

**First Session – Forty-Third Legislature**  
**of the**  
**Legislative Assembly of Manitoba**  
**Standing Committee**  
**on**  
**Crown Corporations**

*Chairperson*  
*MLA Billie Cross*  
*Constituency of Seine River*

**Vol. LXXVIII No. 2 - 10 a.m., Tuesday, February 13, 2024**

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**MANITOBA LEGISLATIVE ASSEMBLY**  
**Forty-Third Legislature**

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**LEGISLATIVE ASSEMBLY OF MANITOBA**  
**THE STANDING COMMITTEE ON CROWN CORPORATIONS**

**Tuesday, February 13, 2024**

**TIME – 10 a.m.**

**LOCATION – Winnipeg, Manitoba**

**CHAIRPERSON – MLA Billie Cross (Seine River)**

**VICE-CHAIRPERSON – Ms. Jelynn Dela Cruz (Radisson)**

**ATTENDANCE – 6 QUORUM – 4**

*Members of the committee present:*

*Hon. Mr. Simard*

*MLA Cross, Ms. Dela Cruz, MLA Devgan,  
Messrs. Narth, Wharton*

**APPEARING:**

*Mr. Gerry Sul, President and Chief Executive Officer, Manitoba Liquor & Lotteries Corporation*

**MATTERS UNDER CONSIDERATION:**

*Annual Report of the Manitoba Liquor and Lotteries Corporation for the fiscal year ending March 31, 2023*

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**Clerk Assistant (Ms. Katerina Tefft):** Good morning. Will the Standing Committee on Crown Corporations please come to order.

Before the committee can proceed with the business before it, it must elect a Chairperson.

Are there any nominations?

**MLA JD Devgan (McPhillips):** Yes, I'd like to nominate MLA Cross.

**Clerk Assistant:** MLA Cross has been nominated. Are there any other nominations?

Hearing no other nominations, MLA Cross, will you please take the Chair.

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

Are there any nominations?

**MLA Devgan:** I'd like to nominate MLA Dela Cruz.

**The Chairperson:** MLA Dela Cruz has been nominated. Are there any other nominations?

Hearing no other nominations, MLA Dela Cruz is elected Vice-Chairperson.

This meeting has been called to consider the Annual Report of the Manitoba Liquor and Lotteries Corporation for the fiscal year ending March 31, 2023.

Before we begin, I would like to remind everyone that questions and comments must be put through the Chair.

Are there any suggestions from the committee as to how long we should sit this morning? *[interjection]*

Sorry, okay—MLA Wharton—Mr. Wharton. Oh, sorry. Sorry; bad—my bad. Mr. Narth?

**Mr. Konrad Narth (La Vérendrye):** Under recommendation from the minister, we are okay with an hour and a half for committee today.

**The Chairperson:** It has been suggested that we sit for an hour and a half. Is everyone agreed? *[Agreed]*

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

**Hon. Glen Simard (Minister responsible for the Manitoba Liquor & Lotteries Corporation):** Good morning and welcome to the Standing Committee on Crown Corporations.

As the minister responsible for Liquor & Lotteries, I am here this morning, along with senior officials from Liquor & Lotteries to give a presentation on the results of the 2022-23 fiscal year and to field questions on the results from members.

I would like to welcome the following officials of the corporation's board and executive: Jeff Traeger, chair of the MBL board of directors; Gerry Sul, president and CEO of Manitoba Liquor & Lotteries; my deputy minister, Jeff Hnatiuk; and director of Ministerial Affairs, Zach Fleischer also join me today.

As attendees to the meeting will know, Manitoba Liquor & Lotteries business lines of gaming, cannabis and liquor sales generate much-needed revenue for the provincial budget that is, in turn, used to deliver health care, education and priorities.

La Société des alcools et loteries gère beaucoup de finances pour le budget provincial pour les soins en santé, l'éducation et d'autres priorités. Notre gouvernement a donné un mandat à Société des alcools et loteries pour être responsable pour les services de notre corporation et pour assurer que les communautés et les travailleurs sont supportés en livrant ces choses aux Manitobains.

**Translation**

*Manitoba Liquor & Loteries manages a large portion of the provincial budget financing for health care, education and other priorities. Manitoba Liquor & Loteries has been given a mandate by our government to be responsible for providing the services of the corporation and for ensuring that communities and workers are supported in the delivery of these services to Manitobans.*

**English**

Our government has provided a mandate for Liquor & Loteries to responsibly continue and to provide the services of the Crown corporation and to ensure that communities and workers are supported in delivering customer needs.

Manitoba Liquor & Loteries employs many Manitobans in good public sector jobs and we will ensure that Liquor & Loteries maintains and even expands those operations to meet the demands of today and tomorrow.

Notre futur est dans les mains certains de notre président et de notre conseil administratif. L'employé des-société des loteries et alcools sont des Manitobains qui ont des très bons travaux et nous allons assurer que ça maintient leur tient au province du Manitoba.

**Translation**

*Our future is in the capable hands of our president and board of directors. The employees of Manitoba Liquor & Loteries are Manitobans with very good jobs, and we are going to make sure that they keep their commitment to the province of Manitoba.*

**English**

Liquor & Loteries also has an important role in fostering an entrepreneurial environment for liquor production and positive spinoffs in job and business creation for our Manitoba economy.

I will now turn the presentation over to Gerry Sul, president and CEO of Manitoba Liquor & Loteries, with a question and answer to follow, should the Chair be okay with that.

**The Chairperson:** We thank the honourable minister.

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

Okay. Mr. Narth, please go ahead.

**Mr. Narth:** It's my pleasure to join everyone today to consider and review the 2022-2023 annual report for the Manitoba Liquor & Loteries.

I'd like to thank all the outgoing board members of MBLL, particularly the outgoing chair, Bonnie Mitchelson, for their hard work.

As we recognize the hard work done by the board members in the past, I look forward to the contributions Mr. Traeger is able to bring to such an important and valuable Crown corporation in Manitoba.

As we all know, Liquor & Loteries, which now includes cannabis, are inherently high-demand products that have the opportunity to be profitable, and activities that bring them unique social challenges that are delicate and require capable guidance to acquire a positive net benefit to all Manitobans.

MBLL has a major role in Manitoba regulating and wholesaling the sale of all liquor. As a result of the single supplier model Manitobans rely on, those services are looking at more expansion and choice when it comes to what's available in our province.

It is undeniable that the models used in liquor, cannabis and lottery delivery within our province are unique, extending from complete government control and sale to a form of private-public blend.

I look forward to receiving some clarity from the minister today and delving deeper into the report with the goal of highlighting some inefficiencies and possible avenues for improvement in delivery.

Thank you for the opportunity to be involved with this process and help to make Manitoba the best place it can be.

**The Chairperson:** We thank the member.

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

Please take the floor, Mr. Sul.

**Mr. Gerry Sul (President and Chief Executive Officer, Manitoba Liquor & Lotteries Corporation):** Good morning, and thank you for the opportunity today to speak about Manitoba Liquor & Lotteries' fiscal results for 2022 and '23, and what our nearly 3,000 employees contributed back to the Province of Manitoba.

In fiscal year '22-23, we were thankful to have all our operational areas running at full capacity for the entire year. This was mostly impactful for the gaming line of business.

In the prior year, due to public health order restrictions that were in place, we lost 118 business days in our casinos and 69 days in our VLT networks.

A strong return of customers back to our land-based casinos and VLT sites and the strong growth—continued growth of cannabis propelled the organization to a record \$740.9-million profit and return back to the Province of Manitoba. This is an increase of 24 per cent over the previous fiscal year.

Looking into the performance of our three lines of business, the gaming and entertainment line of business contributed 55 per cent of our net income back to the Province. So, again, an important line of business in contributing our proceeds back to the Province that support important provincial programs.

Not only does gaming provide net income to the Province, it also provides a meaningful income stream for more than 1,300 business partners who help serve gaming and lottery services across the province.

In fiscal '22-23, the casinos in Winnipeg continued to see strong post-pandemic attendance numbers and higher-than-expected wagering. Coming back to the casinos, our customers enjoyed revised floor layouts and the replacement of nearly 300 obsolete slot machines as part of our commitment to keep our gaming floor fresh and relevant to the consumers' preferences.

The Club Regent Event Centre also welcomed back the full slate of live events and special events that were deferred during the pandemic.

The Casinos of Winnipeg net income contribution was a record \$91.3 million; this eclipsed our previous high of \$88.6 million back in 2012.

The lottery division is responsible for sales and distribution of scratch-and-win tickets, bingo paper, break-open tickets, and support the regional and national draw-based games that are operated by Western Canada Lottery Corporation.

\* (10:10)

Lotteries contributed \$52.7 million, which was a slight decline of 9 per cent from the prior year. Our lottery ticket sales are very dependent on long jackpot rolls. But despite having a significant number of jackpot rolls last year, we started to see a pattern where the incremental lift that we would see normally when we'd have long jackpot rolls were no longer incurring, so this is kind of an indicator that we need to look at refreshing some of our national base games.

So, recently, we refreshed the Lotto 6/49 and added the gold ball component, and we're looking to do similar adjustments to Lotto Max, which is the primary contributor to our revenue and the lottery line of business.

Our allocation from Western Canada Lottery was also negatively impacted by a new cost-calculation model to compensate the provinces of Alberta and Saskatchewan for the fact that the majority of the Western Canada Lottery Corporation jobs reside here in Winnipeg. Alberta, Saskatchewan and Manitoba are each partners in the Western Canada Lotteries Corporation, and our more than 940 retailers also benefited, and they earned \$18.4 million in commissions from lottery product sales.

PlayNow is Manitoba's only legal and regulated online gaming site, and it turned 10 years old this past year; so time flies. PlayNow experienced significant growth during the pandemic and has had more than 147,000 customers registered since the time it started. PlayNow returned a net income of \$53.1 million, which is a decline of almost \$10 million or 16 per cent from the prior year. This decline was expected as a result of the opening of the casinos and the VLT sites, so we expected patrons to start migrating back to the land-based options that were available to them.

This \$10-million decline was more than offset by the increases in revenues through the Casinos of Winnipeg and as well as through our VLT site holders. PlayNow's net income contribution to the Province is still well above our pre-pandemic numbers. During the pandemic we—our net income to the Province increased more than 500 per cent during that period of time. So we're still well above pre-pandemic numbers.

Turning to video lottery terminals, or VLTs, as people most know it as, in fiscal 2022-23, we continued our efforts to replace obsolete VLT gaming machines. In 2022-23, we purchased 960 new VLTs

as we looked to reduce the risks associated with running obsolete equipment.

Revenues rebounded strongly following the pandemic, which was—with an overall return of \$193.5 million back to the Province, which was a 49 per cent year-over-year increase. These numbers continue to trend in a positive direction this year as VLT site holders start to expand their hours of operation and have addressed some of their staffing challenges, which impacted the hours of operation in '22-23. I'm confident we will be back to pre-pandemic numbers by the end of this current fiscal year.

Commissions and contributions to the 440-plus VLT site holders in Manitoba exceeded \$108 million last year. This would include First Nations site holders, veterans and as well as commercial site operators in both in Winnipeg and across Manitoba.

In our liquor line of business we saw a net income return of \$319.1 million, which was a 0.8 per cent increase over the prior year. In this fiscal year, as we saw things normalize for the Liquor Marts and, of course, for the liquor vendors, we start to see a slight decline in their total sales and the contributions from the licensee channel; and the specialty wine stores saw a significant increase as we saw restaurants, lounges and bars reopen.

As the central order point for beverage alcohol distribution in the province of Manitoba, Liquor & Lotteries serves more than 1,800 commercial customers, which includes restaurants, bars, specialty wine stores, hotel beer vendors and liquor vendors. Our annual distribution volumes of beverage alcohol was just over 102 million litres. This was a 1.6 per cent year-over-year decrease in volume. As we saw in '21-22, we continue to see declines in the volumes of beer and wine litres sold while the refreshment beverage category continues to grow by double digits and a small increase in the spirits category.

We are always proud to provide Manitobans with a great selection. In the last fiscal year, we introduced 1,100 new products for Manitobans, and we currently have more than 13,000 unique products that we distribute from 70 different countries to our various public and private channels that retail beverage alcohol.

In our Liquor Mart locations, we continue to look for the right balance between safety and convenience, and in the past year we introduced enhancements to our controlled entrance to expedite or maximize the throughput individuals, you know, recognizing there

are periods of time in our province where it's inconvenient to be standing outside. So we've introduced new practices to, you know, provide a better experience for Manitobans. As well as—we introduced the ability for minors to enter in the accompaniment of a parent or a guardian into the facility.

On the manufacturing side, in our province, we are pleased to see that the Manitoba local manufacturers continue to have a strong presence on our retail shelves. There are currently 48 producers in the province of Manitoba that manufacture craft beer, fine wine, ciders, meads and spirits.

Our Manitoba local manufacturing industry has come a long way from the hospitality strategy—we introduced back in 2011, providing many incentives to build this industry up. Again, we are committed to continue the growth of this industry in Manitoba.

Our cannabis business is now five years old, and in the last fiscal year we saw a strong year-over-year revenue growth of 27 per cent, which has resulted in a contribution of 30 point—\$31.3 million back to the Province of Manitoba. These results were driven by the growth of the number of retail cannabis stores in the province of Manitoba, as well as the continued downward pressures on pricing. So both kind of contribute to this, you know, significant double-digit increase over the previous year.

At the end of the fiscal year '22-23, we had 177 retail cannabis stores. That was an increase of 36 stores from the previous year. Looking at this current year, we're already up to 199 stores in Manitoba, 117 of those located in Winnipeg, and the other 82 across Manitoba.

The Manitoba cannabis retail industry continues to grow, not only in fiscal '22-23, but in this current year we continue to see strong double-digit growth. In a recent Statistics Canada report, it was suggested that 70 per cent of cannabis consumed is purchased through a legal source, which is one of the key goals in—when we decriminalized cannabis in the country. Similar to liquor, we look to ensure our retailers have access to a wide selection of products. Our current cannabis catalogue provides more than 2,900 products from 147 different licensed producers, all registered with Health Canada.

Some of the most rewarding work for our team at Manitoba liquor lotteries, obviously, is giving back to communities that we live in and that we work. Each year, Liquor & Lotteries sponsors hundreds of

community festivals, cultural events and charitable fundraising initiatives across the province. In the current fiscal year we are pleased to expand our sponsorship categories, providing additional opportunities to many more worthwhile charitable organizations and community groups.

In fiscal '22-23, we contributed \$1.4 million to worthy Manitoba recipients. As prescribed under The Manitoba Liquor and Lotteries Corporation Act, 2 per cent of our anticipated net income is allocated for social responsibility programming. These funds go to support addictions treatment, support organizations—well as community-based harm-reduction programming and research related to the responsible use of liquor, cannabis and gaming products.

In fiscal '22-23, our corporate responsibility spending totalled \$13.2 million.

**The Chairperson:** Time has expired.

Is there leave for Mr. Sul to continue with his report?  
*[Agreed]*

Please continue.

**Mr. Sul:** We were able to utilize some of the carry-forward amounts from the previous year, so we used a half a million dollars from the previous year and, based on a budget of \$635 million in the previous year, our allocation was destined to be \$12.7 million, but we used half a million that was carried forward in the prior year.

When it comes to our goal to be an employer of choice, we continue to put a high priority on diversity, equity and inclusion. With our employee-based diversity, equity and inclusion subcommittees, we've developed a vision statement and a road map that will basically create an environment where all staff have a sense of belonging and they—everybody can be their whole self when they come into the workplace.

Truth and Reconciliation and our contributions to the Calls to Action also remain a high priority for our organization. Similar to DE&I, we have created a road map that follows—will allow us to follow a road to providing greater respect for the—and inclusion of Indigenous persons.

In closing, I want to recognize the entire Manitoba Liquor & Lotteries team, all 3,000 employees, who continually go above and beyond. This success doesn't happen without them. Their fingerprints are all over the \$740.9 million that's returned to the Province, and we're proud of what we do for the province of Manitoba,

and we are proud to be a reliable contributor of net income that supports important government programs.

Thank you.

**The Chairperson:** Thank you.

The floor is now open for questions.

**Mr. Narth:** Thank you, Madam Chair, and—Madam Chair, is that how you'd like to be addressed? Madam Chair? Honourable Chair? Honourable Chair?

**The Chairperson:** Honourable Chair.

**Mr. Narth:** Honourable Chair, okay.

Honourable Chair, my first question would be to Mr. Sul, CEO, basically just trying to dive into the operations of Manitoba Liquor & Lotteries and get a better understanding of how the operations function and how you see them functioning moving forward.

\* (10:20)

So the first question's going to be around profitability. Obviously, we've stated that this is a significant revenue source for the Province of Manitoba, this Crown corporation, and how I had mentioned in my opening remarks that, inherently, this is profitable business venture, right? These are high-demand products but need to be managed accordingly, with some very special considerations also in mind around social impact of the products and the delivery of services.

So we had noted that this last fiscal year has seen record profitability. With those record profits, can you explain what, exactly, that means and how is that accomplished? So is this as a result of the expansion in sales or the expansion of profitability? And moving forward, do you see an increased profitability for the products and services, whether it be gambling or liquor sales, cannabis sales, or is it going to be an increase because of demand increase moving forward?

**Mr. Sul:** So I think, you know, the first point, obviously, you know, when we look at any kind of growth in the organization, you want to make sure it's responsible growth and that social responsibility is a priority for the organization.

I think, you know, there's really two parts to, you know, when you look at kind of sustained growth, you know, one being obviously increasing revenues. At the same time, you know, being operationally efficient.

You know, some of our priorities, obviously, are making sure that we have the right products, you

know, that customers expect, you know, and to encourage, you know, purchasing of our products, whether it's gaming, cannabis or liquor.

So having the right price, the right selection and convenience, you know, obviously, is an important part in generating revenue. At the same time, it's important and prudent to making sure that we're running our operations efficient. Again, so a high focus on ensuring that we have operational efficiency, whether that's through process or through technology.

And another important kind of aspect, and, you know, I spoke to it earlier, is the fact that we want to be a reliable source to the Province of Manitoba. So business continuity is also an important aspect. So ensuring that our assets, you know, are maintained, they maintain currency, you know, so that we don't have any extended interruptions to business that would affect our revenue streams back to the Province of Manitoba.

But again, I think, you know, as it relates to three lines of business, you know, again it's continuing to have the right products and services in place at the right time for customers.

**The Chairperson:** Any other questions? Sorry, Mr. Narth.

**Mr. Narth:** I guess just a supplemental to that is, then, completely understand where you're going and what that means, but would you see that, moving forward into the future, that we're going to see record profitability year after year as a result of the undertakings that you had mentioned? *[interjection]*

**The Chairperson:** Sorry, Mr. Sul. Please proceed.

**Mr. Sul:** So our priority, obviously, is to make the greatest, you know, economic and social impacts, you know, to the Province. Again, you know, with a kind of keen eye to focus on, you know, what are the products, you know, that we need and service that we need there to, you know, to kind of maintain that.

Again, you know, as far as record years, again, I think this past fiscal year had some uniqueness to it. And, you know, I think it's important to kind of point out that the \$105.9-million profit that we realized, part of it came from, you know, being \$67 million better than budget. So we underestimated the return back into the casinos and, you know, and that was an important component.

On the operational expenses side, there was a \$37.9-million variance to the positive. A lot of that related to coming out of the pandemic and not being

able to mobilize and stand up the resources required to get started on important business initiatives. So there was, I would call it an underspend in the last fiscal year.

But again, I expect, you know, continue to see, on the casino line of business, continue to see year-over-year, double-digit increases. I would expect liquor to be very soft kind of moving forward. And gaming continues to grow, and in particular VLTs as they return back to pre-pandemic numbers.

**Mr. Narth:** Just, then, moving on to advertising and advertising around all three: Can you highlight what the advertising budget was in this past fiscal year and what type of advertising was primarily used?

**Mr. Sul:** So we have two different kind of advertising. Obviously, you know, there's advertising directed at promotions, you know, related to directing incremental—or having incremental revenues. And there's also the brand side of it, you know, that we kind of will look to advertise there.

So we spent almost \$8 million in advertising. And again, there was an increase with the reopening of the casinos and the VLT sites. So we had incremental, year-over-year costs associated with the additional days of operation for the casino.

**Mr. Narth:** It's noted that there's more than 3,300 private vendors that I'd assume includes licensees, right? As well as private liquor stores, public liquor stores.

So in that report, as mentioned, which of those specifically sell liquor? And can you highlight the breakdown of how liquor is sold and distributed around the province, since it's a bit of a blended model, and people familiar with how liquor is sold and obtained within the city of Winnipeg is different than it is the rest of Manitoba?

**Mr. Sul:** Yes, so we're proud of the public-private model we have in Manitoba to retail beverage alcohol.

When you look at, kind of, by a sales dollars perspective, our Liquor Mart stores contribute 53 per cent of that. When you look at our liquor vendors, about 167 of them in Manitoba, they contribute 10 per cent to our revenues. Looking at the licensees, there's approximately 1,500 licensees in Manitoba, that would be bars and restaurants, and they contribute to 34.2 per cent of our revenues. And then lastly, the specialty wine store is smaller, and it's at 2.4 per cent contribution back to the Province.

**Mr. Narth:** Costs of sales was almost 50 per cent of liquor operations total revenues in 2023.



So can you please break down the differences licensees, liquor vendors and Liquor Mart retail stores might face in regards to cost of sales?

**Mr. Sul:** Yes, so across all our lines of business that you would see in the annual report, all of them, again, you know, have similar gross margin percentages, except for cannabis, where I'd mentioned earlier we're seeing downward pressures on cannabis prices. But margins have negligible changes across all lines of business.

**Mr. Narth:** Then my question would be, how many private liquor vendors are there throughout the province of Manitoba?

**Mr. Sul:** So when we look at the private distribution or private retail side of it, you know, we have about 232 hotel beer vendors, 167 liquor vendors in the province, and then we have eight specialty wine stores, and then we have three duty-free operators here in Manitoba.

**Mr. Narth:** So then, diving a little bit deeper into that and looking over the financial report in the annual report, is there any type of breakdown that you're able to provide on the corporate profitability from private liquor stores versus the MBLL-owned-and-operated stores?

What—basically what I'm asking is the profitability of the operation of liquor distribution, breaking out the retail part of it. Because the MBLL stores are unique from the other ways that liquor is sold in the blended model with the private approach.

And is there a breakdown in what the profitability addition is with the actual retail sale of liquor versus just the distribution and wholesaling of liquor?

**Mr. Sul:** So again, the private channels obviously contribute 47 per cent, you know, of our revenues and our profits back to the Province. As you might be aware, again, we do have a commission structure or a discount that's provided to our liquor vendors.

So the liquor vendors obviously receive a 11.75 per cent discount. Obviously so that that's, you know, what would erode our margin as our discount contribution to the liquor vendors.

\* (10:30)

You know, similarly, the hotel beer vendors also have a discount model in place. It's 14.55 per cent. So that would make up the difference in, again, the margins related to the different channels.

**Mr. Narth:** So I guess further into that, where I'm going, is that: is that the compromise in profitability? Is it 11 and three-quarter on spirit sale, liquor sales and 14.55 per cent for MBLL to be retailing that liquor product? Is that what it is, or is it not as profitable?

**Mr. Sul:** No. I would say, like I said, the way the model stands now, like I say, it is a profitable model, you know, that we operate here in Manitoba.

**Mr. Narth:** So would you say then that the public retailing model would contribute more than the 11 and three-quarter per cent and 14.55 per cent, or is it comparable, or less?

**Mr. Sul:** Again, like I say, they contribute 48 per cent of our net income back to the province. So again, they're an important contributor back to the net income to the Province.

**Mr. Narth:** We might circle back to that to dive a little deeper into exactly what I'm trying to see. Basically what we aren't seeing in the breakdown in the financial report is an actual breakdown of all the levels of sale and distribution and how that contributes to the overall profitability.

So we see a public-private blended model, but everything's lumped all into one, and we see the overall profitability, but trying to get an understanding on what's more profitable. Is it private liquor distribution and sale—or not distribution, but the private liquor retailing or public liquor retailing, or are they completely equal?

So I'm just wanting to see if that 11 and three quarter completely translates into the staffing of Liquor Marts, the infrastructure, investment in Liquor Marts, and all the rest of the carrying costs that are associated with carrying out a retail endeavour.

**Mr. Sul:** So again, all net income obviously is returned back to the Province. So you had made mention of, you know, contributing back into staffing. Again, all earnings are returned back to the Province of Manitoba.

Also, on page 16 of the annual report, there is a breakdown of the sales dollars related to the various channels you're speaking to.

What it doesn't provide, obviously, is a breakdown of the costs of sales related to those individual channels.

**Mr. Narth:** And that's what—exactly what I had noticed, so maybe we can lead into the next question with that since you had highlighted it.

We see the breakdown of sales, and that's great. We see the breakdown of sales in comparison: the beer, refreshment beverages, spirits and wine. We just don't see the breakdown in individual profitability.

So, with that being said, we've noticed an increase in refreshment beverages, an increase in spirits, somewhat of a decrease but some stability in wine, but definitely a decrease in beer sales, volume and profitability, as the report highlights.

Is this a trend and how are you addressing that trend if it—if so is a trend?

**Mr. Sul:** So as far as trends go across North America, we're seeing the same kind of trend as it relates to—we'll call it the refreshment beverage category. So that would be ready-to-drink products, coolers and ciders; and so it's—most jurisdictions are seeing double-digit increases in that category.

We're seeing, you know, some of the beer sales decline and moving into that category. From a profitability perspective, obviously the refreshment category has a higher margin for us.

So again, you know, that can help offset some of the decline in sales in beer.

Of course, the wine category, you know, continues to decline, obviously, over the last two years, continues to see a decline. Again, it's incumbent upon us to make sure that we have, again, a selection and pricing mechanism in place that it again supports, you know, what the demands of the consumers are out there. And that will be our strategy to move forward.

**Mr. Narth:** As private liquor vendors and all other liquor vendors sell their product for the same prices as we've seen, there's no difference if you go to one Liquor Mart in Winnipeg or a retail liquor vendor in rural Manitoba, the prices seem to be all the same.

Is that correct?

**Mr. Sul:** This is enshrined, obviously, in legislation that, you know, again, there's uniform pricing in the province Manitoba. So a product listed by Manitoba Liquor & Lotteries must be listed for the same price regardless whether it's in Winnipeg or in Churchill, Manitoba.

**Mr. Narth:** Then does the profitability differ from—by product line? So does the profitability differ from, let's say, beer to spirits to wine? And are some of the—and are some of them more profitable for MBLL stores? Are some of the MBLL stores more profitable than other MBLL stores and also the private liquor stores?

**Mr. Sul:** So across our four categories of products that we sell, we have different markup structures in place for them. So a wine category is marked up 75 per cent, spirits—or wine and spirits are—sorry, 95 per cent for wine and spirits, 75 per cent for beer and 153 per cent for spirits.

**Mr. Narth:** Would you be able to state those numbers again?

**Mr. Sul:** Beer, 75 per cent; wine and refreshment beverages, 95 per cent; and 153 per cent for spirits. So this is applied to the duty pay—duty-paid landed costs.

**Mr. Narth:** For the vast majority of rural licensed liquor vendors, they sell liquor products in privately owned businesses.

How many of these rural licensed vendors currently operate? And I think you had mentioned it, but explicitly, if you can draw that comparison again, maybe draw the comparison between privately and publicly—stores.

**Mr. Sul:** So, in total, when we look at kind of our retail outlets in Manitoba to serve beverage alcohol, we said we have more than 500 locations. Again, just repeating from prior, we have 167 liquor vendors in Manitoba, 232 hotel beer vendors, three duty-free operators and eight specialty wine stores.

**Mr. Narth:** How does MBLL, as the liquor wholesaler, decide what products are imported into Manitoba for sale?

**Mr. Sul:** So we employ a category management department that continues to, you know, monitor trends in other jurisdictions, as well as we monitor kind of the sales trends in our, you know, the products we have listed on the shelves.

We also kind of seek input from our customers looking for specific products. That might be a—kind of an indicator of something we might have to add to our shelves at the end of the day.

But again, it's a continued monitoring of, again, performance of the products we do have and kind of keeping an ear to the ground to what else is trending in other jurisdictions that are out there.

**Mr. Narth:** We have seen an expansion over the years of Liquor Mart Express locations.

How many of those Liquor Mart Express locations exist in Manitoba, and are you seeing that they're providing more choice and options to Manitobans within centres like Winnipeg that have limited other sale of liquor?

**Mr. Sul:** So we haven't seen any significant growth, obviously, in our Liquor Mart Express locations. We have six of them in Manitoba. Five of them reside here in Winnipeg; one is in Brandon, Manitoba.

Again, you know, they're an important kind of—from a convenience perspective, it was why they were introduced in our grocery stores here in Manitoba. Again, the products that we offer there are a limited selection of top-selling products. So again—and it's based on the limited space available in those express store locations.

**Mr. Narth:** What is the process of opening a new Liquor Mart Express location, and what is the average cost associated with a new Liquor Mart Express location?

\* (10:40)

**Mr. Sul:** So again, you know, we are always looking at responsible growth of our retail channels from the public side of it, and of course, you know, it first started that there was a business case, you know, to do so and proceed. You know, typically construction costs would be in the neighbourhood of, you know, \$400 a square foot, so again, depending on the size of the express store, you know, you can extrapolate from that.

**Mr. Narth:** Honourable Chair, how do the sales for Liquor Mart Express locations compare to private-operated sales locations? So if you were to use an average of the privately run liquor stores across Manitoba versus the average Liquor Mart Express, how do sales compare?

**Mr. Sul:** We've never done such a comparison.

**Mr. Narth:** Just to clarify, the cost of just setting up a Liquor Mart Express store is \$400 per square foot, roughly, versus—oh, sorry—versus no additional cost for expanding that into a private model, right?

**Mr. Sul:** That would be correct.

**Mr. Narth:** What is the total overhead cost for Liquor Mart retail stores? So the publicly run Liquor Mart, is there a breakdown of what the cost of operations for those, whether it be broken down average by location, or in the report. Would you be able to highlight what the overall costs are for operation of the publicly run stores?

**Mr. Sul:** So we don't have handy, you know, something that would kind of provide the breakdown you're looking for, but, again, you know, considerations you need to consider obviously would be lease costs, you

know, the—obviously taxes, insurance, and obviously the ongoing maintenance of that particular facility. But that is kind of spread out through the various expense categories that we have in the annual report. So we don't have it isolated down to an individual store.

**Mr. Narth:** Mr. Sul, would you say that those stores are able to function on 11 and three-quarter per cent profit margin?

**Mr. Sul:** Clarification: the Liquor Mart stores?

**Mr. Narth:** Yes.

**Mr. Sul:** Obviously, there would be a reduction, obviously, in the returns to the Province, you know, if we were running on that percentage.

**Mr. Narth:** I wouldn't—basically, what I'm trying to say is that the public—or privately run liquor stores across Manitoba are given an 11 and three-quarter per cent profit margin from what's mandated as the retail liquor price versus what the wholesale price is. Their margin between those two is set at 11 and three-quarter.

Do the publicly run Manitoba Liquor Marts across the city of Winnipeg and other urban centres across the province, are they able to function, or are they currently functioning on that same 11 and three-quarter per cent profit margin between what is extended to the private liquor vendors—11 and three-quarter per cent back from retail?

Are the publicly run Liquor Marts functioning with staffing, contribution to pension plans, infrastructure carrying costs? Are they functioning with that same 11 and three quarter per cent, or is it less? Are they able to function—are they able to pay all their carrying costs to retail liquor at a smaller margin? Is it possibly only five per cent they are able to pay staff and keep the lights on, or is it more than 11 and three-quarter per cent?

**Mr. Sul:** I think an important distinction is that in most liquor vendors this is not their primary line of business. They have other lines of business to support their operations, so you can't solely look at and isolate the liquor profitability of it. There are other products and services often offered through our liquor vendors in Manitoba.

**Mr. Narth:** Would you be able to expand on the percentage that goes towards other operations through Manitoba Liquor & Lotteries specifically on liquor sale and distribution, that are outside of just the retailing?

So, if we're talking about the profitability of a liquor store, a Manitoba Liquor Mart within our urban centres, can you explain what those additional costs are that would convolute the formula here that we wouldn't be able to dive down and seeing what exactly the amount of profitability is taken to run those retailing outlets?

**Mr. Sul:** So some of the things to consider, obviously, you know, the marketing, staffing. But I guess the other one would be important is our contribution back to social responsibility, you know, having some of your earnings back, you know, to support social responsibility programs here in Manitoba would be other considerations that, you know, don't come out of the profitability of a liquor vendor location.

**Mr. Narth:** Would you then have—thank you, honourable Chair—would you then have what the total overhead, or what the yearly staffing cost is for the Liquor Mart retail locations? Obviously, we weren't able to break out what the total overhead costs are for those locations, but would you have the yearly staffing costs for the Liquor Mart locations?

**Mr. Sul:** No, I don't have it broken down that way.

**Mr. Narth:** Mr. Sul, is that something that you'd be able to provide? Is that something that we would have access to, or is that something that a future report we could further break down—since we're using—basically what I'm getting at is that we have a blended model here and liquor—and we're focussing right now on liquor and we'll move into lottery and cannabis, but the significant portion of the operation has historically been liquor retailing and sale.

So it's, I think, important to Manitobans to see how that breaks down, since we have a blended model that relies on private liquor sale and retailing throughout much of the province. I myself represent a constituency that's over 200 kilometres in length and don't have a single publicly run Manitoba Liquor Mart in it.

So I think it's clear to most Manitobans outside of the city of Winnipeg that a lot of liquor retailing and distribution is done on the other side of the model. So it'd be nice to compare the two, but I'm just—I'm seeing a great business model in the report, but I don't see the breakdown in comparison, so it's hard for Manitobans to understand what supports what or if they are, in fact, equal.

**Mr. Sul:** So on page 10 of the annual report, you'll actually see a breakdown by the segmented lines of business. You know, that would kind of at least give

you an appreciation for the operating expenses relating to the liquor line of business.

And then we can, you know, help and provide some inputs for you.

**Mr. Narth:** Going back, would you be able to provide an average overhead cost for operation for Liquor Mart retail locations within just the city of Winnipeg; so just completely focusing on Manitoba Liquor Marts?

**Mr. Sul:** So would this be something you'd be looking for in future reports?

**Mr. Narth:** Yes, definitely in future reports, or if you have any numbers, even rough numbers that are able to guide us right now through this report to break down any of those numbers that we have.

**Mr. Sul:** So, at this time, we don't have those numbers; we would have to calculate that out.

**Mr. Narth:** Does MBLL have any desire to increase the retail cost of beer, wine or liquor moving forward in 2024, and is there a need for that, or is that stable—pricing stable moving forward?

\* (10:50)

**Mr. Sul:** Shelf—the shelf prices are set, actually, by the supplier, the shelf—they set the price of where they want to be on the shelf, and we work it back towards the duty-paid landed cost. So it's ultimately the suppliers who dictate the price on the shelf.

**Mr. Narth:** This past year, we saw a lot of disruptions within distribution and retailing of liquor throughout the province of Manitoba. There was some strike action taken.

How much did the strike this past year cost Manitoba Liquor & Lotteries?

**The Chairperson:** Mr. Sul? *[interjection]* Sorry, honourable Minister?

**Mr. Simard:** When we are talking about disruptions to Manitoba liquor, lotteries in '22-23, we need to consider the cost to the workforce, the cost to the organization that delivers high-quality products across Manitoba. So in assessing the overall cost, I would be remiss if I didn't mention the cost in the workplace and the employees for Manitoba Liquor & Lotteries.

**Mr. Narth:** Just to clarify then, there was no cost on—or cost breakdown or projection on cost that those interruptions had created for your organization?

**Mr. Sul:** So in roughly estimating the impact to the organization or our net income back to the Province of Manitoba, we used a rough calculation of what the sales would've been or could've been during that 45–approximate 45-day period and compare that to, you know—using that as a basis for lost sales.

So our cost of sales, you know, obviously was reduced from that. So our gross margin was \$11.7 million. Salaries and benefits was a positive \$2.8 million. And then our other operating expenses related to additional storage and replacement workers that were necessary during that period of time amounted to \$1.25 million.

So roughly—I say roughly—\$10 million—a negative \$10 million was the impact to the Province of Manitoba.

**Mr. Narth:** What support was provided to your partners that weren't affected by the strike, and how were they affected?

So in that private-public model with all distribution through the public model, obviously that had effect on your private partners. Was there support that was provided, and how were those publicly run stores that weren't on strike but dependent on the MBL system, how were they affected?

**Mr. Sul:** So again, you know, during that period of time, during when there was strike action, obviously a lockout during that period of time. You know, we did our best to use exempt management and staff to staff the stores as best as we were able and to provide, you know, albeit not the most convenience mechanism, but to provide accessibility to the private channel retailers that are out there.

You know, as we kind of, you know, went through the strike, we identified an opportunity to be more efficient where we took our Eastman stores in Transcona and converted that into a liquor-licensee-only retail outlet to kind of help provide some efficiencies.

But again, you know, we did the best we could during that period of time with the staff that we had.

**Mr. Narth:** I guess, highlighting—moving away from that and, again, highlighting the changes in appetite, for lack of a better term, amongst Manitobans for liquor and trends we're seeing are changing, as highlighted on page 16, refreshment beverages and spirits are up while wine and beer are down.

You'd made mention to it and talked about it, but is there a pivot plan in place that would answer to that, so is there—can we—are we expected to see a change in

how liquor is retailed within the stores, being that there is a significant focus currently on wine within the stores, and that may be a trend that is on a downward slide.

**Mr. Sul:** So as I mentioned earlier, again, we have a category management team that continues to kind of monitor the landscape, you know, and kind of trends that are out there. And, again, you know, to make those adjustments in our purchasing, to make sure that, you know, we are aligned to what the consumers are leaning towards.

So if, you know, we start to see consumers, you know, again, straying away from beer or from wine products, then we might start increasing our selection, you know, in the spirits category or in the refreshment beverage category.

So again—and this is nothing new, you know, despite, you know, seeing these declines year over year. Again, we're always looking to monitor and make sure we have the right products on the shelf to provide convenience, selection and price to our Manitobans.

**Mr. Narth:** Thank you for that response.

With that being said, that there's changes and right now even in a market as Winnipeg, our largest urban centre, sees liquor sales primarily done on the public model, but beer vendors done primarily, or provided primarily on a private model, do you foresee room for the expansion of private liquor sale into urban centres like Winnipeg that are currently under the MBL monopoly?

**Mr. Simard:** Our Crown corporations are—belong to the people of Manitoba, and should always remain publicly owned and operated, and I have given our board chair the mandate to continue that, and Manitoba Liquor & Lotteries has a responsibility to deliver high-quality products to consumers, and efficiently with a high, you know, public delivery approach.

**Mr. Narth:** I guess then I'll shift my next question to the minister, Minister Simard.

So what you're saying is that we currently have a blended approach, which the CEO, Mr. Sul, has said functions well, and we can't completely break out what the profitability comparison is between the two, but obviously overall the blended model provides significant contribution to Manitoba.

Minister Simard, are you saying that this model couldn't exist within urban centres that do already have some form of private partnership in the beer vendor stores? So the beer vendor stores function in

harmony together with the publicly run Liquor Marts? But in your previous comment you had said that they need to stay—the Liquor Marts need to stay completely public.

**Mr. Simard:** Thank you for that question.

In response, the—for clarity's sake, is that our Crown corporations belong to the people of Manitoba. As you have seen throughout the course of your questions to the CEO, we have a very strong, capable team who have great business acumen, who have delivered year after year for Manitobans. And in a context such as that, I think that they are delivering on the mandate that we have given them to provide consumers their products efficiently with a public delivery approach. And we will continue down that path.

**Mr. Narth:** Again, this question would be directed to the CEO. Speaking to the advertising budget for MBLL, can you break down that advertising budget for Manitobans, primarily for liquor, cannabis and lotteries?

\* (11:00)

**Mr. Sul:** I wouldn't have that number handy, but we could provide that.

**Mr. Narth:** When could we expect that provided to us?

**Mr. Sul:** It won't take long; like I say, a week.

**Mr. Narth:** Honourable Chair, my question would be to the minister: Again, do you not think that with MBLL having the monopoly, in a sense, on legal liquor, cannabis and gambling within the province, that the advertising budget could be better used by government programs or the infrastructure?

**Mr. Simard:** Yes, programs that are offered by Manitoba Liquor & Lotteries promote its products in a sociable—socially responsible manner, and as a public corporation, these programs are accompanied by social responsibility-themed public awareness campaigns. And they're designed to help consumers have lower risk experiences with MBLL products and avoid potential harm. So, money well spent.

**Mr. Narth:** Since MBLL is a monopoly of services in Manitoba, like was stated in the previous question, is it appropriate for them to be sponsoring sporting events at all when that funding could, again, be used to support Manitobans?

**Mr. Simard:** When you—I guess I'm asking for clarification on the question, when you say sporting events.

**Mr. Narth:** Yes, I guess we could expand it to all Manitoba community events, but specifically there's advertising that's done through sporting events. There's advertising; MBLL—Manitoba Liquor & Lotteries has signage up and sponsorship at a variety of different events around the province, but specifically high-profile events and organizations within the city of Winnipeg.

**Mr. Simard:** Yes, the corporation has a proud history of giving back to the community and contributing in social responsibility measures that make our communities safer, healthier and, as responsibility programs, to help address addictions.

So I would say that a corporation that does do those things, I think its place in the communities and the locations that it serves, the products that it's able to provide to Manitobans to enjoy it responsibly, is entirely appropriate.

**Mr. Narth:** So this would include, then, just the out-right sponsorship that doesn't include a message of safety or responsible consumption. Is that correct?

**Mr. Simard:** The MBLL has a proud tradition of sponsoring community programs where all sorts of community organizations are able to apply to—funds—to further their development needs within their communities. So the MBLL, that being a publicly owned corporation for Manitobans, should also work for Manitobans in those communities.

**Mr. Narth:** Thank you for that response.

Just to be clear on the issue of convenience, going back to speaking about the expansion of choice and convenience within those express stores; in the mandate letter that the minister had delivered to the new board chair, Mr. Traeger, who we have with us today, you said, and I quote: Responsibly expand public liquor retail stores, including Liquor Mart Express outlets, to give Manitobans more options while maintaining support for the small businesses in rural and northern Manitoba that sell liquor.

Will you commit today to those expanded retail operations, including privately owned and operated businesses in urban centres?

**Mr. Simard:** Any expansion of public liquor retail stores would be undertaken following proper business case analysis, which would include ensuring ongoing support for the small businesses in rural and northern Manitoba that sell liquor, as well as the implementation of retail industry best practices, which improve the customer experience in growing communities.

**Mr. Narth:** So I just want to clarify, then, because going back to our comments and breaking down the profitability, and the profitability comparison between a private model and a public model of retailing, would the minister be able to answer if, in fact, the reason that we see an absence of publicly run liquor retailing in these rural locations is completely because of the financial liability that they hold in comparison to the highly-populated urban centres?

And would the minister also be able to answer, is that the reason why we don't see a willingness to expand private liquor retailing within those urban centres?

**Mr. Simard:** Profits from the sale of liquor are returned to the provincial government to support government programming and initiatives in areas such as health care, education, social and community services, economic development and public safety.

And, as is evidenced in the annual report of Manitoba Liquor & Lotteries, we have a high-performing corporation that is delivering on its mandate to remain publicly owned and to deliver high-quality products to its consumers.

**Mr. Narth:** Would the minister then be able to answer if there is a feasibility model, would the minister be interested in expanding publicly sold liquor, publicly run liquor vendors in small rural communities, or is it not feasible?

**Mr. Simard:** As I referenced in a previous response, any expansion of public retail liquor stores would be undertaken following proper business case analysis.

**Mr. Narth:** Will the minister commit to taking on as an undertaking, providing members of this committee with the follow-up information the CEO has committed to, and that being around breaking down the profitability comparison between the privately run model and publicly run model?

**Mr. Simard:** I'll refer to the CEO.

**Mr. Sul:** I guess one of the questions there, like, if there was to be some sort of comparative, then we would have to have insights into the profitability of those individual operations, which we don't have.

So, you know, if you're going to try and compare a Liquor Mart, you know, revenue or our margins, you know, to that of a liquor vendor, again, you would have to have those insights into, you know, the profitability of the various liquor vendors here in Manitoba to do a proper comparison.

**Mr. Narth:** My comment for that to the CEO would be that I think it's pretty simple to break it out. If we take the retailing out of the equation, the profitability of distribution of liquor through the private model versus the public model and a comparison of that.

If that is too complicated to break down, which should be very simple—there should be operating costs of running a business like any business privately held or publicly held throughout our great province—if you're not able to break down the revenue streams, that's somewhat alarming.

\* (11:10)

But that being said, if that's not able to be provided as you've committed before, that you're willing to provide information as a follow-up to our committee here today, would you then be able to break down the profitability of the publicly run Liquor Marts?

So taking out the retailing operation and show us what the profitability is with the costs of operation broken down so that we can see, separate from the publicly run—privately run model, the profitability of the private—publicly run stores.

**Mr. Sul:** I think, again, it would be very difficult to do an apples-to-apples kind of comparison. You know, recognizing in a liquor vendor, you know, as I said before, it's not their primary line of business; they have assorted or other capital investments or costs, you know, related to it. So I think it would be very difficult to do that comparison.

Back to an earlier comment you made, you know, back to rural Manitoba, you know, we have 27 Liquor Marts in Manitoba and, again, you know, with our mandate, you know, there is an opportunity to see if there's opportunities to either grow or contract.

You know, in Manitoba we continually to look at—we continue to look at the performance of all of our Liquor Mart stores, and again, that provides us an opportunity to look at: do we expand a store; do we contract a store; do we move the store or do we even potentially, you know, close the store?

And we've had situations where, you know, example, you know, most recently in Churchill where we converted a Liquor Mart store into a liquor vendor, providing a great opportunity for a private citizen to run that store.

You go even further back, you know, we took the Stonewall store, which was privately owned, and we converted it into a Liquor Mart. So we're always

looking for these opportunities, again, to be responsible, but at the same time optimize our net income back to the Province of Manitoba.

**Mr. Narth:** I guess, so then, a last effort to be able to get a better handle on what the profitability looks like of the publicly run liquor stores, would you be able to provide a cost of operation for the Manitoba Liquor Marts, in general, that can be across the entire province?

**Mr. Sul:** And that is included in the segmented net income statement that's in the annual report. You know, I'm just wondering how detailed you want to carve that out because that's already segmented that way.

**Mr. Narth:** Basically, what I'd be looking at is just carving out the wholesale distribution of liquor to private partners. So, excluding all private liquor stores, looking at the cost of operation just specifically for the publicly run Liquor Marts, so that we have an understanding.

We know—it's clear to see that we're telling privately owned and operated liquor vendors across Manitoba that they are set to 11 and three-quarter per cent, just to see if there's a comparison that we could make.

**Mr. Simard:** I will pass the microphone off to the CEO in a couple minutes. But the goal of Manitoba Liquor & Lotteries, as been written in the mandate letter, is to look for all of those opportunities, but also to be able to provide high quality, publicly run services to Manitobans: services that Manitoba can be proud of; that remain profitable; that give back to the community; that invests in socially responsible ways across the province.

And in terms of future development of stores, we would continue to ask the same thing of the MBLL, and we have a high-performing, high-functioning executive team that is able to deliver on its mandate to do so, and in a socially responsible and effective way.

And I think that what we're hearing here at this committee is that the expertise that we are able to tap into, in terms of running the corporation, is a very high quality. The business case for Manitoba Liquor & Lotteries remaining public is quite obvious when you look at the benefits that have been returned to the province in recent years and in upcoming years.

And I can say that I am extremely proud of our relationships, not only within the business community with the private retailers, but also with renewed focus

on re-establishing the respect for workers in our buildings who were negatively affected over the last year by decisions made by a previous government.

So we have a whole lot of trust in our corporation to be able to deliver high quality, publicly owned service to Manitoba, but I will pass on to the CEO to answer the remaining part of your question.

**Mr. Sul:** Just going back, kind of, you know, and getting back to your earlier request for, kind of, you know, this breakdown or potential comparison, again, you know, the other consideration which would complicate matters is, you know, there's the shared efficiencies, you know, that are also, you know, when we're appropriating cost to things because we have shared efficiencies.

When we're freighting out, you know, beverage alcohol, again, you know, we're having the opportunity to drop off at a public store and a private store, and so, you know, how do you proportion out, you know, obviously, you know, those related operating expenses, you know, that we have.

We also have, in the back end, technology and systems that are shared. So an example would be we share our cannabis and liquor operations, you know, through a single technology solution.

So again, there's a lot of efficiencies that are—it would be hard to parse out to do, you know, kind of that precise comparison you're looking for.

**Mr. Narth:** I won't dwell on it, but basically all that I was asking for is breaking out the cost of basic operations, strictly on the retail side.

But moving on from that, it's to my understanding that there's been significant changes in demand as inflation rises. It's what spurred on our—the strike that we had seen last year by MBLL employees, that the cost of living has risen and the employees that fulfill the roles and responsibilities to execute the sale of the product for Manitobans was outpacing what they had viewed as responsible and reasonable.

With that being said, it's to my understanding that the private model, the shared profitability with the private model, hasn't increased in possibly decades. Is there any consideration that's made—has been made to strengthen those partnerships between the private liquor distribution and MBLL?

**The Chairperson:** I'm going to ask who the question is posed to so I know who to acknowledge.

**Mr. Narth:** To Mr. Sul.



**The Chairperson:** Thank you.

**Mr. Sul:** So after, you know, the last number of years, again, there hasn't been much change. Again, we haven't had the ability to pivot any way as we kind of, you know, move forward under the direction of the prior government. So there hasn't been much weigh in and adjustment or kind of reviewing, you know, different opportunities that are out there.

**Mr. Simard:** And just further, with respect to the workforce that exists within the public model, we—our government prides ourselves on listening to the workers who work tirelessly to deliver high quality experiences and products to Manitobans and proud of our recent record in advancing those conversations with those workers.

**Mr. Narth:** My question, then, would next be to the minister, if the minister would be in favour in also providing those same increases in profitability to the private liquor stores, which are capped and controlled by an agreement. They don't have the opportunity to access the free market and set their own prices. The prices to the partnered private stores are set by MBLL, similar to the wages that are set for those that provide the retail service in the public model.

So, since we've identified that the public staff are worth investing in, do you feel that the private store owners are worth investing in and increasing the profitability to those stores?

\* (11:20)

**Mr. Simard:** Thanks for the question.

We value the partnerships that we have within the private delivery of liquor across Manitoba, and any—similar to the expansion of liquor stores, when we're talking about expanding profitability to private businesses, we will, in discussions with the executives of Manitoba Liquor & Lotteries, look at all business cases for all lines of business across the MBLL.

And so all conversations to that nature are ongoing. Whether it be the VLT that you see at your local diner or whether it is the beer that is offered in one building or another, those conversations across sectors within the MBLL are ongoing, and we have a lot of faith and trust in our executive to be able to manage those situations.

**Mr. Narth:** Quickly moving on, in light of where time has led us, moving on to lottery end of the corporation, online gaming platforms have opened up to private

companies in other provinces in Canada. Some individuals close to us—some individuals choose to use privately owned betting apps while living in Manitoba.

What impact do you feel this has on the online gaming operations revenue, and do you think this is why online gaming revenue is decreasing?

**The Chairperson:** Who is the question posed to?

**Mr. Narth:** To the CEO.

**An Honourable Member:** I can answer that, Chair.

**The Chairperson:** Okay.

**Mr. Simard:** PlayNow.com is Manitoba's only legal online gaming platform and is—actually offers one of the most extensive offerings in Canada and including single-event sports betting.

And it also—PlayNow.com—incorporates player health and tools and messaging on social responsibility, including the ability for self-exclusion, including the ability to manage betting patterns. And we also comply with all federal reporting obligations, and PlayNow.com is also the only betting app that invests in Manitoba. So we're proud of—to be able to deliver this offering to Manitobans.

As for what people spend outside of the borders, I can't comment on that because we are proud to have a legal online betting tool here in the province that is reliable, that doesn't go to Malta or Gibraltar, that is—you are able to be paid for your winnings as well.

**Mr. Narth:** With—seeing that time is only allowing us five more minutes and only a few more questions that I can quickly proceed through regarding lottery and a few on cannabis, is there a will for leave for the rest of the committee for a few more minutes, recognizing time commitments by others? Ten?

**The Chairperson:** Leave has been requested to sit for an additional 10 minutes. Is there leave from the committee? *[Agreed]*

**Mr. Narth:** Thank you for granting that leave.

My next question expands on that, and the question would be to the minister. Will your government expand sports betting options within Manitoba?

**Mr. Simard:** PlayNow is Manitoba's only legal betting platform, run by the MBLL.

**Mr. Narth:** Moving through this a little bit quicker, how many new VLT and gambling licences were granted in 2023? And this question is to the CEO,

I'm sure he would know it best. And do you think more will be granted in 2024?

**Mr. Sul:** So, in Manitoba, as it relates to our commercial operators, there's 5,122 VLTs. So again, we have to work within those confines. So, you know, as we see licensees, you know, again, shut down, you know, those machines are potentially redistributed.

But we have a fixed number of VLTs in the province of Manitoba, and through the pause in gaming, we weren't permitted to expand beyond that number. So again, we work with what we have available, so there's no expansion of additional VLTs in the province of Manitoba.

**Mr. Narth:** The question, then, will be flipped over to the minister, as the mandate letter has expressed a lift in that pause.

So then, question to Minister Simard: Do you foresee an expansion in VLT and gambling licences in-through 2024?

**Mr. Simard:** Yes, as we lift the gaming pause we welcome engagement with multiple communities to discuss with the stakeholders opportunities, realities within the provincial context for gaming, which may or may not include those things that you refer to.

**Mr. Narth:** My question would then be to the CEO: Do you track demographic data on betting, and if so, are you willing to expand on that, and is that information provided publicly?

**Mr. Sul:** So the only demographic capabilities we have to track player behaviour or player inputs, obviously would be those who register to have a club card, you know, in our casino environment.

Again, you know, we do, you know, do some exercises of kind of looking at age demographics, you know, in order to—for us to, you know, look at promotions or advertising to be appropriate to the demographic that we're catering to. So, you know, we do have access to that information both for online gaming and only in the casino where a person has a club card.

**Mr. Narth:** With the—this is a question would be to Minister Simard: With the proposed lift on the gaming pause, are you referring to a publicly owned approach, solely publicly owned approach, or would this be a blended model?

**Mr. Simard:** Yes, the gaming pause has been in effect for five years, and in addition to preventing any expansion of gaming in Manitoba, it also impacted regular gaming operations that are not an expansion

of gaming, including renewals or expansion opportunities.

So we continue to engage with stakeholders, and we will be—you know, when the gaming pause was instituted five years ago, it came with a promise of a gaming review, and, unfortunately for our government, we are unable to locate any such gaming review, nor was it ever shared with the Manitoba Liquor & Lotteries. So, in our continued engagement with stakeholders, we continue to look at the existing landscape and look for opportunities, which include expansion opportunities.

**Mr. Narth:** So, with that being said, MBLL, earlier in January, had released, by officials, putting out a warning about a fake Club Regent online casino. What has the minister and MBLL done to ensure Manitobans aren't deceived by predatory practices like these?

**Mr. Sul:** Unfortunately, again, you know, the Internet has provided a conduit for, you know, many scam artists and such out there. And, of course, we were aware of the fake ad that was published. Our—obviously, we had to bring that forward to Meta or the Facebook operators, to bring it to their attention and go through their process of removing that ad.

\* (11:30)

**Mr. Narth:** My question would be to the CEO now, shifting over to cannabis quickly for the last few minutes.

Honourable Chair, cannabis has expanded into online sales this year. What has been the impact on revenues, if the CEO would be able to answer that?

**Mr. Sul:** Yes, firstly, I guess, you know, our primary source of revenue is coming through the land-based stores, of course. Again, we continue to have a strong cannabis market in Manitoba, you know, with continued requests for additional licensees, you know, to operate in Manitoba.

Again, I would say Manitoba is a strong cannabis market and continues to grow year over year.

**Mr. Narth:** This question would be to Minister Simard.

Would he be able to, in general, state whether he prefers the private or if there's a perceived benefit for public sales of cannabis products through Manitoba? We heard before a strong defence of the public model of liquor sales throughout our higher populated urban centres.

What is the minister's feeling on the model—the current model—that we have for cannabis sales?

**Mr. Sul:** Thank you for that question.

As we appoint new board chairs, settle collective agreements, lift the gaming pause, engage with stakeholders across—stakeholders within the Manitoba Liquor & Lotteries, cannabis and the sales of cannabis and how they're sold in Manitoba are—is being top of mind in terms of those types of engagement and information shared with our office.

*The Vice-Chairperson in the Chair*

You know, the things I referenced prior, with respect to how busy the Manitoba Liquor & Lotteries have been in the last four months with a lot of the items we've tasked them to do, we'll continue to look at the model in which cannabis is sold, continue to engage with partners in that industry. And, I guess my answer is we're still, you know, engaging with stakeholders.

**Mr. Narth:** My question would be to the CEO.

Would the CEO feel that the current model of cannabis retailing and the shared partnership in distribution between MBLL is effective, or is there lost opportunity for the Province of Manitoba?

**Mr. Sul:** You know, as you would see, obviously, in the report, you know, we've seen this significant year-over-year increases. We haven't, you know, considered any alternatives.

**Mr. Narth:** I'd like to shed light on a comment that was made earlier by Minister Naylor. If I may quote, Lisa Naylor, NDP critic for the Liquor & Lotteries, told the House that the private system for cannabis sales may not benefit the Province, and I quote: I think it's safe to say that that's something we need to look at more closely.

*The Chairperson in the Chair*

Naylor said again, and, in quote, we understand that private sales of cannabis were brought in under PC government, and I know that is not the norm across the whole country, she added. So, quoting again, so I think it's safe to say that if we're elected, which they were, we'll take a close look at all of the decisions that were made regarding cannabis when we weren't the ones at the table making the decisions.

So my question would be to the minister: Do you disagree with your colleague, and is the NDP, the new NDP government, no longer pursuing private operations within Manitoba?

**The Chairperson:** Just a reminder before the response that we do not use members' first names. You referred to Minister Naylor by her first name.

**Mr. Simard:** I agree with Minister Naylor when Minister Naylor states that we should closely look at the practices that have been instituted, and I'll leave it at that.

**Mr. Narth:** Getting back to the gaming pause, the minister said that he is meeting with and open to meeting with stakeholders.

I would like to ask the minister if he will share who he is meeting with, and which stakeholders, and he—who he has consulted with.

**Mr. Simard:** The answer is we meet with people who are coming to us with ideas, that are stakeholders, current stakeholders and business partners across Manitoba. And the best place to make those engagement talks are, as they are not completed, should not be shared here at the committee table.

**Mr. Narth:** Just to clarify, would, then, the minister commit that he is willing to meet with all stakeholders across all of Manitoba, not excluding anyone who is interested in meeting?

**Mr. Simard:** I'm glad Mr. Naylor [*phonetic*] has—or, Mr. Narth has brought that up, because, as you know, our government is a listening government. We've met with thousands of stakeholders across Manitoba on a variety of issues, on a variety of concerns, whether it be in health care, safety, sport, culture, justice and Manitoba Liquor & Lotteries is no exception. And we will continue to do so.

**Mr. Narth:** My question, then, for clarification, again, back to Minister Simard: Is Mr. Simard willing to—Minister Simard willing to share that list of stakeholders that have been consulted with, or will be consulted with, before decisions are made?

**The Chairperson:** So, there's just a reminder, folks, we have three minutes left and we need a minute at the end to put the question to the floor.

**Mr. Simard:** The question again was—can you repeat that, please?

**Mr. Narth:** The question is, would the minister make that list of stakeholder engagement public prior to any decisions?

**Mr. Simard:** What I can commit to doing is continue to meet with as many stakeholders as possible in terms of lifting the gaming pause and continue to engage with our business partners across Manitoba in the sector.

**Mr. Narth:** So just to clarify, making a statement to the minister, he's not willing to make that public, and with—in light of time, that concludes my questions.

**The Chairperson:** Honourable Minister, do you have a response?

**Mr. Simard:** Sure. My response is: I am so impressed with the Manitoba Liquor & Lotteries Corporation. I have learned, over my short period of time as minister responsible for Liquor & Lotteries, that the culture at Manitoba Liquor & Lotteries will be—continue to be high performing. And I am so proud of the ability that our workers have had to be able to deliver for Manitobans, to deliver high-quality products, to deliver great service. And I just can't wait to continue to work with this fabulous organization.

And my heartfelt thanks to all of the people within that corporation who have been supporting the work

of our CEO and the executive. We are very lucky in Manitoba to have such a high-quality corporation, and it is a great jewel for us.

**The Chairperson:** Thank you, honourable Minister.

Seeing no further questions, I will now put the question on the report.

Annual Report of the Manitoba Liquor and Lotteries Corporation for the fiscal year ending March 31, 2023—pass.

The hour being 11:40, what is the will of the committee?

**An Honourable Member:** Rise.

**An Honourable Member:** Adjourn.

**The Chairperson:** Committee rise.

**COMMITTEE ROSE AT: 11:40 a.m.**

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