



The Honorable John Horgan, M.L.A.
Premier of British Columbia
August 23, 2022
Via Email

Dear Premier,

I write to you today on behalf of our association, the Retail Cannabis Council of BC (RCCBC), as well as our partner organization, the BC Craft Farmers Co-Op (BCCF).

Our organizations represent dozens of businesses and thousands of employees across the province, all of whom are existentially threatened today by labour action at the BCLDB. Without swift and decisive action, many of our members will face bankruptcy in the coming days and weeks; layoffs and shift curtailments have already begun. Despite our public appeal on August 17, 2022, no action has been taken by your government.¹

We are deeply alarmed by this and demand that this government take urgent steps to ensure the economic security of our sector, the health of our customers, and public confidence in the legal cannabis system overall.

Thousands of Jobs at Risk

While more accurate employment figures for BC's total cannabis sector have yet to be produced in the four years since cannabis legalization, our sector employs thousands of British Columbians across the province. **Every one** of those jobs is currently at risk because of this strike action crippling BC's cannabis monopoly.

These jobs are immediately threatened for many reasons that have clearly not been considered by this government, a threat that extends to both retailers and cannabis producers alike.

Private Retailers

First, many private cannabis retailers were already barely making ends meet due to black-market competition, uneven licensing density and overtaxed legal product offerings resulting in sluggish demand from the consuming public. For example, in 2022 Vancouver posted 3.8 million dollars less monthly in legal cannabis than Edmonton². This fact should help illustrate the continued black-market demand challenges and lack of consumer buy in our sector has faced in BC.

Now private retailers face closing their doors due to the inability to secure legally regulated cannabis products via their government mandated monopoly supplier. Not only is this closure happening in an environment when many retailers were already struggling to make lease payments, but the timeline is indefinite. Even once the strike ends, there will still be an indeterminate logistical backlog to clear.

¹ <https://www.bccraftfarmerscoop.com/bcgeu-dispute/>

² <https://mjbizdaily.com/canadian-adult-use-cannabis-sales-grow-slightly-to-nearly-ca376-million-in-may/>



Ontario's cannabis distribution monopoly, which recently faced a brief shutdown due to a cyber attack, was still backlogged weeks after service resumed³.

One of the many significant differences between cannabis retailers and alcohol retailers is the much higher cost of product and much shorter shelf life on the cannabis side. These two factors, particularly shelf stability, lead most retailers to keep a maximum of one week of stock on hand at a time. This is compounded by the strict storage requirements that make keeping additional product on hand simply cost-prohibitive.

As a result, most retailers have already begun running out of product, particularly those in interior BC who were farthest from their most recent order date. By the time this letter reaches you, the number of stores facing stock scarcity will have grown to critical levels.

In the face of such financial hardships and uncertainty, many retailers will choose to close their shops permanently, laying off hundreds if not thousands of retail and head-office employees across BC.

It is a fact that as the result of legal store closures will inevitably be customers returning to the black market, likely permanently, as they find themselves cut off from a legal supply.

Licensed and Micro Producers and Processors

Over-taxation of cannabis and Health Canada's unreasonable licensing regime has had a significant negative impact on BC's cannabis sector already, depressing net profit margins to the point where many cannabis farms and processors are operating on unsustainable margins, while an unbalanced tax burden eat as much as 80 per cent of their profits.

Just like retailers, producers must deal with a perishable product that is not shelf-stable and requires special, controlled storage. This storage space must also be pre-approved by Health Canada, a process that can take well over a year. In short, cannabis producers have **zero flexibility to store unexpected product**. This is non-negotiable.

These producers, who have lost access to their BC domestic market (and one of the largest markets in Canada), will now be forced to either dump their product into the national wholesale market, almost certainly at a financial loss, or more likely to destroy their product due to a lack of storage space.

Not only will this bankrupt many cannabis producers in short order, it will almost certainly also force some operators to divert their legally grown product into the unregulated market, a dynamic that will only be strengthened as black-market demand for cannabis skyrockets in the coming weeks.

In short, it is a simple fact that supply disruptions in the cannabis sector threaten thousands of jobs and will push customers back into the unregulated cannabis market.

³ <https://ottawa.citynews.ca/national-business/hundreds-of-pot-shops-to-receive-deliveries-after-cyberattack-on-partner-ocs-5689859>



Public Health at Risk

"Don't buy illicit cannabis, because you don't know what's in it, and it may be contaminated," -Solicitor-General Mike Farnworth, June 9, 2021.

At a press conference on June 9th, 2021, Minister Farnworth announced the findings of a BC-CDC⁴ report showing “almost all” illicit cannabis samples seized by law enforcement showed signs of contamination by pesticides, mold, heavy metals, or other serious contaminants. This was followed by a report entitled “Chemical Analysis of Illicit Cannabis” prepared by the Solicitor General’s Office released July 22, 2022⁵ which contained the same findings on contamination in the illicit supply of cannabis in BC.

How, then, is it possible that securing an adequate supply of safe, tested, legal cannabis is unworthy of any kind of contingency planning on the part of government? If thousands of jobs and billions of dollars of economic activity are not enough to secure the attention of the parties responsible, then surely the health risk must qualify?

This new disaster is also not happening in a vacuum. This government has presided over an opioid crisis that has become the number one cause of unnatural death for British Columbians, leading to tens of thousands of unnecessary deaths.

Despite the seriousness of that existing crisis, we now find ourselves somehow creating a new scenario wherein we are pushing consumers of a safe, legal substance back into an unregulated and unsafe one. And we are doing this entirely voluntarily, for no reason at all, as a deliberate policy choice.

This government could, with relative ease, designate an alternative source of legal cannabis that does not deprive striking workers their right to picket the Crown corporation. It has simply chosen not to, despite knowing and actively acknowledging the risks involved.

That is not acceptable. This government **must** take action to ensure a safe, tested, legal supply of cannabis is available to British Columbians, for their own health and safety.

Unacceptable Results

Finally, it must be noted that it is simply unacceptable that it has come to this point.

BC’s cannabis sector, which employs thousands of people and is responsible for hundreds of millions of dollars of GDP, has **for 3 years** been calling for a more serious, realistic approach to BC’s cannabis economy from this government, calls that have been waved off by sitting Ministers who fundamentally do not seem to take the file seriously.

Our sector has worked tirelessly to advance specific policies like Direct Delivery to Retail, only to watch as those policies go un-implemented due to a lack of planning, foresight, and stakeholder engagement. And now, at the precise time such a more robust and diverse supply system would prove invaluable to

⁴ <https://news.gov.bc.ca/releases/2021PSSG0050-001115>

⁵ https://www2.gov.bc.ca/assets/gov/public-safety-and-emergency-services/public-safety/cannabis/chemical_analysis_of_illicit_cannabis_report.pdf



save our industry, we find the provincial monopoly barely launching a direct supply initiative with half enough SKUs to fill a single shelf.

Despite repeated calls to regulate cannabis as a unique economic activity that is inherently different than alcohol for many practical reasons, BC saw fit to force cannabis into the liquor distribution monopoly. Now the results of that short-sighted and politicized decision have resulted in a significant economic crisis, a crisis that ***did not need to happen***.

At no point have the leaders of this province stopped to consider the ramifications of centralized warehousing and a provincial monopoly on the health of the cannabis sector. It is now time to account for those decisions.

The 2021-2022 LDB Mandate Letter⁶ from Minister Robinson on behalf of this cabinet lays out a clear mandate to streamline alcohol delivery mechanisms and improve the business of the LDB for the benefit of alcohol sellers, while completely ignoring the economics of cannabis production or retail.

Further, the Office of the Solicitor-General has made it clear that despite their office's policy leadership on this file, they do not currently intend to take any action to resolve or mitigate this crisis.

This lack of attention clearly permeates the relevant ministries' attitude towards the BC cannabis sector and their governance responsibility. Through the process of responding to this government-made crisis, it has become obvious that the sitting government and their appointed officials did not consider the unique challenges that a distribution strike would pose for legal cannabis.

Simply put: how is that even possible?

It seems no one in government considered the many reasons why the legal cannabis system was significantly more vulnerable to supply chain disruption than alcohol and why that vulnerability poses a significant risk to public health and safety.

The cannabis sector has come to the point of a fundamental existential crisis, and there continues to be a total lack of leadership from this government on the matter. Thousands of jobs are being put at risk by seeming indifference on the part of our leaders.

Swift Action Required

Our organizations are calling for your government to take immediate action to resolve this crisis. Given the organized labour dimension of this dispute, we recognize that there are limited actions available that respect the BCGEU's right to take legal labour action. To that end, we have two suggested courses of action that we believe meet that test:

1. Government can declare cannabis delivery an essential service and develop an essential services plan. Given the public health and economic consequences of a disrupted

⁶ <https://www.bcldb.com/files/2021-22%20LDB%20Mandate%20Letter%20-%20April%2012%2C%202021.pdf>



cannabis supply, we believe this is entirely defensible as a request, and it should be put forward to the Labour Relations Board as soon as possible.

Logistically this could take several forms, including an expansion of Direct Supply to include all current suppliers of the LDB, etc. The goal is to ensure a broad array of products remain available.

2. Government can temporarily allow cannabis retailers the right to purchase cannabis from out-of-province distribution entities that can currently accommodate these transactions. This is the only alternative supply permissible under federal law, which requires suppliers to be provincially designated in some way, and would allow retailers to purchase from suppliers in open-market provinces like Saskatchewan.

Because this route would also respect the current picket line by not advantaging the Government of BC or the LDB in any way by directing wholesale sales elsewhere, we believe it is also entirely defensible from a labour law standpoint.

Regardless of the government's chosen course of action, the resulting relief must be immediate and substantial. Our retail sector cannot survive any period of shut down, and our producers are too strangled by regulations and red tape to adapt to a significant disruption in the market. Therefore, the solution(s) to this crisis must be swift and decisive.

We look forward to an immediate response no later than 8:30am August 24, 2022 and a meaningful dialogue about what concrete steps are being taken to ensure the legal cannabis sector in BC does not collapse.

Sincerely,

Jaclynn Pehota
Executive Director, behalf the RCCBC Board of Directors
Retail Cannabis Council of BC

Tara Kirkpatrick
President
BC Craft Farmers' Co-Op

CC: Ministers Robinson, Eby, Farnworth, Popham, Dix, Kahlon, and Bains;

CC: Kevin Falcon, M.L.A and Leader of the Opposition; Sonia Furstenu, M.L.A and leader of the BC Green Party