



**CANADIAN FEDERATION
OF INDEPENDENT BUSINESS**

In business for your business.

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September 29, 2017

Sent by email

Honourable Andrew Parsons
MHA for Burgeo-La Poile
Minister of Justice and Public Safety
Confederation Building
P.O. Box 8700
St. John's, NL A1B 4J6

Dear Minister Parsons:

As part of the Government of Newfoundland and Labrador's consultation process concerning the legalization of cannabis, I offer, on behalf of our members in Newfoundland and Labrador, the views of the Canadian Federation of Independent Business (CFIB).

As you will be fully aware, the Government of Ontario was the first province to release a plan on the retail distribution of cannabis. In brief, a separate structure similar to the liquor system in that province will be introduced for cannabis. From our perspective, the model announced in Ontario is not one we can endorse. Unfortunately, a public sector monopoly for cannabis will not eliminate the underground economy. Rather, an above-ground regulated private sector would have greater success in tackling the underground economy: It would better respond to customer preference, potentially crowding out underground participants. Moreover, a public sector monopoly will likely involve significant expense at a time when the provincial government does not have the fiscal capacity and can ill afford it.

Further, the Newfoundland and Labrador Liquor Corporation (NLC) should not be involved in the distribution and sale of cannabis. As we outlined in 2015 (<http://www.cfib-fcei.ca/cfib-documents/nl1073.pdf>), CFIB members have some concerns about the provincial liquor system they feel should be addressed, so we would prefer not to have these same concerns surface in a new cannabis legislative and regulatory framework. For example, the liquor regulations identify the hours of sale (depending on a particular establishment) that are not the same as a business' opening hours, such that stores open before 9 am are unable to sell liquor before that time. This is not to suggest there should be no regulations because that would be unreasonable. For example, the government has to prevent sales to minors and driving under the influence. Yet, it is important for cannabis regulations to recognize the realities of private sector participants.

The fundamental challenge with the current provincial liquor system is the NLC, as the regulator, is regulating itself as a retailer. From CFIB's perspective, the best model for Newfoundland and Labrador is for a government department to administer any regulations (in other words, no separate government agency) and allow for the retail of cannabis to occur in the private sector. There will be additional cost for inspection and enforcement, but these costs can be covered with revenue from excise, sales and corporate taxes on activities related to cannabis. However, if the appropriate level of taxation is not

achieved at the outset, it is conceivable that cannabis sales will remain underground. Many convenience store owners throughout the province note that high taxation on tobacco has maintained a market for contraband tobacco in Newfoundland and Labrador. Similarly, the retail prices of cannabis must be correctly set to discourage competition from the underground economy. I understand provincial governments will discuss the pricing structure with the federal government in the coming months.

In its deliberations on cannabis legalization, the provincial government must also give serious consideration to the implications on work environments. Employers and employees should have clarity on what can be expected should recreational cannabis be consumed at work or if an employee is under the influence of cannabis during work hours.

It is important for the government to get this right and develop a framework for cannabis that achieves the correct balance of safe and responsible consumption with economic opportunity.

Thank you for allowing me to present our members' views on this very important issue. Should you wish to discuss in further detail, I can be reached by email at vaughn.hammond@cfib.ca or by phone at 753-7745.

Sincerely,

A handwritten signature in cursive script that reads "Vaughn Hammond".

Vaughn Hammond
Director of Provincial Affairs, Newfoundland and Labrador

Copy: Members of the House of Assembly