



**BRITISH
COLUMBIA**

SHAREHOLDER'S LETTER OF EXPECTATIONS

BETWEEN

**THE MINISTER OF COMPETITION, SCIENCE AND ENTERPRISE
(SHAREHOLDER)**

AND

**THE LIQUOR DISTRIBUTION BRANCH OF BRITISH COLUMBIA
(BRANCH)**

PURPOSE

The Province of British Columbia's *Governance Framework for Crown Corporations* (<http://www.gov.bc.ca/cas>) 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.

The purpose of the Letter is to confirm the shared understanding of the Shareholder, represented by the Minister of Competition, Science and Enterprise, and the Branch on corporate mandate, public policy issues, strategic priorities and performance expectations. The Letter will serve as the basis of agreement between the Shareholder and the Branch on those issues, priorities and expectations and will, as a result, inform the development of the Branch's Service Plan.

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

This Letter will be effective upon the date of signing, and will cover the period up to, and including, March 31, 2006. The Letter will be reviewed and amended annually. The Letter applies to the Shareholder, the Branch and its subsidiaries.

SHAREHOLDER ACCOUNTABILITIES

In developing a system of Crown corporations in British Columbia, the Shareholder is accountable for the legislative, regulatory and public framework in which Crown corporations operate, including:

- establishing, reviewing, revising and communicating Crown corporations' mandates;
- establishing the overall and Crown specific financial frameworks under which Crown corporations operate (borrowing, investment, and contribution to the Shareholder);
- issuing performance management guidelines, including specifications for service planning and annual reports;
- providing strategic input and advice to Crown corporations' in the development of their Service Plans;
- advising Crown corporations of government's priorities, strategic decisions and public policy and performance objectives and expectations that may impact the Crown corporation; and
- issuing 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;
- zoning and land use;
- property taxation;
- 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.

Specific to the Branch, the Shareholder has:

- approved the Branch's mandate as an agent of the Shareholder, under the *Liquor Distribution Act* to manage and regulate the importation, distribution, and retailing of beverage alcohol in the province of British Columbia; and
- preserved its right to provide broad policy direction and confirmation of general frameworks/principles, within which the Branch may establish and apply specific policies/processes, in the following areas:

- financial policies/guidelines with respect to mark-up, taxation, the extent to which the Branch owns capital assets, and contributions to the Shareholder;
- a transition plan that enables the Branch to change from managing retailing, warehousing and distribution operations to being a regulator, and increases private-sector investment and involvement in the beverage alcohol industry;
- 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.

Specific to the Branch, the Shareholder will:

- provide direction on the level of involvement of the Branch in the liquor distribution system in British Columbia in each of wholesale, retail, and enforcement, and confirm rules and criteria for private sector involvement;
- advise the Ministry of Water Land and Air Protection on environmental policy to govern the Branch's container recycling operations; and
- enter into agreements with Canada and other provinces as required by federal legislation (the *Importation of Intoxicating Liquors Act* and the *Excise Act*) and specify the role of the Branch with respect to those governments.

BRANCH ACCOUNTABILITIES

In responding to the general and specific frameworks and direction of the Shareholder, the Branch is accountable for:

- achieving 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 principles of efficiency, effectiveness, consumer choice and customer service;
- preparing a Service Plan (<http://www.bcliquorstores.com>) with clearly articulated goals, objectives, strategies and performance measures and targets, and annual reports which detail progress toward achieving those goals;
- conducting its operations and financial activities in a manner consistent with the regulatory framework established by the Shareholder;
- acquiring and purchasing liquor produced for resale and reuse in British Columbia;
- developing and implementing strategies to mitigate risks identified in the Service Plan, particularly the cost of capital and financial viability of the Branch;
- collecting revenue from beverage alcohol taxation (mark-up) and social services taxes;
- regulating the distribution of, and access to, beverage alcohol products in British Columbia and enforcing those regulations in accordance with the *Liquor Distribution Act*;
- providing the Shareholder with reports and other information that would enable the Shareholder to carry out its responsibilities, and

- providing information to the Shareholder if the Branch is unable to meet the targets identified in its Service Plan.

Branch will, within the policy and legislative parameters established by the Shareholder:

- change from managing retailing, warehousing and distribution operations to being a regulator;
- increase private-sector investment and involvement in the beverage alcohol industry;
- execute the above consistent with government revenue targets;
- conduct analysis in every community that presently has retail liquor store service to ensure wherever possible competitive service is provided to customers;
- reduce the regulatory burden imposed by the Branch by 50 percent in the first year of the transition plan and focus regulations on public safety and revenue collection;
- in conjunction with the Liquor Control and Licensing Branch, establish co-ordinated enforcement measures and penalties to ensure private sector manufacturing, warehousing, distribution and retail sectors comply with Liquor Distribution Branch regulations and revenue collection requirements;
- work with and co-ordinate a uniform approval process with the Liquor Control and Licensing Branch to improve the rules and regulations pertaining to public safety; and
- conduct a review of costs to reduce corporate and management overhead costs and other costs over time, and set goals as the role of the Branch decreases.

COMMUNICATIONS EXPECTATIONS AND REPORTING REQUIREMENTS

It is agreed by both the Shareholder and the Branch 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.

The Shareholder and the Branch 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 Branch agrees that it will meet the requirements of this legislative structure. The financial reporting calendar (Appendix One) and the detailed list of performance reporting requirements (Appendix Two) are attached.

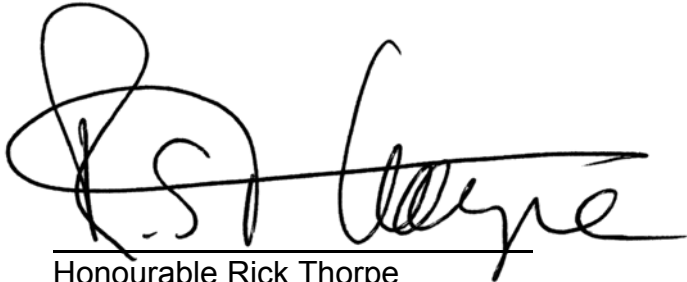
In addition to the general reporting requirements established in legislation, the Shareholder and the Branch agree to provide information related to risks anticipated in achieving financial forecasts, and ensure all public communications are pre-cleared with the Shareholder.

The Shareholder and the Branch 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 Branch or the interests of the Shareholder.

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.

It is agreed that the Shareholder and the Branch will work co-operatively to achieve the expectations identified in this Letter.



Honourable Rick Thorpe
Minister of Competition, Science
and Enterprise and Minister
Responsible for the Liquor
Distribution Branch of British Columbia



Donald Leitch
Deputy Minister
Ministry of Competition, Science
and Enterprise



Jay Chambers
General Manager
Liquor Distribution Branch

cc. Honourable Gordon Campbell
Premier

Brenda Eaton
Deputy Minister
Corporate Planning and Restructuring
Office of the Premier

Sharon Halkett
Chief Executive Officer
Crown Agencies Secretariat

APPENDIX ONE: FISCAL REPORTING CALENDAR

DUE DATE	REPORT (DESCRIPTION AND REQUIREMENTS BELOW)
April 22, 2003	<ul style="list-style-type: none"> Preliminary 2002/03 Comparative Financial Statements (for Crowns/Agencies with a year-end other than March 31, the 2002 financial statements and the March 2003 YTD Actuals)
May 17, 2003	<ul style="list-style-type: none"> 2003/04 – 2006/07 Budget Submission Update
May 30, 2003	<ul style="list-style-type: none"> Audited Comparative Financial Statements
June 26, 2003	Release of Public Accounts
July 25, 2003	<ul style="list-style-type: none"> 2003/04 First Quarterly Report: YTD Actuals (draft, subject to final confirmation on September 4) Quarterly Capital Report
August 20, 2003	<ul style="list-style-type: none"> 2003/04 First Quarterly Report: 2003/04 Revised Forecast and 2004/05 – 2007/08 Projections (to be approved by Boards/Chairs prior to submission) First Quarterly Report communications plans and release information due for Crowns/Agencies preparing separate public releases (see requirements regarding earlier releases) 2002/03 Annual Report, communications plans and release information
September 4, 2003	<ul style="list-style-type: none"> First Quarterly Report information (final draft) to be signed off by CEO/CFO and returned to DM of Treasury Board
September 11, 2003	Release of the First Quarterly Report (Crowns/Agencies to have Briefed Ministers Responsible and Provided Them with Briefing Material)
October 17, 2003	<ul style="list-style-type: none"> 2003/04 Second Quarterly Report: YTD Actuals (draft, subject to final confirmation on November 14) Quarterly Capital Report
October 31, 2003	<ul style="list-style-type: none"> 2003/04 Second Quarterly Report: 2003/04 Revised Forecast and 2004/05 – 2007/08 Projections (to be approved by Boards/Chairs prior to submission) Second Quarterly Report communications plans and release information due for Crowns preparing separate public releases (see requirements regarding earlier releases)
November 1 – 30, 2003	<ul style="list-style-type: none"> Crown Budget Presentations to Treasury Board (Agency presentations to go through ministries)
November 14, 2003	<ul style="list-style-type: none"> Second Quarterly Report information (final draft) to be signed off by CEO/CFO and returned to DM of Treasury Board
November 27, 2003	Release of the Second Quarterly Report (Crowns/Agencies to have Briefed Ministers Responsible and Provided Them with Briefing Material)
January 9, 2004	<ul style="list-style-type: none"> 2003/04 Third Quarterly Report – YTD Actuals (draft, subject to final confirmation on February 5) Quarterly Capital Report
January 28, 2004	<ul style="list-style-type: none"> 2003/04 Third Quarterly & 2004/05 Budget Reports: 2003/04 Revised Forecast and 2004/05 – 2007/08 Projections (to be approved by Boards/Chairs prior to submission) Third Quarterly Report communications plans and release information due for Crowns preparing separate public releases (see requirements regarding earlier releases) 2004/05 – 2006/07 Service Plan (contact CAS/PBO for more information)
February 5, 2004	<ul style="list-style-type: none"> Third Quarterly and Budget Report information (final draft) to be signed off by CEO/CFO and returned to DM of Treasury Board
February 17, 2004	2003/04 Third Quarterly Report and 2004/05 – 2006/07 Budget and Service Plans Tabled in the Legislature (Crowns to have Briefed Ministers Responsible and Provided Them with Briefing Material)

REPORT DESCRIPTIONS AND REQUIREMENTS

2003/04 to 2006/07 Budget Submission Update

- Crowns to update budget material submitted in January 2003 to reflect the latest economic forecast and actual conditions to date.

Quarterly Reports – YTD Actuals

- YTD comparative financial statements (includes balance sheet, income statement and cash flows)
- Completed Supplemental Financial Report (Appendix C reports for OCG)
- Explanation of significant variances (both year-to-year and YTD-to-budget)
- Analysis of differences in accounting policy between Crowns/Agencies and government, including impact on net debt and capital numbers (using the government's accounting policies)
- Details on unusual or extraordinary items and prior year restatements
- Details on FTEs
- For Crowns with a year-end other than March 31, the quarterly information provided is to be for the period from the year-end to the end of the reported quarter. In addition, OCG may require information to make "stub-period" adjustments to adjust aggregate results so that they are comparable with the government's fiscal year-end. This will not affect individual reported Crown/Agency results, but will help ensure that the government's summary accounts properly report activity during the government's fiscal year. Stub period information will relate to the January – March period for some Crowns and the July – March period for some Agencies.
- For additional information, contact the Office of the Comptroller General.

Quarterly Capital Report –2003/04

- For taxpayer-supported Crowns, summary update by project on projects >\$1.5 million as per information required in previous years, unless other wise specified by Treasury Board. For taxpayer-supported and commercial Crowns, in-year year-to-date and revised forecasts are required for total capital spending (on an accrued basis). Consistent with Budget Transparency and Accountability Act, separate information is required for capital projects exceeding \$50M. For additional information, contact Capital Division of Treasury Board Staff (see contacts section).
- Information on significant variances in year-to-date (compared to calendarized budgets) and revised forecasts (compared to the February budget).

First and Second Quarterly Reports – 2003/04 Revised Forecast and 2004/05 – 2007/08 Projections

- Completed reporting template, including 2003/04 revised forecast and updated projections for 2004/05 to 2007/08
- Explanation of significant variances for 2003/04 (both year-to-year and revised forecast-to-budget)
- Summary information on projects >\$50 million
- Analysis of portfolio and exposures, details of debt strategy
- Details on unusual or extraordinary items and prior year restatements
- Details on projected loan activity and investments
- Key assumptions and operating indicators, including risks and sensitivities of key assumptions
- For additional information, contact the Fiscal and Economic Analysis Branch of Treasury Board Staff. A refined template has been developed to ensure that minimum information is collected to prepare complete summary account financial forecasts.

Crown Budget Presentations

- Use presentation format to be communicated in September by Crown Agencies Secretariat (for Crowns) and Performance Budgeting Office (for SUCH Agencies).
- Forecast information should be consistent with what is prepared for the 2nd Quarterly Report. The 2003/04 Revised Forecast and 2003/04 to 2006/07 Projections prepared for 2nd Quarterly Report should be shown as status quo with known material differences disclosed separately.

Third Quarterly Report – 2003/04 Revised Forecast and 2004/05 – 2007/08 Projections

- This information will be published as part of the government's 2004/05 budget and should be used in preparing corporation service plans.
- Completed reporting template, including 2003/04 revised forecast, 2004/05 budget and projections for 2005/06 to 2007/08.
- 2004/05 budget and 2005/06 to 2007/08 projections will incorporate Core Review, Board Strategic Plans and/or directions of Treasury Board.
- Explanation of significant variances for 2003/04 (both year-to-year and forecast-to-budget)
- Summary information on projects >\$50 million
- Analysis of portfolio and exposures, details of debt strategy
- Details on unusual or extraordinary items and prior year restatements
- Details on projected loan activity and investments
- Key assumptions and operating indicators for 2004/05 budget and 2005/06 to 2007/08 projections, including risks and sensitivities of key assumptions
- Preliminary monthly calendarizations of 2004/05 budgeted income and cash flow statements.
- For additional information, contact the Fiscal and Economic Analysis Branch of Treasury Board Staff. A refined template has been developed to ensure that minimum information is collected to prepare complete summary account financial forecasts.

Quarterly Report Communications Plans and Release Information

- Applicable to those Crowns/Agencies that release separate quarterly information to the public.
- This will include press releases and backgrounders, briefing material or questions and answers prepared for Ministers responsible.
- Where Crown corporations/SUCH agencies plan to release quarterly reports earlier than the provincial government's schedule, communications material should be forwarded to Crown Agencies Secretariat (for Crowns)/Performance Budgeting Office (for SUCH) at least one week prior to planned release.
- For additional information, contact the Crown Agencies Secretariat or Performance Budgeting Office.

APPENDIX TWO: PERFORMANCE REPORTING REQUIREMENTS

Quarterly Financial and Service Plan Reporting (see Calendar in Appendix One)
Annual Three-Year Service Plan (to be tabled February 18, 2003)
Annual Report (date to be determined for 2003)
Review of Shareholder Letter of Expectations (September 2003)