

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

Chairperson
Mr. Andrew Micklefield
Constituency of Rossmere

MANITOBA LEGISLATIVE ASSEMBLY
Forty-Second Legislature

Member	Constituency	Political Affiliation
AL TOMARE, Nello	Transcona	NDP
ASAGWARA, Uzoma	Union Station	NDP
BRAR, Diljeet	Burrows	NDP
BUSHIE, Ian	Keewatinook	NDP
CLARKE, Eileen, Hon.	Agassiz	PC
COX, Cathy	Kildonan-River East	PC
CULLEN, Cliff, Hon.	Spruce Woods	PC
DRIEDGER, Myrna, Hon.	Roblin	PC
EICHLER, Ralph	Lakeside	PC
EWASKO, Wayne, Hon.	Lac du Bonnet	PC
FONTAINE, Nahanni	St. Johns	NDP
FRIESEN, Cameron, Hon.	Morden-Winkler	PC
GERRARD, Jon, Hon.	River Heights	Lib.
GOERTZEN, Kelvin, Hon.	Steinbach	PC
GORDON, Audrey, Hon.	Southdale	PC
GUENTER, Josh	Borderland	PC
GUILLEMARD, Sarah, Hon.	Fort Richmond	PC
HELWER, Reg, Hon.	Brandon West	PC
ISLEIFSON, Len	Brandon East	PC
JOHNSON, Derek, Hon.	Interlake-Gimli	PC
JOHNSTON, Scott, Hon.	Assiniboia	PC
KHAN, Obby	Fort Whyte	PC
KINEW, Wab	Fort Rouge	NDP
LAGASSÉ, Bob	Dawson Trail	PC
LAGIMODIERE, Alan, Hon.	Selkirk	PC
LAMONT, Dougald	St. Boniface	Lib.
LAMOUREUX, Cindy	Tyndall Park	Lib.
LATHLIN, Amanda	The Pas-Kameesak	NDP
LINDSEY, Tom	Flin Flon	NDP
MALOWAY, Jim	Elmwood	NDP
MARCELINO, Malaya	Notre Dame	NDP
MARTIN, Shannon	McPhillips	PC
MICHALESKI, Brad	Dauphin	PC
MICKLEFIELD, Andrew	Rossmere	PC
MORLEY-LECOMTE, Janice	Seine River	PC
MOSES, Jamie	St. Vital	NDP
NAYLOR, Lisa	Wolseley	NDP
NESBITT, Greg, Hon.	Riding Mountain	PC
PEDERSEN, Blaine	Midland	PC
PIWNIUK, Doyle, Hon.	Turtle Mountain	PC
REDHEAD, Eric	Thompson	NDP
REYES, Jon, Hon.	Waverley	PC
SALA, Adrien	St. James	NDP
SANDHU, Mintu	The Maples	NDP
SCHULER, Ron	Springfield-Ritchot	PC
SMITH, Andrew, Hon.	Lagimodière	PC
SMITH, Bernadette	Point Douglas	NDP
SMOOK, Dennis	La Vérendrye	PC
SQUIRES, Rochelle, Hon.	Riel	PC
STEFANSON, Heather, Hon.	Tuxedo	PC
TEITSMA, James	Radisson	PC
WASYLIW, Mark	Fort Garry	NDP
WHARTON, Jeff, Hon.	Red River North	PC
WIEBE, Matt	Concordia	NDP
WISHART, Ian	Portage la Prairie	PC
WOWCHUK, Rick	Swan River	PC
<i>Vacant</i>	Kirkfield Park	

LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON CROWN CORPORATIONS

Tuesday, December 13, 2022

TIME – 1 p.m.

LOCATION – Winnipeg, Manitoba

CHAIRPERSON – Mr. Andrew Micklefield (Rossmere)

VICE-CHAIRPERSON – Mr. Shannon Martin (McPhillips)

ATTENDANCE – 6 QUORUM – 4

Members of the committee present:

Hon. Messrs. Reyes, Smith

Messrs. Bushie, Martin, Micklefield, Wasyliw

Substitutions:

Mr. Wowchuk for Hon. Mr. Reyes at 2:22 p.m.

APPEARING:

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

MATTERS UNDER CONSIDERATION:

Annual Report of the Manitoba Liquor and Lotteries Corporation for the fiscal year ending March 31, 2022

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Clerk Assistant (Ms. Katerina Tefft): 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 Chairperson.

Are there any nominations?

Hon. Andrew Smith (Minister responsible for the Manitoba Liquor and Lotteries Corporation): I nominate MLA Andrew Micklefield.

Clerk Assistant: Mr. Micklefield has been nominated.

Are there any other nominations?

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

Mr. Chairperson: Good afternoon. Will the Standing Committee on Crown—good afternoon.

Our next item of business is the election of a Vice-Chairperson.

Are there any nominations?

Mr. Smith: I nominate MLA Martin.

Mr. Chairperson: MLA Martin has been nominated.

Are there any other nominations?

Seeing none, Mr. Martin is elected Vice-Chairperson.

This meeting has been called to consider the Annual Report of the Manitoba Liquor and Lotteries Corporation for the fiscal year ending March 31st, 2022.

Are there any suggestions as—from the committee as to how long we should sit this afternoon?

Mr. Mark Wasyliw (Fort Garry): Two hours?

Mr. Chairperson: The—it has been suggested we sit for two hours.

Is the committee agreeable to that amount of time? [*Agreed*]

We believe that is the case, then we will do that.

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

Mr. Smith: Good afternoon, everybody and members of the committee.

As the Minister responsible for Manitoba Liquor & Lotteries, I am here this afternoon, along with senior officials from Liquor & Lotteries, or MBL, to present your approval today, the annual report of the corporation for the fiscal year ended March 31, 2022.

I'd like to welcome the following members of the corporate's board and executive: Bonnie Mitchelson, chair of the MBL board of directors; Manny Atwal, president and chief executive officer. I don't know if we have Ian Urquhart with us. Oh, he's not with us. My deputy minister, Jeff Hnatiuk; Rob Marrese, of Crown Services division; and Special Assistant Sukhi Jandu also join me today.

As attendees to this meeting will know, Manitoba Liquor & Lotteries plays an important part in generating revenue for the provincial budget from gaming,

cannabis and liquor sales. In order to continue delivering efficient and effective services in generating the net income that supports provincial services, such as health care and education, MBLL needs to adapt and change. To that end, MBLL has done significant work during the 2021-22 fiscal year to adapt and change for the challenges that COVID-19 pandemic brought.

However, as our province eases into recovery from the pandemic, we must continue to adapt and plan for future marketplace and liquor, gaming and cannabis. I know that Manitoba Liquor & Lotteries is continually looking at ways to improve their business model, and our government is committed to making the necessary changes to support this work moving forward.

Manny Atwal, president and CEO of Manitoba Liquor & Lotteries, is now ready to respond to questions relative to the corporation's operations, while the Chair and MBLL board and myself respond to any questions that involve government policy.

We look forward to discussions and to the questions and answers this afternoon.

Thank you.

Mr. Chairperson: We thank the honourable minister.

Does the critic for the official opposition have an opening statement?

Mr. Wasyliw: We do, thank you.

It's my pleasure to join you today to consider the 2021-2022 annual report for Manitoba Liquor & Lotteries.

We know the important role MBLL plays in our province, whether it's through regulating the sale of cannabis and liquor or through awareness campaigns that promote safe gaming practices. We also know how MBLL helps provide hundreds of millions of dollars that are used to fund our hospitals, education, social responsibility programs and much more. MBLL also provides hundreds of good paying jobs for Manitobans, whether it's at casinos, liquor stores and more.

We're concerned about this government's approach to MBLL and are worried that it could jeopardize this beneficial system that Manitobans have come to know and appreciate. That's because this government is more concerned about privatization to benefit big, out-of-province corporations, sending profits to them instead of ensuring they're being used to benefit regular Manitobans.

We believe we should strengthen our publicly owned Crown corporations, not sell them off to the highest bidder.

I have a few questions on pressing issues, and I'm hoping to receive some clarity on things.

Mr. Chairperson: We thank the member.

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

Mr. Atwal, please go ahead.

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

Before we begin, I'd like to acknowledge the following: Manitoba Liquor & Lotteries benefits from being on the original territories of the Ashinaabe [*phonetic*], Cree, Oji-Cree Dakota, Lakota and Dene peoples, lands now known as Treaties 1 through 5, and the homeland of the Red River Métis. We commit to respecting the treaties made on these territories while acknowledging the harms of the past and moving forward in partnership with Indigenous communities in a spirit of reconciliation. While we acknowledge that territory acknowledgements are only one step in cultivating greater respect for and inclusion of Indigenous peoples, these words will accompany actions, investing in building a future and in a community better for all.

As I begin, it's worth noting that, while we are here to cover the '21-22 annual report, we are now well into the '22-23 fiscal year, and that is essentially running at full capability and capacity as prior to the pandemic. So, we can safely say that we are now in a business-as-usual position.

Some of the highlights over the '21-22 fiscal year include delivering net income of almost \$600 million; that's a 40 per cent growth year over year, as we resumed closer to normal operations and implemented multiple programs and numerous processes to improve overall profitability. In terms of quality of earnings, this represents the best performance in the history of the company, and we expect to make more history in '22-23.

Let's go through the different businesses.

Gaming and entertainment: we had record lottery sales in the '21-22 fiscal at \$276 million. The net

income contribution to the Province was \$57.7 million, which is a 38 per cent increase year over year; iGaming net income grew to \$63.1 million, which is also a 22 per cent increase year over year.

MBLL commenced with an effort to replace obsolete VLT machines at our commercial, First Nation and veteran site holder locations. It's expected a total of 960 VLTs will be replaced in the current fiscal year.

Casinos and related amenities were also reopened fully to the public. Return to play has been strong and, while revenues are slightly below pre-pandemic, profitability as a result of improved processes and reduced operational expenses, our casinos are at record levels. We've also seen our event centre now have bookings at greater than pre-pandemic levels.

At our liquor and cannabis business, we saw liquor revenues for the '21-22 fiscal achieve \$873 million, which is down 1 per cent from the prior year, which is actually more in alignment with a normal business operation for us.

Some key initiatives for the '21-22 and into the '22-23 year include continued improvements to our controlled entrances to reduce costs and improve service levels to customers. We've implemented policies for minors under 12—under the age of 12 to be accompanied by the—by their guardian. We reduced wait times at controlled entrances through a project implementing lean processes.

We've invested approximately \$3 million into Liquor Marts to make them more accessible, to improve assortment and increase convenience for our customers.

We've improved our home delivery experience, adding same-day service. And we've implemented click and collect at—a click and collect service at selected locations.

We launched our liquor modernization project, which is going to focus on updating unsupported systems and infrastructure, improve overall supply chain performance, optimize business processes to save cost and time and improve overall convenience and availability for products for all Manitobans.

Improved—the—we also implemented an improved ordering process for liquor and cannabis business partners to improve delivery and performance for them, as well.

Finally, we improved an onboarding process for microproducers that went into—that want to self-distribute.

Over the past year, MBLL has continued its commitment to maintaining an open dialogue with cannabis retailers and the licensed producers that serve our market. This is directly resulting from important conversations with several new enhancements have—implemented and—new processes and tools used by MBLL cannabis business partners.

The intent of these enhancements was to action the feedback MBLL received from our business partners to make it easier to do business with MBLL and to collectively achieve the goals of cannabis legalization. Enhancements such as new online customer service ordering system, improved transparency to supplies lead times, introduction of cross-docking services, we're going to improve the ability for cannabis partners to be successful in the Manitoba market. Over the next year, MBLL will continue to work collaboratively with our cannabis business partners and support the growth of a strong legal cannabis market.

One of the biggest challenges that will face MBLL and many other organizations over the next short term here is going to be employee retention and recruitment. As such, we are increasing our focus in these areas to ensure that we have enough people and can add people as necessary for our business. We're expanding job postings to include immigration centre of Manitoba, Manitoba Start, Manitoba Chamber newcomer hub, Service Canada, Ukrainian Canadian Congress, First Nations and Indigenous job boards, local colleges and additional trade schools.

* (13:10)

We're reviewing post-grad work-permit programs and exploring possibilities to partner with and support foreign students with immigration requirements. We're attending career fairs for community organizations and giving presentations on MBLL and the opportunities and benefits we provide; we're also hiring all—we're also requiring all managers to complete reduced unconscious bias training during their process as well.

In the '21-22 fiscal, we launched our diversity equity inclusion committee, and we asked the organization for volunteers to participate. We were thrilled to see over 50 of our employees volunteer for—to join this important committee, as we look to improve DE&I at Manitoba Liquor & Lotteries. Given the size and scope of the committee, five subcommittees were created. These include: strategy; education; truth and reconciliation; community engagement; and employee experience. Each subcommittee has two co-chairs, one of which is an executive and one team member.

Knowing how important truth and reconciliation is to us as a company and to Manitobans, the TRC subcommittee has seen some great work already started as we move on our journey to the Calls to Action. Some of this work includes four-season reconciliation training for all leaders, KAIROS Blanket Exercise offered three times a year, a number of brave spaces sessions for Indigenous employees and creating a TRC roadmap for MBLL.

First, our—we have a—we've held our first meeting with our truth and reconciliation external advisory council, and we've had discussions with this group for September 30th planning into 2023. Our DE&I work has not gone unnoticed. We've actually been asked to panel on a number of DE&I events in Winnipeg and look forward to not only sharing our experience but also learning from others.

With regard to corporate responsibility in the '21-22 fiscal, MB-L social responsibility budget was \$11.4 million, a decrease from the prior year budget of \$12.9 million. As a corporation, social responsibility budget is directly correlated to net income and calculated based on 2 per cent of anticipated net—annual net income. The impacts of pandemic on MB-L revenues resulted in a decrease in the '21-22 social responsibility budget.

In the '21-22 fiscal year, MB-L did spend \$13.1 million on social responsibility; \$11.4 million was spent from our core social responsibility budget; 1.7 out of the spending was accessed from unspent prior year amounts that had been carried over. And the first year of the pandemic prevented the—prevented us as a corporation from implementing all aspects of social responsibility program, largely due to casino closures and associated closures of our Responsible Gaming Information Centre.

Impact such as resulted in unspent budgets having to be carried forward into the following fiscal year: At the end of the '21-22 fiscal, there was \$808,000 remaining on the carry-forward amount. The corporation's actively reducing this total amount to—and ensuring addictions treatment and support organizations throughout the province are receiving total social responsibility funding from MBLL. By the end of the '22-23 fiscal, the carry-forward amount will further decrease to \$450,000.

Maintaining some level of funding in the carry-forward amount is very important. It allows us to respond to unbudgeted, unplanned calls for support from the community during the fiscal year. As an example, supporting the programs such as SAGE Peace

Walkers and Brandon Bear Clan would not have been possible if we didn't have a carry-forward for us.

In the '21-22 fiscal year, MB-L social responsibility program focused efforts in the following areas: \$9.1 million allocated to corporations social issues funding program, benefitting organizations such as the Addictions Foundation of Manitoba, Youth Addictions Stabilization Unit, problem gambling supports for community and community financial counselling services. The remaining funding was allocated to communities and community-based programs throughout the province, including the internationally recognized FASD research with the University of Manitoba.

Two point three million dollars was allocated to corporate—to corporations' public awareness programs, which aim to help Manitobans have lower risk experiences with the products sold by MBLL; \$1.7 million was allocated to research programs and operating expenses—excuse me.

We were here in front of this committee 11 months ago, and we said that we were well positioned as the pandemic ended to excel in our business and see strong growth in our net income. We did just that.

In closing, Mr. Chairman and members of the standing committee, I want to recognize the great work that all 3,000-plus employees at Manitoba Liquor & Lotteries have done over the past year, as we transition our business from the pandemic to post-pandemic.

We said we'd be ready to deliver to Manitobans; that's exactly what we did, and we continue to be—and we continue to do so at record levels. We do this to enrich the lives of Manitobans. I'm very proud of this team.

Thank you.

Mr. Chairperson: Thank you. And right under the wire with the time limit, so well done; that was great. I was just—I was checking to see if there was a way we could offer, we might need to offer extra time, but that's not necessary and I'm grateful.

So, at this time the floor is open for questions.

Mr. Wasyliv: I'm wondering if Mr. Atwal can speak to the variety of local products that are sold in MBLL liquor stores.

Mr. Atwal: We have a total of approximately 6,000 SKUs available in our entire portfolio of products.

At any given point in time, typically between 3,000 and 4,000 SKUs are available through our

entire 65-store network. And, again, at any given point in time, our largest location, Grant Park, would have between 2,500 and 3,000 SKUs available.

Mr. Wasyliw: I was wondering if there is any tracking of what percentage sales there are in Manitoba Liquor & Lotteries stores, in relation to Manitoba-produced items: craft beer, cider, that sort of thing.

How much of the market do we sell of our own stuff?

Mr. Atwal: The craft network within Manitoba consists of beer, distilleries. There's some wine, as well, within Manitoba. And mead, as well.

The craft business in Manitoba was about \$5 million in 2016 and, in the 2021-22 fiscal, that will finish at around \$30 million.

Mr. Wasyliw: Now, is there any internal policies or directions with the liquor stores to ensure that Manitoba products get shelf space and get, sort of, preferential marketing within our own stores?

Mr. Atwal: Yes, we actually have a number of programs that we call our craft brewing strategy.

For the first six years, the craft brewing strategy—many of these strategies were designed to help create an industry, provide lower markups and provide ability for newer entrepreneurs to reinvest in business and—invest and grow their businesses. And that's to get them to move up and grow their business overall.

And then, within our retail locations, we have strategically decided to over-allocate space—so, for floor space and retail space—for the local producers, as well.

So, given best retail practices, they should technically be allowed less total retail space, but we strategically provide them additional retail space to have more Manitoba products available at all of our Liquor Marts, and we will continue to do that as part of our next level strategy, which we're dubbing to increase total volumes sold by local distillers and local craft producers as well.

Mr. Wasyliw: So, do M-L—MBLL have actual targets for the Manitoba-produced liquor and how much of sales you're wanting to see in your stores?

Mr. Atwal: When we build our business plans, we don't specifically build it out by different types of producers. We do build it out by different types of products.

That said, when we built our business plans and we take a look at the products that are produced in Manitoba, we would 'typicately' see a 2 to 5 per cent increase, in some cases more, depending upon how many new products would be coming forward.

I would also say that, if you take a look at the growth from \$5 million to \$30 million in about seven years, that well out-indexes normal growth for alcoholic products, so we are over-indexing overall with local product compared to the rest of the industry.

Mr. Wasyliw: Now, is there any internal policies about large venues, like the Bomber stadium or the arena or festivals requiring a certain percentage of their sales to be Manitoba-produced liquor?

Mr. Atwal: It's up to the venues themselves to decide what products they will serve—they will have servicing.

So, whichever organization provides or generates their liquor licence and is going to be hosting that particular event, they'll decide which products that they want to have at their locations.

We also encourage and support the marketing of the craft brewers to all these different types of events. So, as an example, many of the craft brewers will meet with the Bombers and talk about the products that they've got available and that the Bombers should have within their stadium and their locations. Similar with festivals and other organizations.

So, the decision isn't up to MBLL as to what products are served there. It's up to the organization that is hosting or managing that event.

* (13:20)

Mr. Wasyliw: Is there any aggressive marketing or strategy in place to basically give a carrot to these organizations to carry Manitoba-produced liquor in their venues?

Mr. Atwal: It's the role of MBLL to provide access and ability for all producers to be able to market within Manitoba.

That said, as I mentioned earlier, our strategy is to over-index, over-promote and support the local industries, which we've done. And that's been demonstrated in the growth of that industry relative to the growth of many of their products within Manitoba Liquor & Lotteries.

Mr. Wasyliw: We certainly have been hearing from small businesses where large international liquor companies will come into an establishment and pay

for basically complete access of all the taps in that lounge, keeping out Manitoba products. I imagine you're aware of this practice.

What, if any, response does MBLL take in relation to this, or do you view this as not an issue that you're responsible for?

Mr. Chairperson: Just a quick reminder, please put questions through the Chair.

Mr. Atwal: The—I apologize, can you repeat part of the question again?

Mr. Wasyliw: Through the Chair, I know Mr. Atwal is aware of the practice of sort of large, international companies coming into small businesses and paying for access, basically to preferentially sell their product. This can leave out Manitoba producers.

And I'm wondering if—how MBLL views this. Do they view that they have some role in potentially opening up these markets to Manitoba products, or do they view that they are more neutral and, again, I think, made of—earlier comments about letting the purchaser decide?

Mr. Atwal: Generally speaking, the purchaser of private companies and private individuals and private organizations, they are entitled to make whatever decisions they choose to make for the events and products they would like to have. And any marketing associated or purchase of products and exclusivity, that is up to them.

That said, as I've noted a couple times now, our role is to help continue to promote and build our local presence as well and our local distillers and brewers, and the actual growth of that industry relative to other terms clearly demonstrates that we are doing that.

We will continue to support to help market, continue to help support to promote; but decisions are made by the private organizations that host these events and facilities.

Mr. Wasyliw: I'm wondering if Mr. Atwal can speak to whether or not he has a concern about, sort of, monopoly marketing that goes on in this industry, and whether this is something that the Legislature should be reviewing, and that there should be legislation or regulations in order to prevent this practice from occurring.

Mr. Smith: I think it's very clear by the line of questioning here, this was more of a political question, certainly aimed at government.

And let's be honest, I think MBLL has done a tremendous job answering questions about the operations and sticking to the point of the committee, which is to focus on the annual report.

Having said that, I know our government is very committed to working with local producers. In fact, a lot of local producers are very supportive of our most recent initiative, Bill 9. And I don't know that the member wants to hear that, but that is the case, that Bill 9 is quite well received by a lot of the local producers and other producers in general, that Manitobans will have a chance to—more consumer choice and more convenience for all Manitobans in their liquor purchases in this province.

So, again, I know that the question was about legislation and, Mr. Chair, I appreciate that, but at this point we're continuing, as a government, to work with MBLL, and we're going to work with stakeholders in the community and, of course, Manitobans at large, to make sure that MBLL and the entire liquor retail system in this province is—continues to modernize, continues to change with the times and adapt to the 21st century.

Mr. Chairperson: I must remind the minister and all members that bills currently before the House are off-limits for the purpose of this afternoon's committee.

Mr. Wasyliw: My question, I guess, then, will be to the minister.

The issue that I'm speaking about is the lack of choice that hurts small businesses because they're forced into buying the products of one singular company. And I'm wondering if the minister would be amenable to bringing in legislation which would actually open up the market and open up opportunities for Manitoba producers that currently aren't there because large international companies are buying up all the taps in our local establishments.

Mr. Smith: I appreciate the question.

Again, I said in my first answer that we are very—as a government, very willing to work with both stakeholders in the—in this space and, of course MBLL, to make sure that whatever comes of changes in liquor retail, that it's in the best interest of all Manitobans and certainly helpful to all of our producers who sell in this space.

We know that, certainly, Manitobans have a lot of pride in their local producers, and I know myself—am very proud of some of the local producers we have,

the microbreweries just to name a few. But again, like I said, our government is committed to working with all the stakeholders in this space, working with MBLL and making sure that whatever comes of liquor modernization is in the best interest of all Manitobans.

Mr. Wasyliw: Wonder if Mr. Atwal can tell the committee how the recent implemented increased security measures at MBLL liquor stores have impacted levels of theft.

Mr. Atwal: Not quite as recent anymore—it's been a couple of years since they've been implemented—but per pre-controlled entrances to post-controlled entrances, we've seen a reduction of theft of approximately 97 per cent. We've seen a reduction of robberies of 100 per cent. And we're very proud of those results and very proud that we have a safe environment for our customers and for our employees to be able to shop.

I've had the privilege to actually work in Liquor Marts, both before and after controlled entrances were put in place, and I will tell you—I will tell the committee that the change in attitude prior—of both employees and customers to—post the implementation is incredible.

Prior to implementation, I would be talking to an employee as we're stocking shelves; every time the door would open, the employee would look up and be stressed. And the employee would be talking to a customer and a door would open, they'd be stressed. And customers are—were actually trying to play good Samaritan and try to stop some people from making thefts, which is not a good way to end for anybody.

Since the implementation of the controlled entrances, we've done customer satisfaction surveys, and the most recent one showed an 82 per cent support for the controlled entrances that are in place for customers, and 95 per cent support by employees. And now when you walk into a store, our employees are able to do their jobs; they're able to support our customers, provide the service levels that our customers expect, and our employees are very—and their families are very happy for them to work at our liquor stores now with the controlled entrances in place.

Mr. Wasyliw: Again, I'm wondering if Mr. Atwal can speak to MLC Holdings Incorporated. According to the report, twenty-nine-point—\$24.9 million capital assets that were acquired in 2021-2022. I was wondering if you could just elaborate to the committee about what is that all about.

Mr. Atwal: What page?

An Honourable Member: Twenty-one.

Mr. Atwal: Page 21?

An Honourable Member: Yes.

Mr. Atwal: Twenty-one is about social responsibility. Oh, MLC Holdings. I apologize. Okay, there we go.

MLC Holdings is the holding company for MBLL and our different entities. MLC Holdings will, on occasion, be required to be—the actual purchase of the assets in MBLL would be the user of the assets in some cases, and that's an internal accounting procedure that's done.

That said, we do lease certain capital assets, and these capital assets include VLT machines to First Nations. As per legislation, MBLL must be the owner of gaming assets, and they can be leased to other organizations, and so First Nations do lease the assets from MBLL.

* (13:30)

Mr. Wasyliw: Wondering if you can tell us: How many full-time employees does MBLL have?

Mr. Atwal: Clarification: specific to full time, or total number of employees?

Mr. Wasyliw: I guess full-time equivalent would be the—

Mr. Atwal: We have approximately 1,900 full-time equivalents, and we have about approximately 3,000 total employees.

Mr. Wasyliw: Wondering if Mr. Atwal can break down the full-time equivalents by gender and race, and what percentage are Indigenous.

Mr. Atwal: According to our '21-22 employment equity data for Q3, Manitoba Liquor & Lotteries has: women, 1,623; visible minorities, 940; Indigenous, 323; and persons with disabilities, 170.

Mr. Wasyliw: Wondering if Mr. Atwal would consider including these statistics in future annual reports.

Mr. Atwal: MBLL has, as I mentioned in my opening remarks, kicked off our diversity-equity-inclusion committee, and we've kicked off a number of initiatives with regard to diversity, equity, inclusion.

One of our major initiatives is working to establish current and future benchmarks, and not limited to the current four or five categories that are available there today; we will actually go into further depth into

our different diversity, equity, inclusion categories. And we're going to follow—start to follow—or, try to follow best practices that are put out there by organizations around the world, and we're using our diversity, equity and inclusion subcommittee to do just that.

MBLL fully intends to publish that data. Whether it's on our website or in our annual report, that is to be determined, but we fully intend to publish that data, maintain transparency of our organization with the public.

Mr. Wasyliw: Now, Mr. Atwal had made some reference to public satisfaction surveys that the corporation engages in.

I'm wondering if he could report to this committee: What's the current level of satisfaction Manitobans have with our liquor store system?

Mr. Atwal: There isn't a specific question about liquor store system. However, we do have questions related to customer service liquor stores and the public's satisfaction with our liquor stores overall.

We measure on a quarterly basis, and so far, consistently—certainly over the last four quarters and the four quarters in question with the annual report—the scores range between 89 and 93 per cent.

Mr. Wasyliw: I'm wondering if Mr. Atwal can, you know, educate us on whether or not there's any sort of gaps in the service being provided right now by liquor stores that the public is complaining about or saying that things have to change, or whether it's overall a very high level of satisfaction.

Mr. Atwal: Yes, we do get customer feedback in those reports and also through other channels, whether it's through our online portals or direct feedback from customers.

Consistently, what we see is that the gaps that—or, the areas that customers like to see further improvement in. One of them tends to be they would like to see a better price, but again, that's not—without a real definition, it's we would like to see a little bit better price. So, that's one that typically comes up.

One that comes up more often is we would like to see more selection of products, or I've been to other provinces, they've got certain products, can we get those types of products here in Manitoba? So, that's another one that tends to come up regularly.

A third item that comes up more regularly, certainly recently, is the controlled entrances and is there a way to either not have them anymore, which is

really not an option for us, or are there ways to speed up the process to get through a controlled entrance. And we've got some initiatives that we talked about, that we worked on that to improve that overall process.

And, finally, the fifth item that typically comes up—well, sixth item, I guess. One is, I'd like to be able to bring my younger children in if they're accompanied by myself or a guardian. And we've—I've been able to address that, as well.

And I think those are our top five or six that we get feedback from.

Mr. Wasyliw: A question for the minister. I wonder if the minister would agree with: MBLL provides a strong level of customer service, convenience and security in the retail sale of liquor.

Mr. Smith: Our government is—really does appreciate, of course, all the employees that work at MBLL, whether they're on the distribution side or the retail side.

We know that we always appreciate the good folks who do that, particularly around this time of year. We know, going into the holiday Christmas season it's going to be incredibly busy, and I always appreciate their—the amount of work that they have to go through and, certainly, the customer volume that they have to deal with.

So, really do appreciate that and thank you to them and certainly their families for understanding that they're probably working more hours during this time of season than they would normally work.

So, certainly appreciate that with the work that they do for the great corporation of MBLL.

I also say that, and Mr. Atwal had referenced in one of his answers here, that, you know, folks in Manitoba do like to—or would like to see more variety of liquor and alcohol selection. And I believe that our government is working with MBLL to provide more selection and more choice for consumers. I think that's incredibly important.

And I think that Manitobans would certainly appreciate that, particularly at this time of year when, I mean, I don't know—I know the member opposite's a father with relatively young children, as I understand, and I am as well. And there'd be nothing more convenient than be able to reduce the number of stops required when purchasing liquor.

Mr. Wasyliw: So, I'm wondering if the minister can tell us whether or not he thinks that the current liquor stores are incapable of providing improved options when it comes to the sale of liquor.

Mr. Smith: I appreciate that, and like I said in my previous answer, I thank all the good folks that work at Manitoba Liquor and Lotteries, whether they're in distribution or retail side. The amount of work that they're going—particularly going into the holiday season, Christmas season here, is going to be much busier than normal. And I think that while they probably busy, it's probably an exciting time to work there because it's—offers a different dynamic than you would normally have throughout other seasons throughout the year.

Again, I appreciate all the work that these folks do and I know Manitobans do, as well. Manitobans probably, as was referenced earlier, that—like the idea of having more choice and more options for customers. And I think that's something that MBLL and our government are working very closely on.

Mr. Wasyliw: For Mr. Atwal, I—regarding the sales at the stores, how much profit does MBLL make on the average, as a percentage of total sale price for beer, for spirits and refreshment beverages and also wine?

Mr. Atwal: Is the question directed specific at the retail level or at the products or the categories that were named overall?

Mr. Wasyliw: Well, I guess we're—I'm interested in the sales at the stores based on those products.

Mr. Atwal: So, in today's pricing structure, the way it is created and set up and the way that there is not a wholesale price set in Manitoba today, but specifically uniformed retail price and products acquired at a fully loaded landed cost, the average retail margin is not easily calculated and it isn't typically reported.

From a pure cost accounting perspective, you can estimate retail margins on a fully loaded—from a—sorry, a net of total retail cost to range somewhere between 10 and 15 per cent, is what that retail margin would look like overall.

That said, we look at margin in that particular business from the time we acquire to the time we sell it, which includes markups on those particular products. Each of the products will have a slightly different markup.

* (13:40)

So, there's four key categories: there's refreshing beverages, there's beer, there's wine and there's spirits. Each one's got a slightly different markup.

Further complications also occur when you're dealing with end-user retailers, liquor vendors versus wine stores versus MBLL Liquor Marts, and they'll have a slightly different adjustment to that particular price.

But overall, as a liquor business, MBLL had revenues in the six—\$850-million range, approximately, and net profit in the \$315-million range.

Mr. Wasyliw: MBLL generates significantly more revenue from its stores than it does from private liquor venues, and specifically specialty wine stores. I believe the figures are \$460 million versus \$111 million, that's page 17 of the report.

Again, I think it's fair to say that there—if there were fewer sales at public stores, the overall revenue flowing to government would also be lower, and I'm wondering if you can explain why the private liquor vendors are so much less profitable for Manitoba than the actual liquor stores are—almost a fivefold amount.

Mr. Atwal: As I mentioned earlier, today's model does not have a retail margin. So, when you compare Liquor Marts to liquor vendors to wine stores or any other third parties that are out there, it's not an apples-to-apples comparison.

In order to an apples-to-apples comparison, you would need to determine what the Manitoba Liquor Mart's retail margins would look like, and that should be net of total cost sales. And, as I mentioned earlier, if we were to do that in today's environment, that margin is somewhere in the 10 to 15 per cent range of total sales.

The rest of the margin—which includes 'mem'-B-L sales to liquor vendors, to wine stores and anybody else that's selling those particular products—is actually sold at a retail—uniform retail price less a discount off that. And that's why those margins look substantially less, because now you're evaluating that particular business value stream at a different margin and a different calculation as you're trying to value the MBLL Liquor Marts.

Again, maybe for clarity as we talk about it, MBLL's profitability—the way it's calculated today and has been and—one of the reasons that needs modernization is we do not have a wholesale price, we do not have a retail less a wholesale or less a cost margin

at our retail locations. What we have today is a uniform sale price and a total load—landed cost and all the margins built and blended in between.

As we look to modernize programs and best practices that are out there—not just with other jurisdictions, but other companies—is you want to be able to break those items apart so that you can do a couple of things: (1) you can get a true idea and a true recognition and also build in opportunities for improvement at the retail level, and have flexibility at the retail level that doesn't exist in today's particular model. And just as importantly, you have an opportunity, then, to manage your supply chain better, and you can actually get more selection, more service and better price from suppliers, which is something that we are having a more difficult time today—under today's systems and processes to be able to do.

So, by improving the overall supply chain, we can do multiple things: we can speed up the delivery of products into Manitoba; we could increase overall selection of products into Manitoba; we can actually reduce our landed cost for those products in Manitoba and pass those savings on to Manitoba consumers and still maintain the same level profitability for MBLL that—needs—deliver to our Province, as well.

So, I would say we would want to caution that if we want to compare different areas, very important that we compare apples to apples and not apples to oranges, as may be the case in some of the reports, as they're generated under today's model of pricing.

Mr. Wasyliw: Okay, well, I certainly hear the CEO, Mr. Atwal's, you know, admonition to not compare apples to oranges, but I'll take a product line like craft products.

When you factor in the fact that they are made in Manitoba, that all the labour is in Manitoba, all the supplies are processed in Manitoba, the return to Manitobans in income tax, in PST, would be far greater than a product that's imported from out of the province.

And I'm wondering if Mr. Atwal can tell me whether any of that analysis gets factored into the profitability of products that are actually sold in our stores.

Mr. Atwal: MBLL is a corporation; we have our particular metrics, and we have particular obligations and particular financial rules that we would follow. Items that are outside of MBLL, which would include some

of the items that have been stated, would not be measured by us and would not be calculated in our analysis. It's not within our corporation to do so.

Mr. Wasyliw: Mr. Atwal, I wonder if he can advise if he's undertaken any analysis on what impact revenues—there would be on revenues if the number of liquor venues increased.

Mr. Atwal: The question's specific to revenues. So, with regard to revenues, we haven't done a specific analysis on what would happen to revenues.

Revenues typically will follow a couple different factors. Total revenues will follow the population size and growth; total revenues will follow disposable income; total revenues will follow consumer trends such as greater shift more towards ready-to-drink and refreshment beverages than to beer and wine that we've seen in the past.

Those numbers will typically impact our total revenue number. All of our projections that we've done in our strategic plan show that the liquor industry—we expect our revenues to increase typically with inflation and with Manitoba population growth. None of those projections are different for any analysis that we've done.

Mr. Wasyliw: Has MBLL studied what the impact on revenues would be if liquor vendors were able to offer a different or wider range of products?

Mr. Atwal: The liquor vendors today do offer a comprehensive listing of products; liquor vendors today can sell beer, wine, spirits—they are able to do that today. So, they would only be able to add cold beer under any additional scenario.

Mr. Wasyliw: Perhaps Mr. Atwal can answer the question.

Mr. Atwal: I believe the question was: What would be the impact if liquor vendors sold more selection of products? Short answer is there wouldn't be an impact, because liquor vendors today sell the full assortment of products.

Mr. Wasyliw: Sorry, the question was: Has MBLL studied what the impact on revenues would be if liquor vendors were able to offer different, wider range of products.

Mr. Atwal: No.

Mr. Wasyliw: Is there any plans to conduct those studies?

Mr. Atwal: Again, I'll reiterate: If I was to do a study that says liquor vendors today sell 26 products, liquor vendors tomorrow will sell 26 products; the analysis is no change. So, there are no plans to look at that particular analysis.

Mr. Wasyliw: Wonder if the minister's department has studied what the potential impact on revenues would be if the number of privately owned liquor venues increased.

Mr. Smith: Again, I appreciate the question, but the line of questioning certainly is skewed towards an ideology, and it's—that's becoming very, very clear here.

But, let's be honest. Manitobans have—and it's been referenced earlier in this committee meeting that Manitobans want more choice. They want more choice in their alcoholic—in their alcohol purchases; they want more choice in where they can get their different types of alcohol.

And I think that's been very clear. I think Manitobans are on side with that, despite the fact that I think they still think that MB-L is doing a great job of retailing. I think there's obviously—there's more room for more venues to sell different types of alcohol.

I think that if the member opposite is interested in telling Manitobans, especially around this time of year, Christmas and the holidays, that they would—he would prefer to restrict or not add additional options for Manitobans, I'm curious what everyday Manitobans would think about that. I'll tell you what I think they would say—they'd probably want to have more choice.

I think that's clear, and I think that's something that Manitobans would very much appreciate. Certainly, other jurisdictions around the world have more choice in alcohol purchases, and I think that's a thing where Manitoba lags behind. It's time to get with the 21st century. We're already at 20-some years into it.

Mr. Wasyliw: The government is proposing large changes in this area that will have some significant collateral effects on Manitobans. And instead of talking points, I'm wondering if the minister can just answer the question, whether or not his department has actually undertaken a study, what would the effect be on potential impact on revenues if privately owned vendors are increased.

* (13:50)

I think Manitobans deserve an answer to that question. I don't think they deserve talking points.

I think the minister is capable of answering that question and Manitobans deserve to hear it.

Mr. Smith: I appreciate the ideological driven questions coming from members opposite. I'm not surprised, unfortunately, but it is an ideologically driven question and line of questioning.

So, Mr. Speaker—sorry, Mr. Chair, it's been very clear that Manitobans do want more choice in their alcohol purchases. I don't think that that's even a question. So, I don't know why the member opposite would want to challenge that and to oppose and restrict Manitobans' choice and Manitobans' access to more choices in alcohol purchases.

I think this government is working very closely with MBLL on delivering a more modern retail system, and I'm not sure why there's an ideological opposition to modernizing the retail system here in the province.

It seems very clear that this opposition is trying to obstruct progress, and I'm just curious if members opposite—the member himself or any of his colleagues have ever purchased alcohol from a private vendor in this province.

Mr. Wasyliw: I'm wondering if the minister, and instead of dodging the question, will commit on the record today, because it's clear that they are not studying this issue and they're about to undertake a major policy shift in Manitoba without having full knowledge of its impacts on Manitobans, which I think most Manitobans would reasonably believe is irresponsible.

So, I'll give the minister an opportunity today not to be irresponsible and to put clearly on the record that he is going to commit his department to study this issue and to report back to this committee about the potential impacts on revenue.

Will he do that?

Mr. Smith: Again, I appreciate the ideological line of questioning coming from the opposition.

Again, this opposition obstructed any attempts in the past to modernize liquor, and I'm not surprised that there will be a continued insistence on an ideological approach to preventing progress being made on the liquor retail system here in the province of Manitoba.

But again, it's time that Manitoba modernize its liquor retail system, get with the 21st century. I believe that Manitobans are excited to have more options, and I'm just curious if the member opposite

would want to be the one who restricts Manitoba's choice to alcohol purchases in the province.

And, again, if you want another line of questioning towards the member opposite, is they did not answer the question of whether or not he or any of his member colleagues have, indeed, purchased private liquor from a private vendor in this province. As he knows, there already exists a private, public mix of sales in the province.

Some 70 per cent of sales by volume in this province are already through the private sector. So that would mean, I would guess, based on those numbers, that at least one of his colleagues in the NDP caucus have purchased liquor through a private liquor vendor; and I wonder if he could confirm that.

Mr. Wasyliw: That was a deeply shameful answer from the minister. I hope he reflects on his conduct today.

Now, I will ask the—Mr. Atwal about the—if you can break down the thirteen-point million dollars social responsibility fee that was paid out in 2021-2022.

When I look at the report, it appears to be, sort of, four large subject areas: addictions programming, promoting responsible gambling, lower risks to liquor consumption and public interest research.

And of those four broad categories, can you break down where that \$13.1 million went?

Mr. Atwal: So, about 30 line items to go through, but I will go through them.

So, with regard to AFM funding on the liquor side in the '21-22 fiscal year, it was \$4.0 million. AFM funding on the gambling side, \$3.6 million. Social 'wonspity' funding for liquor is \$1.16 million. Social responsibility funding for gaming is \$250,000. LGCA social responsibility funding is \$365,000.

Internal research programs, we've had some consultants on board for six hundred thousand, sorry. Liquor internal research program evaluations, \$91,000. Gaming internal research program evaluations, \$96,000. Cannabis internal research program is \$14,000. Research grants have been awarded for \$85,000.

On the operating consumer awareness side, that totals \$3.3 million, which includes the cost to run the overall group of approximately \$900,000; \$1.4 million in liquor programming awareness; gaming programming of \$609,000; gaming public awareness through G-C-I-GSIC is \$300,000. Liquor public awareness through printing is \$20,000. Gaming public

awareness through printing is eight point six thousand. Additionally, corporate memberships in social responsibility programs are about \$19,000. Additional subscriptions are \$18,000.

And that is—and there is a carry forward of \$800,000 into the next fiscal.

Mr. Wasyliw: Mr. Atwal alluded to that \$800,000 wasn't spent, and I'm confused on that.

How is it allowed that social responsibility funding from one year can be left unspent and carried forward, as opposed to putting it into further addictions programs, or—there seems to be endless places to put that money.

So, I'm wondering if he can explain how that happened.

Mr. Atwal: Over the previous number of years, we've seen a surplus in the unspent category. And for clarification, while the money is unspent, it is not captured as profit and it is 100 per cent allocated to social responsibility funding.

In the prior fiscal year, that number was actually \$2.5 million. And that was actually driven by MB-L having to contribute approximately \$12 million, but a number of programs were unavailable, number of—because of the pandemic, and a number of initiatives were not up and running. Our casinos were closed in that particular year for 280 days, so a number of programs through the casinos and that particular network were not available.

So, we went from \$2.5 million as a carry forward in the '20-21 to \$800,000 in the '21-22. So, we did over-allocate in the calendar year based on a carry forward from the previous year by \$1.7 million. Our carry forward into the '22-23 year is \$400,000—so, we reduced that amount by \$400,000, as well.

I would also say it is critical for organizations for—like MBLL to have some flexibility in a given year, because initiatives will come up that you need to be able to fund that are on the social responsibility realm.

So, the carry forward of \$400,000, that's just a couple percentage points carry over, we were able to fund a critical initiative in the Osborne Village area for the SABE Peace Walkers, which we piloted and found incredible benefits from, and we will actually increase the funding for it for another 17 weeks and likely continue that long term. And we'll use the findings from that particular pilot to look at other initiatives, to offer safe areas for our customers and for our employees, as well.

The Brandon Bear Clan had an issue where they were unfunded this particular year. Because we had some carry forward, we were able to utilize that carry forward to fund the Brundin [*phonetic*]-the Brandon Bear Clan which, again, is a critical initiative and important for us, for part of the Brandon community there as well.

So, best practice would be to have some level of flexibility, and having some level of carry forward. Having something in the 5 to 10 per cent range is not unreasonable for most organizations, and we're on the lower end of that.

Mr. Wasyliw: So, I'm wondering if Mr. Atwal can walk me through this: like, who makes these decisions? Is this budgeted ahead of time with anticipated revenues that are going into the fund? And what flexibility is there to move money around between categories?

Mr. Atwal: The actual allocation amount is a legislative-driven formula. It is 2 per cent of anticipated net income—so, your budgeted net income for the upcoming fiscal year. So, it's not based on actuals; it's based on what the budget is for the following—for that upcoming year.

So, that'll set the macro amount. So, just for round numbers, you know, let's call that \$12 million for now. It's a little bit off that, but call it \$12 million.

* (14:00)

So that \$12 million, then, we have a social responsibility team. We've got a director that manages it; we've got very specific criteria and requirements that we would look for. And following those criterial requirements, we would go ahead and start allocating the funding.

Some of the funding ends up being multi-year and—you know, such as AFM and others where we know the need is there, we know the requirements are there, we know we're a critical part of that funding and we'll continue to support and fund those initiatives.

Again, sort of rule of thumb, roughly 80 to 90 per cent of the funding would be pre-allocated or pre-budgeted for specific initiatives and activities for the following year. There'll be some level of flexibility in there that we would like to try to maintain. Some initiatives may cost 5 per cent more, 5 per cent less; we would actually manage that variation—the overall budget.

So again, we try to work to the total number, so the total \$12 million. We'll budget what we are going

to specifically fund, and some of those numbers might be plus or minus a few percentage points as the year progresses, but we will try to work through that overall. And we want to maintain some level of flexibility to meet up—meet the requirements of initiatives that come up throughout the year, and we're glad that we were able to do that.

And that is the process we would typically use.

Mr. Wasyliw: How much does MBLL anticipate to spend on social responsibility programs for 2022-2023 fiscal year?

Mr. Atwal: Approximately \$12.7 million.

Mr. Wasyliw: Now, I think Mr. Atwal answered this, but I'll seek confirmation from him. It'll be anticipated that a portion of that will go unspent and will be carried forward?

Mr. Atwal: Yes, based on our current assessment, approximately \$400,000 is available for additional opportunities or initiatives that could come up. It is not specifically allocated for carry forward; it's available for flexibility.

Mr. Wasyliw: And just wondering if those things are not allocated over the course of the year, how come they're not simply given to AFM or one of the treatment program organizations?

Mr. Atwal: Mathematically, they tend—they likely would be. It might be just over 13 months instead of 12 months, because it'll go over to the next fiscal where we would put the additional allocation to it and go through that.

As I mentioned, when you look at the accounting of the math and the accounting of the dollars, it carries forward. It does not go to profit; it does not go somewhere else. The money is there and the money will be spent. If \$400,000 isn't spent this year, it'll be spent the following fiscal, which technically is one month later or one day later than the current fiscal ends. Immediately, initiatives then get funded throughout the fiscal year.

Many initiatives also—or many programs also will have requirements from us or different times of year that we'll be able to work with them. Sometimes, we don't know what the exact amount will be by the end of the year. So, a lot of different variables that come into play as we go through this.

But again, fundamentally, I will say, the money that is allocated, 100 per cent of it does go to social responsibility programs.

Mr. Wasyliv: Now, we're talking about some large sums, including \$1.7 million that's been unspent. Is this money put into short-term investments while it's sitting in there or is it just simply sitting in a bank account somewhere?

Mr. Atwal: According to the accounting principles that MBLL follows, we don't have short-term investments. That is not something that we sit in today. The money itself, again, isn't cash that sits in an account that is ready to be used. It is allocated for that and the money is always available for that.

On average, MBLL maintains roughly \$20 million in our bank accounts at any given point in time. It is part of that overall \$20 million, but it is always available as needed.

Mr. Wasyliv: I'm wondering if Mr. Atwal can advise us whether liquor vendors, licensees or specialty wine stores have any obligation to invest in social responsibility programs.

Mr. Atwal: The legislation requires MBLL to invest 2 per cent of net income. There is no requirement for anybody else that I'm aware of, for them to fund social responsibility or other programs.

The products that they purchase, that are purchased by all the private stores, 100 per cent of the products are purchased from MBLL, upon which we generate pretty reasonable margins and profitability, which is included in the 2 per cent social responsibility calculation overall.

So, the bulk of the sales that are generated from a liquor vendor or a beer vendor, the bulk of the sales—the bulk of the margin ends up coming to Manitoba Liquor & Lotteries, and that 2 per cent is calculated off of that.

Mr. Wasyliv: Page 21 of the report, when it came to social responsibility programming, there is a significant reduction in internal research and programs of \$131,000 less being spent in year ending in 2022.

I'm wondering if you'd explain why sort of less money is going into research.

Mr. Atwal: There was a specific grant offered in the 2021 year which we had flexibility for, which was provided to a university program. That program didn't require the specific funds in the following year as well, but it was related to a specific grant within one of the university programs.

Mr. Wasyliv: I'm wondering if Mr. Atwal can tell us how much was the social responsibility fee fund for the sale of cannabis in the reporting year.

Mr. Atwal: Clarification on the question: the amount that MBLL allocated toward social responsibility or the social responsibility fee?

Mr. Wasyliv: The fee itself.

Mr. Atwal: For the 2021 fiscal year, the net social responsibility fee was—collected was \$7.78 million.

Mr. Wasyliv: I'm wondering if Mr. Atwal can tell us how much went uncollected.

Mr. Atwal: Twenty-one thousand, five hundred dollars.

Mr. Wasyliv: And where did that \$7.78 million end up? Did it go into general 'govenue' revenue or was it spent on addictions programming, responsible consumption, research, that sort of thing?

Mr. Atwal: Per the accounting practices that are in place, that \$7.78 million went—was in a payment to the Province.

Mr. Wasyliv: Was any money from the sale of cannabis put into the social responsibility fund?

Mr. Atwal: I think that question isn't accurate. There would be no money put into the social responsibility fund from Manitoba Liquor & Lotteries. We would collect it and submit that to the Province.

Mr. Wasyliv: Now, it is my understanding that the bulk of the money that MBLL makes off of cannabis is through profit as a wholesaler.

Mr. Atwal: That is correct. Approximately 20 per cent would be the markup.

Mr. Wasyliv: We are the only province in Canada that doesn't charge PST on these products.

How—what is the plan to recover the \$7.78 million when the social responsibility fee is—disappears at the end of the year?

Mr. Smith: I thank the member for the question.

We know that no PST was included on the sale of cannabis initially.

* (14:10)

I mean, of course, we want to make sure that cannabis sales of the legal variety remain competitive against the illegal market, and I think that's very important.

I would say that to everyone in our—every MLA in this Chamber would probably agree that that's an important initiative, to make sure that legal cannabis sales not only compete and hopefully one day dominate and completely outstrip the illegal markets. We don't want any of our children—young people or anybody—thinking that they get a better deal from an illegal source for cannabis. We know there is dangers—inherent dangers with that, and I know the member opposite's very aware of those types of dangers of buying drugs from a dealer.

So, that's why that—Province wants to make sure—and our government works very closely with MB-L to make sure that the legal market is competitive, and it makes sure that consumers have not only faith in the safety of it, which they do, but have faith in the ability to afford and the ability to—the market to be competitive with the illegal market.

Mr. Wasyliw: Now, we've been hearing from cannabis retailers that there exists some large, out-of-province companies that are selling below wholesale prices—predatory pricing in order to, basically, outlast the market and the—sort of clear out retailers who are actually charging above wholesaler.

This predatory pricing has been addressed by Alberta. They've actually shut it down. And I'm wondering—I'm interested to hear Mr. Atwal's response—whether this is on MBLL's radar, whether they have plans to adopt the Alberta model and to shut down this kind of unfair predatory pricing that's going to force out a lot of Manitoba small businesses.

Mr. Atwal: The cannabis business—the retail business, as everybody is aware, is 100 per cent owned and managed by the private sector and its private retailers. If you take a look at Manitoba's cannabis retail business, the number of stores have grown, the amount of total sales that have been made has grown significantly.

At this point, our latest assessments show that just over 50—and probably closer to 60—per cent of all cannabis purchased in Manitoba is through the legal channels. And that's a tremendous growth over just three years in that particular area.

I would probably say that—and I'll also say that in any given month, myself and our key executive meet with three to four cannabis retailers to understand challenges they're facing, the benefits, what they see and what the markets look like overall.

So, generally speaking, if you take a look at the highest level numbers, yes, cannabis has grown in

Manitoba; the number of retailers are growing, number of smaller retailers is growing, as well. This shows an inherent healthiness to the overall market.

Prices are set by the private sector at the end of the day and, at this point, MB-L does not set legislation, rules, price fix. That's not who we are; that's not what we do. So, we don't have any plans to adjust any retail pricing.

Mr. Wasyliw: Now, I think it's been widely reported that our cannabis market is saturated in Manitoba.

Is there going to be any limits on future licences being issued, or anybody who qualifies for a licence will continue to get one in Manitoba?

Mr. Atwal: At this point in time, there's no plans to limit the total number of retailers. The market will sort of settle into what is best for the overall market.

When you actually take a look at the—as I said, the market overall, the legal market has grown from zero per cent to 60 per cent total market in approximately four years. Manitoba has approximately 167 retailers as of December 2022, and there are more applications that are in the queue that are looking for additional locations, as well.

Manitoba entrepreneurs can decide if they want to open a store and the requirements that are necessary, the investments that are necessary, the cash flow that is necessary to open and manage a store; they're well aware of that. And it's going to be their decision, their choice as to what they would like to be able to do and make those investments overall.

We do not have plans and we do not have any, I believe, ability overall but—to limit the total number of stores. It'll be—the retail sector will play itself out.

Mr. Wasyliw: Now, I think you—Mr. Atwal had mentioned something about 60 per cent legal market, if I heard that correctly.

Do we know about the 40 per cent that's hanging around? Like, why is 40 per cent of consumers still using the black market? What is attractive about that? What are they producing, or how are they selling that we can't seem to address in the legal market? And is there recommendations the government should be looking at in changing the model to eliminate that 40 per cent?

Mr. Atwal: To eliminate it to zero would be unrealistic and very unlikely to happen.

To limit it and reduce it over time, I think that's absolutely the approach that MB-L should be working

with the retailers on and will continue to work with retailers on. Some initiatives that we do do is, as we visit with retailers, we talk to them and understand, who are their customers? Why are they purchasing this particular product? Why are some of the customers purchasing illegal product?

Mr. Vice-Chairperson in the Chair

Some of their customers purchase some illegal product and some legal product. So, we try to understand that dynamic and understand what goes on, and we try to share those practices and share those observations with the overall network.

With regard to the question of what—why do people still continue to purchase illegal cannabis versus illegal, a number of factors come into play. Some of them are familiarity with their particular dealer; some of them are familiarity with those particular products that are not legal anywhere else, and that's the—and they're brought into Canada or shipped throughout Canada at—however they're brought in. Some of them are related to that. Some of them are related to distrust of the legal system—sorry, the legal cannabis marketplace and the products there. And some of them are purely perception related.

So, some initiatives that we continue to work on is we'll continue to work on—with the retailers—to highlight the benefits of legal cannabis, quality control of legal cannabis and the quality control of the products that are manufactured in Canada, and the—from the suppliers and producers within Canada overall.

Obviously, it is making some difference. As we've said, we've gone from zero per cent legal to 60 per cent legal in a short period of time. As you talk to the cannabis producers, there continues to be incremental improvements over to the legal side. Part of it is going to be persuasion on and marketing related to customer awareness and consumer awareness. It's very difficult for cannabis producers to market in some of those areas, just given some of the overall federal legislation that's involved in terms of what can and can't be marketed, and that's where the cannabis retailers work directly with consumers.

And if you visit their locations and talk to them, you'll get a really good sense that they know who their customers are. They're able to educate their customers. They're able to explain products to their customers. They're able to convince 60 per cent of them to go from illegal to legal products and explain the benefits of what the legal products will do as well.

And we'll continue to work with those retailers to do that.

Mr. Wasyliw: Now, given that there's so many cannabis retail outlets now, and that we all know that many of them won't survive and there'll be a market correction, meaning that many of these outlets will shut down, there'll be people out of work, has MBL done any analysis of the impact of that oversaturation and who's likely to remain standing, and what impact it will have on the market and some of the safety issues that everyone's concerned about?

Mr. Atwal: The comment that there is an oversaturation or that there are too many, and that many will shut down, those are pretty anecdotal. I don't think they're based on any science or data at this point.

The data that we have are actually—our discussions and meetings that we've had with, that I've had with over 40 retailers and my teams had with all 167 retailers that are out there as well.

And if you take a look at who they're catering to, who their customers are, and the fact there's still 40 per cent illegal, you know, if they just got 10 per cent more of that, that's still going to be growth of the overall marketplace and the overall sector there as well.

It is unlikely we would see significant drop in total number of stores and total number of businesses. The market is there and the market is paying for itself at this point. It's been three—four years now since legalization; over the past year, we've had—consistently had over 120 stores, 110, 120 stores, and they've consistently ordered their products, paid for them as they need to and run their business as they need to as well.

It's also interesting, as you visit the stores—and I visited three within 400 metres of each other—or, 500 metres of another—they each have a different market niche. They each have a different type of client. They each have different types of products that are being sold as well. And they're sustaining their business on those particular—their ability to try to find their customer base and react quickly to what they're looking for, and make sure their product is available for that, and what expertise that they have.

So, I would think it would be unlikely that we would see a significant reduction in total number of stores in the coming few years, but nobody can say for certain at this point in time. But we don't believe that will be likely.

* (14:20)

Mr. Wasyliw: I'm wondering if Mr. Atwal can tell us whether or not they're tracking store closures and how many closed in the previous year?

Mr. Atwal: Over the last 18 months, there have been four.

Mr. Wasyliw: I'm wondering if, again, MBLL is tracking how many of these are Manitoba-owned companies and how many are out-of-province companies.

Mr. Atwal: We don't have that data readily available.

All the companies are registered in Manitoba and—but we don't have that data readily available.

Mr. Wasyliw: I take it that all four of those that closed were Manitoba-owned companies?

Mr. Atwal: Again, I don't have that data readily available.

Mr. Wasyliw: Now, I was looking at page 24 of the report.

There was talking—there was some mention there that 600 employees are currently working remotely. And is this the plan going forward, that that's going to be a constant program for MBLL, where there'll be a significant percentage of the workforce that will not be required to, sort of, come to head office?

Committee Substitution

Mr. Vice-Chairperson: I'm just advising members of the committee that we've had a substitution form submitted.

Mr. Wowchuk will be replacing Mr. Reyes for the remainder of the committee hearing today.

* * *

Mr. Atwal: I apologize, can you please repeat the question?

Mr. Wasyliw: I'm looking at page 24 of the report, and there's mention of 600 employees currently working remotely. And I guess I wanted to delve into that a little bit.

Is this going to be, like, a constant official corporate policy going forward that there would be a significant percentage of employees who will be working remotely from here on in, or is this just a legacy of COVID and things will return to normal?

Mr. Atwal: Our current business plans for the upcoming number of years will have us having a hybrid

work environment for our corporate employees. That does not mean they are 100 per cent remote.

What we've been able to do is take some best practices from companies that are out there; even prior to the pandemic, a number of companies had best practices related to hybrid work models. We've leveraged some of their tools, techniques and approaches that they've taken.

MBLL's been able to go through a process now where we had multiple locations, multiple facilities, people located at different places and having to spend time commuting and not spending time with overall teams and that.

Mr. Chairperson in the Chair

As we look at our future model here, which we are looking to likely be in place by March 2023—we're just working on construction; our Buffalo Place location is up for sale; it's in the process of being sold. And we will lease—we will sell the entire building. We will lease back purely just the office portion of it, and the entire warehouse portion will belong to somebody else, and—as we have moved our warehouse over to King Edward, so that space became redundant for us.

And by leveraging some technology, some best practices from a process creating a hoteling network, we are—now have our entire liquor corporate team either in our distribution centre or at one of our retail locations and collaborating pretty well with each other, whereas before they were in multiple locations.

Our entire gaming team now is in one or both of our casinos, again, collaborating with them and their teams, whereas before they were in multiple locations as well. And the remainder of our team, which includes HR, finance, IT and marketing and any other executives that are left over, which is legal, who are going to be in one location now at Buffalo Place.

The Buffalo Place hybrid work model is going to require employees to be in the office a minimum of one to two days a week, maximum three to four. Exceptions provided for different types of jobs doing different types of things that may require something a little bit different. But best practice overall is you want to be able to come in, meet with your team, meet with your leader, collaborate on periods of time, leverage technology and meetings as you work remotely as well. And this is something that we have implemented and will continue to implement for the foreseeable future.

The benefits of this are actually quite tremendous. When we've taken a look at other companies that have done this, seen increased productivity overall from employees and we've actually seen that through the pandemic, and as we've gone through and made the changes throughout the pandemic, we saw an increase in overall productivity and delivery.

We've been able to sell one of our buildings and likely sell another, generate one-time profitability for the Province in cash flow; we're actually going to save on annual operating costs now of having multiple buildings to move into one building. And that's between 1 to 2 million dollars in annual savings there as well.

So, the answer to the question is yes, we will continue to see this for the foreseeable future.

Mr. Wasyliw: So, what will be the revenue from the sale of Buffalo Place, and what's to become of that money? Or is that just going back into general revenue?

Mr. Atwal: We are in active discussions to final and close the sale, so I can't comment the exact dollars; the building has a certain book value, and whatever our sale value is minus our book value, that is a sale on pickup for that particular asset, and that would—income—that generates income for us in that particular year.

So, it would move into our net income.

Mr. Wasyliw: Now, I wanted to ask you a few questions about your capital resources. At page 22, the corporation's making half a billion dollars a year, but it borrows for capital projects. And I found that very interesting.

How much debt is MBLL carrying, and at what average rate?

Mr. Atwal: Maybe to provide clarity so that it's clear up front: the MBLL is required to submit 100 per cent of net income to the Province, as other provincial organizations are. And then, for capital initiatives, we borrow from the Province on those particular initiatives, at a pretty competitive rate overall.

So, we don't have the ability per regulation to have retained earnings and use retained earnings for capital projects. So, all of our net income must go to the Province as part of the accounting processes that are put in place; and for capital initiatives, we borrow from the Province at the provincial rate.

Mr. Wasyliw: What is MBLL spending on interest per year?

Mr. Atwal: I don't have the exact interest payment amount available, but as the loans that are made through the Province, they range with the date of the note, the date that they're due. The interest rates are variable and the balance is obviously variable depending on what they're being used for; and they range between 1.2 per cent to one of them that's 5 per cent.

But the majority of them are in that 1, 2 or 3 per cent range, but I do not have a total dollar amount spent on interest available here.

Mr. Wasyliw: So, how are cash distributions determined by the Province?

Mr. Atwal: MBLL allocates 100 per cent of our income to the Province.

Mr. Wasyliw: I take it the Province issues a budget with a projection, and then MBLL does what it does.

And what happens if it's under-projection, over-projection; what's the effect?

Mr. Atwal: Anything that—so, there—yes, there is an annual budget that's put together. Our annual budget net income for the '22-23 year is \$635 million, and we will do everything we can in our mandate and our—and what we're able to do to achieve that particular number.

In years that that number isn't able to be reached, just like any business out there and any initiative, you would need to manage the business, try to offset expenses where you can, try to optimize net income, try to keep the business running. If—and if the numbers go over, you tend to have a little bit more flexibility in some other discretionary categories that might be out there.

* (14:30)

But again, the answer is 100 per cent of net income. Whether it's above or below the budget number, 100 per cent is allocated to the Province.

Mr. Wasyliw: Wondering if Mr. Atwal can advise how much money is being spent on security at MBLL liquor stores, sorry.

Mr. Atwal: I assume the question is related to our controlled entrances, and so, MB-L has made changes in the current year. Currently, all entrances are manned by MB-L employees, reducing our total cost.

It initially was contracted out while we got the system up and running and we needed to move

quickly. At the peak, total cost for external security services were approximately three to four million dollars.

Now, they're managed within our overall Liquor Mart employees and their total allocation there, so there's no external costs anymore for security at Liquor Marts.

Mr. Wasyliw: Is there any way to calculate what it costs internally?

Mr. Atwal: The employees take turns at different stations, so it's not a single employee working the location the entire time. Some stores—for some stores, it's potentially an additional employee; other stores, it's not. So, there's not a specific way to calculate the exact total cost.

The short answer, I guess—or, the simplest way to look at it is, as we've looked at our entire liquor business and the total cost for employees and their salaries and benefits settle, we put a budget together. That budget is approved by our board, and we are currently running and have run at or better than budget in all those categories, including moving those costs into—including having MB-L employees manage those entrances.

Mr. Wasyliw: Just wondering if Mr. Atwal can confirm that MB-L's—MBLL's—need a better acronym—own research shows that allowing private liquor vendors to sell more items is not high on the 'priority' list of Manitoba customers. *[interjection]* Okay.

I'm wondering if Mr. Atwal can confirm that their own internal research shows that having more products to sell in private liquor vendors is not a priority for Manitoba customers.

Mr. Atwal: The feedback from our customers, as alluded to earlier, is that they would like to see more convenience; they would like to see more selection.

And to achieve more convenience and more selection, you need to do a couple different things. You need to have more avenues for convenience and have those available for consumers. And to increase selection, you need to have a more robust supply chain able to bring in different types of products and provide them for Manitoba consumers, as well.

Mr. Wasyliw: I wonder if Mr. Atwal could comment on excluding the share of profit of Western Canada Lottery Corporation.

Can he provide context on why the lottery division lost money for the past two years? They had a

deficit of \$5.592 million in 2022 and \$5.3 million in 2021; that's page 12 of the report.

Mr. Atwal: Great question.

The way that the dollars are laid out and the way that they're accounted for, which is the proper accounting technique, is the operating expenses for the lottery group and division fall within our operating business.

We are a shareholder within Western Canada Lottery Corporation. That \$64 million is supported by the \$5.9 million in operating costs. A significant portion of that helps us generate that \$64.5 million.

So, you must take into account the share of proper lottery—Western Canada Lottery Corporation as our business activities support the activities needed to generate the profit from what we call big lotto or the Western Canada Lottery Corporation allocation.

Western Canada Lottery Corporation is owned by three provinces: Manitoba, Saskatchewan and Alberta. And the WCLC is the entity, the operating entity, that co-ordinates lottery activities for all three of the provinces, which include the scratch tickets, the instant wins. There's the Daily Grand, there's the—and they co-ordinate for the inter-provincial lottery corporation, four or three provinces—Lotto Max, Lotto 6/49 and all the associated big lotto games there as well.

So, it—in order to actually look at lottery, you do need to look at all the costs for that and all the income that comes out of it, as well. That would be the proper way to look at it.

Mr. Wasyliw: Now, in reviewing your report, there's obviously a lot of emphasis on expanding online gaming and growing that.

What's the current market share the MBLL has for online gaming in Manitoba?

Mr. Atwal: Based on the latest assessments that we're receiving, MB-L's current market share: somewhere between 45 and 55 per cent; could be as high as 60; could be as low as 42, 43, but within that range. It's very difficult to know what the total market is because those are illegal operators and they don't—it's not very easy to always get total dollars that are allocated in those areas.

Mr. Wasyliw: And again, I guess, similar to the black market for cannabis, is there any studies or any information that we have as to why people are going to this unregulated market?

Mr. Atwal: For the question, absolutely. So, if you take a look at, let's start with the overall illegal market.

The illegal market for Internet gaming has been around for well over a decade. It's been around long before iGaming was legalized in Canada; it was long before any sports betting was legalized in Canada. It was—has been out there for 15 or 20 years, in many cases.

So, what these companies have been able to do over a period of time is build a brand, build a reputation, invest in their products, create sellable products that are out there. They're able to do that and continue to grow their products. Many of these companies are international companies, so their market isn't just Manitoba or just Canada. They're able to—again, thinking back 10, 12 years—able to market around the globe, generate profitability from around the globe and re-invest in their products and build their brand, build their marketing.

So, prior to even legalization of gaming, or iGaming, in Canada, many of these organizations had strong media presence, strong social media presence, strong Internet sports presence overall. So, they built a strong brand to start with, and at the end of the day they built good products that consumers were wanting.

Many consumers move towards familiarity. So, once they're working with something it takes more effort to change somebody than it's to bring them on to a particular platform. So, to move somebody from an illegal site such as DraftKings, which is illegal in Manitoba, to the legal site, which is PlayNow.com, even though your product might be just as good—which it is—and your odds of winning are just as good—which it is—and you've got all the same service available—which we do—it'll take more effort to move somebody from that particular site to this site, unless they truly feel that they need to move for reasons that it's illegal or that they would like the money to stay in Manitoba.

When you talk to consumers that are on the illegal sites, many of them don't even realize it's an illegal site because they see the advertising. And the advertising rules are very complicated right now because there's one model for Ontario and a different model for the rest of Canada, yet all of our media—much of our media comes from Toronto and Ontario; Ontario as the legal market, not Toronto, Ontario. Much of our media comes from the Ontario market. Many of our highest elite sports teams in Canada are in the Ontario market as well, and that's where the international marketing of these organizations is built upon.

So, people continue to see advertisements and continue to see media marketing for illegal sites. Our objective is multifaceted. One is we are working with a number of provinces as part of a coalition of provinces to reduce or eliminate, I don't know if eliminate we can ever do, but certainly reduce the amount of illegal gaming that's—iGaming that's going on within Canada, particularly in all our jurisdictions that we're partnered with. We're also on a mission here to educate Manitoba consumers on a couple of different messages.

One, we want Manitoba consumers—know there is one legal iGaming site out there and that's PlayNow.com, operated by MBLL. Other sites are illegal, and when you're dealing with illegal sites you don't know, you don't have the same faith in, will you get your bet back. You don't have the timing to get your winnings. There's a lot of criteria. You don't know what happens with the profits and where they go and what they're being used for.

Secondly, 100 per cent of the profits from PlayNow.com stay in Manitoba. Every other site that's out there, 100 per cent of profits leave Manitoba. And they go, most cases, outside of Canada.

* (14:40)

Many of these sites are operated in Europe—some in the US—many are operated in Europe or some other islands that are out there. You know, we've looked at a couple in Gibraltar, in the UK. Some are operated, as funny as it is, literally out of a small warehouse or basement. But they're able to market that around the world.

Our coalition's also working with the federal government, as well, try and identify—working with Justice and anti-competition bureaus and things like that—try to provide awareness so that we can make consumers aware and we can make Justice aware at the federal level, because it's federally mandated here, that these activities are going on and what can the federal government do to work with us.

So, we're co-ordinating with that particular activity, as well. But our goal is to demonstrate to Manitobans when you're—if you want to invest in Manitoba, if you want it to be legal, then this is the site, PlayNow.com is the site where you go to.

The site itself, the product itself, it's as good as the best sites that are out there. It's made by some of the same manufacturers, at the end of the day, that do the core programming, the core games by some of those illegal sites that are out there, as well. But it's the—it's

some of the best product out there, as well, so we want consumers to be aware of it.

We've grown our market share. We were running approximately \$10 million in profit in 2018-19. We're generated over \$16 million in profit this past fiscal year. So, we are continuing to gain market share. We are continuing to grow that particular market. Our focus is going to—again, as I mentioned, consumer awareness and consumer acquisition and consumer retention, as well.

Mr. Wasyliw: Is there any tracking of, sort of, online gambling addiction and how it's impacting Manitobans and what, if anything, is being done about it?

Mr. Atwal: The other benefit of the legal sites is there's mandated requirements to have safe gambling tools and protocols available for consumers. Just like we do at our casinos, these tools are available for our customers. Our customers are able to use the tools and manage their gaming the way that they would like to manage their gaming overall.

Mr. Wasyliw: I'm wondering if Mr. Atwal can tell us how many VLTs there are in Manitoba, and if he could break down the amount from rural, city and First Nations communities.

Mr. Atwal: For '21-22 fiscal, there are 6,597 machines—VLTs in Manitoba: Winnipeg has 2,326; rural has 2,255; veterans, which are the Legions, have 423; First Nations have 1,593.

The actual revenue for First Nations VLTs is \$38.2 million. The actual revenue—I guess, net win from the commercial VLTs is \$181 million. I believe that is—did that answer the question?

Mr. Wasyliw: Regarding the VLT commissions and contributions outlined on page 20, it shows there's been a steep decline over the past five years. Rural and city site holders have experienced significant declines, but First Nations in particular have experienced the greatest drop from \$62.8 million in 2018 to \$34.4 million in 2022.

I'm wondering if Mr. Atwal is able to provide an explanation as to why that occurred.

Mr. Atwal: We've got a substantial amount of data that shows that as machines age—and there is an age that is used where the revenues start to decrease per machine. Typically—as it is software and games, typically between five and seven years, you'll start to see a decline in the playing of those particular machines, which would also decline the total net revenue that's generated from those particular machines, as well.

We—MBLL had not invested in new machines for a period of time that was longer than the seven years, and two years ago came to—came forward with a budget to increase our capital and essentially go on a seven-year refresh of all the entire network, which includes commercial and First Nations and legions, as well, and are working through that right now.

As new machines are put in, we do see a pickup in those particular areas because older machines tend to be less reliable, don't always operate—operating systems are no longer supported. So, as new machines come in, we're—we've got more playability and consumers enjoy that as well. So, we've seen that particular pickup.

Obviously, the pandemic had a significant role to play between the 2020 number and the 2021 number, and you can see the impact was about 60 per cent, both for First Nations and for city site holders there, as well. And that, again, is primarily driven by the health order—public health orders that were put in and facilities weren't open for extended periods of time.

As the public health orders started to rescind, we started to see pickup in those particular areas as locations were being open more. I believe the example is in 2020 year, approximately 288 days facilities were closed. In the 2021-22 year, there was 100 days better; about 180 days that they were closed. So, we had more facilities open for longer periods of time and so we saw the income pick up in those particular areas.

There has also been a small shift in some of those numbers. We saw our iGaming numbers pick up for a period of time, and then we saw them drop a little bit as people went back to the VLTs and casinos; but we still saw a net gain overall in those particular iGaming numbers.

As we take a look at the challenges that all sites are facing, whether it's First Nations or commercial sites—again, the ability to stay open and closed, the consumer desire to go out and be in a location and socialize—there's been some changes in that particular behaviour for some people over periods of time.

There's also been difficulty for, whether it's commercial sites or the sites, to have enough staff to be open for the total number of hours. So, we talked to a number of operators where they would normally stay open 'til 2:00 or 2:30 or 2:45; they're closing at 10:00 or 11:00 because they don't have staff for those particular hours there, as well.

So there's a number of different elements that impact the total numbers.

On the First Nations side, too, there are some First Nations that chose, even when public health orders were rescinded and you could open, some chose not to do so right away. Some may not have been able to do so right away due to staffing issues and concerns.

So, there have been a number of different variables that would have impacted that number. But overall, the ratios are not too far off.

Mr. Wasyliw: On page 24 of the report, it appears that there are plans to replace 960 VLTs by the end of '22-23. I suspect that's probably the benchmark for the next number of years.

How much does it cost to replace 960 VLTs?

Mr. Atwal: There are some variables that can impact that number and it will include the exchange rate at that particular point in time and what we'll be able to negotiate, better price than what we initially budgeted.

Roughly speaking, approximately 22 to 24 million dollars to replace those machines.

Mr. Wasyliw: And again, that's all borrowed money. You're not using revenue from profits?

Mr. Atwal: MBLL does not have retained earnings.

Mr. Wasyliw: Can the minister update this committee on the status of the gaming review ordered by the government?

Mr. Smith: As you know that the initial gaming pause was initiated prior to COVID and, of course, COVID led to two and a half years of the pandemic—certainly had an impact on gaming and certainly had an impact on all aspects of life, particularly VLTs.

So, at this point, the gaming pause remains in place. I know that Mr. Atwal had referenced some changing consumer preferences with respect to VLTs and you see an uptick in iGaming, and I know the member opposite had talked about iGaming and asked a few questions about that earlier.

I can say that it certainly is a future trend. I don't think anyone would argue that and so, at this point, you know, the pause remains. We know that VLT gambling does have social and societal impacts and those have been taken into consideration, as well.

But at this point, the gaming pause does remain.

Mr. Wasyliw: —if Mr. Atwal can tell the committee if any actions have been taken by the corporation regarding the gaming review in the past fiscal year.

* (14:50)

Mr. Atwal: There hasn't been a gaming review, so I can't speak to any actions that have been—taken place for a gaming review.

Mr. Wasyliw: I guess, to clarify my question: Is there any sort of preparation or anticipation of that occurring, and information gathering and a process to be ready once it unpauses?

Mr. Atwal: Our gaming group always—just the nature of the business itself, dealing with mathematics and numbers and dollars and that, we are always on the ready to initiate any activity related to the game review from what MBLL is able to provide to it. So, the machines, the dollars, the finances, the math—we're always ready and able to do that. That's just a normal part of our business.

Mr. Wasyliw: I'm wondering if the minister can tell us when he believes that the gaming review will start again.

Mr. Smith: Again, as I had stated earlier, the gaming pause does remain in effect and continues to remain in effect.

I know that, as I had stated earlier in my previous answer, that we see that there is a changing in consumer behaviour and consumer habits. COVID had played a huge role in that, and certainly, perhaps, changing demographics—our age demographics—has played a role in that as well. We see an uptick in iGaming and we see that that certainly is the future of gaming, or at least play a very, very significant role in the future of gaming on a go-forward basis.

At this point I would say, again, to the member opposite, the gaming pause does remain in effect for now.

Mr. Ian Bushie (Keewatinook): Just a question about the VLTs and the allocation that are going out there, and you mentioned that out of the 6,597 VLTs that are out there, 1,593 are First Nations—or 24 per cent of the total, I guess, is what it is.

Is there any plans for expansion and additional numbers to that?

Mr. Atwal: At this point we have no plans to add additional VLTs to Manitoba. We will stay within our current number.

Mr. Bushie: So, the First Nation communities that have been, then, denied their initial allocations from, you know, going back years now, have been told that it's due to market saturation.

And I'm just wondering, what's the definition of the market saturation for First Nations gaming VLTs?

Mr. Atwal: I've not heard that from the First Nations, so I can't [*inaudible*] saturation.

Mr. Bushie: So, the—so then, to be clear, there's going to be no additional VLTs allocated to First Nation communities, no matter where they are in Manitoba?

Mr. Atwal: Again, at this point in time, we have no plans to add additional total machines to Manitoba. We have no plans to change ratios of machines in Manitoba today.

Mr. Bushie: So, it was also mentioned earlier about, well, for—so just now too, no additional, but also the difficulty in some facilities being able to stay open for a variety of different reasons.

So, if the net number doesn't change then, will those VLTs then be reallocated, or potentially reallocated, to other facilities?

Mr. Atwal: Yes, we have a process that we would go through to determine if there needs to be, should be or would be any reallocations. And those looked on at a case-by-case basis, and our gaming team would review that individually.

Again, the ratios that we've got for Legions, commercial and First Nations, we want to stay within those ratios, stay within those numbers. But there would be ability to move some machines around if there was a specific reason, and our teams have criteria they would look at for that.

Mr. Bushie: So then, the First Nation ratio then would stay at the 24 per cent?

Mr. Atwal: Again, at this point in time, we have no plans to add numbers or change ratios.

Mr. Bushie: I guess I'm just looking for clarification, because you said that you kind of reassess any potential—and for lack of a better term, VLTs that are now brought up for distribution or redistribution.

But you talked about staying within that parameter, so that if a restaurant or facility here in the city of Winnipeg was perhaps to close, then, and they had an allocation of, let's use a number of 10 for an example, that then that 10 allocation then is only up for redistribution potentially within that same kind of business here in the city?

Mr. Atwal: That is fundamentally correct, yes.

Mr. Bushie: So by, then, that same kind of narrative, if a First Nation facility or First Nation gaming centre

either didn't use their allocation that they're having—and, again, just kind of throwing numbers out as an example—if there is a First Nation facility that was using, then, potentially 20 machines and they scale it back to be 10, does that mean that 10 can then be reallocated within another First Nation facility?

Mr. Atwal: The difference between commercial and First Nations is that commercial machines are owned and operated and paid for by MBLL, whereas the First Nation machines are owned by MBLL but leased by the First Nations themselves. So, their particular sites are actually paying a lease for those particular machines, then they can decide how to manage those particular machines.

For them to allocate one to another reserve or another site, that wouldn't be up to us in that particular case, that would be up to them. But I don't want to speculate on that. We just haven't seen that, so I don't want to speculate on that.

But there is a difference between First Nations—the way that they're commercially managed versus commercial.

Mr. Bushie: So, I'm a little unclear, then. So then, just to be clear, that if a First Nation does have their allocation, they can then move their site—or move their machines within still their First Nation area and First Nation-owned land?

Mr. Atwal: It's not a simple question to answer that way. We're not the First Nation, we're not managing what sites they have and where they're at. There's a number of criteria that have to come into play, there is a current agreement that would be coming into play and there's terms and conditions in that agreement that would need to be reflected and looked at, as well.

So, it's—as much as we'd like to say it's a simple yes or no, it's not that simple. There's other factors you need to be considered as you go through this. So, we can't answer that with a yes or no.

Mr. Chairperson: Just a friendly reminder that we previously had agreed to finish at 3 p.m. My watch says we have about two minutes remaining. We do have time for possibly another question within that agreed timeframe.

Are there any other further questions, Mr. Bushie?

Mr. Bushie: Yes. So, again, I mean, just for clarification, then, MBLL, then, is in charge of the 600 and—

6,597 machines. The allocation for the First Nation is 1,593, but within that parameter, then, you're saying, then, that MBLL does not get involved in the potential shuffling of the machines within the First Nations communities?

Is that correct?

Mr. Atwal: Given that we're the machine owners and given that we have an agreement with each of the First Nations that have those machines, and agreements vary by the different—they can vary a little bit by the different First Nations that have the machines, of course we're involved in the process.

The actual question that's being asked is not as simple to answer as yes or no because there are so many variables that are involved. And if all the variables lead to a certain way, then there—the potential could be there. If all the variables don't, or if there's criteria that are preventing it, then the answer would be no, in that case.

That's why it's—you can't say yes or no, because there are so many variables to impact it, and we're not the ones that totally control that process.

Mr. Bushie: And just my last question to kind of clarify, I guess, my first question is so then the 1,593 First Nation

allocation machines—or allocated machines, there is no plan for expansion to that, and that's not due to market saturation?

Mr. Atwal: Again, as I mentioned, I've not heard of market saturation specifically. Certainly since I've been here, which is three years now, we've not seen that—or, we've not reflected a market saturation overall. There's not been a ton of work done since I've been here to show a market saturation.

Market saturation also depends on—lot of other variables that are out there. So, I can't say yes or no to it. Theoretically? Possible. Is it? I can't tell you yes or no.

Mr. Chairperson: Are there any further questions?

Seeing none, I will now put the question on the report.

Annual Report of the Manitoba Liquor and Lotteries Corporation for the fiscal year ending March 31st, 2022—pass.

The hour being 3 p.m., as previously agreed, committee rise.

Thanks, everybody.

COMMITTEE ROSE AT: 3 p.m.

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