

**Cornett, Kathy M JAG:EX**

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**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

L-FYI

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  
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\* THINK GREEN: Do you really need to print this e-mail?

*Law*  
*5/17/12*

<p align="center"><b>CONFIDENTIAL</b> <b>LDB INFORMATION NOTE</b></p> <p><b>Ministry of Energy and Mines</b> <b>Liquor Distribution Branch (LDB)</b> <b>Date:</b> May 17, 2012 <b>Minister Responsible:</b> Hon. Rich Coleman</p>	<p align="center"><b>Information Request for Distribution of Liquor Project</b></p>
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**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 31<sup>st</sup>, 2015.

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**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 9<sup>th</sup>, the LDB has hosted a meeting with industry to provide an overview of the project and to hear comments from industry.
- On May 10<sup>th</sup>, 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 20<sup>th</sup>, 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 16<sup>th</sup>, 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:  
Program Contact:  
File Location:

Michèle Mackintosh  
Jay Chambers, General Manager

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604-252-3021

## ADVICE TO MINISTER

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Program Contact:	Jay Chambers, General Manager	604-252-3021
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