



ALLIANCE OF BEVERAGE LICENSEES  
FOR A RESPONSIBLE LIQUOR INDUSTRY

November 14, 2023

Honourable Mike Farnworth  
Minister of Public Safety and Solicitor General and Deputy Premier  
Parliament Buildings  
Victoria, BC V8V 1X3

VIA EMAIL:

[PSSG.Minister@gov.bc.ca](mailto:PSSG.Minister@gov.bc.ca)

RE: Review of Section 6, Cannabis Licensing Regulation in respect of Section 26(2)(f) of the Cannabis Control and Licensing Act.

Dear Minister,

On behalf of British Columbia's Alliance of Beverage Licensees and our cannabis retail members, we are writing to confirm our recommendation **that government amend the restriction on number of cannabis retail store licences that may be held from the current limit of eight to 12 licenses.**

We greatly appreciate the provincial government's work to support the non-medical cannabis industry in British Columbia, which annually contributes over \$600 million CAD to the provincial economy in terms of sale of cannabis in licensed stores (according to the [2021 BC Cannabis Use Survey](#)). To ensure that cannabis retailers continue to contribute to a strong provincial economy, our cannabis members believe that protecting the investments of smaller retailers must be balanced with the ability for larger retail brands to continue to grow. In brief, we provide the following summary of our recent letter to the LCRB (attached).

### **1. Current State of cannabis retailers in BC**

The eight-store cap has been successful in its objective of mitigating the risk of a small number of dominant retailers holding effective control over the market. As of August 28, 2023, the LCRB has issued 477 Cannabis Retail Store licences, meaning that no single retailer controls more than 1.6 per cent of the provincial market. As a result, there is wide diversity of retailers within BC and the large-scale discount cannabis stores seen in other provinces are absent from our province.

Cannabis retailers in British Columbia are struggling to grow revenue and maintain viability. Restricted access to product, high taxation rates, rising labour costs, municipal zoning laws, high licensing fees, and a resilient illicit market are among the factors putting downward pressure on retailers. Several operators in this province have entered bankruptcy and either

closed their stores or sold them to new owners in a fire sale. Currently, there are many stores with dormant licences, and many more are shuttered or are openly being marketed for sale. There are however some retail groups which are looking to expand.

## **2. How does the current restriction impact our cannabis members?**

The response from our members to this question is largely influenced by how many stores they currently have and their plans for future expansion. Smaller operators are not directly impacted by the cap in the sense that they can continue to expand within the current framework. However, they have commented to us that a retention of the limit of eight stores is essential to maintain the diversity of BC's retail industry as it stands today. The concern frequently expressed is that if the licence cap is lifted, larger operators will implement a low-margin, high-volume model that will capture market share from smaller retailers. This would not be good for the long-term financial health of the industry and must be prevented.

Our members with a higher store count report frustration that the eight-store cap is preventing them from expanding through organic growth or acquiring existing licensed retailers. They share the concern about creating a regulatory landscape that encourages extra-provincial discount retailers from entering BC. However, for the retailers generating sufficient revenue to reinvest the eight-store cap is an artificial barrier to growth.

## **3. Should the restriction be changed? Why or why not? If yes, what should the restriction be changed to?**

On balance, ABLE supports a small increase of the eight-store cap to 12. This will provide room for current retailers to expand while continuing to prevent market domination by a small group of retailers. Based upon the 477 currently issued licences, expanding the cap to 12 would ensure no retailer represents more than 2.5 per cent of the market. We further recommend this matter be reviewed again in five years to consider possible incremental increases as needed.

It is essential that the current diversity of BC retailers is maintained. To that end, we further recommend the following additional regulatory changes are implemented contemporaneously with any revised cap to safeguard the viability of all retailers:


- I. The Tied House rules should be reviewed and updated to enable closer collaboration between BC's licensed producers and retailers, such as by permitting "white label" products. This will allow all retailers to distinguish themselves by building brand awareness and customer loyalty. This will provide licensed retailers with greater ability to compete with the illicit market.
- II. An expedited licence transfer process when the applicant is an existing Cannabis Retail Store Licence holder should be implemented. This would stimulate

expansion by acquisition, mitigate the risk of over-saturation, and provide potential market value for shuttered or dormant stores.

- III. A provincial distance criteria analogous to the “1km rule” applicable to liquor stores should be implemented for all new private and government-owned cannabis retail stores. If new licences can only be issued to stores located more than 1km from existing stores, then all future stores will be opened in new markets. This will improve British Columbians’ access to legal non-medical cannabis. As can be seen from research issued by the [Rand Corporation](#) in April 2023, proximity to legal cannabis stores can increase the likelihood of purchasing from legal stores. The implementation of a provincial distance criteria has widespread support from cannabis retailers.

Thank you for your time and attention to this matter. Should you have any further questions, please do not hesitate to contact me at [jeff@ablebc.ca](mailto:jeff@ablebc.ca) or 604-499-2566.

Sincerely,



Jeff Guignard  
Executive Director  
ABLE BC