

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

Chairperson
Ms. Janice Morley-Lecomte
Constituency of Seine River

Vol. LXXVI No. 2 - 1 p.m., Tuesday, January 11, 2022

ISSN 1708-6604

MANITOBA LEGISLATIVE ASSEMBLY
Forty-Second Legislature

Member	Constituency	Political Affiliation
ALTOMARE, Nello	Transcona	NDP
ASAGWARA, Uzoma	Union Station	NDP
BRAR, Diljeet	Burrows	NDP
BUSHIE, Ian	Keewatinook	NDP
CLARKE, Eileen	Agassiz	PC
COX, Cathy, Hon.	Kildonan-River East	PC
CULLEN, Cliff, Hon.	Spruce Woods	PC
DRIEDGER, Myrna, Hon.	Roblin	PC
EICHLER, Ralph, Hon.	Lakeside	PC
EWASKO, Wayne, Hon.	Lac du Bonnet	PC
FIELDING, Scott, Hon.	Kirkfield Park	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	Assiniboia	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	Riding Mountain	PC
PEDERSEN, Blaine	Midland	PC
PIWNIUK, Doyle	Turtle Mountain	PC
REYES, Jon, Hon.	Waverley	PC
SALA, Adrien	St. James	NDP
SANDHU, Mintu	The Maples	NDP
SCHULER, Ron	Springfield-Ritchot	PC
SMITH, Andrew	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>	Fort Whyte	
<i>Vacant</i>	Thompson	

LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON CROWN CORPORATIONS

Tuesday, January 11, 2022

TIME – 1 p.m.

LOCATION – Winnipeg, Manitoba

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

**VICE-CHAIRPERSON – Mr. Shannon Martin
(McPhillips)**

ATTENDANCE – 6 QUORUM – 4

Members of the committee present:

Hon. Messrs. Reyes, Wharton

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

APPEARING:

Mr. Dougald Lamont, MLA for St. Boniface

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

*Mr. Randy Williams, Chairperson, Board of
Directors, Manitoba Liquor & Lotteries*

MATTERS UNDER CONSIDERATION:

*Annual Report of Manitoba Liquor & Lotteries
for the fiscal year ending March 31, 2021*

* * *

Madam Chairperson: Good afternoon. Will the Standing Committee on Crown Corporations please come to order.

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

Hon. Jon Reyes (Minister of Economic Development and Jobs): Madam Chair, I nominate MLA Martin as Vice-Chair.

Madam Chairperson: Okay, MLA—Mr. Shannon Martin has been nominated.

Are there any other nominations?

Hearing no other nominations, Mr. Martin is elected Vice-Chairperson.

This meeting has been called to consider the Annual Report of Manitoba Liquor & Lotteries for the fiscal year ending March 31st, 2021.

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

Mr. Reyes: I recommend committee will stand for two hours. As well, I request three minutes prior to closing to pass the report.

Madam Chairperson: Okay, so Mr. Reyes has suggested that the committee run for two hours, with the last three minutes of the committee being put aside to pass the report. Do we have—oh, Mr. Sala.

Mr. Adrien Sala (St. James): We support that request.

Madam Chairperson: Okay, we confirm—is that agreed by everyone? [*Agreed*]

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

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

As Minister of Crown Services, I'm here this afternoon along with the senior officials from Manitoba Liquor & Lotteries to present for your approval today the annual report of the corporation's fiscal year ended March 31st, 2021.

I would like to welcome the following members of the corporation's board and executive: Mr. Randy Williams, chairperson of the MBLL board of directors; Manny Atwal, president and chief executive officer; and Heather Mitchell, chief financial officer, joining us today.

Also, from my office we have Deputy Minister Bernadette Preun and my special assistant, Eidan Hassan also joining us here too.

As attendees to the meeting will know, Manitoba Liquor & Lotteries plays an important role in generating revenue for the provincial budget from gaming, cannabis to liquor sales. To that end, I've asked—I've tasked Manitoba Liquor & Lotteries to continue to re-evaluate the ways that Liquor & Lotteries conducts business with a focus on driving efficiencies, reducing red tape and modernizing their business operations for Manitobans and Manitoba businesses.

Despite the challenges that COVID-19 pandemic have brought to Manitoba, I want to recognize that the board of Manitoba Liquor & Lotteries and the staff at the Crown corporation have performed exceptionally in guiding the Crown corporation and adapting their operations to an ever-shifting pandemic environment. From supply chain disruptions to complying with public health orders, I know that the board and that the staff at Liquor & Lotteries will continue to deliver the services to the best of their abilities during these very difficult and challenging times.

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

Thank you, and we look forward to discussions and questions this afternoon.

Madam Chairperson: Thank you, Honourable Mr. Wharton.

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

Mr. Sala: I just want to begin by welcoming the clerks, of course, the minister and his staff, as well as Mr. Atwal and Mr. Williams. Thank you so much for being here today.

We know that as the COVID-19 pandemic has continued to have a significant impact on Manitoba Liquor & Lotteries as a corporation, there's been a lot of challenges over the last year with repeated closures and pivoting to accommodate public health orders to keep Manitobans safe. That's taken a lot of flexibility, a lot of patience and a lot of creativity on the corporation's part, and I commend you and your staff for doing that work.

Looking forward to a productive conversation today to learn more about that work: of course, the annual report, the ongoing impacts to the corporation from COVID and any upcoming changes to the corporation and looking forward to the conversation.

Thank you.

Madam Chairperson: Thank you, Mr. Sala.

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

Mr. Manny Atwal (President and Chief Executive Officer, Manitoba Liquor & Lotteries): Good afternoon. Thank you for the opportunity today to

speak on the business activities of Manitoba Liquor & Lotteries.

Before we begin, I would like to acknowledge the following: Manitoba Liquor & Lotteries benefits from being on original territories of the Anishinabe, Cree, Oji-Cree, Dakota, Lakota and Dene peoples, lands known now 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 an inclusion of Indigenous peoples, these words will accompany actions, investing in building a future and a community better for all.

I've the opportunity to lead Liquor & Lotteries now for 26 months and, over that time, we've had—certainly seen a great deal of activity; some positive and some that required us to manage through challenging and unprecedented situations.

Some of the highlights over that time have included the successful implementation of controlled entrances to combat the rampant theft and robberies we were experiencing, navigating through the ever-changing pandemic, which impacted all aspects of our business, the successful implementation of retail cannabis in Manitoba, adjusting our overall business to increased online activity—both in liquor and in gaming via our PlayNow.com platform—and the development of a plan to have a long-term hybrid working environment implemented, resulting in significant cost savings and improved employee engagement.

We were last in front of standing committee about six months ago. With that in mind, I'll spend some time to highlight key initiatives and milestones of the '20-21 fiscal year, which is what we're reviewing with you today.

Starting with net income, the corporation generated \$425 million in net income for the fiscal year. That's down \$181 million from the previous year. It's safe to say that the impact of the pandemic to our gaming lines of business, specifically casinos, VLTs and some lottery, are the main reasons for the drop in net income. As it stands, the estimated negative impact of the pandemic to our net income was approximately \$302 million at the margin level, mostly driven by drops in revenue for businesses that were impacted but also from increased costs

associated with PPE, increased cleaning and various other pandemic-related expenditures.

* (13:10)

We were able to offset some of these costs due to increases in our liquor business, home delivery setup, iGaming and an increase of cannabis retailers. In addition to the increase in business volumes, the team worked incredibly hard to manage our total expenses and implementing numerous process improvements to help our business. Overall, this enabled us to mitigate approximately \$42 million in costs. Coupled with some business mix changes, we limited our year-over-year negative impact to our net income to \$181 million.

Starting with gaming, we saw significant negative impact to our financials as we had casinos and VLT sites closed or at reduced capacity for much of the year. Casinos went from a positive \$56-million contribution to net income in 2019-20 to negative contribution of almost \$70 million. The VLTs also saw a decrease in net income by approximately \$127 million. As a consequence, our VLT private partners missed out on over \$76 million in commissions for their businesses. On the bright side, our iGaming product, PlayNow.com, saw an increase in net income of \$40 million year-over-year.

As a result of the closure of the lines of business, we were forced to lay off up to 1,300 employees between our gaming and corporate groups. We were able to reassign about 130 people to other areas of business needing increased support as a result of the pandemic. We were also able to send two dozen employees to support the Province in its pandemic response as well.

To support employees that were laid off, Liquor & Lotteries has continued to extend health, dental, basic life insurance benefits, paying both the employer and employee portion of these benefits. When an employee returns to work, they will resume paying their portion of benefit costs, and we will return back to full benefits.

The employee and family assistance plan is critical for employees as well, and will also continue to be available to laid-off employees throughout the entire layoff period. To ensure employees who are laid off are able to access much-needed information and resources, a password-protected website was established and continues to be updated regularly.

When the casinos were reopened in 2020-21 fiscal, the majority of those that were in layoff were

recalled. While the casinos were closed, we did take advantage of the situation and completed much-needed building maintenance activities, relocated a number of electronic gaming machines to ensure good physical distancing when playing our games. We also implemented numerous process and system improvements, which included items in our events centre, identifying areas to reduce customer touchpoints, our bingo gaming systems and stadium gaming.

Throughout the following fiscal, the VLT and lottery network had some start-stop phases related to public health orders. We were able to work with many of our retail partners and to optimize the floor space at their locations to ensure VLTs had physical distancing, and also to implement curbside pickup for lottery products.

iGaming helped us reduce the total impact of the casino and VLT closures, as some of our customers were able to play their games on Manitoba's only legal online gaming site, PlayNow.com. Our team leveraged social media and online presence to increase customer awareness on PlayNow.com. Registered players grew by 86 per cent, or 53,000, during this period. This resulted in about a 200 per cent increase in business for MBL during the year.

We also understand that many of our customers moved to illegal or grey market sites. It's hard to miss their advertising on multiple media platforms. We're actively working on building the PlayNow.com brand and awareness levels to shift these customers onto our safe and legal platform.

Moving to our liquor business, we did see increases in both the total revenue and volumes of product sold during the year. We also saw some overall shift in our product mix as more people migrated to refreshing beverages from some of their other traditional products.

Our liquor business saw revenues increase by \$85 million, or about 10 per cent, and net income increased by \$36 million, or about 13 per cent. This is driven by volumes and mix change in our products. This is the result of good product operational management by the liquor team, plus some trends from consumers to premiumize their purchases, and fewer people leaving the province, thereby making their liquor purchases in Manitoba.

Early in the pandemic, there were some instances of panic buying and hoarding. Over the first two months, this settled down to a point where we now see

steady volumes without some of the spikes we saw early in the fiscal year.

There have been changes to the channels from which liquor is purchased as well, again, driven by the pandemic and associated restrictions. While we saw increases in Liquor Marts' liquor vendor sales, we saw decreases to our licensee and restaurant partners, and the private wine stores, as well.

In addition to increased levels of home delivery, Liquor & Lotteries also piloted programs like Click & Collect to increase customer choice and improve overall customer service.

One of our most visible initiatives has been implementation of controlled entrances. While this program was substantially complete in 2019-20 fiscal, the positive impacts are reflected in the '20-21 fiscal. Overall, a 98 per cent decrease in thefts and almost 100 per cent decrease in robberies has made our store safer for our customers and our employees.

Overall customer and employee satisfaction remains extremely high with the implementation of these entrances. In addition, fiscally this program has also been a success, reducing shrink by over 92 per cent or almost \$3 million. Based on the data from rural stores, we are also implementing these entrances now in Flin Flon, The Pas and Thompson.

Our distribution centre completed its move to King Edward—our liquor distribution centre completed its move to King Edward during the year and it is fully operational, performing as expected. This has resulted in MBLL having excess warehouse space, and as part of a larger hybrid working initiative, the old liquor distribution centre at Buffalo Place will be sold, and it will generate significant profit from the sale.

Our liquor supply chain saw incredible challenges during the year. Due to the pandemic impact in various countries, ports and trucking capacity, we saw limited availability of some products from outside of North America. To offset this shortage, supply team was able to ensure alternative products were available, thereby giving the customer a good option should their preferred product not be in stock.

The rollout of cannabis in Manitoba has been extremely successful during the year. Over 70 private retailers operated stores within Manitoba, generating \$14 million income for Liquor & Lotteries. New products were also introduced, such as edibles and topicals. Retailers also adjusted their business model to increase their online sales capabilities to align with

the pandemic response and consumer behaviours. We fully expect to more than double the total number of retailers in the '21-22 fiscal year.

MBLL continues to support our social responsibility obligations by committing 2 per cent of net income to various programs throughout the province. These programs are designed to help customers enjoy responsibly our products and services, provide education to consumers, addiction service funding and also provide some funding to research initiatives related to the impact of our products to consumers. Our 2021 contribution was \$12.9 million.

Throughout the pandemic, numerous festivals and events that had—Liquor & Lotteries had planned on sponsoring have had to make difficult decisions to cancel or change. To help these organizations who are still incurring costs and unable to execute their planned fundraisers, Manitoba Liquor & Lotteries committed to contributing 50 per cent of the planned sponsorship to these organizations, helping lessen the impact of the pandemic through the provision of some additional support.

I know we're still in the throes of the pandemic and our lives certainly are not yet back to what we expect them to be. This has guided us to ensure that our future initiatives are taking into account changes in the marketplace, consumer behaviours and leveraging technology and tools to improve service levels and profitability. With that, we are working on initiatives to modernize our technology systems. Many of our systems are built with outdated technology and do not align with how our suppliers work with us, how we work with retailers and how we even distribute products within our system. By improving processes and updating the technology systems, we can improve overall supply chain performance, improving working capital and provide better services to our customers.

Madam Chairperson: Mr. Atwal, your 10 minutes has expired.

Is there leave for Mr. Atwal to continue with his opening comments?

Mr. Wab Kinew (Leader of the Official Opposition): Agreed.

Madam Chairperson: Is—does the committee agree with Mr. Kinew? Yes? *[Agreed]*

Mr. Atwal: Thank you, and I have about a minute to go, so not too bad.

So, we also are implementing a full hybrid working model whereas corporate staff will work both offsite and onsite for the long term. This is going to allow us to divest of multiple properties, achieve one-time, mid-income benefits, plus reduce long-term occupancy costs, thereby improving profitability for the Province. This approach also improves employee engagement, and we've been working effectively this way since the inception of the pandemic.

We also want to ensure that we have support systems in place for our employees. As a long-term impact of the pandemic, we will likely see an increase in mental health issues.

Our diversity, equity and inclusion programs have multiple streams of initiatives including those around recruitment training, acknowledging our corporate diversity, and specific activity around truth and reconciliation and Indigenous peoples. As you already heard, we have launched a land acknowledgement within MBLL this past year, and we have already had multiple learning tables with key Indigenous leaders within the province.

We're committing to a net income target of \$570 million for the '21-22 fiscal, \$145-million increase from 2021, with plans in place to get us back to pre-pandemic net income by '22-23.

When I was here in front of the committee six months ago, I said that our team was ready for the changes that we expect to see and are already working to change our business to meet these changes. I fully support that statement today. Our team is ready and engaged.

In closing, I want to recognize the great work that all 3,000-plus employees at Manitoba Liquor & Lotteries have done this past year as we have navigated through some very difficult challenges, and in doing so identified key opportunities to improve our business. We pulled together as a team, and while we saw drops from net income from pre-pandemic, I can certainly say that our team ensured the impact was minimal. We are all ready to face the challenges of the future as we get back to pre-pandemic net income levels.

* (13:20)

We do this to enrich the lives of Manitobans. I am very proud of this team. Thank you.

Madam Chairperson: Thank you, Mr. Atwal.

Before we proceed, I'd like to remind everyone that questions and answers are posed through the

Chair and that to have everyone please raise their hand so I can see you on the screen. I may not be able to see if it's not high enough.

The floor is now open for questions.

Mr. Sala: I just want to begin by asking Mr. Atwal where he's joining us from today.

Mr. Atwal: Thank you. I am joining you from my home in Headingley.

Mr. Sala: And same question for Mr. Williams, where is he joining us from today?

Madam Chairperson: Mr. Williams, you're muted. Can you unmute please?

Mr. Randy Williams (Chairperson, Board of Directors, Manitoba Liquor & Lotteries): Yes, I'm joining you from my property in the Whiteshell Provincial Park.

Mr. Sala: Thank you so much, and welcome to you both.

So, I just want to start by talking about staffing and some of the impacts of COVID on the Liquor & Lotteries staffing team. We know that the pandemic continues to have a very big impact of course on Manitoba Liquor & Lotteries as a corporation. And in fact, various businesses and public services are facing a whole new staffing challenge because of this latest Omicron variant. And just recently we saw MBLL issued a release explaining that 77 casino employees tested positive for COVID since December 20th.

So I'm wondering if Mr. Atwal could update the committee on how many positive cases there currently are at Manitoba Liquor & Lotteries? And, particularly, amongst Liquor Mart and casino employees?

Mr. Atwal: At current, we have 130 employees that over the past month have indicated they were affected by the virus. Some are different stages within their return to work and return protocol, so I can't say if every one is at this moment off. They're working through their return to work as the public health requirements are.

Mr. Sala: I thank Mr. Atwal for the response.

I'd like to know, and I'm guessing that this is in the affirmative, but is the spread of COVID causing difficulties in staffing Liquor Mart stores, casinos or other areas of service at this time?

Mr. Atwal: Yes, thank you. The staffing changes have not—have caused us to reschedule and adjust our schedules. And over the past month, our teams have

tried to be proactive in making assumptions, saying that we're going to see increased infections with all our employees, what are some contingencies that we can put in place? So, for the past month and more actively in the past couple of weeks, our HR teams have worked proactively, tried to minimize the impact.

To date, we have not had to close stores due to lack of staff. And to date, we have not had to close our casinos due to lack of staff. Our fundamental approach is we must have enough staff properly trained to safely and effectively open and run any of our businesses, and so far, that has been the case. With that said, should we run into situations where we will not have enough staff to open a store or to open a casino—or to have our casinos up and running, then we won't have those facilities open, or we will adjust hours to accommodate to ensure that we do have enough staff to keep the stores open.

As part of our mitigation as well, we've been able to move employees from different stores to different locations as needed, so if one location has more employees that are not able to come in, we can move them from another location as well. And so we're also incorporating some of our casino staff into providing cleaning support for our Liquor Marts so that those employees that are doing some of the cleaning can do some of the other activities where the Liquor Mart employees are more adequately trained.

So we are moving and working with our unions to move people around to try to keep things going.

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

I'd like to ask Mr. Atwal whether there are particular locations that are seeing more of an impact than others.

Mr. Atwal: We are keeping track of each location's—it's hard to say if one location—more of an impact than others. In some locations, sure, we might have two, three or four; in other locations, one or two. But unless you compare that to the total number of employees in the store or in that area, it's hard to say if it's more or less of an impact.

I would say that the impact on average is relatively even throughout our liquor retail business, as it is through our casino business. There doesn't necessarily seem to be one that's substantially more than the other, when you compare it to the staffing levels that we require.

Mr. Sala: Thank you so much.

What type of measures are currently being—currently in place to keep staff at Liquor Marts and casinos safe? And so, for example, are there certain distancing measures in place between staff and guests at casinos?

If the—if Mr. Atwal could summarize some of those strategies that are being put in place to help keep staff safe, I'd be grateful for a summary of that.

Mr. Atwal: I'll start with the Liquor Marts. At our Liquor Marts, throughout the pandemic, throughout the early stages all the way through the entire pandemic, we've made significant changes to how we approach safety within our stores.

Starting with our controlled entrances in Winnipeg, as well, that enables us to ensure we've got adequate amounts of capacity or we don't have overcapacity or too many people in our stores. We can control capacity, we control—with the controlled entrances. We can ensure customers are masked before they walk in the store through our controlled entrance process as well. We ensure that all the public health requirements are met before they come in.

As they come in, we have substantial amounts of hand sanitation available for customers, and we also have followed the retail models and taken best practice from retail including increased number of shields, you know, between our employees and customers wherever a customer might be waiting.

We have point—over and above most retailers do, we actually have point cleaning, touch-point cleaning where there's high touch points, so handles, doors, carts, different elements there as well. So we've incorporated that at the front of our stores as well.

We've tried to adjust our floor itself to provide additional space for customers to roam and for employees not to spend too much time or be in close contact with any customers, too, so adjusting some of the aisles and adjusting some of the traffic flow through our stores.

Additionally, at the checkout point—again, we're ensuring optimal distancing between customers and our staff, either with shields or with spacing itself. And as our customers are helping staff, they're also obviously fully masked and ensuring we don't spend too much time with individual customers in close proximity as well. We try to maintain distancing as we're talking and helping customers, too.

In the back of the—behind the scenes on the—where the employees spend time away from the

customers, we've got distancing in place for employees for their lunchrooms and breakrooms, new staggered lunches and staggered breaks, not to have same people or too many people in one area at a given point in time.

Prior to employees starting their shift, they actually must go through some protocols, including symptom checks and, more recently, we've got our pandemic requirement for employees to either be fully vaccinated or provide a negative quick test as well before they can start their shift.

And so I think on the liquor side, those will be the key implementations that we had, or changes. And again, we'll evolve those as we get more data and information from public health.

On the gaming side of things—you know, again, from the beginning, we've done more than what's required by public health. Public health class—is the absolute bare minimum. In almost every case, we go beyond what public health is looking for.

As we know, customers then are required to be double vaccinated—or fully vaccinated before they can enter our facilities. They must continually wear masks while gaming and while commuting within the property, so if they're going from one machine to another or from a restaurant area to anywhere else.

Food and drink can only be consumed in designated food service areas, similar to restaurants. Casino staff are specifically monitoring for compliance, so we have people dedicated to ensure that's the case. I think you've seen some of them at the Winnipeg Jets games, as well. We're doing something similar with our staff.

We have extensive cleaning of touch points between users of machines. As they change a machine, we—somebody will come and clean that machine before somebody else gets on. And every night in our casinos, we do a full disinfectant, spray disinfectant every evening—or every night, while the casino's closed. It covers the entire casino.

* (13:30)

All casino managers, front-line staff remind guests who are not complying with safety measures—including mask-wearing—to do so, and if they do not wish to comply they will be asked to leave, and we have had to do that sometimes.

We actually reconfigured the floor of the casinos, as well, to ensure proper distancing and keeping people at minimum six feet—and in a lot of cases

more—away. And we do know some people from the same household, whether they're spouses or the same house, would like to sit together and play together. We actually have a couple of machines set up in these casinos, or a couple of areas, where two machines are side-by-side for people of the same household or couples; they could game together as well, and, again, they're away from other machines.

We run at capacity of 250 customers per public health orders, and when you consider that we are—each facility is over 200,000 square feet, our capacity for each location is between five and six thousand people, we're running at about 5 per cent potential capacity. And in many cases, we're a little bit below that because we're not at 250 people every day, all day. And as a result, again, the floor itself where our customers are is pretty wide open and there's extreme distancing between our customers. I think that answered the question.

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

When we met last year, the most current number of laid-off staff were 978. The year prior was 1,309. You mention this in your opening—or it was mentioned in the opening statement, but hoping that Mr. Atwal can summarize the current number of layoffs again throughout the corporation.

Mr. Atwal: So, as a result of the current public health orders, we've had to reduce overall capacity and adjust some of our hours in our casinos. As such, we're not running with our full complement of employees, which we were prior to the most recent health orders that adjust that. And we've also been able to move some of our casino employees to support our Liquor Marts, as we did in the past, again, to increase that cleaning and touch points, to allow our liquor staff to better support customers.

So with that, at this point in time, we have less than 30 people that are on layoff, and we're able to accommodate the rest of our employees in our casinos and in our Liquor Marts as well.

Mr. Sala: Could we get a breakdown of where those layoffs are and whether or not anyone has been terminated?

Mr. Atwal: For clarity, terminated because of the latest health orders, or terminated in the past 12 months?

Mr. Sala: I appreciate the need for clarity. Terminated as a result of pandemic-related slowdown, business slowdown.

Mr. Atwal: As a result of slowdown, we have laid off employees, and those employees are currently on—still on layoff. And as I mentioned, just under 50—under 30 right now.

As we work our way through this, I'm not sure how many may come back or may not. And as we returned and reopened from the last pandemic, we did have some individuals—and we're talking, you know, less than a couple dozen—that decided not to come back. And their employment was terminated, but it wasn't MBLL driving it, it was the employee at the time deciding to move somewhere else. So the numbers are—I don't have an exact number for you at this moment, but it will be—at this point in time, there aren't any because of the most recent changes, and from the last reopening, less than a couple dozen that chose on their own to be terminated.

Mr. Sala: I thank Mr. Atwal for the response.

Does MBLL have a plan for returning those laid-off employees back to work?

Mr. Atwal: We fully expect to return all the laid-off employees that we have on layoff today. We fully expect to return them back to work as we're able to increase our capacity in our casinos.

Mr. Sala: Thank you for that.

You referred to this—or it was referred to earlier, we'd just like some clarity from Mr. Atwal on whether staff are being redeployed to help with the pandemic response. So I know it was referenced that some staff have gone to support a central government response. If we could receive a summary of the number of employees that have gone over to support the pandemic response and any information that could be provided as to where they came from.

Mr. Atwal: We had, I believe, 25 to 27, in that neighbourhood, of people that—employees that were provided to government to—at various points to support the central government requirements. As those changed, some of those employees were able to come back to Liquor & Lotteries and have been redeployed as well, back to their locations. And I believe at this point we have less than six that are still currently supporting central government.

Mr. Sala: I thank the CEO for that response.

I'm going to shift now to talk a bit about financials here and hoping that Mr. Atwal could provide the committee with just a general update on the impact the pandemic has had on various areas of the corporation over the course of the current fiscal year and maybe

how that compares to the previous fiscal year. We heard a bit about this, of course, in the introduction, but looking for a little bit more detail about that, if possible?

Mr. Atwal: I'll work through the various changes on the year-over-year adjustments.

So, from the gaming side, our video lottery line of business was impacted by approximately \$200 million to the negative. Our casinos were impacted by about \$189 million. We also had some impact from lotteries because at some points we were completely shut down and lotteries weren't being able to be purchased as well, and that was about \$16 million.

Because of that, too, and because of some other changes in our business we also offset with that, with \$37 million in expense savings and certain deferrals. We had, on top of that, had about \$7 million in COVID expenses: so additional PPE, additional cleaning requirements, adjusting staff around to accommodate changes. LGCA—we also had some LGCA fees on VLTs that we forgave, as well; some credit losses.

So the negative—total negative impact was just over \$300 million on the margin side of the business. As I said, with offsetting changes to how the operation was run, pushing out expenses where we didn't need to spend that year and we could defer some of those expenses, then we were able to do some of that.

We also found efficiencies improvement in processes to become better at what we do and how we do it, and we also saw some pickup in our liquor business a little bit and we saw pickup in our—some offsetting in our iGaming business, which benefited us to over \$40-million margin.

So when you add up all the changes, all the ups and downs, there's a couple dozen you go through and the net impact is about \$180 million that impacted us.

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

Hoping—the CEO's referenced some deferred expenses and also some efficiencies that the corporation has been able to find over the last year. I think the number that was referenced was about \$42 million in efficiencies that have been gained.

Could Mr. Atwal please provide a summary of, first of all, some of those key areas of efficiencies that helped to generate \$42 million in savings, just at a very high level, and, as well, hoping that he can speak

to the deferred expenses lines and some of those areas that are being deferred to next year or the following?

Mr. Atwal: Starting with the deferred expenses, as the pandemic kicked off or as we started getting into the pandemic in the first few months, our executive team took a look at our entire business and we generated about 140 different line items of things that we could do to mitigate the impact to our people and the fiscal impact to our company as well.

What we looked at were items that were not safety-related, that were not part of our pandemic response, so items that didn't hurt us from a safety or a pandemic response perspective or that we weren't hard-obligated to be able to do, we had contracts in place, had to get done. So items outside of that we looked to see, could we defer those expenses for some period of time?

So some of the examples might be some upgrades in some hardware that we might look at. There were some IT systems that we were hoping to combine and make—create some efficiency but, you know, we could go another year without having to do that, so not having to spend the money this year so we can defer it to next year in some of those systems as well.

We also tried to identify any of our contract obligations, because our contractors were also and our partners were also impacted—hey, would be beneficial for both of us to defer this requirement for some period of time as well.

So, as I said, we had over 140 different line items that impacted that, that would help us.

We also looked at how could we improve our business efficiency. Are there processes or things that we're doing that were taking two or three or four steps that we can do in one or two steps? So we started taking a look at that in some of our businesses as well.

* (13:40)

So, in terms of, you know, our internal audit group, they were—there were a couple of areas where we were double-entering some data and were not leveraging our systems and tools effectively. We could make that a little bit more efficient so we can keep that part of the business up and running. Also, working with some of our vendors, are there things that we could do to reduce some of the waste that might come in play?

So it's, you know, taking some optics, lean principles, trying to eliminate some waste for this and waste that we can eliminate to make things more

efficient, but would be beneficial for our partners and us as well. Some stuff we were able to do, some stuff we aren't able to do because our technology and systems can't do it, but wherever we could, we implemented a smooth process to make some of those improvements in our margins as well.

With that focus, too, we took a look at our different lines of business, so as—you know, we saw customers changing what they're doing, their buying behaviours. They didn't want to come out; they were using online more. How could we leverage some of that in our business? So, changing some of our processes on our liquor side to have the availability of home delivery become more prevalent and start to increase that for our customers as well. So, implementing process to make that more efficient and better. So we accomplished that.

We also changed some of the processes in our store to allow Click & Collect so our customers could actually continue to make purchases there as well, so we piloted that with a few stores and we talked to an iGaming earlier, as well, and trying to move our customers to that platform.

So those are some of the different things, and as I've said, there's over 140 overall line items. We were able to do some of them, we weren't able to do some of them, but at the end of the day, the impact—and not to forget, obviously, is that we—when the casinos were closed, we did have layoffs for the employees that there was no work for. So for that period of time, there were some salary savings while the employees were on layoff and we helped them try to get into the federal programs and other programs that were available. They continued their benefits, and as we were able to reopen, we brought the employees back to Liquor & Lotteries as well.

Mr. Sala: I appreciate the response.

So, just so I understand, the \$42 million that's being stated as efficiency-related savings, are those reductions in staffing costs being included as part of that \$42-million saving?

Mr. Atwal: Yes, for that period of time according to the—those costs were included among other costs as well.

And just so that we're clear, it's not all efficiency, right, so there's deferrals and pushouts as well, as well as efficiency.

Mr. Sala: Moving back to just general trends for the business, I'm curious if Mr. Atwal could expound on

whether or not MBLL has continued to see an upward trend in this current fiscal year with alcohol sales, and maybe speak to a bit about what those trends are. I know he referenced in the opening statement that there's been a premiumization of some purchasing decisions, et cetera, but if we could talk about trends in liquor sales and what he's seeing in the business?

Mr. Atwal: So, at the highest level, what we have seen is an increase in our sales and also an increase in our volume. So, remember, sales and volumes aren't necessarily the same thing; sales are the dollars, the volume is the total amount of product that'll—that goes out there. So our sales were up approximately 13 per cent and our volume was up approximately 10 per cent.

So what does that tell us? It tells us a few different things. One—things that it told us is that consumers were actually shifting a little bit of their—what they were purchasing, and some of these trends were prior to the pandemic as well. So the example I'll put out there is the shift from beer and some wines and some spirits to more refreshment beverages. That was happening three or four years ago and that's continued to happen and that shift has continued to go through that, and those products will have a different price point as well. So we continue to see that shift to refreshment beverages.

But we also saw a shift to the individual basket sizes, so what we saw were that customers were coming in a little less frequently, but their basket was a little bit bigger in terms of more dollars that were spent. So they wanted to go fewer times but—and try to pick up a few more products in that period of time.

The other thing that we also saw is that customers—again, the trend there has been instead of spending \$20 on a bottle of spirit, they'll spend \$23 on a bottle of spirit. So they were spending a little bit more for the same volume or the same size of spirit that they would have purchased earlier. And then that—you call that premiumization, so spending a little bit more in those particular areas.

So those were trends that we saw throughout the pandemic. If we—I don't want to say ignore, but if we take out the first three months or two months after the pandemic when there was hoarding that was going on—there was just panic-buying and spikes—if we take that out, our business over the last year, and certainly the last six to eight months, has normalized to a point where we are kind of averaging around 7 to 8 per cent above pre-pandemic levels in terms of total volume that it sold. So, at the highest level, that's where our

business is, and that's where the volumes and trends have gone.

If we dig a little deeper, I'm going to say I know we also try to stay on top of this, as well, is what the impact is to Manitobans. So we do have social responsibly programs that are in place. We also capture some data that we use to try to understand what's happening with our customers.

So, in the spring of 2020, at the onset of the pandemic, we started to collect some data, and what we noticed is that within Manitoba, self-reported weekly consumers of alcohol started to increase their weekly consumption by 0.7 to one drink per week. That was an increase. The higher risk weekly consumers, which are a minority group, saw that consumption go higher, and some of the other groups, and the social and lower alcohol use, actually saw some of their consumption decrease over that period of time as well.

So, as we look at summer 2020 into winter 2020 to spring of 2021, what we're seeing now is our consumers and our customers are telling us that we've moved from an increase of one drink per week for some of the users to wherever they were pre-pandemic, and in 38 per cent of our customers actually drank less than pre-pandemic here, as well, so we're seeing a bunch of these shifts that will happen.

As we compare our data with other reports that we try to capture, as well—and I think, again, the highest level summary that we've noticed is today we're essentially at—our customers are telling us we're essentially at pre-pandemic consumption levels for the majority of our customers. For customers that were in some of the higher risk groups, they might still be one drink per week higher than pre-pandemic, and 38 per cent of our customers are indicating they're drinking a little bit less than prior to the pandemic as well.

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

I'm hoping Mr. Atwal can share, is Manitoba Liquor & Lotteries expecting government revenues from MBLL to be higher in this current fiscal year than the last?

Mr. Atwal: In the last fiscal year, 2021, we were at \$425 million. In the '21-22, we are forecasting, as of this date, to be about \$570 million.

Again, that number could change depending upon what happens between now and the end of the current fiscal. And our expectation for the '22-23 is that we'll

be back to pre-pandemic profitability—pre-pandemic net income.

Mr. Sala: Thank you so much.

And it was mentioned in the intro that MBL is going to be proceeding with installing those secure entrances in some of the northern Manitoba locations. I'm hoping Mr. Atwal can clarify when we can expect those secure entrance to be put into stores in Thompson, Flin Flon and The Pas.

Mr. Atwal: For The Pas and Flin Flon, they are active now, and for Thompson, we are awaiting supplies to be sent up to Thompson, and as soon as the supplies arrive, within one to two weeks that entrance will be completed as well.

We're not getting firm dates on when those supplies will arrive. We'll stay on top of that and get them up there as soon as possible. And that's just related to some of the supply chain issues of trying to get product into the province.

Mr. Kinew: Good afternoon, folks on the committee, here.

I wanted to pick up on some of the comments that Mr. Atwal made in the opening about the single-game sports betting, and you kind of cracked a joke that resonates with me because I don't think I can watch a hockey game or a football game these days without seeing DraftKings or Liobet or Georges St-Pierre's platform, whichever one that is. So I take seriously what you're saying about the grey-market players versus PlayNow.

So I was wondering if maybe—again, I think I captured the numbers that you referred to in that section of your opening statement, but if you want to refer back to those again, certainly, I invite you to do so—but I was wondering if you could maybe provide us with a lay of the land, so to speak. Like, what is the size of the grey market in terms of sports books in Manitoba, both in terms of the grey market and PlayNow, and maybe if you could make some general comments or observations now that we're a few months into the legal change that opened this up for PlayNow?

* (13:50)

Mr. Atwal: I'll start with trying to determine how big the grey market is. And the short answer to that is we don't know definitively.

And any consultant that you talk to—and they throw out some pretty big numbers; you've seen

anything from 10 to 14 billion or 8 to 14 billion dollars being wagered across Canada on the grey markets. Again, those aren't definitive; those are best estimates. There's no hard data behind them, and that's because the sites that both you've referenced and that are—and many others that are out there don't provide that data. So they're making a best guess as to what the total grey market size is.

From our analysis, and our understanding, we think that the grey market in Manitoba—and there's different aspects to it as well; there's just the sports betting, and if—and just to make a note, sports betting is about 2 per cent, 2 to 3 per cent, of what our iGaming portfolio of products would look like—but sports betting is the carrot that gets people in, or the first—their first foray into iGaming, which opens the door to the other iGaming platforms, such as live dealer gaming, slot machine gaming and casino gaming and that, as well, which is 70 per cent of where the iGaming revenues will come from.

So—and some other piece of data we saw is that while sports betting is about 2 to 3 per cent of our portfolio, 90 per cent of sports betters will now go to the other part of your casino and spend some time there as well. So that's really what we want to try to make sure that we have in place, because our competitors are doing exactly that. You notice the advertisers—a lot of them are for sports betting—to get on their sites and then—and go onto the rest of their platform as well. So that's what we try to fight against.

So, our best assessment is that we think the opportunity for Liquor & Lotteries is somewhere between 70 and 150 million dollars in total to get us, probably, a reasonably competitive share of the Manitoba market. And that's not just the wagering; that's the net impact, you know, after all the wagers are impacted, what the net benefit can be to Manitobans. And today, you know, we're on the lower end of that, certainly not up to 75 yet, and we've got some work to do, which means a lot of that money leaves the province. A lot of that money leaves the country. A lot of that money is not—we don't know what happens to it because we don't know what these companies will do with their profits and where they go with it.

And so that, at the highest level, I think, captures, I think, what your question is. However, if you want to get into more detail, I'd certainly be happy to do that.

Madam Chairperson: I'd just like to remind everyone, questions and responses go through the Chair.

Mr. Kinew: I do appreciate those answers, and I do want to dive a bit further but just wanted to ask a point of clarification before we do so.

So, just in that estimate of some 70 to 150 million dollars, would that be the overall iGaming market share or that—so that wasn't just the sports aspect in particular; that was the overall iGaming share, and sports would make up that potentially 2 to 3 per cent of that overall number? Just looking for confirmation.

Mr. Atwal: Yes, that's correct; within that—you know, plus or minus a couple of percentage points. Yes, right within that range, yes.

Mr. Kinew: Okay, and then, yes, so how do we get to that range from the—and maybe you could tell us where we're starting from; like, what point are we at now and how do we get to that range next, and, of course, with great interest, if we're going to see Georges St-Pierre flogging a PlayNow ad on the Super Bowl this year, kind of thing.

Obviously, I'm saying that in jest, but I think Mr. Atwal gets where I'm going for, in there.

Mr. Atwal: Thank you for the opportunity to discuss this in a little more detail. So I will take a couple of minutes here because I think it's really important for this committee, and I think it's really important for Manitobans to understand where we are and what this means for Manitobans as well.

So, just—so again, we're clear: PlayNow.com is Manitoba's only legal online gaming site. It's also our—the online betting platform as well. And we also work in co-operation with Sport Select for online sports betting as well. So, again, let's make sure we're very clear that PlayNow.com is the only legal gaming site for Manitoba. It's only available for Manitobans. Now, BCLC has PlayNow.com, but that PlayNow is completely—like, we're partnershiped with them, it's the same brand, but it's to—they can only accept British Columbia customers, we only accept Manitoba customers; nobody from Ontario or Saskatchewan can bet on PlayNow.com. It's specifically for Manitobans and that's in line with gaming regulations and gaming law.

Our platform is in partnership with BCLC and with Scientific Games, and Scientific Games, one of the largest providers of iGaming in the world and they provide iGaming for a lot of the grey-market sites that are out there, as well. They're the back end; they're the math in the machine and everything behind the scenes that'll perform the calculations, as well.

PlayNow.com is an excellent platform and is fully capable, as capable as the most capable sites in the world. So there's full casino games, such as slots, roulette, blackjack, video poker, live casino where real dealers deal to our players for blackjack, roulette, baccarat. There's live poker and you can do head-to-head matches between Manitoba, BC, as well; live bingo, same thing—head-to-head with Manitoba and BC; sports wagering: both single event and parlay betting; in-game betting and novelty betting, as well. But we have lottery products available on there, sports pools, which include Manitoba and BC players, a pari-mutuel form of betting without odds and then each winner's prize would depend on the number of players and winners in that particular pool. So it's an outstanding platform.

We compete with the best platforms in the world for Manitoba customers, the grey market, and you've mentioned—you've seen them all—I've seen them all. You see their ads. They lure you and they advertise a free play site but if you look at the small print on all those, they say, hey, it's a free play site but as soon as you get onto that site, the next link will take you to their gaming platform, their gaming site. So that's how they loophole their way into being able to advertise their particular products in Manitoba and throughout Canada.

Their focus on advertising, promotion, marketing, branding, it's very national and it's very international, where our focus and our customer base is Manitoba and that's where we need to try to differentiate ourselves from all these other ones is to talk about us being Manitoba's product. A lot of these organizations are foreign and many are overseas. We don't know where their profits go; we don't know what their profits are used for. They don't need to follow the same requirements we do from a Canadian money—anti-money-laundering perspective, as well. And PlayNow.com is safe; it's legal. It assures that your money is safe and you receive the winnings that you're entitled to. The money stays in Manitoba.

The other unique aspect of PlayNow.com is that we have built-in gaming responsible tools, so game-sense site tools, so you can set your daily limits and you won't go over those. You can set your monthly—you can use these tools the same way as you would in our casinos which have the game-sense and gaming-protection tools in place, as well. As I said, it's as good as the best sites in the world, and our objective and our focus for this fiscal and next, as we go forward, we have to—we're openly competing for Manitoba customers—is to build the brand PlayNow.com

because I know this group has heard of it but I'm pretty sure most of you don't know much about it and that's our challenge. We need to get Manitobans to know more about it; so build our brand, get them to understand what it's about.

We also have a tag of, you know, PlayNow.com, bet on Manitoba, because that's what we're trying to promote here is Manitoba and promote it to Manitobans. So that is going to be our focus here on the iGaming side of things and we really think that we can try to build that business up.

As we look at our business volumes there, we did see a large uptake, you know, as consumers weren't able to go to our casinos and use the VLTs. They did sign up to PlayNow.com, but I know many of them signed up to other sites, as well. So we'll probably get to, in the '21-22 fiscal, hit that 50-, 60-million-dollar range so that we're not quite at the low end of where we think we can get to for all of Manitoba and start to build on that as we head into the future.

Mr. Kinew: Thanks for that update, and again, just want to clarify that when we're talking about the net figure here, I just want to make sure I'm on the right page here, we're talking about, like, this is what actually goes into the—like after all payouts and stuff have taken place. We're not talking about the overall activity, right?

I just want to clarify that quick point. I think that's what it means. I just want to confirm.

Mr. Atwal: Yes, that is, you know, that's what I'm talking about. That's where our focus is. If you want to talk about the big—the bigger number, that's the wagering, and in the wagering is where you get into the 1 to 2 billion dollars of wagering, but we're really focused on what's the drop through to Liquor & Lotteries.

* (14:00)

Mr. Kinew: Thanks for the clarification on the definitions, there.

So how do we continue to grow that 50- to 60- into that 70- to 150-million-dollar range? What are the techniques that MBLL will use? And also do we anticipate any, like, are we going to be working against any sort of drop-off in these numbers as in-person gaming opens back up again, or, you know, so can you talk about how do we grow this in terms of the overall trends in this part of the market?

Mr. Atwal: Maybe I'll start with the second part first, then I'll talk about the first part.

So, as our casinos reopened and we and our consumers moved back into casinos, we saw a small drop in our iGaming returns, not a significant drop. So that tells us a couple of things. It tells us consumers are—we had a number of new consumers that started to get onto the iGaming platform that weren't on there before and they intend to stay on there, and that some consumers either went back to the casino, they spent maybe some at the casino and then some at the iGaming platform as well.

So we're still trying to digger deep into that particular—dig deeper into that particular data, but that—those are the high-level trends that we see. So, we don't expect to see a drop on the iGaming side as we reopen our casinos because we've already done that and we've already seen what that's done for us.

Our objective is to move customers from the grey market to the PlayNow.com market. We're not even focused on creating new gamers. We're trying to get gamers that are already betting on these particular sites or gaming on these particular sites to move from there to our PlayNow.com platform because they're already there. So we're not creating new markets; we're trying to shift the market from grey into the legal market here.

As you actually dig into why do people not want to move or why do people not go onto PlayNow and they go onto the other sites, the single biggest reason is consumer awareness. Some have heard of PlayNow but they don't know much about it. Some assume, well, it's a Liquor & Lotteries—it's a government site, so it's not as good as some of these other sites, or hey, on these other sites I can do live gaming, I can't do that on PlayNow, even though you can. So it's an understanding of our products. So we're essentially bringing a new product, a new brand, I guess, to an existing product portfolio that's out there to get these people to convert from grey market to our market here as well, so we need to build that awareness.

So, how do we do that? Well, starting from, essentially, marketing 101 as we go through this, we need to build up our brand. We need to get people to understand who we are, what we are, what does PlayNow.com mean. How do we do that? How do we get our name in front of these consumers? Where do these consumers get their gaming information from?

As I mentioned before, 90—over 90 per cent of sports betters also go to the rest of the casino. Okay, so how do we get to the sports betters of Manitoba? How do the things that we can try to build their awareness so that they don't bet—they don't go to

BET99 or PokerStars, if they're going to go do these things they do it on our site. So we're going to work in partnership with different sports organizations, whether it's the Jets or the Bombers, to help us work with them to see how we build that brand and compete with these grey-market sites.

We also want to promote our brand. Again, we're never going to have the dollars or the national exposure, and to be frank, we don't want the national exposure. We don't need it. We need to find exposure that's Manitoban because that's who our target market is. So, looking at ways to get our exposure from an advertising perspective, whether it's television, radio, whether it's social media, online. How do we build that brand? How do we make best use of our marketing dollars in those particular areas and focus on Manitoba?

I one hundred per cent believe we have the right product. I one hundred per cent believe we have a good approach to say, bet on Manitoba, because that's what we want to try to do, and we know it works. You look at, you know, in different industries, buy local and GoodLocal and these types of organizations, people want—Manitobans want to support Manitoba. I'm a Manitoban. I've lived here my entire life. I want to support Manitoba and I know a lot of my peer group as well as other Manitobans want to do the same thing. So we want to make sure they are aware of our product and what we do.

I will give you some anecdotal information here as well. When I first started 26 months ago I didn't know anything about PlayNow.com but I did know about some of these other sites. I'm not even a gambler, I don't gamble, but I did know about these other sites. And now I'm in—responsible to try to build this. And I talked to my peer group, and even I talk to them now, and they say, oh, is that available in PlayNow? Yes, it is. Is that—so we have to keep building this awareness and keep building that brand. That's going to be our focus initially.

And then we have to demonstrate to Manitobans that when you're on our site: (a) anti-money-laundering laws are enforced so you know that you're on a safe site that's doing the right things, (b) your money is staying in Manitoba. It's not going to some offshore account in some different country or different place and shifting and that, it's going to stay in Manitoba and be managed out of Manitoba. You know you're going to get your returns and your prize payouts. You know it's going to be fair. You know that the money that's—the profits that are generated stay in

this province and they don't go elsewhere. You know they'll not be used for nefarious reasons. So those are the things we want to try to build.

And you also know that the product is as good or better than most other products that are out there as well. So that's going to be our focus here over the next one to two to three years, is we have to basically build that from scratch and really promote this product for Manitoba.

Mr. Kinew: So, when we're talking about marketing this product to Manitobans—and I definitely take all the points that you present here—I'm just wondering, how do we balance increasing the awareness and building the brand with some of those social responsibility considerations that MBLL always takes into account?

Mr. Atwal: I believe that was just mentioned. MBLL always takes into account—we one hundred per cent always take that into account, and that's why, when we look at our PlayNow.com product, it has built-in social responsibility tools that can be leveraged and used. It's got checks and balances to make sure that you are who you say you are as you sign up and start using our product and being able to use that. So it has some of those tools built in.

Additionally, as MBLL is, 2 per cent of net income is focused on social responsibility across all of our products, including our gaming products, including our online gaming products. So we will continue to have that focus and we will continue to try to make sure that we provide the appropriate social responsibility, GameSense, that investment in our people—in Manitoba, to make sure they're using our products safely and the way that we intended them to be used.

Mr. Kinew: Okay, thanks for that.

And just since the legal change happened, how much has that moved the needle? I'm wondering if you can tell us, how much did the legalization of single-game sports betting increase activity or revenue at PlayNow?

Mr. Atwal: We've seen very marginal increase, and the bulk of the increase is actually people shifting from the parlay betting to single-event betting. So it's not that we had a ton of new customers go just for the single event. There were customers that would normally have done two or three parlays into single events, we've seen that shift, but we also see more single-event bets than the parlay bets, as well.

So when you offset all that, at this point—and to be fair, it is still very early. We're only a couple of months into the changes and everything being implemented. I would say I can't say with confidence the trend is this, but very early on, we've seen a marginal pickup in low single digits in total. But again, it's too early for me to confidently say, yes, that's what we would expect to see.

Our expectation is that we would see some additional pickup than we've seen so far but, again, it's still very early.

Mr. Sala: I'd like to shift to talk a bit about cannabis now. And, in the annual report, it states, quote: "As expansion continues in Winnipeg, cannabis operations will monitor for market saturation in certain areas of the city, while continuing to work with prospective retailers to expand availability in other communities." End quote.

There's been some comments made about the market being perhaps too saturated in some areas of Winnipeg, for example, one area where it's understood that there are three stores in a—within one block of each other.

Hoping Mr. Atwal could explain what type of monitoring Manitoba Liquor & Lotteries is doing to help ensure that we're not oversaturating the market.

Mr. Atwal: As cannabis moved into phase 3, or the open-market concept, so we're—if you were a business person and you want to invest in a business and grow a business, that the market is going to decide what's saturated and what isn't saturated.

So at this point, you know, we'll continue to review—we'll go through our process to review the applications to ensure that all the criteria are met, to ensure that any background checks that need to be done, we work with LGCA to go through that process. The LGCA is the actual licensing arm, and they are the ones that will actually issue the licence. We'll be the supplier at the end of the day, and we'll manage the agreement with the retailers as they're open.

* (14:10)

So, as such, the market will decide which—what is too many or too little. That said, should municipalities put in any criteria or requirements or limitations, then obviously we would work with the municipalities to ensure that we follow all those requirements, as well as we accept applications and then work with the LGCA which actually will process licences.

Mr. Sala: So, just to be clear, MBLL—LGCA is not considering any type of hard limit on the number of cannabis retailing outlets in a given community, given—like, based on sort of a space or a geographical set of limitations?

Mr. Atwal: That's correct. We don't have limits. I can't speak to the LGCA. We don't have limits in that particular space.

Mr. Sala: And just to follow up, has LGCA heard concerns at all from communities or municipalities about market saturation?

Mr. Atwal: I can't speak for the LGCA.

Mr. Sala: Has MBLL heard from communities or municipalities regarding concerns around market saturation in any areas of the province?

Mr. Atwal: We've received occasional letters or comments, but we've not received anything that defines what's oversaturated. We don't have any hard data to demonstrate what's oversaturated, what isn't. So, short answer is yes, we've seen a little bit but not—nothing that's hard.

Mr. Sala: Thank you for that.

Cannabis revenue doubled in just a year, and hoping Mr. Atwal can clarify whether or not MBLL foresees cannabis revenue continuing to grow.

Mr. Atwal: We would expect cannabis revenue to grow and it'll grow typically in proportion to the number of retail locations that are out there. So, at the end of the '19-20—sorry, the '20-21 fiscal, there are approximately 70 retail locations across Manitoba. At the end of the '21-22 fiscal, we anticipate there being somewhere around 140.

So, based on that, we would expect to see roughly a doubling of that total, but again, it might—there might be some puts-and-takes as you go through it, but roughly double.

Mr. Sala: Has there been any analysis of the extent of the market? So, I know that Mr. Atwal is suggesting that as we see stores expand, that we can expect, you know, a relative increase in profits relative to the number of increased stores. But has there been analysis done about the extent to the market, how far and can that continue on? Is the plan, for example, beyond those 140 stores to add another 70?

What's the sense—I know earlier it was alluded to that we'll let the market determine when the market is saturated, but is there any sense of the sort of global

market that MBLL is hoping to capture here in Manitoba and how far that goes?

Mr. Atwal: So the market itself, it's similar to the analogy—let's use the iGaming or the black market or the grey—they call it the black market in cannabis. So the black market's shifting to legal. So there was a large black market out there, has been for, now, decades or however you want to call it, forever. There's been a large black market.

I've been able to visit just over 20 retailers and have great discussions with them and one of the discussion points that we have with retailers is, hey, the people that are your customers, how many are shifting from black market to legal and how many are truly new customers, because that's going to help determine what the total number of stores would need to be or what the business volumes look like.

And again, just using brown numbers, the stores say about half or a little bit more than half the customers they see were buying product, prior to legalization, through other channels and some of them now exclusively buy through legal channels. Some of them still go to their local dealer, I suppose, and buy some from there and also the legal channel as well. And about, you know, a third to a little bit more than a third are truly new customers looking for something they hadn't tried before.

So that is also—makes it difficult to determine how many stores will the right number be and when will that look like, because there is a market today and we're just trying to bring that again into the legal side.

If we use Alberta, who's further along and has many more stores than we do, as a—I call it a benchmark, not necessarily a true trend. But in Alberta, given the size of their population and the number of stores they have, the equivalent in Manitoba would be somewhere between 170 and 200 stores would be what the Manitoba equivalent would be.

In our opinion, again, without knowing truly how big the black market is—we have some idea, but without truly knowing how big it is—yes, somewhere between 140 to 200 or 140 to 180 is probably where things will settle in at over the next couple of years. But, just like we saw in Alberta, you will see probably a bit of a spike before some decide that's not the right business for them and then the markets will consolidate again and we'll see a bit of a shrink in total number of stores.

Again, I'm not saying that will be the case, it's just some of the indicators that we've seen out there. So somewhere between those two numbers is likely where we would end up.

Mr. Sala: Thank you for that.

You know, as Manitobans know, our provincial government came very close to passing bill 40, which was a law that would have resulted in a significant amount of privatization of liquor sales here in Manitoba. And given the bill came so close to passing, it's our assumption that the corporation must have done quite a bit of analysis on its potential impacts. And I just do want to mention that the bill is referenced on page 6 of the annual report here.

And the first question I'd have is, given that the bill was so close to passing, and given that I assume the MBLL must have done quite a bit of analysis in anticipation of the passing of that bill, I'm just wondering if Mr. Atwal could update the committee on what type of preparatory work was done or completed in anticipation of bill 40's passage.

Mr. Atwal: So, what bill 40 essentially would have done is—it's a Winnipeg impact, not necessarily Manitoba; it was a Winnipeg impact; it would allow the private sector in Winnipeg that currently sells alcohol products today to sell some additional products that they weren't able to sell today. So that was the crux, at the end of the day, what bill 40 was.

From our perspective, in order for more private retailers to exist, and for more private retailers to potentially sell more products, we have to—we need to regard—even regardless of that, our current systems, our current technology, our current processes, particularly along our supply chain, are out of date, aren't supported, and aren't able to make a significant shift. So for us, a lot of the preparatory work for us to say if we're going to see some of these things happen in the future, what do we need to do? We need to fix our supply chain.

But I will actually say, we actually had a supply chain fix as in our area of opportunity prior to bill 40 or anything related to that, because our—as I mentioned earlier, our systems and technology and supply chain are so antiquated and unsupported in some cases, and not able to do some of the things that key supply chains systems can do that exist today. We have to put in workarounds, we have to—this is where we have a lot of extra process steps where we can, instead of one step, it'd take six or seven or eight steps. And for us that's a bigger opportunity, is to adjust to

that particular system, and that'll actually help us, then, develop what we would want to call is a wholesale price, which doesn't exist today in Manitoba, and a lot of other jurisdictions would have that.

So for us it's really about trying to—our preparatory work was really along our supply chain, to see what we could do and what we need to do. But as I mentioned, we need to do that no matter if there's a bill 40 or not. There's a huge opportunity for us to improve our supply chain; improve EDI opportunities with our suppliers; make our supply chain more efficient so we don't have as much product stuck in different areas, or unknown in different areas, you know; enhance our ordering systems so we make that more real time rather than off time; and also allow us to do one step instead of seven or eight, to bring product into this province which will help us get, again, more selection, more service for our customers, as well. So a lot of the work was done on the supply chain side.

Mr. Sala: I really appreciate the response.

Obviously, cash flow is critical for any business, and, you know, government enterprises being no different. Assuming that we would have passed this bill, we could have expected, I think, a significant amount of liquor sales to be channeled through our—through private channels, and ultimately that would have resulted, I'm guessing, in a significant reduction in the total volume of liquor sold through MBLL.

* (14:20)

Was any analysis done by MBLL to examine, you know, projected forecasted reductions in overall liquor sales through the corporation, as a result of the passing of bill 40?

Mr. Wharton: As the member from St. James knows—

Madam Chairperson: Mr. Wharton, we can barely hear you.

Mr. Wharton: How about now? Can you hear me now?

Madam Chairperson: Yes, thank you.

Mr. Wharton: As the member from St. James is aware, Madam Chair, bill 40 is no longer in the Legislature. Bill 40 is no longer part of what the discussions—actually, even though it's mentioned, I see, again, and I recognize the chair speaking to it in the annual report, but the member knows that bill 40

is no longer a topic of discussion, simply for the fact that there is no legislation in front of the House.

Bill 40 was also at first reading, where the member—I'd like to correct the record, too—the member mentions that bill 40 was very near to be passing. Well, the member does have two years of legislative experience and knows that the bill would have to go through many steps prior to being passed, including a committee with folks and stakeholders involved, Manitobans coming to also put their facts and items on the record. So the member knows full well how the legislative process and how law is passed and also knows that there is no bill 40 in front of the Legislature.

So certainly—I would certainly ask the member to maybe continue on with reviewing the '20-21 annual report.

Mr. Sala: I'm used to being reprimanded by the minister for speaking to things that are not in the annual report, so this is a bit unusual.

I'll just, you know, just continue to make comments about this item, which is identified here in the annual report, and if the minister would like, I can read the specific passage and repeat that for him, but essentially, you know, it's clear that bill 40, regardless of whether or not it did end up being passed, ultimately would have had significant impacts on the corporation.

I assume the corporation would have done quite a bit of preparation in anticipation of the passage of that, given its potential impact on cash flow, and I think it's really important that Manitobans are aware of what those prospective impacts would have been. And given the bill is no longer before the House, this is a great time to talk about that and to get a bit of that sense and the benefit, frankly, of the analysis that would have potentially been done by MBLL.

So I'd like to repeat the question to Mr. Atwal. Just simply, was there any analysis done relative to the impacts on cash flow from—for MBLL relating to the passage of bill 40?

Mr. Wharton: Again, the preamble of the member from St. James, his assumptions, assumptions and further assumptions, so if he wants to deal in facts, perhaps we can have that discussion.

But again, assumptions are not what Manitobans are here to talk about today. They were here to talk about the effects of COVID-19 over the last year on the annual report of Liquor & Lotteries. Certainly, the

CEO has painted a picture that is fairly clear, in our view, and I believe in Manitobans' view, that are joining us here today, and again, I think Manitobans would—will be happy to hear from the CEO, and again, reiterating that things are moving forward. We are still not out of this pandemic, but certainly by the leadership of the board, the board chair and the CEO and his team, Manitobans would be happy as we go forward, again, hopefully getting on the other side of this pandemic.

So, certainly the corporation seems to be well set to continue on to ensure that Manitobans are still having investment, good to large investment to hopefully growing that investment in return—earnings to Manitobans, to ensure that health care, education and social services are continued to be funded through the hard work of Manitobans and, of course, Manitoba Liquor & Lotteries.

Mr. Sala: The minister references assumptions, and that's precisely why we want to take this opportunity to have Manitobans get clarity over what MBLL's analysis may have been relative to the impacts on cash flow should bill 40 have passed. It's exactly the reason why it's important that we use this opportunity to understand what the analysis by MBLL may have said or suggested relative to this. We don't want to assume what those impacts may have been.

And while the minister is protesting, you know, the fact that we're asking this question on behalf of Manitobans, I just want to remind him that it's really important that Manitobans understand, you know, the potential impacts of moving forward with a bill to privatize liquor sales in Manitoba. That bill, fortunately for Manitobans, was quashed, thanks to organizing by Manitobans, and it's a very valid question to understand what the potential impacts of that bill would've been.

We do not want to assume what those impacts would've been, which is why—exactly why I'm asking the question. We'd like to have much more clarity over what the presumed impacts would be from the perspective of the corporation. It's very important for Manitobans to understand this because, at this point, we have, you know, strong reason to suspect that we may see another version of this bill come back in the spring under this government. And this is a great time just to learn from Mr. Atwal and to learn from the analysis or any of the work that's been done by MBLL right now.

And, you know, given that this bill has been quashed, I would assume that this shouldn't be too big

a concern for Minister Wharton and that he would be willing to give Manitobans clarity on that.

So, again, the importance here is doing away with assumptions, not forcing Manitobans to guess about the impacts of that.

So I'll ask again, Mr. Atwal—if Mr. Atwal can provide some clarity around, first of all, whether or not—just simply yes or no—whether or not the corporation did perform analysis to examine impacts on cash flow stemming from the passing of bill 40.

Mr. Atwal: The answer is not as simple as the—or, the question may not be as simple as analysis of cash flow because of bill 40.

As any good corporation, as any good company, will do with, you know, thinking forward and thinking beyond a quarter, and thinking beyond a year and thinking multi-year, we want to take a look at the business over that period of time, which includes net income and cash flow and working capital and numerous other items in between that as well.

I can say with confidence that the work that our organization and our team did factoring in all the elements for our business demonstrated—and when—the items that we looked at showed that our net income and thereby cash flow wouldn't be negatively impacted as we move forward because, again, our focus right now is on so much of the supply chain items that we need to fix, and that is a multi-year process to fix, and improving and make better than we have today, that we didn't foresee or we didn't plan for any—we didn't see any reductions in cash flow or profitability going forward.

Mr. Sala: I thank Mr. Atwal for the response, I really do.

And I guess just to put a finer point on that, the—Mr. Atwal has suggested that there was no presumed reductions in net income as a result of the passing of bill 40. Is that accurate to state that at this point, Mr. Atwal does not—they did not—or MBLL, rather, did not conclude that there would be any negative impacts to MBLL's finances as a result of the passing of bill 40? Just want to put a finer point on that.

Mr. Atwal: And I'll apologize in advance. You're—the member is getting to a very specific individual point, and our business is beyond a specific individual point. There are a lot of points around that.

What I can say is, when we looked forward in our business and we did our projections and our strategic planning and looking forward, and looking at the

what-if scenarios, under none of those scenarios did we see a reduction in income to Manitoba Liquor & Lotteries based on what we know and how we're running the business.

And the focus—and, you know, I'll keep repeating, our focus really is trying to make our supply chain better because there's a huge opportunity for us to improve there. So we did not see that in our futurecast as we move forward.

* (14:30)

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

Was there a briefing note prepared, or several briefing notes prepared that provided this information to the CEO?

Mr. Atwal: I didn't receive any briefing notes on this. And the work that we do is—on the forecast—is an iterative process. And it's evaluating the what-ifs, as I mentioned earlier, but I didn't receive a briefing note.

Mr. Sala: And did government request any analysis of the potential impact on overall net income for MBLL as a result of the passage of bill 40?

Mr. Atwal: Not—again, not to that fine point and not to that specific impact.

Government is always interested in where are we going to be in the future, what does it look like, and what do we anticipate our net income to be, and as part of our strategic plan we've got some insights into what that would look like. But no, not specific to bill 40.

Mr. Sala: So just to clearly restate that, what Mr. Atwal just shared. The provincial government, in advance of advancing or bringing bill 40 to first reading, did not engage with MBLL to identify or explore the overall financial impacts to the corporation as a result of the passage of bill 40.

Is that accurate?

Mr. Atwal: Again, the work that Liquor & Lotteries did incorporated multiple scenarios, and some of those scenarios are the impacts of bill 40 and what that may or may not have done. But again, all the analysis and all the work that we provided, there was no negative impact to net income, as we looked at moving forward under different scenarios.

Mr. Sala: How are those scenarios documented?

Mr. Atwal: Through different working groups that we went—that we would go through.

And again, if you look at our entire business and the puts and takes for our entire business—again, I'll try to reiterate: the primary focus for us is still supply chain, regardless of where we go, so our focus has been on improving overall supply chain in our liquor business and getting rid of—and updating our systems that are 10, 15 years old, and aren't able to accommodate the products that Manitobans are looking for.

So, again, that's where our focus is.

Mr. Sala: Would the CEO endeavour to provide us with copies of the analysis that was done or the scenarios that were developed in relation to analysis on bill 40?

Mr. Atwal: I'm not sure that that would be best use of everybody's time and probably not best use of this committee here and this team.

Any business, any organization that you go through, as you're providing strategic planning, as you're going forward, you're going to look at a lot of different factors and a lot of different items, including what our assumptions were a year ago, what the pandemic might be, versus six months ago, versus now, all the consumer changes, and that. So I would say it's probably not—it's not readily available in that type of format, as it's an iterative process that we go through. We do have final products which are our strategic plan and those build in our entire business model, and those look out multiple years.

Mr. Sala: A final question on this: Did MBLL have concerns about the potential safety risks of significantly expanding the availability of alcohol to Manitobans?

Mr. Atwal: Again, the focus being on the specific bill—we would look at the entire business and obviously, safety is critical to our business, so we would look at the entire business and, as I mentioned, we didn't build on that as we went through this.

It's really confidential business information that we've been using and working through it, so, the answer is we—our focus on safety for our customers and our business partners and our employees, and that's always built into every one of our decisions that we make, including our strategic plan.

Mr. Sala: Thank you for those responses, Mr. Atwal.

Hoping Mr. Atwal could provide an update for the committee on what stage the gaming review is at.

Mr. Wharton: Certainly, the gaming review, as the member knows, was announced in 2018 in the

Throne Speech and, lo and behold, a year later COVID struck. So we've—obviously, government has been having to refocus on a number of fronts. Gaming review is still obviously an area that needs to continue to be looked at and, certainly, under the leadership of Premier Stefanson, I'm sure that those discussions will continue on. I certainly hope that that's the answer that the member from St. James is looking for.

Mr. Sala: Not quite, unfortunately. That was the same answer we got last time we met in this very committee.

Maybe I could ask, then, is there any information that could be provided about when we might expect this review to begin?

Mr. Wharton: Well, I would beg to differ on that response by that member from St. James, because the last time we were in committee, I believe that Premier Pallister was the premier.

So, we do have a new premier now, going forward, and, certainly, a new vision, and I'm looking forward to working with the new Premier (Mrs. Stefanson), our colleagues and our stakeholders through this gaming review as we go forward again—very, very soon, I'm sure—to start to move forward on a gaming review that should be happening and will be happening.

Mr. Sala: I'd like to ask Mr. Atwal about how the delay in the review has impacted Manitoba Liquor & Lotteries, if at all.

Mr. Atwal: Up to this point, the delay hasn't impacted our business levels. What's—the pandemic has impacted our business on the gaming side of things, whether it's for casinos or VLTs. It—our financial impact hasn't been because of the gaming delay.

Mr. Sala: I'd also like to ask Mr. Wharton how a new premier or a change in premiers will change the gaming review. He alluded to, you know, a new day, a new premier.

Can he provide some clarity over what he meant by that?

Mr. Wharton: Certainly: the member can stay tuned.

Mr. Sala: Okay. I will.

And I guess, one more just brief question to Mr. Atwal, has the delay in the gaming review at all—I know he alluded or he suggested that there haven't been, but just to be clear—have there been any delays to upgrades to Manitoba Liquor & Lotteries to, for

example, facilities like Club Regent or any facilities overall as a result of this delay?

Mr. Atwal: No, there haven't.

Mr. Sala: We know one of the main things that's been on people's minds over the last month especially, and it's been a really hot topic of conversation—at least I know in my community—has been access to N95 masks or KN95 masks, and just want to ask a few questions around that.

First of all, I'd like to know how many masks were received by MBLL for distribution?

* (14:40)

Mr. Atwal: We have received, in total, just over a million masks.

Mr. Sala: And how many of those masks have been distributed, to date?

Mr. Atwal: All, if not quite all. There is no inventory of them. If there is, it's a box or two here or there while they're being distributed, but there's no—they're all being distributed as they come in.

In most cases, if a store receives a pallet, that pallet's consumed within that day, and the store waits until the next day to get the next pallet coming in.

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

It's my understanding that some rural and northern locations or liquor commissions did not receive masks for distribution. Can the—can Mr. Atwal confirm whether or not that is the case and, if so, what led to the decision to have masks be distributed at some rural and northern locations and not others?

Mr. Atwal: The rural and remote locations now do and will have masks available and—for distribution. The reason they didn't get them initially is Manitoba Liquor & Lotteries asked on December 23rd to see if—what we could do with distribution of the masks and get them out to the public. We met with our team and in very short order we said yes, we can help and we can get them out there.

However, given it was December 23, the next day is Christmas Eve, all of our rural locations had already received the product and shipping, and that was already complete at the rural locations to get product out there, so we couldn't put it onto any of their trucks to get to them. And then it was Christmas Eve, Christmas Day and as we move forward, so it took a few more days until we were able to get them to the rural stores.

However, the Winnipeg stores, because the masks were coming out of a warehouse in St. James, we were able to get them to the stores within a few hours into the next day, and over the next day or so, most, if not all, Winnipeg stores received them. And between Christmas and New Year's Eve, all Winnipeg stores had received them and the rural locations were starting to get them.

So it was really just a matter of logistics, not policy.

Mr. Sala: Thank you for that.

And, just to be clear, is the CEO stating that every single rural and northern liquor commission outlet has received or will receive KN95 masks for distribution?

Mr. Atwal: If you give me a moment, I will try to confirm that. I will safely say the majority I can confirm. I cannot confirm if it's a hundred per cent, so one moment please.

While I'm waiting for—to confirm the data, would we want to move to the next question and come back, or do we want to wait?

Mr. Sala: Thank you so much, and I appreciate your willingness to keep us moving here.

Can Mr. Atwal explain if he feels that it was appropriate for MBLL to be the sole government distributor of that important resource?

Mr. Atwal: The team at Liquor & Lotteries will always support Manitobans and, while we support the province, if we're asked to try to do something, we will look to see if we can get it done. So, in our opinion, us supporting, I think, is the right thing to do because we were able to and we were able to get out there.

I cannot speak for any other government organization. I do believe other organizations did hand out masks, including MLA offices, but I cannot speak for anybody else.

Mr. Sala: Okay, I'm going to move on to another area of question, but I am really looking forward to getting clarity over the other question, and it seems as though we have an answer.

Mr. Atwal: So, not every single store did receive the masks. Most of them did. There were still a couple stores that did not. And in some cases, the—there were other options within that particular area.

So liquor vendors—some liquor vendors did receive some. That said, our requirement—we were

asked to get masks to different locations, and we did get them out there per the requests that we received from central inventory.

Mr. Sala: And in those locations where they were not sent, was there any direction given by MBLL to find other solutions for bringing masks to those communities, or was there an assurance that the community would be able to access masks through some other channel?

Mr. Atwal: I think our sole role was to take the masks that we received, to get them to locations that we were trying to get them to.

Alternate locations within different communities, that—you know, our—it wasn't our responsibility, we weren't asked to, we weren't looked at to try to do that. We did the best we could to get masks to the locations that we were asked to support and get them out.

Mr. Sala: Okay, and relating to page 24 of the annual report states, quote, this strategy, coupled with the relocation of liquor distribution centre operations in '20-21 years, provided the corporation the unique opportunity to sell its location at 1555 Buffalo Pl., which was planned to occur during the 2021-22 year.

So, I know this was alluded to in the opening statement, but I suppose—just want to ask, when can we expect Buffalo Place to be put on the market?

Mr. Atwal: Buffalo Place had actually been on the market for some time, and for the past six months we've received varying levels of interest, and to the point where approximately three weeks ago we entered in exclusive negotiations with a single party, and we're working to close out that particular transaction now.

Mr. Sala: Thank you for that.

And does MBLL have any plans to sell other real estate like Empress with more people working from home?

Mr. Atwal: The answer is we will look at all those opportunities, short answer is yes.

So, based on our hybrid working model that we're moving forward with, the—we have the unique opportunity, here, to not just sell Buffalo Place but sell the entire location, lease back just the office space, and now we don't need our locations at Milt Stegall and Empress. So the employees at those two locations will either be moving to our liquor distribution centre on King Edward. Some of the gaming folks will move into one of our casinos, Club Regent, they'll be

moving into there. Whereas the remaining support staff will move into Buffalo Place, thereby we can eliminate the two locations at—in the Polo Park area on Empress and Milt Stegall.

What that'll enable us to do, then, is—the sale of Buffalo Place provided us a one-time pickup in net income, and then with the lease back of the office space—not the warehouse, just specifically just the office space—we're able to reduce our costs as a company by over \$1 million per year, and then add on top of that the pickup that we'll get when we sell Empress. It's best use of Manitoba dollars or the dollars in Manitoba that are invested in Liquor & Lotteries, and the entire workforce will then be located—their corporate workforce will be located either at Buffalo Place, at the liquor distribution centre or at one of our casinos, depending from which line of businesses they're in.

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

I'd like to pass the floor now to Mr. Lamont.

Mr. Dougald Lamont (St. Boniface): I have a question for Mr. Atwal relating to the—look, the Omicron variant, right now, is spreading through Manitoba. We have the highest transmission rates perhaps, except behind Quebec. We have had a particularly, very—we have some of the worst outcomes in Canada as well.

I'm just wondering why it is that our casinos are still open, giving—given the very transmissible Omicron variant right now?

Mr. Atwal: Manitoba Liquor & Lotteries works with public health and certainly will follow all public health requirements.

* (14:50)

Public health has deemed certain parts of Manitoba businesses to be opened with certain restrictions and certain caveats put in place. We will—we do ensure that all those are in place. As I mentioned earlier, when we look at our casinos, other retail locations in a similar nature which could be termed restaurants or lounges and bars and that can operate at 50 per cent capacity. Now we operate at 5 per cent capacity.

We also have more stringent cleaning requirements. We also do a full desanitization every evening. Over the past three years, we've had upgraded our old HVACs; they were end of life and there was a plan to upgrade them over a multi-year period, and that had occurred as well.

Again, our objective is to work with public health, follow public health requirements at an absolute bare minimum and, in most cases, we exceed them. And so, we feel very confident that our casinos are as safe, if not safer, than most other public locations that are open today.

Mr. Lamont: I have a question about bill 40 and what would've been the privatization of various functions. I—one of the questions to look at is that I—actually, I'll just start by asking—we were talking about the cannabis market being saturated.

The idea—as far as I can see it, if we're talking about privatization, is the—where are we at in terms of the alcohol market in Manitoba being saturated because, if it's already saturated and we're moving sales from one part of the—into private hands, away from public hands, it seems to me that we would be facing job losses.

So I really have to questions: Is the alcohol market saturated, and is it the case that net revenues would have been pretty much the same because there would have been job—many layoffs in the public sector?

Mr. Atwal: With regard to saturation, that's a difficult question to answer. Given that there are over 400 private partners today and some licensees on top of that as well who do their assessment, their analysis and determination, should I open up a business and sell alcohol, and, I mean, have that be part of the model and that, or not, that happens every day, that happens quite regularly, and people open and close and adjust.

And again, the market will determine how many different locations there need to be, and our liquor vendors are no exception. They—you know, they sell a variety of liquor products throughout Manitoba. So again, the market determines if there's saturation or not in those particular areas.

So I'm not sure how to answer the question because liquor's been part of the industry—well, since Manitoba started, you know, well over 100 years with our organization in terms of what we do and how we do it. I don't see that there is something that says there is saturation or not. The market dictates what is and what isn't. And that market actually has grown in the past number of years as well, ever so slightly, but it does grow with population.

Mr. Lamont: It just seems to be that if you can—the follow-up question was the—whether part of that analysis meant that the reason there would be no net

losses—no, net revenue losses is because it would be made up for with layoffs.

Mr. Atwal: I think the short answer to that—I'm going to be pretty clear on this from a business perspective: you don't cut your way to success. So layoffs don't make up for big changes in business or fundamental—so the answer is no, layoffs weren't what would keep us at net income growth, and—that we would expect or not.

So the answer there is no, that's not the case.

Mr. Lamont: Just a question on cannabis operations.

You say it'll be conducting a review of the distribution model to assess the feasibility of the current direct-ship model. I just—who requested the review, who'll make the final decision and if you could just expand a little bit more about that review.

Mr. Atwal: So, what we found—and again, I've been able to—my team and I have been able to spend a lot of time with almost every retailer in Manitoba, and I personally have visited over 20 retailers to talk about this. The Manitoba model has been very successful. It's actually been so successful that our distribution model that was created to support the Manitoba retailers is stressed. It's stressed today. It's not that it's broken, it's stressed.

And there's also been a much bigger proliferation of new cannabis products, whether it's refreshments, whether it's topicals and edibles, it's CBD, THC-related; that market has grown and there's substantially more choice and more options and more SKUs that are available for retailers.

So with the direct-ship model, it was outstanding to get the ball rolling and get the retailers to different locations, make sure we can get cannabis within 30 minutes and 90 per cent of all Manitobans. And I think it's been able to do that, and that's great.

But as the market's maturing, as we're also seeing more people move from the black market to the legitimate market here, the distribution model becomes stressed and not all the retailers can get everything they need from all the suppliers they want to purchase from with that direct-ship model. And it's really related to the suppliers themselves, have grown a fair bit and they're trying to support thousands and thousands of customers across Manitoba—across Canada.

So we've looked at other jurisdictions and seen what types of models they have, and so we're at a point now where we need to evolve our model from where

we are today to a little bit more of a mature model, which will require a more robust distribution system and a distribution network. So that is our assessment. That's our finding. What we would recommend is to launch a project to determine what should that distribution model look like and how will it work for Manitoba today and into the future.

So we're still at the very early stages. We haven't started the work to do this. There's a detailed project planning to be put in place. We still have some work to do with stakeholders. We still have work to do to develop project charters. We still have work to do to figure out what's the end solution that we're looking for. So there's still a fair bit of work to do. What we've identified is there's a need here to make the model better, so now let's figure out how do we make the model better.

Mr. Lamont: Just a couple of questions.

I know you had to close a couple of—was it GameSense info centres? And, look, during the pandemic there's been—as we all know that there's also been an explosion in problem use of substances, whether it's drugs and sometimes alcohol. But these are issues that are challenges for your Crown because there are people with problem gambling as well as problem drinking. So I was just wondering whether the corporation had been tracking changes, whether you'd seen upticks in problem use and what the corporation's response has been.

Mr. Atwal: Specifically GameSense: the GameSense locations were in our casinos, so they're only closed while the casinos were closed. Our PlayNow.com platform has GameSense built into it 24-7, so that—and those tools now were always available, and they were always part of that. So that hadn't really changed at all. And then our online services on GameSense were always available too. So that hadn't changed.

As I mentioned earlier, our DrinkSense and our social responsibility teams do a fair bit of research and analysis, and we have tried to keep on track of the trend and we have tried to keep track of the data that's out there. We tried to take a look and communicate with Manitobans as to what has happened to consumptions—up, down, or indifferent—and tried to use that macro data then to understand what's going on in our overall business.

That said, we have not shirked in our social responsibility requirements as well. We continue to fund Addictions Foundation. We continue to fund associations that are supporting addictions and other

harms that are caused by our products, including research as well from fetal alcohol syndrome and other research and issues that have been kicked off. We did have a delay on some of the GameSense, but only because the facilities were closed or some of those tools were closed while we were going through the pandemic. As they reopen, it gives an opportunity now to go back in there and make those investments that we need to continue to build that social responsibility.

Mr. Lamont: And just as, I recall, I think at the beginning of the pandemic, it was predicted by the former premier that it was possible that Manitoba Liquor & Lotteries could actually lose money. I'm just wondering—that may not originally have come from—that may have been speculation on his part, but I was just wondering was that ever the case?

Was that ever the case that you were looking at facing serious losses?

Madam Chairperson: As per the committee's agreement, the time now has three minutes remaining.

I will now put the question on the report.

Annual Report of Manitoba Liquor & Lotteries for the fiscal year ending March 31st, 2021—pass.

The hour being 3 p.m.—or 2:59 p.m., what is the will of the committee?

Some Honourable Members: Rise.

Madam Chairperson: Committee rise.

COMMITTEE ROSE AT: 2:59 p.m

The Legislative Assembly of Manitoba Debates and Proceedings
are also available on the Internet at the following address:

<http://www.manitoba.ca/legislature/hansard/hansard.html>