

For a Free & Fair Market

Prepared by the CGC for the Standing Committee on Health, October 2017



Executive Summary:

The Cannabis Growers of Canada (CGC) are a cannabis-specific trade association representing dozens of small and medium-sized businesses who wish to participate in the legal cannabis market. We represent growers, dispensaries, value-added producers and other cannabis-related professionals. We wish to, and in some communities already have, work with local governments on how to integrate the cannabis industry into the local economy.

Principles:

We believe cannabis requires reasonable regulation, and that most of this regulation can come from third-party professionals such as insurance agencies and private laboratory testing. We believe the role of government in legalization is to create the conditions that permit a peaceful transition from black markets to above-ground regulated markets. We believe governments can do so by keeping incentives in mind and avoiding unintended consequences with short-term policy decisions.

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Objectives:

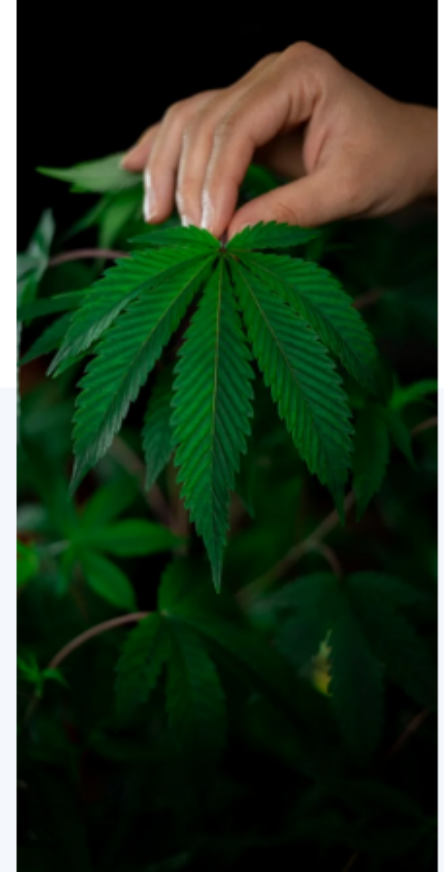
Cannabis products should be tested by private third-parties to ensure they are safe for human consumption. They should not be subject to plain-packaging rules.

Cannabis production should be open to small and medium sized craft-cannabis producers without unnecessary barriers to entry. The existing market should be welcomed into the legal environment.

Cannabis retail and on-site consumption sites should be located in areas that have been approved by the local community through their municipal representatives. Provincial and federal powers should remain as limited to the greatest extent possible.

Restrictions:

Cannabis regulations must be written and enforced in a way that encourages widespread adoption of the current cannabis farming and distribution systems.



The regulatory burden imposed on cannabis entrepreneurs should be calculated to maximize effectiveness while minimizing barriers to entry and operation.

Most importantly, existing cannabis entrepreneurs, businesses and employees should be preserved. Eliminating tens of thousands of existing jobs will be counter-productive.

Legitimizing and integrating existing cannabis entrepreneurs will minimize disruptions to local communities and ensure a peaceful transition to legal markets while undermining black markets.



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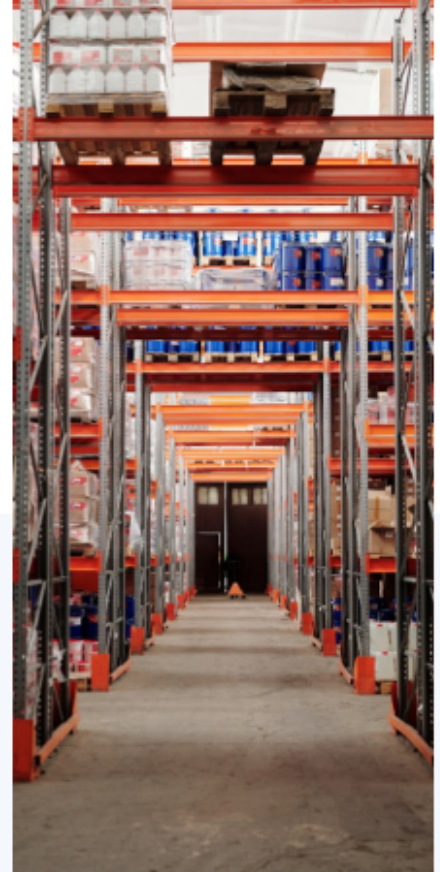
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Distribution:

Public polling indicates the Canadian public prefers dedicated cannabis retail (e.g. dispensaries) for recreational cannabis and pharmacy for medical purposes.[1]

The CGC believes that legal cannabis retail should be sold in dedicated retail environments as opposed to grouping the product in with liquor or tobacco. Cannabis retailers should also be trained in a program that emphasizes responsible serving and vending.



Some interest groups have suggested using existing Liquor Distribution Branch systems to distribute cannabis. The CGC believes this suggestion is fundamentally flawed and unworkable. Cannabis, unlike alcohol, is fresh produce. As a dried herb, it has a shelf life of little over a month. Longer-term storage requirements mean taking into account lighting and humidity controlled environments, much like cigar shops with large walk-in humidors.

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Distribution (Cont'd):

As well, cannabis concentrates require refrigeration and have a shorter shelf-life than dried flower.

In both cases, the physical infrastructure of provincial liquor stores are inadequate and would need to be retrofitted to accommodate cannabis humidors and refrigerators, at significant cost to the taxpayer in some jurisdictions.

The CGC also believes that retail cannabis should be tested in a certified third-party lab.

The results of the tests should be made available by the craft-cannabis producer and the dispensary-retail partners.

The CGC also believes that retail cannabis should not be afflicted with plain-packaging regulations. We believe this harms consumers who rely on packaged cannabis products to differentiate between their preferred growers, strains, and other interests like terpene flavour, or, most importantly, the strength of the psychoactive component.



We believe plain-packaging also encourages counterfeit products that make eliminating the black market harder to achieve.



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Production:

Cannabis is an agricultural product and the labour involved with its production directly employs over 40,000 Canadians, particularly in British Columbia. [2]

If all levels of government do not take this into account, policy-makers run the risk of proposing a legalization scheme that will contribute to the loss of tens of thousands of jobs, and in some cases, the economic “staple” of entire communities.

As a result, we believe it’s important to regulate cannabis production from an objective-based approach rather than copy-cattling liquor or tobacco models.



That said, the CGC believes that in order to successfully shift the black market to an above-ground, legal and regulated market, the government should adhere to the following guidelines:

Cannabis production should be accessible to small producers with little capital.

Licensing fees should be discouraged or at the very least cheap enough for small farmers to participate.

The CGC believes that existing producers should be awarded the opportunity to continue serving their markets in a legal environment.

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Production (Cont'd):

Security requirements should be based on insurability rather than an arbitrary list of capital-intensive “security measures” as is the case with the Licensed Producer system.

Individuals with criminal records stemming from cannabis-related Controlled Drugs and Substances Act violations should not be barred from producing cannabis for commercial uses.

The CGC believes that it is only by allowing existing small producers to join the regulated legal system that the government will succeed in its pledge to curtail the black market and create a safe and regulated market that adheres to public health and safety.

In respect to production and possible production licenses, the CGC believes that these licenses should be subject to revocation when violated.



For example, falsifying lab results, strains or origin information, or violation of intellectual property laws should result in suspension or revocation of production privileges.

The CGC notes that if this standard were in force today, many existing Health Canada-approved Licensed Producers would have been banned from producing cannabis due to their use of illegal pesticides.



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On-Site Consumption:

If legalization is to be comprehensive, then on-site consumption sites must be allowed.

Also known as “vapour lounges,” on-site consumption sites are an important part of the cannabis industry. Many cannabis consumers live in apartments, condos, shared housing, etc., where smoking or vaporizing cannabis at home is not an option. Either for legal reasons or simply to limit exposure to children or other residents, many cannabis consumers wish to consume off-site.

Forcing consumers outside puts them at risk of harassment, assault, and theft. It is also unlikely to be in the public interest since outdoor consumption only increases the exposure (e.g. smell) to non consumers.



The CGC believes licensing on-site cannabis consumption achieves the government’s goals of keeping cannabis out of the hands of children while protecting public health.

Furthermore, on-site consumption sites can be regulated to ensure air filtration standards are in place so that consumers and non-consumers are protected. On-site consumption sites give Canadian adults a safe, regulated environment to consume their legal cannabis products.

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Conclusion:

Cannabis is neither a new industry nor an economic windfall opportunity. There is already a mature, vibrant economy that should be carefully and reasonably integrated into the tax system rather than destroyed (the consequences of which would be disastrous across much of British Columbia).

Canada's opportunity to lead the world in sensible cannabis policy means integrating the government's goals of legalization (protect the children, stamp out the black market) with the realities of the existing cannabis market. Legalization need not be a zero-sum game.

Cannabis regulations should be written with reasonable objectives in mind — a regulated market where small and medium-sized businesses can create value and where communities are empowered to regulate cannabis to their liking. This requires cannabis regulations that are crafted through evidence-based policy and an understanding of the realities of the existing cannabis market.

The CGC remains committed to being a constructive partner for all levels of government as we overcome the challenges of legalization. We encourage dialogue and wish to see a form of cannabis legalization that benefits everyone.



Sources:

[1] <http://www.theglobeandmail.com/news/politics/majority-of-canadians-agree-pot-should-be-legalpoll/article28944411/>

[2] See attached report, "The Cannabis Market in Canada and British Columbia", Larissa Flister, 2016.

