



Our Solution For:

The Distribution of Liquor Project ("NRFP"), SATP-301

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Ministry of Labour, Citizen's Service and Open Government

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Executive Summary

Kuehne + Nagel's primary focus and motivation is to provide exceptional value to the British Columbia beverage supply chain, with the goal of providing cost-effectiveness, experience and flexible solutions that will meet BCLDB's needs today and in the future. Kuehne+Nagel vision is to improve service at every level of the supply chain to ensure the highest quality service to the stakeholders, wholesalers and LDB. Kuehne + Nagel is highly regarded for our customer orientation and it is clear that by ensuring high quality, incorporating best in class technology and processes, and collaborating as innovators with you and your partners we will assist you in achieving a leadership position in the Canadian beverage supply chain.

Our commitment includes bringing forward expertise and new concepts in order to provide the best and most efficient service as we grow together and support an ever changing and dynamic market. While we have devoted our attention to designing a solution as requested, we will share our perspective on how our partnership can lead to more than expected.

We understand LDB is seeking a provider to:

- Achieve a competitive supply chain cost structure
- Minimize risk for transition and future initiatives
- Innovate and contribute to a logistics leadership position
- Allow the LDB to focus on core capabilities and mandate
- Create an agile, streamlined and efficient supply chain
- Comply with Government requirements to be carbon neutral
- Improve shareholder value and return
- Make current LDB land and facilities available for sale

Within this RFP response we have ensured that we have:

- Supported the offer with full scope of services required
- Detailed how our solution has been formed and how we will support the requirements
- Provided a robust program and resources for innovation
- Identified a unique plan to support the utilization of best practices available both within Canada and globally

We believe that the success of your business and that of the stakeholders is based on the ability to focus on profitable growth and execution of market strategies. BCLDB can be confident that in partnership with Kuehne + Nagel the priorities and goals of all stakeholders will be the motivating factor in all we do.

Considering Kuehne + Nagel's experience, expertise and supporting processes and personnel we are passionate about providing the most innovative solutions from Canada and around the globe. This will ensure the highest degree of success and the lowest risk in execution and sustaining the most efficient supply beverage supply chain in Canada.

Thank you for allowing us to participate in your request for proposal for the distribution of liquor in British Columbia. We look forward to the review of our proposal.



Solution Summary

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8.2.1 Proponent Capability

a) Proponent profile

Each Proponent should include a corporate profile that details background information on the Proponent and any subcontractors, including for each year they were (and subcontractors, if any) established, corporate ownership and hierarchy, jurisdiction, corporate strategic direction, area of recognized expertise in the market place, and an overview of the corporate information including size, revenues, market and geographic presence. Each proponent should demonstrate its ability to manage long-term business relationships and contractual engagements by providing examples where the Proponent has successfully done so and by describing the methods and processes applied.

KN Response

(Note for a complete review of Kuehne + Nagel please go to http://www.kn-portal.com/about_us/investor_relations/annual_reports/)

The Kuehne + Nagel Global Logistics Network

Since its 1890 founding in Bremen, Germany, by August Kuehne and Friedrich Nagel, Kuehne + Nagel has grown into one of the world's leading logistics providers. Today, the Kuehne + Nagel Group is one of the world's leading logistics providers with 900 offices in over 100 countries with approximately 56,000 employees. Kuehne + Nagel's key business activities and market position is built on its capabilities as one of the leading global logistics providers:

900 offices | 100 countries | Over 61,500 logistics specialists | 2010 turnover 20.3 billion CHF



Kuehne + Nagel is a financially strong, stable and independent organization. Our global network, leading-edge IT systems and high levels of service, have positioned us to continue to successfully increase the scope of our customer solutions and services.

World Headquarters

Kühne + Nagel International AG
Dorfstrasse 50
Kühne + Nagel-Haus



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 Phone 41-44-7869511 - Fax 41-44-7869595
 info.schindellegi@kuehne-nagel.com

Shareholder structure

At the end of 2011 the shareholder structure of Kuehne + Nagel International AG was as follows:

Kuehne Holding AG	53.3 per cent
Free float	46.1 per cent
Treasury shares	0.6 per cent
	100.0 per cent

Kuehne + Nagel Ltd. Canada – An Overview

Operating in Canada since 1953 and in British Columbia since 1972, Kuehne + Nagel is a major force on the Canadian logistics landscape. We are one of Canada's leading 3PLs, operating modern warehouses totalling over 4 million sq. ft. in Montreal, Toronto, Edmonton and Vancouver, providing our customers with a wide range of value-added services. Kuehne + Nagel also provides total North American coverage for TL and LTL freight service and has considerable experience performing distribution centre, city and beyond deliveries.

Kuehne + Nagel in Canada is highly receptive to the requirements of our customers, we have learned and listened to what they and have responded with relevant business solutions. We have and will continue to grow with an aggressive but controlled program for building a strong and enduring network in western Canada. These strategies included:

- Vancouver – Invested in a 203,470 sq. Ft. or 18,903 sq metres of warehouse and office space.
 - Dedicated space for KN Drinks – management of agent stock in an excise bonded warehouse consolidated and delivered to BC LDB and Connect Logistics in Alberta
 - Provide transparency and information reporting via KN Login
- Edmonton – Invested in building a state-of-the art 400,000 sq ft facility

Our main objective for our Western Canada network is to:

- a) Provide the most cost-effective logistics network support for our clients
- b) Mitigate port congestion and delays
- c) Stabilize the workforce and ensure employee retention

A Focus on KN Drinks

KN Drinks – A Global Division Dedicated to the Drinks Industry

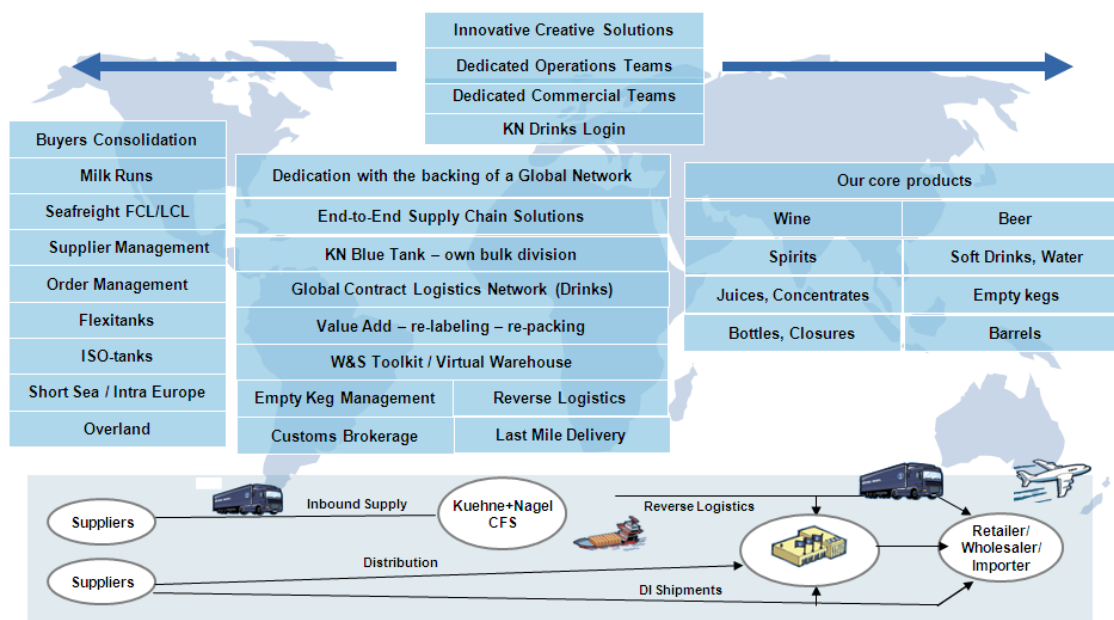
Kuehne + Nagel has the opportunity to shine in telling the successful story of our global KN Drinks Division. Our list of corporate clients clearly illustrates our leading position in the global industry:





We offer complete supply chain logistics for our Drinks clients, including seafreight, airfreight, customs, warehousing and distribution, to final delivery. Our IT management systems run on a single global platform ensuring our clients transparency in their supply chain, resulting in optimized logistic processes. This ultimately provides savings in cost and operating efficiencies. The following graphic is a simple overview of the services we provide. In a presentation we will provide detail on each of these services.

KN Drinks Logistics – The True Global Network



In partnership with us, LDB can rest assured their suppliers and themselves will be dealing with a proven and experienced logistics provider. We are proud and excited to be offering a comprehensive solution to LDB and look forward to putting our expertise into action.



b) Demonstrated experience in large scale warehousing and wholesale distribution

Each Proponent should provide examples of experience in providing a warehousing and wholesale distribution service and explain how the Proponent is suited to delivering the required Distribution Services.

c) Demonstrated experience with transitioning services

Each Proponent should describe relevant experience (including subcontractors if any) in transitioning services.

d) Demonstrated experience in inventory, demand and delivery management on a scale similar to the requirements described in the NRFP

Using examples, each Proponent should demonstrate relevant capability in inventory management including large scale product warehousing, order processing and management, product stocking, assembly, demand aggregation and logistics/ delivery on a scale similar to the size served by the Warehouses.

KN Response

When we design a solution for our Canadian clients we look not only within our own borders but look beyond to our own network of global expertise. We are excited to review the solution proven successful for Heineken in the United Kingdom which clearly demonstrated our strengths. Considering our maturity in the Canadian marketplace we enjoy a proven track record of transitioning global solutions into the local market.

As such, we have chosen to highlight the solution we have been running for Heineken in United Kingdom since 2006.

We have presented our case study in a clear and concise manner, following our Project Definition processes and structure. To follow we review:

- Mission Statement
- Project Definition
- Project Details
- Scope – Facilities
- Scope – Processes & Operations
- Scope – Information Systems
- Scope – Human Resources
- References

Mission Statement

“To become an extension of our customer’s businesses, by consistently fulfilling our promise of value and service excellence through building the very best teams whilst fostering a passion for continuous improvement and collaboration.”

Case Study: KN Drinks Logistics – Heineken United Kingdom – 2006 to date

Project Definition

In 2006, our client, then Scottish and Newcastle (S&N), now Heineken, was experiencing the following challenges:

- Declining sales damaging profit performance
- Increasing burden of fixed distribution costs



Increasing desire to focus on core competency – “selling and producing great brands”
Free up cash to buy into other global markets

Contract Term:

Began in 2006

Latest contract terms implemented from 2012 – July 2023

Project Details

Stage One – 2006 – 2008 – “As Is”

Warehousing - 2 product sources:

- 1) Heineken’s own brand from manufacturing locations
- 2) Other Brands – international

Distribution – 2 streams

1) Wholesale

Primary - to other distributors (ie. DHL) to final delivery to pubs, restaurants
Secondary – direct to restaurants / pubs

2) Retail – grocery stores, liquor stores etc.

KN Services included:

Contracted to manage warehousing operations in 4 distribution Centres

Contracted to manage distribution to wholesale and retail clients

KN Services did not include:

Staff
IT systems

Phase Two – 2008 – Vision Implementation

Heineken purchased S&N

New challenges:

- Cost of distribution in the United Kingdom was too high
- Fixed charges too large a proportion - meant cost per unit was increasing with declining volumes

KN Solution, in partnership with Heineken

Kuehne + Nagel and Heineken formed a Joint Venture – KN Drinksflow

Joint Assets – 50/50 ownership – no personnel, only assets

Both parties provide funds and receive dividends

KN Drinks Logistics Division opened

Fully owned subsidiary of Kuehne + Nagel

Operating company

Manages all staff (2500 employees) and operations

Project Data

Wholesale Distribution	Retail Distribution
<ul style="list-style-type: none"> • Keg / Case / Pallet / Point of Sale • Secondary (through distributors) delivered volume 	<ul style="list-style-type: none"> • Full Pallet / Keg / Case / Bottle Pick / Point of Purchase Units • Total:



<ul style="list-style-type: none"> ○ 6.4 million hectoliters annually • Primary (direct to wholesalers) delivered volume <ul style="list-style-type: none"> ○ 3.1 million hectoliters annually • Same Day Order <ul style="list-style-type: none"> ○ Delivered 6,200 	<ul style="list-style-type: none"> ○ 78.5 million cases delivered annually
Warehousing	Other Services
<ul style="list-style-type: none"> • Case Pick • Full Pallet Pick • Bottle Pick • Bonded • Repack • Rework 	Reverse Logistics Value Added <ul style="list-style-type: none"> • Bulk Liquid Movement • Import / Export •

Scope – Facilities

--2 million Sq. Ft. warehouse space

Wholesale - 3 RDC's

Livingston 135,000 ft²

Wakefield 280,000 ft²

Thatcham 360,000 ft²

+ 13 Depots across the nation – for expedited daily delivery

- Size of depots range from 2,000 ft² to 125,000 ft² depending on the volume requirements at each location.

Retail – 2 RDC's

Dove Valley Park 350,000

Trafford Park 120,000

Overflow Warehouses

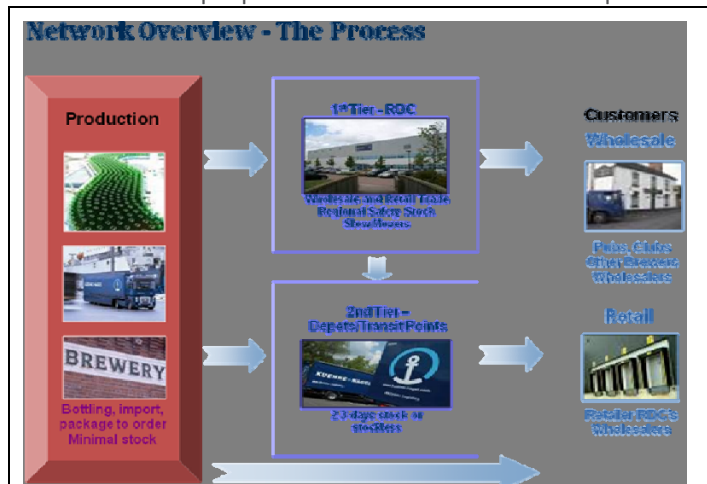
Middlewich 94,000 ft²

World Freight 150,000 ft²

Leicester 150,000 ft²

Scope – processes and operations

To follow is a simple process overview of the above operations:





Processes

Account Management & Continuous Improvement Processes and Transition

Upon award of, and through the evolution of the business, KN Drinks has implemented the corporate Customer Transition and Integration (CTI) process to ensure; we meet the needs of our client, smooth operations, and compliance. NOTE – the CTI process is fully explained in section 8.2.5 of this paper

KN Drinks has nominated a Contract Manager as the corporate sponsor and steering committee the formal point of contact between the two companies.

Heineken has nominated the equivalent to the above

The sponsor and steering committee provide direction and make decisions on escalated risks and issues. The sponsor authorizes change and is ultimately accountable for ensuring that the project delivers its anticipated benefits.

The steering committee has appointed a management team to the account which must participate in review meetings.

Management Reviews

Scheduled monthly, quarterly and annual review meetings – based on agreed upon Key Performance Indicators (KPI's).

First Contract Year

Kuehne + Nagel holds a series of three senior management briefing meetings to provide an introductory briefing, a half year update and an annual briefing on the approach and provision of services as agreed upon.

Scope – Information Systems

The design of the IT system was deployed in two stages:

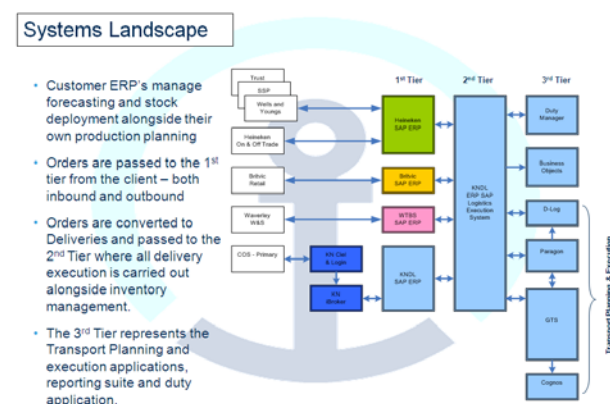
Phase One – “As Is” Scenario – 2006 - 2008

Kuehne + Nagel managed the business utilizing the SAP systems provided by Scottish & Newcastle (S&N).

Phase Two – 2008 – Vision Implementation

As we moved away from the “As Is” program, we designed a custom SAP system for Heineken UK, currently all orders are managed through our systems. The transition was managed successfully with a team of experts working collaboratively with Heineken to ensure no disruption to service. **We are proud to have won the SAP Quality Awards – Gold Winner 2011 for United Kingdom and Ireland.**

The following diagram provides an overview of our systems in place for Heineken and other clients to the United Kingdom Drinks Logistics Division:





Scope – Human Resources

When the Joint Venture was created in 2008 all employees, approximately 2500 were transferred to KN Drinks Logistics, (a wholly owned Kuehne + Nagel subsidiary) 500 were from Kuehne + Nagel and the remainder from Heineken. Heineken's work force was heavily unionized, and had a history of difficult change management.

Teams comprised of experts in change management were dedicated from both organizations to manage the transition professionally and smoothly. The teams consulted with employee representatives for over 3 months to ensure a collaborative and agreeable change management process.

We transitioned the staff to KN with no industrial action and from the customer's perception no difference in service from one day to another.

References:

In addition to managing Heineken's UK business, KN Drinks Logistics also manages many of the major players in the industry. LDB can be confident that a partnership with Kuehne + Nagel is a partner with a proven expert. The following is a list of our current client base:



NOTE: Other Notable Global Accounts in the Drinks Industry

In addition to the UK Drinks market, we also have developed tailor made solutions for the Norwegian Government Liquor Board, Vinmonopolet. We have brought value to their supply chain through an optimal combination of inventory levels, transportation costs and systems and other value added services.

We manage:

Warehousing and distribution for the supply of 80 liquor stores and approx. 500 bars with wine and spirits

Integrated EDI solutions

Receiving

Quality control and processing

Storage and Storage Management including:

Pick and Pack



- ☐ Marking and labeling
- ☐ Outbound shipments
- ☐ Transport and distribution solutions

Our solutions provide the following benefits:

- ☐ Improve the flow of goods
- ☐ Reduce assets and improve financial performance
- ☐ Improve control over inventory
- ☐ Deliver high quality and excellent customer service



8.2.2 Corporate and Financial Capacity

a) Proponent profile

Each Proponent should describe where and when it has been engaged as a service provider with a **financial obligation** similar to the size of this opportunity. Examples would be preferred and if possible, where the services were similar to the In Scope requirement. Each proponent should provide sufficient information on current financial stability and solvency, and a strategy for ensuring corporate and financial capacity to deliver the Distribution Services over the term of the Agreement.

KN Response

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Nationally and globally Kuehne + Nagel is a financially stable and robust company with positive growth plans for the future. In Canada since 1952 the LDB can rest assured that Kuehne + Nagel has the corporate and financial strength to invest in and continue service for the full extent of the proposed contract.

The following quote from our 2011 Annual Report, Management Board's outlook for 2012 clarifies our position of strength and stability for now and into the future:

"Investments in 2011 were geared to achieve sustained growth and a further positive development of earnings. In 2012, the focal point will be the successful and efficient integration of the companies acquired during the year under review.

All Kuehne + Nagel staff with their dedication, strong customer orientation and commitment to success will contribute substantially to the achievement of the ambitious growth targets.

The effectiveness of the company's strategy was confirmed by the results for 2011, and the business plan for 2012 accordingly envisages profitable growth which outpaces the market in all business units. Kuehne + Nagel is facing up to the uncertain development of the economy by consistent cost management, process optimization and increased productivity in all business units."

For a complete review of our annual report please go to our website at: www.kuehne-nagel.com.



8.2.3 Distribution Services

a) Warehousing plan

Proponents should describe in detail their warehousing plan to manage the volume of inventory on an annual basis. The warehousing plan proposed should reflect the distribution Services model being proposed by the Proponent taking into consideration the opportunities for supply chain improvements/ optimization and the goals and expected benefits outlined in Section 3.2 for this DLP. Proponents should detail the physical property, ownership (whether owned or leased) internal business processes, staff shift cycles and numbers, warehouse management technology, control measures, available floor space, compliance with regulations, location, current warehouse volume and capacity, existing customers and any other information needed to fully describe the Proponent's warehouse to be used for delivery of its proposed Distribution Services.

Historical LDB volume data as well as supplier touch points is provided in Appendix E and can be used as reference. The warehouse plan should be consistent with the proposed plan for the Distribution Services.

KN Response

Please see Appendix A. for the detailed Warehouse Process Diagram

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Please see Appendix B for our detailed Process Flow Diagrams

b) Beverage alcohol supply chain optimization

Proponents should consider opportunities for optimization in the supply chain as described in Section 5 and describe how their optimization recommendations augment their proposed Distribution Services solution and how they address the goals and expected benefits described in Section 3.2.

KN Response

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c) Inventory management plan considering wholesale and retail structure in B.C.

Proponents should detail their inventory management plan considering the proposed supply chain optimization plan. The inventory plan should include all aspects of inventory management and include details such as how inventory tracking takes place, processes for compliance with provincial and federal policy and regulations, adjustments tracked (e.g. real time), product tracking and updates, capacity planning, inventory rotation, quality assurance processes (e.g. bar codes, packaging), pallet control and safety compliance. Proponents should also explain their proposed demand management processes detailing replenishment strategies (including issuing purchase orders). The proposed inventory management plan should be compatible with the scope and volume of Product supply that the Proponent will be required to deliver within established KPI's.

KN Response

The following details our proposed inventory management plan, through receiving and processing to shipped orders.

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e) Delivery scheduling management

Proponents should describe their delivery and schedule management processes and explain how their proposed business processes will ensure effective delivery scheduling management (e.g. freight management) and shipping tracking (e.g. pallet bar code packing documents, fleet monitoring) for delivery of Product from the Proponent.

KN Response:

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f) Distribution Services and Key Performance Indicators (see Tony for freight)
Proponents should describe their proposed Distribution Services to suppliers/ Agents, GLS and Wholesale Customers. Proponents should also describe how their Distribution Services will meet industry standards for distribution and warehouse operations including the KPI's provided in Appendix E and as described in Section 5.2.2.8. Proponents should also propose remedies in the event the KPI's are not achieved.

KN Response

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g) Order processing including help desk

Proponents should explain how the customer order processing function would be integrated into their proposed Distribution Services order taking and processing functions. Based on the scope and volume of orders the LDB currently handles and depending on the Distribution Services model proposed, Proponents should detail their order taking business processes, the technology used, integration with the Proponents' warehouse information technology systems, structure of the customer services desk, current throughput, number of clients and any other information needed to explain the Proponents' proposed order taking and processes to be used for the Distribution Services.

KN Response

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h) Systems integration and reporting

Proponents should describe their current systems infrastructure and propose a plan for integration with the Ministry/ LDB's systems so that master data management processes (product, vendor, customer data) and warehouse shipping information (e.g. shipping scheduling data) can be seamlessly shared and wherever possible available for real time viewing by the Ministry/ LDB. Proponents should explain their sales order capture technology (e.g. centralized order management system so that electronic orders from the GLS and Wholesale Customers can be logged and tracked) as well as procedures for real time sharing of warehouse receipts for inventory updates and customs and excise reporting as well as real time viewing of available inventory within the Proponents' overall supply chain. Proponents should also explain their purchasing system application solution and explain how it will interface with the Ministry/ LDB's systems.

Proponents should explain what processes and procedures they have or will put into place so as to comply with the Province's privacy and information technology policy in delivery of their proposed Distribution Services.

KN Response:

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8.2.4 Governance and Stakeholder Relationship Plan**a) Service delivery governance structure and plan**

Proponents should propose a governance and stakeholder relationship plan and detail how they intend to work with the Ministry/ LDB in managing and resolving issues and in ensuring smooth delivery of the Distribution Services. (OKAM and escalation)

b) Stakeholder relations plan

Proponent should propose a stakeholder relation plan and explain how they intend to work with the Ministry/ LDB in ensuring that all stakeholder needs related to delivery of their proposed Distribution Services are met. (KPI's)

KN Response

Pages 33 through 34 redacted for the following reasons:

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**8.2.5 Transition Plan including Ramp up Schedule****a) Distribution Services transition strategy (including ramp-up schedule)**

Proponents should propose a transitioning strategy for the warehousing and wholesale distribution operations (including any proposed supply chain optimization opportunities) from the LDB to the Proponent. Proponents should demonstrate that their strategy will take into account key aspects of transitioning from the LDB to the Proponent such as: tasks, timelines, milestones, resources, risks, contingency plans, locations, facilities, systems, data, tools, equipment, assumptions and management methods.

Proponents including use of the Warehouses for transition purposes should clearly articulate how the Warehouses would be used, for how long and what Operational Assets would be required.

KN Response

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b) Change management plan

Proponents should provide a change management plan outlining tasks and processes considering transfer of the LDB distribution function (including any proposed supply chain optimization opportunities) to the Proponent.

KN Response

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8.2.6 Risk Management and Business Continuity**a) Risk management plan**

Proponents should propose a risk management plan considering their proposed role as distributor of Product to GLS and Wholesale Customers. The Province is interested in the Proponents' experience in the management of risk from a delivery services perspective. Proponents are asked to demonstrate, using past operations service delivery examples, where risks were assumed by the Proponent and reasons for allocation of risk between the Proponent, subcontractors and the customer.

KN Response

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**b) Business continuity plan**

Proponents should propose a business continuity plan in the event their proposed Distribution Services are disrupted. The business continuity (including disaster recovery) plan should outline processes and procedures that would be put into effect so that Key Performance Indicators are maintained where possible and that Product supply to GLS and Wholesale Customers is minimally impacted.

KN Response:



8.2.7 Labour Relations Strategy and Staff Successorship Plan**a) Labour relations strategy**

It is a requirement of this NRFP that the successful Proponent adhere to the memorandum of agreement signed between the government of BC and the BCGEU. Proponents should provide a labour relations strategy consistent with the terms of the memorandum of agreement outlining how they intend on engaging with impacted staff should they be the Selected Proponent. Proponents should detail impacts to their internal operating structure and plans to manage the introduction of BCGEU staff into their organization.

KN Response

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b) Staffing Successorship plan

Proponents should reference the human resource information provided in Appendix I and based on the terms of the memorandum of agreement, provide a staffing plan describing the types and numbers of staff the Proponent expects they would hire. Proponents should describe how they would structure their internal processes to accommodate BCGEU staff transferred to the Proponent.

KN Response

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8.2.8 Financial Model and Pricing Submission

Proponents are required to complete the following:

- a) Section 8.2.8.1 Financial Model; and
- b) Section 8.2.8.2 which includes the template provided as Appendix K.

8.2.8.1 Financial Model

Proponents should describe their proposed financial model by responding to the following requirements:

a) Describe the proposed economic model and how the proposed economic model supports the goals identified in Section 3.2 , and the eight (8) financial objectives provided in Section 5.5;

- Predictable / cost effective / fair / efficient / KPI's – lowers overall supply chain costs
- Value for money – financial transparency in to service / pricing / cost driver
- Pricing certainty within the shorter and with visibility into future year prices
- Achievement of cost savings from innovation and productivity gains
- Flexibility to handle permanent and temp. changes in scale
- Ongoing risk management including the quantification of risks with clearly defined accountability for each risk
- Capacity and willingness to make the required purchased to support the services and provide equal or improved service quality as of the services commencement date while improving service quality over the term of the agreement.

KN Response



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b) Describe all investments (e.g. transition costs, asset purchases, infrastructure, facilities, hardware, software, etc.) required to deliver the proposed Services.

For each investment provide:

- i. The associated dollar amount and timing of the investment; and
- ii. The proposed recovery mechanism, timing of such recovery and associated dollar amounts.

Responses to (i) and (ii) above are to be provided within Appendix K.

KN Response

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For Detailed Pricing Please see Appendix K as attached

- c) Describe the proposed pricing models for each proposed Service, including but not limited to:
- i. The underlying drivers that may impact pricing, and how pricing may be impacted as a result of changes in the drivers;
 - ii. How the services pricing and pricing components will be impacted by changes in scale;
 - iii. The approach and plan for addressing changes to the underlying drivers; and
 - iv. Any commitments and constraints that are part of the proposed pricing (e.g. volume floors and/or ceiling, order minimums, etc).

KN Response

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d) Describe the proposed approach for handling the cost of inflation, on an annual basis, by listing the services to be adjusted for inflation and the mechanism for such an adjustment.

KN Response

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e) Describe the approach for transferring the services at the termination at the Agreement to either, the Ministry/ LDB or another service provider in a manner that is efficient and ensures Distribution Services are not interrupted to GLS, Wholesale Customers, suppliers and Agents. In addition, describe the costs the Ministry/ LDB would be responsible for in the event of:

- i. Expiry of the term of the Agreement;
- ii. Termination by the Ministry/ LDB for convenience; or
- iii. Termination for force majeure event

KN Response

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8.2.8.2 Pricing Submission

Proponents are required to submit their pricing for all proposed Distribution Services by completing Appendix K. Proponents are to follow the instructions contained within Appendix K.

KN Response

Please see Appendix K



8.2.9 References

Proponents are required to provide a list of all contracts, over \$1M in contract value, they have held with the BC government over the past three years. The Province will conduct reference checks on these contracts as described in Section 5.6.1. If the Proponent does not have any contracts with the BC Government in the past three years then please confirm that is the case. The Province intends on validating statements made by the Proponent in this reference check.

KN Response

Kuehne + Nagel Ltd. has not held any contracts with the BC Government over the last three years.

Proponents are also to provide three references that the Proponent has with current customers (See Section 5.6.2). Proponents should detail the contact name, phone number, and the duration and description of projects or operations service delivery. Proponents will be notified by the Province before any of these references will be contacted. In addition, the Province, at its sole option, may undertake further reference checks by contacting other corporate and project references in addition to the ones provided by the Proponent.

KN Response

The following references have been selected to showcase our successful relationships with our clients at various stages of development, including Bell Canada who we are currently at the implementation stage.

Name & Contact	Duration and Description
Client Name: Heineken Contact: Paul Hoffman UK Supply Chain Director Heineken 2-4 Broadway Park South Gyle Broadway Edinburgh +44 (0) 7785 716571 paul.hoffman@heineken.co.uk	Duration – 2006 – 2023 Description Complete drinks logistics for retail and wholesale distribution throughout the United Kingdom. For details please refer to the case study in question 8.2.1 in this document.
Client Name: Bell Mobility Inc. Contact Marc Lapierre Director, Procurement & Supply Chain Tel: (905) 282-3818	Duration: December 2011 – to date Description: Implementation Phase of designing the following services: Fulfilment of all channels for Bell, Virgin, Solo, PC Reverse Logistics Triage for repair/refurbishment Integration to SAP with Bell Integration with repair partner



	<p>Integration with Bells carriers</p> <p>Kitting and other production</p> <p>Programming devices</p> <p>Activation + Pairing (Sims)</p>
<p>Client Name: Hyundai Canada</p> <p>Contact</p> <p>Ray Irwin</p> <p>PDC Manager</p> <p>905-948-6793</p>	<p>Duration: July 2008 - ytd</p> <p>Description:</p> <p>Auto parts distribution to approximately 80 Dealers across Canada</p> <p>Ship 20,000 outbound lines per month</p> <p>Manage 2 DC out Vancouver and Mississauga</p> <p>Manage 1 returns and projects depot out of Montreal</p> <p>Total of approximately 100 000 sq. ft.</p> <p>EDI integrated</p> <p>Return logistics</p> <p>Project distribution</p> <p>Domestic land transportation</p> <p>KN manages</p>



Operational Assets

Proponents interested in submitting responses for the Operational Assets are asked to provide the following information in their Proposals.

Proponents should note that offers provided in response to Potential in Scope options will not be a factor in determining Short-Listed Proponents or the Selected Proponent.

8.3.1 Operational Assets

a) The Province has included the Operational Assets used within the Warehouses as a Potential in Scope opportunity. Proponents are not required to submit an offer for the Operational Assets. In responding to this opportunity, Proponents are asked to indicate whether their Operational Assets option proposal is for the Vancouver Operational Assets, Kamloops Operational Assets or both.

KN Response

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b) In the event a Proponent chooses to submit an offer for the Operational Assets, Proponents should describe its purchase plan, outline the types of assets of interest and any assumptions or other conditions that the Proponent requires to purchase the proposed Operational Assets.

KN Response

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In Closing

In summary we believe Kuehne + Nagel's Value Proposition to the BCLDB to encompass the following key differentiators:

S 21

Considering Kuehne + Nagel's experience, expertise and supporting processes and personnel passionate about providing the most innovative solutions from Canada and around the globe will ensure the highest degree of success and the lowest risk in execution and sustaining the most efficient supply beverage supply chain in Canada.

Pages 55 through 66 redacted for the following reasons:

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Customer Transition & Implementation Information Technology Approach



Information Technology Implementations

CTI mission statement

"We ensure a smooth transition and integration of our customers' business through a proven methodology, using experienced project specialists, standardized tools and systematic knowledge transfer to manage, control and report implementations...."



Information Technology Implementations

These days, business success relies on the accuracy, speed and reliability of its data, both internally and in communication with its clients.

Kuehne + Nagel has developed a thoughtful and thorough methodology to ensure that, when a client selects Kuehne + Nagel to provide warehousing and distribution services for their business, the data on which the company relies retains its integrity, availability and visibility.

While each implementation is unique depending on the client and its customers' needs, the following slides provide a high-level view of typical steps in an implementation and an idea of the time required to work through each step.

Of course, your plan will be tailored to your needs and we will work with you throughout the process to make sure you are satisfied.

Pages 70 through 86 redacted for the following reasons:

s 21



Thank you

Pages 88 through 89 redacted for the following reasons:

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SATP - 301 - Appendix K Pricing Submission Template

[enter Proponent Name]

[Proponent Contact Person (Name, email)]

STRICTLY CONFIDENTIAL

Table of Contents

Sections	Worksheet Name
Introduction	0.0 Introduciton
General Instructions	0.1 Instructiions
Services	
Services to Suppliers and Agents	1.0 Suppliers and Agent Prices
Services to Wholesale Customers	2.0 Wholesale Customer Prices
Investments and Capital Plan	3.0 Investment & Capital Plan
Scale Impacts	4.0 Scale Impacts

Introduction

Proponents are required to submit their proposed pricing for all Services and other required financial information by completing this Appendix K.

When developing their Distribution Services Prices, Proponents are required to incorporate the Normalizing Modelling Assumptions in Section 8.2.8.2 Pricing Submission.

Proponents are asked to list and describe each proposed service and provide the associated unit price (complete worksheets 1.0 and 2.0).

In addition, Proponents are required to provide the following financial information:

- 1 Details of investments required to support the proposed Services are to be provided in worksheet 3.0;
- 2 Proponents are to provide in worksheet 4.0 a list all services where the price would be impacted by changes in Services volumes;

Instructions

- 0 **IMPORTANT:** PRIOR TO SUBMITTING THE COMPLETED ECONOMIC MODEL TEMPLATE, THE PROPONENT MUST PASSWORD-PROTECT THE FILE. PROPONENTS MUST COMMUNICATE THE PASSWORD TO THE GOVERNMENT CONTACT PERSON VIA EMAIL IMMEDIATELY AFTER SUBMITTING THE NRFP RESPONSE.
- 1 Proponents should describe any additional assumptions in the "Assumptions" columns provided in each worksheet.
- 2 If necessary, Proponents can add additional notes and comments at the bottom of each worksheet, with clear reference to the related content to which the notes refers to.
- 3 Only where indicated, Proponents can add rows as needed.
- 4 Proponents are **NOT** to delete any previously existing rows, columns and worksheets.
- 5 Proponents are **NOT** to protect, hide or lock any cells, rows, columns, or worksheets.
- 6 Proponents are to read and follow the instructions appearing at the top of each worksheet.
- 7 Proponents are to enter their assumptions and inputs only into Blue Cells.
- 8 Yellow cells represent illustrative examples of the type of content expected from Proponents. These examples are not intended to lead or constrain Proponent's submission in any way.
- 9 Green cells are not to be changed by Proponents.
- 10 Pink cells are calculated and not to be changed by Proponents

Services to Suppliers and Agents
Services Pricing

Discussed Field Fair Input Inputs Do not Modify Example

Instructions:					
1 Proponents are to provide the names and descriptions of all the services and associated prices that Supplier and Agents would be charged.					
2 Proponents are to document all General Assumptions related to service prices proposed in this tab.					
3 Proponents are also to document all Services specific assumptions in each Service and Prices table.					
4 For each proposed service, Proponents should provide the stated service price, and the following underlying price components:					
Direct Labour	Office Supplies and Equipment	Technology (software applications and hardware)	Distribution Facilities Lease	Distribution Facilities Maintenance	Others
Distribution Equipment Lease	Distribution Equipment Maintenance	Investment Recovery	Overhead Labour		
Note: the proposed service price is the sum of all price components					

General Assumptions					
0					
1					
2					
3					
4					
5					
6					
7					
...	[Add rows for additional assumptions]				
N					

Services and Prices

#	Service	Description of service and components	Assumptions	type	Bill	Unit	Unit Prices	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
100	Receiving palletized product				\$21	\$											
Cost Components	Direct Labour (Salaries & Benefits)				\$	\$											
	Office Supplies and Equipment				\$	\$											
	Technology (software applications and hardware)				\$	\$											
	Distribution Facilities Lease				\$	\$											
	Distribution Facilities Maintenance				\$	\$											
	Distribution Equipment Lease				\$	\$											
	Distribution Equipment Maintenance				\$	\$											
	Investment Recovery				\$	\$											
	Overhead Labour				\$	\$											
	Others				\$	\$											
	Total				\$	\$											

#	Service	Description of service and components	Assumptions	type	Bill	Unit	Unit Prices	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
1	Inbound Putaway - Full Pallet				\$21	\$											
Cost Components	Direct Labour (Salaries & Benefits)				\$	\$											
	Office Supplies and Equipment				\$	\$											
	Technology (software applications and hardware)				\$	\$											
	Distribution Facilities Lease				\$	\$											
	Distribution Facilities Maintenance				\$	\$											
	Distribution Equipment Lease				\$	\$											
	Distribution Equipment Maintenance				\$	\$											
	Investment Recovery				\$	\$											
	Overhead Labour				\$	\$											
	Others				\$	\$											
	Total				\$	\$											

#	Service	Description of service and components	Assumptions	type	Bill	Unit	Unit Prices	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
2	Inbound Putaway - Cases from Mixed Pallet				\$21	\$											
Cost Components	Direct Labour (Salaries & Benefits)				\$	\$											
	Office Supplies and Equipment				\$	\$											
	Technology (software applications and hardware)				\$	\$											
	Distribution Facilities Lease				\$	\$											
	Distribution Facilities Maintenance				\$	\$											
	Distribution Equipment Lease				\$	\$											
	Distribution Equipment Maintenance				\$	\$											
	Investment Recovery				\$	\$											
	Overhead Labour				\$	\$											
	Others				\$	\$											
	Total				\$	\$											

#	Service	Description of service and components	Assumptions	type	Bill	Unit	Unit Prices	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
3	Storage Rate - 6 bottle cases				\$21	\$											
Cost Components	Direct Labour (Salaries & Benefits)				\$	\$											
	Office Supplies and Equipment				\$	\$											
	Technology (software applications and hardware)				\$	\$											
	Distribution Facilities Lease				\$	\$											
	Distribution Facilities Maintenance				\$	\$											
	Distribution Equipment Lease				\$	\$											
	Distribution Equipment Maintenance				\$	\$											
	Investment Recovery				\$	\$											
	Overhead Labour				\$	\$											
	Others				\$	\$											
	Total				\$	\$											

#	Service	Description of service and components	Assumptions	type	Bill	Unit	Unit Prices	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
4	Storage Rate - 12 bottle cases				\$21	\$											
Cost Components	Direct Labour (Salaries & Benefits)				\$	\$											
	Office Supplies and Equipment				\$	\$											
	Technology (software applications and hardware)				\$	\$											
	Distribution Facilities Lease				\$	\$											
	Distribution Facilities Maintenance				\$	\$											
	Distribution Equipment Lease				\$	\$											
	Distribution Equipment Maintenance				\$	\$											
	Investment Recovery				\$	\$											
	Overhead Labour				\$	\$											
	Others				\$	\$											
	Total				\$	\$											

[illegible]

Total					\$
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\$ 21

Investments and Capital Plan

Calculated Field	Participant Inputs	Do not Modify	Example
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Instructions:

1

Proponents should provide a description of each investment required to support the proposed Services.

2

For each investment, provide the dollar amount investment and the amounts associated with the recovery of the investment.

General Assumptions	
1	0
2	2
3	
4	
5	
6	
7	
8	
..	[Add rows for additional assumptions]
N	

Investment & Capital Plan															
Asset Name/Identifier	Asset Description	Assumption	Recovery Method	Units	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
		S 21		Purchase/Investment Amount	\$										
				Annual Recovery Amounts	\$										
				Purchase/Investment Amount	\$										
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Purchase/Investment Amount	\$		
Annual Recovery Amounts	\$		
Purchase/Investment Amount	\$		
Annual Recovery Amounts	\$		

S 21

Scale Impacts

Calculated Field	Participant Inputs	Do not Modify	Example
---------------------	-----------------------	------------------	---------

Instructions:

- Proponents are to list all Services where the Services Price listed in worksheets 1.0 and 2.0 would be impacted by the changes in annual volumes of the Services.
- For each Service, describe the underlying cost driver(s) that would impact the services pricing.
- Under the scenarios of -20% and 20% volume growth, provide the % change in price relative to the proposed pricing.
Note: the percentage growth is to be interpreted as a one-time increase in Year 1, not an annual growth rate.

General Assumptions

1 see file "KN Assumptions for BCLDB"
 2
 3
 4
 5
 6
 7
 8
 .. [Add rows for additional assumptions]
 N

Services to Suppliers and Agents

List of Services	Description of Impacted Cost Drivers	% Variation of the Proposed Pricing relative to Proposed Price in that same year -20% growth in volumes in Year 1										% Variation of the Proposed Pricing relative to Proposed Price in that same year 20% in volumes in Year 1									
		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10

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Services to Wholesale Buyers

List of Services	Description of Impacted Cost Drivers	% Variation of the Proposed Pricing relative to Proposed Price in that same year -20% growth in volumes in Year 1										% Variation of the Proposed Pricing relative to Proposed Price in that same year 20% in volumes in Year 1									
		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Service 1																					
Service 2																					
Service 3																					
...																					
Service N																					