



NEW BRUNSWICK LIQUOR CORPORATION

POLICY FOR
AGENCY STORE PROGRAM

Executive Branch

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Approved by:	Board of Directors
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AGENCY STORES PROGRAM

1.0 Overview

The agency store program has been established to provide improved services to the public where ANBL has chosen to not establish a corporate store, to serve customers at more convenient locations, to generate incremental sales for ANBL, and to assist in the development of the beverage alcohol industry in New Brunswick.

Agency stores will typically be established in communities without an existing beverage alcohol outlet and where the estimated annual sales potential is between \$350,000 and \$3,000,000. Special geographic or tourism considerations may affect establishment or retention of an agency in a community, or may result in the establishment of a seasonal agency store.

Location selection is based on a number of factors, including but not limited to the population base being served, visibility and potential drive-by traffic, distance from existing points of service, and potential to grow ANBL's business. In some communities, the agency store will replace an ANBL outlet planned for closure. ANBL's Board of Directors, with responsibility for making agency store appointments, will make its decisions in the best interests of the corporation, and based on sound business practice.

Agents will be permitted to sell beer, wine, spirits and other alcoholic beverages available at ANBL corporate stores to licensees and the general public.

The information contained in this policy is for informational purposes only and while accurate on the date first stated above, it is provided on an "as is" basis and without warranty of any kind, either express or implied. Changes may be made to this policy and the information contained herein at any time and without prior notice. Agent appointments will be made solely in accordance with the terms and conditions of the request for proposals ("RFP") issued for the location in question.

2.0 Revision History

June 16, 2014	Version 1.0	Document created
August 29, 2014	Version 2.0	Document approved by Board of Directors
December 12, 2014	Version 3.0	Section 7 - approved by Board of Directors

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3.0 Responsibility

Responsibility for making agency store appointments rests with the Board of Directors of the New Brunswick Liquor Corporation. Responsibility for administering the contractual and day-to-day operational relationships between ANBL and agency store operators rests with management of the Corporation.

4.0 Objectives of Program

The *New Brunswick Liquor Corporation Act* states that the purposes of ANBL are:

- to carry out the general business of manufacturing, buying, importing and selling liquor of every kind and description,
- to promote the responsible consumption of liquor,
- to participate in the development of the liquor industry in the province,
- to meet the needs of its customers, and
- to provide suitable financial returns for the province.

The agency store program is designed to support ANBL's business objectives, including optimizing net income, promoting social responsibility, improving customer convenience, providing optimal customer service, and providing economic benefits and maximum financial returns for the province.

ANBL expects to benefit from the agency store program by increasing revenues in the local trading area, expanding customer exposure to beverage alcohol products, and improving customer convenience.

The agency store program ensures that participants meet the requirements of the *New Brunswick Liquor Corporation Act* and the *New Brunswick Liquor Control Act* (the "LCA") and operate within the terms and conditions established by ANBL.

5.0 Participation Fees

There are no fees associated with the agency store program.

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6.0 Community Selection

To support the objectives of the Agency Store Program, agent appointments may be made where ANBL believes that the public may be better served, including but not limited to the following circumstances:

- to provide service in smaller more remote communities of the province,
- to replace some lower volume ANBL operations,
- to provide service in critical retail nodes previously not serviced,
- where ANBL considers the addition of an agent will capture incremental traffic and sales, or
- where conversion to an agency store would better meet corporate objectives.

7.0 Agent Selection Process

Agency appointments will be made based on the applications received pursuant to a formal RFP process for each location. The RFP will set out the application process, applicant requirements and the evaluation criteria for the location for which an agency store is being awarded. ANBL will only award an agency store following a full review of the proposals received. ANBL reserves the right to reject any or all proposals-received pursuant to an RFP, or to cancel an RFP at any time.

During the evaluation process, interviews may be conducted with applicants and on-site inspections may be undertaken. Management will review the applications and make a recommendation to the Board of Directors for consideration and final decision.

There will be no review or appeal of the decision of the Board of Directors.

After the successful proponent has been identified, ANBL will notify all proponents who were not successful in the RFP process that they were not selected.

Within a reasonable period of time after the successful proponent has executed the agent agreement, ANBL will, on request, meet with any unsuccessful proponent to provide a debriefing on the process. During the debriefing, the bid of the successful proponent and the score it received on its evaluation will not be disclosed.

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8.0 Applicant Eligibility

An applicant may be a person, partnership or corporation, which is not prohibited by law from buying, having or consuming liquor, or acting as an agent of ANBL, and whose premises are open to the general public. An applicant may operate either an existing business or be proposing a new business.

Employees of ANBL are eligible to submit an application but, if successful, it is a condition of agency appointment that the employee must resign from employment with ANBL before the appointment is finalized.

9.0 Agent Selection Criteria

ANBL has developed selection criteria to provide a fair and open method of determining agency store appointments. Decisions will be based on the results of a scorecard process, the details of which will be disclosed at the time the RFP document is made public. Applicants must meet minimum requirements to be considered for appointment, and must also meet required standards throughout the term of the appointment.

ANBL's objective is to select the applicant offering the best combination of service to the public, business experience, and potential for incremental revenue for ANBL.

Ideally, an agent will be able to provide optimal service for the public, be accessible to all members of the public, and offer ample parking. Sufficient interior space should be offered to provide customers with an efficient and enjoyable shopping experience. The existing or proposed business being operated in conjunction with the agency must be open during all hours when the agency premise is open.

ANBL will attempt to award agencies only to financially stable enterprises or proposed businesses, and may conduct a review of relevant records, including financial statements and business plans, to ensure, as best as possible, that the business or proposed business which will be operated in conjunction with the agency is viable on its own.

In addition, other considerations in the evaluation will include, but are not limited to:

- vehicle traffic count going past the proponent's place of business,
- retail configurations and locations within the building,
- efficiency of proposed operation including unloading and warehousing facilities,

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- visibility from street going past the establishment as well as adjacent major traffic routes/highways,
- hours of operation,
- appearance inside and out,
- business experience,
- previous experience operating a retail outlet,
- potential to grow overall sales revenues and volume in the local area, including the degree of impact on existing sales or traffic in ANBL corporate stores,
- previous experience as an agent of ANBL in good standing will be considered an asset in any subsequent applications,
- in conjunction with the closure of an existing store, a commitment to purchase the existing property from ANBL.

RFP applications which propose discounts lower than 7%, or higher than the maximum rates set out in section 11.12 that follows, will not be considered.

10.0 Conditions of Agency Store Agreement

Upon completion of the RFP process, to be appointed agent, the successful applicant will be required to enter into an agency store agreement (the “agreement”) with ANBL setting out the terms and conditions of the appointment.

The agency appointment will be for a term of ten years, with one five-year renewal option available at ANBL’s discretion. Appointments are subject to earlier termination as provided in the agreement. In the case of a seasonal agency store, the initial agreement will be for a probationary period of three years with a subsequent term of five years at the discretion of ANBL.

Prior to the termination of the appointment, either a new RFP will be initiated by ANBL, or some other decision regarding service provision in the community will be made. ANBL reserves the right to locate a corporate store in the area, if circumstances dictate. If ANBL exercises this option, the agent will be given reasonable advance notice and the agency would close once the term of the appointment has expired or alternate close-out arrangements have been implemented.

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ANBL recognizes the right of the agent to terminate the agreement, for whatever reason, upon 60 days prior written notification to the President of ANBL.

ANBL may also terminate the agreement for whatever reason, upon 60 days prior written notice to the agent.

The agreement may be terminated by ANBL in the event that changes in federal or provincial tax laws or the application of other agreements with third parties negatively affect revenue returns to ANBL or the Province of New Brunswick.

ANBL reserves the right to terminate the appointment immediately and initiate a new agency RFP process if the agent relocates its business.

Any violations of the agreement or the LCA may result in the immediate termination of the agency appointment by ANBL and all existing stock will be returned to ANBL at the original purchase price, less any applicable restocking charge.

The individual, individuals if a partnership, or company, will be designated as “agent” and will be responsible for the operation of the agency store. In the case of death, the agency may be carried on by the beneficiaries or assigns with the written approval of the President of ANBL.

Appointments are not transferable directly or indirectly, in whole or in part, without prior authorization in writing by the President of ANBL. ANBL will not entertain a transfer of the agency appointment to new ownership during the first year of the agreement. ANBL reserves the right to terminate the agreement and re-advertise for service in the community, or to offer the contract to another party, if advised of such a transfer taking place within the first year.

There are no successor rights regardless of the form of ownership of the agency except as provided above.

The agent must display the Certificate of Appointment in a prominent location in the store at all times.

In accordance with the LCA, all employees of agents who handle liquor must be 19 years of age or older.

The agent must, at all times, carry a minimum of \$2,000,000 in general liability insurance and ANBL must be an additional named insured under the liability insurance so carried, but only in respect of the insured’s business as related to the Agreement.

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The agent shall, at such times as are specified by ANBL, provide selected data regarding the purchase, sale and inventory of beverage alcohol products as required by ANBL.

ANBL may, during normal business hours, enter the agency site for the purpose of inspecting and making a physical count and audit of the products stored therein.

11.0 Operation of Agency Stores

11.1 Hours and days of operation

Hours of sale are at the agent's discretion, but can be changed at any time by ANBL on giving notice in writing to the operator. Sale of beverage alcohol is prohibited, however, on any day stipulated by the LCA.

11.2 Retail pricing

The price charged to the consumer will be established by ANBL. ANBL will periodically provide agents with price lists, bin labels, and price change notifications.

11.3 Store set-up

Agents will be free to determine the type of retail configuration they prefer, subject to approval of ANBL. A designated premise must be identified for the display for sale, and storage of, ANBL product; however cross-promotions with related product lines elsewhere in the store are permitted. The agency store and the aisle width within must be fully accessible to customers with physical disabilities.

11.4 Training

ANBL will provide appropriate training to agents and their staff regarding LCA serving requirements (specifically to customers of legal drinking age and not impaired) and any other relevant social responsibility matter. As well, on-going product knowledge and portfolio management assistance will be available through the term of the agent's appointment.

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11.5 Customer base

Agents will be permitted to sell to members of the general public in accordance with the provisions of the LCA and the regulations thereunder. Sales are also permitted to business establishments and other permit holders licensed under the LCA. However, licensee sales will be controlled to avoid stock-outs caused by individual licensee orders.

Customers may return ANBL product sold through an agent to the original point of purchase or any ANBL retail outlet, at the discretion of the customer.

11.6 Product selection

Agents must carry a representative selection of beverage alcohol products determined in accordance with projected sales volumes. The products to be carried by the agent will be managed collaboratively with ANBL, and will include locally popular brands. The table below specifies the minimum number of brands to be carried by an agent at all times. To meet customer demands and expectations, experience has shown that it is generally necessary to carry more brands than the minimum numbers set out below.

Estimated annual sales volumes (in \$1000's)	Non-beer products	Beer products
300-500	125	25
500-750	150	35
750+	200	45

11.7 Related product

Related product may be displayed and sold from the designated premises, including beer glasses and steins, bottle openers, gift bags, carrier bags, books on beverage alcohol products, corkscrews, branded clothing, cooler bags, gift certificates, etc.

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11.8 Beverage Containers Act (BCA)

Under terms of the province's BCA, retailers are required to collect deposits on all beverage alcohol products sold. However, since ANBL collects and remits the deposit on all products sold to agents, agents do not remit the deposit they collect to the Province. The price charged to agents by ANBL includes the beverage container deposit and therefore the deposit collected by the agent is considered reimbursement for this. Agents and ANBL are jointly responsible to fully comply with the terms of the BCA.

11.9 Display of products

Retail space(s) for the display of products must ensure that products are protected from environmental contaminants such as direct sunlight, extreme variations in ambient temperature, and strong odours.

Sufficient retail and warehouse area floor space must be allocated to maintain a minimum of one week's supply of all beverage alcohol products. Shelving for the display of beverage alcohol products is to be supplied by the agent and approved by ANBL.

Depending on projected annual sales volume, the agent must provide minimum linear shelving as follows:

Estimated annual sales volumes (in \$1000's)	Minimum linear feet of shelving
300-500	70
500-750	85
750+	115

11.10 Signage / branding

ANBL will provide interior and exterior signage at its expense. ANBL may limit the number and size of external signs at its sole discretion. The agent will be responsible for normal operating and maintenance costs and must ensure the exterior sign is illuminated from dusk until close of business. ANBL will warrant the external sign only for the standard 12-month contractor warranty period.

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11.11 Promotion and publicity

If agents are required to participate in product promotions by ANBL, all related promotional material will be supplied by ANBL at its expense. ANBL reserves the right to require agents to seek approval prior to advertising their agency business. ANBL also reserves the right to exclude agents from certain promotions offered in corporate stores exclusively.

11.12 Purchase of product

Agents will purchase all products directly from ANBL, at a location to be assigned by ANBL, usually head office for direct delivery or the closest ANBL store. They will be charged a base price - reduced by a discount as determined by the agent's proposed rate (not to exceed 7.5% on all purchases in a fiscal year if said purchases exceed \$1,000,000 net of HST and deposits; not to exceed 8% if total purchases in a year are between \$500,000 and \$1,000,000; or not to exceed 9% if total purchases in a year are below \$500,000 – net of applicable sales taxes (currently the Harmonized Sales Tax) and container deposit pursuant to the BCA.

Payment for purchases by the agent may be made at the point and time of purchase in cash, cheque, debit card, electronic funds transfer, or any other negotiable instrument approved by ANBL, or in accordance with ANBL payment terms.

11.13 Direct delivery

At ANBL's discretion, agents will receive liquor orders and domestic beer orders by direct delivery from ANBL's warehouse, or from local breweries, on payment terms established by ANBL. Product amounts so ordered must be in full cases only, with a minimum order of one pallet of product from each point of supply, and will be delivered free of charge. Agents will be required to submit their electronic orders on the designated order date and by the designated time. Failure to do so may result in the order being shipped late and at the expense of the Agent.

Agents will be required to draw at least 80% of non-direct delivered products from the ANBL warehouse, meaning a maximum of 20% can be drawn from the assigned ANBL store. All orders placed with the store must be made in advance to allow staff adequate preparation time. ANBL reserves the right to have stores refuse orders or parts of orders if product inventories would be jeopardized.

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Agents will be responsible for all equipment and labour for expedient unloading of ANBL product from the delivery truck.

12.0 Summary

ANBL's agency store program is designed to optimize ANBL's net income through provision of improved customer service and an enhanced shopping experience. There are generally two scenarios in which ANBL will look to establish an agency:

- (1) to provide service in smaller more remote communities of the province, to replace some lower volume ANBL operations, or to provide service in critical retail nodes previously not serviced, or
- (2) to establish an agency store in suburban areas where it is felt the addition of an agent will capture incremental traffic and sales, but where operation of a corporate store would not be feasible financially.

These scenarios are managed by appointing agents to improve customer convenience while retaining an appropriate level of control over the sale of beverage alcohol.

Upon completion of an RFP and an evaluation process, ANBL assists applicants in establishing their beverage alcohol sections and ensures that operations are consistent with modern retail standards. Operators will be expected to promote the sale of ANBL products and contribute to overall sales and volume growth.