

Cornett, Kathy M JAG:EX

From: Dahlke, Cindy LDB:EX
Sent: Thursday, May 17, 2012 10:51 AM
To: Woolley, Paul GCPE:EX
Cc: Hoskins, Jeannie JAG:EX; Cornett, Kathy M JAG:EX; Chambers, Jay LDB:EX; Ayers, Karen J MEM:EX; Hall, Gord LDB:EX; Mackintosh, Michele LDB:EX
Subject: Information Note re Information Request for Distribution of Liquor Project
Attachments: 2012-05-17_IN-MEM_Info_Req_Liquor_Distribution_Project.doc

Importance: High
Sensitivity: Confidential

Hi Paul,

Attached is an information note regarding the Distribution of Liquor Project.

Jay Chambers has approved this. ***This is to go to the Minister.***

Thanks!

Cindy Dahlke

Executive Administrative Assistant
General Manager's Office| BC Liquor Distribution Branch
2625 Rupert Street, Vancouver BC V5M 3T5
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ADVICE TO MINISTER

**CONFIDENTIAL
LDB INFORMATION NOTE**

**Ministry of Energy and Mines
Liquor Distribution Branch (LDB)**

Date: May 17, 2012

Minister Responsible: Hon. Rich Coleman

Information Request for Distribution of Liquor Project

KEY FACTS:

In Budget 2012, Government announced its intention to sell its liquor distribution warehousing facilities and associated distribution services to the private sector. Subsequently the Province decided to proceed in the manner outlined in the Negotiated Request for Proposal (NRFP).

The purpose of this NRFP is to invite Proponents to engage with the Province in a procurement process to develop creative Proposals for the provision of Distribution Services within an optimized supply chain resulting from the removal of the LDB warehouses and wholesale distribution operations from the existing beverage alcohol sales and supply process.

The Government, through this project, is seeking to achieve the following broad objectives:

- a) Contract with a cost effective private sector provider for Distribution Services;
- b) Achieve supply chain performance outcomes:
 - i. Service delivery to government liquor stores (GLS) and government served wholesale customers that is predictable, cost effective, fair, efficient and meets industry norms for key performance indicators; and
 - ii. A logistics model that lowers overall supply chain costs to the Province while maintaining or increasing government revenue from the sale of beverage alcohol in British Columbia; and
- c) Achieve a labour relations solution that meets the requirements outlined in the agreement between the BC Government and Service Employees Union (BCGEU) and Government effective on April 1, 2012.

Proponents are being asked to develop a proposal that would encompass the following services:

- Warehousing and inventory replenishment of liquor products (currently warehoused by the LDB); and
- Distribution of liquor products to government liquor stores and wholesale customers across British Columbia.

An agreement for the distribution services is anticipated to be concluded by March 1, 2013. Transition of the LDB services to the service provider will be concluded prior to March 31st, 2015.

The terms of the distribution services is up to 10 years with two (2) additional three (3) year renewal periods.

FAIRNESS IN THE NRFP PROCESS

To ensure the integrity and fairness of the process, the Province has engaged with a consultant to perform a fairness monitor function in this DLP procurement.

The role of the monitor is to:

- a) Review the procurement documentation so as to understand the Negotiated Request For Proposal process for the DLP;

- b) Monitor the procurement process for adherence to the terms of the NRFP, including participating at the Proponents' meeting, site visits, oversight during evaluation of submissions and subsequent Proposal refinement process as well as final selection of the Selected Proponent; and
- c) Prepare a fairness summary based on observations made during delivery of the procurement process. This report will be made publicly available.

ADVICE AND RECOMMENDED RESPONSE:

- The procurement process is well underway.
- On May 9th, the LDB has hosted a meeting with industry to provide an overview of the project and to hear comments from industry.
- On May 10th, a proponents meeting was held with vendors who have expressed interest in the project opportunity.
- There are currently eight proponents. These proponents are already actively reviewing project documentation.

If asked about the Fairness Monitor

- The fairness monitor is George Macauley; an independent consultant who has performed a variety of fairness roles for government on a number of complex procurements.
- George Macauley was awarded the fairness monitor contract through a competitive process. The value of this contract is up to \$74,900 (fees and expenses).
- The last government project George Macauley was involved in was the Strategic Telecommunications Services Procurement (STSP) where he performed the role as a fairness advisor. George's role in the STSP procurement ended in 2009 once the successful proponent was selected (prior to negotiations).

If asked what is in Scope

- The scope of the NRFP includes all aspects of warehousing of LDB liquor product. This includes inventory replenishment, product receiving and storage, order processing, order assembly and distribution of liquor product orders to GLS and wholesale customers across British Columbia.
- Proponents are also invited to provide creative options to optimize the beverage alcohol supply chain and reduce logistical touch points in the supply process.
- All proponents will have to provide a labour relations solution for impacted retail store and workers component staff (BCGEU).

If asked what is Out of Scope

- Operation of Government Liquor Stores is out of scope.
- Customs and excise and revenue collection and payment is out of scope.
- The Vancouver and Kamloops warehouse real estate is out of scope and will be handled in a separate procurement.

If asked what is retained by the LDB

- Importer of record, policy and regulations.
- Customs and excise clearance of imported liquor product.
- Collection and remittance of revenue collected from sales of liquor product to GLS and wholesale customers including disbursements to the service provider and suppliers/ agents.
- Compliance auditing.
- Operation of the GLS (195 stores).

- Contract management office for the Distribution Services and other authorized distributors of BC manufactured liquor products.

If asked about the NRFP Procurement Process

- Is a government procurement process managed by government staff and monitored by a Fairness Monitor.
- The procurement is a transparent process with all stages of the process clearly explained in a procurement document that was made publically available on government's BC Bid website.
- The evaluation criteria and weightings to be used in the identification of short-listed proponents and the selected (successful) proponent is clearly identified in the procurement document. All proponents will be treated equally according to these evaluation criteria.
- The fairness monitor will be present during the evaluations to ensure that the process laid out in the NRFP document is followed.
- The process can short list up to the top 3 ranked proponents as a result of the initial evaluation process. These short listed proponents are invited to participate in a proposal refinement stage where proponents may choose to refine their proposals. This proposal refinement process is described in the NRFP document. At the conclusion of this proposal refinement process, refined proposals are evaluated according to the evaluation criteria disclosed in the NRFP document and the top ranked short-listed proponent is deemed the selected (successful) proponent and invited to negotiate an agreement with the Province.
- The Province will conduct reference checks on proponents.

If asked about the NRFP Timing

- Initial proposals are due on June 29, 2012.
- The Province intends on short-listing (up to the top three top ranked proponents) on or about July 20th, 2012. The Province intends on making the names of these short-listed Proponents public.
- The Province intends of identifying the selected (successful) proponent on or about October 16th, 2012. The Province intends on making the name of the selected proponent public.
- The Province intends on executing an agreement for the distribution services by March 1, 2013.
- The timing of the implementation of the new distribution model will depend on the transition strategy in the agreement and the determination of other changes that may be necessary to support the new model.

Communications Contact:	Michèle Mackintosh	604-252-3034
Program Contact:	Jay Chambers, General Manager	604-252-3021
File Location:		

Cornett, Kathy M JAG:EX

From: Cornett, Kathy M SG:EX
Sent: Tuesday, February 28, 2012 3:57 PM
To: Gajda, Gail MEM:EX; Petrie, Cynthia MEM:EX
Cc: Hoskins, Jeannie SG:EX; Dahlke, Cindy LDB:EX
Subject: 477505 - Information BN re ContainerWorld Forwarding Services Inc.
Attachments: 477505 - BN re ContainerWorld.doc

The attached Briefing Note has been approved by Lori Wanamaker, Deputy Solicitor General, and is for Minister Coleman's meeting with ContainerWorld on **Thursday, March 1, 2012 at 10:30 am.**

Thank you, Kathy

Kathy Cornett

Senior Executive Administrative Assistant
Office of the Deputy Solicitor General
Ministry of Justice
Phone: 250 387-5362 Fax: 250 387-6224

**MINISTRY OF ENERGY AND MINES
LIQUOR DISTRIBUTION BRANCH
BRIEFING NOTE**

PREPARED FOR: Honourable Rich Coleman, Minister of Energy and Mines
FOR INFORMATION

ISSUE: Meeting with ContainerWorld Forwarding Services Inc. (ContainerWorld)

BACKGROUND:

An important element of the current liquor distribution system in British Columbia is the "Agent Stocking Program" (ASP) whereby the Liquor Distribution Branch (LDB) requires agents of foreign wine and spirit products to store their products in private warehouses upon entry into the province. The LDB orders imported wines and spirits from ASP warehouses into its own two warehouses (Vancouver and Kamloops) for distribution to government liquor stores, private liquor stores and licensed establishments. Most imported beer is distributed directly by agents, not by the LDB. (Note: The three large national breweries – Labatt, Molson and Sleeman are the agents for most imported beer products).

The LDB implemented the ASP warehouse program in the late 1970's because the LDB's Vancouver warehouse did not have the space to accommodate the increasing demand for liquor products. The ASP program provided the LDB with a ready local supply of imported products and obviated the need to replace its Vancouver warehouse with a much larger facility.

A single private BC-based company (ContainerWorld) accounts for more than 95 percent of ASP warehousing business. ContainerWorld operates a 496,000 sq. ft. warehouse in Richmond BC. In addition to imported liquor products ContainerWorld also provides warehouse and distribution services to BC wineries, smaller BC breweries and import beer agents (excluding the major companies). ContainerWorld distributes beer and BC wine throughout the province.

ContainerWorld claims that it has 300 employees at the combination of its Richmond warehouse, trucking division and other facilities in Kelowna, Kamloops and the Cariboo.

DISCUSSION:

ContainerWorld CEO Denis Christmas is aware that the distribution company Exel has approached government over the past number of years to express its interest in taking over the LDB's distribution system. Mr. Christmas is also aware of Exel's interest in somewhat replicating the Alberta model where Exel is the sole provider of most liquor warehousing and distribution services, except domestic beer, under contract to the Alberta Liquor and Gaming Commission.

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If ContainerWorld were interested in bidding on the RFP,

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Prepared by:

Gord Hall
Director, Corporate Policy
LDB
604 252-3035

Approved by:

Jay Chambers
General Manager
LDB
604 252-3021

Cornett, Kathy M JAG:EX

From: Dahlke, Cindy LDB:EX
Sent: Tuesday, February 28, 2012 9:34 AM
To: Cornett, Kathy M SG:EX
Cc: Hoskins, Jeannie SG:EX; Chambers, Jay LDB:EX; Ayers, Karen J SG:EX; Bissoondatt, Roger LDB:EX; Hall, Gord LDB:EX; Mackintosh, Michele LDB:EX
Subject: Briefing Note re ContainerWorld - Log # 477505
Attachments: 2012-02-28_BNI-ContainerWorld_477505.doc

Importance: High
Sensitivity: Confidential

Hi Kathy,


Attached and imported is a briefing note for information for Minister Coleman, regarding ContainerWorld. The Minister has a meeting with ContainerWorld on **Thursday, March 1**. Cliff # 477505.

Jay Chambers has approved this (and will be attending the meeting also).

Thanks.

Cindy Dahlke

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Gajda, Gail MEM:EX

From: s.22
Sent: Thursday, February 23, 2012 4:59 PM
To: Minister, EMH EMH:EX
Subject: RE: Meeting-ContainerWorld Forwarding Inc.

Hi Gail,

Thanks very much for this appointment. It is confirmed from our end.

I can be reached at any time at one of these numbers:

Office: s.22
Cell: s.22
Home: s.22

Cheers,
Mike

Notice of Confidentiality:

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From: Minister, EMH EMH:EX [mailto:EMH.Minister@gov.bc.ca]
Sent: Thursday, February 23, 2012 4:41 PM
To: 'WPC Inc.'
Subject: Meeting-ContainerWorld Forwarding Inc.

Hi Mike,

As discussed, I have set aside Thursday, March 1, 2012, 10:30-11:00am for Dennis Christmas' meeting with Minister Coleman. Location will be our office Room #128 Parliament Buildings. I am out of the office s.22
s.22 so if anything goes sideways on your end, please let me know.

Also, as the Legislature will be sitting next week and our schedule can go awry at any time, could I please get a day of cell. phone number should we need to reach the attendees quickly.

Thanks, Mike.

Gail Gajda
Administrative Coordinator to the
Honourable Rich Coleman
Minister of Energy and Mines
Telephone: (250) 387-6701