



BCICA

BRITISH COLUMBIA INDEPENDENT CANNABIS ASSOCIATION

Stakeholder Submission

Who We Are

The British Columbia Independent Cannabis Association (BCICA) is an incorporated not-for profit organization that represents a wide variety of stakeholders from the long-standing BC cannabis economy.

The BCICA is not a trade association. Membership is available to the public for an annual \$5 fee.

The BCICA's primary focus is on education. To that end, we host public panels and meetings on specific topics, where we garner feedback from both industry experts and the general public. It is our hope to present the information gained in these sessions in a comprehensive and clear manner, with the goal of informing the public and policy makers about this vibrant, sophisticated business economy.

Our board of directors consists of five cannabis industry experts:

Courtland Sandover-Sly: Founder of Sandover-Sly Financial, Courtland is a financial advisor and insurance broker that caters to the cannabis industry, and has clients across Canada. Courtland is the Chairman of the Board.

Alex Robb: Alex Robb is the General Manager of Trees Dispensaries, one of the largest dispensary chains on Vancouver Island. Trees is among the first dispensaries to receive a business license from the city of Victoria. Alex has a master's degree in Political Science.

Travis Lane: Travis Lane is the founder and CEO at The Internet Dispensary, a founding partner at Levity Solutions, and Director of Purchasing at Holistek. A long-time grower, Travis specializes in growing organic, pesticide-free cannabis. Travis is a certified extraction technician in multiple American states, and has served as a consultant to cultivators, extractors, and dispensaries around BC.

Jamie Shaw: Jamie Shaw is among the most well-informed cannabis minds in Canada. A specialist in government relations, Jamie has served as a Director of the BC Compassion Club Society and as President of the Canadian Association of Medical Cannabis Dispensaries. It was her testimony in the Allard trial that led to Judge Phelan declaring that dispensaries are at the heart of access to cannabis for patients. She is currently the Director of Government Relations for MMJ Canada.

Rob Laurie: Robert W.E. Laurie is an Oxford-educated international lawyer, writer, and speaker. He is qualified as a solicitor in England and Wales and called to the British Columbia Bar as a barrister and solicitor. After practicing law in London and New York in the areas of hedge fund formation and securities fraud litigation, Robert founded Ad Lucem Law Corporation in 2013. Robert focuses his legal practice on issues related to cannabis, encompassing the areas of business law, family and administrative litigation, and criminal defense.

The structure of the BCICA is one that allows collaboration and the free flow of ideas. This board of directors has the ability to appoint further experts, as committee chairs, to speak on specific topics. Along with sessions covering the latest cannabis news, the BCICA also has plans for 2018 to include panels on extraction safety & use, seed-to-sale tracking, small-scale production, analytical testing & labelling, home growing, and a session on the newly minted legal framework when it is unveiled. We encourage all of our members to participate in the feedback process.

Recommendations

The BCICA makes the following recommendations regarding the legal framework for Cannabis in BC:

1. That the province make space for private distribution and retail within the legal framework.
2. That the province create a digital seed-to-sale tracking system that allows cultivators to deliver directly to retailers.
3. That the province avoid the centralized warehousing of fresh cannabis.
4. That the province consider the potential pitfalls for the BC distribution system, should there be a shortage of federally produced cannabis as a result of restricted federal licensing.
5. That the province prepare for the eventualities of point 4, by creating a BC-only category of small-scale production licenses for cultivators whose product is only sold in-province.
6. That the province allow private distribution, or enter into a private-public partnership, for the distribution of mail-order cannabis online.
7. That the province allow cannabis lounges, to keep widespread consumption off the street, and allow the distribution of single-dose cannabis products at these locations.
8. That cannabis not be co-located with alcohol.
9. That the province not decrease carry limits.
10. That the province consider the safety ramifications of people using hydrocarbons to make cannabis extracts at home, and establish guidelines in tandem with WorkSafe BC, CSA, and all levels of government, for the safe, legal extraction of cannabis based on industrial best practices.
11. That the province advocate strongly for amnesty, expungement, and inclusion for convicted cannabis offenders.
12. That the province not create a registry for home growers, and not decrease plant counts.
13. That the province consider harmonizing with neighbouring provinces, with regards to age.
14. That the province consider medical access and distribution, which is a constitutionally protected right, separately from the non-medical model.
15. That the provincial system actively attempt to incorporate the best actors from the current illicit industry into the new regulatory framework.

Aside from these specific recommendations, the BCICA encourages the BC government to draw inspiration from Oregon, Colorado, and California.

California, in particular, will be setting the standard for the rest of the world, as it is already the single most sophisticated cannabis market on the planet. So far, they have encouraged organic outdoor cultivation, created an amnesty and expungement program, focused on a regional approach to licensing, and are actively trying to incorporate the previously illicit market into the newly regulated one.

Finally, the BCICA suggest that provincial regulators keep in mind the potential economic ramifications of the loss of our illicit cannabis economy. A 2016 report by Larissa Flister estimates approximately 14,000 full time jobs in illicit cannabis cultivation in BC. This number does not include extracts, edibles, distribution, retail, or peripheral services like technology and marketing. This is the backbone of BC's cash economy, and its loss would be devastating for many small communities.

Discussion

As BC approaches July 2018, it is important that a comprehensive, robust distribution system be in place at the introduction of legalized cannabis in Canada. BC is in a unique position among all provinces, having a long-standing, sophisticated cannabis economy with the ability to fill provincial demand. No other province has such production capacity.

This province's municipal governments have also been the first to approach the tough questions around regulating storefronts, and have, so far, been the government leaders on this file.

We do believe that our provincial government recognizes these unique facets of our cannabis marketplace, and we are greatly encouraged by the feedback process for which this paper is a submission. We are hopeful that all municipal voices will be heard on this file, and we expect there to be a large quantity of public feedback.

Below, we will discuss four facets of the cannabis economy here in BC, and relate them to the Province's role in defining distribution: Product Supply Chain, Public Health & Safety, Potential Economic Impacts, and Elimination of the Illicit Market.

Product Supply Chain

Product supply is the largest logistical barrier to regulatory success, as any distribution system will obviously fail without adequate supply. In the case of cannabis, it is also important to minimize barriers between product providers and product retailers, as both raw cannabis flower and edibles are perishable goods.

Recommendations 1-8 above focus largely on supply chain and distribution issues. It is our recommendation that the province establish a private retail model, with a digitized tracking system for government reporting. Under the suggested system, physical product would not be centrally warehoused, but it would be possible to have centralized 'distribution' through technological seed-to-sale product tracking.

It is crucial that the provincial government incorporate elements of the already-established private dispensary model, for both storefront and mail-order. If these businesses, some of which have been operating for over a decade, are left out of the legal paradigm, we risk losing the expertise of the very people that brought this country to the decision to legalize.

Incorporating these businesses would also allow for a more seamless transition to a regulated model. Many have already been working with municipal officials, and some have already acquired municipal licensing. By simply creating standards for good business actors, an inspection regime, and funding the municipalities' enforcement efforts, the province could quickly and efficiently establish legal retail networks in the province's two biggest cities and online.

We also recommend that BC take future production shortages into consideration now, and create contingency plans.

The current production system does not have the capacity to provide enough legal cannabis to fill demand nation-wide. When speaking with experts in both legal and illicit production businesses, estimates range from less than 1% to about 10% of demand being filled by July 2018.

Even if the federal government were to issue thousands of licenses between now and July, it is unlikely in the extreme that all of those licensees would be able to build and test in time, considering the federal program's barriers to entry.

Luckily, this province is the only cannabis market in the nation that produces more than it consumes. We recommend that the province look at the possibility of creating a provincial plan for small scale production licenses, which would be available to cultivators who sell their product only in BC.

These licensees would require lower barriers to entry than the larger-scale federal producers, but it would remain necessary to prove security, do background checks, pass analytical chemical checks, and provide quality assurance. These producers would only be able to vend within the provincial distribution network, not outside of BC.

The primary benefits of such an approach would be a guaranteed supply chain that does not rely on the federal bureaucracy for capacity, the protection and creation of in-province jobs and small businesses, and the maintenance of a sophisticated world-famous production network of high-quality cannabis.

Public Health & Safety

Public health and safety concerns are at the very top of every government's considerations on this file. The primary legalization goal of protecting minors is already underway, as all of the dispensaries we are aware of in BC have 19+ policies in place. Age checking will be mandatory, and there will undoubtedly be education programs aimed at curbing youth consumption.

When it comes to safe consumption, we recommend that the government follow a combination of tobacco laws for outdoor consumption, along with the establishment of cannabis lounges, which act in a similar fashion as bars do for alcohol consumption. We recommend that single dose cannabis products be allowed to be vended at these locations, along with coffee and food.

Organized crime, as most people consider it, is virtually non-existent in the small-scale BC cannabis economy, though it is inevitably entangled in large-scale illicit production and sale. Their involvement will be largely eliminated from a licit framework through regulatory burdens, along with a maturing marketplace that prefers variety to volume.

Branding, as an issue, has many potential impacts. The BCICA recommends that product branding be allowed. Branding can play a role in public safety, as good actors can establish their brand trust through transparency and compliance. Alternatively, it also allows the public to identify brands that have failed pesticide tests or inspections in the past. If everyone has the same label, it becomes difficult for end-users to identify historical good and bad actors.

As a final note on public safety, it is important to touch on the need for properly regulated industrial production of cannabis extracts. The only reason that fires or explosions take place is as the result of a lack of safety guidelines and legal options for production. We recommend that BC collaborate with all

levels of government, as well as WorkSafe BC and CSA, to establish standards for such activities. We recommend that these regulations be based on the practices in Denver County, Colorado.

Potential Economic Impacts

As mentioned above, there are many British Columbian residents that already work in the illicit cannabis industry. It is safe to assume tens of thousands of BC residents stand to lose their income if they are not brought into the regulated market somehow.

BC simply cannot afford to lose a business sector that provides more jobs than fisheries or forestry.

The best solution is to incorporate these people into the regulated systems, by allowing their employers to become legitimate, and forgiving those that have been criminalized by cannabis illegality.

This solution will be effective for retail. Additionally, this serves as another good reason for BC to exert control over licensing BC-only cannabis businesses that fall outside the purview of distribution.

As addressed above, the BCICA recommends that some branding and promotion be allowed. BC stands to see an increase in tourism if already established cannabis brands are allowed to flourish. This can be further enhanced with the licensing of branded consumption sites.

This multi-billion-dollar economy can serve as a boon for the province's private sector, considering that Canada is only the second nation to legalize cannabis. BC is the core of the Canadian cannabis industry, with world-class commodity production already in place. If this expertise is allowed to participate in a regulated market, BC can be a world leader in this sector.

Elimination of the Illicit Market

BC has a deeply entrenched illicit cannabis marketplace that will not be eliminated suddenly on opening day of legalization. It will take time, and the shortest route is incorporation into the legal market.

Both regulators and advocates often regard the illicit market as the illegal business community, when, in reality, it is the end-users that are the driving force behind black market success.

In order to meet the long-term goal of reducing, then eliminating the black market, it is these patrons that must be convinced. The best way to do this in a timely fashion is to use the expertise of those that have been successful at doing so today, those that operate in the illicit dispensary space.

It is also important to compete on price and quality. These businesses know the market, and know the product. While we hope to see minimal taxation, just enough to cover costs, it should be remembered that a high level of private competition is almost always the best way to keep prices down and encourage innovation.

In conclusion, the BCICA recommends that the province incorporate the best actors from the current illicit market into the new regulatory scheme, in order to eventually meet the goal of reducing the black market.