BRITISH COLUMBIA

Treasury Board Submission –

Request for Decision

Minister: Honourable Shirley Bond, Solicitor General

Ministry: Public Safety and Solicitor General

Date: 18/01/2012 Ministry Document #: 24-12

Title: Options for the Distribution of Liquor

Issue:
This submission explores options of changing the business model for distribution of liquor, and its potential impact on the financial plan of the province.

Request:
This submission is seeking Treasury Board direction s.12

Background / Context:
The distribution of liquor in the province is a mixture of public and private services. (Note: the reference to distribution is the process of getting liquor to the stores, bars and restaurants that sell to consumers, not the retail system itself). The main elements of liquor distribution in the province are:

- The LDB operates two warehouses in Vancouver and Kamloops that distribute approximately 55 per cent of the liquor sold in the province by value including: all spirit products, all imported wine, a portion of BC wine (mostly to government stores) and some beer.
- LDB warehouses distribute to government liquor stores (GLS), most large private liquor stores and a portion of bars/restaurants
- Breweries and beer agents distribute most beer to GLS, private stores and larger bars/restaurants.
- BC wineries distribute most of their products purchased by wholesale customers.
- GLSs sell products to many medium to lower volume bars/restaurants.
- The LDB requires the agents of imported products to store the products in private agent stocking program (ASP) warehouses upon entry to the province - LDB warehouses receive their supply of these products from ASP warehouses.

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Contact: Lori Wanamaker
Deputy Minister
(250) 387-5131

Honourable Shirley Bond

Date Signed

Cabinet Concept Paper

Ministry: Public Safety and Solicitor General

Date: 01/12/2011

Issue: Liquor Retail and Distribution Model Options

Description:

The current BC liquor distribution model is a mixed public-private retail/wholesale model.

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Background/Context

The current mixed model includes approximately 1400 retail locations to purchase liquor (including licensee retail stores, rural agency stores, private wine stores, on-site manufacturer stores, and duty-free stores); 197 of which are government liquor stores (GLS) selling beverage alcohol to retail and wholesale customers.

s.12,13,17

Store Type	Number of Stores	
Government Liquor Stores	197	s.12,13,17
Licensee Retail Stores	672	
Rural Agency Stores	221	
Other (wine stores, manufacturer stores, duty free stores)	307	

The wholesale beverage alcohol distribution model includes 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. Beverage alcohol is purchased by LDB from over 400 suppliers and manufacturers, including licensed manufacturers within BC (wineries, distilleries and breweries).

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Contact: Lori Wanamaker, Deputy Solicitor General
(250) 387-5131

Shirley Bond

Honourable Shirley Bond

December 5, 2011

Date Signed

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Appendix A: Extracts from the BCLDB Service Plan

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.

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.

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

Government Liquor Stores	40.7%
Licensee Retail Stores	33.5%
Licensees (pubs, bars, restaurants)	17.6%
Agency Stores	8.2%

Excerpts from the BCLD Service Plan Report:

"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."

"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."

Appendix B: BC LDB 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	-
	102,242	106,299
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
	166,129	170,571
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
	148,620	151,740
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
	166,129	170,571

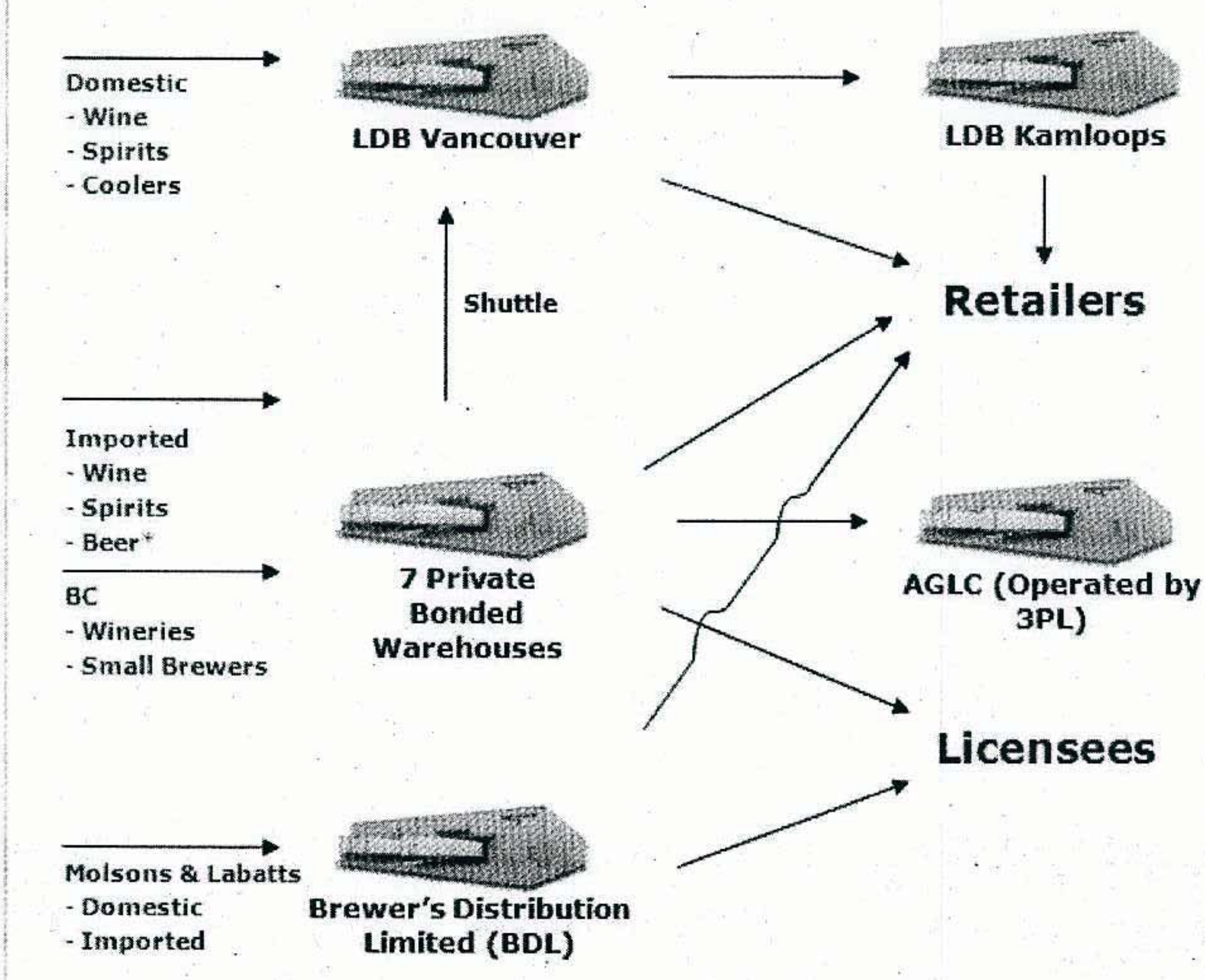
Commitments and contingent items (notes 11 & 12)

Approved by:

Jay Chambers
General Manager

Roger M. Bissoondatt, CA, CMA
Chief Financial Officer

Appendix C: Liquor Distribution Model in BC today:



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