

**MINISTRY OF ENERGY AND MINES
LIQUOR CONTROL AND LICENSING BRANCH
BRIEFING NOTE**

PREPARED FOR: Honourable Rich Coleman, Minister
FOR INFORMATION

ISSUE: LCLB update and initiatives

This briefing note is to provide a status update for Minister Coleman on issues and developments since the Minister was last responsible for LCLB oversight.

Issue 1: Stanley Cup Riot Response

Following the Stanley Cup riot, the government commissioned an independent review. The role that liquor played leading up to and during the events was one of the four areas of focus. The resulting report contained 53 recommendations, 10 of which are liquor-related.

The liquor recommendations are aimed at preventing liquor from being brought onto transit (and therefore from coming into the area where a major/regional public event is being held), increasing liquor related fines, enhanced search and seizure powers, increased powers for the general manager to dampen the sale and distribution of alcohol at/for major events, and public education on the responsible and moderate use of alcohol. LCLB is working with a number of internal and external agencies to review and where appropriate to implement the review recommendations.

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The Ministry of Health has lead on developing public education campaigns and is in the process of developing a campaign, in partnership with LCLB, City of Vancouver and others, in lead up to the 2012 Stanley Cup playoffs.

Under Tab 1 is a briefing note on whether violation ticket fine levels for liquor related offences should be increased.

Issue 2: Hiring Minors to Monitor Retail Store Compliance

In April 2011 the LCLB launched a program using minors to test for retail store not selling to minors. All public and private stores were notified in writing of the minors as agent program.

The program is slowly being rolled out across the province. Initial inspections were conducted on Vancouver Island and on the Lower Mainland. In recent months, inspections have also been conducted in the Okanagan and Prince George.

Compliance rates to date have been high, which is the goal of the program. Government stores have a 98% compliance rate and private stores 82% (see Tab 2 for additional information).

The penalty for a first contravention for selling to a minor is a monetary penalty of \$7,500 - \$10,000 and/or a suspension of 10 – 15 days. To date, a monetary penalty has been levied on any public or private store that has sold liquor to the minor agent.

Issue 3: BILL 20 (2010) Amendments to the Liquor Acts

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Under Tab 3 is a summary of Bill 20 initiatives implemented and those still outstanding.

Issue 4: Other Liquor Initiatives

A number of other potential liquor initiatives have been proposed by various industry groups or by the LCLB. A detailed summary of these initiatives is found under Tab 4 Minister Bond discussed these initiatives with Premier Clark in January and received notional approval to proceed with changes to live event theatre licensing (since undertaken).

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BILL 20 – STATUS UPDATE
LIQUOR CONTROL AND LICENSING ACT AMENDMENTS

Item #	ISSUE	STATUS
1	In extraordinary circumstances, the LCLB general manager may suspend a licence for up to 14 days without a hearing. This is intended for circumstances where there are specific public safety concerns such as gang retribution.	In effect
2	LCLB and police may hire minors to help monitor compliance with requirement not to sell liquor to minors.	In effect
3	Licensees may now pre-mix drinks. This is meant to accommodate the use of equipment such as Bellini machines. Bar staff may now also prepare popular mixed drinks ahead of time.	In effect
4	Gaming enforcement in liquor establishments no longer enforced by LCLB but by GPEB. LCLB still restricts the type of gaming that may be offered within a particular establishment, depending on the type of licence. Social occasion casinos, for example, are not permitted in food-primary establishments.	In effect
5	Clarifies that LCLB has legal authority to assess the personal suitability of anyone involved in the control or management of a licensed establishment to minimize risk of criminal gang infiltration.	In effect
6	The Act has always prohibited consumption of liquor in a public place. The new legislation clarifies that police can issue a Violation Ticket to a person who has an open container of liquor in a public place, without having to prove that the person actually consumed the liquor.	In effect but the Violation Ticket Regulation requires amending to reflect the new wording.
7	All licensees may sponsor community activities and events. Previously only liquor manufacturers could sponsor events.	In effect but an OIC is needed to clarify existing regulations.
8	Herbal remedies containing alcohol have been added to the list of products that may be exempted from the Act.	In effect
9	The requirement that police notify the LCLB general manager in writing whenever they seize liquor is eliminated. Similarly, provisions about reporting the value of seized liquor to the Minister of Finance have been repealed.	In effect
10	The LCLB and LDB general managers (rather than the minister) may decide how forfeited and seized liquor will be destroyed.	In effect
11	Legislation clarifies that agents may not sell to the public or to licensees, but may sell to the LDB.	In effect

12	The LCLB general manager may now delegate authority to suspend a licence for up to 24 hours to classes of peace officers. Previously, authority could only be delegated to a specific individual, such as a specified shift commander.	In effect
13	Provisions for greater control over who may obtain a special occasion licence and where the event may be held, and for holding special occasion licence holders accountable for infractions such as intoxication and service to minors.	In effect
14	s.12	
15	s.13, s.16, s.12	
16		
17	s.13, s.12	
18	s.12, s.13	
19	s.13, s.12	
20		

	s.12	
21	s.13	
22	Provision to allow liquor manufacturers and agents to donate liquor to charity special occasion licence events.	In effect
23	s.13	
24		

LIQUOR INITIATIVES

January, 2012

Create and Sustain Jobs in the Hospitality, Liquor Manufacturing and Tourism Sectors

Licensing of Movie Theatres

- Responsive to request from Cineplex Odeon and likely supported by other theatres
- Risk of minors consuming liquor can be addressed by prohibiting minors in the auditorium (as is done in the two provinces that permit movie theatres to be licensed, Alberta and Ontario)
- ABLE is opposed because of potential lost business from customers who traditionally have a drink or meal in their establishments either before or after the movie.

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Pages 7 through 8 redacted for the following reasons:

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Liquor Control and Licensing Branch Minors as Agents Program (MAP)

November 2011 Report

This is a first interim report on the Liquor Control and Licensing Branch's (LCLB) use of minors as agents to monitor compliance with the legislative prohibition against selling liquor to minors. LCLB will be reporting MAP results henceforth on an annual basis.

Background

In 2010 government amended the *Liquor Control and Licensing Act* to provide authority for a minor employed or contracted by the Province to legally purchase liquor from all types of liquor retail outlets and licensed establishments for the purpose of testing compliance with the Act's prohibition on supplying liquor to a minor¹.

The MAP follows a series of previous Compliance Check Projects (CCP), which involved the use of youthful-appearing adults attempting to purchase liquor. Youthful-looking agents were chosen specifically to raise questions as to whether they were, in fact, minors. CCP agents were hired to enter liquor retail outlets and test for compliance with the requirement to request identification to determine the age of a person to whom liquor is being sold. The CCP began in 2003 and went through various iterations up until 2008/2009. However, because the agents were 19 or older, the LCLB did not have authority to take enforcement action against those establishments which failed to request identification.

The table below shows the results of the CCP from 2003 through 2009. The compliance rate is a measure of the percentage of times the sales person requested two pieces of identification from the youthful-looking agents. Between 2003 and 2009 the compliance rate was very low, particularly in private liquor stores, and did not generally improve over time. The overall provincial compliance rate for 2009 was 29 per cent. This clearly demonstrated an ongoing problem with age verification when purchasing alcohol and highlighted the ongoing risk of minors accessing alcohol through liquor retail outlets.

¹ Section 33(1) of the Liquor Control and Licensing Act

Compliance Check Project Compliance Rates 2003 - 2009 Results by Store Type				
	GLS ² (%)	RAS ³ (%)	OTHER ⁴ (%)	LRS ⁵ (%)
2003	N/A	N/A	N/A	15
2004	57	13	5	27
2005	60	17	14	21
2008*	77	24	20	36
2009	56	22	15	27

* Identification checking requirements changed in February, 2007 from checking two pieces of any person appearing to be under the age of 25 years to checking two pieces of identification when verifying age

The low compliance rate, coupled with the challenges of using regular inspection methods to identify liquor retail stores selling liquor to minors, led to the Act amendment and the development of the current MAP. The use of minors is a very effective and efficient method for enforcing age-of-sale laws. This approach has been used with great success by a number of American jurisdictions and here in British Columbia for enforcement of the *Tobacco Control Act*. The amended legislation now provides tools for the LCLB to ensure incidents of non-compliance are met with appropriate enforcement action that aims to decrease the commercial availability of alcohol to youth.

MAP Program Goals

The LCLB's goal for inspections and enforcement action is to promote voluntary compliance. In that context, the implementation of the MAP is intended to promote compliance with the prohibition against selling liquor to minors.

Prior to the launch of the MAP, LCLB notified all licensee retail stores, manufacturers, rural agency stores, and wine store appointees by direct mail about the Act amendment and the specifics of the new program. LCLB also publicized its program through its *Liquor Line* newsletter. The Liquor Distribution Branch issued a memorandum to its government liquor store employees regarding the program, and industry association ABLEBC (Alliance of Beverage Licensees of British Columbia)

² Government Liquor Stores

³ Rural Agency Stores

⁴ Other private liquor stores, including VQA Stores, Independent Wine Stores, Brewery Stores, and Commercial and Land Based Wine Stores

⁵ Licensee Retail Stores

Included an article on the new program in its spring 2011 edition of *The Publican* newsletter.

The purpose of these communications efforts was to remind liquor retail outlets of their responsibility to refuse service to minors, to highlight the importance of this requirement as a significant public safety issue and focus of branch enforcement activity, and to encourage voluntary compliance.

Risks Associated with Youths Accessing Liquor

The 2004 Canadian Addictions Survey⁶ revealed that 91% of youth aged 15 years and older have consumed alcohol at some point. Alcohol is clearly part of the youth and young adult culture.

While the fact of liquor consumption by youth, and especially by minors is troubling, even more worrisome are the patterns of consumption exhibited by youth. The Centre for Addiction and Mental Health's low-risk drinking guidelines specify no more than two drinks per day with a maximum of 14 drinks per week for men and nine for women. However, the Canadian Addictions Survey revealed that more than 90% of 15-24 year old males and 85% of similarly aged females exceed these low-risk drinking guidelines. Forty percent of those 12 and older reported occasionally binge drinking, which is defined as consumption of more than five standard drinks on a single occasion for males or more than four drinks for females.

The Canadian Addiction Survey also points out that binge drinking on a monthly or more frequent basis is one of the strongest predictors of alcohol-related harm. Binge drinkers are almost twice as likely to experience harm as those who never engage in heavy drinking. There is considerable overlap in the research between binge drinking among youth and other at-risk behaviours, such as youth violence and delinquency. The age at which young people start consuming liquor is also known to be a strong predictor of risk for a number of health and social problems, such as violence, sexual assault, unwanted pregnancy, crime, traffic accidents, and the inter-generational effects of drinking during pregnancy (Fetal Alcohol Syndrome Disorder). There is also a correlation between heavy alcohol use and mental health conditions (e.g. depression, anxiety), and serious negative effects on work, study, and relationships, especially within the family.

Approaches that limit the availability of liquor have been shown repeatedly to be some of the most effective ways to manage alcohol-related harm. Easy access to liquor has been linked to increased overall consumption, which is in turn linked to risky use and increased alcohol-related health and social problems⁷. The BC Provincial Health Officer reports that per capita alcohol consumption in BC increased in nine of the ten years between 1996 and 2006 based on Statistics Canada data.

⁶ Adlaf, E.M., Begin, P., & Sawka, E. (Eds.). (2005). *Canadian Addiction Survey (CAS): A national survey of Canadians' use of alcohol and other drugs: Prevalence of use and related harms: Detailed report*. Ottawa: Canadian Centre on Substance Abuse.

⁷ Peter Anderson and Ben Baumberg, (2006) *Alcohol in Europe: A Public Health Perspective. A report for the European Commission*. Institute of Alcohol Studies, UK.

Beginning in 2002, consumption increased more quickly in BC than for the rest of Canada. This diverging trend has created a 0.5 litre per capita gap between average consumption in BC and average consumption for all of Canada in 2008⁸.

The branch is responsible for mitigating the harms associated with the sale and service of liquor in and around licensed establishments. The harm associated with the availability of liquor to minors is troubling. Using minors as agents to test compliance will not completely prevent youths from accessing liquor, however a robust compliance effort coupled with meaningful enforcement will significantly limit access and promote compliance.

Education and a certainty of apprehension are two highly influential factors in obtaining compliance. Awareness of the MAP and the potential for a considerable penalty is intended to significantly improve compliance with age-based liquor restrictions. This program will also contribute to an overall social and business culture of intolerance toward access to liquor by minors.

MAP Inspection Policies and Procedures

LCLB operates MAP as one component of its compliance and enforcement activities. The Compliance and Enforcement Division, with a staff of 35 liquor inspectors province-wide, regulates the operation of over 10,000 permanent licensed establishments and appointment stores and about 25,000 special occasion licensed (SOL) events annually.

The MAP is designed to evolve in measured and informed increments. It is the first program of its kind in the country. As such, and given the primary safety considerations of the minor agents involved, the branch has proceeded with caution. In this context, the program began in May 2010, in the urban centres of Vancouver Island and the Lower Mainland, where the greatest number of retail outlets are concentrated. All types of liquor retail outlets in those geographical areas were visited.

A primary consideration during the development, training and launch of the MAP was the safety of the minor agents. The parents of all minor agents hired for the program were required to provide their consent and were fully informed throughout, and the training included orientation in WorkSafe BC safety standards. The agents also received training in making and documenting observations, and were specifically instructed not to change their normal appearance or attire, to respond truthfully to any staff inquiries, and not to provide false identification.

The minors used for the project were selected through police and staff contacts, schools with law enforcement programs or previous participation in the age-based tobacco enforcement program. Minor agents are paid while being trained, for travel time and while conducting inspections.

⁸ British Columbia. Office of the Provincial Health Officer. Public health approach to alcohol policy: an updated report from the Provincial Health Officer, December 2008.

Minor agents are accompanied by two liquor inspectors. At the beginning of each inspection shift, the minor agent is photographed and their identification is documented by the inspectors. Prior to commencing an individual inspection, the inspectors assess the store for risk. Once the store has been deemed safe, the minor enters under close observation by the inspectors, selects a product, and attempts a purchase. Store logistics dictate the proximity of the inspector, however the inspector stays as close to the minor agent as possible at all times. Where a minor agent is asked for identification they state they can go and get it. The minor does not in any manner attempt to convince a clerk to make the sale.

Once back in the vehicle, if the purchase attempt has been successful, the minor turns over any purchased liquor and receipt to the liquor inspector for proper retention and documentation. The minor immediately fills out an observation report and the liquor inspector also documents the purchase.

In the majority of cases where the minor was able to buy liquor, the stores' staff did not request identification. In some cases, inspectors have reported that the clerk claimed to know the minor, and therefore identification wasn't necessary,⁹ or the clerk told the minor "not to worry about it". Of significant concern are those cases where sales staff have sold liquor to the minor agent despite acknowledging their obvious youth.

MAP Enforcement Action

If the minor is able to buy liquor the store is issued a contravention notice (CN) for the alleged contravention, usually within a few hours of the sale. After the store receives the CN, the branch then issues a notice of enforcement action (NOEA) outlining the particulars of the branch's allegations and setting out the proposed penalty.

The store has the option to:

- Admit the contravention occurred and accept the proposed penalty; or
- Admit the contravention occurred but dispute the proposed penalty; or
- Dispute that the contravention occurred.

If the store disputes the matter in any way, a delegate of the general manager (an adjudicator) will conduct an enforcement hearing. LCLB oral hearings generally take place in the same community where the retail outlet is located. However, they can also take place by way of written submissions or teleconference call. The hearing decision is issued in writing. If the store is dissatisfied with the decision, they may petition for a judicial review by the BC Supreme Court.

⁹ Minors do not enter retail outlets where there is a possibility that they are known, rather they work outside the area in which they live and or attend school.

At any time after receipt of the NOEA, the store may waive their opportunity for a hearing by admitting the contravention occurred and accepting the proposed penalty.

MAP Results

The following table summarizes MAP inspection results since the launch of the program:

MAP Compliance Statistics¹⁰
May 1-October 31, 2011
Results by Store Type

	GLS	LRS	RAS	Other
Total Inspections	57	175	4	1
Sales to a minor	1	32	0	0
Non-compliance rate	2%	18 %	0	0
Compliance Rate	98 %	82 %	Not yet available	Not yet available

There are 1383 liquor retail outlets in the province¹¹. To date, the branch has tested approximately 25 % of all Licensee Retail Stores (LRS) and 26 % of all Government Liquor Stores (GLS).

Preliminary MAP results for both government liquor stores and licensee retail stores are encouraging, indicating that the initial phase of the new program has been very successful in preventing the sale of liquor to minors.

While the MAP shares elements in common with previous, similar programs (CCP), there are also significant differences. While CCPs focussed on the requirement to check identification for the purposes of purchasing liquor, the use of minor agents in the MAP has allowed the branch to focus on the more critical public safety issue, which is the actual sale of liquor to a minor. For these reasons it is difficult to draw comparisons between the two programs, particularly with respect to compliance rates.

Very few Rural Agency Stores (RAS) and other types of liquor retail appointment stores have been tested to date since there were very few of these types of stores

¹⁰ All percentages have been rounded to the nearest 1%.

¹¹ 2010/11 Liquor Distribution Branch Annual Report: 197 government liquor stores, 672 licensee retail stores, 223 rural agency stores, 233 on-site manufacturer stores, 35 off-site manufacturer stores, 12 private wine stores, and 11 duty free stores.

in the test areas. An Insufficient number of these types of stores have been inspected at this point in time for any conclusions to be reached. Once the program expands into more rural areas, the number of RAS outlets tested is expected to increase. In addition, some types of outlets pose inspection challenges due to restricted opening hours and limited stock. LCLB will continue to test as many liquor retail outlets as possible in the province while focussing on those establishments identified as high risk as the MAP becomes an integral tool in the compliance and enforcement program.

For a first contravention of selling liquor to a minor, the Liquor Control and Licensing Regulation penalty schedule sets out a monetary penalty of between \$7500 to \$10,000 and or a 10 – 15 day suspension. If a second contravention should occur¹², the penalty schedule provides for a 20-30 day suspension.

For the purposes of the MAP roll out the LCLB will generally recommend the minimum monetary penalty of \$7500 unless the outlet has a compliance history of similar activities or the facts of the individual case warrant a different penalty. Some critics of monetary penalties argue that some businesses see a monetary penalty as merely being the cost of doing business. Critics of suspensions say it unfairly impacts the liquor retail outlet's staff. The purpose of any penalty is to promote future compliance. The regulatory scheme places ultimate responsibility on the business. It is the business that is responsible for selling the liquor to a minor and it is the business that is responsible for the consequences of violating the Act.

To date, all recommended penalties have been the minimum \$7500 monetary penalty.

A summary of MAP enforcement activity as of October 31st, 2011 is as follows:

Contravention Notices issued.....	33
NOEAs issued.....	29
Waivers signed.....	16
Hearing Decision Issued.....	1
NOEAs withdrawn.....	1
Next steps pending.....	12

All enforcement hearing decisions, waiver summaries, and a monthly *Compliance and Enforcement Summary Report* are available to the public on the Branch's website.

Next Steps

Given the initial success of the MAP, LCLB is currently in the process of expanding MAP to other areas of the province and also intends to eventually use MAP

¹² The Penalty Schedule under the Liquor Control and Licensing Regulation defines a second contravention as the same contravention occurring within one year of the previous contravention.

inspections to monitor compliance in other types of licensed establishments such as restaurants, bars, delivery services and special occasion licensed (SOL) events. This expansion will occur concurrently with a communications strategy that advises liquor outlets that the MAP is being directed towards them.

Conclusions

Restricting access to liquor by minors is a key public safety priority for the LCLB. The LCLB believes that awareness of the MAP inspections, coupled with a strong likelihood of apprehension and significant penalties is an effective strategy in preventing the sale of liquor to minors.

Initial MAP inspection data indicates that the program is having a significant and positive impact on voluntary compliance. We are satisfied with the results of the program to date.

Industry groups and LCLB have worked together to provide free tools such as signage and education for liquor retail stores and their staff. All retail stores have been individually notified of the MAP and the LCLB is confident that licensees/appointees are aware of the MAP inspections and their obligation to ensure they and their employees do not sell to minors. Requesting and assessing identification is a simple and brief process. Therefore, a failure to comply with the law regarding the sale of liquor to minors cannot reasonably be attributed to a lack of knowledge.

Instead, LCLB must conclude that liquor sales to minors are the result of a lack of adequate training and supervision of liquor retail store staff or are motivated by a desire for profit at the expense of public safety. Those stores which have sold to a minor have now been identified as high risk for future non-compliance and they will be tested again.

LCLB expects that as the program continues, it will have a further positive impact on preventing liquor sales to minors. We will continue to monitor the success of the program and report out on the results.

**MINISTRY OF PUBLIC SAFETY AND SOLICITOR GENERAL
LIQUOR CONTROL AND LICENSING BRANCH
BRIEFING NOTE**

**PREPARED FOR: The Honourable Shirley Bond
Minister of Public Safety and Solicitor General
FOR DECISION**

ISSUE: s.13 violation ticket fine levels

BACKGROUND:

LCLA violation tickets were first introduced in 1986 in the *Offence Act Violation Ticket Administration and Fines Regulation*, and remained largely unchanged until they were increased effective January 2010, in response to requests from the BC Association of Chiefs of Police. The 2010 changes increased the fine levels to \$230¹ for most liquor offences; doubling most fine amounts² and quadrupling³ others.

DISCUSSION:

Liquor violation tickets represent a very small percentage (about 3%) of all violation tickets issued in BC. The four most commonly ticketed liquor violations are:

- intoxicated in a public place;
- consume liquor in public place;
- possess open liquor in vehicle; and
- minor in possession of liquor.

These four offences combined account for 98% of all LCLA ticketed offences. Revenue due from these tickets (which is paid into consolidated revenue) totalled approximately \$3.8M in 2010, up from \$1.1M in 2007 prior to the most recent fine increases.

Alleged offenders may dispute any ticket. Disputes can be based on either the facts of the case or the amount of the penalty, with judges having discretion to either dismiss the charge or reduce the fine amounts. About 10% of liquor tickets were disputed in 2010, which is slightly below the 11-15% dispute rate for all types of tickets.

¹ All fine levels include a 15% victim surcharge levy.

² Fines for the following violations were doubled in 2010 from \$115 to \$230: consumption of liquor in a public place; purchase/consumption by a minor; minor in liquor establishment; permitting disorderly conduct; supplying liquor to an intoxicated person; and permitting a person to become intoxicated.

³ Fines for the following violations were quadrupled in 2010 from \$58 to \$230: possessing open liquor in a motor vehicle and minor in possession of liquor.

The table in **Appendix 1** provides the ordinal ranking of our fine levels relative to other jurisdictions. Several jurisdictions, notably Saskatchewan and Manitoba, have recently increased their fines considerably, overtaking the BC levels, which were among the highest in the country at the time they were imposed in 2010. Current BC fine levels average between third and fourth place among the other eight Canadian jurisdictions with comparable fines. Alberta fine levels are currently under review, and are expected to increase. Fine levels for tobacco and gaming offences in BC include numerous fines at the \$575 level, including the majority of the Tobacco Act and Regulations contraventions.

OPTIONS:

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APPROVED / NOT APPROVED

DATE:

The Honourable Shirley Bond
Minister of Public Safety and Solicitor General

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Attachment

Contravention	BC	AB	SK	MB	ON	NB	PEI	NS	NWT	BC Ordinal Ranking
Intoxicated in a public place s. 41	\$115	\$115	\$200	N/A	\$65	\$172.50	\$220 for 1 st offence/\$420 for subsequent offences	\$121.71	\$115	5
Consume liquor or possess open liquor in public place s. 40(4)	\$230	\$115	\$250	\$231.50	\$125	\$172.50	\$220 for 1 st offence/\$420 for subsequent offences	\$121.71	\$115	3
Possess opened liquor in motor vehicle s. 44	\$230	\$287.50	\$360	\$231.50	\$125	\$172.50	\$220 for 1 st offence/\$420 for subsequent offences	N/A	\$115	4
Minor in possession s. 34(3)	\$230	\$115	\$360	\$655.65	\$125	\$172.50	\$220 for 1 st offence/\$420 for subsequent offences	\$455.21	\$115	4
Purchase/consumption by minor s. 34(1)	\$230	\$115	\$360	\$655.65	\$125	\$172.50	\$220 for 1 st offence/\$420 for subsequent offences	\$455.21	\$115	4
Minor in liquor establishment s. 34(2)	\$230	\$115	\$360	\$292.65	N/A	N/A	\$220 for 1 st offence/\$420 for subsequent offences	N/A	N/A	3
Presentation of false identification s. 34(4)	\$230	N/A	\$360	\$655.65	\$125	\$172.50	\$220 for 1 st offence/\$420 for subsequent offences	\$225.21	\$115	3
Permit disorderly conduct/gambling s. 36(2)(a)	\$230	\$230	N/A	\$474.15	N/A	N/A	N/A	N/A	\$58	2
Supply liquor to intoxicated person s. 43(1)	\$230	N/A	\$810	\$474.15 / \$1260.30	N/A	\$292.50	\$220 for 1 st offence/\$420 for subsequent offences	N/A	\$690	5
Permit intoxicated person on premises s. 43(2)	\$230	N/A	N/A	N/A	N/A	\$172.50	N/A	N/A	N/A	1

* Fine amounts include any applicable victim surcharge levy and administration fees.

Fines are listed in order reflecting the frequency of ticketing. The 4 offences shaded in yellow account for 98% of all liquor tickets issued in BC. Note: Newfoundland and Quebec do not issue tickets for these offences.

Prepared by: Janice Carlson, Policy Analyst
Date: October 6, 2011

Anti-Money Laundering

- In February 2011, a formal review on anti money laundering (AML) in BC gaming was completed which provided recommendations to both the Gaming Policy and Enforcement Branch (GPEB) and the British Columbia Lottery Corporation (BCLC). *The Summary Review: Anti-Money Laundering Measures at BC Gaming Facilities* (Kroeker report) found the Province has a robust anti-money laundering regime in place and made four recommendations to both GPEB and BCLC for opportunities to further strengthen anti-money laundering efforts.
- GPEB has developed an AML strategy statement as a framework to address AML in BC.
- As the regulator of Gaming in the province, GPEB has established the following objectives to guide its interaction with the gaming industry:
 - To ensure the integrity of gaming in British Columbia through the implementation of an anti-money laundering strategy.
 - To deter money laundering activity in BC gaming facilities and throughout the industry.
 - To engage BCLC and service providers in collaboratively developing a business model of innovative programs, technology and solutions that moves the gaming industry away from its dependence on cash.
 - Employ appropriate public messaging to communicate the AML strategy.
 - Measure and report proactively on performance success of the strategy.
- In order to comprehensively implement the AML strategy, GPEB and the industry will work with experts in the field. These experts include municipal police forces, the RCMP and the Federal Financial Transactions Reports Analysis Centre of Canada (FINTRAC). GPEB is working towards establishing a cross-integrated advisory committee to discuss and establish cooperative anti-money laundering strategies.

BCLC Key Initiatives - Overview

February 8, 2012

CORPORATE UPDATE

FINANCIAL

- After ten months of operation, overall revenue of \$2.161.1 billion is \$37.1 million under budget and \$15.3 million behind last year.
- Net income of \$883.7 million is \$8 million less than plan and \$20.3 million below last year. This represents 99.2% achievement of budget. Fewer Lotto Max jackpots, one fewer reporting day, and four additional months of HST are the major contributors to the variance.
- Lottery revenue is \$15.6 million ahead of budget, but \$22.2 million behind last year.
- eGaming revenue is under budget by \$7.8 million but is out-performing last year by \$19.3 million.
- The Casino and Community Gaming Business Unit's revenue is below budget by \$44.9 million, and behind last year by \$12.4 million. Slot machines are \$33.8 million below budget, table games are under \$1.1 million, and paper and electronic bingo are behind by \$9.2 million.
- Direct expenses of \$501.4 million are \$13.4 million less than budget and \$4.2 million below last year, due to lower revenue, and cost savings in equipment leases and ticket printing. Operating costs are \$18.2 million less than budget, primarily due to savings in advertising/marketing, travel management and reduced amortization expenses.
- Our original Net Income budget was \$1.105 billion. In July we revised down our Net Income target to \$1.077 billion. But we are still keenly focused on achieving our original budget and based on our cost management initiatives and strong lottery and Casino performance in early February we are optimistic we will hit the original target of \$1.105 billion net income.

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BCLC WORKFORCE ADJUSTMENTS

s.17

IT AND CALL CENTRE BUSINESS ASSESSMENTS

- BCLC has contracted Deloitte to conduct an assessment of the organizational structure of the IT division. Deloitte has recommended a functional alignment model, based on the growing technological needs of the business, showing the capabilities BCLC will require in the future.

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BUSINESS OPTIMIZATION

- BCLC has engaged Deloitte to undertake a comprehensive assessment of our existing business & operating models with the objective of identifying major opportunities and/or validating existing models.
- The assessment will provide an objective, evidence-based evaluation of our operations, business models and organizational structure that demonstrate potential for shareholder value enhancement, in three areas:
 - Improved financial performance
 - Business models
 - Transformation roadmap
- The assessment will be presented to BCLC's Board of Directors in July 2012.

BUSINESS DEVELOPMENT INITIATIVES

GAMING MARKET REVIEW

- We are currently collaborating with the leading gaming research company in North America, HLT Advisory, to assess the casino gambling market in BC.
- We are paying particular emphasis to the larger regions within the Province, Surrey, Vancouver and Victoria to determine market opportunities.
- What is different about this study versus previous reviews is the combination of current player data information combined with revenue from our current casino and CGC properties.
- With HLT's experience across North America, we are able to benchmark ourselves versus other markets.

SPORTS BETTING

- BCLC is enhancing the sports betting opportunities on PlayNow.com with a tentative launch date of June 2012.
- BCLC has contracted Paddy Power to provide odds setting/sports betting services.

MOBILE

- BCLC is proceeding with plans to optimize all of its web properties for better access from mobile and tablet devices.
- Mobile will be registered play only, with all protections available on PlayNow.com (age verification, location verification etc) will also be available via mobile.
- Tentative plans are to launch mobile sports betting and mobile lottery ticket purchase in September 2012.
- Initial focus will be mobile-optimized web pages, but native applications downloaded to device to be considered as well
- A preferred vendor has been identified, mKodo, a UK-based company with multiple OpenBet implementations, including multiple mobile OpenBet sportsbook implementations
- Ayogo, a Vancouver company, has been identified as a secondary proponent for potential future opportunities. No guarantee of future business, but Ayogo has mobile experience and BCLC will keep them on a roster for potential future mobile application development work.

INCREASING REVENUE OPPORTUNITIES FOR THE HOSPITALITY NETWORK

- This is a subset of the mobile project to identify opportunities to connect Hospitality Network (HN) partners with sports/mobile betting in the bars/pubs
- Tentative plan is to have players opt-in to identify themselves at a particular location (ie bar/pub) through a 'check-in' feature similar to such features on major mobile/social applications such as FaceBook, Google, Foursquare, etc.
- Commission structures are undetermined at this stage and may be different than current retail commission structure but will be paid to HN partners, to be based on the type of product.
- Plan is to have this operational for the fall of 2012 and the start of the NFL and NHL season.

eBINGO on Playnow.com

- eBingo is a multi-jurisdictional offering in conjunction with Loto-Quebec and Atlantic Lotteries (ALC)
- Tentative launch plan is Fall, 2012

s.13, s.16

LOTTO EXPRESS

- BCLC is scheduled to launch a pilot project in March 2012 at five Overwaitea Foods Group grocery stores in B.C., including Port Coquitlam, Burnaby, Langley, Delta and Vancouver.
- Research shows that players would prefer the convenience of one stop shopping, so BCLC is piloting the sale of Lotto Max and 6/49 tickets using the same PIN pad technology customers use to make their grocery purchases.
- As with all lottery products, sales will be restricted to customers 19 years of age and older and the system will prompt the clerks to ask for ID whenever a lottery purchase is requested.
- This Pilot project is intended to complement, not replace, lottery sales methods currently in place at over 4,000 B.C. retail outlets.
- If successful, the service may be expanded, where appropriate, to include additional grocery retailers and has the potential to create 10,000 new points of distribution.

GAMING MANAGEMENT SYSTEM

- An assessment of BCLC's nearly 15-year old gaming management system (GMS) determined it is nearing end-of-life.
- The gaming management system is the software and equipment that operates and manages slot machines, supporting over \$1.5 billion in net win (75 per cent of BCLC net income).
- BCLC partnered with Ontario Lottery and Gaming and selected Bally through a joint RFP process to provide the GMS to both organizations which will achieve cost savings given the scale of the opportunity.
- BCLC has budgeted \$100 million in capital over the service plan period for the project and estimates the new system will provide \$64 million annually in incremental revenue from slot machines and tables, as well as through cost savings from improved product management and operating efficiencies. For example, the new system will automate a number of processes that are currently manual.
- In addition to improving operations and providing a stable platform, a key benefit of the new gaming management system is its ability to interact directly with each player at the gaming device. It will allow BCLC to personalize their play, provide better customer service and convenience and promote responsible gambling directly to each player.
- Project is on budget and on schedule.

EDGEWATER CASINO RELOCATION

- BCLC, in conjunction with Paragon Gaming, is continuing to examine the feasibility of relocating Edgewater Casino to BC Place lands with the existing size restrictions imposed by the City of Vancouver.

s.13, s.17

HORSERACING INDUSTRY MANAGEMENT COMMITTEE

- Overall BC horse racing wagering declined in 2011 by 6% (from \$182.9 million to \$171.6 million). This was somewhat less than the North America-wide decline of 10 per cent plus.
- The BC industry exceeded its 2011 revised net income target of \$46.1 million by \$560,000. This came about mainly through savings realized in the off-track wagering operation of TBC Teletheatres BC. Contribution by Government of an additional \$4 million in grant funding also was a positive impact.
- Financial allocations for 2012 have been decided by the Committee, and reflect a different ratio than has been used in previous years
- 2012 total allocation (expected net income) for horse racing industry: \$43.4 million (2011 allocation: \$46.1 million)
 - Great Canadian Gaming -- \$13.4 million/43% (2011: \$16.2 million/50%)
 - Thoroughbred sector -- \$10.5 million/percentage of total 34% (2011: \$9.7 million/30%)
 - Standardbred sector -- \$7.2 million/23% (2011: \$6.4 million/20%)
- With financial structure established, the Committee's emphasis can shift to strategic considerations for the future of horse racing in BC.
- One of these priorities is to examine de-linking revenue from slot machines to horse racing to enable relocation of racetracks to ideal markets. This would allow for increased revenues to government through better utilization of the casino assets.
- Director of Racing Sustainability now in place to assist in framing these discussions.
- Marketing/Promotional initiatives planned for 2012 season to drive new entrants and increase levels of wagering.
- Doug Scott's leadership on Horse Racing is providing a fresh perspective that has been welcomed by the committee.

REGULATORY, COMPLIANCE & CSR

ANTI-MONEY LAUNDERING REVIEW

- The Kroeker review of anti-money laundering measures in BC casinos found that the Province has a robust anti-money laundering regime in place and made four recommendations to both BCLC and GPEB for opportunities to further strengthen anti-money laundering efforts.
- Both GPEB and BCLC are developing and implementing strategies that address the recommendations of the report, including exploring the use of an electronic funds transfer system.
- BCLC has completed two of the four recommendations specific to the corporation and is in the process of implementing the other two in cooperation with GPEB.
- GPEB and BCLC are developing initiatives to reduce the reliance of cash in the business. This involves a significant shift for the industry, and work on these initiatives will be ongoing through 2012/13. Examples of initiatives under development include:

- Greater convenience and incentives in setting up Patron Gaming Fund (PGF) Accounts
- Expanded buy-in options (such as use of a debit card) to provide alternatives to cash buy-ins
- Revised policies and procedures for the issuance of casino cheques

PREVENTING MINORS FROM ACCESSING CASINOS

- BCLC has introduced a number of measures to ensure site staff are preventing and deterring minors from attempting to access casinos including:
 - mandatory ID checks for anyone who appears under 25
 - increased staffing during peak hours
 - increased staff training
 - an on-site awareness program for patrons
 - funnelling of guests at casino entries
 - ID scanners to aid in age verification
- In the first three quarters of fiscal year 2011, minors or patrons without valid ID were turned away from gambling facilities 13,812 times.
- As part of their training, all gaming facility employees are educated on their responsibilities to prevent minors from gambling.
- If an individual looks to be under 30, security staff will request ID and remove them from the facility if they are not of age.
- Access to gaming facilities and the sale of lottery tickets to anyone under 19 years of age are strictly prohibited by law.

VSE AND VERIFIED ENTRY

RESEARCH

- Two studies conducted on BC's VSE program show the program is helpful to a majority of participants. One study, conducted by the BC Centre for Social Responsibility shows the program is effective, with 65 per cent of those studied who did not return to a casino and of those, half abstained from any form of gambling.
- Self-exclusion programs are industry standard in Canada and BCLC is recognized as a world leader for its responsible gambling programs.
- The studies also highlighted the need for more meaningful deterrents. BCLC and GPEB are exploring options for greater deterrents for entering facilities and support for those in the program.

VSE LAWSUITS

- Currently, BCLC has been served as a defendant in five VSE lawsuits. BCLC is aware of a sixth action in which it has not yet been served.
- These claims generally fall into in two categories:
 - Class action challenging the validity and application of the jackpot disentanglement rule and regulations; or
 - Alleging negligence (and other causes of action) against BCLC and its service providers in the operation of the VSE program.
- BCLC has led a harmonized defence strategy with the full cooperation of all co-defendants.

VERIFIED ENTRY

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- s.15, s.17
- Personal information will be protected from public view and no personal information will be recorded unless the system detects a patron who is not legally permitted to enter the facility.
- Security staff already check identification for anyone who appears under 30 and will focus on that same age group for the purposes of this pilot to help minimize inconvenience to all players.

GATEWAY IPO

- Gateway Casinos IPO is scheduled to go to market at the end of February 2012 with a closing date of mid to late April 2012. It is planned for a two part offering with a total value of \$300 to \$350 million CDN.
- The transaction will likely result in Catalyst shareholdings decreasing from 68% to just over 50%.
- The preliminary details received to date indicate a component of the proceeds will be used to pay down existing debt which will have a positive effect on the covenant calculations. It is Catalyst's stated intention to retain control of Gateway.
- Due diligence is underway and BCLC's Board of Directors will meet to review the assessment and will be required to approve or deny the IPO.
- Gateway has purchased a piece of land from Bob Cheema in South Surrey. Once the HLT study is complete we will determine the size of this facility and if it will be a relocation of Newton or a further addition to the market.

Community Gaming Grant Update

- Following the completion of Skip Triplett's review of the community gaming grant program, government decided the Ministry of Community, Sport and Cultural Development (CSCD) will have full responsibility for determining eligibility and approval of grant payments to community organizations in B.C.
- Grants staff remain with GPEB and will continue to administer the program, including reviewing and processing applications and recommending levels of funding for eligible organizations.

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Gaming Policy and Enforcement Branch
Ministry of Energy and Mines
Key Initiatives – Overview

GPEB Budget and FTEs

- GPEB's 2011/12 budget is \$18.36 million.
- Of this, \$13.91 million is budgeted for GPEB core operations, with the remaining \$4.45 million reserved for the Responsible Gambling Strategy (RGS).
- As at January 31, 2012, GPEB had a projected deficit of \$500,000.
- The Responsible Gambling Strategy is expected to have a \$1.2 million deficit due to a \$1.5 million budget reduction in 2009/10. The program has only been able to partially reduce costs to accommodate this decrease; GPEB has initiated some cost-saving measures to mitigate this pressure.
- As at January 31, 2012, GPEB had a total of 171 FTE's. 151 of these positions are filled.

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2012/13 Strategic Priorities

1. **Preventing Wrongdoing:** Ensure that British Columbians have confidence that gaming is safe and operated with integrity.

Key strategies:

- Transitioning casino gaming activities away from cash systems to prevent money laundering.
- Enhancing our strategy to keep minors out of gaming.

2. **Responsible Gambling:** Continue to ensure our programs are effective, both in preventing problem gambling and in providing support services to those affected by problem gambling.

Key strategies:

- Enhancing the Responsible Gambling Program's operational capacity.
- Ensuring responsible gambling principles are integrated into every aspect of GPEB's operations.

3. **Operational Effectiveness:** Ensure that Branch business processes are streamlined, integrated and evidence-based, and that resources are allocated where they will have the greatest impact. GPEB will be able to anticipate and adapt quickly to changes in the gaming industry.

Key strategies:

- Conducting business process reviews/environmental scans and developing IT strategies to leverage existing infrastructure and plan for the future.
- Implement initiatives to enhance cooperation and coordination between divisions.

4. **People:** Ensure Branch employees are engaged and empowered.

Key strategies:

- Developing employees through cross-training and mentorship.
- Improving communication from the ADM's office.
- Supporting a healthy work environment through a variety of wellness initiatives.

Anti-Money Laundering

- A formal review of anti-money-laundering (AML) practices in B.C. gaming facilities was completed in February 2011.
- *The Summary Review: Anti-Money Laundering Measures at B.C. Gaming Facilities* (Kroeker report) found that the Province has a robust anti-money-laundering regime in place, and made four recommendations to GPEB and BCLC on how to further strengthen anti-money-laundering efforts.
- GPEB has developed a strategic framework to address AML in B.C.
- As the regulator of gaming in the province, GPEB has established the following objectives to guide its interaction with the gaming industry:
 - To ensure the integrity of gaming in British Columbia through the implementation of an anti-money-laundering strategy.
 - To deter money-laundering activities in B.C. gaming facilities and throughout the industry.
 - To employ appropriate public messaging to communicate the AML strategy.
 - To measure and report proactively on performance success of the strategy.
- To comprehensively implement the AML strategy, GPEB and the industry will work with experts in the field. These experts include municipal police forces, the RCMP and the Federal Financial Transactions Reports Analysis Centre of Canada (FINTRAC).
- GPEB is engaging with BCLC and service providers to develop a business model of innovative programs, technology and solutions that move the gaming industry away from its dependence on cash.

Preventing Minors from Entering Casinos

- Working with its service providers, BCLC has developed a strategy to prevent minors from entering casinos in B.C.
- GPEB continues to monitor the effectiveness of this strategy.

Responsible & Problem Gambling Program

Core Programs (all figures: 2010/11 unless stated otherwise)

Prevention (expenditures: \$1.31 million)

- 14 contracted service providers delivered 1,703 educational presentations to 57,974 British Columbians, including students, parents, teachers and administrators, adults in the general population and allied professionals.

Responsible Gambling (expenditures: \$1.43 million)

- 26 GameSense Advisors in 17 casinos had 34,000 meaningful interactions with patrons, providing information about ways to gamble responsibly.
- GameSense Information Centres are located in casinos and community gaming centres. There are no GameSense Advisors in the 18 community gaming centres.
- 3,905 patrons signed a Voluntary Self-Exclusion agreement in 2010/11. Of those, 16.5 per cent accepted referrals to the Province's counselling services.

Treatment and Support Services (expenditures: \$2.56 million)

- The Problem Gambling Help Line is a 24/7, confidential, toll-free service available to all British Columbians. It handled 5,932 calls in 2010/11, resulting in 2,737 people being referred to counselling services.
- Of the 2,737 referrals, 2,038 people entered counselling. A total of 7,840 sessions were delivered to clients free of charge by 30 contracted clinical counsellors.
- The Discovery Program, an intensive day-treatment program, treated 137 problem gamblers and affected others.

Problem Gambling Research Advisory Panel

- The panel was established in 2010, with a mandate to provide recommendations on research subject areas, review specific proposals, monitor research projects and report on results.
- Panel membership includes representation from GPEB, municipal government, academic research, BCLC and the clergy, and is intended to bring diverse perspectives to address the social challenges associated with gaming.
- The panel will add a representative from a s.13
- s.13
- The panel has approved its first research project, which will assess the efficacy of clinical interventions provided through the Problem Gambling Program. An RFP was posted on BC Bid in December 2011.
- The panel recently reviewed submissions and selected a proponent. A contract will be negotiated in the coming weeks.
- Research projects are funded from withheld winnings from voluntarily self-excluded individuals who breach their self-exclusion agreement (Approximately \$300,000 available for 2011/12).

Family Maintenance Enforcement Program

(Ministry of Attorney General and BCLC)

- In October 2011, an Order in Council was created to allow the Family Maintenance Enforcement Program (FMEP) to obtain prize winnings from BCLC when a prize claimant has a Notice of Attachment for payment of arrears for child support. The threshold was set at prize winnings of \$10,000 and over.
- In December 2011, the Ministry of Attorney General indicated interest in obtaining lottery prize winnings between above \$1,000.
- BCLC is reviewing its process with regard to lottery ticket winners and PlayNow.com.
- Ministry of Attorney General staff are currently scheduled to brief Minister Bond on this matter on February 17, 2012.

B.C. Horse Racing Industry Management Committee update

- In December 2010, the B.C. Thoroughbred and Owners Association (BCTOBA) signed a Memorandum of Agreement with the Horse Racing Management Committee. BCTOBA is now responsible for the administration of the thoroughbred purse funds.
- Overall, attendance, participation and wagering have continued to decline.
- At the beginning of 2011, the Committee allocated \$800,000 for the creation of a marketing fund dedicated to the promotion of racing at Hastings and Fraser Downs race tracks. This investment has been welcomed by industry stakeholders and resulted in modest increases in wagering and attendance of live racing events.
- The Committee has engaged and consulted with industry stakeholders in developing racing schedules and determining financial allocations for 2012.
- As a sign of good faith and in order to accommodate scheduled stakes races, the Committee agreed to add six race dates to Fraser Down's fall 2011 schedule, for a total of 82 standardbred race dates over 10 months.
- In December 2011, Derek Sturko stepped down as Chair of the Committee and was replaced by Douglas S. Scott, ADM of GPEB.
- There is no funding guarantee of the \$10 million racing grant for the 2012/13 fiscal year. GPEB is working on a proposal outlining new grant funding model options.
- A long-term sustainable business model is being developed that will help ensure the viability of horse racing in future years.

Community Gaming Grant Update

- Following the completion of Skip Triplett's review of the community gaming grant program, government decided the Ministry of Community, Sport and Cultural Development (CSCD) will have full responsibility for determining eligibility and approval of grant payments to community organizations in B.C.
- Grants staff remain with GPEB and will continue to administer the program, including reviewing and processing applications and recommending levels of funding for eligible organizations.

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GPEB Strategic Priorities

In November 2011, GPEB held a branch-wide planning session with 140 staff from all divisions in attendance. At the session staff set a vision, mission and four strategic priorities for the next 18 months and beyond:

Vision: Gaming is conducted responsibly and with integrity for the benefit of British Columbians.

Mission: Our mission is to ensure the integrity of gaming. Our programs promote compliance with and enforce public standards, laws and regulations, support communities through charitable licensing and grants, provide public education on responsible gaming and treatment for those affected by problem gaming.

1. **Crime:** British Columbians have confidence that gaming is safe and operated with integrity.
Key strategies: transitioning gaming activities away from cash systems to reduce money laundering and enhancing our strategy to keep minors out of gaming.
2. **Responsible Gambling:** Our programs are effective both in preventing problem gambling and providing support services to those affected by problem gambling.
Key strategies: enhancing the Responsible Gambling Program's operational capacity and ensuring responsible gambling principles are integrated into every aspect of our operations through further GPEB employee education and awareness of the program.
3. **Operational Effectiveness:** Branch business processes are streamlined, integrated and evidence based. Resources are allocated where they will have the greatest impact. GPEB is consequently able to anticipate and react quickly to changes in the gaming industry.
Key strategies: consulting external stakeholders to seek opportunities for greater coordination, conducting business process reviews and developing IT strategies to leverage existing infrastructure and plan for the future.
4. **People:** Branch employees are engaged and empowered.
Key strategies: developing employees through cross training and mentorship, improving communication from the ADM's Office, and supporting a healthy work environment through a variety of health and wellness initiatives.

Problem Gambling Research Advisory Panel

- The panel was established in 2010, with a mandate to provide recommendations on research subject areas, review specific proposals, monitor research projects and report on results.
- Panel membership includes representation from GPEB, municipal government, academic research, BCLC and the clergy, and is intended to bring diverse stakeholder perspectives to address the social challenges associated with gaming.
- The member from the clergy was reassigned, and therefore had to resign from the panel in January 2012. The panel is looking for a replacement for this person, and is considering adding a representative from a s.13
s.13
- In 2011, the panel approved its first research project, which is to assess the efficacy of clinical interventions provided through the Problem Gambling Program, as part of the Province's overall Responsible and Problem Gambling Strategy. An RFP was posted on BC Bid in December 2011.
- The panel reviewed submissions and a proponent was selected on February 8, 2012. A contract will be negotiated in the coming weeks.
- This , and future research projects, will be funded from withheld winnings from voluntarily self-excluded individuals who breach their self-exclusion agreement.
- As of December 17, 2011, the revenue available from withheld winnings was \$301,275. These funds cannot be maintained across fiscal years, therefore unused funds are returned to CRF at March 31 each year.
- As unpaid winnings have continued to accumulate each fiscal year, the panel is confident funding will be on hand to support ongoing research projects.

GPEB Key initiatives – Overview

February 10, 2012

Responsible & Problem Gambling Program

(all figures: 2010/11 unless stated otherwise)

Core Programs

- The Responsible and Problem Gambling Program's goals and objectives are delivered through three core program streams:
 1. Prevention (2010/11 expenditures: \$1.31 million)
 - Fourteen contracted service providers delivered 1,703 educational presentations to 57,974 British Columbians, including students, parents, teachers and administrators, adults in the general population and allied professionals.
 2. Responsible Gambling (Expenditures: \$1.43 million)
 - Twenty-six GameSense Advisors in 17 casinos had 34,000 meaningful interactions with patrons, providing information regarding gambling myths and ways to gamble responsibly.
 - GameSense Information Centres (touch-screen, interactive responsible gambling terminals) are located in casinos and community gaming centres. GameSense Advisors are not located in the 18 community gaming centres due to budget constraints.
 - 3,905 patrons signed a Voluntary Self-Exclusion agreement. Of those, 16.5 per cent accepted referrals to the Province's counselling services.
 3. Treatment and Support Services (Expenditures: \$2.56 million)
 - The Problem Gambling Help Line is a 24/7, confidential, toll-free service available to all British Columbians. It handled 5,932 calls, resulting in 2,737 people being referred to counselling services.
 - Of the 2,737 referrals, 2,038 people chose to receive counselling services. A total of 7,840 sessions were delivered to clients free of charge by 30 contracted clinical counsellors.
 - The Discovery Program, an intensive day-treatment program offered for up to five days each month in Victoria or the Lower Mainland, treated 137 participants.

Budget Deficit

- The budget for 2011/12 was \$4.45 million, while actual expenditures totalled \$5.70 million, for a deficit of \$1.26 million (estimated). The deficit in 2010/11 was \$0.87 million (budget: \$4.46 million). The deficit in 2009/10 was \$0.52 million (budget: \$4.62 million).
- Government has publicly committed that services will be available to everyone who needs them, without waitlists. Due to changes in both the nature and scope of the gambling industry, the Responsible and Problem Gambling Program faces challenges in its attempts to keep pace.

**Transition Binder
February 2012**



**LIQUOR
DISTRIBUTION
BRANCH**

TRANSITION BINDER FEBRUARY 2012

1.0# Overview

- Biography – Jay Chambers
- Organization Chart
- LDB Executive Team
- Governance
- Business of the LDB

2.0 Legislation

- Liquor Distribution Act

3.0 Corporate Publications

- Service Plan
- Annual Report

4.0 Financial Information

5.0 Briefing/Information Notes

6.0 Industry Associations



September 6, 2012

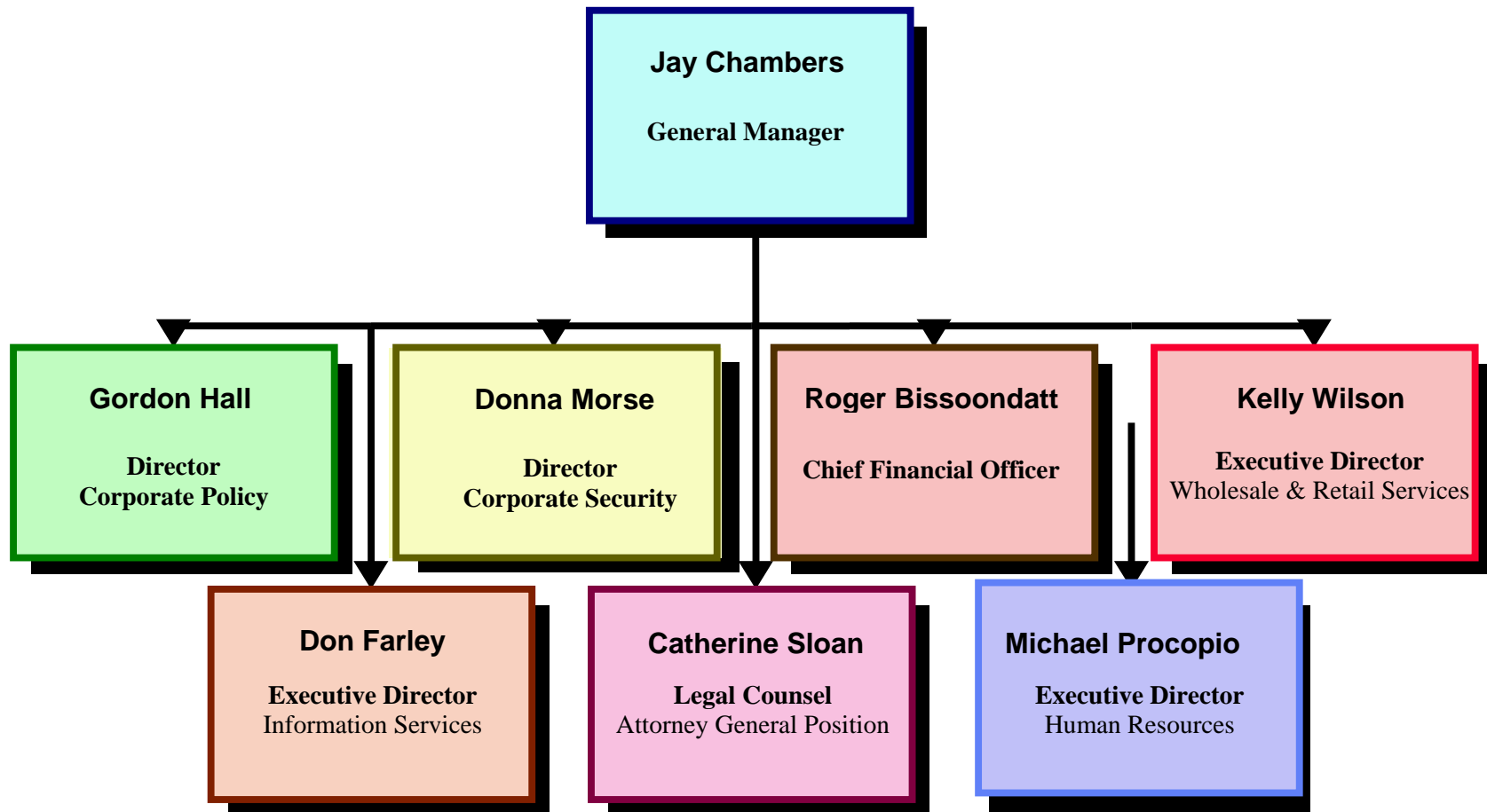
Jay Chambers - Biography General Manager

Jay Chambers is General Manager (assistant deputy minister level) of the British Columbia Liquor Distribution Branch (LDB).

A graduate of the University of British Columbia, Jay has over 35 years of progressive retailing experience in Canada. His career path began with Woodward Stores Ltd. and the Hudson Bay Company.

Jay joined the LDB in 1994. After holding several high level positions with the organization, Jay became General Manager in 1997.

ORGANIZATION CHART



EXECUTIVE MANAGEMENT TEAM

Jay Chambers has been the General Manager of the LDB since January 1997. He joined the branch in January 1994 as the Director of Store Operations. Prior to joining the LDB, he was with the Hudson's Bay Company.

As the Executive Director of Retail and Wholesale Services, **Kelly Wilson** oversees the areas of Store Operations, Wholesale Services, Marketing, Purchasing, Real Estate and Distribution. Kelly joined the LDB in 1993 as Director of Merchandising and Specialty Stores. She was appointed to her current position in September 1998.

Gord Hall has been the Director of Corporate Policy since August 1998. His responsibilities include corporate policy, issues management and communications.

Executive Director of Human Resources, **Michael Procopio** is responsible for the provision of services to the branch in all aspects of Human Resources management. An LDB employee since

s.22 Michael previously worked as Director of Purchasing.

As the Director of Corporate Security, **Donna Morse** is responsible for the LDB's security programs. Following a long career with the RCMP, Donna joined the LDB in 1995. She was appointed to her current position in March 2000.

Lawyer **Catherine Sloan** has provided the LDB with legal counsel since 1992. She is seconded from the Ministry of the Attorney General.

Roger Bissoondatt is the Chief Financial Officer. Bissoondatt is responsible for the financial affairs of the branch, including Revenue, Payables, Payroll, Custom and Excise, Financial Reporting, Budgets and Audit. Roger joined the branch in January 1991 as the Chief Auditor.

As the Executive Director of Information Services, **Don Farley** oversees the LDB's information systems. He has been with the LDB since 1991.

GOVERNANCE

In British Columbia, the Liquor Distribution Branch (LDB) is one of two branches of government responsible for the beverage alcohol industry. The *Liquor Distribution Act* gives the LDB the sole right to purchase beverage alcohol both within BC and from outside the province, in accordance with the federal *Importation of Intoxicating Liquors Act*.

Reporting to the Minister of Energy and Mines, the LDB:

- handles the importation and distribution of beverage alcohol in BC;
- operates government liquor stores (GLSs) and distribution centres; and
- has a General Manager who is responsible for administering the Liquor Distribution Act, which includes the oversight of GLSs, subject to direction from the minister.

The Liquor Distribution Act clarifies:

- LDB administration;
- GLS operation; and
- The role and powers of the LDB General Manager.

The LDB follows the Crown Agencies Resource Office guidelines for service plans and annual reports, and is reported out in public accounts in a manner similar to a commercial Crown corporation, on a modified equity basis.

Another branch of the Ministry of Energy and Mines — Liquor Control and Licensing Branch (LCLB) — licenses private liquor stores, restaurants, pubs and manufacturers, and enforces regulations under the Liquor Control and Licensing Act.

The LDB and LCLB have a shared responsibility to encourage the responsible consumption of beverage alcohol and work closely together to coordinate policies and programs to this end.

Business of the Liquor Distribution Branch

The LDB operates a province-wide, retail/wholesale beverage alcohol business, within a mixed public-private model.

As of December 31, 2011, the LDB:

- has a workforce of approximately 3,500 full- and part-time employees;
- operates 197 GLSs throughout the province;
- operates two distribution centres, in Vancouver and Kamloops; and
- has a Head Office facility in Vancouver.

As part of BC's mixed model retail system, the LDB is committed to providing customers with an enhanced shopping environment, increased product selection and a high level of service.

The LDB purchases beverage alcohol from more than 400 suppliers and manufacturers within the province, across the country and around the world. Licensed manufacturers in BC include 242 wineries, 59 breweries, and 17 distilleries.

With more than 1,400 beverage alcohol retail outlets operating in BC, consumers have a variety of choices depending on their service needs, including:

- 197 GLSs (government-owned and -operated stores selling beverage alcohol to retail and wholesale customers);
- 672 licensee retail stores (LRSs – private stores licensed to sell all beverage alcohol products);
- 221 rural agency stores (RASs – general merchandise stores in rural communities authorized to sell all beverage alcohol products);
- 256 on-site manufacturer stores (stores at wineries, breweries and distilleries that sell the products that they manufacture);
- 35 off-site manufacturer stores (stores operated by the BC wine industry that sell BC winery products);
- 12 private wine stores; and
- 11 duty-free stores.

In addition to retail stores, there are approximately 8,000 bars, restaurants and other licensed on-premise establishments.

The wholesale beverage alcohol distribution model in BC includes the two government distribution centres, GLSs and a number of manufacturers and private distributors that are authorized to distribute beverage alcohol as agents of the LDB.



This Act is Current to February 1, 2012

LIQUOR DISTRIBUTION ACT

[RSBC 1996] CHAPTER 268

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Definitions

1 (1) In this Act:

"acquired liquor" means liquor to which the government holds title acquired under section 6 (1) or (3);

"agency store" means a liquor store operated by an agent;

"agent" means a person appointed under section 18 (5);

"alcohol" means the product of distillation of a fermented liquid of any origin, that is rectified at least once, and includes synthetic ethyl alcohol;

"allowable shrinkage" means, in relation to acquired liquor for which a manufacturer, manufacturer's agent, distributor or authorized importer is required to account under section 4 (3), the quantity of that acquired liquor that, in the opinion of the general manager having regard to all of the applicable circumstances, could reasonably be expected to be lost by breakage, spillage or otherwise while that acquired liquor was at the risk of that manufacturer, manufacturer's agent, distributor or authorized importer;

"authorized importer" means a person, other than a manufacturer, manufacturer's agent or distributor, who

(a) brings liquor or causes liquor to be brought within the boundaries of British Columbia, and

(b) is authorized by the general manager to possess that liquor in British Columbia;

"authorized vendor" means

(a) the branch or an agent of the branch, including, without limitation,

(i) a warehouse or distribution centre owned or operated by or

leased to the branch or an agent of the branch, and

(ii) a liquor store,

(b) a person whom the minister appoints as agent or contracts with to act as agent under section 18 (5),

(c) a person, other than a manufacturer, to whom a licence is issued under section 12 of the *Liquor Control and Licensing Act*,

(d) a duty free liquor store, including a ship chandler, or

(e) in relation to a manufacturer, manufacturer's agent or distributor, any other person to whom the manufacturer, manufacturer's agent or distributor is, under this section or an agreement in force between that person and the branch, entitled to sell or otherwise dispose of liquor;

"branch" means the Liquor Distribution Branch continued under section 2;

"distributor" means a person, other than a manufacturer's agent, appointed by a manufacturer or by a manufacturer's agent for the purpose of doing one or more of the following:

(a) ordering liquor through the branch;

(b) storing or distributing liquor;

(c) selling liquor as the agent of the branch;

(d) conducting financial matters relating to a matter referred to in paragraph (a), (b) or (c);

"establishment" means a place or premises that may comply with the requirements of the *Liquor Control and Licensing Act* and regulations under it prescribing the qualifications of a place or premises for which licences may be issued;

"general manager" means the general manager of the branch appointed under section 12;

"grain alcohol" means alcohol manufactured from grain;

"independent importer" means a person who

(a) brings liquor or causes liquor to be brought within the boundaries of British Columbia, and

(b) contrary to section 4 (1), possesses that liquor in British Columbia;

"licensee" means a person licensed under the *Liquor Control and Licensing Act* to sell liquor;

"liquor" means

- (a) fermented, spirituous and malt liquors,
- (b) combinations of liquors, and
- (c) drinks and drinkable liquids that are intoxicating,

and includes beer, or a substance that, by being dissolved or diluted, is capable of being made a drinkable liquid that is intoxicating and which substance is declared by order of the Lieutenant Governor in Council to be liquor;

"liquor store" means a government liquor store, government beer store or government wine store, or an agency established by the general manager under this Act;

"listing committee" means the listing committee appointed under section 15;

"manufacture" includes, in relation to liquor,

- (a) the packaging or other enclosing of the liquor in containers in or out of which the liquor is intended to be distributed to consumers,
- (b) the blending of the liquor,
- (c) the flavouring of the liquor, and
- (d) the brewing, distilling or fermenting of the liquor

but does not include, in relation to prescribed liquor, any of the processes referred to in paragraphs (a) to (d) or any other manufacturing processes;

"manufacturer" means, in relation to liquor, the person who manufactures the liquor;

"manufacturer's agent" means a person who

- (a) is an agent within the meaning of the *Liquor Control and Licensing Act*, and
- (b) holds a valid agent's licence under section 52 of that Act;

"products" means goods or articles other than liquor;

"retail price" means, in relation to liquor, the price fixed under section 18 (1) as the price at which liquor of that type is to be sold at a liquor store;

"store manager" means a person appointed under section 24 (1);

"unlicensed manufacturer" means a person who manufactures liquor that the person is not licensed to manufacture under section 12 or 57 of the *Liquor Control and Licensing Act*;

"warehouse" means a warehouse owned or occupied by the branch or by an agent or person acting on behalf of the branch.

(2) For the purposes of this Act, liquor that contains more than 1% alcohol by volume is conclusively deemed to be intoxicating.

Liquor Distribution Branch continued

2 (1) The Liquor Distribution Branch is continued.

(2) The branch has the sole right to purchase, both in and out of British Columbia, liquor for resale and reuse in British Columbia in accordance with the provisions of the *Importation of Intoxicating Liquors Act* (Canada).

Application of the Act

3 This Act does not apply to or prevent the manufacture, importation, sale, purchase or possession of any of the following:

- (a) a pharmaceutical preparation referred to in section 60 (1) (a) of the *Liquor Control and Licensing Act*;
- (b) [Repealed 2003-77-42.]
- (c) wood alcohol or denatured alcohol to which the *Liquor Control and Licensing Act* does not apply under section 60 (1) (c) of that Act;
- (d) vinegar;
- (e) a medicinal preparation referred to in section 62 (1) of the *Liquor Control and Licensing Act*;
- (f) a preparation referred to in section 62 (3) of the *Liquor Control and Licensing Act*;
- (g) wine referred to in section 63 of the *Liquor Control and Licensing Act*;
- (h) wine, beer or cider in an establishment licensed under section 12.1 of the *Liquor Control and Licensing Act*.

Government to maintain control of liquor in British Columbia

4 (1) A person must not possess liquor in British Columbia unless

- (a) the person is, in respect of the liquor, the person referred to in section 55 (2) of the *Liquor Control and Licensing Act*,
- (a.1) the person is in possession of the liquor pursuant to a licence issued under section 12.1 of the *Liquor Control and Licensing Act*;
- (b) the liquor was manufactured in British Columbia but has not been packaged or otherwise enclosed in containers in or out of which the liquor is intended to be distributed to consumers, and the person possessing the liquor is the manufacturer of the liquor or intends to further manufacture the liquor,

- (c) the liquor is acquired liquor and
 - (i) the person is the manufacturer of that liquor, or
 - (ii) the person is a manufacturer's agent or distributor and acquires and retains possession of the liquor in that capacity,
- (d) the liquor is liquor referred to in section 3 (2) of the *Importation of Intoxicating Liquors Act* (Canada),
- (e) the liquor was purchased from an authorized vendor,
- (f) the liquor was sold and released to the person by a customs officer under section 19 (3),
- (g) the person is, under terms and conditions specified by the general manager, authorized by the general manager to possess the liquor in British Columbia, or
- (h) the liquor is, in prescribed circumstances, in the possession of a prescribed person or of a member of a prescribed class of persons.

(2) Each person who possesses in British Columbia liquor referred to in subsection (1) (d), each person who has control of liquor referred to in subsection (1) (d) while that liquor is in British Columbia, each independent importer who possesses in British Columbia liquor in relation to which the person is an independent importer and each authorized importer who possesses in British Columbia liquor in relation to which the person is an authorized importer must

- (a) immediately after that liquor comes within the boundaries of British Columbia, notify the branch of the importation of that liquor, and
- (b) if that person is authorized to export that liquor from British Columbia, notify the branch of the exportation of that liquor immediately after that liquor leaves British Columbia.

(3) Each manufacturer of acquired liquor, each person who is appointed as a manufacturer's agent or distributor in relation to that acquired liquor, the authorized importer of the liquor and every other person who at any time had possession or control of that acquired liquor must keep records accounting for that acquired liquor in the manner and with the content required by the general manager.

(4) The general manager may provide to an independent importer or an unlicensed manufacturer directions respecting the liquor in relation to which that person is an independent importer or unlicensed manufacturer, as the case may be, including, without limitation, directions that the independent importer or unlicensed manufacturer destroy or otherwise dispose of that liquor, and the independent importer or unlicensed manufacturer

- (a) must, promptly after receiving directions from the general

manager under this subsection, comply with those directions, and

(b) must not make any use whatsoever of the liquor in relation to which that person is the independent importer or unlicensed manufacturer other than a use specifically authorized by the general manager.

(5) The directions provided to and the obligations imposed on an independent importer or unlicensed manufacturer under subsection (4) do not relieve that person from any other liability.

Agreements

5 The branch may, on behalf of the government, enter into an agreement with any person respecting any matter relating to or arising from the acquisition, possession or disposition of liquor by that person or by any other person on that person's behalf, including, without limitation, an agreement with any one or more of the following:

- (a) a person who is or will be the manufacturer of the liquor;
- (b) a person who is or will be appointed as manufacturer's agent or distributor in relation to the liquor;
- (c) a person who does or may possess the liquor in British Columbia.

Government acquires title to liquor

6 (1) The government acquires title to any liquor coming within the boundaries of British Columbia at the earlier of

- (a) the time that that liquor comes within the boundaries of British Columbia, and
- (b) the time that the government acquires title to the liquor under any agreement entered into by the branch in relation to the liquor under section 5.

(2) Subsection (1) does not apply to liquor referred to in section 3 (2) of the *Importation of Intoxicating Liquors Act* (Canada).

(3) The government acquires title to any liquor manufactured in British Columbia if and at the time that that liquor, while in British Columbia, is packaged or otherwise enclosed in containers in or out of which the liquor is intended to be distributed to consumers.

(4) Acquisition by the government of title to liquor under this section does not prevent the manufacturer of that liquor, a manufacturer's agent or distributor in relation to that liquor or an authorized importer of that liquor from doing any one or more of the following:

- (a) selling and delivering the liquor to a purchaser outside British

Columbia;

(b) using the liquor in a manner provided for in any applicable agreement entered into by the branch and that person under section 5;

(c) using the liquor in the manufacture by that person of liquor to which the government will acquire title under subsection (3);

(d) delivering the liquor to or to the order of a manufacturer for the use by that manufacturer in the manufacture of liquor to which the government will acquire title under subsection (3).

(5) The government ceases to hold title to acquired liquor

(a) if the liquor is sold and shipped to a purchaser outside British Columbia, at the time that the liquor ceases to be within the boundaries of British Columbia,

(b) at the time that the liquor is sold or otherwise disposed of by the branch,

(c) at the time that the liquor is sold or otherwise disposed of by

- (i) the manufacturer of the liquor who packages or otherwise encloses the liquor in containers in or out of which the liquor is intended to be distributed to consumers, or
- (ii) a person who is appointed as manufacturer's agent or distributor in relation to the liquor

in accordance with the terms of an applicable agreement entered into by the branch and that person under section 5,

(d) at the time that the liquor is sold or otherwise disposed of to

- (i) an authorized vendor referred to in paragraph (b) of the definition of "authorized vendor" other than a manufacturer of the liquor, or
- (ii) an authorized vendor referred to in paragraphs (c) or (d) of the definition of "authorized vendor", or

(e) at the time that the liquor is used or delivered in accordance with subsection (4) (c) or (d).

Government not liable

7 (1) In this section, "**government representative**" means an individual appointed to a position with or otherwise employed in the government.

(2) Despite the acquisition of title to liquor by the government under section 6, until the liquor is delivered to an authorized vendor in accordance with the instructions of the branch, neither the government nor any government representative is liable for any loss, costs, damages, liability or expenses of any

kind in any way relating to the liquor including, without limitation,

- (a) any loss or theft of the liquor or any container in which it is or is to be placed,
- (b) any damage to or destruction of the liquor or any container in which it is or is to be placed,
- (c) any loss, damage, injury or death resulting from or arising out of any manufacture, consumption or other use of the liquor, and
- (d) any loss, damage, injury or death resulting from or arising out of any damage to or loss, theft or destruction of the liquor or any container in which it is or is to be placed.

(3) Nothing in section 6 or this section renders the government or any government representative liable for any loss, costs, damages, liability or expenses of any kind in any way relating to liquor that the government or the government representative would not have been liable for had section 6 or this section not been brought into force.

(4) Despite the acquisition of title to liquor by the government under section 6, the government is not obligated to pay any money in respect of the liquor to any person until

- (a) the date set for payment under any applicable agreement entered into by the branch and that person under section 5, or
- (b) if there is no date set for payment in accordance with paragraph (a), the date set for payment in the regulations.

(5) Despite subsection (4), the government is not obligated to pay any money in respect of liquor that is treated as allowable shrinkage for the purposes of section 9 (2) (d).

Government may sell liquor

8 (1) Without limiting any other rights of the government, the government may, in respect of acquired liquor, do one or more of the following:

- (a) sell a quantity of that liquor to the manufacturer of that liquor;
- (b) sell a quantity of that liquor to a person appointed as manufacturer's agent in relation to that liquor;
- (c) sell a quantity of that liquor to a person appointed as distributor in relation to that liquor;
- (d) sell a quantity of that liquor to the person who is the authorized importer of that liquor.

(2) A manufacturer, manufacturer's agent, distributor or authorized importer to whom liquor is sold under subsection (1) must purchase the liquor in accordance with section 10.

Liquor not accounted for

9 (1) If the general manager determines, from a review of the records kept by a manufacturer, manufacturer's agent, distributor or authorized importer, that a quantity of acquired liquor is unaccounted for, the general manager may treat the quantity of the acquired liquor that is unaccounted for as having been sold to that manufacturer, manufacturer's agent, distributor or authorized importer under section 8.

(2) For the purposes of subsection (1), the quantity of acquired liquor that is unaccounted for in relation to a manufacturer, manufacturer's agent, distributor or authorized importer is that quantity of the acquired liquor for which the person is required to account under section 4 (3) less the aggregate of the following:

(a) the quantity of that liquor that is accounted for to the satisfaction of the general manager as having been delivered to an authorized vendor in accordance with the instructions of the branch;

(b) the quantity of that liquor that is accounted for to the satisfaction of the general manager as having been

(i) sold and delivered,

(ii) used, or

(iii) delivered

in accordance with section 6 (4);

(c) the quantity of that liquor that is accounted for to the satisfaction of the general manager as being in the inventory of that person;

(d) the quantity of the allowable shrinkage in respect of that liquor for that person.

(3) If the general manager decides, under subsection (1), to treat a quantity of liquor as having been sold to a manufacturer, manufacturer's agent, distributor or authorized importer under section 8, the general manager must give written notice of that decision to that person.

Purchase of liquor sold by government

10 A manufacturer, manufacturer's agent, distributor or authorized importer referred to in section 8 (2) must, promptly after the sale referred to in section 8 (1), and a manufacturer, manufacturer's agent, distributor or authorized importer referred to in section 9 (1) must, promptly after the date of the notice given under section 9 (3), pay to the branch in respect of the sale

(a) the retail price for the liquor that is the subject matter of the sale or such other price for that liquor as may be provided for in any applicable agreement entered into by the branch and that manufacturer, manufacturer's agent, distributor or authorized

importer under section 5, or

(b) at the option of the branch, the difference between the amount payable for that liquor under paragraph (a) and the amount, if any, owing by the government to that manufacturer, manufacturer's agent, distributor or authorized importer.

Definitions

10.1 (1) In this section and sections 11 to 11.5:

"applicant" means a person who applies for approval under section 11.3 (1);

"approved operator" means a person approved under section 11.3 (1);

"associate", in relation to an applicant or an approved operator, means

(a) any person, or any person in one or more classes of persons that may be prescribed for this definition, that has a financial interest in the applicant's or approved operator's business or in the premises in which non duty paid packaged liquor is or is intended to be stored,

(b) if the applicant or approved operator is an individual or a partnership in which one or more of the partners is an individual,

(i) the spouse of the individual,

(ii) any relative of the individual or the spouse referred to in subparagraph (i) if the relative has the same residence as the individual,

(iii) any corporation controlled by the individual, any of the corporation's officers and directors and any person that has a financial interest in the corporation, and

(iv) any corporation that is affiliated with the corporation referred to in subparagraph (iii), the affiliated corporation's officers and directors and any person having a financial interest in the affiliated corporation, or

(c) if the applicant or approved operator is a partnership in which one or more of the partners is a corporation, or is a corporation, any other corporation that is affiliated with the applicant or approved operator, any of the affiliated corporation's officers and directors and any person that has a financial interest in the affiliated corporation;

"duty" means the duty imposed under the *Excise Act, 2001* (Canada) and the duty levied under section 21.1 or 21.2 of the *Customs Tariff* (Canada), but does not include "special duty" as defined in section 2 of the *Excise Act, 2001* (Canada);

"non duty paid" means the duty payable has not been paid;

"packaged liquor" means liquor, other than beer and malt liquor, that is packaged in a container of a capacity of not more than 100 L that is ordinarily sold to consumers without the liquor being repackaged.

(2) For the definition of "associate" in subsection (1), a corporation is affiliated with another corporation if it is an affiliate of the other corporation within the meaning of the *Business Corporations Act*.

Inspections

11 (1) For the purpose of ensuring compliance with this Act and the regulations, the general manager or a person authorized by the general manager may conduct an inspection, including an audit, under this section and may, for that purpose,

- (a) require any person who has possession of or control over any records and things that may be relevant to the inspection to produce those records and things,
- (b) inspect any of the records and things produced under paragraph (a), and
- (c) remove any of the records and things produced under paragraph (a) for the purpose of making copies or extracts.

(2) A person conducting an inspection under this section

- (a) may enter the business premises of a manufacturer, manufacturer's agent, distributor, authorized importer, independent importer, applicant, approved operator or a director, officer, employee or associate of an applicant or approved operator during business hours for the purposes of
 - (i) inspecting any records and things that may be relevant to the inspection, and
 - (ii) ascertaining the quantities of liquor on hand or sold by the manufacturer, manufacturer's agent, distributor, authorized importer, independent importer, applicant, approved operator or a director, officer, employee or associate of an applicant or approved operator, and
- (b) must, on request, present identification to the owner or occupant of the premises.

(3) A person referred to in subsection (1) (a) must produce all records and things that a person conducting an inspection under this section may require for the purposes of this section and must answer all questions of the person conducting the inspection regarding the matters relevant to the inspection.

(4) A person conducting an inspection under this section may request the production of all records of a manufacturer, manufacturer's agent, distributor,

authorized importer, independent importer, applicant, approved operator or a director, officer, employee or associate of an applicant or approved operator that may be relevant to the inspection, including, without limitation,

- (a) accounting books,
- (b) cash, negotiable instruments or other receipts or evidence of payments received,
- (c) bank account records,
- (d) vouchers,
- (e) correspondence,
- (f) contracts entered into with clients,
- (g) manufacturing, production, inventory, shipping and receiving records,
- (h) advertising contracts and related records and material,
- (i) bonding and insurance records and contracts, and
- (j) any other records that touch on any of the matters referred to in sections 4 to 10 and 11.1 to 11.5.

(5) A person conducting an inspection under this section who removes any records or things

- (a) may make copies of, take extracts from or otherwise record them,
- (b) must give a receipt for them to the person from whom they are taken, and
- (c) must return them within a reasonable time.

(6) A person must not obstruct a person conducting an inspection under this section or withhold, destroy, tamper with, conceal or refuse to produce any information, record or thing that is required by the person conducting the inspection or that is otherwise relevant to any of the matters in respect of which the inspection may be conducted.

Movement and storage of packaged liquor

11.1 (1) A person may move non duty paid packaged liquor, or cause non duty paid packaged liquor to be moved, from

- (a) the location in the Province where it is packaged as packaged liquor,
- (b) the location where it comes within the boundaries of the Province, or
- (c) a location where it is stored

to another location only if the premises at the new location meet the

requirements established by the general manager under section 11.2 and are operated by an approved operator.

(2) A person may store non duty paid packaged liquor at premises or a portion of those premises only if

- (a) the portion of the premises where it is stored meets the requirements established by the general manager under section 11.2, and
- (b) an approved operator operates the premises.

(3) Only an approved operator may operate premises where non duty paid packaged liquor is stored.

Requirements of the general manager

11.2 (1) The general manager may establish requirements respecting

- (a) the physical structure, operation and security measures of premises that are, or are intended to be, used to store non duty paid packaged liquor,
- (b) information, affidavits and documents that
 - (i) an applicant for approval under section 11.3, and
 - (ii) the approved operator of premises

must create, keep and provide to the general manager at the times required by the general manager, and

- (c) bonding that must be held by a person described in paragraph (b).

(2) The requirements under subsection (1) (b) may include

- (a) requirements relating to the creation, transmission and keeping of records in an intangible form by electronic, magnetic, optical or other means, and
- (b) if the general manager considers it necessary in order to make a decision under sections 11.3 to 11.5, requirements relating to background information respecting
 - (i) the applicant or approved operator, and
 - (ii) employees, partners and associates of the applicant or approved operator.

Granting of approval

11.3 (1) Subject to subsection (2), the general manager may, with or without conditions, approve a person to operate premises that store non duty paid packaged liquor if

- (a) the general manager has received
 - (i) an application from the person who operates or intends to operate the premises,
 - (ii) the information, affidavits and documents required by the general manager under section 11.2, and
 - (iii) any additional information or documents that the general manager requests for the application,
 - (b) the applicant has submitted to a background investigation and a written report of it is on file with the general manager, and
 - (c) the general manager considers it appropriate to grant approval taking into account the application and the information referred to in paragraphs (a) (i) and (ii) and (b).
- (2) The general manager may refuse to approve a person who has applied under subsection (1) if
- (a) the requirements of the general manager established under section 11.2 are not met,
 - (b) the applicant has breached or is in breach of a provision of this Act,
 - (c) the applicant has made a material misrepresentation, omission or misstatement in the application for approval,
 - (d) the applicant has been convicted of an offence, inside or outside British Columbia, that in the opinion of the general manager calls into question the honesty or integrity of the applicant,
 - (e) the applicant or any person who is a director, officer, employee or associate of the applicant is considered by the general manager, on reasonable grounds, to be a detriment to the lawful operation or management of premises where non duty paid liquor is intended to be stored, or
 - (f) the applicant
 - (i) has been refused permission in another jurisdiction in Canada to operate premises in which non duty paid liquor was to be stored, or
 - (ii) held in another jurisdiction in Canada a similar approval or permission to operate premises where non duty paid liquor was or was to be stored, and that similar approval or permission was suspended or cancelled.

Suspension, cancellation and termination of approval

- 11.4** (1) For any of the reasons stated in section 11.3 (2), the general manager may issue a warning to a person who has been approved or may cancel,

suspend for a period of time, impose new conditions on or vary existing conditions of an approval granted under section 11.3.

(2) For the purpose of subsection (1), section 11.3 (2) applies as if an approved operator is an applicant.

(3) The approval for an approved operator to operate premises automatically terminates if

- (a) the approved operator ceases to operate the premises, or
- (b) the approved operator operates the premises with a person who is not approved under section 11.3.

Powers of general manager

11.5 (1) The general manager may conduct inspections for the purposes of

- (a) assessing applications for approval under section 11.3, and
- (b) monitoring an approved operator's compliance with this Act.

(2) For the purposes of subsection (1), the general manager may conduct background investigations, including but not limited to criminal record checks and inquiries as to financial integrity, of the following:

- (a) applicants;
- (b) approved operators;
- (c) directors, officers, employees or associates of applicants or approved operators.

Appointment of general manager and other employees

12 (1) The minister must appoint under the *Public Service Act* a general manager of the branch and must set the remuneration of the general manager.

(2) The general manager is responsible for administering this Act, including the general control, management and supervision of liquor stores, subject to the orders, directions and supervision of the minister.

(3) Store managers and other employees required for the purposes of this Act may be appointed under the *Public Service Act*.

Duties and powers of general manager

13 Subject to this Act and regulations the general manager has the following responsibilities:

- (a) to determine the localities in which liquor stores are to be established in British Columbia and the number, kind and situation of the liquor stores in each locality;
- (b) to establish all necessary warehouses for storing and bottling

stocks of liquor and products for the purposes of this Act;

(c) to provide for constructing, acquiring or leasing in the name and on behalf of the government premises for warehouse and store purposes, and for obtaining furnishings, fixtures and supplies;

(d) to appoint or designate a person the general manager considers advisable as an analyst for the purposes of this Act;

(e) to perform all other acts required to properly and efficiently administer the general manager's responsibilities as defined by the minister and under this Act.

Delegation of powers, duties or functions

13.1 The general manager may authorize in writing any person referred to in section 12 (3) to carry out any of the powers, duties or functions of the general manager under this Act.

Warehouses

14 (1) The general manager, with the minister's approval must build, purchase, lease, furnish and equip warehouses required in the administration of this Act.

(2) The general manager may authorize 2 or more breweries to have a common warehouse and to make deliveries from it, subject to the orders made by the general manager.

(3) Subject to the *Litter Act* and the regulations under it, the general manager may

(a) make orders respecting the return and recycling of bottles obtained by the branch, and

(b) establish and operate bottle return depots or make agreements with other persons to establish and operate them.

Listing committee

15 (1) The minister or person designated in writing by the minister for the purposes of this subsection must appoint a listing committee to consist of members appointed by the minister or person designated in writing by the minister for the purposes of this subsection.

(2) The members of the listing committee are entitled to receive the remuneration set by the minister and to be reimbursed for travelling and out of pocket expenses in attending meetings of the listing committee.

(3) The listing committee must advise the general manager respecting the following:

(a) the addition of new listings to the inventory of liquor products for

sale to the public;

(b) the delisting of a liquor product already listed;

(c) the size, nature, form and capacity of containers and packages used for liquor products kept for sale under this Act.

(4) The general manager has sole power and authority over matters referred to in subsection (3).

(5) [Repealed 2002-48-43.]

Repealed

16 [Repealed 2002-48-44.]

Purchase of liquor

17 (1) An order for the purchase of liquor by the government must be authorized and signed by the general manager, or an officer of the branch appointed by the general manager in writing.

(2) An order under subsection (1) is not valid unless authorized and signed.

(3) A duplicate of every order under subsection (1) must be kept on file in the office of the general manager.

(4) This section does not apply to liquor acquired by the branch under section 19.

Establishment of liquor stores and prices

18 (1) The general manager

(a) must establish and maintain, at places throughout British Columbia the general manager considers advisable, stores to be known as "government liquor stores", "government beer stores" and "government wine stores" for the sale of liquor and products in accordance with this Act and regulations, and

(b) may set the price or a range of prices at which the liquor must be sold.

(2) If a new liquor store is opened, the general manager may place an advertisement in a newspaper circulating in the area advising the public of the opening.

(3) The general manager may set a special price at which grain alcohol may be sold to any of the following:

(a) hospitals assisted by government funds, for use only in those hospitals;

(b) universities, for use for scientific purposes;

(c) a branch, ministry, department or institution of the government or Canada.

(4) A minor must not be employed in a liquor store to sell or wrap liquor.

(5) If the minister or person designated in writing by the minister for the purposes of this subsection believes the public can be better served, the minister or person designated in writing by the minister for the purposes of this subsection may appoint a person as agent, or contract with a person to act as agent, to serve an area on the terms and conditions, including remuneration, the minister or person designated in writing by the minister for the purposes of this subsection considers appropriate.

Casual import of liquor

19 (1) In this section and section 20:

"casual importer" means an individual who brings from outside Canada into British Columbia liquor that is intended

(a) for the individual's own consumption,

(b) for consumption by another individual at the first individual's expense, or

(c) on behalf of or as the agent for a principal for consumption by the principal or by another individual at the principal's expense;

"customs officer" means an officer as defined in section 2 of the *Customs Act* (Canada) who is employed at a customs office in British Columbia.

(2) A casual importer must immediately, at the time of bringing liquor into British Columbia,

(a) surrender the liquor to a customs officer as agent of the branch, and

(b) provide the customs officer with all information that is required by the customs officer regarding the liquor.

(3) Liquor surrendered under subsection (2) must be sold and released to the casual importer by the customs officer as agent of the branch if

(a) the casual importer complies with subsection (2) (b) and pays the customs officer the amount set under subsection (4) (a), and

(b) no restriction under subsection (4) (b) applies.

(4) The general manager may, by order,

(a) set amounts for the purposes of subsection (3) (a), and

(b) establish restrictions on the quantity of liquor that may be sold to a casual importer on any one entry of the casual importer into British Columbia unless the sale is specifically authorized in accordance with

the order.

Agreements for collection of amounts at customs

20 (1) The minister, on behalf of the government, may enter into an agreement with the government of Canada respecting the administration and enforcement of this Act by customs officers in relation to liquor referred to in section 19.

(2) An agreement under subsection (1) may do the following:

(a) authorize payment from the consolidated revenue fund of a fee to be paid to or, despite section 14 (1) of the *Financial Administration Act*, retained by the government of Canada for its services under the agreement;

(b) authorize the government of Canada to make refunds to casual importers of amounts considered by a customs officer to be refundable in accordance with the agreement, which refunds must then be offset by the government of Canada from amounts collected under the agreement or repaid to the government of Canada from the consolidated revenue fund;

(c) provide for the detention of liquor surrendered under section 19 (2) and its release to the branch if the requirements of section 19 (2) (b) are not met or the amount referred to in section 19 (3) is not paid.

(3) A customs officer acting under an agreement under this section is an agent of the government for the purposes of this Act.

(4) An action or proceeding must not be brought against a customs officer referred to in subsection (3) for anything done or omitted to be done in good faith by the customs officer

(a) in the performance or intended performance of any duty under this Act or an agreement under this section, or

(b) in the exercise or intended exercise of any power under this Act or an agreement under this section.

(5) Subsection (4) does not absolve the government from vicarious liability because of an act or omission for which the government would have been liable had that subsection not been in force.

Duty free liquor stores

21 (1) The general manager may establish duty free liquor stores, which may include a ship chandler, in British Columbia to sell liquor solely to persons leaving Canada.

(2) The general manager may establish prices at which liquor may be sold in those stores and make the orders as to their operation the general manager

considers necessary.

Distillery store or agency

22 (1) A brewery, winery or distillery may apply to the general manager to establish a liquor store at its manufacturing premises to sell its products to the general public.

(2) For the purposes of subsection (1), the general manager may establish the store or the minister may appoint an agent at those premises under section 18 (5).

Price reductions

23 If a particular brand or size of package of liquor has been delisted or is otherwise to be removed from the market, the general manager may reduce its retail price in order to clear the inventory.

Conduct of stores

24 (1) The sale of liquor and products at a liquor store must be conducted by a person appointed under this Act, to be known as a "store manager".

(2) Under the direction of the general manager the store manager is responsible for carrying out this Act and the regulations as they relate to the conduct of the liquor store and the sale of liquor and products.

(3) A store manager or a person acting as the clerk or employee of, or in any capacity for a store manager must not sell liquor in another place or at another time or otherwise than as authorized under this Act.

(4) A store manager may accept returned liquor and refund the purchase price if satisfied that

(a) liquor has not been opened or tampered with, and is being returned for a good reason, or

(b) the liquor is defective.

Sales by store managers

25 (1) Except as provided in this Act or the *Liquor Control and Licensing Act*, a store manager may sell to a person not disqualified under this Act the liquor that person requests.

(2) Liquor sold under this section must not be delivered to a purchaser until

(a) the purchaser has paid for the liquor,

(b) in the case of a licensee, the licensee has established a line of credit on terms satisfactory to the general manager, and the liquor is sold on those terms, or

(c) in the case of a person operating a delivery service, the person has entered into an operating agreement with the general manager on terms that include provision for the establishment of a line of credit satisfactory to the general manager, and the liquor is sold on those terms.

Direct shipping

- 26** The general manager may arrange to have liquor shipped direct from a manufacturer, warehouse or liquor store to a person, licensee, liquor store or agency store, subject to the orders the general manager makes.

Sales

- 27** (1) A store manager may sell liquor to a licensee or agent for an establishment for resale in accordance with the *Liquor Control and Licensing Act* and the regulations under it.

(2) The general manager may stipulate the liquor store at which a licensee or agent must place orders and take deliveries and the dates and times the licensee or agent must take deliveries.

(3) Subject to the regulations and on special order, a person or licensee may purchase, and the general manager may process the purchase of,

- (a) a liquor that is not listed on the liquor store's list of liquors for sale, or
- (b) a size of package that is not available at a liquor store.

Opening of liquor stores

- 28** The general manager must, by order, specify for each liquor store or agency store the days and hours that store must remain open for the sale of liquor.

General manager and others prohibited from liquor interests

- 29** (1) A member of the listing committee, an officer or employee of the branch or the general manager must not solicit or receive, directly or indirectly, a commission, remuneration or gift from a person who has sold, is selling or is offering for sale liquor or other products or services offered for purchase or purchased by the branch.

(2) A person selling or offering for sale liquor or other products or services to, or purchasing liquor or other products or services for resale or reuse from, the general manager must not directly or indirectly offer to pay a commission, profit or remuneration or make a gift to the general manager, members of the listing committee or an officer or employee of the branch.

Annual report

- 30** (1) The general manager must report to the minister as to the administration or enforcement of this Act as the minister requires.
- (2) The general manager must also prepare and forward annually to the minister a report for the 12 month period ending on March 31 of the year in which the report is made.
- (3) The annual report must contain the following:
- (a) a report of the operations of the branch for that period;
 - (b) a financial statement of the branch showing its assets and liabilities at the end of that period and the results of its operations for that period, prepared in accordance with generally accepted accounting principles applied on a basis satisfactory to the Comptroller General;
 - (c) other information requested by the minister.
- (4) The minister must lay the report before the Legislative Assembly if it is then sitting, and, if it is not sitting, within 15 days after the start of the first session in the following calendar year.

Receipts and financial management

- 31** (1) Money received from
- (a) sale of liquor, and
 - (b) otherwise arising out of the administration of this Act,
- must at the close of each day's business be applied, first, for the administration of or for any of the purposes of this Act, and after that application, any balance remaining must be paid promptly into the consolidated revenue fund.
- (2) If money received under subsection (1) is insufficient for the administration or any of the purposes of this Act, the amount of the deficiency must be advanced from the consolidated revenue fund in accordance with arrangements made by the Minister of Finance.
- (3) For the purposes of subsection (2)
- (a) each advance from the consolidated revenue fund must be recorded to the satisfaction of the Minister of Finance and reported to that minister, and
 - (b) the Comptroller General may direct the methods and procedures to be employed in administering this section.
- (4) This section applies despite any other Act, including the *Financial Administration Act*.

Orders

- 32** If authorized by this Act, the minister or the general manager may make orders.

Administration of oaths

- 33** The general manager, a store manager and an official authorized by the general manager to issue permits and licences under this Act or the *Liquor Control and Licensing Act* may administer an oath and take an affidavit required under this Act.

Certified copies of documents as evidence

- 34** A certified copy of an order of the general manager purporting to be signed by the general manager must be received in a court in British Columbia as evidence of the original order of which it purports to be a copy.

General offence and penalty

- 35** A person who contravenes a provision of this Act or the regulations commits an offence, and if no other penalty is provided, is liable on conviction to the penalties provided in the *Offence Act*.

Access to information

- 36** For the purposes of section 21 (1) (b) of the *Freedom of Information and Protection of Privacy Act*, information in the custody or under the control of the branch, whether or not supplied to the branch, is deemed to be supplied to the branch implicitly or explicitly in confidence, if the information concerns the branch's

(a) acquisition of liquor from a manufacturer, manufacturer's agent, distributor, authorized importer of liquor or other person who supplies liquor to the branch, or

(b) sale of liquor acquired by the branch from a person referred to in paragraph (a).

Power to make regulations

- 37** (1) The Lieutenant Governor in Council may make regulations referred to in section 41 of the *Interpretation Act*.

(2) Without limiting subsection (1), the Lieutenant Governor in Council may make regulations as follows:

(a) respecting appeals under section 16;

(b) respecting any matter considered by the Lieutenant Governor in Council to be necessary or advisable to carry out the intent and purpose of an agreement under section 20.

No refunds — money paid in respect of liquor

38 (1) A person who, before February 9, 1995, paid money to the government under this Act in respect of liquor that was brought within the boundaries of or sent into or received in British Columbia for use, sale or other disposition by the person in or in relation to the person's commercial airline business, is not entitled, whether or not the use, sale or other disposition occurred or was intended to occur within the boundaries of British Columbia, to a refund of or any restitution for the money that was so paid.

(2) For the purpose of subsection (1), a person paid money to the government under this Act if the person paid money in respect of liquor, whether or not

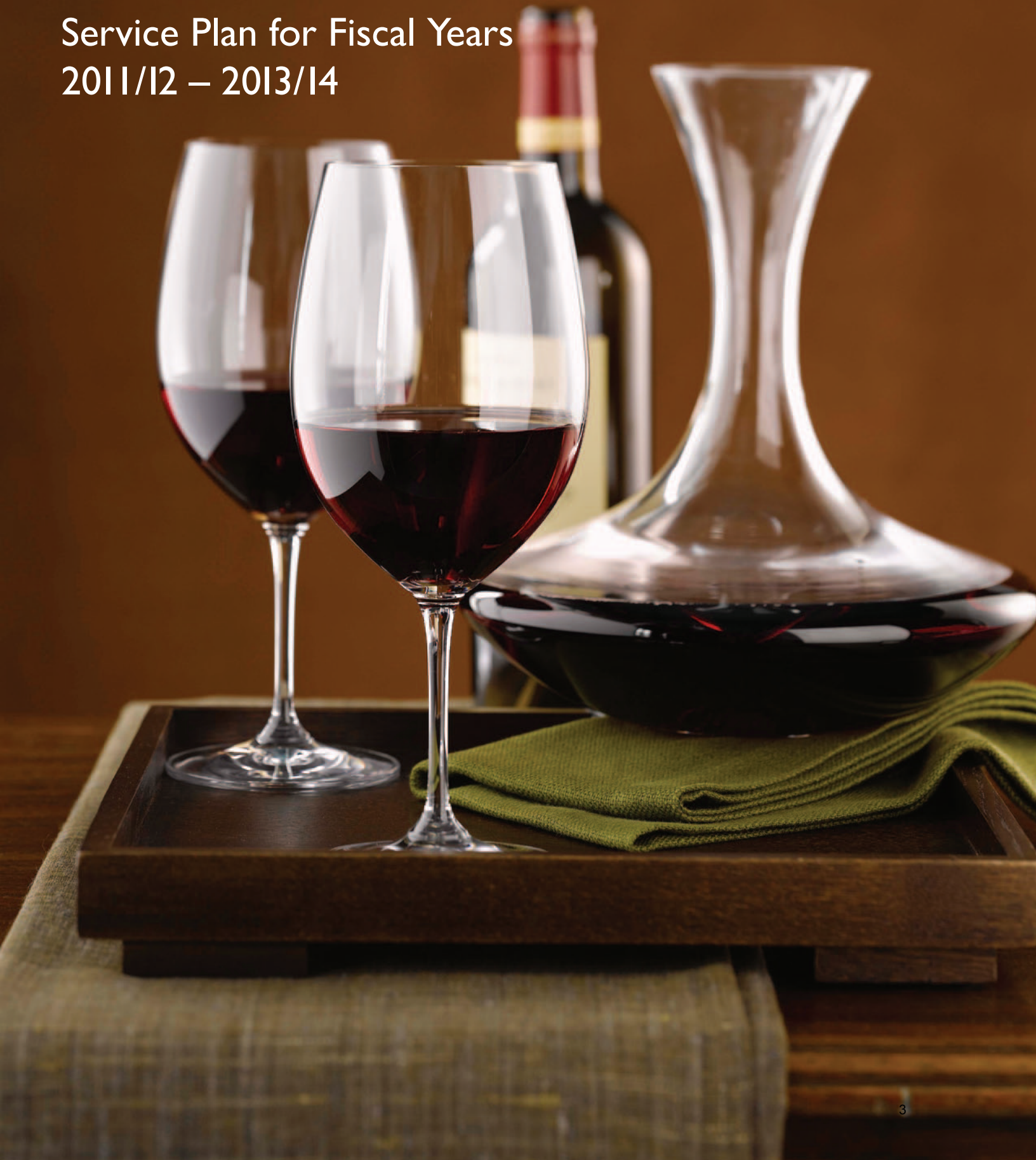
(a) there was a legal liability to pay the money under this Act, or

(b) the money was paid under protest.

(3) Subsection (1) applies despite any enactment or any judgment, order, direction or declaration of a court in Canada to the contrary, and an action or other proceeding must not be brought or continued to recover any refund of or restitution for the money referred to in that subsection.

(4) Money referred to in subsection (1) is deemed to be the property of the government.

Service Plan for Fiscal Years 2011/12 – 2013/14





LETTER FROM THE GENERAL MANAGER

February 14, 2011

The Honourable Rich Coleman,
Minister of Public Safety and Solicitor General:



On behalf of all of the employees of the Liquor Distribution Branch (LDB), I am pleased to present our service plan for fiscal years 2011/12 to 2013/14.

This plan supports our mission to be a customer-focused, profitable retailer and wholesaler of beverage alcohol dedicated to innovation, exemplary service, helpful product knowledge and corporate responsibility.

Over the three years covered by this plan, the LDB forecasts it will generate \$2.84 billion in net income to government. In addition to our financial performance, the LDB's high-level goals also include workplace quality and employee excellence, customer experience, business effectiveness and corporate social responsibility.

The weak global economy has had a negative impact on provincial liquor sales over the past two years, particularly in the on-premise sector. Although we are hopeful that the economy will improve in fiscal 2011/12 and beyond, we will closely monitor our sales and expenses and make adjustments to our budgets as necessary.

Improving our information systems over the next three years will be a priority as we strive to increase efficiencies and provide higher levels of customer service. Another important priority is the implementation of our Payment Card Industry (PCI) compliance and sustainment plan in order to protect customers' credit card information.

With respect to our workforce, we continue to focus on succession management in order to deal with the large number of retirements expected in the next three years. We are honoured to be recognized for the third year in a row by Mediapro as one of British Columbia's Top 55 Employers for 2011.

The LDB has developed a comprehensive Green Plan in order to reduce our environmental footprint. In the past year we have received rebates from both BC Hydro and Terasen Gas for energy reduction initiatives at our Vancouver warehouse and head office facilities. Over the next three years, we will continue to implement energy efficiency initiatives and work towards our goal of reducing plastic shopping bag usage by 50 per cent compared to 2007 levels.

The LDB 2011/12 - 2013/14 Service Plan was prepared under my direction in accordance with the *Budget Transparency and Accountability Act* and the BC Reporting Principles. The plan is consistent with government's strategic priorities and fiscal plan. I am accountable for the contents of the plan, including what has been included in the plan and how it has been reported.

All significant assumptions, policy decisions, events and identified risks, as of January 2011 have been considered in preparing the plan. The performance measures presented are consistent with the LDB's mandate and goals, and focus on aspects critical to the organization's performance. The targets in this plan have been determined based on an assessment of the LDB's operating environment, forecast conditions, risk assessment and past performance.

A handwritten signature in black ink, appearing to read 'Jay Chambers'.

Jay Chambers
General Manager

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ORGANIZATION OVERVIEW

GOVERNANCE

In British Columbia, the Liquor Distribution Branch (LDB) is one of two branches of government responsible for the beverage alcohol industry. *The Liquor Distribution Act* gives the LDB the sole right to purchase beverage alcohol both within BC and from outside the province, in accordance with the federal *Importation of Intoxicating Liquors Act*.

Reporting to the Minister of Public Safety and Solicitor General, the LDB:

- handles importation and distribution of beverage alcohol in BC;
- operates government liquor stores (GLSs) and distribution centres; and
- has a General Manager who is responsible for administering the *Liquor Distribution Act*, which includes the oversight of GLSs, subject to direction from the minister.

The *Liquor Distribution Act* clarifies:

- LDB administration;
- GLS operation; and
- The role and powers of the LDB General Manager.

The LDB follows the Crown Agencies Resource Office guidelines for service plans and annual reports, and is reported out in public accounts in a manner similar to a commercial Crown corporation, on a modified equity basis.

Another branch of the Ministry of Public Safety and Solicitor General — Liquor Control and Licensing Branch (LCLB) — licenses private liquor stores, restaurants, pubs and manufacturers, and enforces regulations under the *Liquor Control and Licensing Act*. For more information, please visit <http://www.pssg.gov.bc.ca/lclb/>

The LDB and LCLB have a shared responsibility to encourage the responsible consumption of beverage alcohol and work closely together to coordinate policies and programs to this end.

Visit bcldb.com and click on the *About Us* link for more about the LDB.

MEET THE LDB EXECUTIVE MANAGEMENT COMMITTEE:

Jay Chambers	General Manager
Roger Bissoondatt	Chief Financial Officer
Kelly Wilson	Executive Director, Wholesale & Retail Services
Gordon Zelenika	Executive Director, Human Resources
Don Farley	Executive Director, Information Services
Gordon Hall	Director, Corporate Policy
Donna Morse	Director, Corporate Security
Catherine Sloan	Legal Counsel

ORGANIZATION OVERVIEW

SHAREHOLDER'S LETTER OF EXPECTATIONS

A key component of the LDB's governance framework is the Shareholder's Letter of Expectations (SLE). The SLE is an agreement between the Shareholder (the Government of British Columbia) and the LDB that sets out the roles of each, the corporate mandate, high level performance expectations and strategic priorities

The SLE also provides direction from the Shareholder to the LDB to take specific actions. These specific actions from the 2011/12 SLE and the LDB's response to them are identified in the following table. The complete SLE is available on the LDB's website at bcldb/annual-report.

GOVERNMENT DIRECTION

LDB ALIGNMENT

Meet the LDB 2011/12 – 2013/14 Service Plan budget and performance targets, including net income.

Provide regular monthly financial updates to the Shareholder and regularly notify the Shareholder of major changes likely to affect the LDB's achievement of its Service Plan targets.

Comply with the financial policies/guidelines provided by the Shareholder for mark-up, taxation, the extent to which LDB may own capital assets, and LDB contributions to the Shareholder.

The LDB complies with the Shareholder's financial policies and guidelines.

Maintain financial reporting that clearly segregates retail and distribution operations to enable transparent disclosure of costs at the retail and wholesale levels.

The LDB maintains and publishes financial reporting that clearly segregates retail and wholesale operations.

Comply with the Shareholder's and the LCLB's direction to rationalize and improve the regulatory framework for the importation, distribution and retailing of beverage alcohol products in British Columbia.

The LDB complies with the Shareholder's and LCLB's direction.

Comply with the Shareholder's requirements to be carbon neutral under the *Greenhouse Gas Reduction Targets Act*, including: accurately defining, measuring, reporting on and verifying the greenhouse gas emissions from the LDB's operations; implementing aggressive measures to reduce those emissions and reporting on these reduction measures and reduction plans; and offsetting any remaining emissions through investments in Pacific Carbon Trust, which will invest in greenhouse gas reduction projects outside of the LDB's scope of operations.

The LDB is accurately measuring and reporting on its greenhouse gas emissions as required by government, and is implementing measures to reduce those emissions. The LDB is offsetting emissions through payments to Pacific Carbon Trust.

ORGANIZATION OVERVIEW

BUSINESS OF THE LIQUOR DISTRIBUTION BRANCH

The LDB operates a province-wide, retail/wholesale beverage alcohol business, within a mixed public-private model.

As of December 31, 2010, the LDB:

- has a workforce of approximately 3,500 full- and part-time employees;
- operates 197 GLSs throughout the province;
- operates two distribution centres, in Vancouver and Kamloops; and
- has a Head Office facility in Vancouver.

As part of BC's mixed model retail system, the LDB is committed to providing customers with an enhanced shopping environment, increased product selection and a high level of service.

The LDB purchases beverage alcohol from more than 400 suppliers and manufacturers within the province, across the country and around the world. Licensed manufacturers in BC include 222 wineries, 57 breweries, and 16 distilleries.

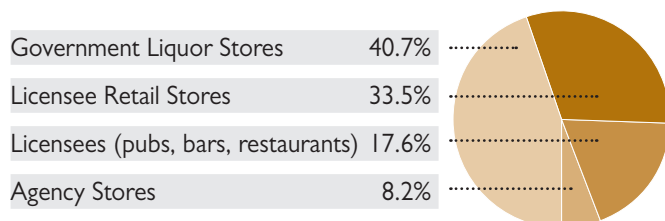
With more than 1,300 beverage alcohol retail outlets operating in BC, consumers have a variety of choices depending on their service needs, including:

- 197 GLSs (government-owned and -operated stores selling beverage alcohol to retail and wholesale customers);
- 672 licensee retail stores (LRSs – private stores licensed to sell all beverage alcohol products);
- 223 rural agency stores (RASs – general merchandise stores in rural communities authorized to sell all beverage alcohol products);
- 251 on-site manufacturer stores (stores at wineries, breweries and distilleries that sell the products that they manufacture);
- 34 off-site manufacturer stores (stores operated by the BC wine industry that sell BC winery products);
- 12 private wine stores; and
- 11 duty-free stores.

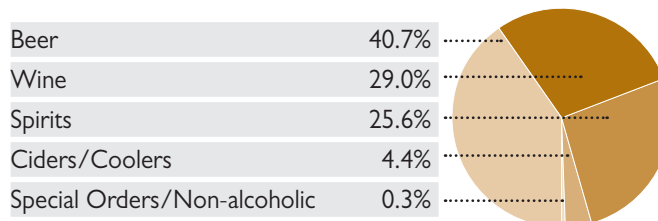
In addition to retail stores, there are approximately 8,000 bars, restaurants and other licensed on-premise establishments.

The wholesale beverage alcohol distribution model in BC includes the two government distribution centres, GLSs and a number of manufacturers and private distributors that are authorized to distribute beverage alcohol as agents of the LDB.

PERCENTAGE OF GROSS \$ SALES BY SALES CHANNEL 2009/10



PERCENTAGE OF GROSS \$ SALES BY PRODUCT CATEGORY 2009/10



ORGANIZATION OVERVIEW

VISION, MISSION & VALUES

VISION

That our customers have the opportunity to discover, enjoy and share the evolving world of beverage alcohol.

MISSION

To be a customer-focused, profitable retailer and wholesaler of beverage alcohol dedicated to innovation, exemplary service, helpful product knowledge and corporate social responsibility.

VALUES

EXEMPLARY SERVICE

We take pride in the quality of our work. We strive for excellence in serving customers and coworkers.

CORPORATE SOCIAL RESPONSIBILITY

We encourage and support the responsible use of beverage alcohol and reduce the impact of our business on the environment.

INTEGRITY

We take responsibility and are fully accountable for our actions, decisions and behaviour. We are open, honest and fair.

RESPECT

We treat all individuals with fairness, dignity and respect.

TEAMWORK

We support one another to achieve corporate goals.

INNOVATION

We encourage our people to find innovative and creative ways to improve our business.

ECONOMY

Beverage alcohol is a discretionary consumer product and sales are affected by economic conditions. As a result of the weaker economy over the past two years, LDB net income has been below targets. The LDB is expecting the economy and beverage alcohol sales to begin to strengthen in fiscal 2011/12, however, the LDB will continue to closely monitor sales and expenses and make adjustments to forecasts and budgets as necessary.

CUSTOMER SERVICE

The improvement of customer service to the LDB's retail and wholesale customers will continue to be a priority. Over the next few years, the LDB will complete a number of store remodels and minor renovations to ensure that the store system meets the modern retail customer's expectations. There will be a continued emphasis on staff customer service and product knowledge training.

The LDB will build on recent improvements to wholesale customer service such as the online product ordering service "Webstore". The recently completed wholesale customer service survey, which gave the LDB an overall satisfaction rating of 86 per cent, will be used to identify opportunities for future service improvements.

HUMAN RESOURCES

The LDB has a high percentage of long-service employees, many of whom will be eligible for retirement within the next five years. LDB's succession management plan focuses on leadership development of high performing internal candidates and aggressive recruitment of external candidates when necessary. The LDB has been recognized by Mediacorp as one of British Columbia's Top 55 Employers for three years in a row.

INFORMATION TECHNOLOGY

The LDB has a number of information technology initiatives underway to increase efficiencies and provide higher levels of customer service. The Financial Business Improvement Project, which will be completed in early fiscal 2011/12, will streamline business and financial processes and improve the accuracy of inventory and financial transaction data.

In fiscal 2010/11, the LDB expects to fully implement its Payment Card Industry (PCI) compliance program to ensure that customer credit card information is protected. The ongoing sustainment activities associated with PCI compliance will begin in fiscal 2011/12. Also in fiscal 2011/12, the LDB will begin discovery work on a new liquor purchasing system and new retail store cash register software. Both of these initiatives, when implemented in subsequent years, will improve business processes, inventory management and customer service.

CORPORATE SOCIAL RESPONSIBILITY

LDB efforts to minimize access to alcohol by minors will continue through stringent ID checking procedures. In-store LDB promotional materials will continue to encourage customers to use beverage alcohol products responsibly. In fiscal 2011/12, the LDB will conduct its eleventh "Support Dry Grad" campaign which collects customer donations that help fund local high school alcohol-free graduation celebrations.

In fiscal 2010/11, Terasen Gas recognized the LDB with a cash rebate for the installation of a new energy efficient boiler at the Vancouver warehouse/office complex. BC Hydro has also recognized the LDB with a cash rebate for an initiative to reduce head office electricity usage through computer server "virtualization". The LDB plans to aggressively pursue new energy efficiency opportunities in 2011/12. The LDB has made significant progress in reducing the number of plastic shopping bags it distributes through in-store customer education programs that promote re-useable bags or taking purchases without bags. Further shopping bag reduction targets have been established for the next three years.

RISK MANAGEMENT

The LDB Executive Management Committee meets monthly to discuss service plan performance, risks and mitigating strategies.

In view of the uncertainty of the economic climate, the LDB is closely monitoring its financial performance and budgets in order to mitigate financial risks.

The LDB regularly updates its Enterprise Wide Risk Assessment and has a number of projects in progress to mitigate identified business and technology risks. These include the Financial Business Improvement Project, the PCI compliance program and the conversion to International Financial Reporting Standards.

	RISK FACTORS AND SENSITIVITIES	MITIGATING STRATEGIES
ECONOMY	Beverage alcohol is a discretionary consumer product and sales are negatively affected by poor economic conditions.	> The LDB will carefully monitor its sales and expenses and will make adjustments to its operations and budgets as necessary.
INFORMATION TECHNOLOGY	The upgrading of information systems and business processes are key in the delivery of efficient and effective services to the LDB's customers. The replacement of older, difficult-to-maintain systems with new systems creates challenges in ensuring integration of applications and ensuring accurate information.	> The LDB is replacing older systems on a scheduled basis and is working to improve the overall integration of systems.
PAYMENT CARD INDUSTRY COMPLIANCE	In order for the LDB to maintain credit card service, it must comply with the PCI standards.	> The LDB is implementing a PCI compliance program in conjunction with the provincial government.
RECRUITING AND RETENTION OF SKILLED EMPLOYEES	The LDB is expecting a large number of skilled long-service employees to retire in the next five years.	> The LDB has a focus on succession planning in order to recruit skilled employees from outside the organization and to support the career development of employees within the organization.



OBJECTIVES, STRATEGIES & PERFORMANCE MEASURES

THE FOUR PILLARS FRAMEWORK

The LDB has organized its strategic priorities and key objectives around the concept of four pillars. Overarching these four pillars is the financial performance goal, and supporting them are the LDB’s dedicated employees.

HIGH-LEVEL GOALS

GOAL 1

Financial Performance

Meet financial objectives approved by government.

GOAL 2

Workplace Quality and Employee Excellence

Create a work environment that encourages greater employee engagement.

GOAL 3

Customer Experience

Maintain a high level of wholesale and retail customer experience.

GOAL 4

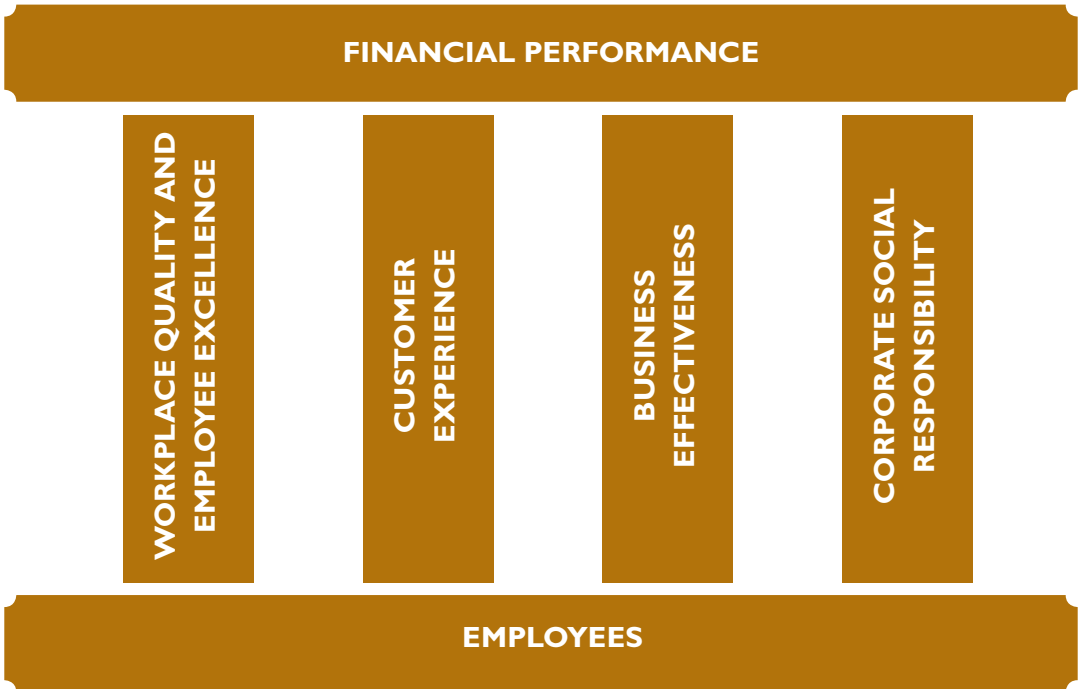
Business Effectiveness

Maintain operating efficiencies in a climate of constant change.

GOAL 5

Corporate Social Responsibility

Encourage the responsible use of beverage alcohol and reduce the impact of operations on the environment.



OBJECTIVES, STRATEGIES & PERFORMANCE MEASURES

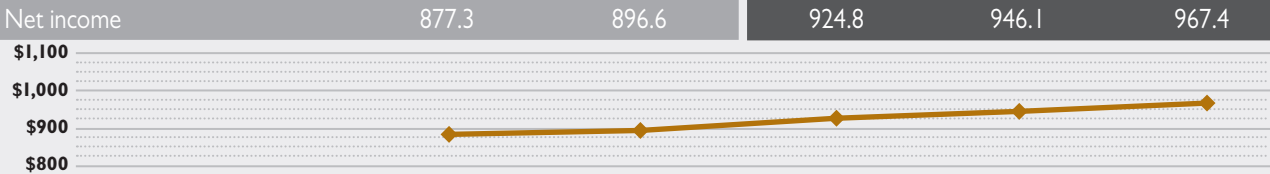
GOAL I

FINANCIAL PERFORMANCE

Meet financial objectives approved by government.

STRATEGY: GROW SALES AND EFFECTIVELY MANAGE OPERATING EXPENSES

PERFORMANCE MEASURES		ACTUAL	FORECAST	TARGETS		
In millions \$		Fiscal 2009/10	Fiscal 2010/11	Fiscal 2011/12	Fiscal 2012/13	Fiscal 2013/14
I.1	Net income	877.3	896.6	924.8	946.1	967.4
	\$1,100					
	\$1,000					
	\$900					
	\$800					



PERFORMANCE MEASURE DESCRIPTION

I.1 Net income – Net income is the contribution made to the provincial government by the LDB from the total sales of beverage alcohol in the province and is audited by the BC Auditor General. LDB net income is an important source of funding for the provincial government and accounts for approximately 2.4 per cent of total government revenue.

SIGNIFICANT CHANGES FROM THE SERVICE PLAN FOR FISCAL YEARS 2010/11 – 2012/13

The LDB net income forecast/targets for fiscal years 2010/11 – 2012/13 have been reduced compared to the previous service plan to reflect lower sales than expected due to poorer economic conditions.

For fiscal 2009/10 and 2010/11, net income was prepared based on current Canadian Generally Accepted Accounting Principles (GAAP). Net income targets for fiscal years 2011/12 to 2013/14 were prepared based on current International Financial Reporting Standards (IFRS).

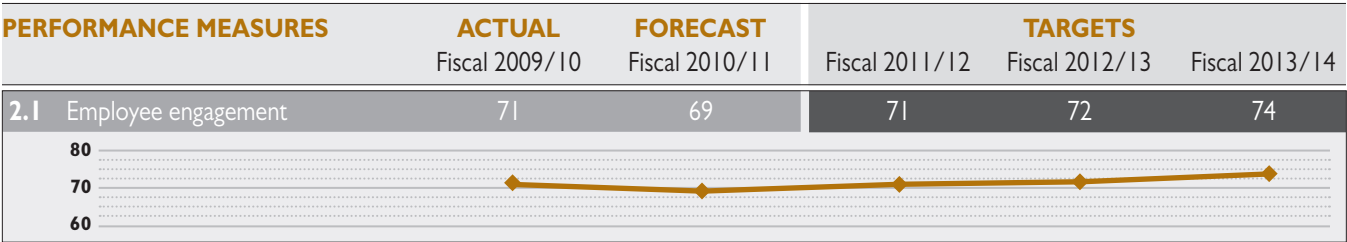
OBJECTIVES, STRATEGIES & PERFORMANCE MEASURES

GOAL 2

WORKPLACE QUALITY AND EMPLOYEE EXCELLENCE

Create a work environment that encourages greater employee engagement.

- STRATEGIES:**
- 1. Enhance staff skills and engagement through management development, employee training and increased communication
 - 2. Implement succession management plans for the organization
 - 3. Provide a safe, healthy and harassment-free workplace



PERFORMANCE MEASURE DESCRIPTION

2.1 Employee engagement – Employee engagement is a measure of employees' level of commitment to, and satisfaction with, their job and the organization. The LDB's employee engagement score is based on an annual Workplace Environment Survey (WES) conducted for the LDB by BC Stats. The WES asks 70 questions and the results are summarized into a single engagement score.

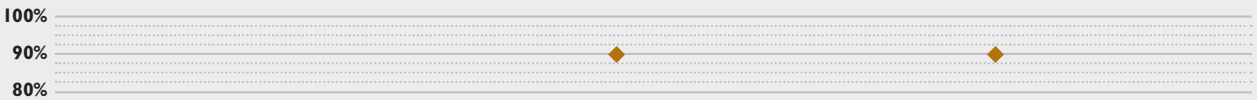
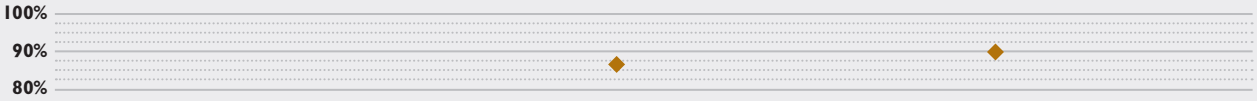
OBJECTIVES, STRATEGIES & PERFORMANCE MEASURES

GOAL 3

CUSTOMER EXPERIENCE

Maintain a high level of wholesale and retail customer satisfaction.

STRATEGIES: 1. Continuously refresh the store network
2. Continuously provide enhanced customer services

PERFORMANCE MEASURES	ACTUAL	FORECAST	TARGETS		
	Fiscal 2009/10	Fiscal 2010/11	Fiscal 2011/12	Fiscal 2012/13	Fiscal 2013/14
3.1 Retail customer satisfaction	N/A	90%	N/A	90%	N/A
					
3.2 Wholesale customer satisfaction	N/A	86%	N/A	90%	N/A
					

PERFORMANCE MEASURE DESCRIPTIONS

3.1 Retail customer satisfaction – The retail customer satisfaction rating is determined through a survey of a sample of BC Liquor Store retail customers conducted by a professional survey company. This survey is conducted once every two years so that customers have an adequate amount of time to experience LDB service initiatives which often take more than one year to fully implement. A survey will be conducted in 2010/11 and the next survey will be conducted in 2012/13.

3.2 Wholesale customer satisfaction – The wholesale customer satisfaction rating is determined through a survey of a sample of wholesale customers (bars, restaurants and private retailers) conducted by a professional survey company. This survey is conducted once every two years so that customers have an adequate amount of time to experience LDB service initiatives which often take more than one year to fully implement. A survey was conducted in 2010/11 and the next survey will be conducted in 2012/13.

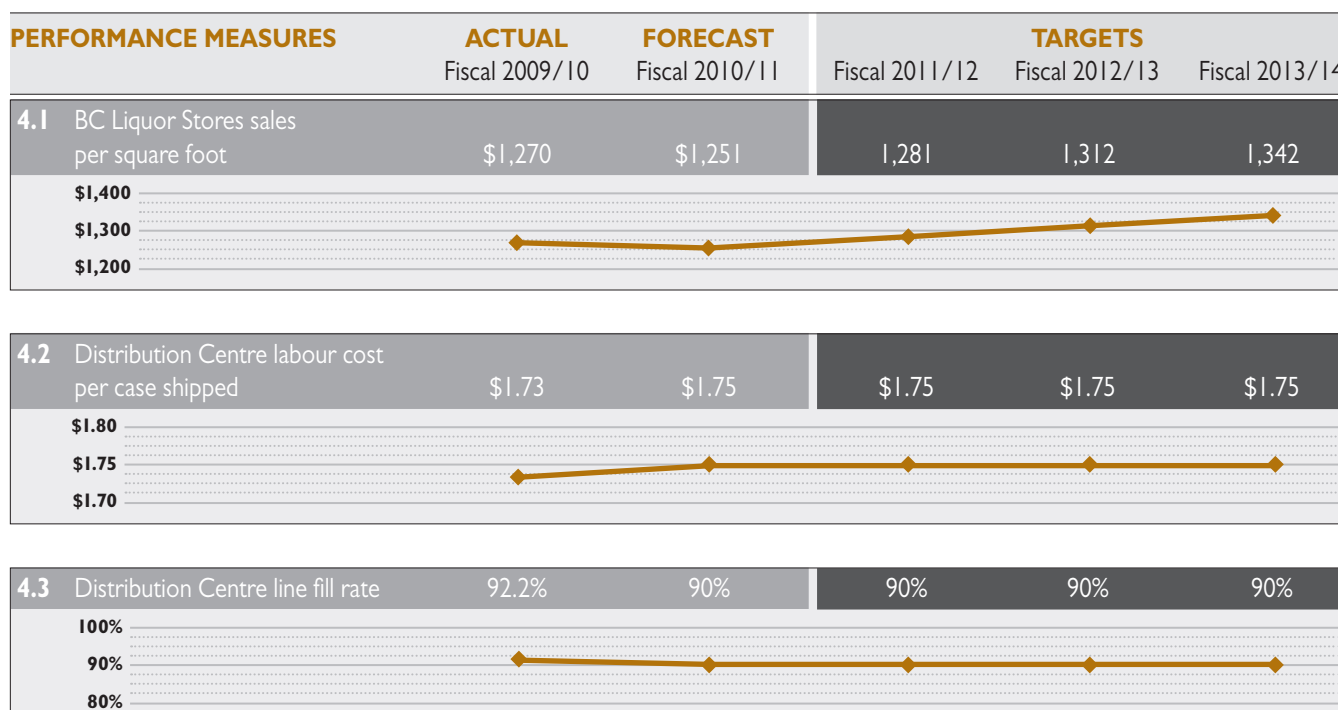
OBJECTIVES, STRATEGIES & PERFORMANCE MEASURES

GOAL 4

BUSINESS EFFECTIVENESS

Maintain operating efficiencies in a climate of constant change.

STRATEGIES: 1. Maximize the potential efficiencies available through improved distribution operations
2. Increase the use of current and cost effective technology



PERFORMANCE MEASURE DESCRIPTIONS

4.1 BC Liquor Stores sales per square foot – This measure is based on the annual dollar sales of the store system divided by total store system square footage and is an indicator of how well the LDB converts its store floor space into sales. Wholesale Customer Centre sales are excluded.

4.2 Distribution Centre labour cost per case shipped – This productivity measure is calculated by dividing total Distribution Centre labour expenses by total case shipments.

4.3 Distribution Centre line fill rate – This is a measure of the completeness of orders filled by LDB distribution centres and is calculated by dividing the number of ordered items that are filled completely by the total number of items ordered. The calculation excludes products that are not stocked by LDB Distribution Centres.

SIGNIFICANT CHANGES FROM THE SERVICE PLAN FOR FISCAL YEARS 2010/11 – 2012/13

The BC Liquor Stores sales per square foot forecast/targets for fiscal years 2010/11 – 2012/13 have been reduced compared to the previous service plan to reflect lower sales than expected due to poorer economic conditions and a greater transfer of wholesale customers from BC Liquor Stores to the Wholesale Customer Center than expected.

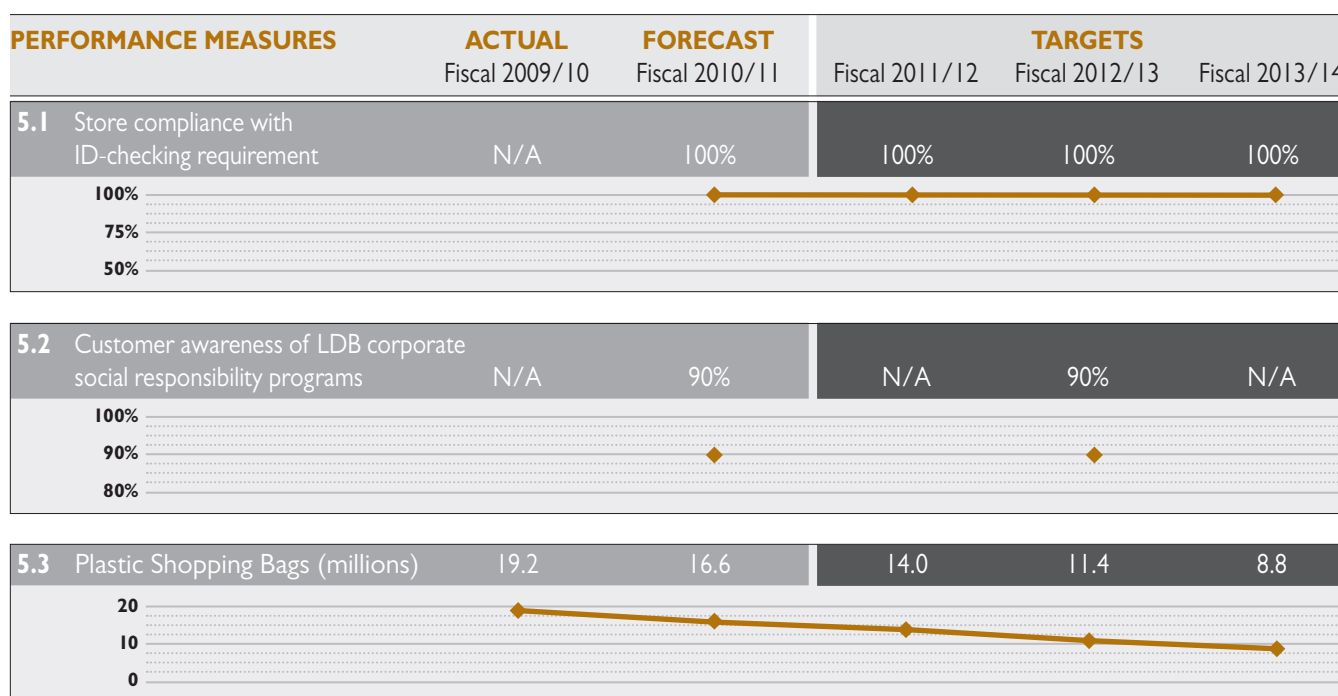
OBJECTIVES, STRATEGIES & PERFORMANCE MEASURES

GOAL 5

CORPORATE SOCIAL RESPONSIBILITY

Encourage the responsible use of beverage alcohol and minimize the impact of operations on the environment.

- STRATEGIES:**
1. Prevent sales to minors or intoxicated persons in BC Liquor Stores through staff education and enforcement of ID-checking requirements
 2. Promote awareness of responsible use by continuing co-operative programs with suppliers and other stakeholders
 3. Reduce the impact of operations on the environment



PERFORMANCE MEASURE DESCRIPTIONS

5.1 Store compliance with ID-checking requirement – It is unlawful to sell beverage alcohol to a persons under 19 years of age. When verifying a customer's age, it is a legal requirement to ask for two pieces of provincial identification. The LCLB administers a program that checks ID compliance at private liquor outlets and LDB stores. The LDB uses the summarized results from LCLB's compliance program for this measure. LCLB did not conduct an ID compliance program in fiscal 2009/10.

5.2 Customer awareness of LDB corporate social responsibility programs – The LDB places posters and other promotional materials in its stores that encourage the responsible use of beverage alcohol. The themes, such as the prevention of drinking and driving or underage drinking, change every month. The LDB measures customer recall of these promotional materials through the same customer survey the LDB uses to rate its customer service performance (see performance measure 3.1). This survey is conducted every two years.

5.3 Plastic Shopping Bag reduction – In 2007/08, the LDB launched “*The Best Bag is No Bag at All*” program in its retail stores in order to reduce the number of single-use plastic shopping bags that are distributed to customers. This program encourages customers to use re-useable bags or to take their purchases without a bag. In 2007/08, the LDB distributed 26.0 million single-use plastic bags and has set targets to reduce that number each year.

Note: In the previous LDB service plan the LDB had a performance measure to be “Carbon Neutral”. This measure has been eliminated since it is mandatory for the LDB and other government organizations to offset greenhouse gas emissions by making payments to the Pacific Carbon Trust.

OBJECTIVES, STRATEGIES & PERFORMANCE MEASURES

PERFORMANCE MANAGEMENT SYSTEMS

The following information summarizes the source and accuracy of the data used for the service plan performance measures.

SALES DATA (PERFORMANCE MEASURES 1.1 AND 4.1)

Sales data for government liquor stores (GLSs) is collected from computerized point-of-sale cash register systems and stored in head office databases. Sales made directly to customers by agents on behalf of the Liquor Distribution Branch (LDB) are transmitted to the LDB and stored in databases. LDB financial statements are audited by the Office of the Auditor General annually.

EXPENSE DATA: (PERFORMANCE MEASURES 1.1 AND 4.2)

LDB expense data is captured, stored and reported by the LDB's financial system. The LDB's financial statements are audited by the Office of the Auditor General.

EMPLOYEE AND CUSTOMER SURVEYS (PERFORMANCE MEASURES 2.1, 3.1, 3.2, 5.2)

BC Stats conducts the employee engagement survey for the LDB. The LDB contracts with professional survey companies to conduct the retail and wholesale customer service surveys.

DISTRIBUTION DATA (PERFORMANCE MEASURES 4.2, 4.3)

Orders and shipments processed the by LDB distribution centers are captured and stored by computer applications designed for this purpose.

ID-CHECKING (PERFORMANCE MEASURE 5.1)

LCLB administers an ID compliance checking program and provides the results of LDB store compliance to the LDB.

PLASTIC SHOPPING BAG REDUCTION (PERFORMANCE MEASURE 5.3)

Plastic shopping bag usage by the LDB is determined from purchasing records.

OBJECTIVES, STRATEGIES & PERFORMANCE MEASURES

BENCHMARKING

In 2010, the LDB, with the assistance of consultants from PriceWaterhouseCoopers LLP, benchmarked itself against a number of other organizations including: four provincial liquor boards; three non-Canadian government liquor authorities; three private distribution organizations and two private retailers. A total of 15 different measures were reviewed and results from the four that are most relevant to the LDB are shown below.

There are important differences in the operations and mandate of the LDB compared to most of these organizations and this affects their comparability. The LDB's relative performance to these organizations is shown below. Certain performance measures were only relevant to a selection of the organizations.

Ranking			No. Comp. Entities
WORST	←	→	
Financial Performance			
Operating Costs as a Percentage of Total Sales	LDB		9
Net Income as a Percentage of Total Sales	LDB		9
GLS Sales per GLS FTE	LDB		5
Distribution Centre cost per case per year	LDB		5

Operating Costs as a Percentage of Total Sales

This measure indicates the overall operational efficiency of an organization and represents the per cent of each sales dollar that is used for operating costs.

Net Income as a Percentage of Total Sales

This is a measure of the overall health and profitability of an organization, and represents the per cent of each sales dollar that is generated for government in the case of public liquor authorities such as the LDB, or to shareholders in the case of private companies.

GLS Sales per GLS FTE

This is a measure of productivity of government liquor store employees. FTE stands for "Full Time Equivalent" and is equal to one person-year of employment.

Distribution Centre Cost per Case per Year

This measures how cost effective distribution centres are on a volume basis.

FINANCIAL OUTLOOK

SUMMARY OUTLOOK

In millions \$	ACTUAL	FORECAST	TARGETS		
	Fiscal 2009/10	Fiscal 2010/11	Fiscal 2011/12	Fiscal 2012/13	Fiscal 2013/14
Total Sales	2,854.1	2,843.0	2,910.7	2,981.5	3,054.2
Commissions and Discounts	198.3	197.8	202.8	207.8	212.8
Cost of sales	1,515.3	1,467.5	1,495.4	1,534.9	1,575.4
Operating Expenses	275.9	288.3	295.0	300.2	306.1
Other income	12.7	7.3	7.3	7.5	7.5
Net Income	877.3	896.6	924.8	946.1	967.4
Capital	18.9	23.4	24.8	26.6	27.9
Debt	0.8	0.4	0.2	0.1	0.0
Retained Earnings	0	0	0	0	0

KEY FORECAST ASSUMPTIONS

Forecast assumptions, based on market trends by product categories, include sales increases of 2.4 per cent (fiscal 2011-12), 2.4 per cent (fiscal 2012-13) and 2.4 per cent (fiscal 2013-14).

Mark-up adjustments related to the shift to the Harmonized Sales Tax (HST) in July 2010 are reflected in the forecast and targets.

Capital requirements reflect expenditures for updating and improving stores, technology-related projects and ongoing equipment replacements.

For fiscal 2009/10 and 2010/11, net income was prepared based on current Canadian Generally Accepted Accounting Principles (GAAP). Net income targets for fiscal years 2011/12 to 2013/14 were prepared based on current International Financial Reporting Standards (IFRS).

FINANCIAL OUTLOOK

SEGMENTED OUTLOOK

The LDB has two types of operations based on customer type – retail and wholesale. Retail operations includes sales from BC Liquor Stores (GLS) to retail customers. Wholesale operations includes sales from both the LDB's Wholesale Customer Centre and GLSs to wholesale customers. The LDB uses an Activity-Based Costing Analysis to allocate expenses between the two operations and this analysis is updated annually. The segmented information provided below allocates the Summary Financial Outlook from the previous page into the retail and wholesale operations.

WHOLESALE OUTLOOK	ACTUAL	FORECAST	TARGETS		
In millions \$	Fiscal 2009/10	Fiscal 2010/11	Fiscal 2011/12	Fiscal 2012/13	Fiscal 2013/14
Total sales	1,693.8	1,669.1	1,715.3	1,757.0	1,799.9
Commissions and Discounts	198.3	197.8	202.8	207.8	212.8
Cost of sales	952.1	903.1	920.8	946.5	972.8
Operating Expenses	79.5	85.0	92.6	94.3	96.1
Other Income	6.3	3.6	3.6	3.7	3.7
Net Income	470.2	486.8	502.7	512.1	521.9

RETAIL OUTLOOK	ACTUAL	FORECAST	TARGETS		
In millions \$	Fiscal 2009/10	Fiscal 2010/11	Fiscal 2011/12	Fiscal 2012/13	Fiscal 2013/14
Total sales	1,160.3	1,173.9	1,195.4	1,224.5	1,254.3
Cost of sales	563.2	564.4	574.6	588.4	602.6
Operating Expenses	196.4	203.3	202.4	205.9	210.0
Other Income	6.4	3.6	3.7	3.8	3.8
Net Income	407.1	409.8	422.1	434.0	445.5

CONTACT INFORMATION

For more information about the Liquor Distribution Branch, please contact the LDB Communications department:

Phone: 604-252-3029

Email: communications@bclddb.com

Mail: 2625 Rupert Street, Vancouver BC V5M 3T5

The British Columbia Liquor Distribution Branch Service Plan for Fiscal Years 2011/12 – 2013/14 is available online at **bclddb.com/service-plan**.





**LIQUOR
DISTRIBUTION
BRANCH**

British Columbia Liquor
Distribution Branch
Annual Report
2010/11



VISION

That our customers have the opportunity to discover, enjoy and share the evolving world of beverage alcohol.

MISSION

To be a customer-focused, profitable retailer and wholesaler of beverage alcohol dedicated to innovation, exemplary service, helpful product knowledge and corporate responsibility.

VALUES

Exemplary Service

We take pride in the quality of our work. We strive for excellence in serving customers and coworkers.

Corporate Social Responsibility

We encourage and support the responsible use of beverage alcohol and minimize the impact of our operations on the environment.

Integrity

We take responsibility and are fully accountable for our actions, decisions and behaviour. We are open, honest and fair.

Respect

We treat all individuals with fairness, dignity and respect.

Teamwork

We support one another to achieve corporate goals.

Innovation

We encourage our people to find innovative and creative ways to improve our business.

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GENERAL MANAGER'S MESSAGE TO THE MINISTER RESPONSIBLE

The Honourable Shirley Bond, Minister of Public Safety and Solicitor General



Fiscal 2010/11 followed shortly after one of the most significant global recessions in decades. While there were some positive economic signs, beverage alcohol sales in British Columbia continued to be weak.

In 2010/11, the Liquor Distribution Branch's (LDB) sales were \$2.82 billion which was 1.2 per cent less than the previous year. Sales increases were in the spirits and wine categories but this was offset by significant decreases in the beer and refreshment beverage categories. Net income for the year was \$890.4 million which was \$13.1 million more than the previous year but significantly short of the budgeted

\$973.7 million. We are confident that consumer confidence will improve and that we will once again be achieving our sales and net income objectives.

Following the success of the 2010 Olympic and Paralympic Games, the LDB focused on financial performance by closely monitoring sales and expenses. In addition, the LDB substantially completed its Payment Card Industry compliance program to ensure that customer credit card information is protected.

In 2010/11, the number of retirements at the LDB continued to increase. In an effort to ensure a smooth transition and minimize operational impacts, we continued to focus on our succession planning. We were also pleased to have been honoured by Mediacorp for the second year in a row as one of British Columbia's Top 55 Employers for 2011.

In order to reduce our organization's environmental footprint, the LDB has developed a comprehensive Green Plan. In the past year, we have received rebates from both FortisBC (previously known as Terasen) and BC Hydro for energy reduction initiatives at our Vancouver warehouse and Head Office facilities.

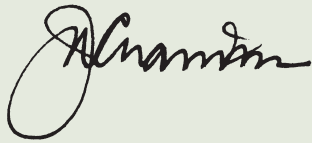
BC Liquor Store customers continued to show their generosity by supporting our annual Dry Grad fundraising campaign. This year, the campaign raised \$512,604 for alcohol-free high school graduation events throughout the province. In 2010/11, BC Liquor Stores customers also contributed over \$508,000 to the Canadian Red Cross international relief efforts in Pakistan and Japan.

The 2010/11 LDB Annual Report was prepared under my direction, in accordance with the *Budget Transparency and Accountability Act* and the *BC Reporting Principles*. I am accountable for the contents of this report including what has been included in the report and how it has been reported.

The information presented reflects the actual performance of the LDB for the twelve months ended March 31, 2011, in relation to the Service Plan published in February 2010.

I am responsible for ensuring internal controls are in place to ensure performance information is measured and reported accurately and in a timely fashion.

All significant assumptions, policy decisions, events and identified risks, as of May 20, 2011 have been considered in preparing the report. The report contains estimates and interpretive information that represent the best judgment of management. Any changes in mandate, direction, goals, strategies, measures or targets made since the 2010/11 – 2012/13 Service Plan was released and any significant limitations in the reliability of the data are identified in the report.

A handwritten signature in black ink, appearing to read 'J. Chambers', with a large, stylized loop at the beginning.

Jay Chambers
General Manager
May 20, 2011

GOVERNANCE

In British Columbia, the Liquor Distribution Branch (LDB) is one of two branches of government responsible for the beverage alcohol industry. *The Liquor Distribution Act* gives the LDB the sole right to purchase beverage alcohol both within BC and from outside the province, in accordance with the federal *Importation of Intoxicating Liquors Act*.

Reporting to the Minister of Public Safety and Solicitor General, the LDB:

- handles importation and distribution of beverage alcohol in BC;
- operates government liquor stores (GLSs) and distribution centres; and
- has a General Manager who is responsible for administering the *Liquor Distribution Act*, which includes the oversight of GLSs, subject to direction from the minister.

The Liquor Distribution Act clarifies:

- LDB administration;
- GLS operation; and
- the role and powers of the LDB General Manager.

The LDB follows the Crown Agencies Resource Office guidelines for service plans and annual reports, and is reported out in public accounts in a manner similar to a commercial Crown corporation, on a modified equity basis.

Another branch of the Ministry of Public Safety and Solicitor General — the Liquor Control and Licensing Branch (LCLB) — licenses private liquor stores, restaurants, pubs and manufacturers, and enforces regulations under the *Liquor Control and Licensing Act*. For more information, please visit pssg.gov.bc.ca/lclb/.

The LDB and LCLB have a shared responsibility to encourage the responsible consumption of beverage alcohol and work closely together to coordinate policies and programs to this end.

Visit bcldb.com and click on the About Us link for more about the LDB.

BUSINESS OF THE LIQUOR DISTRIBUTION BRANCH

The LDB operates a province-wide, retail/wholesale beverage alcohol business, within a mixed public-private model.

As of March 31, 2011, the LDB:

- has a workforce of approximately 3,500 full- and part-time employees;
- operates 197 GLSs throughout the province;
- operates two distribution centres, in Vancouver and Kamloops; and
- has a Head Office facility in Vancouver.

As part of BC's mixed model retail system, the LDB is committed to providing customers with an enhanced shopping environment, increased product selection and a high level of service.

MEET THE LDB EXECUTIVE MANAGEMENT COMMITTEE

Jay Chambers

General Manager

Roger Bissoondatt

Chief Financial Officer

Kelly Wilson

Executive Director,
Wholesale and Retail Services

Gordon Zelenika

Executive Director,
Human Resources

Don Farley

Executive Director,
Information Services

Gordon Hall

Director,
Corporate Policy

Donna Morse

Director,
Corporate Security

Catherine Sloan

Legal Counsel

The LDB purchases beverage alcohol from more than 400 suppliers and manufacturers within the province, across the country and around the world. Licensed manufacturers in BC include 222 wineries, 58 breweries, and 15 distilleries.

With more than 1,300 beverage alcohol retail outlets operating in BC, consumers have a variety of choices depending on their service needs, including:

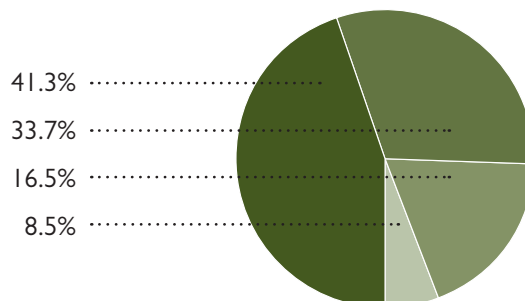
- 197 GLSs (government-owned and -operated stores selling beverage alcohol to retail and wholesale customers);
- 672 licensee retail stores (LRSs – private stores licensed to sell all beverage alcohol products);
- 223 rural agency stores (RASs – general merchandise stores in rural communities authorized to sell all beverage alcohol products);
- 233 on-site manufacturer stores (stores at wineries, breweries and distilleries that sell the products that they manufacture);
- 35 off-site manufacturer stores (stores operated by the BC wine industry that sell BC winery products);
- 12 private wine stores (stores that sell domestic and imported wines); and
- 11 duty-free stores.

In addition to retail stores, there were approximately 8,000 bars, restaurants and other licensed on-premise establishments.

The wholesale beverage alcohol distribution model in BC includes the two government distribution centres, GLSs and a number of manufacturers and private distributors that are authorized to distribute beverage alcohol as agents of the LDB.

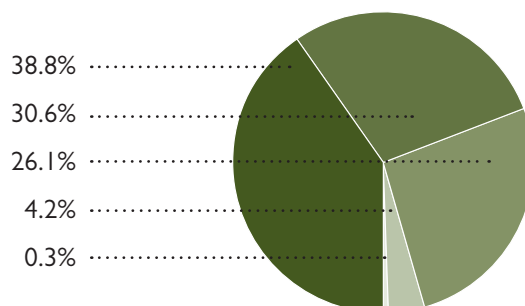
Percentage of Gross \$ Sales by Sales Channel 2010/11

Government Liquor Stores
Licensee Retail Stores
Licensees (pubs, bars, restaurants)
Agency Stores



Percentage of Gross \$ Sales by Product Category 2010/11

Beer
Wine
Spirits
Refreshment Beverages
Special Orders/Non-alcoholic



OUR CUSTOMERS AND STAKEHOLDERS

The LDB is one of the largest retailers in BC, with 37.4 million retail customer visits to BC Liquor Stores during fiscal 2010/11. We also processed 427,000 wholesale customer transactions. The LDB sources a wide selection of domestic and international beverage alcohol products for our retail and wholesale customers.

To serve the interests of our customers and stakeholders, we:

- deliver quality products and services;
- provide products and services to a variety of beverage alcohol outlets throughout British Columbia;
- manage the importation, warehousing and distribution of beverage alcohol;
- promote the safe and responsible use of beverage alcohol; and
- implement policies to ensure LDB workplaces are safe and free of harassment or discrimination.

To fulfill our responsibilities to the government and people of British Columbia, we:

- generate revenue for the government of British Columbia;
- manage the LDB's business risks;
- ensure accountability of key business partners; and
- develop and implement programs and services aimed at deterring the sale of beverage alcohol to minors and those who appear intoxicated.

LDB CORE BUSINESS AREAS

Wholesale and Retail Services

Encompasses both the retail and the wholesale departments and includes Distribution, Store Operations, Purchasing, Marketing, Wholesale and Real Estate.

Corporate Security

Responsible for security policies and programs and the LDB's Emergency Management program.

Legal Services

Provides legal advice to the LDB and directs the Information and Privacy program.

Corporate Policy

Researches and advises on corporate policy issues and is responsible for communications.

Finance

Manages revenue, expenditures, budgeting, reporting, auditing and administers policies related to the importation and distribution of beverage alcohol.

Information Services

Implements and maintains the LDB's information systems.

Human Resources

Provides services related to recruitment and selection, employee training and development, labour relations, classification and compensation, leave and benefit administration and organizational development.

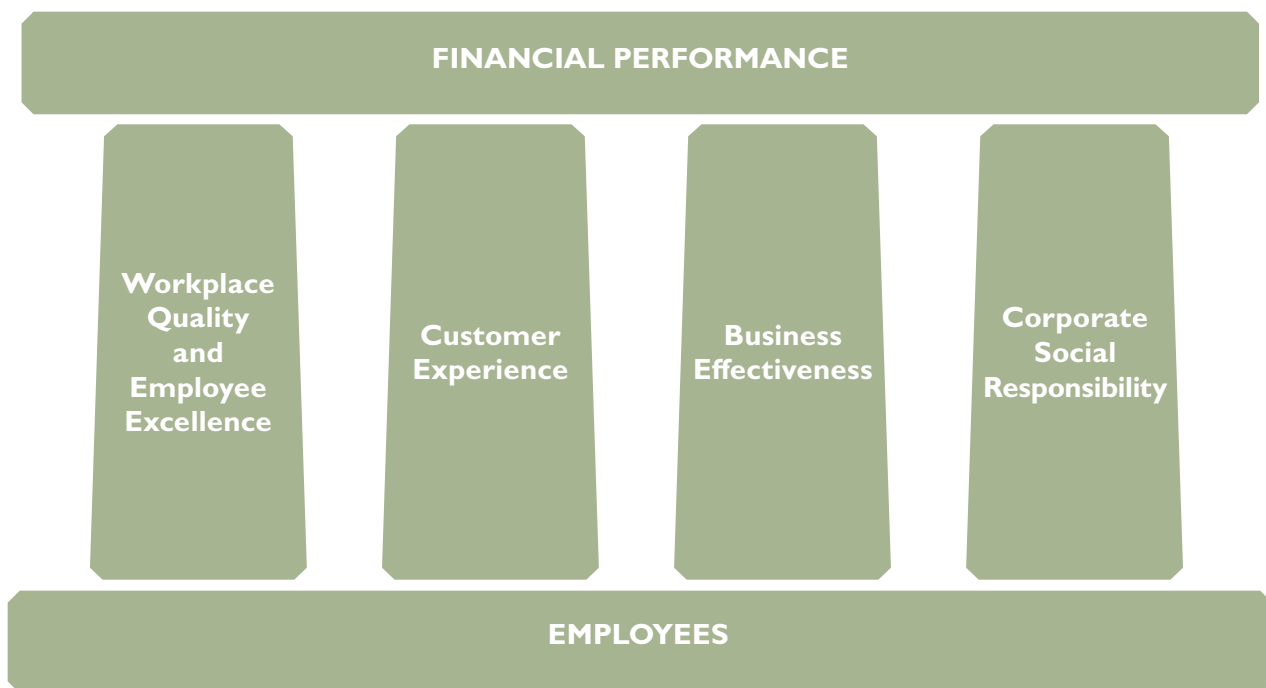
THE FOUR PILLARS FRAMEWORK

The LDB organizes its strategic priorities and key objectives around the concept of four pillars. All four pillars support financial performance and at the foundation are the LDB's dedicated employees.

HIGH-LEVEL GOALS

The five high-level goals are:

1	2	3	4	5
Financial Performance Meet financial objectives approved by government.	Workplace Quality and Employee Excellence Create a work environment that encourages greater employee engagement.	Customer Experience Maintain a high level of wholesale and retail customer satisfaction.	Business Effectiveness Maintain operating efficiencies in a climate of constant change.	Corporate Social Responsibility Encourage and support the responsible use of beverage alcohol and minimize the impact of operations on the environment.



LINKING GOALS TO PERFORMANCE MEASURES

GOALS	Goal 1 Financial Performance Meet financial objectives approved by government.	Goal 2 Workplace Quality and Employee Excellence Create a work environment that encourages greater employee engagement.	Goal 3 Customer Experience Maintain a high level of wholesale and retail customer satisfaction.	Goal 4 Business Effectiveness Maintain operating efficiencies in a climate of constant change.	Goal 5 Corporate Social Responsibility Encourage and support the responsible use of beverage alcohol and minimize the impact of operations on the environment.
STRATEGIES	<ul style="list-style-type: none"> • Grow sales and effectively manage operating expenses 	<ul style="list-style-type: none"> • Enhance staff skills and engagement through management development, employee training and increased communication • Implement succession management plans for the organization • Provide a safe, healthy and harassment-free workplace 	<ul style="list-style-type: none"> • Continuously refresh the store network • Continuously provide enhanced customer services 	<ul style="list-style-type: none"> • Maximize the potential efficiencies available through improved distribution operations • Increase the use of current and cost-effective technology 	<ul style="list-style-type: none"> • Prevent sales to minors or intoxicated persons in BC Liquor Stores through increased staff education and enforcement of ID-checking requirements • Promote awareness of responsible use by continuing co-operative programs with suppliers and other stakeholders
PERFORMANCE MEASURES	<ul style="list-style-type: none"> • Net income 	<ul style="list-style-type: none"> • Employee engagement 	<ul style="list-style-type: none"> • Retail customer satisfaction • Wholesale customer satisfaction 	<ul style="list-style-type: none"> • BC Liquor Store sales per square foot • Distribution Centre labour cost per case shipped • Distribution Centre order fill rate 	<ul style="list-style-type: none"> • Store compliance with ID-checking requirement • Customer awareness of LDB corporate social responsibility programs • Greenhouse Gas Emissions

GOAL 1: FINANCIAL PERFORMANCE

Meet financial objectives approved by government.

2010/11 HIGHLIGHTS

The LDB's net income for fiscal 2010/11 was \$890.4 million, \$83.3 million or 8.6 per cent below target. Net income was affected by an unanticipated sales decline due to unfavourable economic conditions. In total, provincial liquor sales were \$2.82 billion in 2010/11, 5.0 per cent lower than budgeted sales.

The following charts show historical sales by the different product categories in dollars and litres.

SALES BY MAJOR CATEGORY (\$'000s)						Change vs Previous Year	
	2010/11	2009/10	2008/09	2007/08	2006/07	\$	%
Domestic Spirits	405,874	411,227	426,101	410,071	389,181	(5,353)	(1.3)
Import Spirits	329,999	318,559	314,827	294,881	267,723	11,440	3.6
Total Spirits	735,873	729,786	740,928	704,952	656,904	6,087	0.8
Domestic Wine	390,068	373,279	354,793	330,221	304,000	16,789	4.5
Import Wine	472,725	455,269	460,576	444,745	386,835	17,456	3.8
Total Wine	862,793	828,548	815,369	774,966	690,835	34,245	4.1
Domestic Refreshment	97,926	104,350	91,467	89,656	90,878	(6,424)	(6.2)
Import Refreshment	21,193	20,827	23,467	18,454	12,681	366	1.8
Total Refreshment	119,119	125,177	114,934	108,110	103,559	(6,058)	(4.8)
Domestic Beer	858,483	918,399	897,135	885,342	868,997	(59,916)	(6.5)
Import Beer	236,176	243,785	213,917	195,536	177,598	(7,609)	(3.1)
Total Beer	1,094,659	1,162,184	1,111,052	1,080,878	1,046,595	(67,525)	(5.8)
Miscellaneous/Special Orders	8,011	8,377	12,247	10,560	11,232	(366)	(4.4)
Total Sales	2,820,455	2,854,072	2,794,530	2,679,466	2,509,125	(33,617)	(1.2)

SALES BY MAJOR CATEGORY IN LITRES (000s)							
	2010/11	2009/10	2008/09	2007/08	2006/07	Change vs Previous Year	
						Litres	%
Domestic Spirits	13,980	14,846	15,867	15,829	15,488	(866)	(5.8)
Import Spirits	9,869	9,858	9,877	9,502	8,909	11	0.1
Total Spirits	23,849	24,704	25,744	25,331	24,397	(855)	(3.5)
Domestic Wine	31,298	30,299	29,044	27,766	26,781	999	3.3
Import Wine	28,702	28,490	28,298	27,710	25,087	212	0.7
Total Wine	60,000	58,789	57,342	55,476	51,868	1,211	2.1
Domestic Refreshment	21,927	22,938	19,165	18,799	19,267	(1,011)	(4.4)
Import Refreshment	3,535	3,454	3,970	3,061	2,048	81	2.3
Total Refreshment	25,462	26,392	23,135	21,860	21,315	(930)	(3.5)
Domestic Beer	221,023	241,385	236,782	240,933	239,868	(20,362)	(8.4)
Import Beer	51,516	52,363	46,357	43,671	39,356	(847)	(1.6)
Total Beer	272,539	293,748	283,139	284,604	279,224	(21,209)	(7.2)
Miscellaneous/Special Orders	134	163	164	187	194	(29)	(17.8)
Total Sales	381,984	403,796	389,524	387,458	376,998	(21,812)	(5.4)

GOAL I: TARGETS AND RESULTS 2010/2011

GOAL: Meet financial performance objectives approved by government

STRATEGY: • Grow sales and effectively manage operating expenses

Measure	Actual			Target		
	08/09	09/10	10/11	10/11	11/12	12/13
Net income (\$ millions)	891.1	877.3	890.4	973.7	1,013.5	1,039.2

RESULTS AND MEASUREMENT DESCRIPTION

Net income was \$890.4 million, \$83.3 million below target. This decrease was the result of poor sales due to continued unfavourable economic conditions. The LDB has updated its sales forecasts and assumptions and has revised its net income targets in the 2011/12–2013/14 Service Plan.

LDB's net income is the contribution made to the provincial government by the LDB from the total sales of liquor in the province and is audited by the BC Auditor General. LDB net income is an important source of funding for government programs and services. The net income target is based on LDB forecasts and assumptions and is approved by the Ministry of Finance.

GOAL 2: WORKPLACE QUALITY AND EMPLOYEE EXCELLENCE

Create a work environment that encourages greater employee engagement.

2010/11 HIGHLIGHTS

LDB recognized as one of BC's Top Employers

In 2010, the LDB was recognized by Mediacorp as one of British Columbia's Top 55 Employers. This is the second consecutive year the organization has received this distinction.

Succession Management and Leadership Development

The LDB's succession management plan focuses on the development of internal employees to ensure they are qualified for future vacancies. In fiscal 2010/11 the LDB introduced two additional training programs for its managers and supervisors. *Essential Skills* provides managers and supervisors with a management and supervisory skill development program that is specific to the LDB. The *Signature Leadership* program provides high performing, mid-level supervisors and managers with an opportunity to enhance their existing leadership capabilities and capacity.

Respect Matters

Respect Matters is an internal training program designed to reinforce the LDB's commitment to provide its employees and customers with a safe, respectful environment by raising awareness about workplace bullying, harassment and discrimination. In 2010/11, this training was provided to 473 directors, managers and supervisors.

GOAL 2: TARGETS AND RESULTS 2010/2011						
GOAL:	Create a work environment that encourages greater employee engagement					
STRATEGIES:	<ul style="list-style-type: none">• Enhance staff skills and engagement through management development, employee training and increased communication• Implement succession management plans for the organization• Provide a safe, healthy and harassment-free workplace					
Measure	Actual			Target		
	08/09	09/10	10/11	10/11	11/12	12/13
Employee Engagement	68	70	69	72	74	75

RESULTS AND MEASUREMENT DESCRIPTION

The LDB's Employee Engagement score for fiscal 2010/11 was 69, slightly below the target of 72. The 2010/11 engagement score for the BC Public Service was 64. The LDB is developing initiatives to address specific areas for improvement from the 2010/11 survey.

Employee Engagement is the degree to which LDB employees feel engaged and satisfied with the work environment and involved with the corporate vision and mission. The Employee Engagement score is determined by an annual Workplace Environment Survey (WES) is conducted by BC Stats, which administers the same WES to the BC Public Service. The annual targets are based on a philosophy of continuous improvement.

GOAL 3: CUSTOMER EXPERIENCE

Maintain a high level of wholesale and retail customer satisfaction.

2010/11 HIGHLIGHTS

Store Upgrades

In order to provide a consistently high level of customer experience in the 197 store chain, the LDB upgrades a selection of stores each year. During fiscal 2010/11, the LDB completed 12 store remodels and made minor renovations to a further 36 stores.

TASTE Magazine

TASTE is a magazine produced by the LDB that includes articles on beverage alcohol products, recipes and entertaining ideas written by well-known wine and food experts. *TASTE* is distributed through BC Liquor Stores and has an annual circulation of approximately 520,000. Due to its popularity, the page count for *TASTE* increased by 30 per cent this year. *TASTE* is also available online at **bcliquorstores.com**.

Wine Education

The LDB launched a number of successful product education programs, including a sold-out Wine 101 Education course at the 39th & Cambie flagship store. The 39th & Cambie store also holds regular wine and food pairing events in partnership with suppliers and the hospitality industry.

Product Releases

The LDB had a number of successful special releases for customers looking for unique, quality products. These included the 2007 Bordeaux wines, Best of BC Wines, and special rum and whiskey releases.

Website

BC Liquor Stores' website **bcliquorstores.com** continued to evolve in fiscal 2010/11 with upgrades to search functions and improved access to content from the LDB's *TASTE* magazine. The website's visitor count increased over 50 per cent from the previous year.

Webinar Training for Wholesale Customers

In 2010/11, the LDB developed and implemented an online training course for wholesale customers that are interested in using the LDB's online webstore product ordering system. These webinars allow wholesale customers throughout the province to receive the training from the convenience of their offices or homes.

GOAL 3: TARGETS AND RESULTS 2010/2011						
GOAL: Maintain a high level of wholesale and retail customer satisfaction						
STRATEGIES: • Continuously refresh the store network • Continuously provide enhanced customer services						
Measure	Actual			Target		
	08/09	09/10	10/11	10/11	11/12	12/13
Retail Customer Satisfaction	99%	N/A	98%	90%	N/A	90%
Wholesale Customer Satisfaction	80%	N/A	82%	90%	N/A	90%

RESULTS AND MEASUREMENT DESCRIPTION

Retail Customer Satisfaction

The LDB achieved a rating of 98 per cent, exceeding the target of 90 per cent.

The retail customer satisfaction rating is determined by a survey of BC Liquor Store retail customers conducted by a professional survey company. This survey is conducted once every two years so that customers have an adequate amount of time to experience LDB service initiatives which often take more than one year to fully implement. The high targets established for both retail and wholesale customer satisfaction reflect the LDB's commitment to customer service.

Wholesale Customer Satisfaction

The LDB achieved a rating of 82 per cent, below the target of 90 per cent but an improvement over the previous survey results of 80 per cent. The LDB is developing initiatives to address specific areas for improvement from the 2010/11 survey.

The wholesale customer satisfaction rating is determined through a survey of a sample of wholesale customers — bars, restaurants and private retailers — conducted by a professional survey company. This survey is conducted once every two years so that customers have an adequate amount of time to experience LDB service initiatives which often take more than one year to fully implement.

GOAL 4: BUSINESS EFFECTIVENESS

Maintain operating efficiencies in a climate of constant change.

2010/11 HIGHLIGHTS

Payment Card Industry (PCI) Data Security Compliance

In fiscal 2010/11, the LDB substantially completed its Payment Card Industry (PCI) compliance program to ensure that customer credit card information is protected. The ongoing sustainment activities associated with PCI compliance will begin in fiscal 2011/12.

Financial Business Improvement Project

Substantial progress was made on the Financial Business Improvement Project, which will be completed in fiscal 2011/12. This initiative will streamline business and financial processes and improve the accuracy of inventory and financial transaction data.

GOAL 4: TARGETS AND RESULTS 2010/2011						
GOAL: Maintain operating efficiencies in a climate of constant change						
STRATEGIES: • Maximize the potential efficiencies available through improved distribution operations • Increase the use of available, current and cost-effective technology						
Measure	Actual			Target		
	08/09	09/10	10/11	10/11	11/12	12/13
BC Liquor Store Sales per Square Foot	\$1,269	\$1,270	\$1,259	\$1,354	\$1,391	\$1,419
Distribution Centre Labour Cost per Case Shipped	\$1.70	\$1.73	\$1.74	\$1.69	\$1.69	\$1.69
Distribution Centre Order Fill Rate	N/A	92%	93%	90%	90%	90%

RESULTS AND MEASUREMENT DESCRIPTION

BC Liquor Store Sales per Square Foot

Fiscal 2010/11 sales per square foot were \$1,259, below the target of \$1,354. This is a result of lower sales than expected due to economic conditions. The LDB has updated its sales forecasts and has revised its sales per square foot targets in the 2011/12 Service Plan.

This indicator is based on the annual dollar sales of the store system divided by total store system square footage. This measures how well the LDB converts its floor space into sales. The annual targets are based on a philosophy of continuous improvement.

Distribution Centre Labour Cost per Case Shipped

Fiscal 2010/11 labour cost per case was \$1.74, slightly above the target of \$1.69 per case. This increase relates to the transfer of a number of lower volume wholesale customer accounts from BC Liquor Stores to the Wholesale Centres. As a result, the Wholesale Centres processed more small orders than anticipated. The LDB has updated the targets in the 2011/12 - 2013/14 Service Plan to reflect this change in business.

This productivity measure is calculated by dividing total Distribution Centre labour expenses by total case shipments.

Distribution Centre Order Fill Rate

The result for fiscal 2010/11 was 93 per cent, exceeding the target of 90 per cent.

Based on a common distribution industry standard, this measure is calculated by dividing the number of ordered items that are filled completely by the total number of items ordered. It includes orders made by the LDB stores and wholesale customers served out of the Distribution Centres in Vancouver and Kamloops.

GOAL 5: CORPORATE SOCIAL RESPONSIBILITY

Encourage and support the responsible use of beverage alcohol and minimize the impact of operations on the environment.

2010/11 HIGHLIGHTS

Monthly Responsible Use Awareness Programs

Throughout the year, the LDB encourages the responsible use of beverage alcohol through posters displayed in all BC Liquor Stores. In 2010/11, these awareness programs included: Don't Buy for Minors; This is No Way to Have Fun (binge drinking); Don't Drink and Drive; Boating and Alcohol Don't Mix; Summer Safety (drinking and driving); Healthy Babies (alcohol and pregnancy); Halloween – Get Home Safe, Heading to a Party? – Make a Plan; CounterAttack; and Keep Alcohol Off the Slopes.

Support Dry Grad

Support Dry Grad collects customer donations that help fund local high school alcohol-free graduation events in 55 school districts throughout British Columbia. In 2010/11, the LDB conducted its eleventh *Support Dry Grad* campaign and raised \$512,604. Since inception, *Support Dry Grad* has raised over \$3.9 million for alcohol-free graduations events.

Share-a-Bear

For over two decades, the LDB has sold plush teddy bears every November and December in its BC Liquor Stores. Every bear sold has a “twin” and this twin is donated by BC Liquor Stores to a children's charity. Employees at BC Liquor Stores select the local charities to support, which include Christmas stocking funds, hospitals, police and ambulance services, and other community groups. In fiscal 2010/11, over 28,000 bears were donated to charities.

Canadian Red Cross Disaster Relief

The LDB is an official disaster partner of the Canadian Red Cross and collects Red Cross donations from BC Liquor Store customers throughout the province after major disasters. In 2010/11, customers generously donated over \$508,000 in Red Cross disaster relief funds for the Pakistan floods and the Japan earthquake/tsunami.

Environment

The LDB received rebates from both FortisBC (previously known as Terasen Gas) and BC Hydro for energy reduction initiatives at both its Distribution Centre and Head Office in Vancouver. FortisBC recognized the LDB with a cash rebate for the installation of a new energy efficient boiler at its Vancouver warehouse/office complex. BC Hydro also recognized the LDB with a cash rebate for an initiative to reduce head office electricity usage through computer server “virtualization.”

GOAL 5: TARGETS AND RESULTS 2010/2011						
GOAL:	Encourage and support the responsible use of beverage alcohol and minimize the impact of operations on the environment					
STRATEGIES:	<ul style="list-style-type: none"> • Prevent sales to minors or intoxicated persons in BC Liquor Stores through increased staff education and enforcement of ID-checking requirements • Promote awareness of responsible use by continuing co-operative programs with suppliers and other stakeholders 					
Measure	Actual			Target		
	08/09	09/10	10/11	10/11	11/12	12/13
Store Compliance with ID-Checking Requirement	56%	N/A	N/A	100%	100%	100%
Customer Awareness of LDB Corporate Responsibility Programs	88%	N/A	90%	90%	N/A	90%
Greenhouse Gas Emissions	N/A	N/A	Carbon Neutral	Carbon Neutral	TBD	TBD

RESULTS AND MEASUREMENT DESCRIPTION

Store Compliance with ID-Checking Requirement

The Liquor Control and Licensing Branch (LCLB) administers an ID checking program in LDB and private liquor outlets through the province. In fiscal 2010/11, LCLB resources were dedicated to developing a new program, to be implemented in 2011/12, that will use actual minors to test compliance. As a result, LCLB did not conduct a program for 2010/11 and a measure is not available.

Prevention of sales to minors is a key component of the LDB's social responsibility mandate, and the LCLB's independent compliance checking program is the best method to measure performance. The high target reflects the LDB's commitment to prevent sales to minors from its store system.

Customer Awareness of LDB Corporate Social Responsibility Programs

The LDB met its customer awareness goal by meeting the target of 90 per cent.

The LDB displays messaging in its stores that encourages the responsible use of beverage alcohol. The themes (e.g. prevention of drinking/driving or sales to minors) change monthly. The LDB measures customer recall of this messaging through the same survey the LDB uses to rate its retail customer service performance (See Goal 3). This target reflects the LDB's desire to have a high customer recall of its responsible-use messaging.

Greenhouse Gas Emissions

The LDB met its goal of carbon neutrality in 2010/11 through energy reduction initiatives and the purchase of carbon offsets from the Pacific Carbon Trust. This goal has been replaced with a plastic bag reduction goal in the 2011/12 – 2013/14 Service Plan as the purchase of carbon offsets is now a mandatory requirement for the LDB.

BENCHMARKING

In 2010/11, the LDB benchmarked itself against a number of other organizations including: provincial liquor boards; non-Canadian government liquor authorities; private distribution organizations and private retailers. The results from the four measures that are most relevant to the LDB are shown below.

There are important differences in the operations and mandate of the LDB compared to most of these organizations and this affects their comparability. The LDB's relative performance to these organizations is shown below. Certain performance measures were only relevant to a selection of the organizations.

Performance Measures	Ranking		Comparable Entities
	WORST <	> BEST	
Operating Costs as a Percentage of Total Sales			9
Net Income as a Percentage of Total Sales			9
GLS Sales per GLS FTE			5
Distribution Centres Cost per Case per Year			5

Operating Costs as a Percentage of Total Sales

This measure indicates the overall operational efficiency of an organization and represents the percentage of each sales dollar that is used for operating costs.

Net Income as a Percentage of Total Sales

This is a measure of the overall health and profitability of an organization, and represents the percentage of each sales dollar that is generated for government in the case of public liquor authorities such as the LDB, or to shareholders in the case of private companies.

GLS Sales per GLS FTE

This is a measure of productivity of government liquor store employees. FTE stands for "Full Time Equivalent" and is equal to one person-year of employment.

Distribution Centres Cost per Case per Year

This measures how cost effective distribution centres are on a volume basis.

SHAREHOLDER'S LETTER OF EXPECTATIONS

A key component of the LDB's governance framework is the Shareholder's Letter of Expectations (SLE) — an agreement between the Minister (on behalf of the Government of British Columbia) and the General Manager of the LDB.

The SLE also provides direction from the Shareholder to the LDB to take specific action. These specific actions from the 2010/11 SLE and the LDB's actions to address them are outlined in the following table. The complete SLE is available on the LDB's website at bcldb.com/annual-report.

GOVERNMENT DIRECTION	LDB ALIGNMENT
Inform the Shareholder on a regular basis of any major changes occurring or likely to occur in the beverage alcohol market, or within the LDB itself, that may impact on the LDB's achievement of its Service Plan targets either negatively or positively.	The LDB reports financial results to the Shareholder on a monthly basis and regularly notifies the Shareholder of major changes likely to affect the LDB's achievement of its Service Plan targets.
Ensure any debit/credit card payment services provided to the public are in compliance with the international Payment Card Industry (PCI) Data Security Standards by the October 1, 2010 deadline.	The LDB substantially implemented the PCI compliance standards in 2010/11.
Comply with the Shareholder's and LCLB's direction to rationalize and improve the regulatory framework for the importation, distribution and retailing of beverage alcohol.	The LDB complied with the direction provided by the Shareholder and LCLB.
Comply with the Shareholder's requirements to make the Public Sector carbon neutral by 2010.	The LDB measured its greenhouse gas emissions, implemented a number of energy reduction initiatives and purchased carbon offsets from the Pacific Carbon Trust.

MANAGEMENT DISCUSSION AND ANALYSIS

ACTUAL 2011 FINANCIAL RESULTS COMPARED TO 2010 ACTUAL RESULTS

Fiscal 2010/11 was a challenging year for the LDB. Gross sales were \$2.82 billion, a decrease of \$33.6 million from the previous year.

In July 2010, product mark-ups were increased when the Harmonized Sales Tax (HST) was introduced in order to partially recover lost government revenue associated with the three per cent reduction in provincial liquor sales tax.

Commissions and discounts were \$201.5 million, which was \$3.3 million higher than fiscal 2009/10. This is due to increased sales to wholesale customers with higher purchase discounts and more sales in the direct delivery channel.

Operating expenses were 10.0 per cent of sales for the fiscal year, 0.3 per cent higher than fiscal 2009/10. Expenses were \$5.6 million higher than fiscal 2009/10 with the largest changes occurring in the following areas:

- Employment expenses decreased \$3.5 million due to lower sales.
- Rents increased \$2.2 million due to existing lease contracts and higher rents in urban areas as leases were renewed.
- Amortization increased \$1.2 million due to projects that were completed during the year and were put in use.
- Project costs increased \$3.5 million due to Payment Card Industry (PCI) compliance, HST, International Financial Reporting Standards conversion, and the Financial Business Improvement Project.
- Data processing increased \$1.1 million due to PCI compliance and renewal of data processing contracts.

Compared to fiscal 2009/10, net income was \$890.4 million, an increase of \$13.1 million. LDB net income as a percentage of sales increased to 31.6 per cent from 30.7 per cent in the previous year. This increase is due to the mark-up adjustments when the HST was implemented as well as the shift in product mix from beer and refreshment beverages to wines and spirits.

TABLE 1: SUMMARY OF FINANCIAL RESULTS OVER 5 YEARS

For the five years ended March 31, 2011 (all dollar figures in \$000)

	Actual 2010/11	Budget 2010/11	Actual 2009/10	Actual 2008/09	Actual 2007/08	Actual 2006/07
Sales	2,820,455	2,969,394	2,854,072	2,794,530	2,679,466	2,509,125
Cost of Sales	1,458,335	1,507,849	1,515,289	1,451,244	1,396,466	1,276,167
Gross Margin	1,160,577	1,263,502	1,140,494	1,152,762	1,103,040	1,090,834
Operating Expenses	281,471	296,949	275,875	269,954	256,058	256,302
Operating Income	879,106	966,553	864,619	882,808	846,982	834,532
Net Income	890,375	973,675	877,276	891,117	857,216	840,286
Gross Margin (%)	41.1%	42.6%	40.0%	41.3%	41.2%	43.5%
Operating Expenses to Sales (%)	10.0%	10.0%	9.7%	9.7%	9.6%	10.2%
Net Income to sales (%)	31.6%	32.8%	30.7%	31.9%	32.0%	33.5%
Inventory Turnover	17	17	17	17	18	19

Data source: LDB Oracle Financial System

Fiscal 2010/11 capital expenditures of \$18.5 million were comparable to the \$18.9 million spent in the previous year. Capital expenditures were related to the completion of the second data centre, the financial business improvement project, regulatory changes, as well as ongoing operational capital needs and tenant improvements for government liquor stores.

During fiscal 2010/11, the customer count at government liquor stores (GLSs) decreased by 1.4 per cent, or 0.6 million customers to 37.8 million. The customer count in fiscal 2009/10 was boosted by Vancouver hosting the 2010 Winter Olympic and Paralympic Games in February and March 2010. The average retail customer transaction value at GLSs, however, increased to \$32.14 from \$31.43. This can be attributed to HST-related mark-up adjustments and a change in purchasing patterns that saw customers shift from beer and refreshment beverages towards spirits and wines.

Overall inventory turns for the LDB have remained constant at 17 times. This indicates that the average number of days that the LDB holds inventory has remained at 21 days. Inventory turns at the GLSs decreased to 14 turns from 16 turns per year. The reduction of inventory turns reflects the reduced sales through the retail stores.

TABLE 2: KEY INDICES

(all \$ figures in \$000s)

	Actual 2010/11	Budget 2010/11	Change vs. 2010/11 Budget	Actual 2009/10	Change vs. 2009/10 Actual
Gross Sales	2,820,455	2,969,394	(148,939)	2,854,072	(33,617)
Net Income	890,375	973,675	(83,300)	877,276	13,099
Capital Expenditures	18,470	23,928	(5,458)	18,935	(465)
Gross Margin %	41.1%	42.6%	-1.5%	40.0%	1.1%
Operating Income to Sales	31.2%	32.6%	-1.4%	30.3%	0.9%
Operating Expenses to Sales	10.0%	10.0%	-	9.7%	0.3%
Net Income to Sales	31.6%	32.8%	-1.2%	30.7%	0.9%
Inventory Turnover	17	17	-	17	-
Customer Count	37,847	N/A	N/A	38,403	(556)
Average Transaction \$ Value	\$ 32.14	N/A	N/A	\$ 31.43	\$ 0.71

Data source: LDB Oracle Financial System

Retail and Wholesale Channels

The segmented information that follows allocates the financial results into the retail and wholesale channels based on an activity-based costing analysis. The retail operations covers all counter sales in GLSs and wholesale represent all other sales. An Activity-based Costing analysis between retail and wholesale, which allocates expenses between the two channels was performed based on activities in 2008/09. The results of this analysis were used in this year's segmentation.

Retail Channel

The net income as a percentage of sales increased from 35.1 to 35.5 per cent. The segment experienced a 0.4 per cent increase in sales. Cost of sales as a percentage of sales decreased by 0.5 per cent due the change in sales mix away from beer and refreshment beverages to spirits and wines and the mark-up increase that took effect on July 1, 2010. Operating expenses as a percentage of sales increased slightly by 0.1 per cent.

TABLE 3: RETAIL RESULTS

Retail <i>in millions \$</i>	2010/11	%	2009/10	%	% Change
Sales	1 164.5	100.0	1 160.3	100.0	0.4
Cost of Sales	559.1	48.0	563.2	48.5	(0.7)
Operating Expenses	197.8	17.0	196.4	16.9	0.7
Other Income	5.7	0.5	6.4	0.6	(10.9)
Net Income	413.3	35.5	407.1	35.1	1.5

Net income as a percentage of sales increased to 28.8 per cent from 27.8 per cent. Sales declined by 2.2 per cent and discounts increased by 1.6 per cent. The wholesale channel has a higher proportion of beer sales than the retail channel and was more impacted by the reduction in beer sales volume. Cost of sales as a percentage of sales decreased by 1.9 per cent due the change in sales mix away from beer and refreshment beverages to spirits and wines. The higher proportion of beer and BC wines, which have lower gross margins, in the wholesale channel resulted in an overall lower return.

TABLE 4: WHOLESALE RESULTS

Wholesale <i>in millions \$</i>	2010/11	%	2009/10	%	% Change
Sales	1,656.0	100.0	1,693.8	100.0	(2.2)
Commissions & Discounts	201.5	12.2	198.3	11.7	1.6
Cost of Sales	899.2	54.3	952.1	56.2	(5.6)
Operating Expenses	83.7	5.1	79.5	4.7	5.3
Other Income	5.5	0.3	6.3	0.4	(12.1)
Net Income	477.1	28.8	470.0	27.8	1.5

Product Categories

Overall, the product mix shifted from beer and refreshment beverages to spirits and wine sales. Import products generally performed better than domestic products.

The largest percentage dollar increase was in the wine category at 4.1 per cent or \$34.2 million. Spirits was next with an increase of \$6.1 million or 0.8 per cent. Specialty and non alcoholic sales decreased by \$0.4 million or 4.4 per cent from the previous year. Sales in the beer category had the largest decrease at \$67.5 million or 5.8 per cent.

In terms of volume, only the wine category had an overall increase compared to the previous year. All other categories had overall volume decreases. The wine category had a 2.1 per cent increase over the previous year. Spirits and refreshment beverages each decreased by 3.5 per cent followed by packaged beer by 7.1 per cent, draught beer by 8.1 per cent, and specialty and non-alcoholic by 17.8 per cent.

TABLE 5: PRODUCT CATEGORY CHANGES

	% Change in Sales \$ from Previous Year		% Change in Sales Volume (Litres) from Previous Year	
	Domestic	Import	Domestic	Import
Spirits	(1.3)	3.6	(5.8)	0.1
Wine	4.5	3.8	3.3	0.7
Beer	(6.5)	(3.1)	(8.4)	(1.6)
Refreshment	(6.2)	1.8	(4.4)	2.3

Market Share

Private sector stores, licensee retail stores (LRSs) and agency stores purchase their product from the LDB at discounts ranging from 10 to 30 per cent. During the year, the share of the liquor market accounted for by these outlets increased to 42.2 per cent from 41.7 per cent.

TABLE 6: ANALYSIS OF PROVINCIAL SALES BY SOURCE

For the five years ended March 31, 2011 (as a percentage of total dollar sales)

	2010/11	2009/10	2008/09	2007/08	2006/07
Government Liquor Stores (%)	41.3	40.7	40.7	40.5	42.7
Licensee Retail Stores (%)	33.7	33.5	33.0	32.3	30.1
Agency Stores (%)	8.5	8.2	8.3	8.1	8.3
Total Counter Sales (%)	83.5	82.4	82.0	80.9	81.1
Licensed Establishments (%)	16.5	17.6	18.0	19.1	18.9
Total Sales (%)	100.0	100.0	100.0	100.0	100.0

Data source: LDB Oracle Financial System

TABLE 7: ANALYSIS OF COUNTER SALES BY SOURCE

For the five years ended March 31, 2011 (as a percentage of total dollar sales)

	2010/11	2009/10	2008/09	2007/08	2006/07
Government Liquor Stores (%)	49.4	49.3	49.6	50.0	52.7
Licensee Retail Stores (%)	40.5	40.7	40.3	39.9	37.1
Agency Stores (%)	10.1	10.0	10.1	10.1	10.2
Total Counter Sales Market (%)	100.0	100.0	100.0	100.0	100.0

Data source: LDB Oracle Financial System

FUTURE OUTLOOK

The table below outlines the LDB's financial forecast for the next three years. The financial forecast incorporates several key assumptions:

Sales assumptions, based on market trends by product categories, include:

- Increases of 3.2 per cent, 2.4 per cent and 2.4 per cent over the next three years due to inflationary trends, a full year of HST mark-up increase, and no further shifting of product between categories.
- Growth in sales is expected to be realized in both the wholesale and retail segments and the market share between retail to wholesale is expected to be stable for 2011/12 and following two years.

Overall volumes for all product categories are expected to be less than one per cent from the levels in fiscal 2010/11.

Continued growth in direct delivered 100 per cent BC wines is expected to result in a lower return on total sales.

Cost of Sales as a percentage of sales is estimated to decline slightly in 2011/12 to 51.4 per cent due to the effect of a full year of the HST mark-up increase which took effect July 1, 2010.

Operating expense assumptions include:

- No labour cost increases for fiscal 2011/12 and subsequent years.
- Higher rents especially in the urban regions.
- Greater amortization due to implementation of technology-related projects and store improvements.
- Increased costs due to compliance with Payment Card Industry standards and increasing credit card charges (premium cards and merchant fees).

Capital requirements reflect expenditures for updating and improving stores, technology-related projects and ongoing equipment replacement.

The financial forecasts reflect accounting treatment that is consistent with International Financial Reporting Standards.

TABLE 8: BUDGET AND FORECASTS

(in \$millions)

	Budget 2011/12	Forecast 2012/13	Forecast 2013/14
Sales	2,910.7	2,981.5	3,054.2
Commissions and Discounts	202.8	207.8	212.8
Cost of Sales	1,495.4	1,534.9	1,575.4
Gross Margin	1,212.5	1,238.8	1,266.0
Operating Expenses	295.0	300.2	306.1
Operating Income	917.5	938.6	959.9
Interest and Other Income	7.3	7.5	7.5
Net Income	924.8	946.1	967.4
Capital	24.8	26.6	27.9
Debt	0.2	0.1	0.0
Retained Earnings	0.0	0.0	0.0

The following tables reflect the LDB's forecast for the retail and wholesale channels for the next three years.

TABLE 9: RETAIL AND WHOLESALE CHANNELS BUDGET AND FORECASTS

Retail			
<i>(in \$millions)</i>			
	Budget 2011/12	Forecast 2012/13	Forecast 2013/14
Total Sales	1,195.4	1,224.5	1,254.3
Cost of Sales	574.6	588.4	602.6
Operating Expenses	202.4	205.9	210.0
Other Income	3.7	3.8	3.8
Net Income	422.1	434.0	445.5

Wholesale			
<i>(in \$millions)</i>			
	Budget 2011/12	Forecast 2012/13	Forecast 2013/14
Total Sales	1,715.3	1,757.0	1,799.9
Commissions and Discounts	202.8	207.8	212.8
Cost of Sales	920.8	946.5	972.8
Operating Expenses	92.6	94.3	96.1
Other Income	3.6	3.7	3.7
Net Income	502.7	512.1	521.9

RISK MANAGEMENT

The LDB Executive Management Committee meets monthly to discuss service plan performance, risks and mitigating strategies.

In view of the uncertainty of the economic climate, the LDB is closely monitoring its financial performance and budgets in order to mitigate financial risks.

The LDB regularly updates its Enterprise Wide Risk Assessment and has a number of projects in progress to mitigate identified business and technology risks. These include the Financial Business Improvement Project, the PCI compliance program and the conversion to International Financial Reporting Standards.

AREA	RISK FACTORS AND SENSITIVITIES	MITIGATING STRATEGIES
ECONOMY	Beverage alcohol is a discretionary consumer product and sales are negatively affected by poor economic conditions.	> The LDB will carefully monitor its sales and expenses and will make adjustments to its operations and budgets as necessary.
INFORMATION TECHNOLOGY	The upgrading of information systems and business processes are key in the delivery of efficient and effective services to the LDB's customers. The replacement of older, difficult-to-maintain systems with new systems creates challenges in ensuring integration of applications and ensuring accurate information.	> The LDB is replacing older systems on a scheduled basis and is working to improve the overall integration of systems.
PAYMENT CARD INDUSTRY COMPLIANCE	In order for the LDB to maintain credit card service, it must comply with the PCI standards.	> The LDB is implementing a PCI compliance program in conjunction with the provincial government.
RECRUITING AND RETENTION OF SKILLED EMPLOYEES	The LDB is expecting a large number of skilled long-service employees to retire in the next five years.	> The LDB has a focus on succession planning in order to recruit skilled employees from outside the organization and to support the career development of employees within the organization.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of the British Columbia Liquor Distribution Branch have been prepared by management in accordance with Canadian generally accepted accounting principles. Any financial information contained elsewhere in the annual report has been reviewed to ensure consistency with the financial statements.

Management is responsible for the integrity of the financial statements and has established systems of internal control to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and financial records are properly maintained to facilitate the preparation of financial statements in a timely manner.

The Office of the Auditor General of British Columbia has performed an independent audit of the financial statements of the Liquor Distribution Branch. The Auditor's Report outlines the scope of this independent audit and expresses an opinion on the financial statements of the Liquor Distribution Branch.



Jay Chambers
General Manager



Roger M. Bissoondatt, CA, CMA
Chief Financial Officer

Vancouver, British Columbia
May 20, 2011



INDEPENDENT AUDITOR'S REPORT

To the Minister of Public Safety and Solicitor General, Province of British Columbia

Report on the Financial Statements

I have audited the accompanying financial statements of the British Columbia Liquor Distribution Branch ("the entity") which comprise the balance sheet as at March 31, 2011, and the statements of operations, advance due from (to) Province of British Columbia and cash flows for the period then ended, schedule of operating expenses and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines, is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

In my view, the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the British Columbia Liquor Distribution Branch as at March 31, 2011, and the results of its operations and its cash flows for the period then ended in accordance with Canadian generally accepted accounting principles.

*Victoria, British Columbia
May 20, 2011*

John Doyle, MBA, CA
Auditor General

AUDITED FINANCIAL STATEMENTS

British Columbia Liquor Distribution Branch

BALANCE SHEET

(in \$000s)

As at March 31,	2011	2010
		(note 17)
ASSETS		
CURRENT ASSETS		
Cash	-	6,724
Accounts receivable	5,013	5,307
Inventories (note 3)	83,021	89,974
Prepaid expenses (note 4)	4,979	4,294
Due from Province of British Columbia	9,229	-
	<u>102,242</u>	<u>106,299</u>
LONG TERM ASSETS		
Prepaid expenses – long term (note 4)	3,377	2,090
Intangible assets (note 5)	2,884	2,785
Property, plant and equipment (note 6)	57,626	59,397
	<u>166,129</u>	<u>170,571</u>
LIABILITIES		
CURRENT LIABILITIES		
Bank indebtedness	7,153	-
Accounts payable and accrued liabilities	141,177	137,447
Current portion of deferred tenant allowances (note 7)	85	85
Current portion of tenant improvement loans (note 8)	158	361
Current portion of obligation under capital lease (note 9)	47	74
Due to Province of British Columbia (note 10)	-	13,773
	<u>148,620</u>	<u>151,740</u>
LONG TERM LIABILITIES		
Deferred tenant allowances (note 7)	348	432
Tenant improvement loans (note 8)	61	219
Obligation under capital lease (note 9)	129	176
Other long term liabilities (note 14)	16,971	18,004
	<u>166,129</u>	<u>170,571</u>

Commitments and contingent items (notes 11 & 12)

Approved by:



Jay Chambers
General Manager



Roger M. Bissoondatt, CA, CMA
Chief Financial Officer

The accompanying notes and supplementary schedule are an integral part of these financial statements.

AUDITED FINANCIAL STATEMENTS

British Columbia Liquor Distribution Branch

STATEMENT OF OPERATIONS

(in \$000s)

Year Ended March 31,	2011	2010
Sales (note 13)	2,820,455	2,854,072
Less commissions & discounts	201,543	198,289
	<u>2,618,912</u>	<u>2,655,783</u>
Cost of merchandise sold	1,458,335	1,515,289
Gross margin	1,160,577	1,140,494
Operating expenses (schedule)	281,471	275,875
	<u>879,106</u>	<u>864,619</u>
Other income	11,269	12,657
Net income	<u>890,375</u>	<u>877,276</u>

STATEMENT OF ADVANCE DUE (TO) FROM PROVINCE OF BRITISH COLUMBIA

(in \$000s)

Year Ended March 31,	2011	2010
Balance beginning of year	(13,773)	(375)
Net income	(890,375)	(877,276)
Payments to the Province of British Columbia	913,377	863,878
Balance end of year	<u>9,229</u>	<u>(13,773)</u>

The accompanying notes and supplementary schedule are an integral part of these financial statements.

AUDITED FINANCIAL STATEMENTS

British Columbia Liquor Distribution Branch

STATEMENT OF CASH FLOWS

(in \$000s)

Year Ended March 31,	2011	2010
CASH FLOWS (USED IN) OPERATING ACTIVITIES		
Cash receipts from customers	2,619,207	2,657,921
Cash payments to the Province of British Columbia	(913,377)	(863,878)
Cash paid to suppliers and employees	(1,718,189)	(1,780,945)
Cash receipts from other income	11,248	12,595
Interest paid on capital lease and loans	(47)	(93)
CASH FLOWS (USED IN) FROM OPERATING ACTIVITIES	<u>(1,158)</u>	<u>25,600</u>
CASH FLOWS (USED IN) FROM INVESTING ACTIVITIES		
Acquisition of property, plant & equipment	(10,665)	(11,890)
Acquisition of capital project assets	(1,268)	(6,134)
Additions to intangible assets	(401)	(909)
Proceeds from disposal of property, plant & equipment	50	59
CASH FLOWS (USED IN) INVESTING ACTIVITIES	<u>(12,284)</u>	<u>(18,874)</u>
CASH FLOWS (USED IN) FINANCING ACTIVITIES		
Payment on capital lease	(74)	(68)
Tenant improvement loans	(361)	(436)
CASH FLOWS (USED IN) FINANCING ACTIVITIES	<u>(435)</u>	<u>(504)</u>
NET(DECREASE) INCREASE IN CASH	(13,877)	6,222
CASH BEGINNING OF YEAR	6,724	502
(BANK INDEBTEDNESS) CASH END OF YEAR	<u>(7,153)</u>	<u>6,724</u>

The accompanying notes and supplementary schedule are an integral part of these financial statements.

AUDITED FINANCIAL STATEMENTS

British Columbia Liquor Distribution Branch

SCHEDULE OF OPERATING EXPENSES

(in \$000s)

Year Ended March 31,	2011	2010
Salaries, wages and benefits (note 14)	159,800	163,326
Rents	35,899	33,662
Bank charges	20,308	19,590
Amortization	13,977	12,692
Freight to stores	9,489	9,558
Professional services	7,689	4,140
Repairs and maintenance	6,697	6,780
Other operating expenses	5,228	5,666
Data processing	4,914	3,801
Merchandising	3,534	3,743
Stationery and supplies	3,268	2,275
Loss prevention	3,044	2,997
Light, water and fuel	2,894	2,644
Telephone	2,550	2,583
Warehouse equipment costs	1,406	1,583
Travel	727	742
Interest on long term liabilities	47	93
	281,471	275,875

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2011

(Tabular amounts in \$000s)

I. PURPOSE OF THE BRANCH

The British Columbia Liquor Distribution Branch (Branch) obtains its authority for operation from the *British Columbia Liquor Distribution Act* (Act). As stated in Section 2 of this Act, the Branch has the exclusive right to purchase liquor for resale and reuse in the Province in accordance with the provisions of the *Importation of Intoxicating Liquors Act (Canada)*.

2. SIGNIFICANT ACCOUNTING POLICIES

As prescribed by Section 30(3)(b) of the Act, the financial statements of the Branch are prepared in accordance with Canadian generally accepted accounting principles.

Significant accounting policies are as follows:

Financial Instruments

The Branch has designated its financial instruments as follows:

Cash is classified as held for trading and measured at fair value. Accounts receivable are classified as loans and receivables and are measured at amortized cost. Bank indebtedness, accounts payable and accrued liabilities are classified as other financial liabilities and are also measured at amortized cost.

The Branch is exposed to various risks related to its financial assets and liabilities. It is management's opinion that the Branch is not exposed to significant market, credit or liquidity risk arising from these instruments.

Market Risk

Market risk is the risk that changes in the market prices, such as foreign exchange rates and interest rates, will affect the Branch's income or the value of its financial instruments. The Branch's exposure to foreign currency risk is only related to the value of foreign exchange transactions in the normal course of business, and manages this risk by minimizing the amount of the transactions in foreign funds.

Liquidity Risk

Liquidity risk is the risk that the Branch will be unable to meet its financial obligation as they become due. The Branch manages liquidity risk primarily by monitoring cash flows and by maintaining the ability to borrow funds through the Province.

Credit Risk

Credit risk is the risk of financial loss to the Branch due to customer inability to pay for product or counterparty to a financial instrument fails to meet its contractual obligations. The Branch's exposure to credit risk is only related to the value of accounts receivable in its normal course of business, and manages this risk by minimizing the amount of transactions which require recovery. The Branch continually monitors and manages the collection of receivables.

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2011

(Tabular amounts in \$000s)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Foreign Currency Translation

The Branch in the normal course of business purchases product in foreign currency. Any foreign currency transactions are translated into Canadian dollars at the rate of exchange in effect at transaction date. Any foreign currency denominated monetary assets and liabilities are stated using the prevailing rate of exchange at the balance sheet date.

Inventories

The Branch's inventories are valued at the lower of cost and net realizable value. Store inventories are determined on a first-in, first-out basis. Warehouse inventories are determined on a weighted average cost basis. Cost is comprised of supplier invoiced value, freight, duties and taxes. Net realizable value represents the estimated selling price for inventories less the costs to sell.

Intangible Assets

Where computer software is not an integral part of a related item of property and equipment, the software is capitalised as an intangible asset.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring them into use. Direct costs associated with the production of identifiable and unique internally generated software products controlled by the Branch that will probably generate economic benefits exceeding costs beyond one year are capitalised. Direct costs include software development employment costs including those of contractors used.

Costs associated with maintaining computer software programs are recognized as an expense as incurred.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Intangible assets acquired by the Branch have finite lives and are measured at cost less accumulated amortization and accumulated impairment losses. As these costs have a limited useful life, they are amortized at a rate of 25 per cent per annum.

Property, Plant and Equipment

Property, plant and equipment are stated at cost and are amortized over the estimated useful lives of the assets as expressed as follows:

Buildings

7.5 per cent per annum.

Leasehold Improvements

A minimum of 10 per cent per annum or a rate sufficient to amortize the cost over the remaining life of the respective lease.

Furniture, Fixtures, Vehicles and Equipment

25 per cent per annum.

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2011

(Tabular amounts in \$000s)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Information Systems

25 per cent per annum.

Leasehold improvements and capital projects

All material costs of construction and development for leasehold improvements and capital projects are treated as assets under Construction in Progress accounts. At the point in time when the project is substantially completed the costs are capitalized into their applicable categories and amortized at the asset category rate.

Leases

Assets recorded as capital leases are capitalized and amortized at the applicable asset category rate. All other leases are accounted for as operating leases wherein rental payments are expensed as incurred.

Revenue Recognition

Revenue is recognized when the sale of product is made to customers. Customers include retail customers, licensed establishments, licensee retail stores, and agency stores.

Employee Future Benefits

Liabilities are recorded for employee retiring allowance benefits as employees render services to earn those benefits.

Defined contribution plan accounting is applied to the multi-employer defined benefit pension plan because sufficient information is not available to apply defined benefit accounting. Accordingly, contributions are expensed as they become payable.

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

Future Accounting Standards

International Financial Reporting Standards

The *Budget Transparency and Accountability Act* specifies that Government and government organizations conform to the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada, unless otherwise directed by Treasury Board. Accounting standards for senior government are understood to mean standards established by the Public Sector Accounting Board, which directs Government Business Enterprises to adhere to International Financial Reporting Standards (IFRS). Treasury Board has directed the Branch to adopt IFRS.

The Branch is adopting IFRS effective April 1, 2011. The Branch will implement the required accounting policy changes under IFRS and the Branch's financial statements for the year ended March 31, 2012 (with comparative financial results for 2011) will be prepared in accordance with IFRS.

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2011

(Tabular amounts in \$000s)

3. INVENTORIES

At March 31, 2011, store inventories were \$55.7 million (2010 - \$59.1 million) and warehouse inventories were \$27.3 million (2010 - \$30.9 million).

4. PREPAID EXPENSES

Prepaid expenses include insurance, software maintenance, and wine purchases. The Branch, as part of its on-going business practices, purchases select products in advance to secure delivery of these products up to three years in advance. These products are normally purchased in foreign currency and are translated to Canadian dollars at the rate of exchange in effect at the transaction date. At March 31, 2011, the Branch has recorded \$6.3 million (2010 - \$5.6 million) of prepaid wine futures for delivery in fiscal years 2011/12 and 2012/13.

Wine Purchases	6,306
Other Prepaids	2,050
	8,356
Current portion	(4,979)
Long term	3,377

5. INTANGIBLE ASSETS

	2011			2010
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Intangible Assets	4,191	2,241	1,950	1,687
Construction in process	934	-	934	1,098
	5,125	2,241	2,884	2,785

6. PROPERTY, PLANT AND EQUIPMENT

	2011			2010
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	1,068	-	1,068	1,068
Buildings	20,340	18,191	2,149	2,290
Leasehold improvements	53,292	24,883	28,409	28,392
Furniture, fixtures, vehicles & equipment	29,923	21,013	8,910	9,278
Office furnishings under capital lease	3,900	3,823	77	145
Information systems	75,681	65,870	9,811	10,188
Construction in process	7,202	-	7,202	8,036
	191,406	133,780	57,626	59,397

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2011

(Tabular amounts in \$000s)

7. DEFERRED TENANT ALLOWANCES

Certain leasing agreements include incentives or landlord funding to be used towards expenditures such as tenant improvements or relocation expenses. The value of these benefits are recorded and amortized over the term of the lease.

Year Ending March 31	2012	85
	2013	85
	2014	85
	2015	79
	2016	50
	Subsequent years	49
		<u>433</u>
	Current portion	<u>(85)</u>
	Long term	<u>348</u>

8. TENANT IMPROVEMENT LOANS

As at March 31, 2011, the Branch has tenant improvements loans of \$0.2 million financed through landlords. The range of interest rates is 8 per cent to 11.75 per cent with loans expiring from May 2011 to June 2014. The principal payments due are as follows:

Year Ending March 31	2012	158
	2013	30
	2014	24
	2015	7
		<u>219</u>
	Current portion	<u>(158)</u>
	Long term	<u>61</u>

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2011

(Tabular amounts in \$000s)

9. OBLIGATION UNDER CAPITAL LEASES

The following schedule includes the future minimum lease payments for vehicles.

Year ending March 31	2012	58
	2013	58
	2014	53
	2015	28
	2016	4
	Total	201
	Imputed interest rate	8%
	Interest	(25)
	Current Portion	(47)
	Long term	129

10. DUE TO PROVINCE OF BRITISH COLUMBIA

The Branch does not maintain a separate bank account and uses the Province of British Columbia's financial and banking systems to process and record its transactions. The amount due to the Province of British Columbia represents the accumulated net financial transactions with the Province.

11. COMMITMENTS

Future commitments for operating leases for Branch premises and equipment are as follows:

Year Ending March 31	2012	26,521
	2013	24,637
	2014	22,240
	2015	18,849
	2016	15,419
	Subsequent years	26,930
		134,596

Government Liquor Store Fees

In fiscal 2008, the Branch entered into a five year agreement with the Liquor Control and Licensing Branch (LCLB) to provide the LCLB an annual fee per Government Liquor store, plus administration costs. Effective April 1, 2010, the LCLB fee structure was based upon annual sales in each government liquor store. For fiscal 2010/11, the Branch paid \$423,100 in fees, plus administration costs.

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2011

(Tabular amounts in \$000s)

12. CONTINGENT ITEMS

The Branch is the sole importer of beverage alcohol in the Province. The Branch, as the importer of record, has the future liability for related federal customs duties on import products and excise duty on import beer of approximately \$0.8 million (2010 - \$0.7 million) based upon the value of the agents' inventories at March 31, 2011.

The Branch is the defendant in legal actions and it is not expected that the ultimate outcome of these claims will have a material effect on the financial position of the Branch.

13. SALES

Total sales reported include sales to retail customers, licensed establishments, licensee retail stores and agency stores. These amounts do not include subsequent resale by licensed establishments, licensee retail stores and agency stores.

	2011	2010
Retail customers	1,164,502	1,160,255
Licensee retail stores	952,713	958,682
Agency stores	238,165	234,101
Licensed establishments	465,075	501,034
	<u>\$ 2,820,455</u>	<u>\$ 2,854,072</u>

14. EMPLOYEES' BENEFIT PLANS

The Branch and its employees contribute to the Public Service Pension Plan (the Plan) in accordance with the *Public Sector Pension Plans Act*. The British Columbia Pension Corporation administers the plan, including payment of pension benefits to employees to whom the act applies. The Public Service Pension Plan is a multi-employer, defined benefit plan. Under joint trusteeship, the risk and reward associated with the Plan's unfunded liability or surplus is shared between the employers and the plan members and will be reflected in their future contributions. Every three years an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of plan funding. The most recent actuarial valuation (March 31, 2008) determined that the Plan needed to implement a contribution rate increase to meet funding requirements of the *Pension Benefits Standards Act*. As a result, rates for employees and employers increased by 0.15 per cent as of April 1, 2009. The total amount paid into this pension plan by the Branch for the 2010/11 fiscal year was \$10.7 million for employer contributions (2010 - \$10.7 million).

Employees are also entitled to specific retirement benefits as provided for under collective agreements and terms of employment. The future liability for this obligation amounts to \$10,132,305 (2010 - \$9,900,358), which represents future employees' retirement benefits outside of the Plan and is included in other long term liabilities. The expense adjustment recorded in the year is \$231,947 (2010 - \$109,650).

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2011

(Tabular amounts in \$000s)

15. CAPITAL MANAGEMENT

The Branch does not retain any equity – which is what the Branch considers to be its capital. Net income is returned to the Province of British Columbia. The Branch's objectives when managing capital are to optimize the use of capital to provide an appropriate return to the Province.

The Branch manages its capital based on the funds available to the Branch. The Branch has policies and processes in place that provides direction for the management of the funds. There has been no change to the Branch's capital management approach during the year. The Branch has no externally imposed capital requirements.

16. RELATED PARTY TRANSACTIONS

The Branch is related through common ownership to all Province of British Columbia ministries, agencies and Crown corporations. Transactions with these entities are generally considered to be in the normal course of operations and are recorded at the exchange amount, unless disclosed separately in these financial statements.

The Branch acted as an agent for the Ministry of Finance regarding the collection of social service taxes on liquor sales to June 30, 2010.

The financial statements include the following transactions with related parties of the Province of British Columbia and Crown corporations:

Year Ending March 31	2011	2010
Liabilities at March 31 with related parties include:		
Accounts payable	<u>\$803</u>	<u>\$389</u>

During 2010/11, the Branch recorded payments with related parties for general administrative expenses of \$29.2 million (2010 - \$38.0). Other related party transactions have been disclosed elsewhere in the notes to the financial statements.

17. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year.

The balance sheet for the prior year has been reclassified to conform with the presentation in the current year.

CONTACT INFORMATION

For more information about the Liquor Distribution Branch, or to request more copies of this Annual Report, please contact the LDB Communications department:

phone: 604-252-3029

email: communications@bcldb.com

mail: 2625 Rupert Street, Vancouver BC V5M 3T5

The British Columbia Liquor Distribution Branch 2010/11 Annual Report is available online at **bcldb.com/annual-report**

For further information on the LDB's **Store Sales by Region** and **Top 10 Sales Results** please visit **bcldb.com/annual-report**



Table 1

LIQUOR DISTRIBUTION BRANCH - Retail Sales by Source

**Retail Sales by Source
For Years Ending March 31**

COUNTER AND LICENSEE SALES (all dollar figures in \$000)	2006/07	2007/08	2008/09	2009/10	2010/11	Q3 2011/12
COUNTER SALES						
L.D.B. STORES (GLS)	1,071,651	1,084,901	1,136,225	1,160,255	1,164,502	938,465
LICENSEE RETAIL STORE (LRS)	746,406	864,384	923,008	958,682	952,713	798,055
RURAL AGENCY STORE (RAS)	103,617	109,513	111,380	112,510	105,751	84,074
INDEPENDENT WINE STORE (WIN)	20,588	26,461	29,384	28,090	33,463	30,307
AGENCY STORES	33,634	36,908	39,573	36,575	36,519	23,494
LAND BASED WINERIES (LBW)	74,680	46,397	51,079	56,927	62,432	57,409
TOTAL COUNTER SALES	2,050,576	2,168,564	2,290,649	2,353,039	2,355,380	1,931,803
LICENSEE SALES	458,549	510,901	503,881	501,033	465,075	365,405
TOTAL LDB SALES	2,509,125	2,679,466	2,794,530	2,854,072	2,820,455	2,297,208

Years 2006/07 -2009/10 Reported under Canadian GAAP

Years 2010/11 onward reported under International Financial Reporting Standards

COUNTER & LICENSEE MARKET SHARE	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
COUNTER SALES						
L.D.B. STORES (GLS)	52.26%	50.03%	49.60%	49.31%	49.44%	48.58%
LICENSEE RETAIL STORE (LRS)	36.40%	39.86%	40.29%	40.74%	40.45%	41.31%
RURAL AGENCY STORE (RAS)	5.05%	5.05%	4.86%	4.78%	4.49%	4.35%
INDEPENDENT WINE STORE (WIN)	1.00%	1.22%	1.28%	1.19%	1.42%	1.57%
AGENCY STORES	1.64%	1.70%	1.73%	1.55%	1.55%	1.22%
LAND BASED WINERIES (LBW)	3.64%	2.14%	2.23%	2.42%	2.65%	2.97%
TOTAL COUNTER SALES MARKET	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
LICENSEE SALES	18.28%	19.07%	18.03%	17.56%	16.49%	15.91%
TOTAL COUNTER SALES	81.72%	80.93%	81.97%	82.44%	83.51%	84.09%
TOTAL LDB SALES MARKET	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

LIQUOR OUTLETS AT END OF YEAR	2006/07	2007/08	2008/09	2009/10	2010/11	Q3 2011/12
L.D.B. STORES (GLS)	201	199	197	197	197	197
LICENSEE RETAIL STORE (LRS)	631	654	674	670	672	672
RURAL AGENCY STORE (RAS)	230	228	224	224	223	221
ON-SITE INDUSTRY (*)	154	166	203	232	251	256
INDEPENDENT WINE STORE (WIN)	12	12	12	15	12	12
OFF-SITE INDUSTRY (**)	29	35	35	34	35	35
DUTY FREE STORES	11	11	11	11	11	11
TOTAL OUTLETS	1,268	1,305	1,356	1,383	1,401	1,404

Table 2

**LIQUOR DISTRIBUTION BRANCH
Key Financial and Operating Statistics**

Years ending March 31 (all dollar figures in \$000)	Actual 2006/07	Actual 2007/08	Actual 2008/09	Actual 2009/10	Actual 2010/11	Q3 2011/12	Projection 2011/12
Sales	2,509,125	2,679,466	2,794,530	2,854,072	2,810,145	2,297,208	2,878,447
Discounts	142,124	179,960	190,523	198,289	179,749	150,449	184,224
Cost of Sales	<u>1,276,167</u>	<u>1,396,466</u>	<u>1,451,244</u>	<u>1,515,289</u>	<u>1,469,819</u>	<u>1,205,065</u>	<u>1,507,448</u>
Gross Margin	1,090,834	1,103,040	1,152,762	1,140,494	1,160,577	941,694	1,186,775
Operating Expenses	<u>256,302</u>	<u>256,058</u>	<u>269,954</u>	<u>275,875</u>	<u>281,575</u>	<u>214,025</u>	<u>294,982</u>
Operating Income	<u>834,532</u>	<u>846,982</u>	<u>882,808</u>	<u>864,619</u>	<u>879,002</u>	<u>727,669</u>	<u>891,793</u>
Other Income	<u>5,754</u>	<u>10,234</u>	<u>8,309</u>	<u>12,657</u>	<u>11,269</u>	<u>8,044</u>	<u>7,329</u>
Net Income	<u>840,286</u>	<u>857,216</u>	<u>891,117</u>	<u>877,276</u>	<u>890,271</u>	<u>735,713</u>	<u>899,122</u>
Inventory Turnover (times/year)	19	18	17	17	17	13	17
Capital Spending	22,496	17,681	16,865	18,935	18,470	11,715	24,698
Discounts to Sales (%)	5.7%	6.7%	6.8%	6.9%	6.4%	6.5%	6.6%
Gross Margin (%)	43.5%	41.2%	41.3%	40.0%	41.3%	41.0%	41.2%
Operating Expenses to Sales (%)	10.2%	9.6%	9.7%	9.7%	10.0%	9.3%	10.2%
Net Income to Sales (%)	33.5%	32.0%	31.9%	30.7%	31.7%	32.0%	31.2%
Capital Expenditures to Sales (%)	0.9%	0.7%	0.6%	0.7%	0.7%	0.5%	0.9%
Sales Increase Over Previous Year	8.2%	6.8%	4.3%	2.1%	-1.5%	-18.3%	2.4%
Operating Expense Over Previous year	5.7%	-0.1%	5.4%	2.2%	2.1%	-24.0%	4.8%

Years 2006/07 -2009/10 Reported under Canadian GAAP

Years 2010/11 onward reported under International Financial Reporting Standards

Table 3

LIQUOR DISTRIBUTION BRANCH

Projections to Fiscal 2014/15

\$000s	Actual 2010/11	Budget 2011/12	Projections			
			2011/12	2012/13	2013/14	2014/15
TOTAL SALES	2,810,145	2,899,532	2,878,447	2,911,456	2,875,248	2,916,207
Commissions and Discounts	179,749	183,755	184,224	184,781	182,509	185,078
NET SALES	2,630,396	2,715,777	2,694,223	2,726,675	2,692,739	2,731,129
Cost of sales	1,469,819	1,503,316	1,507,448	1,527,962	1,551,567	1,576,109
GROSS MARGIN	1,160,577	1,212,461	1,186,775	1,198,713	1,141,172	1,155,020
Operating Expenses	281,575	294,982	294,982	299,746	304,781	311,313
OPERATING INCOME	879,002	917,479	891,793	898,967	836,391	843,707
Interest and other income	11,269	7,329	7,329	7,164	7,500	7,500
NET INCOME	890,271	924,808	899,122	906,131	843,891	851,207
 Capital	 18,470	 24,798	 24,698	 26,678	 27,913	 35,551

% Increase over Previous	Actual 2010/11	Budget 2011/12	Projections			
			2011/12	2012/13	2013/14	2014/15
Sales	-1.5%	3.2%	2.4%	1.1%	-1.2%	1.4%
Operating Expenses	2.0%	4.8%	4.8%	1.6%	1.7%	2.1%
Net Income	1.5%	3.9%	1.0%	0.8%	-6.9%	0.9%

Table 4

**LIQUOR DISTRIBUTION BRANCH
Capital Plan To Fiscal 2014/15**

	Actual 2010/11	Projection 2011/12	Forecast 2012/13	Forecast 2013/14	Forecast 2014/2015
Operating Capital					
Buildings	22,378	1,144,000	300,000	300,000	100,000
Information Systems	2,096,794	2,957,609	2,236,000	2,306,000	2,383,000
Intangible Assets - software	400,509	1,278,862	2,079,000	2,308,000	2,078,000
Furniture and equipment	2,826,081	3,365,993	2,801,600	2,777,110	2,507,500
Tenant Improvement	5,405,904	7,109,700	7,566,500	7,566,500	7,717,800
Vehicles	320,272	392,000	295,000	355,300	364,200
Total Operating Capital	11,071,938	16,248,164	15,278,100	15,612,910	15,150,500
Project Capital	7,397,839	8,450,000	11,400,000	12,300,000	20,400,000
Total Capital	18,469,777	24,698,164	26,678,100	27,912,910	35,550,500

**MINISTRY OF PUBLIC SAFETY AND SOLICITOR GENERAL
LIQUOR DISTRIBUTION BRANCH
BRIEFING NOTE**

PREPARED FOR: Honourable Shirley Bond, Solicitor General
FOR INFORMATION

ISSUE:

Rural Agency Store Program – Community Criteria Requirements

BACKGROUND:

The LDB has a program where an independently owned full-service grocery store may operate a Rural Agency Store (RAS) for the retail sale of liquor in a community that is not currently served by a Government Liquor Store (GLS), Licensee Retail Store (LRS) or other RAS.

There are currently 221 RAS appointments in British Columbia. The LDB has issued six new RAS appointments over the last five years.

The RAS program is designed for two types of communities – rural communities and major tourist destination resorts. The criteria for each is as follows:

1. Rural Communities (214 RASs)
 - a. Distance – minimum 10 kilometres from the nearest GLS, LRS or RAS
 - b. Size – 300 permanent residents within 5 kilometres driving distance
 - c. Existence of a bona fide community evidenced by the existence of a variety of business facilities, such as a church, post office, school or community hall
 - d. Existence of a suitable business that has been in existence for at least one year able to accommodate a RAS
 - e. The community must support the establishment of an RAS
2. Major Tourist Destination Resorts (7 RASs)
 - a. Distance – minimum 10 kilometres from the nearest GLS, LRS or RAS
 - b. The resort must have substantial permanent accommodation for tourists
 - c. Existence of a suitable business that has been in existence for at least one year able to accommodate a RAS
 - d. The community must support the establishment of an RAS

The suitable business to accommodate a RAS must be an independently owned full service general grocery store whose business is not associated with a chain store operation.

At the discretion of the General Manager of the LDB, an exception to the community criteria may be granted in extenuating situations such as waterbound locations.

Legislation passed in 2010 provides for the licensing of RASs by the Liquor Control and Licensing Branch (LCLB). Once a regulation is passed to bring the legislation into force (expected in 2012) LCLB will assume responsibility for the approval and licensing of RASs.

DISCUSSION:

s.13, s.17

The following is a summary of the RAS criteria for other jurisdictions. The summary shows that there is considerable variety in the requirements across the country.

	Distance from Other Liquor Stores	Minimum Population	Other Community Facilities
British Columbia	10 km	300 within 5 km driving distance	Church, school community hall or post office
Alberta	15 km	None	None
Saskatchewan	20 km	250	None
Manitoba	15 km within 30 km of Winnipeg; 20 km if more than 30 km from Winnipeg	300	None but other businesses are considered as a factor
Ontario	10 km	On point system basis with more points awarded depending on trade area population base	Point system basis with more points awarded if community has a grocery store, provincial park/park/tourist attraction within 5 km, drug store, general store, bank/post office or church/school
Quebec	More than 15 km from GLS	1000	None
New Brunswick	15 km	No specific population however it is considered a factor	None
Nova Scotia	10 km from existing Agency store; 13 km from GLS	None	None
Newfoundland	20 minute drive from other outlets	None	None

s.13

OPTIONS:

1)

2)

s.13

3)

s.13

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Approved by:
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**MINISTRY OF PUBLIC SAFETY AND SOLICITOR GENERAL
LIQUOR DISTRIBUTION BRANCH
BRIEFING NOTE**

PREPARED FOR: Shirley Bond, Minister of Public Safety and Solicitor General
Kevin Falcon, Minister of Finance and Deputy Premier
FOR DECISION

ISSUE:

Acceptance of credit cards for Wholesale Liquor Purchases

BACKGROUND:

In November 1999, the British Columbia Liquor Distribution Branch (LDB) began accepting credit cards for both wholesale and retail customer liquor purchases. Wholesale customers include bars and restaurants (licensees) and different types of private liquor stores including licensee retail stores, rural agency stores, independent wine stores and duty free stores. Retail customers are the public that purchase liquor at LDB government liquor stores.

There was an immediate uptake in the use of credit cards by wholesale customers because the cards offered short term credit and loyalty program points such as “air miles”. The uptake in credit cards also increased the LDB’s costs associated with the transaction fees charged by the issuing financial institutions (approximating s.17 per cent of the sales value).

In 2003, as a result of the cost of the growing credit card transaction fees, the LDB announced that it would no longer accept credit cards for wholesale customer purchases. This decision was reversed in 2004 due to opposition from wholesale customers.

s.17

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s.17

For other Canadian provincial liquor boards, two do not accept credit cards for wholesale purchases (Alberta and Manitoba); four accept credit cards from licensees but not private stores (Ontario, New Brunswick, Newfoundland and PEI), and three have the same policy as the LDB and accept credit cards from all wholesale customers (Saskatchewan, Quebec and Nova Scotia). Since the private store system in British Columbia has significantly larger sales than the private stores in other provinces that allow credit card purchases, the LDB's credit card transaction costs are higher.

In British Columbia, of the top five provincial beer and wine suppliers that are authorized by the LDB to make direct sales to wholesale customers, only one, Labatt/Molson owned Brewers Distributors Ltd. does not accept credit cards. The four other major suppliers (Sleeman Breweries Ltd., Vincor International Inc., Andrew Peller Ltd. and Mission Hill Winery) allow wholesale customers to use credit cards.

DISCUSSION:

s.13

In February 2011 the LDB issued a request for information (RFI) to gauge interest from companies in issuing a sole-sourced card. s.13

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The LDB informed wholesale customers about the RFI for a sole-sourced credit card and although a number asked for clarification, there were no protests.

s.13

OPTIONS:

Option 1:

Option 2:

Option 3:

Option 4:

s.13

RECOMMENDATION:

Option 3.

APPROVED / NOT APPROVED

DATE:

Shirley Bond
Solicitor General

Kevin Falcon
Minister of Finance and
Deputy Premier

Approved by:
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Prepared by:
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**MINISTRY OF PUBLIC SAFETY AND SOLICITOR GENERAL
LIQUOR DISTRIBUTION BRANCH
BRIEFING NOTE**

**PREPARED FOR: Honourable Shirley Bond, Solicitor General
FOR INFORMATION**

ISSUE:

Minister's meeting with Canada's National Brewers (CNB) representative, Bryan Cox on November 1, 2011

BACKGROUND:

The CNB is an industry association representing Canada's three largest brewers – Labatt, Molson/Coors and Sleemans. In British Columbia, Sleemans owns Okanagan Spring Brewery. The products produced by these companies, including the imported products they represent as agents, account for 88% of the dollar value of beer sales in the province.

Bryan Cox was recently appointed the head of the CNB for Western Canada. Prior to this Bryan was in charge of Public Affairs for Molson/Coors for Western Canada. He replaced Greg D'Avignon who is now the President of the Business Council of British Columbia.

DISCUSSION:

This is likely an introductory meeting however it is possible that Bryan Cox will raise the following issues with the Minister.

1. Beer Distribution by Private Liquor Stores

Licensed breweries are authorized by LDB to direct deliver beer to licensees. In some parts of the province or for smaller licensee accounts it may not be particularly cost advantageous for brewers to deliver. The CNB would like the province to authorize licensee retail stores (LRS's) to sell and deliver beer to licensees in these cases. The CNB has argued that this is also a green initiative.

Under the Liquor Control and Licensing Act all licensees must purchase liquor from the LDB (under the present scheme the brewers are acting as delivery agents for the LDB). Absent an amendment to the Act, there is no lawful way for LRS's to sell to other licensees. If government was interested in this initiative, the financial implications would need to be studied given the 16% discount provided to LRS operators. In addition, this would represent a significant shift in the private retail model as it would transform these stores into wholesalers. It can be expected that other retailers such as the 12 independent wine stores would ask for similar privileges.

2. Social Reference Price (LDB Minimum Price)

The LDB has a minimum price policy that specifies the lowest price that products can be sold at based on the Government Liquor Store (GLS) price. LRS may sell for less as LCLB policy allows them to sell at the price they purchase product, currently 16 per cent below GLS prices.

Minimum prices vary by product category and are not reviewed regularly. Representatives from the spirits and beer industry have often requested annual reviews and inflation adjustments to minimum prices. A recently published report by the Provincial Health Officer also recommended that minimum prices should be increased annually for inflation to discourage alcohol abuse.

The minimum prices for packaged beer and draft beer were last increased in February 2008 by two per cent. The previous increase in the minimum price for beer occurred in October 2006. The current minimum price for packaged beer is the equivalent of \$7.54 per six-pack (cans) and for draft beer is \$130.25 per 58.67 litre keg.

3. Beer Volume Markups (Flat Tax)

The LDB's markups for beer are volume based, in contrast to LDB markups on other alcohol beverage categories which are percentage based. Percentage based markups increase when supplier prices increase, and therefore automatically adjust for inflation. Beer volume markups only increase when beer volume increases and will not keep up with price inflation unless they are periodically increased. Beer markups have not been increased since February 2004, except for the adjustment due to the implementation of the HST. Each 1% increase in LDB beer markups would generate approximately \$4 million net income annually.

4. Beer Sales

In Fiscal 2010/11 beer volume sales were down 7.1% in the packaged beer category and down 8.1% in the draught beer category.

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BIO FOR BRYAN COX

Mr. Cox is the Vice President, Western Canada at Canada's National Brewers.

Canada's National Brewers is the national trade association representing brewers with manufacturing operations across the country. Established in 2005, the association represents three (3) domestic brewers (Labatt, Molson & Sleeman) who collectively produce 97% of all beer brewed in Canada. Canada's National Brewers represents these brewers on a wide range of public policy, regulatory affairs, community interest and public image issues including a broad range of government and public affairs issues for the industry owned and operated Beer Store retail & distribution system.

Mr. Cox attended The University of Calgary and has a Bachelor of Arts in Political Science.

Mr. Cox's previous work experience is listed below:

- Vice President, Western Canada, Canada's National Brewers
- Director, Public Affairs, Western Canada, Molson Coors Canada
- Manager, Government Relations, EPCOR
- Ministerial Assistant, Government of British Columbia
- Public Affairs Officer, Government of British Columbia

**MINISTRY OF PUBLIC SAFETY AND SOLICITOR GENERAL
LIQUOR DISTRIBUTION BRANCH
BRIEFING NOTE**

PREPARED FOR: Honourable Shirley Bond, Solicitor General
FOR DECISION

ISSUE:

Transfer of Esquimalt government liquor store (GLS) property to Songhees:

s.17

s.17

BACKGROUND:

The LDB has operated a government liquor store (GLS) in Esquimalt since 1970. In fiscal 2010/11 the Esquimalt GLS sales were \$2.4 million.

In October 2004, the Liquor Distribution Branch (LDB) announced that it would be closing the Esquimalt government liquor store once the LDB-owned property was sold. Subsequently government directed the LDB to postpone the sale and store closure so that the property could be included in treaty negotiations with the Songhees First Nation. This decision is public knowledge.

s.16, s.17

s.16, s.17

s.17, s.16

The Esquimalt GLS is the only LDB store in Esquimalt and the nearest GLS is in Victoria, 2.5 km away. The nearest licensee retail store (LRS), the Tutor House Sports Pub is located across the street with three additional LRS's (Canadian Liquor Cabinet, Four Mile Liquor Store and the Cask & Keg Liquor Store) within a two kilometre radius.

s.13, s.16, s.17

DISCUSSION:

s.13, s.16, s.17

OPTIONS:

Option 1:

s.13, s.16, s.17

Option 2:

RECOMMENDATION:

Option 1

APPROVED / NOT APPROVED

DATE:

Shirley Bond
Solicitor General

Approved by:
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Prepared by:
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**MINISTRY OF PUBLIC SAFETY AND SOLICITOR GENERAL
LIQUOR DISTRIBUTION BRANCH
BRIEFING NOTE**

PREPARED FOR: Honourable Shirley Bond, Solicitor General
FOR DECISION

ISSUE:

Craft Distillery Policy

BACKGROUND:

In the past 10 years there has been an increasing North American trend in the establishment of “craft distilleries” or “micro-distilleries”. This trend began in the US, particularly in Pacific Northwest states such as Washington and Oregon. Craft distilleries are small distilleries that “hand-craft” their products in small stills. Craft distillery products are often priced at double the price or higher than products from large distilled spirit companies.

In Canada, the craft distillery trend has been slower to develop, and British Columbia is believed to be a leader with 10 small licensed distilleries. The first small distillery in the province was Vernon-based Okanagan Spirits that opened in 2004. The sales of small British Columbia distillers are shown in Attachment 1. Some distillers do not have sales as of yet, possibly because they are still developing or aging their products.

In recent years some of the small distillers created an organization called the Artisan Distillers Guild of BC (ADG) for the purposes of lobbying government to provide policy support for their sector. In particular the ADG wanted the ability to sell products directly to bars, restaurants and private liquor stores (wholesale customers). The ADG argued that the policy which required all sales to wholesale customers to be distributed through the Liquor Distribution Branch (LDB) limited the ability of small producers to access the market. British Columbia distilleries have been able to sell to the public from an on-site store for many years.

The ADG also argued that their direct sales should not be subject to LDB mark-ups noting that British Columbia wineries that make direct sales of wine made from 100 per cent British Columbia grapes or fruit are not subject to mark-ups.

In November 2010, the LDB announced a new policy for qualifying craft distilleries. The qualifying criteria are as follows:

- All products are fermented and distilled at the licensed distillery site.

- Annual production is limited to 25,000 litres per year. If the licensed distillery is under common ownership and/or common management with other licensed distilleries, the combined production of all distilleries will be used to determine compliance with the 25,000 litre production limit.
- Products must be produced utilizing traditional distilled spirit making techniques. Production of spirit cooler products or other highly processed products are not permitted.

British Columbia distilleries that qualify with the above criteria are able to sell their products directly to wholesale customers. For these sales the LDB pays distilleries a 7 per cent commission based on the retail value. This effectively rebates back to the distillery 11 per cent of the LDB spirit mark-up of 170 per cent which is applied to the supplier price plus federal excise taxes. The LDB already paid distilleries a 30 per cent commission for on-site sales to the public (this effectively rebates approximately 48 per cent of the spirit mark-up).

s.13

To date only one small distillery has been approved for craft distillery status (Kelowna based Urban Distilleries) and one other is in the application stage.

The LDB researched other jurisdictions when developing its craft distillery policy. Based on this research, the LDB determined that its new policy was more generous to small distilleries than any other jurisdiction in North America except New Brunswick and Saskatchewan. A number of US states (e.g. Oregon and Washington) have small distillery policies, but they only provide the ability to sell products to the public from an on-site distillery store without any financial incentives for doing so. They are not allowed to sell directly to bars, restaurants or other private outlets and these sales must go through the same authorized distribution channels as large distilleries.

New Brunswick does allow direct sales to wholesale customers from its two in-province distilleries. These distilleries pay the provincial liquor authority a 10 per cent mark-up on these sales, based on retail value, which is substantially below the normal spirit mark-up. New Brunswick has two small distilleries and they produce products that they distil themselves and from the blending/bottling of bulk spirits that they purchase from elsewhere.

Saskatchewan has recently developed a draft policy for small distilleries that has not been officially adopted.

s.16

s.16

s.16

The Yukon has a lower rate of mark-up on sales of small distillery products in government stores and applies this to local and out of province distilleries. Yukon does not allow direct sales by distilleries.

s.13, s.17, s.16

DISCUSSION:

s.13

OPTIONS:

s.13

s.13

RECOMMENDATION

Option 1

APPROVED / NOT APPROVED

DATE:

Shirley Bond
Solicitor General

Approved by:
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General Manager
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Prepared by:
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Attachment 1 – BC Small Distillery Sales

Distillery Name	Location	2010/11 Retail\$	2009/10 Retail\$
Winchester Cellars Ltd.	VICTORIA	s.21	
Okanagan Spirits Inc.	VERNON		
Pemberton Distillery Inc.	PEMBERTON		
Island Spirits	HORNBY ISLAND		
Urban Distillers	KELOWNA		
Maple Leaf Spirits Inc.	PENTICTON		
Spirit West Distillery	PENTICTON		
Brewer's Distillery	CHRISTINA LAKE		
Merridale Artisan Distillery	COBBLE HILL		
Phillips Distilling Company	VICTORIA		
		\$1,109,712	\$1,035,220

Attachment 2

Comparison of Direct Sales Mark-ups with New Brunswick, Saskatchewan

Province	Sales to Public	Sales to Wholesale Customers
British Columbia	- Mark-up of 170% less a commission of 30% of retail value	Mark-up of 170% less a commission of 7% of retail value
New Brunswick	s.16	
Saskatchewan		

**MINISTRY OF PUBLIC SAFETY AND SOLICITOR GENERAL
LIQUOR DISTRIBUTION BRANCH
BRIEFING NOTE**

PREPARED FOR: Peter Milburn, Deputy Minister, Ministry of Finance
FOR INFORMATION

ISSUE:

Small Brewery Threshold

BACKGROUND:

Companies that produce less than 150,000 hectolitres (hl) of beer annually receive lower rates of beer mark-up from the LDB (a hectoliter is 100 litres, or about 25 dozen beer). The purpose of this policy is to support small brewing companies that do not have the economies of scale of large companies. The Liquor Distribution Branch (LDB) has two tiers of small brewery: 0 – 15,000 hl and 15,000 – 150,000 hl. The LDB's mark-up rates for packaged beer, based on annual brewery production, are shown in Attachment 1.

In order to comply with international and inter-provincial trade agreements, the mark-up policy applies to companies from other provinces and countries in addition to British Columbia companies. In order to direct the lower mark-up benefit to small companies, beer production is based on the total amount of beer produced by all facilities owned by the same company (e.g. a small brewery owned by a large brewery would not qualify).

Of the 50 brewing companies operating in British Columbia, 47 currently qualify for small brewery status and three do not. The three that do not are Labatt, Molson and Sleeman (Okanagan Spring) which are subsidiaries of large international companies. There are six British Columbia breweries that are in the 15,000 – 150,000 hl brewery category and the rest are in the <15,000 hl category. There are approximately 75 foreign and out-of-province breweries that also qualify for small brewery status but most have very low sales in the province. Most imported beer sold in the province is produced by large breweries.

Other provinces also have lower rates of beer mark-up based on production levels. The maximum production levels to qualify as a small brewery by province are shown in Attachment 2. Only Alberta, at 200,000 hl, has a higher small brewery threshold than the LDB's.

The LDB's second tier small brewery threshold was increased from 15,000 - 100,000 hl to 15,000 -150,000 hl in 2009.

DISCUSSION:

s.13

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Attachment 1

Beer Mark-up Rates by Brewery Size

Brewery Size (Production)	Packaging Format	Mark-up Rates
> 150,000 hectolitres (hl)	Packaged	\$1.75 per litre
	Draft	\$1.20 per litre
15,000 - 150,000 hl	Packaged	\$1.16 per litre
	Draft	\$0.81 per litre
0 - 15,000 hl	Packaged	\$1.04 per litre
	Draft	\$0.72 per litre

Attachment 2

Maximum Production Threshold for Small Breweries

Province	Small Brewery Production Threshold
British Columbia	150,000
Alberta*	200,000/400,000*
Saskatchewan	150,000
Manitoba	35,000
Ontario	75,000
Quebec	150,000
Nova Scotia	15,000
New Brunswick	15,000
Newfoundland	10,000
PEI	N/A

*Note: If a company's volume grows beyond 200,000 hl, it receives the lower rate of beer mark-up on the first 200,000 hl sold in Alberta and the higher rate on additional sales until total company production exceeds 400,000 hl, at which point the higher rate applies to all beer sales. In Alberta, the determination of production is based on all products produced by a company, not just beer.

**MINISTRY OF PUBLIC SAFETY AND SOLICITOR GENERAL
LIQUOR DISTRIBUTION BRANCH
BRIEFING NOTE**

PREPARED FOR: Honourable Shirley Bond, Solicitor General
FOR DECISION

ISSUE:

s.17

BACKGROUND:

The Liquor Distribution Branch (LDB) has operated a government liquor store (GLS) at the current location since 1962 and the LDB owns the building. For fiscal year 2010/11 the store generated approximately \$582,000 in sales and completed approximately 21,278 customer transactions.

Of the \$582,000 in sales approximately \$543,500 or 93 per cent is counter business.

The building is a stand-alone single level, older wood framed building constructed in 1962. The LDB owns the building and land. The building is 2,625 sq. ft. and the 2012 Property Assessment lists the value of the land at \$35,500 and the building at \$63,700 for a total value of \$99,200. As assessed values are typically 20-30 per cent less than the market value, it is estimated the market value of this property is between \$99,000 and \$120,000.

The Village of Alert Bay was incorporated in 1946 and is located on Cormorant Island on the edge of Vancouver Island's Inside Passage north of Vancouver Island and southeast of Malcolm Island. According to the most recent information from Alert Bay's Visitor Centre, the village has a population of 556. Alert Bay is accessible via BC Ferries from Port McNeill or from the community of Sointula, located on Malcolm Island. By car and ferry, Alert Bay is located 3.1 km from Port McNeill and 2.1 km from Sointula.

s.22

There are currently two Licensee Retail Store (LRS) licenses in Alert Bay within one kilometre of the GLS as well as a Royal Canadian Legion. Of the two LRS licenses, one is located in the Orca Inn. This liquor license is currently dormant.

The second LRS is the Bayside Liquor Store. In fiscal 2011/12, this LRS purchased s.21 from the LDB. It is open seven days a week from 11:00 a.m. to 11:00 p.m.

The Bayside Liquor Store carries a good variety of beer and refreshment beverages and a limited selection of spirits and wine.

s.13

However, this has not been confirmed.

DISCUSSION:

s.17

OPTIONS:

Option 1:

Option 2:

s.13, s.17

Option 3:

RECOMMENDATION:

Option 2:

s.13, s.17

APPROVED / NOT APPROVED

DATE:

Shirley Bond
Solicitor General

Approved and prepared by:

Jay Chambers
General Manager
Liquor Distribution Branch
604 252-3021

**MINISTRY OF PUBLIC SAFETY AND SOLICITOR GENERAL
LIQUOR DISTRIBUTION BRANCH
BRIEFING NOTE**

PREPARED FOR: Bert Phipps, Public Service Agency
FOR INFORMATION

ISSUE: Financial Impact of Opening Government Liquor Stores on Sundays

BACKGROUND:

The BCGEU has claimed that government revenue would increase by \$120 million to \$150 million per year if all government liquor stores (GLS) were opened on Sundays. It is not known how these figures were calculated.

This briefing note summarizes the LDB's estimate of the revenue impact of opening all GLSs on Sundays. There are 195 GLSs that service retail customers, 22 of which are currently open on Sundays (21 of these are large "Signature" stores).

DISCUSSION:

s.13, s.17

s.13, s.17

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ADVICE TO MINISTER

CONFIDENTIAL ISSUES NOTE

Ministry of Public Safety and Solicitor General

Date: Updated Oct 04, 2011

Minister Responsible: Hon. Shirley Bond

Interprovincial Wine Sales

SUGGESTED RESPONSE:

- I am aware MP Albas has introduced a private member's bill in the House of Commons this week proposing changes to the Importation of Intoxicating Liquors Act, 1928.
- The Province will be reviewing the language in his proposed amendment to determine how this would impact British Columbia.
- I can tell you that I am already considering what kind of personal allowance limit might strike the right balance between our obligation to control the availability of liquor, and the interests of consumers and our beer, wine and spirits industries.
- The Province is always looking to improve market access for our farm families, including those who produce some of the world's best wines, and we will continue to work with our federal and provincial counterparts to do so.

BC Wine Industry:

- Our province's wine sector continues to mature into a world-class producer of exceptional wines – in fact wines from each of B.C.'s five wine regions have won awards in 2011.

- Sector growth has been impressive;
 - B.C. now has over 200 grape wineries and over 700 vineyards.
 - B.C. VQA wine had sales of \$182 million in 2010, and total sales of all B.C. produced wine reached \$304 million.
- This means direct and indirect jobs for British Columbians.

Background: [Updates in bold]

MP Dan Albas, Conservative MP for Okanagan-Coquihalla has introduced a private members bill in the House of Commons to amend the Importation of Intoxicating Liquors Act, 1928.

Albas' bill would add this paragraph to the current Act:

(h) the importation of wine from a province by an individual, if the individual brings the wine or causes it to be brought into another province, **in quantities and as permitted by the laws of the latter province**, for his or her personal consumption, and not for resale or other commercial use.

The proposed amendment appears to allow each province to determine what quantities would be allowed and how a consumer could get wine from another province (only carried on the person, direct shipping from winery to consumer, etc)

Ron Cannan, Conservative MP for Kelowna-Lake Country is also advocating for the removal of barriers that prevent wine producers from shipping their product direct to consumers in other provinces (through an amendment of the federal Importation of Intoxicating Liquors Act).

Concerns:

ADVICE TO MINISTER

s.13

Note:

s.13

Most provincial liquor boards, including the B.C. LDB apply a mark-up on wine of 100 per cent or more which is reflected in the retail price the consumer pays.

In B.C., in-province wineries are allowed to sell B.C. grape wine directly to consumers without the LDB's mark-up. These direct sales are much more profitable than sales through LDB stores where LDB mark-ups apply. The wineries want the same ability to sell directly to consumers in other provinces and avoid the mark-ups applied by those liquor boards.

s.13

Additional background:

The Importation of Intoxicating Liquors Act, 1928 (IILA) prohibits the movement of wine through a provincial territory unless it is first consigned to provincial liquor authorities. The IILA, which dates back to 1928, gives provinces the sole authority to import liquor and is an important part of the legislative framework that allows provinces to control liquor sales within their borders and generate liquor revenue.

In August 2010, federal agriculture minister Gerry Ritz wrote a letter to his provincial counterparts asking for their government's thoughts on this issue. The Province has not responded. Minister Steve Thomson, then agriculture minister, asked the Sol Gen, Minister of Finance and the Minister of Small Business, Technology and Economic Development to provide him with comment – the Minister of STED did provide comment.

At the recent Agriculture Ministers Federal-Provincial-Territorial in New Brunswick (July 6 – 8) Minister McRae raised this issue with his fellow Ministers.

s.13, s.16

Cannan's motion was introduced in Parliament in June with the support of the B.C. Wine Institute, the Canadian Vintners' Association and the Alliance for Canadian Wine Consumers.

There are no allowances for the personal importation of liquor into British Columbia from other provinces. British Columbia is one of the few provinces that have no specified allowance. The other two provinces with no allowance are Quebec and Nova Scotia

s.16

In June 2011, LCBO adopted a policy clarifying that it is legal for individuals to bring wines, spirits and beer into Ontario on their person from other Canadian provinces or territories (the limits are three litres of spirits, nine litres of wine and 24.6 litres of beer).

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**MINISTRY OF ENERGY AND MINES
LIQUOR DISTRIBUTION BRANCH
BRIEFING NOTE**

PREPARED FOR: FOR INFORMATION

ISSUE: Financial Business Improvement Project (FBIP)

BACKGROUND:

The LDB has a project underway – the Financial Business Improvement Project (FBIP) – to expand the usage of the Oracle Inventory software (currently used in managing the two distribution centre inventories) to include store inventory tracking. This project is also modifying business processes to improve efficiencies and reduce manual processes.

Expected outcomes and benefits include:

- Strengthened financial processes and controls which are better aligned with best/leading practices and which are sustainable
- Significantly improved data quality / integrity
- Improved system and process documentation
- Better knowledge transfer and training of staff.
- Significant improvement in data quality
- Improved staff and suppliers confidence in reports received/used
- Improved staff productivity and satisfaction
- Reduction in financial system support costs
- Greater reliance on systems, processes and controls and less on substantive procedures
- Improved availability, timeliness and accessibility of information

s.12, s.13, s.17

DISCUSSION:

s.12, s.13, s.17

s.12, s.13, s.17

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