



## **SHAREHOLDER'S LETTER OF EXPECTATIONS**

**BETWEEN**

**THE MINISTER OF PUBLIC SAFETY AND SOLICITOR GENERAL  
(AS REPRESENTATIVE OF THE SHAREHOLDER,  
THE GOVERNMENT OF BRITISH COLUMBIA)**

**AND**

**THE GENERAL MANAGER,  
BRITISH COLUMBIA LIQUOR DISTRIBUTION BRANCH  
(AS REPRESENTATIVE OF  
THE BRITISH COLUMBIA LIQUOR DISTRIBUTION BRANCH)**

### **PURPOSE**

The Shareholder's Letter of Expectations between the Shareholder and the British Columbia Liquor Distribution Branch (LDB) is an agreement of the respective roles and responsibilities and high-level performance expectations for the LDB's three fiscal years of 2004/5, 2005/6, and 2006/7<sup>1</sup>. It will be updated and renewed annually for each subsequent three-year period. The Letter will serve as the basis of agreement between the Shareholder and the LDB on the LDB's mandate, the public policy issues, strategic

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<sup>1</sup> The Province of British Columbia's *Governance Framework for Crown Corporations* ([http://www.gov.bc.ca/cas/down/govframe\\_redraft.pdf](http://www.gov.bc.ca/cas/down/govframe_redraft.pdf)) establishes guiding principles for the governance of Crown corporations. The Governance Framework also identifies roles and responsibilities for the Shareholder and Crown corporations and provides for a Shareholder's Letter of Expectations (Letter) to be jointly developed

priorities and performance expectations, and will, as a result, inform the development of the LDB's Service Plans and Annual Service Plan Reports.

The Letter applies to the Shareholder and the LDB. This Letter does not create any legal or binding obligations on the part of the Shareholder or the LDB but rather is intended to define and support a positive and co-operative working relationship.

### **Given that:**

Government is committed to LDB'S mandate under the *Liquor Distribution Act* to manage and regulate the importation, distribution and retailing of beverage alcohol in the province of British Columbia.

Government is committed to allowing the role of the private sector in the retailing of beverage alcohol in the province of British Columbia.

### **The Parties hereby specifically agree that:**

#### **LDB ACCOUNTABILITIES**

In responding to Shareholder's performance expectations for the LDB and the general and specific frameworks and direction of the Shareholder, the LDB will:

- Conduct its affairs to achieve its mandate and the performance expectations and objectives of the Shareholder, including establishing and implementing corporate strategies, policies, programs, plans and financial outcomes that are consistent with the Shareholder's general direction and consistent with the principles of efficiency, effectiveness and customer service;
- Prepare Service Plans (<http://www.bliquorstores.com>) with clearly articulated goals, objectives, strategies and performance measures and targets, and annual reports which detail progress toward achieving those goals;
- Develop and implement strategies to mitigate risks identified in the Service Plan, particularly the cost of capital and financial viability of the LDB and the optimization of financial performance;
- Initiate and/or make proposals to improve the organization's effectiveness and efficiency for consideration by the Shareholder; and;
- Provide information to the Shareholder if the LDB is unable to meet the targets identified in its Service Plan.

In addition, the Shareholder directs the LDB to take the following specific actions:

- Meet and/or improve upon the LDB 2004/5 - 2006/7 Service Plan budget and performance targets, including net income, for 2004/5, 2005/6, and 2006/7.

- Inform the Shareholder on a regular basis of any major changes occurring or likely to occur within the LDB that may impact on the LDB's achievement of its Service Plan targets either negatively or positively;
- Operate the business of the LDB in an efficient and effective manner for the benefit of its customers and clients;
- Move forward to support a mixed-public-private liquor retail model in which government liquor stores operate at a satisfactory level of profitability and LDB achieves its Service Plan net income goals;
- Comply with the financial policies/guidelines provided by the Shareholder for mark-up, taxation, the extent to which LDB may own capital assets, and LDB contributions to the Shareholder;
- Undertake a logistics audit to review the current LDB distribution operations such that industry best practices can be implemented in order to reduce costs, enhance customer and client service and improve productivity;
- Comply with the Shareholder's direction and work with the Liquor Control and Licensing Branch of the Ministry of Public Safety and Solicitor General to rationalize and improve the regulatory framework for the importation, distribution and retailing of beverage alcohol products in British Columbia;
- Comply with the Shareholder's direction and work with the Liquor Control and Licensing Branch of the Ministry of Public Safety and Solicitor General to deliver consumer protection and service delivery rules and regulations; and
- Implement revisions to LDB's beverage container recycling system according to Shareholder direction.

## **SHAREHOLDER RESPONSIBILITIES**

Specific to the LDB, the Shareholder has:

- Established the mandate of the LDB under the *Liquor Distribution Act*.
- Preserved its right to provide broad policy direction and confirmation of general frameworks/principles, within which LDB may establish and apply specific policies/processes, in the following areas:
  - Financial policies/guidelines with respect to mark-up, taxation, the extent to which LDB owns capital assets, and contributions to the Shareholder;
  - Regulatory framework for the importation, distribution and retailing of beverage alcohol products in British Columbia through the *Liquor Distribution Act*; and
  - Consumer protection and service delivery rules and regulations in co-ordination and co-operation with the Ministry of Public Safety and Solicitor General.

Further, the Shareholder will:

- Provide direction on the level of involvement of the LDB in the liquor distribution system in British Columbia in each of wholesale, retail, and enforcement, and confirm rules and criteria for private sector involvement;
- Provide direction to the LDB regarding the respective roles and responsibilities of LDB and the Liquor Control and Licensing Branch of the Ministry of Public Safety and Solicitor General regarding regulatory functions;
- Provide direction to LDB on environmental policy to govern LDB's container recycling operations;
- Enter into agreements with Canada and other provinces as required under the Importation of *Intoxicating Liquors Act* and the *Excise Act* and specify the role of LDB in those agreements;
- Introduce any new legislation that may be required for the LDB to implement the Shareholder's direction;
- Introduce any new regulations that may be required for LDB to implement the Shareholder's direction; and
- Ensure that the appropriate consultation and notification occurs on significant policy and legislative issues that may impact LDB.

The Shareholder is responsible for the legislative, regulatory and public policy framework in which Crown corporations, including LDB, operate. To support the LDB's achievement of performance objectives, the Shareholder will:

- Establish, review, revise and communicate Crown corporation's mandate;
- Establish the overall and Crown specific financial frameworks under which Crown corporations operate (borrowing, investment, and contribution to the Shareholder);
- Issue performance management guidelines, including guidelines for service planning and annual reports (<http://www.gov.bc.ca/cas/rpts/>);
- Provide strategic input and advice to Crown corporations' in the development of their Service Plans;
- Advise Crown corporations of government's priorities, strategic decisions and public policy and performance objectives and expectations that may impact the Crown corporation; and

- Issue directives or orders, or sponsoring submissions on behalf of Crown corporations that may be required to seek decisions or policy direction by the Executive Council or its committees, in order to facilitate Crown corporations fulfilling their mandates and achieving the performance targets outlined in Crown corporations' Service Plans.

During the term of this Letter, the Shareholder anticipates providing policy direction in a number of areas that will affect all Crown corporations, including:

- Capital Asset Management Framework;
- Enterprise risk management;
- Compensation policy;
- Zoning and land use;
- Property taxation;
- First Nations policy and treaty mandates;
- Climate change;
- Donation policy; and
- Environmental remediation.

The Shareholder will also, on a continuing basis, monitor the achievement of the goals, objectives and targets identified in Crown corporations' Service Plans.

## **AREAS OF SHARED ACCOUNTABILITY:**

### **Communications:**

It is agreed by both the Shareholder and the LDB that to ensure effective and efficient day-to-day communications and relationship building, that officials representing both parties will be tasked with implementing the contents of this Letter and keeping the Minister Responsible informed of progress.

### **Reporting:**

The Shareholder and the LDB are committed to enhanced transparency and accountability to the public. While both parties note that reporting to the Shareholder and the public continues to evolve, the Shareholder has put in place a public reporting structure set out in the *Budget Transparency and Accountability Act*, the *Financial Administration Act*, and the *Financial Information Act*. The Shareholder will provide the LDB a financial reporting calendar and the detailed list of performance reporting requirements - see CAS website <http://www.gov.bc.ca/cas>. The LDB agrees that it will meet these financial and performance reporting requirements.

In addition to these financial and performance reporting requirements, the LDB agrees to provide information to the Shareholder related to risks and opportunities anticipated in achieving financial forecasts.

The Shareholder and the LDB agree, that as a matter of course, each will advise in a timely manner of any issues that may materially impact the business of the LDB or the interests of the Shareholder.

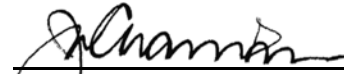
**Review and Revisions of this letter:**

In addition to co-ordinating the overall process for preparing this Letter on behalf of the Shareholder, the Crown Agencies Secretariat is also accountable for undertaking an annual review of this Letter as well as monitoring its implementation. It is noted that this Letter can, if necessary, be modified in advance of the annual review if deemed necessary by one or both parties.



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Honourable Rich Coleman  
Minister of Public Safety and the Solicitor General



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Jay Chambers, General Manager  
BC Liquor Distribution Branch

cc. Honourable Gordon Campbell  
Premier

Ken Dobell  
Deputy Minister to the Premier  
Office of the Premier

Dana Hayden  
Chief Executive Officer, Crown Agencies Secretariat