

The dollars and cents of cannabis...

Excerpt from Canadian Chamber of Commerce: 5 Minutes for Business, Author Ryan Greer, Director Transportation & Infrastructure Policy

As of October 17, Canadian adults will be able to legally purchase and consume cannabis for recreational purposes; a year and a half after the federal government introduced its legislation to do so. It will mark the beginning of a fascinating battle between a new regulated industry and the existing illegal market that Canadians are currently turning to for recreational cannabis use.

So what are the steps to legalizing a multi-billion-dollar illegal market? Over the last 18 months, federal legislators and civil servants have been establishing a national framework for regulating access to cannabis, which includes rules for cultivation, production, possession and marketing. Meanwhile, provinces and territories have been busy setting the rules for distribution and retail sales. This has been accompanied by a frenzy of private sector activity to supply the legal market with licensed producers, retailers, ancillary businesses and others investing billions of dollars in this new sector.

Some of the factors that will influence how effective Canada's legal cannabis market is at reducing illegal sales include safety, quality, access, supply and branding. Like all markets, one of the biggest factors will be price. As the head of the federal Task Force on Cannabis



Legalization and Regulation, Anne McLellan, told Members of Parliament studying the Cannabis Act, "Price point here is going to be key in terms of what you see in the illicit market and how effective the legal market is at moving people over."

In late 2017, the federal government reached a cannabis tax revenue sharing agreement with the provinces and territories. On top of sales taxes, the agreement included a cannabis excise or 'sin' tax of 10% of the retail price or \$1 per gram—whichever is higher. The 10% tax is expected to raise \$300 million annually for the provinces/territories and \$100 million annually for the federal government. The agreement projected that including the excise tax, legal recreational cannabis will be priced around \$10 a gram.

Only a few months later, Statistics Canada released a survey that found Canadians are currently paying an average of less than \$7 a gram for cannabis.

Health Canada proposed four 'cost recovery fees'—otherwise known as user fees—on the industry to recoup the costs the government will incur by regulating the sector.

User fees are typically associated with a specific service from the federal government, such as the case with the first three of the proposed fees.

An annual regulatory fee of 2.3% of gross revenue for licensed producers was proposed, with a 1% fee for micro-cultivators and processors. The proposal is expected to put an additional \$100 million into federal coffers every year. No clear policy rationale has been shared with industry for how government determined the 2.3% fee level.

This additional tax (which is what the fee is), was also proposed after licensed producers had already negotiated multi-year supply deals with provincial wholesalers based on the previously announced 10% excise tax.

As others have warned, high government taxes and fees will hurt legal producers' ability to compete with the illegal market and ultimately hurt Canadians as well, which runs counter to the government's rationale for legalizing cannabis in the first place.

There are other looming policy issues that will influence the effectiveness of breaking up the

illegal market. The government of Ontario's recent decision to move from a sparsely populated government-run retail distribution network to a private retail model will increase the reach of the legal market in Canada's largest province. Municipalities across the country will need to deal with the hundreds of unlicensed dispensaries that are operating outside the law to protect retailers who are investing and operating within new provincial rules. The federal government must also move quickly to establish regulations for the recreational production and sale of cannabis edibles, beverages and other products that will remain in the hands of the illicit market after October 17.

Deloitte has forecasted that Canada's cannabis market will be worth up to \$7.17 billion in sales next year. To maximize the economic benefits to Canadians of this \$7-billion market, governments must create an environment that supports businesses that are playing by the rules, so they can in turn create new jobs and investment, along with the significant tax revenue for governments that will follow.

More: chamber.ca

Event Calendar



THURSDAY, September 27th, 2018

The Benefits of Strategic Planning

Personal Touch Banquet Hall
11:15am – 1:30pm

Details: Our keynote speaker is Ali Lajevardi, Director of BDC Advisory Services. We'll also hear from panelists Rhonda Barnet (CEO & Co-President of Steelworks Design Inc), Jonathan Bennett (CEO of Laridae Communications) and Matt Tanguay (Co-Founder of Percheron Plastic Inc).

Register online:
peterboroughchamber.ca/events



WEDNESDAY
October 3rd, 2018

The Evinrude Centre
911 Monaghan Road



12:00pm - 7:00pm

Details: Connect. Experience. Discover your local business community.

The LoveLocalPtho Business Expo is the premiere business showcase event in the Peterborough region, celebrating all of the amazing businesses operating in Peterborough.

Sponsor: Signarama Peterborough



THURSDAY,
October 4th, 2018

2018 Mayoral Debate

The Venue PTBO
286 George Street N
6:00pm - 8:00pm

Details: Mayoral candidates incumbent Daryl Bennett and Diane Therrien will answer questions from the Chamber, Downtown Business Improvement Area, and the Women's Business Network. Attendees will also have the opportunity to meet candidates from all city wards.

Cost: Free



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Have you completed this survey on Bill 148?

The Peterborough Chamber of Commerce is looking for feedback on the impact of Bill 148 on the business community.

We've built a short two question survey that is looking for what has changed, if anything, in the past eight months since the legislation came into effect.

We are also asking for input to present to the provincial

government should they reopen or solicit feedback on potential changes to the legislation.

Businesses, please take a moment to fill out the survey. It will help us best serve the advocacy needs of our business community.

The survey can be found on the Peterborough Chamber blog: peterboroughchamber.ca/blog



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PTBO CHAMBER MEMBER

Member Milestones

- The Canadian Canoe Museum is looking for an Indigenous Relations Liaison to strengthen and expand First Nations, Métis and Inuit community relationships.
- MS Society of Canada (Peterborough, Kawartha Lakes & Haliburton) will be hosting a dance. This Age of Majority Event with LIVE MUSIC feat. the Indian River Band on October 27th at the Buckhorn Community Centre. Tickets \$20.

- Grady's Feet Essentials is hiring a Permanent Professional Retail Sales Position (Approx. 20 hours per week. Possibly leading to full-time with benefits). See their Facebook page for more details.
- United Way of Peterborough & District held its annual Campaign Launch last week with Campaign Chair Megan Murphy, revealing their \$1,850,000 goal.
- Dr. Doug's Family Chiropractic celebrated their new name, Max Living Chiropractic Centre with a relaunch and ribbon cutting ceremony last week.
- Trent Valley Honda is looking to hire a full-time Accounting Administrator and experienced Service Advisor.

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