

**Fifth Session – Forty-Second Legislature**  
**of the**  
**Legislative Assembly of Manitoba**  
**Standing Committee**  
**on**  
**Social and Economic Development**

*Chairperson*  
*Mr. Dennis Smook*  
*Constituency of La Vérendrye*

**Vol. LXXVII No. 7 - 6 p.m., Wednesday, May 10, 2023**

ISSN 1708-6698

**MANITOBA LEGISLATIVE ASSEMBLY**  
**Forty-Second Legislature**

<b>Member</b>	<b>Constituency</b>	<b>Political Affiliation</b>
AL TOMARE, Nello	Transcona	NDP
ASAGWARA, Uzoma	Union Station	NDP
BRAR, Diljeet	Burrows	NDP
BUSHIE, Ian	Keewatinook	NDP
CLARKE, Eileen, Hon.	Agassiz	PC
COX, Cathy	Kildonan-River East	PC
CULLEN, Cliff, Hon.	Spruce Woods	PC
DRIEDGER, Myrna, Hon.	Roblin	PC
EICHLER, Ralph	Lakeside	PC
EWASKO, Wayne, Hon.	Lac du Bonnet	PC
FONTAINE, Nahanni	St. Johns	NDP
GERRARD, Jon, Hon.	River Heights	Lib.
GOERTZEN, Kelvin, Hon.	Steinbach	PC
GORDON, Audrey, Hon.	Southdale	PC
GUENTER, Josh	Borderland	PC
GUILLEMARD, Sarah, Hon.	Fort Richmond	PC
HELWER, Reg	Brandon West	PC
ISLEIFSON, Len	Brandon East	PC
JOHNSON, Derek, Hon.	Interlake-Gimli	PC
JOHNSTON, Scott, Hon.	Assiniboia	PC
KHAN, Obby, Hon.	Fort Whyte	PC
KINEW, Wab	Fort Rouge	NDP
KLEIN, Kevin E., Hon.	Kirkfield Park	PC
LAGASSÉ, Bob	Dawson Trail	PC
LAGIMODIERE, Alan	Selkirk	PC
LAMONT, Dougald	St. Boniface	Lib.
LAMOUREUX, Cindy	Tyndall Park	Lib.
LATHLIN, Amanda	The Pas-Kameesak	NDP
LINDSEY, Tom	Flin Flon	NDP
MALOWAY, Jim	Elmwood	NDP
MARCELINO, Malaya	Notre Dame	NDP
MARTIN, Shannon	McPhillips	PC
MICHALESKI, Brad	Dauphin	PC
MICKLEFIELD, Andrew	Rossmere	PC
MORLEY-LECOMTE, Janice, Hon.	Seine River	PC
MOSES, Jamie	St. Vital	NDP
NAYLOR, Lisa	Wolseley	NDP
NESBITT, Greg, Hon.	Riding Mountain	PC
PEDERSEN, Blaine	Midland	PC
PIWNIUK, Doyle, Hon.	Turtle Mountain	PC
REDHEAD, Eric	Thompson	NDP
REYES, Jon, Hon.	Waverley	PC
SALA, Adrien	St. James	NDP
SANDHU, Mintu	The Maples	NDP
SCHULER, Ron	Springfield-Ritchot	PC
SMITH, Andrew, Hon.	Lagimodière	PC
SMITH, Bernadette	Point Douglas	NDP
SMOOK, Dennis	La Vérendrye	PC
SQUIRES, Rochelle, Hon.	Riel	PC
STEFANSON, Heather, Hon.	Tuxedo	PC
TEITSMA, James, Hon.	Radisson	PC
WASYLIW, Mark	Fort Garry	NDP
WHARTON, Jeff, Hon.	Red River North	PC
WIEBE, Matt	Concordia	NDP
WISHART, Ian	Portage la Prairie	PC
WOWCHUK, Rick	Swan River	PC
<i>Vacant</i>	Morden-Winkler	

**LEGISLATIVE ASSEMBLY OF MANITOBA**  
**THE STANDING COMMITTEE ON SOCIAL AND ECONOMIC DEVELOPMENT**

**Wednesday, May 10, 2023**

**TIME – 6 p.m.**

**LOCATION – Winnipeg, Manitoba**

**CHAIRPERSON – Mr. Dennis Smook**  
*(La Vérendrye)*

**VICE-CHAIRPERSON – Mr. Brad Michaleski**  
*(Dauphin)*

**ATTENDANCE – 6 QUORUM – 4**

*Members of the committee present:*

*Hon. Messrs. Cullen, Smith (Lagimodière)*

*Mr. Michaleski, Ms. Naylor, Messrs. Sala, Smook*

**APPEARING:**

*Mr. Dougald Lamont, MLA for St. Boniface*

**PUBLIC PRESENTERS:**

*Todd Friesen, private citizen*

*Shannon Sala, The Essential Cannabis Company Ltd.*

*Sean Stewart, AAAAA Supercraft Cannabis*

*Tyler Miller, The Vault Cannabis*

*Ryan Peterson, Midnight Show*

*Kerri Mitchell, Farmer Jane Cannabis Co.*

*Sharon Clark, private citizen*

*Annick Beauchesne, Babette's Cannabis Dispensary*

*Melanie Bekevich, private citizen*

*Ariel Gliner, The Joint Cannabis Shop*

*Katie Torgerson, Star Buds Cannabis Co.*

*R.J. Kusmack, Fiddlers Green Cannabis Co.*

*Kim Ruud, High Tide Inc.*

*Steven Stairs, Cannabis Business Association of Manitoba*

**WRITTEN SUBMISSIONS:**

*Christopher Britton, Black Tie Cannabis*

*Sandy Nemeth, Manitoba School Boards Association*

**MATTERS UNDER CONSIDERATION:**

*Bill 10 – The Liquor, Gaming and Cannabis Control Amendment Act (Social Responsibility Fee Repealed)*

**Clerk Assistant (Ms. Katerina Tefft):** Good evening. Will the Standing Committee on Social and Economic Development please come to order.

Before the committee can proceed with the business before it, it must elect a Chairperson.

Are there any nominations?

**Hon. Andrew Smith (Minister responsible for the Manitoba Liquor and Lotteries Corporation):** Yes, I nominate MLA Smook.

**Clerk Assistant:** Mr. Smook has been nominated.

Are there any other nominations?

Hearing no other nominations, Mr. Smook, will you please take the Chair.

**Mr. Chairperson:** Our next item of business is the election of a Vice-Chairperson.

Are there any nominations?

**Mr. Smith:** Yes, I nominate MLA Michaleski.

**Mr. Chairperson:** MLA Michaleski has been nominated.

Are there any other nominations?

Hearing no other nominations, Mr. Michaleski is elected Vice-Chairperson.

This meeting has been called to consider the following bill: Bill 10, The Liquor, Gaming and Cannabis Control Amendment Act (Social Responsibility Fee Repealed).

I would like to inform all in attendance of the provisions in our rules regarding the hour of adjournment. A standing committee, meeting to consider a bill, must not sit past midnight to hear public presentations or to conclude clause by clause of a bill, except by unanimous consent of the committee.

Written submissions from the following persons have been received and distributed to committee members: Christopher Britton, Black Tie Cannabis, on Bill 10; Sandy Nemeth, Manitoba School Board Association, on Bill 10.

\* \* \*

Does the committee agree to have these documents appear in the Hansard transcript of this meeting? *[Agreed]*

Prior to proceeding with public presentations, I would like to advise members of the public regarding the process for speaking in a committee. In accordance with our rule 92(2), a time limit of 10 minutes has been allotted for presentations with another five minutes allowed for questions from committee members. Questions shall not exceed 30 seconds in length, with no time limit for answers. Questions may be addressed to presenters in the following rotation: first, the minister sponsoring the bill; second, the member of the official opposition; and third, an independent member.

If a presenter is not in attendance when their name is called, they will be dropped to the bottom of the list. If the presenter is not in attendance when their name is called a second time, they will be removed from the presenters list.

The proceedings of our meetings are recorded in order to provide a verbatim transcript. Each time someone wishes to speak, whether it be an MLA or a presenter, I first have to say that person's name. This is the signal for the Hansard recorder to turn the mics on and off.

On the topic of determining the order of public presentations, I will note that we do have out-of-town presenters in attendance, marked with an asterisk on the list.

With these considerations in mind, in what order does the committee wish to hear presentations?

**Mr. Brad Michaleski (Dauphin):** Mr. Chair, I would suggest we give first chance to out-of-town presenters who are present and then proceed numerically.

**Mr. Chairperson:** It has been brought forward that we take out-of-town presenters that are here, to present first, and then the rest go in order as they are on the list.

Is that agreed? *[Agreed]*

Thank you for your patience. We will now proceed with public presentations.

**Bill 10—The Liquor, Gaming and Cannabis Control Amendment Act (Social Responsibility Fee Repealed)**

**Mr. Chairperson:** I will now call on Ms. Candice Bellmore, Cottage Country Cannabis. Candice Bellmore. Is Candice here?

She is not in the room, so her name will go—*[interjection]*

Mr. Todd Friesen, private citizen. Is Todd Friesen here?

Mr. Friesen, would you please take the podium and make your presentation when you are ready.

**Todd Friesen (Private Citizen):** All right.

**Mr. Chairperson:** Mr. Friesen.

**T. Friesen:** Can you hear me?

**Mr. Chairperson:** Yes.

**T. Friesen:** Perfect. Well, good evening. Should I call you Mr. Speaker?

**Mr. Chairperson:** Mr. Chair is fine.

**T. Friesen:** Mr. Chair, and also honourable members of the Legislative Assembly.

Firstly, I would like to thank you for all—for attending this committee hearing this evening. I know you took some time out of your day for this, so, please, thank you very much.

I hope that we are all here and present with an open mind, open ears and that we will want to have a constructive dialogue. I would like to state, that as a country, Canada has the best cannabis in the world, without question. Pound for pound, we have the best growers and that is something that, as a country, we should be proud of.

I opened up Supercraft Cannabis with my brother-in-law, Mr. Sean Stewart, which—I'll let him tell his story, but I'd rather speak on the industry as a whole and I feel that my time would be best suited representing key issues with the social responsibility fee and why its repeal is necessary.

To summarize, we like—we legalized cannabis for two purposes: one was to battle the illicit market and two, was to bring a product to the general population that is no longer considered taboo, stigmatized and is a safe, controlled substance.

I'll not go into the benefits of cannabis or the comparison of any other controlled substance because that's not what we're here for. We are here to talk about the social responsibility fee.

With that in mind, I would also like to state that this is not a political issue. This is a business issue. The social responsibility fee has kneecapped our ability to constructively carry out the reason that we legalized cannabis in the first place.

The social responsibility fee has continued to force retailers to carry higher margins and dictate their business decisions that have negatively impacted our ability to fight the illicit market and get safe, legal cannabis in the hands of consumers at a competitive price and with the proper education.

I'd like to touch on a few key points that may not be as apparent when you look at the toll the SRF has had on retailers, producers and in turn, consumers.

Number one would be safety. So, we have started a distribution company, as well, under a licensed producer and I've had the opportunity to visit over 60 stores in Manitoba so far. What I have found is that an alarming amount of these stores only have one person working at a given time. With that, carrying—with the carrying of cannabis and having no sightline to the outside of your building comes the inherent risk of robbery and theft. You would never walk into a Liquor Mart and see one person working.

This is a direct correlation with the social responsibility fee. What is the first and easiest expense that you can cut as an employer? That's your employment. So, there have been more than several break-ins and robberies in the cannabis industry in Winnipeg since the legalization and when you have to pay 60, 120, \$180,000 every year and you are faced with tough choices, most of the time, there is no choice.

This is not acceptable and we hope that you can understand that this repeal would give us the ability to properly staff our stores so that our employees can feel safer and have someone else to help assuage and deter criminality.

\* (18:10)

Number two: we are the social responsibility. The best person to talk about cannabis consumption is cannabis consumers. This is our livelihood, this is our culture and this is our passion. Most retailers are cannabis consumers, and this almost demands a level of expertise and product knowledge. So, given that retailers are experts on consumption, we would also be experts on consuming responsibly, how to store your cannabis, what you can carry on your person, et cetera.

Everything that the LGCA, the MBL and Health Canada that have released in pamphlets, notices and articles, we are already talking about. However, linking into the issue with staffing comes the issue with our ability to educate and teach—and sometimes even the most seasoned cannabis consumers—the ins and outs of new products, new information and how

to extrapolate that information and use it to ensure consumption is being used safely.

Number three: the pain of SRF. So, this will lead to closures and a lack of diversity. Come June 30th, you will see a windfall of stores close. Some of those closures will be due to poor business models or oversaturation, but some will also be simply because they cannot afford to operate anymore under the SRF.

We have now seen this year after year: stores close their doors or sell to a larger chain. What this does is create a lack of diversity in the market. There's a trickle-down effect that not only hurts retailers in the surrounding area but also hurts producers because there is still a pay-to-play model style happening in these national chains. The trickle-down ends up diluting the market with bad cannabis and forces family-owned businesses out of Manitoba.

I think we all support small business, and I think this is something that we want, free market or not.

The success of farmers, experienced farmers, and their abilities to have a footprint in this province has been kneecapped as well. With the lack of diversity comes the death of culture, and with the death of culture comes the need for illicit market again. This is shooting ourselves in the own foot by flooding our market with product people don't want and opens the door for the illicit market to take advantage of that.

And the—my final point is that with the repeal to 2023 of January, this creates a competitive disadvantage for us, those who have blood, sweat and tears in this game already. If the SRF is repealed to January 2023, knowing that there is no moratorium on new stores being put in place anytime soon, you are creating a competitive disadvantage to those of us who struggled with SRF since its inception and—our own inception as a retailer.

I believe this is unfair, and I believe it's in bad faith, moving forward, with the already 180-plus retailers that have been established and are reputable. You are allowing anyone who was open since January a free pass while still robbing us of our hard-earned revenue that we have constantly had to just hand straight back to the MBL.

A cash injection is needed. It's necessary in this industry right now so that we can increase our staffing, our education and our ability to operate.

Therefore: Whereas the SRF is causing considerable safety issues with retailers choosing to only

staff one person working, leading to continued theft, discomfort and overall threat felt by employees;

Whereas we, as retailers, are the educators of cannabis and its uses; we are the backstop of responsibility by guiding people to what they need and how to consume safely and responsibly;

Whereas the likelihood of many store closures this year due to the unprecedented costs of the social responsibility fee and the likelihood that more national chains will buy them out or open up in their spots will cause a considerable lack of diversity in a free market; and

Whereas the competitive disadvantage you'll be putting the over 180 retail stores currently operating.

I implore this committee to not only consider but move to repealing the SRF retroactively back to 2022, injecting \$10 million back into this industry so that we can bolster our staffing; we can bolster our education; we can help secure this free-market industry that you created, you supported in the first place with knowledge that the honourable member from Spruce Woods indicated that monies collected for social responsibility never went directly to social responsibility.

I would suggest that this is borderline fraudulent, and we want our money back so that we can continue to run and grow this industry as we have year over year.

Thank you for your time.

**Mr. Chairperson:** Thank you for your presentation, Mr. Friesen.

We will now move on to questions.

**Hon. Cliff Cullen (Minister of Finance):** I thank you, Mr. Friesen, for your presentation tonight and being with us. Really appreciate your insight into the industry.

Obviously, I like your concern over education. I think that's a very important role that retailers play, and I certainly take your advice. I appreciate your time.

**Mr. Chairperson:** Mr. Friesen, before you can speak I have to recognize you. So, Mr. Friesen, you may go ahead.

**T. Friesen:** Thank you very much. I appreciate your consideration. I've been a lifeline—lifelong blue member, so I think we can probably see eye to eye on

this in terms of that this will help business in Manitoba.

**Mr. Adrien Sala (St. James):** Thank you, Mr. Friesen, for the presentation. It was great and much appreciated. I just wanted to ask you, we know that the government has been collecting SRF fees since 2019, 2020, 2021, and we know that the government hasn't been spending those dollars that they've been collecting, and, in fact, those many—a large percentage of those dollars have just gone back to seemingly central government revenue, and we haven't heard accountability from this government as to what they're doing with those funds or how they're being spent.

So I'd just like to ask you about your reflections on, you know, how that's made you feel to see the government collecting these fees, millions of dollars from small businesses, and not—

**Mr. Chairperson:** The member's time has expired.

**T. Friesen:** I'm not going to make this a political issue. I'm just going to simply state the fact that this government, with the social responsibility fee, has chosen to take money out of hard-working people's pockets and put it into your general coffers. Whether that's the case or not, I mean, we'd have to look back and see who spent what on what, but at the end of the day, nobody knows—not us—and from what I heard from second reading, not you guys.

So that is my feelings towards how this has gone for the last four years.

**Mr. Dougald Lamont (St. Boniface):** Thank you very much. I just wanted to ask one thing: Did you refer to, sort of, June 30th being a date when a whole bunch of businesses could fail, essentially? Can you just talk a bit about or explain why that's happening and how, hopefully, we can be—it can be prevented?

**Floor Comment:** Okay.

**Mr. Chairperson:** Oh, Mr. Friesen—sorry.

**T. Friesen:** Yes, it's all good. June 30th is the deadline for the SRF payment, for the 2022 SRF payment, and from what I understand, I know that at least 11 have not yet come up with the money. And so, what can we do to help? We can repeal back to 2022; that's what we can do to help so that we can not lose these people unnecessarily.

**Mr. Chairperson:** Are there any further questions? Seeing no further questions, we thank you very much

for your presentation, Mr. Friesen, and we will now move on to the next presenter.

I will now call on Mrs. Shannon Sala, The Essential Cannabis Company Ltd.

Is Mrs. Sala here? *[interjection]*

Okay, we welcome you here. You may proceed with your presentation.

**Shannon Sala (The Essential Cannabis Company Ltd.):** Hello, everybody. Good evening, and thank you for your time, for coming out and listening to us this evening.

My name is Shannon Sala, and my husband Jeremy *[phonetic]* and I own Essential Cannabis, located in Selkirk, Manitoba. We opened the first retail cannabis store in the city of Selkirk, and we opened our store during the height of the pandemic in March of 2021.

The following year, in June of 2022, the 6 per cent SRF became due. We paid it in good faith for the social responsibility cost being incurred by the province for the newly found cannabis retail industry.

Later that year, in 2022, a FIPPA request revealed the financial information related to the collection of the SRF and where those funds were being spent. The MBLL and LGCA, respectively, were unable to provide any meaningful accounting for the money spent on social responsibility programs. What was provided was limited in transparency and appears to be a mismatch of costs that could be loosely tied to the cannabis industry.

When we became stakeholders in 2021 we agreed to pay the SRF for that year, understanding that the money collected would indeed be used for the social costs of the newly founded cannabis industry. The minister himself has recently said that those social costs did not materialize and the SRF would no longer be collected as of January 2023.

While we all welcome the repealing of the SRF for 2023, it does not go far enough. The Manitoba cannabis industry currently has approximately 170 cannabis retail stores, with 70 per cent of those stores being independently owned and operated.

\* (18:20)

We are not big, publicly traded companies with access to lines of credit and payroll loans, but we are the majority of cannabis stakeholders in Manitoba. While many businesses and industries are receiving

financial help as they slowly try to recover from the pandemic, we are not.

There was a handful of stores in 2022 alone that we saw collapse, and yet, in spite of these dire warnings, stakeholders are still being asked to pay 6 per cent of our gross annual income for a year that was particularly hard on all Manitobans.

The SRF is now due on June 30th, just one month away. Many retailers have already indicated their inability to pay. To put it in perspective, we are not talking about a few thousand dollars; we are talking about a minimum of \$40,000 per store.

Do you know what that money could do for small retailers like myself? It can mean the difference between staying open, or closing my doors—and other doors, in some cases, as small business owners are currently employing approximately 63 per cent of the labour market. With minimum wage going up, as well as WCB and payroll taxes, we are facing many challenges.

Existing retailers like myself will continue to struggle with this and previous years' SRF debts, while any new retailer in 2023 will never have to pay their share of the social responsibility for a cannabis industry they will now benefit from.

We are in favour of the SRF being repealed; however, we ask that it be amended and repealed to January of 2022. This will alleviate the financial burden placed on existing retailers, and the unfair capital advantage it will create for the new ones.

By amending it to January 2022, it will provide much-needed monetary relief for us stakeholders, and better position us all for a full recovery post-pandemic.

Thank you for your time, and I welcome any questions.

**Mr. Chairperson:** We thank you for your presentation, Mrs. Sala. We will now move on to questions.

**Mr. Cullen:** Thank you, Mrs. Sala, for joining us tonight and coming in from Selkirk. Again, appreciate your taking the bold move to open a business during the pandemic. Certainly applaud you for that.

Again, too, I appreciate your insight into the industry here. Thanks again for your insight.

**Mr. Chairperson:** Mrs. Sala, do you have a response or anything? No?

**S. Sala:** Yes, thank you for your time.

**Mr. Sala:** Good to meet another Sala. Welcome here, thanks for coming from Selkirk.

Just want to say how much we appreciated your presentation, and also just ask: In terms of the impacts of the SRF for you and your family and your store, what has that meant for you guys since you've opened?

What's the—what are those impacts as real, sort of, day-to-day impacts for you guys as business owners?

**S. Sala:** Like Mr. Friesen had spoke about, there—we're facing so many challenges, much like every other Manitoban right now with small businesses.

We're trying to crawl out of a pandemic. We see other industries getting relief—financial relief, but we're just ignored, you know? We're just expected to just carry on, and so instead of getting any sort of relief, this seems like the perfect time to actually just amend it and allow us to keep our own money.

Instead of us having to come with our hands out saying we need help in this industry, if the SRF was repealed, it's really going to make a huge difference for retailers like myself, because then we can re-invest the money back into our business; we can hire more employees.

And to what he was speaking about, it's actually a very good point that I never really thought about until now, is the fact with the education. The social responsibility: I do more social responsibility in—during my—while I'm working in my own store than I've ever seen from the LGCA or MBLL. I certainly don't mean any disrespect; it's just a fact.

I'm the one there; we are the front lines, doing the social responsibility, yet we still have to pay—it's just not really making any sense. And then when we can't even determine where the money was spent, it leaves, you know—it's a bitter pill to swallow.

Especially with it just around the corner now where I have to come up with all this money and hand it over, when it could've—and in some cases, it will make the difference for some retailers having to close their doors, and that's sad. Yes.

**Mr. Lamont:** Thank you so much. The one thing I—can you just expand a little about when you're talking about—provide the education you're providing in the store on social responsibility and—I mean, I guess, some of—where do you get the information for it? Or do you end up—or is it something you just have to come up with yourself?

**S. Sala:** It's just something that people in this industry have just come to know. I mean, there's so many things involved.

From the minute the person walks in your store, it's like you're on them. You're like, how old are you? Are you 19? You're checking their IDs, you're going through all of that. Then you're asking the questions. Is this for you? Is this for somebody else? And then the customer always tells you what it is, and we have a lot of customers who are from the illicit market.

They are from the illicit market, so then when we inform them that all cannabis that they're going to be purchasing from a dispensary has gone through Health Canada, it's perfectly safe, you're not going to have any problems that you get from buying off somebody on the street. And then the eyes open and, oh, this is just wonderful and this is great.

And then, you know, then consumption limits. There's always consumption limits, like, you know, with the gummies, the edibles, which are a great big thing right now. So, we're always just educating them, you know. Is this your first time with edibles? Okay, then you know what, start slow, you know, and see how you react to it.

I don't know anybody in any store who pushes cannabis. The customer tells us what they want and we guide them, and they make the best decision possible. So, it's us. *[interjection]* You're welcome. Thank you.

**Mr. Chairperson:** Are there any further questions?

Seeing no further questions, we thank you for your presentation, Mrs. Sala.

And we will now move on to the next presenter. I will now call on Mr. Sean Stewart, AAAAA Supercraft Cannabis. Mr. Stewart, when you're ready, you may proceed with your presentation.

**Sean Stewart (AAAAA Supercraft Cannabis):** Thank you for this opportunity to speak about how the social responsibility fee has impacted not only our business, but also our family.

About two and half years ago, during the pandemic, my family—my wife and our five-year-old son—decided to move from downtown Toronto to Steinbach, Manitoba in search of more space, a bit more freedom and the opportunity within the cannabis industry.

In terms of the cannabis industry, I would be considered a legal cannabis veteran. I've worked in



legal cannabis before legalization in October 17th, 2018. I also want the record to show, I've been a daily smoker for almost 30 years and as long as I can remember I've advocated against the lazy stoner stereotype. I'm happily a husband, a father, I've had successful careers and businesses, and for the past six years, I've worked tirelessly to work to improve the legal cannabis industry in Canada.

So, furthermore, we used \$400,000 from the sale of our house to start our business. Nine months of preparation, LGCA and MBLL licensing, municipal fire-police authorizations and constructions, we opened our doors June 24th, 2021. We also decided to pay our employees before we started paying ourselves as business owners, and we only started doing that about five months after we actually opened our doors.

We would consider our first six months to be successful. We were growing and strengthening our position within the community as the spot to go to. Our first SRF bill was \$57,000, and that was only for that first six months.

After determining our business financials for that fiscal year, that's—\$57,000 was \$50,000 out of our profits, and actually put us 7K into the hole.

Our second full year was also very successful; great year-over-year growth. And by now, we're really establishing ourselves within our surrounding community.

After determining our finances for that fiscal year, our slim net profit margin of roughly 12 to 13 per cent will be cut in half by the SRF. This year, that's \$142,000 that would be taken out of my small business and my family's future assets while, again, not really being used what it was in for—intended to be used for.

I first really questioned the SRF in April of 2022 with an email to the MBLL, and within in the following months and year, a wave of other retailers had recognized the same issue. What is our hard money—hard-earned money being used for? Is it really being used for social responsibility?

Revenues from the SRF—and this is quoted from the reasoning behind why we pay this—revenues from the SRF will be used to fund the many social costs associated with the legalization of cannabis, including addictions treatment and public education campaigns.

\* (18:30)

My question is, why has it taken the government six years to re-evaluate this? I think, on many levels,

they have been scientifically disproven. The minister is on record saying the funds derived from the SRF do not go directly to social costs associated with cannabis.

And from an independent small business owner, having my hard-earned money being taxed and used for purposes outside of what it's meant for is just simply unacceptable. I think we need, No. 1, to change this order to secure the future of this industry in Manitoba.

Personally, I think this repeal—I agree with everyone else that's been up here so far—is a kind of a little—too little too late. The SRF fee has already and substantially impacted retailers, causing many to 'minerize'—minimize operations or, in some cases, close their doors.

Here's my suggestion. As has been said previously, repeal the SRF back to January 1st, 2022. This will create a moral win and economic boost to the cannabis industry in Manitoba of approximately 10 to 12 million dollars and will save another \$12 million—10 to 12 million dollars from being unjustifiably taken from businesses like mine. It will help with job creations—job creation, allowing stores to hire more qualified staff and reduce staff turnover. It will stimulate industry expansion into new cannabis businesses in Manitoba, like our new distribution business. It may just also help existing businesses—business owners pay off debt.

My name is Sean Stewart. I'm a daily cannabis smoker, an independent cannabis retail owner, a founder of a licensed cannabis distribution company. The S-F-R-S—SRF is killing our entire industry, and it's time for those responsible for writing these rules to make it right.

Thank you.

**Mr. Chairperson:** We thank you for your presentation, Mr. Stewart.

We will now move on to questions.

**Mr. Cullen:** Thank you, Mr. Stewart, for joining us tonight. Welcome to Manitoba, and I appreciate hearing your journey and hope your business continues to thrive and hopefully grow.

And, hopefully, with the removal of the SRF, we can be more competitive with that illicit market out there.

**Mr. Chairperson:** Mr. Stewart? Did you have a response?

**S. Stewart:** Thank you.

**Mr. Sala:** Thanks so much for the presentation, Sean. It was great. And, again, welcome to Manitoba. It's wonderful that you decided to come here with your family to set up a business and help contribute to growth here in this province.

I'd just like to ask, have you seen, in your time in the cannabis industry, any evidence of social responsibility fees being spent by government to increase social responsibility in Manitoba? Or, do you have any examples of that?

**S. Stewart:** Yes, I do. I think, when we first opened in the summer of 2021, there were pamphlets that were handed out by the LGCA for us to hand out to each client—or each customer. I do also remember seeing billboards throughout the city of Winnipeg. I think that's one part.

The other part is, obviously, you know, the full amount that has been taken for SRF since its inception is a lot more than pamphlets and billboards.

**Mr. Lamont:** Thank you very much. And, you know, like, I also congratulate you on fighting the stigmatization that surrounds cannabis. I think it's very important that you—that you've said that and made that stand.

I just wanted to ask, if you were—I mean, looking at the social responsibility fee, what sort of things would you be looking at reinvesting if—you know, if that money were available to you, what would you be doing it—with it for your business?

**S. Stewart:** Sorry. I think, you know, we've always eyed expansion. I think that's one part of it.

Personally, for me, I mean, we invested \$400,000, and we haven't recouped any of that yet, so, you know, part of that would be welcomed. But, mostly, I mean, we've not only built a store, but we are building a new business as well, so pretty much all the money I've made in cannabis has gone back into building something else. Yes, so, it would more than likely just be built into something else.

**Mr. Chairperson:** Are there any further questions? Seeing as no further questions, we thank you very much for your presentation, Mr. Stewart, and we will move on to the next presenter.

I will now call Mr. Tyler Miller. Tyler Miller, from The Vault Cannabis Ltd.

You may proceed with your presentation as soon as you are ready.

**Tyler Miller (The Vault Cannabis):** Good day. I didn't bring a presentation. I'm an organic grain farmer up at—in the Ashern area. I'm just kind of going to wing it, so I do apologize, guys, but I'm—most of my colleagues, you know, they've touched on everything.

For us, probably the S-F-R fee affected us most in expansion. Like, we're up in Arborg, Ste. Rose, Ashern, and we're opening three more—our fourth one's in Lundar—but we've really, really scaled that back a lot. And our plan was to, I guess, attack those markets that there's still lots of illicit sales going on. So that definitely slowed us to—teed up that market, you know, and this S-F-R fee is kind of helping the illicit market, still.

Another one that, again, Todd touched on, is staff. We've cut staff a lot; we haven't hired a lot. That makes it, I guess, a huge security risk. What else? Yes, basically you know, the expansion for us, it hurt us a lot. Paying fair wages, hiring people, hiring for safety.

I haven't seen nothing up there for social responsibility fees. Like, they give us a pamphlet to put in the bag, and it's—again, it's all from budtenders and managers and owners. If I had a chance to get that S-F-R fee back, I'd love to dump it into our business and expand more, and expand faster and eat that black market.

Like, I don't see anything from the government side, like, attacking Internet sales. Like, you can get, like, almost four ounces of cannabis for about 120 bucks on the Internet right now. That pulverizes us up there. And people just mail it. Canada Post doesn't care; you go to the post office, pick up four ounces.

What I'd like to do with our S-F-R fee, like, I'd like to dump it back into our business, but—in our small town, Chuck Anderson, old NHLer, is from there, and our arena's closed. It costs about 100 grand to reopen that arena and, you know, that's still a social responsibility issue. Like, that'll bring young kids in, keep them away from, you know, underage drug consuming, alcohol consuming.

If I could get that S-F-R fee back, you know, we would dump that into that community centre and reopen that arena. As well, you know, like, we're getting by okay but, you know, a six-figure fee, like, whoa, it's huge, you know, and we're all small business people. Like, there's a couple teachers that are partners with us; there's a pharmacist. So it's really tough to pay that.

And again, it sucks that we don't get to see where it goes, you know? Like, I want to thank the—I guess, it would be the PCs that are doing that \$11-million hospital investment up in Ashern. I really thank them for that, but I don't think there's probably a journal entry showing an S-F-R fee going to that hospital. And, again, I don't think there'd be a journal entry going from the S-F-R fee to go to addictions from it.

So, up there, we see nothing for social responsibility. And it'd be better if it was in our hands. I don't want it to stick around, but if it happens to, it would be better for it to be in our hands to decide what we want to do with that community money. Like, all that money's coming from that community and none of it's staying up there. It's all coming down here and just getting generally spent.

Yes, so that's my presentation off the top of my head, guys.

**Mr. Chairperson:** Thank you very much for your presentation, Mr. Miller.

**Mr. Cullen:** Thanks, Mr. Miller, for joining us from Arborg tonight; appreciate you coming in. Looks like you're probably a pretty good source for the Interlake there, so applaud your business serving the communities in the Interlake. Thanks for that.

**Mr. Chairperson:** Mr. Miller, did you have a response for the minister?

**T. Miller:** Yes, no, thank you guys for attending. I hope we can, you know—I would like to get this repealed back to, you know, 2022 and get all our money. Again, even if we have the option to put it back into our community and not just go get blown, you know, in the—blown away in inflation and interest that the Province has to serve, so.

**Mr. Sala:** I want to thank you for the presentation. I don't know if you can hear me right now over the rain, but I'll talk louder. Thank you so much for your presentation. Appreciated your words, and also the work you've done in our rural communities to grow small business.

Just quickly, in terms of the impact of the SRF on your ability to expand and invest, could you just elaborate on that a bit in terms of the way that the SRF has slowed your ability to invest in growing your business in those communities?

\* (18:40)

**T. Miller:** Yes, for us it's more servicing the cost to open those places. Like, we really, really cut down our

timeline—or, I guess, really expanded it, sorry. One store, we took about eight months, just because we're planning to have this S-F-R fee. We put it away every month so we don't, kind of, get stung, but it's the capital we weren't able to put in to hire the correct, fast people. I pretty much do almost everything myself. Not renovations, but, like, we hired no one, just to save that money. But, again, it extended it super, super long.

And it just allows that black market and that grey market and the Internet market to thrive more, and you guys aren't getting any taxes or revenue from it. I'd like to see more stomping down on the black market and the Internet market. I don't understand how the government can't, you know, stop Internet sales of cannabis. It would be a huge amount of money back for you guys, in terms of, I guess not GST, but, you know, other taxes you guys get, I guess through MBLL; 75 cents or the 9 per cent they charge to producers. So, but again, it's just the slowness of expanding.

**Mr. Lamont:** Thank you.

Can you just talk a bit about more—a bit—about the black market sales and what a challenge it is? Because I'm very interested in the idea of cracking down on it, if possible, if it's not whack-a-mole.

**T. Miller:** Yes. I guess it's—for me, up there, I see—like, I know we stomped out the local weed dealers in our town. Like, it's a pretty small town and everyone knows who everyone is, so that was really good. And I know, in Ste. Rose, we're starting to hit it up pretty good. In Arborg, too, there was a couple weed dealers there, and they started to come get cannabis from us, you know? So, at least it's safe; it's tested, you know. Like, all the testing happens a lot in Winnipeg at BioScision Pharma—I'm hoping, you know, people keep it local.

But, it's that Internet market where you can get really low-cost weed, no taxes and it's shipped to your PO box in the small towns. Again, it—they smash us in cost. Like, a cheap ounce for us would probably be, like, we can retail it maybe for 85 bucks, 80 bucks, and you can get, like, ounces online for like \$25, \$30. So, it's quite significant cheaper.

Like, I don't know the stats on how many people still get, you know, cannabis on the Internet in the city, but up in the rural areas, it's a huge impact still.

**Mr. Chairperson:** We—[interjection]—any further questions?

**Mr. Lamont:** Just one.

Do you know where the—I mean, is there any—they're located in Canada. Are they—are some of these Internet dispensaries, let's call them, are they—are they in Manitoba, or they can be anywhere? Anywhere in Canada, obviously.

**T. Miller:** Yes. No, they're all across Canada. It's mostly—like, what I know, it's a lot of BC companies do it. A lot of it's invite; like, you have to get invited to shop with them.

And then, usually, those sites, they'll have, like, a—you can get, like, acid strips, you can get DMT pens, you can get almost anything on those sites. There is Winnipeg sites that are running. I know a couple years ago, maybe Dr. Kush is one that got shut down here?

So, they're still running strong. Like, I know people that buy grey market, black market weed all the time. It's—yes, it's kind of amazing, you know. They can stomp out a lot of things on the Internet, but they can't stomp out, like, weed dealers on the Internet. Like, I can find them and register for them and get weed right away. Like, it's very perplexing.

**Mr. Chairperson:** We thank you very much for your presentation Mr. Miller.

And we will now move on to the next presenter.

I will now call on Tyrone Abas. Tyrone Abas?

We will move Mr.—no. *[interjection]* We will now move on to Mr. Ryan Peterson. Is Mr. Ryan Peterson here?

You may proceed with your presentation when you are ready.

**Ryan Peterson (Midnight Show):** Thank you for the opportunity to speak to you this evening.

I'm here today to urge you to repeal the SRF for cannabis retailers. While I understand the intentions behind the fee, the evidence suggests that it is an unjust and ineffective measure that places an undue burden on small businesses, while failing to address the reasons for its implementation.

It's important to recognize that the SRF is a significant financial burden on small cannabis retailers. While it may be referred to as a fee, in truth, it is a tax. A tax hidden from the consumer that adds to the cost already borne by small businesses in the legal cannabis industry.

It is also important to note that the Manitoba government already collects a significant amount of

revenue from cannabis retailers. The government collects 9 per cent from wholesales, plus 75 cents per gram, which is already a substantial amount of money. This, combined with other taxes and regulatory costs, can be difficult for small businesses to absorb and may ultimately force them to close their doors.

The government's explanation for the fee was that the revenues generated by the SRF will help to fund social costs of public education, safety, health and addictions associated with the legalization of cannabis.

First, on public education: The government has done little as far public education. Besides a few ad campaigns warning against the mixing of cannabis with alcohol and to keep cannabis edibles away from children, the government has not even done the basic work of educating the public how to identify legal products from black market ones.

Frequently, customers come into our store with an empty package to see if we sell the product, only to be surprised to find out the product they had purchased was from the black market. Right now, you can go to many corner stores and buy black market cannabis, under the counter, cheaper and with no age verification.

I came across an ad on Facebook for a Winnipeg cannabis delivery service that looked completely legitimate. It turned out to be a black market site that sells all types of cannabis products, including edibles, that are hard to discern from regular retail candy, delivered to your door.

On health and safety: It's important to mention that there are other legal products that have far more documented negative impact on our society that are not subject to this fee.

The argument that cannabis is more harmful than other legal substances such as alcohol is not supported by evidence. In fact, the harmful effects of alcohol misuse on Canadian society are well documented. Alcohol was a factor in 40 per cent of homicides and 30 per cent of all reported sexual assaults in Canada.

Alcohol misuse costs the Canadian economy \$14.6 billion annually, including health-care expenses, lost productivity and criminal justice system costs. In 2018, there were 5,869 alcohol-related hospitalizations in Canada.

On the other hand, cannabis is shown to have far fewer negative impacts on society. Research has

shown that cannabis use is not associated with violent behaviour, and it has even been shown to reduce alcohol consumption, a far more harmful substance that is not subject to the SRF.

It's obvious that eliminating the black market would be the next target for the SRF funds, yet the illegal market is still thriving in Manitoba. The current regulatory framework for legal cannabis retailers simply cannot compete with the low prices and lack of oversight that the black market offers.

The incident of black market cannabis being given out to children during Halloween is just one example of the dangers of an unregulated market. You may not be aware that these cannabis edibles were illegal and very easily mistaken as retail candy. These same black market products are easily obtained on websites that openly sell and deliver black market cannabis in Winnipeg. This is clear evidence that the problem is widespread and requires a more comprehensive solution.

I'm frustrated that over \$20 million has been collected from cannabis retailers since the inception of the SRF and the Manitoba government cannot account for how the money has been spent. That is fiscally irresponsible and hypocritical when retailers are required to report for every cannabis product sold and purchased in their store to MBLL and LGCA on a monthly basis.

These monthly audits make us accountable. Why is it that the Manitoba government is not accountable with their spending when it comes to the SRF? We also face twice-monthly inspections and have been written up for minor things like not adjusting the time stamp on our security system for daylight saving time.

Lastly, it's crucial that the government takes steps to support small businesses and ensure that they are not unfairly penalized for participating in a legal and regulated market. While the legal cannabis industry is still in its early stages, the government must recognize the challenges faced by small businesses and work to mitigate them.

\* (18:50)

In conclusion, I strongly add—strongly urge you to add an amendment to the bill to repeal the SRF to January 1st, 2022. The SRF payment for 2022 is due in June, and if it's collected, I believe you will see more of us forced to close.

The government has failed to provide the promised programs, and it's unfair to continue to

collect these fees from us. Repealing the SRF would not only alleviate some of the financial burden on struggling cannabis retailers, but a good first step to creating fairness and parity between cannabis and liquor retailers.

Thank you.

**Mr. Chairperson:** We thank you for your presentation, Mr. Peterson.

We will now move on to questions.

**Mr. Cullen:** Thank you, Mr. Peterson, from—coming from Beausejour. I appreciate you servicing that market out there, as well. A good reminder of the pitfalls of the illicit market out there too, so, thanks for reminding us of that.

**Mr. Chairperson:** Mr. Peterson, did you have any response to that, or?

**R. Peterson:** Thank you.

**Mr. Sala:** Thank you very much for your presentation. It was really, really great throughout.

We know that government has been collecting, as you said, around \$20 million over the last several years and hasn't spent the majority of those dollars. That's a real concern.

My question to you is: if we were to have seen those dollars be spent, how do you feel that we could have been spending those dollars to improve social responsibility in Manitoba, or to make Manitobans safer? And I ask you because you alluded to a number of really good examples of where risks exist.

And so, I'm hoping you can elaborate on how those dollars may have been spent to make Manitobans safer in their consumption of cannabis, and Manitobans overall.

**R. Peterson:** Well, the chief way would be to have a public awareness campaign that just shows people what a legal cannabis package looks like versus an illegal one, because there's a ton of products out there that look really slick, they're professionally produced, but are illegal.

And the legal packages are—very clearly have an excise stamp on them and a bunch of other identifying marks that the public is just not aware of. They continually come into the store and ask for edibles that have 100 milligrams of THC in them and don't understand why we don't have them.

That, and just a simple—I mean, I could easily find tons of illegal cannabis being sold currently without

being a detective or a police officer, and just cracking down on the basic, obvious, blatant black market would be easily done and it wouldn't take nearly the money that's been collected from us.

**Mr. Lamont:** Thank you so much. It was really, really interesting.

And I wanted to ask: Are there other jurisdictions—so if you're talking about a crackdown, if there are ways—are there other jurisdictions, whether it's in Canada or elsewhere, that have done a better job, or that are a model to follow, in terms of cleaning up the black market, who are doing a better job, that we could maybe adopt here in Manitoba?

**R. Peterson:** Yes. I think that we don't need to look elsewhere. We just need to look at other products. Look at tobacco. Like, look at alcohol. You don't see black market alcohol out there, and that's for a reason. I'm sure it was, back in the '20s or whatever, after prohibition or whenever that happened, I'm sure there was black market booze out there. There certainly isn't anymore, you know.

And tobacco as well. You often see task forces taking down illegal tobacco.

So, I'd just say look within the system that we already have.

**Mr. Chairperson:** Are there any further questions?

Seeing no further questions, we thank you very much for your presentation, Mr. Peterson, and we will now move on to the next presenter.

Our next presenter is Ms. Kerri Michell, Farmer Jane Cannabis Co.

Kerri, you may proceed with your presentation as soon as you are ready.

**Kerri Michell (Farmer Jane Cannabis Co.):** Thanks for having me. I'm Kerri Michell, president of Farmer Jane Cannabis Co. I'm pleased to be here tonight to support Bill 10, and I thank you to the committee and parties for their supporting businesses in Manitoba in moving this forward.

A bit about us: Farmer Jane currently operates 14 stores across the prairies. We're proud to have five of these stores located in the heart of Canada, Winnipeg.

In Manitoba alone we employ a total of six salaried employees and an additional 33 hourly. We're proud to pay our teams above minimum wage and above industry average wages.

We did open five stores here initially because we understand the Prairies, however, the last few years has been challenging operating under the SRF.

I would like to state, though, we do give back to our communities. We are a very socially responsible industry and, as you can see from the previous presenters, they're focused on giving back and making sure that we're creating a safe and healthy industry.

In 2022, Farmer Jane donated over—over \$25,000 to a variety of community organizations in our three cities. For example, over the last two years, we've been able to donate over 70,000 meals to food banks in our three cities.

We really care about communities and we take seriously our responsibility to ensure the cannabis industry is developed in a positive and healthy manner. It's a very young industry and, while we have got some of the regulation in Canada right, this one doesn't make sense.

We do commend the proactiveness of this bill. We do believe Bill 10 is crucial in creating a healthy cannabis industry to compete against the illicit market that others have noted.

Bill 10 only makes sense because, if passed, it will further support the three goals of the federal Cannabis Act. The goals are: protect youth from accessing cannabis; ensure products are safe, not from the illicit market; and to deter criminal activity.

Again, we support Bill 10 and these changes give us confidence in the strong business community and healthy industry in Manitoba. Additional taxes like the SRF really do drive purchasing back to the illicit market, and removing the 6 per cent tax on retailers will allow us to be competitive and create a sustainable business in the province. It even creates a more open industry that makes us think about operating more businesses within the province.

Bill 10 is a positive change, and with smart regulations and processes, we can operate sustainable businesses that will create direct and indirect economic impacts for Manitobans.

Once again, I just want to say we support Bill 10, and thank you for your proactiveness and collaboration with our industry.

**Mr. Chairperson:** We thank you for your presentation, Ms. Michell.

We will now move on to questions.

**Mr. Cullen:** Yes, thank you, Ms. Michell, for your presentation tonight. Thanks for you business here in Manitoba, and hopefully it continues to be successful in the future.

Thank you.

**Mr. Chairperson:** Ms. Michell, did you have a response?

**K. Michell:** Just thank you, and thanks to these other entrepreneurs here that are trying to operate in a new, young industry for being here today to speak.

**Ms. Lisa Naylor (Wolseley):** Thank you, Ms. Michell, for your presentation. And to—just to say that, thank you for giving us that example of—I mean, as an industry, taking your own—being your—doing your own social responsibility in terms of community—like, contributing—community.

Without the SRF, do you have a vision of what other types of social responsibility you might invest in as a business?

**K. Michell:** Absolutely. So, we currently do give back to communities.

I think the biggest thing with removing the social responsibility fee is it really makes Manitoba a place that looks like it's open for business. You know, we operate in Saskatchewan, which is a unique situation in itself, and it's allowed us to be proactive to give back to communities.

And, I think I would just say, we wouldn't stop giving back to community and probably look at other initiatives that will give back to Manitoba and Saskatchewan.

**Mr. Lamont:** Can you just talk a little bit about—is there anything that was being done in Saskatchewan that's particularly good that maybe we could use as the—as a model here, or if there are different policies that are working for you there that might be, even if it's not directly related to the SRF, that the—what your experience as a business running, sort of, in Saskatchewan versus Manitoba.

**K. Michell:** Well, for—obviously the 6 per cent fee that's being taxed on us is not being taxed on us in Saskatchewan, what makes more opportunity for us to operate in that province.

I mean, a unique province is—each province operates differently. Some of our managing partners operate in BC and Alberta, too, and they all have their own unique challenges. I wouldn't say Saskatchewan

is the best model, but it does have different opportunities as far as delivery and not having a middleman to go through purchasing. But I think that's all I would say.

The only other thing I've seen them do proactively, as far as a social responsibility is, you know, ourselves, we've worked with Saskatoon police and Saskatchewan Government Insurance to, you know, work on impaired driving initiatives and get that out into the media, just to make sure there is some awareness out there in that—in the province.

**Mr. Chairperson:** Are there any further questions?

Seeing no further questions, we thank you very much for your presentation, Ms. Miller [*phonetic*].

And we will now move on to our next presenter. Mrs. Sharon Clark, private citizen.

\* (19:00)

Mrs. Clark, you may proceed with your presentation when you are ready.

**Sharon Clark (Private Citizen):** Good evening, everyone. Thank you for allowing us the opportunity to present to committee tonight. We really appreciate it.

I am not a private citizen; I'm actually here representing Big Buds Cannabis Sales, a locally owned Indigenous cannabis store.

Manitoba's independent cannabis retailers are calling upon the government of Manitoba to repeal the social responsibility fee back to January 1, 2022, as the legal non-medical cannabis market has evolved significantly over the last two years, creating a distinct challenge faced by independent retailers.

A press release issued by the government of Manitoba dated November 22nd, 2019, stated: Manitoba will continue to monitor the non-medical cannabis market and can adjust the social responsibility fee as the market evolves and social costs are identified.

However, we feel that the policy surrounding the social responsibility fee has not evolved fast enough to keep up with the changing economic landscape in the cannabis retail sector.

When the social responsibility fee was announced, retail licences were limited to a small group of retailers, each having a large segment of the market share, which afforded them the ability to pay the social responsibility fee without financial harm.

Then, in May 2020, the government of Manitoba opened licensing to all prospective retailers, including independents, and later removed the 15 per cent cap on the maximum number of licences that any single licensee could maintain within the province of Manitoba. The message this sent to independent retailers was that the government was aligning themselves behind and supporting the larger cannabis retailers.

Today, the number of cannabis retail licences in the province of Manitoba has grown from a handful of licences in 2019 to over 170 currently. The significant increase in cannabis retail licences has meant that the market share for any individual licensee has significantly decreased, resulting in declining gross profit margins and reduced operating budgets.

Discount retailers have also entered the market, creating an extremely competitive pricing environment.

And, let's not forget, we are currently facing an economic recession, which is further limiting individuals' discretionary income and reducing profits even further.

Start-up small businesses often do not make a profit in the first two years of business, making the social responsibility fee a significant barrier for small businesses to succeed in the cannabis industry. Furthermore, cannabis retail is the only industry subject to such a fee.

The number of Manitobans employed in the retail cannabis industry has grown alongside the number of active cannabis retail licences issued in the province.

According to Statistics Canada in 2022, small businesses currently employ 63.8 per cent of the total Canadian labour force, creating tax revenue and other economic benefits. While large businesses and publicly traded corporations may be able to sustain multi-year losses, small, locally owned businesses cannot.

According to Statistics Canada analysis on small business, first quarter of 2022, small businesses are more likely to have financial constraints than their larger counterparts and have less ability to take on more debt.

Compounding that further is the hard reality that banks don't lend to cannabis retailers. It is extremely difficult to open a store to begin with.

Cannabis-Manitoba's independent cannabis retailers are predominantly family owned and

operated. Some owners have invested their life savings, some borrowed money from friends and family, some mortgaged their homes in order to operate their own small business in Manitoba.

And after jumping through numerous hurdles to own their own small business in Manitoba, the government stacked the deck against them.

First, they oversaturated the market. And, on top of that, they allowed the corner stores to sell cannabis and not adhere to the—most of the costly expenditures that the age-restricted stores had to spend in order to open a store. Then, they allowed discount retailers by not implementing a price floor. And, the largest barrier of all, they implemented a social responsibility fee, which was 6 per cent on the gross annual sales.

Current cannabis retail margins are five to 10 per cent. This program, at minimum, cuts profits in half for most retailers, and at worst, forces financially overburdened families to acquire more debt and pay the government-imposed—to pay the government-imposed tax.

This creates undue financial hardship and extreme stress for the retailer, and the negative trickle-down effect it can have on families can be devastating.

With that in mind, I reached out to Julie Brokop, the MBLL program manager in the commercial partners and agreements for cannabis operations.

My email's as follows: Good morning, Julie. After speaking with several retailers, there are a number of independently owned cannabis stores that will be unable to pay the SRF on June 30th.

What are next steps when this takes place? The unknown consequences are a huge concern, as no one wants to lose their livelihood and potentially their homes.

Julie's a lovely person, and responded—I have no ill will to what she wrote back to me, because she's just following her directive given by the government. The pertinent paragraph is as follows: In the event that a cannabis retailer neglects to pay their social responsibility fee on or before June 30th, the MBLL will be required to take action as per the terms of your MBLL cannabis store retailer agreement, and if necessary, engage the services of a collection agency to ensure that the MBLL meets its obligation of collecting and returning this fee to the Province.

That is not only disheartening, but it's also a huge insult to an industry predominantly run by



family-owned-and-operated businesses. The SRF fee is a complete contradiction to the Progressive Conservative election promises made in 2021.

As per CBC news, August 17th, 2021: The Conservative Party of Canada today released its full 160-page election platform, an ambitious agenda that promises billions of dollars in new spending to prop up an economy ravaged by the COVID-19 pandemic. Unlike past Conservative platforms, this one embraces a robust role for government in the economy through large cash injections to help businesses weather the pandemic crisis over the next two years.

But the centrepiece of this plan is a promise to create 1 million jobs. To accomplish that goal, the party is offering even more money than the Liberal government has budgeted for the country's pandemic-struck employers, part of a push to recover all jobs lost over the last 18 months.

Since the last vote in 2019, the COVID-19 pandemic has pushed unemployment rates to levels not seen since the 2008-2009 financial crisis. And yet, the provincial government has imposed an unrealistic and in some cases insurmountable tax on cannabis retailers, forcing business closures and placing small business owners in jeopardy of becoming homeless, and the response we receive is we will resend a collection agency if the social responsibility fee is not paid.

Make no mistake: the cannabis retailers are well aware of what political party implemented the social responsibility fee, and are cognizant of the fact that to date there has been no financial assistance or relief for cannabis retailers, and it looks like more retailers will face bankruptcy because of it.

Repealing the social responsibility fee back to January 1st, 2022, is one way to extend an olive branch to the cannabis retailers and help small independent businesses succeed in their chosen industry.

Thank you.

**Mr. Chairperson:** We thank you for your presentation, Mrs. Clark.

We will now move on to questions.

**Mr. Cullen:** Thank you, Mrs. Clark, for your presentation. Thank you for sharing that correspondence as well. Appreciate it.

**S. Clark:** Thank you.

**Mr. Sala:** Thank you so much, Sharon, for the really great presentation. Very insightful.

You know, I think one thing I just want to say here is that we've got a government that likes to present itself as being a supporter of small business, but all I've heard tonight is the ways in which they've made life harder for small businesses in Manitoba.

We know, of course, we're here to talk about the SRF and the challenges that's created; you also alluded to the introduction of corner stores, and there's some differences in how they're regulated. But also you touched a lot on overexpansion.

Can you just elaborate a bit on the impacts of overexpansion, and how you feel that's likely to impact existing cannabis retailers in Manitoba?

**S. Clark:** The overexpansion has resulted in an extremely competitive pricing environment driving prices down, which is reducing profit margins.

There is, as you know, more cannabis stores than Tim Hortons in Winnipeg, and according to the government—and I didn't bring that email, but I received an email from one of the ministers' offices stating that they will not stop opening cannabis stores; they're going to continue to open cannabis stores.

And it's driving small, independent retailers out of business, and it's impacting families dramatically.

**Mr. Lamont:** Thank you so much, that really—it was really, really fascinating.

I had two questions: One, if you could just talk—I did not realize that banks would not finance cannabis dispensaries. So, if you could just tell me a bit about that.

\* (19:10)

And if I can ask a quick second question: Do you see a, like, a moratorium? Would it be useful to say, like, we're not going to open any new stores. Would that be—would that also be helpful?

**S. Clark:** Thank you for your questions.

No, banks will not lend to anyone in the cannabis industry, so people have been creative to—in order to secure funding for their stores. And the people who are facing store closure are facing it because they can't go to a bank to borrow money to pay the government-imposed tax—let's call it what it is, it's a tax.

They can't go to a bank to pay the government-imposed tax, so they either have to come up with it by friends, family, whatever means necessary—sell something, sell their home, or they go bankrupt. And if they

go bankrupt, the government is going to send creditors to their door.

They're going to send a collection agency and put a mark on their financial records. And that's not fair; it's not acceptable on any level, to be honest.

And, what was your second question? I've forgotten, I'm sorry.

**An Honourable Member:** It's—I've forgotten it, too.

**Mr. Chairperson:** Mr. Lamont—

**Mr. Lamont:** Just a very quick follow-up—

**Mr. Chairperson:** —to briefly—

**Mr. Lamont:** —no, if you could just—why—is it because of fear of, sort of, American—is the—why is it that banks won't do business?

**S. Clark:** Because cannabis is considered a high-risk market. And with the major banks' affiliation with, and having—operating banks stateside, the—all of the US is not legalized yet. So they won't—they will not play ball at all.

Thank you.

**Ms. Naylor:** Thank you, nice to see you again, Sharon.

I wanted to ask, you've got a minute left, if you would like to elaborate what you've told me, and helped me understand about the differences in licensing, with the new licensing that came in for smaller, kind of, stores. The different rules around how things are stored, the—you know, how visible products are.

Can you just share with us the impact of that, and tell us a bit about it, in 43 seconds?

**S. Clark:** When age-restricted stores were open we had to build a vault. We had to put up window coverings, we had to put other things in place so that no one could see in, so that the cannabis was secure and that we could operate. Oh, and the camera systems, as well; that was a big expense.

Now, the corner stores are opening. They have no window coverings. There are people under the age of 19 in the corner stores. There are—I took my 17-year-old grandson into a corner store. A gentleman purchased cannabis in front of him, they had a conversation about cannabis—

**Mr. Chairperson:** Unfortunately, Mrs. Clark, your time has expired. We thank you very much for your presentation.

And before we move on to the next presenter, I'd like to remind the people in attendance here tonight, there's supposed—there is no participation in the form of applauding or verbal talking, or it's—those are the things that are not allowed in any committee here.

So, I just appreciate your co-operation. Thank you.

I will now call on Candice Bellmore, Cottage Country Cannabis. Is Candice here? Candice is not here. We will drop her name to the bottom of the list.

Ms. Annick Beauchesne? If I'm pronouncing it wrong, please correct me—from Babette's Cannabis Dispensary—Annick?

You may proceed with your presentation when you are ready. Thank you.

**Annick Beauchesne (Babette's Cannabis Dispensary):** My name is Annick Beauchesne. I'm speaking on behalf of Babette's Cannabis located in the Westwood neighbourhood of Winnipeg. We are family owned and family run. Our store is run by a team of four, and our livelihoods depend on this store's survival.

Our goal in opening this store was to have a sustainable small business. Our target market is our neighbourhood and our immediate community. In 2020, we signed a contract with the MBLL in which we agreed to pay 6 per cent of our annual gross sales, known as the SRF.

At the time, there were only 15 active retailers in Manitoba, and we believed that the government would cap the number of licences granted. We were confident that our business had a good chance of succeeding, even with the extra 6 per cent.

At this point, there are well over 150 retailers in Manitoba, and the cannabis retail climate is in serious trouble.

For Babette's, 6 per cent is the difference between reinvesting in our business and growing at a sustainable level versus treading water. We've been putting aside our sales to save up for the SRF payment, and that's money that would directly go back into our store just ordering product. As was mentioned before, we can't get a loan.

So, why does it matter if we go under when competing chains with deep pockets are able to take a loss for a sustained amount of time?

Well, let me tell you how our store is different. A large part of our client base are senior citizens.

Contrary to what you may have heard, cannabis users are extremely diverse, and the reasons for consuming cannabis are varied and nuanced and it goes far beyond just getting high.

We go through the ups and downs of life with our customers. We have celebrated a long-time client going into remission for cancer. And we were there, providing a small amount of comfort for one of our long-time clients as he reached the end of his battle. We know that our regulars love us as much as we love them. We are wanted and needed in the community, delivering a level of service and education that can only be done by a small business.

We deserve a space in this industry. Please help us so we can continue doing what we love and selling cannabis with the respect that it requires.

Thank you.

**Mr. Chairperson:** We thank you for your presentation.

And we will now move on to questions.

**Mr. Cullen:** Thank you, Mrs. Beauchesne, for your submission tonight. Appreciate your insight into the industry.

Thank you.

**Mr. Chairperson:** Ms. Beauchesne, did you have a response to that?

**A. Beauchesne:** Thank you very much.

**Mr. Sala:** Thank you, Ms. Beauchesne, for the presentation. And thanks for painting a really, like, impacting picture of the community that you guys are building there and that's—the important supports you're providing to the community around you. It really was wonderful to hear about.

We've heard now a couple presenters allude to concerns about oversaturation. You alluded to coming into the market, making those investments when there was a certain number of licences and now those have exploded.

Can you just offer your overall sense of the state of cannabis retail in Manitoba and where you see things going, given the direction that our current government is taking?

**A. Beauchesne:** Well, I can only speak from the perspective of a small business, but I'm aware that nobody's happy at all levels. Everybody is treading water. The larger chains, they're still losing; they just have the capacity to lose for longer.

And I think that that's not right, considering that there's clearly very high demand for this product.

**Mr. Lamont:** I just wanted to say thank you very much. There's actually—it was very touching. It's—you're providing a service to the community. So, thank you much—very much for doing that.

**A. Beauchesne:** Thank you very much. We really connect with our community on a very deep level.

Cannabis, clearly, is a very sensitive product. It touches on a lot of areas of people's life, and we're just here to support and provide that responsible education.

**Mr. Chairperson:** Are there any further questions?

Seeing as no further questions, we'd like to thank you very much for your presentation.

And we will now move on to the next presenter. Ms. Melanie Beklevich [*phonetic*]? Melanie, are you here?

Melanie, could you turn your camera on please, and your audio? Have you got your audio on, Melanie?

**Melanie Bekevich (Private Citizen):** I do. Can you hear me?

**Mr. Chairperson:** Yes, we can hear you now.

You may proceed with your presentation as soon as you are ready.

\* (19:20)

**M. Bekevich:** Good evening, everyone. My name is Melanie Bekevich, I am co-owner of a company called Mistik Cannabis, an Indigenous-owned cannabis store—independently owned cannabis store—located on Main and Jefferson in Winnipeg. We have two other operations located in northern Alberta, and I'm joining you from there today, amidst all the wildfires up here, and we're all praying for rain.

So, I—first I'd like to thank the committee for the opportunity to speak today regarding Bill 10. I'd like to speak in favour of this bill as I believe that the abolition of the social responsibility fee will be positive for the industry as a whole.

We opened our doors in Winnipeg in March of 2022 and when we applied for our licence there were fewer than 30 stores in the province. However, when we opened, a barrage of retail licences had been issued and ballooned up to over 150 stores in Manitoba. And the number continues to grow.

The SRF may have made sense when it was introduced and there were fewer licences, each doing a significant amount of business, and there were unknown costs associated with cannabis legalization. But the government opened up licensing to any and all businesses, the market quickly changed and the government policy on SRF has not kept up with the dynamics of the cannabis industry.

Meanwhile, there has been entry of discount retailers, which is squeezing our margins, and I would posit that the SRF is impacting small business retailers the most, especially those of us who are just growing our businesses.

As small business people, we are likely all—likely all signed personal guarantees if you could access a loan or mortgage your home and, most of us, our homes are literally on the line. We are small and we do not have deep pockets of publicly—like publicly traded companies, and we cannot sustain multi-year losses.

Most new businesses are not profitable for the first two years, and profitability can sit between 5 and 12 per cent thereafter. But, that means the 6 per cent SRF sets back small businesses, forcing small businesses into the red for the first couple of years, and I know that's what will happen to us.

Manitoba's the only province in the country with a social responsibility fee and is working against the goal to eliminate the illicit market by propping up prices and making it incredibly difficult to compete with the illicit market.

Today, we're staring down the barrel of a significant bill coming due on June 30th, which is due—which is the 2022 SRF fees. Those of us who are new to the industry in Manitoba will need to borrow, if we can, when there are no loans available to cannabis—as has been mentioned, there are no loans available to cannabis small businesses. The SRF will also cause many stores to close, particularly small businesses.

It has been communicated to us that unpaid SRF fees will be sent to collections, further impacting business credit ratings, personal credit ratings, potentially, and our ability to borrow. As an industry, there are also big questions about the uses of the SRF, since we are all aware that only \$1 million has been spent by the LGCA, and has not been spent on social responsibility initiatives associated with cannabis legalization.

I would propose on behalf of our business, Mystic Cannabis, that the SRF be repealed an additional year, to January 1st, 2022, in order to avoid small business

closures, stamp out the illicit market and allow cannabis retailers to continue to invest in their businesses.

Thank you.

**Mr. Chairperson:** We thank you for your presentation, Ms. Bekevich.

We will now move on to questions.

**Mr. Cullen:** Thank you, Ms. Bekevich, for joining us all the way from Alberta. Appreciate your time and your insight, there, in both Manitoba and Alberta. So, thank you for your presentation tonight.

**Mr. Chairperson:** Ms. Bekevich, did you have a response? Ms. Bekevich, do you have a response for the minister?

**M. Bekevich:** Simply thank you.

**Mr. Sala:** Thank you, Ms. Bekevich, for the presentation. Hoping for rain out your way and that you guys get some relief there from those fires.

My question to you is, you've requested that government consider making this repeal retroactive. And I guess the question I'd like to ask is: Can you offer a sense of what that would mean to you and your business, and how you understand that repeal back to January 1st, 2022 would impact other cannabis businesses in Manitoba?

**M. Bekevich:** Certainly. I think, most simply, for a number of businesses, it would have them avoid closure, potentially. For ourselves, it would mean continuing to invest in our inventory, our staff, continuing to employ the number of staff that we have.

Our options in terms of paying the SRF will be to borrow or—like, from some means—or dip into our inventory, which will mean that we'll need to rebuild our business, and it will seriously disadvantage us.

**Mr. Chairperson:** Did you have any comment—oh, sorry.

**Mr. Lamont:** Thank you very much for your presentation.

The one thing I was wondering: Can you just talk a bit about the illicit market and the challenges around that? And is it just, sort of, the new illicit market, I'll put it that way, sort of corner shops and so on? *[interjection]*

**Mr. Chairperson:** Ms. Bekevich.

**M. Bekevich:** Sorry. The corner stores that have been spoken about this evening are a different classification of licence; so they are licensed, something that we all do take some exception to as adult-use—being adult-use stores and having made significant investments.

But the illicit market that we contend with where we see a significant price disadvantage are dominantly online where people can purchase, and they're not regulated; they're not subject to the same taxes, fees, requirements—facility requirements—that our producers are required to meet, as well as ourselves.

**Mr. Chairperson:** Are there any further questions?

Seeing's no further questions, we thank you very much for your presentation, Ms. Bekevich, and we will now move on to the next presenter. Thank you.

I will now call on Mr. Ariel Gliner from The Joint Cannabis Shop. Mr. Gliner. Is Mr. Gliner here?

Mr. Gliner, could you please turn your audio on, and you may proceed with your presentation when you are ready.

**Ariel Gliner (The Joint Cannabis Shop):** Good evening, Mr. Chair, honourable minister and members of the committee. Thank you for the opportunity to speak to you today.

My name is Ariel Gliner and I am the director of business development and regulatory compliance for The Joint Cannabis Shop. We operate approximately 15 licensed cannabis retail stores in both Manitoba and Saskatchewan, with ten of those stores located in Manitoba.

We both appreciate and support the steps that this government is taking to improve the cannabis industry for retailers in this province, including by repealing the SRF, the current legislation we are here today to discuss. That being said, we understand that the elimination of the SRF may involve changes to the way that excise taxes on cannabis products are charged and collected by the province.

Currently, there is a lack of information as to the government's plans with respect to signing on to the federal government's cannabis excise tax program and what changes that might entail on the current pricing scheme that is in place in Manitoba through Manitoba Liquor and Lotteries. Because of this lack of information, it is very difficult for retailers to plan for the future of our businesses when we are still waiting to determine what the final situation is going to be.

We sincerely appreciate the government's efforts to make this industry financially healthier for all stakeholders involved, and we expect the government would agree that part of that requires providing predictability and transparency to all stakeholders regarding the fees and taxes that the government will be charging on the products that these stakeholders sell.

Therefore, our main comment is that we would greatly appreciate any transparency or predictability that the government can provide while it implements these types of changes so that we may best prepare our business for the future.

Any information that can be provided on these issues would be greatly appreciated and, ideally, would be disseminated concurrently with the planned changes to the SRF structure which, again, I would reiterate, we fully support.

Thank you for the opportunity to make this presentation, and I would be happy to answer any questions you might have.

**Mr. Chairperson:** Thank you for your presentation, Mr. Gliner.

**Mr. Cullen:** Thank you, Mr. Gliner, for joining us tonight. Appreciate your insights in the market place here, both Manitoba and Saskatchewan. So, thank you with—for that.

\* (19:30)

I'll just make a comment; obviously, the—having discussions with the federal government in terms of the excise tax. I understand they're looking at, you know, potential changes there so we'll be continuing those discussions. Once we hear firmly from them, we'll certainly be in the touch with the industry as well.

So, thanks for that comment, and I appreciate your time tonight.

**Mr. Chairperson:** Mr. Gliner did you have any response to that?

**A. Gliner:** Thank you very much for that comment, and we appreciate your efforts with the federal government on this issue.

Thank you very much.

**Mr. Sala:** Thank you, Mr. Gliner, for the presentation. Tonight, we've heard a lot about the ways in which things have been made very difficult for a lot

of small businesses in Manitoba, specifically, our cannabis sector.

We're learning about the impacts of the SRF, oversaturation in the market. But relating to the excise tax, we know that the provincial government has been collecting that for some time, and that those dollars, I think it's 75 cents a gram, have been collected and yet those are not being passed off to Ottawa, to my knowledge.

My question to you is: Have you ever had any clarity from the provincial government as to how those dollars are being used, or transferred to the federal government? Or, are they simply being collected and kept by the provincial government?

**A. Gliner:** Thank you for the question. My understanding is that the excise taxes collected by the Province of Manitoba are kept by the Province of Manitoba. As to where and how they are spent, I do not have any information on that.

**Mr. Sala:** Thank you, and just a follow-up to that: does that concern you, that as a small business, that you guys have been paying an excise tax for which you have no idea where those dollars are going, or why they're being collected, or where they're being directed?

**A. Gliner:** Thank you for the question. Certainly, we always—as I mentioned in my presentation: transparency, predictability, makes everything for small businesses easier. In terms of where the money is spent, that also makes it far easier for us to justify to our own customers and to consumers as to why these amounts are being charged to begin with.

I would say that excise taxes are separate from the SRF. With the SRF, we share the same concerns as do other retailers. And in respect of where those—that money has been spent, and any information that the provincial government can give us with respect to how the provincial excise taxes are being spent is—would be greatly appreciated.

**Mr. Chairperson:** Are there any further questions?

**Mr. Sala:** Yes, this isn't a question, it's just a comment. To put a, you know, a cap on what we've been saying here.

I think what's coming together, and what's quite clear, is that this is a really difficult environment for cannabis retailers in this province. We're seeing SRF tax being applied, we're seeing an excise tax that's being collected, and to our knowledge aren't being

delivered to the federal government, or there's no arrangement there.

And yet, those dollars are still being collected. And we're hearing about the impacts of oversaturation and those changes to regulation. That's a real concern, and I think it's just important to highlight the ways in which this government has made it harder for small businesses in Manitoba.

So, I thank you for that opportunity to provide that comment.

**A. Gliner:** Yes, thank you very much for that comment as well.

**Mr. Chairperson:** Thank you very much for your presentation Mr. Gliner. We will now be moving on to our next presenter.

Our next presenter on the list is Ms. Katie Torgerson. Katie Torgerson, if I'm pronouncing your name properly.

**Katie Torgerson (Star Buds Cannabis Co.):** So far so good.

**Mr. Chairperson:** You may proceed with your presentation when you are ready.

**K. Torgerson:** Good evening, everyone. Thank you for allowing us to speak. Thank you for your time tonight, both the people in front of me and behind me.

I, amongst the other registered guests here today comprising of cannabis store owners, managers, shareholders and decision makers, are reaching out today with a plea for help. Small, independent and large-sized cannabis retailers and corporations make up 166-plus cannabis store locations in this province.

While each one of these businesses will have highly varying annual growth sales from licence to licence, one issue, and arguably the biggest issue affecting the cannabis industry in Manitoba, is the provincially opted SRF.

Now, this fee taxes retailers of all sizes, including Indigenous-owned businesses that should be tax-exempt, 6 per cent of their annual gross sales.

Now, 6 per cent does not sound like it would be a lot of money, but it has proven to be tens to hundreds of thousands of dollars per licensee. Looking at myself, we have three locations in Winnipeg. That's three SRF required for us to pay, all in the same time frame each year. I can only imagine what this fee would look like for retailers with more than three licences.

I would like to highlight that, due to the way this hidden tax is applied to retailers, the large-scale corporate retailers are paying less by means of the SRF remittance. As we all know, they are often charging far less for their products, less of a markup than us small guys are charging; thus, we are contributing a higher SRF remittance.

Given the fact that this fee is essentially a hidden tax, bear in mind that this is not a fee that we are able to add on to all of our customers' purchases the same as other sectors are able or forced to apply PST. Instead, cannabis retailers are eating that cost instead of passing it on to the consumer when there are already very little profits for us to make.

Something isn't sounding quite right here. An industry that generated a net income of a hundred and point three million dollars in 2021-22 in Manitoba alone is lacking business profitability. Our provincial government is aiding the downfall of our stores that it allowed to open, that it licensed to open, by forcing outrageous and unjust fees to be 'faid' while retailers are already generating minimal profits due to rising operating costs and rising taxation and fees.

The SRF was intended to fund social responsibility programs related to the use of cannabis. While the intention behind this fee may have been noble, it is important to recognize that it's ultimately unfair and unnecessary.

First and foremost, cannabis retailers are already subject to a number of taxes and fees, as we've already discussed tonight, including licensing fees, MBLL/LGCA wholesale product markups and sales taxes. The addition of a social responsibility fee only serves to add an additional burden on legal cannabis businesses while aiding the illicit market. This has ultimately discouraged growth and success in numerous instances.

Our government has allowed these stores to open and have set them up to fail by charging these fees by mandate and have essentially left retailers out to figure it out ourselves, while collecting these remittances without providing any meaningful accounting of how these dollars are being spent.

Furthermore, there is very little to no evidence to suggest that the SRF is actually achieving its intended goal of funding social responsibility programs here in Manitoba. There is no clear accounting of how the mass revenue generated by this fee is being used, and there is no evidence to suggest that any of these

programs are having a meaningful impact on reducing the alleged harms associated with cannabis use.

This is not a burden that cannabis retailers should be forced to bear.

The cannabis industry today is still in the developmental stages since legalization became to be in October 2018. However, we are living and trying to operate in 2023, now five years post-legalization and two years post-COVID pandemic; in a world where costs of everything are going up, the costs of cannabis consumer packaged goods are decreasing.

Manitoba retailers, specifically, are in need of government assistance now or last year, by repealing the SRF to January 2022. Without assistance or intervention, more licensees in Manitoba will be forced to close their doors due to operating—sorry—due to rising operating cost, fees and taxes incurred. We are seeing this happen far too often. The numbers, as they relate to store count, speak for themselves; it changes daily.

Did you know that Manitoba is the only province currently with such excise tax model in place? Each other province and territory in Canada does not have to pay any sort of such fee, but are instead signed on to pay a federal excise tax instead, which is at the discretion of their provincial cannabis regulatory bodies to apply. This would be a far more supported model amongst cannabis retailers than the current SRF 6 per cent gross revenue model.

In light of these concerns that I have shared, and my fellow colleagues have shared tonight, we urge you to take action to eliminate or reform the SRF fee.

\* (19:40)

Doing so would send a clear message that the Manitoba government is committed to supporting the growth and success of your cannabis retailers, while also recognizing the need for evidence-based approaches to addressing the social and public health issues related to cannabis use.

Thank you for your attention and your support with this matter.

**Mr. Chairperson:** Thank you for your presentation, Ms. Torgerson. We will now move on to questions.

**Mr. Cullen:** Thank you, Ms. Torgerson, for your presentation tonight. Appreciate it. Thank you.

**Mr. Chairperson:** Ms. Torgerson, did you have any response, or just?

**K. Torgerson:** Just thank you.

**Mr. Sala:** Thank you so much for your presentation, Ms. Torgerson. Really appreciate it.

And I'd just like to ask, you know, if—could you share any reflections about how it makes you feel as somebody involved in this industry to know that you've been held to a certain standard for transparency and accountability, and yet the government isn't holding themselves to than same standard.

Could you share any thoughts or reflections on that?

**K. Torgerson:** Absolutely. It's something that we kind of, like, talk about all the time at our stores in, like, our management levels. The amount of reporting that we're required to do on a regular basis is astronomical, and the fact that we are paying hundreds of thousands of dollars to our government by mandate in order to simply exist as a cannabis retailer—we can't be open if we don't pay this fee.

So, it's hard to say, kind of, what that feels like, because it just feels like such a big slap in the face. We're required to account for every single product that comes in and out of our store, but we aren't entitled to know where our hundreds of thousands of dollars is going. And if it's to support education, if it 'stuports'—supports safety, that's great. We support those things as well. This money very clearly isn't doing that if it's just sitting in some account somewhere.

**Mr. Lamont:** Thank you very much, that was incredibly well put.

I just wanted to ask, in brief, me—what are the challenges—or, what are the—if this doesn't happen, what's going to be facing, I mean, I—it might be a very tough question—but what are you facing in terms of your three businesses?

**K. Torgerson:** Don't really want to say this publicly, but if we can't pay our SRF fee, we are going to have to close our three stores' doors. Like, we cannot afford the amount of money that is required of us and continue to operate our stores. We will have no product on the shelf, staff will have to be laid off. Those are just some of the very real realities of what we're facing.

**Mr. Chairperson:** Are there any further questions?

Seeing as no further questions, we thank you very much for your presentation. We will now move on to the next presenter.

I will now call on Tyrone Abas. Is Tyrone Abas available; is he here, or online possibly? Mr. Abas will be dropped to the bottom of the list.

Mr. Amin, private citizen. Is Mr. Amin here or online? Mr. Amin will be dropped to the bottom of the list.

Our next presenter, Mr. R.J. Kusmack, Fiddlers Green Cannabis Co.

Mr. Kusmack, you may proceed with your presentation.

**R.J. Kusmack (Fiddlers Green Cannabis Co.):** Thank you so much for having me. Really appreciate it. Hopefully we can send some of this rain west.

My name is—thanks again for having me, so much; really appreciate your time. My name is R.J. Kusmack. I'm here representing Fiddlers Green Cannabis Co., located in the beautiful Exchange District. We are currently in the 'procefit'—process of it, of expansion—expanding into Point Douglas, which is, you know, a hotbed for black market cannabis sales. I'll touch on that point in a bit.

Most of the people here speaking today are really speaking of the same points, and I applaud them. I one hundred per cent support them; that is, I just don't want to give the same speech.

So, what I'm going to do is look at it from a just slightly different angle. I come from 10 and a—or, sorry, 15 years of alcohol sales in the province of Manitoba, being with publicly traded alcohol companies to small independents. And the differences between the alcohol—sorry, the alcohol culture, I'll call it, and—versus cannabis culture are quite significantly different. My location is located directly next to the King's Head Pub. If you've ever been, it turns pretty hot Friday nights; Friday, Saturday nights, gets pretty crazy around there. You can walk in from the pub into my cannabis store, and the—I will say, to say the least, that the vibe is different with the two cultures. You can see it, and I encourage you to make that trip on a Friday night at 11 o'clock to see the culture difference, the cultural differences between those two markets.

The reason I believe that alcohol should be brought into the conversation—or, the—should definitely be brought into the conversation is safety, responsibility. We do have a responsibility, as retailers, to educate, to identify our consumer, making sure that they're of the right age group; and we are all pioneers in this room. This—alcohol is 150-something



years old, the business model of alcohol in Canada. You know, these rooms have been filled with conversations of alcohol for 150 years, and this is, you know, one of the first in cannabis. So the amount of change that we can make with these conversations, I'm really excited for, especially to be in at the ground level.

Going back to—I, myself, starting Fiddlers Green Cannabis. I built my own cottage. Because we can't borrow from the banks, we can't even have our own company credit card, believe it or not. A bank will not give you a company credit card to operate your store on. It's unbelievable. Everything that does the—all sorts of business, every avenue of business in our store and our stores, is done through cash, not credit, not banks. And it's really hard. I'm taking money from my dinner table to buy inventory, for example. If we place an accessories order that's worth \$8,000, it is literally coming from my personal debit card.

There's a lot that needs to change, but back to the SRF. Between cannabis, tobacco and alcohol, I truly believe that we are the social responsibility—we are social responsibility. We are—thank you, by the way, for that—we are the ones doing the education. In my opinion, the government should be paying us to hold these valuable conversations with our consumers about education, about what to stay away from on the market.

And from the lack of programming that I've seen from the government through the amount of taxation that they have taken from us—and I do mean taxation, not fee. Fee, by definition, is a payment made to a professional person or a professional for—or a public body in exchange for advice or services, and I haven't seen them. Pamphlets, the odd bus shelter poster that's immediately ripped down a month later, I'm sorry, it's just not cutting it. We are the ones holding the education.

I support the January 1st, 2022, repeal of the SRF. And just to clarify on something else about the corner stores that—I believe that there's two things that we're speaking of. There's a corner store, like, we'll call it a bodega, in Point Douglas or the North End, that is just simply selling cannabis from under their till, black market; it's \$5 a gram. We can't sell cannabis that cheap. We'd—it's—I mean, if you do, you don't want it.

So the other corner store that we're referring to is a licensed store. Like, let's say, a Shell store could become licensed if they follow the process. So there's two avenues there, just to not confuse things.

\* (19:50)

Sorry, my phone keeps shutting down here. In the alcohol industry—back to safety and cannabis, in the alcohol industry, I've witnessed intoxicated driving, people losing their licences, losing their—bar fights, stabbings, gunshots, domestic abuse, people losing their jobs, death through drunk driving, loss of their driver's licence, their business licence, their medical licence, loss of their homes and the extreme toll that it takes on our medical system, which we've already touched base on.

But that's my presentation, and I truly appreciate your time.

**Mr. Chairperson:** We thank you very much for your presentation, Mr. Kusmack.

We will now move into questions.

**Mr. Cullen:** Thank you, Mr. Kusmack, for your presentation tonight. Appreciate your insight on the liquor market as well. That's certainly helpful, and hopefully, your expansion goes well and your fight against the black market in Point Douglas.

**R. Kusmack:** Well, with your help, the black market could be subdued. And we have suggestions on our side on how we could make that happen if we can all come together in the same room and have those conversations. I think that's a very wise use of the money that has been wrongfully taken from us.

Thank you for that.

**Mr. Sala:** Thank you so much for your presentation, Mr. Kusmack.

I just want to talk a bit about something you referenced, which is the question about corner stores. And so, specifically those that operating above board. And, you know, it strikes me, having learned a bit about this, that what's happened here is government has really created an uneven playing field in some way in that you've got people like yourself, who've been—invested into their business, put their house on the line and so forth, and then there's those who've been able to enter the market and just have it be additional product available under the counter.

Can you talk about your feeling or your reflection, as a retailer who's been forced to make those big investments, and your response to that shifting of the, sort of—

**Mr. Chairperson:** Mr. Sala's time has expired.

**R. Kusmack:** Thanks for the question.

There's a saying, if you can't beat them, might as well join them. My second location will be one of those licences where I'm in a public space and it is legal. And again, if you can't beat them, might as well join them.

At this point, I'm paying myself \$24,000 a year because of the SRF and—which is not a liveable wage. We need to expand to become successful and put the groceries on my table.

**Mr. Lamont:** Thank you so much.

One of the things I was interested in—because, again, there's the difference between—there's under the table, illicit, but then, it's called illicit, right? It's where people are selling it—like, as you said, if it were Shell, that would be another massive disadvantage from the point of view that, like, you had to set up an entire store and everything else, but then you have somebody coming along and it's just another product on their shelf.

So, if you can just talk a bit about the challenges around that and if you have any solutions, if any.

**R. Kusmack:** It's—you know, if I was a gas station, it's an added form of revenue. You know, if—I sell tobacco in my cannabis store, for example, I'm—not many cannabis stores do, but it's another form of revenue for us. Tobacco vapes, as well, is another form of revenue for our store.

It—I would just—personally, I would hate to see cannabis culture becoming cigarette culture, where you go to Domo and ask for a pack of this and you drive off. I think that these beautiful boutiques that are the small, independent operators have created, have built this amazing cannabis culture, or built upon this beautiful culture that we have.

Can I ask a question to you, as a group?

**Mr. Chairperson:** No, unfortunately.

You may continue, Mr. Kusmack.

**R. Kusmack:** To a scenario in which something like that—how to fix it? Lots of conversation. Getting the local businesses involved in those conversations. Because, again, I'm a proud Métis harvester, and I can't afford to go and harvest this fall. It's to the point where I just can't provide food for my family.

I sold my cottage to create this boutique that we have, and then you have, you know, publicly traded cannabis stores undercutting everyone, selling things at cost because they're getting kickbacks from big suppliers.

It's a whole 'nother' can of worms, but that's what we're here to do is open them, right? Yes.

**Mr. Chairperson:** Mr. Sala, there is 35 seconds left, so you'll have to make it quick.

**Mr. Sala:** On that specific point about your concern about bigger players getting these kickbacks, any specific recommendations you'd have in the Manitoba market as to how we could respond to that concern?

**R. Kusmack:** Probably audits, heavy audits, especially on big players. You—probably pretty easy to find those sources of revenue coming into their bank accounts, things like that.

Another way to fight it would be a standardized cannabis-pricing model just like alcohol. Doesn't matter where you're buying it from, whether it's Churchill, Selkirk, Brandon, Winnipeg, it's going to be the same product for the same price, and I think it levels the playing field.

**Mr. Chairperson:** Unfortunately, Mr. Kusmack, your time has expired. So we thank you very much for your presentation, but we will move on to the next presenter.

I will now call on Ms. Kim Rud [*phonetic*], High Tide Inc.

Kim, am I pronouncing your last name proper? Is it Rud [*phonetic*], or—

**Kim Ruud (High Tide Inc.):** It's Ruud, actually.

**Mr. Chairperson:** Ruud? Okay.

**Floor Comment:** Thank you. Good evening, committee members—

**Mr. Chairperson:** Oh. Ms. Ruud, you may proceed with your presentation.

**K. Ruud:** Thank you. Good evening, committee members, and thank you for having all of us here tonight. It's an important platform for us, for sure.

My name is Kim Ruud, as you heard. I'm a resident of Winnipeg, and I am the regional manager for Canna Cabana stores in both Manitoba and Saskatchewan: 10 stores in Manitoba, 10 stores in Saskatchewan. We are a subsidiary of High Tide Inc., which is owned and operated out of Calgary. We actually employ about 80 people here in Manitoba within our 10 stores.

I'm here today to join the other Manitoba cannabis retailers to voice the support for Bill 10, the liquor and gaming and cannabis control amendment act, that

would see a social responsibility fee, SRF, repealed for cannabis retailers in Manitoba.

In late 2022, High Tide and other cannabis retailers in Manitoba collaborated on a letter to Minister Smith, which, amongst other things, pointed out how the SRF impedes the ability of licensed cannabis retailers to effectively compete against the illicit market.

The SRF adds an additional cost of doing business onto the shoulders of licensed retailers, which makes it more difficult for them to compete with the entrenched illicit market on price. Elimination of the illicit market, which does not pay tax or the SRF, which was identified as a top priority of the federal government when they legalized cannabis in 2018—these taxes and fees make it more difficult for licensed cannabis retailers to both maintain profitable margins and remain price competitive in this illicit market.

This creates an incentive for some consumers to stick with illicit market dispensaries or delivers—or delivery services, unlike licensed retailers, and who do not check identification, who do not—who do sell untested products, unregulated products that do not come in age-protected packaging. This creates risk to both public safety and public health.

In April '22, the Ontario Cannabis Store, a provincial Crown corporation, published a study conducted by the National Research Council of Canada done on behalf of the Ontario police department. After testing 22 illicit-market cannabis edibles, the analysis showed that 19 out of 22 of those products contained multiple pesticides and with concentrates hundreds of times above established limits for Health Canada.

The SRF fee—sorry, the SRF drives retailer prices higher over other provinces by at least 6 per cent, forcing consumers to obtain their cannabis from illicit market at lower prices. This price difference drives consumers to illicit channels where purchasing products could—purchasing their product could be detrimental to their health and are often a source—sourced from organized crime. I also want to point out that other provinces fund education and public-health programs without collecting SRF from licensed retailers.

To conclude, High Tide strongly supports repealing the SRF in Manitoba. Four years after legislation, it's time to review some of the decisions that were made in 2018 and acknowledge that this fee places an undue burden on an industry facing significant challenges, as we've heard here today. Repealing

the SRF would allow legal cannabis retailers to better compete in the illicit market in Manitoba and give cannabis access—consumer access to safe, tested and regulated products. Moreover, legal cannabis retailers protect youth by restricting access, unlike the illicit market, which operates without safeguards of age verification.

\* (20:00)

The government of Manitoba has shown that it has listened to the concerns of entrepreneurs and business owners in the province with this legislation. And we urge this committee to send this bill forward so that we may—it may receive royal assent before the House rises in June.

Thank you.

**Mr. Chairperson:** Thank you very much for your presentation, Ms. Ruud.

**Mr. Cullen:** Thank you, Ms. Ruud, for your presentation. I'd appreciate your insight in the industry. Thanks, again for taking time out of your schedule tonight.

**Mr. Chairperson:** Ms. Ruud, did you have any comment in return?

**K. Ruud:** Thank you for having us. It's been a pleasure.

**Mr. Sala:** Thank you so much for your presentation, Ms. Ruud.

I know that you mentioned High Tide is also—has locations in Calgary, as well.

And so what I'd ask is if you can offer some reflections on differences in regulation between Alberta and Manitoba and any lessons we might be able to take here from your observations.

**Mr. Chairperson:** Ms. Ruud, you may now proceed.

**K. Ruud:** There are many. I don't profess to know all the differences in the industry. My focus is operations here, but what I can tell you is that I feel like, in my stores, often I don't get to hire enough people. We need more staff.

As was mentioned before, there's staff—stores that operate with one person. There's a safety issue. There's just the issue of being able to spend time and educate that customer, as we keep talking about; educate them on the, you know, not only benefits of the product, but how to use it responsibly.

And if we don't have that extra time to spend with each consumer, it becomes more of a cashiering transaction as opposed to an educational experience.

**Mr. Lamont:** Thank you so much. I really appreciate your presentation.

Can—I'm just—if you're—can you talk a bit about the—I mean, other folks have talked about it, too, but the undercutting that's happening among—or, I—let me, well, put it this way, should there be a price war?

**K. Ruud:** That's a tough question because I think most of my peers here would say we are the lowest price cannabis retailer.

And I stand by that proudly, and the reason we can do that, as they've alluded to, is the fact that we are a large national corporation. It doesn't make managing our business any easier than it makes managing their business. To the point of one of the presenters, it just means we can sustain longer. It doesn't mean that it will be—that we'll win the war, basically, right?

So, I think that what we really want to see is those funds come back into the business so that we can spend more on education for our budtenders. You know, there's a lot of platforms we could be utilizing out there that could give us great knowledge and we'd love to see the government do more to support as well.

**Mr. Chairperson:** Are there any further questions?

Seeing no further questions, Ms. Ruud, we thank you very much for your presentation.

And we will now move on to our next presenter. Would Mr. Steven Stairs be here?

**Steven Stairs (Cannabis Business Association of Manitoba):** Yes.

**Mr. Chairperson:** Mr. Stairs, you may proceed with your presentation when you are ready.

**S. Stairs:** I always love standing here.

As indicated, my name's Steven Stairs. I'm the only person in this room who actively fought for legalization, who—blood, sweat and tears before legalization, who is a medical marijuana patient, who's seen the great things that can come from cannabis.

It has stopped the degradation of my vision loss, given me more years to spend with my children, to see them graduate, to see them drive and to just watch movies with.

That's where I come from. I'm from the real cannabis community for legalization. These people are awesome people but they don't understand what we went through before legalization. I've argued in this committee room three times. I've argued in the committee room at the end of the hall twice. I smoked weed in that one. Great time.

The idea is I've argued on every bill regarding cannabis in this province. I'm not here from a retailer perspective. I'm not here from a producer perspective. I'm not even here from an ancillary business perspective. I'm here as a cannabis advocate. That's who I am.

So, if I could take a little bit of time—by the way, blind guy—no speeches—sorry. If I could take just a minute—just a minute, maybe two—and I'd like to educate you on cannabis. And maybe when I'm done, if you think I did a good job, you could throw some of that social responsibility fee my way, okay.

I would like to give a little bit—a lot of talk has been—talked about the problems facing the cannabis industry. Black market, taxes, labelling, advertising, all these things. But, the big problem that they're dealing with is the illicit market.

I mean, yes, the taxes are one. But once the SRF is gone, it's the black market, it's the window coverings, it's those things. But regarding black market, we have a big problem in this country.

As I alluded to before, I'm a medical cannabis patient; I've been one since 2009, and I will continue to probably be one 'til I die. Hopefully, that's a really long time from now.

When 2001 came out—this is a little backstory for you—in 2001, when we got the Parker decision, which was a federal court decision—the Supreme Court—that gave us medical cannabis. Everything was fine, medical cannabis: very, very taboo almost. It wasn't seen as a normal part of health care.

Further down the road, 2014: the federal government allows us to keep our gardens for medical cannabis. Okay, so we've been federally protected now, that's great.

The problem with that was when legalization came around, and especially in this province, because we don't have a home growing allow in this province—which, again fosters the black market to thrive because they can provide cannabis at a low cost, when these folks have to, again, taxes, regulations, licensing

fees, you know, insurance, banking—yes, these are all problems.

But, with that problem of medical cannabis coming around in 2014, it was federally protected. When legalization came out, everybody who couldn't get into this game—who didn't want to put the hard work, the blood, sweat, tears, the mortgages, all those people who didn't care about that industry and just wanted to make money—got medical cannabis licenses. And now they're selling black market cannabis to these people's competitors that they're trying to get from them—do you know what I'm saying?

These people need to be supported, not taxed revenues for a coffar that goes into we don't know who, where. By the way, I'm the one that filed the FIPPA requests. I'm the one that's been hounding to find out where this money went, and I still want to know, because you've taken millions of dollars from these people under the guise of educating the public, saving the community, stopping the sky from falling, but yet look at it.

You've got people losing their homes almost. I don't understand. This province has failed. This province has failed with cannabis.

I ran in the provincial election in 2016 for the Green Party because I didn't like the PC's approach to cannabis. I still don't. You have messed up cannabis, not only federally—now we can blame the feds, cool. But I'm going to blame the PC government, right now, for failing to protect an industry when you folks claim to be low taxes, small business orientated, and you screw over a new industry.

Oh, that's some cold stuff right there, and, you know what? Again, I'm unbiased. I'm none of these people—I'm—frankly, I shop at most of these people's stores, if I can. Again, medical cannabis; I'm one of these people that doesn't be able to go to a medical cannabis store, because we don't have one.

So I have to get my supply usually from a retail store. Sometimes it costs me more. Sometimes I can't find what I want, but these people provide a service—they've already been talking about saving people's lives, bringing them out of cancer.

And you want them to close? I just don't understand. I was listening to a interview from Heather Stefanson in 2017 when you guys brought out the harm prevention act—Cannabis Harm Prevention Act. Ooh, sky is falling, we've got to save children.

That's where this came from. And you know what she said then, when the medical cannabis question was posed to her by a CBC reporter? Hey, were medical cannabis patients consulted regarding this? Driving, consumption, all the things?

She stumbled, she paused: ah, no. So, this is a continuation. We're still under the same government when Pallister asked the feds to postpone legalization because you guys weren't ready. You wanted some more time.

Well, I'll tell you this, you've taken too much time figuring out what was going on with these people, because now they're having to hear, complain, take time out of their day, out of their staff, out of their employees. And they're here arguing with you guys because you won't support them.

I'm all—we held a rally in front of this building. I'm great at throwing rallies, by the way. I don't understand why—you know that it doesn't cost—it doesn't—you're not collecting this thing for a reason. You've admitted it. So, why can't you give them amnesty?

That's it. Why can't you give them amnesty? Because they deserve it, because these people want support of government and they don't have it. And I'll tell you this, if you don't support them this year, this election will be very different.

I'm done.

**Mr. Chairperson:** We thank you for your presentation, Mr. Stairs. We will now move into questions.

\* (20:10)

**Mr. Cullen:** Thank you, Mr. Stairs, for your presentation tonight. Certainly appreciate your advocacy on behalf of the industry, and certainly wish you all the best in the future. Thank you.

**Mr. Sala:** Thank you very much for the presentation, Mr. Stairs. I just want to offer you a chance to talk a bit about the work of the Cannabis Business Association of Manitoba. I know you're listed as representing that organization.

Anything you want to share about the work that you're doing, and just help us to understand a bit about your role in the industry in Manitoba. *[interjection]*

**Mr. Chairperson:** Mr. Stairs, you must wait 'til I recognize you. Thank you.

**S. Stairs:** I talk a lot, I'm sorry.

During the pandemic, I got a phone call—actually, from Mr. Gliner, who presented earlier. And he told me that there was a Q-S-4 security officer in his store doing provincial COVID checks. You know, making sure stores weren't selling anything—it wasn't essential, all that kind of stuff.

They came in, they told him that they couldn't sell any cannabis accessories. Just cannabis. And as a medical cannabis patient, again, that's a violation of my constitutional rights, because I need access to devices, to ways to consume cannabis, right? So when I walk into a store—and he actually called me, which is kind of ironic—I was flabbergasted. I was just—that's a great word. I was very shocked.

And after that phone call, I called my connection, my—one of my friends at LGCA. I explained the situation to them, I explained this is wrong and this needs to be fixed. And within a few hours, they had a letter from MBLL, LGCA and Q-S-4 security apologizing, and they were allowed to sell cannabis accessories again.

That took six hours, maybe. And that was the reason why I started the Cannabis Business Association, because with the connections that I've made over a decade and a half of advocating for cannabis in this province, I knew who to call.

And that's the reason why I started it, because I figured—in 2013, Jeremy Loewen from Hemp Haven was arrested for selling star—for selling a Superman bong, and a Spider-Man bong.

Stupid reasons the police arrested him: the idea is, they were arresting him because they wanted to bother him. One of the press conferences we had, he wanted to start a trade association. Well, years later, I finally started one. And that's why we're here.

Because I want—sometimes, I'm not going to lie, we disagree with some of the independent stores; we disagree sometimes with the bigger stores. But the thing is, we advocate for cannabis. Not for specific retailers, not for specific tax purposes or producers, or anything like that; for cannabis. That's it.

**Mr. Lamont:** Thank you very much. I'm just wondering, can you expand a bit on—you were talking about—because I've heard complaints from folks talking about the misuse of medical licences. So if you can just talk a bit about that, that'd be great.

**S. Stairs:** The City of Winnipeg banned designated production of medical cannabis last September. That was due to complaints from residential

neighbourhoods, citizens, et cetera, that were complaining about the smells. Smells from overused cannabis licences, multiple licences in one location, growing in homes that aren't used for living, but for cannabis production.

Those people operate under a guise of—medical guise, because they have a licence from a doctor; generally a doctor that they paid to give them a licence. So there's a whole clinic thing there that we need to look at as well.

But when they get that federal protection, if the neighbour calls—if I'm growing illegally and the neighbour calls on me, hey, police, I think the guy's growing illegally, the police say okay, what's the address. Okay, blah, blah, blah. Oh, yes, we'll check our file. Oh, medical.

That's it—and they can't tell that person it's medical, because that's a violation of their privacy. So all they can do is just not do anything about it. And the reason they banned designated production in the city was because of that reason.

And I'm afraid they're going to come after personal production licences, which is the next one—which is what I fall under—and if they do, there's going to be another constitutional challenge going on this province. No problem.

**Mr. Chairperson:** Are there any further questions? Seeing no further questions, we thank you for your presentation tonight, Mr. Stairs, and we will now move on to the next presenter.

We will now call the presenters that were dropped to the bottom of the list. Ms. Candice Bellmore. Is Candice Bellmore available? Ms. Candice Bellmore is not available. She will be dropped from the list.

Our next presenter is Tyrone Abas. Is Tyrone Abas available? Tyrone Abas will now be dropped from the list.

Mr. Amin. Is Mr. Amin available? Mr. Amin is not available. He will be dropped from the list.

That concludes the list of presenters I have before me.

\* \* \*

**Mr. Chairperson:** We will now proceed with clause by clause of Bill 10.

Does the minister responsible for Bill 10 have an opening statement?

**Mr. Cullen:** Off the top, again, I want to thank each one of the presenters that came out tonight to present, as well as those that joined us by video and also those that submitted written submissions. Thank you for your time. We do appreciate hearing feedback on this important industry in Manitoba.

And it is an evolving industry, as you all know. And clearly—hopefully, we, as government, can learn as we go. Obviously, we need take advice from you, the—I would view as the experts in the field. So, I value the submissions you provided tonight, and we'll take, certainly, those under advisement.

I will say, when—you know, a few years ago, when the federal government decided they were going to get into this retail of cannabis, we had decisions to make as a government in terms of how we would market the product. And we made the conscious decision to market and retail the product through the private sector. And I think there's tremendous opportunity for the private sector.

And I would just leave it with you that other governments, and other governments with different philosophies, have chosen different avenues to retail cannabis. We think the private sector is the way to retail cannabis to Manitobans. We certainly look forward to maintaining that private-sector delivery of cannabis, and I just leave it with you that other governments may not be so friendly to the private-sector retailing of cannabis, or other commodities, for that matter.

So, I think we're in a point here, we can reduce or eliminate the social responsibility fee. I certainly will take the words that you provided us tonight to heart. Clearly, there was themes demonstrated tonight. So, again, I will be having further consultations on that respect.

And clearly, I think—and it was pointed out a few times tonight as well—I think we do have a lot of work to do in terms of combatting the illicit market, the black market, and I think we can seek some advice from you, too, in terms of how we deal with that.

So, I think there's more work to do on that front, and I would say our government's prepared to work with you to try to make sure that you're capturing more of the market share and we do whatever we can to eliminate the black market and some of the issues—negative issues around those other products.

So, with that, Mr. Chair, again, I thank everyone for their input tonight.

**Mr. Chairperson:** We thank the minister for those comments.

Does the critic from the official opposition have an opening statement?

**Mr. Sala:** I'd like to start just by thanking all the presenters who came out tonight to take advantage of this unique opportunity we have in Manitoba to have people speak to bills. It's wonderful to see people stepping up and using this opportunity to share those concerns that they have about the impacts of the SRF bill on your businesses.

And it really has been an enlightening and compelling evening, and very grateful for what we were able to learn tonight from presenters who took the time to come out.

One thing I think it's important to say right off the top unequivocally, and the minister alluded to that—to this, was that—this idea that, somehow, if there's a government change, that there would be some kind of an alteration or a modification of the existing regulatory environment. And I just want to state unequivocally that there would be absolutely no changes to that environment.

So, we know that the government will seek to create concern around that, will feed that, but just to be totally clear, there will be no changes of any kind to the regulatory market. So, folks in this room, as representatives of this industry, can have that confidence and know that, should we have that opportunity to serve, that there would be no concerns there of any kind.

You know, I—just broadly speaking to the SRF, I mean, I think it's clear that if we go back and we think about this being a new industry, there was, of course, a lack of clarity over what kind of investments would need to be made in social responsibility. And it was reasonable to bring in a bill of this type originally, with that lack of clarity, to potentially ensure that there were funds, if needed, there to help make cannabis consumption in Manitoba as safe as possible

\* (20:20)

But what's also clear is that over the last three years there has been, first of all, a complete lack of transparency around the way that those funds have been spent. But what has become clear now is that those funds were largely unspent and that this tax has been applied to small businesses for way too long in Manitoba.

And, I have to say, if I was a cannabis retailer in this province, I'd probably be showing a lot more frustration and—than some of you showed tonight. And I have to say, I'm amazed at the degree of restraint that some of you showed tonight, given the risks to your business, given the risks to your family and given the challenges that have been created.

So, we've seen, you know, for three years, millions and millions of dollars that were collected that weren't going towards the purpose that they were supposed to. So, I really just want to say how much we empathize, as the opposition, with your frustration with how long this has taken.

And, you know, just—I think one thing that was identified tonight that really struck me was that, not only has this—have these funds not been used to improve safety or responsibility in Manitoba, but some of you alluded to the fact that, in fact, the collection of the SRF has taken us backwards, because you were not able to provide support staffing in your stores that would allow Manitobans to consume cannabis as safely as possible. I think that was a really important point that was made tonight. So, in fact, the SRF has negatively impacted the safety and the responsibility—or, the ability for Manitobans to consume cannabis safely.

So, you know, not only has the SRF prevented—or, helped—in some ways acted detrimentally to the safety of cannabis consumption, but we also heard tonight loud and clear the ways in which this SRF fee has prevented the growth and expansion of your small businesses, of small businesses in Manitoba.

And I just want to dwell on that for a second to highlight, you know, we're—we've got a government in Manitoba that likes to position itself as being a champion of small businesses. And, I think tonight, we really heard from so many people as to why that's fundamentally not true and why we can't accept that to be true. So, I thank everyone here tonight for helping to really clarify that and make a powerful point in regards to that.

So, very enlightening night. You know, we obtained a really clear picture, I think, not only relating to the SRF, but the state of cannabis sales and the cannabis sector in Manitoba, and the ways in which this government has made life a lot harder. Not only relating to the SRF, but we heard a lot of concerns about an incoherent regulatory environment with overexpansion in ways that, I think, by—from what we heard tonight, have been shocking to those

people who made early investments in cannabis retailing outlets in this province.

We've heard about the failure to adequately respond to the black market. Earlier, the minister suggested to one of the presenters that it was their responsibility to respond to the black market. In fact, it's the government's responsibility, and they have clearly not done their job and, by extension, have made your lives harder.

We've heard concerns about the impact of excise taxes, which have been collected for years. And I can tell you, as a legislator with responsibility in this area, I have no idea where those funds are being kept or for what purpose they've been collected, given that they're not being redistributed to the federal government. Again, another thing that made their lives harder.

And then, lastly, these regulatory changes that have given some businesses quite a leg up, those that have chosen to get into cannabis sales that haven't been forced to make some of those investments that others have been made. So, not a level playing field.

So, a lot of concerns overall about how this government has managed cannabis sales in this province. And, you know, that's saying nothing about the lack of transparency that we've seen from them over many years. So, I applaud all those in this room who fought for that transparency.

And I do want to say that our opposition caucus has fought for transparency. We have demanded answers for where those funds were going, and we did not get those answers. I do want to say we have fought that fight and have done our best to get those answers, and it is encouraging that we are where we're at now, but it's been a long road, I know, for many.

So, with that, I do want to say it is important that we do move forward with repealing the SRF. I want to thank everyone again that came out tonight. And I do want to thank my colleague, Lisa Naylor, for all her work in connecting with folks in the cannabis industry and helping to advocate for them, as well.

With that, I'll close my comments.

**Mr. Chairperson:** We thank the member for those comments.

During the consideration of a bill, the enacting clause and title are postponed until all other clauses have been considered in their proper order.



Clause 1—pass; clause 2—pass; clause 3—pass; clause 4—pass; clause 5—pass; enacting clause—pass; title—pass. Bill be reported.

The hour being 8:25, what is the will of the committee?

**An Honourable Member:** Committee rise.

**Mr. Chairperson:** Committee rise.

**COMMITTEE ROSE AT:** 8:25 p.m.

### WRITTEN SUBMISSIONS

Dear Members of the Standing Committee,

I am writing to express my support regarding the proposed Bill (No. 10) - The Liquor, Gaming and Cannabis Control Amendment Act, specifically the repeal of the 6% social responsibility fee (SRF). As the owner of a small retail cannabis store in Manitoba, I have experienced firsthand the adverse effects of this fee on our business operations and our ability to remain competitive in an increasingly saturated market.

Over the past few years, the cannabis industry in Manitoba has experienced significant growth, with numerous retail stores opening their doors to meet the demands of consumers. While this expansion presents exciting opportunities, it has also led to intense competition among retailers. The social responsibility fee, though well intentioned, has added an additional burden to small businesses like mine, inhibiting our ability to thrive in this challenging environment.

The 6% social responsibility fee, aimed at supporting initiatives related to responsible cannabis use and public education, has imposed a substantial financial strain on our operations. As is common for a cannabis retailer, we operate on tight profit margins, and the imposition of this fee has significantly eroded our ability to reinvest in our business, develop innovative marketing strategies, and offer competitive pricing to attract and retain customers.

Moreover, the saturated market in Manitoba has made it increasingly difficult to differentiate ourselves from competitors. With limited resources at our disposal, the social responsibility fee has further constrained our ability to invest in initiatives that would have allowed us to stand out in the crowded marketplace. This fee, while well intended, has inadvertently created an imbalance, favouring larger players who possess more substantial financial resources to absorb the additional costs.

By repealing the social responsibility fee, we can level the playing field for small retailers and provide an opportunity for us to thrive in the growing cannabis market. This repeal would allow us to redirect our limited resources towards initiatives such as increasing employee wages and benefits, expanding product offerings, and enhancing customer experience, which are crucial for our survival and success.

I understand the importance of promoting responsible cannabis use and public education, and I believe there are alternative mechanisms that can achieve these goals without placing an undue burden on small businesses. I would like to urge the Standing Committee to carefully consider the implications of repealing the social responsibility fee and explore alternative solutions that ensure responsible cannabis practices while supporting the growth and competitiveness of small retailers.

Thank you for your attention to this matter. I trust that you will give due consideration to the concerns raised by small retail cannabis store owners like myself. I am available to discuss this issue further and provide any additional information that may assist in your decision-making process.

Yours sincerely,  
Christopher Britton

Dear Committee Members:

On behalf of our association, we believe that it is important for us to provide comment and observations on the above noted Bill.

When the Government of Canada proceeded to legalize cannabis, our Association was called upon to serve in a two-fold capacity. First, in 2017, we were invited by the Manitoba Government to provide feedback regarding Bill 11, The Safe and Responsible Retailing of Cannabis Act.

Second, we then represented the interests of public school boards nation-wide as spokesperson for the Canadian School Boards Association before the Senate Committee on Social Affairs, Science and Technology, that was mandated to receive public comment on Bill C-45, The Cannabis Act, prior to its passage by Parliament in 2018.

Our message during both of these consultations was very clear and remains ever relevant and cogent to these present proceedings regarding Bill 10, which now seeks to repeal Manitoba's social responsibility

fee as applied to future cannabis sales. The health and well-being of our students, and their ability to develop and flourish in a manner that is informed, responsible and safe, remains one of many compelling objectives of public education. This must be a goal that we all share under the reality that it truly takes everyone in this community to raise our children and to provide and protect their future.

We therefore remain appreciative to the Manitoba Government for listening to our concerns in 2017 and for then mandating the legal age of cannabis consumption at 19 years of age under The Safe and Responsible Retailing of Cannabis Act. This was a key step in our shared effort to exclude access to cannabis by all school-age pupils who are in regular attendance in our schools. This step was important then and still remains important today.

Notwithstanding the legal age for purchase and consumption, legalization of cannabis in and of itself however, represented a significant challenge to our ongoing efforts directed at minimizing its consumption among youth. Our ability to promote safe and healthy lifestyles among our students remains an important consideration in relation to the ongoing implementation of The Cannabis Act locally in Manitoba.

During our meeting with the Progressive Conservative Caucus in November, 2017, members of the Government side of the Assembly may recall that we specifically requested that the revenues derived from cannabis and cannabis derivative sales be re-invested in education. Even then, we had foreseen that promoting information and awareness campaigns regarding the harms and risks of cannabis consumption among youth audiences, would prove essential to respond to legalization. Yet, perhaps more importantly, such education programming support would remain foundational on an ongoing basis thereafter. Ultimately, the decision made by Government was to invest in a province-wide pre legalization advertisement campaign leading up to the assent of Bill C-45. Targeted efforts to sustain such critical awareness and information campaigns for youth unfortunately began to be discontinued in the months that followed. Ultimately, we were then further informed that the greatest share of any future social responsibility fees would flow not to education and awareness but instead to policing, enforcement and regulation of the legal and illicit cannabis markets.

This said, the vision held by our association for the launch of specific education programming around cannabis consumption was partially realized by redrafting of the K-12 provincial health curriculum to include content related to its risks and harms. As an association, we also concurrently partnered with the Manitoba Association of Parent Councils to develop a factsheet that could serve to provide parents with foundational talking points around cannabis in three languages: English, French and Tagalog.

While the above two initiatives certainly did serve the immediate purpose of raising awareness across student and parent stakeholder groups in the specific context of pre-legalization, we understood that the bulk of education and awareness supports were to be achieved through sustained information campaigns and youth engagement in the years that would follow. These ongoing efforts and supports were to be implemented using the current social responsibility fee that is now being proposed for potential withdrawal under Bill 10.

We must be clear on the context of the present need for continued awareness and educational programming aimed at deterring youth cannabis consumption. The notion that legalization would be accompanied by a "floodgate" effect, as well as the concept of cannabis as a "gateway" drug that would precipitate the consumption by youth of additional non-cannabinoid illicit substances, were foremost calls to action that many other experts had already tabled for consideration by federal and provincial legislators.

In accompaniment of these concerns, our own focus was placed on recognizing the broader social and health-related challenge around the comparative use of cannabis by Canadian youth in the pre legalization period (as remaining among the highest rate of youth cannabis users in a global context), while equally focussing on responding to any potential perception by youth that federal legalization rendered cannabis consumption in any way "safe" or "risk-free". What was therefore needed then and remains urgently needed now, is continued education and awareness among youth regarding the harms and risks of cannabis consumption. These preoccupations continue to inform our perspectives today.

It is important that the Manitoba Legislative Assembly therefore understand that our advocacy remains vested in the realities and facts around cannabis consumption prior to and following the legalization process. Realities that have persisted through to the present time. In this respect, we would

carefully note that even leading pro-cannabis advocates in our community, before and after legalization occurred, themselves encouraged our association efforts to raise awareness regarding the risks and harms of cannabis consumption, due to their expertise on the subject.

From these advocates' perspective, normalization of "safe" forms of cannabis consumption would only be promoted if youth were able to distinguish the comparative risks and harms of consumption across both the legal and illicit cannabis markets. While we offer no validation to any form of cannabis use, that our engagement with these community stakeholders pointed towards a persistent need for education and awareness supports, certainly does warrant your consideration in relationship to Bill 10.

In this respect, we would therefore offer the following recommendation for consideration of the committee: if the intention of Bill 10 is, as suggested in the explanatory notes that serve to introduce the Act, informed by evidence and research that suggest a correlation between continued access by Manitobans of all ages to the illicit cannabis market (rather than the legalized market) because of the ongoing implementation of the social responsibility fee, then we would strongly encourage the Government of Manitoba, and all members of the Assembly, to nonetheless fulfill our shared ongoing commitment to "social responsibility" by redirecting a portion of provincial sales tax revenues, as raised through future cannabis sales, to the establishment of accentuated education and awareness campaigns regarding the risks and harms of cannabis use, as well as so many other harmful drugs and substances that remain within the reach of our youth.

While it is our formal position that the social responsibility fee ought not be withdrawn, we can understand and appreciate that the persistence of an illicit market counteracts what was arguably one of the foremost intentions behind Federal Bill C-45 itself. We are very disheartened that this objective has not been actualized.

This brings us to the present proposed legislation, Bill 10, which seeks to now remove the social responsibility fee by way of finding a solution to these circumstances. As the Bill C-45 experience has so amply shown however, alignment between legislative intent and social outcome may prove elusive at best when it comes to the reality of illicit drugs, even

as the Federal Government now seeks provincial concurrence towards decriminalization of further risk-laden and harmful substances across Canada, and even as harmful behaviours such as smoking and vaping have not only persisted but regrettably continue to rise among our youth.

It is therefore our concluding adjuration to the Manitoba Legislative Assembly that now is therefore certainly not the time or context to abandon the concept of "social responsibility" altogether. Instead, we believe that now is the time for concerted and sustained education and information campaigns to address cannabis consumption, as well as so many other harmful substances that threaten the lives, well-being, safety and health of all Manitobans, particularly among our youth.

Whether this occurs through formal amendment to Bill 10 so as to dedicate a permanent portion of provincial sales tax revenues from cannabis sales to "social responsibility" in order to implement education programs, or whether Bill 10 implements a more nuanced suspension (rather than outright repealment) of the social responsibility fee for a defined period of time to test whether the intention of this Bill will in fact align with the outcomes we all seek (a so-called "sunrise" provision under legislative form and practice), either way, the need for sustained youth-focused education, information and awareness programming and supports must proceed to implementation, as was originally guaranteed by Government and targeted under the social responsibility fee. The additional question of funding in support of necessary policing, enforcement and regulation of the legal and illicit cannabis markets remain equal considerations here. These priorities too provide for the future and ongoing safety of our students. Repealment of the fee cannot come at their expense.

We thank both the members of the Committee and of the larger Legislative Assembly for their consideration of our observations and recommendations and request that you please do not hesitate to contact the Manitoba School Boards Association should you require any further information from us in the above respect. You may direct inquiries to Executive Director Josh Watt at [jwatt@mbschoolboards.ca](mailto:jwatt@mbschoolboards.ca).

Sandy Nemeth  
President  
Manitoba School Boards Association

The Legislative Assembly of Manitoba Debates and Proceedings  
are also available on the Internet at the following address:

**<http://www.manitoba.ca/legislature/hansard/hansard.html>**