A YEAR OF restraint

In the annual report for 1991-1992, I began by observing that never before in the history of the Liquor Control Board of Ontario had our business climate changed so dramatically or so rapidly. In fiscal 1992-1993, most of the forces for change that marked the previous year were still with us – and most of these changes brought new and difficult challenges along with them.

CHAIR AND CEO

ANDREW S. BRANDT

The trend towards declining revenues continued and even accelerated. The longest and deepest recession in recent memory affected the LCBO as much as it affected most other businesses. Contrary to popular belief, the LCBO is not recession-proof: beverage alcohol is a discretionary purchase and our sales reflected the tough economic times.

Along with the recession, cross-border shopping was at unprecedented levels, with many thousands of Ontario residents making day-trips across the international bridges to buy goods – including liquor. This trend was largely fuelled by growing consumer reaction to the federal government's GST. But the practice of widespread shopping in the U.S. adversely affected many Canadian retailers, the LCBO among them.

Our lower sales also told the tale of a fashion for "lighter" drinking and an increased focus on fitness and health. As a regulatory agency with a commitment to social responsibility, the LCBO fully supports such positive changes in lifestyles. But this trend too had a negative effect on our bottom line during fiscal 1992-1993.

Smuggling and the illegal manufacture and sale of beverage alcohol, already a major problem for the LCBO and the Government of Ontario, continued to increase. Although until recently the illegal alcohol market has not drawn as much public attention as cigarette smuggling, it is at least as significant to the economy – and to the health of those who buy contraband alcohol.

There are two separate aspects of the illegal alcohol market. Smuggled alcohol is almost exclusively in the form of spirits, brought in – often by the truckload – from U.S. sources. Illegally manufactured alcohol is mostly wine, made in Ontario from grape juice concentrate that is legally imported.

Apart from the obvious concerns about unlawful activity and loss of revenue, the widespread sale of illicit alcohol involves serious health issues. There is no way of knowing what a black-market product contains, as it does not undergo the rigorous testing required of all products sold by the LCBO. Illicit alcohol may be sold in bottles with familiar and respected labels, but the contents may not only be of inferior quality – they may actually be contaminated. Containers used for bulk shipping of alcohol and concentrate may also be unsanitary. As much of the illicit alcohol is thought to be sold through licensees and banquet halls, it is possible for law-abiding consumers to unknowingly drink alcohol that may pose serious risks to their health.

Also, unlike the LCBO, vendors of illegal products will sell to anyone – including those who are under age or intoxicated, thus contributing to the irresponsible and dangerous use of beverage alcohol.

Furthermore, both smuggling and illegal manufacture of beverage alcohol affect important Ontario industries and endanger Ontario jobs. The Canadian distilling industry, which is already challenged by changing drinking patterns, has been seriously affected by the widespread smuggling of spirits from the U.S. And the illegal manufacture and sale of wine cuts into the market of the Ontario wine industry, which has been a positive force in the province's economy over the last decade.

For all these reasons, the black market is of great concern to the LCBO. Our small staff of investigators, with the assistance of law enforcement agencies, had some solid successes in 1992-1993, but the problem was clearly much larger than the available resources. A fairly conservative estimate is that the illegal alcohol market in this province now siphons off roughly $800 million annually from LCBO sales. This means a loss to the Ontario Treasury of about $475 million, as well as very substantial losses to the beverage alcohol industry in Ontario. This is not a trivial matter.

As if all these pressures and constraints on our business were not enough, a strong Canadian dollar during much of 1992 and a weak U.S. economy combined to reduce the number of American tourists visiting Canada. This deeply affected the province's hospitality industry and, in turn, the beverage alcohol industry and the LCBO's sales to the hospitality trade.

Also, the extraordinarily cool and rainy summer of 1992 put a damper on beer and wine cooler sales. Sales

Chair and CEO Andrew S. Brandt and Executive Vice President Larry C. Gee at the LCBO's Queen's Quay store in Toronto.

of spirits, which had been sliding over the past decade, continued their free fall.

For all these reasons and more, the LCBO's contribution to the provincial coffers in fiscal 1992-1993 was down $60 million from the previous year: $615 million, compared with $675 million. The resulting large drop in the LCBO's contribution to social and capital programs was reason for concern.

When sales and revenues are in decline, management is challenged to find ways of reducing operating costs and generating additional revenues.

During 1992-1993, the management of the LCBO took action to bring our costs into line with our reduced sales. We worked on many fronts to do this, including negotiating better terms with our suppliers, finding ways to lower our freight costs, reducing our banking costs dramatically by tendering for bank services, and changing our timing for the payment of federal taxes.

However, about 80 per cent of the LCBO's operating costs are directly related to paying our staff. In 1987, the Provincial Auditor had identified a surplus of staff at the LCBO. Since then, staffing levels had been gradually reduced through attrition, but the time had now come when more direct action was needed.

We reluctantly came to the conclusion that, for the first time in the LCBO's history, we would have to eliminate some positions. We reached this decision only after exploring all the possible alternatives. It was, of course, a difficult and painful situation for the organization as a whole, for the members of the Ontario Liquor Boards Employees' Union and especially for the individuals directly involved.

Our goal was to remove 200,000 annual person/hours from our system. This translated into about 137 positions, which would reduce annual salary costs by between $2.7 and $4.2 million in the following fiscal year, depending on the salary levels of the eliminated positions.

First, some reduction in staff was accomplished by offering a special early retirement program, similar to the one offered in the Ontario Public Service. We then identified the surplus jobs and notified the incumbents. The "bumping" clause in the collective agreement with the OLBEU gave affected employees a number of options that allowed them to stay within the LCBO in different and, for some, part-time positions. The end result was that only about half a dozen people left the organization, but the hours worked by casual employees were considerably reduced.

It was not an ideal solution but it was a fair and equitable response to a difficult problem that was by no means unique to the LCBO.

In the meantime, the LCBO continued to explore new ways of improving service to customers, our most important stakeholders. Our IMAGE program of store upgrading proved that money spent on making our stores more attractive, efficient and convenient was money well spent. Consistently, stores experienced increased sales after their make-overs; this meant that the improvements paid for themselves in a short time and then the upgraded stores began to contribute more to LCBO revenues.

During fiscal 1992-1993, we opened two new full-service stores offering all of the LCBO's products and services – one on Queen's Quay in downtown Toronto, adjacent to our Head Office, and another in downtown Kingston. We also opened a prototype "mini-store" – a small store offering a carefully chosen selection of popular products – in the shopping concourse of Toronto's First Canadian Place. These openings reflected our commitment to provide different types of stores to suit specific customer and community needs.

Another significant achievement of the year was the installation of a computerized inventory and sales system throughout our store network. This improved our efficiency in getting our customers the products they want.

Our focus on improving our retail operations and customer-service initiatives during the year was, as usual, balanced by our commitment to our social responsibility mandate. The LCBO lives with the ongoing challenge of retailing a legal product that gives people enjoyment and relaxation but can be damaging to individuals and to society when used unwisely. This dichotomy was seriously and thoughtfully addressed in a notable event in the fall of 1992: an international symposium in Toronto, sponsored jointly by the LCBO and Ontario's Addiction Research Foundation. This gathering gave participants a rare opportunity to discuss and debate the role of alcohol in social and health issues and to learn from each other's experience.

As the difficult economic environment continued throughout fiscal 1992-1993 and beyond, the LCBO was faced with some very tough challenges. But the organization came through more sharply focused and determined to adapt to the realities of the new business climate.

We remained – and we continue to remain – dedicated to fulfilling our mandates as regulator, revenue generator for the Ontario government, and socially responsible retailer.

Andrew S. Brandt
Chair and CEO

THE YEAR IN review

For the LCBO, as for many other organizations, fiscal 1992-1993 can be summed up as "more of the same." The recession continued and intensified. Along with it, virtually all of the challenges and problems that dominated the previous year also continued and intensified.

The most significant of these were declining sales, shifting consumption patterns for alcoholic beverages, increased competition from both legal and illegal channels, the need to adapt to GATT (General Agreement on Tariffs and Trade) decisions affecting the distribution and sale of beer, and a growing need for cost-containment throughout the organization.

Clearly, the days of an ever-expanding market, with increased revenues each year, were over and unlikely to return. But, as often happens, there was a positive side to the struggle with challenges and complex issues.

Difficult times demand imaginative approaches, creative solutions, energy and commitment. Facing the realities of the 90s, the LCBO was determined to survive, thrive and enhance its services to the public. In a year full of doom-and-gloom news from every economic sector, the LCBO achieved significant breakthroughs.

April 1992

As the fiscal year began, the LCBO and the Liquor Licence Board of Ontario stepped up their fight against smuggling and illegal manufacture and sale of beverage alcohol. Working relationships with other law enforcement agencies – the RCMP, OPP and local police forces, as well as Revenue Canada and the Ontario Ministry of Revenue – were strengthened against the common enemy. Illegal alcohol was seized in several sweeps and charges were laid. This pattern continued and intensified throughout the year and beyond.

Also in April, those involved in the development and installation of the LCBO's IMPACT system met at a conference to mark its completion. Implementation of IMPACT – the first phase of an integrated point of sale system installed in all the LCBO's stores – made it possible to capture data about purchase and inventory patterns. It also resulted in a faster flow of information, better business controls, and streamlined retail practices. Most importantly, it increased the LCBO's ability to be responsive to consumers.

The LCBO's Infoline, the province-wide, bilingual 1-800 service, marked its third anniversary – with more than 125,000 calls logged.

A threatened beer trade war between Canada and the U.S. was resolved. The agreement set a timetable for provinces to eliminate barriers to beer imports; it also permitted the provinces to set minimum beer prices. U.S. beer was to have full and equal access to Canadian markets by September of 1993.

Also in April, staff surveys were conducted by the LCBO Employment Equity program. These were designed to assess the corporate culture of the organization and gather useful information about the changes needed to create a more equitable employment climate within the LCBO.

May 1992

May saw the launch of a thematic promotion to draw attention to the wide variety of spirits available in LCBO stores. Called "World of Spirits," the promotion included an in-store contest, sponsored by Corby Distilleries Ltd., for which the first prize was a trip to the country of origin of the winner's favourite spirit product.

At the annual InterVin Wine Competition in Niagara-on-the-Lake, the panel of 35 judges included three LCBO staff. More than 2,000 products were blind-tasted and evaluated; Ontario wines won an impressive total of 68 medals.

On the environmental front, the LCBO asked its suppliers to come up with reusable packaging for their Christmas gift items that would be featured in the catalogues prepared by the Merchandising Division. The LCBO requested that cardboard and cellophane gift packaging – which invariably ends up in landfill sites – be replaced with cloth sacks, metal tins or canisters, wooden boxes or other items with attractive reuse potential. Because of the LCBO's large buying power, most suppliers made a major effort to respond to the request, and this meant less excess packaging not only in Ontario but wherever those suppliers sold their products.

Above: Potent illegal Chinese liquor seized by LCBO investigators — part of an underground economy that siphons an estimated $800 million a year from LCBO sales.

Below: The LCBO works with suppliers to create environmentally friendly, reusable containers and to reduce wasteful packaging.

June 1992

June marked the LCBO's 65th birthday, a cause for celebration and an opportunity to look back to the roots of the LCBO and forward to the vision of its future.

Dr. Katy Driver-Radhakrishnan completed her six-year term as a member of the Board of Directors. Chair Andy Brandt characterized her as a champion of social responsibility throughout her term of office.

July 1992

July brought a number of significant events. Work began on two new full-service stores, in downtown Kingston and on Queen's Quay in downtown Toronto. The third and fourth stores to supply all of the LCBO's products and services, they signalled the organization's ongoing commitment to matching retail environments with the needs of customers.

ABOVE RIGHT: AN IN-STORE THEME PROMOTION CELEBRATES "THE WORLD WINNING WINES OF ONTARIO."
ABOVE: ANOTHER REASON TO CELEBRATE: 1992 MARKED THE LCBO'S 65TH ANNIVERSARY.
BELOW: ECONOMIC AND COMPETITIVE PRESSURES FORCED THE LCBO TO ELIMINATE JOBS FOR THE FIRST TIME IN ITS HISTORY.

A new system for pricing, listing and distributing beer came into effect as a result of GATT rulings. Under the new system, imported and domestic beers are treated equally for pricing purposes; minimum prices are based on the percentage of alcohol in the particular products. The LCBO announced that 12 and 24 packs of imported beers would soon be sold in combination stores and that, beginning in mid-1993, imported beers would be available in Brewers' Retail outlets as well as LCBO stores. These changes in the marketing of beer were expected to have long-term effects on LCBO revenues.

July also marked the launch of an intensive educational program on employment equity, with the goal of ensuring a healthy and fair employment environment for all LCBO employees.

August 1992

In August, the prolonged effects of the recession on the organization's operations became abundantly clear. For the first time in its history, the LCBO announced that some positions — 137 of them — were being eliminated. At the same time, employees were offered an optional early retirement program. With the combination of attrition and early retirement, only a handful of people were actually laid off. Many moved into other positions or shifted to part-time status, as determined by the terms of the collective agreement with the Ontario Liquor Boards Employees' Union.

However, the effect on employee morale was severe, and the OLBEU argued that money used for upgrading technology and renovating stores could have been better spent in retaining jobs.

Also in August, the LCBO announced the closing of five stores, reducing the retail network from 618 to 613 stores. These decisions were based on detailed market research showing that population shifts had resulted in some areas being under-served while others were over-served. Also, the trend in retailing is to larger, well-placed stores with greater product selection and a wider range of services. In the highly competitive beverage alcohol retailing environment, smaller stores in out-of-the-way locations make little economic sense.

September 1992

Not surprisingly, the LCBO's focus in September was on dealing with the after-effects of the August downsizing announcements. Every effort was made to answer employees' and customers' questions about the cost-cutting measures and to explain exactly why they were necessary and how each decision was reached.

The Human Resources Division set up special support services to help affected employees determine their best options. In each region HR personnel were available to assist employees and answer their questions.

The first week in September was designated Bring Your Identification (BYID)/*Avez-vous l'âge?* Week, drawing attention to the LCBO's in-store Challenge and Refusal program and generating positive publicity for the organization's social responsibility efforts.

Chair Andy Brandt was honoured by the Niagara Grape and Wine Festival for his ongoing support of the Ontario wine industry.

A major promotion in all LCBO stores during September celebrated "The World Winning Wines of Ontario." This was designed to increase consumer awareness of the excellence of Ontario wines and enhance their market share. The promotion highlighted wines that had won prizes at prestigious international wine competition. It included in-store tastings, and customers were also given a guide describing the characteristics of many Ontario wines and suggesting complementary food and wine choices.

Another environmental initiative, implemented in September, involved new methods of disposing of contraband alcohol and products that became oxidized with the passage of time. The LCBO worked with recyclers to set up a system for reusing these products, either as nutrients for soil or as redistilled alcohol for non-beverage uses.

The LCBO also increased its efforts to ensure that containers and packaging were recycled rather than sent to landfill sites.

At the end of the month, former LCBO Chair Jack Ackroyd died, and a scholarship fund was established to honour his memory. During his tenure, from 1984 to 1990, he had made great contributions to the LCBO's transition into a customer-focused organization. His attitude was exemplified by a statement he once made at a meeting of store managers: "I want you to run these stores as if there were another liquor store right across the street and, if the customer doesn't like your service, you lose that customer."

October 1992

At the annual Strategic Management Conference, LCBO executives and managers wrestled with the implications of the events of the previous few months. Their goal was to identify strategies that would help the organization survive and prosper in a rapidly changing and increasingly competitive marketplace.

Participants identified three new corporate strategies for special attention: organizational re-engineering and work redesign, continuous learning, and enhanced communications. As well, four more familiar strategies – customer service, social responsibility, regulation and profitability – received renewed emphasis.

At the end of the month, the LCBO and the Addiction Research Foundation jointly sponsored the first-ever International Symposium on Alcohol Monopolies and Social and Health Issues. It was attended by representatives of liquor jurisdictions and health care professionals from the U.S., Australia, Poland and the Scandinavian countries, as well as from most Canadian provinces.

Participants discussed the challenge of balancing the roles of retailer and regulator of a substance that can be dangerous when used irresponsibly. They also had an opportunity to learn about how other jurisdictions address this challenge.

Installation of a new information system (ARTHUR) made it possible for LCBO managers to track business performance and the sales and inventory data by product from each retail location.

A new program focusing on discrimination and harassment prevention in the workplace was launched by the LCBO; it introduced timelines for the investigation of complaints and stressed that their resolution should be remedial rather than punitive.

Above right: These buttons, worn by staff, remind customers of the LCBO's right — and responsibility — to refuse service to anyone who is under age.

Above: A new mini-store in a busy underground mall in downtown Toronto caters to a previously under-served market.

Right: Icewine — the first of many Ontario beverage alcohol products to gain international acclaim.

November 1992

In November, the sales shortfall in the first half of the fiscal year resulted in a reforecast of the organization's budget. At that point, litre sales were off by 8.1 per cent, gross margins were down by 3.4 per cent, and inventories were up by 16.4 per cent. This was attributed to an extremely cool, rainy summer as well as the continuing recession. As a result, management and staff redoubled their efforts to reduce expenses throughout the organization. All expenditures were scrutinized and additional cost-saving opportunities were identified.

On the more positive side, November marked the first-ever general release of Ontario icewines in LCBO stores. Another significant event was the opening of the renovated Queen's Quay store in Toronto, destined to be seen as the LCBO's "flagship store."

Offering a complete range of the LCBO's products and services, the newly configured store won enthusiastic approval from customers and the beverage alcohol industry. Union protesters attended the opening, believing that the renovation had cost jobs at the LCBO. The LCBO explained that renovated and updated stores regularly post revenue gains over unimproved stores, thus recovering the costs of renovations in relatively short time frames, and, in fact, improving the bottom line – and, in the long term, helping to preserve employment opportunities.

Later the same month, the Chair cut the ribbon for another full-service store, a spacious and attractive operation in downtown Kingston.

December 1992

A couple of weeks later, in early December, a mini-store was opened in an underground shopping mall in downtown Toronto.

The new stores, both large and small, were specifically designed to satisfy customer needs and market conditions that vary tremendously from one location and community to another.

December also marked a larger than usual number of charitable and socially responsible initiatives by the LCBO. First, employees' contributions to the United Way totalled a record-breaking $115,000.

The organization also supported the Project Red Ribbon campaign of Mothers Against Drunk Driving (MADD), designed to raise consciousness of the dangers of drinking and driving.

On the environmental front, store display materials were recycled and donated for use in schools, libraries and retirement homes, and the LCBO announced it would no longer purchase wines packaged with lead capsules.

January 1993

In January, the problem of smuggling and illegal manufacture of beverage alcohol was once more in the spotlight. Canada Customs reported a 464 per cent increase in the number of bottles seized since 1988 at the three Niagara Falls border points alone. Some juice processing companies were discovered to be producing illegal wine from grape juice concentrate imported from the U.S. This illegal activity meant risk to consumers' health as well as reduced revenues for the Ontario Treasury.

The LCBO estimated that losses to the black market were in the neighbourhood of 15 per cent of the $5.4 billion annual beverage alcohol market.

January also brought initiatives designed to move the LCBO forward in its efforts to provide both excellent customer service and equal opportunities for employees. A project team formed by the LCBO and the LLBO to study improvements in the system for issuing Special Occasion Permits (SOPs) came up with recommendations to automate much of the process; the proposals to simplify the process were expected to benefit both customers and staff. A pilot project to test the proposed system was scheduled for early fall.

Above: "Building the Best" template and workbook used to create more efficient and visually consistent stores. Below: New full-service and mini-stores tailor the LCBO retail network to suit customer and community needs.

Also in January, the LCBO increased its commitment to offer management training to all eligible employees; a week-long "Introduction to Management" workshop was held in Toronto, to accommodate Toronto-based employees with family obligations, who might find it difficult to be away from home for a full week.

February 1993

On February 1, there was a change in the way Canada Customs officials collect fees from Canadians returning from the U.S. with beverage alcohol over and above the legal duty-free limit of 1.14 litres of wine or spirits and 8.5 litres of beer. The fees levied became a percentage of the purchase price of each product. An absolute import limit of five cases was also imposed on returning Canadians.

In the same month, amendments to the *Liquor Control Act* were introduced in the Ontario Legislature, requiring Brewers Retail Inc. to sell imported beer in its network of stores, beginning in the summer of 1993. This move, made necessary by the GATT decision of the previous July, was expected to have a negative effect on LCBO revenues. The Minister of Consumer and Commercial Relations, Marilyn Churley, noted that the changes would "make Ontario's beer distribution system one of the fairest and most openly competitive among our GATT trading partners."

At Retail University, the regular gathering of LCBO regional directors and district managers, a new Total Store merchandising initiative was announced. The IMAGE program had been the model for updating and renovating more than 100 of the LCBO's best revenue-producing stores. "Building the Best" was an extension of the IMAGE program, designed to give LCBO stores a consistent look and appeal, following the practice of other quality retail chains. With this initiative, store managers whose outlets were not affected by the IMAGE program would receive instructions and materials to help them update their stores and create a consistent corporate identity throughout the province.

Another February event was the annual Policy and Objectives Conference of the Ontario Liquor Boards Employees' Union. This provided an occasion for management, represented by Executive Vice President Larry Gee, to address the delegates and answer their questions.

There were two notable technological advances in February: the installation of upgraded computer systems at the Durham warehouse, to allow for two daily shifts of the "picking" system, and the implementation of an electronic data interchange for payment of invoices to large suppliers by direct deposit to their bank accounts.

March 1993

A significant event for the LCBO in March was the opening of a mini-store in Pearson International Airport's Terminal 2 – the first non-duty-free store in the airport. Designed to serve domestic travellers, airport staff and hotel guests along the airport strip, the mini-store demonstrates the LCBO's increasing focus on customer service. Until its opening, there was no liquor store in the immediate area except for the duty-free shops, which can be patronized only by international travellers. As with the mini-store in First Canadian Place in downtown Toronto, the mixture and presentation of products makes the most of a small space; the shop offers a selection of about 200 of the most popular brands of spirits and wines.

The LCBO announced its BYID/*Avez-vous l'âge?* program for the summer of 1993. On all four of the major summer holiday weekends – always peak travelling times – LCBO staff would wear BYID/*Avez-vous l'âge?* buttons, encouraging customers to ask about the LCBO's Challenge and Refusal program. This would help build public awareness and thus reduce potential negative reactions by customers who might be challenged.

This initiative was in line with the LCBO's commitment to carrying out its social responsibility mandate while providing superior service. During the fiscal year, a total of 193,646 customers were challenged; almost 42,000 were refused for being under age – or unable to prove that they were of age – and close to 16,000 were refused because they were intoxicated.

As the fiscal year drew to a close, the LCBO continued to struggle with the challenges of a tight economy, reduced revenues, changing lifestyles, greater competition from both legal and illegal sources, the changes resulting from the GATT rulings and the ongoing need to cut costs. In short, the issues and challenges at the end of the year were similar to those at its start.

It was not an easy year by any means, but it was a year that ultimately made the LCBO stronger, more flexible and more determined to meet the future with optimism and innovation.

OPERATIONS

	1993	1992	1991	1990	1989
Number of LCBO Stores	611	618	621	623	626
Number of Permanent Employees	3,100	3,233	3,305	3,484	3,396
Number of Regular Products Listed	2,302	2,391	2,570	2,825	2,974

FINANCIAL
Year ended March 31 ($000's)

	1993	1992	1991	1990	1989
Sales and other income	1,786,479	1,833,386	1,936,710	2,006,975	1,930,319
Percent change/ previous year	-2.6%	-5.3%	-3.6%	4.0%	3.5%
Operating Expenses	323,442	322,814	316,042	299,184	263,680
Percentage of sales	18.1%	17.6%	16.3%	14.9%	13.6%
Net Income	614,223	649,408	642,807	683,439	660,445
Percentage of sales	34.4%	35.4%	33.2%	34.1%	34.2%

LCBO REVENUE PAYMENTS
Year ended March 31 ($000's)

TREASURER OF ONTARIO

	1993	1992	1991	1990	1989
Remitted by the Liquor Control Board: On account of profits (transfer payments)	615,000	675,000	650,000	640,000	645,000
Ontario Retail Sales Tax on sales of liquor	178,797	182,298	191,127	197,661	188,774
Remitted by the Liquor Licence Board: On account of licence fees and permits	511,307	483,356	447,183	427,407	399,123
Remitted by others: Ontario Retail Sales Tax on sales through Brewers Retail and Ontario retail wine stores	148,742	154,181	157,485	154,852	152,501
	1,453,846	1,494,835	1,445,795	1,419,920	1,385,398

RECEIVER GENERAL FOR CANADA

	1993	1992	1991	1990	1989
Remitted by the Liquor Control Board: Customs and Excise duties	237,316	257,408	258,384	265,224	306,095
Goods and Services Tax	61,215	58,538	13,267	0	0
Federal Sales Tax	0	91	112,941	146,894	99,715
Remitted by others: Malt duties, GST and other taxes on domestic beers and wines	260,555	315,768	360,569	357,588	358,559
	559,086	631,805	745,161	769,706	764,369

ONTARIO MUNICIPALITIES

	1993	1992	1991	1990	1989
Remitted by the Liquor Control Board: Grants in lieu of realty and business taxes	6,262	5,224	4,728	5,592	4,812
Total Revenue Payments	**2,019,194**	**2,131,864**	**2,195,684**	**2,195,218**	**2,154,579**

Levies on beverage alcohol sold in the province during the fiscal year ended March 31, 1993 contributed an amount in excess of $1.4 billion to the Treasurer of Ontario, and revenue paid to the Government of Canada was approximately $559 million. These amounts do not include corporation, realty and business taxes paid by the distilleries, wineries, breweries and licensees. Ontario retail sales tax collected by licensees and agency stores on sales of beverage alcohol is excluded from these figures.

LCBO SALES – VALUE
Year ended March 31 ($000's)

	1993	1992	1991	1990	1989
Canadian Spirits	756,038	793,188	871,565	937,362	941,012
Imported Spirits	286,124	283,148	305,523	312,966	300,675
Canadian Wines	151,592	144,879	143,171	150,080	161,712
Imported Wines	379,358	372,925	396,053	385,041	367,652
Canadian Beers	119,991	119,319	114,483	102,652	108,027
Imported Beers	86,893	96,959	90,882	106,145	43,443
Total Sales by LCBO stores (including sales to licensed establishments)	**1,779,996**	**1,810,418**	**1,921,677**	**1,994,246**	**1,922,521**
Sales by Ontario wineries and winery stores	63,107	55,814	51,095	49,701	49,141
Sales by breweries and Brewers Retail stores (exclusive of container value)	1,779,453	1,785,851	1,727,065	1,711,028	1,661,419

LCBO SALES – VOLUME
Year ended March 31 (000's of litres)

	1993	1992	1991	1990	1989
Canadian Spirits	39,124	43,656	47,333	51,039	54,597
Imported Spirits	11,441	11,733	12,367	12,827	12,630
Canadian Wines	23,652	24,711	24,796	26,002	30,457
Imported Wines	43,966	44,017	45,814	45,476	44,922
Canadian Beers	41,740	43,176	43,242	40,242	42,011
Imported Beers	30,224	38,400	33,382	48,358	18,547
Total Sales by LCBO stores (including sales to licensed establishments)	**190,147**	**205,693**	**206,934**	**223,944**	**203,164**
Sales by Ontario wineries and winery stores	9,799	9,480	8,556	8,573	9,362
Sales by breweries and Brewers Retail stores	666,938	706,642	736,680	741,224	776,011

TRENDS IN KEY OPERATIONAL AREAS
Base year: 1989 Stores: 623 Employees: 3,484 Listings: 2,825

LCBO FINANCIAL TRENDS ($000's)
Year ended March 31

LCBO PRODUCT LISTINGS

Domestic	1993	1992	1991	1990	1989
Whisky	126	136	150	183	161
Blended Rums	90	92	91	103	119
Gin	30	34	33	38	53
Vodka	57	59	64	75	77
Brandy	4	4	4	6	6
Blended Brandy	12	12	12	10	17
Spirit Coolers	21	19	24	28	41
Fruit Spirits	6	6	6	6	6
Miscellaneous Liquors	13	15	6	19	11
Liqueurs	92	81	92	94	137
Ontario Wines	409	478	525	562	632
Ontario Wine Coolers	15	19	21	21	60
Other Canadian Wines	11	11	10	7	1
Canadian Cider	4	6	6	5	11
Canadian Beer (incl. beer coolers)	252	215	214	248	271
Alcohol	6	6	6	6	6
Miniatures	9	9	9	14	33
Bitters	3	3	3	4	2
Imported					
Scotch Whisky	66	75	95	96	90
Irish Whiskey	3	3	4	10	5
U.S. Whiskey	5	6	8	10	7
Gin	12	12	14	14	12
Rum	12	13	17	13	13
Vodka	20	20	23	24	23
Tequila	7	7	6	7	7
Brandy	55	55	83	91	73
Fruit Spirits	2	1	3	4	4
Miscellaneous Liquors	2	30	36	40	38
Liqueurs	60	49	70	76	68
Wines	804	833	836	922	904
Cider	0	0	1	1	1
Beer and Sake	71	61	72	55	47
Miniatures	11	11	17	12	20
Bitters	12	10	9	21	18
Total Regular Listings	2,302	2,391	2,570	2,825	2,974
Vintages Listings	1,287	1,506	700	1,152	738
Duty Free Listings	175	154	107	111	92
Total Product Listings	**3,764**	**4,051**	**3,377**	**4,088**	**3,804**

LCBO SALES CHANNEL SUMMARY

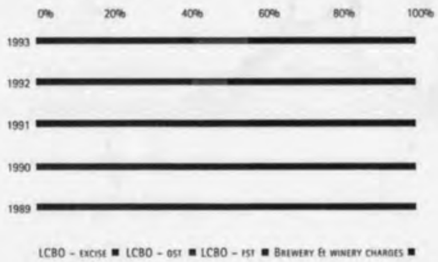
Year ended March 31 ($000's)

LCBO	1993	1992
Retail Sales	1,785,539	1,817,531
Licensee Sales	271,684	277,981
Agency Sales	15,863	15,685
Duty Free / Warehouse	10,409	10,234
Duty Free / LCBO	9,120	8,536
BRI Sales	851	0
Other Sales	2,710	2,982
BRI		
Retail Sales	1,499,791	1,474,291
Licensee Sales	481,215	469,833
Other Sales	146	165
Winery Retail Stores		
Retail Sales	75,097	65,348
Licensee Sales	2,857	1,009
Other Channels		
Cross-Border Exempt*	235,210	250,250
Cross-Border Declared	3,064	6,000
Brew Pubs	1,951	1,719
Wine Pubs	276	128
U-Brew Beer*	137,859	135,334
U-Brew Wine*	32,762	n/a
Homemade Wine*	99,782	92,250
Homemade Beer*	13,786	14,799
Non-Alcohol Beer*	14,216	9,965
Smuggling*	454,311	450,000
Illegal Wine Manufacture*	299,568	276,750
LCBO Total	2,096,176	2,132,949
BRI Total	1,981,152	1,944,289
Winery Retail Stores Total	77,954	66,357
Other Legal Channels Total	538,906	510,445
Other Illegal Channels Total	753,879	726,750
Grand Total	**5,448,067**	**5,380,790**

Note: Figures marked with an asterisk(*) are based on estimates.

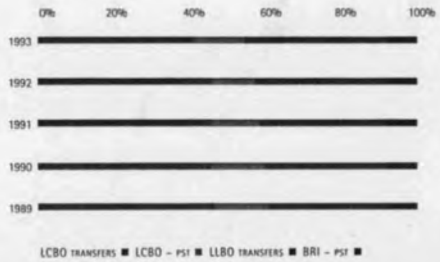
REVENUE PAYMENTS TO THE RECEIVER GENERAL FOR CANADA

Year ended March 31



REVENUE PAYMENTS TO THE TREASURER OF ONTARIO

Year ended March 31



LCBO BALANCE SHEET
As at March 31, 1993

Assets	1993 ($000's)	1992 ($000's)
Current		
Cash and short-term investments	26,747	36,218
Accounts receivable, trade and others	4,036	3,540
Inventories, at cost	160,413	165,525
Prepaid expenses	1,759	1,872
	192,955	**207,155**
Liabilities and retained income		
Current		
Accounts payable and accrued liabilities	104,789	118,212
Retained income	88,166	88,943
	192,955	**207,155**

See accompanying notes to financial statements.

Approved:

A.S. BRANDT
Chair and
Chief Executive Officer

J.A. BROWNING
Vice President,
Finance and Administration

LCBO STATEMENT OF INCOME AND RETAINED INCOME
Year ended March 31, 1993

Assets	1993 ($000's)	1992 ($000's)
Sales and other income	1,786,479	1,833,386
Costs and expenses		
Cost of sales	848,814	861,164
Retail stores and marketing	229,032	225,540
Administration	45,115	43,928
Warehousing and distribution	28,220	27,592
Fixed assets	21,075	25,754
	1,172,256	**1,183,978**
Net Income for the year	614,223	649,408
Retained income, beginning of year	88,943	114,535
	703,166	**763,943**
Deduct payments to the Treasurer of Ontario on account of net income	615,000	675,000
Retained income, end of year	88,166	88,943

See accompanying notes to financial statements.

LCBO SALES: VOLUME MARKET SHARE OF LEADING PRODUCT CATEGORIES
Share calculated by total litres sold

Domestic Spirits	MARKET SHARE	ANNUAL PERCENTAGE CHANGE
Whisky	41.2%	-8.7%
Rum	17.9%	-6.2%
Vodka	14.8%	-7.7%
Spirit Coolers	13.9%	-21.7%
Gin	3.7%	-13.9%
Other	8.5%	–
Imported Spirits		
Scotch	30.3%	-3.1%
Liqueurs	17.4%	-0.2%
Miscellaneous Liquor	14.3%	0.2%
Vodka	11.0%	-5.4%
French Brandy	9.7%	-1.2%
Other	17.3%	–
Domestic Wine		
White Table	58.8%	-1.3%
Red Table	11.4%	14.7%
7% Sparkling	7.3%	-8.0%
Sherry	7.2%	-5.5%
Wine Coolers	6.9%	-30.4%
Other	8.4%	–
Imported Wine		
White Table	58.5%	-5.0%
Red Table	29.1%	11.0%
Sherry	4.4%	3.4%
Champagne	4.1%	-6.0%
Other	3.9%	9.5%
Domestic Beer		
Ontario Beer	98.3%	-5.6%
Other Canadian Beer	1.6%	4,353.8%
Imported Beer		
U.S. Beer	63.9%	-38.2%
Other Imported Beer	35.6%	28.4%
Sake	0.5%	-1.7%

LCBO SALES: VALUE MARKET SHARE OF LEADING PRODUCT CATEGORIES
Share calculated by total dollars sold

Domestic Spirits	MARKET SHARE	ANNUAL PERCENTAGE CHANGE
Whisky	46.9%	-5.5%
Rum	20.0%	-3.1%
Vodka	16.6%	-5.2%
Gin	4.0%	-11.2%
Spirit Coolers	3.3%	-14.9%
Other	9.2%	–

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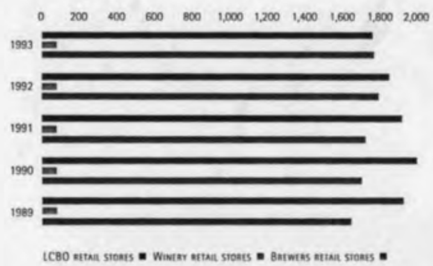
LCBO SALES – VALUE ($000,000's)
Year ended March 31

SALES — VALUE BY LEGAL RETAIL CHANNEL ($000,000's)
Year ended March 31



Imported Spirits	MARKET SHARE	ANNUAL PERCENTAGE CHANGE
Scotch	31.0%	0.2%
Liqueurs	19.7%	-0.5%
Miscellaneous Liquor	12.7%	3.8%
French Brandy	11.4%	-0.8%
Vodka	9.6%	-2.2%
Other	15.6%	–
Domestic Wine		
White Table	58.9%	6.0%
Red Table	11.7%	22.2%
Sherry	8.1%	2.0%
7% Sparkling	7.0%	-1.4%
Wine Coolers	4.0%	-26.8%
Other	10.3%	–
Imported Wine		
White Table	53.9%	-4.9%
Red Table	30.2%	11.2%
Champagne	7.2%	-6.7%
Sherry	4.9%	4.4%
Other	3.8%	0.9%
Domestic Beer		
Ontario Beer	98.1%	-0.5%
Other Canadian Beer	1.8%	4,759.4%
Imported Beer		
U.S. Beer	54.7%	-29.7%
Other Imported Beer	44.0%	25.9%
Sake	1.2%	-2.2%

LCBO RETAIL PRICE BREAKDOWN

SPIRITS
(Examples as at March 31, 1993 for 750 mL bottle in Canadian dollars)

PRICE FACTORS	U.S. IMPORTED	OTHER IMPORTED	DOMESTIC
Payment to Supplier	3.2300	3.2300	3.2300
Federal Excise Tax	3.3198	3.3198	3.3198
Federal Import Duty	0.0114	0.0230	n/a
Freight	0.2775	0.2058	0.0258
Total Landed Cost	6.8387	6.7786	6.5756
LCBO Markup	9.9230	9.8290	9.0743
LCBO Bottle Levy	0.2175	0.2175	0.2175
LCBO Environmental Levy	0.0893	0.0893	0.0893
LCBO Rounding Amount	0.0315	0.0156	0.0033
Basic Price	17.10	16.93	15.96
Goods and Services Tax	1.20	1.19	1.12
Provincial Retail Sales Tax	2.05	2.03	1.92
Consumer Price	**20.35**	**20.15**	**19.00**
Revenue Distribution			
Supplier (incl. freight)	3.51	3.44	3.26
Government of Canada	4.53	4.53	4.44
Government of Ontario	12.31	12.18	11.30

WINES
(Examples as at March 31, 1993 for 750 mL bottle in Canadian dollars)

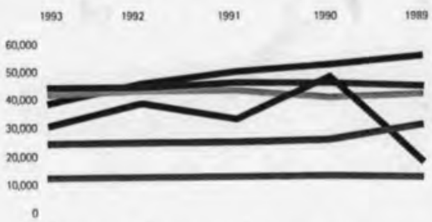
PRICE FACTORS	U.S. IMPORTED	OTHER IMPORTED	DOMESTIC
Payment to Supplier	2.1850	2.1850	2.1850
Federal Excise Tax	0.3842	0.3842	0.3842
Federal Import Duty	0.0165	0.0330	n/a
Freight	0.1669	0.2038	n/a
Total Landed Cost	2.7526	2.8060	2.5692
LCBO Markup	1.6323	1.9614	0.8838
LCBO Wine Levy	1.1250	1.1250	1.1250
LCBO Bottle Levy	0.2175	0.2175	0.2175
LCBO Environmental Levy	0.0893	0.0893	0.0893
LCBO Rounding Amount	0.0233	0.0108	0.0352
Basic Price	5.84	6.21	4.92
Goods and Services Tax	0.41	0.44	0.34
Provincial Retail Sales Tax	0.70	0.75	0.59
Consumer Price	**6.95**	**7.40**	**5.85**
Revenue Distribution			
Supplier (incl. freight)	2.35	2.39	2.19
Government of Canada	0.81	0.86	0.72
Government of Ontario	3.79	4.15	2.94

BEER
(Examples as at March 31, 1993 for 24 x 341 mL case in Canadian dollars)

PRICE FACTORS	U.S. IMPORTED	OTHER IMPORTED	DOMESTIC
Payment to Supplier	6.9800	6.9800	6.9800
Federal Excise Tax	2.2903	2.2903	2.2903
Federal Import Duty	n/a	0.2701	n/a
Freight	0.5000	1.2000	0.4000
Total Landed Cost	9.7703	10.7404	9.6703
LCBO in-store COS	4.9595	4.9595	4.9595
LCBO out-of-store COS	2.4306	2.4306	n/a
LCBO Markup	4.0920	4.0920	4.0920
LCBO Bottle Levy	1.4404	1.4404	1.4404
LCBO Environmental Levy	0.0000	0.0000	0.0000
LCBO Rounding Amount	0.0372	0.0371	0.0078
Basic Price	22.73	23.70	20.17
Goods and Services Tax	1.59	1.66	1.41
Provincial Retail Sales Tax	2.73	2.84	2.42
Container Deposit	2.40	2.40	2.40
Consumer Price	**29.45**	**30.60**	**26.40**
Revenue Distribution			
Supplier (incl. freight)	7.48	8.18	7.38
Government of Canada	3.88	4.22	3.70
Government of Ontario	15.69	15.80	12.92

Notes: COS refers to the LCBO's cost of service. The container deposit is applied to the product if it is sold through Brewers Retail. Container deposit is not included in Revenue Distribution.

LCBO SALES — VOLUME (000,000's litres)
Year ended March 31



SALES — VOLUME BY LEGAL RETAIL CHANNEL (000's litres)
Year ended March 31