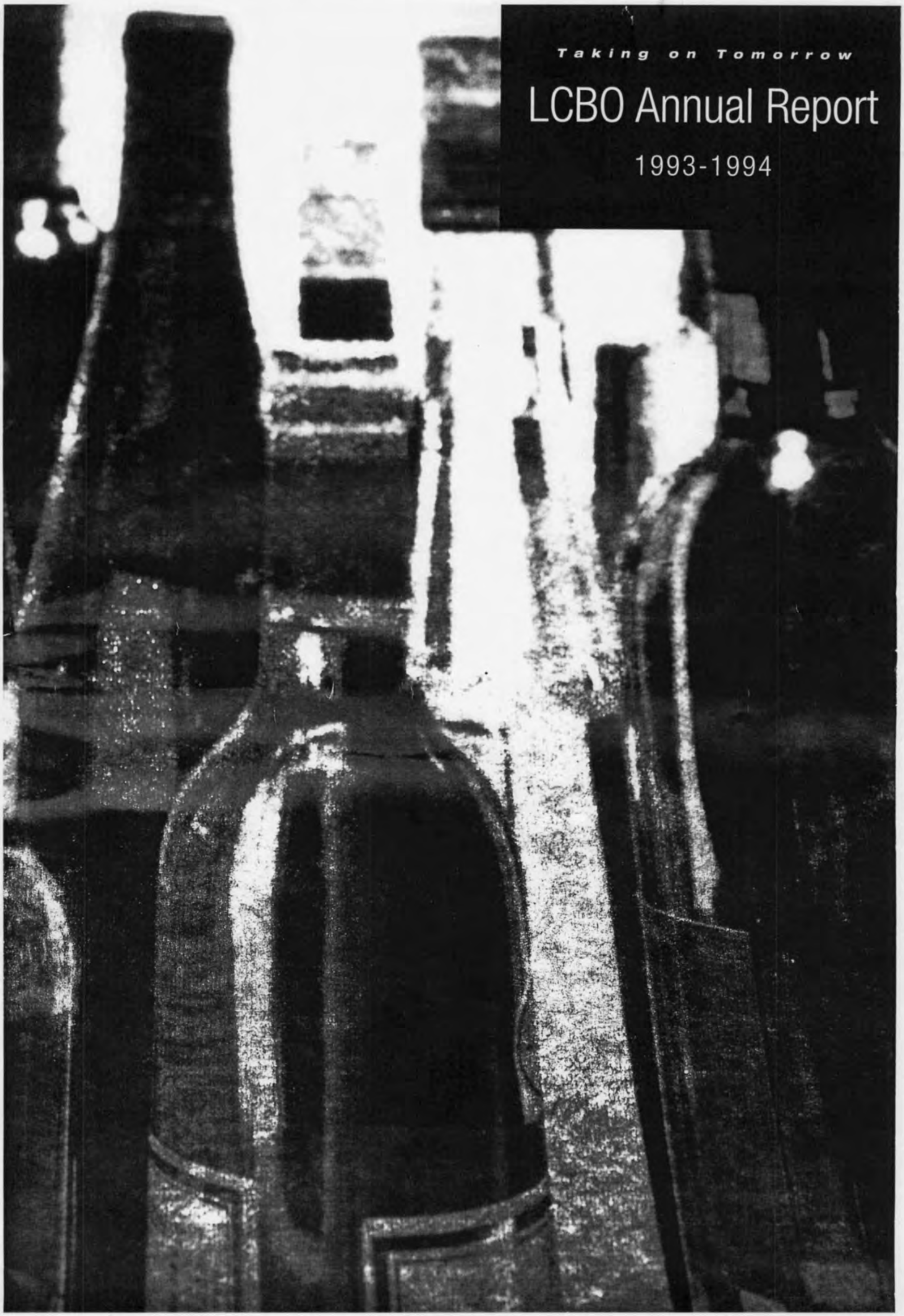
Taking on Tomorrow

LCBO Annual Report

1993-1994



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THE SATURDAY STAR
Millions lost in huge booze scam
Canada-bound booze seized

L C B O a t a g l a n c e

The Liquor Control Board of Ontario buys wine, spirits and beer from more than 70 countries for distribution and sale to Ontario consumers and licensed establishments.

To provide this service, the LCBO operates five regional warehouses that supply approximately 600 retail liquor stores across Ontario. Through this integrated distribution and retailing network, nearly 4,000 products are available to consumers either by direct purchase or by special order. Customers can also obtain many other products that are not regularly listed in Ontario through the LCBO Private Stock ordering program.

The LCBO also operates six Vintages outlets, which offer consumers a wide selection of premium wines, spirits and beer. Vintages products are also available in special sections of more than 100 regular LCBO stores and can be ordered through any LCBO outlet. Hundreds of additional premium products can also be ordered from the Vintages *Classics Catalogue*.

In partnership with established retailers, the LCBO operates 74 agency stores in communities where the population is insufficient to support a regular LCBO store.

For air travellers, the LCBO operates two duty-free stores at Terminals 1 and 2 at Pearson International Airport.

The LCBO also regulates the sale of products through 440 Brewers Retail stores, 320 Ontario winery stores, 10 land border-point duty-free stores, and duty-free operations at Terminal 3 in Pearson International Airport and at Ottawa International Airport.

In the interests of consumer protection, the LCBO conducts approximately 150,000 tests on 8,000 different alcoholic beverages each calendar year. This "quality assurance" testing ensures that all products sold by the LCBO, Ontario Winery Stores and Brewers Retail stores comply with the federal *Food and Drug Act*, as well as the LCBO's high standards for quality and taste.

For further information about LCBO products and services, call the LCBO toll-free Infoline at 1-800-ONT-LCBO (668-5226). In the Metropolitan Toronto area, call (416) 365-5900. ●

LETTER OF TRANSMITTAL

The Honourable Marilyn Churley
Minister of Consumer
and Commercial Relations

Madam Minister:

I have the honour to present to you the 1993-1994 Annual Report of the Liquor Control Board of Ontario.

Respectfully submitted,

Andrew S. Brandt
Chair and CEO

LCBO BOARD OF DIRECTORS DURING FISCAL 1993-1994

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Chair

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Conve

Andrew S. Brandt, now in his second three-year term as Chair and CEO, talks about the events, the business climate and the pressures that affected the Liquor Control Board of Ontario during fiscal 1993-94.

What do you think were the two or three most important events or issues for the LCBO during this fiscal year?

The problem of illegal alcohol had a growing impact on our sales and on the health of the Ontario public during the year. It now costs us about $475 million in lost transfer payments to the province each year, and this shortfall has affected many important government programs. So it's a very serious matter. To combat the illegal market we strengthened our Loss Prevention and Security Department, which is working in close co-operation with law enforcement agencies, including those in the U.S., in a concerted effort to curtail smuggling and illegal manufacture of alcohol.

One significant accomplishment of this past year was the development of a new mission statement reaffirming our mandate for generating revenue and our equally important mandates for promoting social responsibility and regulating Ontario's beverage alcohol industry. In the new mission statement, the LCBO is defined as a government *enterprise* rather than a government *agency*. Most agencies receive money from the government, in transfer payments or appropriations; the LCBO is quite different because, as a major retailer, we generate net revenues in the range of $600 million a year.

A third important focus was our ever-increasing commitment to our customers and our efforts to offer the best possible service to the people who shop in our stores. The customer is number one: we wouldn't be here if we didn't have the customer to serve. And everyone on our staff, from Head Office through our distribution and retail network, has to be sensitive to the various needs of our customers and to the dynamic, changing nature of the marketplace.

In the three years since you came to the Board there have been many changes in the LCBO's business environment. What would you say are the most significant?

Like other sectors of the retail industry, we were confronted with one of the deepest and most difficult recessions in a very long time. This cut into our sales and decreased our revenues — and at the same time our expenditure line was trending upward. Despite all our cost-cutting efforts, there was a decrease in our transfers to the government, caused by the depressed economy and the related problems of smuggling and illegal production of wine.

Then there was the shift of imported beer sales from our stores into the Brewers Retail system following the GATT decision requiring the wider distribution of beer, in line with our international trade agreements.

We've been vigilant in driving the expenditure line down and, thankfully, revenues are starting to stabilize. We seem to be coming out of the recession and I'm optimistically looking at a reversal of the difficult times.

And how have you reduced operating expenses?

Our voluntary exit program, New Beginnings, reduced the size of our staff and therefore our salary and associated expenses. About 80 per cent of our total expenditures relate to staff costs, and we had been overstaffed for the amount of business we were doing.

We've closed some stores, because we were "over-stored" in some markets and because some were badly located, going back to the years when liquor stores were on back streets because it was considered not quite respectable to be seen buying alcohol.

We put the squeeze on a host of other less essential expenditures and worked hard to come in under budget — and we've been avoiding any spending that wasn't absolutely necessary.

One of the cost-cutting strategies you mentioned was the New Beginnings program. What made it so successful, especially after the painful staff reduction of the previous year?

I think the level of consultation we had was in great part responsible for the success of the program. We explained it to the union leadership and then to our staff as clearly as we could, and we laid out the options for them to consider. The package was very attractive and it was well received by LCBO employees.

We tried to be balanced and fair in setting up the program, and no one was forced to go or to stay. It really was a new beginning for some people who wanted to change their careers or the focus or direction in their lives. And the result for the LCBO has been a sizable reduction in staff, leading to a reduction in direct salary expenses of about $14 million a year.

Near the end of the fiscal year, the number of stores in the LCBO network dropped below 600 for the first time in over a decade. Do you expect that trend to continue?

I don't expect any massive number of closures, but we're going to have to close some locations. That often happens where we've got, say, three stores in a community and by closing one we can make the other two more profitable. And even though we've reduced the number of stores to under 600, we've opened some in new locations. Some existing stores have been renovated and are much larger than ever before, with a new emphasis on product selection and enhanced customer service features. We've also established uniquely situated stores, in underground shopping malls, for example. The number of stores isn't as important as the level and quality of service we provide to the Ontario public.

The improved labour-management relationship was not only an important piece of the New Beginnings success, but it also seems to be making a difference in the overall life of the LCBO. Is that a fair statement?

Yes, because you can't get understanding without effective communication, and that means an investment in time to share varying points of view. Often, in explaining a situation thoroughly to our staff or to the union, we find there's more support for our position than we might have expected. Also, when we listen to the union's agenda, we often find we're on the same wavelength. We now meet regularly with our union leadership, in order to keep communications open and foster better understanding.

All this doesn't mean there aren't areas of disagreement between us — there will always be some issues that aren't easily resolved — but we've come a long way and I'm hopeful our relationship will continue to improve.

What would you say are the lasting effects of this improved relationship?

With our new collective agreement, we established a realistic benchmark to measure the financial health of the organization: if we go below that mark in any quarter, we agreed we will sit down together and discuss what is needed in the way of cost cuts and improved efficiencies. Our union leaders recognize that we have to operate profitably and that the government has expectations about our transfer of revenues; these realities can't be ignored. This approach came about partly in response to the Ontario government's Social Contract, which was introduced around that same time.

You've been talking about the absolute need for operational cost-cutting throughout the LCBO, but at the same time there has been substantial capital expenditure on renovating stores and sometimes opening new stores, and also on new and costly technology. That seems to be a bit of a contradiction.

A lot of what we've been doing in terms of capital expenditure on our stores is essential: if you've got a leaky roof you've got to fix it; you've got to be in compliance with health and safety standards; you've got to provide access for people with disabilities. There should be no question about spending money on such "must-do" items.

At the same time, we've made our stores more convenient and attractive places for our customers to shop and for our employees to work. We've brightened up many of the stores — painting them and putting in new shelving, signage and lighting, and we've installed more refrigeration units. To survive in a competitive marketplace, we've had to invest in improving the ambience of our stores and, especially, in making them more attractive to female shoppers. Now we have shopping carts, we have wine chillers, we offer food matches and provide recipes and product knowledge — things we know from our market research are wanted by our customers.

As far as technology is concerned, there are real benefits from the systems we've installed. For example, the kind of inventory control we've got now would have been impossible without the new computer technology. And the LCBO was way behind the times: we've gone from handwritten ledgers to sophisticated financial, distribution and merchandising systems in a very few years. To run a modern business, technology is not an option, it's a necessity. Yes, it's a cost to the business, but there's a very substantial payback if we use it well. And, I can tell you, the price we would pay for not making such capital investments would put the very future of the organization at risk.

An important event in the summer of 1993 was the first-ever Trade Day, when LCBO staff and representatives of the beverage alcohol trade got together to attend workshops about their mutual interests and concerns. What do you think was the value of that event?

Trade Day clearly sent a signal to our suppliers and their agents that we want to be in partnership with them. We need to communicate with each other about the challenges and opportunities in the business and how we can best address them — from their standpoint as well as ours. This was an opportunity to break into work sessions and share ideas about how we can grow the business. Trade Day 1993 was well received by our staff and our industry partners, and it is certainly something we'll be repeating.

When the LCBO was established, there was tight control over public access to beverage alcohol — with stores on back streets, as you have mentioned, and a social climate that made going to the liquor store a rather questionable activity. There was absolutely no focus on customer service. That climate has certainly changed; some people argue that the control function is no longer needed and that the LCBO simply exists to collect taxes for the government. How do you respond to this view?

Well, first of all, the sale of liquor in Ontario has *always* been a generator of revenues, some of which are taxes. And this is true, to one extent or another, in virtually every jurisdiction in the world: liquor — and cigarettes, for that matter — provide part of the revenue base that governments depend on. This is partly explained by the fact that there are health and social costs associated with the use of these products, costs that are also being borne by society and that can be offset by the taxes on the products.

But as well as our responsibility to collect revenue for the government, we have a much wider social responsibility mandate, which includes ensuring the safety of our products and doing everything we can to see that they're consumed legally and in moderation. We have a sophisticated laboratory where all the products we sell are tested; we have our Challenge and Refusal program, through which we do our best to keep alcohol out of the hands of those who are under age or intoxicated; and we have a wide variety of programs that encourage people to drink responsibly.

Control is just as important as it ever was, but we're doing it differently now, with a different emphasis. We no longer pretend that beverage alcohol is "only for medicinal purposes." We now recognize that people have the right to enjoy the pleasures of drinking alcohol — but it must be done responsibly. So the LCBO is much more than a "bottom-line" retailer, it's a regulator and an important agent of social responsibility.

There are jurisdictions where the retailing of alcohol is in the hands of the private sector. During the past fiscal year, Alberta changed to a privatized system. Do you think such a change is inevitable in Ontario?

No, I don't think it's inevitable as long as we continue to be socially responsible, maximize our revenues, control expenditures, make sure our transfers to the government are in line with what they would get from the private sector and — most important — give our customers what they want. And that, of course, includes conveniently located stores, a wide selection of competitively priced products and outstanding customer service.

Many people were surprised that privatization in Alberta didn't result in a decrease in prices. Why didn't that happen?

In fact, prices went up. Prices aren't so much dependent on who is doing the retailing as they are on the tax structure. Take the cigarette issue: the high prices weren't because of the retail system, which is about as privatized as you can get, with all the variety and convenience stores, gas stations, restaurants and supermarkets selling tobacco products. The high prices were caused by the taxation levels, and when *they* went down, prices went down. The same scenario would be true for alcohol: prices wouldn't go down if the retail system were changed, but they *would* go down if taxation levels were reduced. What we've seen in Alberta is the provincial government continuing to take its cut while the smaller entrepreneurs have been unable to operate as efficiently as the former government-run system did. So they have had to raise their prices to the consumer.

What do you think Ontario would lose if we were to go to a privatized system?

If Alberta is any example, selection would go down dramatically. We have a very attractive selection of products throughout our retail network and especially in our larger stores — better than I've seen anywhere else. I doubt very much whether private-sector retailers would carry anything like the selection we do. They would probably have to limit themselves to the big sellers, and people would have to shop around from store to store to find the particular products they wanted. The one-stop shopping provided by the LCBO would be a thing of the past.

As a government enterprise, we're committed to serve the entire province, from Windsor to Cornwall and Toronto to Moosonee. Where the population base isn't big enough to support a regular LCBO store, we work with the community to have an agency store operated by an established local retailer. As private enterprise by definition puts the bottom line first, there is no guarantee that uneconomic locations would have any service at all.

Another thing is that we have uniform product pricing across the province, even though distribution costs are obviously higher in the more remote areas. This wouldn't happen with a private enterprise system — prices would clearly be higher in many parts of Ontario.

And, of course, the kind of quality control we can offer through the testing done in our lab could not be matched. I also believe that for some entrepreneurs, profit would soon take precedence over socially responsible retailing.

What would you like the LCBO to accomplish by the time your second term is complete?

I'm committed to working with staff to create an organization that is totally sensitive to the needs of the public and that at the same time meets the expectations of the government. Just as important is being an employer whose staff members all have a sense of being able to grow and succeed. I believe we are moving rapidly in the right direction. ●

The year in review

ONCE AGAIN in 1993-94, the recession, changing drinking patterns, increased competition and the proliferation of illegal alcohol in the Ontario marketplace all contributed to lower sales and revenues for the LCBO. Belt-tightening was the order of the day, with people at all levels of the organization making every effort to work more efficiently and contain costs. At the same time, management and staff continued to place a high priority on improving product selection, increasing services and enhancing the LCBO shopping experience.

There was no longer any doubt that the beverage alcohol market in Ontario had changed for good. Clearly, what was happening was not simply a low point in a cycle. The realities of the year signalled a permanent shift in the business environment, a shift with far-reaching effects on an organization mandated to be a retailer, a regulator and a leading force for social responsibility.

A review of the major events and trends of fiscal 1993-94 shows that the LCBO continued to carry out its complex and sometimes conflicting roles, working on a number of fronts to slow down the revenue erosion, contain operating costs and promote the responsible use of the products it sells. Management stepped up its commitment to shape the LCBO into an organization equipped to be competitive and meaningful for the rest of the century and beyond. This meant making some hard decisions and developing more creative solutions to the problems at hand.

April 1993

The fiscal year began with the introduction of a program that would make a dramatic difference in the LCBO and in the lives of its employees. On April 15, Chair and CEO Andrew S. Brandt and Ontario Liquor Boards Employees' Union President John Coones jointly announced the creation of New Beginnings, a voluntary exit opportunity for LCBO employees. Brandt explained that the program was designed to assist the LCBO in achieving its financial objectives in a year when the Finance Division was projecting a $70-million decline in revenues from the previous year. At the same time, the program was developed in such a way as to protect the interests of all LCBO employees, both those who decided to accept the offer and those who did not.

Permanent employees with a minimum of five years' service were eligible to participate in New Beginnings. Those who decided to leave would receive three weeks' salary for each year of service, along with usual termination benefits and payments and, on request, a retraining allowance of up to $5,000. As the program was purely voluntary, the LCBO had no way of knowing how many staff would choose to accept the offer, or from which parts of the organization they would come. Brandt explained that eligible employees would have until the end of July to decide their future, and the LCBO and the OLBEU would offer workshops, information packages and a "hot line" to benefits counsellors to help them make the right decision for their own particular circumstances.

Brandt also stressed that, despite a reduced staff complement, the LCBO's high level of service would continue. "We are working hard to be the beverage alcohol retailer of choice for the people of Ontario," he said, "and we will do what is necessary to maintain our position in an increasingly competitive marketplace." To this end, in April and May, 1,500 households throughout the province were surveyed by telephone, to determine their attitudes to and their purchasing habits at the LCBO.

Also in April, the LCBO took another important step in its Working in Diversity program, designed to support the principles of employment equity throughout the organization. The goal was to help employees better understand and appreciate the changing makeup of the Ontario population and of the LCBO's workforce. A five-part video, produced by the LCBO's own A/V staff, depicted situations involving aboriginal peoples, gender bias, accommodation of people with disabilities and racial stereotyping. The videos were accompanied by a leader's guide and participants' handbook, in support of half-day education sessions held throughout the organization and led by trained facilitators.

May 1993

Following their success at international wine competitions, Ontario winemakers were honoured at a May 12 reception hosted by Premier Bob Rae at the Royal Ontario Museum. And the co-founders of Inniskillin Wines, Donald P. Ziraldo and Karl Kaiser, were awarded the Order of Ontario.

The LCBO announced an expansion of its successful BYID program, which had been launched the previous summer. As part of its social responsibility mandate, the LCBO always refuses service to those who are under age or intoxicated, or who appear likely to give or sell liquor to people in these categories. Now, on the four major holiday weekends of the summer season, LCBO store staff wear BYID buttons (Bring Your Identification/Avez-vous l'Âge?) that give them expanded opportunities to explain to customers what the program means and to discuss social responsibility with them.

The LCBO launched in-store "Meet the Wine Writers" sessions where both novices and wine enthusiasts could meet and discuss the finer points of wine appreciation with leading writers. The well-received series was offered at two full-service outlets, the Queens Quay store in Toronto and the Bank Street store in Ottawa.

Also in May, the Ontario Community Council on Impaired Driving kicked off its 1993 Arrive Alive/Safe & Sober Summer campaign, with strong support from the LCBO. The campaign involved a number of different initiatives designed to bring the dangers of drinking and driving to the forefront of public consciousness.

During the month, British Columbia and Ontario exchanged some of their best wines, with 12 VQA wines from B.C. appearing on the shelves of selected LCBO stores and 12 from Ontario being sold in B.C. liquor outlets. This exchange was not only in keeping with Vintages' ongoing practice of seeking out new and interesting products, but was also an early step toward the elimination of barriers to interprovincial trade.

June 1993

Throughout the month of June, 34 fine restaurants from Toronto to Niagara co-operated with 13 Ontario wineries to prove that wine — especially Ontario wines — and food are the perfect marriage. The promotion, called Wine & Dine '93, featured special menus pairing Ontario wines with interesting food creations, and customers were offered chances to win winery tours or dinner for two at participating restaurants.

July 1993

The LCBO celebrated Canada Day in its Vintages stores and sections with the release of 22 premium Canadian wines — 19 from Ontario, two British Columbia VQA products, a white wine from Nova Scotia — and a fruit brandy from New Brunswick.

On July 5, LCBO Chair and CEO Andrew S. Brandt was honoured by the French government for his role in helping to raise consumer awareness of quality wines and for promoting the responsible use of these products. On

behalf of the Minister of Agriculture of France, the French Ambassador to Canada, Alfred Siefer Gaillardin, officially made Brandt an "officier de l'Ordre du merite agricole." The order was established by the Government of France in 1883 to recognize contributions to the development and advancement of agriculture or related industries. Among the first to receive it was the famous French scientist Louis Pasteur, for his viticulture work.

July 7 marked the first-ever LCBO Trade Day, with the theme *Taking on Tomorrow*. Representatives of suppliers joined with LCBO staff for a day of presentations and discussions about mutual concerns in a difficult business environment. In breakout groups they developed recommendations for change that would benefit both the LCBO and the trade. The day was greeted with great enthusiasm by trade participants, and LCBO staff also found the opportunity for two-way communication valuable.

During the month, the LCBO introduced new single-bottle bags promoting the Safe & Sober Summer tips from the Ontario Community Council on Impaired Driving.

On July 14, LCBO investigators and two divisions of the Metro Toronto Police teamed up to arrest the operators of 13 Asian food stores and seize some 4,200 bottles of illegal, highly potent and potentially dangerous wine and spirits smuggled in from mainland China. The seized alcohol had a street value of about $63,000.

At the end of July, LCBO investigators received new status as "provincial offence officers for the purposes of offences under the *Liquor Licence Act*." This meant they could now arrest offenders themselves, instead of having to call on other law enforcement officers to lay the charges. It also meant that they could now have access to information shared by other law enforcement officers.

Three months after it was introduced, it was clear that the LCBO's new value-added program was popular with customers. The new program allows suppliers to offer add-ons with their products: miniatures of other products — the most popular choice — as well as other appropriate items, according to a strict set of guidelines. Suppliers, particularly those selling spirits, welcomed the opportunity to increase customer interest. The LCBO benefits because the add-ons encourage consumers to try new products and possibly "trade up" — that is, buy a premium product and thus increase the average dollar transaction.

July 30 was the deadline for LCBO employees to accept New Beginnings, the voluntary exit program that had been announced in April. A total of 333 employees elected to leave the organization with a package of financial and educational benefits that would help make their transition successful.

For some, leaving meant early retirement, for others it meant the beginning of a new career and for still others it meant an opportunity to study or train for a new direction in their lives. For those who remained, the exit of 333 co-workers meant expanded possibilities for advancement; it also meant more and sometimes different responsibilities as the focus was on "working smarter." And for the organization, the success of New Beginnings meant a streamlined payroll and substantial savings, after the first-year payout of severance benefits was complete.

The program was considered a great success because it was fully voluntary, it was done with careful communication to employees and great attention to helping individuals make the right decision for themselves, and it helped bring the LCBO's staffing in line with the new economic realities. The program also achieved the LCBO's contribution targets for the Social Contract, although it was planned and announced before the government's initiative.

August 1993

August marked the virtual completion of a reorganization of the LCBO's Merchandising Division, designed to prepare it to better face the future and the organization's changing business needs.

The product management function of the Merchandising Division was restructured to consist of three category management teams, one each for wines, spirits and "special markets" (which includes beers, coolers and other products and accessories). The change brought the category management system more in line with how customers actually shop, allowing the teams to react more quickly to specific local requirements and to offer an ongoing flow of new and interesting products for consumers.

With the impending changes in beer marketing in Ontario following a GATT decision allowing imported beers to be sold in Brewers Retail stores, the LCBO recognized the need to rethink its strategy for selling beer. The results of the telephone market research survey in the spring had showed that imported-beer customers are more discriminating and adventurous than those who drink domestic beer; they like to browse and try new products. The new strategy included stocking new and interesting products both from domestic microbreweries and from other countries; offering single-bottle choices for mix-and-match; providing more product information, both written and from store staff; and conducting more beer tastings and other special in-store events. Other initiatives included renovations and upgrades of some stores, with improved beer displays and, in some locations, chilled products and cold rooms.

A new strategy for growth was announced for Vintages, the LCBO's arm for retailing fine and rare products. With six free-standing stores, three boutiques and corners in 115 regular LCBO stores, Vintages has bucked the trend toward lower revenues, achieving substantial increases each year during the recession. Still, according to the spring marketing research study, only 22 per cent of LCBO customers had shopped at Vintages in the past year. So there is room for much growth — and Vintages is going after that potential. This will require increased understanding of customers' needs, improved use of technology both at the store level and at Head Office, use of merchandising programs to attract different segments of the market and development of new ways of communicating with customers and potential customers. Plans were announced for the launch of two new catalogues — the *Classics Catalogue* and the *Holiday Catalogue* — to develop a mail-order service for regular customers. Marketing plans targeted "neophytes," especially young people who may never have shopped Vintages.

In the month of August, Minister of Finance Floyd Laughren visited the LCBO's Head Office for a briefing on the growth of liquor smuggling and illegal manufacture of alcohol, and the effects of these illicit activities on the LCBO's business.

Also in August, the LCBO announced plans to extend its agency store service to four communities in Northern Ontario — Belle Vallée, Restoule, Whitefish Falls and Eagle River — that were without beverage alcohol outlets. Agency stores are operated by existing local retailers in communities that are too small to support a full LCBO store; before they are opened, there must be community support and a proven revenue-producing opportunity.

September 1993

Reorganization of the Retail Division, effective September 1, meant reducing five regional operations to four. A larger Central Region was created out of what had been the Metro Toronto Region and most of the previous Central Region. This resulted in further shifts as some districts and stores moved from one region to another to balance out the new structure. These changes were expected to save the LCBO about $1 million in operating costs and to improve efficiency in the face of declining sales. The reorganization also put the LCBO in sync with other major Canadian retailers, most of which consider the whole Golden Horseshoe one trading area.

With the most severe declines in revenue coming from the spirits category, both the LCBO and the distillers have been looking for ways to turn the tide. Not only has spirits traditionally been the most profitable category for the LCBO; the distilling industry has been a

significant factor in the Ontario economy. Both the LCBO and the trade have been suffering from lower sales and the smuggling of spirits from the U.S.

In September the Association of Canadian Distillers (ACD) and the LCBO announced a co-operative program to inform Retail employees about developments in the spirits category and thus generate customer interest in these products. An ACD survey of the staff in two LCBO stores, one urban and one rural, had shown that most employees felt much less knowledgeable about spirits than about wine, and they were therefore less comfortable talking to their customers about spirits. The ACD and the LCBO agreed to run a pilot project in six stores in the Peterborough-Lindsay area, to try out different materials and techniques for teaching Retail employees more about spirits. The goal was for staff to learn to communicate more effectively with customers about the different uses of spirits and how they can be used economically and responsibly to fit in with customers' lifestyles and entertaining activities. The ACD encouraged individual distillers to integrate their marketing activities with the campaign. This pilot project was designed to help the LCBO and the ACD develop a workable program that could be carried out across the store network.

In September and through early October, the LCBO ran a promotion of Australian wines in about 200 of its stores. Featuring 70 different wines — available as General List items, single-purchase listings or Vintages offerings — the *What's up from down under?* promotion drew attention to the harvest of a country that is expanding its wine production both in size and in quality.

With its fall issue, the LCBO consumer publication, *LCBO Today*, changed its name to *Food & Drink (A bon verre, bonne table* in French). The new name

more accurately reflects the magazine's content and has resulted in heightened consumer interest.

Also in September, 40 suppliers' agents met with the Chair and other LCBO senior staff to discuss possible changes in the Consignment Warehouse program (which allows licensees and individuals to order products that are not carried by the LCBO). The agents brought forward their concerns and suggestions for resolving them; the meeting ended with an agreement to form a task force composed of agents and LCBO staff, to draft a new Consignment Warehouse program agreement by year's end.

On September 30, Minister of Consumer and Commercial Relations Marilyn Churley announced in the Legislature that Ontario was extending the provisions of the Canada-U.S. agreement on beer trade to other international trading partners. The agreement meant that all foreign beer suppliers now enter the Ontario market on identical terms with American breweries: they have access to Brewers Retail stores and the same costs and service charges that were negotiated in the Memorandum of Understanding with the U.S. Uniform prices for beer across the province depend on the alcohol content of the product.

A further component of the September 30 announcement was the removal of inter-provincial barriers to the beer trade, with the end of reciprocity requirements for the sale of beer from other provinces in the Ontario market.

October 1993

Early in October, the LCBO's senior management gathered for an important four-day Strategic Management Conference. Their goal was to take a hard look at the realities facing the organization in the current business environment and then create a vision of the LCBO of the future. The consensus at the end of the conference was that it had laid a solid basis for positive change at the LCBO.

On October 9, the last counter-style store in Metro Toronto closed its doors, leaving only three of the traditional stores in the province. With the move to modern self-service retail outlets, where customers can browse and examine different products before making their selection, the old-style counter stores had become anachronisms, relics of a time when attitudes toward drinking alcohol were very different.

The LCBO announced to employees that it was participating in the government's extended Factor 80 program. This meant that any employee whose age and years of pensionable service would total 80 before March 31, 1996, could retire with an unreduced pension. While not offering as comprehensive a package as New Beginnings, this program promised to be attractive for those who were not ready to leave during the summer of 1993 but might want to take early retirement within the next three years.

The LCBO was one of several contributing corporate sponsors of Waste Reduction Week from October 4 to 10. The campaign was designed to promote awareness of environmental issues and encourage individuals and organizations to practise the 3Rs — reduce, reuse and recycle.

From mid-October into November, the Wine Council of Ontario (WCO) mounted its annual promotion of Ontario wines at the LCBO, this year with the theme *"Ontario wines. Outstanding. On your doorstep."* Point-of-purchase displays, brochures and other materials supported the 42 featured products from 15 different wineries. In-store events, including tastings and cooking demonstrations, enhanced the promotion in some locations and the WCO mounted a television advertising campaign on stations reaching the Golden Horseshoe region.

The Product Knowledge Correspondence Course for Retail employees became complete with the publication of the third and final level in French.

Also reaching a state of near completion in October was the LCBO's new Merchandising Distribution and Information System, installed and tested over a period of several months. The new system makes it possible to carry reduced amounts of inventory, with just-in-time ordering and lower risk of stock-outs at the warehouse level. This translates into considerable cost savings with no reduction in service to the customer.

An important initiative for improving service was launched at the end of October. This was the Customer Service Excellence program, to be delivered over an extended period of time to all Retail employees in the LCBO store network. The program enlists store managers to facilitate ongoing training sessions with their staffs, with the goal of making them more friendly and able to give better informed service.

November 1993

Early in November, the 1992 Ontario icewines were launched. Ontario is the largest producer of icewine in the world and, according to experts, arguably the best. Over the past few years the products of several Ontario wineries have won an impressive number of awards in international wine competitions. The sweet "liquid gold" is made from grapes left on the vine until frozen solid, then harvested at just the right moment in December or January and quickly pressed while still frozen.

Also early in November, Minister Marilyn Churley announced government approval for the third and final phase of funding for the Ontario Winery Adjustment Program. Launched in 1989 to help the Ontario industry compete with imported wines while preferential mark-ups were being phased out, the program has been highly successful. With the help of this funding, Ontario winemakers have greatly improved both the quality and the image of their products. The third-phase funding, to be partly administered by the Wine Council of Ontario for industry support and partly transferred in forgivable loans to individual winemakers, was to be used to support marketing initiatives, capital expansion of wineries, continued improvements in productivity and quality and environmental projects.

The LCBO participated in the formation of the Wine and Grape Sectoral Partnership, a group that includes representatives of the Ontario industry and relevant provincial ministries. The purpose of the group is to focus on strategy development, competitiveness and regulatory issues.

The annual arrival in LCBO stores of Beaujolais Nouveau and its "cousins" from Italy and Ontario took place as usual on the third Thursday in November. This year the wine arrived at 424 LCBO stores — the largest number yet — in all parts of the province, including the far north, five days after the French Ministry of Agriculture released it to foreign buyers.

By the end of November, which coincided with the end of the annual United Way campaign, LCBO employees had gone over the top in their donations to this worthy cause. The target of $93,000 was met and exceeded through a variety of imaginative fund-raising activities.

The late summer introduction of high-alcohol beer, sold at the same price as regular beer, was a cause for discussion at the LCBO and elsewhere. A number of organizations objected to the brewers' advertising and marketing strategies that they claimed targeted young drinkers. In November, following meetings with representatives of the two major breweries in the province, the Ministry of Consumer and Commercial Relations sought voluntary actions on marketing and pricing of high-alcohol beer. On November 22, the Brewers Association of Canada announced development of a National Responsible Marketing Code, to be reviewed in six months to determine its effectiveness. The LCBO committed itself to work with MCCR and the brewing industry to expedite administrative procedures involving price increases on the high-alcohol products.

December 1993

As the LCBO geared up for the holiday season, the busiest time of year in the beverage alcohol business, it also participated in Project Red Ribbon, an initiative of Mothers Against Drunk Driving (MADD). At all LCBO stores across the province, customers were offered red ribbons, to be tied onto their cars' antennae as symbols of their commitment to refrain from driving after drinking. Donation boxes at check out counters also received customers' change to support the work of MADD.

In the last sales period of the calendar year, LCBO sales were better than anticipated — not as good as in the same period the previous year, but stronger than in the rest of 1993. It was not clear whether these results were due to a real improvement in the economic climate or more a matter of people spending a little more freely over the holiday season. Whatever the reason, the higher December sales made the LCBO's financial picture for the fiscal year a little brighter than it would otherwise have been.

The war against illegal alcohol heated up in December, with 10 major investigations resulting in arrests and confiscation of beverage alcohol. Most of these were in the Metro Toronto area. In a little more than a month, 36,000 bottles of spirits were seized, worth an estimated $720,000; as well, about 12,000 litres of illegally manufactured wine were seized, with a street value of about $30,000.

January 1994

A special panel began the process of filling store management vacancies created by the New Beginnings program. There were 238 applications from employees who were eager to take advantage of this opportunity for advancement — but there were only 35 positions to fill, so the competition was extremely tough.

In January, wines from South Africa began to reappear on LCBO shelves after an absence of more than eight years. In 1985, the governments of Ontario and Canada, along with many others, had placed trade, investment and financial sanctions on South Africa, to protest its policy of apartheid. Now, with apartheid gone and multi-racial elections scheduled for the spring, it was time to lift those sanctions. The 16 South African wines that had formerly been carried by the LCBO had not been delisted but merely put in limbo; now they could be ordered and stocked once again. As well, several new products were ordered on a special purchase basis and Vintages also ordered 30 wines from South Africa.

February 1994

On February 5, Andrew S. Brandt began his second term as Chair and CEO of the LCBO. Appointed for another three years by Premier Bob Rae, Brandt recommitted himself to continuing the work of managing change and making the LCBO both a profitable government enterprise offering excellent service to its customers and a strong force for the socially responsible use of beverage alcohol.

From February 12 to 16, the Ontario Liquor Boards Employees' Union held its fortieth anniversary conference in Toronto. Several resolutions were passed that would lead to changes in the structure of the union, bringing it more into line with the structure of the LCBO's districts and regions. Brandt addressed the conference delegates, signalling the improved relationship and two-way communication between management and union. Union president John Coones, in acknowledging the improved climate, said that mistrust had been the biggest obstacle on both sides. Both Coones and Brandt assured conference attendees that they were working together to ensure a bright future for the LCBO and its employees.

Also in February, members of the Retail Division, along with invited representatives of other divisions, gathered for their semi-annual week-long session of Retail University. Now in its fifth year, RU provides an opportunity for regional directors and district managers to learn about what's new in the LCBO, the plans for the future, the retailing issues that are currently front and centre, and how the work of the Retail Division fits in with that of the other divisions. Participants' evaluation of the week indicated it was the most successful session yet.

As part of Vintages' ongoing efforts to reach more LCBO customers, a communications/marketing agency was contracted to develop a strategy to raise the profile of Vintages and dispel the widespread misconception that its products and services are only for the elite, knowledgeable and affluent.

The Canadian Wine Institute (CWI), supported by the LCBO, made public a study revealing that the amount of illegal, untested wine being sold in Ontario is greater than the amount of Canadian table wine sold through the LCBO and the Ontario Winery Stores combined. The study, *The Black and Grey Market in Wine*, was released at a news conference staged in a warehouse on the Toronto waterfront where thousands of litres of confiscated wine and liquor are stored. David Diston, Vice President of the CWI, also said that, although production of Canadian wines has been flat since the beginning of the 1990s, the bulk importation of grape juice and concentrate has more than doubled. This discrepancy was seen as a good indication of the amount of illegal wine being produced. With the reduction of tobacco taxes taking most of the incentive out of cigarette smuggling, there was an expectation that illegal operators would turn their attention more and more to beverage alcohol. Although the LCBO and law enforcement agencies were doing their utmost to stem the flow, additional resources and tougher penalties were necessary to help bring the problem under control.

March 1994

At the beginning of March, the number of stores in the LCBO network dipped below 600 for the first time in over a decade. With declining revenues, it has been important to reduce operating costs. In some communities, the most effective way to do this has been to open one large, centrally located store, with wide product selection and services, instead of operating two or three smaller stores.

Also in March, the LCBO Human Resources Division implemented a reorganization to enhance its day-to-day services to client groups and individual employees. The restructuring was designed to allow the division to provide more staff development and more responsive field services and to forge better links between itself and the other divisions.

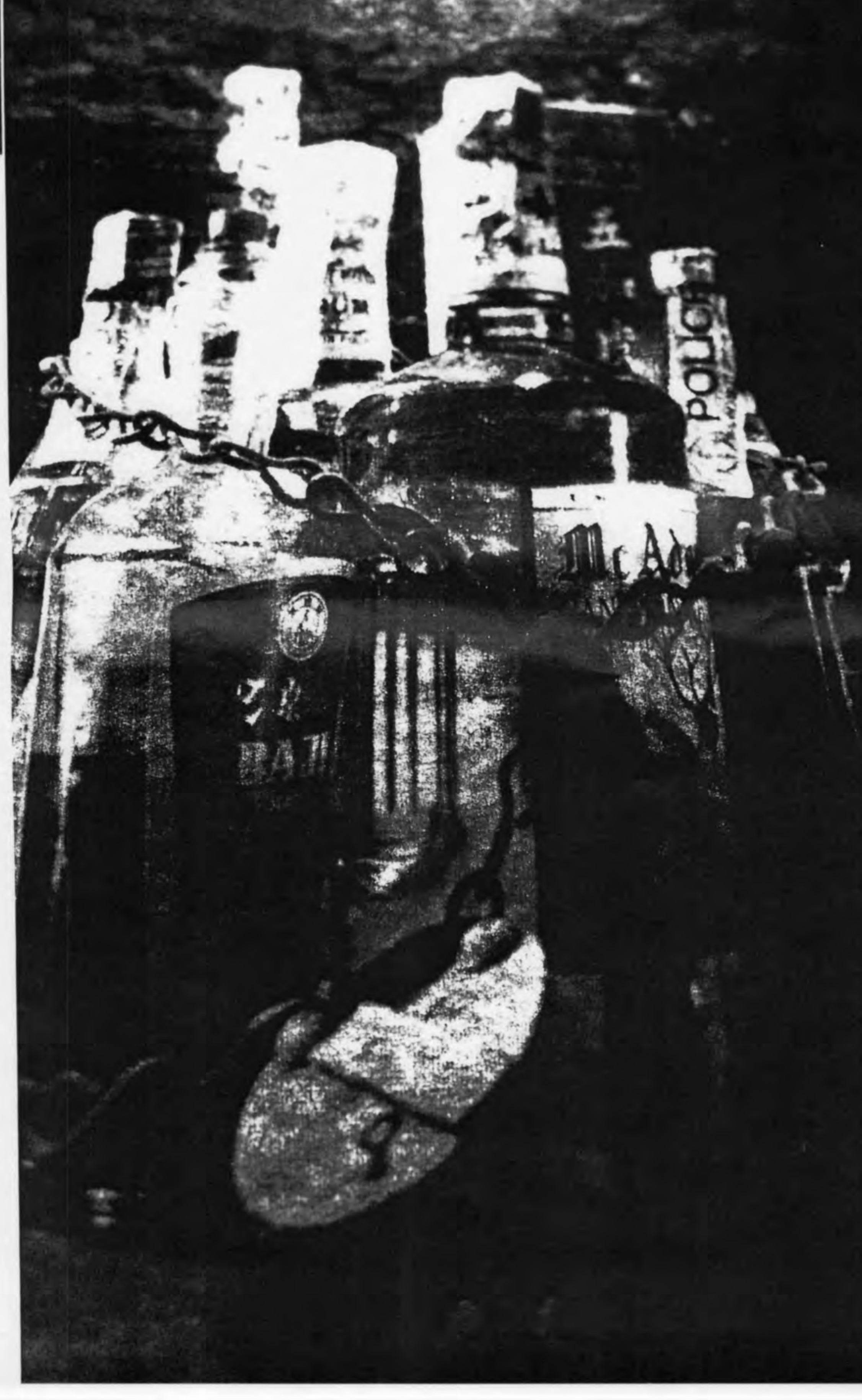
The Merchandising Division announced a major new thrust in promotional and marketing programs. *Shop the World*, to be officially launched in the fall of 1994, will be a fully integrated, consistent creative approach to the marketing of LCBO products and services, linking in-store activities and promotional materials so that they reinforce each other. Several themed promotions, called "world events," will be mounted each year, all under the *Shop the World* umbrella.

In another move to enhance services to customers and respond to the needs of a "niche market," the LCBO offered special products in selected stores in time for the Passover season. More than 35 special products, in addition to the regularly available Kosher wines, were on the shelves of 16 stores in Metro, plus others in Hamilton, Kitchener/Waterloo, London, Richmond Hill and Unionville.

On the last day of the fiscal year, LCBO management personnel met over breakfast to receive an update on programs and initiatives in several areas of the organization. The most arresting presentation was by Alex Browning, Vice President Finance & Administration. In broad strokes he outlined the financial results for the year just ending and offered projections for the coming year. Among the highlights (or lowlights) of his presentation: Sales volume was down 3.7 per cent from the year before, with a projected further decrease of about the same amount for 1994-95. Net sales were down 1.9 per cent, with an even greater decline projected. In spite of all efforts to curtail smuggling, this illicit activity cost $20 million more in 1993-94 than in the previous year, and is expected to grow by another $33 million in the next fiscal year.

Despite the grim financial news, the LCBO finished fiscal 1993-94 poised to continue its efforts to be the "beverage alcohol retailer of choice." Management is committed to continue addressing the admittedly serious financial problems and working to attract and retain customers by offering appealing shopping environments, excellent selection of products and the best in customer service. All this activity is balanced by an equally focused concern on the responsible use of alcohol and a regulatory framework that supports the organization's mandates. ●

THE WAR AGAINST



smuggling and illegal manufacture of alcohol are not new to the Ontario scene, they are now more prevalent than at any time since the Prohibition era. And the criminals behind the black market goods are professionals, with sophisticated importation, manufacturing, distribution and sales networks.

High taxation levels in Canada — 83 per cent for spirits, 65 per cent for wines and 45 per cent for beer — and the excitement of getting a "bargain" and cheating the tax man are the main reasons why the illegal market has been thriving.

But those who buy on the black market don't consider the health risks from untested alcohol — which has often been found to be heavily contaminated with chemical and organic impurities. They don't consider the drain on the Ontario government's treasury — currently running at an estimated $800 million a year in lost LCBO sales — a loss that has a direct effect on the government's ability to pay for social and economic programs. They don't consider the many Ontario jobs and industries that are threatened by the decline in sales of legitimate alcohol. They don't consider the dangers that come from the fact that illegal operators sell to under-age or intoxicated individuals, who in turn may be both careless and violent in their behaviour, causing harm to themselves and, even worse, to others.

And, needless to say, those who are behind the smuggling and illegal manufacture and sale of alcohol don't consider these risks either.

In fiscal 1993-94, the LCBO, the Liquor Licence Board of Ontario and law enforcement agencies here and in the U.S. stepped up the battle against illicit alcohol. In 1992, the LCBO's Loss Prevention and Security Department had initiated the Illegal Alcohol Task Force, made up of enforcement officers from relevant federal and provincial bodies, including the RCMP, OPP, Canada Customs, municipal police forces and the LLBO. This group, meeting monthly to plan strategies and share information, began to develop a more encompassing and co-operative approach to the problems of finding and arresting criminals who trade in illegal alcohol.

ILLEGAL ALCOHOL HEATS UP

Since the Task Force has been in operation, illegal alcohol activities are being given a higher priority by enforcement agencies, the expertise of LCBO investigators and LLBO inspectors is being better utilized and more and more successful investigations are being carried out.

Increased co-operation between LCBO investigators and other enforcement agents has had a very positive effect, leading to significant crackdowns on black-market booze. A case in point was a carefully orchestrated and timed series of raids on 13 Metro food stores in the summer of 1993, the result of close collaboration between LCBO investigators and Metro Toronto Police. These raids netted some 4,200 bottles of illegal, potentially dangerous Chinese liquor with a street value of $63,000.

The confiscated liquor, with its bottles and packaging in such poor condition that contamination was almost certain, tested at between 24 to 60 per cent alcohol, some far above the strongest legal beverage alcohol sold in Ontario. The products were being sold openly in Asian food stores, exposing anyone who bought them to very serious health risks.

In the summer of 1993, the LCBO investigators were granted status as "Provincial Offence Officers for the purposes of offences under the *Liquor Licence Act*." Without that status they had sometimes not been privy to information obtained by other agencies; also, they could not lay charges themselves but had to go to police or other law enforcement officers to lay charges and obtain search warrants. This had often meant an unacceptable delay in making arrests. According to Harry Tughan, the LCBO's Director of Loss Prevention and Security, the investigators' new status has made it possible for them to be much more effective in their work. It has also encouraged information-sharing and joint enforcement operations with other agencies.

The Investigative Services Unit has escalated its efforts to track down smugglers, bootleggers and other illegal operators, and they have had some notable successes. But with limited resources there simply aren't enough investigators to cover a province the size of Ontario, so the majority of the arrests have been in the Metro Toronto area.

The period just before Christmas, 1993 was a particularly busy time, with ten major investigations resulting in arrests and confiscation of illegal beverage alcohol — mostly in or near Metro Toronto. Tughan is quick to point out that these were collaborative efforts. In some cases the LCBO investigators took the initiative and in some the lead was taken by an enforcement agency. Between November 4 and December 13, a total of 36,000 bottles of spirits were seized. At an average price of, say, $20 a bottle, the street value would be about $720,000. As well, during the same period, about 12,000 litres of illegal wine were seized, worth about $30,000 on the street.

The work continues, but the illegal alcohol also continues to flow. At the end of the fiscal year, the Loss Prevention and Security Department was gearing up to sponsor an international symposium in April 1994. An invited group of Canadian and U.S. officials — from the beverage alcohol industry, federal, provincial and municipal police forces, the legal community, Customs and other government departments — was scheduled to meet for two days to share information and develop new strategies for dealing with this serious problem that, directly or indirectly, affects all Ontario residents. All recognize that the need for a co-ordinated and comprehensive solution to the growing black market in alcohol has never been greater. ●

A toast to Ontario wines: success at home and abroad

THERE WAS A TIME — not too many years ago — when knowledgeable Ontario wine drinkers scorned the local product as just barely fit to drink. Part of that attitude reflected the old Canadian "anything made here can't be as good as the same thing made elsewhere" syndrome. But there was truth to the opinion that many Ontario wines were "foxy" — harsh on the palate and not appropriate for serving to discriminating guests accustomed to traditional European table wines.

Those days are gone for good. Ontario wines can and do compete with the best the world has to offer, and they come up with flying colours — including the coveted colours of gold, silver and bronze. Wines from Ontario are now recognized in the highest international circles as quality products, worthy of the respect and appreciation of serious oenophiles.

A few cases in point, all from the fiscal year 1993-94:

- At Vinitaly, the world's largest annual wine exhibition, held in Verona, Ontario wines won seven medals, including four golds, one of which was the Grand Gold awarded to Konzelmann Icewine. With 771 entries from 16 countries and only 51 medals awarded in total, the performance of Ontario wines was indeed impressive.
- Ontario winemakers walked away with another seven medals, including two golds, from the *International Wine Magazine* 1993 Challenge in London, England. This competition, with a staggering 6,600 entries, was judged by more than 80 of the world's best wine tasters, most of whom are professional wine buyers.
- At Vinexpo, held every two years in Bordeaux, France, Ontario wines last year took six medals, including a gold medal for the Château des Charmes Chardonnay. This time, the competition included nearly 4,000 wines from 26 countries, with the winners selected by some 1,200 judges.
- Ten Ontario icewines won gold at the Intervin International, North America's top wine competition, which is judged in both the U.S. and Canada over an 11-day period. With entries from 21 countries, Ontario placed third overall, winning 22 gold, 31 silver and 42 bronze medals.
- At the World Wine Championships in Chicago, organized by the Beverage Testing Institute, there were 2,632 entries from 19 countries. A total of 66 national champions and 22 world champions were named. Ontario VQA wines won three national championships and Colio Icewine won platinum as the "world champion luxury sweet wine" — this in competition with some of the world's most famous and honoured dessert wines, including the renowned Château d'Yquem.

With a record like this, it's clear that Ontario winemakers have truly joined the ranks of the world's finest producers. What's more, they are receiving honours at home as well as abroad.

In May 1993, Premier Bob Rae hosted a reception at the Royal Ontario Museum to salute the "World-Winning Wines of Ontario." He applauded the wineries for their success and for having the courage to change when revisions to international trade agreements created a more competitive environment for the industry.

"We've seen a lot of industries go through change, but none as dramatic as the Ontario wine industry," said the Premier. "I think it's a prime example of what can be achieved when we work together as a team." He added that Ontario's wineries had set an example for other Canadian businesses by persevering in tough economic times and maintaining quality as a benchmark of success.

Since the late 1980s especially, Ontario winemakers and their trade association, the Wine Council of Ontario, have been working to improve their image both at home and abroad and to tell the story of the high quality and excellent value to be found in their products. This campaign has involved a solid partnership between the Ontario grape growers (who have almost completely abandoned the unlamented Labrusca grapes for the classic Vinifera and hybrid stocks from Europe), the winemakers and the government — including the LCBO, which has been enthusiastically supporting the wines of Ontario in periodic marketing promotions.

Another significant factor in the development of Ontario wines was the establishment in 1988 of the Vintners Quality Alliance. The designation VQA indicates that a wine has met very stringent standards for quality, much as the famous *Appellation d'origine contrôlée* designation signals the best in French wines. The category of VQA wines is growing and becoming increasingly recognized by discriminating consumers.

Perhaps the most important measure of success of Ontario wines is their enthusiastic acceptance by consumers. Ontario table wines have now established a solid 40 per cent market share in their home province, taking into account sales in both LCBO and Ontario Winery Stores. And, of course, the LCBO stores offer many choices from many countries, making the Ontario wines' market share all the more impressive.

The Wine Council of Ontario and its member wineries are now aggressively working to develop export markets for their products. Within the next few years, markets in the U.S. and the U.K. especially are expected to be receptive to Ontario wines. Their impressive success at home and in international competitions will help open the doors. ●

Fulfilling our social responsibil

VIRTUALLY every LCBO policy decision, every directive to Retail staff, the design of every marketing and merchandising program — in fact, just about everything the organization does — is shaped at least in part by its social responsibility mandate. With a product line that can be misused and cause harm to individuals and society, the LCBO has a special obligation, one that it takes very seriously.

Both alone and with partners, the LCBO is continually engaged in a variety of campaigns to focus attention on the responsible use of alcohol.

A central strategy is to refuse service to those who are under the age of majority (19) or already intoxicated, or who appear likely to give or sell alcohol to minors or inebriated individuals. Through the "Challenge and Refusal" program, LCBO front-line staff challenge thousands of people each year and refuse service to a sizable proportion of them. In 1993-94, more than 210,000 were challenged and over 50,000 were refused service — about 13,500 because they were intoxicated and the rest because they appeared to be under age and could not prove otherwise.

The BYID program — Bring Your Identification/Avez-vous l'Âge? — is a campaign designed to call attention to the LCBO's mandate to sell its products only to responsible, of-age customers. Begun in the summer of 1992, the heightened focus on checking identification was expanded in scope and timeframe in 1993. It now covers the four major holiday weekends of the summer: Victoria Day, Canada Day, Civic Holiday and Labour Day, and in some parts of the province it is used throughout the year. During the campaign, store staff wear large buttons bearing the BYID logo, opening opportunities for them to talk with customers about the responsible use of alcohol. As always, any customer who is of questionable age must provide identification before making a purchase. And with the proliferation of fake ID, the only acceptable identification is an Ontario photo ID card issued by the LLBO, a valid driver's licence with picture, a passport, or a Canadian citizenship or military card.

Also in the summer of 1993, the LCBO supported the Ontario Community Council on Impaired Driving (OCCID) in its Arrive Alive/S & Sober Summer campaign. The campaign's messages were printed one-bottle bags used throughout the store network. The messages includ five key rules to help customers pro themselves and their guests when entertaining during the summer: de nate a driver, take a cab, call home, be a responsible host and plan ahea

The BYID and Safe & Sober Sumn campaigns complemented the mes the LCBO puts on all its bags: the "I drink, don't drive" logo. The two su mer campaigns reinforced each oth and presented a strong, consistent theme. What's more, they helped fo attention on the risks of irresponsib use of alcohol. This is especially imp tant as public awareness is consider more effective than law enforcemen reducing alcohol-related accidents.

Another major co-operative effor is the annual Project Red Ribbon in December, when LCBO stores supp the message of Mothers Against Dr Driving. Red ribbons, to be tied to t antennae of customers' cars, are av able at LCBO checkout counters. Th ribbons signal the drivers' commitm to refrain from driving after drinkin Also during the month, posters and donation boxes in all LCBO stores h promote the work of MADD. In 199 added focus was a huge red ribbon was tied around the smoke stack a LCBO's Queens Quay store in down town Toronto. This operation resul in a full-colour picture on the front page of *The Toronto Star*, bringing t message of socially responsible dri to hundreds of thousands of reader

In the summer of 1993 the LCB entered into discussions with beve alcohol manufacturers about mutu beneficial social responsibility initi tives. The organization's goal is co ative efforts with its trade partner such projects as joint publications, advertising posters and promotion that reinforce the principles of soc responsible use of alcohol.

ty mandate

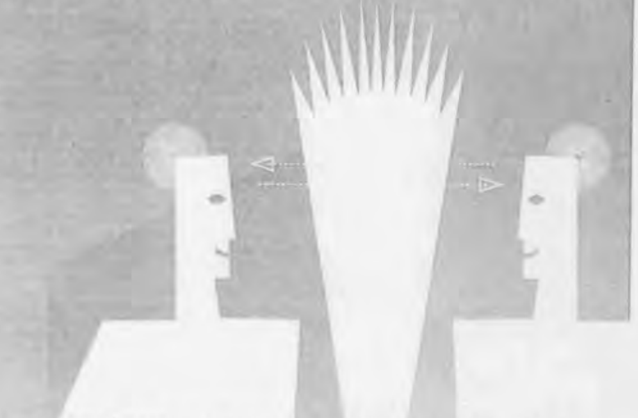
The LCBO is also active in the Social Responsibility Committee of the Canadian Association of Liquor Jurisdictions, which aims to develop strategies and present a strong national voice for social responsibility. The committee has been chaired by LCBO Chair and CEO Andrew S. Brandt, and this task has now been turned over to Rowland Dunning, the LCBO's Executive Director of Corporate Services.

In addition to these initiatives directly geared to promoting the socially responsible use of alcohol, the LCBO supports a variety of other good causes. Donation boxes are a familiar sight in all stores, and the money collected from them goes to two different charities each month. The small change adds up: the boxes receive an estimated $300,000 a year. Various other fund-raising campaigns are supported by LCBO stores, some for province-wide projects and others for purely local initiatives.

LCBO employees are just as generous as their customers, with United Way campaigns a specialty. In 1993, LCBO donations to the United Way reached $93,000, 102 per cent of their target. This accomplishment was the result of a wide variety of innovative activities that offered employees opportunities for fun as well as the knowledge that they were participating in something worthwhile.

The LCBO's social responsibility mandate is more than an obligation; in its many forms it is a source of satisfaction and pride to the organization and all its employees.

LCBO and trade partners "take on tomorrow"



ONE THING IS CLEAR in the difficult economic climate of the nineties: no one — and no company — can do it alone. Any enterprise that wants to succeed has to work hard at its relationships with business associates. *Communication* and *co-operation* are two often-heard words in the constant effort to improve prospects. Working in harmony with suppliers and sales and service people is the prescription for this decade. This applies to the LCBO and the beverage alcohol industry as much as to any other customer-focused business.

With this awareness, the LCBO launched its first-ever Trade Day in July 1993. This was an occasion for LCBO managers and representatives of the beer, wine and distilling industries to spend a day reflecting on their common challenges and sharing their different perspectives. It was an opportunity for them to develop creative approaches that could improve productivity on both sides.

Sponsored jointly by the LCBO's Merchandising and Retail Divisions, Trade Day — with the theme *Taking on Tomorrow* — drew 142 industry representatives and LCBO managers to Toronto's Prince Hotel for frank discussions and sharing of information. With nine workshop topics covered in three time periods, participants could choose to attend the workshops most relevant to them. Three of the topics had been suggested by the trade, and several workshops were jointly presented by LCBO and trade facilitators. Each presentation led to breakout sessions in which small groups discussed their topic more informally.

LCBO Chair and CEO Andrew S. Brandt addressed the Trade Day participants, declaring that the outdated, monopolistic mindset had been exorcised from the LCBO and replaced by an aggressive, dynamic, competitive, customer-focused retail organization. He stressed the necessity of being constantly open to change, saying, "Neither the trade nor the Board can get too far in front of or too far behind the marketplace. We have to work together or we'll pay the price.

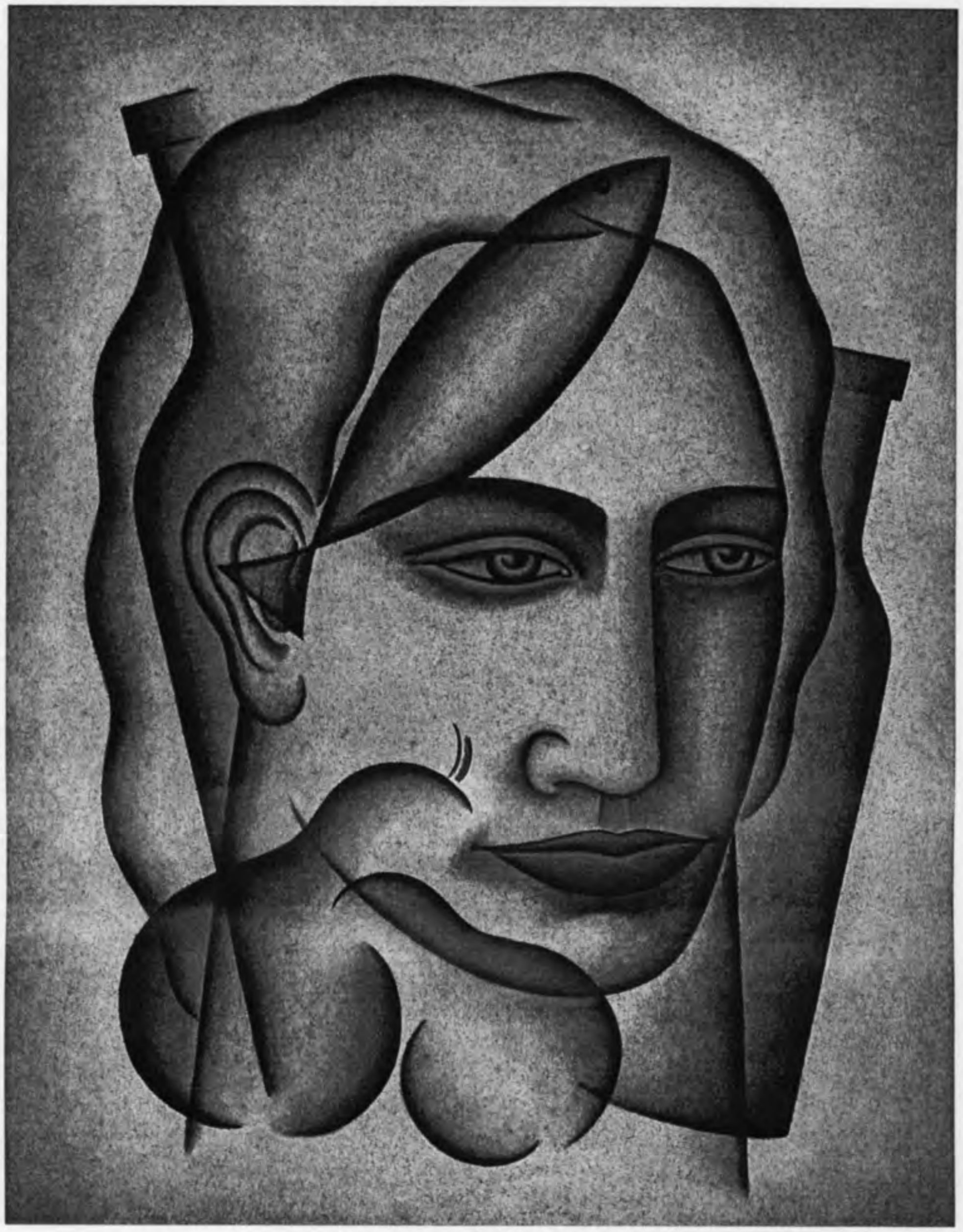
"With all the new competitive variables — both legal and illegal — in the $5.4-billion Ontario beverage alcohol industry, it's catastrophic to be wedded to the status quo," he added. "The LCBO and its partners in the trade must jointly develop new programs and services that satisfy consumers' needs."

In his address, Executive Vice President Larry Gee focused on marketplace variables. He noted the initiatives the LCBO had taken in its efforts to counterbalance factors that have been cutting into revenues in recent years. He observed that, following the excesses of the 1980s, the whole retail industry of the 1990s is in fragile shape, and this has had a sobering effect on the beverage alcohol industry. To cope with declining sales, the LCBO is constantly seeking ways to strengthen its present position and exploring ways to fulfil its revenue-generating responsibilities. One way of doing this is by better serving such groups as female and ethnic consumers. "If we don't keep up with things and make dust," said Gee, "we'll end up eating dust."

The LCBO works closely with all the trade associations in the beverage alcohol industry, as well as many large and small suppliers. But Trade Day was a rare opportunity to benefit from collective input and discussion of issues that are important to both the suppliers and the LCBO. A number of recommendations came out of the workshops, and the LCBO committed itself to reviewing each one and taking action on those that stood up under scrutiny and appeared to be workable. The anticipated results were joint LCBO/industry initiatives and changes to LCBO business procedures.

Before Trade Day 1993 was over, it was clear that it filled a definite need and was useful to both the LCBO and the trade. One senior executive of a wine company said, "This was a great opening step. For years we've been at opposite ends of the scale, but now we've got the opportunity to work in an alliance that will be mutually beneficial to both suppliers and the Board."

Feedback from participants generally gave the day high marks. Plans were soon under way for a second Trade Day in the summer of 1994, with a somewhat different format and a broader mix of participants — including some LCBO store managers. These changes were made to address the comments from both trade and LCBO attendees. It appears that Trade Day is on its way to becoming a fixture on the LCBO and industry calendar.



expert advice

for LCBO customers

What's a product consultant? A product consultant is someone who knows a lot about the wide range of products carried by the LCBO, who can help consumers make informed choices, who can "demystify" the sometimes intimidating array of wines, spirits and beers sold in LCBO stores.

Product consultants can recommend interesting buys to those who are looking for something new and different. They can suggest the right combination of products (and mixes) to buy to stock a bar for a reception or party, matching tastes with budgets. They can guide a customer in choosing the best wines for a wedding or anniversary. They can point out suitable wines to go with a particular entrée, or appropriate liqueurs to serve at the end of a banquet. They can help a restaurateur develop a balanced wine list to complement a new menu and also train the wait staff in recommending and serving wines.

In short, they are highly trained staff members specifically charged with helping customers make the most of the vast array of products and services available in LCBO stores.

Until recently, the LCBO's product consultants were called wine consultants. The new name more accurately reflects the range of expertise they offer. They have always been able to advise customers about product categories other than wine — although in most stores they get more questions about wine than anything else. But the new title should encourage both customers and other staff to take full advantage of their knowledge.

All LCBO Retail staff are well informed about the products on store shelves and can answer customers' questions. But the consultants have reached a very high level of knowledge about everything sold by the LCBO — the history and background of different products, how they are made, how they can be used, how much will be needed to serve a certain number of people, what foods they can be matched with, how they can be incorporated into recipes, and so on.

There's a growing public interest in learning more about wines and other beverage alcohol products. People are eager to experiment, and they want information about the beverages they are considering buying. The product consultants have the skills and knowledge to fully address the needs of today's sophisticated customers.

But product consultants do more than advise and serve customers. They're active in quality control; they conduct product evaluations and testing — for example, grading products for VQA designation, serving on Vintages listings submission panels, evaluating products for inclusion on the LCBO's General List. Every new product sold by the LCBO must go through taste testing and lab analysis, and the trained palates of the product consultants help ensure that what the customers find on LCBO shelves will meet the highest standards in taste and quality.

The product consultant team has been a major resource in developing the Product Knowledge Correspondence Course used throughout the LCBO to help other store staff members become more skilled in assisting customers with their product choices. Recently, more and more consultants have been receiving requests to speak or lead tastings with groups in their communities, and this provides them with another kind of opportunity to inform customers about the finer points of the products sold by the LCBO.

In 1993-94 there were 45 product consultants in the province, with more likely to be added to the team in the near future. Most are based in high-traffic stores in Toronto and other large urban centres, but some are located in stores at border points, in tourist areas and bedroom communities. Anywhere there's a substantial base of customers interested in expanding their knowledge of beverage alcohol is a good place for a consultant.

Most product consultants have come up from within the organization, learning about the products and LCBO operations as store clerks. As well as having extensive product knowledge, consultants as a group are enthusiastic and energetic, with outgoing personalities and good interpersonal skills. They must be comfortable and at ease meeting a wide variety of people.

Product consultants often build long-term relationships with their customers, who come to rely on them for guidance in making the best selections of products. The advice of a product consultant can make or break an event or special occasion. Especially with wines, there are so many different products on the LCBO shelves that customers who want to experiment need someone to share their enthusiasm and interest.

There was a time when the consultants were seen as quite separate from the rest of LCBO store employees. They were engaged in research and writing, often dealing directly only with a small network of customers. But now they're integral parts of every store they're in, members of the store teams, leaders in customer service. And the numbers of customers and other staff who take advantage of their knowledge is growing all the time.

Although the product consultants are still an under-utilized resource, that is changing. They now visit stores that don't have their own resident consultant and give staff advice about products and catering to customers. They are also a resource for managers, helping them match their product portfolios to the tastes of their particular community.

Product consultants are always upgrading their qualifications, taking a variety of outside courses that enhance their expertise. Several have completed the Certificate and Higher Certificate awarded by the Independent Wine Education Guild, a British organization offering the highest level of education in the field.

The product consultants are gearing up for a shift in the focus of the questions they are asked. Wine remains the greatest source of consumer interest, but there are signs of an upswing in interest in other categories. The LCBO is working to increase the information available about premium beers, liqueurs and spirits, and the product consultant are ready with the answers to all the customers' questions. ●

Infoline:

The LCBO's answer people

ABOUT 72,000 TIMES EVERY YEAR — an average of 6,000 times a month — a phone rings in a small room on the 17th floor of One Yonge Street in Toronto. One of the LCBO's four Infoline officers picks it up and listens to the caller's question. Usually the officer can answer it on the spot, but sometimes it takes a little while to track down the needed information.

If the call to 1-800-ONT-LCBO (in Toronto, 365-5900) comes in during the team's off hours — evenings, Sundays and holidays — it's answered by an automated line. This line, which can be accessed from any touch-tone phone, offers a walk-through menu that can answer some of the most common questions. It can give callers basic information on store locations and hours, products and services such as home delivery, and about some of the services of the Liquor Licence Board of Ontario.

The Infoline officers pride themselves on their ability to come up with the answers to a seemingly endless variety of questions. There's a steep learning curve when they begin their jobs, but most have had some kind of relevant experience before joining the Infoline team. The majority of the calls they receive are in two or three fields, and about 30 to 35 per cent are about LLBO matters.

Many calls deal with LCBO products and services, with questions about product availability being the most common. If a customer, or an agent, or a staff member of a store is trying to locate a particular product, the Infoline officers can refer to a database and tell the caller the closest stores that have that particular product in stock, and even how many bottles they had on hand within the previous week.

A caller may ask questions about what wine to serve with a particular meal, the location and hours of the nearest store, obtaining a product by transferring from one store to another, the LCBO returns and exchange policy, or any one of a number of less common and therefore more challenging questions.

Other calls are about distribution matters; agents and licensees are frequent users of the service in this category. Customers may have questions about Specialty Services and Private Ordering

In LLBO-related calls, people want answers to questions about Special Occasion Permits, inspection issues, photo ID cards, the Server Intervention Program, and regulations and legal requirements about advertising and promotion.

The catch-all "other" category of calls includes such topics as mark-ups, phone and fax numbers and addresses of stores or Head Office departments, customs and duty-free services, private delivery services, cheque-cashing cards, and LCBO policies and procedures.

The bilingual Infoline service was established in 1988 and has been growing ever since. Although calls requiring response in French account for only a very small percentage of the total, there is a bilingual Infoline officer on hand at all times. A TDD component has been added to the Infoline, so it is now accessible to hearing-impaired customers.

Infoline officers receive intensive training in product knowledge. They attend tastings to increase their familiarity with products so they can advise callers on the characteristics of different wines, or make recommendations about beverages to serve on different occasions. A probable future addition to the Infoline is a database of the tasting notes staff have made on different wines, so Infoline officers can supply better information on those they haven't personally tasted. Wine questions account for about 15 per cent of calls on Infoline, but that percentage is on the increase.

The Infoline officers enjoy their specialized work and focus their interest and enthusiasm on every call. They need a lot of knowledge to do their jobs well, and if they don't have the answer to a particular question, they've got to know where to get it. The amount of knowledge they have sometimes surprises people, and they take pride in the fact that they're rarely stumped on a question about the LCBO. ●

Getting lis

Product Management Director Anne Hartley, Vice President of Merchandising Dave Wilcox and Executive Vice President Larry Gee (standing) following a meeting of the Product Management Committee.

OBTAINING A GENERAL LISTING with th Liquor Control Board of Ontario is one of the best things that can happen to a producer or supplier of beverage alcohol. The LCBO purchases more beer, wine and spirits than any other single beverage alcohol retailer in the world, so it's not surprising that there are always applications from suppliers for additions to the General List of some 2,400 products. When Vintages and special-purchase orders are included, at any one time the LCBO offers in the neighbourhood of 4,000 different iten from about 70 different countries.

There is a careful and detailed process for deciding on the products accepted for sale in LCBO stores — a process that has been changed and streamlined within the last few years. The Product Management Committee is responsible for determining what goes on the list, but a great deal of preliminary screening work is done by category management teams, one eacl for spirits, wines and "special markets which includes beers, coolers and other products.

The three category managers recei the listing applications and they and their teams evaluate them according a point system. The criteria include:

- the current popularity of the product's category — if sales for that kinc of item are in decline, it usually woulc make sense to add new products — although sometimes the "right" new product can help revitalize a categor
- the price point of the product in relation to similar products;
- the sales of the product in other markets or, for a new product, the sa performance of other products from the same supplier, and the level of promotional and in-store merchandi support proposed by the applicant.

If the product meets these criteria racks up enough points, the supplier invited to provide samples for a tast test by a panel of the LCBO's produc experts. Each product goes through process of blind tasting, under ideal conditions — which means in a

ted:

how products make the grade with the LCBO

white-painted room with relaxed, quiet atmosphere and lighting that shows off the colour of the wine to best advantage.

About 70 per cent of the applications submitted are for wines. In the current flat market for spirits, the area with the most opportunity for growth is the liqueur segment. With the changes in beer marketing in Ontario in the past year — foreign as well as domestic beers are now sold in the Brewers Retail system — the LCBO is aggressively seeking applications for new and interesting specialty beers, both domestic and foreign.

Some products are weeded out before formal applications are made, if the category management team doesn't feel they are viable in the market, or if the LCBO is already over-listed in a particular category. However, if the new product seems likely to be a fit with the current listings, the supplier is asked to submit a formal application.

Sometimes products are bought on a special-purchase basis — that is, the LCBO buys a certain amount of a product, with no commitment to reorder. It's up to the supplier to promote the product with store managers, staff and licensees, and to provide display support and other promotional efforts. This way, there's no financial risk to the LCBO and the supplier has an opportunity to establish a proving ground for the product. If it moves well as a special purchase, it may be recommended to the Product Management Committee for consideration as a General List product or perhaps as a special "niche" product — one that is unlikely to have enough sales volume to make a quota but that has special interest for a relatively small number of customers, usually on an ethnic basis.

The Product Management Committee, chaired by Dave Wilcox, Vice President of Merchandising, is made up of senior LCBO executives who offer their experience and expertise from very different perspectives. Occasionally a product will be turned down because a member of the committee has special knowledge or a perspective that wasn't available to the category manager. But this happens rarely, because the category management teams do their homework and make their recommendations only after extensive analysis.

When a product has been provisionally approved by the committee or selected for a special-purchase trial, it then undergoes a detailed chemical analysis in the LCBO's own laboratory. More than 20 different tests for contaminants are conducted and only after getting approval from the lab can the product be put on the shelves of LCBO stores.

A Review Committee, headed by Board Chair Andrew S. Brandt, receives appeals from suppliers whose products have been turned down by the Product Management Committee or were delisted in the category managers' regular review process. Again, decision reversals are rare but they can happen if new information is presented.

When a product is listed, it is given a sales quota (unless it is designated a "niche" product) and placed in a predetermined number of stores, which can vary from very few up to hundreds. Generally, the higher the retail price of the product, the smaller the sales target. A fine, expensive cognac, for example, will have a much smaller sales quota and will usually be placed in fewer stores than, say, a low-priced table wine or a popular spirit with high sales volume.

A product that sells less than its quota is subject to review every two months; its sales are measured against those for the preceding year. Suppliers are given ample time to promote a product with low sales before it is delisted, to make the process as fair as possible.

But, ultimately, it is the customers who decide by their purchasing patterns whether a product deserves a place on the shelves of LCBO stores. ●

Marketing survey

reveals buying habits of LCBO customers

THERE'S NO SUCH THING as a typical LCBO customer. That was made perfectly clear in a telephone survey carried out for the LCBO by Canada Market Research Ltd. in the spring of 1993. Data from 1,500 households were compiled into a 100-page report, five books of more detailed information and a series of computer diskettes.

The survey allowed the LCBO Marketing Research team to segment customers according to demographic data and types of products. What stands out are the differences between purchasing and consuming patterns among different groups and in different regions of the province.

This information is being used in a number of ways to help the LCBO better serve its customers. For example, it gives the Retail and Merchandising Divisions an opportunity to take into account the preferences — products and sizes most frequently chosen, shopping habits, favoured shopping hours, information needs — of its various customers.

A wealth of information came out of the survey. Some of the findings are not surprising, merely confirming what many have thought or even known, but the survey adds solid evidence to the picture. And some of the findings are a little surprising. Here is a sampling of the interesting facts that came out of the research.

- In buying wine, customers of French origin are most interested in food matches, Italian-Canadians in recipes and food matches and those of Eastern European origin in taste characteristics and awards won by the product.
- Men shop at the LCBO more frequently than women do; the most frequent customers are males in Metro Toronto and eastern Ontario.
- Women are more likely to buy wine than beer or spirits, and they are twice as likely as men to shop at Ontario Winery Stores — because these stores are often located near grocery stores, and buying wine is seen as an extension of grocery shopping.
- Women of all ages are interested in product and other kinds of information.
- Customers in the north and west of the province are more likely to drink spirits, while those in Metro Toronto and the eastern part of Ontario are more wine-oriented.
- People in the north were less likely than those in other areas of the province to give gifts of beverage alcohol. Of all those who do give gifts of liquor, most give them at Christmas or for birthdays and housewarmings, rather than for occasions such as Mother's Day or Father's Day.
- Fourteen per cent of respondents admitted bringing illegal alcohol into the province: there are likely many more who have done so but did not admit it in the survey. Admission of smuggling rose to 19 per cent in Metro Toronto, and to 23 per cent among 19- to 23-year-olds.
- Of all wine purchased, respondents reported buying 65 per cent white, 25 per cent red, 7 per cent sparkling and 3 per cent rosé.
- White wine purchases were split almost evenly between imported (52 percent) and domestic (48 per cent), but 66 per cent of red wines purchased were imported as were 57 per cent of rosé buys.
- Of those buying spirits, 35 per cent chose rye most often, followed by rum (22 per cent), vodka (18 per cent), Scotch (13 per cent), gin (6 per cent), with all other spirits accounting for 6 per cent.
- One-third (35 per cent) of respondents said their LCBO store had become a little or a lot more appealing in the previous two years.
- Awareness of Vintages was up significantly since the last similar survey in 1989.
- By far the greatest amount of wine purchases (89 per cent) were made at LCBO stores; 8 per cent of women compared with 4 per cent of men sometimes shop at Ontario Winery Stores.
- Frequency of purchase at the LCBO has declined since 1989. ●

THE ANNUAL DRAMA OF

Beaujolais Nouveau

IAN BRAND is a man obsessed with time, especially in the month of November. This intense focus on the clock comes from his responsibility, as the LCBO's Supervisor of Traffic, for getting the year's release of the delightful but short-lived Beaujolais Nouveau onto LCBO shelves throughout the province less than a week after it is released to foreign buyers by the French Ministry of Agriculture.

Back in the 1950s, the winemakers of the Beaujolais region in France began a friendly competition among themselves to see which house could be the first to get its new wine onto the dinner tables of Paris. That casual rivalry among the winemakers has escalated into an international public relations *tour de force*. The French, knowing a good thing when they see it, enhance the drama by setting not just a date but the precise moment when the new wine is released to a waiting world.

The international release date for Beaujolais Nouveau is always the third Thursday of November. The French Agricultural Division in Paris releases the product for shipment at 10:00 p.m., French time, on the previous Friday.

It is a matter of pride for the LCBO to have the wine available for sale at the opening of business on the day of public release. That means getting it across the Atlantic and through distribution channels to LCBO stores across the province in only five days.

In 1993, the wine was placed in 424 stores, up from about 120 stores just five years ago. It arrived at 422 of those stores by the close of business on the Wednesday; because the other two have Wednesday closings, their wine was delivered first thing Thursday.

Brand explains the process: "The wine for the LCBO is picked up at the selected winery in Beaujolais and trucked to Brussels, Belgium, in order to avoid the chaos at Orly or Charles de Gaulle Airports, where most of the international buyers load their wines. It usually takes about 18 hours to get the shipment to Brussels, to the chartered El Al 747 cargo plane that's waiting to receive it. The flight leaves Brussels for Toronto between 2:00 and 3:00 a.m. local time on Monday morning.

"El Al has proven to be consistently on time in its delivery, and has been able to offer the highest payload at the best rate. The Israelis are very security conscious, and before the wine is loaded onto the plane they go through a series of secret and detailed security procedures to ensure there's no hidden bomb that could explode in mid-air. It's just another piece of the drama of getting the Beaujolais Nouveau here on time."

The weather plays an important part in the race against the clock. If it is bad in Europe, over the Atlantic, or on this continent, that can mean a slowdown in the journey. And when the weather is poor — which can easily happen in late November — the payload has to be reduced, with some wine left behind to come the following day. But, barring unforeseen delays, the full cargo of Beaujolais arrives at Pearson International Airport around 10:00 EST on the Monday morning.

In 1993, the LCBO's order of Beaujolais Nouveau consisted of 4,750 cases, plus an additional 1,200 cases of premium Beaujolais-Villages and 500 cases of private stock (Georges Duboeuf) for licensees.

The LCBO's annual Beaujolais Nouveau order used to be much larger: ten years ago, it totalled 13,000 cases and required two planes to bring it into Ontario. "Beaujolais Nouveau is supposed to be a 'fun' wine," says Brand, "and it should be fairly inexpensive. But with the recent exchange rate of the franc and the rising freight costs, combined with the recession, the selling price is now a little steep for many people. We could sell more than we can ship on one plane, but not enough to justify chartering a second one."

When the wine is unloaded at Pearson, it is picked up and distributed to the various stores across the province. The store orders also include both the Ontario version of Beaujolais Nouveau, called Gamay Nouveau (280 cases in 1993), and the Italian version, Vino Novello (4,350 cases in 1993). The Italians aren't as focused as the French on the drama of exact timing of the release, so their wine is transported by ship a few weeks earlier.

Although the nouveau wines are not a major part of the LCBO's business, there is always media and public interest in the glamorous annual event. Customers for the nouveau wines tend to be mostly mid- to upper-income people with a keen interest in wines. But the excitement surrounding the arrival of the new vintage crop touches many people who have never bought a bottle of nouveau, giving them a sense of the romance of the fermented grape. ●

Looking out for Planet Earth

One important part of social responsibility is caring for the environment, and the LCBO has for a number of years been committed to doing its part to support the 3Rs of Reduce, Reuse and Recycle. With a small department devoted to developing and implementing environmentally sound initiatives, headed by Director of Environmental Management Julian Lewin, the organization has committed itself to making environmentally sound decisions as an integral part of doing business.

ENVIRONMENTAL ACTIVITIES AND INVOLVEMENTS IN FISCAL 1993-94 INCLUDED: Publication of a newsletter to promote environmental awareness and responsibility among LCBO employees. ● Sale through LCBO outlets of almost half a million cloth Enviro bags, one of the best $1 bargains around,  and the introduction of a new sturdy, reusable and environmentally safe four-bottle plastic bag, which had high acceptance among both staff and customers. ● Celebration of Earth Day at Head Office, with presentation of videos, demonstrations, displays and other activities to stress the message to "think globally and act locally." ● A number of tests and pilot projects for programs designed to reduce the amount of packaging and other waste going into landfill sites. Among these were improved systems of pickup and recycling of corrugated cardboard from LCBO stores, a system to collect bottles at selected LCBO stores, a recycling program for toner cartridges from laser printers and other office machines and the introduction of china plates and metal cutlery instead of disposable polystyrene and plastic in the Head Office cafeteria.  ● Participation in a municipal project in Unionville designed to divert 70 to 75 per cent of waste (instead of the  provincial target of 50 per cent) from landfill sites, through the use of an expanded and highly sophisticated Blue Box scheme. The LCBO's involvement included donations in kind, such as printing services, participation in committees and making information about the project available in its Unionville store. ● Corporate sponsorship of Waste Reduction Week in October, along with a number of other environmentally responsible organizations. In one initiative,  called *Reduce, Reuse and Replay*, Metro Toronto LCBO stores were depots for the collection of used sports equipment for donation to children's camps and clubs. ● Participation in the Conservation Council of Ontario's Toxic Challenge in Metro Toronto, designed to promote the use of non-toxic household products. LCBO stores distributed a brochure containing recipes for alternatives to toxic products, and a newspaper called *Green Living*. ● Participation in a joint committee with the Ontario Liquor Boards Employees' Union, to identify opportunities for further waste reduction and environmental responsibility. ● Participation in joint  projects with other organizations, such as Environment Canada's Environmental Choice Program and the Composting Council of Canada, to find ways to reduce packaging and other wastes and divert materials from the waste stream. ● Investigation of safe methods for disposal of seized contraband alcohol, including containers and cartons as well as the liquid itself. ● Commitment to purchasing practices that encourage suppliers to reduce waste packaging. Because of the LCBO's massive purchasing power, this initiative has far-reaching consequences in other jurisdictions as well. ● Active membership in environmental committees, such as the Recycling Council of Ontario's Industrial, Commercial and Institutional Committee, the Retail Council of Canada's Environmental Issues Committee and the Canadian Environmental Auditing Association. 

Key Operational and Financial Statistics

The following table lists three of the most important variables related to the operations of the LCBO: number of stores, of permanent employees and of regular products listed.

OPERATIONS

	1990	1991	1992	1993	1994
Number of LCBO Stores	623	621	618	611	600
Number of Permanent Employees	3,484	3,305	3,233	3,100	2,743
Number of Regular Products Listed	2,825	2,570	2,391	2,302	2,336

KEY INDICATORS: 1990-1994

The critical financial variables of net sales, total operating expenses and net income are given in the following table.

FINANCIALS *(values in $000s)*

	1990	1991	1992	1993	1994
Sales and Other Income	2,006,975	1,936,710	1,833,386	1,786,479	1,764,731
% change/ previous year	3.97%	-3.50%	-5.34%	-2.56%	-1.22%
Operating Expenses	299,184	316,042	322,814	332,953	333,716
As a % of net sales	14.91%	16.32%	17.61%	18.64%	18.91%
Net Income	683,439	642,807	649,408	612,466	598,909
As a % of net sales	34.05%	33.19%	35.42%	34.28%	33.94%

Note: The LCBO refers to sales in three different ways: first, gross sales which include the Federal Goods and Services Tax and the Provincial Sales Tax; second, net sales which exclude the two sales taxes and any relevant discounts (e.g., the discounts provided to licensees by the LCBO); and third, net sales also excluding any sales through the LCBO Private Stock Program. The sales and other income line listed in this table consists of net sales plus any other income (e.g., interest on investments).

FINANCIAL INDICATORS: 1990-1994

Prior to this fiscal year, the LCBO had written off 100 per cent of capital expenditures in the year in which those monies were spent. The LCBO now follows new provincial government auditing guidelines by depreciating its capital spending. This change has resulted in the last two years' operating expenses and net income being reported at slightly different values than they would otherwise have been. Under the previous accounting policy these figures would have been stated as:

	1993	1994
Operating expenses	323,442	327,399
As a % of net sales	18.10%	18.55%
Net Income	614,223	605,226
As a % of net sales	34.38%	34.30%

Revenue Payments

The following tables show the breakdown of LCBO revenue payments for the last five years to the federal, provincial, and municipal governments. *(all values in $000s)*

TREASURER OF ONTARIO

	1990	1991	1992	1993	1994
Remitted by the Liquor Control Board: On account of profits	640,000	650,000	675,000	615,000	585,000
Remitted by the Liquor Control Board: Ontario retail sales tax on sales through liquor stores	197,661	191,127	182,298	178,797	173,497
Remitted by the Liquor Licence Board: On account of licence fees and permits	427,407	447,183	483,356	511,307	521,784
Remitted by others: Ontario retail sales tax on sales through Brewers Retail stores and Ontario Winery Retail Stores	154,852	157,485	154,181	148,742	149,894
Total	**1,419,920**	**1,445,795**	**1,494,835**	**1,453,846**	**1,430,175**

RECEIVER GENERAL FOR CANADA

	1990	1991	1992	1993	1994
Remitted by the Liquor Control Board: Excise taxes and Customs duties	265,224	258,384	257,408	237,316	225,518
Goods and Services Tax	0	13,267	58,538	61,215	59,137
Federal Sales Tax	146,894	112,941	91	0	0
Remitted by others: Excise taxes, GST and other duties/taxes	357,588	360,569	315,768	260,555	276,477
Total	**769,706**	**745,161**	**631,805**	**559,086**	**561,132**

ONTARIO MUNICIPALITIES

	1990	1991	1992	1993	1994
Remitted by the Liquor Control Board: Grants in lieu of realty and business taxes	5,592	4,728	5,224	6,262	6,218
Total Revenue Payments	**2,195,218**	**2,195,684**	**2,131,864**	**2,019,194**	**1,997,525**

REVENUE PAYMENTS: 1990-1994

Note: These amounts do not include corporation, realty and business taxes paid by the distilleries, wineries, breweries and licensees. Ontario retail sales tax collected by the licensees and agenc stores on sales of beverage alcohol is excluded from these figures.

Sales Volume

LCBO SALES

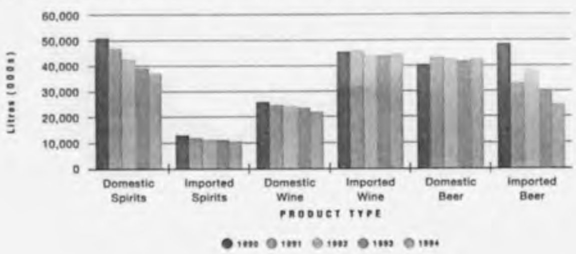
(000s litres)

Product Type	1990	1991	1992	1993	1994
Domestic Spirits	43,104	39,874	36,713	33,688	31,924
Domestic Spirit Coolers	7,935	7,459	6,943	5,436	5,656
Imported Spirits	12,827	12,367	11,733	11,441	11,375
Total Spirits	**63,866**	**59,700**	**55,389**	**50,565**	**48,955**
Domestic Wine	22,699	22,170	22,370	22,023	20,969
Domestic Wine Coolers	3,303	2,626	2,341	1,629	1,255
Imported Wine	45,476	45,814	44,017	43,966	44,951
Total Wine	**71,478**	**70,610**	**68,728**	**67,618**	**67,175**
Domestic Beer	40,201	43,203	43,145	41,697	43,006
Domestic Beer Coolers	41	39	31	43	36
Imported Beer	48,358	33,382	38,400	30,224	24,966
Total Beer	**88,600**	**76,624**	**81,576**	**71,964**	**68,008**
Total Domestic	**117,283**	**115,371**	**111,543**	**104,516**	**102,846**
Total Imported	**106,661**	**91,563**	**94,150**	**85,631**	**81,292**
TOTAL	**223,944**	**206,934**	**205,693**	**190,147**	**184,138**

(000s litres)

Product Type	1990	1991	1992	1993	1994
Sales by Ontario Winery Stores	8,573	8,556	9,480	9,799	9,999
Sales by Brewers Retail & On-site Stores	741,224	736,680	710,118	670,018	665,277

LCBO SALES VOLUME BY PRODUCT TYPE: 1990-1994



Sales Value

LCBO SALES

($000s)

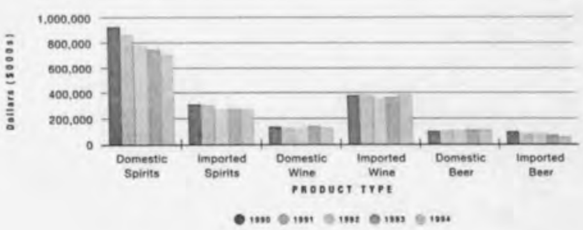
Product Type	1990	1991	1992	1993	1994
Domestic Spirits	901,945	838,892	763,875	730,965	698,695
Domestic Spirit Coolers	35,417	32,673	29,313	25,073	26,709
Imported Spirits	312,966	305,523	283,148	286,124	285,478
Total Spirits	**1,250,328**	**1,177,088**	**1,076,336**	**1,042,162**	**1,010,882**
Domestic Wine	138,821	134,506	136,619	145,536	143,270
Domestic Wine Coolers	11,259	8,665	8,260	6,056	4,663
Imported Wine	385,041	396,053	372,925	379,358	390,427
Total Wine	**535,121**	**539,224**	**517,804**	**530,950**	**538,360**
Domestic Beer	102,520	114,362	119,221	119,856	123,599
Domestic Beer Coolers	132	121	98	135	116
Imported Beer	106,145	90,882	96,959	86,893	73,641
Total Beer	**208,797**	**205,365**	**216,278**	**206,884**	**197,356**
Total Domestic	**1,190,094**	**1,129,219**	**1,057,386**	**1,027,621**	**997,052**
Total Imported	**804,152**	**792,458**	**753,032**	**752,375**	**749,546**
TOTAL	**1,994,246**	**1,921,677**	**1,810,418**	**1,779,996**	**1,746,598**

($000s)

Product Type	1990	1991	1992	1993	1994
Sales by Ontario Winery Stores	49,701	51,095	55,814	63,107	68,317
Sales by Brewers Retail	1,711,028	1,727,065	1,785,851	1,779,453	1,754,761

Note: Sales values listed above for the LCBO and Ontario Winery Stores consist of net sales.
Sales values for Brewers Retail consist of net sales plus GST.
Sales values for On-site stores are not reported by the brewers.

LCBO SALES VALUE BY PRODUCT TYPE: 1990-1994



Product Listings

DOMESTIC	1990	1991	1992	1993	1994
Canadian Whisky	183	150	136	126	125
Canadian Blended Rums	103	91	92	90	90
Canadian Gin	38	33	34	30	26
Canadian Vodka	75	64	59	57	52
Canadian Brandy	6	4	4	4	4
Canadian Blended Brandy	10	12	12	12	12
Canadian Spirit Coolers	28	24	19	21	21
Fruit Spirits	6	6	6	6	4
Miscellaneous Liquors	19	6	15	13	11
Canadian Liqueurs	94	92	81	92	87
Ontario Wines	562	525	478	409	400
Ontario Wine Coolers	21	21	19	15	15
Other Canadian Wines	7	10	11	11	10
Canadian Cider	5	6	6	4	6
Canadian Beer (incl. Beer Coolers)	248	214	215	252	289
Alcohol	6	6	6	6	6
Miniatures	14	9	9	9	9
Bitters	4	3	3	3	3

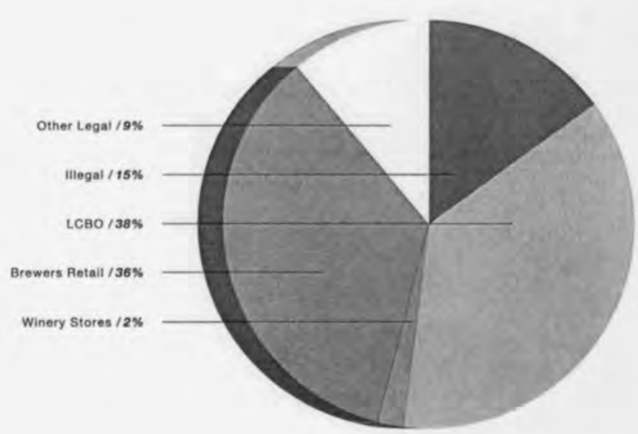
IMPORTED	1990	1991	1992	1993	1994
Scotch Whisky	96	95	75	66	68
Irish Whiskey	10	4	3	3	3
American Whiskey	10	8	6	5	5
Gin	14	14	12	12	15
Rum	13	17	13	12	13
Vodka	24	23	20	20	20
Tequila	7	6	7	7	6
Brandy	91	83	55	55	55
Fruit Spirits	4	3	1	2	2
Miscellaneous Liquors	40	36	30	2	13
Liqueurs	76	70	49	60	59
Wines	922	836	833	804	806
Cider	1	1	0	0	0
Beer and Sake	55	72	61	71	81
Miniatures	12	17	11	11	11
Coolers	0	0	0	0	3
Bitters	21	9	10	12	6
Total Regular Listings	2,825	2,570	2,391	2,302	2,336
Vintages Wines and Spirits	1,152	700	1,506	1,287	1,223
Duty-Free Listings	111	107	154	175	170
Total Product Listings	4,088	3,377	4,051	3,764	3,729

Sales Channel Summary

LCBO	1992	1993	1994
Retail Sales	1,817,531	1,785,539	1,731,071
Licensee Sales	277,981	271,684	276,306
Agency Sales	15,685	15,863	15,824
Duty-Free/Warehouse	10,234	10,409	12,137
Duty-Free/LCBO	8,536	9,120	8,979
BRI Sales	0	851	7,866
Other Sales	2,982	2,710	2,808
Total	**2,132,949**	**2,096,176**	**2,054,991**
BREWERS RETAIL			
Retail and Licensee Sales	1,946,646	1,937,255	1,910,584
WINERY STORES			
Retail Sales	66,419	75,097	81,297
OTHER CHANNELS			
Legal:			
Cross-Border Exempt	250,250	235,210	171,703
Cross-Border Declared	6,000	3,064	2,346
Brew Pubs	1,719	1,951	2,570
Wine Pubs	128	276	422
U-Brew-Beer	135,334	137,859	141,305
U-Brew-Wine	n/a	32,762	34,400
Total	**393,431**	**411,122**	**352,746**
Homemade:			
Wine	92,250	99,782	101,279
Beer	14,799	13,786	10,704
Total	**107,049**	**113,568**	**111,983**
De-alcoholized Beer	9,965	14,216	15,069
Illegal:			
Smuggling	450,000	454,311	470,311
Wine Manufacturing	276,750	299,568	302,564
Total	**726,750**	**753,879**	**772,875**
GRAND TOTAL	**5,383,209**	**5,401,313**	**5,299,545**

Note: All figures above are shown in gross sales.
The figures included in the Other Channels category are estimates.

VALUE BY SALES CHANNEL



Retail Price Breakdowns

SPIRITS

(Examples as at March 31, 1994, for 750 mL bottle in Canadian dollars)

	Imported U.S.	Imported Non-U.S.	Domestic
Payment to Supplier	$3.45	$3.45	$3.45
Federal Excise Tax	$3.3198	$3.3198	$3.3198
Federal Import Duty	n/a	$0.0230	n/a
Freight	$0.2775	$0.2058	$0.0258
Total Landed Cost	**$7.0473**	**$6.9986**	**$6.7956**
LCBO Mark-up	$10.2256	$10.1480	$9.3779
LCBO Bottle Levy	$0.2175	$0.2175	$0.2175
LCBO Environment Fee	$0.0893	$0.0893	$0.0893
LCBO Rounding Revenue	$0.0303	$0.0266	$0.0297
Basic Price	**$17.61**	**$17.48**	**$16.51**
Goods and Services Tax	$1.23	$1.22	$1.16
Provincial Retail Sales Tax	$2.11	$2.10	$1.98
Consumer Price	**$20.95**	**$20.80**	**$19.65**
Revenue Distribution			
Supplier (including freight)	$3.73	$3.66	$3.48
Government of Canada	$4.55	$4.56	$4.48
Government of Ontario	$12.67	$12.58	$11.69

WINES

(Examples as at March 31, 1994, for 750 mL bottle in Canadian dollars)

	Imported U.S.	Imported Non-U.S.	Domestic (100% Ontario)
Payment to Supplier	$2.1850	$2.1850	$2.1850
Federal Excise Tax	$0.3842	$0.3842	$0.3842
Federal Import Duty	$0.0128	$0.0330	n/a
Freight	$0.1669	$0.2038	n/a
Total Landed Cost	**$2.7489**	**$2.8060**	**$2.5692**
LCBO Mark-up	$1.6026	$1.9081	$0.9866
LCBO Wine Levy	$1.1250	$1.1250	$1.1250
LCBO Bottle Levy	$0.2175	$0.2175	$0.2175
LCBO Environment Fee	$0.0893	$0.0893	$0.0893
LCBO Rounding Revenue	$0.0067	$0.0341	$0.0124
Basic Price	**$5.79**	**$6.18**	**$5.00**
Goods and Services Tax	$0.41	$0.43	$0.35
Provincial Retail Sales Tax	$0.70	$0.74	$0.60
Consumer Price	**$6.90**	**$7.35**	**$5.95**
Revenue Distribution			
Supplier (including freight)	$2.35	$2.39	$2.19
Government of Canada	$0.81	$0.85	$0.73
Government of Ontario	$3.74	$4.11	$3.03

BEER

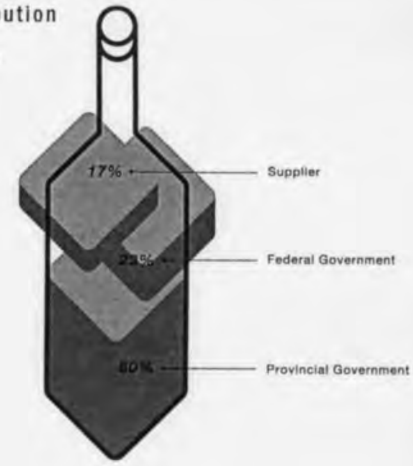
(Examples as at March 31, 1994, for case of 24 x 341 mL bottles in Canadian dollars)

	Imported U.S.	Imported Non-U.S.	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	$1.3422	$1.3422	n/a
LCBO Mark-up	$4.0920	$4.0920	$4.0920
LCBO Bottle Levy	$1.4404	$1.4404	$1.4404
LCBO Environment Fee	$0.0000	$0.0000	$0.0000
LCBO Rounding Revenue	$0.0356	$0.0355	$0.0078
Basic Price	**$21.64**	**$22.61**	**$20.17**
Goods and Services Tax	$1.51	$1.58	$1.41
Provincial Retail Sales Tax	$2.60	$2.71	$2.42
Container Deposit	$2.40	$2.40	$2.40
Consumer Price	**$28.15**	**$29.30**	**$26.40**
Revenue Distribution			
Supplier (including freight)	$7.48	$8.18	$7.38
Government of Canada	$3.80	$4.14	$3.70
Government of Ontario	$14.47	$14.58	$12.92
Container Deposit	$2.40	$2.40	$2.40

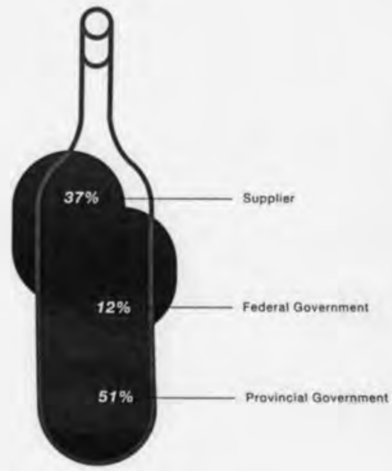
Note: COS refers to the LCBO's cost of service. The container deposit applies only to products which can be returned for a container refund.

Revenue Distribution

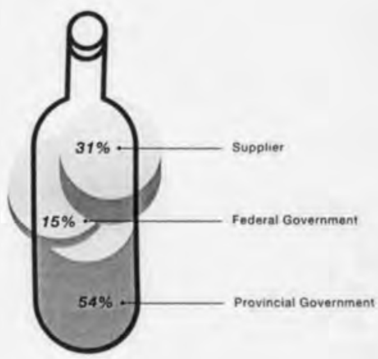
DOMESTIC SPIRITS



DOMESTIC WINE



DOMESTIC BEER



Average LCBO Retail Prices

(Dollars per litre)

Product Type	1990	1991	1992	1993	1994
Spirits	$19.58	$19.72	$19.43	$20.61	$20.65
Wine	$7.49	$7.64	$7.53	$7.85	$8.01
Beer	$2.36	$2.68	$2.65	$2.87	$2.90
Average Transaction Value Per Customer	n/a	n/a	n/a	$21.86	$22.00

AVERAGE RETAIL PRICES PER LITRE: 1990-1994

LCBO Sales Volume by Category

CATEGORY	1992	MARKET SHARE 1993	1994
Canadian Spirits			
Canadian Whisky	40.3%	41.1%	40.0%
Canadian Rum	17.2%	18.1%	18.0%
Canadian Vodka	14.3%	14.8%	15.1%
Spirit Coolers	15.9%	13.9%	15.1%
Canadian Dry Gin	4.1%	4.0%	3.9%
Other	8.1%	8.2%	7.8%
Imported Spirits			
Scotch	30.6%	30.5%	29.9%
Liqueur	17.1%	17.5%	17.1%
Miscellaneous Liquors	14.0%	14.4%	14.6%
Vodka	11.4%	11.1%	11.3%
French Brandy	9.6%	9.7%	9.8%
Other	17.2%	16.7%	17.2%
Canadian Wines			
White Table	57.1%	58.6%	59.6%
Red Table	9.5%	11.4%	12.6%
7% Sparkling	7.6%	7.3%	7.1%
Sherry	7.3%	7.2%	7.0%
Wine Coolers	9.5%	6.9%	5.7%
Other	9.0%	8.3%	8.1%
Imported Wines			
White Table	61.6%	58.5%	56.2%
Red Table	26.1%	29.0%	31.4%
Champagne	4.3%	4.1%	3.8%
Sherry	2.1%	2.2%	2.2%
Wine Coolers	n/a	n/a	n/a
Other	5.7%	6.1%	6.4%
Canadian Beer			
Ontario Beer	100.0%	97.4%	96.4%
Other Canadian Beer	0.0%	2.6%	3.6%
Imported Beer			
U.S. Beer	78.6%	63.9%	48.6%
Other Imported Beer	21.1%	35.6%	50.9%
Sake	0.4%	0.5%	0.6%

LCBO Sales Value by Category

CATEGORY	1992	MARKET SHARE 1993	1994
Canadian Spirits			
Canadian Whisky	46.7%	46.8%	46.0%
Canadian Rum	19.6%	20.2%	20.4%
Canadian Vodka	16.4%	16.5%	17.1%
Canadian Dry Gin	4.6%	4.3%	4.3%
Spirit Coolers	3.7%	3.3%	3.7%
Other	8.9%	8.9%	8.5%
Imported Spirits			
Scotch	31.0%	31.1%	30.5%
Liqueur	19.8%	19.8%	19.5%
Miscellaneous Liquors	12.3%	12.8%	13.2%
French Brandy	11.5%	11.5%	11.5%
Vodka	9.8%	9.6%	9.9%
Other	15.6%	15.1%	15.5%
Canadian Wines			
White Table	57.3%	58.9%	59.6%
Red Table	9.9%	11.7%	12.9%
Sherry	8.2%	8.1%	7.8%
7% Sparkling	7.3%	7.0%	6.8%
Wine Coolers	5.7%	4.0%	3.2%
Other	11.6%	10.3%	9.8%
Imported Wines			
White Table	56.8%	54.0%	51.6%
Red Table	27.2%	30.3%	32.8%
Champagne	7.6%	7.0%	6.6%
Sherry	2.7%	2.8%	2.8%
Other	5.8%	5.9%	6.2%
Canadian Beer			
Ontario Beer	100.0%	97.2%	96.4%
Other Canadian Beer	0.0%	2.8%	3.6%
Imported Beer			
U.S. Beer	68.2%	54.5%	40.3%
Other Imported Beer	30.6%	44.2%	58.2%
Sake	1.1%	1.2%	1.5%

Sales Volume and Value by Calendar Month

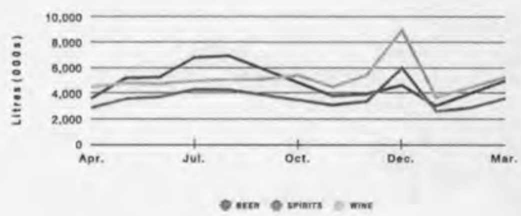
VOLUME

TREND LINES FOR SALES VOLUME

Month	Period	Beer	Spirits	Wine
April	1	100	100	100
	2	146	126	111
	3	147	130	108
July	4	186	151	113
	5	189	150	114
	6	160	134	111
October	7	128	124	121
	8	110	111	103
	9	114	118	117
December	10	130	205	204
	11	82	91	81
	12	111	101	97
March	13	137	123	116

The LCBO financial year is divided into 13 periods of approximately four weeks each. It starts on April 1st and continues to March 31st. This table shows the trend for sales volume for beer, spirits and wine in fiscal 1994. Period 1 has been used as the base period.

LCBO SALES VOLUME: APRIL 1993-MARCH 1994



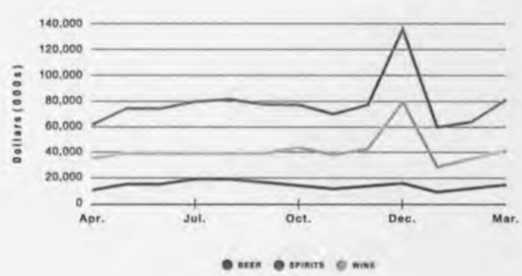
VALUE

TREND LINES FOR SALES VALUE

Month	Period	Beer	Spirits	Wine
April	1	100	100	100
	2	144	120	110
	3	145	120	107
July	4	184	130	110
	5	186	131	111
	6	157	122	110
October	7	124	123	121
	8	107	111	106
	9	108	122	122
December	10	129	218	219
	11	81	93	81
	12	104	102	99
March	13	132	125	116

This table shows the trend for sales value for beer, spirits and wine in fiscal 1994. Period 1 has been used as the base period.

LCBO SALES VALUE: APRIL 1993-MARCH 1994



Detailed Sales of Ontario Wine by Volume and Value

Includes sales recorded through both the LCBO and Ontario Winery Stores.

VOLUME

(000s litres)

Product Type	1990	1991	1992	1993	1994
Red Wine	13,354	13,168	13,494	15,089	16,474
White Wine	42,024	41,549	40,318	38,843	37,750
Rose Wine	713	630	591	596	599
Sparkling Wine	5,605	5,210	4,735	4,361	4,028
Fortified Wine	4,327	4,248	4,163	4,105	3,892
Wine Coolers	3,303	2,626	2,341	1,629	1,255
Other Wine	1,484	1,524	1,587	1,627	1,831
VQA Wines	n/a	645	904	1,285	1,485
Ontario Wine sold for export	3,211	3,274	3,233	3,089	3,496

VALUE

($000s)

Product Type	1990	1991	1992	1993	1994
Red Wine	103,442	105,914	112,219	127,971	142,342
White Wine	278,621	285,256	287,506	285,286	280,849
Rose Wine	5,009	4,890	4,729	4,655	4,788
Sparkling Wine	53,039	49,195	46,411	44,016	41,855
Fortified Wine	32,868	31,968	32,201	33,506	32,627
Wine Coolers	10,597	8,203	8,260	6,043	4,655
Other Wine	12,202	12,690	13,627	13,297	14,897
VQA Wines	n/a	5,614	8,234	12,885	15,339
Ontario Wine sold for export	n/a	5,576	5,847	5,770	6,283

LCBO SALES VOLUME BY CONTAINER SIZE

LCBO SALES VALUE BY CONTAINER SIZE

LCBO SALES VOLUME BY CONTAINER TYPE

LCBO SALES VALUE BY CONTAINER TYPE

Sales by Container Size - Volume and Value

Size	Units	Litres	Value
Less than 375 mL	24,061,401	57,983,472	186,335,792
375 mL	20,852,420	12,046,557	151,263,702
750 mL	60,508,214	45,181,177	661,933,533
1 L	14,431,299	14,426,239	96,063,762
1.5 L	29,034,710	38,432,815	502,894,683
Greater than 1.5 L	4,010,400	9,411,559	119,428,473
Total	**152,898,444**	**177,481,820**	**1,717,919,944**

Note: The value figure represents basic sales (net sales exclusive of discounts), excluding Private Stock sales. Units sold refers to the size of the selling unit (e.g., a six-pack of beer cans would be 2.13 litres). Non-liquor items are not included.

LCBO Sales by Country of Origin - Volume and Value

	Country	Litres	Net Value
SPIRITS	Canada	37,497,984	725,307,673
	Great Britain	4,268,961	108,868,466
	France	1,518,220	47,581,205
	Ireland	1,053,684	25,564,411
	Italy	862,582	19,281,401
	U.S.A.	782,982	15,338,623
	Mexico	686,118	18,432,538
	Sweden	638,626	14,064,537
	Finland	354,232	7,607,303
	Barbados	197,658	4,285,656
	Germany	145,404	3,338,351
	Russia	142,403	3,086,223
	Greece	142,031	3,124,513
	Poland	137,006	2,946,693
	Jamaica	123,645	3,392,368
	Netherlands	81,355	1,618,074
	Spain	70,437	1,522,485
	Trinidad	22,699	490,654
	Portugal	21,918	542,976
	Hungary	20,733	375,470
	Lebanon	17,986	391,167
	Bahamas	17,366	295,434
	Guyana	16,571	395,915
	Denmark	15,019	339,351
	Bermuda	5,118	136,838
	Cuba	3,807	85,125
	Chile	3,302	51,104
	Macedonia *(frm. Yugoslavia)*	3,119	45,258
	Israel	2,901	67,961
	Belgium	2,798	88,443
	Puerto Rico	2,435	60,297
	South Africa	2,391	52,219
	Japan	2,082	44,804
	Austria	1,835	76,930
	Ukraine	1,538	40,203
	Australia	1,099	23,665
	Philippines	884	19,038
	Switzerland	768	57,182
	Bulgaria	531	11,814
	Cyprus	390	9,003
	Norway	333	8,938
	Venezuela	288	6,712
	Czechoslovakia	181	5,095
	Total	**48,871,612**	**1,007,069,039**
BEER	Canada	42,496,069	122,454,018
	U.S.A.	9,852,664	25,620,468
	Germany	2,329,556	7,765,911
	Netherlands	2,249,708	8,802,449
	Mexico	1,395,776	4,922,420
	Japan	759,370	3,293,064
	Ireland	704,015	2,626,545
	Czechoslovakia	576,712	1,722,444
	Great Britain	519,482	1,966,828
	France	366,451	1,364,089
	Denmark	285,350	955,847
	Poland	258,939	875,106
	People's Republic of China	192,492	723,114
	Jamaica	192,005	699,336
	Italy	175,899	593,105
	Trinidad	114,624	446,981
	New Zealand	65,540	217,207
	Australia	54,585	172,911
	Kenya	46,460	163,752
	Portugal	38,515	135,717
	Belgium	34,482	235,928
	Austria	30,660	124,263
	Ukraine	19,417	71,511
	Israel	15,238	42,557
	Switzerland	5,939	34,268
	Greece	938	3,582
	Total	**62,780,885**	**186,035,420**
WINE	Canada	22,187,290	147,387,446
	France	19,946,777	174,235,498
	Italy	8,252,938	67,608,823
	U.S.A	4,549,829	39,281,909
	Germany	2,343,738	20,698,651
	Australia	2,023,554	19,347,529
	Chile	1,865,045	15,696,252
	Spain	1,222,041	13,187,025
	Portugal	1,130,790	10,282,938
	Hungary	866,148	5,822,136
	Greece	709,966	4,863,324
	Bulgaria	155,249	1,191,872
	Israel	97,322	879,039
	New Zealand	83,444	977,196
	Argentina	56,303	554,769
	Croatia	47,774	312,824
	Romania	46,829	306,694
	Slovenia	46,624	319,536
	South Africa	41,819	389,639
	Austria	35,326	370,507
	Denmark	29,720	299,576
	Great Britain	18,187	177,925
	Uruguay	16,768	141,004
	Macedonia *(frm. Yugoslavia)*	15,290	97,345
	Czechoslovakia	12,813	105,471
	Japan	7,696	63,638
	Switzerland	6,166	104,062
	Cyprus	3,220	27,893
	People's Republic of China	2,482	26,965
	Turkey	2,288	19,781
	Slovakia	1,794	13,060
	Mexico	1,707	18,936
	Belgium	341	5,684
	Bosnia-Herzegovina	46	292
	Tunisia	5	47
	Total	**65,829,323**	**524,815,485**
	GRAND TOTAL	**177,481,820**	**1,717,919,944**

Note: Net value represents net sales, excluding Private Stock sales.

Balance Sheet

As at March 31, 1994

ASSETS	1994 ($000)	1993 ($000)
Current		
Cash and short-term investments	31,149	26,747
Accounts receivable, trade and others	3,895	4,036
Inventories	164,428	160,413
Prepaid expenses	1,732	1,759
	201,204	**192,955**
Long-term		
Fixed Assets (Note 3)	120,474	126,790
	321,678	**319,745**
LIABILITIES AND RETAINED INCOME		
Current Liabilities		
Accounts payable and accrued liabilities	92,813	104,789
Retained income	228,865	214,956
	321,678	**319,745**

See accompanying notes to financial statements.

APPROVED:

Chair and Chief Executive Officer

Vice President, Finance & Administration

Statement of Income and Retained Income

Year Ended March 31, 1994

		1994 ($000)		1993 ($000)
Sales and other income		1,764,731		1,786,479
Costs and Expenses				
Cost of sales		832,106		841,060
Retail stores and marketing		219,387		229,032
Administration		58,401		45,115
Warehousing and distribution		34,858		35,974
Depreciation		21,070		22,832
		1,165,822		1,174,013
Net Income for the year		598,909		612,466
Retained Income, beginning of year as previously reported	88,166		88,943	
Adjustment for change in accounting policy (Note 2)	126,790		128,547	
Retained Income, beginning of year, as restated		**214,956**		**217,490**
		813,865		829,956
Deduct payments to the Treasurer of Ontario		585,000		615,000
Retained Income, end of year		**228,865**		**214,956**

See accompanying notes to financial statements.

Statement of Changes in Financial Position

Year Ended March 31, 1994

	1994 ($000)	1993 ($000)
Cash Provided From (Used For) Operations		
Net Income	598,909	612,466
Depreciation	21,070	22,832
	619,979	635,298
Change in Working Capital	(15,823)	(8,694)
	604,156	626,604
Cash Used For Investment Activities		
Purchase of Fixed Assets	(14,754)	(21,075)
Cash Used For Provincial Transfers		
Social Contract	(7,712)	0
Profit	(577,288)	(615,000)
	(585,000)	(615,000)
Increase (Decrease) in cash during the year	4,402	(9,471)
Cash and short-term investments, beginning of year	26,747	36,218
Cash and short-term investment, end of year	**31,149**	**26,747**

See accompanying notes to financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Accounting
The Board's financial statements are prepared in accordance with generally accepted accounting principles.

b) Inventories
Inventories are valued at the lower of cost and net realizable value with cost being determined by the most recent cost.

c) Fixed Assets
Major capital expenditures with a future useful life beyond the current year are capitalized at cost and are depreciated on a straightline basis according to their estimated useful lives, as follows:

Buildings	20 years
Furniture and Fixtures	5 years
Leasehold Improvements	5 years
Computer Equipment	3 years

Minor capital expenditures and the expenditures for repairs and maintenance are charged to income.

2. CHANGE IN ACCOUNTING POLICY

During the year, the Board changed its method of accounting for capital expenditures from expensing them to operations at the time of acquisition to capitalization and depreciation thereof. This change has been applied retroactively. Accordingly, retained income at March 31, 1992 has been increased by $128.6 million, being the cumulative net fixed assets to that date. As a result of this change, for the years ended March 31, 1994 and 1993, net income has decreased by $6.3 million and $1.8 million, respectively, as outlined below.

	1994 *($000s)*	1993 *($000s)*
Net Income:		
Under previous policy	605,226	614,223
Add (Deduct):		
Capital Expenditures	14,753	21,075
Depreciation	(21,070)	(22,832)
	(6,317)	(1,757)
Net Income *(1993 - as restated)*	**598,909**	**612,466**

3. FIXED ASSETS

	1994			1993
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	13,910	-	13,910	13,895
Buildings	208,844	121,246	87,598	91,260
Furniture and Fixtures	37,924	31,619	6,305	9,153
Leasehold Improvements	44,173	33,557	10,616	9,352
Computer Equipment	28,772	26,727	2,045	3,130
	333,623	**213,149**	**120,474**	**126,790**

4. INSURANCE

The Board follows the policy of self-insuring its store assets for theft and for property damage such as fire, water or vandalism. All other material assets are insured by insurance companies.

5. LEASE COMMITMENTS

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

	($000s)
1995	22,071
1996	17,895
1997	14,219
1998	10,074
1999	5,622
Thereafter	10,995
	80,876

6. PENSION PLAN

The Board provides pension benefits for its permanent employees through participation in the Public Service Pension Fund established by the Province of Ontario.
The Board's share of contributions to the Fund during the year was $15,062,900 (1993 - $16,046,620). This amount includes current contributions and additional payments required to cover the Board's share of the Fund's unfunded liability on January 1, 1990.

7. CONTINGENT LIABILITY

Major airlines have taken legal action against the Board contesting the Board's right to collect mark-up on any liquor which is imported into Ontario by the airlines.
A judgement against the Board has resulted in a possible loss of $22.8 million plus interest of $11.7 million at March 31, 1994. However, the case is currently being appealed. Judgement, if any, against the Board, will be accounted for as a prior period adjustment in the year the claim is resolved.

TO THE LIQUOR CONTROL BOARD OF ONTARIO AND TO THE MINISTER OF CONSUMER AND COMMERCIAL RELATIONS:

I have audited the balance sheet of the Liquor Control Board of Ontario as at March 31,1994 and the statement of income for the year then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 1994 and the results of its operations for the year then ended in accordance with the accounting policy described in Note 1 to the financial statements.

Toronto, Ontario
July, 1994

Erik Peters, C.A.,
Provincial Auditor

Liquor Control Board of Ontario
Régie des alcools de l'Ontario

Ce rapport est également publié en français sous le titre:


since 1867