

The government evaluation team has completed its shortlisting of the six proposals that were submitted by companies interested in delivering, taking over the LDB's warehousing and distribution services. These shortlisted companies are listed in alphabetical order:

- ContainerWorld Forwarding Services Inc.
- Exel Canada Ltd.
- Kuehne + Nagel Ltd.
- Metro Supply Chain Group Inc.

The NRFP contained provision for up to three top ranked proposals. There was a tie for the third spot. Consequently, four proponents will continue in the process. It was the original intention that three companies were to be shortlisted, however, the third and fourth ranked companies received the same score and it was decided to expand the shortlist to four companies.

The next stage in the process is for the evaluation team to enter into discussions with the shortlisted companies and provide them with an opportunity to refine their proposals. The company with the best refined proposal will be chosen and announced in October. A services agreement will be negotiated and executed with this company by March 2013.

In my July 3 email, I asked employees to send any questions they may have about the distribution privatization process to askRoger@bclddb.com so that I could share these questions along with my answers in my regular updates. I have not received any questions since then; however I encourage you to use this opportunity to contact me if you have any future questions.

Thank you.

Roger Bissoondatt
Acting General Manager

***Macauley & Associates Consulting Inc.
742 Hampshire Road, Victoria, B.C. V8S 4S4***

July 18, 2012

Ministry of Labour and Citizens' Services
And Open Government
553 Superior Street
Victoria BC V8V 1X4

Attention: Richard Poutney

Dear Mr. Poutney:

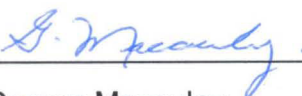
I am providing this letter in my capacity as fairness monitor for the Distribution of Liquor Project negotiated request for proposals (NRFP) SATP-301 and this letter is directed to you as contract manager for this engagement.

Since my engagement commenced on March 27, 2012 I have:

- (a) Reviewed the NRFP procurement documentation; and
- (b) Monitored the NRFP procurement process for adherence to the terms of the NRFP, including participating at the proponents meeting, site visits of the Vancouver and Kamloops warehouses, providing advice on communications with proponents, providing ongoing advice on fairness issues and overseeing the Stage 2 evaluation of proposals received from six proponents held July 9 to July 13, 2012.

I am of the view that the NRFP procurement to this date has been conducted fairly and in a manner that has adhered to the terms of the NRFP.

Macauley & Associates Consulting Inc.

By: 
George Macauley
Director

Top ten frequently asked questions:

1. What is the government privatizing?

- The government is seeking a 10-year service contract to operate the warehousing and distribution service presently operated by the provincial government's Liquor Distribution Branch (LDB).
- This is an operational cost to government. We believe the private sector can do it more cost effectively.
- However, we will only move forward if there is a clear benefit to taxpayers.

2. Is there a business case for privatizing?

- Balancing the budget, keeping taxes low for families and creating jobs is the government's business case.
- To help in that endeavor the government is exploring what might be possible and will only move forward if a better service delivery model can be provided by the private sector.
- Any new system would have to be more effective and efficient, and provide lower overall costs to government.
- Liquor pricing is not a part of the NRFP.
- Pricing and collection of revenue for liquor in B.C. remains the responsibility of the government.

3. Will consumers have to pay more for liquor products?

- The minister responsible for consumer prices for liquor products, Rich Coleman, said consumers will not have to pay more for liquor products as a result of this initiative.
- The provincial government will maintain control over pricing in the interest of all British Columbians.

4. Will there be an impact on the amount of government revenue generated by liquor sales?

- Revenue will not be impacted. Government will continue to collect its projected revenue stream. Last year it was about \$890 million.

5. How does privatizing LDB's warehousing and distribution save taxpayers' money?

- Warehousing and distribution is a cost to government. We believe a private sector operator can do it for less.
- The difference from what it currently costs government and what the private sector can do it for is the savings for taxpayers.
- The sale of the land where the government-owned warehouses are located in Vancouver and Kamloops will realize additional revenue for taxpayers. It has significant market value.

- It is anticipated that a private operator will have its own warehouses thus allowing the government to sell the land.
 - It is also possible that the new operator may need to lease the facilities for a period of time. Government has to allow time for that before it can move ahead on the sale.
 - The plan is for the warehouse properties in Vancouver and Kamloops to be sold through a separate process by 2014/15.
- 6. Will private and government liquor stores, bars and restaurants have to pay more in distribution costs?**
- Our intention is to reduce costs for government and taxpayers by finding a more efficient private operator.
 - We will ensure industry costs are fairly negotiated in the contract with the private operator.
- 7. Why is the government doing this now?**
- It is part of the plan we announced in February 2012 to balance the budget, keep taxes low and create jobs.
 - The Budget and Fiscal Plan included \$706 million of asset sales in 2013/14 and 2014/15 including the potential sale of the Liquor Distribution Branch warehouse and distribution network.
- 8. Is this the first step towards privatizing government liquor stores?**
- No. Government-operated liquor stores are not for sale.
- 9. When is the successful company expected to take over liquor distribution in BC?**
- The expectation is to have the agreement signed by March 2013. The timing for the transition of distribution services from government to the successful Proponent will be specified in the agreement.
- 10. What will happen to the current BCGEU employees if a private company is awarded the contract?**
- The government has a signed agreement with the BCGEU to ensure all impacted employees whose job is made redundant will be offered employment with the Service Provider with their salaries and benefits intact.
 - The agreement is part of the NRFP documents on the BC Bid website.

Other frequently asked questions

NRFP Process

11. What are the next steps in the NRFP?

- Based on the six submissions received, the NRFP evaluation committee shortlisted four of the most qualified proponents. They are in alphabetical order:
 - ContainerWorld Forwarding Services Inc.
 - Exel Canada Ltd.
 - Kuehne + Nagel Ltd.
 - Metro Supply Chain Group Inc.
- The shortlisted proponents will now have an opportunity to refine their proposals through feedback and discussions processes.
- The NRFP evaluation committee will determine which of these refined proposals best meets government's objectives, and will announce the successful company in October 2012.
- A services agreement to achieve a better service delivery model would then be negotiated with the successful company by March 2013.

12. Are you concerned that some of the companies bidding have connections to your party?

- No. Government procurement policies and procedures are being followed.
- As well, a fairness monitor is in place to oversee and verify the integrity of the process.

13. What is the process for determining who makes the short list and why did you go with 4 proponents instead of 3?

- Two proponents were tied for third so the evaluation committee decided to shortlist them both.
- Government procurement policies and procedures are being followed.
- Information on the evaluation process is available on my ministry website at: www.gov.bc.ca/citz/reports_publications.html

14. Who will determine the successful proponent of the NRFP process?

- The NRFP evaluation committee is combination of seven experienced executives from the LDB and the Ministries of Labour, Citizens' Services and Open Government, and Energy and Mines. The individuals are:
 - Roger Bissoondatt – Chief Financial Officer, A/GM, LDB
 - Kelly Wilson – Executive Director, Wholesale & Retail services, LDB
 - Ken McDonnell – Director, Warehouse Operations, LDB
 - Bette-Jo Hughes – Assistant Deputy Minister, Service BC, LCTZ
 - Richard Poutney – Executive Lead, SPO, LCTZ
 - Donna Mohn - Director of Wholesale Business, LDB
 - Dawson Brenner - Executive Director, Supply Services, LCTZ

15. Are you concerned about the departure of Jay Chambers?

- No. We have an experienced team of executives overseeing the procurement process.

16. What steps have been taken to ensure the NRFP process is a fair and transparent one?

- Fairness monitor George Macauley is overseeing the procurement and evaluation process. He has been involved from the early stages of the project.
- As well, the NRFP is publicly available on BCBid, which is standard government practice.
- The process will be conducted according to government policy and using proper government procedures, methodology and safeguards.
- It is transparent, clearly explained and will evaluate all proponents equally.
- The procurement steps as well as evaluation criteria are clearly outlined in the NRFP document.

17. What role does the fairness monitor play in the NRFP process?

- To ensure this is a fair and transparent process the fairness monitor will review all procurement documentation in the full NRFP process.
- He will ensure the terms of the NRFP are followed by participating in meetings with proponents and site visits.
- As well, he will provide oversight to evaluate submissions, work with the NRFP evaluation committee and provide suggestions to ensure any refinements to the process are conducted in a manner that is fair to all proponents and oversee in the final selection of the successful proponent.
- On July 18, 2012, the fairness monitor sent a letter to government indicating he is "of the view that the NRFP procurement to this date has been conducted fairly and in a manner that has adhered to the terms of the NRFP."
- At the end of the process, the fairness monitor will prepare a written fairness summary report based on observations made during delivery of the procurement process. This report will be made publicly available at the conclusion of the NRFP process.

18. Do you have examples of similarly large and complex government procurements that were successful?

- Yes, the government conducted several large procurements (ASD's) for the province beginning in 2004 that resulted in contracts worth \$1.6 billion and projected benefits of \$550 million over a 10-year period.
- Three examples:
- In 2003, after a year-long procurement process, MAXIMUS BC was selected to provide program management and information technology for the government's health insurance program. That contract was worth \$379 million over a 10-year period and has resulted in uninterrupted, quality services for seven years straight.
- In 2004, a \$301 million revenue services contract was procured through JSP. An audit performed by the OAG found it met the principles of good practice.
- In 2004, the government and IBM Canada Ltd. entered into an alternative service delivery agreement for provision of government's workstation services and management of the related technology infrastructure. This 10-year deal was valued at \$300 million when it was signed in 2004. In 2008, savings from the deal totaled \$4.3 million as a result of agreed upon IBM fee reductions and \$3.8 million saved through desktop, laptop and related workstation hardware price discounts included in the agreement's structure. Over the life of the contract, the government will realize financial benefits in the range of \$80 million.

19. Why were the warehouses dropped from the process? They were originally a factor in seeking to contract out the distribution services. In fact, the age of the warehouses was mentioned by Minister Coleman.

- We are still planning on selling the warehouses.
- We separated the sale of the warehouses from the actual NRFP on liquor distribution in order to maximize the value of both assets. (Bidding on the current NRFP does not prevent a company from also bidding on the warehouses or the property down the road).
- We'll get more for the property by offering them on the open market, than by limiting our field of prospective buyers to those interested in purchasing the property as well as operating liquor distribution together.
- However, in the short term, the successful proponent for the liquor distribution contract can lease-back the warehouses if they need to until they get their own facilities sorted out. But at the end day we plan to sell the properties.

20. Why not include the LDB trucks and other equipment?

- Not including trucks and equipment in the NRFP provides flexibility. The successful proponent may buy all or some of the equipment and trucks at a later date or they may not need to because they already have their own equipment or use different technology.
- If the equipment and trucks are not needed by the successful proponent they will be sold separately.

Confidential Documents

21. Why is access to certain information and documents available to the proponents only and not the public?

- For large complex procurements such as the one for the LDB it is standard procurement practice in both the public and private sector to have limited access to certain types of information to protect the commercial interests of the parties.

22. What is a Virtual Documents Room (VDR)?

- A VDR is an electronic version of a physical restricted documents room. Restricted documents rooms have been used typically on large government procurements that involved numerous documents needed by proponents in order to prepare their bids.
- In the past proponents would have had to travel to the documents room, reserve time in order to read the project documentation and then re-book time in order to continue gathering data as new information got populated into the physical document room.
- A VDR is accessible 24/7 through a web interface and is easier to use, faster to set up and readily accessible by proponents anywhere in BC or around the world and does not require proponents to physically attend a document room.
- A VDR also allows proponents to not only review and download documents but also to upload confidential information for review by the province as needed.
- The VDR in the current Liquor Distribution Project contains over 160 documents and the virtual room makes management of these documents practical. Each proponent has its own virtual room in the VDR.

Ministry Roles

23. What are the roles of Minister MacDiarmid, Minister Coleman and Minister Falcon?

- The Ministry of Labour, Citizens' Services and Open Government is responsible for government procurement. As such, Minister MacDiarmid is ultimately accountable for the procurement process.
- Minister Coleman is accountable for LDB.
- Minister Falcon, as Finance Minister, is accountable for the provincial budget and therefore the finances of the province in their entirety.
- Depending on the nature of the question, one or the other minister will be responsible for addressing it.

24. Why was Minister MacDiarmid the lead in the announcement of prospective bidders?

- Minister MacDiarmid is ultimately accountable for the procurement process.

Industry Concerns

25. Who will pay for the delivery charges for GLS and for non GLS?

- At the meeting it was explained that it would depend on the type of responses we received in the proposals.
- The Government Liquor Stores and non-Government Liquor Stores will be treated as wholesale customers, each will pay the delivery charges for their respective stores.

26. Will the government continue to cover the credit card fees for sales to wholesale customers?

- That's outside the scope of the NRFP.
- The LDB will continue to be responsible for revenue collection and hence charges related to the collection of revenue will be an LDB cost.
- This includes credit card fees.

INFORMATION BULLETIN

2012LCITZ0021-001070
July 20, 2012

Ministry of Labour, Citizens' Services and Open Government

Four proponents to be evaluated in next phase of NRFP

VICTORIA – The government of British Columbia has created a shortlist of proponents to enter the next stage of evaluation for the proposed privatization of the Liquor Distribution Branch's warehousing and distribution services.

Government has undertaken a transparent process based on standard government procurement practices to consider six proposals in response to the Negotiated Request for Proposals (NRFP) to contract for the LDB's warehousing and distribution services.

Based on the six submissions received, the NRFP evaluation committee shortlisted four of the most qualified proponents. They are (in alphabetical order):

- ContainerWorld Forwarding Services Inc.
- Exel Canada Ltd.
- Kuehne + Nagel Ltd.
- Metro Supply Chain Group Inc.

The NRFP contained a provision for up to the three top-ranked proposals. There was a tie for the third spot, so four proponents will now continue through the process. The shortlisted proponents will now have an opportunity to refine their proposals based on discussions with the NRFP evaluation committee.

The NRFP evaluation committee will determine which of these refined proposals best meets government's objectives, and in the event it is established a better service delivery model can be achieved, will announce the successful company in October 2012. A services agreement would then be negotiated with the successful company by March 2013.

To ensure a fair and transparent process, a fairness monitor is overseeing and working with the NRFP evaluation committee to ensure the process is conducted in a manner that is fair to all parties. At the end of the process, the fairness monitor will prepare a summary report, which will be made publicly available.

On July 18, 2012, the fairness monitor sent a letter to government indicating he is "of the view that the NRFP procurement to this date has been conducted fairly and in a manner that has adhered to the terms of the NRFP." The whole letter can be read at:

http://www.gov.bc.ca/citz/reports_publications.html

The B.C. government is currently exploring what might be possible and will only move forward if a better service delivery model can be provided by the private sector. Any new system would have to demonstrate itself to be more effective and efficient, and provide lower overall costs to government. Liquor pricing is not a part of the NRFP. Pricing and collection of revenue for liquor in B.C. remains in the hands of government – not the distributor.

Read the NRFP at <http://www.bcbid.gov.bc.ca/open.dll/submitLogin?disID=22322759>

Contact:

David Haslam

Communications Manager

Ministry of Labour, Citizens' Services and Open Government

250 387-3134

Connect with the Province of B.C. at: www.gov.bc.ca/connect

[release number]
July 12, 2012

Ministry of Labour, Citizens' Services and
Open Government

Transparent Procurement Process for LDB

VICTORIA – The Government of B.C. is currently exploring a contracting out of warehousing and distribution services on behalf of the Liquor Distribution Branch. Government has undertaken a transparent process based on standard government procurement practices to consider six proposals in response to the Negotiated Request for Proposals (NRFP).

The proposals are currently under evaluation according to government procurement policy and procedures by a committee of experienced executives from the Ministry of Labour, Citizens' Services and Open Government and the Ministry of Energy and Mines (Liquor Distribution Branch).

Based on the submissions received, the NRFP evaluation committee will create a shortlist of up to three of the most qualified companies by July 20, 2012. The shortlisted companies will then have an opportunity to refine their proposals based on discussions with the government evaluation team. The committee will determine which of these refined proposals best meets government's objectives, and in the event it is established a better service delivery model can be achieved, will announce the successful company in October 2012. A services agreement would then be negotiated with the successful company by March 2013.

The NRFP process is publicly available on the BCBid website. A fairness monitor has also been put in place to ensure a fair and transparent process and will prepare a publicly available fairness summary of the procurement process. The monitor was selected through a competitive procurement process and has been involved from the early stages of the project.

In order to provide continued transparency around the NRFP process, government has posted a list of frequently asked questions and answers.

Read the FAQs at

Read the NRFP at <http://www.bcbid.gov.bc.ca/open.dll/submitLogin?disID=22322759>

Read the Factsheet at <http://www.newsroom.gov.bc.ca/ministries/labour-citizens-services-and-open-government/factsheets/factsheet-fairness-monitor-oversees-liquor-distribution-privatization.html>

Contact:

David Haslam

Communications Manager

Ministry of Labour, Citizens' Services and Open Government

250 387-0172

**CONFIDENTIAL
ISSUES NOTE**

**Ministry: Labour, Citizens' Services and
Open Government**

Date: July 24, 2012

Minister Responsible: Margaret MacDiarmid

Created by Government Communications and
Public Engagement

**LDB FOI Request Regarding
Submissions of Proposals**

ADVICE AND RECOMMENDED RESPONSE:

- Six proposals were submitted by June 29, 2012.
- Proponents signed a declaration of interest document agreeing to the NRFP terms. The terms of the publically posted NRFP did not have mandatory requirements such as a binding closing date and time.
- All proposals that were received were evaluated according to the criteria outlined in the NRFP document.
- The fairness monitor has presided over the procurement throughout the process to date and has provided a fairness letter.

IF ASKED WHEN PROPOSALS WERE RECEIVED:

- Five proposals were received before June 29, 2012. One proposal was received on June 29, 2012. The arrival date and time for each proposal is as follows:
- Metro Supply Group submitted its proposal via BC Bid at 12:28PM, June 28, 2012.
- Exel Canada submitted its proposal via BC Bid at 16:24, June 28, 2012.
- Hillebrand submitted its proposal via BC Bid at 17:58, June 28, 2012.
- ContainerWorld submitted its proposal via BC Bid at 22:35, June 28, 2012.
- DB Schenker submitted its proposal via BC Bid at 15:27, June 29, 2012.
- Kuehne + Nagal submitted its proposal via BC Bid at 16:00, June 29, 2012.

BACKGROUND REGARDING THE ISSUE:

The Province received a freedom of information request asking for "*the list of companies that submitted proposals by deadline (4 pm, June 29, 2012) for the Distribution of Liquor Project (NRFP SATP-301), including the date(s) and time(s) that proposals were received by courier or hand at the 2nd floor reception, 563 Superior St., Victoria or submitted and received electronically*".

The Province received 6 proposals in response to the LDB procurement. Four proposals arrived the day before the proposal submission date and the fifth and sixth proposal on the proposal submission date.

Traditional procurements (e.g. in construction or general services) typically contain mandatory requirements (such as closing date and time) that are binding on all parties, which if not met, require disqualification from the process. The LDB procurement process on the other hand

required proponents to sign a declaration of interest document clearly stating that such binding rules do not apply.

In the LDB procurement the Province is under no obligation to disqualify or reject a proposal or proponent that fails to comply with a stated rule or requirement and may allow the proponent to rectify deficiencies in its proposal at any stage during the NRFP process.

The LDB NRFP process, though referencing a proposal submission date and time, did not include a mandatory cut off time, but rather a time for receipt of proposals so that the Province can manage distribution of proposals and evaluation scheduling. In this process there was no absolute deadline after which proposals would not be considered.

The following excerpts from the NRFP demonstrate this clearly:

- a) Section 1.1 page 6 of the NRFP provided an “*Anticipated NRFP Schedule*” table with “*Anticipated Dates*” and which included the “*Proposal Submission Date*” for proposal submissions as “*June 29, 2012, prior to 4PM local time, Victoria BC*”;
- b) Section 1.12, page 8 of the NRFP stated that “*Proponents can submit their Proposals by courier or hand delivered or electronically via government’s BC Bid system prior to 4pm local time, Victoria BC, of the Proposal Submission Date (June 29th, 2012)*”;
- c) Section 1.12(a), page 9 of the NRFP states that “*Proposals and Proposal Submission Forms should be submitted on or before the Proposal Submission Date in the manner prescribed by this section*”; and
- d) Section 2(ff) defines Proposal Submission Date as meaning, “*June 29, 2012*”.

Communications Contact:		David Haslam		7-0172
Program Area Contact:		Richard Poutney		250 356-0379
Created:		July 24, 2012		
File path: Z:\zz Citizens' Services Communications Office\Operations\Issue Notes\2012\Finals\Strategic Initiatives				
Program Area	ADM	DM	Comm. Dir	MO
RP		KH	DH	

ADVICE TO MINISTER

CONFIDENTIAL ISSUES NOTE

Ministry: Citizens' Services and Open Government

Date: July 3, 2012

Minister Responsible: Margaret MacDiarmid

Created by Government Communications and Public Engagement

LDB Supply Chain Vendor selection process

ADVICE AND RECOMMENDED RESPONSE:

- It is normal practice for Government to obtain external expertise during large procurement processes.
- To provide additional assurance that we appropriately consider all alternatives, we elected to obtain additional expertise in supply chain management.
- Ernst and Young has an extensive history providing similar services to large organizations.
- The B.C. Government is committed to obtaining best value for taxpayers when contracting for services.

IF ASKED ABOUT DEPARTURE OF LDB GM:

- We have an experienced team of executives overseeing the procurement process.
- We are confident this team has the skills and knowledge necessary to make a thorough evaluation of the proposals.
- All government procurement is done according to established policies and procedures and a fairness monitor is in place to ensure a fair and transparent process.

BACKGROUND REGARDING THE ISSUE:

The Negotiated Request for Proposal (NRFP) to privatize liquor warehousing, wholesale operations and distribution in B.C. will be conducted according to government policy and using proper government procedures, methodology and safeguards. The process is transparent, clearly explained and will evaluate all proponents equally. The NRFP document clearly outlines the procurement steps as well as evaluation criteria.

In the process of finalizing the evaluation procedures a decision was made invite external expertise in supply chain management. An invitation was sent out to the three prequalified suppliers – Deloitte Inc, Ernst & Young LLP and PricewaterhouseCoopers LLP (PWC) - from an established prequalification list as per standard procurement practice.

On March 26th, 2012 a fairness monitor was selected. The role of the fairness monitor is to ensure the terms of the NRFP are followed, perform site visits, participate in meetings with proponents, oversee evaluations and provide a fairness report at the end of the procurement.

On June 14th 2012, the General Manager of the Liquor Distribution Branch announced his resignation, effective July 6, 2012. The decision to obtain additional external supply chain expertise

was in progress before the resignation announcement. It is normal practice to bring in outside expertise on large outsourcing and related processes as has been done already with respect to this NRFP.

On June 29, 2012, Ernst & Young LLP was selected to provide expertise in supply chain management. This will provide additional supply chain subject matter expertise based on a very deep understanding of, and experience in, supply chain. The contractor will provide an additional source of subject matter expertise to complement the existing team.

Communications Contact:	Allison Jensen	3-3929		
Program Area Contact:	Richard Poutney	250 356-0379		
Created:	Jul 3, 2012			
File path: N:\zz_Citizens' Services Communications Office\Operations\Issue Notes\2012\Finals\zz_Miscellaneous\IN_LDB Supply Chain Vendor Selection Process FINAL.docx				
Program Area	ADM	DM	Comm. Dir	MO
RP		KH	DH	

ADVICE TO MINISTER

<p>CONFIDENTIAL ISSUES NOTE</p> <p>Ministry: Citizens' Services and Open Government</p> <p>Date: June 25, 2012</p> <p>Minister Responsible: Margaret MacDiarmid</p> <p>Created by Government Communications and Public Engagement</p>	<p>Query regarding LDB fairness monitor selection</p>
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ADVICE AND RECOMMENDED RESPONSE:

- **The fairness monitor has an important role in the procurement process.**
- **To ensure the terms of the NRFP are followed, the monitor will do site visits, participate in meetings with proponents, oversee evaluations and provide a fairness report at the end of the procurement.**
- **The fairness monitor was selected through a competitive procurement process, where by a list was compiled of individuals with appropriate and similar experience and they were invited to submit proposals.**
- **The chosen vendor has a lengthy history of providing similar services to government. I am confident he will review all LDB procurement documentation without bias.**

BACKGROUND REGARDING THE ISSUE:

On May 7, 2012, an information request was received regarding the process for selecting a fairness monitor to oversee the procurement and evaluation process to privatize liquor distribution in British Columbia. The request was for:

The offer, agreement and contract (including financial terms) with George Macauley to perform the fairness commissioner function for the Distribution of Liquor Project Negotiated Request for Proposals process; Information about the hiring of George Macauley including tendering and award correspondence and notices, and justification for direct award if it was a direct award; Correspondence with George Macauley.

The responsive records were held by the Logistics and Business Services branch of SSBC. A small amount of severing pursuant to section 22 (personal privacy) was done. It will be released to the applicant on June 19 and posted to the Open Information website 72 hours later.

The fairness monitor was selected through a competitive procurement process. According to policy, if a contract is valued between \$25,000 and \$75,000, and at least three quotes are obtained from qualified vendors, the request for proposals does not need to be posted to BC Bid. This contract was valued at up to \$74,900.

A list of individuals with experience in performing the role of a fairness monitor on significant government procurements was compiled, and those individuals were invited to submit proposals. Following a comprehensive evaluation of the six proposals received, the highest ranked proponent was identified and awarded a contract to perform the role of Fairness Monitor.

The successful vendor, Macauley & Associates Consulting, has a long history of similar contracts with government, including the Strategic Telecommunications Services Procurement project signed with TELUS, the Workplace Support Services contract signed with IBM, the Health Benefits

Operations contract signed with Maximus and the Revenue Management Project signed with EDS.

About the NRFP process:

The Negotiated Request for Proposal (NRFP) to privatize liquor warehousing and distribution in B.C. will be conducted according to government policy and using proper government procedures, methodology and safeguards. The process is transparent, clearly explained and will evaluate all proponents equally. The NRFP document clearly outlines the procurement steps as well as evaluation criteria.

The fairness monitor will review all procurement documentation in the full NRFP process. To ensure the terms of the NRFP are followed, the monitor will participate in meetings with proponents and site visits. It will also provide oversight to evaluate submissions, work with the evaluation committee to ensure any refinements to the process are conducted in a manner that is fair to all proponents and oversee in the final selection of the successful proponent. At the conclusion of the NRFP process, the monitor will prepare a fairness summary of the procurement process, which will be made publicly available.

Communications Contact:	Allison Jensen	3-3929		
Program Area Contact:	Richard Poutney	6-0379		
Created:	June 25, 2012			
File path: N:\zz_Citizens' Services Communications Office\Operations\Issue Notes\2012\Finals\zz_Miscellaneous\in_Query regarding LDB fairness monitor selection FINAL.docx				
Program Area	ADM	DM	Comm. Dir	MO
RP	BP	KH	JM	

ADVICE TO MINISTER

<p>CONFIDENTIAL ISSUES NOTE</p> <p>Ministry: Citizens' Services and Open Government</p> <p>Date: June 11, 2012</p> <p>Minister Responsible: Margaret MacDiarmid</p> <p>Created by Government Communications and Public Engagement</p>	<p>Query regarding non-responsive LDB records</p>
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ADVICE AND RECOMMENDED RESPONSE:

- **This was a complex request involving both the Liquor Distribution Branch and the Ministry of Justice.**
- **The request for the business case was processed by Information Access Operations on behalf of the Ministry of Justice since that ministry held the responsive records.**
- **We take the management of information and the protection of privacy seriously, and we are legally required to meet all the requirements of the FOIPP Act.**
- **All requests are processed and prepared by professional civil servants. There is no political involvement.**
 - **Policies and procedures are in place to assist public bodies to appropriately exercise discretion where it is permitted under the FOIPP Act.**
 - **Training sessions are also available to all public bodies covered by the legislation.**
- **As always, if an applicant disagrees with how the Act was applied to their request, they should contact the analyst with their concerns. Barring a solution, they have the right to ask the Information and Privacy Commissioner to review how the request was handled.**

BACKGROUND REGARDING THE ISSUE:

On February 23, 2012, A Freedom of Information request was submitted for "the business case/cost-benefit analysis on the feasibility of the sale (or any other type of disposition) of BC Liquor Distribution Branch warehouses, distribution and other logistics services." This request was processed by the Ministry of Justice. The response was released to the applicant on May 17, 2012.

The applicant subsequently made a request to the LDB for the general manager's "daily agenda and diary." That response was released to the applicant on April 27, 2012. In the calendar released through LDB, there was reference to records related to a meeting. The applicant requested those records from LDB on May 10, 2012. The response was released to the applicant on June 5, 2012.

The June 5 response contained a handwritten list of records identified as possibly responsive to the initial request for the business case. Some records considered responsive to the request by LDB were not considered responsive by the Ministry of Justice. Thus, they were not part of the release package.

The applicant asserts that the non-disclosure of those non-responsive documents breaches section 2.1.a (Purposes of this Act) and section 6 (Duty to assist applicants) of the Freedom of Information and Protection of Privacy Act. LDB has

informed the applicant that he is welcome to submit a new FOI request for these records. As of June 8, 2012, no such request has been received.

Communications Contact:	Allison Jensen			3-3929
Program Area Contact:	Brad Williams/Kathleen Ward			
Created:	June 11, 2012			
File path: N:\zz_Citizens' Services Communications Office\Operations\Issue Notes\2012\Finals\zz_Miscellaneous\in_Query regarding non-responsive LDB records FINAL.docx				
Program Area	ADM	DM	Comm. Dir	MO
KW	BP	KH	DG	

Liquor Distribution Branch Negotiated Request for Proposal (NRFP) Process

[Fairness Monitor Progress Letter](#) - July 18, 2012 (PDF - 697KB)

Procurement evaluation process

- Evaluators engaged in a consensus-based evaluation process, reviewing each criteria as requested in the NRFP. The chairperson and fairness monitor kept tally of the scores, the total numbers of which were not compiled by, or provided to the NRFP evaluation committee members.
- The committee reviewed the scores on a criteria by criteria basis to ensure consistency was applied in the scoring; the total score by proponent was not revealed.
- A thorough evaluation of the pricing criteria was conducted, and the scores for the pricing criteria were added to the evaluation.
- The scores for the evaluation criteria were tallied by the chairperson and fairness monitor who presented the results to the committee without revealing the identity of the proponents. Two proponents had scores that were not significantly different – they were both very close to being ranked in third place.
- Without informing the committee of the identity of the proponents, the evaluation committee, after fulsome discussion, determined that there was a tie for 3rd rank.
- After further deliberation amongst the committee and with the assistance of the fairness monitor, the committee agreed that it would not be fair to bring forward only the top 2 proponents.
- Having determined that there was a tie for 3rd rank, the committee decided to bring forward 4 proponents, 2 of which were tied for 3rd.
- The names of the proponent were identified, and the evaluation committee signed off the results.

May 10, 2012 meeting

The documents include two power point presentations that were produced for a May 10, 2012 meeting with interested proponents at the Vancouver LDB warehouse. Also being released is a transcript of officials presenting the power points slides to the proponents and answering their questions. The purpose of the meeting was to provide information on precisely what government is seeking from proponents and to give a tour of the warehouse facility. A listing of acronyms is also provided to help understand government terminology and phrases.

[Transcript of May 10, 2012 meeting \(with track changes to clarify transcription; highlighted sections refer to PowerPoint presentations\)](#)

- May 10, 2012 (PDF - 405KB)

[Liquor Distribution Branch \(LDB\) PowerPoint for May 10, 2012 meeting](#) - May 10, 2012 (PDF - 1.44MB)

[Ministry of Labour, Citizens' Services and Open Government \(LCTZ\) PowerPoint for May 10, 2012 meeting](#) - May 10, 2012 (PDF - 460KB)

[Transcript acronyms](#) - May 10, 2012 (DOC - 11KB)

Frequently Asked Questions

Liquor Distribution NRFP

General:

What are the potential benefits of privatizing liquor distribution in British Columbia?

- The Government of B.C. will only move forward if a better service delivery model can be provided by the private sector. Government anticipates the private sector can distribute liquor more cost effectively than government.
- Government, through this NRFP, wants to put in place a better service delivery model that is more predictable and cost effective for existing liquor stores and other wholesale customers. This new system will be more effective, fair and efficient, and will lower overall costs to B.C.
- Liquor pricing is not a part of the NRFP. Pricing and collection of revenue for liquor in B.C. remains in the hands of government – not the distributor.
- One of the main benefits to taxpayers is :
 - One is the sale of the warehouses themselves. While they are aging and out of date facilities for this type of operation, the land has great market value.
 - The second is in the cost of the operations. The proposal process is to identify someone who can deliver the service of warehousing and distribution for less money than it costs government today.

What aspects of BC's liquor distribution would be awarded through the Negotiated Request for Proposal (NRFP)?

- The NRFP includes the warehousing and distribution service presently operated by the provincial government's Liquor Distribution Branch (LDB).
- The NRFP does not include the two LDB warehouse properties or government operated liquor stores.
- The government-owned warehouse properties in Vancouver and Kamloops will be sold through a separate process, which will occur by 2014/15. Both warehouses are old and out-of-date, and are in need of refurbishing or rebuilding.

What are the steps in the NRFP?

- Government has received six proposals from experienced vendors. A shortlist of proponents will be developed by July 20, 2012 and proponents will be further screened and evaluated by October 2012.
- The best proponent will be selected at that point and further negotiations will be undertaken.
- The provincial government anticipates publicly announcing a proponent signed contract prior to March 1, 2013.
- The NRFP process is publicly available on the BCBid website.
- The Government of B.C. will only move forward if a better service delivery model can be provided by the private sector. Government anticipates the private sector can distribute liquor more cost effectively than government.

What is driving the timelines?

- A key component of this asset sale is the sale of the facilities and land, which according to our fiscal plan are scheduled for the 2013/14 and 2014/15 fiscal years.
- In order to meet that timeline, government needs to have a service provider in place at the beginning of the 13/14 fiscal year.
- The proponent may need to lease the facilities for a period of time so we have to allow time for that before we can move ahead on the sale.

What would the impact be to the fiscal plan if this sale doesn't go ahead?

- We expect the asset sale process would raise more than \$700 million in the next three years, and the sale of the LDB warehouses would be a part of this.
- We will continue working toward that target in the event the sale of the LDB business operations does not occur, and we are not able to go forward with the sale of the facilities and land.

Who will determine the successful proponent of the NRFP process?

- We have an experienced team of executives overseeing the procurement process. Proposals will be evaluated against a set of requirements set out in the NRFP document.
- The evaluation committee is combination of experienced bureaucrats from the Ministries of Labour, Citizens' Services and Open Government, and Energy and Mines.
- We are confident this team has the skills and knowledge necessary to make a thorough evaluation of the proposals.
- All government procurement is done according to established policies and procedures and a fairness monitor is in place to ensure a fair and transparent process.

In the event government decides to go forward with awarding a contract, when would the successful proponent take over liquor distribution in BC?

- The expectation is to have the agreement signed by March 1, 2013.
- The timing for the transition of distribution services from government to the successful proponent will be specified in the agreement.

Would the agreement with the successful Proponent be for a specified amount of time?

- The term of the agreement is expected to be 10 years.

Would there be an upfront cash payment to government by the successful proponent?

- We do not anticipate an upfront cash payment to government, it's an annual service contract for 10 years

What would happen to the current BCGEU employees if a private company is awarded the contract?

- As stated in the NRFP, “all distribution centre and wholesale customer centre employees in the RS&W employed at the Warehouses and Stores 100 and 231 whose job is made redundant by the DLP will be offered employment with the Service Provider.”
- There are additional sections in the NRFP outlining the agreement that was negotiated between the BC Government and the BCGEU.

Is this the first step towards privatizing government liquor stores?

- There is currently no plan to privatize government-operated liquor stores.

Fairness and Transparency:

What steps have been taken to ensure the NRFP process is a fair and transparent one?

- The Government of B.C. has selected a fairness monitor to oversee the procurement and evaluation process to privatize liquor distribution in British Columbia.
- The monitor was also selected through a competitive procurement process.
- The fairness monitor has been involved from the early stages of the project.
- As well, the NRFP is publicly available on BCBid, which is standard government practice.
- The process will be conducted according to government policy and using proper government procedures, methodology and safeguards. It is transparent, clearly explained and will evaluate all proponents equally.
- The procurement steps as well as evaluation criteria are clearly outlined in the NRFP document.

Have any other steps been taken to ensure fairness in the NRFP process?

- A Virtual Document Room has been set up containing information available equally to all participating proponents. The Room contains numerous documents and will grow as requests for information are made by proponents.
- This way, information will be shared fairly and equally among all proponents, so that they can determine what information they find relevant.

Fairness Monitor – George Macauley

What role does the fairness monitor play in the NRFP process?

- To ensure this is a fair and transparent process, the fairness monitor will review all procurement documentation in the full NRFP process. He will ensure the terms of the NRFP are followed by participating in meetings with proponents and site visits.
- As well, he will provide oversight to evaluate submissions, work with the evaluation committee to ensure any refinements to the process are conducted in a manner that is fair to all proponents and oversee in the final selection of the successful proponent.
- At the end of the process, the fairness monitor will prepare a summary of the procurement process, which will be made publicly available at the conclusion of the NRFP process.

How was George Macauley selected as the fairness monitor for the NRFP?

- Mr. Macauley has experience in a fairness role advising on complex service agreements and was selected in a competitive procurement process for the role of the Fairness Monitor.
- A list of individuals with experience in performing the role of a fairness monitor on significant government procurements was compiled, and invited to submit proposals.
- Following a comprehensive evaluation process of the proposals, the highest ranked proponent was identified and awarded a contract to perform the role of Fairness Monitor.

Pricing and the future landscape of liquor distribution in BC

Would there be a loss of government revenues following privatization?

- Liquor pricing is not a part of the NRFP. Pricing and collection of revenue for liquor in BC remains in the hands of government – not the distributor.
- The provincial government will maintain control over pricing in the interest of all British Columbians and we expect liquor prices will be similar to existing prices moving forward.
- Keeping pricing and revenue collection under the Province's control is in the best interest of all British Columbians and because of this we expect liquor prices will be similar to what people pay right now.

Do you anticipate an increase to government revenues as a result of this potential change?

- Although we anticipate this initiative will result in some operational savings, it will not impact government revenues on liquor.
- The contracting out of warehouse and distribution has no impact on government revenues.

Would the cost of liquor distribution for industry go up and if so, will the costs be passed on to industry or the consumer?

- The purpose of the competitive NRFP process is to seek a private sector service provider that can operate a liquor distribution system that is more efficient than the current one.
- Our expectation is that the cost of liquor distribution will not increase.
- British Columbians will pay about the same amount for liquor after liquor distribution warehousing and distribution is contracted out because the Province will continue to control pricing.

Ministry Roles

What are the roles of Minister MacDiarmid and Minister Coleman?

- The Ministry of Labour, Citizens' Services and Open Government is responsible for government procurement. As such, Minister MacDiarmid is ultimately accountable for the procurement process.
- Minister Coleman is accountable for LDB. There is no change to this situation.
- Depending on the nature of the question, one or the other minister will be responsible for addressing it.

Why was Minister MacDiarmid the lead in the announcement of prospective bidders?

- Minister MacDiarmid is ultimately accountable for the procurement process.

What are we selling

What exactly is for sale?

- The NRFP includes the warehousing and distribution service presently operated by the provincial government's Liquor Distribution Branch (LDB).
- The government is offering a ten year service contract to a private operator to warehouse and distribute liquor products.
- Essentially, the government expects the vendor to deliver the services at a lower cost than it currently costs.

Why not include the warehouses in the sale?

- The land is the real value. Both warehouses are old and out-of-date.
- It was decided to separate the sale of the warehouses from the NRFP for liquor distribution to maximize the market value of the properties because we believe we'll get more for them on the open market than narrowing our field to just companies interested in also operating the distribution network.
- As a result, the NRFP does not include the two LDB warehouse properties or government operated liquor stores.
- The government-owned warehouse properties in Vancouver and Kamloops will be sold through a separate process, which will occur by 2014/15.
- If we do not sell the LDB distribution service we will not be selling the warehouses separately.

Why were the warehouses dropped from the process? They were originally one of the main reasons for selling? In fact, the old age of the warehouses was a key component mentioned by Minister Coleman.

- We are still planning on selling the warehouses.

- We separated the sale of the warehouses from the actual NRFP on liquor distribution in order to maximize the value of both assets. (Bidding on the current NRFP does not prevent a company from also bidding on the land down the road).
- We'll get more for the warehouses and the land they occupy by offering them on the open market, than by limiting our field of prospective buyers to those interested in the purchasing the land as well as operating liquor distribution together.
- However, in the short term, the successful proponent for the liquor distribution services could lease the warehouses if they need to until they get their own facilities sorted out. But at the end day we plan to sell the warehouses.

Is there any business case for just privatizing the liquor distribution and not selling the hard assets?

- The warehouses do not have strategic value to the B.C. government if we contract out liquor distribution operations.
- However, the land they occupy has great value in the market.
- The sale of surplus properties and assets will not only provide much needed revenue to government but will also generate economic activity such as development and new business opportunities.

Why not include the LDB trucks and other equipment?

- Not including trucks and equipment in the NRFP provides flexibility.
- The successful proponent may buy all or some of the equipment and trucks at a later date or they may not need to because they already have their own equipment or use different technology.
- If the equipment and trucks are not needed by the successful proponent it will be sold separately.

Asset sales and LDB

How does the sale of the LDB distribution network fit into the government's asset sales?

- The Budget and Fiscal Plan included \$706 million of asset sales in 2013/14 and 2014/15 including the potential sale of the Liquor Distribution Branch warehouse and distribution network.
- The B.C. government intends to continue its plan to market and release surplus assets as announced in the Budget and Fiscal Plan.
- The next scheduled update on the progress of surplus asset sales will be released in Budget 2013.

Confidential Documents

Why is access to certain information and documents available to the proponents only and not the public?

- For large complex procurements such as the one for the LDB it is standard procurement practice in both the public and private sector to have limited access to certain types of information to protect the commercial interests of the parties.

What is a Virtual Documents Room (VDR)?

- A VDR is an electronic version of a physical restricted documents room. Restricted documents rooms have been used typically on large government procurements that involved numerous documents needed by proponents in order to prepare their bids.
- In the past proponents would have had to travel to the documents room, reserve time in order to read the project documentation and then re-book time in order to continue gathering data as new information got populated into the physical document room.
- A VDR is accessible 24/7 through a web interface and is easier to use, faster to set up and readily accessible by proponents anywhere in BC or around the world and does not require proponents to physically attend a document room.
- A VDR also allows proponents to not only review and download documents but also to upload confidential information for review by the province as needed.
- The VDR in the current Liquor Distribution Project contains over 160 documents and the virtual room makes management of these documents practical. Each proponent has its own virtual room in the VDR.

Why is access to this VDR restricted?

- The purpose of this room being restricted is due to some of this documentation being confidential and competitive in nature to the procurement and therefore inappropriate to be made public during the competitive process.
- For this reason this project VDR is only accessible by proponents under a confidentiality agreement.
- The restricted nature of the VDR also allows the province to receive confidential information from the proponents during later stages of the Liquor Distribution Procurement.

Why won't government release the information as to why this is a good idea? Is it purely ideologically driven?

- Our goal to effectively manage the province's finances – and the intention of this initiative is to do just that.
- We've been very clear this initiative won't proceed if it isn't a good deal for taxpayers.
- The information has been released in the NRFP which is being overseen by a fairness monitor.

There have been suggestions of political involvement in this process – is that the case?

- No. All government procurement processes and regulations are being followed.
- As well, a fairness monitor is in place to oversee and verify the integrity of the process.
- At the conclusion of this process, a proposal and recommendation will be submitted to cabinet, which will then make a decision as to whether this is the right decision for British Columbians.

Have private companies influenced the decision to put the LDB out for RFP?

- No, they did not influence the decision.
- The private sector has suggested they can do liquor distribution more efficiently than government, and that is what we are testing now with our RFP.

Records suggest there was lobbying under way last summer. What impact did that have on government?

- Government has looked at the possibility of privatizing liquor distribution on and off over the last dozen or so years.
- Most recently, extensive work was done in the context of core review, in 2006/07.
- That work was revisited in Spring 2011, when officials began their work to identify assets with the potential for revenue generation.
- Contracting out liquor distribution will only be pursued if it is demonstrated it will achieve savings for government.

Have private sector companies had access to cabinet ministers?

- Yes, on this and on many other issues. Just as citizens have regular access to cabinet ministers.

July 20, 2012

Ministry of Labour, Citizens' Services and Open Government

MEDIA ADVISORY

VICTORIA – Minister of Labour, Citizens' Services and Open Government Margaret MacDiarmid will be available to answer questions related to the Negotiated Request for Proposals process for liquor distribution in British Columbia.

Event Date: Friday, July 20, 2012

Time: 3 p.m.

Call-in numbers:

From Vancouver: 604 681-0260

From outside the Lower Mainland: 1 877 353-9184

Passcode: 54321 #

Special Instructions: Participants are encouraged to dial in at 2:45 p.m., as it may take some time to register.

MacDiarmid will also be available to television media at her constituency office.

Time: 3:30 p.m.

Address:

104 – 1245 West Broadway

Vancouver

Contact:

David Haslam

Communications Manager

Ministry of Labour, Citizens' Services and Open Government

250 387-0172

Brian - as discussed below are answers to your questions.

As you know, an NDP FOI request was completed last week and the documents file was made public on the government's website. In that file, page 9 (attached) is a minister's letter prepared for delivery to Scott Lyons of Exel Americas, Retail.

Can you please confirm the date that this letter was written, and the date it was sent?

- According to the ministry's records, there was a response prepared and signed by Minister Bond but the letter was never sent because a meeting was scheduled in the meantime.

Can you confirm that this letter was delivered to Mr. Lyons?

- See above

Can you confirm that he acknowledged receipt?

- See above

Second, from the same FOI file, page 28 (attached), Mr. Lyons in an email to Douglas Marc writes that he met Minister Bond at a golf tournament in Prince George, in late June 2011. Can the minister explain what the meeting was about, what was discussed?

- It was a chance encounter.

Third, why did the minister decide to meet formally with Mr. Lyons in her office on August 25, 2011, after making it clear to him earlier that the government was "not considering making any changes to the existing liquor distribution system."

- It's not unusual for government to reject an option and come back to it later on and make a different decision.

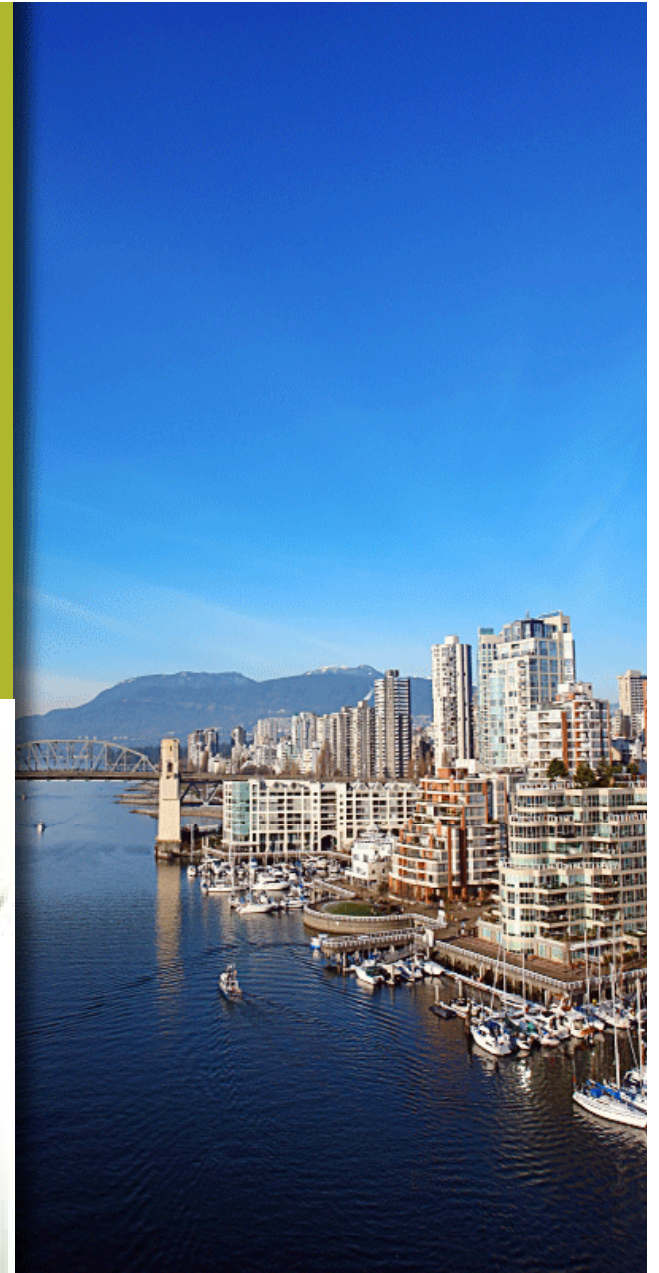
We now know that the government did change its position on this matter. The public is now left with the impression that efforts by Mr. Lyons and lobbyists somehow led the government to this change of position. If that's not the case, can the minister please set the record straight?

- As stated, it's not unusual for government to reject an option and come back to it later on and make a different decision.
- Our government has worked hard to put together a prudent fiscal plan to balance our budget. Balancing the budget is important because it means we can keep taxes low for families and maintain a competitive business environment for job creation.
- In order to deliver on our plan the Government of B.C. is looking at different ways to generate more revenue, as well as reduce expenditures.

- The thing that's driving all of this is our belief hopefully one of the proponents can warehouse and distribute liquor products less expensively and save taxpayers money. If that is not the case then we won't go ahead with it.
- In order to explore this option a government procurement process has been implemented that is being managed by public servants.
- The Province has selected a fairness monitor to oversee the procurement and evaluation process. The monitor was also selected through a competitive procurement process. The fairness monitor has been involved from the early stages of the project.
- As well, the NRFP is publicly available on BCBid, which is standard government practice.
- The process will be conducted according to government policy and using proper government procedures, methodology and safeguards.
- It is transparent, clearly explained and will evaluate all proponents equally.
- The procurement steps as well as evaluation criteria are clearly outlined in the NRFP document.

Distribution of Liquor Project

Proponents Meeting



**LIQUOR
DISTRIBUTION
BRANCH** **BC LIQUORSTORES**

AGENDA

- Welcome and Introduction
- Negotiated Request for Proposal
- Distribution of Liquor Project
- Overview of Liquor Distribution Branch
- Current Supply Chain
- Future State
- Liquor Warehouse / Agent Stocking Program

Distribution of Liquor Project

Negotiated Request for Proposal (NRFP)

Fundamental Assumptions

1. Government will always want to regulate access to beverage alcohol within its jurisdiction
2. Government will want to have a guaranteed revenue stream from the sale of liquor
3. In order to maximize the collection of revenue, government want to continue to be the wholesaler of record of all beverage alcohol products in British Columbia
4. The role of the private sector in liquor distribution may increase
5. Decisions on the mark-up and the price of products to the consumer are independent of the option chosen.
6. Government will always want the option to modify its operational involvement in all or part of the liquor distribution system

Distribution of Liquor Project

GOALS AND EXPECTED BENEFITS

- Contract with a cost effective private sector provider for Distribution Services (and potentially sale of the Operational Assets);
- Achieve the following supply chain performance outcomes:
 - i. Service delivery to GLS and 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;
- A labour relations solution that meets the requirements of the memorandum of agreement with the BCGEU.

Distribution of Liquor Project

Purpose of this NRFP

- 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.
- Up to the top three ranked Proponents who provide the best overall solution for the Distribution Services will be shortlisted.
- Short Listed Proponents will proceed to Stage Three of the NRFP process.

Distribution of Liquor Project

Proposals from qualified and experienced Proponents who are capable of achieving or delivering on the goals and expected benefits outlined below.

Scope includes:

- Perform warehouse replenishment,
- Product receiving, storage,
- Assembly,
- Order processing and
- Distribution of Product to GLS and Wholesale Customers;

Distribution of Liquor Project

Scope Continued:

○ Creative options that will:

- optimise the beverage alcohol supply chain and
- reduce the logistical touch points in the process;

○ A labour relations solution for BCGEU staff impacted by this NRFP

Distribution of Liquor Project

Optionally In Scope Requirements

Operational Assets

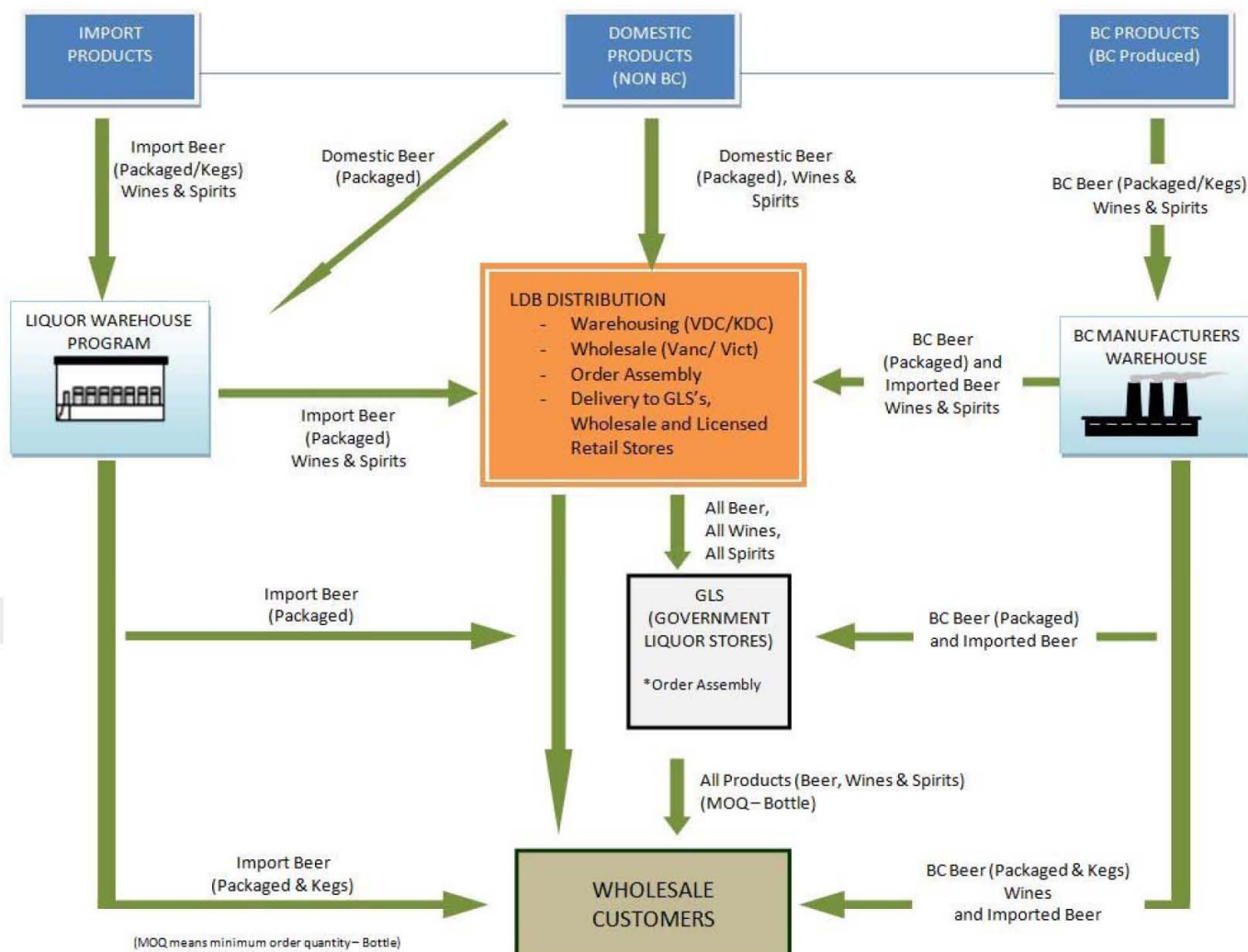
- Proponents wishing to purchase some or all of the Operational Assets may elect to do so by indicating an interest in their Proposal.
- Offers to purchase Operational Assets will not be evaluated in this NRFP.
- Operational Assets will not be considered in the Stage Two or the Stage Three for the Distribution Services.
- If the Selected Proponent had included an interest to purchase the Operational Assets in its Proposal, then the Province may in its sole discretion negotiate the sale of the Operational Assets during Stage Four of the NRFP process.

Distribution of Liquor Project

Out of Scope to this NRFP:

- Government Liquor Stores (GLS)
- Beer and BC Wine
- Customs and Excise Clearance and Revenue Collection and Payment
- Sale of Vancouver and Kamloops Distribution Center Warehouse Real Estate

Distribution of Liquor Project



Distribution of Liquor Project

The Ministry/ LDB will retain responsibility for:

- Importer of record, policy and regulations.
- Customs and Excise clearance of Import Product.
- Collection and remittance of revenue collected from sales of Product to GLS and Wholesale Customers including disbursements to the Service Provider and suppliers/ Agents.

Distribution of Liquor Project

The Ministry/ LDB will retain responsibility for:

- Compliance auditing.
- Operation of the GLS (195 stores across BC).
- Contract management office for the Distribution Services and other authorized distributors of BC Product.

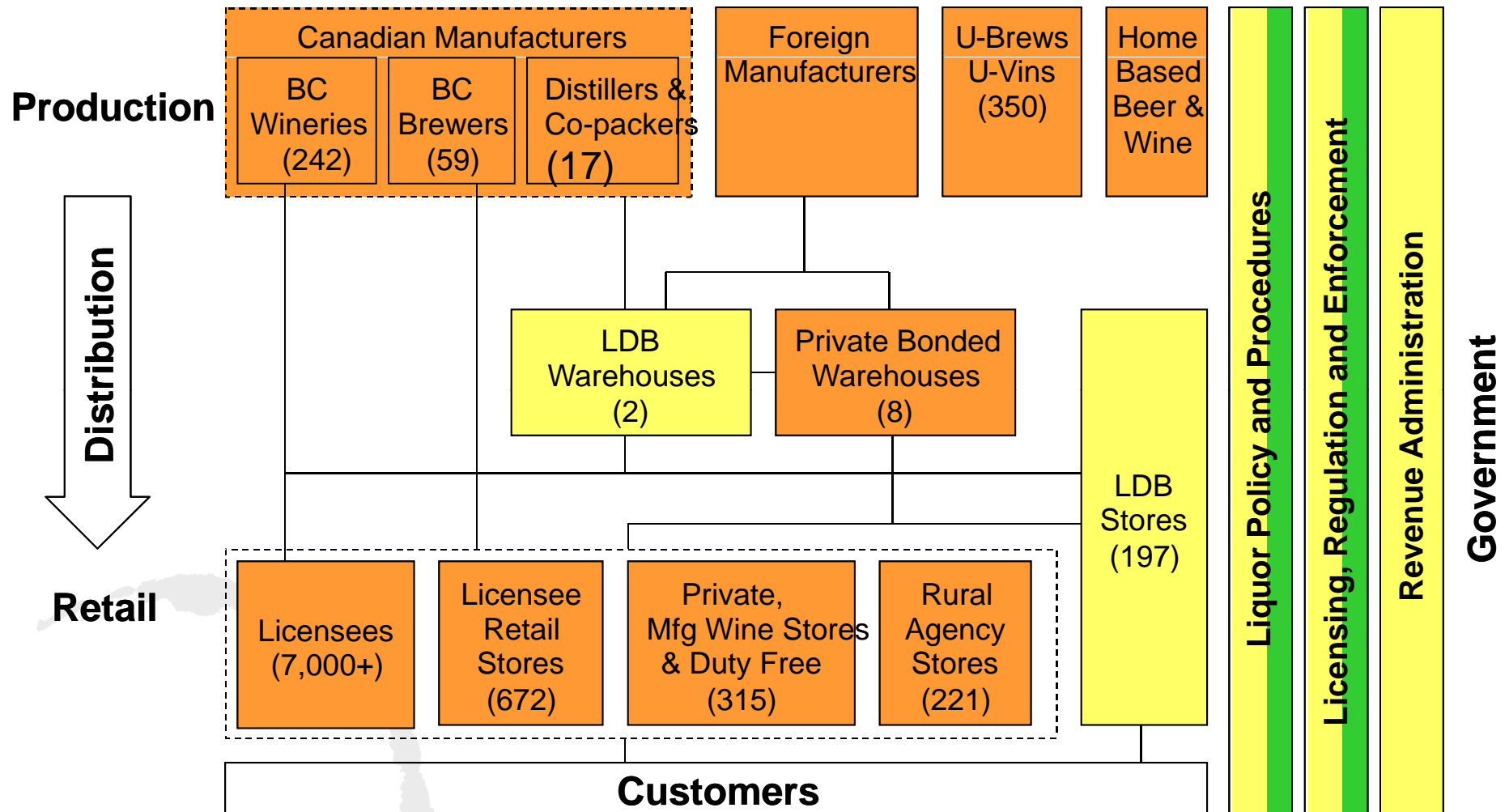
Overview of the Liquor Distribution Branch

Overview of Liquor Distribution Branch

- Federal legislation requires each provincial government to be the importer of liquor
- In British Columbia, the Liquor Distribution Branch (LDB) imports, wholesales, distributes, retails and regulates beverage alcohol - *Liquor Distribution Act*
- LDB is a Branch in the Ministry Energy and Mines,, with more than 3,500 full and part-time employees
- In 2010/11 the LDB returned net income to government of \$890 million

Current Supply Chain

British Columbia today: the “Mixed Model”



- = Private sector
- = Liquor Distribution Branch
- = Liquor Control and Licensing Branch
- = Distribution channel

**LIQUOR
DISTRIBUTION
BRANCH**

BC LIQUORSTORES

May 2012

PAGE 17

Description of Current Supply Chain

Current Distribution of 382.0 Million Litres Annual Production (2011)

- Direct Distribution (i.e. bypassing LDB's DCs): 285.2 Million Litres (74.7%)
- Indirect Distribution: 96.8 Million Litres (25.3%)

3 Supply Chains with Distinct Characteristics:

Beer

- 272.5 million litres in 2011 (71% of total volume)
- Direct deliveries to the store (including licensees): 98%

Wine

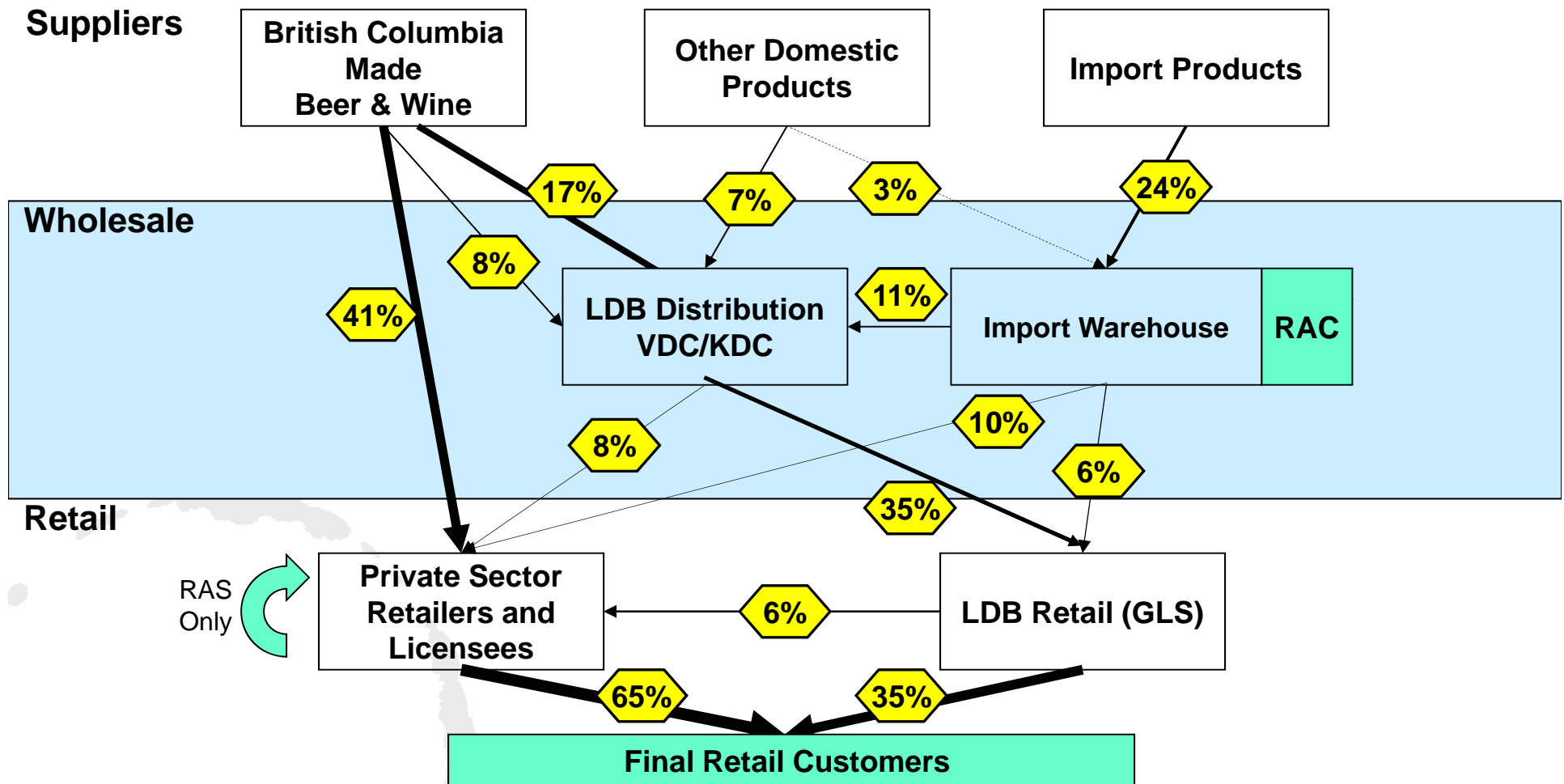
- 86.0 million litres including cider and wine coolers (22% of total volume in 2011)
- Direct deliveries to the store (including licensees): 21%

Spirits

- 24.0 million litres including spirit coolers (6% of total volume in 2011)
- Direct deliveries to the store (including licensees): 0%

STAGE 1 MODEL & PRODUCT FLOW

Wholesale level only shows current indirect distribution.

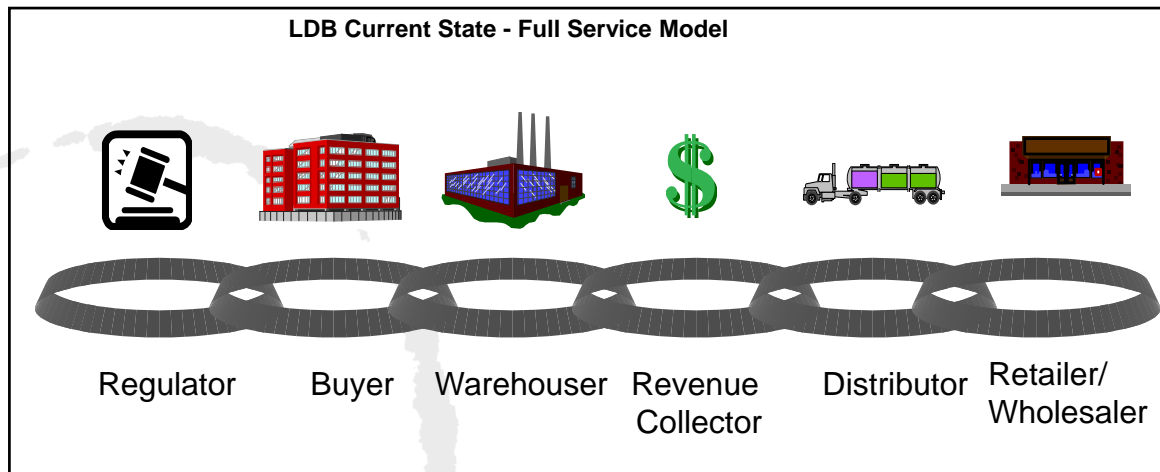
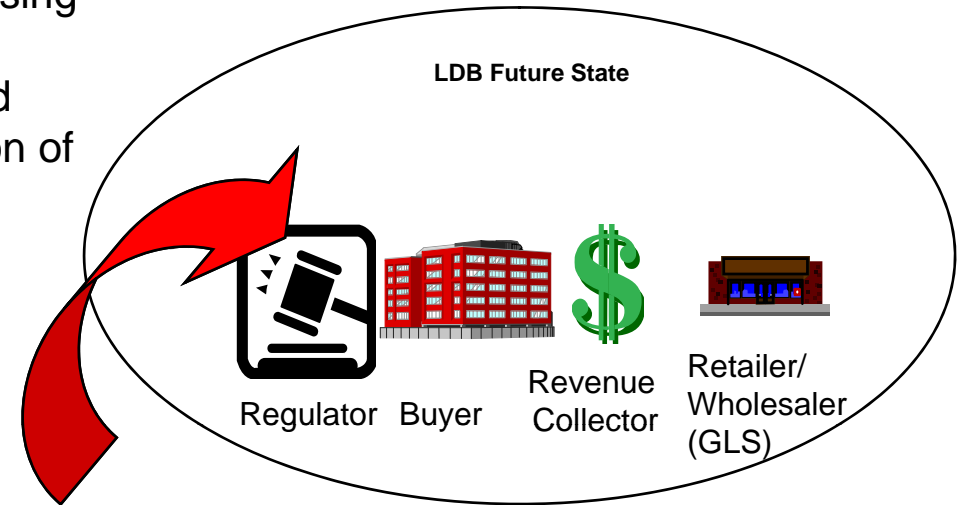


% indicates relative volume based on overall flow (in litres), .

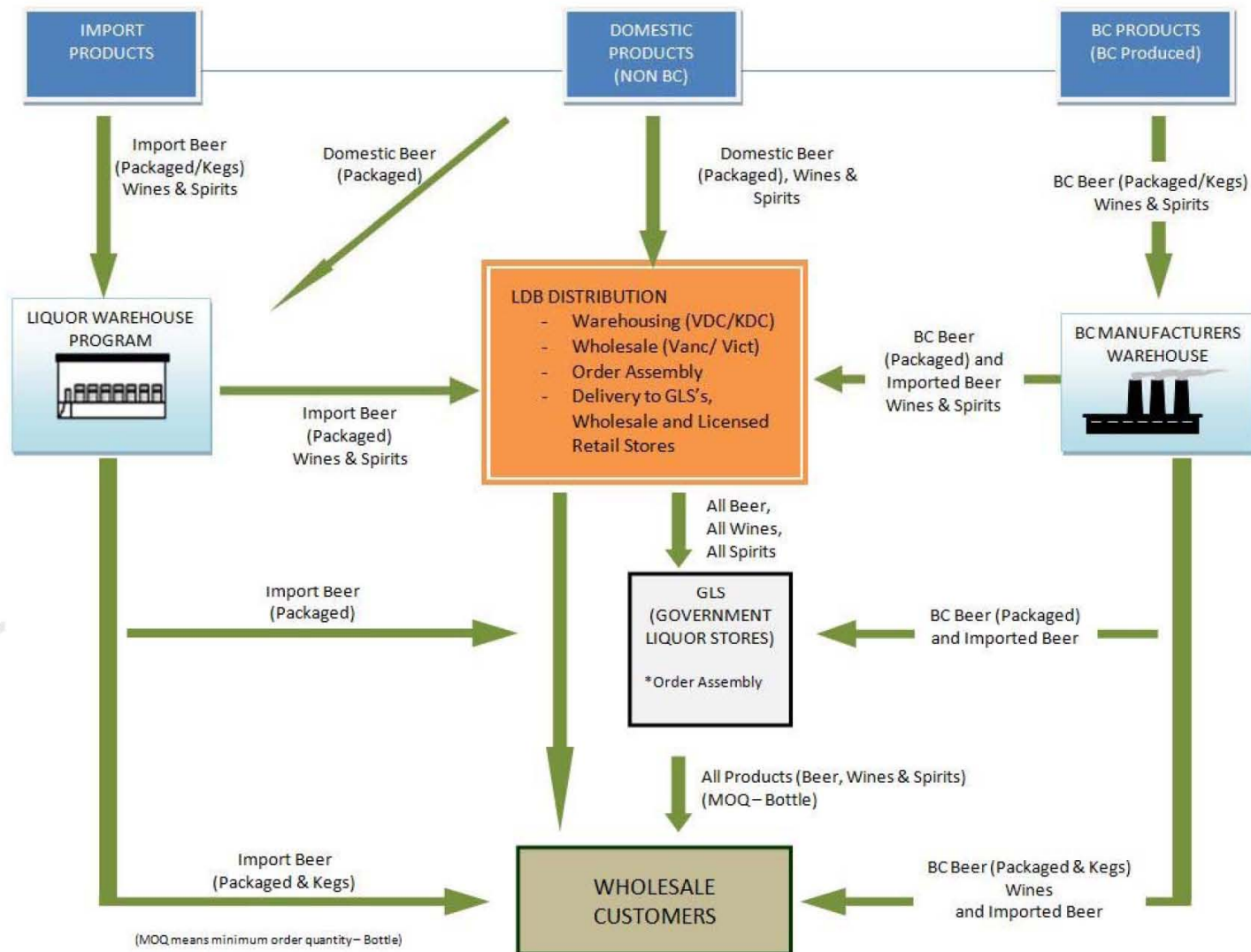
Future Supply State

MOVING TO Future State

- The LDB will not be involved in the warehousing or distribution of beverage alcohol
- The LDB will continue to be the importer and wholesaler of record and to ensure protection of government revenue
- The LDB will be the regulator of beverage alcohol in the province
- The LDB will continue to be a retailer and service wholesale customers from its stores



Future Supply Chain



Liquor Warehouse Program / Agent Stocking Program

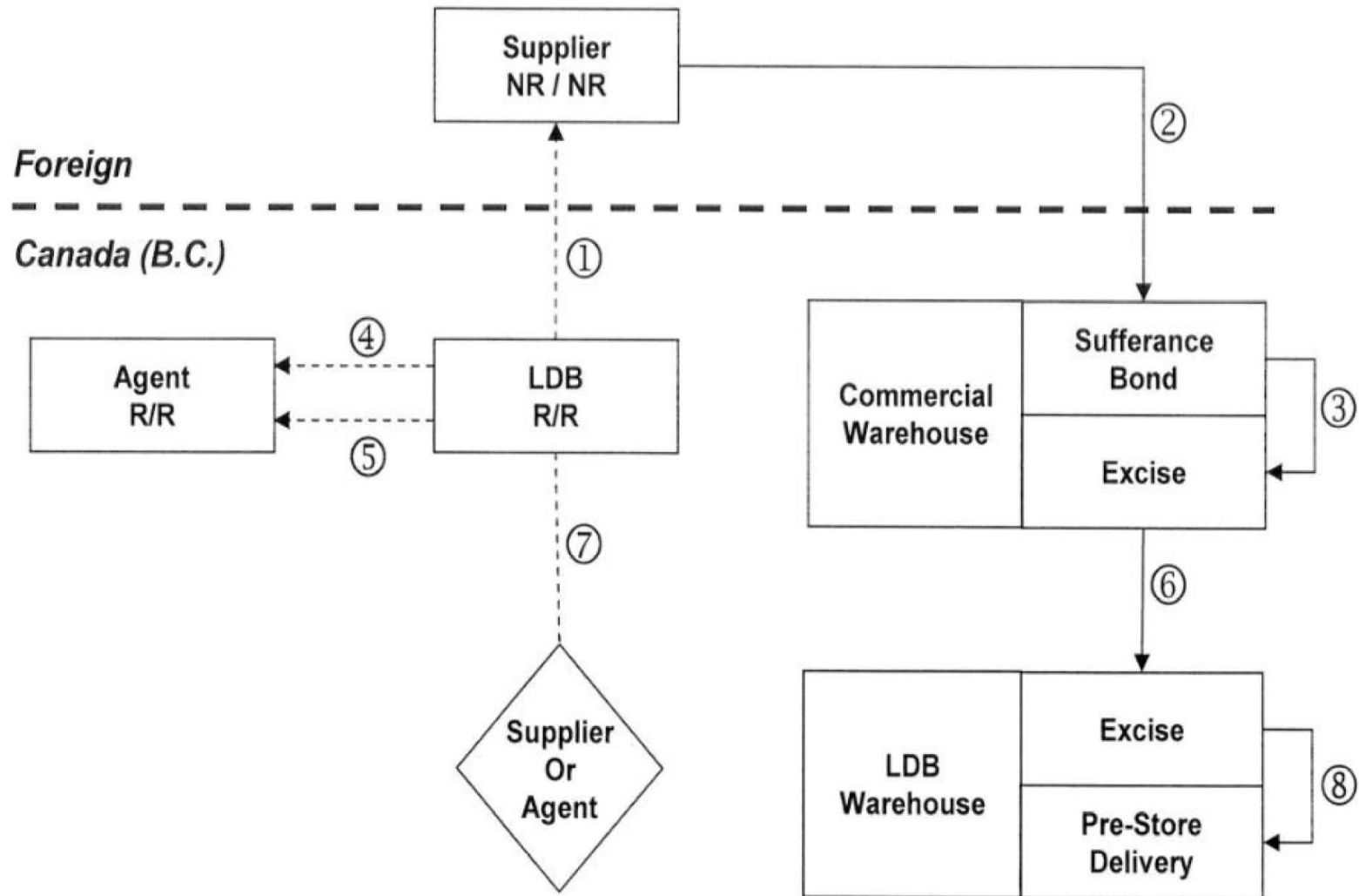
**LIQUOR
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BRANCH**

BC LIQUORSTORES

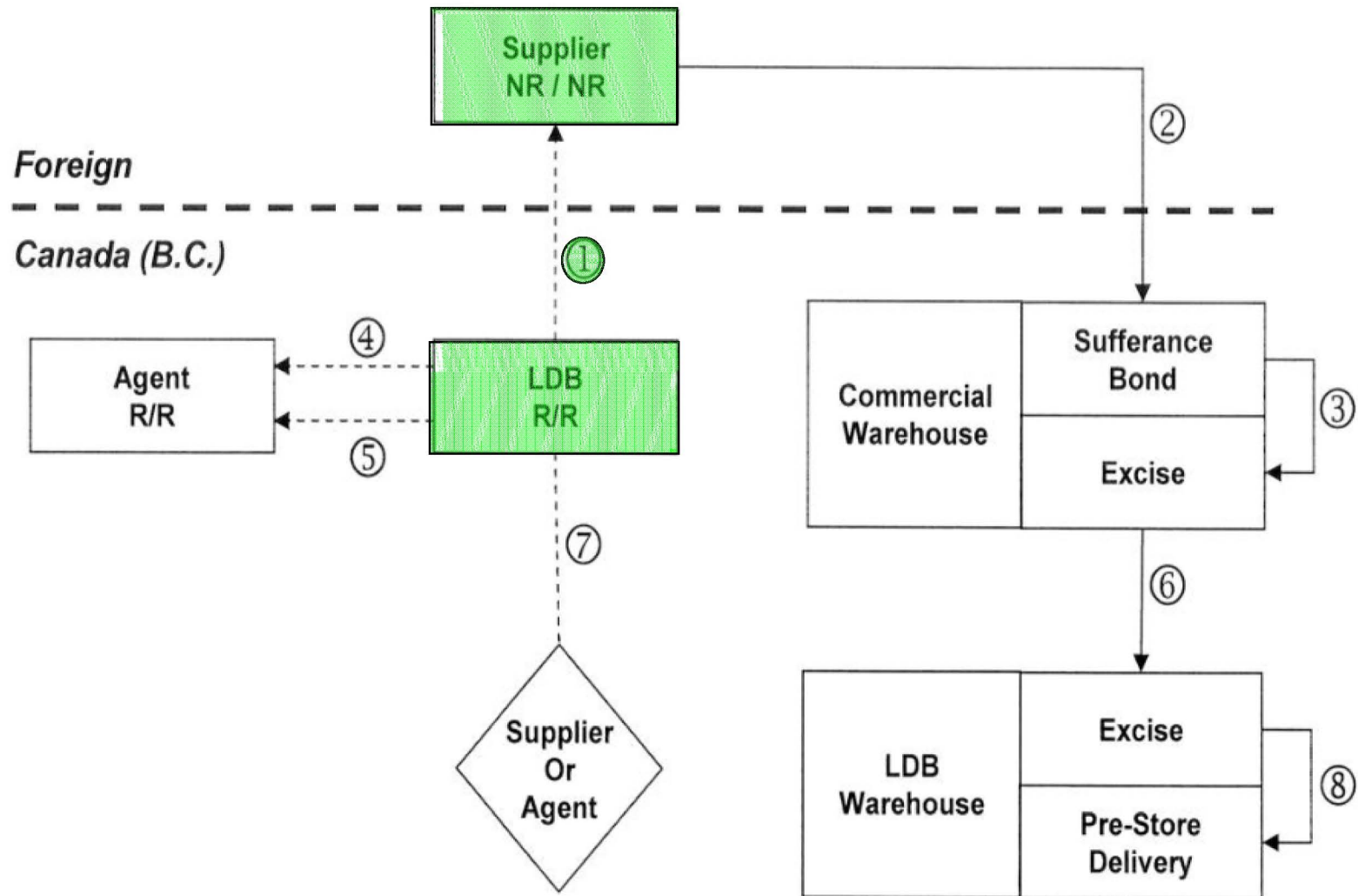
May 2012

PAGE 23

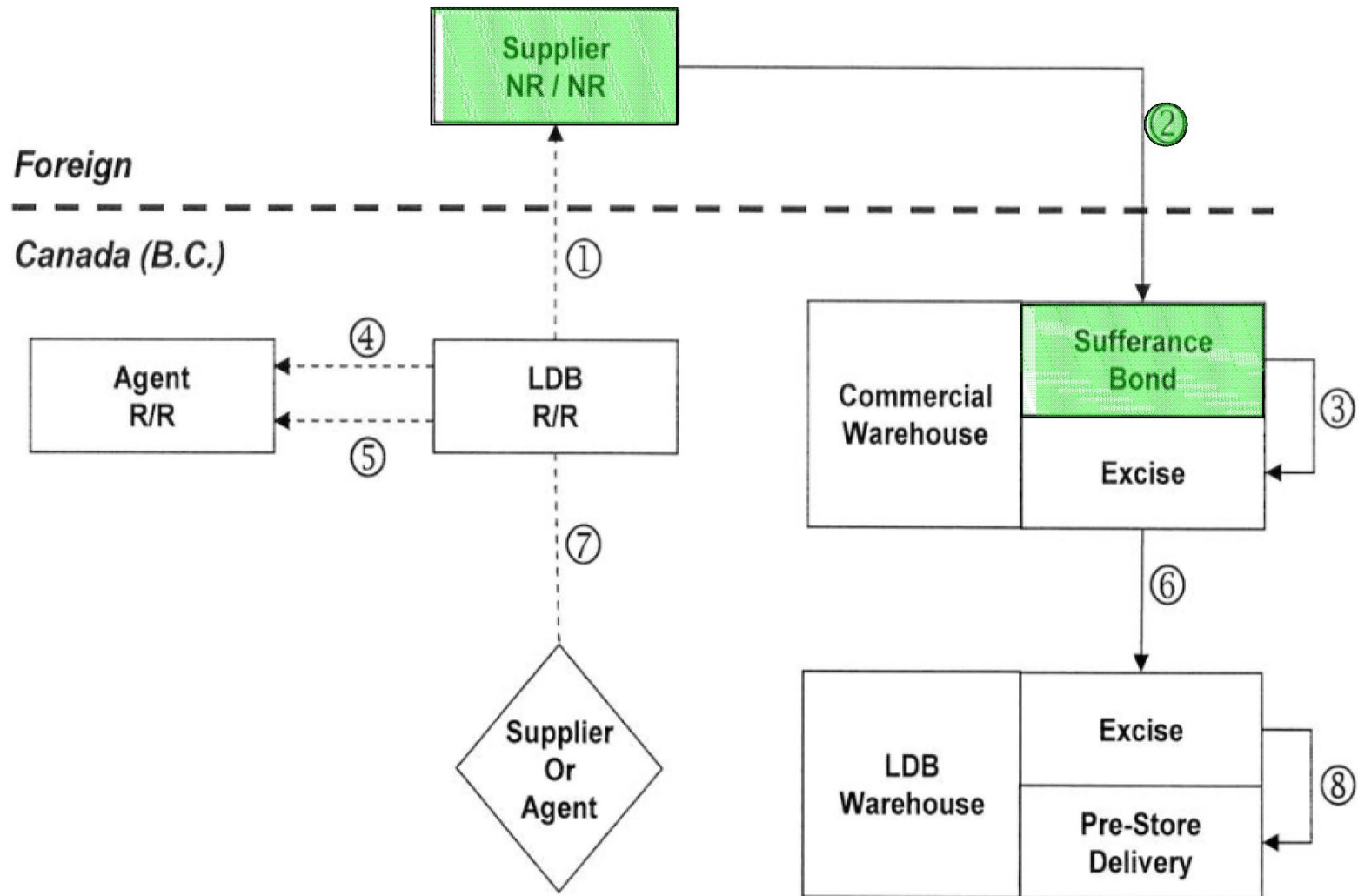
Import Product – Flow – Wine and Spirits



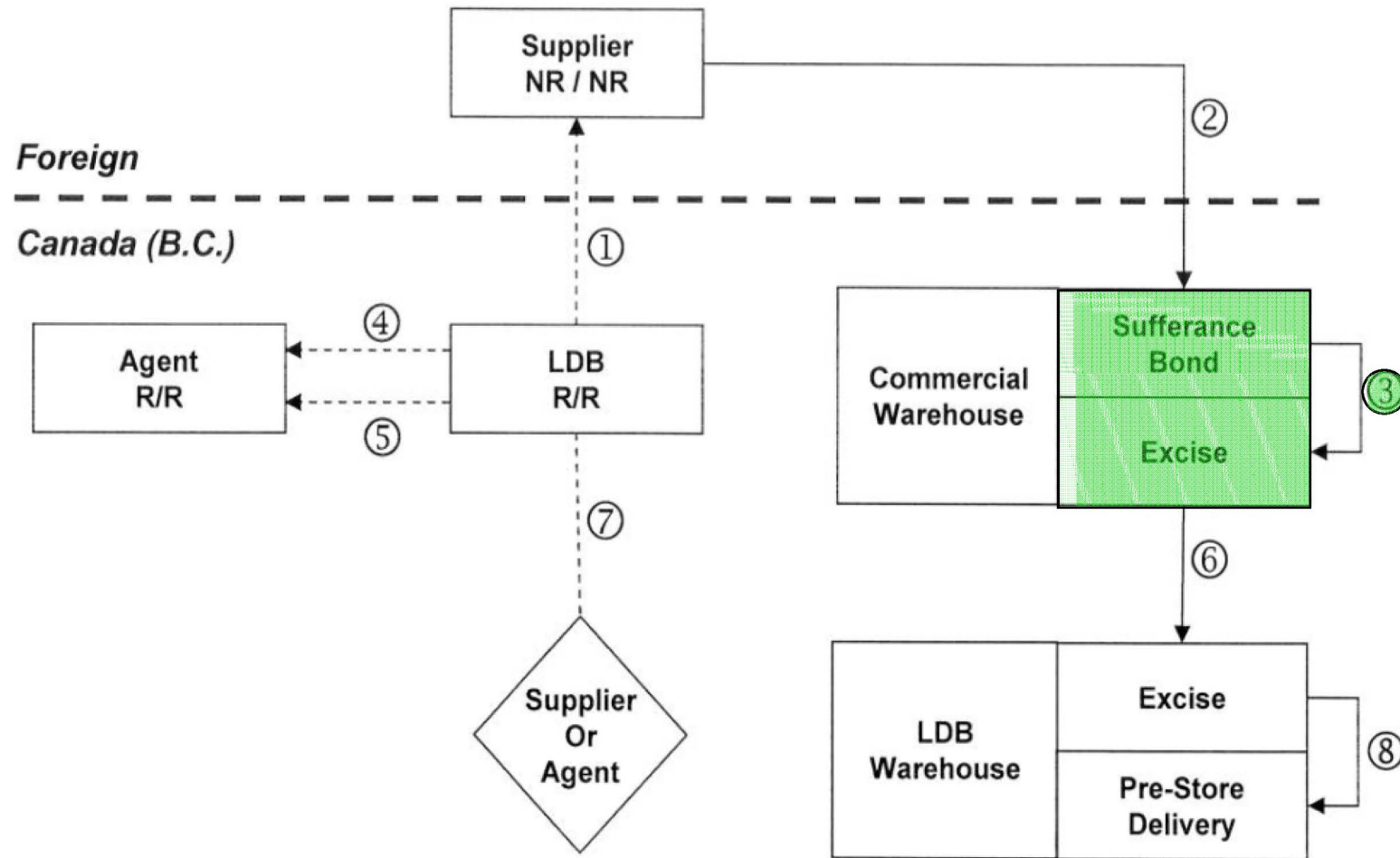
Import Product – Flow – Wine and Spirits Purchase Order



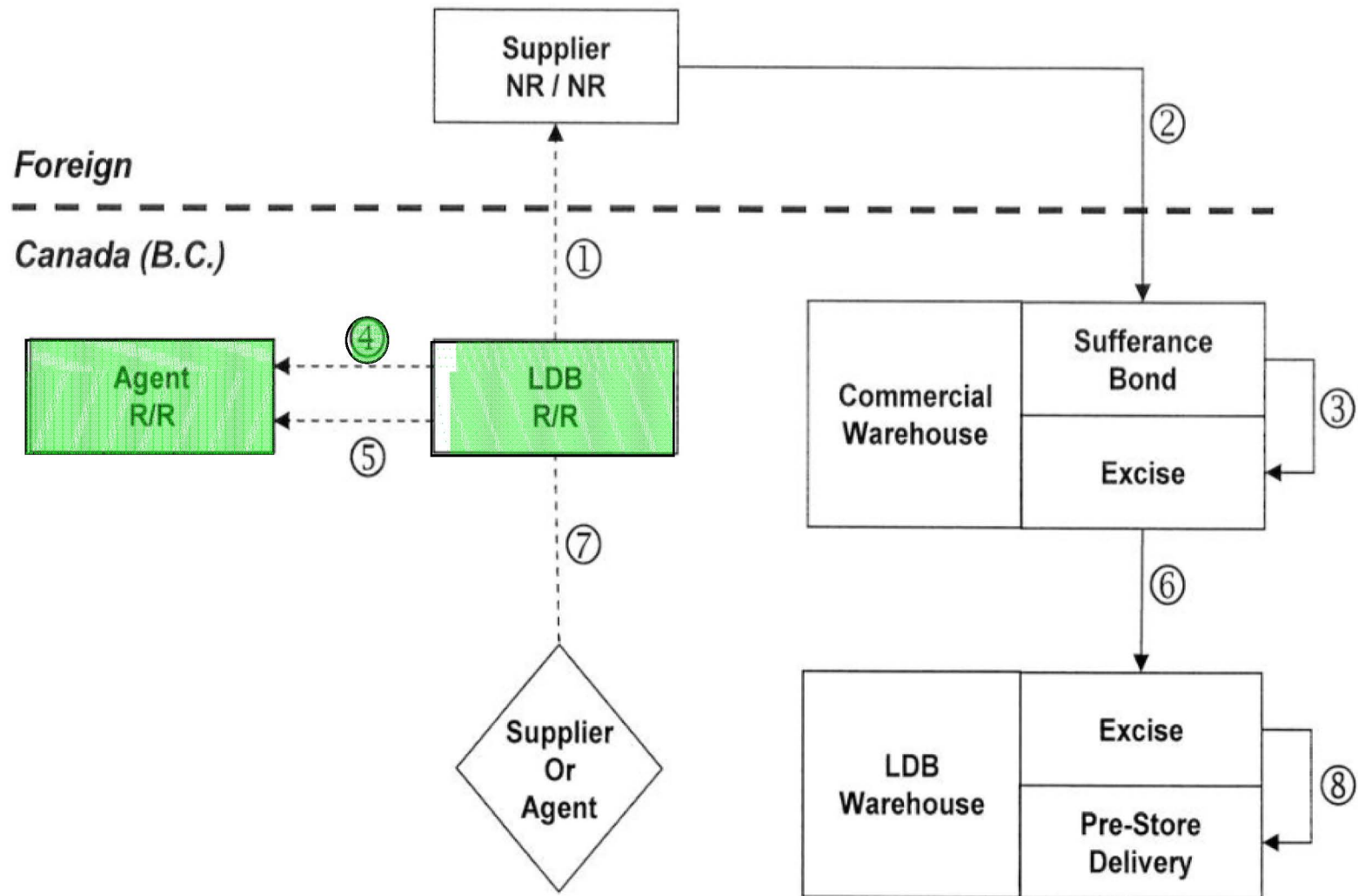
Receipt of Product (Wine and Spirits) into Canada



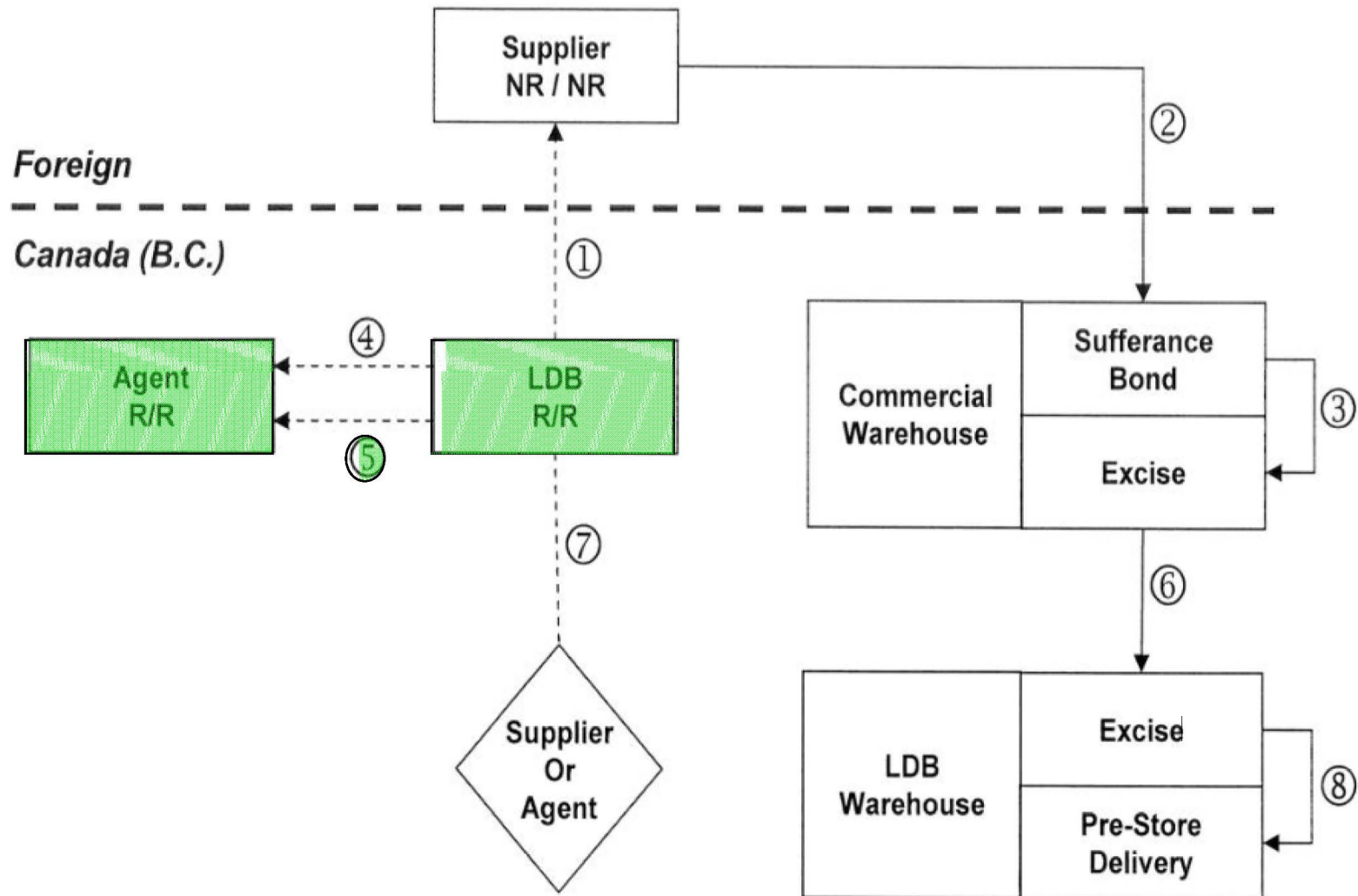
Customs Clearance – Wine and Spirits



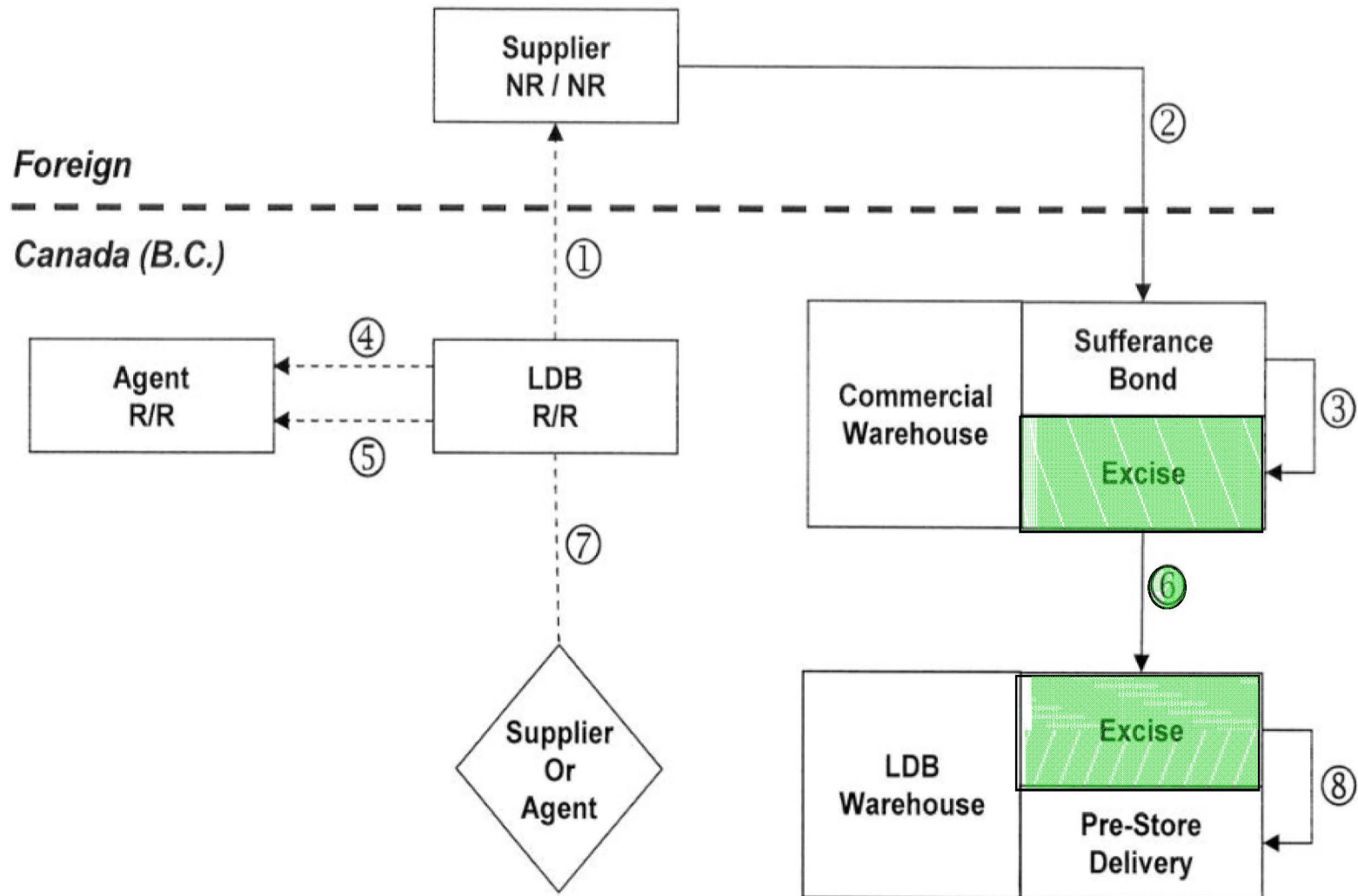
Custom Duty Chargeback – wine and spirits



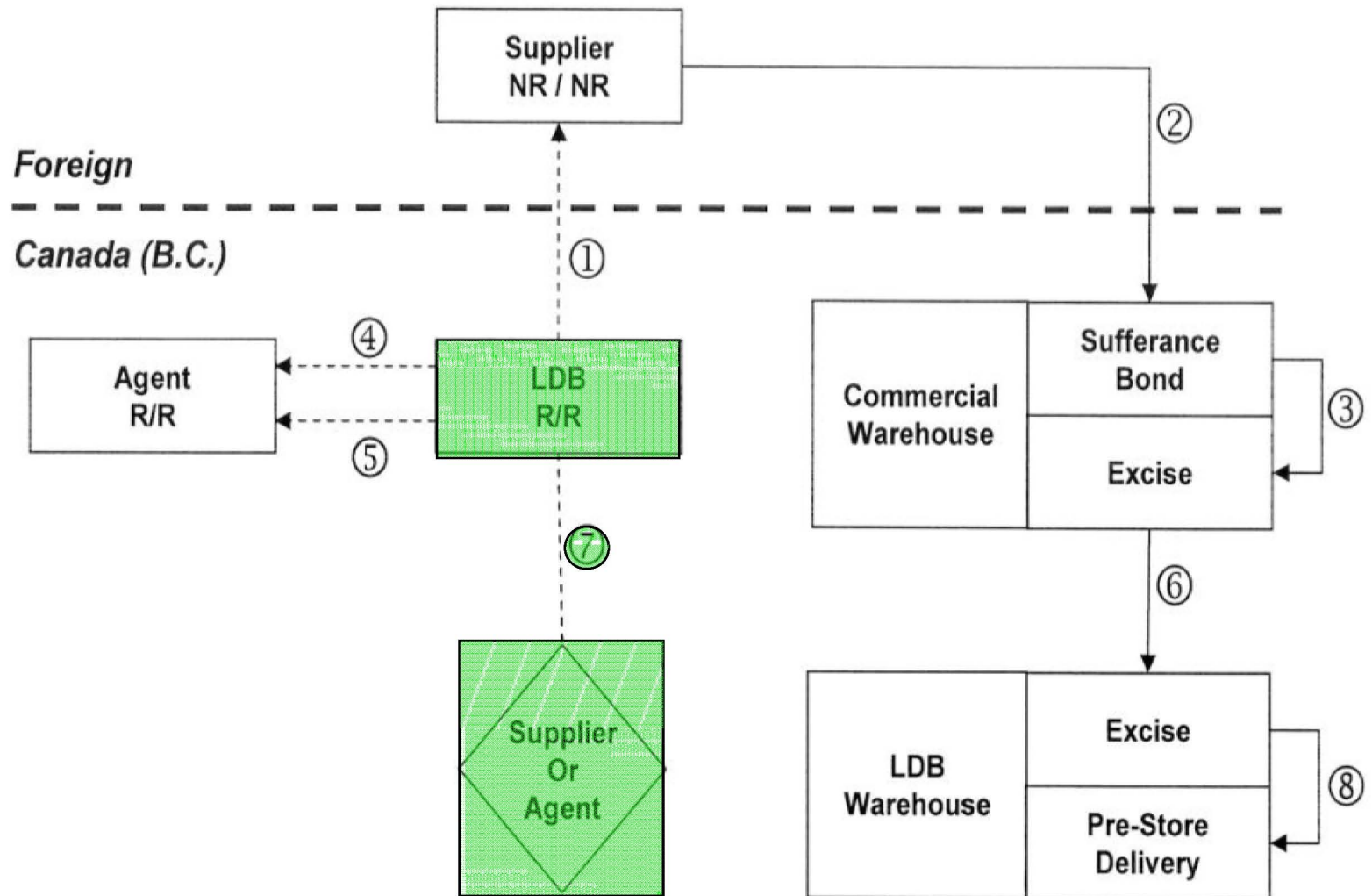
Excise Purchase Order – wine and spirits



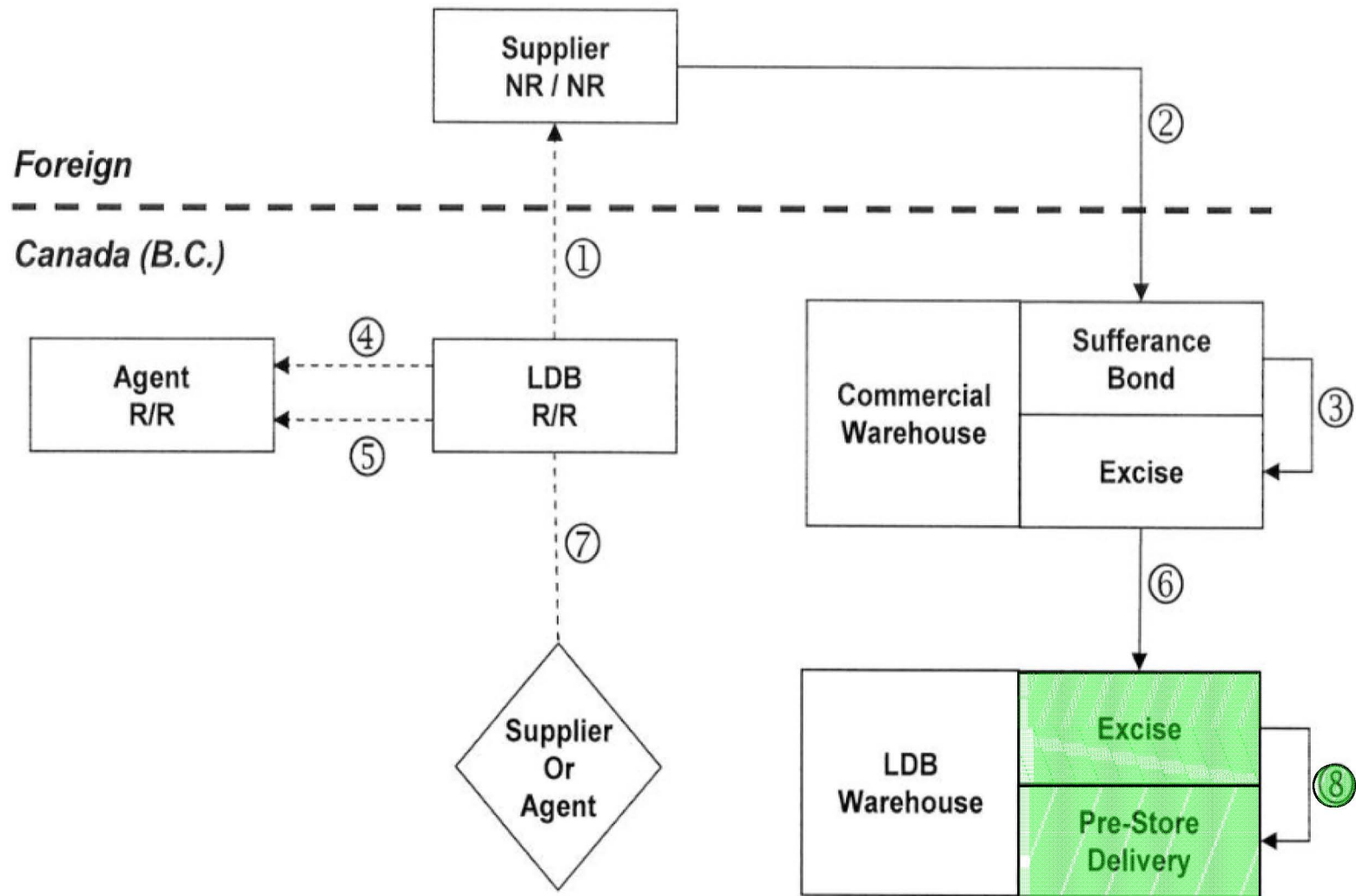
Product Receipt into LDB Warehouse – wine and spirits



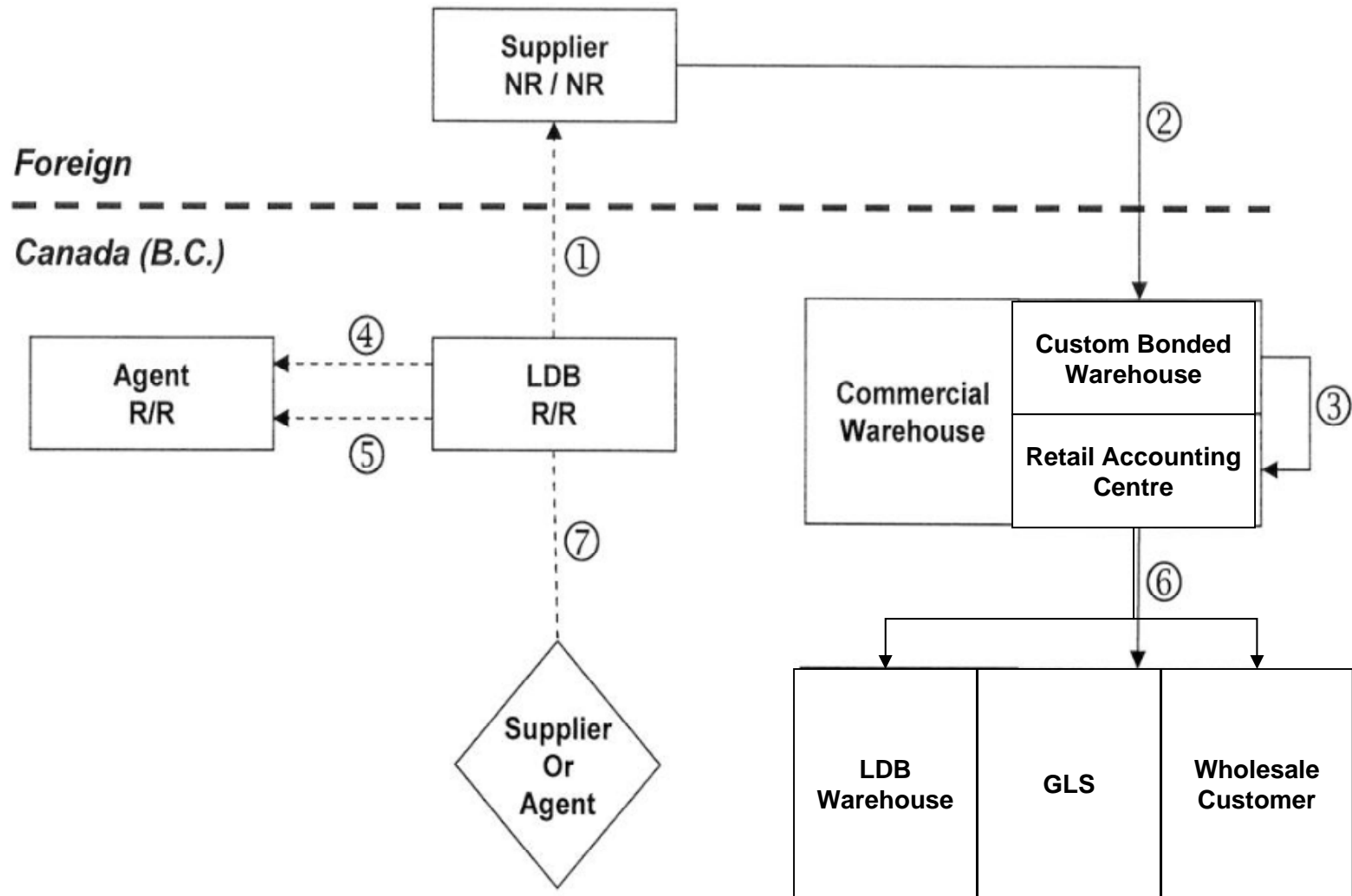
LDB Payment for Product – wine and spirits



Removal of Product for Sale – wine and spirits



Import Product – Flowchart – Beer



Distribution of Liquor Project

Questions??

A Balanced Budget is Good for Taxpayers

By Margaret MacDiarmid

Minister of Labour, Citizens' Services and Open Government

July 13, 2012

(417 words)

Our government has worked hard to put together a prudent fiscal plan to balance our budget. Balancing the budget is important because it means we can keep taxes low for families and maintain a competitive business environment for job creation.

In order to deliver on our plan the Government of B.C. is looking at different ways to generate more revenue, as well as reduce expenditures.

Right now government spends tens of millions of dollars a year to store and transport liquor products around the province. In business terminology, this is known as an 'overhead' cost. As any good business person will tell you, reducing overhead is smart business. So, we are asking private sector companies to show us whether they can deliver this service in a way that will cost government less money, in other words reduce LDB's overhead, and improve its funding contribution for key services, like healthcare, education and social services.

On the other side of the equation, we're also looking for ways we can generate more revenue.

One of the initiatives we've undertaken is the sale of surplus real estate assets that government owns. In the case of the LDB warehouses, if government is able to find a new supplier with their own facilities, the warehouses will no longer be needed. The real value is in the land. By separating the sale of the warehouses from the bid for liquor distribution, we will maximize the market value of the properties. That's because we're confident we can sell them for more on the open market than if we restrict the sale just to companies interested in operating the distribution network.

Most importantly to consumers, these potential changes will not result in an increase to liquor retail prices. Whether you live in downtown Vancouver, Quesnel or Cranbrook, you will continue to pay the same amount for liquor products because the government of B.C. will continue to control pricing.

To ensure a fair and transparent process, a fairness monitor is overseeing and working with the government evaluation committee to ensure the process is conducted in a manner that is fair to all parties. At the end of the process, the fairness monitor will prepare a summary report, which will be made publicly available.

- Evaluators engaged in a consensus-based evaluation process, reviewing each criteria as requested in the NRFP. The chairperson and fairness monitor kept tally of the scores, the total numbers of which were not compiled by, or provided to the NRFP evaluation committee members.
- The committee reviewed the scores on a criteria by criteria basis to ensure consistency was applied in the scoring; the total score by proponent was not revealed.
- A thorough evaluation of the pricing criteria was conducted, and the scores for the pricing criteria were added to the evaluation.
- The scores for the evaluation criteria were tallied by the chairperson and fairness monitor who presented the results to the committee without revealing the identity of the proponents. Two proponents had scores that were not significantly different – they were both very close to being ranked in third place.
- Without informing the committee of the identity of the proponents, , the evaluation committee, after fulsome discussion, determined that there was a tie for 3rd rank.
- After further deliberation amongst the committee and with the assistance of the fairness monitor, the committee agreed that it would not be fair to bring forward only the top 2 proponents.
- Having determined that there was a tie for 3rd rank, the committee decided to bring forward 4 proponents, 2 of which were tied for 3rd.
- The names of the proponent were identified, and the evaluation committee signed off the results.

LDB Shortlist Announcement

Situational Analysis

The shortlist for the LDB NRFP will be announced on July 20, 2012. To provide transparency to the procurement process, documents were web-posted on July 19: two power point presentations and a transcript of a May 10, 2012 meeting with the proponents at the LDB warehouse in Vancouver.

Release of Procurement Presentation Documents Key Messages

- The documents include two power point presentations that were produced for a May 10, 2012 meeting with interested proponents at the Vancouver LDB warehouse.
- Also being released is a transcript of officials presenting the power points slides to the proponents and answering their questions.
- The purpose of the meeting was to provide information on precisely what government is seeking from proponents and to give a tour of the warehouse facility.
- A listing of acronyms is also provided to help understand government terminology and phrases.

Shortlist Key Messages

- We have undertaken a transparent process based on government procurement best practices to consider six proposals in response to the Negotiated Request for Proposals (NRFP) to contract out the LDB's warehousing and distribution services.
- Our goal is to effectively manage the province's finances. We won't proceed if it isn't a good deal for taxpayers.
- Based on the six submissions received, the NRFP evaluation committee shortlisted four of the most qualified companies. They are in alphabetical order:
 - ContainerWorld Forwarding Services Inc.
 - Exel Canada Ltd.
 - Kuehne + Nagel Ltd.
 - Metro Supply Chain Group Inc.
- The NRFP contained a provision for up to the three top ranked proposals. There was a tie for the third spot, so four proponents will now continue through the process.
- The shortlisted companies will now have an opportunity to refine their proposals based on discussions with the government evaluation committee.
- The evaluation committee will determine which of these refined proposals best meets government's objectives, and will announce the successful company in October 2012.
- A services agreement to achieve a better service delivery model would then be negotiated with the successful company by March 2013.
- To ensure a fair and transparent process, a fairness monitor is overseeing and working with the government evaluation committee to ensure the process is conducted in a manner that is fair to all parties.
- On July 18, 2012, the fairness monitor sent a letter to government indicating he is "of the view that the NRFP procurement to this date has been conducted fairly and in a manner that has

adhered to the terms of the NRFP.” The whole letter can be read at http://www.gov.bc.ca/citz/reports_publications.html

- At the end of the process, the fairness monitor will prepare a summary report, which will be made publicly available.

Rollout

Date	Action	Communications Materials
Thur. July 19, 3 pm	<p>Post to LCTZ website copies of Power Point presentations and transcript of May 10, 2012 meeting with proponents at LDB warehouse.</p> <p>Direct targeted media to the documents and remind them of short list being released Friday. Targeted media:</p> <ul style="list-style-type: none"> • Vaughn Palmer, Van Sun • Jonathan Fowlie, Van Sun • Keith Baldrey, Global • Tom Fletcher, Black Press • Sean Leslie, CKNW • Mike Smyth, Province • Jim Harrison, NL 	<p>Power Point Presentation for Proponents.</p> <p>Transcript of LDB warehouse tour and meeting.</p>
Fri. July 20, 1:00 pm	Post Fairness monitor letter to LCTZ website.	
Fri. July 20, 1:05 pm	Inform LDB staff of short list via email of IB.	Email message
Fri. July 20, 1:05 pm	Inform proponents of short list via email.	Email message
Fri. July 20, 1:15 pm	Distribute Information Bulletin (IB) announcing short listed companies and letter from Fairness Monitor.	<p>Information Bulletin (Distribute province-wide)</p> <p>Letter from Fairness Monitor Updated Fact Sheet?</p>
Fri. July 20, 1:20 pm	Distribute Media Advisory (MA) on Minister MacDiarmid’s 2 pm media telephone conference and 3 pm availability for TV media at her constituency office in Vancouver.	Media Advisory (Distribute province-wide)
Fri. July 20, 2 pm	Minister MacDiarmid media telephone conference. Call-in numbers tbc.	QA

Fri. July 20, 3 pm	Minister MacDiarmid TV media availability at constituency office in Vancouver.	QA
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Communications Products

- Power Point Presentations
- Meeting Transcript
- Information Bulletin
- Fact Sheet ?
- QA
- Letter from Fairness Monitor

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

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
General Manager's Office | **BC Liquor Distribution Branch**
2625 Rupert Street, Vancouver BC V5M 3T5
Phone: 604-252-3021 | **Fax:** 604-252-3026
www.bcliquorstores.com



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

clm
5/17/12

**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:
Program Contact:
File Location:

Michèle Mackintosh
Jay Chambers, General Manager

604-252-3034
604-252-3021

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
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File Location:		