



August 3, 2017

On behalf of Tilray, I am pleased to provide this submission to the House of Commons Standing Committee on Finance's Budget 2018 consultation process.

Tilray is one of the largest licensed producers of medical cannabis in the country, providing qualified Canadian patients with a valid prescription from a physician a superior offering of medical cannabis products that include dried flower and liquid formulations.

Tilray operates a highly secure, state-of-the-art, 60,000 square foot research and production facility in Nanaimo that began operations in April 2014 with a license from Health Canada. Tilray's employees are industry leaders in their fields, dedicated to advancing the science, safety and efficacy of medical cannabis for physicians and patients. Indeed, our team of experts includes PhD research scientists, patient advocates, former RCMP officers, professional managers, manufacturing executives, botanists and horticulturalists. Tilray's success is a direct result of the passion for, and understanding of the positive medical impact that high-quality, pure, legally-sourced medical cannabis can have on the lives of patients with a variety of chronic, and primary, conditions, including: chronic pain, arthritis, psychiatric disorder, PTSD, insomnia, GI disorders, headache, Crohn's disease, MS, cancer/leukemia, stress, depression, appetite loss, nausea, spasm, memory loss, and seizures.

Tilray's initial investment, to construct the facility in Nanaimo, of \$26.9 million in 2014 generated a total of \$48.1 million in total economic output for the region, fostering 215 direct jobs while supporting an additional 180 jobs in the community, for a total of 395 positions. Today, Tilray employs 130 people in the Nanaimo region, making it the sixth largest employer in the area. Tilray contributes over \$35.3 million in total economic output in British Columbia, \$26.6 million in provincial GDP and \$7.1 million in tax revenue for all three levels of government.

The House of Commons Standing Committee has asked for recommendations on how to increase productivity and competitiveness in Canada. We believe that the health and wellness of Canadians goes to the core of being able to build a successful 21st century economy – as well, given the advances being made in the medical cannabis field, we also believe there is a tremendous opportunity for Canada to lead the way on exporting medical cannabis technology to new markets around the world.

Harmonized Sales Tax (HST) and Goods & Services Tax (GST) exemption for medical cannabis

Many Canadians, regardless of their chosen profession, live with medical conditions that are being treated with medical cannabis. These same individuals rely on these treatments to help them participate fully in society, to be a productive member of society and to earn a decent living.

However, Tilray's experience has shown that cost represents a barrier to many patients; patients are disincentivized from entering or fully participating in the legal market when a lower-cost black market option exists. Specifically, our patient data shows that in 2015 a total of 42% respondents in a survey of Tilray patients accessed unregulated cannabis from an illicit supply. Tilray is currently pursuing zero-rating of medical cannabis through our industry association, the Canadian Medical Cannabis Council¹, as well as other cost reduction initiatives, to incentivize patients to enter the legal medical market. A similar approach to taxation is required in the legal recreational context if the intent is to replace black-market supply.

While the federal Taskforce on Cannabis Legalization & Regulation endorsed treating recreational and medical cannabis under the same taxation regime, we strongly oppose such a policy as it unduly burdens medical cannabis patients and could inadvertently incentivize these patients to choose recreational cannabis. Indeed, there is a strong need to destigmatize the usage of medical cannabis to treat a variety of chronic diseases. Governments should be take steps to encourage patients to register with Health Canada, as required under ACMPR.

Accordingly, **Tilray recommends that the federal government remove the federal portion of the HST, or GST where applicable, on medicinal cannabis sold by federally-licensed providers, and give medicinal cannabis the same tax status as prescription medications.** We believe that this would allow authorized patients greater access to much-needed treatment, while demonstrating the federal government's leadership in the medical cannabis field.

As of April 2017, there were 167,754 Canadian patients authorized to purchase medical cannabis. Based on this national patient number and assuming an annual growth rate in patients of 20%, Tilray believes that the cost to Canada of removing HST/PST from medical cannabis would be approximately \$14,681,173 in 2018, \$17,617,407 in 2019 and \$21,140,888 in 2020. We based our estimates on an average dose of 30g, with an average unit price of \$10.20. These estimates mean patients pay, on average, approximately \$1458.60 annually for medical cannabis before tax or \$1585.39 when HST or GST are included.

¹ CMCC: <https://www.medicalcannabiscouncil.ca/>

Patient Numbers			
	2018	2019	2020
Estimated number of medical cannabis patients in Canada	201,305	241,566	289,879
Dose purchases			
	Average dose	Average unit price	Average total annual amount (pre-tax)
Average individual dose purchased by patient	30g	\$10.20	\$1458.60
HST/GST (5%)			
	Average tax paid per year		
Total annual average federal HST/GST amount, based on the above, paid by medical cannabis patients	\$72.93		
Estimated cost to to remove federal HST/GST from medical cannabis	\$14,681,173	\$17,617,407	\$21,140,888

As Committee members may know, one of the challenges faced by the medicinal cannabis sector, and its patients, is the threat posed by illegal cannabis. Whether illegal cannabis is sold through dispensaries or “on the street” the product is both cheaper and often contaminated with harmful additives. Tilray believes that eliminating the HST/GST component would assist Canada in combatting the threat posed by illegal cannabis, while making medical cannabis more affordable for patients across the province.

Medical Cannabis Access

Canadians, in consultation with their physicians, should have reasonable access to legal cannabis products for medical purposes. Tilray supports public policy measures to enable that access, whether through a single-track approach to cannabis regulation with certain exemptions

for medically authorized patients or separately regulated medical and recreational regimes. We do not believe that personal cultivation alone is sufficient to provide ACMPR patients with continued access to the selection of product strains and formats that meet their medical needs.

We urge consideration of factors such as public drug coverage on federal drug formularies, taxation (particularly zero-rating of medical goods as indicated above), and investments in clinical research. In the last regard, Tilray is a Canadian and global leader in pursuing research that informs physicians' approaches to cannabis and increases benefits to patients².

Tilray has engaged in research partnerships on cannabis applications for post-traumatic stress disorder, epilepsy, chronic obstructive pulmonary disease and chemotherapy-induced nausea and vomiting. A new framework should empower and encourage research into the therapeutic applications of cannabis. As physicians will remain the gatekeepers for medical authorizations under the new regime, such research is critical to improving physician acceptance and understanding of cannabis, as well as to secure access for patients.

Ultimately, measures that increase access to medical cannabis, provides Canadians who require it an opportunity to access good quality treatment, and to help them be able to fully participate in their communities, with their families and on the job site.

Medical Cannabis: A boon to the Canadian economy.

There are millions of people worldwide with chronic diseases and other medical conditions whose lives could be improved with better access to medical cannabis. Meanwhile, for the past decade and a half, Canada has built the most sophisticated medical cannabis framework in the world. These circumstances present an exceptional opportunity for trade leadership on the international stage.

Canada has a considerable first-mover advantage when it comes to medical cannabis over other countries around the world and there exists a major opportunity to make pharmaceutical-grade medical cannabis products a significant contributor to the country's biotechnology and life sciences sector; We estimate that the worldwide medical cannabis industry will one day reach \$100 billion in total revenue.

While Tilray serves tens of thousands of patients domestically, we also receive orders from governments, researchers, hospitals, and pharmaceutical distributors around the world seeking pharmaceutical-grade medical cannabis products. In December 2016, Tilray became the first medical cannabis producer in North America to have a certificate of Good Manufacturing Practices (GMP) compliance published in the European Union's GMP database. GMP certification is the most rigorous standard that manufacturers of medical products must meet in

²Tilray Research: <https://www.tilray.com/research/>

their production processes and enables our company to expand our international distribution. In 2016, Tilray became the first company to legally export medical cannabis products from North America to Australia and the European Union. Earlier this year, we made our first export to Latin America.

Despite this, under the current terms of ACMPR – which is designed to prioritize domestic production and supply – the ability of licensed producers to meet global demand is still limited. Producers need fewer hurdles and more certainty in order to be able serve patients in need in nascent markets. Canada’s medical cannabis framework must be updated to better facilitate the ability of licensed producers to supply product to these markets for medical treatment, research and clinical trials. The federal government should work expeditiously to encourage, not curtail, their efforts in this field.

The Canada-European Union Trade Agreement (CETA) has given Canada access to the world’s second largest market – over 500 million consumers in 28 countries generating \$20 trillion annually in economic activity. Germany, with a population of 80 million, is a party to that agreement. As Committee members may know, in 2017, Germany legalized medical cannabis, with full coverage for any patient authorized by a physician. However, the country is years away from a domestic supply chain and is looking to Canadian producers to fill that void. The same is true in Croatia, Ireland, Mexico, and the many other countries that have medical cannabis coverage but lack a network of domestic producers and the safe, secure supply Canadians have come to depend on.

To effectively seize this opportunity, the federal government should take the following three steps:

- Mandate Health Canada to address existing limitations under the ACMPR, including production and expansion limitations, so that licensed producers with export capabilities can more readily provide products to growing international markets;
- Convene an expert roundtable of licensed producers, researchers, and market analysts to develop a global export strategy specific to medical cannabis and to Canada as a leading biotech exporter of safe, high-quality medical cannabis products;
- Begin including representatives of the medical cannabis industry on future trade missions – particularly in areas such as the European Union, Latin America, and the Asia-Pacific region.

The Prime Minister has been clear that the mandate of his government is to build an innovation agenda that will both create jobs and drive long-term economic growth. We believe legally produced cannabis products can and must form a key part of that agenda.

In closing, I also extend an invitation to Committee Members to tour the Tilray facility in Nanaimo to see first-hand how Tilray is Canada's leader in the production of safe and secure medical cannabis.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Cameron Bishop', with a stylized flourish at the end.

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