party where you can have a personal briefing and—when the headquarters is announced, and then they can—you can go into more questions if you like at that time.

* (16:20)

Mr. Schuler: We appreciate the comments by both the corporation and the minister. And I think we're talking about 45, 46 thousand square feet. I read through the—*[interjection]*

Mr. Chairperson: Mr. Stinson?

Mr. Stinson: Sixty-six thousand square feet.

Mr. Schuler: Sixty-six thousand square feet. It sounds like a auction.

And, again, it's not the biggest space, and I think that's where a lot of individuals, and we've seen it talked about in the media and certainly around the city and the province, like, what exactly is it that makes this so complicated? So I think that's where it

comes down to is what would be in the path of this seemingly—you know, you go out and you put in an offer and—or you get offers and you accept one and you move on. Like, why would there be such a substantial delay from, like, October of 2014? It'll basically be a year later, and the decision, evidently, will be made approximately that time.

So that's really the question. Like, what would make this so complicated that it would take a year to make a decision?

Mr. Stinson: I—respectfully, I don't really have anything to add other than what I've already said, so I apologize. I don't have anything more to add.

Mr. Schuler: Was there or is there any perceived, potential or actual conflict of interest reported at any time prior or during or after the development and the issuing of the RFQ or RFP?

Mr. Stinson: I'm not—conflict of interest from?

Mr. Schuler: Within government, within the department, within the corporation.

Mr. Stinson: As my boss just reminded me, she declared a conflict of interest as board chair because a—one of the proponents that submitted a bid has a relationship with the board chair, so she did declare a conflict of interest and then was withdrawn from conversations we've had at the board level about this.

Mr. Schuler: Did any submitted RFP applications contain any perceived, potential or actual conflict-of-interest statements?

Mr. Stinson: No.

Mr. Schuler: Okay. We thank you. I don't know if any of my colleagues have a question, my colleague here.

Mr. Pedersen: On a slightly different note, I've been at a number of events around the province this summer noticing the sponsorship of Manitoba Liquor & Lotteries, including the T-shirts that are supplied with Manitoba Liquor & Lotteries splashed across them, great advertising. I was just wondering whose decision it was on the colour of the T-shirts.

Mr. Stinson: Larry's going to tell me whose—we have a number of staff in the festival program area who sit in a bit of a bear pit and have an argument about what the colour is going to be, and then they decide between that small group of them and we take their recommendation. Is there any recommendation for a future colour that—

Mr. Chairperson: Mr. Schuler.

Mr. Schuler: I'd like to move on to my last line of questions, and it's play it now dot-com. It was projected that PlayNow.com would generate \$1.5 million in net revenues for its first fiscal year. What was its actual net revenues for 2013-2014?

Committee Substitution

Mr. Chairperson: Before we go further, I'd like to make the following membership substitution effective immediately for the Standing Committee on Crown Corporations: Ms. Marcelino—or Mr. Marcelino is going to be filling in for Ms. Allan.

* * *

Mr. Chairperson: And then our next order of business is the election of a Vice-Chairperson because Ms. Allan was the Vice-Chairperson. Do we have any nominations for a Vice-Chairperson?

Mr. Wiebe: I'd like to nominate Mr. Marcelino.

Mr. Chairperson: We have Mr. Marcelino. Any other nominations? Mr. Marcelino is now elected Vice-Chair.

Mr. Stinson: At the end of '14, it was \$365,470 in revenue.

Mr. Schuler: What were the expenses incurred for that same time?

Mr. Stinson: The expenses incurred—I just want to confirm I've got that number right—\$5.4 million in total expenses.

Mr. Schuler: I just want to make sure I understood crick—correctly. It was projected it would generate \$1.5 million in net revenues, and the corporation's reporting that they actually got \$365,000 in net revenues.

Mr. Chairperson: Mr. Stinson.

An Honourable Member: I'm—sorry, I'm not done yet.

Mr. Chairperson: Okay. Mr. Schuler.

Mr. Schuler: That's one third of the projected revenue. If the expenses were, I think, slightly over \$5.1 million, has the corporation now looked at the whole thing and decided what they're going to do on a go-forward basis, because that is a substantial poor projection.

Mr. Stinson: I would agree that that's a substantial poor projection. The e-gaming did not return the

revenue initially that we hoped it would. This—the next conversation a year from now, which will look at the annual report for fiscal year '14-15 is a rosier picture, and revenue is growing with e-gaming.

I think there's two key purposes to e-gaming. The first, of course, is to grow revenue and to be in that realm of gaming. And why do we want to be in that realm, would be the second reason. We believe that it's very important to create a regulated environment for online gaming that is much more rigorous in ensuring that the people who are gaming are over the age of 18, have the appropriate income ability to gamble online. As you know, if you go to one of the grey sites, which are operated through Costa Rica or Cayman Islands or wherever, they ask you to check a box that says, are you 18 or over, and you check the box and you give them your credit card or your mom's credit card, and they take off what they need, and you can gamble.

We have an extremely rigorous screening process that allows us to bring people who are interested in online gaming, which is a \$14-billion industry, to participate in that regulated environment in a much safer way. We believe we need to be at that table because of the number of people that are going there to gamble. Was it as successful as we would've liked it to have been right from the start? Absolutely not, but we've seen much more positive revenue numbers in the last fiscal year and we see a continued growth in those revenue numbers. So we're optimistic that we're on the right track.

* (16:30)

Mr. Chairperson: The hour being 4:30, which is what we agreed to the last time, what is the will of the committee?

Mr. Pedersen: I would suggest I believe Mr. Schuler has a couple more questions and the member from River Heights has a few questions. If we could just go another 15 minutes, then I'm sure we would wrap up then.

Mr. Chairperson: Is that agreed by the committee?
[Agreed]

Proceed, Mr. Schuler.

Mr. Schuler: Basically, my last question is there was a mailer that went out I think it was for the fun of it and I believe it had some kind of a coupon on it, and I'm sure the corporation was so busy moving and unpacking and packing and hanging painting scenes, they didn't see the questions in question period. So

I'll just raise that with them in that how did you make sure that minors weren't accessing PlayNow.com, particularly because that flyer would've come to whoever took the mail out of the mailbox or happened to have received the mail for that day. How could you make sure that minors didn't access that because it was really a fancy piece and it didn't—nowhere there did it specify that you had to be 18 and over, and like can you just give us an idea on that? And then I would hand the floor over to my colleague for River Heights.

Mr. Stinson: I—just to say that, you know, direct market mailings are extremely successful from a data perspective. We had some recommendations from advertising and we made an attempt at that. Having said that, we also appreciated as a corporation that a difference between seeing an ad in a newspaper and getting something within the mail is a very different experience for individuals, and we're probably going to be less likely to pursue that avenue going forward in the future.

The thing that was received in the mail did have indication for 18 years; it just said 18-plus in one corner—I'll just pass that over to you—and at the bottom. As we were advertising a product that is marketed by the Western Canada Lottery Corporation which were lottery tickets, their standard piece is to use the 18-plus. We did have a discussion about that afterwards, and after the comments that have been made publicly, which we heard as well as a corporation, and agreed that we need to be a bit more diligent around how we ensure that we're advertising only to people who are over the age of 18.

But it was a—you know, an attempt to direct market in a way that would help us bring more people who are gambling online to the regulated environment, and we have unbelievably rigorous metrics around signing up someone for the PlayNow.com site. So we put people through a series of hoops to ensure that they're 18, ensure that they have the economic wherewithal.

So, even though some people may have gotten that and then tried to get on the PlayNow.com site who weren't of age, we're confident that the rigour of our processes would ensure that they weren't successful in getting through.

Hon. Jon Gerrard (River Heights): I'd like to start by following a question on the advertising and promotional expenditures, and perhaps to simplify

things, let me start with the MLCC commission report, which was the 2013-2014.

And now I think that you had mentioned an advertising budget of something like 1.4 million for Liquor, and I'm looking on page 34, which is the list of general administrative expenditures, and I'm just trying to understand where in those categories—I mean presumably marketing would be one of them—those advertising dollars are, but what's listed there is marketing is 865,000 which is far less than the number that you provided earlier.

Mr. Stinson: Let me just quickly consult with my colleague Larry, who's been the major consultant [*inaudible*]

Sorry for the delay, Dr. Gerrard. The 865 is marketing. That does not include the public awareness component of the advertising budget. The difference makes up for the 1.4.

Mr. Gerrard: Where is the public awareness component listed? [*interjection*]

Mr. Chairperson: Mr. Stinson.

Mr. Stinson: Sorry. The second line, Alcohol education.

Mr. Gerrard: And presumably the alcohol education is not the promotion of liquor and the advertising of liquor.

Mr. Stinson: Correct. We simply, you know, record it in the—what we're spending on advertising budget for accounting purposes, but that's why it's broken down in the two separate things within the annual report.

Mr. Gerrard: Now, you provide, under what you call Community support, and I'm not sure exactly where the Jets and the Bombers go, but a lot of what is done under Community support really is a promotion of the brand and advertising, it is—is it not?

Mr. Stinson: Yes, community sponsorship. So, just to make it clear that, although economic development within that community is a component that we consider in the community sponsorship, it is truly about a value exchange. Are we bringing value in what the dollars that we're putting on the table to the community, whether it's for economic development purposes supporting their volunteer activities, but is also bringing value to the

corporation? And that value to the corporation is getting our brand noticed by people, reaching folks that would be the demographics that are interested in our products and our services.

Mr. Gerrard: So, in a sense, much of what is provided in community support is actually advertising the brand and promoting the brand.

Mr. Stinson: Community sponsorship, absolutely, what we do is look for that value exchange. You could narrow that down and say it's partly about promoting our brand, which is part of the value exchange, but it's also about supporting the community event or the community initiative that's underway—the festival, the fair, the rodeo, et cetera.

Mr. Gerrard: Now, earlier on, it was discussion of the support for the Bombers, for the Jets and for the Canadian Museum for Human Rights. Which would fall under marketing and which under community support?

Mr. Stinson: Just wanted to clarify how we would break it down for the Bombers, and I'll use them as the example. So, the tickets that we provide for the youth to go to games and stuff like that, the equivalent to the Jets' Flight Deck Program at the Bombers, would be sponsorship. The things that we're doing with our branding and our signage around the stadium, that would be marketing.

Mr. Gerrard: Now, earlier on you talked about the fact that you were not doing any follow-up on campaigns, marketing campaigns, to know whether they were effective, but you were relying on the marketing organizations to do that.

Do you actually get results from those marketing organizations which deal with whether the particular products which are being advertised have increased sales?

Mr. Stinson: The way we advertise through, for example, our relationship with the Jets or the Bombers, that data would be supported by those advertising companies. Their data would show that having a relationship with a sports franchise to promote your product is good for promoting your product.

We would also ask in our customer satisfaction and some of the work that we do around people's perception of our profile within the community and ask whether that's a positive perception or a negative perception. And universally it's been a positive perception, particularly on the liquor side.

* (16:40)

So, we don't do that specific ask of, hey, are we getting this result because we invest this with the Bombers, but we're getting from the advertising firm: you're getting this result in growing your market because here's the evidence that shows that that kind of relationship is a positive one for promoting your brand and promoting your products.

Mr. Gerrard: But what you said, then, earlier on is accurate, that you really don't know if there is specific products that you're promoting, they're actually increasing in sales.

Let me go to the other area which you had the—what's listed under Alcohol education, which is, I believe, what you were talking about in sort of social responsibility promotion, right? Do you look to see if, in any way, that is having an impact to decrease FASD, for example, or to decrease, you know, gaming among people who are at risk?

Mr. Stinson: We do look at the impact of our social responsibility programs. There's not necessarily a linear link between if, you know—Be the Influence, for example, is having a direct relationship with decreasing the amount of FASD out there, but we will look at if Be the Influence program is engaging parents to talk to their children about alcohol and creating a more positive discussion environment around alcohol use in the family. We'll ask that through focus groups and through research we do with the people who have seen that stuff.

We do fund, as you know, Dr. Gerrard, some FASD research at the University of Manitoba in partnership with the university in Israel, and, of course, there is good evidence that the research that's happening there is furthering reductions in FASD and bringing awareness to FASD and in increasing and improving the treatments towards FASD.

Mr. Gerrard: Can you indicate where the funding for the research on FASD comes from? Is that in the Alcohol education budget, or else—*[interjection]*

Mr. Chairperson: Mr. Stinson.

Mr. Stinson: Oh, sorry. At the bottom of page 34, in the Manitoba Liquor Control Commission annual report that you have, it's in the Social responsibility funding, at the very bottom, under 14, under Allocations and Payments.

Mr. Gerrard: Can you provide a breakdown, perhaps not here but, you know, subsequently or after the meeting is over, of the Social responsibility funding expenses?

Mr. Stinson: Yes, be happy to get that to you in writing if that's okay with you.

Mr. Gerrard: One more thing that, you know, there was some discussion of salaries earlier on. I wonder if it would be possible to provide the salary for the CEO, president, and the CEO for each of the corporations before the merger and for the president and CEO in the—for the corporation in the years after the merger. And, again, not necessarily here, but if that could be provided in due course, that would be helpful.

Mr. Stinson: Absolutely, and we'll include that in the letter response to you, if that's okay. *[interjection]*

Mr. Pedersen: Just to clarify to Mr. Stinson, that when you—you include our critic in the House there too, on your written replies.

Mr. Stinson: We'll include, make sure you all get all the information.

Mr. Chairperson: Seeing no further questions—Honourable Minister.

Mr. Lemieux: Yes, just to conclude, and I'm sure I mentioned that the member for River Heights (Mr. Gerrard) wants a decision. I just want to make sure that not only my critic but also the MLA for River Heights as well is included in that briefing once a decision is made with regard to the downtown headquarters later this fall, that both will—would be included in the—in that briefing, in a personal briefing, afterwards, after the announcement's made. Thank you.

Mr. Chairperson: Seeing no further questions, shall the Annual Report of the Manitoba Liquor Control Commission for the fiscal year ending March 31st, 2014 pass?

Some Honourable Members: Pass.

An Honourable Member: No.

Mr. Chairperson: The report is not passed.

Shall the Annual Report for Manitoba Lotteries Corporation for the fiscal year ending March 31st, 2014 pass?

Some Honourable Members: Pass.

An Honourable Member: No.

Mr. Chairperson: The report is not passed.

Please leave all copies of the reports that did not pass on the table.

And this now concludes the business we have before us, and the hour being 4:45, 4:46, what is the will of the committee?

Some Honourable Members: Committee rise.

Mr. Chairperson: Committee rise.

COMMITTEE ROSE AT: 4:45 p.m.

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