

GOVERNANCE

In British Columbia, the Liquor Distribution Branch (LDB), under the authority of the *Liquor Distribution Act*, has the sole right to purchase beverage alcohol, both in and out of British Columbia, in accordance with the *Importation of Intoxicating Liquors Act (Canada)*.

Reporting to the Minister of Public Safety and Solicitor General, the LDB is responsible for the importation, distribution, wholesaling and retailing of beverage alcohol in British Columbia and operates government liquor stores and distribution centres in the province. The LDB is also responsible for the appointment of private retail agency stores*.

The *Liquor Distribution Act* specifies that the minister must appoint a general manager and that the general manager is responsible for administering the Act, including the general control, management and supervision of liquor stores, subject to the orders, directions and supervision of the minister.



The Act further clarifies the powers of the general manager and delineates the administration of the LDB and the operation of its liquor stores. The LDB follows the Crown Agencies Secretariat guidelines for service plans and annual reports, and is reported out in public accounts in a manner similar to a commercial crown corporation, on a modified equity basis.

Another branch within the Ministry of Public Safety and Solicitor General, the Liquor Control and Licensing Branch (LCLB), enforces the *Liquor Control and Licensing Act*. The LCLB is responsible for the licensing, monitoring and enforcement of the Act and regulations related to private liquor stores, restaurants, pubs and manufacturers.

* Agency stores refer to rural agency stores, manufacturer stores, independent wine stores and duty free stores.

BUSINESS OF THE LIQUOR DISTRIBUTION BRANCH

With a workforce of approximately 3,500 full and part-time employees, the LDB operates, as of March 31, 2007:

- 201 government liquor stores throughout the province;
- two distribution centres, one in Vancouver and one in Kamloops; and
- a head office facility in Vancouver.

The LDB issues appointments or authorizations and enters into contracts with the private sector for the operation of private retail outlets, such as rural agency stores (RASs), beverage alcohol manufacturer stores, independent wine stores and duty-free stores. These authorizations and agreements are in addition to any licensing terms that may be in place with the LCLB.

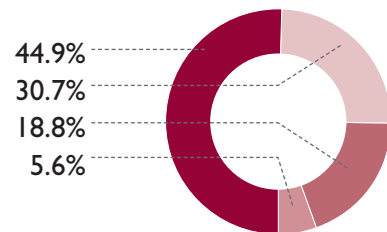
As of March 31, 2007, private sector retail establishments included:

- 631 licensee retail stores (LRSs, private liquor stores licensed to sell all liquor products);
- 230 RASs (general merchandise stores in rural communities authorized to sell all liquor products);
- 154 on-site manufacturer stores (stores at wineries, breweries and distilleries that sell products manufactured on-site);
- 34 off-site manufacturer stores (stores operated by the BC wine industry that sell BC winery products);
- 12 independent wine stores (private wine stores authorized to sell all types of wine); and
- 11 duty-free stores.

The LDB purchases beverage alcohol from suppliers and manufacturers in British Columbia, other provinces and from around the world. Licensed manufacturing sites in British Columbia include 152 wineries, 51 breweries and brew pubs, and 12 distilleries. The LDB buys products from more than 400 manufacturers.

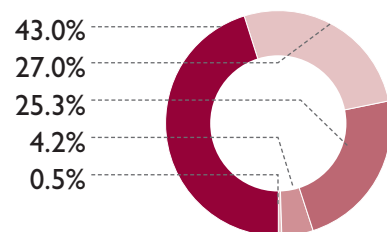
PERCENTAGE OF GROSS \$ SALES BY RETAIL CHANNEL 2006/07

| | |
|------------------------------------|-------|
| Government Liquor Stores | 44.9% |
| Licensee Retail Stores | 30.7% |
| Licensee (pubs, bars, restaurants) | 18.8% |
| Agency Stores | 5.6% |



PERCENTAGE OF GROSS \$ SALES BY PRODUCT CATEGORY 2006/07

| | |
|------------------------------|-------|
| Beer | 43.0% |
| Spirits | 27.0% |
| Wine | 25.3% |
| Ciders/Coolers | 4.2% |
| Special Orders/Non-alcoholic | 0.5% |



LDB CUSTOMERS AND STAKEHOLDERS

BC Liquor Stores averaged 728,000 customer visits each week in 2006/2007, making the LDB one of the province's largest retail organizations.

The LDB has both retail and wholesale customers: wholesale customers are comprised of licensee retail stores, rural agency stores, restaurants and pubs, and duty-free stores. Retail customers are the general public, who buy their product through the government liquor store network.

Our stakeholders include the people of British Columbia, their elected officials, our employees, our suppliers, and groups that share our concern for public safety.

The LDB offers a broad selection of both international and domestic products, and our employees strive to provide exemplary service in assisting our retail and wholesale customers in finding the right products for their needs. As well, the LDB continually looks for ways to become more efficient in the management of our operating expenses.

Along with our government liquor stores, a variety of private retail outlets help to ensure that the public is well-served. The mixed public-private retail model not only gives our customers more choice, but also encourages the growth of the small business sector in British Columbia.

ALIGNMENT WITH GOVERNMENT'S STRATEGIC PLAN

As with all branches and agencies of government, the LDB is aligned to support and implement the government's goals. The LDB estimates that it will generate \$2.48 billion in net income to government over the next three years; this revenue will assist government in achieving its goals to:

1. Make British Columbia the best-educated, most literate jurisdiction on the continent.
2. Lead the way in North America in healthy living and physical fitness.
3. Build the best system of support in Canada for persons with disabilities, those with special needs, children at risk and seniors.
4. Lead the world in sustainable environmental management, with the best air and water quality, and the best fisheries management, bar none.
5. Create more jobs per capita than anywhere else in Canada.

To serve the interests of our customers and stakeholders, we:

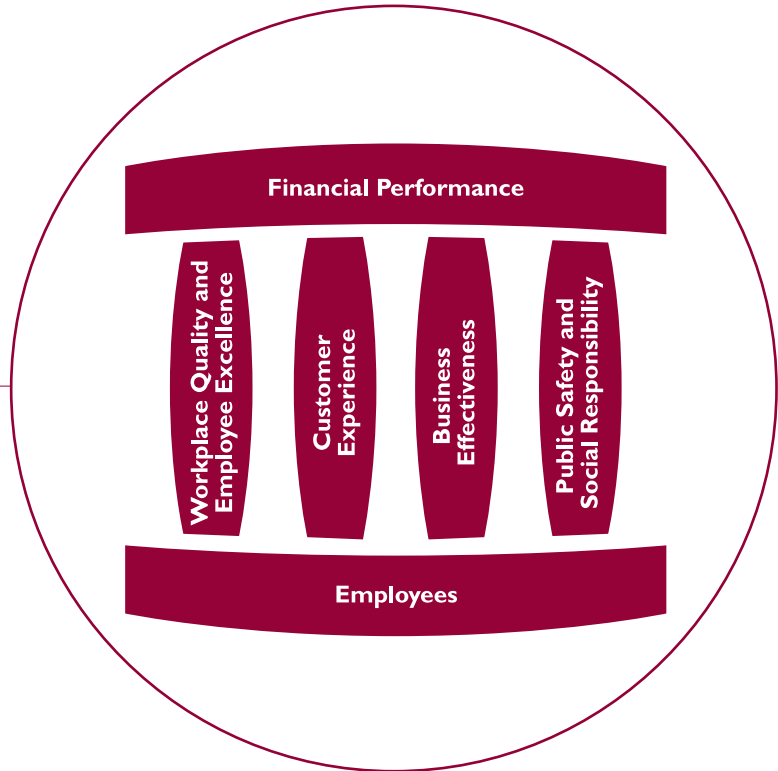
- deliver quality products and services;
- distribute products and services through a variety of liquor retail venues throughout British Columbia;
- manage the importation, warehousing, transportation and sale of liquor in a fair and impartial manner;
- promote the safe and responsible use of beverage alcohol; and
- implement policies to ensure LDB workplaces are safe and free of harassment or discrimination.

To fulfill our responsibilities to the government and people of British Columbia, we:

- maximize revenue to the government of British Columbia;
- manage the LDB's business risks;
- ensure accountability of key business partners; and
- develop and implement programs and services aimed at deterring the sale of beverage alcohol to minors, those who appear intoxicated, or those who are believed to be buying for either of these parties.

THE FOUR PILLARS FRAMEWORK

The Liquor Distribution Branch organizes its strategic priorities and key objectives around the concept of four pillars. All four pillars support financial performance, and at the foundation are the LDB's dedicated employees.



HIGH-LEVEL GOALS

The five high-level goals are:

- GOAL 1 FINANCIAL PERFORMANCE**
Maximize net income within the policy guidelines established by government
- GOAL 2 WORKPLACE QUALITY AND EMPLOYEE EXCELLENCE**
Build a customer-focused, high performance work environment that results in greater employee involvement, development, innovation and creativity
- GOAL 3 CUSTOMER EXPERIENCE**
Continuously improve the customer experience in BC Liquor Stores
- GOAL 4 BUSINESS EFFECTIVENESS**
Continue to seek out improvements to operating efficiencies and maximize wholesale customer satisfaction in a climate of constant change
- GOAL 5 PUBLIC SAFETY AND SOCIAL RESPONSIBILITY**
Encourage the responsible use of beverage alcohol