59th Report

LIQUOR CONTROL BOARD OF ONTARIO

APRIL 1, 1984
to MARCH 31, 1985

Ontario

59th Report

LIQUOR CONTROL BOARD OF ONTARIO

APRIL 1, 1984 to MARCH 31, 1985

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 Lakeshore Boulevard East
Toronto, Ontario
M5E 1A4

Ontario

Highlights

	1985	1984	1983
	($000)	($000)	($000)
Sales	**$1,599,337**	$1,504,738	$1,467,296
Increase in %/ previous year	**6.2%**	2.6%	10.4%
	($000)	($000)	($000)
Operating expenses	**$ 179,850**	$ 207,507	$ 204,142
% of expenses/sales	**11.2%**	13.8%	13.9%
	($000)	($000)	($000)
Net income	**$ 604,282**	$ 542,115	$ 523,228
% of income/sales	**37.8%**	36.0%	35.6%
Self-serve stores in operation	**519**	500	481
Total stores in operation	**610**	602	601
Number of permanent employees	**3,412**	3,436	3,476
Number of regular products listed	**2,527**	2,359	2,347

Liquor Control Board of Ontario

55 Lake Shore Boulevard East
Toronto, Ontario M5E 1A4
September 9, 1985

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

Your Honour,

The 59th Report and Financial Statements of the Liquor Control Board of Ontario, as well as the Report of the Provincial Auditor, are submitted herewith pursuant to Section 7 of the Liquor Control Act, R.S.O. 1980.

This report summarizes the Board's activities during the fiscal year ended March 31, 1985 and includes operational highlights for the year.

Financial results showed an improvement over the previous year. Sales through Board stores increased 6.2% in value and 5.7% in volume. Despite these modest increases, Canadian spirits experienced another year of declining sales volume, and imported wines again were the largest growth category.

A four week labour dispute closed major breweries in the province during most of March, 1985. In response to public demand for the continuation of beer supplies, the Board increased importations of American and Overseas beers and sales of these products rose substantially during this period.

Total expenditures decreased 13.3% compared to the previous year mainly because of significantly lower construction costs this year for the new Distribution Warehouse in Whitby. The aforementioned increase in sales and decrease in expenditures enabled the Board to remit $602 million to the Treasurer of Ontario and thus exceed $600 million in profit transfers for the first time.

A review of the Board's senior management structure was undertaken in late 1984. As a result, divisions of the Board were grouped in a re-organization to reflect the quite distinct needs of the operations and administrative support functions. I believe this will improve the co-ordination of operations and administrative planning while providing a framework to more clearly establish management decision making.

A concerted effort was put forth during the year by all divisions and senior executives on the strategic planning process. This work, culminated with the publication of the Board's Statement of Purpose and our first set of goals and objectives for the ensuing year, represents a commitment to programs that will improve our service, productivity and employee relations.

I would like to recognize and acknowledge the contributions made by all employees of the Board towards the success of the past year. The full and part-time Board Members—U.O. Ferdinand, Vice Chairman, F.H.S. Hooper, R.D. Rowe, J.M. Thompson, also deserve a special thanks for their assistance and support.

I have the honour to be, Sir,

Your Obedient Servant,
J.W. Ackroyd
Chairman

Sales

Total sales of spirits, wine and beer by Board stores during the fiscal year ended March 31, 1985 were $1,599,336,547. Of this total $244,348,182 or 15.3% consisted of sales to licensed establishments. Sales of Ontario wine made directly to customers by licensed retail wine stores and wineries in Ontario amounted to $42,879,151. The net value of beer sold in Ontario by breweries and brewers' retail outlets, exclusive of the cost of containers, totalled $1,119,288,929.

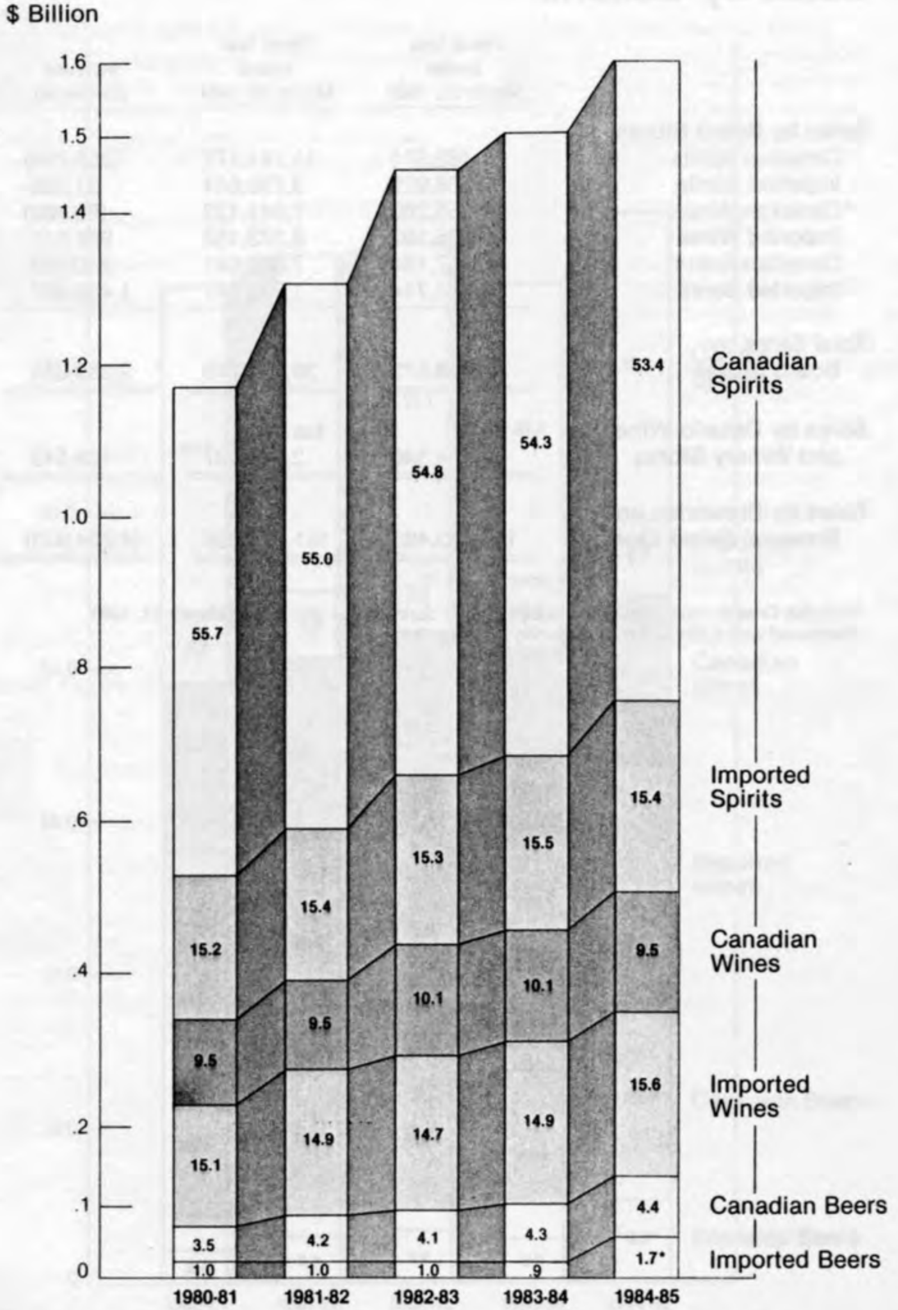
The following tables show increases (decreases) in sales for the fiscal year under review as compared with the previous year's totals:

Sales by Value

	Fiscal Year Ended March 31, 1985	Fiscal Year Ended March 31, 1984	Increase (Decrease)
Sales by Board Stores			
Canadian Spirits	$ 853,542,873	$ 817,966,606	$ 35,576,267
Imported Spirits	245,323,086	233,382,219	11,940,867
*Canadian Wines	152,007,096	151,299,922	707,174
Imported Wines	250,011,928	224,054,741	25,957,187
Canadian Beers	70,317,316	64,938,932	5,378,384
Imported Beers	28,134,248	13,095,378	15,038,870
Total Sales by Board Stores	$1,599,336,547	$1,504,737,798	$ 94,598,749
Sales by Ontario Wineries and Winery Stores	$ 42,879,151	$ 41,188,188	$ 1,690,963
Sales by Breweries and Brewers' Retail Stores (exclusive of container value)	$1,119,288,929	$1,084,471,141	$ 34,817,788

*Includes Ontario wine sales of $145,831,643 during fiscal year ended March 31, 1985 compared with $143,777,242 during previous year.

Dollar Sales By Category: Percent of Total 1980-81 to 1984-85



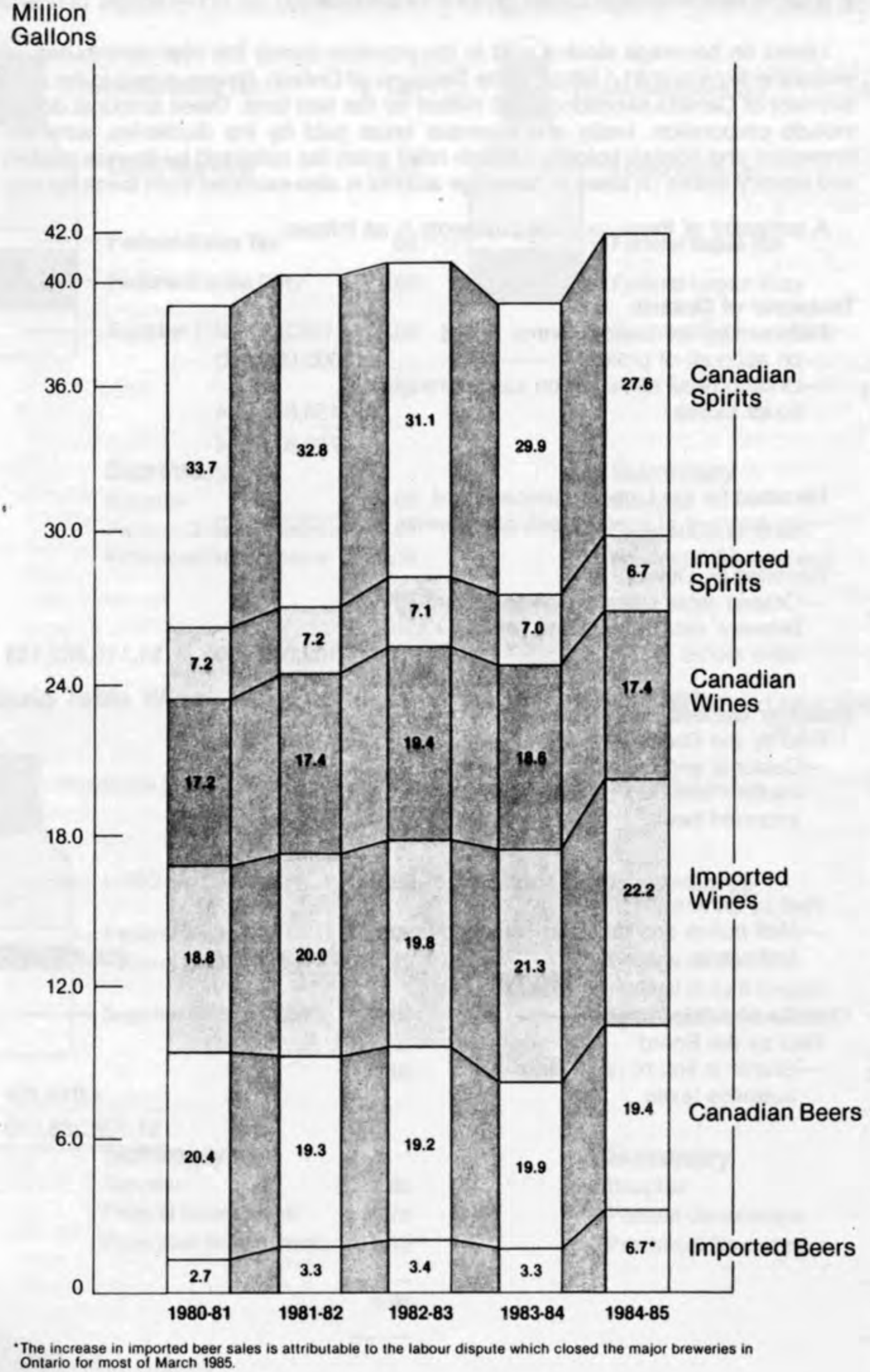
*The increase in imported beer sales is attributable to the labour dispute which closed the major breweries in Ontario for most of March 1985.

Sales by Gallons

	Fiscal Year Ended March 31, 1985	Fiscal Year Ended March 31, 1984	Increase (Decrease)
Sales by Board Stores			
Canadian Spirits	11,482,374	11,741,172	(258,798)
Imported Spirits	2,766,929	2,739,644	27,285
*Canadian Wines	7,255,260	7,341,123	(85,863)
Imported Wines	9,235,162	8,373,152	862,010
Canadian Beers	8,057,134	7,826,641	230,493
Imported Beers	2,781,714	1,293,017	1,488,697
Total Sales by Board Stores	41,578,573	39,314,749	2,263,824
Sales by Ontario Wineries and Winery Stores	2,184,546	2,055,997	128,549
Sales by Breweries and Brewers' Retail Stores	157,533,463	161,818,396	(4,284,933)

*Includes Ontario wine sales of 6,967,504 gallons during fiscal year ended March 31, 1985 compared with 6,981,939 gallons during previous fiscal year.

Gallon Sales By Category: Percent of Total 1980-81 to 1984-85



*The increase in imported beer sales is attributable to the labour dispute which closed the major breweries in Ontario for most of March 1985.

Revenue Payments

Levies on beverage alcohol sold in the province during the year contributed an amount in excess of $1.1 billion to the Treasurer of Ontario. Revenue paid to the Government of Canada exceeded $600 million for the first time. These amounts do 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.

A summary of these revenue payments is as follows:

Treasurer of Ontario		
Remitted by the Liquor Control Board		
—on account of profits	$602,000,000	
—Ontario retail sales tax on sales through liquor stores	158,677,234	
	760,677,234	
Remitted by the Liquor Licence Board		
—on account of licence fees and permits	252,739,250	
Remitted by Others		
—Ontario retail sales tax on sales through brewers' retail stores and retail wine stores	102,045,659	$1,115,462,143
Receiver General For Canada		
Paid by the Board		
—Customs and Excise Duties	295,534,053	
—Federal sales tax on spirits, wines and imported beers	87,995,438	
	383,529,491	
Paid by Others		
—Malt duties and taxes on domestic beers and wines	223,281,184	606,810,675
Ontario Municipalities		
Paid by the Board		
—Grants in lieu of realty and business taxes		4,015,701
		$1,726,288,519

Retail Price Breakdown Examples As At March 31, 1985

Domestic Spirit—710 mL Bottle (25 oz.)

Provincial Sales Tax	$ 1.41
LCBO Mark-Up	6.15
Federal Sales Tax	.64
Federal Excise Duty	2.87
Supplier Price to LCBO	2.08
	$13.15

Summary

Supplier	2.08
Federal Government	3.51
Provincial Government	7.56
	13.15

Imported Spirit—710 mL Bottle (25 oz.)

Provincial Sales Tax	$ 1.71
LCBO Mark-Up	7.83
Federal Sales Tax	.72
Federal Import Duty	2.93
Supplier Price to LCBO	2.76
	$15.95

Summary

Supplier	2.76
Federal Government	3.65
Provincial Government	9.54
	15.95

Ontario Table Wine—1 Litre Bottle (35.2 oz.)

Provincial Sales Tax	$ .53
LCBO Mark-Up	1.62
Federal Sales Tax	.32
Federal Excise Duty	.43
Supplier Price to LCBO	2.05
	$4.95

Summary

Supplier	2.05
Federal Government	.75
Provincial Government	2.15
	4.95

Imported Table Wine—1 Litre Bottle (35.2 oz.)

Provincial Sales Tax	$ .61
LCBO Mark-Up	2.82
Federal Sales Tax	.23
Federal Duty & Excise	.48
Supplier Price to LCBO	1.56
	$5.70

Summary

Supplier	1.56
Federal Government	.71
Provincial Government	3.43
	5.70

Financial Statements

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

Balance Sheet

March 31, 1985

ASSETS

	1985 ($'000)	1984 ($'000)
Current		
Cash	20,139	46,375
Accounts receivable, trade and others	2,862	1,204
Inventories, at cost	186,272	122,396
Prepaid expenses	958	1,323
	210,231	171,298

LIABILITIES AND RETAINED INCOME

	1985 ($'000)	1984 ($'000)
Current		
Accounts payable and accrued liabilities	120,181	83,530
Retained income	90,050	87,768
	210,231	171,298

See accompanying notes to financial statements.

Approved:

J.W. ACKROYD,
Chairman

F.A. MacINNIS
Executive Vice-President,
Administration

Audit Report

To the Liquor Control Board of Ontario and
to the Minister of Consumer and Commercial Relations.

I have examined the balance sheet of the Liquor Control Board of Ontario as at March 31, 1985 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, 1985 and the results of its operations for the year then ended in accordance with the basis of accounting described in note 1 to the financial statements applied on a basis consistent with that of the preceding year.

A report on the audit will be made to the Board and to the Minister.

Toronto, Ontario,
September 6, 1985.

D.F. Archer, F.C.A.,
Provincial Auditor.

LIQUOR CONTROL BOARD OF ONTARIO

Statement of Income

Year ended March 31, 1985

	1985	1984
	($'000)	($'000)
Sales	1,599,337	1,504,738
Cost of sales	821,552	761,276
Gross income	777,785	743,462
Operating expenses		
Salaries and employee benefits	131,886	124,221
Rent	15,402	14,781
Fixed assets	7,176	44,293
Utilities	4,237	4,161
Store supplies and expenses	4,226	3,454
Grants in lieu of taxes	4,016	3,291
Repairs and maintenance	3,394	3,132
Office supplies and expenses	2,216	2,080
Communication and travelling	1,910	1,663
Stock breakage and losses	1,472	1,397
Armoured car services	1,140	1,110
Agency commissions and expenses	996	934
Other	1,779	2,990
	179,850	207,507
Operating income	597,935	535,955
Other income		
Special occasion permit purchase fees	3,618	3,801
Interest on bank balances	1,127	679
Miscellaneous income	1,602	1,680
	6,347	6,160
Net income for the year	604,282	542,115

See accompanying notes to financial statements.

LIQUOR CONTROL BOARD OF ONTARIO

Statement of Retained Income

Year ended March 31, 1985

	1985	1984
	($'000)	($'000)
Balance, beginning of year	87,768	65,653
Add net income for the year	604,282	542,115
	692,050	607,768
Deduct payments to the Treasurer of Ontario on account of net income	602,000	520,000
Balance, end of year	90,050	87,768

See accompanying notes to financial statements.

LIQUOR CONTROL BOARD OF ONTARIO

Notes to Financial Statements

March 31, 1985

1. SIGNIFICANT ACCOUNTING POLICY

Basis of Accounting

The Board's financial statements are prepared in accordance with generally accepted accounting principles except for fixed assets which are written off to operations at the time of acquisition and carried on the books at a nominal value of $1.

2. SELF-INSURANCE

The Board follows the policy of self-insuring its store assets for property damage such as fire, water and vandalism or theft.

3. FIXED ASSETS

The total accumulated costs of fixed assets at year end, less disposals, are as follows:

	1985	1984
	($'000)	($'000)
Land	13,915	13,434
Buildings	152,243	147,471
Furniture and equipment	11,629	11,292
Leasehold improvements	11,605	10,822
	189,392	183,019

4. LEASE COMMITMENTS

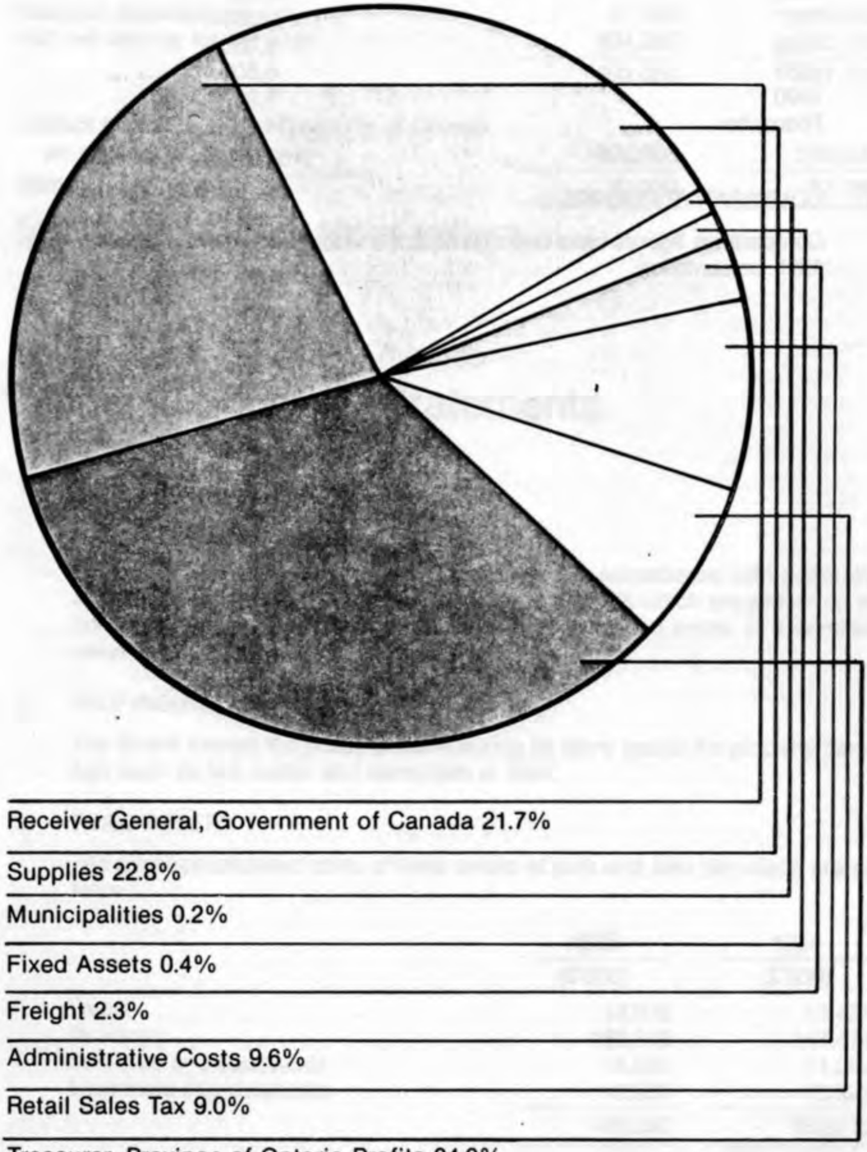
The Board is committed under operating leases on leased premises with future minimum rental payments due as follows:

	($'000)
1986	10,400
1987	9,300
1988	8,000
1989	6,600
1990	5,200
Thereafter	14,600
	54,100

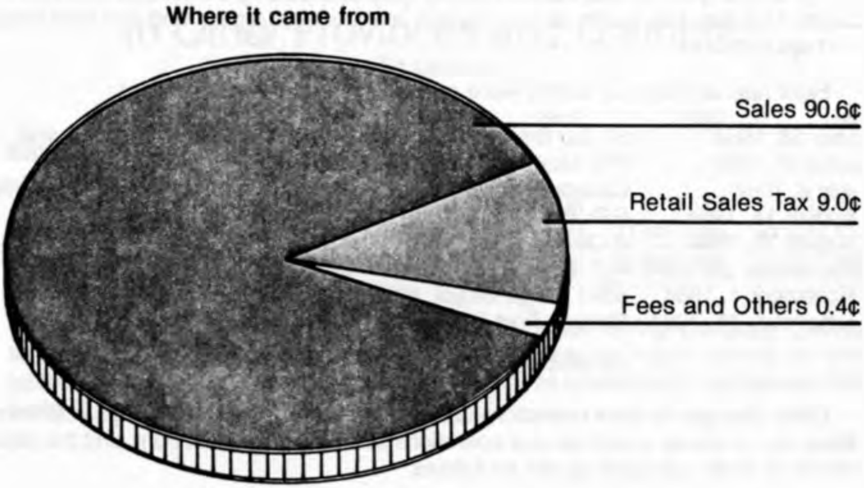
5. COMPARATIVE FIGURES

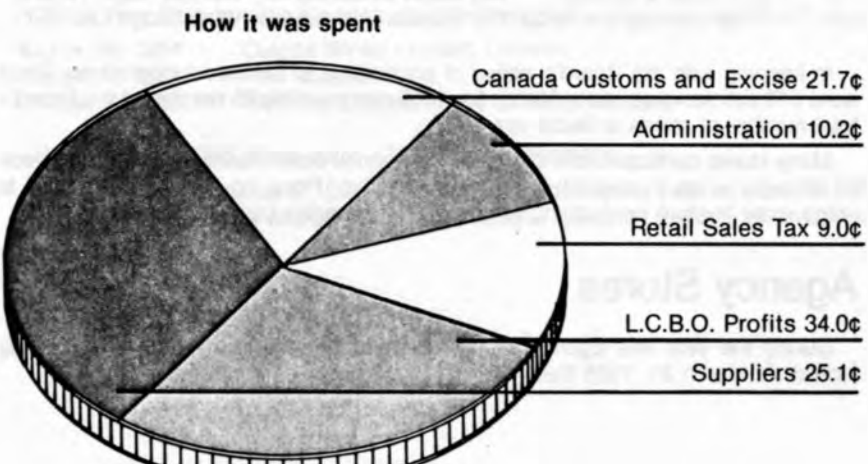
Comparative figures have been reclassified where necessary to conform with 1985 presentation.

Liquor Control Board of Ontario
Distribution of Gross Revenue
1984-1985



The L.C.B.O. Dollar
1984-1985





Retail Division— Store Operations

Board Stores

The Board operated 610 facilities during the year including the Toronto distribution depot, two duty-free stores at the Pearson International Airport and two rare wine and spirits stores.

Eight new self-service outlets were opened at the following locations:

May 16, 1984	57 Erb Street West (Seagram Museum), Waterloo N2I 4N6
June 27, 1984	P.O. Box 130, Lion's Head N0H 0W0
July 6, 1984	Canada Post Office, General Delivery, Gooderham K0M 1R0 (S)
August 14, 1984	P.O. Box 627, Ingleside K0C 1M0 (S)
August 31, 1984	8 Clinton Street North, Teeswater N0G 2S0
September 28, 1984	P.O. Box 603, Jarvis N0A 1J0
November 1, 1984	4841 Yonge Street, North York M2M 5X2
November 15, 1984	Canada Post Office, John Street, Pontypool L0A 1K0
	(S) denotes summer store

Other changes to store operations during the year included converting 12 conventional Board stores to self-service operations at their existing locations and the relocation of three self-serve stores as follows:

Store #	From	To
594	138 Rice Lake Drive	138 Rick Lake Drive, Bewdley K0L 1E0
41	813 Victoria Avenue	125 South Syndicate St., Thunder Bay P7E 6H8
346	7766 Martingrove Road	140 Woodbridge Avenue, Woodbridge L4L 2S7

In keeping with the Board's policy of conversion to self-serve operations, there were 519 self-serve stores at March 31, 1985 representing 85 percent of the Board's total number of stores at fiscal year-end.

Many stores participated in Ontario Bicentennial celebrations by featuring selected Ontario wines in special end-of-aisle displays. Plans have been developed to stage more in-store promotions for products during the coming year.

Agency Stores

During the year five agency stores changed ownership and one agency was closed. At March 31, 1985 there were 68 agency stores in operation.

Breweries and Brewers' Retail Stores

The number of stores in operation as of March 31, 1985 remained unchanged from last year, at 445.

Sales by Breweries to Other Provinces and Countries

(in gallons)

	1985	1984	1983	1982	1981
Sales to Other Provinces	2,491,412	300,638	440,726	379,517	407,444
Export Sales	25,709,445	25,198,834	23,329,790	21,687,065	21,435,453
	28,200,857	25,499,472	23,770,516	22,066,582	21,842,897

With the opening December 21, 1984 of Brick Brewering Company Limited, Waterloo there were 17 breweries licensed to sell beer in Ontario. During the year laboratory analysis was conducted on brands of these breweries for compliance with Federal and Provincial regulations.

Wineries and Winery Retail Stores

Three new Ontario wine licences were granted during the year as follows:

August 25, 1984	Culotta Wines Limited, Oakville
October 9, 1984	Paul Masson & Co., Lincoln
October 9, 1984	Vineland Estates Wines Limited, Vineland

At March 31, 1985, there were 17 wineries in operation.

There was net increase of 10 winery retail stores during the year as a total of 188 wine stores (124 regular and 64 mini stores) were in operation throughout Ontario at March 31, 1985.

Sales by Wineries to Other Provinces and Countries

(in gallons)

	1985	1984	1983	1982	1981
Sales to Other Provinces	1,294,681	1,442,609	1,794,434	2,204,887	2,005,301
Export Sales	57,567	33,832	85,437	157,907	122,225
	1,352,248	1,476,441	1,879,871	2,362,794	2,127,526

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

	1985	1984	1983	1982	1981
Grapes used in the manufacture of wine	29,546	49,748	36,103	35,741	40,241
Grapes used in the manufacture of concentrate	3,724	4,257	1,326	2,898	4,331
Apples used in the manufacture of cider	464	417	552	164	588
	33,734	54,422	37,981	38,803	45,160

The following quantities of wine (in gallons) were imported for blending in accordance with the conditions of the Wine Content Act, 1976:

1985	1984	1983	1982	1981
932,518	914,360	786,395	843,078	675,446

Management Information Services

This Division continued to support the Board's operations through Data Centre Operations, Information Services, Application Development and Technical Support.

During the year the data centre system was upgraded to meet the requirements of an increasing workload. Also, a project is underway to review and improve contingency plans for system back up in case of a major outage. The Information Centre has been established to support divisions through consultation and training in the utilization of micro-computers as effective operational tools. The Business Systems Group executed an extensive and comprehensive functional study of the Board's decision making process. The output of this study forms the basis for the establishment of future management information requirements. Work has commenced on the information systems identified by the Board as priority projects.

Products Division

This division continued its important role of acquiring wines and spirits from around the world for our customers. 1,425 formal applications, exclusive of Rare Wines, were reviewed by the Listing Committee which accepted 328 new products for listing. In addition 800 new items were selected for the Rare Wines and Spirits stores. Plans are laid to change the name of these stores to 'Vintages' and additional outlets will be opened in the coming year.

During March 1985 labour disputes in the domestic beer industry posed special problems for the Product Purchasing Department. Normal purchases of American beer were approximately 65,000 cases per year, but during this period demand was such that purchases increased to 80,000 cases per day. In all over one million cases of American beer were acquired during the lock-out.

The Customs Department commenced using computer generated customs invoices to comply with new Canada Customs regulations effective January 1, 1985. This has resulted in quicker release and clearance of in-bond goods.

Laboratory analysis was completed on 5,698 samples to ensure alcoholic beverages sold in Ontario are in compliance with Federal and Provincial regulations. New clarity standards in wines have been developed and these standards will form part of the analytical routine for wines in the coming year.

L.C.B.O. Product Listings as at March 31, 1985

Domestic		Imported	
Canadian Whisky	174	Whisky—Scotch	87
Canadian Blended Rums	111	—Irish	4
Canadian Gin	65	—Bourbon	5
Canadian Vodka	74	—Tennessee	2
Canadian Brandy	6	Gin	11
Canadian Blended Brandy	15	Rum	17
Alcohol	5	Vodka	7
Fruit Spirits	5	Tequila	6
Miscellaneous Liquors	11	Brandy	58
Canadian Liqueurs	116	Fruit Spirits	6
Ontario Wine	584	Miscellaneous Liquors	30
Other Canadian Wine	19	Liqueurs	62
Canadian Cider	10	Wine	731
Canadian Beer	208	Cider	1
Miniatures	16	Beer & Sake	23
		Specialty Items	29
		Miniatures	26
	1,422		1,105

Total Regular Listings	2,527
Rare Wine and Spirits	544
Duty Free Listings	56
Total Product Listings	3,127

Human Resources

The strategic planning process identified an important need in the organization in the area of human resources. A Human Resources Task Force was formed representing all levels of management and divisions of the Board. It was given the mandate to recommend long term plans for human resource development to enable the Board to meet its short and long term objectives. An essential part of the project was an employee attitude survey to obtain input from employees throughout the Board on areas of concern as well as their recommendations to address the problems identified. The task force used the findings of the survey to identify the key areas requiring attention: training, promotion system and communications. Specific programs were developed by sub-groups of the task force and presented for approval of the Board. Implementation of these programs will assist the Board in meeting its goal of running an efficient organization while maintaining a quality working environment and good relations with employees.

The number of Board members and permanent employees of the various divisions of the Board is as follows:

	March 31, 1985	March 31, 1984
Board Members	5	5
Staff of Departments		
Chairman's Office	1	1
Legal	2	2
Audit	42	42
General Manager	—	20
Executive Vice-President, Administration	7	—
Finance	59	59
Management Information Systems	52	43
Human Resources	26	24
Planning	7	5
Records Management	5	4
Purchasing	4	2
Mail & Multigraph	8	8
Building Maintenance	14	13
Security Services	3	3
Properties Management	15	15
Executive Vice-President, Operations	9	—
Product Administration	37	31
Bottling	17	19
Laboratory	9	10
Stores Administration	49	46
Stores	2,684	2,725
Store Operations	46	43
Warehouse Administration	17	16
Warehouses	342	342
Distribution Analysis	3	7
	3,412	3,436

In addition there were 2,161 temporary employees as of March 31, 1985 and of this total 2,135 were employed in Board stores compared to 1,977 temporary employees as at March 31, 1984 of which 1,915 were employed in Board stores.

Ontario

STATEMENT OF PURPOSE

The Liquor Control Board of Ontario is committed to providing the people of this province with a wide variety of products from around the world. These products will be available in attractive, modern stores staffed by courteous and knowledgeable employees.