



Crown Services | Departmental Briefing | Election 2019

## **TABLE OF CONTENTS**

PART A: Department Overview.....	3
1. Proposed Briefing Schedule.....	3
2. Organization.....	3
2.1 High-Level Departmental Responsibilities.....	3
2.2 Organizational Structure.....	6
2.3 Organizational Chart – Crown Services.....	10
PART B: Strategic Overview.....	11
Strategic priorities.....	11
4. Urgent issues.....	14
5. Financial overview.....	24
6. Broad policy pressures.....	28
7. List of community contacts.....	29
8. Statutory responsibilities of the Minister / Legal framework.....	31
9. Scheduled events.....	31
10. Acronyms.....	33
PART C: Subject Overview.....	34
11. Subject Overview by Crown Corporation.....	34

## **PART A: Department Overview**

### **1. Proposed Briefing Schedule**

To be determined.

### **2. Organization**

#### **2.1 High-Level Departmental Responsibilities**

The Crown Corporations Governance and Accountability Act (CCGAA) came into force on June 2, 2017 and:

- o established board accountability requirements
- o introduced Ministerial Mandate Letters to Crowns
- o dissolved the Crown Corporations Council and implemented a secretariat model that resides within Government
- o provided for policy directives to be issued by the Minister and department.

The Act sets out five corporations that are subject to the Act - Manitoba Hydro; Manitoba Liquor and Lotteries; Manitoba Public Insurance; The Manitoba Centennial Centre Corporation and Efficiency Manitoba Inc. The Act also allows the ability to add other Crown corporations or agencies through regulation.

The Act also created the Crown Services Secretariat. The Secretariat consists of two units.

- o The policy unit prepares documents, manages legislative and regulatory needs, provides analysis of major capital proposals and liaises with Crowns to address concerns of Manitobans.
- o The regulatory unit ensures compliance with reporting requirements of the act, as well as provides analysis and advice with respect to business plans, capital plans and other major decisions that boards may make.

The Secretariat is also responsible for managing and overseeing a board governance training program for ABC appointees.

The Crown Services Secretariat, consisting of one Executive Director, two Policy Analyst positions, one Case/Office Manager and a Crown Oversight Manager (Audit Function), is housed within the Department of Finance.

The Secretariat's budget is annualized as part of the annual estimates process and offsetting revenue is annualized from the Crown corporations subject to the Act.

## Requirements of the Act:

The principle reporting requirements under the Act are:

### 1. Roles & Responsibilities Record

- Must be completed jointly between Crown Services Secretariat and each Crown subject to the Act.
- Must be signed by Board Chair, Crown CEO and the Minister of Crown Services.
- Must be made public within 30 days of being signed.
- Must be reviewed and renewed, amended or replaced within 3 years.

### 2. Mandate Letters are issued at the discretion of the Minister and include:

- The government's goals for the corporation;
  - The specific outcomes to be achieved by the corporation during the term of the letter;
  - Performance measures to be used in determining if outcomes have been achieved; and
  - Any other information prescribed or that the Minister considers appropriate.
- Mandate letters can be annual or can be issued to cover up to three fiscal years. This may be different for different corporations.
- Mandate letters must be consistent with each corporation's objects, mandate or purpose as set out in legislation.
  - Mandate letters must be signed by all directors of the corporation and the Minister.
  - Mandate letters must be approved by the LGiC.
  - Mandate letters must be made public within 30 days of coming into effect.

### 3. Directives are issued at the discretion of the Minister with the approval of the LGiC. Directives may be issued respecting:

- Matters of policy and the accounting policies and practices of the corporation;
  - Standards to be complied with regarding advertising by the corporation; and
  - Conducting special organizational reviews by the corporation.
- Directives may be issued to ensure practices of 2 or more corporations are consistent.
- Directives may be issued to ensure 2 or more corporations work together with other corporations or with government if doing so will further efficiency or effectiveness.
  - Directives must be made public within 30 days of being given to a corporation.

#### 4. Annual Business Plans

- The Minister may issue guidelines for annual business plans, which may vary by corporation.
- Plans must be acceptable to the Minister and submitted by January 15th (MPI) or February 15th (MH, MBL, MCCC) annually and must be approved by the corporation's Board of Directors prior to the beginning of the fiscal year to which it applies.
- Plans must be consistent with the resources of the organization, its objects, purpose or mandate and any mandate letter issued by the Minister.

Plans must include the following:

- The corporation's goals for the coming fiscal year;
- Specific outcomes to be achieved by the corporation including any laid out in a mandate letter;
- Capital expenditures for the period including each expenditure that exceeds the prescribed threshold (to be determined);
- Performance measures to be used to determine whether outcomes have been achieved; and
- Any other information that is prescribed or the Minister deems appropriate.
- Plans must be made public within 30 days of being approved.
- The corporation's annual report must include a comparison of actual results to the specific outcomes laid out in the plan.

#### 5. Other Reporting Requirements

- Within 4 months of the corporation's fiscal year end an annual report on the operations of the corporation must be submitted to the Minister and must include:
  - The audited financial statements of the corporation;
  - A comparison of actual results to the specific outcomes laid out in the annual business plan (as described above);
  - An explanation for any variances in actual results to the annual plans; and
  - Any other information required by the LGiC.
- Annual reports must be tabled in the Legislative Assembly within 15 days if the Legislature is sitting, or within 15 days of the start of the new session if it is not.
- Annual reports are permanently referred to the Standing committee on Crown Corporations.
- Financial statements showing the financial condition of the corporation must be submitted to the Minister within 45 days of the end of each of the first 3 fiscal quarters.

## 2.2 Organizational Structure

### **Manitoba Hydro**

Mission Statement: "We create value for Manitobans by meeting our customers' expectations for the delivery of safe, reliable energy services at a fair price."

#### Fast Facts:

- Manitoba Hydro is the province's major energy utility. The governance of the Crown corporation is through the Manitoba Hydro-Electric Board.
- Serve over 570,000 electric customers throughout Manitoba and over 270,000 natural gas customers in various communities throughout southern Manitoba.
- Are one of the lowest cost providers of electricity in Canada.
- Export electricity to electric utilities through participation in three wholesale markets in Canada and the mid-western United States.
- Offers a wide range of energy services and programs to customers, either directly or through business interests.
- Generates nearly all Manitoba's electricity from self-renewing water power, using 15 hydro-electric generating stations, primarily on the Winnipeg, Saskatchewan, Burntwood and Nelson rivers.
- Are the major distributor of natural gas in the province, delivering natural gas to over 100 Manitoba communities.
- Has capital assets-in-service at original cost, which exceed \$22.3 billion, making Manitoba Hydro one of the largest energy utilities in Canada.

### **Manitoba Public Insurance**

Mission Statement: "Exceptional coverage and service, affordable rates and safer roads through effective public auto insurance."

#### Fast Facts:

- Manitoba Public Insurance is a non-profit, Crown corporation that has provided basic compulsory automobile coverage since 1971. MPI is accountable to the Minister of Crown Services through the Corporation's Board of Directors.
- Insurance, licensing and registration services are provided through centres in 12 communities, and at more than 300 Autopac agents across Manitoba.
- The corporation is committed to exceptional coverage, superior service and rates that are stable, predictable and among the lowest in Canada.
- MPI also promotes road safety through awareness and education, to address the social and financial impact of unsafe driving behaviours.

## **Manitoba Liquor and Lotteries**

Mission Statement: "Innovative and responsible delivery of quality products and entertainment, generating revenue for Manitoba."

### Fast Facts:

- Is a provincial Crown corporation, governed by an appointed board of directors, with a core mandate to provide revenue to the Manitoba government to support provincial programs and initiatives such as health care, education, social services, housing and infrastructure. They are responsible for the sale of liquor and gambling in Manitoba using a sustainable and socially responsible approach.
- Operates all Liquor Mart and Liquor Mart Express stores, Club Regent Casino, McPhillips Station Casino, Video Lotto, and PlayNow.com. They distribute and sell liquor and are the exclusive supplier of breakopen tickets and bingo paper in Manitoba. They also distribute and sell lottery tickets in partnership with the Western Canada Lottery Corporation and the Interprovincial Lottery Corporation.
- Is responsible for the supply and distribution of recreational cannabis in Manitoba.
- As the wholesaler and distributor of liquor in Manitoba, Liquor & Lotteries serves more than 1,700 commercial customers through their distribution centre. They also operate all Liquor Mart and Liquor Mart Express stores in the Province.
- Club Regent Casino and McPhillips Station Casino feature table games, slots, bingo, restaurants, lounges and live shows, along with the operation of the Club Regent Event Centre.
- Liquor and Lotteries' video lottery terminal (VLT) network supports the hospitality industry across the province.
- PlayNow.com offers Manitobans a safe, secure and legal way to play online.
- Liquor and Lotteries distributes and sells Western Canada Lottery products through a network of independently-owned lottery retailers.

## **Manitoba Centennial Centre Corporation**

Mission Statement: "Manitoba Centennial Centre Corporation is an effective and responsible steward of physical, human, financial and technological resources to advance arts, culture and heritage for the benefit of all Manitobans."

### Fast Facts:

- The Manitoba Centennial Centre formed in 1960 to commemorate Canada's centenary and establish an arts and cultural district in the East exchange, as part of a broader scheme of urban renewal in Winnipeg's Point Douglas area.

Governance of the Manitoba Centennial Centre Corporation (MCCC) is through the Manitoba Centennial Centre Corporation Board.

- o The head office for the Manitoba Centennial Centre is 555 Main Street. MCCC manages several important arts and cultural buildings as well as revenue generating parkades. This includes:
  - Centennial Concert Hall
  - Manitoba Museum
  - The Planetarium and Science Gallery
  - Royal Manitoba Theatre Centre (John Hirsch Mainstage)
  - Tom Hendry Warehouse Theatre
  - Manitoba Production Centre
  - Artspace (The Gault building)
  - three surface parking lots
  - an underground parkade and
  - 11 Lily Street

### **Efficiency Manitoba Inc.**

Mission Statement: "Efficiency Manitoba reduces energy consumption using innovative approaches that respect the environment and lead to economic benefits for Manitobans."

#### Fast Facts:

- o Efficiency Manitoba was established as a standalone, non-share Crown corporation, dedicated to energy efficiency and conservation for the province of Manitoba. The governance of Efficiency Manitoba is through the Efficiency Manitoba Board.
- o In June 2014, the Public Utilities Board's Needs For and Alternatives To Panel recommended that "Manitoba Hydro be divested of Demand Side Management (DSM) responsibilities and the Government of Manitoba establish an independent arm's length entity to deliver government-mandated DSM targets."
- o In accordance with the recommendation, The Efficiency Manitoba Act was created with a defined mandate for the Crown corporation, as set out in the establishing legislation. Efficiency Manitoba' mandate includes:
  - achieving Electrical Energy net savings that are at least equal to 1.5 per cent of the consumption of electrical energy in the preceding year, for a cumulative total of 22 per cent reduction in the first 15-year period
  - achieving Natural Gas net savings that are at least equal to 0.75 per cent of the consumption of natural gas in the preceding year, for a cumulative total of 11.25 per cent reduction in the first 15-year period.

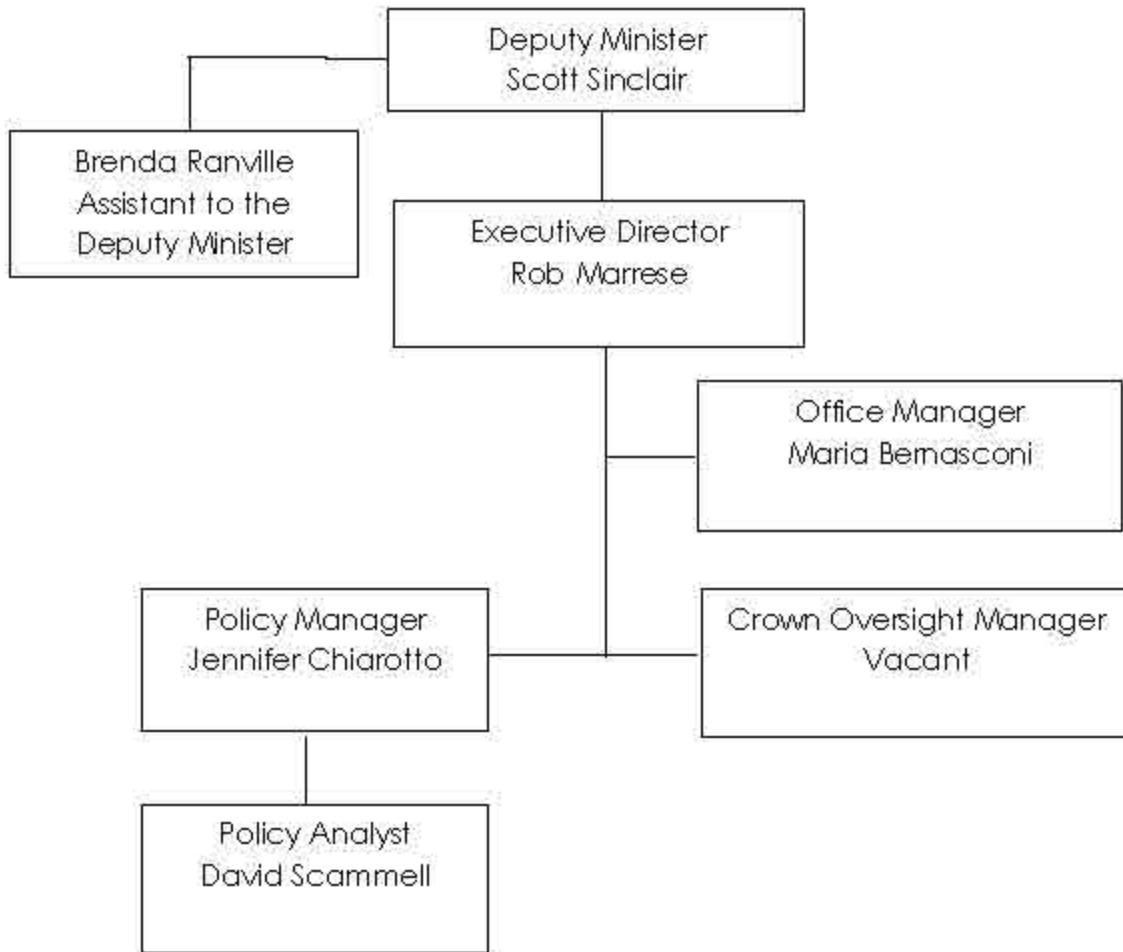
- implementing and supporting demand-side management initiatives to meet the savings targets and achieve any resulting reductions in greenhouse gas emissions in Manitoba
- achieving additional reductions in the consumption of electrical energy or natural gas — including resulting reductions in the demand for electrical power — if the reductions can be achieved in a cost-effective manner
- mitigating the impact of rate increases and delaying the point at which capital investments in major new generation and transmission projects will be required by Manitoba Hydro to serve the needs of Manitobans
- having the option to expand efficiency initiatives to include potable water consumed in Manitoba and fossil fuels used in the transportation sector

### **Crown Corporation Staffing Totals**

Budget for 2018/19 Fiscal

<i>Crown Corporation</i>	<i>Total FTE</i>	<i>Total Compensation**</i>
MPI*	1902.5	\$173.9 Million
Manitoba Hydro	5661	\$434.1 Million
MBLL	2844	\$171.6 Million
Efficiency Manitoba	-	\$157 Thousand
MCCC	67	\$4.1 Million

### 2.3 Organizational Chart – Crown Services



## **PART B: Strategic Overview**

### **3. Strategic priorities**

#### **Red Tape Reduction**

- Ongoing red tape reduction in the Crown corporations to improve efficiencies and reduce costs associated with unnecessary activities.
- MPI has submitted a legislative change that will help reduce red tape, by changing the current subrogation model when an insured breaches their coverage.
- An amendment to The Manitoba Public Insurance Corporation Act to establish the Claim Dispute Tribunal (CDT) as an independent body to resolve disputes between MPI and insureds, providing an efficient alternative to court proceedings for most claim scenarios, including the assessment of liability for collisions occurring in Manitoba or the denial of coverage for a loss.
- The CDT is intended to create a straightforward, one-step impartial process that will ensure swift resolution of claims for the insured and ultimately result in a reduction of court proceedings. This will be beneficial for the courts because it will free up court resources to schedule other matters, and for MPI because there will be a reduction in legal resources required to respond to court actions taken against MPI.
- MBLL has submitted a legislative change to encourage more private sector involvement in the distribution of alcohol. The amendment will remove the current reference to beer under the distributor section and replace it with beverage alcohol categories, reducing red tape to allow private distributors to carry a wider variety of product.
- Both of the legislative proposals are anticipated to be on the legislative agenda for the 2019/20 legislative session.

#### **Immediate Roadside Prohibition**

- Immediate Roadside Prohibition (IRP) approach will increase penalties in regulation for drivers caught registering a blood alcohol concentration (BAC) of .05 to .079.
- On November 29 2018, the Government of Manitoba introduced Bill 7, The Highway Traffic Amendment Act (Immediate Roadside Prohibitions), which received Royal Assent on June 3, 2019.
- The purpose of the Bill 7 and regulation approach is to enhance road safety as police are able to spend more time patrolling and removing impaired drivers from the road.
- IRP will make Manitoba's roads safer, reduce steps and red tape in administering penalties for impaired driving, allow police to spend more time patrolling, and alleviate the heavy burden on the courts of lengthy criminal proceedings for less serious impaired driving cases.
- Bill 7 will be proclaimed later subject to necessary administrative and system enhancements. The recommended date for proclamation is December 16, 2019.

- MPI has worked closely with Justice in preparing the IRP proposal and will administer the penalties.

#### Launch of Efficiency Manitoba

- Bringing the Efficiency Manitoba Act regulation into force completed the legislative process to establish Efficiency Manitoba and the process for developing, reviewing and approving three-year energy efficiency plans as required by the Efficiency Manitoba Act.
- By launching Efficiency Manitoba the Government has responded to recommendations made by the Public Utilities Board to divest energy efficiency responsibilities from Manitoba Hydro to create a smaller, more efficient demand side management agency than the current PowerSmart program.
- When fully operational, Efficiency Manitoba will contribute to growing the economy by using the expertise of private companies in the delivery of energy efficiency programs throughout the province and making businesses and industry more competitive by becoming more energy efficient.
- Efficiency Manitoba will be required to meet annual and 15 year energy efficiency targets for both electricity and natural gas. Efficiency plans will be reviewed through Public Utilities Board public hearings and performance assessed by independent third party evaluators. Efficiency plans will be approved by Government or referred back for amendments if required.
- Efficiency Manitoba will report on key performance indicators within its energy efficiency plans.

#### Manitoba-Saskatchewan Export Power Initiatives- Birtle Transmission Line

- Manitoba Hydro and SaskPower are currently building a new 230kV intertie between Birtle, Manitoba (MB) and Tantallon, Saskatchewan (SK), with an in-service date of June 2021.
- Upon completion, Manitoba Hydro will be able to fulfill contract arrangements with SaskPower to provide 100 megawatts (MW) of hydroelectricity for 20 years on a guaranteed basis beginning in 2020.
- Manitoba's clean, renewable energy resources are being optimized to reduce greenhouse gas emissions and bring more value to Manitobans by expanding Manitoba Hydro's market access into Saskatchewan through the construction of a new 230kV intertie, and exploration of further opportunities for expansion of the east-west grid; helping to keep hydro rates affordable for Manitobans.
- The 2018 Western Regional Electricity Cooperation and Strategic Infrastructure Initiative Study ranked increased intertie capacity between MB and SK second in Western Canadian projects for achieving GHG emission reductions and was shown to also have economic benefits at the local level, which is in alignment with the Made-in-Manitoba Climate and Green Plan's approach to actively reducing carbon emissions while growing our economy.

### Manitoba Gaming Strategy Review

- Crown Services has been directed to set-up a commission to conduct a comprehensive gaming review in Manitoba. The commission will be carried out by three individuals appointed by the Minister of Crown Services. The Agencies, Boards and Commission's Office will make recommendations on the composition of the commission.
- The commission will make recommendations regarding whether Manitoba Liquor and Lotteries' (MBLL) mandate, policies and practices should be modernized to better reflect government priorities and expectations of Manitobans with respect to gaming, and the adoption of best practices identified in other jurisdictions.
- Manitoba's gaming industry provides a revenue stream for urban, rural, northern, and remote areas of the Province and lottery revenue contributes approximately \$325 million to the provincial treasury annually, but there are social and other economic impacts related to gaming, which the gaming review, will examine and make related recommendations to help inform the development and implementation of an overarching provincial gaming policy.
- The gaming review requires a whole of government approach that examines not only existing legislation, policies and practices, but also considers social and economic impacts of gaming. It is anticipated that the commission will be supported by Crown Services, and relevant staff within the departments of Finance, Justice, Indigenous and Northern Relations, and others if applicable.

#### **4. Urgent issues**

- o *Manitoba Liquor & Lotteries: Gaming Review Strategy*
- o *Manitoba Liquor & Lotteries: Cannabis Retail and Supply Landscape*
- o *Manitoba Centennial Centre Corporation: Asset Management*
- o *Manitoba Public Insurance: Partner Negotiations*
- o *Manitoba Public Insurance: Product Modernization*
- o *Manitoba Hydro: Hydro Review*
- o *Annual Business Plans*
- o *Roles and Responsibilities Record*
- o *Annual Reports and First Quarter Reports*

## CROWN SERVICES URGENT ISSUES

**Issue Title:** Gaming Strategy Review

**Timeline for Action:** Within 60 Days

### **High-level summary:**

- The 2018 *Speech from the Throne* included a pause on the expansion of gaming in Manitoba pending a full review. In February 2019, Priorities and Planning Committee of Cabinet directed Crown Services to set-up a three-person commission to conduct a comprehensive review of gaming in Manitoba. Recommendations from the review will be used to implement an overarching provincial gaming policy that clearly identifies oversight, accountabilities, and goals for the gaming industry in Manitoba.
- Once a commission is in place, the gaming review is expected to take approximately 18 months to complete. The moratorium on the expansion of gaming, which has been in place since fall 2018, is expected to remain in place for the duration of the review.

### **Current Status:**

- Appointment of the three commissioners and commencement of the gaming review are still pending. Crown Services is awaiting recommendations from the Agencies, Boards and Commissions (ABC) Office on potential gaming review commissioners.

**Contact:** Rob Marrese, Executive Director  
Crown Services 204-470-3656

## **CROWN SERVICES URGENT ISSUES**

**Issue Title:** Cannabis Retail and Supply Landscape **Timeline for Action:** Fall 2019

### **High-level summary:**

- The Province of Manitoba has mandated Manitoba Liquor & Lotteries (MBLL) to oversee the supply and distribution of non-medical cannabis. Currently, MBLL secures and tracks supply of cannabis sold in Manitoba. Consumers can buy non-medical cannabis from private retail stores in person and online.
- Manitoba has implemented a phased approach to cannabis retail. Phase 1 includes 23 existing retail stores and 16 pending additional stores. The recently implemented phase 2 retailer selection process was designed to select retailers to fill gaps in achieving Manitoba's goal of providing 90% of Manitobans with access to cannabis retail within a 30-minute drive. Phase 3 is intended to move Manitoba into an open-market for cannabis retail.
- The expansion of cannabis products expected for fall 2019 with the introduction of edibles, which will become legal October 17, 2019, and the addition of new retailers, as part of the second phase of cannabis retail is moving Manitoba closer to the desired open-market. However, Crown Services anticipates that consideration will need to be given to the process for managing the roll-out of an open-market; options for preventing cannabis monopolies; and ensuring policies and regulations support and/or consider the evolving market.

### **Current Status:**

- Crown Services anticipates that direction will be needed with regard to: (1) competitive market strategies; (2) management of the phase 3 roll-out; (3) a review of the regulatory framework to ensure it supports the strategy to allow for off-sale/on-site sales of products by manufacturers; (4) policy and regulatory implications related to edibles and public consumption of cannabis.

**Contact:** Rob Marrese, Executive Director  
Crown Services 204-470-3656

## CROWN SERVICES URGENT ISSUES

**Issue Title:** MCCC Asset Management

**Timeline for Action:** Fall 2019

### **High-level summary:**

- Manitoba Centennial Centre Corporation's (MCCC) mandate under its enabling legislation *The Manitoba Centennial Centre Corporation Act* includes the administration of the Centennial Concert Hall and its related services, as well as the maintenance and development of the buildings and properties of the Manitoba Centennial Centre.
- In 2018, MCCC contracted KPMG to conduct a government-mandated review of the current state of its governance and business model and present options for a future state that provides MCCC with greater self-sustainability. A report was provided to the Minister of Crown Services in early 2019. Crown Services has conducted a preliminary review of KPMG findings, in consultation with Legal Services, and the Office of the Provincial Comptroller (OPC), and determined that further assessment and analysis is required to ensure impacts (financial, legal, social) to government are fully considered prior to presenting specific options or making a formal recommendation to government.

### **Current Status:**

- A comprehensive analysis of options will need to take into consideration government's preferred approach to MCCC's asset management. Crown Services requires direction from government on how to proceed.

**Contact:** Rob Marrese, Executive Director  
Crown Services 204-470-3656

## CROWN SERVICES URGENT ISSUES

**Issue Title:** MPI Partner Negotiations

**Timeline for Action:** 30 days

### **High-level summary:**

- Manitoba Public Insurance (MPI) is engaged in negotiations with the Insurance Brokers Association of Manitoba (IBAM) on a future online service delivery model.
- MPI and IBAM disagree over the initial point of contact for the customer in an online transaction. Approximately 90 per cent of MPI customer transactions are handled by the broker network.
- The Minister of Crown Services issued a directive to MPI respecting conciliation with IBAM on July 24, 2019. The directive legally binds MPI to conciliation with IBAM with respect to the provision of a future service delivery strategy.

### **Current status:**

- MPI and IBAM have agreed to a conciliator. Government is in negotiations to appoint the conciliator.

**Contact:** Rob Marrese, Executive Director  
Crown Services 204-470-3656

## CROWN SERVICES URGENT ISSUES

**Issue Title:** MPI Product Modernization **Timeline for Action:** 60 days

### **High-level summary:**

- Manitoba Public Insurance (MPI) is proposing regulation changes to update aspects of Basic and Extension product coverage, which have not been changed in over 20 years.
- MPI has asked that Government provide direction on the proposal.

### **Current status:**

- In recent years, the Basic Autopac program has faced rate increases in part because inflation has driven up the cost of repair for relatively minor losses, such as low-value claims for collision, vandalism and glass-only damage. MPI anticipates that a revised insurance offering will increase options available for ratepayers.
- MPI anticipates that if the proposal is approved, Manitobans who purchase insurance will be able to continue to do so at a similar cost as they do today with a broader suite of coverage options available.

**Contact:** Rob Marrese, Executive Director  
Crown Services 204-470-3656

## CROWN SERVICES URGENT ISSUES

**Issue Title:** Manitoba Hydro Review

**Timeline for Action:** Fall 2019

### **High-level summary:**

- In October 2018, the Province hired Gordon Campbell as commissioner of an economic review into the planning, decision making and project management associated with Manitoba Hydro's (MH) Keeyask generating station and the Bipole III transmission line. The work of the review Commission was to be completed by December 31, 2019.
- In February 2019, Mr. Campbell's role in the Commission was suspended due to legal matters he faced in the United Kingdom. As a result, the work of the Commission itself was paused. A decision is required as to whether to revoke the OIC appointing Mr. Campbell and to hire a new Commissioner to complete the review.

### **Current Status:**

- Work completed to date includes a working protocol for the commission, a significant volume of reports/documents from MH and the Public Utilities Board (PUB) collected, roughly 70% of interviews with key staff undertaken, and report themes developed.
- Crown Services and Legal services have prepared a draft Cabinet Submission, and revised terms of reference and commissioner contract in the event a new Commissioner is to be appointed to complete the review.

**Contact:** Rob Marrese, Executive Director  
Crown Services, 204-470-3656

## CROWN SERVICES URGENT ISSUES

**Issue Title** Annual Business Plans      **Timeline for action** Within 60 Days

### High-level Summary:

- Crown corporations subject to the Crown Corporations Governance and Accountability Act (CCGAA) are required to submit annual business plans to the Minister. Annual Business Plans (ABPs) must include the following:
  - The corporation's goals for the fiscal year covered by the plan;
  - Specific outcomes to be achieved by the corporation during the fiscal year including any outcomes directed in a mandate letter;
  - A capital expenditure program for the fiscal year;
  - Performance measures to be used to determine if specific outcomes have been achieved; and
  - Any other information prescribed or the considered appropriate by the Minister.
- In addition to these legislated requirements guidelines were provided to all Crowns to include discussion in the following areas:
  - Mandate & Strategic Direction provided by Mandate Letters or Directives;
  - Operating Environment, both internal and external;
  - Strategic Plans including mission, vision, values, priorities and goals for the year;
  - Performance Measures & Targets;
  - Financial Budgets and Forecasts;
  - Human Resources including staffing levels, organization charts and factors affecting compensation; and
  - Capital Plans including actuals for past fiscal year, forecasts for the current fiscal year and projections for three years.
- Each Crown's Annual Business Plan is to be approved by the Board of Directors and submitted to the Minister for acceptance. Following acceptance by the Minister the Annual Business Plans must be made public in accordance with s. 9(1) of the CCGAA. Crowns are expected to report on matters contained in their Annual Business Plans in their Annual Reports.

### Current Status:

- Crown Services, in consultation with the Crown corporations, completed ABPs. All five ABPs were signed by the Crown corporations, but require approval and signature from the Minister of Crown Services.

**Contact:** Rob Marrese, Executive Director  
Crown Services 204-470-3656

## CROWN SERVICES URGENT ISSUES

**Issue Title** Roles and Responsibility Record      **Timeline for action** Within 60 Days

### High-level Summary:

- The Crown Corporations Governance and Accountability Act (the Act) lays out a number of instruments government can employ to direct the governance and operation of Crown corporations subject to the Act.
- Roles and Responsibilities Record, developed jointly with the Crowns, describes the:
  - Mandate, objects or purposes of the corporation as laid out in legislation;
  - Roles of all of the main actors in the governance and operations of the corporation;
  - Accountability relationships;
  - Committee structure of the Board of Directors;
  - Planning and reporting requirements; and
  - Mutual expectations of the corporation and the responsible Minister regarding communications, collaboration and consultation with each other.
- The Roles and Responsibilities Record is to be signed by both the responsible Minister, the Chair of the Board and the President and CEO of the corporation and made public within 30 days of signing.
- The Act requires that a corporation must, within three months of becoming subject to the Act, have a Roles and Responsibilities Record that is jointly developed by the corporation and the responsible Minister.

### Current Status:

- Crown Services, in consultation with the Crown corporations, completed the Roles and Responsibility Records. All five Roles and Responsibility Records were signed by the Crown corporations but require approval and signature from the Minister of Crown Services.

**Contact:** Rob Marrese, Executive Director  
Crown Services 204-470-3656

## CROWN SERVICES URGENT ISSUES

**Issue Title** Annual Reports & First Quarter Reports **Timeline for action** Within 60 Days

### **High-level Summary:**

- Annual Business Plans must be prepared by each corporation and must be acceptable to the Minister and approved by the corporation's Board of Directors.
- Each plan must include the corporation's goals for the fiscal year, specific outcomes to be achieved, capital expenditure plan, performance measures and other information the Minister considers appropriate.
- Annual Business Plans must be consistent with the financial resources of the corporation, adhere to any guidelines issued by the Minister and be consistent with the corporation's objects or purposes and any Mandate Letter.
- For each fiscal year, a corporation must prepare an Annual Business Plan that is acceptable to the responsible Minister. An annual business plan must be submitted to the responsible Minister at the time directed by the responsible Minister and must be approved by the Board before the beginning of the fiscal year to which it relates.
- The Minister must table a copy of each annual report referred to in the Assembly within 15 days after receiving it if the Assembly is sitting or, if it is not, within 15 days after the next sitting begins.

### **Current Status:**

- All Crown corporations under the Act have submitted their Annual Business Plans and First Quarter Reports. Due to the election, the Minister of Crown Services has not approved them. Departmental Briefing Notes have been prepared highlighting key financial information.

**Contact:** Rob Marrese, Executive Director  
Crown Services 204-470-3656

## 5. Financial overview

### Crown Services

Expenditure by Sub Appropriation	Actual 2018/19 \$(000s)	Estimate 2018/19		Variance Over/(Under) \$(000s)
		FTEs	\$(000s)	
Salaries	473	5.00	527	(54)
Other Expenditures	894		915	(21)
<b>Total Sub Appropriation</b>	<b>1,367</b>	<b>5.00</b>	<b>1,442</b>	<b>(75)</b>

### Manitoba Hydro

- For the year ended March 31, 2019 consolidated net income attributable to MH from electricity and natural gas operations was \$121 million compared to \$37 million in the previous year.
- The consolidated net income of \$121 million was comprised of net income of \$101 million in the electric segment, net income of \$12 million in the natural gas segment and net income of \$8 million from subsidiaries and consolidation adjustments required to harmonize accounting policies between electric and gas segments.
- There is net income of \$98 million in the electric segment, of which \$101 million is attributable to MH and \$3 million net loss is attributable to non-controlling interest. The non-controlling interest represents Taskinigahp Power Corporation's 33% share of the Wuskwatim Power Limited Partnership's operating results for the fiscal year ended March 31, 2019.
- The increase in net income of \$84 million was primarily as a result of the impacts of historical rate increases no longer being deferred and the June 1, 2018 rate increase, weather impacts as well as lower restructuring charges and lower operating and administrative expenses partially offset by increases in net financing costs and depreciation and amortization expense.
- Overall, the net impact of Bipole III being placed in service during 2018-19 was minimal; however, there were significant offsetting variances including increases in revenue which were largely offset by increases in finance expense and depreciation. More specifically, historical rate increases previously set aside in a Bipole III deferral account to mitigate rate increases when Bipole III came into service are now being recognized in revenue. In addition, amounts collected from customers that had been set aside in the Bipole III deferral account over the past several years under the direction of the Public Utilities Board are now being recognized into income with the project coming into service on July 4, 2018. Financing costs increased as the interest associated with financing the construction of Bipole III can no longer be capitalized following the in-service date. As well, depreciation expense increased as a result of the significant addition to plant of Bipole III.
- Favourable effects of weather and customer growth contributed to higher domestic electricity revenue.
- The impacts of the voluntary departure program resulted in lower operating and administrative expenses as well as lower restructuring costs.
- A summary of the segmented financial statements for the year ended March 31, 2019 follows:

	<b>Electric</b>		<b>Natural Gas</b>		<b>Consolidated*</b>		change
	2019	2018	2019	2018	2019	2018	
	<i>millions of dollars</i>						
<b>Revenues</b>							
Manitoba	1 733	1 494	368	346	2 146	1 893	253
Extraprovincial	430	437	-	-	430	437	(7)
	<b>2 163</b>	<b>1 931</b>	<b>368</b>	<b>346</b>	<b>2 576</b>	<b>2 330</b>	<b>246</b>
<b>Expenses</b>	<b>2 168</b>	<b>2 393</b>	<b>360</b>	<b>346</b>	<b>2 565</b>	<b>2 780</b>	<b>(215)</b>
Net income (loss) before net movement in regulatory balances	(5)	(462)	8	-	11	(450)	461
Net movement in regulatory balances	103	472	4	7	107	479	(372)
Net income (loss)	<b>98</b>	<b>10</b>	<b>12</b>	<b>7</b>	<b>118</b>	<b>29</b>	<b>89</b>
Net income (loss) attributable to:							
<b>Manitoba Hydro</b>	<b>101</b>	<b>18</b>	<b>12</b>	<b>7</b>	<b>121</b>	<b>37</b>	<b>84</b>
Non-controlling interests	(3)	(8)	-	-	(3)	(8)	5
	<b>98</b>	<b>10</b>	<b>12</b>	<b>7</b>	<b>118</b>	<b>29</b>	<b>89</b>

\*Includes other segment and eliminations

### Manitoba Liquor and Lotteries

- MBLL's allocation to the Province for the year ended March 31, 2019 was \$616.1 million. This was an increase of \$5.7 million (0.9%) from the 2017/18 amount of \$610.4 million and underperformed budgeted expectations of \$622.0 million.
- MBLL's current assets have increased \$10.4 million to \$551.4 million when compared to the same period last year.
- Property, equipment, and intangible assets of \$397.7 million have increased \$2.4 million from the previous year. Investments associated with casino construction and Liquor Mart store development projects are ongoing.
- Total long-term debt (current and non-current liability) of \$370.2 million has increased \$9.4 million when compared to the prior year. All long-term debt has fixed interest rates and is repayable in monthly installments.
- Overall revenue - Revenues, net of direct expenses, of \$884 million decreased \$4.7 million (0.5%) from revenues of the prior year. Decreases were experienced in Casinos, Liquor Operations, Lottery, and Video Lotto. Cannabis operations recorded \$4.6 million in revenue, net of direct expenses, for 2018/19.
- Operating expenses – Operating expenses of \$258.1 million were \$3.6 million (1.4%) higher than the prior year.
- Casino performance – Casino net income of \$74.2 million decreased by \$1.8 million (2.4%) from the \$76.0 million earned in the same period of 2017/18. Increased electronic gaming and table games play at both casinos, as well as increased play on the PlayNow.com online gaming site contributed to this growth. Casino net income exceeded the budgeted expectations of \$71.8 million.

- Liquor operations – Liquor Operations net income of \$278.2 million decreased by \$5.5 million (1.9%) from the \$283.7 million earned in 2017/18. Liquor sales (both in dollars and in volume) increased in the wine, spirits and refreshment beverage categories. Changing consumer patterns to favour socializing at home as compared to attending licensed establishments and a growing interest in low/no alcohol products have negatively impacted beverage alcohol sales at licensed establishments. Liquor operations net income underperformed against the budget of \$292.7 million.
- Lottery products – The share of profit of Western Canada Lottery Corporation (WCLC) of \$69.6 million increased by \$8.7 million (14.3%) from the \$60.9 million earned in the same period of 2017/18. Sales of lottery products in the year were higher in several major categories with the increases being most prominent in the LOTTO MAX product. Lottery operations over performed against the budget of \$53.6 million.
- Video Lotto – Video Lotto net income of \$199.0 million increased \$1.7 million (0.9%) from the \$197.3 million earned in the same period of 2017/18. This increase was despite a decrease in revenues associated with Video Lotto operations to \$355.9 million in 2018/19, which was \$5.2 million (1.4%) lower than the \$361.1 million of revenue generated in the prior year. In 2017/18, Video Lotto revenues reached their highest levels since the video lottery network upgrade in 2013/14. As the machines grow older, game fatigue increases among players and results in decreased play. To this end, Video Lotto began a phased replacement of old and obsolete video lottery terminals in the early part of the year. To support the gaming review announced in the provincial 2018 Speech from the Throne, these replacement activities were paused in the 2018/19 year. Video Lotto net income underperformed the budgeted expectations of \$204.4 million.
- Cannabis Operations – In its first partial year, cannabis operations generated revenues of \$27.0 million and comprehensive income of \$3.4 million. Supply shortages throughout the country negatively impacted sales during the year, with MBLL receiving approximately 30% of expected product volumes since the date of legalization. Cannabis net income exceeded the budgeted expectations of (\$436) thousand.

### **Manitoba Public Insurance**

- For the year ended February 28, 2019, MPI reported a net income of \$159.1 million. This includes a net income for the Basic insurance program of \$78.8 million.
- In 2018/19 MPI's overall claims costs were \$1.2 billion, an increase of \$112.2 million over the previous year. This increase was mostly driven by claims incurred of \$1.0 billion, which is \$132.1 million higher than last year.
- Offsetting the higher overall claims costs was an increase in net income as a result of an increase in revenues, and an increase in investment income.

- Total earned revenues increased by \$87.3 million to \$1.3 billion.
- Total net premiums earned for the year were \$1.3 billion, an increase of \$84.5 million resulting from the Public Utilities Board (PUB) approved 2.6% overall rate increase for vehicle premiums, a 1.8% rate increase of driver premiums from demerit drivers, as well as growth in the volume and value of vehicles insured.
- Total earned revenues also includes \$30.3 million received from the Province of Manitoba as part of the agreement to offset costs of providing services related to the administration of the Drivers and Vehicles Act.
- Investment income in 2018/19 was \$242.6 million, which is an increase of \$107.8 million over the previous year. The increase was primarily due to higher gains on the sale of equities. These gains on the sale of equities were one-time gains as MPI prepared its portfolio to transition into a new asset allocation strategy for 2019/20.
- The PUB approved 1.8% overall average Basic insurance vehicle premiums for the 2019/20 insurance year became effective March 1, 2019.
- In 2018/19, MPI introduced capital targets based upon the industry standard Minimum Capital Test (MCT) as opposed to a total equity target which was utilized in the past. This approach will ensure the target remains appropriate given changes to MPI's risk profile and balance sheet as compared to the static total equity target and will provide more comparability to industry peers. For the 2018/19 fiscal year, the basic rate stabilization reserve MCT ratio was at 52%, or \$203.8M. The rate stabilization reserve target is 100% MCT, or \$395.4M.
- In April, 2019, Reserves Regulations under The Manitoba Public Insurance Corporation Act were amended to enact minimum MCT targets of 100%, 200% and 300% for the Basic, Extension, and Special Risk Extension lines of business respectively.

#### **Manitoba Centennial Centre Corporation**

- MCCC had excess revenue over expenses of \$58 558 in the fiscal year 2018/19. This is compared to an operating surplus of \$173 084 in the 2017/18 fiscal year.
- Total revenue, grants, and recoveries were \$6.8M, which was \$20 000 more than the previous year. Total expenses were \$6.8M, which was approximately \$105 000 more than the previous year.
- MCCC receives an annual grant from the Department of Sport Culture and Heritage to support the operating costs of the Centennial Centre. In 2018/19 MCCC received an operating grant of \$2.495M.

#### **Efficiency Manitoba Inc.**

- EM is a newly created Crown corporation committed to reducing electricity and natural gas consumption in environmentally sound and cost-effective ways. The Board of EM was appointed in May of 2018.
- The Board of EM hired a permanent CEO on January 2, 2019.

- The EM Board initiated the development of the first strategic plan clarifying the strategic direction and goals for the corporation relative to its legislated responsibilities.
- In 2018/19 EM initiated a comprehensive brand strategy development process to create a recognizable identity for EM. The ultimate desire through brand development is customer recognition, engagement and achievement of EM's brand with Manitobans.
- During the transition period EM has worked closely with Manitoba Hydro staff responsible for energy efficiency program design, delivery and technical support to ensure continuation of service to Manitoba residents, businesses and industries during the transition period. A one-year 2019/20 Energy Efficiency Plan was prepared to carry program delivery through to EM's official start date of April 1, 2020 at which point EM will begin to deliver under its 3-year Efficiency Plan.
- EM's budget is funded by Manitoba Hydro. The total revenue for EM for 2018/19 was \$174K and matched the expenses for the fiscal year of \$174K.

## **6. Broad policy pressures**

The Crown Services Secretariat works with five diverse Crown Corporations (Crowns); each with its own specific mandate, stakeholders, industry- norms and challenges. The Secretariat must work within the constructs of the current governance model(s) for each of the Crowns, carefully balancing government direction and decision-making with Board and Executive accountability for day-to-day operations of each of the respective Crowns.

Crown Services must also facilitate the development and analysis of options and recommendations on key policy questions – both at the direction of government and/or as put forward by the Crowns. This includes policy issues unique to the operations of each Crown, as well as broad policy questions and/or decisions that may shape the future of Crown governance and level of government oversight in the functions of the Crowns. This is particularly notable for the Manitoba Centennial Centre Corporation, which has recently put forward the outcomes of its governance review for decision.

Manitoba's approach to energy policy, which touches upon both Efficiency Manitoba and Manitoba Hydro, as well as Manitoba's approach to major hydro projects and associated exports also have implications for Manitoba Hydro, the Province and other jurisdictions over the long term. Considerations for the future of Manitoba's gaming landscape including approaches to First Nations gaming, as well as preferred approaches to corporate social responsibility funding initiatives, and Manitoba's liquor and cannabis supply/retail models going forward have impacts for both the Province and Manitoba Liquor and Lotteries. Preferred approaches to fee-structures, and methods for accessing insurance, licensing and registration services are also key considerations for Manitoba Public Insurance going forward.

Additionally, and consistent with all government departments, Crown Services and the Crown Corporations continue to work towards creating greater understanding and dialogue on the path to reconciliation with Manitoba's Indigenous communities. Major policy decisions related to the Crowns, must take into consideration historical impacts as well as the social, political, legal and economic context within which they are occurring. Activities related to major hydro projects, energy sales, land-use, gaming, liquor and other major functions of the Crowns requires careful consideration of indigenous rights within the current legal framework, as well as any associated impacts or socio-economic benefits, as part of the decision-making process.

## **7. List of community contacts**

### **Efficiency Manitoba**

- Energy Efficiency Advisory Group (EEAG) ("Stakeholder group" as outlined in section 27 of the Efficiency Manitoba Act) – members including Provincial Expert Advisory Council on the Climate and Green Plan, Manitoba Industrial Power Users' Group (MIPUG), Green Action Centre (GAC), Consumers' Association of Canada (CAC), Association of Manitoba Municipalities (AMM), Keystone Agricultural Producers (KAP), Manitoba Metis Federation (MMF), Southern Chiefs Organization (SCO), Manitoba Keewatinowi Okimakanak Inc. (MKO), International Institute of Sustainable Development (IISD)
- Other customer advocacy groups not specifically represented at the EEAG – i.e. Winnipeg Harvest, Social Planning Council
- Indigenous Communities and organizations not specifically represented at the EEAG – i.e. Assembly of First Nations (AFN) First Nations
- Local Chambers of Commerce
- Manitoba Municipalities
- Energy Efficiency Channel partners – i.e. private industry partners assisting with customer reach and delivery of energy efficiency programming; Solar industry businesses

### **Manitoba Liquor and Lotteries**

- Western Canada Lottery Corporation (WCLC)
- Addictions Foundation of Manitoba (AFM)
- Assembly of Manitoba Chiefs (AMC)
- Manitoba Hotel Association (MHA)
- Manitoba Restaurant & Food Services Association (MRFA)
- Restaurants Canada (CRFA)
- Manitoba Liquor Vendors Association (MLVA)
- Private Wine Stores
- South Beach Casino, Sand Hills Casino, and Aseneskak Casino

- Multi-Material Stewardship Manitoba (MMSM)
- Manitoba Brewers Association
- Unions

### **Manitoba Public Insurance**

- Insurance Brokers Association of Manitoba (IBAM)
- Manitoba Motors Dealers Association (MMDA)
- Automotive Trades Association (ATA)
- Manitoba Physiotherapy Association
- Manitoba Chiropractors Association
- Public Utilities Board (PUB) (and associated intervenors)
- City of Winnipeg
- Vehicles for Hire (VFH) partners and Taxicab Coalition
- Ward Group (benchmarking)
- Canadian Council of Motor Transport Administrators (CCMTA)

### **Manitoba Centennial Centre Corporation**

- The Manitoba Museum
- The Royal Manitoba Theatre Centre
- Artspace Inc.
- Winnipeg Symphony Orchestra
- Royal Winnipeg Ballet
- Manitoba Opera
- Manitoba Film and Music

### **Manitoba Hydro**

- Credit Rating Agencies, financial institutions, and investors
- Environmental interest groups
- Special Interest Customer Advocacy groups – i.e. Consumers Association, Winnipeg Harvest, Social Planning Council etc. with unique perspectives in relation to perceived Manitoba Hydro responsibilities in relation to social policy issues
- Indigenous Communities and organizations including:
  - Umbrella organizations such as the Assembly of Manitoba Chiefs (AMC), Manitoba Keewatinowi Okimakanak Inc. (MKO), Southern Chiefs Organization (SCO), Assembly of First Nations, Treaty 2, Swampy Cree Tribal Council (SCTC)
  - Manitoba Métis Federation (MMF)
  - First Nations

- Northern Affairs Communities; Northern Association of Community Councils (NACCs)
- Partner communities (Nisichawayasihk Cree Nation (NCN) for the Wuskwatim Generating Station, and the four partner First Nations for the Keeyask Project - Tataskweyak Cree Nation, War Lake First Nation, York Factory First Nation and Fox Lake Cree Nation)
- Current and future export customers in Canada and the US – including SaskPower, Minnesota Power (MP), Basin Power Electric Cooperative (Basin), Xcel Energy/Northern States Power (NSP), Great River Energy (GRE), Minnesota Municipal Power Agency (MMPA), Wisconsin Public Service (WPS), Wisconsin Electric Power Company (WE Energies)
- Midcontinent Independent System Operator (MISO)
- Growth & Prosperity Stakeholders Group (GPSG)
- Unions/Professional Associations
- Landowners
- Municipalities

## 8. Statutory responsibilities of the Minister / Legal framework

The Manitoba Centennial Centre Corporation Act	C 40
The Crown Corporations Governance and Accountability Act	C 336
The Efficiency Manitoba Act	
The Manitoba Hydro Act	H 190
The Manitoba Liquor and Lotteries Corporation Act	L 155
The Manitoba Public Insurance Corporation Act	P 215
(except for section 174.1 to 174.4 (claimant advisor office) and sections 175 to 185 (Automobile Injury Compensation Appeal Commission))	

## 9. Scheduled events

### Efficiency Manitoba

- *October 1, 2019* - Efficiency Manitoba will be filing its 3-year plan with the Public Utilities Board by October 1, 2019 and may file notice prior to October 1<sup>st</sup>.
- *October 20-26, 2019* - Small Business energy efficiency programming for Business Development Bank of Canada (BDC) Small Business Week

### Manitoba Liquor and Lotteries

- *Post-September 11 (Upon Minister's approval)* - 2018/2019 Manitoba Liquor & Lotteries Annual Report and our second Corporate Responsibility Report.

**Manitoba Public Insurance**

- *September 23, 24* - Public Review Meetings (The Pas, Portage la Prairie, Winnipeg)
- *October 10* - Board of Directors Stakeholder Reception (Winnipeg) (Invite only)
- *October 25, 26 & 27* - Citizens on Patrol Annual General Meeting, Conference and Volunteer Appreciation Banquet (Winnipeg) (Invite only)

**Manitoba Hydro**

- *September 11, 2019* - 2019/20 Q1 Report posted on MH external website
- *Post-September 11 (Upon Minister's approval)* - 2018/19 Annual Report
- *September 25, 2019* - Jay Grewal presenting at Manitoba Chamber Breakfast "Changing Energy Value Chain"
- *October 6 & 7* - Pan Prairie Energy Tour for US Congressional staff (request for a Minister to attend)

**Manitoba Centennial Centre Corporation**

- Nil

## 10. Acronyms

BTP	Birtle Transmission Project
CMP	Capital Maintenance Provision
DVA	The Drivers and Vehicles Act
EM	Efficiency Manitoba
GRA	General Rate Application
IFF	Integrated Financial Forecast
MBLL	Manitoba Liquor and Lotteries
MCCC	Manitoba Centennial Centre Corporation
MCT	Minimum Capital Test
MELT	Mandatory Entry-Level Driver Training
MH	Manitoba Hydro
MMTP	Manitoba-Minnesota Transmission Project
MP	Minnesota Power
MPI	Manitoba Public Insurance
NEB	National Energy Board
NFAT	Need for Alternatives To
PUB	Public Utilities Board
SPC	Saskatchewan Power Corporation

## **PART C: Subject Overview**

### **11. Subject Overview by Crown Corporation**

- **Efficiency Manitoba**
  - o *Efficiency Manitoba-Organization Transition*
  - o *Efficiency Manitoba- Legislation*
- **Manitoba Centennial Centre Corporation**
  - o *Nil- See Urgent Issues*
- **Manitoba Hydro**
  - o *Electricity Rates*
  - o *Keeyask Generating Station*
  - o *Manitoba Hydro Strategic Plan*
  - o *Manitoba Minnesota Transmission Project*
  - o *Manitoba/Saskatchewan Power Sale/Transmission Discussions*
  - o *Natural Gas Rates*
- **Manitoba Liquor & Lotteries**
  - o *Capital Expenditure Plans*
  - o *Corporate Social Responsibility*
  - o *Craft Liquor Mark-ups*
  - o *First Nations Gaming*
  - o *Liquor Mart Thefts*
  - o *Private Retailers*
- **Manitoba Public Insurance**
  - o *The Drivers and Vehicles Act (DVA) Funding*
  - o *General Rate Application and Reserves*
  - o *MELT and Class 1 Licensing*
  - o *Legacy Modernization Project*

## CROWN SERVICES

**Subject Title:** Efficiency Manitoba (EM) – Organization Transition

### **Issue:**

- A board of directors and chairperson have been appointed for EM, a Chief Executive Officer hired, a small compliment of staff have been hired or seconded to support the new Corporation, and a Stakeholder Advisory Committee has been established.
- Work has commenced on the development of EM's first three-year Demand Side Management (DSM) Plan.
- It is expected, that EM will be ready to implement its first efficiency plan, including Public Utilities Board (PUB) reviews and Government approval, by April 2020. To minimize the loss of momentum in efficiency activities, efficiency programs and services will be delivered by Manitoba Hydro for the 2019/20 fiscal year.

### **Critical Background:**

- Manitoba Hydro's DSM efforts emerged as a major issue during the PUB's "Needs for and Alternative To" review of Manitoba Hydro's preferred development plan for Keeyask, Conawapa and associated transmission. In June 2014, the PUB recommended that "Manitoba Hydro be divested of DSM responsibilities and the Government of Manitoba establish an independent arm's length entity to deliver government-mandated DSM targets."
- EM was established under the Efficiency Manitoba Act and has a broad operating structure as follows:
  - EM will develop 3-year DSM plans that describe the programs, services and costs to meet energy savings targets. The immediate focus is on electricity and natural gas savings.
  - EM will establish a Stakeholder Advisory Council and will consult prior to and during efficiency plan development;
  - The PUB will review DSM plans and will make recommendations to Government for approval;
  - Government will consider PUB's recommendations for approval of the DSM plans;
  - EM will implement the DSM plans once approved by Government;
  - Manitoba Hydro will purchase the services and programs approved in the DSM plans;
  - EM will engage independent third-party evaluators to assess performance.

**Contact:** Rob Marrese, Executive Director  
Crown Services 204-470-3656

## CROWN SERVICES

**Subject Title:** Efficiency Manitoba (EM) – Legislation

**Issue:**

- In August 2019 three remaining sections of the Efficiency Manitoba Act and a regulation were approved by Cabinet and OIC approved by the Lieutenant Governor. The regulation has been registered and the three remaining sections of the Act will take effect on April 1, 2020.
- The "Commencement Date" for EM is April 1, 2020 (date by which they must implement their first 3-year efficiency plan).
- The PUB should be prepared to review EM's 3-year efficiency plan between October 2019 and January 2020, providing recommendations to Government.

**Critical Background:**

- The Efficiency Manitoba Act and corresponding regulation responds to the PUB's 2014 "Needs for and Alternative To" (NFAT) review recommendation that "Manitoba Hydro be divested of DSM responsibilities and the Government of Manitoba establish an independent arm's length entity to deliver government-mandated DSM targets". The Act came into force in January 2018, excluding Sections 37 - continuation of the Affordable Energy Fund; Section 44 - continuation of an on-meter efficiency financing program; and Section 49 repeal of The Energy Savings Act.
- The Act and regulations establish EM as a new Crown Corporation and legislate annual and 15-year cumulative electricity and natural gas savings targets. They also provide clarification on requirements for efficiency plans developed by EM, how they are to be reviewed by the PUB, and a process for third party evaluation of EM's deliverables.
- The work of EM is expected to result in the offsetting of electricity load growth in the province, thereby deferring the need for costly new generation farther into the future. Energy savings will also minimize the impact of expected rate increases into the fore-seeable future. Over the 15-year long-term natural gas target period, 2.7 million tonnes of cumulative greenhouse gas emission reductions will be realized making it one of the most significant reduction programs under Manitoba's Climate and Green Plan.

**Contact:** Rob Marrese, Executive Director  
Crown Services 204-470-3656

## CROWN SERVICES

**Subject Title:** Manitoba Hydro- Electricity Rates

### **Issue:**

- Manitoba Hydro (MH) indicated it intended to submit a full GRA later in 2019 upon completion of an Integrated Financial Forecast (IFF) that incorporated the direction of the Manitoba Hydro Electric Board for MH's financial plan. The Public Utilities Board (PUB) agreed with this process request.
- MH is attempting to overturn the Board's previous order to establish the new First Nation customer class through the Manitoba Court of Appeal.

### **Critical Background:**

- Manitoba Hydro (MH) submitted a General Rate Application (GRA) to the Public Utilities Board (PUB) in November 2018 requesting a limited GRA process given the Corporation had recently undergone changes to its Board and senior management levels. In particular, at the time of application, an updated Integrated Financial Forecast (IFF) had not been prepared and would not be completed until broader strategic corporate planning was finished. MH requested a rate increase of 3.5% across all rate classes as they expected to experience a net loss of \$28 million in 2019/20.
- MH subsequently submitted an update on financial statements and revenues that projected a positive net revenue of \$64 million in 2019/20 without any rate increase. The improvements were attributed to improved water flow, higher export revenues, lower capital expenditures than anticipated and lower associated borrowing and finance expenses. MH still maintained the need for a 3.5% rate increase in case water conditions deteriorated and to help reduce future rate shock attributed to the debt servicing costs once Keeyask and the Manitoba-Minnesota Transmission Project come into service (2020-21).
- PUB approved a 2.5% rate increase and not the 3.5%, as MH was no longer projecting a net revenue loss in 2019/20. PUB ordered that all revenues associated with the 2.5% increase be placed in a deferral account for major capital projects to help mitigate rate shock and smooth future rate increases.
- MH had requested the rate increase apply to all customer classes. The PUB exempted First Nations On-Reserve Residential customers from the rate increase and maintained its position from past Board Orders regarding utility bill affordability issues.

**Contact:** Rob Marrese, Executive Director  
Crown Services 204-470-3656

## CROWN SERVICES

**Subject Title:** Manitoba Hydro- Keeyask Generating Station

**Issue:**

- The Keeyask Project involves the development of a seven-unit, 695 MW (megawatt) Generating Station and associated infrastructure on the Lower Nelson River, 30 kilometres west of Gillam in Northern Manitoba. Cost overruns drove the project from \$6.7 billion to a new estimated completion cost of \$8.7 billion.
- The in-service date estimate for the dam moved from November 2019 to August 2021. Since the start of construction, the Keeyask partner First Nations have expressed concern about racism and incidents of harassment and discrimination affecting their members at the Keeyask site.

**Critical Background:**

- Project costs are still tracking towards the \$8.7 billion.
- The control budget is for first unit ISD in August 2021, MH is currently tracking to be 10 months earlier (October 2020).
- Although a workplace review was conducted by an Indigenous third party expert and recommendations implemented, First Nations have recently indicated that further measures are required to protect Indigenous employees and create a welcoming work environment.

**Contact:** Rob Marrese, Executive Director  
Crown Services 204-470-3656

## CROWN SERVICES

**Subject Title:** Manitoba Hydro Strategic Plan

**Issue:**

- Manitoba Hydro (MH) is currently developing a strategic plan that will provide long-term direction (20 years forward), which can translate into a set of short-term operational work plans.
- The strategy will confirm the organizational mandate and goals, identify priority areas of business to focus on based on customer needs, consider the organizational structure and address how to make existing business units more effective, and establish a roadmap for implementing key initiatives.

**Critical Background:**

- The planning process will consider feedback from MH stakeholders including Government, Indigenous Communities, the Public Utilities Board (PUB) and various regulatory interveners. The MH Board will provide direction to ensure the strategy is broad enough to look forward 20 years, that it is consistent with the mandate, that sound analysis has been used to determine positions, that risks are appropriately considered.
- MH expects Government will provide direction to ensure the strategy "intersects" with energy policy, the Corporation's mandate is understood, that the strategy's impacts on rates, debt and provincial economic development are acceptable, and that the strategy is fair for all Manitobans.
- Prior to completion of the strategy, discussions with Hydro should confirm direction is consistent with the following:
  - outcomes from the PUB review which will likely amend the regulatory demands on MH
  - outcomes from the MH review which will likely address broad electricity planning and capital approval process within MH
  - Treasury Board's summary budget requirements

**Contact:** Rob Marrese, Executive Director  
Crown Services 204-470-3656

## CROWN SERVICES

**Subject Title:** Manitoba Hydro- Manitoba-Minnesota Transmission Project (MMTP)

### **Issue:**

- Manitoba Hydro (MH) received confirmation from the National Energy Board (NEB) on August 22, 2019, that pre-construction conditions have been met for the MMTP. Project construction can now commence.
- An MH liaison was assigned to every landowner traversed by the final preferred route, and discussions continue regarding concerns and mitigation options. To date, the majority of landowners along the proposed new right-of-way for the MMTP route have signed voluntary easement agreements with MH. In June 2019, MH received authority through an OIC to proceed with expropriations remaining pieces of land, should MH be unable to secure voluntary easements with current owners.
- In alignment with the directive provided by Government in March 2018, MH formally withdrew offers of MMTP Indigenous communities' agreements from those that had not yet accepted the offers. MH staff have also communicated the cancellation of the community benefit program for Rural Municipalities related to the Project.

### **Critical Background:**

- In 2011, MH announced an agreement with Minnesota Power (MP) for the sale of 250 MW of electricity over a 15-year period. The sale triggered the development of the 695-MW Keeyask Generating Station. The deal also required the development of an additional international 500 kV transmission line, the Manitoba–Minnesota Transmission Project (MMTP).
- This transmission line is designed to transport power to meet sales contracts with MP, improve reliability of the transmission system, and bring electricity to Canada from the United States in emergency situations.
- MH has a contractual obligation to have the line in-service for June 1, 2020. MP and MH signed an agreement that provided financial terms to address delays in reaching the in-service date. The project received an environmental license from Sustainable Development in April 2019 and conditional approval from the National Energy Board (NEB) in June 2019.

**Contact:** Rob Marrese, Executive Director  
Crown Services 204-470-3656

## CROWN SERVICES

**Subject Title:** Manitoba/Saskatchewan Power Sale/Transmission Discussions

**Issue:**

- Manitoba Hydro and SaskPower are currently building a new 230kV intertie between Birtle, Manitoba (MB) and Tantallon, Saskatchewan (SK), with an in-service date of June 2021.

**Critical Background:**

- In June 2014, MH and SaskPower signed a 25 MW Power Purchase Agreement from 2015 until 2022. In January 2016, MH and Saskatchewan Power Corporation (SPC) signed a Power Purchase Agreement for 100 MW of capacity and associated energy from 2020 through to 2040. In October 2018, MH and SPC announced a term sheet for another 215 MW long-term power sale beginning 2022.
- The agreements require the construction of a sixth 230 kV transmission interconnection to Saskatchewan ("the Birtle Transmission Project").
- MH filed the Environmental Act Proposal for the Birtle Transmission Project with Sustainable Development in January 2018 with an expected in-service date of June 2021.

**Contact:** Rob Marrese, Executive Director  
Crown Services 204-470-3656

## CROWN SERVICES

**Subject Title:** Manitoba Hydro- Natural Gas Rates

**Issue:**

- The Efficiency Manitoba Act regulation that recently came into force states in 15(2) - Effective April 1, 2020,
  - (a) no further money is to be allocated to the Furnace Replacement Program (FRP) account; and
  - b) the residual amount in the FRP account as of April 1, 2020 is to be used to offset the cost of the natural gas demand-side management initiatives set out in an approved efficiency plan.
- MH intends to continue to deliver the FRP program until March 31, 2019 at which point Efficiency Manitoba takes over energy efficiency responsibilities.
- The natural gas GRA hearing is still in-progress.

**Critical Background:**

- Centra is a wholly-owned subsidiary of Manitoba Hydro, and is the only distributor of natural gas in the Province of Manitoba. Centra serves approximately 280,000 in the residential, commercial, and industrial sectors through approximately 10,329 km of natural gas pipelines.
- Centra's last General Rate Application (GRA) was filed with the Public Utilities Board (PUB) in January 2013, which resulted in an approximate 1% general revenue increase. There have been various interim gas and distribution related rates granted between 2013 to present.
- Centra just recently submitted a GRA with proposed amendments to various natural gas related rates. Of particular interest to Government, is their request to discontinue the funding of the low income FRP effective August 1, 2019 and to remove the associated costs from the rates, as the cumulative balance in the FRP fund is sufficient to replace all furnaces forecast under the program to 2027/28.

**Contact:** Rob Marrese, Executive Director  
Crown Services 204-470-3656

## **CROWN SERVICES**

**Subject Title:** Manitoba Liquor & Lotteries (MBLL) Capital Expenditure Plans

**Issue:**

- Government directed MBLL to pause its capital program for 2019/20, especially in relation to expansion or refurbishment of gaming equipment and properties and the expansion and significant refurbishment of liquor stores.

**Critical Background:**

- MBLL is an important contributor to the overall finances of the province, providing approximately 3.5% of Manitoba's summary revenues.
- MBLL submitted a capital plan totaling \$65M for 2019/20 as part of their 2019 Loan Act request. In addition, approximately \$15.6M of approved 2018/19 capital expenditure was anticipated to be carried forward to 2019/20.
- After review by Treasury Board, Manitoba Liquor and Lotteries was instructed to limit capital spending in 2019/20 to projects with existing contractual obligations and those required to address safety and security concerns. Revised capital spending, including the carry forward from 2018/19 totals \$31.7M.
- All investment in casinos, new gaming equipment, office space, additional liquor stores, significant upgrades to existing liquor stores and any further replacement or upgrading of Video Lottery Terminals, other than that specifically approved by Treasury Board, is paused for the 2019/20. This aligns with the pause on expansion of gaming announced in the 2018 Speech from the Throne.
- MBLL was also instructed to focus on reducing operating expenses to increase the dividend to government for 2019/20, and to focus on controlling operating costs and the cost of goods sold to maximize net income that supports necessary social programs.

**Contact:** Rob Marrese, Executive Director  
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## CROWN SERVICES

**Subject Title:** Manitoba Liquor & Lotteries-Craft Liquor Product Mark-Ups

**Issue:**

- On April 24, 2019, the Manitoba Liquor & Lotteries (MBLL) Board Chair was given a mandate letter with specific direction for the Board to review MBLL's liquor product mark-up policies to ensure current practices support economic development in Manitoba and submit a report to government by July 31st, 2019. MBLL submitted a report as required. Crown Services is reviewing the report and will provide a detailed analysis and potential options for consideration in Fall 2019.

**Critical Background:**

- Manitoba's Craft Brewing Strategy, introduced in April 2016, offered lower markups for small producers (microbreweries, micro-distilleries, cottage wineries) as an incentive to reinvest in and grow their businesses.
- According to MBLL, the industry development strategy was successful for microbreweries. It introduced innovative products, was trade compliant, and created economic growth throughout Manitoba. There are more than 14 local breweries with more expected.
- Cottage wineries and micro-distilleries have faced greater challenges in achieving economic viability. Cooler, cider and mead producers were deemed out of scope of the initial craft brewing strategy.
- Small local liquor manufacturers are a vocal, highly visible group, driven to effect changes to the liquor industry. Across the country, liquor jurisdictions report lobbying at municipal and provincial levels from local manufacturers seeking additional economic incentives.
- Manitoba is currently bound by trade agreements, which dictate any markup break created with the intent of benefitting small local liquor manufacturers must be equally applied to all qualifying small producers from everywhere else in the world.
- MBLL is working to balance trade compliance obligations and profitability for both producers and retailers. Since the introduction of reduced markups for small producers, the local, national and international market for small batch craft liquor products has grown exponentially, with more non-local producers and wholesalers taking advantage of the incentives in Manitoba.
- MBLL works with local craft manufacturers to support them in navigating licensing requirements and regulations; choosing a distribution method, and navigating product listing, pricing and recycling processes. MBLL also provides marketing support, and works to connect local manufacturers with commercial customers, industry partners and others.

**Contact:** Rob Marrese, Executive Director  
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## CROWN SERVICES

**Subject Title:** Manitoba Liquor & Lotteries- First Nations Gaming

**Issue:**

- Manitoba First Nations wish to obtain jurisdictional and independent authority over First Nations gaming, in order to have independent control over gaming policies- including the number and location of facilities and gaming devices, such as Video Lottery Terminals (VLTs). The Manitoba Government supports the concept of self-government, but retains provincial authority over gaming, as required by the Criminal Code.

**Critical Background:**

- Under the current legal framework for gaming in Manitoba, legal power to conduct gaming is granted through the Criminal Code of Canada to the Government of Manitoba. The Government of Manitoba grants power to Manitoba Liquor & Lotteries (MBLL) to conduct and manage gaming via The Manitoba Liquor & Lotteries Corporation Act.
- There are currently three First Nations casinos in Manitoba: Aseneskak Casino, owned/managed by Aseneskak Casino Limited Partnership (a consortium of 6 First Nations) and located on Opaskwayak Cree Nation; South Beach Casino, owned by South Beach Casino Inc. (a consortium of 6 First Nations) and located on Brokenhead Ojibway Nation; and Sand Hills Casino, owned by Sandhills Casino Resort Limited (all First Nations represented by Assembly of Manitoba Chiefs) and located on Swan Lake First Nation. Manitoba First Nations retain 100% of revenue from their casino operations.
- In addition to casinos, there are just under 1,600 VLTs at 36 First Nations in Manitoba with up to 70 VLTs permitted per First Nation; although not all sites have reached the maximum site quota. Manitoba First Nations earn 90% commission on VLT proceeds. The remaining 10% flows to the Province via MBLL.
- In recent years, there has been significant growth in First Nations gaming. Many First Nations see gaming as an important part of their economic development strategies; however, an independent study (2016) jointly commissioned by Manitoba and the Assembly of Manitoba Chiefs (AMC) concluded that Manitoba's gaming market is saturated. There are also many unknowns with regards to how ongoing Treaty Land Entitlement settlements and the creation of Urban Reserves may further influence Manitoba's gaming landscape going forward.
- In late 2018, the Manitoba Government initiated a moratorium on the expansion of gaming, including First Nations gaming, pending a review of the current strategy. The review has yet to commence, but it is anticipated that it will provide opportunities for all revenue-sharing partners, including First Nations, to participate in the dialogue on gaming in Manitoba.

**Contact:** Rob Marrese, Executive Director  
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## CROWN SERVICES

**Subject Title:** Manitoba Liquor & Lotteries- Liquor Mart Thefts

### **Issue:**

- Over the past year, MBLL has been working to address the growing issue of thefts in Manitoba Liquor Marts. MBLL has implemented numerous security measures and worked to leverage partnerships with law enforcement agencies and other community partners. Despite these efforts, Manitoba Liquor Marts continue to experience a rising number of thefts and robberies. Theft is occurring at all Liquor Marts across the City of Winnipeg, and at private liquor retailers across Manitoba (of which there are ~500).
- The issue of liquor theft is not unique to Manitoba. Reasons for the rise in liquor thefts and robberies in Manitoba and other jurisdictions are complex. However, they are presumed to be linked to issues within the broader social context in which they are occurring, including social determinants and the prevalence of addictions and crime.

### **Critical Background:**

- MBLL continues to work closely with stakeholders, including the Winnipeg Police Service (WPS), the Manitoba Government and General Employees' Union, the Retail Council of Canada and other Canadian jurisdictions to ensure their security policies reflect best practices. Ensuring the safety of staff and consumers remains a critical aspect of all planning activities, including staff training, which focuses on prevention.
- MBLL employs a state-of-the-art digital surveillance system in all stores and for the past several years, has stationed contracted security guards at some Liquor Marts to serve as an added deterrent to would-be thieves. In the spring of 2019 and in response to increasing thefts, some Liquor Mart sites implemented enhanced security and deterrent measures, including:
  - ID checks upon entry for those appearing under 25
  - Not allowing larger bags and backpacks in stores
  - Bottle locks and active alarm pedestals
  - Lockable shelf cases, dummy bottles and show cards
  - Measures to prevent stockroom access
  - Special duty constables (WPS) rotating throughout stores across Winnipeg
  - Installation of video-display monitors at entryways to alert all customers they are being recorded.
  - Piloting a controlled exit (turnstile) at one of the higher risk locations.
- MBLL is also in the process of hiring an internal Loss Prevention Officer team, which is expected to be in place for September 2019. All of the newer anti-theft measures were developed in consultation with the WPS and approved by the MBLL Board.
- MBLL is analyzing the newly implemented anti-theft measures to determine which piloted measures are the most effective and should be rolled-out to more stores.

**Contact:** Rob Marrese, Executive Director  
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## CROWN SERVICES

**Subject Title:** Manitoba Liquor & Lotteries- Working with Private Sector in Liquor Retail and Distribution

**Issue:**

- Government has mandated Manitoba Liquor & Lotteries (MBLL) to engage with the private sector to identify opportunities for increased participation in the liquor retail and distribution sectors.

**Critical Background:**

- Manitoba's current liquor retail network is a balance of public and privately owned operations- with over 60 Liquor Mart/Liquor Mart Express locations currently operated by MBLL, over 170 privately-owned liquor vendors, and eight (8) specialty wine stores.
- This model provides a balance of private and public retailers, while maintaining uniform pricing for consumers across the province.
- The majority of beer is sold by over 250 privately-owned hotel beer vendors located throughout the province. MBLL also supplies liquor products to approximately 1,800 licensees across Manitoba.
- In 2018/19, private operators (liquor and beer vendors, on-premises licensees, and specialty wine stores) accounted for ~46 per cent of total sales in Manitoba, which is consistent with the previous fiscal.
- MBLL is mandated with distributing and selling beverage alcohol in the Province of Manitoba. Private distributors may distribute various types of beverage alcohol through agreement with MBLL. Prior to a recently approved legislative amendment, third party distributors had been limited to beer/malt-based products only.

**Contact:** Rob Marrese, Executive Director  
Crown Services 204-470-3656

## **CROWN SERVICES**

**Subject Title:** MPI- The Drivers and Vehicles Act (DVA) Funding

**Issue:**

- Manitoba Public Insurance (MPI) administers The Drivers and Vehicles Act (DVA) on behalf of the Government of Manitoba. Government, in turn, reimburses MPI for expenses associated with DVA administration. Costs for administration of the DVA are generally higher than the funding provided by government.

**Critical Background:**

- In 2004, MPI assumed responsibility for driver and vehicle licensing programs previously administered by Manitoba Infrastructure through the Department of Driver and Vehicle Licensing. As Administrator of the DVA, MPI is responsible for providing driver and vehicle licensing and provincial identification products and services to Manitobans on behalf of government.
- Historically, MPI has used investment income to offset DVA operating costs. However, MPI has implemented a new investment strategy that will no longer use investment income to subsidize administration of the DVA.
- Crown Services is working with MPI to review the current funding arrangement and come up with options for ensuring sustainable funding for administration of DVA-related activities.

**Contact:** Rob Marrese, Executive Director  
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## CROWN SERVICES

**Subject Title:** MPI- General Rate Application and Capital Reserves

**Issue:**

- On June 20, 2019 Manitoba Public Insurance (MPI) applied to the Public Utilities Board (PUB) for a 0.1% overall increase in Basic vehicle rates for the 2020/21 insurance year. If approved, approximately 52.6% of all vehicle owners (excluding trailers and off-road vehicles) will see no change or a decrease in premium over 2019/20 rates; The average vehicle premium for Private Passenger Vehicle Class will be \$1,161; Motorcycle rates, on average, (including rates for mopeds and motor scooters) will increase 3.9%; 2020/21 rate changes will take effect for policies issued on or after March 1, 2020.
- MPI submits a general rate application to the PUB every year to adjust Basic Autopac rates. MPI and the PUB have historically disagreed over level needed for the Rate Stabilization Reserve, a financial 'buffer' used to absorb large adverse financial losses.

**Critical Background:**

- On June 15, 2018, MPI in its annual General Rate Application applied to the PUB for a 2.2% overall increase in Basic vehicle rates for the 2019/20 insurance year. The requested 2.2% rate increase was the sum of two components: 0.1% increase to the break-even cost of providing insurance coverage; 2.1% Capital Maintenance Provision (CMP) for the Rate Stabilization Reserve. There were no applied-for changes in driver premiums, or service fees.
- On December 3, 2018, the PUB issued its Order (159/18), which approved MPI's rate request using the applied-for methodology and the inclusion of a CMP. The approved 1.8% rate increase is based the sum of two components: 0.26% decrease to the break-even cost of providing insurance coverage; 2.06% CMP.
- In 2018/19, MPI introduced capital targets based upon the industry standard Minimum Capital Test (MCT) as opposed to a total equity target, which was utilized in the past. This approach will ensure the target remains appropriate given changes to MPI's risk profile and balance sheet as compared to the static total equity target and will provide more comparability to industry peers.
- For the 2018/19 fiscal year, the basic rate stabilization reserve MCT ratio was at 52%, or \$203.8M. The rate stabilization reserve target is 100% MCT, or \$395.4M.
- On April 12, 2019, Crown Services enacted the Reserves Regulation under the Manitoba Public Insurance Corporation Act to set the targets for MPI's reserves. Crown Services is putting forward legislation in the next legislative session to enshrine the MCT ratio for MPI's Basic (100%), Extension (200%), and Special Risk Extension (300%) reserves.

**Contact:** Rob Marrese, Executive Director  
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## CROWN SERVICES

**Subject Title:** MPI- Mandatory Entry Level Training (MELT) for Class 1 Licences

### **Issue:**

- MELT for Class 1 licence testing comes into effect in Manitoba, September 1, 2019. The MELT requirement is in the interest of road safety and helps to ensure drivers who operate commercial vehicles, which are larger, heavier, and inherently more dangerous when involved in a crash, receive enhanced training to safely operate those vehicles even before the testing process occurs.
- Manitoba Public Insurance (MPI) has worked with Manitoba Infrastructure and Crown Services on the roll-out and implementation of MELT, including school/instructor approvals, curriculum development, approach to road testing, and communications planning.

### **Critical Background:**

- Manitoba Public Insurance (MPI) administers The Drivers and Vehicles Act (DVA) on behalf of the Government of Manitoba and is responsible for driver testing and licensing. All driver testing within the province is conducted by trained MPI staff, with the exception of Manitoba Hydro, which has limited authority to conduct testing for Class 1 and Class 3 drivers employed by the company, and Winnipeg Transit, which is authorized to test bus drivers for Class 2 licensure.
- Various licensing jurisdictions in Canada have either implemented or are about to implement MELT for commercial/professional driver's licence applicants.
- Manitoba's proposed program includes 121.5 hours of mandatory training, which aligns to the programs in Ontario, Alberta and Saskatchewan, and also allows for a one year agricultural deferral. To qualify for an agricultural deferral in Manitoba, the driver must: Have an existing Class 5 Full licence; Be 18 years of age; Not be in the Graduated Driver's Licence (GDL) Program; Submit and pass a medical examination; Pass the Class 1 Knowledge Test (KT) and Road Test (RT).
- A Manitoba deferred driver will be restricted to driving within Manitoba and restricted to driving a farm truck as designated by a FT sticker on a licence plate.
- Ontario, Alberta and Saskatchewan are the only Canadian jurisdictions with MELT requirements in force within Canada. Alberta implemented MELT for Class 1 and 2 drivers on March 1, 2019. Saskatchewan implemented MELT for Class 1 drivers on March 15, 2019. The United States has also adopted MELT with a compliance date of February 2020. Canada is also looking at the potential implementation of MELT at a national level.

**Contact:** Rob Marrese, Executive Director  
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## CROWN SERVICES

**Subject Title:** MPI- Legacy Systems Modernization

**Issue:**

- MPI's current technology systems range in age from 21 to 41 years. They were built using decades old systems architecture principles, which are no longer adequate. Currently, any required system changes are costly and take far too long.
- Existing systems require nightly system outages to maintain, which impairs MPI's ability to provide transaction capabilities to customers and business partners during those times. Additionally, the obsolescence of current technology systems exposes MPI and its partners to potential security risks, which requires additional security monitoring at increased costs.
- MPI is moving forward with the Legacy Systems Modernization (LSM) project to replace outdated and aging technology systems.

**Critical Background:**

- A review and assessment of the Corporation's legacy systems was completed in Fiscal 2018/19. MPI's Board of Directors has approved and initiated the LSM, which will modernize MPI's in-house applications and technology for the next 20 years.
- In addition to the anticipated benefits of improved service opportunities, enhanced broker experience, new insurance product opportunities, reductions in errors, improved fraud detection, and reduced underwriting and claims leakage, benefits in the form of future cost avoidance are also expected.
- MPI estimates that the project will generate one-time cost avoidance savings of \$13.6 million on the costs of implementing Special Risk Extension products, and in security debt remediation costs over fiscal years 2019/20 and 2020/21. After LSM is completed, on-going net savings of \$41.7 million are expected on the costs for various expenditures such as technology, labour, and annual security debt remediation.
- The Legacy Systems Modernization Business Case estimates a one-time cost of \$106.8 million with system implementation being complete in 4.5 years. This cost includes all capital expenditures required to implement the new solutions as well as, product vendor and system integrator costs for implementation, one time training, governance, and change management costs. In addition to the one-time costs, there will be on-going costs that will escalate as the systems are brought into operation. After the LSM project is fully completed, MPI will incur approximately \$21.3 million in annual on-going costs.

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