



Distribution of Liquor Project (DLP) Procurement

Minister Briefing
September 17, 2012

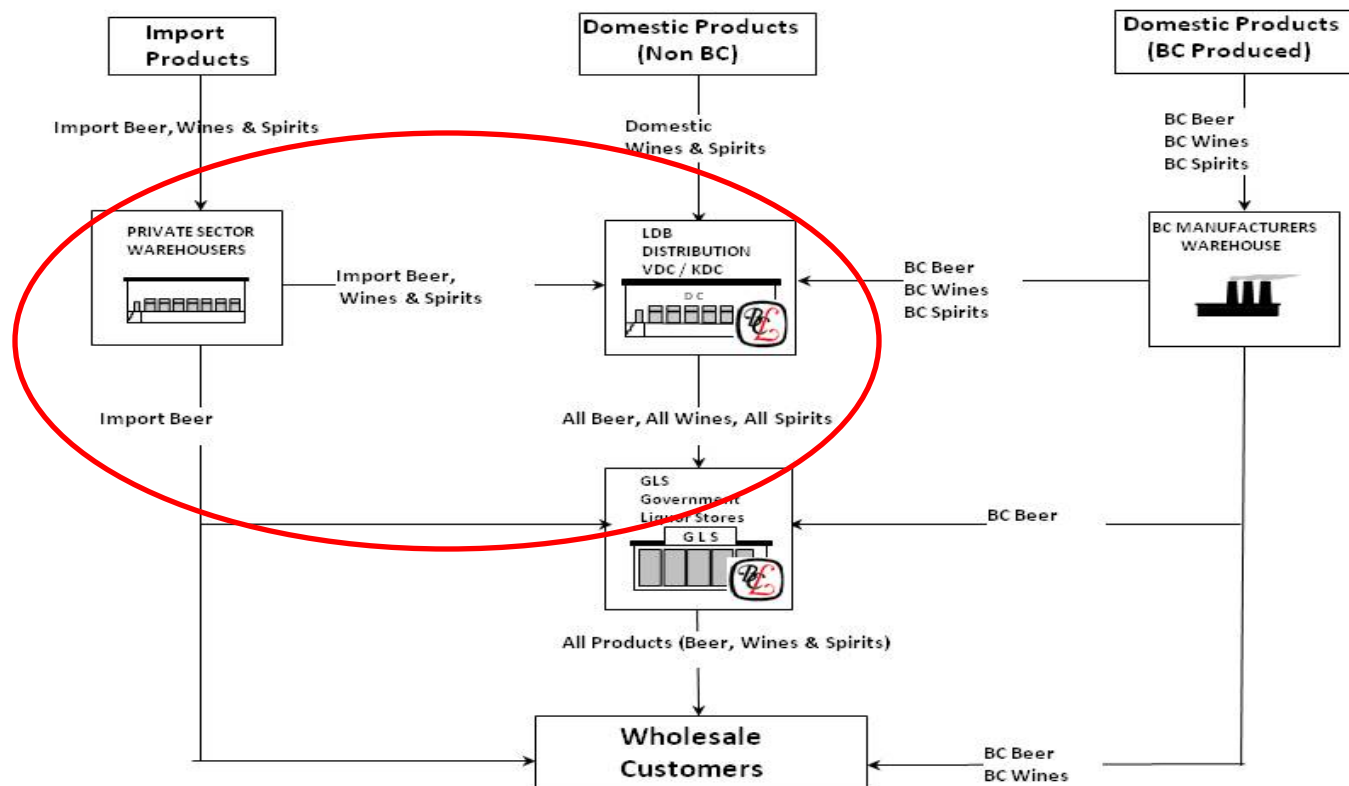


Background

- As part of Budget 2012 Government announced its intention to sell its liquor distribution warehousing facilities and associated distribution services to the private sector as part of the asset sales initiative.
- Procurement responsibility was assigned to Citizens' Services.
- The project team includes senior staff from the Liquor Distribution Branch, TBS, LCTZ, Legal Services Branch and independent consultants.
- The procurement was structured into 3 phases.
 - Phase 1 – Procurement preparation (complete);
 - Phase 2 – Procurement process (in progress);
 - Phase 3 – Transition to Service Provider.
- The BCGEU entered into a Memorandum of Agreement: (~450 fte's)
 - Employees in the RS&W component whose job is made redundant by the DLP will be offered employment by the Service Provider.
 - The Service Provider will be required to structure their business to be eligible for participation in the public service pension plan.

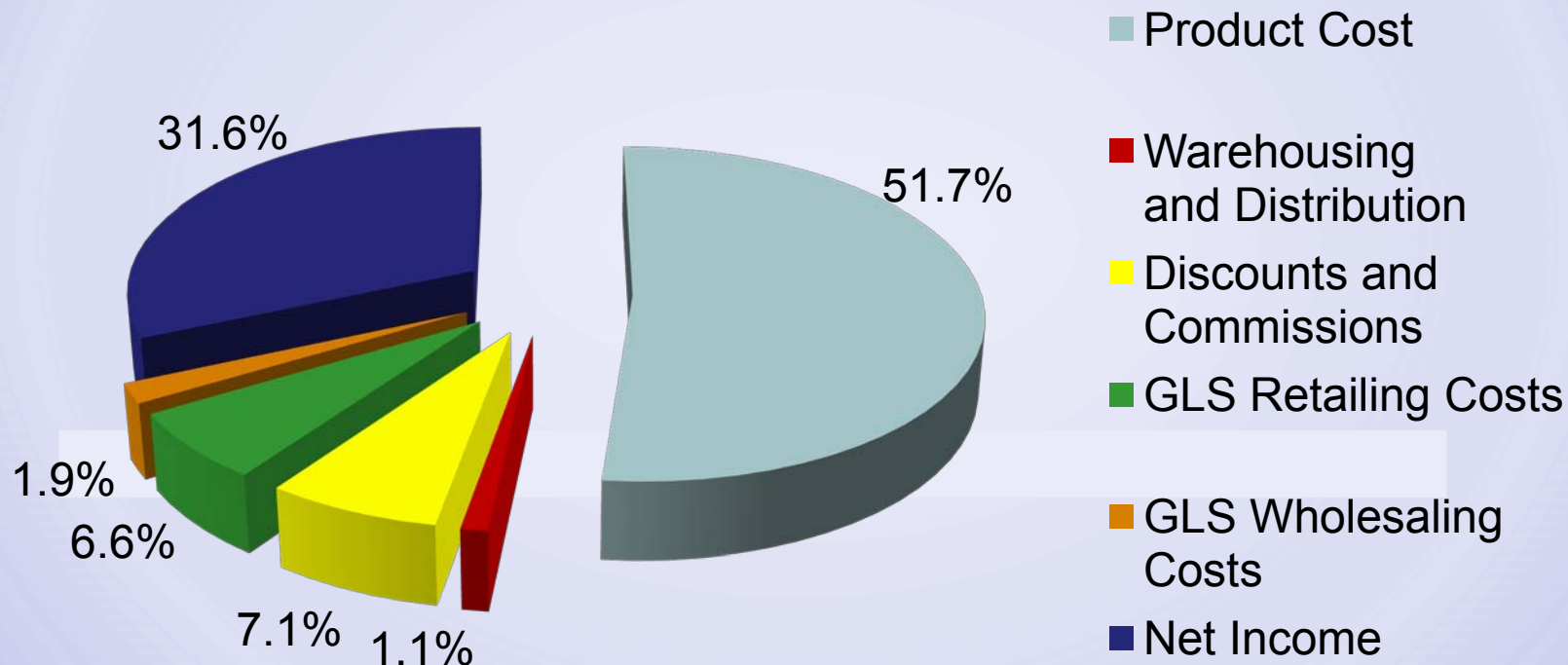


Current Distribution Channels





Components of LDB Price



Total revenue = \$2.8B

Net income = \$890M (31.6%)

*2010/11



Scope of DLP

In-scope:

- Liquor warehousing and wholesale distribution services;
- Options for changes to the liquor supply chain so as to optimize the flow of beverage alcohol and reduce logistical touch points in the process;
- Transfer of approximately 500 unionized staff directly impacted by this disposition; and
- Optional, purchase of assets related to the existing distribution operations (e.g. forklifts).

Out-of-scope:

- Operation of Government Liquor Stores;
- Customs and excise and revenue collection and payment; and
- The Vancouver and Kamloops warehouse real estate which will be handled under a separate procurement.

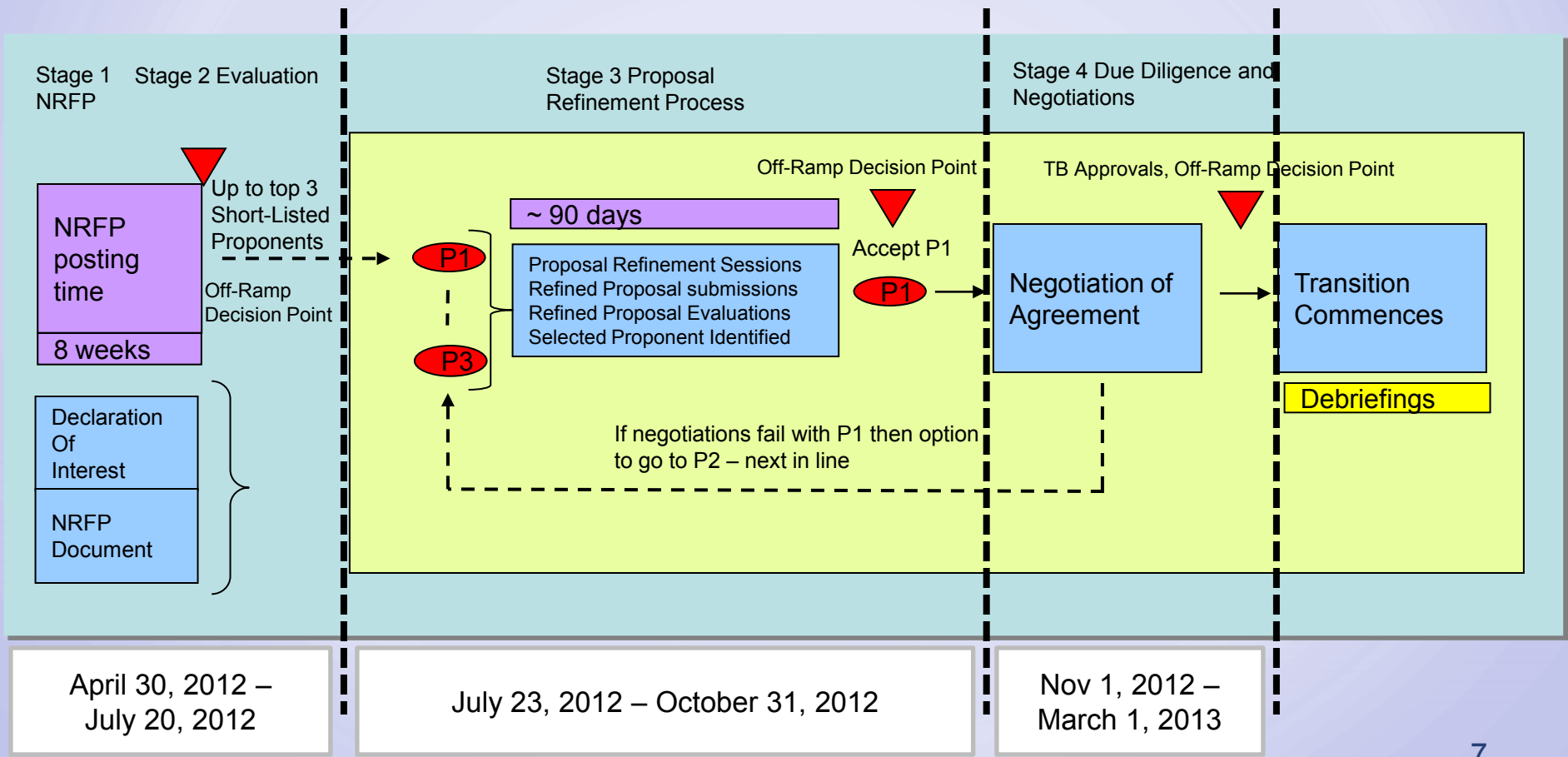


Goals and Expected Benefits

- A contract with a cost effective private sector provider;
- Supply chain performance outcomes that ensure service delivery to government liquor stores and wholesale customers (e.g. Licensee Retail Stores) that is predictable, cost effective, fair, efficient and meets industry norms for key performance indicators;
- A logistics model that lowers the overall supply chain costs to the Province; and
- A labour relations solution that meets the requirements of the procurement.



NRFP Process: Timeline





NRFP Process Explanation

- Stage 1 and Stage 2 included activities related to proponent meetings, submission of proposals, evaluations, reference checks, and announcement of short listed proponents.
- Stage 3 consists of proposal improvement sessions with individual proponents so that they may address deficiencies, ambiguities or weaknesses in their solution and provide a refined proposal for subsequent evaluation by Government.
- The Stage 3 refined proposal evaluation criteria is pre-disclosed in the publically available NRFP document.
- The evaluation committee will evaluate the refined proposals and the top ranked short-listed proponent will be invited to negotiate the contract for the Distribution Services.
- Stage 4 consists of due diligence, negotiations and contract execution.



DLP Fairness Monitor

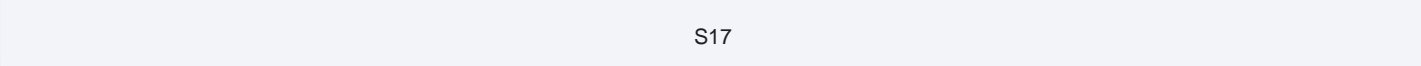
- The fairness monitor is George Macauley; an independent consultant who has performed a variety of fairness roles for government on a number of complex procurements.
- Mr. Macauley was awarded the fairness monitor contract through a competitive process.
- **The role of the Fairness Monitor is to:**
 - Review the procurement documentation so as to understand the NRFP process for the DLP;
 - Monitor the procurement process for adherence to the terms of the NRFP, including participating at the Proponents' meeting, site visits (if any), oversight during evaluation of submissions and subsequent Proposal refinement process as well as final selection of the Selected Proponent; and
 - Prepare a fairness summary based on observations made during delivery of the procurement process. This report will be made publicly available.



Wholesale Pricing Review

- Led by Ministry of Energy Mines.
- Results:
 - Allows for all stores to purchase at same price
 - Consumer prices change, regardless of model
 - Creates “winners and losers” amongst manufacturers and stores
 - Negatively impacts BC wineries
 - Impacts can be mitigated, but not all and not completely
 - Not a “level playing field” without further changes that impact GLS profitability
- Work currently suspended.

Process Status

- Government received proposals from 6 proponents (in alphabetical order): (1) ContainerWorld Forwarding Services Inc; (2) Exel Canada Ltd; (3) JF Hillebrand Group; (4) Kuehne+Nagel Ltd; (5) Metro Supply Chain Group and (6) Schenker of Canada.
- As a result of an evaluation process by Executives from LDB and CTZ and supported by subject matter experts from within government and the private sector, a short-list was established of 4 proponents.
- These 4 short-listed proponents were announced July 20, 2012:
 -  S17
- 2 of the proponent's evaluation scores were numerically equal. The evaluation committee and Fairness Monitor determined that those two proponents should occupy the 3rd available short-list slot.
- Scores awarded from Stage 2 do not carryforward to the next stage - All Short-Listed Proponents begin at zero (equal footing).



Current Activity

- Project activity continued in August allowing Short-Listed Proponents to access the virtual documents room and ask questions in preparation for the proposal improvement sessions with the Province
- Proposal improvement sessions with each Short-Listed Proponent scheduled for first 3 weeks of September. Purpose of the proposal improvement sessions is to:
 - Engage with members of the Province's evaluation committee and subject matter experts so as to ask questions, explore feedback provided during the feedback sessions and to resolve areas of clarity, reduce assumptions, solidify financials so that solid, refined proposals may be produced
- Refined proposals due 1st week of October followed by evaluation of refined proposals. Identification of Selected Proponent is scheduled for October 16th, 2012

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Summary

- There are 4 active (short-listed) proponents participating.
- The DLP is currently in Phase 2 – Stage 3 of the NRFP.
- At the end of Phase 2 – Stage 2 of the NRFP, which identified the 4 short-listed proponents, the Fairness Monitor sent a letter to Government indicating he is *“of the view that the NRFP procurement to this date has been conducted fairly and in a manner that has adhered to the terms of the NRFP”*.
- The Fairness Monitor continues to be actively engaged in the procurement process by overseeing site visits, attending meetings between the proponents and DLP project team and providing the DLP project with advice on questions of fairness as they arise.
- The selected proponent will be identified according to the evaluation criteria disclosed in the publically released NRFP document. A decision on the selected proponent followed by public announcement is expected to occur in October 2012.

