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National Cannabis  
Business Coalition

Coalition nationale des  
entreprises du cannabis

## National Cannabis Business Coalition



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Thank you for the opportunity to participate in the federal government's 2023 pre-budget consultations. The National Cannabis Business Coalition (NCBC) represents members from across the cannabis industry, including licensed producers, retailers, and ancillary businesses.

The legal cannabis sector has been a significant contributor to Canada's national GDP since being legalized for adult-use in October 2018, generating over \$43.5 billion and creating over 150,000 jobs. In 2021, the legal sector overtook the illicit market for the first time, comprising 55% of all sales in the country. While this is an impressive economic record – surpassing more mature industries such as forestry, automotive parts, and craft breweries – significant hurdles remain in fulfilling the cannabis sector's economic potential.

As the first G7 economy to legalize cannabis for recreational use, Canada has a significant first-mover advantage. However, as more jurisdictions move towards legalization, Canadian businesses risk losing that advantage, becoming less economically competitive on a global scale. Therefore, the federal government can support the advancement of the cannabis industry by introducing or revising various policy measures, around taxation, marketing regulations, and tourism, and by facilitating opportunities for businesses internationally.

With the right tools in place, the licit cannabis sector can fulfill the tenets of the *Cannabis Act* – displacement of the illegal market, ensuring the public health and safety, and staying out of the hands of vulnerable populations – while remaining an economic powerhouse. At the same time, companies need mechanisms to capitalize on a rapidly changing global environment. For all this to happen, there must be sustained collaboration between industry and all orders of government.

In Budget 2023, the National Cannabis Business Coalition is calling on the federal government to take the following actions:

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- In partnership with provinces and industry, establish a Cannabis Research and Innovation Hub to fund research projects into the public health effects of minor cannabinoids.
- Explore opportunities to fund and develop cannabis tourism and hospitality initiatives.
- Amend and relax certain marketing, promotional, and packaging and labeling restrictions under the Cannabis Act, which are currently compromising the public health and safety of Canadians.
- Work with industry and provinces to develop a single national cannabis excise stamp across Canada and eliminate the excise tax on medical cannabis.



## **National Cannabis Business Coalition Pre-Budget Submission 2023**

**In partnership with provinces and industry, establish a Cannabis Research and Innovation Hub to fund research projects into the public health effects of minor cannabinoids.**

As an emerging economic sector in Canada, adult-use recreational and medical cannabis walk a fine line of fulfilling the mandate of legalization in terms of public education. While there has been progress made towards helping consumers identify the difference between licit and illicit products, there is still work to be done to help build awareness of minor cannabinoids such as CBD, CBG, and more.

The NCBC proposes creating a national Cannabis Research & Innovation Hub in partnership with industry and provinces, which would use taxes collected by the provincial and federal governments for research projects, clinical trials and consumer educational programs. The hub could utilize peer-reviewed medical and commercial research on behalf of Canadian businesses and export the IP globally to emerging markets. Additionally, it would help streamline the regulatory process, create high-quality and innovative products, and work to eliminate the illicit market.

**Explore opportunities to fund cannabis tourism and hospitality initiatives.**

While tourism levels dropped during the COVID-19 pandemic, one way to help them rebound is by funding opportunities for cannabis tourism hospitality initiatives. Pre-pandemic in Canada, tourism and cultural industries comprised approximately \$59 billion in induced economic activity, or about 2.8% of our national GDP. Canada's tourism economy is highly integrated and diverse as it includes domestic and international visitors.

The National Cannabis Business Coalition recommends that the federal government work with provincial counterparts to provide cannabis licences for public venues, similar to how alcohol is consumed in certain areas. Permitting these licences will allow for a more informed user base and restrict usage to adult users, which keeps cannabis out of the hands of those under the legal age.



## **Amend and relax certain marketing, promotional, and packaging and labeling restrictions that are compromising the public health and safety of Canadians.**

The marketing and promotional restrictions, as well as regulations relating to the packaging of cannabis products under the Cannabis Act are too restrictive and have disadvantaged legal producers to the benefit of the black market. For instance, the regulations require one uniform colour without any metallic or fluorescent properties and very narrow permissions about the types of logos displayed. Additionally, businesses cannot make any statements about how the product may affect someone or otherwise create a connection with the purchaser. Therefore, the majority of legal products appear bland and unappealing to consumers, which emboldens the illicit market producers and retailers who aren't required to follow these rules and have deep inroads with existing consumers. Without brand recognition, consumers often adopt potentially adverse behaviours by relying on price or THC concentrations instead of other attributes of the product or the brand.

The NCBC urges the federal government to amend and relax the marketing, promotional, and packing restrictions by enabling producers to better educate consumers about cannabis and the products they are purchasing beyond the compulsory information imposed by the Act.

Keeping with the tenets of the Cannabis Act, it is vital that the regulated market can compete with, and draw customers from, the illicit market. At the same time, it is equally crucial to strike a balance between plain packaging, which may embolden the illicit market, and flashy packaging that induces underage consumption. Nevertheless, companies should have reasonable freedom to choose how to design and promote their products.

## **Work with industry and provinces to develop a single national cannabis excise stamp and eliminate excise tax on medical cannabis.**

Government-issued excise tax stamps confirm that a licensed producer has paid the federal excise tax to the CRA and proves to consumers that the product is legally produced. Each stamp must be applied manually and every time it enters a new jurisdiction. That requirement is on top of the excise tax paid by licensed producers, which comprises approximately 30-35% of the selling price.

The current excise tax regime is inefficient and imposes administrative and economic burdens on businesses who operate across Canada. On the medical side, patients are placed at a tremendous financial disadvantage by the imposed excise taxes, which pushes vulnerable populations back to the illicit market.

The National Cannabis Business Coalition recommends that, in the absence of complete elimination or reduction of excise tax, the government should work with provincial counterparts and industry to develop a single national excise stamp and eliminate the requirement for new



stamps every time a product enters a new jurisdiction. The NCBC also recommends eliminating the excise tax on all forms of medical cannabis, given that other prescriptions are not taxed in Canada.