



5th Session, 37th Parliament

REPORT OF PROCEEDINGS
(HANSARD)

SELECT STANDING COMMITTEE ON
CROWN CORPORATIONS

Victoria

Tuesday, May 18, 2004

Issue No. 27

KEN STEWART, MLA, CHAIR

ISSN 1499-4186

Published under the authority of the Speaker

Hansard Services publishes transcripts both in print and on the Internet.
Chamber debates are broadcast on television and webcast on the Internet.

www.leg.bc.ca/cmt

SELECT STANDING COMMITTEE ON
CROWN CORPORATIONS

Victoria

Tuesday, May 18, 2004

Chair:

* Ken Stewart (Maple Ridge-Pitt Meadows L)

Deputy Chair:

* Harry Bloy (Burquitlam L)

Members:

* Daniel Jarvis (North Vancouver-Seymour L)
Harold Long (Powell River-Sunshine Coast L)
* Dennis MacKay (Bulkley Valley-Stikine L)
* Karn Manhas (Port Coquitlam-Burke Mountain L)
* Ted Nebbeling (West Vancouver-Garibaldi L)
Barry Penner (Chilliwack-Kent L)
Rod Visser (North Island L)
John Wilson (Cariboo North L)
* Patrick Wong (Vancouver-Kensington L)
Joy MacPhail (Vancouver-Hastings NDP)
* Paul Nettleton (Prince George-Omineca Ind L)

** denotes member present*

Clerk:

Craig James

Committee Staff:

Jonathan Fershau (Committee Researcher)

Witnesses:

Roger Bissoondatt (B.C. Liquor Distribution Branch)
Jay Chambers (CEO, B.C. Liquor Distribution Branch)
Kelly Conrad (B.C. Liquor Distribution Branch)

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MINUTES

SELECT STANDING COMMITTEE ON CROWN CORPORATIONS



Tuesday, May 18, 2004

8 a.m.

Douglas Fir Committee Room
Parliament Buildings, Victoria

Present: Ken Stewart, MLA, (Chair); Harry Bloy, MLA; Daniel Jarvis, MLA; Dennis MacKay, MLA; Karn Manhas, MLA; Ted Nebbeling, MLA; Paul Nettleton, MLA; Patrick Wong, MLA

Unavoidably Absent: Harold Long, MLA; Joy MacPhail, MLA; Rod Visser, MLA; Barry Penner, MLA; Dr. John Wilson, MLA

1. Pursuant to its terms of reference the Committee reviewed the BC Liquor Distribution Branch.

Witnesses

Jay Chambers (Chief Executive Officer)
Kelly Conrad (Executive Director, Retail Services)
Roger Bissoondatt (Executive Director, Finance)

2. **Resolved**, that the Committee deliberate in camera regarding the appearance of the BC Liquor Distribution Branch.
3. The Committee considered the evidence presented by the BC Liquor Distribution Branch.
4. **Resolved**, that the Committee deliberate in public session.
5. The Committee agreed to meet from 12 noon to 4 p.m. on Monday, June 28, 2004 and from 9 a.m. to 1 p.m. on Tuesday, June 29, 2004 for the purpose of hearing from Land and Water BC and BC Transmission.
6. The Committee adjourned at 10:23 p.m. to the call of the Chair.

Ken Stewart, MLA
Chair

Craig James
Clerk Assistant and
Clerk of Committees

TUESDAY, MAY 18, 2004

The committee met at 8:05 a.m.

[K. Stewart in the chair.]

K. Stewart (Chair): Just before we get into the presentation, I'd just like to go over a few notes and do some introductions. In the presentation for today the expectation is that you have up to one hour to do your formal presentation. After that time there'll be up to an hour of questions, so we won't keep you here any longer than 10 o'clock. At that time we'll convene to do our work. What we're looking at today is the Select Standing Committee on Crown Corporations. Today we have the British Columbia liquor distribution branch.

A couple of notes. What we usually do here is use our first names, if that's okay. Everyone has a card with first names. If you have any problem with that, now's the time to speak up. That's been the process.

With regard to the questions, what we do is go around and each member will ask a question until everyone's finished. Of course, obviously, if the person's had their questions answered, they'll just move on to the next one, but we do one question at a time so that everyone has an equal opportunity to participate.

I'll now start by doing the introductions. When we come down to your end, you can just hop right in there and introduce who you are and what your position is. Once the introductions are concluded, we'll start the presentation. I'll just start with the Clerk to my left, and he can start the introductions.

C. James: Craig James, Clerk Assistant and Clerk of Committees.

J. Fershau: Jon Fershau, committee research analyst.

P. Wong: Patrick Wong, MLA, Vancouver-Kensington.

P. Nettleton: Paul Nettleton, MLA for Prince George-Omineca.

K. Conrad: Kelly Conrad, executive director, retail, LDB.

R. Bissoondatt: Roger Bissoondatt, executive director, finance, LDB.

J. Chambers: Jay Chambers. I'm the general manager of the LDB.

D. MacKay: Dennis MacKay, MLA for Bulkley Valley-Stikine.

D. Jarvis: Daniel Jarvis, North Vancouver-Seymour.

H. Bloy (Deputy Chair): Harry Bloy, Burquitlam.

K. Stewart (Chair): I'm Ken Stewart. I'm the MLA for Maple Ridge-Pitt Meadows. I'll be your Chair today. Just joining us is....

K. Manhas: Karn Manhas, MLA for Port Coquitlam-Burke Mountain.

K. Stewart (Chair): If you'd like to start your presentation, please proceed.

Review of Crown Corporations: B.C. Liquor Distribution Branch

J. Chambers: Just in regard to the introduction, I'd like to explain that Roger Bissoondatt is the chief financial officer of the liquor distribution branch. As well, he's responsible for the audit function. Kelly Conrad is the executive director of retail services. Her responsibilities are the buying office, marketing, store operations, distribution and property management.

In the presentation today I'm going to go through an overview of the liquor distribution branch, through the service plan and then move it to questions and answers.

There are two branches within government that have responsibility for liquor and the liquor industry in British Columbia. The LDB is responsible for the importation, distribution and retailing of beverage alcohol in British Columbia and for the appointment of agency stores. The liquor control and licensing branch has responsibility for licensing and enforcement for restaurants, pubs, bars and cabarets, licensee retail stores — private liquor stores — and the manufacturers — wineries, breweries, distilleries, U-brews and U-vins. The LDB and the liquor control and licensing branch both report to the Solicitor General.

The LDB has the sole right to purchase, both in and out of the province, liquor for resale and reuse in the province, in accordance with the provisions of the Importation of Intoxicating Liquor Act. That's Canadian legislation.

The LDB operates under the authority of the Liquor Distribution Act. The Liquor Distribution Act specifies that the minister must appoint the general manager. The general manager is responsible for administering the act subject to the orders, directions and supervision of the minister. The minister determines liquor policy, and the LDB provides the full-service delivery structure.

The government reports on the LDB operations on a modified equity basis, consistent with the accounting treatment for commercial Crown corporations. The LDB follows Crown agency secretariat guidelines for service plans and annual reports.

I'd just like to explain that the LDB, for strategic planning and budgeting purposes, reports through Crown agencies secretariat, and for day-to-day operations and policies, it reports through the ministry.

This overhead shows the organizational structure of the LDB. I have eight direct reports. The functions are corporate policy, loss prevention, finance, retail

services, information services, legal counsel, human resources and corporate initiatives and chain strategy.

[0810]

A little bit about who we are. The LDB is responsible for 220 government liquor stores. There are 65 of those government liquor stores in Vancouver. Fourteen are in the greater Victoria area. There are 140 government liquor stores outside of Vancouver and Victoria. We are in more communities provincewide than any other single retailer.

The volumes of our stores vary from Tahsis, which does slightly over a quarter of a million dollars, to our flagship store at 39th and Cambie, which does over \$35 million in annual sales. We operate two distribution centres, one in Vancouver and one in Kamloops.

Approximately 3,500 employees work at the LDB. That's 2,731 FTEs. Of those, 2,074 FTEs work in the stores, 277 FTEs are in our distribution function and 380 are in administration.

Our distribution centres. The one in Vancouver is 250,000 square feet in size, and our one in Kamloops is 86,000 square feet in size.

There are 810 private liquor retail outlets in the province. When you combine that with the government liquor stores, it means that at this point in time there are 1,030 locations that one could buy beverage alcohol at. Of the 810 private retail outlets, 431 are licensee retail stores. I might add that there are 353 applications at this point in time that are outstanding.

There are 233 rural agency stores in the province. Currently, there are seven applications eligible under the new criteria. There are 124 industry stores, 12 independent wine stores and ten duty-free stores.

In fiscal 2003-04, the year that just ended, we did slightly under \$2 billion in sales. Our net income was \$727 million.

In government liquor stores we average 825,000 transactions per week, and it does not fluctuate that much by week. For instance, in December we do 910,000 transactions per week. British Columbians average between nine and ten visits to government liquor stores annually.

The per-capita consumption in British Columbia of beverage alcohol is 7.6 litres of absolute alcohol. That does not include U-brew and U-vin consumption. In Canada that number is 7.7. Alberta, for instance, is 8.7. Ontario, which has U-brews and U-vins, is at the same amount of consumption as British Columbia — 7.6 litres of absolute alcohol.

The next slide shows two pie charts. The one on the left shows the percentage of gross sales in the province by product category. For example, you can see that spirits represent 26.9 percent of the total sales of beverage alcohol in the province last year. The pie chart on the right shows the blend of total sales done by each type of retailer in the market. For example, you can see that licensee retail stores are at 19.7 percent.

One bit of information is that the product mix varies by type of retail establishment. For example, the government liquor stores have close to 55 percent of the number of retail outlets in the province, but they do

72 percent of the spirit sales in the province. Licensee retail stores, while they are slightly under 20 percent of the number of retail outlets in market share, do approximately 32 percent of the sales of beer in the province.

The next slide shows the change in retail outlets that have occurred over the last three years. We've gone from a total of 795 in 2001-02 to over 1,030 at the end of this fiscal year, 2003-04. That is a 30 percent increase for 235 locations. The LDB stores represented 28 percent of the total in 2001-02. In the year just finished, they represent 21 percent. The private liquor stores have increased from a blend of 72 percent to 79 percent.

The next slide shows the three-year sales analysis by distribution channel. You can see, for example, that government liquor stores have gone from a blend of total market of 58.5 percent to 54 percent. Licensee retail stores have gone from 15.7 percent to 20.8 percent.

[0815]

Looking at the three-year, trend-analysis-by-product category, there are a lot of numbers here, but in summary, spirit sales last year increased by 4.6 percent. The volume increased by 3.9 percent. In the wine category our growth in dollars was 7.7 percent, and in volume it increased by 5.2 percent. Packaged beer increased by 7.4 percent and in volume by 4.2 percent. Draft beer was our only soft category, showing a negative 0.1 percent sales decrease, and in volume it was down 2.7 percent.

There are four key retailing trends that exist in the world today that we need to be very conscious of. The first one is premiumization. What this means is that as people get older, they tend to consume less and they buy better. It's not unique just to beverage alcohol. This occurs in most consumer goods. Prior to joining the LDB, I was with the Hudson's Bay Company, and we saw this occurring in all categories. It's a trend that we see continuing as the baby-boomers move on in age and approach retirement.

The other one is big box retailing. We see it in all markets. Destination store malls offering enhanced assortments not only is a trend that is emerging, but we see growth opportunities there going forward.

Globalization. In particular in our business, beverage alcohol, consumers expect access to products from around the world in a timely fashion, and it is our responsibility to ensure that we provide them with that in the government liquor stores.

Rapid and constant change. They say that the only constant in retail is change. Trends and fads require creativity, buying power, flexibility, and you need to be in the market to understand what those changes are as they emerge.

I'd now like to go into the LDB service plan for 2004-05 through 2006-07. When our 2003-04 service plan was tabled in the British Columbia Legislature in February 2003, the LDB plan was based on direction from government that over time the LDB's role would shift from the operation of warehouse and retail stores to the regulation of private sector warehouse and retail stores. We were going to be exiting the business.

After considerable consultation with stakeholders and further deliberation on what direction would best serve British Columbians, government decided to continue operating a mixed public-private liquor retail and distribution system.

Our mission is to be a customer-focused, profitable retailer of beverage alcohol dedicated to innovation, exemplary service, helpful product knowledge and social responsibility. Our vision is that our customers have the opportunity to discover, enjoy and share the evolving worlds of beverage alcohol.

Our values are exemplary service, not only to our counter customers but to our wholesale customers as well; public safety and social responsibility — we encourage and support the responsible use of beverage alcohol; integrity — we take responsibility and are fully accountable for our actions, decisions and behaviour, and we are open honest and fair; and respect — we treat all individuals with fairness, dignity and respect, and we support one another to achieve corporate goals.

In regard to innovation, we encourage our people to find innovative and creative ways to improve our business — in products, cost savings and the way we market our products.

Our alignment with the government's strategic plan in regard to a prosperous economy.... We are a key player in the provincial economy. I'll stand corrected, but I believe we are the largest retailer in the province. We operate in more communities than any other retailer, and we average 810,000 transactions on a weekly basis. We generate net income for government — significant net income.

We create opportunities in the beverage alcohol industry. In regard to employment opportunities, we employ approximately 3,500 full- and part-time employees in the branch, and we support private sector involvement in the beverage alcohol industry.

[0820]

Affordable and fiscal responsibility. Responsible government. We are fiscally responsible through judicious expense management.

Health. We promote the health and safety of LDB employees, and we encourage the responsible use of beverage alcohol.

Safe communities. We support safe communities through public safety and social responsibility campaigns.

In regard to the planning context, the following key strategic issues are very critical to our success and strategic planning going forward. The first is government policy and direction. The government is our owner. We are not a Crown corporation. We take direction from the minister, and we need to be conscious of the fact that the advice we provide the minister needs to be accurate so that he and the government have the necessary information to make decisions and provide the LDB with direction.

Our people. We do have challenges in this area. As I mentioned earlier, we were in the process of winding down the LDB, and a number of people chose to take

different positions within government or to leave the LDB. We are now in the process of staffing up some of our key departments. Two particular concerns we have are in our property management department. As we were not looking at negotiating long-term leases or renovating or relocating stores, our property management department essentially went down to just maintenance of leases. We're in the process of hiring people to manage that function. In human resources a number of key people from the LDB moved to the Public Service Agency.

With regard to technology, we have rather antiquated systems at the LDB that are in need of being upgraded. Prior to the decision being made to exit the business, we embarked on a strategy of having more current technology. The first step in that was the new cash registers and back office systems in our government liquor stores. We are in the process of identifying what our needs are going forward and will be developing a plan by area for that.

Our customers have changed significantly over the last couple of years. I shared with you the numbers a few minutes ago — that the blend of private sector retailers in the province has increased significantly. Our customer base in government liquor stores has grown dramatically in the wholesale area, and we need to be conscious of that.

The retail environment has changed dramatically, and I talked about big-box retailing and premiumization. We need to spend a lot of time understanding what those changes mean to the government liquor stores going forward and develop appropriate strategies for that.

Public safety. We need to get back and develop strategies going forward for how we want to message public safety, our responsible use campaigns, in the government liquor stores.

Beverage container management. There are challenges in this area. We need to develop a plan with Water, Land and Air Protection on where we want to take beverage container management for beverage alcohol going forward.

For strategic direction, we operate with what we call the four pillars. The four pillars are customer experience, social responsibility, business effectiveness and employee excellence. I think 98 percent of what we do at the LDB should fit into one, if not more than one, of these four pillars. Driving the four pillars are the employees at the LDB. We have 220 government liquor stores in the province. There is absolutely no way that we could be in every store every day monitoring what happens in those stores. We're very dependent on the people in our stores to focus on these four pillars in their day-to-day operation.

What drives all of this is the financial performance, which ultimately is what we're all about. It's what any retail outlet is about. It's driving sales in a socially responsible fashion and driving net income.

Our financial performance goal is to achieve or exceed our net income contribution of \$760 million this year. We've shown here the numbers going forward to

2006-07. Our net income rate baseline for 2003-04 was 36.3 percent. Our percentage of net income to sales in 2006-07 will be 37.8 percent.

[0825]

We budget very conservatively on our sales increases. This year we are currently budgeting for a 3.1 percent sales increase; the following year, 1.9 percent; and looking three years out, a 1 percent sales increase.

We have to be conservative in our budgeting. We are very weather-dependent. We do on average \$2.6 million on a Monday. We'll do \$7 million to \$8 million in sales in the government liquor stores on a Friday and a Saturday. Between the middle of May and the middle of September we'll probably get the same number of days of sunshine each year, but we're very dependent on when we get that. If we get sunshine on a weekend, our sales go up not only in government liquor stores but licensee retail stores and, obviously, licensed establishments. A sales increase of 10 percent because of a sunny day on a Saturday is \$800,000. If you get the sunshine on a Monday and Tuesday and you get a 10 percent sales increase, it might only be \$200,000.

The other thing is that as we get into the holiday selling period, one of the challenges is weather. In the greater Vancouver area and in the Victoria area both cities can literally shut down if you have a snowstorm or an ice storm. It has a dramatic impact on our business. People do not go and double up on their purchases of beverage alcohol the next day if they don't have the opportunity to consume it, either at home or in a licensed establishment, on a particular day.

Our expenses. In the year just finished we came in at 10.8 percent. In 2006-07 we will drive our rate down to 10.4 percent.

Looking on the next page, what this page does is give you more detail of the financial forecast — in particular, capital requirements. You see \$12 million there per year. That would be the significant amounts of capital that would be allocated to store renovations, new stores and technology requirements. You can see that our FTEs... We're currently operating at 2,731 or 2,732, and that will grow to approximately 2,766.

This slide shows the contribution that the LDB makes not only in net income but in the social services tax and the growth that has occurred in 2001-02 through to the year we just finished, 2003-04, and what we're projecting going through to 2006-07 — very significant amounts of money.

In terms of the customer experience, we want to improve our customer service levels. I don't think any retailer would say they didn't want to improve on it. There's always room for growth in this area. We want to implement improvements to enhance the retail experience. We want to improve cost efficiencies in business services for our wholesale customers, and we want to elicit advice and input from industry stakeholders on an ongoing basis.

Things we are looking at are signature retail stores in key markets. I talked earlier about big-box retailing. It's here to stay. Our most successful government liquor

stores are our large stores: Fort Street in Victoria, 39th and Cambie in Vancouver, Orchard Park in Kelowna, Westwood in Coquitlam. These are very significant stores. We see an opportunity for the LDB going forward to grow our number of signature stores. That will mean that we will close other government liquor stores. We'll become destination stores.

We need to get back and start to upgrade some of our stores. Some of them have not had a renovation in many years. It's like a house. After a while you have to give it some new paint; you need to give it some new flooring. We need to get in a cycle of renovating our stores on a regular basis.

Customer access to product knowledge needs to be enhanced in our stores. By this I mean two things. One is that as we expand the number of signature stores, we need to have more product consultants in our stores, because we'll have an enhanced, expanded assortment. We need to have people in our stores that have product knowledge that can impart this to our customers.

The other key area, though, is the silent salesperson. That will be done through signage at point-of-sale. Opportunities we'll be looking at will be kiosks where a customer could go in and type in some words, and we could point them in the right direction in regard to wine, spirits or any of our categories where they might want to go and look in the store that might have some products that fit their needs.

[0830]

Attitudes and customer experience. We want to evaluate this through customer research and a mystery shopper program. We want to know how we're performing. Service standards need to be developed, particularly in the wholesale business. That area of our business is growing, and it would appear as if it's going to continue to grow going forward. We need to become more efficient and timely in that area.

In regard to public safety and social responsibility, we want to sell beverage alcohol responsibly, and we want to promote the responsible use of beverage alcohol. We will continue to provide staff education and encourage responsible retailing of beverage alcohol, and we will develop and support initiatives that encourage responsible use, not only at the LDB but with our suppliers. All new hires receive staff training, and we emphasize responsible use. We will start to track services refusals. In particular, these are people that don't have the proper identification or who arrive in a store under the influence.

Customer awareness of the LDB social responsibility programs. We need to find out if what we're doing is having any influence or registering with our customers, and we will be doing surveys to determine the effectiveness of that.

In regard to business effectiveness, we will continue to operate the business in the most effective and efficient manner possible. I've shown some standards here. These are things that we measure not only on an annual basis but on a monthly basis. The first one is the operating expenses in our government liquor stores. In the year just finished, we came in at 11.5 percent. Our

objective is to come in at 10.9 percent in the government liquor stores, and we will get there.

Our sales per square foot are probably the envy of most retailers. In fact, to the best of my knowledge, probably the only retailers that have higher sales per square foot would be tobacco stores. I believe that industry — for instance, a private tobacco store — could conceivably have sales per square foot higher than this. We are currently at \$1,120 per square foot, and we want to get that to over \$1,200. That's throughout the province. You have to recognize that we've got some stores that operate at close to \$2,000 a square foot, and we've got some very small stores in small communities that may operate at \$400 a square foot. It's a balance.

Distribution labour costs per case. This is something we measure. We are at \$1.84 per case. We have to establish targets going forward, and we're working on that right now. We have somebody assisting us in that. We can't just look at other liquor jurisdictions. We need to look at best business practices with other retailers around North America, if not around the world.

Turnover is a key measure that all retailers should be looking at. This is how many times you turn your inventory. In retail, we turn our stock 17.2 times, and in distribution, 20.4. We're very close to where we think we should be. We're looking at moving that to 17.5 and 21. We feel that if we do that — and this is a balancing act that you work through; all retailers do — it will give us sufficient inventory to ensure that we do not have out-of-stocks in our stores.

In terms of workplace quality and employee excellence, we need to attract, develop and retain highly qualified and motivated people. We are no different than any part of government or any private sector retailer out there. We are faced with a number of key employees retiring over the next few years. We need to be in a position where we can attract and develop good people so that we can continue to operate the LBD in an effective manner.

What we're doing to ensure that this occurs is employing a competency-based recruitment process. We will promote the understanding of the organizational goals, strategies and results through an enhanced performance management and recognition process. What we're saying here is that everybody that works at the LBD will have a performance plan, and we will recognize those people that are successful.

We will utilize effective management practices to provide a safe, healthy and harassment-free workplace. One of the measures on this is employee satisfaction and understanding of the vision, mission and values. When we completed our service plan, I made a point of going out and visiting each store manager at meetings, and I went through the service plan with them. I've met with every employee at head office, and I've met with the employees in the distribution centre. I think it's important that they understand where their company is going.

[0835]

As I mentioned earlier, we are a very large company, and sometimes we forget how big we are — 220

stores, two distribution centres. Providing them with the information allows them to provide that — in particular, the store managers — to their staff in the stores.

Workplace planning process, including a succession plan. As I mentioned, we have a number of key people retiring, and we need to ensure that we've got capable people coming through the system that can take over these key jobs of driving the business going forward.

Currently, at STIIP, we operate at 4.6 percent of payroll. STIIP is short-term illness and injury plan, and WCB claim costs, Workers Compensation Board. We have been told that this rate is where we should be at, and it would be difficult to bring it down. We are challenging ourselves on that at this point in time to discover if there are practices or something that would give us a benchmark, which would lead us to seek some improvements in this area, and we will be working on that going forward.

In summary, the liquor distribution branch operates one of the largest retail and distribution networks in British Columbia. I said one of the largest, but I believe it is the largest. Our net income is projected to generate \$2.35 billion for government services over the next three years. The liquor retailing landscape in our province is constantly changing due to the significant increase in private sector retail outlets coupled with increased customer expectations.

The LDB remains committed to providing exemplary customer service in the most effective and efficient manner possible, keeping in mind our role with respect to public safety and social responsibility. That concludes my presentation.

K. Stewart (Chair): Thanks, Jay. We'll start. We'll direct the questions through the Chair, members. At any time that whoever you think is the most appropriate person to answer the question, feel free to consult amongst yourselves.

Thank you for being so concise in your presentation this morning. It gives us a little more opportunity to ask questions, because we are limited as to time on that. There may be some questions that you don't have the answer to today or that in retrospect, when you go over *Hansard*.... One thing I should have mentioned off the top, if you're not aware, is — you'll see the ladies behind me — that everything that's said at these meetings is recorded in *Hansard*. It's made public within a day or two, so you'll be able to go to the webpage through *Hansard* and look at the transcripts of the meeting.

If there's something in there you think may need a fuller answer, feel free to send that to us. We probably will not be reporting out on this particular agency until the fall. Over the summer we'll be seeing a number of Crowns, and as we have to report out to the House, we will not be reporting out until the fall session. That's just by way of background.

Again, I wanted to note that it is in *Hansard*. If there are any questions that you don't feel you have the information here to answer or if you might in retrospect

want to add some more to the answer, feel free to do that. We usually give two weeks after this, but again, our final report will not be presented until the fall.

The process we use is that on one side, we go around with one question per person. We'll start with Harry. Please direct your questions through the Chair.

[0840]

H. Bloy (Deputy Chair): I see you're feeling better, Jay. That's good. You weren't feeling well.

J. Chambers: Thank you. All recovered from the surgery.

H. Bloy (Deputy Chair): I'm going to express some personal opinions. I have a number of questions, but I'm going to limit it to the distribution, because I feel that this report was pretty bureaucratic and that you did make an effort to privatize the distribution centre.

I feel it was really fumbled. It wasn't handled very well, and it played out at the end when none of the players would come to the table to do it. That was an internal system. My question is: how are you going to modernize the liquor distribution system? This past January, February, you put out a request for proposals. Is that completed? Will it be made public? When will you be acting upon that within the distribution system?

I look at the distribution system as kind of: how efficient are you now? Not being an expert in distribution but having worked in it, I don't see it as being as accurate, because I see a lot of middle people in there. You know, you're still trying to control the manufacturer — to your warehouse and out to the retailers — and you're not allowing for.... Hopefully, that comes in the request for proposals. My question is: what are you doing to modernize the system, and how soon will that happen?

J. Chambers: I believe you're referring to distribution.

H. Bloy (Deputy Chair): Yup.

J. Chambers: There was an RFP issued. We call it the distribution enhancement project. We have brought some consultants in to have a look at our business and identify opportunities for improvement. On that report, I'll defer to Kelly as to when that would be....

K. Conrad: It's due at the end of June.

J. Chambers: It's due at the end of June.

Once we have the results of that, we will react immediately wherever possible. However, government has made the decision that there will not be any expansion of private sector retailing, and we take our direction from government. While that review is being conducted, it is looking at the LDB's distribution system to identify opportunities for improvement.

K. Stewart (Chair): If you want a very short supplementary to your....

H. Bloy (Deputy Chair): Yeah. My question has to do with distribution. You've been there for three years, still waiting for change to happen. I think it's still a pretty antiquated system. I'm not talking about the retail stores or the direction, but there was direction to privatize. It has been pulled, but it's partially because of the work that was done. I'm still kind of waiting for this report or when your division is going to modernize.

J. Chambers: As I said, we'll have that report at the end of June, and we'll be taking action as a result of that report.

D. Jarvis: I think part of it is because the government screwed up on you — was it not? — if we want to be truly honest about this.

Jay, you say there's not going to be too much expansion, but I notice that the licensed retail stores do start jumping up in '03 and '04. At the same time, you're talking about.... Your operating expenses are down. I assume that's because of the fact that you've lost a couple of GLSs, or you're intending to lose more of them, and you're going to increase your LRSs.

J. Chambers: The expenses are going to come down primarily as a result of the savings that were realized in the new collective agreement just negotiated this past fall. We now have an entry-level wage rate for employees at the LDB, and we're currently in discussions with the BCGEU on scheduling in the government liquor stores. That's a process that's underway. Once it's completed, it will drive a lot of savings in our government liquor stores.

K. Stewart (Chair): Jay, if I can just interject, could you tell us an example of the previous opening wage for an employee as compared to the current newly negotiated one, to give us some idea of how much movement there has been?

J. Chambers: We were over \$17 an hour for our staff when they started at the LDB. In the new collective agreement, people starting — this is casual — come in at under \$13. It's more consistent with what is going on in the private sector.

[0845]

K. Stewart (Chair): Further to that, what kind of impact on staffing numbers would that be? Over a year, say, what percentage would be moving to the lower rate as a turnover?

J. Chambers: I don't have that number. I'd have to get back to you with that. Sorry.

D. Jarvis: On the profitability aspect, which really gives more profitability — the LRSs or the GLSs?

J. Chambers: Actually, it's very, very close. Our target in government liquor stores is to get below 11 percent expenses as a percentage of sales. The discount that's given to licensee retail stores, for example, is 12 percent. Essentially, our operating expenses for an LRS is 12 percent. That is an average by government liquor store.

D. Jarvis: So the returns are essentially the same?

J. Chambers: Very similar, yes.

D. MacKay: The loss prevention is obviously a big component of the LDB. Can you give me some idea on the dollar loss associated with thefts and if they are in fact internal to employees? Or are they external to break-ins in liquor stores? Why do you have such a large component in the loss-prevention section?

J. Chambers: This past year our store variance in the government liquor stores was \$3.2 million. That is 0.22 percent of sales.

D. MacKay: Sorry, was that loss through internal thefts?

J. Chambers: No. Our store variance. Unaccounted-for product was \$3.2 million, and that's 0.22 percent of sales. As I've explained to you, I come from a private sector background. I won't get into specifics as to what that rate was by company, but I can tell you that that's one of the lowest rates as a percentage of sales, if not the lowest, that's out there.

To give you an exact breakout as to how much is employee thefts and how much is external shoplifting.... There's no way I have of knowing. We do catch a number of shoplifters, and we deal with those. We charge those people. But to give you an exact breakdown, I couldn't give that to you. We're not aware of what that number is. However, there is an element of both in that number.

K. Stewart (Chair): Would breakage also be included in that, Jay?

J. Chambers: No. Breakage is a different number. Our breakage in the government liquor stores last year was \$635,000, and that was 0.04 percent. I just would like to say that's a lot of money, but when you have 220 government liquor stores and you're doing over \$1 billion in sales, it's very little product, even on a weekly basis. For that matter, even with the variance, it's something that.... While it is a significant amount, we spend a lot of time on this, because we are dealing with taxpayers' dollars. I think you could go into every store and say that a priority is loss prevention. It's just assumed. As I say, we pay a lot of attention to that.

D. MacKay: Just so I get this straight in my head, when it's shipped out of the warehouse, there's a record of the product that's being shipped and where it's

being shipped to. It is being signed for at the delivery place. I'm assuming everything is accounted for. The theft is not taking place from the time it leaves the warehouse to the time it gets to the distribution centre. After it gets to the liquor store is where the unaccounted-for product shows up.

J. Chambers: Yes. The \$3.2 million is in the government liquor store once the product has arrived.

P. Nettleton: Thank you. I found your presentation informative and also interesting. It's been most interesting.

You made reference to signature stores and the trend to signature stores, and I believe you also made reference to closing some of the smaller stores. First of all, what is a signature store? I have some idea, but perhaps you can provide me with some information in terms of what a signature store is and perhaps elaborate in terms of the implications as you close some of the smaller stores — for instance, on staffing levels and things of that sort.

[0850]

J. Chambers: I should have clarified that in my presentation. Signature stores would only occur in very large communities. In smaller communities, where we have a government liquor store, we have no plans to close those stores. I'm making reference here, when I talk about signature stores, to the GVRD; Victoria; to Nanaimo, for example; Prince George; Kelowna; to a lesser degree, maybe Penticton and Vernon; and Kamloops as well.

This is an opportunity to take a store or a location and put in a store of 10,000 or 11,000 square feet, if not larger, and to offer a very enhanced assortment and become a destination. By doing that, if we took a trading area in.... We'll say, for example, that we had three government liquor stores and that each was operating at 4,000 square feet, and we made the decision to open up a destination store of 15,000 square feet. It's possible that we could close one, two or maybe those three stores and operate with one larger store.

I don't think this would have a significant impact on staffing levels if we cover the volume off, because you're just moving the customers to a different store. The savings you realize are the efficiencies we get from a larger retail outlet. Those are economies of scale, by taking three operations and moving them into one — in efficiencies. But the staffing level as such? No.

K. Stewart (Chair): Paul, do you have a supplementary to that?

P. Nettleton: You mentioned a destination store. Perhaps you can explain that for my benefit.

J. Chambers: Have you been to the 39th and Cam-bie store?

P. Nettleton: I have not.

J. Chambers: A destination store.... The smallest one we have would be, let's say, about 11,000 square feet. It has a very enhanced assortment. The best way to compare it would be, for example, when you go to a large grocery store. You go in, and they've got the full product mix there. Then you do have the neighbourhood stores, and you do have convenience stores. We see an opportunity in replicating the full-line grocery store for liquor. I don't know what that number would be in the province. We're currently reviewing each of these multistore communities to see where those opportunities are.

The other thing I might add on this one is that this is a long-term initiative. Those locations do not necessarily show up at once. We are working with somebody who is an expert in real estate planning. We brought them in on a project to look at the province and identify those opportunities going forward, some of these opportunities that we're not aware of.

A developer might be planning something in a community four years from now. By knowing that, if we're interested in that location, then we can make leasing decisions in our other stores in that trading area, if we feel this is something we might want to pursue. So lease management decisions will be driven by these opportunities as we see them.

T. Nebbeling: Sorry. I apologize for being late, but I had another meeting. It's interesting that I walked in at the time you're talking about destination stores to reduce the number of stores in a community.

When you look at the community, are you considering, also, the factor that the buyers may actually have to travel longer to get to you? Secondly, they may have to go onto a highway. Are all these facts part of your decision-making program? You really change, of course, the pattern of where people can buy.

J. Chambers: Most definitely. We are not looking at inconveniencing consumers. We're actually looking at enhancing the shopping experience.

T. Nebbeling: In your list of points that you consider to make the decision, that's one aspect?

J. Chambers: Most definitely.

T. Nebbeling: Then the second point I would like to ask your view on is that we all know that a liquor store is often a catalyst. It's an anchor type of facility in a shopping mall, for example. Again, if you remove a liquor store from shopping mall, that may have a considerable impact on the total consumer visits to that shopping mall, thereby having considerable impact on the store owners.

[0855]

I know that this is a real issue. You may know that Whistler is getting its third store now. There are two in the village, and a third store is being considered. The arrival of the liquor store, the commitment to see that appear in that new area, was in doubt for a long time.

The shopping mall that has been created at the foot of Whistler Mountain couldn't find a tenant until the liquor branch said: "Yes, we're going to go ahead." Now we have a major grocery store there. We have sports rental facilities.

The importance of the store in an area is very important. I really hope that in your deliberations towards, "Which could we remove?" it's not only because of financial gain for the liquor control branch, for the Crown corporation, but also what the impact is on other merchants and the future of a mall. Again, is that part of the deliberations?

J. Chambers: It is a consideration. However, we're looking, as any retailer would, for the best locations for our stores.

T. Nebbeling: But we are talking about reducing numbers of stores. We're not talking about introducing. We're talking about reducing.

J. Chambers: There could very well be situations, as we consider reducing the number of government liquor stores.... Obviously, if you're reducing the number, you're exiting a mall. We would consider that, but it's something that definitely will occur.

In regard to Whistler, yes, there was a lot of debate about the site at Creekside. Because we were exiting the business, of course, we couldn't enter into discussions with the landlord. As a result of the decision to continue with the public-private sector retailing model of liquor, we are in discussions with the landlord. The community was very supportive of us opening up a store there. We're very interested in that opportunity.

T. Nebbeling: Good. Thanks.

P. Wong: I would like to refer to page 12 of your presentation. Something curious to me is the markup of your products. For instance, in comparing the retail sales by dollar amount between 2003 and 2002 for packaged beer, in the year 2003 it was increased from \$270 — is it million? — to \$736,549. That's close to a 4.8 percent increase in the dollar value, whereas in the volume for packaged beer, it increased from 207,633 to 210,796, which is about 1.5 percent. The volume increased by only 1.5 percent, whereas the dollar value increases 4.8 percent. It does not match. What are your markup policies?

J. Chambers: Our markup policy for beer is based on volume. It is a flat tax. For all of the other categories it is a percentage markup that is applied to the landed cost and to a small flat tax, which we call a volume markup. Essentially, the beer category is on a flat tax. It's volume-based. The other categories are percentage markup.

P. Wong: For instance, for draft beer the volume decreased — 50,725 and 48,217 — so that's about 5 percent. The dollar value for draft beer is \$117,241 —

there's practically no change — and \$116,506. Although the volume went down by 5 percent, the dollar value has not gone down.

J. Chambers: I apologize. I'm not sure what you're asking me.

P. Wong: I don't understand. Volume came down, and the sales revenue did not come down correspondingly.

[0900]

J. Chambers: Just going back on the markups, we did not have a volume markup in beer until July of '03. That was when government made the decision to implement a flat tax for beer.

Yes, you do have, as I mentioned earlier, premiumization occurring out there in situations where there is sometimes no volume growth, but you have a dollar increase. That means people are buying better products. I shouldn't say better products — more expensive products. I apologize.

K. Stewart (Chair): Just as an example, Jay, you're saying that they may be buying less Kokanee and more O'Keefe or something that's more expensive.

J. Chambers: The best way to explain it would be, for instance, in the packaged beer category.... In our subcategories the one that's showing the greatest growth is the import beers. The import beers are more expensive, so that drives a dollar increase, even if people are buying the same amount of beer, which would be volume.

P. Wong: Do you have a breakdown of all these product categories? Which is most profitable, or which is the least profitable? Do you have that?

J. Chambers: If you're asking for our markup schedule, yes, we do. I can certainly arrange to send that to you.

P. Wong: Okay. What's the product mix among others? Do you have any policy to determine the markup, the product mix, so that you can determine how to get the best dollar out of it?

J. Chambers: No, we don't. Because of the uniqueness of the model, we do not make buying decisions to drive certain categories because they are more profitable to us. Government has made the decision that they're going to operate public liquor stores. We are the vehicle to retail those products.

We bring in an assortment mix. We spend a lot of time in trying to get that balance between expensive, more expensive and really expensive and get that mix in our stores. Then we let our customers decide.

Each store makes a decision on the assortment they're carrying based on the trends. The trends vary significantly by store. In fact, I'll stand corrected — and

Kelly can jump in if I'm in error on this — but I don't think there are any two stores in the province that carry the same assortment mix. It varies so much, even in communities.... For example, in Surrey, where you might have stores that are just a few kilometres apart, the assortment changes dramatically. It's more significant than anything I've ever encountered in my career.

P. Wong: You said that you engaged a consultant to introduce the products. From a business angle do you normally introduce products with the greatest profit margin?

J. Chambers: I don't believe I said that we've brought a consultant in on the products. We have brought a consultant in to assist us in what we call the distribution enhancement project. That is for our distribution centres, to drive efficiencies there. This is for our warehouses and our distribution centre and trying to drive efficiencies so that we get the product to our stores as effectively as possible.

K. Stewart (Chair): Just before I pose my question, I want to bring the members' attention to your key reporting principles. You might want to just have a look at this as we're asking our questions and as you're reflecting upon the presentation you've seen. You might want to have that in the back of your mind as we're going through this.

For those new members, this is one of the key bases for our report. You might even want to do a draft of it as we go through this, a conclusion at the end. Then we can always supplement later — just while things are fresh in your mind as you're going through this. It also might give you some direction for focusing your next round of questions.

The question I have for you, Jay, is with regard to your reporting process — if you can clarify something for me. You mentioned earlier, at the start, that by way of process you report out to people — to the minister and the Solicitor General's department and also to the Crown agencies secretariat. Could you just take a moment and explain to me the relationship that you have with the secretariat and the responsibilities that you understand you have to that organization?

[0905]

J. Chambers: We're responsible to work and flow our strategic plan, our annual report and all of our budgeting through Crown agencies secretariat. For the day-to-day operation of the branch, I report through the deputy minister, the Deputy Solicitor General. Ultimately, the Solicitor General is responsible for the liquor distribution branch. There are a lot of discussions back and forth, obviously, on budgets and service plans, but that is the reporting structure we currently operate in.

K. Stewart (Chair): Do you get policy direction from the secretariat or more process and format direction for your works?

J. Chambers: Primarily format and process. However, like any good company, we value and seek their input. When we are getting into policy decisions, we include them in the discussion. For instance, for our service plan, our annual report and our budgets, it goes through our deputy minister and through the minister, who does the ultimate sign-off through to Treasury Board. We have presented our budget on an annual basis to Treasury Board, because we're over \$700 million a year. It's a pretty significant amount of money, so we do make a presentation there as well.

K. Stewart (Chair): Just one final question on process. Unlike many of the other agencies that come before us, you have no external board or other masters as such other than the ones you've mentioned.

J. Chambers: No, we do not.

H. Bloy (Deputy Chair): I still have a few more questions. Another one I wanted to ask is: how do you get along with the private sector? I hear many basically non-complimentary stories about how you're the biggest competitor to the private sector and how you're their boss and you're their competitor at the same time. How is this working, and what is your feeling on your position with the private sector?

K. Stewart (Chair): Just to interject a bit. I know that's a bit of a subjective question, so if you can maybe have some sort of objective measures or something you can respond to, to put it in light, that would be helpful.

J. Chambers: There are over 1,000 places in British Columbia where you can buy beverage alcohol. We have government liquor stores that are in competition with government liquor stores. Just like every retailer, if they have more than one store and they're operating in a trading area, they're competing with each other. There are some challenges as a result of that — no question. However, I believe our relationship with them on a day-to-day business approach is very good.

I will acknowledge that there are some challenges expressed by private sector retailers about us being the wholesaler and being aware of the products they buy and the amounts they buy that in. However, I have assured them that we are very discreet with that information. We do not share that with anybody. We do not, wherever possible, share summary information with our store managers so that they can use that as a competitive advantage, for example, with an LRS that's operating across the street from them.

I would say, day to day, that our relationship is good. We certainly make an effort to get together with them on a regular basis. If they call us and have any questions, we respond very openly and fairly.

H. Bloy (Deputy Chair): When you say you don't use the information, you may not give it out, but if the managers of your government liquor stores are in any way creative or interested in growing within an indus-

try.... In any industry I've worked in, I've always known what the competition is doing. I've always been out there. I knew their pricing structure better than my own, because I had it on a piece of paper. I knew all the discounts.

I can tell you that in a number of instances where you've had government liquor stores and private liquor stores open up and the private liquor stores have tried to make a unique entry into the market by an expanded wine selection, within months your government liquor stores were having the same wine selection and, in some cases, even appearing to have preference of product supply to them at the expense of the private liquor store. [0910]

J. Chambers: I might get five to ten comments like that on an annual basis — people calling me through their associations to express concern. If we see something that is occurring that we would consider to be inappropriate, we'd deal with that immediately.

I will say, though, particularly in the wine category, there are always new products coming into the marketplace. We're constantly in our stores driving newness. I talked about change earlier. As suppliers and agents bring these new products into the marketplace, we're looking at them as well. We have a responsibility to do that. There is a rule in retail that 80 percent of your sales come from 20 percent of your SKUs. That certainly applies to the government liquor stores in all of our categories, even in the premium wine business.

I can't comment any further than that. I have not had any of the associations that represent a lot of these private sector retailers get in touch with me and tell me that is a problem. If it is a problem, we will certainly look into that.

K. Stewart (Chair): Harry, this might be an appropriate time to use your supplementary to ask your question about B.C. wines, because I think that follows right along there.

H. Bloy (Deputy Chair): That was another one. Okay, I get another opportunity at you, Jay. The whole discussion just opens up more and more questions as you go along, but I'll move on. What are you doing to facilitate getting B.C. wines in the government liquor stores at a price that makes it competitive?

J. Chambers: Some British Columbia wineries choose not to sell to government liquor stores, and it is for a combination of a number of reasons. One is that they do not have enough production. There are some wineries that sell the vast majority of their product through their own stores or through the VQA stores that exist in the marketplace. There is a different markup structure in the province for British Columbia wines. That is a government policy, and we are the implementers of that policy.

H. Bloy (Deputy Chair): I just had one other short question.

K. Stewart (Chair): If it's a new one, we'll pass to Dan. But if it's on the same one....

H. Bloy (Deputy Chair): No, no. It's not a long one. What did you do at the Bay? You quite often refer to your background.

K. Stewart (Chair): Can we hold that question for later, because that's not on the same line? But we'll get around to you.

D. Jarvis: Occasionally — well, maybe more than occasionally — there's a situation where a good wine, mostly the imported ones, comes in that is a fairly reasonable cost. This is an age-old question. Invariably, if it starts to become a hot market for selling, the price seems to go up. I've never seen a good B.C. wine, if you have any of these, go up in price because everyone's buying it. But the imports, when they're down around the \$8.50, \$8.60 mark — they invariably seem to be for a short time — go up into \$9, \$10 and \$11. They start moving up over the year. Is that because of your distributor? Or is it your policy? Nothing wrong with it. If it's a hot market, why not get the most you can out of it?

J. Chambers: I'll defer to Kelly on this.

D. Jarvis: Kelly, you're on the ball.

K. Conrad: The agents and suppliers of the imported product set their own prices, and it would be their decision to increase the price of a wine that perhaps is extremely successful. However, it may be that the international marketplace and the demand for that wine causes the value of it to increase. It may be that there is a limited source or a limited amount of that product, and while it wasn't recognized as something that would take off initially — it was introduced at a certain price — its success and the demand may cause the price to increase.

D. Jarvis: In other words, if I like a good wine, I shouldn't tell my friends that it's a good wine — eh?

K. Conrad: Well, rumours seem to float.

D. Jarvis: Okay.

P. Nettleton: Just a quick comment and question, I guess. You had mentioned some staffing up challenges with respect to both your property management division and the other area, the area of human resources, which flow, as I take it, from the change in the government's policy or position with respect to privatization and the move away from privatization.

[0915]

Perhaps you can comment, if you will, on the implications with respect to the challenges that you've faced with staffing up in those two areas.

J. Chambers: The challenge is really just one of time. The process you go through is you run an advertisement for people, both external and internal to the LDB and/or government. Then you go through a sort of review, an interview. You make a decision to hire, and then if you have people that have to give notice.... So it's just time. That's our challenge. Retailers by their very nature are quite impatient. You know, if there's a new item that's out there and it's hot, you want to get it into your store as fast as possible. We do the same thing with staffing. Yeah, it is time.

K. Manhas: I was a little troubled by the answer to the question on distributing B.C. wines. My question is: why would the Crown agency not be helping support B.C. wineries by finding ways to work with them and finding better distribution channels? Earlier you mentioned signature stores and other innovations. The wine industry is certainly one of the bright spots that we're looking at in our province. It would seem natural that the liquor distribution branch would be helping to support that industry.

J. Chambers: Within the rules — and I apologize if it came across that we weren't supporting them — I was just talking about flow of products. Sometimes with certain wineries it's a challenge. We really support the B.C. wine industry. When Kelly joined the branch a few years ago, she made the decision to move British Columbia's wines to the first thing that you see when you enter a government liquor store, and I believe it's in about 95 percent of our stores now. That didn't exist when Kelly joined the LDB. We constantly work with the wine industry on marketing initiatives — Kelly does. She meets with the wine industry on a regular basis. We treat them as a priority.

I was just explaining the markup rules that exist. With some wineries, it does present some challenges in getting their product into our stores. But with the vast majority of our stores, we have a good flow of product — not necessarily all the wineries, but very good representation in our stores. With those stores — let's say the destination or signature stores — when we do create that model, we give a preferential position to British Columbia wines. We create it as a destination or shop within the store. I don't know, Kelly, if you want to expand on that.

K. Conrad: I don't think we could be more loyal. We have British Columbia wine advocates in 80 stores. We train those people specifically to work with the B.C. wine industry so they can market their wines or sell their wines on the store floors better. We focus on B.C. wines possibly, you could say, more than any other category in the store as far as actual knowledge and understanding the business and recognizing the importance.

J. Chambers: The liquor reform project which was created and has representation from the LDB and liquor control and licensing branch on it to look at government policies going forward.... One of the things that it

is continuing to look at is opportunities for the British Columbia wine industry. That is a process that is currently underway.

K. Manhas: I'm wondering.... Jay has referred to some outstanding issues. What are you doing to resolve those issues to get more B.C. wineries distributed through the liquor distribution channels?

J. Chambers: We work with the British Columbia wineries to secure product, wherever possible, for our stores. If other retailers, private retailers, choose to use us as a wholesaler to secure product for them, we do whatever we can. But if they choose not to ship product to us under the current rules, there is nothing more we can do.

K. Manhas: What are the issues with those current rules?

J. Chambers: It has to do with markup.

K. Manhas: Do you want to be more specific?

J. Chambers: Just the many British Columbia wineries will say that the markup structure does not allow them to retail.... I shouldn't say it does not allow them. There's not a business case for them to ship their product through the government liquor stores, to retail it through the government liquor stores.

[0920]

T. Nebbeling: I need some clarification — because of the focus so far, what I've heard, on the distribution of product — on what the second part of the distribution branch is, and that is enforcement. Can we talk about that as well, or is that...?

K. Stewart (Chair): No? Does enforcement come under your jurisdiction?

J. Chambers: Enforcement? No. That's liquor control and licensing branch. We do enforcement of rural agency stores. If you're referring to licensing, though, that's liquor control and licensing branch.

T. Nebbeling: So that is not within your body.

J. Chambers: We're the retailer.

K. Stewart (Chair): Actually, if you go to the front of the presentation, I think, on the first page or two, it kind of covered that, Ted.

T. Nebbeling: I thought it was all under one umbrella.

K. Stewart (Chair): Do you have another question, Ted, or do I come back to you?

T. Nebbeling: No, I will pass for now.

P. Wong: In your 2004-05 service plan, on page 11, actually, there is a target about customer access to product knowledge being enhanced by adding product consultants — from nine to 25 people. Is it coming out of research or a survey that you think it's needed to increase the number of staff from nine to 25 to introduce products?

J. Chambers: I'd like to explain that. That would be redeploying staff in many of our stores. When we do create a destination store.... We will be opening one in the old Middlegate shopping centre called Highgate in the fall; the new development's called Highgate. We would add product consultants there. It is a redeployment-and-add for our new stores.

Yes, we see, in those stores that have the enhanced assortment, having the product consultant with the necessary enhanced product knowledge in there assists in getting customers to trade up. There's nothing wrong with having people in any retail environment assist people in their purchases. If we can get them to buy a better-quality product — not more quantity but a better-quality product — because we impart some product knowledge to them, that's good business.

P. Wong: But why last...? In the year 2003-04 you didn't have any information staff, but in the year 2004-05 you increased another 25. Is it for the same reason?

J. Chambers: Yes.

K. Stewart (Chair): I think that was the kiosks that he was referring to — information kiosks.

P. Wong: Yeah. Exactly. That's why we have....

J. Chambers: Oh, the kiosks.

K. Stewart (Chair): Are those manned or just terminals?

J. Chambers: Sorry. Just bear with me for a second.

K. Stewart (Chair): It's on page 11 of your "Objectives, Strategies and Performance Measures."

J. Chambers: Information kiosks are what you're referring to?

P. Wong: Yeah. In several lines there, there are product consultants, information kiosks.

J. Chambers: I've talked to product consultants. With regard to information kiosks, what I was saying is that we see an opportunity in some stores of having a computer screen and a keyboard there so that somebody could go in, like they do in some other retail outlets, and type in some information.

For instance, I'm after a British Columbia wine, and it's to be a Chardonnay, and I want it to be dry, and I want it to retail at about \$12.95. You type that in, and it

gives you a listing. For example, if you've gone and shopped in a very large book store operation, you go in and oftentimes you can just go up to the kiosk, type it in, and they'll show you where to go and get it. It is technology that exists out there, and we want to pursue it, because if you're going to drive your expenses down to become more efficient, you need to look at opportunities of what I call the silent salesperson.

P. Wong: That means each consultant mans each kiosk — is that correct? — because 25 and 25 seems to me that....

J. Chambers: No, they're not linked in that way.

P. Wong: Okay.

J. Chambers: It's not linked to a consultant. Sorry.

K. Stewart (Chair): Any further supplementary to that, Patrick?

P. Wong: I would like to ask also: do you normally do a survey of satisfaction or evaluation of the customers like most retail businesses do?

J. Chambers: Yes, we do. Because we were exiting the business, we chose not to do a customer satisfaction survey, but we will be getting back into that, yes. When I say customer satisfaction, there are both what we call counter customers and wholesale customers.

Kelly, was there anything you wished to expand on, on that?

[0925]

K. Conrad: No, not at this time.

J. Chambers: We will be getting back into that. I think the majority of retailers do that. They want to know what their customers think.

K. Stewart (Chair): I have a number of questions, but I'm not going to get through them all today. Another process we use in this committee is that if we have questions that we don't get through today or that we think of later, we will do the reverse. This is what we talked about — you answering. We will send you some written questions and expect a response within that two weeks or time limit.

I want to talk just briefly about the relationship your organization has with regard to the wholesale and distribution and the retail outlets. One of the concerns I've heard from some of the private retailers is the markup — the cost of doing business in the store from the time, as an example, you deliver a case of product to the back door of a government liquor store as compared to the time you deliver a similar case of product to a private liquor outlet or however it gets distributed.

I guess a couple of the concerns, a knowledge lack for me, are how that process is done and the rationale between the markup you charge in your store as com-

pared to the expected markup or the ability for a profit in a private store. Obviously, your profit in a government liquor store stays within the pocket of the taxpayer, and in the other there's a markup that goes as a return to profit for the owner.

I trust that should come out of a similar markup between the delivery of the product and the end sale and that the claim would be that the private sector may be a little more efficient in delivering a service. Therefore, that's where their profit comes from. Could you talk a little bit about (a) the distribution of the product and the difference between delivering to a local government liquor store and a private outlet, and (b) the question of how you determine the price?

J. Chambers: Private sector retailers and licensees can choose to get some of their products through the government liquor store and some through private warehouse or distributors, or they can choose, depending on their size, to get all their wholesale needs satisfied through a government liquor store.

In the beer category all suppliers have the option of going through a private distribution model. For the commercial breweries, because they are so large, we say.... They have no choice. They have to distribute privately through BDL once they hit a certain volume, because we would have to build another warehouse to handle that volume. In the spirits category all product has to be distributed through the government liquor stores.

In the wine category all import wines have to be distributed through the government liquor store model. On all British Columbia wines they have a choice. They can get it direct from a B.C. winery, direct delivery, or they go through the government liquor store model. That's their choice. With respect to refreshment beverage, the majority of that goes through the government liquor store model. So it is mixed, but the mix is most noticeable in the beer category and then in British Columbia wines.

The discount that is given to private sector retailing is 10 percent for rural agency stores, and they have to retail at government liquor store prices. They are allowed to do a chill charge. For LRSs, licensee retail stores, their discount is 12 percent, and for private wine stores, it's 30 percent.

Those discounts are set by government policy, and a review takes place when the issue is brought up. We provide them with financial information. If you go to our operating statements, you'll see sales and then you'll see discounts. Discounts is that 12 percent, the 10 percent or the 30 percent we offer them if they choose to buy products and retail them. For example, if the bottle of wine sold for \$10, the 12 percent discount would mean that they'd pay \$8.80 for it.

[0930]

There is no restriction on licensee retail stores in terms of the retail price, except that they cannot retail it at any less than they pay us for it.

An example I use is that if they bought a bottle of wine at \$10, a 12 percent discount would mean they

would pay us \$8.80. They could not retail it at anything less than \$8.80, but they can go to whatever that market will bear. Many of them do a chill charge. You do definitely pay for that, oftentimes. For example, it could be 10 cents a unit. I think the vast majority of LRSs.... I mean, they were called cold beer and wine stores, and that was because many of them had refrigerated product. The discount is.... I'm not trying to avoid answering, but that's a government decision on policy.

K. Stewart (Chair): Let me ask the question this way. There's a case of Bacardi's white rum, one dozen bottles in the case. You sell it — and I'm sure this isn't the right price, so fictitiously — to a private liquor store, deliver it to their door at \$10 a bottle, \$120 for a case of 12. When that same case goes into your liquor store, is there a fixed price on it? Or is it just a product of the Liquor Control Board until sold, in the sense that you basically don't charge the store that \$120 when the case is delivered? It's basically on your inventory. Let's just say for argument's sake that it's \$1 a bottle, so there's an extra \$12 charged on that. Do you see what I'm saying? When a case goes to a government-owned liquor store, there's no fee attached when it stops at the back door. When it goes to a private liquor store, it's \$120 a case, as such.

J. Chambers: I'll ask Roger to jump in if I get this incorrect. We operate on what's called a retail accounting system. Everything that goes into a government liquor store goes in at the retail price. That's how we account for it.

K. Stewart (Chair): The retail price — okay.

J. Chambers: The retail price. We do calculate or know the cost of the product that goes into each store. The markup, as you know, in beverage alcohol is quite high. It's part of the government liquor store model. We have an operating statement for each of our government liquor stores, and that comes out on a monthly basis. We impute a gross margin on there which we think is more reflective of what happens in the private sector so that when we're looking at them, we have a better understanding of how, if the stores were operating in a private sector environment, they would be performing.

As you say, the markup is quite high, and it would overstate, for the purposes of that government liquor store, the net income.

Roger, was there anything you wished to add?

R. Bissoondatt: Yes. Effectively, what it is, is we do not charge the government liquor stores the same price as the LRSs. It's a flow through. It's on our inventory, on our books. I think that's a question you're asking — whether it's on our books, etc.

K. Stewart (Chair): I think the rationale for the question is: what's a reasonable fee to charge, comparatively, a private liquor store? They know if it comes in

the door at \$10 and they sell it for \$12, they know what profit they made. They know what their costs are to distribute that product, because they know what profit they have at the end of the day. In a government liquor store it comes in at inventory and it's sold at inventory, so they really don't know what the actual cost in the store is. I guess that's the argument and the debate. Are they getting it because of the flow through?

Anyways, I'll leave that. That was just the question I know has been posed as far as the fairness and competitiveness between a private liquor store and a government-run liquor store.

J. Chambers: I will make one comment on that. There's no shortage of people, under the current discount structure, that want to get into this business. I'm making an assumption that many of them have to go to banks to get the necessary financing to build these stores. We continue to see new stores opening under that current structure.

K. Stewart (Chair): What you're saying is that there's certainly an opportunity for an entrepreneur to make some money, given the criteria that's out there for them now.

J. Chambers: We've grown a considerable number of stores in the province. I'm sure they have to develop a business case before they open up the store, and it's based on the discount they're getting.

K. Stewart (Chair): Okay, thanks.
Harry, you have a question, I believe?

H. Bloy (Deputy Chair): Yeah. I still have a few more. I'm still curious, Jay, what your background is, because you often mention the Hudson's Bay Co.

[0935]

J. Chambers: I apologize for making reference to that. It's just that that's where I was, and it's my terms of reference for a private sector model. I've been in store management, I've been in property management, I've run a buying office, and I was a divisional manager for them.

K. Stewart (Chair): This will be the last round of questioning, so you have a supplementary, Harry.

H. Bloy (Deputy Chair): When I listen to what's going on and you talk about the employees.... They've renegotiated the contract, and you've asked employees to bring innovation forward. I was always curious how many proposals you had accepted or rejected in the last number of years. You talk about your employees, and what really got me was a few years ago, when you sent out a memo form to employees that if they showed up for work for X number of days or improved their attendance, they could win TVs and everything. I find this really contradictive to having a good employee relationship.

K. Stewart (Chair): Go ahead, Jay.

J. Chambers: With respect to the televisions, we were experiencing some challenges with attendance in our distribution centres, and we put together a program where there was an incentive to drive down our absentee costs. I signed off on it. I did not make a good decision on using a television. It was not that expensive, but using a television as the prize for a draw, I will not do that again — using that as an incentive. We need to find other ways to incent people to come to work.

K. Stewart (Chair): Go ahead, on the same topic.

H. Bloy (Deputy Chair): On the same topic. You know, incentives are great when they're related to performance and sales and boosting company profitability and being innovative, but just for showing up to work? I find it pathetic. If we want to hire people, let's hire people that want to work and appreciate the job and the value that it pays for. If they don't want to come to work, fire them. That's it.

K. Stewart (Chair): Okay. I don't know if you need to respond to that, Jay, but if you want to, go ahead.

J. Chambers: The only comment I would make is that I was in error. I acknowledge that. However, it's not that unique out there. It is quite widely used in the private sector. Unfortunately, I was using a private sector hat and made a wrong decision.

D. Jarvis: Maybe a question to Ms. Conrad in regards to markups and everything with B.C. wine, whether it's a dollar or a percentage. For example, B.C. does — anyway, in my own opinion, and of course I don't have much to drink — make a good Pinot Gris. You look at the market out there, and a Gray Monk goes for around \$11, \$12, \$13 a bottle in the liquor store, where two other companies — Blue Mountain, Burrowing Owl — sell at about \$25 a bottle. I'm not an expert, but the difference to me isn't that great in the taste. Gray Monk makes a pretty good Pinot Gris right at the moment.

Is our markup that large, or percentage or dollar, that these other companies like Blue Mountain, Burrowing Owl don't want to get into the market? Are they just satisfied — don't want to grow any bigger, be little niche wineries? Do you understand what I'm trying to get at?

K. Conrad: Yes, I do. People enjoy their wines and the taste of different wines, particularly the varietal differences, for very personal reasons. Then there are trends and more successful products than others, volume products versus very small, uniquely grown vines — Pinot Gris, for example. The Blue Mountain Pinot Gris comes from very specific vineyards, and those vineyards are kept to very restricted bunches of grapes. All of those quality decisions increase the value of that

product, plus it is the decision of the vintner to price his product at where he believes it is most appropriate. [0940]

It is also not unlike fashion trends. You may spend \$50 on a tie and be very satisfied with the quality, the presentation and the look that the tie gives you, whereas your colleague next to you may spend \$100 on a tie and really not be very interested in the tie you selected. It's subjective.

D. Jarvis: A follow-up question not on the same subject but on single-bottle purchases. I think we're bringing that in, or it has been brought in, that the licensees are allowed to buy single bottles or order through distribution.

J. Chambers: That was actually never taken away. They've always been able to do that.

D. Jarvis: Oh, I see.

J. Chambers: That is on products we carry in our stores. On speculative products or products that are brought in specifically for a licensee, they have to order it by the case.

D. Jarvis: Is that a viable operation, in that sense?

J. Chambers: It's expensive, because you are picking single units. However, it's a service we offer, a customer service. We have no plans to get out of that. There are many small restaurants in the province that, you know, to carry a full case for their wine list doesn't make sense from their perspective, so when they place their orders, they oftentimes do less than a case.

D. Jarvis: A licensee can now walk in and go look into your distribution plant and order one bottle of that, one bottle of this, one bottle of that, and walk out.

J. Chambers: As long as it's part of the assortment. If it was something specifically brought in for them, then they'd have to order it by a case — just like you would as a consumer, if you are bringing something in specifically for yourself.

P. Nettleton: I recall having met with Jay Chambers a few years ago with respect to a Prince George brewery that had concerns in and around the placement of their product. I don't recall the details you provided at that time with respect to placement and what bearing that has on sales or what evidence you have in terms of placement and its impact on sales. Perhaps you could refresh my memory, if you don't mind, in terms of placement and what evidence you have that it does, in fact, impact sales.

J. Chambers: It's referred to as beer category management. I'll defer to Kelly, because she headed up that initiative, to respond to your question.

K. Conrad: In government liquor stores we place our products with the premium product first in the traffic flow. We would have the premium or more expensive products first, the mainstream products second and the economy products third in the traffic flow.

Generally, you could say that the economy products have the largest volume. You would find, for example, with beer that economy products are in pallet positions. We do not move pallet positions throughout the floors of the stores for obvious logistic reasons. It would ruin the floors. It's just like milk in a grocery store. A very, very high volume product will be at the back, where it can be most easily replaced and shelved.

P. Nettleton: That doesn't really answer my question. My question was: what bearing does placement have on sales? I mean, I understand everything you've said, and there are some practical reasons why you don't put pallets in the front of the store, but it seems to me that placement must have — should have, does have — some bearing on sales.

J. Chambers: In the beer category I don't believe so. In other categories, yes, because if you go into a grocery store, oftentimes some people will say the top left is where you want to go. That's the way the eye works. As Kelly said, when you enter the beer department, we do it by price point. That's a decision that came from beer category management, recognizing that consensus is not unanimity. If it is at the back, oftentimes it's beside the empties counter, and the empties counter is one of our busiest sections in the government liquor store. There is no lack of traffic there.

I would say that location of beer in our stores has minimal impact on sales. I think that sales will be driven by pricing activity and marketing initiatives both within the government liquor stores and externally, be it billboarding or whatever. That's, I think, really what drives it.

[0945]

As I say, the empties counter in a government liquor store.... If you go in there, it's a very busy location. People oftentimes have to wait for another customer, and you're looking around. That works for products.

K. Manhas: I'd like to find out what the policy is on opening on Sundays now. Is there any consideration of opening any other stores or signature stores on Sundays? What is the current policy?

J. Chambers: The current policy is no expansion of Sunday and stat openings. We have seven stores that are open on Sundays and stats right now. We have no further direction.

T. Nebbeling: A little bit of a change in direction. We recently had this issue with the Teachers Federation, whereby the courts declared that teachers could talk in the classroom and to parents. One of the things that has bothered me — and I would like to know what your policy is on that subject — is the fact that during

discussions about the liquor stores, it was amazing that every time I was in a liquor store, there was always somebody from staff who, while bagging the product for a customer, would talk about that whole issue of privatization, how they were going to be out of a job, and this and that and the other.

What kinds of policies are there in place to discourage that? It is really not very pleasant for the customer. I didn't take it personally, but I noticed that people were actually less than pleased about being constantly.... I don't what to use the word harass, but they were given information they really were not looking for, and it was to do with that. What kinds of policies are in place to cut that down?

J. Chambers: First of all, I'd like to apologize for you experiencing that. We really worked with our staff and said that it is not good customer service and is totally unacceptable.

We did deal with a couple of employees when we were made aware of that situation. We said: "What you say outside of the government liquor store is your business. What you say when you're in a government liquor store is our business. If you're saying things that are inappropriate, we will deal with you under the collective agreement." Oftentimes, it just takes one warning.

I will acknowledge it was an emotional issue for 3,500 employees. Sometimes unacceptable things were said, and we dealt with it.

T. Nebbeling: Those individuals who were highlighted, so to say, on the list of violators of that practice.... As you say: "Outside the liquor store you talk about anything you want to, but not inside." Have there been any consequences for any of these people, or was it just warnings?

J. Chambers: I can't get into what happens with that; I'm just not allowed to. I can assure you that it was dealt with very quickly, much like any.... There's an expression in retail: "The customer's always right, even when they're wrong." If a customer has a bad experience, we deal with it immediately. We can get an executive to every one of our government liquor stores within two hours. If we've got an issue, we deal with it quickly.

T. Nebbeling: You mean you have helicopters on standby?

J. Chambers: No, we have area managers. We have an area manager in the north. We have an area manager in Kamloops and Kelowna. We can get to every store within a couple of hours.

T. Nebbeling: That was a joke.

J. Chambers: I know.

P. Wong: I have received inquiries and also complaints about listing imported beer and wine. Can you

tell me what the exact procedure is to place the wine through the LDB for imported products?

J. Chambers: I'll let Kelly expand in just a second. I want to make one comment. It absolutely amazes me how many different wine products there are available in the world. I can't think of a category that has as many offerings. In our government liquor stores the maximum number of listings is about 4,000. People say: "Well, how many do you carry?" It's 4,000, and they think it should be in every store. The 4,000 can only be retailed.... The only store that has enough room for that is our store at 39th and Cambie, which is 18,000 square feet. Everybody wants their products to be carried, and they do not understand why we can't carry everything. We'd have to explode the size of our stores to carry everything. I'll let Kelly explain how we go through that, but it is a constant challenge.

[0950]

I do remind people when they say this to me that there are over 1,000 places in the province that are retailing beverage alcohol, and 220 of them are government liquor stores. There is no reason why they can't go to those other 800-plus retailers. Some of them are a good size. Somebody said earlier to me: "Is there any restriction on the size of an LRS?" There isn't. I believe there was just a new LRS opened in Burnaby, 9,000 square feet. That's a large store. There is no reason why they can't go there and try to retail their products.

K. Conrad: There are two kinds of listings in British Columbia. There is a listing to sell your product in a government liquor store, and there is a listing to sell your product at all the other locations in British Columbia that sell beverage alcohol — so 8,000 licensed restaurants and the other 800 retailers.

If we are going to consider a product for the government liquor stores, there are different things we are looking at as to whether it is a viable consideration. It might be a product where we already have five or six offerings that are similar in style and price, and we know from the movement of those products that we don't need to expand that assortment. It might be a product that we have tried in the past, and we know whether or not it is going to be successful. It might be something that we're just dying to have, and we'll take it immediately.

We also like to know, when we bring products into government liquor stores, that they are going to be well-represented by agents and sales representatives throughout the province to ensure that those products are appropriately marketed and that they're not just going to be sitting on the shelves with no incentive for the consumer to pick them up. So there are many parameters that we consider when we look at product selection.

P. Wong: You said that innovation.... You said that people are more interested in finding higher-quality products, but you said that if you already have similar

products on the shelf, you are not going to consider newer or maybe better-quality products. Is this correct?

K. Conrad: I think you have to understand the context. I'm guessing at the numbers, but if we were discussing American Chardonnay — Chardonnays from the United States — we may have 50 Chardonnays from the United States. For us to consider bringing in 51 or 52 or 53, we want to know that there is something really unique about that product that is going to add something special to the assortment. Otherwise, it's not worthwhile.

J. Chambers: I should add, as well, that government liquor store shelves are full, so every time you add a product, you have to take a product off. Otherwise, it sits in the stockroom. You have to make room in the store.

Oftentimes what happens — and it is very typical in retail — is that suppliers go to the store and say: "What do you think about this? What do you think about that?" Nobody wants to say that the product doesn't meet the standard I want. People are polite. It is the buyer's job to make the decision, because the buyer is looking into the future. The people in the stores are just dealing with what they have today.

There is no reason why.... If the buyer is doing their job, they know what those new trends are. That's what they're paid to do. They have to make a decision. If there is a trend emerging in a particular wine from a particular country at a certain price point, they need to decide: "Do I want one, two or three of them?" They may make that decision, and if they've got 20 offerings of it and they only decide on three — I mean, it happens in every retail environment — there are 17 people that are not happy.

P. Wong: A final question.

K. Stewart (Chair): Go ahead. Make it short, because we're running out of time here.

P. Wong: Do you have a process to replace the slow-moving products with newer or maybe innovative products? Do you have a committee or a panel constantly doing this?

K. Conrad: We do have a process to replace slow-moving products. We watch the different categories regularly to see what the product movement is like. When we have products that are not performing in our system or are what we call below quota, we will work with the agents to clear those products.

J. Chambers: As well, within each of the government liquor stores.... Sometimes the product is not discontinued in the province, but it just doesn't sell in the store, and the store has the authority to clear that product in their store. You don't want to box it up and transfer it over. That's not cost-effective, so they have the ability to clear it.

[0955]

K. Stewart (Chair): I have one final set of questions. The major purpose for this organization, our committee, is basically, the first time around, to benchmark your performance based on the indicators you have given us. Always when we have a first appearance there are lots of questions that are sort of policy questions, questions that are of interest to the members and may not necessarily hit on our key reporting principles. I'm going to ask a formal question with regard to the performance measures that you presented.

You've given five goals that you've put forward in your service plan. My question to you would be... I know it may be a little long, but try and keep it as concise as you can. Based on each of the five goals, can you tell me what type of testing tools you utilize to ensure that you're meeting your performance measures? Can you start with your financial performance and move through, to give us some idea as to the relevance of your testing tools to your performance measures and the outcomes?

J. Chambers: With respect to the financial performance, we measure our sales on a daily basis. On a monthly basis we do a full review of all operations at the LDB.

K. Stewart (Chair): Okay. Your customer experience.

J. Chambers: Customer experience. We formally review this on a quarterly basis, but I meet with Kelly formally every two weeks. Much as I do with all my direct reports, we go through what is in our service plan, because I want a status report. I want to know how many new signature stores are working or are coming along and what our plans are for renovations. Where are we on the kiosks? As well, we have subcommittees at the LDB. We have a property management subcommittee that meets every two weeks to update themselves on that as well.

K. Stewart (Chair): With regard to customer experience, what I would like to see is — there are two areas in your report here — "attitudes and consumer experience evaluated through consumer research and a mystery shopper program." Then the two below it: "Wholesale and distribution system process and efficiency improvements. Service standards developed, such as" — there were three items there — "order cycle time, order fill rate and order accuracy." There seems to be some ongoing work on that. If you could give us an update with regard to your plans with that — where you're at and some baselines we can utilize for the next one.

Now, if you can move on to the public safety and social responsibility.

J. Chambers: The public safety and social responsibility goal is ongoing in the staff training. Everybody that is a new hire goes through that. Service refusal

tracking: we're looking, at the earliest, at implementing that in the fall.

Customer support for LDB's role in promoting responsible use of beverage alcohol. There are a couple of initiatives that are taking place right now within government that we're participating in. There are some opportunities, possibly, with liquor control and licensing branch, so we're pursuing that.

K. Stewart (Chair): With regard to your first one, the staff training and responsible service, 100 percent. I trust that means that everyone that's hired goes through that program.

J. Chambers: Everybody.

K. Stewart (Chair): Now the question I would have is: how effective is that program with the follow-up of the effectiveness of that program, and again, what tools are you using to measure that?

I'll leave that one with you, and we can move on to business effectiveness.

J. Chambers: Business effectiveness. As I mentioned with our financial reporting, on a monthly basis we review each of these factors.

K. Stewart (Chair): I see people writing away like crazy. Don't get too carried away, because everything that's said here is in *Hansard*, and you'll be able to follow it that way.

The one question I had on that section, I believe, was answered.

Moving over to the final one, workplace quality and employee excellence, what are your indicators on that and what are your testing tools?

J. Chambers: Employee satisfaction. We are a little bit slow on getting the employee survey up and running. We've defined the attributes that we thought we could maybe fast-track a bit and get the survey up and running this spring. It doesn't look like we're going to have it in place until the fall. We have met that target of defining the attributes.

The workplace planning process, including the succession plan. I have to acknowledge that when this service plan was put together, it was just announced that we're back in business. We're just hiring staff in our human resources department to start developing some succession planning. I don't have the appropriate people yet. I anticipate that we will be back to where we think we should be in terms of our staffing by the fall. It's taking a little bit longer than we anticipated to fill those positions.

K. Stewart (Chair): Yeah, and I think we all appreciate a little bit with the sort of flip-flop regards to that.

The one question I do have with this, when you start talking about performance, is your 4.6 percent of payroll for STIIP and WCB claim costs. You're leaving that as stable. You indicated in your presentation that

you thought that area was something you're actually quite successful in, but my issue would be there's always room to improve. You say 4.6 percent of payroll or less, and you're projecting that out. I would like to think there's a little more concrete work that can be done, other than just accepting the status quo.

[1000]

J. Chambers: I didn't expand on that before, and I apologize. We have been working with WCB, with some of our contacts there, to identify what best business practices are. In the past we've been benchmarking ourselves against other liquor jurisdictions, and we think we are beyond that. We need to look at other retailers — or other organizations for that matter — that have standards or factors that, if we looked at them, could present us some opportunities for improvement. I acknowledge that, yes.

K. Stewart (Chair): Okay, thank you very much. If you could get that information for us, I think it would help us with our key reporting principles when we reconvene to look at your performance to date. If you could gather your stuff — again, thank you very much for your very informative presentation — then the committee will go over its initial responses, and all that. If you want to grab a coffee or something, there will be time. Again, we appreciate your time today.

You probably won't hear from us, other than information shared back and forth. The final report will probably not be out until the fall.

[1005]

For those members that are new to the committee, traditionally what we do, as soon as the agency leaves, is just a quick round table to get some feedback as to the performance. If you follow with the key reporting principles, it's just a general overall feeling as to their performance and where we thought their strengths and

weaknesses were. Again, remember that this is all in *Hansard*. When you're making your comments, ensure that they're appropriate and that it's something that is relevant to what we're trying to do here today.

The Clerk just reminded me that traditionally.... I should have recognized this. We're talking about the report now, so it does go in camera. There will just be one draft of this, and it will not be published, other than when our final report is published. That's what does go out to the public.

At this point in time, I would be looking for a motion to go in camera for the reporting.

Motion approved.

The committee continued in camera from 10:06 a.m. to 10:22 a.m.

[K. Stewart in the chair.]

Committee Meeting Schedule

K. Stewart (Chair): In conclusion, we've finished now today with the B.C. liquor distribution branch, and we'll be reviewing the reports as they come in from the members.

We're tentatively looking at a meeting on the afternoon of June 28. The first group we have on our list would be Land and Water B.C.; the second is B.C. Transmission. We're also looking to do a meeting on the morning of the 29th. That would give us the afternoon of June 28 and the morning of the 29th tentatively. We'll confirm that.

Those are our two meetings for June. We've got one that we tentatively scheduled for May complete. We'll do the two in June, and at that time, hopefully, we can schedule the two in July. Thank you very much.

I'm looking for someone to move....

The committee adjourned at 10:23 a.m.