



RESPONSIBLE
DISTRIBUTION
OF MARIJUANA
IN ALBERTA



ALBERTA
LIQUOR STORE
ASSOCIATION

EST.
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Responsible Distribution of Recreational Marijuana Alberta Liquor Stores Association (ALSA) submission to Alberta Cannabis Secretariat

Alberta Liquor Stores have been preparing for this moment since 1993

For over two decades, the members of the Alberta Liquor Stores Association (ALSA) have been selling alcohol, the only legal controlled substance in Canada, safely and responsibly in the Province.

We have a proven record of safely delivering alcohol to Albertans daily, thanks to trained staff, responsible marketing communications and genuine connections to the communities we live and operate in. This is our home too and we want to make sure our children are protected and that controlled substances, whether alcohol or recreational marijuana, are distributed and sold safely.

ALSA believes the current Alberta Liquor Model, which provides for public distribution oversight and government-regulated private retail stores meets the main policy objectives of the Alberta Government:

Keep cannabis out of the hands of children and youth • Protect public health • Promote safety on roads, in workplaces and in public spaces • Limit the illegal cannabis market

THE ALBERTA LIQUOR MODEL

PROTECTING OUR CHILDREN

- Minors are not allowed into liquor stores
- Liquor stores must ID anyone under the age of 25 – It's the law – Compliance by AGLC
- Alberta Liquor Stores are already zoned by municipalities to sell or a controlled substance and to be a safe distance from schools and playgrounds
- Every liquor owner must go through a police background check before receiving a Class D license

RIGHT TRAINING ALREADY EXISTS

- Every liquor store owner, operator, manager and staff is required to take government sanctioned training courses – ProServe
- Added in store training programs go above and beyond regulated standards - providing safe and responsible service is good for business

HOLDING OURSELVES ACCOUNTABLE

- Liquor retailers work closely with AGLC, AHS, AB Transportation, Students against Drinking and Driving (SADD), municipalities, community associations and police services across the province to bring awareness about responsible alcohol consumption. These include supporting awareness programs about Fetal Alcohol Spectrum Disorder (FASD), Drinking and Driving, responsible consumption and support AGLC's Drink Sense Campaign to promote Health Canada's Low Risk Alcohol Drinking Guidelines
- Liquor retailers are committed to safe communities for all Albertans

INFRASTRUCTURE ALREADY EXISTS

- Currently Alberta has 1,400 liquor retailers across 350 towns and cities across the Province, already zoned to be away from Schools and Playgrounds.
- 65 % of liquor retailers in Alberta are independent – Family owned and operated
- AGLC contracted warehouse and distributor, Connect Logistics Services handles the fulfillment of over 100,000 orders annually, shipping over 14 million cases of product
- Centralized warehousing system in Alberta ensures efficiencies that are passed on to the system and provides for close oversight by AGLC. Distribution in Alberta is a postage stamp system that charges the same delivery cost to every liquor store, regardless of the geographical region in the province. This provides for a level playing field for every liquor store in Alberta.

ALBERTA MODEL OF LIQUOR RETAILING IS THE BEST OPTION FOR RECREATIONAL CANNABIS

Alberta is the only province in Canada with a fully privatized liquor retail system. This means that Alberta's approach to recreational Cannabis distribution will be vastly different than other provinces. Liquor is regulated by the Alberta Gaming and Liquor Commission, the same as liquor commissions in the rest of the country. The difference is that Alberta has Public Distribution Oversight and Government Regulated Private Retail stores. Same regulations and laws apply to private liquor stores in Alberta as in Government run liquor systems.

1. TIME IS OF THE ESSENCE

Given the extremely tight deadlines for the legalization of Marijuana from the Federal Government and the high costs of building new infrastructure, ALSA is of the opinion that leveraging the existing provincial liquor model and its infrastructure is the most viable option for the Alberta Government.

2. LENGTHY AND EXPENSIVE PROCESS IF NEW INFRASTRUCTURE IS REQUIRED

Alberta already has extensive infrastructure throughout the province, licensed and zoned to sell a controlled substance. If new infrastructure is required, it would take on average 4 to 6 months to obtain a development permit, business license and liquor permit (Calgary and Edmonton) per store. Average expenditure associated with leasing space and inventory (*without salaries or application fees*) per store: \$385K - \$735K (**Appendix A**)

3. CURRENT LIQUOR MODEL CAN BE LEVERAGED FOR CANNABIS

Public Distribution Oversight and Government Regulated Private Retail is the current model used by the Alberta Gaming and Liquor Commission: Liquor distribution is run by government but operated by a private third party contractor and overseen by the Alberta government.

- Puts distribution operations in the hands of those with the experience. The new AGLC Warehouse will have state of the art technology and modifications can be made to meet the requirements of Cannabis in consultation with licensed producers. Efficiencies can be reached by combining the delivery of both liquor and cannabis to the same locations
- All products bound for retail sale in Alberta are controlled by AGLC
- Only authorized and government licensed retail stores can sell liquor (Cannabis)
- Retail stores sell liquor (cannabis) based on rules set by the Alberta government (e.g., training requirements, hours open) and municipalities (e.g., zoning rules).
- The Alberta government already has the regulatory body to oversee licensing review and approval, compliance and enforcement of retail organizations via AGLC. A new department could be added to AGLC to handle Cannabis, much like the Liquor Services department handles liquor. This would allow for a coordinated approach in regulating both substances.

RECOMMENDED MODIFICATIONS FOR CANNABIS RETAIL

- Liquor owners must go through a police background check before a liquor license is issued. Given the current illegal component of cannabis, ALSA would recommend making background checks for cannabis licensing in line with the security checks for Casino operators. Casinos go through a more comprehensive security and financial background check which is required by AGLC before a casino license is approved.
- Training for selling Cannabis can be developed by AGLC in consultation with industry, and delivered in the same manner that ProServe training works for liquor retailing.
- ID under 25 law is enforced by AGLC compliance officers. ALSA would recommend stronger regulations for identification for Cannabis sales:
 - 1) Make showing ID mandatory. This would eliminate guessing if someone looks to be under 25, therefore making it more secure and reduce the need for enforcement.
 - 2) Introduce regulation to allow compliance officers to fine individual persons that do not ID. Currently only owners can be fined and there is no accountability for those who choose not to ID at the checkout. Other jurisdictions such as Alaska and British Columbia already do this.
 - 3) Regulations and guidelines for Cannabis should be 'black and white' so that there is no room for interpretation on the regulations from either the retailer or compliance officers.
- AGLC Compliance Officers carry out regular audits and visits to Liquor stores throughout the year. While on premise, these visits can be leveraged to also carry out audits for the sale of Cannabis

RECREATIONAL CANNABIS SALES CAN BE SOLD IN SAME LOCATION AS LIQUOR SALES

LIQUOR STORES ONLY WANT TO RETAIL RECREATIONAL CANNABIS.

ALSA and its members believe that there needs to be a two prong system for cannabis: medicinal and recreational. Our members feel that cannabis prescribed for medicine purposes is best left to pharmacies, where the patient's prescription history can be assessed by professionals to best advice on individual drug interactions.

NO RESTRICTIONS ON CO-LOCATION FROM FEDERAL LEGISLATION

The Federal Government **rejected** the Task Force on Cannabis' recommendation to prohibit the co-location of recreational marijuana and alcohol sales. The Task Force's recommendation ignored the decades-long track record Alberta's private liquor retailers have earned when it comes to the responsible sale of controlled substances and ALSA is pleased Ottawa agrees.

Keeping marijuana products away from children is paramount when legalization happens

Our members have been doing this with alcohol for over 20 years and would do so with marijuana, should the provincial government choose to co-locate alcohol and marijuana sales.



ALBERTA LIQUOR STORES ARE ALREADY ZONED FOR A CONTROLLED SUBSTANCE AND TO BE A SAFE DISTANCE FROM SCHOOLS AND PLAYGROUNDS.

MUNICIPAL ZONING ALREADY EXISTS

- Liquor stores are already zoned by municipalities to sell a controlled substance and to be at a safe distance from schools and playgrounds. This means that cannabis can be sold in the same location as liquor, but separately without violating municipal distance bylaws.

SAME LOCATION-SEPARATE ENTRANCE – BETTER EDUCATION

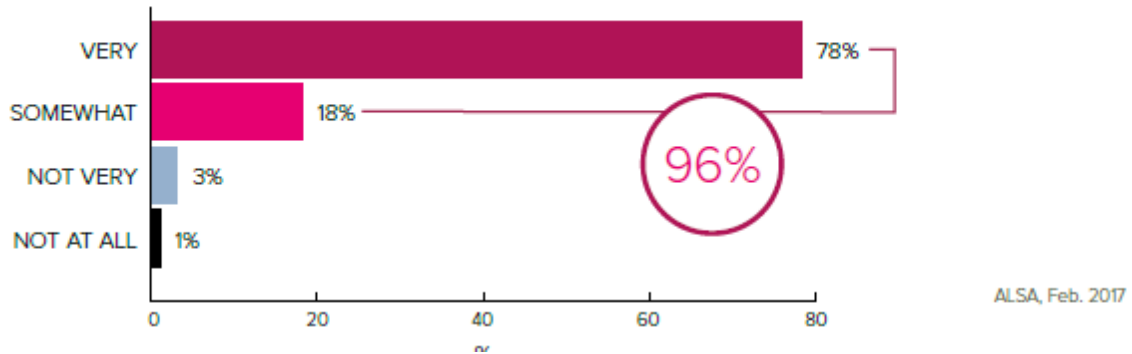
- Cannabis will be a new drug to majority of people and the nature of cannabis will require a different manner in which it will be sold
- Tobacco ‘store-style’ counters, with cannabis products behind shelves is a more conducive way of selling cannabis. This will provide for one on one interactions with customers and the ability to offer the best type of advice and education on products and its potential effects on a personalized manner. Liquor stores already conduct awareness programs and educational seminars on the effects of alcohol, therefore in the best position to educate consumers on the risks associated with consuming both alcohol and cannabis at the point of sale
- As recreational products are developed, staff can be trained to fully understand the THC level of each product to better advise customers and better educate about the effects of the cannabis product and mixing alcohol
- Options include: Store within a store (aka Starbucks inside a Safeway) or a separate entrance.
- A separate entrance can be accomplished by dividing a subsection of a standing liquor store to accommodate a separate area and entrance for customers. It would be ALSA’s recommendation to have a double door entrance with a vetting and reception lounge area for verification of age.

Example of what a cannabis retail space could look like in a liquor store with a separate entrance:



- Albertans feel it is very important to have retail stores with the right training and experience selling a controlled substance, sell cannabis. This was the overwhelming response to a province wide survey about cannabis conducted for ALSA earlier this year.

How Important Is It for vendors to have training and experience selling controlled substances?



THE RIGHT NUMBER OF CANNABIS LICENCES

The Alberta Government has expressed concerns with the proliferation of Cannabis Retail Stores. This is a legitimate concern that needs to be looked at to find the right number of retail stores for Alberta. ALSA is of the opinion that the Alberta Government should set a limit of licenses to be released for the purposes of cannabis sales. Looking at other jurisdictions, there are several examples that can be used as bench marks.

- British Columbia Government has capped the number of liquor licenses and enforced a 1 km separation distance
- Oregon and Colorado are closer in population to Alberta. These jurisdictions have linked the number of cannabis licenses to population
- **ALSA would recommend using a ratio of licences to population :**
 - 1 Cannabis License for 8,000/10,000 people
 - This works out to 400-500 initial licenses, with the ability to increase as deemed necessary by the Alberta Government
 - Can be accomplished by either a lottery, auction or RFP process

Minimum Age for purchasing Cannabis

ALSA supports the minimum age of 18 years to purchase cannabis. This aligns with the Federal Government’s legislation and Alberta’s drinking age. If the Alberta Government would like to increase the age of consumption for cannabis, ALSA strongly recommends coordination with other provinces.

- **ALSA recommends mandatory ID to purchase recreational cannabis**

Summary

ALSA strongly supports leveraging Alberta's existing liquor industry model for distributing, retailing, and regulating recreational cannabis. Given the short timelines for implementation, the Alberta model can be easily adapted to accommodate cannabis retail while taking advantage of an existing, strong regulatory and compliance system that provides efficiency and cost effectiveness for Government. It would also provide for the safe and responsible retail and distribution of recreational cannabis.



24 YEARS OF SOCIALLY RESPONSIBLE SERVICE

APPENDIX A

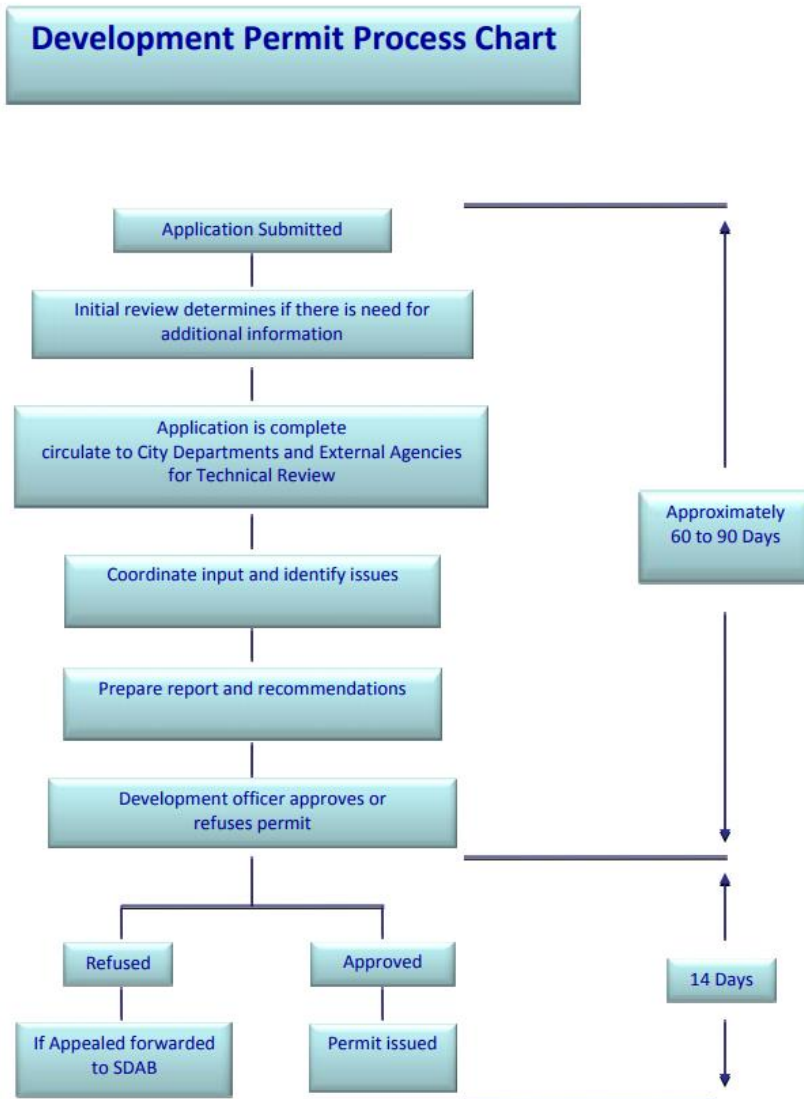
Process for Zoning - Liquor Use : (Edmonton)

1) Timeline

It normally takes 60 to 90 days for a development permit to be received from City of Edmonton. If there is any opposition from residents or nearby business, the permit will be sent to a hearing at the Sub Development Appeal Board (SDAB). This could add a couple of weeks to the process.

Once all requirements are met from the City it takes 3 weeks to receive the liquor permit from AGLC if no issues arise. If appeals are submitted at this stage, it could take a few months before there is an AGLC hearing.

Average timeframe: 4 to 6 months



2) Costs associated with obtaining a license – Applications (City of Edmonton)

Development Permit Application:

https://www.edmonton.ca/documents/Commercial_Development_Permit_Application_.pdf

Fees: https://www.edmonton.ca/documents/2017_Development_Permit_and_Compliance_Fees.pdf

Checklist: https://www.edmonton.ca/documents/Commercial_Industrial_checklist.pdf

Change of Use Checklist: https://www.edmonton.ca/documents/Change_of_Use_Checklist.pdf

B. Commercial, Industrial, Institutional, Mixed-Use Applications

Application Type	2017 Fee
For new buildings or additions to existing buildings with a gross Floor Area up to 500 m ² (5,381.95 sq. ft.)	\$929
- Plus, for each additional 100 m ² (1,076.39 sq. ft.) of gross floor area or part thereof in commercial portion	\$94
Exterior alterations or renovations to existing buildings	\$354

C. All Land Use Applications

Application Type	2017 Fee
Change of Use:	
a) Permitted Use or Uses in Direct Control Districts	a) \$271
b) Discretionary Use	b) \$500

Average application cost per retail space: \$2,148

***Additional Fees are not listed, such as Fire Inspections, etc.*

3) Lease Space

Average between Calgary & Edmonton is:

\$35.00 per sq. plus Operations (Maintenance, taxes, etc) which is another \$10 to \$12

Total: \$45.00 to \$47.00 per sq.

- **Average Size of Space:** 3,000 sq. to 5,000 sq.
- **Average Inventory on Premise:** \$250K to \$500K
- **Number of Employees:** 3 to 5 per shift (minimum)
- **Wages for Employees:** \$20 to \$25 (not including benefits)
- **Average Expenditure (without salaries or application fees) per store: 385K - 735K**