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**Merger of Manitoba Lotteries Corporation and the Manitoba Liquor Control Commission and the Regulatory Functions of the Manitoba Liquor Control Commission and the Manitoba Gaming Control Commission**

**FINAL REPORT**

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## Executive Summary

The Government of Manitoba announced in April 2012 its intention to merge Manitoba Liquor Control Commission and Manitoba Lotteries Corporation and the regulatory functions for liquor and gaming activities in the province of Manitoba. The expected outcomes of the merger were to increase efficiencies, modernize procedures and practices, reduce 'red tape' and achieve cost savings, while ensuring continued delivery of effective customer services, front-line operations and regulatory services.

The Government of Manitoba, through the Crown Corporations Council, engaged MNP to assist with the process of creating the new entity for liquor and gaming operations named "Manitoba Liquor and Lotteries Corporation", and the new entity for liquor and gaming regulation named "Liquor and Gaming Authority of Manitoba". MNP worked closely with the newly appointed CEO of Manitoba Liquor and Lotteries Corporation, the Executive Director of Manitoba Gaming Control Commission, the Boards of Directors of the respective organizations, and the operational and regulatory transition teams that were formed to support this process. The goal of the process was to develop a successful merger and integration plan that would achieve the expected outcomes for increased efficiencies, modernization, reduction of red tape and cost savings.

MNP developed and facilitated a process for the merger and integration of the three organizations based on the principles of a holistic view of the three organizations, clear and commonly understood goals and objectives and involvement of key internal and external stakeholders. MNP worked closely with each of the transition teams throughout the process to identify opportunities for synergies, efficiencies and cost savings or cost avoidance. A number of data collection methodologies were used to ensure information used for review and evaluation purposes was valid. MNP reviewed more than 400 documents, conducted 82 interviews with key internal and external stakeholders, conducted five interviews with other jurisdictions and reviewed nine written submissions from external stakeholders.

MNP facilitated the joint transition team comprised of executives from the Manitoba Liquor Control Commission and the Manitoba Lotteries Corporation and the regulatory transition team comprised of executives and managers from the Manitoba Gaming Control Commission and the Manitoba Liquor Control Commission's regulatory services department, through an extensive evaluation and decision-making process that resulted in recommendations for structure, process and practice. These were presented in the final report and reflected in the high level implementation strategy. This involved identifying, assessing and validating the current state structure, functions and processes through the lens of leading practices and the ability to maintain / enhance service levels while continuing to implement the growth and development plans of all organizations. These recommendations were assessed based on the evaluation criteria developed by the transition teams for the Manitoba Liquor and Lotteries Corporation and the Liquor and Gaming Authority of Manitoba. Once the recommendations were finalized, MNP identified the high level financial and position impacts.

It is important to understand that a high level review was completed in the prescribed timeframe and that in-depth analysis and planning will need to occur in the next phase of the merger and integration process. It should be expected the implementation of the new organization structures and supporting integration recommendations will be evolutionary and dependent on the outcomes of future decisions with respect to the harmonization of positions, legislative and regulatory changes and the existing realities of merging complex organizations.

To establish the background, context and foundation, MNP worked with the transition teams to confirm the mandates, vision, values, services and stakeholders of each organization. A common categorization process was used to clarify and crystallize service delivery models and management and support processes and align stakeholder needs to the services offered by each of the organizations.

Based on an analysis and subsequent discussions, the following table outlines the major services of the new organizations. The education and promotion of responsible consumption of alcohol and responsible gaming and research and policy development related to gaming and alcohol were identified as shared services offered in the future by both organizations. Work is currently underway to clarify roles and responsibilities and to develop consolidated plans to maximize efforts and minimize unnecessary duplication in service delivery:

Manitoba Liquor and Lotteries Corporation	Liquor and Gaming Authority of Manitoba
<ul style="list-style-type: none"> <li>• Distribution of alcoholic beverages</li> <li>• Direct and indirect retail sales of alcoholic beverages</li> <li>• Sales and distribution of lottery products (including VLTs)</li> <li>• Entertainment               <ul style="list-style-type: none"> <li>- Casinos</li> <li>- Food and beverage</li> <li>- Live entertainment</li> <li>- Online gaming</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Licencing and permitting for provision of alcohol</li> <li>• Ensure compliance with liquor-related legislation, regulations and policy</li> <li>• Ensure the honesty and integrity of games and gaming providers</li> <li>• Ensure compliance with gaming-related legislation, regulations and policy</li> </ul>
<ul style="list-style-type: none"> <li>• Conduct and management of 3<sup>rd</sup> party operations (including First Nations gaming operations)</li> </ul>	
<ul style="list-style-type: none"> <li>• Education and promotion of responsible consumption of alcohol</li> <li>• Education and promotion of responsible gaming</li> <li>• Research and policy development related to gaming and alcohol</li> </ul>	

In reviewing of each the functional areas, MNP examined the organization structures, positions, common and unique functions, major strategic projects, budget and performance data, and identified similarities and differences in key policies, activities, processes, and systems. Detailed findings and recommendations were developed for each functional area to identify:

- Opportunities to integrate departments and streamline activities to reduce duplication in common activities
- Synergies to be gained by utilizing formalized functions, methodologies, practices and processes and systems already in place in one organization to be adopted in the merging organizations
- Modernizing procedures and practices to increase efficiencies and reduce red tape
- Cost savings and cost avoidance strategies by harmonizing vendor contracts, and eliminating the need for third-party services and budgeted hires
- Change management issues and recommended strategies to overcome issues and manage resistance to change, engage and support employees, and implement strong change leadership plans
- Transition requirements to successfully integrate the merging organizations

Recommended high level organization structures were developed for the Manitoba Liquor and Lotteries Corporation and the Liquor and Gaming Authority of Manitoba that aligned with the future services to be delivered by these organizations, incorporated opportunities for cost avoidance and cost savings, efficiencies, and maximized the synergies to be gained through the integration of the organizations.

The recommended organization structure for the Manitoba Liquor and Lotteries Corporation is based on an integration of services and service delivery for liquor and gaming operations, and transfers regulatory services for liquor to the Liquor and Gaming Authority of Manitoba. The new integrated structure envisions four major portfolios led by senior executives using a streamlined “Chief” executive model for:

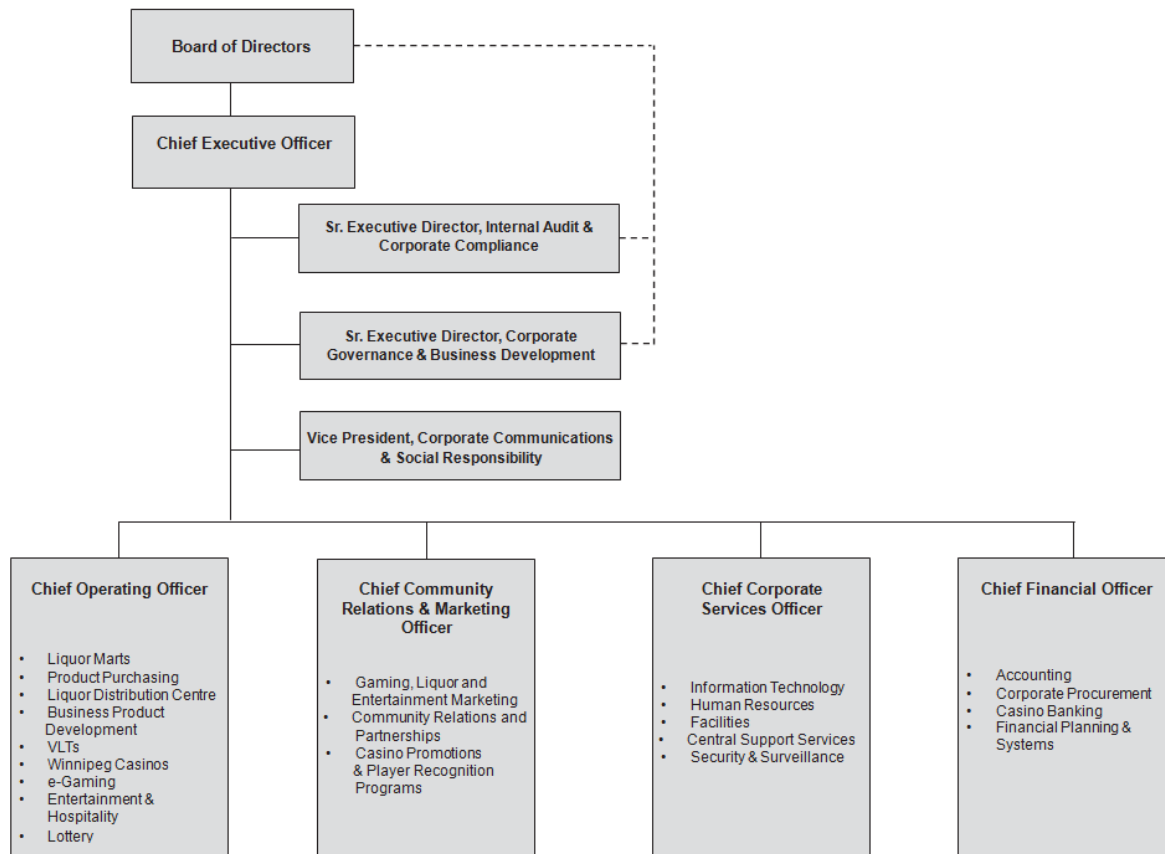
- Operations
- Finance
- Corporate Services
- Community Relations and Marketing

There are key features embedded in the recommended organization structure that are intended to achieve the following:

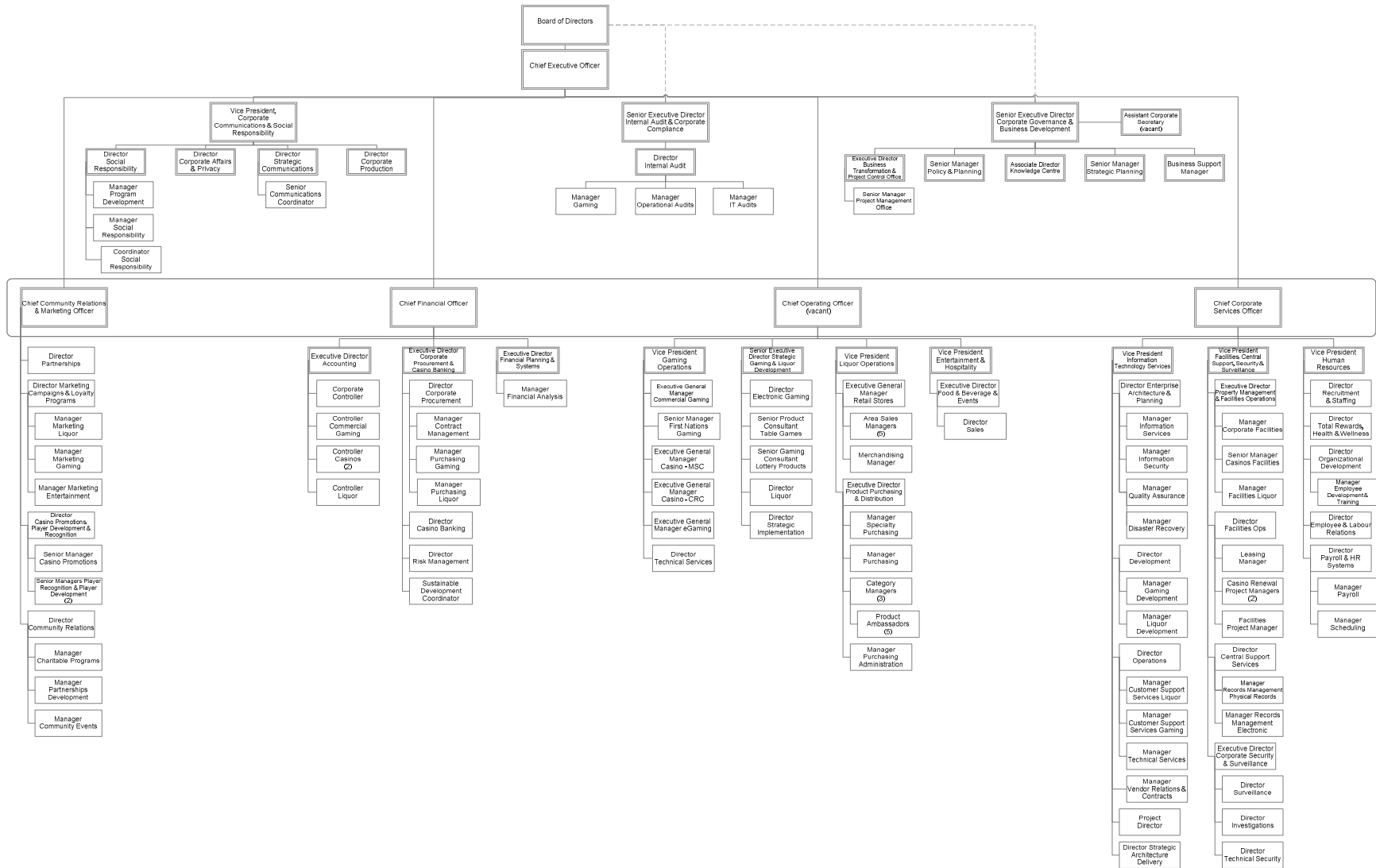
- Formalization of a 'CEO's Office' with Corporate Communications and Social Responsibility, Internal Audit and Corporate Compliance, and Corporate Governance and Business Development functions to support the CEO
- Creation of an operations portfolio with a 'Chief Operating Officer' position that will promote and focus on the integration opportunities of the core lines of business: gaming, liquor sales and distribution, entertainment, and food and beverage
- Enhancement of the strategic development unit to include liquor development, and integrates product research for all business lines to support future revenue generation
- Creation of a 'Corporate Services' portfolio and 'Chief Corporate Services Officer' position that includes information technology, facilities, central support, security and surveillance, and human resources
- Creation of an amalgamated 'Chief Community Relations & Marketing Officer' position that will continue to build relationships with community organizations and other partners

The recommended organization chart for the Manitoba Liquor and Lotteries Corporation is as follows:

### Manitoba Liquor and Lotteries Corporation High Level Organizational Chart



# Manitoba Liquor and Lotteries Corporation Detailed Organizational Chart



The recommended organization structure for the Liquor and Gaming Authority of Manitoba is based on an integration of liquor and gaming regulatory services, and the implementation of new service delivery model. The new service delivery model for regulatory services creates a 'single window' for front-line services with no separation between liquor and gaming license applications and approval processes, and a seamless hand-off to other levels of services if required. Unless specialized expertise or a higher level of decision-making is required, as much service as possible is provided at the first point of contact. First line of services will be responsible to bring clients into the system regardless of the service need and will:

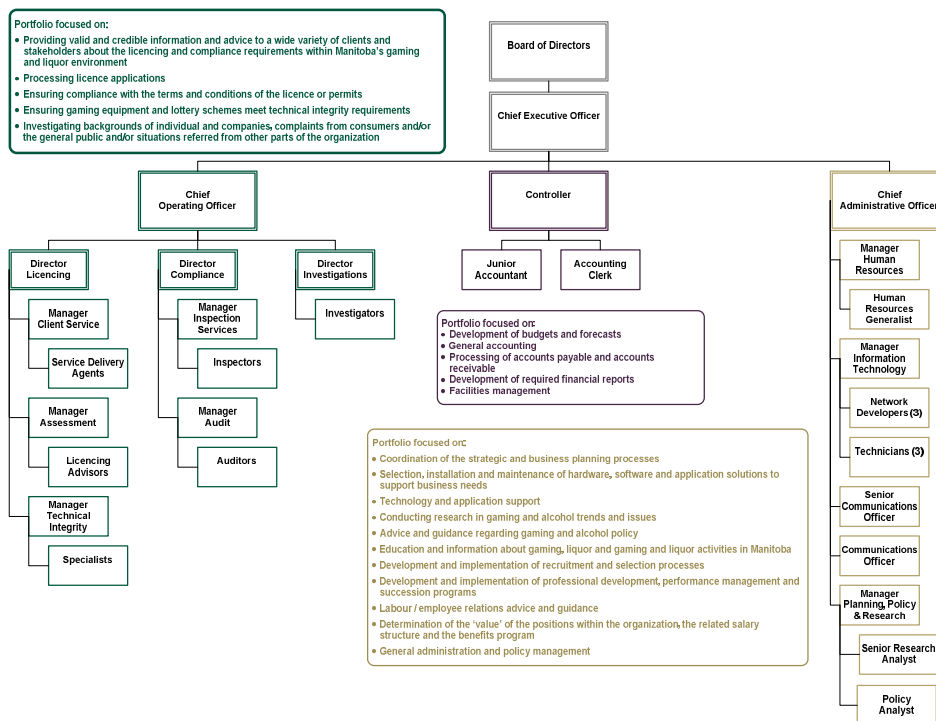
- Provide information
- Collect and input data and information
- Assist in completion of forms
- Conduct preliminary screening
- Refer to 'problem solvers' in other parts of the organization

The recommended organization structure for the Liquor and Gaming Authority of Manitoba integrates liquor and gaming regulatory services and is designed to operationalize the new service delivery model. The new integrated structure envisions three major portfolios led by senior executives, which continues to employ a streamlined organizational model for:

- Operations
- Finance
- Administrative Services

The recommended final end state organization chart for the Liquor and Gaming Authority of Manitoba is as follows:

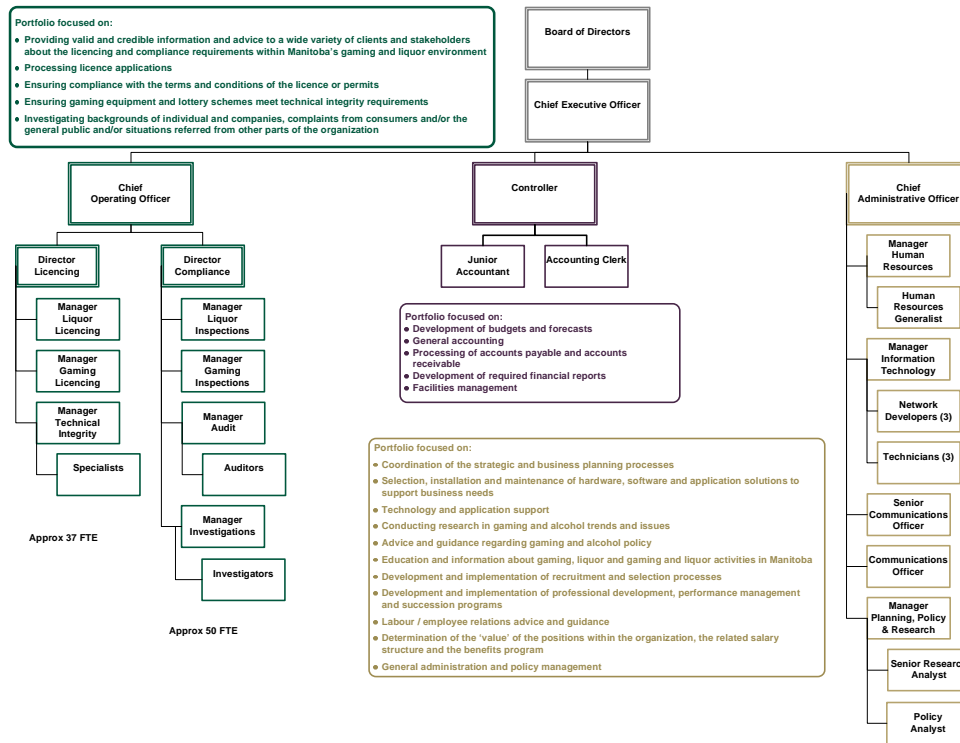
### Liquor and Gaming Authority of Manitoba Final End State



Note: Implementation of the recommended organization structure assumes that revised liquor and gaming legislation will significantly streamline and change regulations, and similar objectives and processes are implemented for licencing and registration processes.

An interim organization structure is required to appropriately transition to the final end state. The recommended transition state organization chart for the Liquor and Gaming Authority of Manitoba is as follows:

### Liquor and Gaming Authority of Manitoba Transition State



MNP conducted a high level cost and impact assessment quantifying the estimated cost savings and transition costs associated with the merger activities and implementation of recommendations. Cost savings include reductions in current actual expenditures, and reductions in planned expenditures approved in 2013 budgets. The assessment assumed that the full integration of the merging organizations will be achieved within the next 24 months and facilities / departments will be co-located to achieve the synergies and efficiencies recommended in this report. A more detailed review and analysis will be required during the implementation process to quantify and assess actual cost savings and transition costs required for full integration.

It is anticipated that the merger of Manitoba Liquor Control Commission and Manitoba Lotteries Corporation will result in an estimated \$3,000,000 in recurring annual savings after the transition is complete, which will be achieved through the elimination of executive and senior management positions, reduction of general costs and expenses, and consolidation of vendor contract services.

It is anticipated that the merger of Manitoba Liquor Control Commission's regulatory services and Manitoba Gaming Control Commission will require an investment of both one-time and recurring costs to fully integrate all liquor and gaming regulatory functions, to co-locate all regulatory services, and to provide the new Liquor and Gaming Authority of Manitoba with the corporate and administrative functions necessary to support its expanded scope. It is anticipated one-time integration costs will be funded by the Manitoba Gaming Control Commission's existing reserves, and recurring funding for additional positions and systems licences will be transferred from Manitoba Liquor Control Commission to the Liquor and Gaming Authority of Manitoba.

MNP developed high level implementation plans for Manitoba Liquor and Lotteries Corporation and Liquor and Gaming Authority of Manitoba that were designed to improve the speed of adoption, reduce the risks associated with mergers, and support the attainment of integration benefits. It is anticipated that implementation will require at least 24 months, which is aggressive and dependent on the outcomes of co-location decisions, IT system plans and legislative changes.



# 1. Introduction and Background

The Government of Manitoba announced in April 2012 its intention to merge Manitoba Liquor Control Commission and Manitoba Lotteries Corporation and the regulatory functions for liquor and gaming activities in the province of Manitoba. The expected outcomes of the merger were to increase efficiencies, modernize procedures and practices, reduce 'red tape' and achieve cost savings, while ensuring continued delivery of effective customer services, front-line operations and regulatory services.

The Government of Manitoba, through the Crown Corporations Council, engaged MNP to assist with the process of creating the new entity for liquor and gaming operations named "Manitoba Liquor and Lotteries Corporation", and the new entity for liquor and gaming regulation named "Liquor and Gaming Authority of Manitoba". MNP worked closely with the newly appointed CEO of Manitoba Liquor and Lotteries Corporation, the Executive Director of Manitoba Gaming Control Commission, the Board of Directors of the respective organizations, and the operational and regulatory transition teams that were formed to support this process.

The goal of the process was to develop a successful merger and integration plan that would achieve the expected outcomes for increased efficiencies, modernization, reduction of red tape and cost savings. The specific objectives of the review were to:

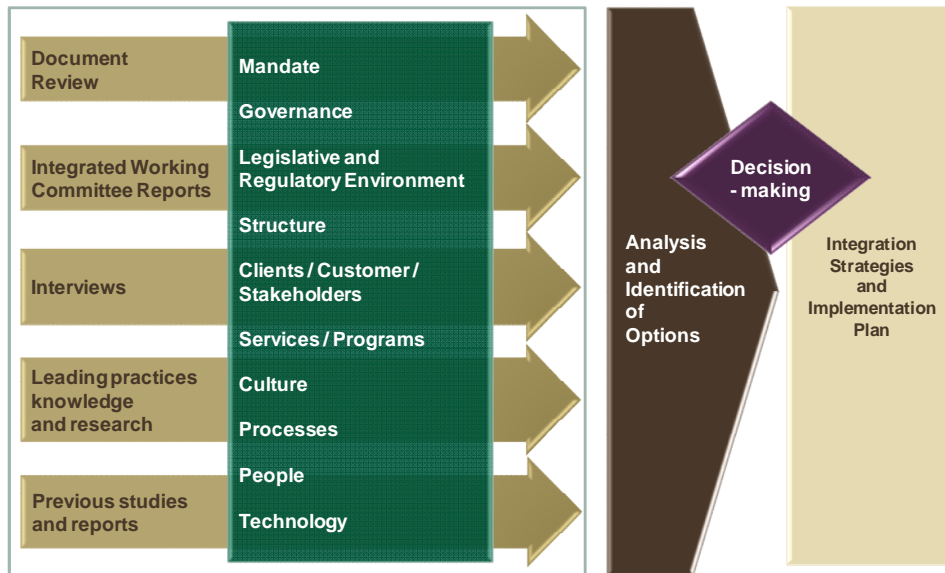
- Conduct a high level leading practices review to identify potential areas for efficiencies, cost savings and synergies in common functional areas of the merging entities
- Recommend a high level organization structure of the corporate, administrative and common functional areas that will best serve the needs of the merging entities ensuring:
  - Approved major projects and program expectations of Manitoba Liquor Control Commission, Manitoba Lotteries Corporation, and Manitoba Gaming Control Commission are accommodated
  - Timelines and effective customer services would not be jeopardized and disruptions would be minimized
- Propose a methodology for calculating the impact of organizational changes and/or efficiencies that may be adopted by the new Manitoba Liquor and Lotteries Corporation
- Identify change management issues and proposed solutions
- Develop a recommended high level implementation plan

The findings and recommendations of this report will be used to inform decisions and detailed implementation plans to complete the integration of gaming and liquor operations under the Manitoba Liquor and Lotteries Corporation and the integration of gaming and liquor regulation under the Liquor and Gaming Authority of Manitoba.

MNP would like to thank the representatives from the Government of Manitoba, Boards of Directors, and the executive and management teams from the Manitoba Liquor Control Commission, Manitoba Lotteries Corporation, and Manitoba Gaming Control Commission, as well as unions, community and business representatives, for their time and significant contributions during the process.

## 2. Methodology and Process

MNP developed and facilitated a process for the merger and integration of the three organizations based on the principles of a holistic view of the three organizations, clear and commonly understood goals and objectives, and involvement and input of key internal and external stakeholders. The result was realistic and credible integration strategies and plans that have considered and addressed all identified impacts. Our project approach and framework is depicted in the following diagram:



During the process MNP concurrently gathered and analyzed information from the corporate, administrative and regulatory functions of Manitoba Liquor Control Commission, Manitoba Lotteries Corporation and Manitoba Gaming Control Commission to develop recommendations that were optimal for both the operational and regulatory environment. This method ensured the most efficient use of time and resources to minimize disruptions to day-to-day operations and direct customer / front-line services. Two transition teams were established to support MNP through the review process: a transition team for the merger of the liquor and gaming operations, and a transition team for the merger of liquor and gaming regulatory services. MNP worked closely with each of the transition teams throughout the process to identify opportunities for synergies, efficiencies and cost savings or cost avoidance.

A number of different data gathering methodologies were used by MNP to ensure information used for review and evaluation purposes was valid. During the process, MNP reviewed more than 400 documents, conducted 82 interviews with key internal and external stakeholders, conducted five (5) interviews with other jurisdictions, and reviewed nine (9) written submissions from external stakeholders. The following is a summary of these data collection methods, as well as a summary of the evaluation and decision-making process used to identify opportunities and translate these into cohesive strategies and plans.

### 2.1 Document Review

In total, more than 400 documents were collected and reviewed by the MNP project team during the review and evaluation process. Documents were collected between June and July 2012 to establish a baseline understanding of the current state of Manitoba Liquor Control Commission, Manitoba Lotteries Corporation and Manitoba Gaming Control Commission. The document review examined the following:

- Governance frameworks and policies
- Strategic and operational plans
- Corporate and departmental budgets

- Organization charts and position descriptions
- Services and programs descriptions for functional areas
- Relevant policies and processes for functional areas
- Corporate and departmental performance data
- Major program and project strategy documents
- Collective agreements with MGEU, CUPE, IBEW, Teamsters, and CAW
- Relevant reports and documents for functional areas

Relevant reports included Integration Reports prepared by joint working committees established for each of the 21 corporate and administrative functions for Manitoba Liquor Control Commission and Manitoba Lotteries Corporation to identify integration issues, opportunities and efficiencies. The reports were reviewed by MNP in advance of interview sessions and used as part of the analysis and evaluation process.

## 2.2 Interviews and Focus Groups

Interviews and focus groups with internal stakeholders were used to ensure the documentation collected for the review process was reflective of the current situation and allowed for confirmation and elaboration of the data provided. The sessions were also used to gather in-depth perspectives and information on potential opportunities for efficiencies, synergies, and barriers that would need to be overcome to effectively integrate the core functional areas for the merging organizations. The MNP project team conducted interviews and/or focus groups from late June to early July 2012 with key board members, executives, and managers from Manitoba Liquor Control Commission, Manitoba Lotteries Corporation and Manitoba Gaming Control Commission. The following interviews / focus group sessions were completed:

<b>MLCC</b>	<ul style="list-style-type: none"> <li>• 22 interviews / focus groups with employees</li> <li>• 1 interview with current Board member who was a former member of the previous Board</li> <li>• 1 interview with Chair and Vice-Chair of the Licensing Board</li> </ul>
<b>MLC</b>	<ul style="list-style-type: none"> <li>• 30 interviews / focus groups with employees</li> <li>• 1 interview with current Chair and Vice Chair</li> </ul>
<b>MGCC</b>	<ul style="list-style-type: none"> <li>• 6 interviews / focus groups with employees</li> <li>• 1 interview with Board Chair and Vice Chair</li> </ul>

## 2.3 External Stakeholder Consultations

External stakeholders were invited to provide written submissions, or to participate in interview sessions with MNP. The consultations were conducted to gather stakeholder information, opinions and feedback on the critical issues and opportunities resulting from the merger of Manitoba Lotteries Corporation and Manitoba Liquor Control Commission, and opportunities for reducing “red tape” with respect to the regulation of liquor and gaming in Manitoba. The consultations were conducted by MNP from mid July to mid August 2012 with representatives from targeted external stakeholder groups. The following external stakeholder consultations were completed with representatives from specialty wine stores, the restaurant industry, the hotel industry, business and community groups, special event and interest groups and unions:

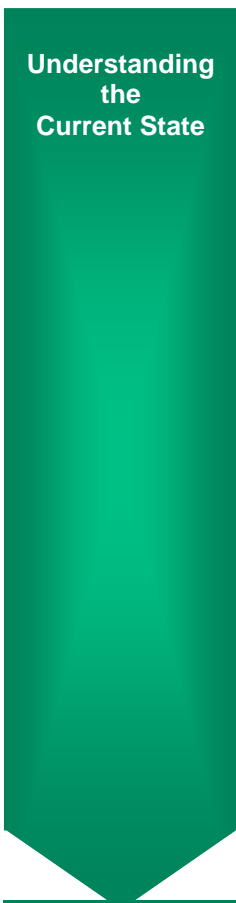
<b>External Stakeholders</b>	20 interviews conducted; 3 invited for interview but decided to submit written submissions – only 1 received
<b>Written Submissions</b>	17 invitations to provide written submissions; 9 written submissions received

MNP also conducted interviews with other jurisdictions having experience merging complex, multi-location government enterprises or merging liquor and gaming regulatory functions. Interviews were completed with organizations in Saskatchewan, Ontario, Alberta and one in Manitoba:

<b>Other Jurisdictions</b>	5 interviews with other jurisdictional representatives
----------------------------	--

## 2.4 Evaluation and Decision Process

During the project, MNP worked closely with the CEO of Manitoba Liquor and Lotteries Corporation and the joint transition team comprised of executives from Manitoba Liquor Control Commission and Manitoba Lotteries Corporation, and the Executive Director of Manitoba Gaming Control Commission and the regulatory transition team comprised of executives and managers from Manitoba Gaming Control Commission and Manitoba Liquor Control Commission's Regulatory Services Department. MNP facilitated these groups through an extensive evaluation and decision-making process that resulted in the findings and recommendations presented in this report. The evaluation and decision-making process is outlined in the section below.



During this process MNP validated the current state understanding of Manitoba Liquor Control Commission, Manitoba Lotteries Corporation, and Manitoba Gaming Control Commission by examining the following:

- What are the current mandates of each organization and how might this change in the future?
- What is the legislative and regulatory environment?
- What are the current visions, strategic directions, values, goals and objectives of each organization and how might this change in a merged organization?
- Who are the primary clients and stakeholders of each organization, what are the accountabilities to each and are there commonalities as well as differences?
- What are the needs / expectations of these clients and stakeholders?
- What services does each organization provide and what needs are these services meeting?
- What is the service delivery model for each organization?

**Resulted in:**

- Identification of the primary clients and stakeholders
- Crystallization of the services and service descriptions
- Confirmation of the service delivery models
- Development of service alignment model
- Summary of external stakeholders' opinion and perception



During this process MNP worked with the executive and transition teams to validate our assessment of the current state organization structures, functions and core processes used in the functional areas from each of the three organizations and to incorporate leading practices.

Specifically, MNP identified through what functions, processes and positions the following occurred in each of the three organizations:

**Identifying & Assessing Current State Structure, Functions & Processes – Validated**  
*(cont.)*

- Client / stakeholder needs and wants are determined
- Markets are defined and monitored
- Vision and strategies are developed
- Success is measured
- Products and services are designed and/or procured
- Clients and the general public are made aware of the products and services and the overall performance of the corporations
- Products and services are distributed and delivered
- Financial and physical resources are managed
- Human resources are recruited, retained and developed
- Information technology and resources are managed
- External relationships are developed / maintained
- Improvement and change are managed

MNP also accessed information about other jurisdictional practices through literature review and interview processes to identify and confirm:

- Structure and organization
- Mandate
- Services
- Lessons learned

This information was presented to the transition teams and incorporated into MNP's review and assessment of the current state. MNP then consolidated leading practices in the core functional areas under review to complete the assessment, and to develop findings and recommendations for merger and integration of the organizations. Leading practices were identified in the following functional areas:

- |   |                             |
|---|-----------------------------|
| • Governance                                    | • Procurement               |
| • Organizational structure                      | • Human resource management |
| • Planning                                      | • Marketing                 |
| • Risk management                               | • Communications            |
| • Business transformation and change management | • Community relations       |
| • Finance                                       | • Social responsibility     |
| • Internal audit                                | • Facilities management     |

**Resulted in:**

- Findings and recommendations for:
  - High level organizational structure (2 options presented to each transition team)
  - Processes and practices in each of the areas listed above
  - Opportunities for synergies, cost avoidance and cost savings

## Decision-Making

During this process MNP facilitated working sessions with the executive and transition teams to evaluate and gather input on the options for organizational structures and integration recommendations proposed by MNP. Following these sessions, MNP worked with the CEO of Manitoba Liquor and Lotteries Corporation and Executive Director of Manitoba Gaming Control Commission to further refine the recommendations. The evaluation criteria used to assess the proposed recommendations were the following:

EVALUATION CRITERIA		
Manitoba Liquor and Lotteries Corporation	Liquor and Gaming Authority of Manitoba	Organizational Design Criteria
<ul style="list-style-type: none"> <li>• Cost avoidance or cost savings</li> <li>• Customer experience status quo or enhanced</li> <li>• Leverage best practices</li> <li>• Increase efficiencies</li> </ul>	<ul style="list-style-type: none"> <li>• Fulfillment of legislative and regulatory requirements</li> <li>• Minimization of financial and integration costs</li> <li>• Optimization of synergies</li> <li>• Modernize procedures and practices</li> <li>• Reduction of red tape</li> </ul>	<ul style="list-style-type: none"> <li>• Simplicity</li> <li>• Appropriate span of control</li> <li>• Appropriate size and balance of portfolios</li> <li>• Positions designed around needs of the business</li> <li>• Similarity of activities</li> <li>• Decentralization of authority and responsibility</li> <li>• Aligned authority and responsibility</li> </ul>

Once the recommendations were finalized, MNP identified the high-level financial and position impacts through the implementation of the proposed organization structure and integration recommendations.

### Resulted in:

- Recommendation for organizational structure for both corporations
- Identification of **high-level** financial and position impact

## LIMITATIONS OF THIS REVIEW

When reviewing this report it is important to understand that a high level review was completed in the prescribed timeframe, and that in-depth analysis and planning will need to occur in the next phase of the merger and integration process. The following factors must be considered when reviewing the recommendations in this report:

- The 'what' has been determined for organization structures, but not the 'how' and the 'who'
- There has been a fundamental assumption made that there will be significant change in legislation and regulation to address stakeholder expectations and support the recommendations of this review process
- The titles, position classifications and salary structures differ significantly between the three organizations. The scope and timing for this project did not allow for an in-depth analysis of positions, therefore, judgements were made about level of positions
- Existing realities that must be considered and addressed by the Government of Manitoba and the executive teams will determine the pace at which the changes will occur, and therefore, the corresponding level of cost savings. Specifically, these include:
  - Decisions about elimination of positions (e.g. changes through attrition will influence the speed of implementation)
  - Harmonization of classifications, titling, salaries and benefits
  - Complete integration of corporate head office
  - How transition costs will be funded
  - Degree and pace of legislative change

As such, it should be expected the implementation of the new organization structures and supporting integration recommendations will be evolutionary and dependent on the outcomes of future decisions with respect to the harmonization of positions, legislative and regulatory changes and the existing realities of merging complex organizations.

### 3. External Stakeholders Summary

External stakeholder consultations were completed with 29 organizations representing a broad spectrum of stakeholder groups that included specialty wine stores, the restaurant industry, the hotel industry, business community, special event and interest groups including First Nations groups, and unions. MNP identified the following key themes of the external stakeholder consultations:

- Stakeholders involved in the service or sale of alcohol desire a level playing field and more opportunity for fair competition (e.g. sponsorships, discount pricing, involvement in product listing / delisting)
- Community stakeholders have appreciated the level of community funding received from Manitoba Liquor Control Commission and Manitoba Lotteries Corporation, and hope the level of investment continues and is not reduced
- Stakeholders representing downtown Winnipeg are concerned with the impacts of alcohol consumption (e.g. service to intoxicated persons, public intoxication), and the quality standards of licenced facilities on the image of downtown Winnipeg
- Overall, stakeholders have a general interest in streamlining and modernizing licences and application processes used for regulatory purposes
- Stakeholders that have had access to the former CEOs of Manitoba Liquor Control Commission and Manitoba Lotteries Corporation and have a general desire to continue to have access to the CEOs of Manitoba Liquor and Lotteries Corporation, Liquor and Gaming Authority of Manitoba, and key decision-makers to deal with issues and concerns
- All stakeholders are interested in having active involvement and collaboration related to both regulatory and operational changes impacting their organizations
- There is a desire to see changes in the approach to liquor inspections by moving towards more education and awareness for responsible businesses, and stricter enforcement on high-risk and repeat offenders
- Generally the unions working with the three organizations have experienced good working relationships and would like to continue to be involved and consulted as decisions impacting members are being made

Detailed external stakeholder feedback was taken into consideration in developing the recommendations presented in this report.

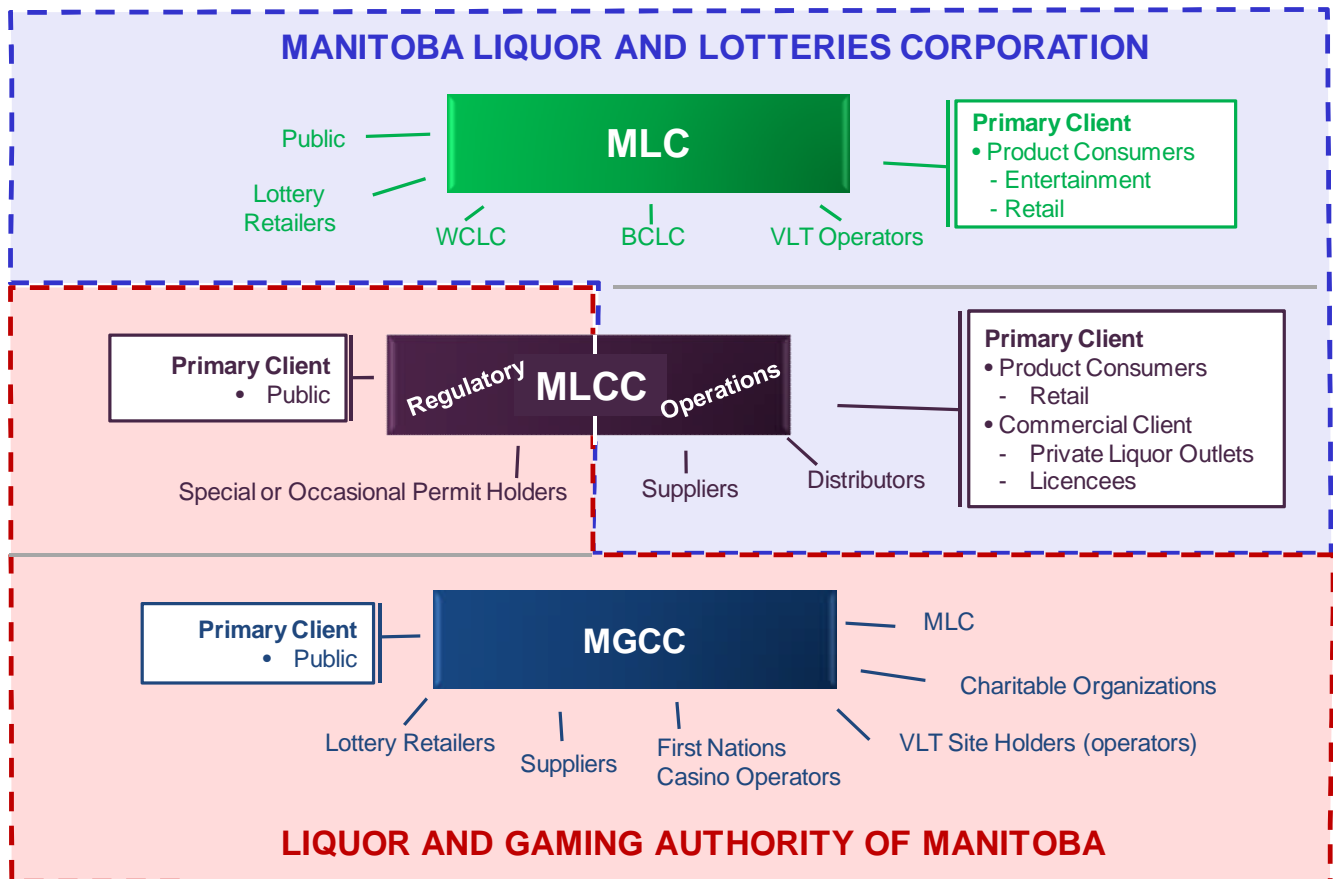


## 4. Integration Findings and Recommendations

MNP conducted an assessment of Manitoba Lotteries Corporation, Manitoba Liquor Control Commission and Manitoba Gaming Control Commission to confirm the mandates, vision, values, services, and stakeholders (clients, customers, stakeholders and partners) of each organization. MNP then used a common categorization process to clarify and crystallize service delivery models and the management and support processes, and aligned stakeholder needs to services offered by each of the organizations.

Based on the assessment process, MNP confirmed the clients and stakeholders that are served by each of the Manitoba Liquor Control Commission, Manitoba Lotteries Corporation and Manitoba Gaming Control Commission, the current services delivered by each organization, and the future state services to be provided by the two new entities, Manitoba Liquor and Lotteries Corporation and Liquor and Gaming Authority of Manitoba. Detailed service descriptions and service delivery models were also developed, and budgets and key performance data were examined. Major projects and programs were also identified and confirmed to ensure the assessment and resulting recommendations did not negatively impact strategic initiatives and front-line operations for clients and customers. The high-level outcomes of the assessment process are provided below:

### Clients and Stakeholders



## Current Services

MLC	MLCC	MGCC
<ul style="list-style-type: none"> <li>• Sales and/or distribution of lottery products, including VLTs</li> <li>• Entertainment provider:               <ul style="list-style-type: none"> <li>– Casinos</li> <li>– Food and beverage</li> <li>– Live entertainment</li> <li>– Online gaming</li> <li>– Video lotto terminals</li> </ul> </li> <li>• Education and promotion of responsible gaming</li> <li>• Conduct and management of First Nations gaming operations</li> </ul>	<ul style="list-style-type: none"> <li>• Distribution of alcoholic beverages</li> <li>• Direct and indirect retail sales of alcoholic beverages</li> <li>• Licencing and permitting provision of alcohol</li> <li>• Inspection and auditing of alcohol sales, and investigating and enforcing compliance with liquor – related legislation</li> <li>• Education and promotion of responsible consumption of alcohol</li> </ul>	<ul style="list-style-type: none"> <li>• Licencing of charitable gaming activities</li> <li>• Registration of First Nations casino operators, Manitoba Lotteries Corporation and First Nations employees, gaming suppliers, gaming equipment, VLT site holders and lottery retailers, and technical integrity approvals of gaming equipment</li> <li>• Investigation of gaming related disputes, issues and registration</li> <li>• Inspection and auditing of gaming activities and enforcing compliance with gaming – related legislation</li> <li>• Education and promotion of responsible gaming</li> <li>• Research and policy development related to gaming</li> </ul>

## Future State Services

Manitoba Liquor and Lotteries Corporation	Liquor and Gaming Authority of Manitoba
<ul style="list-style-type: none"> <li>• Distribution of alcoholic beverages</li> <li>• Direct and indirect retail sales of alcoholic beverages</li> <li>• Sales and distribution of lottery products (including VLTs)</li> <li>• Entertainment               <ul style="list-style-type: none"> <li>– Casinos</li> <li>– Food and beverage</li> <li>– Live entertainment</li> <li>– Online gaming</li> </ul> </li> <li>• Conduct and management of 3<sup>rd</sup> party operations (including First Nations gaming operations)</li> </ul>	<ul style="list-style-type: none"> <li>• Licencing and permitting for provision of alcohol</li> <li>• Ensure compliance with liquor-related legislation, regulations and policy</li> <li>• Ensure the honesty and integrity of games and gaming providers</li> <li>• Ensure compliance with gaming-related legislation, regulations and policy</li> </ul>
<ul style="list-style-type: none"> <li>• Education and promotion of responsible consumption of alcohol</li> <li>• Education and promotion of responsible gaming</li> <li>• Research and policy development related to gaming and alcohol</li> </ul>	

The education and promotion of responsible consumption of alcohol and responsible gaming, and research and policy development related to gaming and alcohol were identified as shared services offered in the future by both organizations. Work is currently underway to clarify roles and responsibilities and to develop consolidated plans to maximize efforts and minimize any unnecessary duplication in service delivery.

MNP conducted a review of all governance, management and supporting functions for each organization and compared them to leading practices and stakeholder expectations and requirements. Front-line operations were out of scope for the review of Manitoba Lotteries Corporation and Manitoba Liquor Control Commission; however, operational and administrative functions for regulatory services were reviewed in both Manitoba Gaming Control Commission and Manitoba Liquor Control Commission to appropriately assess the impacts and provide credible recommendations for the merger of the liquor and gaming regulators. The functional areas assessed during the review included:

MLCC and MLC Liquor and Gaming Operations	MGCC and MLCC Regulatory Services
<ul style="list-style-type: none"> <li>• Governance</li> <li>• Organizational structure</li> <li>• Planning</li> <li>• Risk management</li> <li>• Business transformation and change management</li> <li>• Finance</li> <li>• Internal audit</li> <li>• Procurement</li> <li>• Human resource management</li> <li>• Marketing</li> <li>• Communications</li> <li>• Community relations</li> <li>• Social responsibility</li> <li>• Facilities management</li> </ul>	<ul style="list-style-type: none"> <li>• Governance</li> <li>• Organizational structure</li> <li>• Planning</li> <li>• Risk management</li> <li>• Change management</li> <li>• Licencing, permitting and registration</li> <li>• Inspections, investigations and audits</li> <li>• Finance</li> <li>• Human resource management</li> <li>• Communications</li> <li>• Social responsibility and research</li> </ul>

In reviewing of each the functional areas, MNP examined the organization structures, positions, common and unique functions, major strategic projects, budget and performance data, and identified similarities and differences in key policies, activities, processes, and systems. Detailed findings and recommendations were developed for each functional area to identify:

- Opportunities to integrate departments and streamline activities to reduce duplication in common activities
- Synergies to be gained by utilizing formalized functions, methodologies, practices and processes and systems already in place in one organization to be adopted in the merging organizations
- Modernizing procedures and practices to increase efficiencies and reduce red tape
- Cost savings and cost avoidance strategies by harmonizing vendor contracts, and eliminating the need for third-party services and budgeted hires
- Change management issues and recommended strategies to overcome issues and manage resistance to change, engage and support employees, and implement strong change leadership plans
- Transition requirements to successfully integrate the merging organizations

## 4.1 Manitoba Liquor and Lotteries Corporation

A summary of the findings and recommendations for the merger and integration of Manitoba Lotteries Corporation and Manitoba Liquor Control Commission to create the Manitoba Liquor and Lotteries Corporation are presented below.

### Governance

A new Board of Directors and a CEO were appointed in the spring 2012 to provide governance and executive oversight of the newly established Manitoba Liquor and Lotteries Corporation. The new Board is mandated to function as a policy board and will be required to implement a governance framework and model that supports its legislated mandate. MNP recommends the Board of Directors, working in collaboration with the CEO, implement the following:

- Develop a governance framework and model that incorporates best practices as presented to the Board, CEO and transition team
- Develop a Board Committee structure that is designed to ensure it helps the Board do its job, helps the administration do its job and is aligned with the critical drivers of the success of the business
- Develop a clear decision and authority matrix that ensures a common understanding of how decisions are made and who has authority to make these decisions at the Board, CEO, Executive, and Manager levels
- Determine and provide clear direction of what type and level, the delivery method and at what frequency information is required at the Board level and to implement the most effective and efficient method of accessing and providing this information

### Policy

The new corporation will require a policy framework and format that incorporates leading practices and harmonizes the different policy frameworks and formats of the MLCC and MLC. MNP recommends the Executive implement the following:

- Determine and define the desired policy framework and format for the new corporation
- Develop the process to review and harmonize all policies, develop a plan and begin implementation as soon as possible
- Determine, document and communicate the ongoing policy development process to impacted stakeholders

### Organization

A new organization structure is recommended to operate the new corporation effectively and efficiently and to ensure that long-term strategic objectives are achieved (Section 5 of this report). Clearly defined accountabilities and authority levels will be critical to enable management to integrate liquor and gaming operations, and corporate administrative functions, both quickly and strategically. MNP recommends the following:

- Critically review the existing management committees and identify those that will be necessary in the future to exist as committees rather than collaborative efforts between functions
- Move toward increased accountability and authority for the full scope of responsibility for managers in operations providing direct service to the product consumer

### Enhanced Practices and Cost Avoidance

MNP found that each functional area in MLCC and MLC had differing strengths and opportunities for enhancements when assessed against leading practices and future needs. In many instances, MNP found leading practices already in place and that should be adopted in the new corporation, cost avoidance strategies

gained by consolidating functional areas and streamlining activities, and cost savings by integrating departments. MNP recommends the following:

- Utilize and integrate the formalized functions, methodologies, practices and processes already in place to enhance the strategic distribution and sale of alcohol, specifically:
  - Business planning
  - Risk management
  - Business transformation and project management
  - Strategic development
  - Security and surveillance
- Implement cost avoidance strategies by adopting existing systems and functional capabilities, and eliminating need for third-party services and budgeted hires
- Harmonize and streamline activities to reduce duplication of efforts in common activities in the following functional areas:
  - Human resources
  - Community relations and sponsorship
  - Communications and social responsibility

Integration of departments will result in the need for fewer positions. It is anticipated this will be done over time through attrition.

### **Procurement and Distribution**

The merger of Manitoba Liquor Control Commission and Manitoba Lotteries Corporation should result in significant purchasing power for the new corporation that should allow for annual cost savings as duplicate contracting services are streamlined and preferred cost is achieved. Both corporations also operate external customer contract centres and distribution centres that can be consolidated to achieve efficiencies for customers, clients and staff. MNP recommends the following:

- Harmonize vendor contracts to achieve greater purchasing power
- Integrate external customer contact centres allowing for a single point of contact
- Integrate external distribution centres (liquor and gaming product going to the same clients)

### **Information Technology**

The integration of information technology systems will be a significant requirement to achieving the integration goals of the merger. During the decision-making process four systems integration options and estimated costs were considered and it was determined the following option would be implemented by the new corporation to integrate the core systems and manage associated integration costs:

- Maintain core systems (Lawson and JDE) and use Enterprise Business Analytics to provide single view

The systems integration option will leverage existing system investments and knowledge from Manitoba Liquor Control Commission and Manitoba Lotteries Corporation, leverage existing EBA technology and skills in Manitoba Lotteries Corporation, is faster to implement (3 to 6 months), can be used for a lengthy period of time and adopts the current industry trend of leveraging “best in breed” systems.

## 4.2 Liquor and Gaming Authority of Manitoba

A summary of the findings and recommendations for the merger and integration of Manitoba Gaming Control Commission and Manitoba Liquor Control Commission's regulatory services to create the Liquor and Gaming Authority of Manitoba are presented below.

### Governance

Manitoba Gaming Control Commission's existing Board has been operating as a 'policy governance' board with a focus on: strategic planning, risk management, supervision of the executive director, and self-evaluation. Manitoba Liquor Control Commission has been operating with a Board of Directors and Liquor Licencing Board. The Licencing Board has been performing administrative functions that are commonly performed by the administration in other jurisdictions, including at the Manitoba Gaming Control Commission. At Manitoba Gaming Control Commission, the Executive Director has the power and authority to make judgements and mediate issues with clients and stakeholders. MNP recommends the new organization operate with one board and that all liquor and gaming licence applications and adjudications be delegated to the CEO (currently titled Executive Director), with appeals to the Board. MNP recommends the Board of Directors, working in collaboration with the CEO, implement the following:

- Assess the existing governance framework and model against leading practices
- Expand the size of the Board to reflect the added scope and ensure selected Board members have the competencies necessary for effective contribution
- Eliminate the existing Licencing Board and incorporate the decision and appeal processes in the administrative processes of the new organization
- Develop a Board Committee structure that is designed to ensure it helps the Board do its job, helps administration do its job and is aligned with the critical drivers of success of the new organization
- Develop a clear decision and authority matrix that ensures a common understanding of how decision are made and who has authority to make these decision at the Board, CEO, Executive and Manager levels
- Determine and provide clear direction of what type and level, the delivery method and at what frequency information is required at the Board level to support the additional scope of the organization and implement the most effective and efficient method of accessing and providing this information

### Policy

The new regulatory authority will require one policy framework and format. The policy framework must be aligned with liquor and gaming legislation and regulation, incorporate leading practices and harmonize the differing policy frameworks of the Manitoba Gaming Control Commission and the Manitoba Liquor Control Commission's regulatory services function. MNP recommends the Executive implement the following:

- Determine and define the desired policy framework and format for the new corporation
- Develop the process to review and harmonize all policies, develop a plan and begin implementation as soon as possible
- Determine, document and communicate the ongoing policy development process

### Planning

The implementation of harmonized strategic and business planning processes for the new regulatory authority will be required to ensure long-term integration goals and directions are achieved. MNP recommends:

- Create a rigorous, comprehensive and integrated strategic and business planning process based on clarity of mandate, general approach and goals of the new organization

- Facilitate as soon as possible, a planning session with all leaders to articulate a common vision, values and strategic direction for the new corporation
- Develop a comprehensive performance measurement process that harmonizes key and operational performance indicators
- Develop and automate, as much as possible, a reporting framework that focuses on the critical drivers of success for the organization
- Develop a dedicated unit that brings together planning, research, policy development and regulatory affairs

### **Licensing, Investigations, Inspections and Audits**

The review identified a number of synergies and efficiencies to be gained from integrating similar operational functions for licencing, permitting and registrations, and inspections, investigations and audits. Blending liquor and gaming expertise in the long-term will minimize any duplication in activities and expand the resource pool available to process applications and conduct inspections. The following recommendations were made:

- Harmonize the licencing, registration and permitting processes to realize the efficiencies of similar steps in the process and classify all as a 'licencing' process
- Implement the "single window" service delivery concept for enhanced client service delivery for all application and approval processes
- Adopt a risk-based approach to streamline core operations and redirect resources to higher-risk or more complex applications and inspections
- Clarify roles and responsibilities with external agency partners to confirm the scope of inspections

It is important to understand that the co-location of liquor and gaming regulatory services will be required to benefit from synergies and achieve efficiencies in the long term.

### **Support Functions**

The merger of liquor and gaming regulatory services creates a new organization with an increased scope. Additional resources are required to effectively support the increased scope and anticipated demands in administrative functions. MNP recommends the following:

- Increase human resource management initiatives and activities
- Increase and enhance communications activities as a result of changes in legislation and regulation and new processes
- Increase technology support and development requirements for the increase in the number of people and corresponding equipment, applications and customization requirements of the GMS system
- Migrate data from Manitoba Liquor Control Commission systems to Manitoba Gaming Control Commission for lines of business and non-lines of business (finance, HRIS, time and labour, office network and communication systems)
- Increase funding to address 'gap' at Manitoba Liquor Control Commission being currently funded by operations
- Customize Manitoba Gaming Control Commission's existing GMS system to accommodate regulatory services for liquor (Manitoba Liquor Control Commission's IT systems for regulatory services cannot be transferred)
- Adequately fund the resources required for the transition and to implement integration plans

## 5. Recommended High Level Organization Structure

Recommended high level organization structures were developed for the Manitoba Liquor and Lotteries Corporation and the Liquor and Gaming Authority of Manitoba that aligned with the future state services to be delivered by these organizations, incorporated opportunities for cost savings, efficiencies, and maximized the synergies to be gained through the integration of the organizations.

In developing the final recommended structures, MNP proposed two options for each of the merging organizations based on the evaluation criteria and leading practices in organizational design. MNP reviewed the options with each of the respective transition teams to obtain input and feedback. Working sessions were held with the joint transition team for liquor and gaming in early August 2012 and with the regulatory transition team in mid August 2012.

Further discussions were held with the CEOs of both entities and a final organization structure was determined. The recommended organization structures are presented in the following sections.

### 5.1 Manitoba Liquor and Lotteries Corporation

The recommended organization structure for the Manitoba Liquor and Lotteries Corporation is based on a complete integration of services and service delivery for liquor and gaming operations, and transfers regulatory services for liquor to the Liquor and Gaming Authority of Manitoba. The new integrated structure envisions four major portfolios led by senior executives using a streamlined “Chief” executive model for:

- Operations
- Finance
- Corporate Services
- Community Relations and Marketing

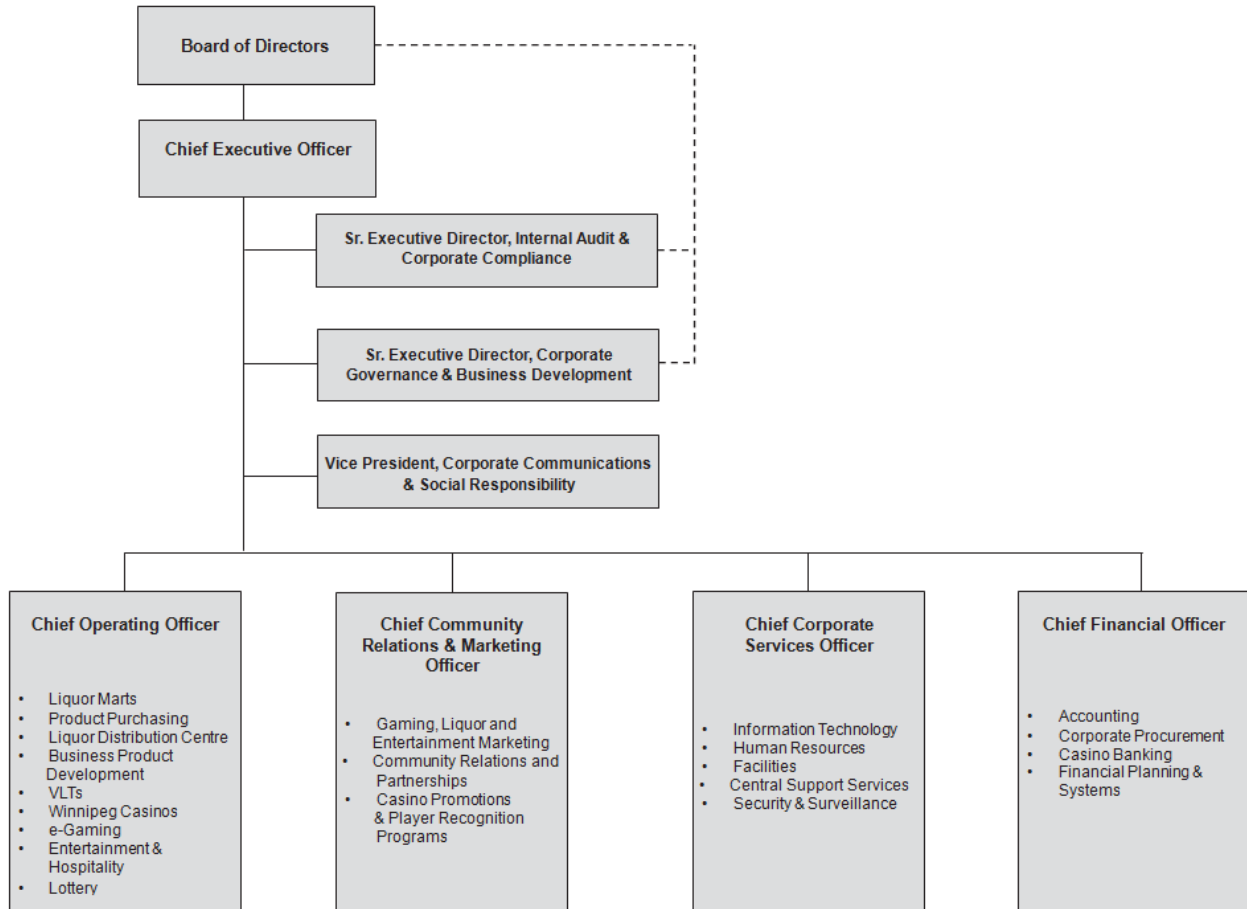
There are key features embedded in the recommended organization structure that are intended to achieve the following:

- Formalization of a ‘CEO’s Office’ with Corporate Communications and Social Responsibility, Internal Audit and Corporate Compliance and Corporate Governance and Business Development functions to support the CEO
- Creation of an operations portfolio with a ‘Chief Operating Officer’ position that will promote and focus on the integration opportunities of the core lines of business: gaming, liquor sales and distribution, entertainment, and food and beverage
- Enhancement of the strategic development unit to include liquor development, and integrates product research for all business lines to support future revenue generation
- Creation of a ‘Corporate Services’ portfolio and ‘Chief Corporate Services Officer’ position that includes information technology, facilities, central support, security and surveillance, and human resources
- Creation of an amalgamated ‘Chief Community Relations & Marketing Officer’ position that will continue to build relationships with community organizations and other partners

The recommended organization chart for the Manitoba Liquor and Lotteries Corporation is as follows:

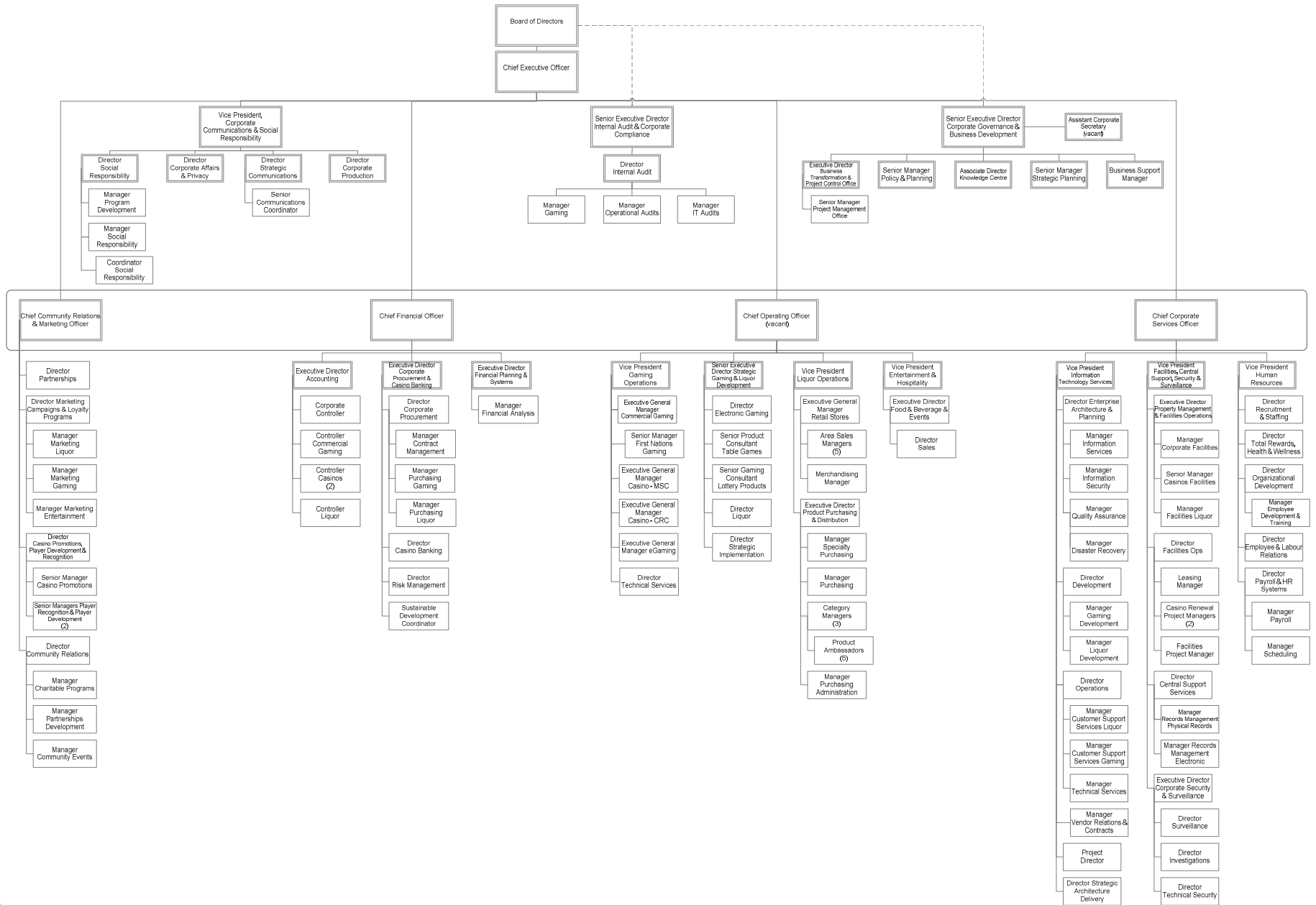


## Manitoba Liquor and Lotteries Corporation High Level Organization Chart



# Manitoba Liquor and Lotteries Corporation

## Detailed Organization Chart



## 5.2 Liquor and Gaming Authority of Manitoba

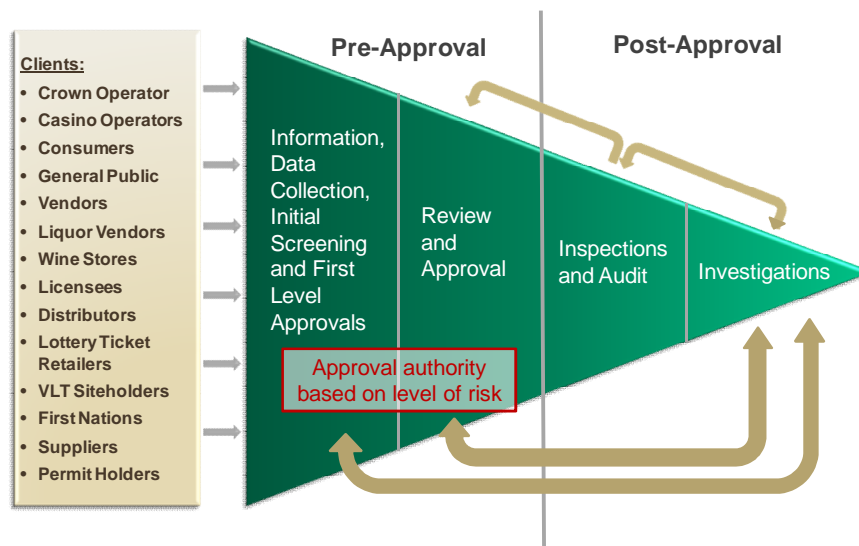
The recommended organization structure for the Liquor and Gaming Authority of Manitoba is based on a complete integration of liquor and gaming regulatory services, and the implementation of a new service delivery model.

### Service Delivery Model

The new service delivery model for regulatory services creates a 'single window' for front-line services with no separation between liquor and gaming license applications and approval processes, and a seamless hand-off to other levels of services if required. Unless specialized expertise or a higher level of decision-making is required, as much service as possible is provided at the first point of contact. First line of services will be responsible to bring clients into the system regardless of the service need and will:

- Provide information
- Collect and input data and information
- Assist in completion of forms
- Conduct preliminary screening
- Refer to 'problem solvers' in other parts of the organization

The new service delivery model is graphically represented below and depicts expected work flow and volume levels through the continuum from pre-approval to post-approval stages:



### Final End State Organization Structure

The recommended organization structure for the Liquor and Gaming Authority of Manitoba integrates liquor and gaming regulatory services and is designed to operationalize the new service delivery model. The new integrated structure envisions three major portfolios led by senior executives, which continues to employ a streamlined organizational model for:

- Operations
- Finance
- Administrative Services

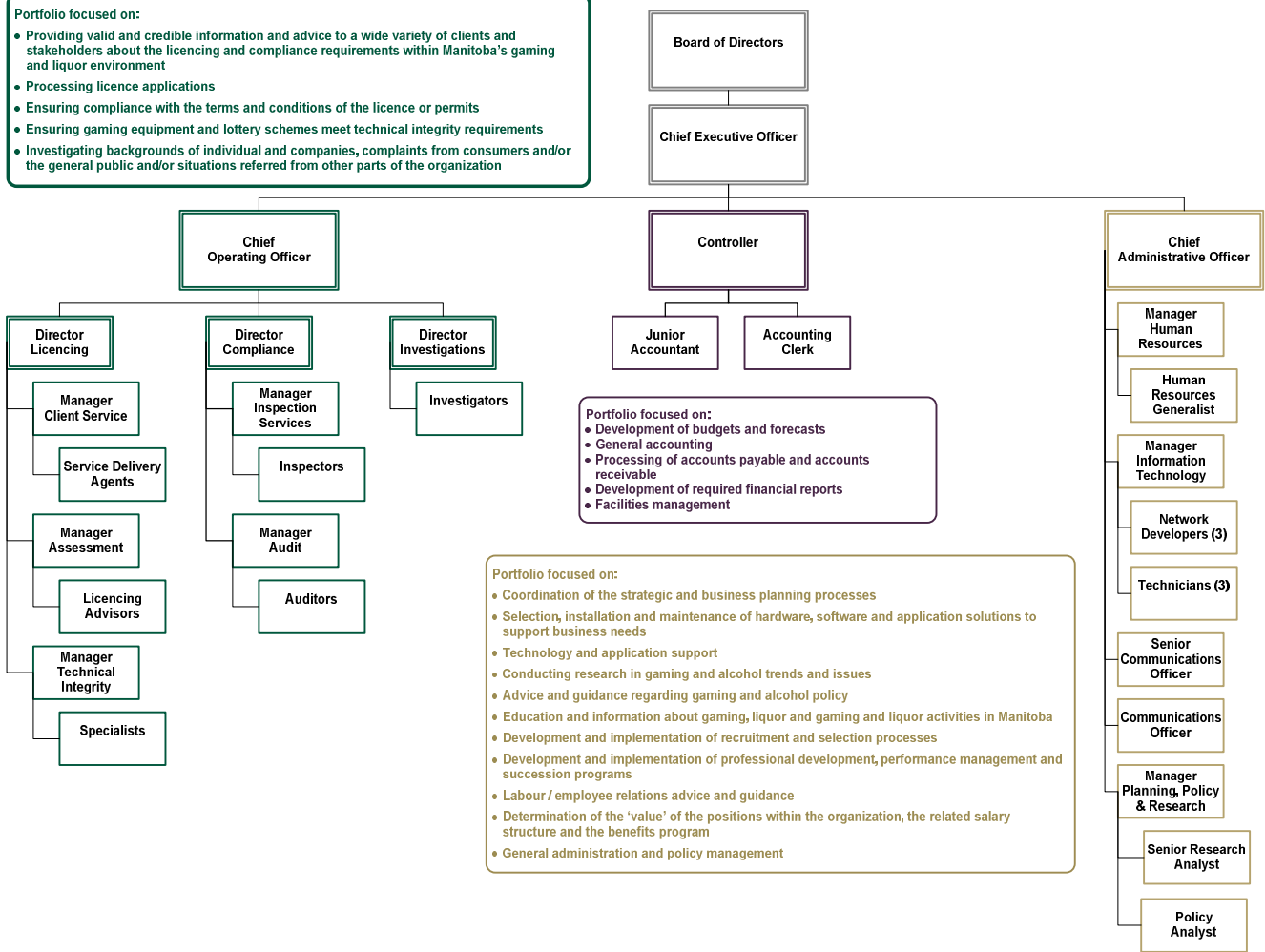
There are key features embedded in the organization structure that are intended to support effective and efficient integration and delivery of regulatory services for liquor and gaming activities. The recommended structure provides for the following:

- Creation of an 'Operations' portfolio that is organized to reflect the integrated service delivery model and assumes a 'risk-based' approach will be adopted to streamline operational processes and redirect resources to higher-risk or more complex applications and inspections
- Creation of a single access point to the organization where the 'need' will be identified and appropriately addressed or referred for resolution
- Creation of a unit that administers the 'licencing' process from 'end to end' - data collection → screening → assessment → approval (Note: there is a significant assumption that the various licences, permits, and registrations will be categorized as 'licences' in the future)
- Creation of 'Service Delivery Agent' positions that are a critical position in the organization, requiring individuals with a high level of critical thinking, problem solving and customer service competencies to effectively:
  - Provide general and specific information
  - Collect and/or input information and data
  - Conduct preliminary screening
  - Refer to other parts of the organization for appropriate resolution
  - Approve some licenses deemed to be low risk
- Creation of a 'Compliance' unit that will focus on ensuring terms and conditions of all licences and permits are being met through the Inspections and Audit functions. Inspectors will be grouped by geography and possibly by specialization (matrix approach)
- Creation of an 'Investigations' unit that will conduct investigations of varying levels of complexity based on referrals from other levels of service, as well as specialist inspection programs
- Creation of a 'Finance' portfolio reporting directly to the CEO
- Creation of an 'Administrative Services' portfolio that provides support services to operations, finance, the CEO and the Board and ensures the organization is appropriately represented and profiled in Manitoba. Specific functions within this portfolio include:
  - Human Resources
  - IT
  - Communications
  - Policy, Planning and Research

The recommended final end state organization chart for the Liquor and Gaming Authority of Manitoba is as follows:

## Liquor and Gaming Authority of Manitoba Final End State

- Portfolio focused on:**
- Providing valid and credible information and advice to a wide variety of clients and stakeholders about the licencing and compliance requirements within Manitoba's gaming and liquor environment
  - Processing licence applications
  - Ensuring compliance with the terms and conditions of the licence or permits
  - Ensuring gaming equipment and lottery schemes meet technical integrity requirements
  - Investigating backgrounds of individual and companies, complaints from consumers and/or the general public and/or situations referred from other parts of the organization



Note: Implementation of the recommended organization structure assumes that revised liquor and gaming legislation will significantly streamline and change regulations, and similar objectives and processes are implemented for licencing and registration processes.

### Transition State Organization Structure

An interim organization structure is required to appropriately transition to the final end state given that reclassification, selection, training, harmonization of policies and processes, and communication will be required for end state. Implementation of the integrated service delivery model will also require legislative changes that cannot be completed until a public consultation and legislative review process has been completed. It is anticipated that the legislative review process may take until spring 2013 to complete.

The recommended transition state organization structure for the Liquor and Gaming Authority of Manitoba begins the process of integrating liquor and gaming regulatory services within one organization, and lays the foundation for successful implementation of the final end state model. The transition state structure puts in place the three major portfolios led by senior executives as proposed in the final end state:

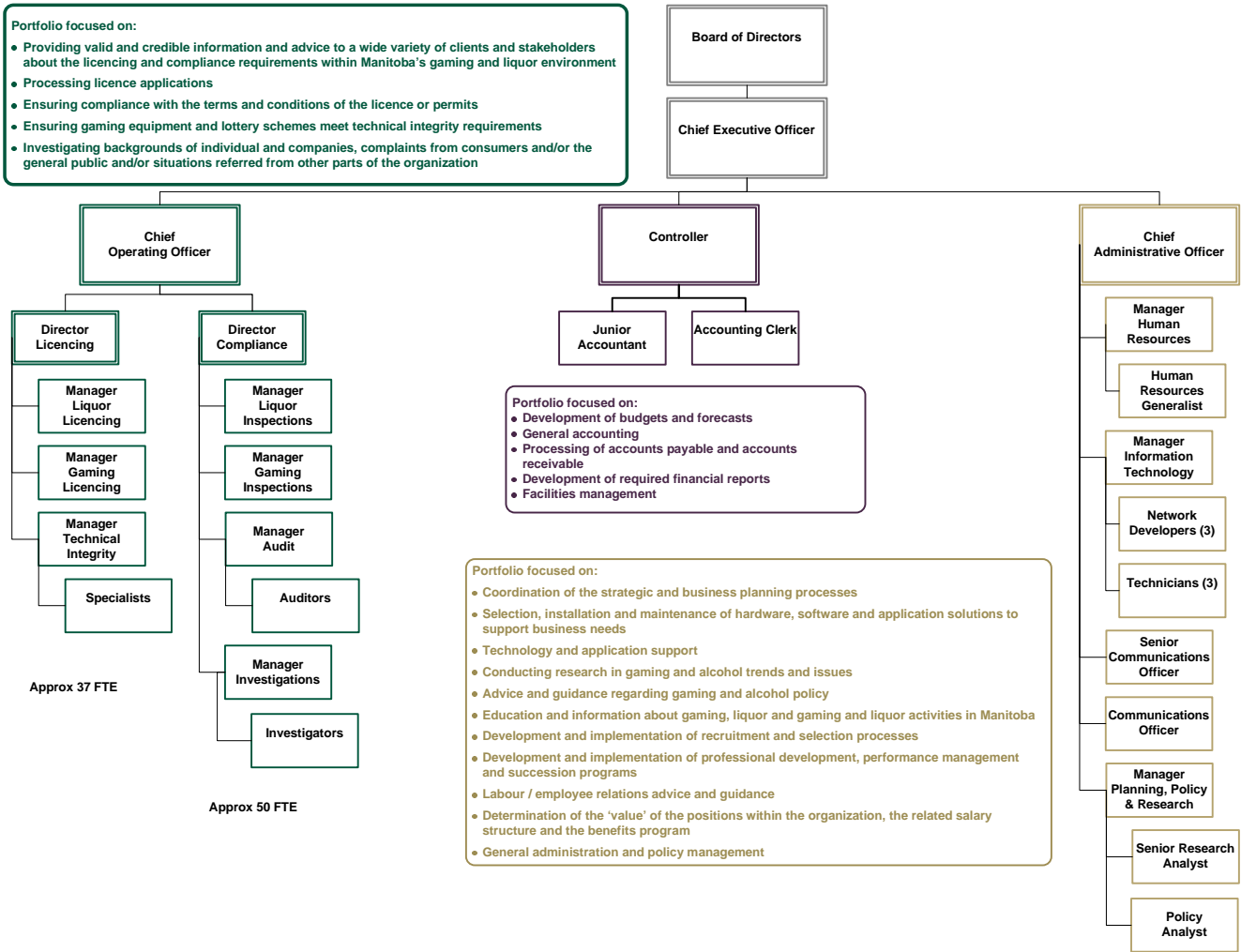
- Operations
- Finance
- Administrative Services

In the transition state, liquor and gaming regulatory services will be run in parallel under the leadership of integrated executive and senior management positions that will be responsible for harmonizing regulatory policies and processes, cross-training staff and finalizing the final end state organization charts within their respective areas. Key features of the transition state include:

- Creation of an 'Operations' portfolio with three units, Licencing, Compliance and Investigations, and adoption of a consistent 'risk-based' approach for these units
- Creation of a 'Licensing' unit focused on processing licences, permits and registrations and ensuring the technical integrity of gaming equipment and lottery schemes. The licencing function includes separate structures and processes for those related to liquor and those related to gaming
- Creation of a 'Compliance' unit focused on ensuring compliance with the terms and conditions of licences, permits, and registrations through the inspections, audit, and investigations functions. The compliance function includes separate structures and processes for those related to liquor and those related to gaming
- Inspection services within the 'Compliance' unit will be organized in a matrix fashion by both geography and specialization (e.g. casinos, risk groups)
- Creation of an 'Investigations' unit that will conduct investigations of varying levels of complexity based on referrals from other levels of service, as well as specialist inspection programs
- Creation of a 'Financial' portfolio reporting directly to the CEO
- Creation of an Administrative Services portfolio that provides support services to operations, the CEO and the Board, and ensures the organization is appropriately represented and profiled in Manitoba. Specific functions within this portfolio include:
  - Human Resources
  - IT
  - Communications
  - Policy, Planning and Research

The recommended transition state organization chart for the Liquor and Gaming Authority of Manitoba is as follows:

# Liquor and Gaming Authority of Manitoba Transition State



## 6. Cost and Impact Assessment

MNP conducted a high level cost and impact assessment quantifying the estimated cost savings and transition costs associated with the merger activities and implementation of recommendations. Cost savings include reductions in current, actual expenditures, and reductions in planned expenditures approved in 2013 budgets. The assessment assumed that the full integration of the merging organizations will be achieved within the next 24 months and facilities / departments will be co-located to achieve the synergies and efficiencies recommended in this report. A more detailed review and analysis will be required during the implementation process to quantify and assess actual cost savings and transition costs required for full integration. The current budgets, integration cost savings, and transition costs for the merging organizations are provided in the sections below.

### 6.1 Manitoba Liquor and Lotteries Corporation

#### Estimated Savings / Cost Avoidance

It is anticipated that the merger of Manitoba Liquor Control Commission and Manitoba Lotteries Corporation will result in an estimated \$3,000,000 in recurring annual savings after the transition is complete, which will be achieved through the elimination of executive and senior management positions, reduction of general costs and expenses, and consolidation of vendor contract services. A breakdown of the high level cost savings are provided in the table below:

Category	Basis of Calculation	Savings or Avoidance	Detail s
<b>Executive &amp; Senior Management</b>	<ul style="list-style-type: none"> <li>Based on end state organizational structure</li> </ul>	\$1,500,000	<ul style="list-style-type: none"> <li>Nine (9) executive and senior management positions</li> </ul>
<b>General Expenses</b>	<ul style="list-style-type: none"> <li>Based on potential savings / avoidance identified in integration reviews working in conjunction with transition team</li> </ul>	\$1,000,000	Includes but not limited to: <ul style="list-style-type: none"> <li>Board expense budgets</li> <li>Licensing Board expenses</li> <li>Custom brokerage charges</li> <li>External consulting fees</li> <li>Insurance premiums</li> <li>Commissions on media buys</li> <li>Third-party creative</li> <li>Better media rates</li> <li>Combined publications</li> <li>Common benefits consultants</li> <li>Common EAP provider</li> <li>HRIS maintenance costs</li> <li>Adoption of electronic records management system</li> <li>Adoption of access control system</li> </ul>
<b>Contract Services Savings</b>	<ul style="list-style-type: none"> <li>Estimate based on 1% of 2011 contract values not including construction</li> </ul>	\$500,000	
<b>Estimated Recurring Annual Savings = \$3,000,000</b>			



## Estimated Transition Costs

It is anticipated that the merger of Manitoba Liquor Control Commission and Manitoba Lotteries Corporation will incur one-time costs that will be necessary to effectively integrate the two organizations and fully achieve the cost savings and benefits from the merger. A breakdown of the anticipated transition costs to operationalize the Manitoba Liquor and Lotteries Corporation is provided below.

Description	Costs	Details
Departmental integration (policies, processes)	\$250,000	Contract assistance for overall transition (broad estimate). Significant internal effort also required (see implementation plan)
Labour Relations	TBD	Labour negotiations and alignment of classifications. Does not include time to be spent by existing staff to harmonize policies, procedures, and processes of the merged organization
Re-Branding	\$100,000+	Re-Branding, including materials, merchandise and community relations projects
Systems	\$600,000 \$600,000	Estimate for 'bridge' solution for Financial Systems Electronic Records System
Stub Year End Reporting	\$130,000	
Other General Expenses	\$50,000	
Head Office Re-Location	TBD	\$3.6 MM in MLC 2012/13 capital budget for Furnishings

## 6.2 Liquor and Gaming Authority of Manitoba

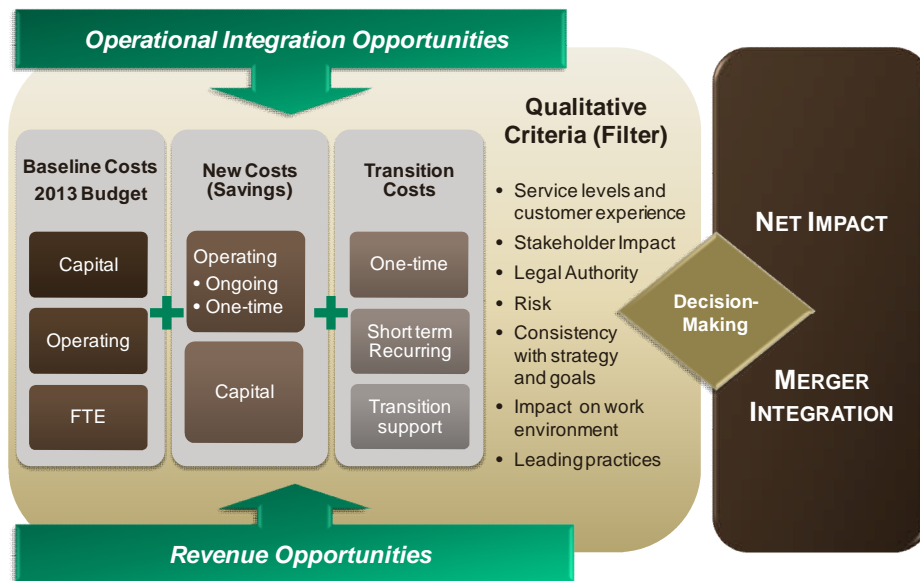
### Estimated Savings / Cost Avoidance

It is anticipated that the merger of Manitoba Liquor Control Commission's regulatory services and Manitoba Gaming Control Commission will require an investment of both one-time and recurring costs to fully integrate all liquor and gaming regulatory functions, to co-locate all regulatory services, and to provide the new Liquor and Gaming Authority of Manitoba with the corporate and administrative functions necessary to support its expanded scope. It is anticipated one-time integration costs will be funded by the Manitoba Gaming Control Commission's existing reserves, and recurring funding for additional positions and systems licences will be transferred from Manitoba Liquor Control Commission to the Liquor and Gaming Authority of Manitoba. A breakdown of the anticipated transition costs to operationalize the Liquor and Gaming Authority is provided below:

Description	Costs	Details
Additional 5 FTEs salaries and benefits	\$430,000	Corporate and administrative positions to support expanded regulatory responsibilities
Departmental integration (policies, processes)	\$100,000	Contract assistance for overall transition (broad estimate). Significant internal effort also required (see implementation plan)
Labour Relations	TBD	Labour negotiations and alignment of classifications. Does not include time to be spent by existing staff to harmonize policies, procedures, and processes of the merged organization
Communications	\$50,000	Licensee / Registrant notices, Web-site Updates, Stakeholder Meetings
Information Systems	\$920,000 TBD	Requirements gathering and infrastructure capacity study Additional licensing costs for SAP and Microsoft financials
Consolidated Office	\$275,000	Estimated at \$5,000 per employee / workstation (x 55)

### 6.3 Proposed Cost Impact Methodology

MNP proposed a methodology for calculating the impact of future changes and integration efficiencies to be adopted by Manitoba Liquor and Lotteries Corporation during and post merger. The methodology allows the organization to make choices among the options being considered during the implementation process, while assessing quantitative and qualitative criteria to assess the net impacts over the long term. The following diagram provides an overview of the methodology recommended by MNP:



A detailed outline of the cost impact methodology, which included a position impact methodology and template, was also provided by MNP.

## 7. High Level Implementation Roadmap

MNP developed high level implementation plans for Manitoba Liquor and Lotteries Corporation and Liquor and Gaming Authority of Manitoba that were designed to improve the speed of adoption, reduce the risks associated with mergers, and support the attainment of integration benefits. It is anticipated that implementation will require at least 24 months, which is aggressive and dependent on the outcomes of co-location decisions, IT system plans and legislative changes.

### 7.1 Manitoba Liquor and Lotteries Corporation

The high-level implementation plan is aggressive and dependent on the outcomes of co-location decisions, IT systems plans and legislative changes

- **Decision-making and Pre-planning**
  - Recommendations and priorities confirmed
  - Implementation team selected and resources committed
  - Detailed implementation plan completed
  - Merger KPI identified, monitoring and progress reporting begins
- **Governance and Corporate Planning**
  - Vision, values and strategic direction for new corporation to be confirmed
  - Governance framework and model confirmed
  - Strategic planning, business planning and performance measurement processes aligned
- **Organization Restructuring**
  - High-level organization structure to be rolled out
  - Detailed organization structures for departments to be rolled out (phased approach tied to co-location and IT plans)
- **Accommodations**
  - Head office decision and location(s) to be confirmed
  - Facilities prepared (lease negotiations, fit-up)
  - Facilities relocation plan developed (tied to department restructuring)
  - Facilities relocation and consolidation efforts to be completed
- **Human Resource Management**
  - Positions, job classifications, and compensation plans analyzed and harmonized; labour relations strategy developed
  - Employee engagement and retention strategy implemented
  - HR programs and practices harmonized
  - HR KPI identified and monitored

- **Information Technology Systems**
  - Business requirements for IT systems confirmed
    - Business requirements for Finance and HRIS systems to be confirmed
  - IT systems options designed and developed
  - IT systems options implemented (tied to co-location plan)
  
- **Integration and Efficiencies**
  - Policies reviewed and harmonized
  - Vendor contracts harmonized and streamlined
  - Activities to harmonize and reduce duplication of efforts completed
    - Human resources, community relations and sponsorship, communications and social responsibility
  - Integration enhancements to gain efficiencies implemented
    - Business planning, risk management, business transformation and project management, strategic development, security and surveillance
  - Cost avoidance strategies implemented
    - Eliminate need for 3rd party contracts and budgeted hires
  - External customer contact and distribution centres integrated
  
- **Change Management and Communications**
  - Change management strategy implemented
    - Vision for change and key messages developed
    - Change management training delivered
    - Department assessments, targeted resistance management plans and department workshops implemented
    - Successes celebrated along the way
  - Communications strategy implemented
    - CEO update on outcomes of review, future vision and next steps
    - Regular updates on merger progress and quick wins
    - Ongoing CEO updates as required
  
- **Rebranding**
  - Rebranding strategy implemented

## 7.2 Liquor and Gaming Authority of Manitoba

The high-level implementation plan is aggressive and dependent on the outcomes of co-location plan, IT systems plan and legislative changes

- **Decision-making and Pre-planning**
  - Recommendations and priorities confirmed
  - Implementation team selected and resources committed
  - Detailed implementation plan completed
  - Merger KPI identified and progress reporting begins
- **Governance and Corporate Planning**
  - Vision, values and strategic direction for new regulatory authority to be confirmed
  - Governance framework and model confirmed
  - Authority and decision matrix for "Transition State" confirmed
  - Strategic planning, business planning and performance measurement processes aligned
- **Organization Restructuring**
  - Transition State organization structure to be rolled out
  - Detailed Final State organization structure to be confirmed
  - Final State organization structure to be rolled out
- **Accommodations**
  - Head office decision and location(s) to be confirmed
  - Facilities prepared (lease negotiations, fit-up)
  - Facilities relocation plan developed (tied to organization restructuring)
  - Facilities relocation and consolidation efforts to be completed
- **Human Resource Management**
  - Positions, job classifications, and compensation plans analyzed and harmonized; labour relations strategy developed
  - Employee engagement and retention strategy implemented
  - HR policies, programs and practices harmonized
  - HR KPI identified and monitored
- **Information Technology Systems**
  - Business requirements for core operations system (GMS) to be confirmed
  - Business requirements for all other IT systems confirmed
    - IT systems options designed and developed
  - IT systems options implemented (tied to co-location plan)

- **Integration and Efficiencies**
  - Policies reviewed and harmonized
  - Licencing, registration and permitting processes harmonized to gain efficiencies and to prepare for “single window” service delivery
  - Similar operational functions for licencing, inspections and investigations integrated
    - Design for “single window” service delivery concept finalized
    - Risk-based approach adopted
    - Cross-training completed
  
- **Change Management and Communications**
  - Change management strategy implemented
    - Vision for change and key messages developed
    - Change management training delivered
    - Department assessments, targeted resistance management plans and department workshops implemented
    - Successes celebrated along the way
  - Communications strategy implemented
    - CEO update on outcomes of review, future vision and next steps
    - Regular updates on merger progress and quick wins
    - Ongoing CEO updates as required
  
- **Communications for Rebranding**
  - Communications for rebranding strategy implemented
    - Transition state to be communicated
    - Legislative changes to be communicated
    - Final state communications in advance of rollout