



**What We Heard:**  
Cannabis Inducements and  
Prohibited Relationships  
Consultation

November 2020

## Introduction

Alberta Gaming, Liquor and Cannabis (AGLC) is responsible for licensing, regulating, and monitoring cannabis activities in Alberta. AGLC administers the *Gaming, Liquor and Cannabis Act* (GLCA), Gaming, Liquor and Cannabis Regulation (GLCR), and related policies.

AGLC is focused on reviewing its policies to ensure they support economic development and industry growth while reflecting a commitment to public health and social responsibility. This report summarizes the results of a survey conducted with industry stakeholders regarding cannabis inducements and prohibited relationships.

## Background

An inducement is the exchange of something valuable from a licensed cannabis producer to a cannabis retail licensee. Currently, inducements are prohibited for cannabis retail licensees and licensed cannabis producers under sections 118 and 119 of the GLCR. Sections 118 and 119 of the GLCR are included in Appendix 1 for reference.

Unlike the liquor industry, there are no exceptions in the GLCR for cannabis retail licensees to allow cannabis suppliers to offer non-essential items.

Considering the growth and complexities of the emerging cannabis industry in Alberta, maintaining enforcement and effective oversight into financial transactions conducted by cannabis retail licensees is becoming increasingly challenging as the number of stores and product selection increases.

When the retail cannabis industry was introduced in Alberta, many of the same prohibitions were enacted as the liquor industry. One key departure was the permitting of vertical integration where a supplier was permitted to have a financial interest in a retail cannabis licensee as its subsidiary.

## Methodology

AGLC consulted with stakeholders from September 9 to October 2, 2020. The consultation invited feedback from all cannabis suppliers, retail licensees and the Alberta Cannabis Council through an online survey. Participants were asked a series of questions to gather their feedback on inducements and prohibited relationships and how current rules impact their organizations. Stakeholders were also invited to provide feedback through telephone interviews.

## Response Rates

The following table shows the participation rates obtained for this consultation based on how respondents self-identified:

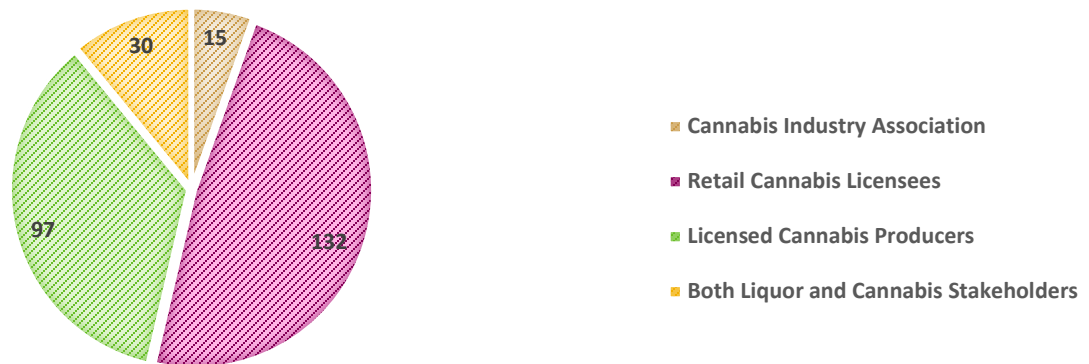
Stakeholder Group	Number of respondents	Percentage of responses
Cannabis Industry Association members*	15	5.5%
Retail Cannabis Licensees	132	48.2%
Licensed Cannabis Producers†	97	35.4%
Both Liquor and Cannabis Stakeholders‡	30	10.9%
Total	274	100%

\* The number of respondents that identified as “Industry Association” exceeds the number of Industry Associations invited to participate. It is likely that the survey was shared. Some of these respondents may also be Licensed Cannabis Retailers.

† The number of respondents who identified as “Licensed Producers” (LP) is greater than the number of LPs that AGLC does business with. It is likely that some LPs shared the survey and that multiple responses were received from some companies.

‡ Results were obtained from a survey that contacted both liquor and cannabis stakeholders. The results from the cannabis portion of the consultation are discussed in this report.

## BREAKDOWN OF RESPONDENTS BY CATEGORY



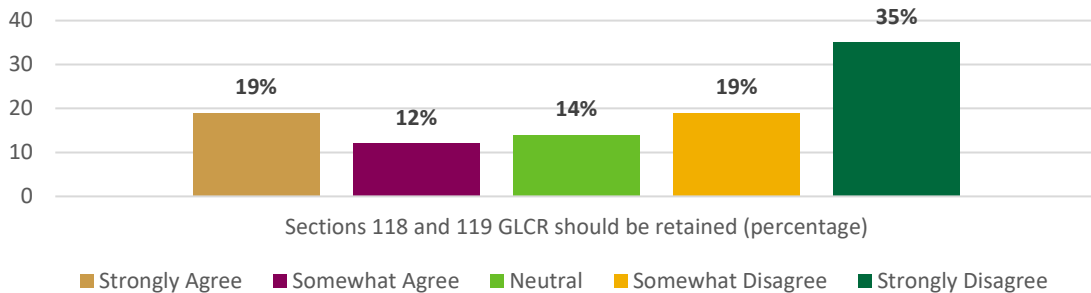
## Consultation Findings

The survey opened with a question to categorize respondents.

The remainder of the survey focused on inducements policies.

**Question One: Please select the option below that best aligns with your organization’s level of agreement that sections 118 and 119 of the GLCR should be retained**

Respondents were asked to select from a spectrum of responses ranging from Strongly Agree to Strongly Disagree. One hundred eighty-one respondents answered the question as follows:



The responses were broken down by respondent category as follows:

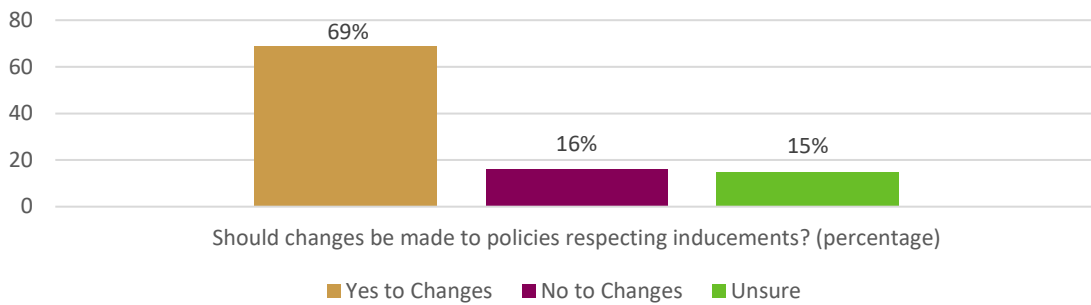
Stakeholder Group	Strongly Agree	Somewhat Agree	Neutral	Somewhat Disagree	Strongly Disagree
Cannabis Industry Association	0	1	0	2	5
Retail Cannabis Licensees	19	11	13	15	37
Licensed Cannabis Producers	11	10	10	16	19
Liquor and Cannabis Stakeholders	4	0	3	2	3
Totals	34	22	26	35	64

**Question Two: Please select the option below that best aligns with your organization’s recommendation on whether there should be changes to the policies respecting prohibited inducements**

Respondents were asked to choose the statement that best aligned with their organization. The question had three potential responses:

1. Yes to changes
2. No to changes
3. Unsure

One hundred fifty-five respondents answered as follows:



The responses were broken down by respondent category as follows:

Stakeholder Group	Yes to Changes	No to Changes	Unsure
Cannabis Industry Association	4	1	0
Retail Cannabis Licensees	61	11	13
Licensed Cannabis Producers	37	9	7
Liquor and Cannabis Stakeholders	5	4	3
Totals	107	25	23

## Qualitative Feedback – Types of Changes Desired

Generally, most respondents indicated that they would like to see a loosening of some of the restrictions around inducements in retail cannabis stores. The comments received generally fell into three themes. A few responses are listed below to provide additional context:

Theme 1 Increase Marketing and Promotions	Theme 2 Training and Education	Theme 3 Product-related assistance
<i>“Marketing opportunities should be allowed (signage, samples).”</i>	<i>“Training and education support should be permitted”</i>	<i>“Would like producers to help [with] defective or poor selling product.”</i>
<i>“Cannabis industry should be afforded some of the same opportunities that the liquor industry has to provide promotional and marketing items.”</i>	<i>“Displays and educational merchandising tools should be permitted.”</i>	<i>“Would like ability to provide product samples to retailers for jars and to show product to retailers so they will want to sell it in their stores.”</i>
<i>“Would like to reach customers where they shop with in-store signage, swag and branded merchandise.”</i>	<i>“Want to enhance product knowledge of budtenders.”</i>	

## Qualitative Feedback – Reasons for Not Supporting Changes

Most comments from respondents not in favour of policy changes fell into two themes. A few responses are listed below to provide additional context:

Theme 1 Fairness for Small Businesses	Theme 2 Not supportive of ‘pay-for-play’ model
<i>“Prohibiting large players from providing inducements to retailers [keeps] small businesses from being wiped out.”</i>	<i>“Would like a level playing field for all licensed producers (some are providing cash to retailers to sell their products).”</i>
<i>“Amount of allowable inducements should be capped.”</i>	<i>“A pay-for-Play model is unsustainable.”</i>

## Qualitative Feedback – Summary of Telephone Interviews

AGLC conducted eight telephone interviews with cannabis industry stakeholders.

Current regulations and policies prevent promotional activities from taking place in retail cannabis stores. Generally, most stakeholders were supportive of loosening restrictions to allow some in-store promotional activities. Many stakeholders cited the Buy/Sell process that exists in the liquor industry as having potential utility for the cannabis retail sector.

Almost all respondents cited the difficulty to establish cannabis brands in the marketplace due to the restrictions of federal cannabis legislation. As a result, most respondents were very supportive of exploring opportunities to promote products in-store to the benefit of customers. Generally, most respondents acknowledged that brand-building and efforts to legitimize the legal cannabis stream was beneficial to the sector as a whole and to the policy objective of curtailing the illicit cannabis market.

Some respondents expressed dissatisfaction with the current regulatory environment that permits the vertical integration – suppliers having a financial interest in retail subsidiaries.

## Conclusion

This consultation captured many different perspectives. Most stakeholders favoured the relaxing of inducement policies to enable marketing and promotional activities in retail cannabis stores.

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AGLC wishes to thank all stakeholders for their participation in the Cannabis Inducements and Prohibited Relationships consultation.

## Appendix 1 – Sections 118 and 119 of the GLCR

### **Cannabis suppliers**

**118(1)** No cannabis supplier or officer, director or employee of a cannabis supplier and no cannabis representative may directly or indirectly make or offer to make a loan or advance or give or offer to give money, a rebate, a concession or any thing of value to a cannabis licensee, to an employee or agent of that licensee or to a cannabis representative.

**(2)** Subsection (1) does not apply where

- (a) the cannabis supplier has a financial interest in the cannabis licensee as its subsidiary and the loan, money or other thing is given or offered in the normal course of financing the subsidiary, and
- (b) each corporation is operated as a separate business in accordance with section 90.09 of the Act and section 128.

### **Cannabis licensees**

**119(1)** No cannabis licensee may buy, receive as a gift, rent or borrow any furniture, furnishings, storage equipment, fixtures, decorations, signs, supplies or other equipment from a cannabis supplier or a cannabis representative.

**(2)** No cannabis licensee or employee or agent of a cannabis licensee and no cannabis representative may

- (a) directly or indirectly borrow or receive as a gift from any cannabis supplier or cannabis representative money, an advance of money or any thing of value, or
- (b) request or accept a rebate or concession from a cannabis supplier or a cannabis representative.

**(3)** Subsection (2)(a) does not apply where

- (a) the cannabis supplier is a corporation that has a financial interest in the cannabis licensee as its subsidiary and the loan, money or other thing is given or offered in the normal course of financing the subsidiary, and
- (b) each corporation is operated as a separate business in accordance with section 90.09 of the Act and section 128.

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