

55th
Report

**LIQUOR CONTROL BOARD
OF ONTARIO**

APRIL 1, 1980
to MARCH 31, 1981



55th Report

LIQUOR CONTROL BOARD OF ONTARIO

APRIL 1, 1980
to MARCH 31, 1981

Formed in 1927, the Liquor Control Board of Ontario was incorporated as a Crown Corporation under The Liquor Control Act, 1975. The Board regulates the sale and transportation of liquor throughout the province and establishes stores for the sale of liquor to the public. Also, it purchases products for sale to the public and maintains quality control over those products.

Liquor Control Board of Ontario
55 Lake Shore Boulevard East
Toronto, Ontario
M5E 1A4



Highlights

	1981	1980	1979
	(\$000)	(\$000)	(\$000)
Sales	\$1,182,784	\$1,079,746	\$990,460
Increase in %/ previous year.....	9.5%	9.0%	6.8%
	(\$000)	(\$000)	(\$000)
Operating expenses	\$128,411	\$117,575	\$107,254
% of expenses/sales	10.9%	10.9%	10.8%
	(\$000)	(\$000)	(\$000)
Net income	\$443,383	\$407,587	\$361,429
% of net income/sales.....	37.5%	37.7%	36.5%
Self-serve stores in operation	443	419	393
Total stores in operation	592	591	589
Number of permanent employees	3,544	3,598	3,593
Number of regular products listed	2,163	2,184	2,125

Liquor Control Board of Ontario

55 Lake Shore Boulevard East
Toronto, Ontario M5E 1A4
August 4, 1981

The Honourable John Black Aird, O.C., Q.C., B.A., LL.D.
The Lieutenant Governor of Ontario
Legislative Building
Queen's Park
Toronto, Ontario M7A 1A1

May It Please Your Honour,

In accordance with Section 7 of The Liquor Control Act, 1975, I have the honour to submit herewith the 55th Report and Financial Statements of the Liquor Control Board of Ontario for the fiscal year ended March 31, 1981, as well as the report of the Provincial Auditor.

The Report outlines the results and activities of the Board during the year under review as the Board continued at all times to discharge its responsibilities for the control and distribution of the products of distilleries, wineries and breweries in Ontario. Forty-three countries, including Canada, were represented by the Board's listing of 2,163 spirits, wines and beers, to provide a varied product selection throughout the province.

Although sales through Board stores of \$1.18 billion increased 9.5% over the previous year, actual sales volume (gallons) increased only 2.5%. L.C.B.O. profits are the sixth largest single source of revenue for the province and represent approximately three percent of total provincial revenue. Profits paid to the Treasurer of Ontario by the Board increased from \$400 million to \$433 million. For the first time total federal and provincial government revenues from the sale of beverage alcohol in Ontario exceeded \$1 billion.

The Board's continuing review of administrative and operating costs has held such costs to an increase of 9.2% over the previous year. This increase is well below the rate of inflation and has been achieved without a decrease in the high level of customer service provided by the Board.

I would like to thank the dedicated employees of the Board. Their work and support played an important part in a successful operation during the past year. Special thanks are extended to my fellow Board Members, Mr. R. J. Harris, Vice Chairman, Mr. J. P. Holliday, Mr. J. L. Slade and Mr. J. M. Thompson.

I have the honour to be, Sir,

Your Obedient Servant,

William J. Bosworth,
Chairman

Sales

Total sales of spirits, wine and beer by Board stores during the fiscal year ended March 31, 1981, were \$1,182,784,469. Of this total \$175,309,374 consisted of sales to licensed establishments and \$1,007,475,095 was sold for home consumption. Sales of Canadian wine made directly to customers by licensed retail wine stores and wineries in Ontario amounted to \$24,341,521. The net value of beer sold in Ontario by breweries and brewers' retail outlets, exclusive of the cost of containers, totalled \$697,438,210.

The following table shows increases (decreases) in sales for the fiscal year under review as compared with the previous year's totals:

Sales by Value

	Fiscal Year Ended March 31, 1981	Fiscal Year Ended March 31, 1980	Increase (Decrease)
Sales by Board Stores			
Canadian Spirits	\$ 658,240,827	\$ 624,084,217	\$ 34,156,610
Imported Spirits	179,669,936	164,446,646	15,223,290
*Canadian Wines	111,901,631	91,932,666	19,968,965
Imported Wines	178,912,378	153,185,964	25,726,414
Canadian Beers	42,148,309	34,791,554	7,356,755
Imported Beers	11,991,388	11,304,616	606,772
Total Sales by Board Stores	<u>\$1,182,784,469</u>	<u>\$1,079,745,663</u>	<u>\$103,038,806</u>
 Sales by Ontario Wineries and Winery Stores			
	<u>\$ 24,341,521</u>	<u>\$ 20,918,133</u>	<u>\$ 3,423,388</u>
 Sales by Breweries and Brewers' Retail Stores (exclusive of container value)			
	<u>\$ 697,438,210</u>	<u>\$ 560,543,160</u>	<u>\$136,895,050</u>

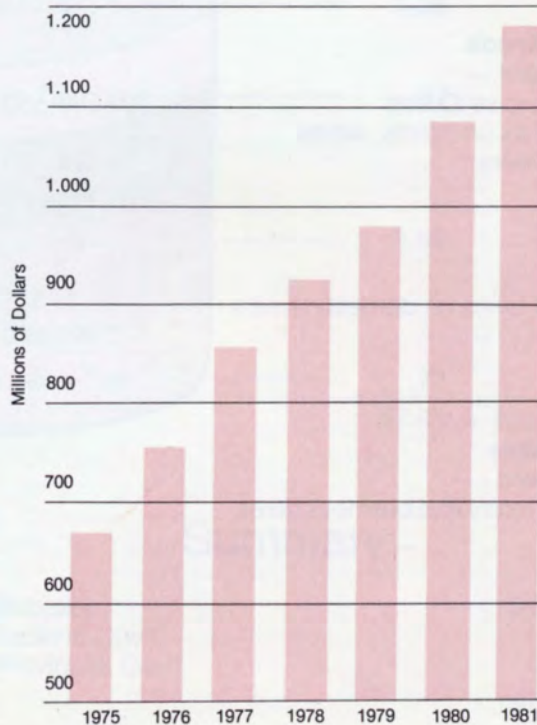
*Includes Ontario wine sales of \$100,396,583 during fiscal year ended March 31, 1981 compared with \$86,441,897 during previous year.

Sales by Gallons

	Fiscal Year Ended March 31, 1981	Fiscal Year Ended March 31, 1980	Increase (Decrease)
Sales by Board Stores			
Canadian Spirits	13,291,360	13,424,903	(133,543)
Imported Spirits	2,829,270	2,808,361	20,909
*Canadian Wines	6,797,181	6,543,288	253,893
Imported Wines	7,392,657	7,181,779	210,878
Canadian Beers	8,022,280	7,399,235	623,045
Imported Beers	1,068,352	1,060,733	7,619
Total Sales by Board Stores	<u>39,401,100</u>	<u>38,418,299</u>	<u>982,801</u>
Sales by Ontario Wineries and Winery Stores	<u>1,534,884</u>	<u>1,528,737</u>	<u>6,147</u>
Sales by Breweries and Brewers' Retail Stores	<u>158,220,854</u>	<u>154,833,954</u>	<u>3,386,900</u>

*Includes Ontario wine sales of 6,028,138 gallons during fiscal year ended March 31, 1981 compared with 6,139,134 gallons during previous fiscal year.

**Liquor Control Board of Ontario Store Sales
March 31, 1975 - March 31, 1981**



Revenue Payments

Levies on beverage alcohol sold in the province during the year contributed a total of \$1,001,817,763 to the Treasurer of Ontario and the Government of Canada. This amount does not include corporation, realty and business taxes paid by the distilleries, wineries, breweries and licence holders. Ontario retail sales tax collected by licence holders and agency stores on sales of beverage alcohol is also excluded from these figures.

Of these payments, \$433 million was remitted to the Treasurer of Ontario on account of Board profits, representing some three percent of the Province's 1980-81 revenue. In addition, the Board paid \$2,423,902 to Ontario municipalities as grants in lieu of realty and business taxes.

A summary of the aforementioned revenue payments is as follows:

Treasurer of Ontario

Remitted by the Board —		
on account of profits	\$433,000,000	
Ontario Retail Sales Tax on		
sales through liquor stores	99,374,375	
	<u>532,374,375</u>	
 Remitted by others —		
Ontario Retail Sales Tax on sales through		
retail wine stores and brewers'		
retail stores	<u>54,417,180</u>	<u>\$586,791,555</u>

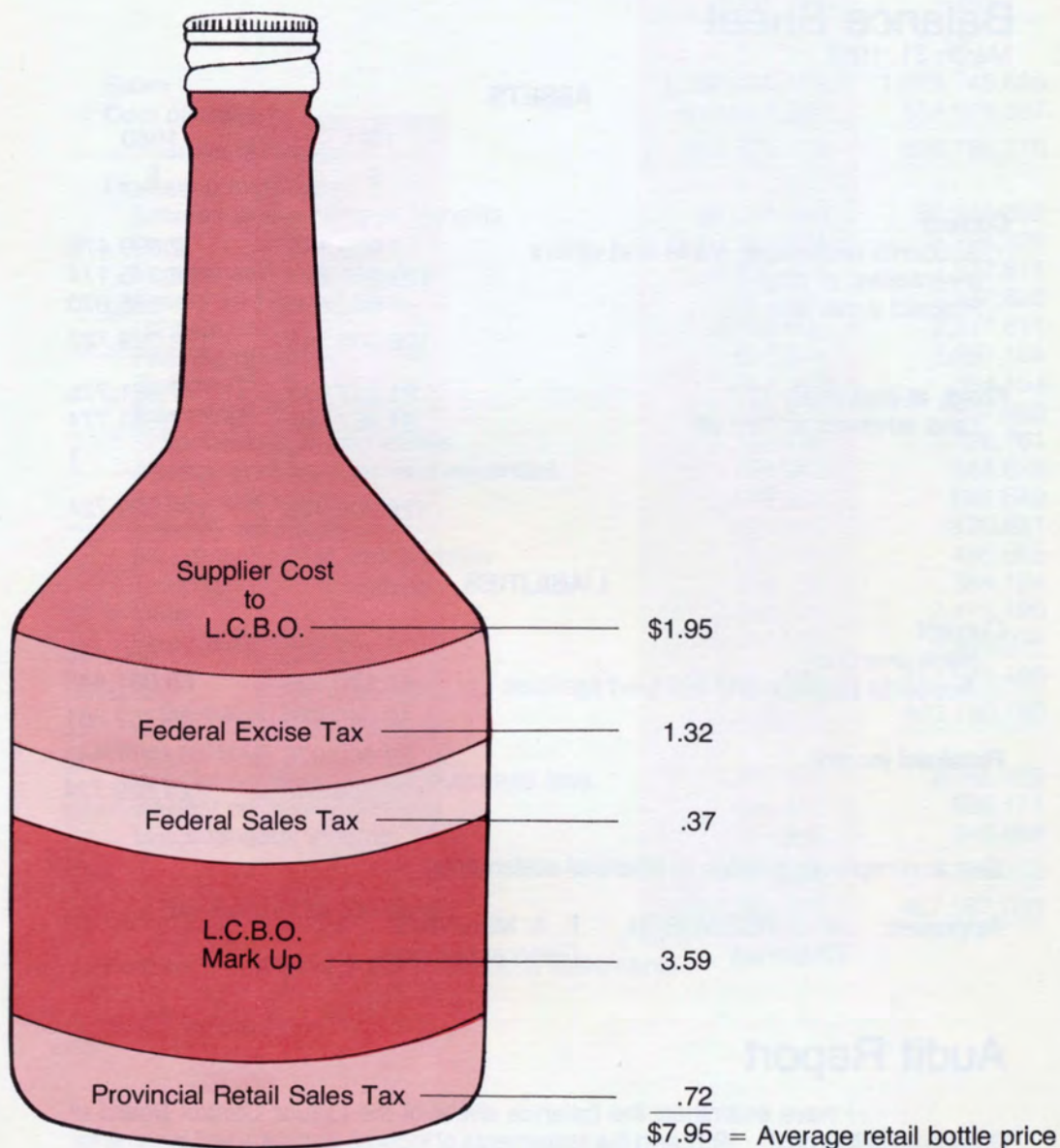
Government of Canada

Paid by the Board —		
Customs and Excise Duties	209,593,530	
Federal Sales Tax on spirits, wines		
and imported beers	59,524,498	
	<u>269,118,028</u>	
 Paid by others —		
Malt duties and taxes on domestic beers		
and wines	<u>145,908,180</u>	<u>415,026,028</u>
		<u>\$1,001,817,763</u>

Ontario Municipalities

Paid by the Board —		
Grants in lieu of realty and business taxes		2,423,902
		<u>\$1,004,241,665</u>

Breakdown of Average Retail Bottle Price for all Spirits & Wines sold by the L.C.B.O. during the Year Ended March 31, 1981



Summary

Supplier	\$1.95
Federal Gov't.	1.69
Provincial Gov't.	4.31
	<u>\$7.95</u>

Financial Statements

LIQUOR CONTROL BOARD OF ONTARIO
(Incorporated under the Liquor Control Act, 1975)

Balance Sheet

March 31, 1981

ASSETS

	1981	1980
	\$	\$
Current		
Accounts receivable, trade and others	1,939,155	2,099,479
Inventories, at cost	123,851,894	126,345,174
Prepaid expenses	515,696	585,070
	<u>126,306,745</u>	<u>129,029,723</u>
Fixed, at cost (note 1)	81,957,603	77,681,775
Less amounts written off	<u>81,957,602</u>	<u>77,681,774</u>
	<u>1</u>	<u>1</u>
	<u>126,306,746</u>	<u>129,029,724</u>

LIABILITIES

Current		
Bank overdraft	1,472,342	690,436
Accounts payable and accrued liabilities	<u>55,173,528</u>	<u>69,061,845</u>
	56,645,870	69,752,281
Retained income	<u>69,660,876</u>	<u>59,277,443</u>
	<u>126,306,746</u>	<u>129,029,724</u>

See accompanying notes to financial statements.

Approved: W. J. BOSWORTH, F. A. MacINNIS,
Chairman General Manager

Audit Report

I have examined the balance sheet of the Liquor Control Board of Ontario as at March 31, 1981 and the statements of income and retained income for the year then ended. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Board as at March 31, 1981 and the results of its operations for the year then ended in accordance with generally accepted accounting principles, as modified by Note 1 to the financial statements, applied on a basis consistent with that of the preceding year.

A report on the audit has been made to the Board and to the Minister.

Toronto, Ontario,
July 31, 1981

F. N. Scott, F.C.A.,
Provincial Auditor

LIQUOR CONTROL BOARD OF ONTARIO

Statement of Income

Year ended March 31, 1981

	1981	1980
	\$	\$
Sales	1,182,784,469	1,079,745,663
Cost of sales	616,263,246	558,979,387
Gross income	566,521,223	520,766,276
Operating expenses		
Salaries and employee benefits	94,234,966	86,841,292
Rent	10,957,204	9,396,326
Repairs and maintenance	2,897,493	2,877,811
Grants and lieu of taxes	2,423,902	2,477,626
Utilities	2,785,809	2,317,611
Packing material	1,662,244	1,591,184
Stationery	862,047	664,154
Travelling	468,825	527,599
Stock breakage and losses	1,327,405	1,226,761
Agency commissions and expenses	728,943	644,639
Armour car services	648,207	584,649
Security services	279,593	120,831
Equipment rental and supplies	721,902	485,665
Telephone and telegraph	454,196	384,124
Other	2,854,228	2,475,190
Fixed assets written off	5,104,082	4,960,034
Operating income	438,110,177	403,190,780
Other revenue		
Special occasion permit purchase fees	3,885,190	2,765,498
Interest on bank balances	646,426	690,171
Miscellaneous income	741,640	940,584
	5,273,256	4,396,253
Net income for the year	443,383,433	407,587,033

See accompanying notes to financial statements.

Statement of Retained Income

Year ended March 31, 1981

	1981	1980
	\$	\$
Balance at beginning of year	59,277,443	51,690,410
Add:		
Net income for the year	443,383,433	407,587,033
	502,660,876	459,277,443
Deduct:		
Payments to the Treasurer of Ontario on account of net income	433,000,000	400,000,000
Balance at end of year	69,660,876	59,277,443

See accompanying notes to financial statements.

Notes to Financial Statements

March 31, 1981

1. FIXED ASSETS

Fixed assets are written off in the year of acquisition and are carried on the books at a nominal value of \$1.00.

The cost at year end of fixed assets, net of disposals, is as follows:

	1981	1980
	\$	\$
Land	11,255,906	10,987,331
Buildings	51,457,348	48,336,616
Furniture and equipment	9,753,095	9,234,616
Leasehold improvements	9,491,254	9,123,212
	81,957,603	77,681,775

2. COMMITMENTS

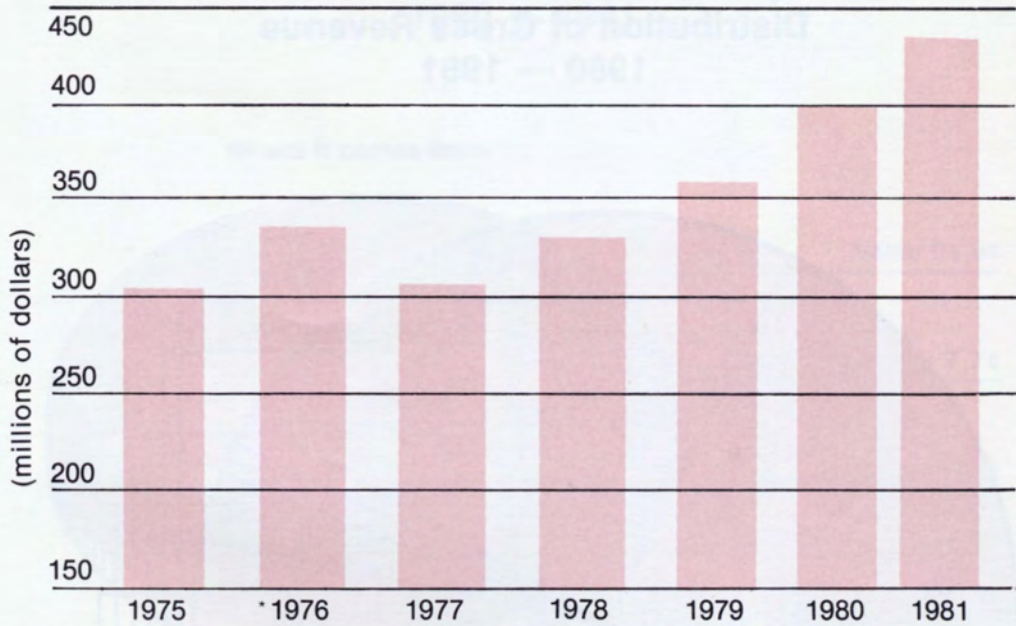
(a) Total commitments as of March 31, 1981 for lease of premises amount to \$48,400,000. Of this total \$8,800,000 becomes payable during the year ended March 31, 1982.

(b) The Board is building a new warehouse in Whitby, Ontario. The project completion date is March, 1984, at an estimated current cost of \$81,000,000.

3. COMPARATIVE FIGURES

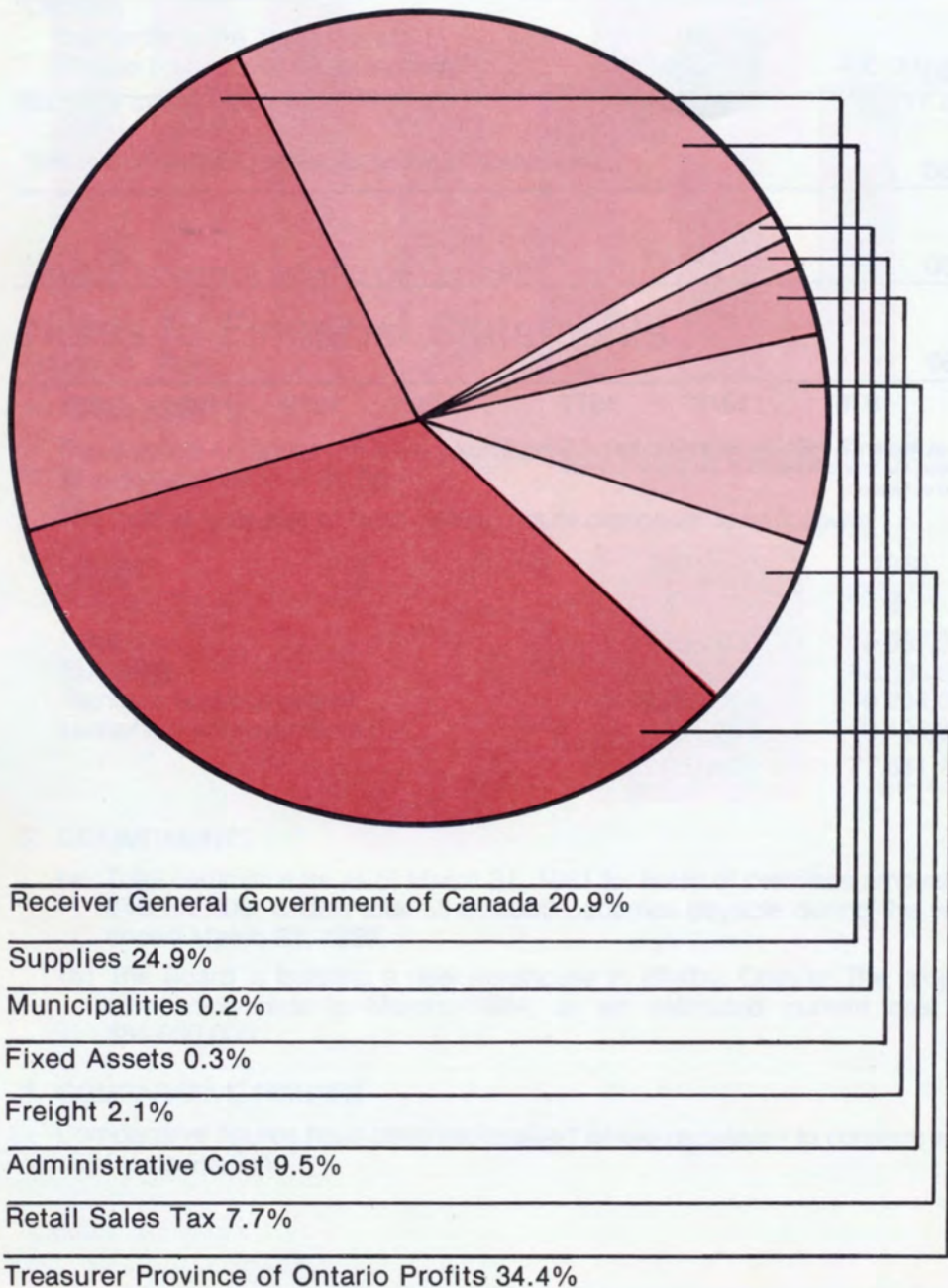
Comparative figures have been reclassified where necessary to conform with 1981 presentation.

**Net Profit Paid to the Treasurer of Ontario
March 31, 1975 — March 31, 1981**



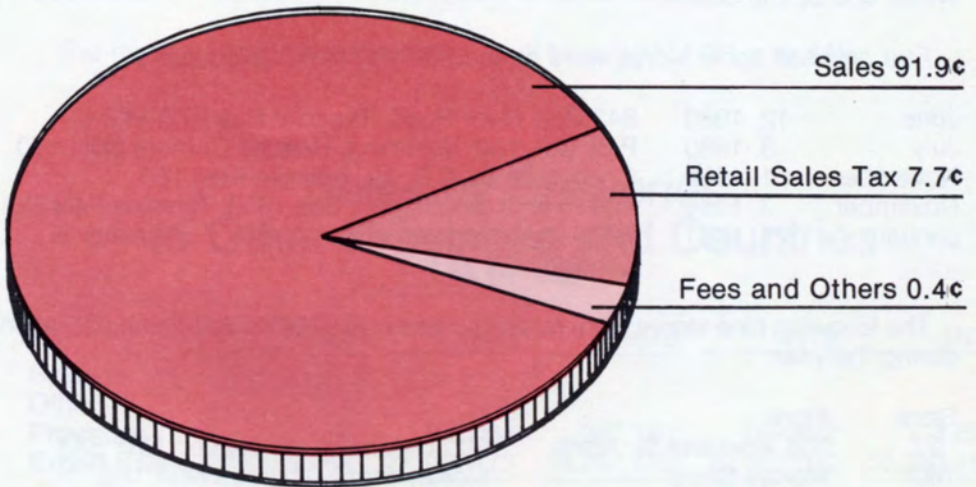
* Prior to January 2, 1976, the net profit of the L.C.B.O. included the financial results of the Liquor Licence Board of Ontario.

Liquor Control Board of Ontario Distribution of Gross Revenue 1980 — 1981

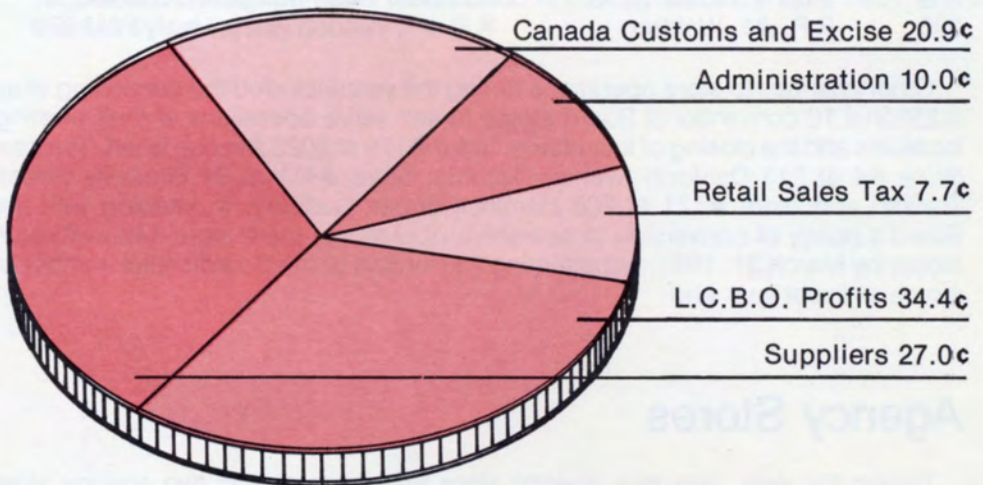


The L.C.B.O. Dollar 1980 — 1981

Where it comes from



How it is spent



Stores' Operations

Board Stores

The Board operated 592 stores during the year including the distribution depot in Toronto, two duty-free stores at the Toronto International Airport and two Rare Wines and Spirits outlets.

Five new self serve stores were opened at the following locations:

June	12, 1980	843 Red River Road, Thunder Bay P7B 1K2
July	3, 1980	P.O. Box 130, Wyoming, Reeces Corners N0N 1T0
November	1, 1980	Champlain St. C.P. 39, Bourget K0A 1E0
November	3, 1980	103 Pine St. South, P.O. Box 1650, Timmins P4N 5K1
January	24, 1981	1255 Commissioners Rd. W., Box 7, Terminal 'B', London N6K 1E1

The following nine stores were relocated and converted to self-serve operations during the year:

Store	From	To
27	685 Adelaide St. North	900 Oxford St. E., London N5Y 5A1
160	McKay Street	McKay Street, Cayuga N0A 1E0
181	221 Main St. South	249 James Street, Delhi N4B 2B2
201	136 Harwood Ave. South	74 Commercial St., Ajax L1S 2H4
204	251 Third Avenue	200 Front St., Hornepayne P0M 1Z0
205	Isla Street	155 Toronto St., Markdale N0C 1H0
351	Stewart Boulevard	125 Stewart Blvd., Brockville K6V 4W0
389	2421 Princess Street	280 Bath Road, Kingston K7M 4X3
395	R.R. #1, Walden	R.R. #1, Walden Plaza, Lively P0M 2E0

Other changes to store operations during the year included the converting of an additional 10 conventional Board stores to self-serve operations at their existing locations and the closing of four stores; Store #179 at 2028 Avenue Road, Toronto; Store #4 at 213 Danforth Avenue, Toronto; Store #411 at 34 Grenville Street, Toronto and Store #171 at 268 Hemlock Street, Sudbury. In keeping with the Board's policy of conversion to self-serve operations, there were 443 self-serve stores by March 31, 1981, representing 75 percent of the Board's total number of stores at fiscal year end.

Agency Stores

During the year, one new agency store was opened and two agency store licences were cancelled. In addition, five agency stores changed ownership. As at March 31, 1981 there were 67 agency stores in operation.

Breweries and Brewers' Retail Stores

There were 11 breweries located within the province, as well as two in Quebec and two in Manitoba that were licensed to sell beer in Ontario during the year.

Two new brewers' retail stores were opened at the following locations:

August	25, 1980	Forest Glen Shopping Centre, Kitchener
December	6, 1980	Brookdale Mall, Cornwall

The number of stores in operation as of March 31, 1981 was 440.

Sales by Breweries to Other Provinces and Countries (in gallons)

	<u>1981</u>	<u>1980</u>	<u>1979</u>	<u>1978</u>	<u>1977</u>
Sales to Other Provinces	407,444	350,064	367,761	162,872	134,536
Export Sales	<u>21,435,453</u>	<u>22,404,473</u>	<u>18,597,450</u>	<u>12,162,090</u>	<u>10,383,157</u>
	<u>21,842,897</u>	<u>22,754,537</u>	<u>18,965,211</u>	<u>12,324,962</u>	<u>10,517,693</u>

All brands of beer produced by the 13 breweries which are licensed to sell beer in Ontario were analysed periodically by the Board, as in previous years. This quality control process ensures that beer sold in the province conforms with the regulations passed pursuant to The Food and Drug Act of Canada, 1953, and the standards set by the Board.

Wineries and Winery Retail Stores

On October 7, 1980 Newark Wines Inc. was granted a winery licence which brought the number of wineries in operation as of March 31, 1981 to 11.

There was a net decrease of 5 winery retail stores during the year as a total of 118 wine stores (63 regular and 55 mini stores) were in operation throughout Ontario at March 31, 1981.

Sales by Wineries to Other Provinces and Countries (in gallons)

	<u>1981</u>	<u>1980</u>	<u>1979</u>	<u>1978</u>	<u>1977</u>
Sales to Other Provinces	2,005,301	2,360,801	2,698,785	2,591,790	3,124,471
Export Sales	122,225	42,049	76,221	70,244	22,995
	<u>2,127,526</u>	<u>2,402,850</u>	<u>2,775,006</u>	<u>2,662,034</u>	<u>3,147,466</u>

The tonnage of grapes and apples used by the various Ontario wineries over the past five years is as follows:

	<u>1981</u>	<u>1980</u>	<u>1979</u>	<u>1978</u>	<u>1977</u>
Grapes used in the manufacture of wine	40,241	43,011	44,470	34,269	42,850
Grapes used in the manufacture of concentrate	4,331	1,252	3,817	824	492
Apples used in the manufacture of cider	588	376	608	964	153
	<u>45,160</u>	<u>44,639</u>	<u>48,895</u>	<u>36,057</u>	<u>43,495</u>

Warehousing & Distribution

This area of the Board's operation continued to undergo changes in response to the need for adequate handling capacity and efficient distribution of our product. Additional space was leased at the Kipling Warehouse (Toronto) location which increased storage from 291,000 square feet to 419,000 square feet. This larger facility will meet the increase in shipping volume to stores serviced by Toronto and allow for future expansion of the current service area to other stores.

A significant step was taken to meet the Board's long term warehousing and distribution requirements with the decision to build a modern facility in the Regional Municipality of Durham. This structure is scheduled for completion in 1984 and will provide approximately 500,000 square feet of warehouse space. During the past year the planning and design stage of the project was undertaken with the building style, capacity and site layout receiving approval in principle. The building's unique design is one of an automated storage/retrieval system. Computer-controlled cranes will move stock in and out of the storage module, feeding stock to loading points for subsequent delivery by conveyor travellers. Site preparation is due to commence in August, 1981.

Products

An analysis of the products listed by the Board, which follows below, illustrates the wide selection available to the public in Ontario.

Of equal importance to the Board is the quality control exercised by the modern laboratory facilities located at the Toronto warehouse. Samples of all spirits, wines and beers sold in Ontario are analysed for compliance with Federal and Provincial regulations. In total, 5,612 samples were tested during the past year.

The Rare Wine & Spirits group of products are available at two locations: 2 Cooper Street, Toronto and 1980 Bank Street, Ottawa. These premium brands are available in limited quantities and enhance the brand selection offered to the public.

L.C.B.O. Product Listings as at March 31, 1981

Domestic

Canadian Whisky	179
Canadian Blended Rums	111
Canadian Gin	67
Canadian Vodka	75
Canadian Brandy	7
Canadian Blended Brandy	15
Alcohol	4
Fruit Spirits	2
Miscellaneous Liquors	4
Canadian Liqueurs	112
Ontario Wine	472
Other Canadian Wine	30
Canadian Cider	10
Canadian Beer	16
Specialty Items	2

1,106

Imported

Whisky — Scotch	88
— Irish	2
— Bourbon	5
— Tennessee	1
Gin	15
Rum	22
Vodka	3
Tequila	6
Brandy	48
Fruit Spirits	6
Miscellaneous Liquors	21
Liqueurs	74
Wine	713
Cider	5
Beer & Sake	30
Specialty Items	18

1,057

Total Regular Listings	2,163
Rare Wine & Spirits	380
Total Product Listings	2,543

Personnel

The number of Board members and permanent employees of the various departments of the Board as of March 31, 1981 is as follows:

Board Members	<u>5</u>
Staff of Departments	
Chairman's Office	1
General Manager	17
Accounting	57
Audit	50
Bottling	16
Building Maintenance	19
Data Processing	38
Distribution Analysis	5
Laboratory	10
Legal	2
Mail & Multigraph	7
Personnel	23
Planning	5
Public Administration	34
Properties Management	14
Purchasing	3
Records Management	6
Security Services	5
Stores	2,828
Store Operations	42
Warehouses	344
Warehouse Administration	18
	<u>3,544</u>

In addition, there were 1,714 temporary employees as of March 31, 1981 and of this total, 1,709 were employed in Board stores.