



**A SUSTAINABLE AND RESPONSIBLE INDUSTRY, A KEY
FACTOR FOR THE SUCCESS OF CANNABIS LEGALISATION.**

**Memorandum
submitted to the Committee of Experts
as part of the
Legislative Review of the Cannabis Act**

November 18, 2022

Overview

Since the Cannabis Act, S.C. 2018, c. 16 (the Act) came into force in October 2018, making Canada the second country in the world to legalize the sale, possession and use of cannabis for non-medical purposes by adults at the federal level, Canada's cannabis industry has been making significant investments (in buildings, infrastructure, technology) in order to provide the country with a responsible and efficient supply chain for the commercial production and sale of cannabis. This is imperative for the success of the government's legalization initiative and, in turn, for the achievement of its public health and safety objectives.

After four (4) years of application of the Act, the industry has made considerable efforts to comply with the very strict legislative and regulatory requirements to which it is subject, but it still faces obstacles that have a significant impact on its operational efficiency, hinder its growth and sustainability, and limit its ability to fight the illicit market.

To eliminate these obstacles, the Association québécoise de l'industrie du cannabis (AQIC) submits, within the framework of the Legislative Review of the Cannabis Act, which it welcomes, a series of pragmatic, realistic and achievable demands in order to guarantee the industry the predictability, agility and efficiency, essential to its development, its influence and its full contribution to the objectives of the Act.

Requests requiring legislative changes

Legal framework

1. Replace the precautionary approach that has prevailed since the legalization of cannabis with an approach based on risk assessment.

Purpose of the Act

2. Amend section 7 of the Act by adding the following purpose: "to support the improvement and sharing of knowledge about cannabis."

Triennial review of the Act

3. Include a permanent triennial review mechanism for the Act in the next bill the government introduces to amend the Act and ensure that the mechanism in section 151.1(1) of the Act provides for subsequent three (3) year periods.
4. Amend section 151.1(1) of the Act to ensure that the review of its impacts also covers research & development, innovation, and the cannabis industry.

Categorization of cannabis products

5. Revise the classification of cannabis products and establish categories and subcategories of cannabis products that help organize, classify and convey clear and accurate data and information so that consumers can make informed purchasing decisions, as part of a customer experience where retailer information and product usage are optimized.

6. Review the legislative and regulatory framework to effectively regulate cannabis products by considering their specific characteristics rather than their forms.
7. Ensure that each type of cannabis established by the Act or regulations is subject to a framework based on an assessment of the risks specific to it.

Easing of certain restrictions

8. Review restrictions on the marketing, promotion, display and packaging of cannabis products that are not inhaled as a result of heating or combustion.
9. Increase the 10 mg THC limit on certain edible cannabis products, including edible cannabis, while relying on medical research and increasing consumer education efforts by public authorities, without compromising governments' public health and safety objectives.

To allow legal edibles to penetrate the illegal market segment of edible products, increase the THC limit to 100 mg per individually packaged product and to a maximum of 1,000 mg per package.

Medical use of cannabis

10. Improve patient access to therapeutic cannabis through pharmacy distribution.
11. End the right to designate another person to produce personal medical cannabis as authorized in Health Canada's *Access to Cannabis for Medical Purposes Regulations*.
12. Subject medical cannabis to similar tax treatment as other products for medical or therapeutic use, thereby exempting it from taxes and other duties.
13. Include medical cannabis in the enactment that enacts the Canada Pharmacare Act, to be passed by the end of 2023.

Requests that do not require legislative changes and are feasible in the short term

Industry recognition

1. Recognize the cannabis industry on par with all other Canadian consumer product industries.
2. Treat the cannabis industry in the same way as all other Canadian industries and ensure equal access to government programs and measures.
3. Treat the cannabis industry in the same way as all other Canadian industries and provide it with equal access to the services of banking and financial institutions, including insurance companies.

Recognizing cannabis

4. Recognize cannabis as a horticultural crop and not just as a drug.

International representation and support

5. Ensure a proactive Canadian presence on the international scene to increase the acquisition and sharing of cannabis knowledge and to facilitate the dissemination of Canadian expertise, in collaboration with Global Affairs Canada and other federal government agencies involved in international trade, export promotion, small business support and economic development.

Stamping system

6. Implement a national digital excise stamp to eliminate, among other things, the manual application of different stamps from one province or territory to another where cannabis products are found.

Collection of excise tax

7. Collecting excise tax at the retail level of cannabis products rather than at the point of production.

Excise tax

8. Revise the Cannabis Excise Duty Regulations to substantially reduce or eliminate the basic amount applicable to cannabis products and instead apply a duty equivalent to 10% of the producer's selling price.

Research & Development (R&D)

9. Establish an R&D program dedicated to acquiring, increasing and sharing knowledge about cannabis that can be funded not only by Health Canada, but also by other jurisdictions (e.g., Innovation, Science and Economic Development Canada, Agriculture and Agri-Food Canada, Natural Sciences and Engineering Research Council of Canada [NSERC], etc.).

Laboratory tests

10. Ensure that standardized tests, validation procedures and proficiency testing programs ensure consistency in the validation standards and practices used between analytical testing laboratories and in the delivery of results.

Transport, storage, destruction, and antimicrobial treatment

11. Eliminate the legal vagueness regarding the contractual guidelines required for the transportation, destruction and antimicrobial treatment of cannabis by a third party.

Cannabis beverages

12. Adopt regulatory changes as soon as possible to allow consumers to purchase more cannabis beverages without exceeding public possession limits.

Fight against the illegal market

13. Support the industry to increase its capacity to divert or keep consumers away from the illicit market.
14. Harmonize, in collaboration with provincial and territorial governments, the distribution and sale of cannabis.
15. Establish a register of producers, processors, and sellers of legal cannabis (recreational and medical) for use by law enforcement agencies.

COVID-19 measures

16. Make permanent Health Canada's temporary adjustments to the administration and enforcement of the Act and its regulations in response to the COVID-19 pandemic.

Administrative burden

17. Streamline reporting to Health Canada and encourage collaboration with the Canada Revenue Agency (CRA) so that the industry's reporting to both authorities is combined in a single document.

While reiterating its support for the objectives of the Act, AQIC fervently hopes that the legislator and the public authorities concerned will put in place the necessary framework and means to be able to fully play its role in "implementing a diversified, competitive and legal sector composed of small, medium and large companies that will displace the illicit market," an overriding objective that the Minister of Health, as well as the Minister of Mental Health and Addictions, have set for themselves, AQIC ardently hopes that the legislator and the public authorities concerned will put in place the necessary framework and means to be able to play a full role in "the implementation of a diversified, competitive and legal sector made up of small, medium and large companies that will dislodge the illicit market," an essential objective that the Minister of Health, as well as the Minister of Mental Health and Dependencies and Minister associated with Health, reiterated last September.

It is vital to remember that without a resilient, efficient and optimized supply chain, cannabis legalization will remain an unfinished business, much to the delight of a black and illicit market that, for the time being, clings to and resists on the margins of the system. The system cannot fail in its laudable and feasible mission to keep cannabis out of the hands of youth, to keep profits out of the pockets of criminals, and to protect public health and safety by making legal cannabis available to adults.

The time has come, therefore, to ensure that in all public decisions and actions concerning cannabis, reticence gives way to confidence, so that cannabis and its undeniable virtues can be given their due value.

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List of acronyms and abbreviations

AQIC	Association québécoise de l'industrie du cannabis
CBD	Cannabidiol
CCC	Cannabis Council of Canada
CCSA	Canadian Centre on Substance Use and Addiction
CEO	Chief Executive Officer
CRA	Canada Revenue Agency
FCEI	Canadian Federation of Independent Business
GDP	Gross Domestic Product
INSPQ	Institut national de santé publique du Québec
ISQ	Institut de la statistique du Québec
NSERC	Natural Sciences and Engineering Research Council of Canada
OCS	Ontario Cannabis Store
R&D	Research & Development
SQDC	Société québécoise du cannabis
THC	delta-9-tétrahydrocannabinol
UN	United Nations
UNESCO	United Nations Educational, Scientific and Cultural Organization
WHO	World Health Organization

Introduction

For the purpose of reviewing the Government of Canada's cannabis legislation and regulations, the Association québécoise de l'industrie du cannabis (AQIC) has established a Federal Cannabis Law Review Committee composed of cannabis producers, ancillary service providers and legal experts. Its mandate is to prepare AQIC's interventions in relation to the federal cannabis legislation, and more specifically to produce briefs for the Government of Canada's public consultations.

Chaired by Me Jason Moscovici of ROBIC, the committee is made up of Ms. Sonia Isabel (Hexo) and Ms. Mariève Rodrigue (Greentone) as well as Mr. Stéphane Couture (Canopy Growth), Mr. Maxime Cyr (Hexo), Mr. Pierre Plante (PurCann Pharma), Mr. Claude Surprenant (Navaya) and Mr. Pierre Leclerc (AQIC).

The committee produced this memorandum based, among other things, on the results of a survey of AQIC members conducted in September 2022. The vast majority (85%) of the organizations that responded to the questions asked were subject to the Act. The majority (95%) were small and medium-sized enterprises (SMEs) and active in the cultural (38%) and processing (24%) sectors.

The survey highlighted many of the issues raised by the implementation of the Act, including:

- excise stamp;
- rules on marketing, promotion and display;
- licensing by Health Canada;
- rules on packaging;
- access to the services of banking and financial institutions,
- the scope of the legal definition of cannabis;
- THC limit and equivalency per gram for certain cannabis products;
- access to government programs and measures;
- the cannabis distribution and sales system;
- the 60-day product registration and listing process;
- transportation;
- inconsistent validation and result delivery procedures between analytical testing laboratories;
- barriers to research and innovation;
- the misperception of risks inherent in different types of finished products.

In light of the evolution of the market, the progression of knowledge and the social acceptability of cannabis, AQIC proposes a first major change to the regulations, namely that the governments of Canada and Quebec substitute an approach based on the definition of evolving rules resulting from an evaluation of proven risks (risk assessment) for a precautionary approach aiming to avoid risks that are unknown, uncertain or associated with a hypothetical danger, such as the one that has prevailed since the legalization of cannabis four (4) years ago.

Not only is knowledge about the harmful uses of cannabis increasing rapidly and significantly, but the federal government's annual Canadian Cannabis Survey (CCS) confirms that Canadians are overwhelmingly aware of the harms of cannabis and feel they have access to enough reliable information about its health risks to make informed decisions. Also, while there is still progress to be made in terms of knowledge, the context of scientific uncertainty justifying the application of the precautionary principle no longer exists, as the risk factors are increasingly well documented, known and understood.

This memorandum is divided into four (4) sections. After a brief introduction to AQIC, the document groups, in the second section, requests for changes requiring amendments to the Act respecting cannabis and amending the Controlled Drugs and Substances Act, S. C. 2018, c. 16 (Cannabis Act). In the third section, it brings together requests for change that do not require legislative amendments and can therefore be implemented quickly. Finally, the conclusion reiterates the importance of a legislative review based on a pragmatic and realistic approach that will not only reinforce the successes of the cannabis legalization process, but also address inefficiencies that plague the industry and undermine its ability to effectively counter the illegal market.

I. Association québécoise de l'industrie du cannabis (AQIC)

Founded in 2019, the AQIC represents a vast ecosystem within which we find mainly Quebec companies subject to federal and provincial legislation and regulations, namely producers (cultivation and microculture), extractors and processors of cannabis (recreational or therapeutic). Including companies specializing in the development, production and marketing of cannabis-based pharmaceutical or biopharmaceutical products. It also includes companies whose activities (commercial or professional) are related to cannabis. At present, there are more than 80 organizations within the AQIC membership.

The AQIC's mission is to represent the Quebec cannabis industry and to contribute constructively and responsibly to its development, but not to stimulate the sale of cannabis and cannabis products.

In addition to being a key player in the Quebec cannabis ecosystem, AQIC is actively contributing to the responsible development of a regulatory framework adapted to Quebec and perfectly in line with the public health and safety objectives targeted by cannabis legalization, i.e., the reduction of the harms associated with consumption through the supply of quality products subject to rigorous controls as well as the redirection of cannabis sales towards the legal economy.

II. Requests requiring legislative changes

While reiterating its support for the objectives of the Act, AQIC fervently hopes that the legislator and the public authorities concerned will put in place the necessary framework and means to be able to fully play its role in “implementing a diversified, competitive and legal sector composed of small, medium and large companies that will displace the illicit market,” an overriding objective that the Minister of Health, as well as the Minister of Mental Health and Addictions, have set for themselves, AQIC ardently hopes that the legislator and the public authorities concerned will put in place the necessary framework and means to be able to play a full role in “the implementation of a diversified, competitive and legal sector made up of small, medium and large companies that will dislodge the illicit market,” an essential objective that the Minister of Health, as well as the Minister of Mental Health and Dependencies and Minister associated with Health, reiterated last September.

A. Legislative framework

1. Approach

AQIC believes that it is imperative to modify the government’s approach to cannabis regulation so that it is henceforth based on the definition and adoption of evolving rules resulting from an assessment of proven risks [i.e., known, proven and inherent to one or more real problems] and not on a precautionary approach aimed at avoiding unknown, uncertain or hypothetical risks, as is the case with the current approach. i.e., known, proven and inherent to one or more real problems] and no longer on a precautionary approach aimed at avoiding unknown, uncertain risks or risks associated with a hypothetical danger, as has been the case since the legalization of cannabis four (4) years ago.

The risk assessment model based on scientific principles is used in many industries (e.g., food, pharmaceuticals, natural products, etc.) to define the most appropriate preventive actions at technical, organizational and human levels. Indeed, this process allows to

- identify risk factors that may cause harm;
- analyze, rank and review the associated risks in order to allocate them according to those identified and not simply by class of ingredients or product formats;

determine the manufacturing, quality, packaging and consumer information requirements for the categories associated with the identified risks.

It is therefore a reasoned approach that is consistent with that currently used, both locally and internationally, to assess applications for approval in the pharmaceutical, cosmetics and natural products sectors.

It is worth noting that the Institut national de santé publique du Québec (INSPQ) is of the opinion that “although research on cannabis use is less developed than that on alcohol use, according to current knowledge, alcohol remains by far a more important cause of illness and death than *cannabis*¹.”

AQIC calls for a governmental approach based on risk assessment to be substituted for the precautionary approach that has prevailed since the legalization of cannabis.

¹ INSTITUT NATIONAL DE SANTÉ PUBLIQUE DU QUÉBEC, « Est-ce que la consommation d’alcool est plus dangereuse pour la santé que la consommation de cannabis? », 31 mai 2021, <https://www.inspq.qc.ca/substances-psychoactives/alcool/dossier/est-que-consommation-d-alcool-est-plus-dangereuse-que-consommation-cannabis>

2. Purposes of the Act

Section 7 states that the purpose of this Act is to protect public health and public safety and, in particular, to:

- (a) protect the health of young persons by restricting their access to cannabis;
- (b) protect young persons and others from inducements to use cannabis;
- (c) provide for the licit production of cannabis to reduce illicit activities in relation to cannabis;
- (d) deter illicit activities in relation to cannabis through appropriate sanctions and enforcement measures;
- (e) reduce the burden on the criminal justice system in relation to cannabis;
- (f) provide access to a quality-controlled supply of cannabis; and
- (g) enhance public awareness of the health risks associated with cannabis use.

To achieve this, the state needs a strong, vigorous and viable industry, which is a prerequisite for the success of the legalization process.

AQIC requests that Section 7 of the Act be amended to add the following: “(h) support the improvement and sharing of knowledge about cannabis.”

3. Triennial review of the Act

In October 2018, Canada became the first Western country to legalize the recreational use of cannabis. It has thus acquired a status of a world leader with many responsibilities, including that of being and remaining a model for other countries in terms of legislation and regulation.

Pragmatism must prevail at all times over dogmatism in the thinking, decisions and actions of governments and public authorities, and that the regulations and guidelines put in place are balanced with the imperatives of public health and safety and the financial viability of licensed producers. As the Canadian Centre on Addictions and Substance Use (CCUSD) has aptly noted, “Canada’s relationship with legal cannabis is evolving. The market is still developing and, with the imminent introduction of new product forms, the country can expect to see significant changes in purchasing behaviour and consumption².”

Given the sensitivity of its main purpose and the seriousness of the issues involved, the Act must be reviewed periodically to ensure that the means it uses are consistent with its objectives. Since the current legislative review could lead to amendments to the Act, the legislator should ensure that the bill that will implement them provides for their review within three (3) years of its adoption.

² CENTRE CANADIEN SUR LES DÉPENDANCES ET L’USAGE DES SUBSTANCES, « Légalisation du cannabis : observations après un an », document d’orientation, octobre 2019.
[\[https://www.ccsa.ca/sites/default/files/2019-10/CCSA-Synthesis-Canada-Cannabis-Legalization-First-Year-Policy-Brief-2019-fr.pdf\]](https://www.ccsa.ca/sites/default/files/2019-10/CCSA-Synthesis-Canada-Cannabis-Legalization-First-Year-Policy-Brief-2019-fr.pdf)

AQIC asks the government to include a permanent mechanism for triennial review of the Act in the next bill it introduces in order to amend it and that the mechanism in section 151.1(1) of the Act provides for subsequent three (3) year periods.

Under section 151.1(1) of the Act, the Minister of Health of Canada, in consultation with the Minister of Mental Health and Addictions, undertook a review of the Act and its operation three (3) years after its coming into force. In this regard, the section states that this review must consider the public health implications of the Act, “in particular, on the health and consumption habits of young persons in respect of cannabis use, the impact of cannabis on Indigenous persons and communities, and the impact of the cultivation of cannabis plants in a dwelling-house.”

This triennial review would be even more relevant and useful if it addressed other elements that are of significant importance to the success of the cannabis legalization process and, by extension, to the protection of public health.

AQIC requests for section 151.1(1) of the Act to be amended to include a review of its impact on research and development, innovation and the cannabis industry.

B. Categorization of cannabis products

1. Categories

The purpose of classifying a product into categories or subcategories, i.e., according to recognized properties or attributes, is to establish a set of requirements in order to:

- standardize production guidelines;
- provide consumers with intuitive and efficient access to the quality products they demand;
- enable consumers to make an informed choice when purchasing and using cannabis;
 - ensure public safety by responding to the variety of products available on the black market.

By grouping and categorizing information on products with similar risks and consumption patterns on a hierarchical basis, industry can not only manage product data more easily, including ensuring accuracy and integrity, but also increase efficiency and reduce costs. Indeed, categorization helps to better organize product data (upstream and downstream), establish appropriate levels of control to maintain the integrity and consistency of information, and improve compliance with best practice and standards.

Thus, a pragmatic categorization of cannabis products based on their respective risk profiles would have the consequence of exempting from certain provisions of the Act products that, for all intents and purposes, should not be managed in the same way as high potency cannabis concentrates or products for inhalation by combustion.

Examples include topical CBD products such as creams, gels, lotions or balms, or products for oral consumption with low or no total THC content. Cannabis extracts as well as edible cannabis products consumed

in the same way are not subject to the same manufacturing, THC content and packaging rules, despite their similarities.

AQIC calls for a review of the classification of cannabis products and the establishment of cannabis product categories and subcategories to organize, classify and convey clear and accurate data and information so that consumers can make informed purchasing decisions, within a customer experience where retailer information and product usage are optimized.

2. *Liability*³

The corollary of categorizing cannabis products is to adapt the regulations to their different varieties (e.g., cannabinoids) and modes of production and consumption, so that the categories are subject to the relevant parts of the Act or other congruent laws and regulations, but are no longer subject to a single definition if the associated risk does not warrant it (e.g., the definition of cannabis extracts that are consumed orally as opposed to edible cannabis).

For reasons of understanding, ease and effectiveness of enforcement and compliance, the characteristics of each cannabis product must be taken into account in the way its manufacture, distribution and marketing are regulated, while ensuring that this consideration also includes its specific risks (risk assessment).

AQIC calls for a review of the legislative and regulatory framework in order to effectively regulate cannabis products by taking into account their specific characteristics rather than their forms.

AQIC calls for ensuring that each of the types of cannabis established by law or regulation is subject to a framework based on an assessment of its specific risks.

C. Easing of certain restrictions

1. *Marketing, promotion, display, and packaging*

It is crucial for the industry to be better equipped to convince consumers to choose their own legal cannabis products over those produced and sold on the illicit market.

In order to do this, it is crucial that the rules on marketing, promotion, signage and packaging are reviewed so that consumers no longer have to rely solely on price or THC levels. This limitation results in a lack of information on product attributes and, as a result, potentially harmful or even detrimental behaviour by consumers.

³ Liability is defined here as subjecting cannabis products to the application of laws and regulations.

The Act and its associated regulations apply to any cannabis product containing phytocannabinoids, including CBD. The legislation therefore does not differentiate between products according to their properties, modes of consumption and concentrations of THC or CBD.

This lack of differentiation affects the marketing, promotion, display and packaging rules for cannabis products, which are counterproductive in that they affect the industry's competitiveness and its ability to compete with the illicit market. Furthermore, they prevent communication with consumers to help them make informed choices about their consumption patterns and associated risks.

The situation is worrying and requires urgent action, as consumers are not able to differentiate between authorized and black-market products, as the latter do not respect any restrictions. Indeed, this situation also poses a real threat to the sustainability of the Canadian industry.

A laudable objective such as public health and safety should not be used as a pretext to put in place a straitjacket that could make the legalization of cannabis a cosmetic exercise and the role of the industry a showcase.

At the same time, consumers have the right to be properly informed about the appropriate use of cannabis products, in particular to be able to distinguish between legal and illicit products. In order to be able to make an informed choice, they should have access to a minimum of information without it automatically being considered as prohibited advertising.

This requires the industry to be able to communicate relevant product information with as few barriers as possible and, above all, to develop brands with strong attributes⁴ and values. This is a key condition for building strong and lasting relationships of trust with consumers. Unfortunately, current advertising rules work in the opposite direction, as they severely limit the circumstances and places where consumers can come into contact with credible and trusted brands.

Given the need for consumption patterns that reflect a balanced approach to public health imperatives, these patterns are an issue. While it is possible to differentiate between advertising of alcoholic products and tobacco and vaping products, in the case of cannabis products there is a real need to consider whether all cannabis products should be subject to the same restrictions.

It should be noted that these restrictions are difficult, if not impossible, to comply with, given the liberal wording of sections 17 and following of the Act concerning the promotion of cannabis, an accessory or a service related to cannabis. For example, the absence of guidelines means that two products as dissimilar as a topical cream and a jujube are assessed in the same way, despite their major differences in the purposes of consumption and the ways in which their characteristics are communicated to the public.

Moreover, as the information on labels is already particularly complicated for inexperienced consumers, it is necessary to broaden this reflection and also address the requirements for childproof packaging

⁴ Un attribut de marque réfère à ce qui lui est propre ; au sens strict du terme, c'est un élément différenciant.

and the plethora of information that must appear on all products, to the detriment of information that is really useful to consumers.

AQIC is calling for a review of restrictions on the marketing, promotion, display and packaging of cannabis products that are not inhaled as a result of heating or combustion.

2. Increasing the concentration limit of THC or its equivalent in certain products, including edible cannabis.

Federal legislation requires that the THC content of edible products from licensed producers sold on the legal market not exceed 10 milligrams (10 mg) per package. Cannabis extracts for ingestion or inhalation must not contain more than 1,000 mg of THC per package or 10 mg per unit.

Since the THC content of cannabis products available on the illicit market is more like 100 mg, they are more attractive than those sold on the legal market and allow the illicit market to remain strong and even grow.

Furthermore, as the demarcation between an edible product and an extract remains theoretical for some product classes, it makes more sense to target consumption routes rather than product classes in their final forms.

AQIC calls for an increase in the 10 mg THC limit on certain edible cannabis products, including edible cannabis, based on medical research and increased consumer education efforts by public authorities, without compromising governments' public health and safety objectives.

In order to allow legal edibles to capture the edible segment of the illicit market, AQIC calls for an increase in the THC limit to 100 mg per individually packaged product and a maximum of 1000 mg per package.

D. Medical cannabis

It is important to review the rules on medical cannabis, including access, cultivation for personal medical use and tax treatment, as well as the denial of coverage by drug plans.

1. Access

In a July 30, 2019, watchdog bulletin on Cannabis and Health, the INSPQ referred to a communication from the Arthritis Society and the Canadian Pharmacists Association that “one in four medical cannabis users report that it is now more difficult to obtain cannabis since the legalization of recreational cannabis.”

According to the release, “access issues are just one of the unintended consequences of the legalization of recreational cannabis that affect medical cannabis patients. (...) The reality is that, since legalization, recreational cannabis users now have less difficulty purchasing cannabis than patients who use the long-established medical cannabis pathway. *While the majority of Canadians (83%) believe that cannabis is a legitimate medicine for the treatment of physical pain and mental disorders, many patients are now turning to recreational cannabis shops or the illegal market to obtain their cannabis, and are getting health advice from informal sources*⁵.”

AQIC calls for improved patient access to therapeutic cannabis through pharmacy distribution.

2. *Growing cannabis for personal medical use*

Under the current regulations, a person with a medical licence authorizing the use of cannabis for medical purposes may purchase cannabis directly from a licensed supplier or register with the Medical Cannabis Access Program to obtain a certificate allowing them to:

- to produce a limited amount independently for its own medical needs; or
- if unable to do so on their own, to have one produced by a designated person; up to four (4) Health Canada Certificates of Registration are permitted per street address.

The system in place therefore deprives producers of the possibility to sell medical cannabis directly through a conventional supply chain. In practice, organized crime hijacks the process of medical cannabis production by a designated person by legally acquiring registration certificates and drying the cultivated cannabis, which is sold illegally on the black market.

The phenomenon has grown to such an extent that it can be described as a real scourge. In Quebec alone, there were 277 registration certificate holders in 2017. After the legalization of cannabis, this number increased from 5,000 to 7,000 between the beginning and the end of 2019, and it is currently around 12,000.

Thus, in addition to being a source of unnecessary and costly red tape that undermines the industry's competitiveness, the current system does not effectively ensure public safety.

AQIC calls for an end to the delegation of production to an authorized designate in Health Canada's Medical Cannabis Access Program.

3. *Tax treatment*

It must be recognized that more and more Canadians are using cannabis to manage their health conditions, but they face many barriers to accessing it, unlike people who treat their symptoms with other medications. One of these barriers is the high costs associated with the use of medical cannabis, in addition to other significant health care costs for the individuals concerned.

⁵ SOCIÉTÉ DE L'ARTHRITE et autres, « Un consommateur de cannabis thérapeutique sur quatre déclare qu'il est maintenant plus difficile d'obtenir du cannabis depuis la légalisation du cannabis récréatif », communiqué de presse du 4 juillet 2019.
[\[https://www.newswire.ca/fr/news-releases/un-consommateur-de-cannabis-therapeutique-sur-quatre-declare-qu-il-est-maintenant-plus-difficile-d-obtenir-du-cannabis-depuis-la-legalisation-du-cannabis-recreatif-838517916.html\]](https://www.newswire.ca/fr/news-releases/un-consommateur-de-cannabis-therapeutique-sur-quatre-declare-qu-il-est-maintenant-plus-difficile-d-obtenir-du-cannabis-depuis-la-legalisation-du-cannabis-recreatif-838517916.html)

Taking into account also the lack of insurance coverage, the affordability of medical cannabis is severely compromised and forces many individuals to make often agonizing choices. It goes without saying that the imposition of the excise tax seriously aggravates this unacceptable situation.

AQIC calls for therapeutic cannabis to be subject to tax treatment similar to that of other products for medical or therapeutic use, thereby exempting it from taxes and other duties.

4. Pharmacare

Launched in 2015, *Pharmacare* was to foster an evidence-based social dialogue on the future of prescription drug coverage in Canada. In May 2022, more than 1,000 health care professionals and health care and public policy experts signed on to this process to urge the federal government to accelerate the implementation of a universal, comprehensive public drug plan.

The government has committed to passing a *Pharmacare Act* by the end of 2023 and to developing a national essential drug formulary and bulk purchasing plan by 2025.

In fact, medical cannabis is not covered by drug plans, with some exceptions. Most group insurance plans in private companies do not include coverage, but it is sometimes possible to apply for it as part of supplementary health insurance.

Moreover, in the federal public and quasi-public sector, the recent agreement between the Public Service Alliance of Canada and the Treasury Board of Canada excludes coverage for medical cannabis, despite the fact that the federal government has an undeniably exemplary role to play in this regard.

AQIC is calling for the inclusion of medical cannabis in the legislation enacting the Canada Pharmacare Act that will be adopted by the end of 2023.

⁶ PHARMACARE 2020, « L'avenir de l'assurance-médicaments au Canada », juillet 2015, p. 2.
[<https://ftq.qc.ca/wp-content/uploads/sites/23/2019/07/Rapport-pharmacare-2020.pdf>]

III. Requests for changes that do not require legislative amendments and are feasible in the short term

This part of the memorandum contains requests for changes that do not require legislative amendments and can therefore be implemented in a short timeframe, which AQIC is keen to see.

A. Industry recognition

Four (4) years after its legalization, the cannabis market is already making a considerable economic contribution to the country, as confirmed by the Deloitte report⁷ published last February.

In addition to the industry's contribution to the gross domestic product (GDP) of \$43.5 billion, its direct and indirect economic activities have generated 151,000 jobs since October 2018.

Between 2018 and 2021, cannabis sales totalled \$11 billion, with recreational cannabis accounting for 67.8%.

According to insurance brokerage Hub International, "sales are still booming, with record monthly sales of \$319 million in June 2021. For 2021, Canadian sales are expected to reach US\$4 billion and US\$6.7 billion by 2026.

8 Across Canada, capital spending in the first three (3) years was \$29 billion, prompting the Deloitte study authors to say that 'companies have been investing in real estate, infrastructure and technology to start up or grow their businesses.

Tax revenues collected by governments totalled over \$15 billion.

The Deloitte study rightly pointed out that (...) the Canadian cannabis sector has taken hold and emerged as a new engine of economic growth, creating and sustaining tens of thousands of jobs in many communities across Canada¹⁰. "Also, as it grows and matures, Canada can expect "to have an increasingly positive impact on national and provincial economies"¹¹.

⁷ DELOITTE, *An industry makes its mark. The economic and social impact of Canada's cannabis sector*, février 2022.

[<https://www2.deloitte.com/ca/en/pages/consumer-business/articles/an-industry-makes-its-mark.html>]

⁸ HUB INTERNATIONAL, "Un marché en maturation déploie ses ailes," *Perspectives 2022 - Industrie du cannabis*, février 2022.

[<https://www.hubinternational.com/fr-CA/insights/outlook-2022/cannabis/#:~:text=Les%20ventes%20ont%20toujours%20en,de%20dollars%20en%20juin%202021.&text=Pour%202021%2C%20les%20ventes%20canadiennes,dollars%20am%C3%A9ricains%20d'ici%202026>]

⁹ DELOITTE, *op. cit.*

¹⁰ *Ibid.*

¹¹ *Ibid.*

It is also worth mentioning the increase in the social acceptability of cannabis noted by the Institut de la statistique du Québec (ISQ):

“Between 2018 and 2019, when cannabis was legalized for recreational use and widely discussed, the proportion of Quebecers aged 15 and over who believe that using cannabis is completely or somewhat socially acceptable jumped from 49% to 62%¹².”

The same is true of Statistics Canada, which also recently noted an increase in the social acceptability of cannabis.

“Increased social acceptance of cannabis, and the increased number of outlets and range of products available were among factors thought to have led to increased consumption over the past year. Recent data on cannabis sales have shown that sales at cannabis stores more than doubled (+120.5%) from 2019 to 2020.”¹³

As part of the de CCS¹⁴, Canadians were asked in 2021 about the social acceptability of occasional and regular use of various products. For the majority of respondents, the most socially accepted substance was alcohol, followed by cannabis and tobacco.

It should also be noted that during the COVID-19 pandemic, most provincial governments viewed the industry as an essential service provider that should be allowed to continue to operate, while the federal government excluded it from programs and financial measures in its economic stimulus package. This inequity is all the more unjustifiable given that a very large number of cannabis producers do not have access to the services of banking and financial institutions, a situation that is the subject of a specific request in the following point.

However, there is no reason why the Canadian cannabis industry, a major economic driver in Canada, should be ostracized and treated differently from other Canadian industries. Quite the contrary!

AQIC is calling for the cannabis industry to be recognized on par with all other Canadian consumer product industries.

¹² LEDUC, Louise, « L’acceptabilité sociale du cannabis bondit », *La Presse*, 11 mars 2020.

[<https://www.lapresse.ca/actualites/2020-03-11/l-acceptabilite-sociale-du-cannabis-bondit/>]

¹³ STATISTIQUE CANADA, *Consommation d'alcool et de cannabis pendant la pandémie : Série d'enquêtes sur les perspectives canadiennes* 6, 4 mars 2021

[<https://www150.statcan.gc.ca/n1/daily-quotidien/210304/dq210304a-fra.htm>]

¹⁴ GOUVERNEMENT DU CANADA, *Enquête canadienne sur le cannabis de 2021 : Sommaire*, 23 décembre 2021,

[<https://www.canada.ca/fr/sante-canada/services/drogues-medicaments/cannabis/recherches-donnees/enquete-canadienne-cannabis-2021-sommaire.html>]

B. Equitable access for the industry

1. To government programs and measures

Alcohol is a psychoactive substance and the alcohol industry has access to all government programs. The same should apply to the cannabis industry, which to date has been systematically denied access to all government programs.

Furthermore, as cannabis production is also a form of agriculture, producers should benefit from the programs and measures put in place by the state in this sector.

AQIC is calling for the cannabis industry to be treated in the same way as all Canadian industries and to have equal access to government programs and measures.

2. To the services of banking and financial institutions, including insurance companies

It is common knowledge that cannabis businesses are struggling to find loans and cash advances necessary to startup and grow. They have virtually no access to traditional capital.

Not only do Canada's major banking institutions routinely refuse to do business with cannabis companies, but others go about it in a roundabout way, charging astronomical fees for account opening and risk analysis.

In addition to the stigma attached to a substance that public authorities systematically reinforce by talking almost exclusively about the harms associated with its use and the need to reduce them, uncertainty is another barrier to financing the industry, as investors are wary because of a lack of accurate and essential knowledge, including reliable data and forecasts, about the industry and its markets.

Furthermore, it is not normal that an industry whose products were legalized in 2001 (medical cannabis) and 2018 (recreational cannabis) does not have sufficient support from national insurers, with those offering the most support being located outside the country, which creates capacity problems.

This is the view of Hub International, which has previously reported that "the cannabis industry (will) experience the benefits and dangers of a rapidly growing industry, from the heights of opening up new markets and revenue streams, to the difficulties of finding adequate insurance coverage.

15 While the legalization of cannabis for recreational use presented a particular challenge to the insurance market, it is unacceptable that cannabis businesses should have to endure the reluctance or refusal of insurers to offer them cover, and thereby bear their own risks longer than necessary. This is a serious impediment to their growth.

¹⁵ SOCIÉTÉ DE L'ARTHRITE et autres, *op. cit.*

AQIC is asking the government, and more specifically the Deputy Prime Minister and Minister of Finance of Canada, that the cannabis industry be treated in the same way as all other Canadian industries and have the same access to the services of banking and financial institutions, including insurance companies.

C. Expanding the recognition of cannabis

Cannabis is the second most consumed substance in Canada after alcohol and has two (2) main purposes (recreational or therapeutic), while its use has many uses. In order to maximize the knowledge and impact of initiatives by individuals and organizations dedicated to the development and sharing of cannabis know-how, the industry should be able to benefit from assistance and support programs similar to those available to the relevant sectors (especially in the context of protecting and enhancing Canadian innovation), while focusing on research and development (R&D) and scientific advances.

By supporting a technology base that is at the heart of the scientific exchange and development of this ecosystem, Canada would be able to attract investment and labour. This would result in economic spin-offs in all related sectors (including agriculture and agri-food), not just those specifically related to cannabis.

Currently, there is no formal platform for direct access to grants or scientific exchange programs that promote the industry's innovations internationally, or for retaining the benefits of these exports here at home.

The Act should provide for a collectively managed fund to identify sources of innovation and support these efforts in Canada to become a leader in cannabis knowledge and agricultural technology. Unfortunately, our country is losing this race to the efforts of countries like Israel.

AQIC calls for cannabis to be recognized like other horticultural crops and not just as a drug.

D. International support and representation

By being the first G20 country to legalize cannabis for recreational purposes on a national scale, the Canadian government has affirmed its desire to play a pioneering role and to be at the forefront of this societal evolution. The corollary of this decision is the need to fully assume the responsibilities inherent in such a role and to fulfil the duty to set an example and be consistent.

The federal government must play a proactive role on the international scene, in particular with the World Health Organisation (WHO), the United Nations (UN) and the United Nations Educational, Scientific and Cultural Organisation (UNESCO), particularly with regard to the continuous development of knowledge about cannabis, a sine qua non condition for overcoming the stigma that persists about it.

This role also requires helping the Canadian industry to export its products internationally and to position itself as a key leader. This goal is all the more realistic and achievable given that a recent report¹⁶ by EY (formerly Ernst & Young), commissioned by the Canadian Cannabis Council (CCC) on how government can assist the industry, concludes that “industry and government, working together, can help Canada lead from the front in legal cannabis sales and exports.”

AQIC calls on the government to ensure a proactive Canadian presence on the international scene to increase the acquisition and sharing of cannabis knowledge and to facilitate the dissemination of Canadian expertise, in collaboration with Global Affairs Canada and other federal authorities dedicated to international trade, export promotion, small business support and economic development.

E. Improving tax treatment

The above-mentioned EY report¹⁷ states that “taxation is not only eroding producers’ profits but hampering legal cannabis’s ability to compete with contraband products as well”. Although the paper focuses on the Ontario market, this finding is equally relevant to the Quebec market.

It must be recognized that equitable tax treatment is essential to maintain a diversified and competitive industry and to ensure its sustainability, especially when it has to compete with an illicit market.

1. Stamping system

Cannabis licence holders who package cannabis products are required to affix cannabis excise stamps to the packages of products intended for retail sale in Canada. Excise stamps of different colours for each province or territory must be affixed to the products at the time of delivery to the purchaser.

If stamps become unserviceable, licensees are required to retain them until the Canada Revenue Agency (CRA) has verified them. Obtaining and managing these stamps is a cumbersome, complex and expensive process.

AQIC is calling for a national digital excise stamp to eliminate, among other things, the manual application of a different stamp from one province or territory to another where cannabis products are found.

¹⁶ EY, *The impact of taxation and regulation on Canada’s cannabis industry | An economic analysis for Cannabis Council of Canada Economic Analysis of Cannabis Excise Duties, Mark-Ups and Regulatory Fees*. 2022

[https://assets.ey.com/content/dam/ey-sites/ey-com/en_ca/topics/cannabis-canada/pdf/ey-the-impact-of-taxation-and-regulation-on-canadas-cannabis-industry.pdf]

¹⁷ *Ibid.*

2. Collection of excise tax

For reasons of efficiency and cost, the excise tax should be collected at the point of sale rather than at the point of production where the products are packaged and stamped.

AQIC calls for excise tax to be collected at the retail level of cannabis products rather than at the point of production.

3. Excise taxes

In Canada, “for every dollar of cannabis sold, producers and retailers pocket 53 cents compared to 47 cents for various levels of government, the vast majority in excise and sales taxes¹⁸.” In fact, the price of legal cannabis is not competitive with the black market because of the taxes levied by the government.

AQIC calls for a review of the Regulation respecting excise duties on cannabis to substantially reduce or eliminate the basic amount applicable to cannabis products and instead apply a duty equivalent to 10% of the producer’s selling price.

F. Research & Development (R&D)

In a recent communication, an experienced researcher mentioned that “the complexity of the cannabis plant and the industry’s nascent knowledge base mean that there is a lot of work to be done before we can properly control the growth of plants and their production of desirable compounds such as THC and CBD¹⁹.”

Increasing existing knowledge about cannabis, as well as acquiring new knowledge, is essential to continuously improve the quality of products and information and public safety, while contributing to the industry’s productivity and competitiveness.

In addition, improved knowledge would help balance a governmental approach that is still too focused on reducing the harms and risks associated with cannabis use, and which is severely damaging the industry’s reputation and perception among investors and the public.

However, ‘(...) on top of already high operating costs, the costs of R&D can often be a huge burden for even well-established companies. This is why many in the cannabis sector are looking to government incentives to help fund their R&D activities’. This support is all the more crucial as R&D is a crucible of innovation, the key ingredient for the development of safe and competitive products in the illicit market, as well as a promising avenue for know-how and intellectual property.

¹⁸ GENOIS GAGNON, Jean-Michel. « La SQDC estime avoir capté 53 % du marché noir », *Le Journal de Montréal*, 9 juin 2021,

[<https://www.journaldequebec.com/2021/06/09/la-sqdc-estime-avoir-capte-53--du-marche-noir>]

¹⁹ GARCIA, Nicolas. « L’industrie du cannabis du Canada investit massivement en R&D », *Leyton*, 30 octobre 2022.

[<https://leyton.com/ca/fr/lindustrie-du-cannabis-du-canada-investit-massivement-en-rd/>]

²⁰ *Ibid.*

Our neighbours to the south have understood this very well, as evidenced by the passage of the Medical Marijuana and Cannabidiol Research Expansion Act, which will streamline the process of applying for scientific studies in order to remove existing barriers, facilitate the work of American researchers, and boost the therapeutic cannabis industry.

AQIC calls for the establishment of an R&D program dedicated to the acquisition, growth and sharing of knowledge on cannabis that can be funded not only by Health Canada, but also by other jurisdictions (e.g., Innovation, Science and Economic Development Canada, Agriculture and Agri-Food Canada, the Natural Sciences and Engineering Research Council of Canada, etc.).

G. Laboratory testing

The need for laboratory testing of cannabis between plant harvesting and retail sale to certify compliance with Health Canada standards is severely hampered by long lead times that generate indirect costs for producers. Indeed, the longer the laboratory tests take, the more the sale of the products is delayed and the higher the storage and handling costs. Not to mention the customer experience which is likely to be affected by products whose freshness or availability is impacted by these delays.

AQIC calls on the government to ensure that standardized tests, validation procedures and proficiency testing programs ensure consistency in the validation standards and procedures used between analytical testing laboratories and in the delivery of results.

H. Transport, storage, destruction and antimicrobial treatment

There is still legal ambiguity as to the contractual guidelines required for the transport, storage, destruction and antimicrobial treatment of cannabis to be carried out by a third party, as is currently the case.

1. Transport and storage

Indeed, the legal obligation of licensed producers to retain possession of cannabis, even during transport and storage procedures, means that any business retained by a licensed producer for these purposes is subject to the requirements of the Act even if it is not licensed.

Needless to say, this legal custody during transport and storage movements creates uncertainty that currently weighs on an authority's interpretation of the agreements and procedures relating to the relationship between the parties involved, as well as causing friction during stops and inspections by law enforcement or regulatory authorities.

As this relationship between transport and storage companies and licensees is critical to the survival of the industry, a clear and explicit process setting out the terms and conditions for subcontracting these responsibilities should be provided for and made public without ambiguity.

2. Destruction

With regard to destruction, the industry is depriving itself of biomass that can be used by other services or industries. Without access to a circular economy, cannabis businesses are forced to adopt unsustainable practices that require the allocation of significant resources to monitoring the waste generated by cannabis destruction.

A review of this regime is essential in order to maximize all possible sources of revenue and recycling, all within a circular economy logic that reflects the real risk posed by the waste in question.

3. Antimicrobial treatment

The antimicrobial processing of cannabis is affected by similar deficiencies as those found in its transportation and storage. The regulation allows a licence holder, with the exception of an analytical testing licence, to carry out this processing at a location other than the licensed premises subject to the following requirements:

- he shall ensure that at least one security clearance holder or, in the case of a research licence holder, an employee of the licence holder is present at all times when the cannabis is at that location; and
- the cannabis is subsequently returned to its licensed location or distributed in accordance with the requirements of this Regulation.

AQIC is calling for the elimination of the remaining legal uncertainty regarding the contractual guidelines required for the transportation, storage, destruction and antimicrobial treatment of cannabis by a third party.

I. Cannabis beverages

A cannabis beverage is a drink containing cannabis extracts, i.e., THC, CBD or both, in varying degrees. Their respective concentrations are indicated in mg. These beverages are sold in different forms (ready-to-drink cans, bottles, tea bags) and may not contain more than 10 mg THC per unit.

In a Communication on the Regulatory Impact Analysis of Cannabis,²¹ Health Canada notes that the legal limit for public possession is 30 grams (30 g) of dried cannabis or its “equivalent” for other forms of cannabis. The number of equivalent grams for each beverage is found in the product description; this is four (4) to six (6) beverages per order, varying according to the equivalencies defined by Health Canada.

The proposed regulations published in the Canada Gazette (Part I, Volume 156, Number 11: Order Amending Schedule 3 to the Cannabis Act) are intended to change the method of calculating the cannabis content of beverages and to allow consumers to purchase more beverages at one time. Under the new regulations, 1 g of dried cannabis would be equivalent to 570 g of a cannabis beverage, compared to the current rule of 70 g.

²¹ SANTÉ CANADA, *Résumé de l'étude d'impact de la réglementation*, 12 mars 2022, [<https://canadagazette.gc.ca/rp-pr/p1/2022/2022-03-12/html/reg1-fra.html>]

In practice, the amount of cannabis beverages an adult could possess would be increased from 2.1 litres (2.1 l) to 17.1 l, ending an inequitable situation where consumers are forced to possess only five (5) standard size beverages, i.e., five (5) 355 millilitre (355 ml) containers.

AQIC is calling for regulatory changes to be adopted as soon as possible to allow consumers to purchase more cannabis beverages without exceeding public possession limits.

J. Fight against the illegal market

Unfortunately, as the EY study mentioned earlier reminds us, the current rules of the game strongly favour the illicit market: “Legal producers and sellers must comply with a myriad of government regulations and pay taxes at both the federal and provincial levels—rules illicit players don’t play by²².”

Although the legalization of cannabis has reduced the presence of organized crime in recreational cannabis sales, the black market continues to flourish in Canada, accounting for half of all sales and depriving the industry of the revenue necessary for competitiveness and growth. In Quebec, the SQDC claims to have captured 58% of the illegal market²³.

This situation not only deprives the industry of the financial resources needed to contribute effectively to the objectives of the Act, but also deprives governments of the revenue needed to step up their efforts in the field of public health and safety, particularly in terms of information and promotion of responsible consumption.

The heavy tax and regulatory burden is indeed the cause of the industry’s inability to divert more consumers from the black market, as high prices due to government taxes undermine its attraction and retention power.

As mentioned earlier, “For every dollar of cannabis sold, producers and retailers pocket 53 cents compared to 47 cents for various levels of government, the vast majority in excise and sales taxes.”

1. Industry support

A responsible and efficient supply chain for the commercial production and sale of cannabis is a sine qua non for the success of the government’s legalization initiative and, by extension, for the achievement of its public health and safety objectives.

The SQDC recently acknowledged “a slowdown in its growth and current ability to capture the illegal market despite the addition of new branches²⁵” and “*a cap on the market share taken from the black market (...), [an] unacceptable status quo in the eyes of its CEO.*”²⁶

²² EY, *op. cit.*

²³ MCEVOY, Julien, « SQDC : encore beaucoup de chemin à faire pour limiter les parts du marché noir », *Le Journal de Montréal*, 17 octobre 2022, [\[https://www.journaldemontreal.com/2022/10/17/les-parts-de-marche-du-pot-gelees\]](https://www.journaldemontreal.com/2022/10/17/les-parts-de-marche-du-pot-gelees)

²⁴ EY, *op. cit.*

²⁵ SOCIÉTÉ QUÉBÉCOISE DU CANNABIS, *Rapport financier intérimaire pour le trimestre de 12 semaines clos le 18 juin 2022*, p.3 [\[https://www.sqdc.ca/fr-CA/a-propos/acces-a-l-information/Publications\]](https://www.sqdc.ca/fr-CA/a-propos/acces-a-l-information/Publications)

²⁶ GENOIS GAGNON, Jean-Michel, *op. cit.* (loose translation)

As the shares of the black market that were easy to divert to the legal market have been diverted, the gains to be made require a rethink of certain ways of doing things, otherwise the illicit market will be able to recoup its losses, as the advances of the legal market cannot and will never be taken for granted, as the inventiveness of the black market is immeasurable.

The time has come to put an end to the paradoxical practice of considering the legalization of cannabis in Canada as an “exemplary step” and, at the same time, limiting the means to achieve it by making gestures that resemble an uneasiness to endorse its production, distribution and consumption in a controlled and responsible manner.

In other words, there is a need for “the boots to follow the shoes,” e.g., through information campaigns on the categories and different products of cannabis as well as on their applications and effects (negative AND positive) and campaigns to promote the legal market where they can be obtained.

Not to mention the implementation of measures such as the revision of the Cannabis Excise Duty Regulations excise taxes on cannabis already mentioned in this document (p. 17).

AQIC calls on the government to support the industry in order to increase its capacity to divert or keep consumers away from the illicit market.

2. Harmonization of processes

To put cannabis legalization on a firm footing, the Working Group on Cannabis Legalization and Regulation, in its final report of November 30, 2016, set out guiding principles and values to be prioritized, including “collaboration in the design, implementation and evaluation of the new framework, including communication and collaboration among all levels of government and with members of the international community”.

Four (4) years after the Act came into force, its implementation clearly and unequivocally confirms the relevance and necessity of concerted action by all the players concerned and, above all, by governments. Thus, in practice, the categories of cannabis authorized in Canada should be harmonized in all Canadian provinces.

AQIC calls for federal, provincial, and territorial governments to work together to harmonize cannabis distribution and sales practices.

²⁷ GOUVERNEMENT DU CANADA, « Un cadre pour la légalisation et la réglementation du cannabis au Canada » - Le rapport final du groupe de travail sur la légalisation et la réglementation du cannabis, 30 novembre 2016.
[\[https://www.canada.ca/fr/sante-canada/services/drogues-medicaments/cannabis/lois-reglementation/groupe-travail-legalisation-reglementation-cannabis/cadre-legalisation-reglementation-cannabis-canada.html#a1.7\]](https://www.canada.ca/fr/sante-canada/services/drogues-medicaments/cannabis/lois-reglementation/groupe-travail-legalisation-reglementation-cannabis/cadre-legalisation-reglementation-cannabis-canada.html#a1.7)

3. Register

From illegal production to smuggling, police organizations are waging a relentless battle against the illicit cannabis market, mainly to promote the integrity of the tax system and reduce the availability of illicit cannabis on the market, especially among young people.

AQIC calls for the establishment of a register of producers, processors, and sellers of legal cannabis (recreational and therapeutic) for use by law enforcement agencies.

K. Alleviations

1. COVID-19 Measures

In March 2021, Health Canada announced the extension of seven (7) flexibility measures to support cannabis licensees during the COVID-19 pandemic until September 2023.

These measures concerned quality assurance, facilitation of cannabis sales, and compliance with record-keeping and reporting regulations.

Experience clearly and unequivocally demonstrates that these measures allowed the companies concerned to increase their operational flexibility without affecting their compliance with public health rules.

AQIC requests that Health Canada's temporary adjustments to the administration and enforcement of the Act and its regulations in response to the COVID-19 pandemic be made permanent.

2. Administrative burden

It is common knowledge that the administrative burden imposed on businesses by regulation has a significant impact on the time and cost of complying with the requirements of public authorities. The phenomenon was sufficiently worrying that the federal government adopted, seven (7) years ago now, the Paperwork Reduction Act, S. C. 2015, c. 12.

Under this Act, administrative burden “means anything that is necessary to demonstrate compliance with a regulation, including the collecting, processing, reporting and retaining of information and the completing of forms.”

This problem is significant and worrisome, as evidenced by the Canadian Federation of Independent Business (CFIB) 2021 Report on Paperwork in Canada, which found that businesses with fewer than five (5) employees spend \$7,023 per year per employee to comply with government regulations, compared to \$1,237 per year per employee for those with 100 or more employees.

AQIC calls for the simplification of reporting to Health Canada and for collaboration with the Canada Revenue Agency (CRA) so that industry reports to both authorities are combined in a single document.

IV. Conclusion

Before concluding this memorandum, AQIC considers that, in light of future developments in the United States²⁸ and Europe, Canada will not be able to avoid a review of the legal definition of cannabis and that it would therefore be appropriate for governments, public authorities and the industry to initiate a wide-ranging collective reflection in this regard without delay.

In their joint statement of October 17, 2022, the Minister of Health and the Minister of Mental Health and Addictions and Associate Minister of Health recalled that the Act has two (2) important critical objectives:

- protect the health and safety of Canadians while serving as a flexible legislative framework that adapts and responds to the ongoing and emerging needs of Canadians;
- provide for the establishment of a diverse and competitive legal industry made up of small and large players to displace the illicit market.

AQIC fully endorses these objectives, which are as relevant as they are urgent. With the aim of eliminating many of the obstacles that hinder the industry's competitiveness, this memorandum respectfully submits demands that are pragmatic, realistic and achievable in order to guarantee the industry the predictability, consistency and efficiency it needs.

As the EY Report²⁹ points out, "Change will be critical over the next few years if the industry is to meet the objectives set out in the Cannabis Act. But there are limits to what the industry can do on its own. It will be critical that the federal and provincial governments work with the industry to combat contraband if we are to build a vibrant and sustainable legal cannabis industry in Canada."

Like the CCC, we believe that "Canadians are ready for a balanced and innovative approach to legal cannabis consumption. Canada's cannabis producers follow the strictest regulations, work with governments and organizations to help keep cannabis out of the hands of minors, while generating significant new economic benefit for the towns and communities within which we operate."

AQIC fervently hopes that the legislator and the public authorities concerned will provide the industry with the necessary framework and means to enable it to play its full role in "the implementation of a diversified, competitive and legal sector made up of small, medium and large companies that will displace the illicit market," an overriding objective that the Minister of Health, as well as the Minister of Mental Health and Dependencies and Minister associated with Health, reiterated last September.

²⁸ L'adoption récente, par le Sénat américain, du *Medical Marijuana and Cannabidiol Research Expansion Act*, permettra d'étendre la recherche sur les médicaments dérivés du cannabis et leurs bénéfices potentiels pour la santé. Voir à cet effet le communiqué de presse (« Senate Passes Bipartisan Marijuana Research Bill ») du 16 novembre 2022 de M^{me} Dianne Feinstein, sénatrice de la Californie au Congrès.
[\[https://www.feinstein.senate.gov/public/index.cfm/press-releases?ID=F72220B0-7431-4762-9ED9-0DFF7A8EB66A#:~:text=Washington\]](https://www.feinstein.senate.gov/public/index.cfm/press-releases?ID=F72220B0-7431-4762-9ED9-0DFF7A8EB66A#:~:text=Washington)

²⁹ EY, op. cit.

³⁰ CANNABIS COUNCIL OF CANADA. *Licensed*.
[\[https://cannabis-council.ca/#:~:text=Licensed,approach%20to%20legal%20cannabis%20consumption\]](https://cannabis-council.ca/#:~:text=Licensed,approach%20to%20legal%20cannabis%20consumption)

It is vital to remember that without a resilient, efficient and optimized supply chain, cannabis legalization will remain an unfinished business, much to the delight of an illicit market that, for the time being, clings to and resists on the margins of the system. The system cannot fail in its laudable and feasible mission to keep cannabis out of the hands of youth, to prevent profits from going into the pockets of criminals, and to protect public health and safety by allowing adults to have access to legal cannabis.

The time has come to ensure that in all public decisions and actions regarding cannabis, reticence gives way to aplomb and pride replaces discomfort, so that cannabis and its undeniable virtues are given due recognition, and an industry that should not feel that it is being tolerated or that it has to apologize for its existence.

We thank the members of the Expert Committee for their attention and assure them of our full availability should they require further information.

We thank the members of the Expert Committee for their attention and assure them of our full availability should further information or clarification be required.

FOR MORE INFORMATION

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