

Impacts of the cannabis retail licence suspension on Alberta

About the Alberta Cannabis Collective

The Alberta Cannabis Collective (ABCC) is the leading industry association for Alberta's cannabis retailers. We are committed to upholding our member organizations to a set of standards and best practices that exceed the industry benchmark for business practices and safe sale of cannabis products.

Through cooperation with Government bodies and collaboration with industry, the ABCC will help build a positive relationship between the public and Cannabis products.

Our Mission

Making Alberta the Global Benchmark for Cannabis Retail

Survey Participants Included

STARBUDS A.N.C.



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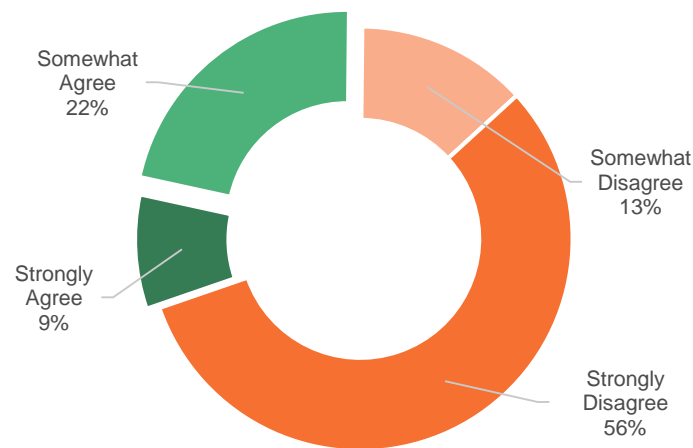
In light of the national supply shortage facing the cannabis industry, on November 21st the Alberta Gaming, Liquor and Cannabis Commission (AGLC) announced a suspension of the cannabis retail licensing process.

The ABCC recognizes the difficult circumstances facing Alberta and the motives behind the recent moratorium on retail licensing, but sees this as a short-term solution and insists alternative measures be taken. It is imperative to maintain Alberta's attractiveness as a pro-business environment for the cannabis industry in order to bolster the Alberta economy, encourage investment, create jobs, and maximize tax revenues.

To better understand the impact of this decision, the ABCC conducted a high-level analysis and survey.

Most retailers are not aligned with the AGLC's decision

How do you feel about the AGLC's decision to suspend further cannabis store licensing?



- Over 20 organizations responded to the survey, which includes national highly capitalized organizations, regional players, and independent retailers.
- 0% of respondents indicated that they are "Indifferent".
- Survey respondents planned on opening a combined total of 158 cannabis stores by the end of October 2019. This represents approximately 63% of the total expected retail footprint in Alberta within the first year.**

250 cannabis stores planned to be open by October 2019 in Alberta



Only 65 licenses were issued prior to the suspension. This represents just 26% of the 250 cannabis stores expected to be open by October 2019 in Alberta.

1,800 jobs directly impacted by the licensing suspension



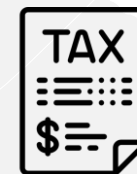
Cannabis stores expected to directly create approx. 1,800 new jobs in Alberta to support retail operations. These jobs spanned a variety of roles from front-line staff to senior management positions with potential annual incomes between \$50,000 to \$150,000.

\$13M of sunk costs in just retail lease commitments



Retailers pay approximately \$68,500 per annum for every commercial retail lease that they hold. A one year suspension of further cannabis store licenses would result in sunk costs of approximately \$13,000,000 just to maintain these leases.

\$18M Impact on the tax base from the direct, indirect, and induced jobs that would've been created



It is estimated that for every 100 jobs created in the retail sector, 40 supporting (indirect and induced) jobs are created in other parts of the economy, which in combination can generate more than \$1 million in provincial and local taxes.

What can we do to improve Alberta's positioning as the leader in cannabis retail?

Secure Supply

As the private retail model ramps up in other provinces, especially Ontario, the existing supply stress on the system will only be amplified. Key areas to consider can include:

- Increase supply allocations from current suppliers to Alberta.
- Secure supply agreements with additional Licensed Producers.
- Reduce barriers for Licensed Producers to supply product to Alberta.
- Consider allowing retailers to directly engage Licensed Producers, even if it is on a case-by-case basis.

Collaborative Solutions

Understanding that this is a new industry and many processes and frameworks are being created from scratch, it is still critical (if not imperative) to create open channels of communication and engagement between retailers, regulators, licensed producers, and service providers.

Establishing an open forum and mechanisms to proactively engage and solicit feedback from the various industry participants will help create:

- Transparency in the process that instills trust.
- Pragmatic solutions that continue to elevate Alberta as the industry leader.

Pricing

Currently, Alberta has the second highest Provincial sales tax on cannabis of any Province or Territory in Canada. For the most part Provinces and Territories, excluding Alberta, Ontario, Saskatchewan and Nunavut, do not charge taxes on top of the existing Federal excise tax on cannabis. Following only Nunavut; Albertan's are paying an additional 16.8% on top of the Federal excise tax on cannabis. Whereas, Saskatchewan and Ontario are paying an additional 6.45% and 3.9%, respectively.

In order to remain competitive relative to other Provinces and effectively curb the black market, the taxation structure should be revisited.