

HANSARD

NOVA SCOTIA HOUSE OF ASSEMBLY

COMMITTEE

ON

PUBLIC ACCOUNTS

Wednesday, May 2, 2018

Legislative Chamber

Listing Local Products and New Products

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Public Accounts Committee

Mr. Allan MacMaster (Chairman)
Mr. Gordon Wilson (Vice-Chairman)
Mr. Ben Jessome
Ms. Suzanne Lohnes-Croft
Mr. Brendan Maguire
Mr. Hugh MacKay
Mr. Tim Houston
Hon. David Wilson
Ms. Lisa Roberts

[Mr. Allan MacMaster was replaced by Mr. Eddie Orrell.]

In Attendance:

Ms. Kim Langille
Legislative Committee Clerk

Mr. Gordon Hebb,
Chief Legislative Counsel

Mr. Michael Pickup,
Auditor General

WITNESSES

Department of Finance and Treasury Board

Mr. Byron Rafuse,
Deputy Minister

Ms. Lilani Kumaranayake,
Executive Director - Fiscal Policy, Economics & Budgetary Planning

Nova Scotia Liquor Corporation

Mr. Bret Mitchell,
President and CEO

Ms. Heather MacDougall,
Director of Policy Public Affairs, Corporate Secretary



House of Assembly
Nova Scotia

HALIFAX, WEDNESDAY, MAY 2, 2018

STANDING COMMITTEE ON PUBLIC ACCOUNTS

9:00 A.M.

CHAIRMAN

Mr. Allan MacMaster

VICE-CHAIRMAN

Mr. Gordon Wilson

MR. CHAIRMAN (Mr. Gordon Wilson): I call the meeting to order. Welcome everybody to the Standing Committee on Public Accounts. I'd like to welcome everybody and just to start off by reminding everybody to please put their phones on silent or vibrate and that would include me.

I'd like to start by asking our committee members to introduce themselves, starting down at the end with Mr. MacKay.

[The committee members introduced themselves.]

On today's agenda, we have officials from the Department of Finance and Treasury Board and the Nova Scotia Liquor Commission here to discuss with us the listing of local and new products. I would ask them to introduce themselves, starting with Mr. Byron Rafuse.

[The witnesses introduced themselves.]

Thank you very much. We would like to start now with opening remarks. Mr. Rafuse.

MR. BYRON RAFUSE: Thank you, Mr. Chairman, and good morning to the committee. I'll make some brief opening remarks and then Mr. Mitchell will make some remarks on his own. I want to thank the committee for the invitation to talk about local beverage alcohol in the province.

Beverage alcohol in Canada is regulated at both federal and provincial levels. In Nova Scotia, alcohol is regulated by the Liquor Control Act. Responsibility for that Act has been assigned to the Minister of Finance and Treasury Board. However, Finance and Treasury Board is not the only government department involved. Enforcement, licensing and other activities are the responsibility of Service Nova Scotia.

Each of Canada's 13 provinces and territories has a liquor board or commission that is responsible in some way for the distribution, regulation, and sale of beverage alcohol in its jurisdiction. The Nova Scotia Liquor Control Act provides the authority to regulate beverage alcohol in the province and designates the Nova Scotia Liquor Corporation as the provincial liquor authority.

The NSLC has a complex mandate related to beverage alcohol. It regulates and retails beverage alcohol in the province. It must do so in a manner that maximizes customer service and makes a suitable return to the province's one shareholder, which is the Province of Nova Scotia. It must also manage the sale of alcohol in a socially responsible manner.

Once it is legalized, the NSLC will have responsibility for recreational cannabis in the province. It will be the sole authorized seller of cannabis in Nova Scotia. I'll let Mr. Mitchell tell you more about his organization in a few moments.

As I said, beverage alcohol is also regulated federally. International trade in alcohol is governed by Canada's various trade agreements and its obligations. Earlier this year, Australia notified Canada, through the World Trade Organization, that it had a significant concern with Canada regarding the sale of wine, such as markups, market access and listing policies. Australia identified Nova Scotia, British Columbia, Ontario, and Québec in its submission. Australia's brief says policies at the federal and provincial level in Canada are discriminatory towards it. Soon afterwards, the United States, the European Union, Argentina, Chile, and New Zealand joined Australia in this action.

Nova Scotia is working quite closely with Global Affairs Canada on this matter. As this is before the WTO, we are obliged to keep that in mind when we answer questions. However, we will endeavour to be as forthright as possible.

With that, Mr. Chairman, I would like to turn it over to Mr. Mitchell to make some remarks.

MR. CHAIRMAN: Mr. Mitchell.

MR. BRET MITCHELL: Thank you, Byron, and good morning committee members. Thank you for the opportunity to be here today to provide an update on our commitment to supporting the local industry. Joining me today is Heather MacDougall, our Director of Policy and Public Affairs.

The Nova Scotia Liquor Corporation is a proudly Nova Scotian company. We've been 100 per cent owned and operated by Nova Scotians since we opened the doors in 1930. We have more than 1,400 employees across the province working hard to add value to the communities we serve. They offer excellent customer service while ensuring our products are sold responsibly.

We get local because we are local. We are the number one single source of provincial revenue for the province after income taxes and HST, with 100 per cent of those profits being returned to the government. We are proud of the contribution we make to the people of Nova Scotia, and that includes celebrating the products that are made here at home.

The local beverage and alcohol industry is booming. It consists of 58 craft and two commercial breweries, 21 farm and two commercial wineries, and 16 distilleries. We are proud of the growth the industry has enjoyed and we are pleased to have played a role in its success.

Providing support to local products is front and centre in our mandate and the current five-year strategic plan. In that plan, we commit to providing an engaged and collaborative environment for local producers. "Supporting local" is not just a line in the plan. We are passionate about it. It's ingrained in who we are and what we do across the entire business, especially within the NSLC stores.

We work hard to provide counsel and recommend changes that will help local industry achieve their objectives. We do this by working with industry associations that have been established to facilitate collaboration with each other and with government. Sometimes this means a delicate balancing act as we find a way to balance the needs of all concerned. The industry is enjoying such tremendous and rapid growth that there are times when it's a challenge for policies and regulations to keep pace.

Direct financial support is also a part of our plan. We give \$50,000 to each of the three industry associations. This investment helps foster support and collaborative growth, and hopefully honest and productive communication. We believe a strong local industry is good for everyone. We also provide a favourable market structure for local producers, and it's significant. For local producers, the investment we make is structured in a way to create a sandbox in which small suppliers can make choices and grow and build capacity and capability. That is done directly through the price we pay for the product, the resources and support we can bring to bear, and the expertise that we can offer and share.

This helps create a more level playing field with large commercial players and makes it easier for local producers to bring their products to market and hopefully create long-term sustainable businesses. We list just about every viable product that local producers are able to bring to the market. We also work with suppliers to make sure their retail strategies are informed by the latest trends. This helps them to make good decisions about how, when, and which formats will be the most successful. This means ongoing dialogue between our category managers and local producers to work on their promotion and listings plans.

We do our best to promote local products, events, and achievements free or at a reduced rate. Sometimes this is part of our marketing programs or on social media or even by issuing news releases celebrating local successes. We try to do our part to create awareness that will hopefully help increase demand for products made right here at home.

Supporting local is part of our retail philosophy and is top of mind in all we do. Recently we introduced more flexibility into our product assortment, especially in our rural stores. Now store managers can feature products that are produced or manufactured close by. This represents about 15 per cent of their total assortment. We are working hard to ensure local offering is clearly communicated and reflected in the stores.

We continue to increase shelf space dedicated to local. This year, we changed the shelving strategy in our Cool Zone - or the cold room, as you may know it - to consolidate local products. It improved wayfinding and put local product front and centre. New signage was introduced featuring our proudly Nova Scotian banner to shine the light on craft beer and cider. We dedicate 27 per cent of our shelf space to Nova Scotia craft beer, though they make up 4.8 per cent of our sales.

Focusing on local isn't just happening in the chilled area of the store. Development of the first signature store prototype is underway in Portland Street in Dartmouth. This includes a redesign of our warm room area of the store to create a better customer experience and enhance local presence. Later this year, we will also open a new store in the Nova Centre, where local product will be featured and celebrated prominently.

Our employees are passionate about supporting local and sharing their product knowledge with our customers. We make sure our product specialists are well-versed so that they can help customers explore products produced here at home.

We're not just planning for today. The team is planning into the future to accommodate continued growth in the local industry. We're proud of our contribution to the success of local and we look forward to the path ahead.

Thank you. I'll be pleased to try and answer your questions.

MR. CHAIRMAN: Thank you very much, Mr. Mitchell. We'll start with the Progressive Conservatives, with Mr. Houston for 20 minutes.

MR. TIM HOUSTON: Thank you for the opening comments. I hear within a year there will be cannabis-infused drinks available. Mr. Rafuse, does the liquor store have sufficient shelf space when those cannabis-infused drinks start to appear on the market?

MR. RAFUSE: Thank you for the question. I think you're speaking to the evolution of the recreational cannabis policy of the federal government. They have indicated that they are moving into edible and other products - we are yet to receive clarity from them about when that will be. I know they have a policy-planning date of within a year of a go-live recreational cannabis. At that point, we'll have to make a determination and we'll work with our partner, the NSLC, about what that would look like from a shelf perspective. Right now, we're concentrating on the first wave of recreational cannabis and putting our efforts towards that.

MR. HOUSTON: Is it your long-term plan to sell cannabis in the liquor stores?

MR. RAFUSE: You may recall last year, the government did polling to inform its policy decision to provide the mandate to the NSLC. That polling indicated that Nova Scotians trusted NSLC as a retailer, as a safe and trusted partner to retail recreational cannabis as it has with alcohol. Right now, we're going to continue down that path with NSLC. As the market develops, the government will have to make decisions on whether or not to continue down that path or change. Really, there's no thought beyond the current wave right now of cannabis being introduced at the NSLC.

MR. HOUSTON: I would certainly agree that there doesn't appear to have been much thought beyond day one.

Dried cannabis has a fragrance. Do you expect that that fragrance will impact the shopping experience of customers of the NSLC?

MR. RAFUSE: Mr. Chairman, I'm going to pass it off to Mr. Mitchell as he can explain how the NSLC is going to be handling the product within their stores.

MR. MITCHELL: Thank you, excellent question. I think the challenge we will have in the stores that are co-located is that there will always be some aroma that's coming from the product. Our intention is to retail it in hermitically-sealed environments in every store with the exception of the Clyde Street standalone location. There will be no attempt to leverage that scent for consumer knowledge within those stores other than the Clyde Street location and, because of that, we're going to have to work very hard on ensuring that the ventilation systems in those stores are able to vent the aroma that does occur.

We're not naive in thinking that damages may not happen both in shipping and in handling of the product in the store. We're going to have to work diligently with the systems that we have - which are actually quite good at removing aromas from our environments - to ensure that it does not impact the customer experience for beverage alcohol.

MR. HOUSTON: Can the fragrance impact the other products like the wines? Is it possible that the co-location of cannabis and wines and stuff can impact the products of wine?

MR. MITCHELL: There can't be any technical impact on the wine, assuming they aren't open together in the same spot. So no, I would say there's no technical implication of doing it. It's really more customer experience around the aroma.

MR. HOUSTON: How far out does the Nova Scotia Liquor Corporation plan for business-planning purposes - how far out do you plan?

MR. MITCHELL: It depends. In general, we have a five-year cycle for strategic planning, a bit longer for real estate and IT investments. We do an annual business plan which is coincidental or corresponds with our category plans for product on an annual nature, so that's the overriding structure in which we plan. Within those structures, we have greater anticipation of - for example, promotional planning would be longer sometimes than 12 months in an annual business plan, and we'll look even longer if we see category trends coming that we need to anticipate.

[9:15 a.m.]

MR. HOUSTON: So for the category trends that you would anticipate, if you look out five years, for the five-year business plan, is cannabis still co-located in your stores?

MR. MITCHELL: Our plan, without any further guidance, is to continue the evolution of what we're doing in the stores and improve that experience for cannabis as well. So until advised otherwise, we expect it will stay with us for the long term.

MR. HOUSTON: Nova Scotia Liquor Corporation is one of the best retailers in the province - a very good retailer. When you look out, you must see a shelf space issue coming down the pipe as edibles and drinks come. Do you have enough shelf space when you look out to the second year of this, or are pretty significant capital renovations required to the stores to meet the demand?

MR. MITCHELL: We think in the second wave of development, we're going to be okay. The stores that we have identified now are large stores which have ample space, not only in the space that we're building but also what sits in behind them. We're not anticipating an issue in terms of being able to handle the individual products themselves.

I caution, though, that this entire adventure is very speculative. We're going to learn in the next year - after this thing goes live - what's actually selling, how it's going to move, and what we need to do to adjust for the future. I'm actually more concerned about the transaction size than I am about the product complement. We know, for example, in our online capability, we virtually have the ability to handle everything that could come down the pipe for an extended period of time. It's almost limitless what we can list in terms of the products.

Some of the smaller stores may not be able to carry absolutely everything. But our intention today is certainly to protect that beverage alcohol assortment as best we can. The stores that we have identified - the nine original plus the three yesterday - are all more than able to accommodate this without hurting beverage alcohol.

MR. HOUSTON: Mr. Rafuse, has the department had any say in how many products would be listed? Have they given any direction to the NSLC on what products to list or not to list, or have they just kind of passed it over?

MR. RAFUSE: With the exception of the confines of the federal rules, no we haven't. One of the reasons we chose the NSLC to be our retailer in this space is that they do have expertise on product mix and the like. We have left it to them, and they have provided information to the province as to the types and mix of products that they are going to list. That is yet to be finalized as they go through their supplier selection process, but we did not put any limitations on them as far as the actual cannabis product itself.

MR. HOUSTON: Mr. Mitchell, how many cannabis-related products will the NSLC list on day one?

MR. MITCHELL: It is still a work in progress, as Mr. Rafuse said. We anticipate that in the 11 stores that are not stand-alone, they will have somewhere in the neighbourhood of 150 products that we'll carry.

MR. HOUSTON: In store?

MR. MITCHELL: In store. The Clyde Street location, the central location, will have probably double that - 300-plus. Online, we expect to start, just on what we think is out there, probably in the 400- to 450-product range. Again, I caution, these are all very speculative, and we're going through that process right now with our suppliers.

MR. HOUSTON: So 150 in the stores and 450 online, that's a lot of product. Do you have any expectation of what the split will be between in-store sales and online sales?

MR. MITCHELL: We are anticipating a 40 per cent to 45 per cent online sale capability.

MR. HOUSTON: So to get rid of the black market, which is one of the stated intentions of this little exercise, you need to offer what people are actually consuming at a price that makes sense for them. Do you feel that with those 450 online, you can offer the products that people are actually consuming?

MR. MITCHELL: Again, we are going to need to learn. We don't pretend to be experts at all in this. Based on what we know in terms of the number of strains that are going to be available, which is probably as important as the actual sheer number of SKUs or products that will be available in our stores, we anticipate that we'll certainly be able to do a very credible job right from the get-go.

A lot of it is obviously going to depend on what the licensed producers are able to provide to us and how much of it they're going to have of particular strains. We're feeling confident that we'll have a great retail base to start from. You made a comment that it's a lot of product. It is a lot of product, but these stores that we're putting it in are high-density merchandising opportunities. They will be able to handle it, and we think people will be able to get everything that they want within the guidelines of what the federal government is going to allow us to sell at the start.

MR. HOUSTON: Will all the cannabis products go through the government warehouse?

MR. MITCHELL: Yes.

MR. HOUSTON: That is the Bayers Lake warehouse?

MR. MITCHELL: No, we have a third party warehouse that we're using for cannabis. Our physical building was too small. We needed somewhere between 10,000 and 15,000 square feet of that warehouse to be able to do it within our own building. We are unable to carve that out of the alcohol space.

We had a technical issue in how our online capability actually marries with what's called the technical stack between our system and the distribution system that runs our warehouse. It wasn't capable of handling an extreme number of online transactions - we think as many as 3,000 a day. We needed to get third party support in order to do that.

MR. HOUSTON: Is that ready now?

MR. MITCHELL: It will be ready. It's in the process of being put together.

MR. HOUSTON: So all of the products will go through this particular warehouse?

MR. MITCHELL: Yes.

MR. HOUSTON: Do you have any sense - let's call it 450 online - how many of those will be Nova Scotia products?

MR. MITCHELL: That is a great question. One of the things that we are learning as we go through this is that the process to get licensed is a multi-stage one that has two key gates. One is the licence to cultivate, and then one is the licence to sell. That's all managed by Health Canada.

Based on what the intended Nova Scotia suppliers have told us, they will not be ready for when this goes live. I'm going to guess that, at best, there could be two or three of what we think are 12 potential local suppliers that will be in the mix to start. Then once they're able to get themselves up and running and have the legal ability to sell to us, we'll see how much of their product we can incorporate back in.

MR. HOUSTON: Two or three Nova Scotia-based producers at the beginning, possibly going as high as twelve.

MR. MITCHELL: Correct.

MR. HOUSTON: I noticed that you started to advertise internally for people to sell cannabis in your stores. I can table the posting that went up. The posting was talking about looking for people who are prepared to undergo extensive training for product knowledge. Who will provide that extensive training?

MR. MITCHELL: We're building our curriculum right now. It's a combination of our own in-house training capability, which is quite advanced on the beverage alcohol side - we will be integrating the training into that curriculum.

We'll be using third party sources to help us build that training and to help deliver it when the time comes. We'll do that right up close to when we actually go live in the stores. We'll also be relying on our licensed producers, since they're producing the product, to come in and help train our staff on what it is they're actually selling to us. It's a three-tiered piece. Ultimately, it becomes our own curriculum within our own training environment.

MR. HOUSTON: How would I be able to identify a cannabis expert when I go in the store?

MR. MITCHELL: You'll be within an enclosed environment, so they will all be within the actual space in which you can purchase the cannabis. Everyone who works in that space will have been expected to go through the training.

MR. HOUSTON: In terms of the finances and the Budget Estimates, we know that in the budget that was tabled by the province, the vast majority of the surplus came exactly

from cannabis taxes. Part of that was the \$10.4 million in cannabis tax. That's a number that came from NSLC?

MR. MITCHELL: I think I should defer to my colleague, Mr. Rafuse.

MR. RAFUSE: The calculation of tax that was included in the provincial budget was done by the Department of Finance and Treasury Board.

MR. HOUSTON: And that was based on a grams sold estimate that was provided by the NSLC, correct?

MR. RAFUSE: That's correct. We had grams sold from them, and we also had insight for HST modelling for medical cannabis, as well.

MR. HOUSTON: So did you rely completely on the NSLC's numbers, or did you modify them based on your own understanding?

MR. RAFUSE: No. We used their numbers to model out both the excise tax and the incremental HST that's included in the budget.

MR. HOUSTON: The NSLC business plan contemplates \$87.2 million in cannabis sales, and the 10 per cent provincial portion of HST would be \$8.7 million, but the budget showed \$10.4 million. There seems to be a little disconnect between the forecast provided by the NSLC and what was actually on the books in the provincial budget.

MR. RAFUSE: We didn't base our HST revenue on their sales - we used their underlying grams sold as the foundational piece. I can walk you through the calculation if you would like. It was assumed that 12 million grams were being sold at the NSLC at an average price of \$8.70, which would amount to \$104 million of sales. The province's share will be 10 per cent of that. That's how we got the \$10.4 million, based on the \$104 million in sales.

MR. HOUSTON: The NSLC's business plan says they are going to sell \$87.2 million of cannabis; I think that's the number. So the NSLC business plan says they are going to sell \$87.2 million in cannabis, but the Department of Finance and Treasury Board says no, that's wrong, you're going to sell \$104 million. Is that essentially what happened?

MR. RAFUSE: Their actual materials speak of 12 million grams, but there is a product mix that includes other things. That has led us to our sales calculations. As I said, we based it on the 12 million grams to come up with the \$10.4 million. They include an infusion of other products, as well as a flowering product to get to their . . .

MR. HOUSTON: The Department of Finance and Treasury Board includes one?

MR. RAFUSE: No, the NSLC includes it.

MR. HOUSTON: But the Department of Finance and Treasury Board's revenue prediction is higher than the NSLC's revenue prediction.

MR. RAFUSE: I think we are working with the same numbers.

MR. HOUSTON: No. The revenue prediction from the NSLC business plan is \$87.2 million, but the Department of Finance and Treasury Board is working off of a revenue prediction of \$104 million. The Department of Finance and Treasury Board has based its budget on higher revenue. I don't know - you are saying it's not the grams. It must be the price per gram to get to the higher revenue.

MR. RAFUSE: Actually, you are getting into the technical NSLC calculation. I'm going to hand it off to Lilani, if you don't mind, Mr. Chairman.

MR. CHAIRMAN: Ms. Kumaranayake.

MS. LILANI KUMARANAYAKE: Just to backtrack, there were two calculations in the budget. One was the excise tax. The excise tax is based on what is delivered to the NSLC, which is the 12 million grams. On that calculation, we are able to predict or estimate the province's share at around \$9 million in revenue, based on the roughly 75 cents that we will get, according to the federal/provincial coordinated tax agreement.

In addition, for the excise tax, we have also included an estimate of what the excise tax will produce in terms of medical cannabis. The federal government announced that the excise tax would also be levied on medical cannabis, so that provided another \$1.4 million. That produced \$10.4 million in excise tax.

Medical cannabis is already being taxed, so that is already in our HST base. For the HST calculation, we took the 12 million grams, which NSLC is currently in its business plan saying that it will acquire, and we estimated our HST based on that. So NSLC will have 12 million grams there. What they are subsequently doing is, they are also looking at a product mix which will include infused products and grass, et cetera. That's where their change . . .

MR. CHAIRMAN: Order. I let that go a little long, I was kind of anxious to hear the answer myself. We'll now move to the NDP for 20 minutes, starting with Mr. David Wilson.

HON. DAVID WILSON: It's still not clear - I think we've gone through a couple of hours of Estimates trying to get these figures. But I'll let my colleague return to that after his second round.

Has there been any indication from the federal government when cannabis will be legalized and the provinces and territories will get the green light to start the sale of cannabis in Nova Scotia and across the country?

[9:30 a.m.]

MR. CHAIRMAN: Mr. Rafuse.

MR. RAFUSE: Certainly, there was the planned date of July and there has been some strain on that, given the passage and to the Senate. We haven't been given a clear date yet. We've indicated to them some concerns about the date, because you can announce a date, but there has to be a legal ability for those who are selling it to receive the goods before the actual legal sale date, and whether that is going to be accommodated or not.

We've given them some insight like other provinces had, as to how much advance notice or advance legal authority that it requires. They are still looking at that, but the planning is still - from our perspective, we are getting ready for July. We expect sometime in the summer, but that is as precise as we have right now.

MR. DAVID WILSON: Is there the ability for the province to buy product currently? Are you saying you cannot buy product currently, and you are still waiting to get the green light?

MR. RAFUSE: Right now, the product is not legal for us to purchase, or for the NSLC to purchase.

MR. DAVID WILSON: When is the last time you had any correspondence from either the federal minister, or the Prime Minister, to the department? You would think we would hear something. It's interesting that this is all being held up by an unelected body in the federal government. It just baffles me that the federal government will go forward with this, yet it is being held up.

When is the last time you had any engagement or discussion with the federal government?

MR. RAFUSE: There's ongoing dialogue with them. I'll have Lilani give you a more fulsome answer on that.

MS. KUMARANAYAKE: We speak to the federal government every week. There are a number of FBT groups. Again, last week, we were discussing - folks are dependent on the House of Commons and Senate processes to be able to get a date.

What we do know is what the process will look like. Once the Senate has approved and it returns to the House of Commons, then the legislation will receive what is called

Royal Assent. That doesn't put it into force - it will still need to be proclaimed by the federal Cabinet, so there will be a period after the legislation is passed and receives Royal Assent and the proclamation date, which will be the date of legalization. Between that interim period, it has been communicated that during that period, that will be when the NSLC, et cetera, there will be some interim measures to allow for provincial entities to be able to do the preps - so order, deliver, et cetera. They still will not be able to sell until that date of legalization, but there is going to be an interim period so that folks can get ready.

MR. DAVID WILSON: Thank you for that. So the likelihood of July 1st is very, very slim, extremely slim. I think the House of Commons wraps up sometime in early June, so it will be interesting to see when that happens.

It's interesting, I think this committee has a lot of pull, Mr. Chairman. It seems as we have witnesses come forward on a weekly basis that the day of, or the day before, there is usually an announcement from the government addressing some of the concerns that this committee will look at. Of course, this happened yesterday. There has been some criticism around the announcement of nine locations in the province, and then of course, yesterday three more were announced.

Mr. Mitchell, did you have any role in announcing or advising the government on the number of locations that should be in the province? Or was that a decision from the government that was told to your corporation, that you are going to have nine, let's figure out where those nine will be.

MR. MITCHELL: No. Thankfully, we were good in the opportunity to contribute to that discussion once the decision was made that it was going to be inside our stores. We worked very hard after that December announcement to figure out where we could actually get it done. Recognizing that we were only going to have about four and a half months to actually get the stores ready, we needed to know we had a physical solution that could actually make it happen within the stores that we could put forward.

Thankfully, we did present those nine and they were recommended and approved by the government. I would say the three we've just launched followed a similar process. Once we had the nine going, and I was comfortable that we can commit that we actually get those open, we were working in the background for what would be next: how could we fill in those geographic gaps, and how could we physically do it in stores that didn't have the house wine environment, which we were going to be removing in the first group. We presented those as well to government, and government approved those.

That's a very dynamic and live process that's happening. I appreciate having the opportunity to contribute, but ultimately it is the government's call.

MR. DAVID WILSON: Do you foresee any more announcements? We just looked to our neighbours' smaller population of New Brunswick - they came out and announced

20 locations right off the bat. Newfoundland and Labrador, a smaller population - 41 sites there. When the announcement came from the minister, and a number of the ministers, around the fact that to have a successful business plan around the sale of cannabis, we need to make sure that we tap into the illegal market, and getting consumers to go to the legal market. Of course, nine stores is very limited and I heard the criticisms. I've engaged with other ministers who, in their own area, didn't have it.

So, will we see a roll out of more stores, potentially before the start-up date, now that we know it probably, most likely won't be July 1st, but will there be an opportunity maybe, to announce more so that we can tap into the illegal market, to make sure that we have that transition of consumers from getting it illegally to getting it legally, under the Nova Scotia Liquor Corporation?

MR. MITCHELL: I'll answer it from my perspective, then I'll defer to Mr. Rafuse on the overarching government perspective. We're not anticipating doing any more stores until well after we've had some chance to get some learning. We think now, with the 12 we have, we have great geographic coverage. I have a bigger concern or issue within HRM now just in terms of the numbers of transactions that will go through.

I think we need to learn, and we need to figure out how much is going to be really online, how much is going to be able to go through these stores, what are we going to be able to handle, how much product are we actually going to be able to get our hands on to sell. I think all of that will lead us to a place where we'll determine whether we need more outlets or not.

One thing I've been very clear on is that this was to be a modest start and it was intended to be not so capital-intensive that we could be potentially wasting millions of dollars in ramping up large numbers of stores. I can't comment on New Brunswick, I don't know the understanding of why they're doing what they're doing. But I do know across the country, we are in a very, very good place comparatively to my peers at least, across the country. So, I don't see a need to do that. I like the modest approach, I think it gives us a chance to learn. I have no illusions that we'll be illuminating the black market day one, it's going to take years of development to do that. Again, retail is a journey, and I think we have to recognize it's a long one.

MR. DAVID WILSON: Well, I appreciate that we have kind of limited time. It's interesting that we went from nine to 12 - I mean, recent reports from Stats Can indicated Nova Scotia has, I think, the highest percentage per capita of cannabis use in the country. Did that play a role? Was some of that information the data that you received, that you realized having nine stores just won't meet the need that may be out there if those Stats Can stats are correct?

MR. MITCHELL: We knew that on a per-capita basis Nova Scotians consume more cannabis than most provinces; that's not news. I mean, the number they quoted it

was. British Columbia and Nova Scotia are recognized as the heaviest consuming provinces, so we were well aware of that.

No, this for us was strictly an issue of where and how to physically do it within boxes that already exists. The first grouping - I won't say they were easy but we were easily able to identify a space in which to do it. None of these three have house wine sections, so they're all going to be unique ways of actually doing the construction.

MR. RAFUSE: I just want to add further just to remind the member that all Nova Scotians actually have access to legal, recreational cannabis through an online system. I think that that robust presence there will alleviate that concern from a physical footprint perspective but as the government has said and as Mr. Mitchell has said, the approach here has been that we would look at it and learn as we go and, if dictated, more locations would be forthcoming. Right now, we believe that the online presence will fill that gap.

MR. DAVID WILSON: That kind of leads into my next round of some questioning. Of course, I think it was indicated 40 per cent potentially will buy the product online - who is going to oversee the online purchasing of cannabis?

In light of recent information breaches I would assume that those who will buy cannabis online and may already do so, do it so that it can be discrete. The concern would be, how secure is the system that is going to be implemented to facilitate online purchasing of cannabis? Who is going to oversee that process and are the security controls in place to protect the information of consumers and Nova Scotians?

MR. MITCHELL: What an excellent and timely question. The answer is the NSLC is going to oversee that. It's our website; it's our online platform. We'll be contracting those to deliver for us in a similar fashion to medical but it will be our systems and we'll be monitoring them and they'll have our security and cybersecurity practices in place in terms of how and where we store data, how it's moved through. I want to assure Nova Scotians it will have the highest degree of confidentiality and security.

MR. DAVID WILSON: Okay, I hope so. Every other day we're hearing more and more of how those security controls aren't in place so I hope that's the case. The last thing I think your organization needs is to have unsecure information.

I know part of the Nova Scotia Liquor Corporation's mandate is to cultivate the success of local products and the industry associations with local products and I think over the last number of years, you've done a really good job at trying to promote local products. The times that I go into a liquor store, the Nova Scotia products are there and that's important.

When it comes to cannabis, I think definitely you have mentioned earlier there may be two or three companies that we may be able to buy products from now. I believe you

have a contract for a main supplier - is that correct? Is that an Ontario-based or an Alberta-based company currently for the potential buying of products as we just heard that you can't buy it until you get the green light from the federal government? Do you have a current contract signed with anybody?

MR. MITCHELL: No, we do not.

MR. DAVID WILSON: I know you did a request for information for cannabis suppliers that closed in February. What did you learn from that? We have about 12 growers that you could potentially get product from in the province. How many responses did you get in that request for information that was issued earlier this year?

MR. MITCHELL: It actually was a three-step process. I think I should take you through the three main steps because it's going to lead us to a place where we've made different decisions than some other jurisdictions have made.

The first process was really at the end of January when we made the announcement around the stores. We also went out to see what the supply community was going to look like - basically what we call a request for information, a public one of which 35 suppliers across the country responded. Within that 35, it included the 12 local people that identified themselves as being potentially able to supply us with product at some point in time.

From that RFI, recognizing the degree of sophistication in some and opportunity for others, we decided to start bringing them all in - our category teams have met with all of those people. We then did a townhall session with just the local folks who are planning to sell to us and we had a great opportunity to show them how to do business with the NSLC, what the stores were going to look like and feel like, and what that relationship should look like going forward.

After they had a bit more of, I'd say ability to understand what the NSLC is all about and the approach we're going to take, we then did a formal expression of interest which is what we use in beverage alcohol. It's how we actually purchase categories of beverage alcohol in which suppliers then submit to us in much more detail what it actually is they are offering us to sell. It's not that complex a process but it does identify everything down to the strains they're going to have, the timing of when they'll get those two licences I referred to earlier, and the approach they want to take in bringing their market.

One thing we always say is we create a sandbox for them, we don't define it. We create a sandbox and they get to make choices. From that expression of interest, we're now in the process of determining what it is we can actually carry, what it is we can actually buy on what timeline. Once we've done that and mapped it with what we think the consumer need is, by strain and by size and by pack, we'll then start making indications to those suppliers that we will be willing to make a purchase from them at some point in time in the near future.

[9:45 a.m.]

Obviously, we can't do that until the legislation allows, but in our world a purchase order is what defines the commitment so you will not hear the NSLC say we're committing to five years from the supplier from wherever. That's not our intention and we think the way of doing it is going to provide more opportunity not only for local but for other people who come on stream with product when they're ready.

MR. DAVID WILSON: I appreciate that and that's kind of where I was going with it, to make sure there is opportunity for those 12 local growers, that you don't sign anything that would restrict their ability. I know in the past trying to get into the NSLC, and I mean decades ago, it was a challenge for smaller liquor producers. I'm glad to hear that there will be no restrictions on single-sourced product, so I appreciate that.

I know I don't have a whole lot of time but Mr. Rafuse mentioned in Estimates we were trying to figure out the finances and how much money the province will bring in from this and the corporation. Is it still the case that the figure used for some of the estimate numbers is \$8.75 per gram? Is that still the number you're looking at as a sale price for a gram of cannabis through the liquor store?

MR. MITCHELL: It's a much more complicated picture than just a single gram price, I have to say. What we're learning as we go through this is that as you pick and were offered certain strains of product, the pricing is going to be all over the place. We've established a pricing structure that's more like we would use again in beverage alcohol - a value, mainstream, and premium approach - and suppliers will be choosing where they want their products to go within that, within a framework of an expected retail price and what value the consumers are going to pay.

Coincidentally as that's happening, obviously the black market is reacting to what's happening in the country. We expect the price to fall, as it has already, from the early days when we first started this. I would say that the numbers are still speculative. They were speculative then and they're speculative now. My guess is that the price per gram will fall at retail and it's also going to fall at cost, so whether that actually changes the overall look and feel of this, it's going to take some time to figure out. But we don't see any reason to change those forecasts at this point.

MR. DAVID WILSON: Will you have any policy in place on the strength of cannabis, the THC levels and that? With alcohol, we have light beer to regular strength beer, anywhere from 3 per cent alcohol to 6, 7, 8 per cent - I don't know if there's 9 per cent, but there could be. Are there going to be any restrictions on the strength of the product that is being sold by the Liquor Corporation?

MR. MITCHELL: We're still waiting for Health Canada to identify the limits, if you will, on how this product is going to be allowed to come to the marketplace. But it's

certainly our intention to sell product responsibly. You might say, we're not actually selling it, we're offering it. We'll make sure we will not only live to the Health Canada guidelines, but we'll make sure the framework in which we are retailing is a responsible one.

MR. DAVID WILSON: I have about 30 seconds. I know that in my own area I have engaged with staff at the Liquor Corporation and it's been indicated that no one will be forced to go in and sell cannabis in that section of the store. Is that still correct? I think the minister acknowledged that in Estimates for me.

MR. MITCHELL: Yes, that's right.

MR. DAVID WILSON: Will there be added security personnel in the stores, for example, once cannabis starts to be sold in the corporation?

MR. MITCHELL: It's a great question; we do get asked that a lot. I have to say, I normally don't like to get into too much specifics around security - you don't want to identify the areas for those who have bad intentions to look at - but it will certainly benefit from all the strong security environments we have for beverage alcohol. The nature of how we're doing it will be an enhanced security area, just based on how we're structuring it.

The security around the actual product will be much more intense than what we have on beverage alcohol today. It's a completely full-serve environment. There will be no self serve allowed in any of these locations, so the product will not be out where people can just grab at it.

MR. CHAIRMAN: We will now move to the Liberal Party with Mr. Jessome for 20 minutes.

MR. BEN JESSOME: I would like to invite the executive director to finish her answer from the initial line of questioning that Mr. Houston had. I think we were talking about the distinction between the NSLC's revenue projections and the department's.

MS. KUMARANAYAKE: I will reiterate what Mr. Mitchell has said: we are doing these estimates in a market that doesn't exist yet. We've used our best information at the time that we did produce our Budget Estimates, but as the legalization occurs, that is when we'll actually get some real data to be able to do some modelling. Even in the Budget Book, we did talk about how these assumptions would vary and depend on actual consumer use.

Unlike tobacco tax, et cetera, where we have a history of the usage and how people react to pricing, we don't have that knowledge with cannabis. So I will start by saying that. We qualified that at budget time.

What we were speaking to related to the HST was that our modelling was based on that 12 million grams, and the NSLC, as part of its business plan, also speaks to a product

mix that includes infused products and grass, as well as flowering product, which led to that \$87.2 million.

Again, we were doing these estimates prior to knowledge related to a potential delay of legalization dates, et cetera. So again, as we normally do with our September forecast and our December forecast, as we have more knowledge, we will be refining these estimates.

MR. JESSOME: I've worked at the NSLC before and I've got family who have been quite entrenched in your organization. I'd just like you to highlight the best practices and work that goes into training employees with respect to the safe and responsible distribution of your products.

MR. MITCHELL: Thank you for the question. Obviously social responsibility is at the heart of what we do - it's really the fundamental reason we exist. We have multiple mandates, but selling beverage alcohol safely is really ultimately why we're there. So it's fundamental to the organization and we have quite a developed training program that has developed over the years, which is intended to give our employees the confidence with which they can deal with difficult situations in the store, as well as asking for ID.

The cornerstone of that is the We ID program, which requires our employees to check anyone they think is under the age of 30. We find that's a level where the subjectivity goes away of what a person looks like, how old they are, how young they are. That allows us to have a very entrenched, if you will, large number of people that we challenge for ID throughout the year. I find it actually has become a bit of a pride in our stores with how well they do that job. We mystery shop them on it and they do an incredible role.

It does go beyond that, though. We have advanced training programs that people must go through before they even step on the floor to sell. They are trained on responsible retailing. They're trained on health and safety, occupational health and safety. They're trained with how to deal with difficult situations, difficult customers, what to do when someone tries to steal from you - it's a whole host of programs. It grows as you grow with us over the year in terms of the amount of training you get.

I remind everybody that no one in our store is an employee under the age of 19. They're adults, and they take this very seriously. It's something we're very proud of.

MR. JESSOME: I can distinctly remember a couple of different managers of mine challenging me at the register to not presume someone is of legal age. It was constant, it was repeated - you can't always assume that someone is older than what they actually are. I've experienced it first-hand, the diligence that your staff and your management follow, the diligent regimen that your staff follows to make sure that we're not selling to minors, because I think that that's probably one of the most significant considerations for the

general public. I know you said that social responsibility is the top priority for the NSLC and I think, provincially, people can get behind that and appreciate that.

We're here today to talk a little bit about local products generally and I would invite you, Mr. CEO, to kind of speak generally to the outlook for the craft beer, wine and spirits industry here in Nova Scotia.

MR. MITCHELL: Let me start off by saying, as I said in my introduction, the industry is booming. It's doing incredibly well. Our local producers are making wonderful product of high quality, and I think the sales results are showing it. Ultimately, in our world the customer speaks, the customer determines what's successful or not. Clearly, the performance of all the categories is at a very high level.

A little bit of background perhaps on each one: the wine industry is a bit more mature than the other two main categories of spirits and craft beer, but the industry is still growing at double digit rates from a craft point of view. I think that's very encouraging. We have 21 wineries; they're all doing well. We're very pleased to sell product from 18 of them. We say we'll sell it from the other ones as well if they want to sell it to us, but that's really their choice and where they are in terms of their level of development.

I think the introduction of the Tidal Bay program has been a huge step forward for the industry. It produces something that is unique to Nova Scotia, it's got a Nova Scotian feel to it and ultimately, it's earning awards around the world. We should all be very proud of it and frankly it's great wine, so we all should be enjoying it.

We're very fortunate in that the product out of Benjamin Bridge, Nova 7, is a world-class product, we sell over 10,000 cases of it a year. It has become a harbinger of the success of the Nova Scotia wine industry and it's sold around the world now. It's something that we should be very proud of as well, and I know our stores get behind it every time it launches.

Craft beer is growing at an exceptional rate, 40 to 50 per cent a year now, for the last couple of years. I don't see any sign that that's stopping. If you include the combination of sales in our stores and the sales they do directly from sales to bars and restaurants, they're around 7.7 per cent of the total beer industry, which is a big number for Nova Scotia. Ultimately, if you forget the kind of anomaly markets of Oregon and Washington, most craft beer development areas are more around 12 per cent, so they still have a significant amount of room to grow. Again, great product. We're getting more and more of the product into our stores which is helpful, and we're getting more and more stores able to carry the product.

So we're still quite underdeveloped, I would say, in both beer and wine in terms of our ability to sell it through the liquor stores. I encourage them to want to do that, although it's not really necessary that they do. But we always say if you want to sell wine, you want

to sell it where people buy wine and if you want to sell craft beer, you should sell it where the beer people are and 92 per cent of the beer in this province is still non-craft and it's sold in our stores. We encourage them all.

I think the surprise has been the distilling group because frankly, we talk about them as being small, but they're actually getting up to the 6 or 7 per cent of the entire spirit industry in Nova Scotia. That's very encouraging because obviously it's a high-margin business and it's one that requires a fair amount of investment to get going. So we're very pleased to see the spirit industry come along.

We, again, try to create a sandbox in which they can make choices and they can determine how they want to play. Ultimately, the consumer will decide. So far, Nova Scotians are deciding that these products are here to stay.

MR. JESSOME: I'd just like to regress to my initial line of questioning on the safe distribution. I'm just curious, with the onboarding of cannabis distribution, what does this do to your training for staff members?

[10:00 a.m.]

MR. MITCHELL: It certainly creates a different environment on one level. We're dealing with - and we have been for a while - we deal more with impairment for any reason as opposed to necessarily just beverage alcohol. We do have to change how that training looks and feels for the introduction of cannabis into our locations.

We will be updating that training for our employees; perhaps a more robust look at how we can recognize impairment, because the conditions are different. As you know, there's not necessarily the right or optimum way yet to determine whether someone is or isn't, unlike impaired driving.

We have work to do, but it's not going to be beyond the notion of good judgment and people using their expertise in identifying when someone is literally inappropriately trying to buy beverage alcohol or cannabis or unfortunately, a combination of the two together.

MR. JESSOME: Thank you. The NSLC is a great employer, serving communities that, in many cases, it's one of the major employers for that area. Do you see an increase in the number of employees that you are going to have on staff across the province with the onboarding of cannabis?

MR. MITCHELL: Absolutely. We recognize that these are going to be high-volume stores that are somewhat separate or isolated within the box, so they will need dedicated employees who are inside that particular unit. We're anticipating probably in the nature of 85 full-time employees needed to be able to staff the 12 locations that we've identified.

It's going to have a cascading effect through the organization, so we have about 150 what we call regular part-time employees today, and of those 150, we expect that somewhere between 100 and 115 will be potential candidates for these full-time roles.

We also have 40 vacancies on the beverage alcohol side going into this exercise, so the combination of those two - we expect that our part-time ranks are going to get stripped, quite frankly, of people. However, they're all great people so we're very happy for them and it will be a great opportunity for people to move up, which will then cascade down to our casual workforce, who will then have the opportunity to compete for the jobs of the RPTs as they move up into full-time roles.

We think it's going to be an incredible opportunity. I can tell you that the optimism in the organization is very high because of this. One of the things we hear from employees is that there's always a concern around job security, and all of a sudden we have an opportunity here that people are going to be able to make a great contribution and have a great career with us.

MR. JESSOME: Wonderful, thank you for that. I'd like to stick with my line of questioning on social responsibility. What has your role been - I guess this is directed at both parties here today - with respect to public education around the responsible consumption of cannabis? Primarily, I guess we can direct that at the CEO of the NSLC.

MR. MITCHELL: What we are intending to do is launch our website which will be a full-blown consumer education piece, as well as our online selling opportunity. Within that, there will be a host of information for consumers on both how to use the product, how to purchase the product, and how to consume it responsibly. That same training will play with our employees so that they will also be educated on how to coach people on the appropriate level of consumption - basically with the approach of go slow - and keep the levels of THC low as you begin to learn about how to use this particular product.

We are working with MADD Canada on our high school program which we have been running now for a number of years and which about 70 schools across the province get their program which is a high-end media program that talks about impairment and they have switched the content of their program to be primarily around cannabis impairment. That's a great way, because we at the NSLC do not talk to anyone under the age of 19. All our education programs are designed for customers, so 19 and up, and we work with others and help fund them if they're going to do it in other areas.

We are also working with the universities on our Keep It Social program. That's a program which we fund and the universities run. It helps deliver the appropriate messages not only for beverage alcohol but now cannabis to students on university campuses. We will let them deliver the message and deliver the curriculum, but we will help them, and we will help fund them.

I'm sure most committee members aren't aware of this, but that program has been so strong, it has actually been adopted by most of the Atlantic Canadian universities. P.E.I. is using it, New Brunswick is using it, and Newfoundland and Labrador as well.

MR. RAFUSE: I can add that the province, working with the federal government, is going to be announced as committed to doing a public awareness campaign in relation to recreational cannabis. That's about to be launched in the province. It will focus on areas outside of what the NSLC is doing and outside of what the federal government has said their focus on public awareness will be. It's aiming at the aspects of keeping recreational cannabis out of the reach of youth, appropriate social or responsible use of it, and also around the aspect of impaired driving and the harm that would cause. The province will also be doing that.

You have also maybe seen already that, at the federal level, some public awareness campaigns have already begun, with partners like MADD and others.

MR. JESSOME: Along the same lines, has there been adequate consultation with other government departments? I'm thinking namely of the Department of Education and Early Childhood Development and the Department of Health and Wellness.

MR. RAFUSE: On the provincial side, the campaign that we're working on - there is actually a committee associated with the implementation of recreational cannabis. That public awareness program is being informed by our colleagues at the Department of Health and Wellness, the Department of Justice, the Department of Transportation and Infrastructure Renewal, and the Department of Education and Early Childhood Development so that we are getting the message out as appropriate for those departments' responsibilities.

MR. MITCHELL: I would like to add as well that our corporate social responsibility team is actively engaged with those departments. It is our intention that, where we can, we will amplify their message through the vehicles that we have at our disposal. Hopefully, maybe they'll be able to amplify some of ours as well.

MR. JESSOME: Mr. Chairman, how am I doing for time?

MR. CHAIRMAN: Two minutes.

MR. JESSOME: I'm just curious - will the sale of cannabis at the NSLC be conducted at the same or a different register than alcohol?

MR. MITCHELL: It will be at different registers.

MR. JESSOME: I think that's all I have today. Thank you to both parties for being here today and answering our questions.

MR. CHAIRMAN: We'll now turn it over to the Progressive Conservative Party for 14 minutes. Mr. Orrell.

MR. EDDIE ORRELL: I just have a few questions before I turn it back over to the member for Pictou East.

The NSLC has stated that the goal is to provide a safe supply of cannabis to Nova Scotians and help to eliminate the illicit market. The minister has said the same thing. We have heard that you're setting your pricing at \$8.77 a gram, I think, based on best information you have in the market and so on and so forth.

What happens if we do \$8.77 a gram, and the black market decreases their numbers down to \$6 a gram or \$5 a gram? They have no overhead, and they're not paying taxes or whatever. Will the NSLC or the Treasury Board or the government look at decreasing that price in the legalized recreational selling in stores? What is that going to do to the budget overall?

I know the Liquor Corporation is going to lose money because they're taking shelf space away from profit-making endeavours. The government has based their assumptions on X-number of grams being sold at certain prices. What is that going to do for (1) the liquor store's profits and (2) the government's projections of a surplus this year if that's the case?

MR. MITCHELL: It's certainly not our intention to chase the black market to the bottom. Every expectation is that the pricing will fall as the amount of supply grows on the market and as it becomes more legally available for consumers.

It is our intention, though, to stay close. I think it would be naïve to think that we will be able to sell if we are not at least somewhat competitive with the black market. So we will be watching it very close and adjusting our retails accordingly. I also expect that as the pricing falls, so will the cost of the acquisition of the product fall as well.

Our intention is to kind of manage those two in conjunction with one another. It's not our intention to lose money here but we don't expect we're going to make money, certainly in the short term. I think we have to recognize that this is going to take a while for this to kind of play itself out.

I do not think, as I said earlier, that we are going to eliminate the black market from day one. I will say, though, that I think there is an expectation across the country, not just here, that consumers will want the guarantee of a good quality product that is safe from pesticides and chemicals. I've seen some research out of some of the tests in Vancouver where cannabis was full of E. coli and fungus and mould. That will not be the case with the product we are selling. I think consumers will be willing to pay a little bit more for a safe, quality supply, hopefully from great stores that will operate.

MR. CHAIRMAN: I believe Mr. Rafuse had something to add also.

MR. RAFUSE: To add from the provincial perspective, as the minister indicated at budget time, it's early days in this and if our revenue numbers or projections change from within the budget, the fiscal plan and the budget is actually robust enough to be able to accommodate that type of change.

We're not naive enough to think that we're going to get rid of the black market right away, and as Mr. Mitchell says, we do believe people will pay a premium price for a safe, regulated product.

As we go forward, if the revenue projections are different, then the plan will be adjusted accordingly and the province will stay in a surplus position.

MR. ORRELL: We talked earlier about an adequate supply and right off the rail you are not sure if you are going to have an adequate supply. You're talking about different strains. If this doesn't happen until September, and there's not an adequate supply, are the renovated areas going to remain empty? Are they going to have empty shelves in there? Are you going to have just a few products?

We're talking July 1st, now we're hearing maybe September 1st. You guys are going to be ready July 1st so you're going to have an empty space in your stores. What's going to happen to that space? Are you going to stock it with other products? There's a lot of questions that are answered and I'd like to just know what the plan is going to be if this doesn't roll out. We're hearing the Senate Committee in Ottawa now is talking about a year's delay. We're going to have these renovations done by July 1st - what's going to happen to those spaces and what's it going to do to your overall sales in your stores?

MR. MITCHELL: A lot of questions in that - let me see if I can handle them. First of all in terms of the supply, the longer it goes, the better it will be, in terms of access of product. Our early indications - based on the UI that has come back and we've seen the inventory that has told us it is going to be available to us as of July - is more than sufficient to handle everything we're going to need.

If we include in that the fact that potentially only three local people will be ready within six or eight months from that date, we expect the other nine potentially could be in a position to supply. Based on what the 12 have told us, they are going to be able, within a year of having their cultivation and sell licences, they are going to be able to produce around 50,000 kilos of cannabis. We know we need only somewhere between 12,000 and 15,000 and even if we're wrong by half and we need 30,000 kilos, the local producers will be able to produce way more than what the Nova Scotia Liquor Corporation is going to need. I don't see the actual product supply being an issue, especially if it gets delayed in any sense of the timeline.

In terms of what do we do if we're not able to actually go live once we've got the stores built, it's a great question. The facade to the front of the stores in most locations is going to be a frosted glass wall. It will be attractive and it will probably have some kind of a barrier, if you will, so the people will not be able to go in there until it is actually a place where we can sell something. It is specifically designed for the purpose that it is for and nothing from beverage alcohol will do well in that space, so we would certainly not move product in there. Frankly it will just be portioned off professionally and appropriately for the locations.

To the earlier comment about the beverage alcohol, there's no beverage alcohol listings going to be removed from those locations in order to put it in, so there won't be any sacrificing of beverage alcohol sales in those spots if it's sitting there empty for a while.

[10:15 a.m.]

MR. ORRELL: Just a last question. I heard you talk earlier about 12 million grams being brought in and it's taxed at that and we were talking about tax numbers. What's the shelf life going to be of this product of cannabis? Tobacco products have a shelf life. Alcohol products have a shelf life. What's going to happen? What's the shelf life of this cannabis going to be? What's going to happen to it if it goes past the shelf life and who's going to determine where it goes, what it does? I guess there are a number of questions there but I guess my question is, what is the shelf life?

MR. MITCHELL: Those are great questions. Again, it's going to depend on how the product is packaged in both the technique that they use and in the packaging that they're going to provide it in. Indications are it's about 18 months for overall shelf live, if you will, in terms of what we're expecting to see.

In terms of the responsibility for it, we're still working though that with the suppliers. You have to remember that many of these folks have not necessarily dealt with an organization like ours. In our world, if the product goes bad, it's theirs not ours, so there would be some degree of relationship that we have yet to negotiate with them that will deal with that.

MR. ORRELL: I'll pass the rest of my time over to the member for Pictou East.

MR. CHAIRMAN: Mr. Houston.

MR. HOUSTON: Mr. Rafuse, if our craft beer breweries and winemakers and hard-cider makers are not using the NSLC distribution network, why do they pay a fee?

MR. RAFUSE: That's a good question. It's really been subject to a recent court case and, really, what it amounts to is that the sale of beverage alcohol is a controlled substance in Nova Scotia. Therefore, it has been acknowledged that there needs to be - a

fee can be charged at those sites that are non-NSLCs. Basically, it's a fee for the right for them to sell alcohol.

MR. HOUSTON: And does the province have complete discretion over what that fee is?

MR. RAFUSE: It's designed in policy and as the sole shareholder of the NSLC, that fee is set out in the policy, but ultimately the province has the responsibility for it or control of it.

MR. HOUSTON: Could the province meet the terms of the court ruling by charging like a 1 cent fee, one penny?

MR. RAFUSE: I don't think we're obligated to charge anything. It's just been established that there is the right to do so.

MR. HOUSTON: If you have the right to do it and you can set it at what you want, why is it such a rich amount?

MR. RAFUSE: I wouldn't characterize it as a rich amount. It's to keep pricing actually in line to what it would be at the NSLC. I'm not sure - I wouldn't call it rich. In fact, it's actually less than what it would be at the NSLC.

MR. HOUSTON: Yes, but it's a very high percentage. They're not using any of the NSLC's distribution network but they're still paying a very high percentage. It's like McDonald's doesn't get a slice of every burger that Burger King sells. Why does the province choose to charge our local breweries?

MR. RAFUSE: Well, 5 per cent is what is charged, and you have to keep in mind that, as I indicated earlier, beverage alcohol, particularly in NSLC, has a conflicting - not a conflicting, but a mandate that has many aspects. One of them is social responsibility, and social responsibility sometimes is reflected in the price of the product.

MR. HOUSTON: Okay. Could the Premier reduce that fee right now, today, if he decided to?

MR. RAFUSE: If we gave direction to the NSLC to do that, yes.

MR. HOUSTON: Mr. Mitchell, you mentioned some statistics on the local products: 27 per cent of the shelf space in NSLC is local and generates 4 per cent of the sales. Should I read something into that about the local products we're producing or is it just that they're new and over time they will create their own following?

MR. MITCHELL: I think it's representative of how we will over-support the product from local suppliers more than what their sales would normally determine. In the rest of our locations, with non-Nova Scotia products, we have assortments that are graded based on sales, and shelf space is very close in relation to what the sales actually generate. But that particular number - 27 per cent of the listings versus the 4.8 per cent of their sales - recognizes that they're small and they're still developing their capability and their production capacity, and until they can get it up to a certain level, we need to support them that way with over-facing, if you will, in terms of the stores.

MR. HOUSTON: Okay, so the NSLC and its stores are kind of doing its part, I would say, to support that market - I see some agreement there. There are only five private liquor stores permitted to be opened in the province at any time, so there's probably room for other stores to support those local products. Would you think that there'd be room for more private stores? The NSLC is doing its part, but some private stores could open and try to list additional products. Would you care about that?

MR. MITCHELL: I mean, that's a question this way, and Mr. Rafuse may have a different perspective at a more global level. The way I look at it - I'm not necessarily opposed to other retailers selling beverage alcohol. We add agency stores that are primarily convenience stores as our network needs them, as communities get identified as being opportunities for us. I think that the challenge is, you have to think about - again, my earlier comment about where people go to buy the product. While on a global level we dedicate that kind of space to the listings and the stores in which they're in, the vast majority of the assortments do not yet spread over the 160 outlets that we have today in play.

For example on wine, which would be the most developed of them all, we have Nova Scotia wine in every single store, but the entire assortment is really only in about 46 locations. So we still have another 60 locations which can handle the capacity of what Nova Scotia wine could potentially be; it's even less than that for craft beer. So today, as an industry, they can virtually only support somewhere around 36 or 37 stores on the grand scheme.

MR. HOUSTON: So, five stores - if there are more stores it doesn't matter to you. It wouldn't really affect your...

MR. MITCHELL: Well, I don't see the purpose for it, because they have access to another 100.

MR. HOUSTON: Thank you. I just want to go back on the \$87 million revenue projection for the NSLC on cannabis sales. That's going to move, that's going to come down, the price is probably going to come down, and all these things are going to move. I don't think the numbers jibed between the NSLC and the Department of Finance and Treasury Board. I don't think they were consistent with how the budget was tabled. I just don't think the numbers supported each other.

So now the reality is if the retail price goes down, the tax revenue goes down, the budget surplus that was tabled really becomes more and more subjective. I guess the final word from the department would be, “yeah, that’s life” - or what would you say?

MR. CHAIRMAN: Order. We’ll now move to the NDP for 14 minutes. Mr. Wilson.

MR. DAVID WILSON: Mr. Chairman, I will be sharing my time with my colleague.

Just quickly, so that Nova Scotians know what the rules are, and what the case is here in Nova Scotia - around the transportation of liquor across borders. I know the recent case with Mr. Comeau from New Brunswick, who was charged with being in possession of alcohol that wasn’t purchased in New Brunswick, and then that case going right to the Supreme Court and a recent decision that preserved the current trade regime, saying that provinces have the power to enact laws that restrict commerce of their overriding purposes - in this case, New Brunswick having those rules.

I know the Premier has been in the media prior to the Supreme Court case, indicating that he did support freer trade of liquor between provinces - I don’t know if that was just a comment in a scrum. What are the rules for Nova Scotians on transporting liquor into the provinces? Is there a set amount of liquor that Nova Scotians can bring, say from New Brunswick or Québec, or if they’re traveling across the country and come in? I know that there are strict restrictions on entering Canada from the U.S., but what are the restrictions for Nova Scotians coming into Nova Scotia?

MR. CHAIRMAN: Ms. Kumaranayake.

MS. KUMARANAYAKE: Every province has personal importation limits. For Nova Scotia, it’s three litres of spirits, nine litres of wine, and 24 litres of beer. That’s very consistent with Saskatchewan, Ontario, Québec, B.C., Yukon, and P.E.I. I’ll just note that New Brunswick had much lower personal importation limits - they still have one bottle of spirits, one bottle of wine, and 12 pints of beer. So we are very similar to most of Canada.

MR. DAVID WILSON: Okay, and is there any consideration to changing that, with the Premier’s comments prior to the recent Supreme Court decision? Has there been any discussion to change those?

MR. RAFUSE: Not in conjunction with the case, but as you know, there is a Canadian Free Trade Agreement, in which beverage alcohol is an aspect of that. Provincial trade is a part of that discussion.

I would note that the Premier has said it, that we’ve actually opened up the market a bit for direct sales on the wine front - one of the few provinces to do that. That was really to lead by example.

MR. DAVID WILSON: I would like to pass my time over to my colleague.

MR. CHAIRMAN: Ms. Roberts.

MS. LISA ROBERTS: I just have one question related to cannabis, and then I'm going to move to some questions around craft breweries. As I referenced in my comments on third reading related to the Cannabis Control Act, we do know that racialized communities have been disproportionately policed and prosecuted and criminalized during this long period of time when many people have been using cannabis, but it has been illegal.

First of all, our caucus believes that people with criminal records for activities that become legal should not continue to be penalized for those criminal records for activities that are now legal. Some jurisdictions are actually moving to include people who may have been disproportionately criminalized in the past, to include those people in the legal economic activities that are coming with legalization.

I'm wondering for the NSLC, if there is anything in your hiring practices that would discriminate against someone who has a police record based on cannabis possession or other activities that will now be legal? If so, have there been any conversations at all about changing that, or about using this as an opportunity for redress?

MR. MITCHELL: Wonderful question, and it's something that's definitely on our mind. We recognize that once we go through that whole process of hiring that I described earlier, that there is most likely going to be an opportunity for people to be successful in getting a job at the NSLC as a consequence of the cannabis program that's coming.

Right now in our environment, you can't work at the NSLC if you have a criminal record. It's definitely something that we haven't resolved, how we're going to deal with it specifically, and whether we'll specifically carve out the cannabis side of any criminal record and exclude it. But I can tell you it's definitely top of our mind, and we're going through that discussion right now internally.

MS. ROBERTS: I encourage you to continue that conversation, and hopefully arrive at something.

I do want to move onto craft brewery and that super local, very entrepreneurial industry, which is growing across Nova Scotia. As you, Mr. Mitchell referenced, we are currently only at about 7 per cent of sales in Nova Scotia for local beer, and in Ontario it's 10 per cent. In B.C., it's more like 15 per cent.

You referenced in your opening comments that you're glad to put on the shelves any viable product. I'm wondering if you could define that a bit, because I do hear some concerns from craft breweries in terms of how big they need to be for the NSLC to actually view them as a viable product.

MR. MITCHELL: Again, a wonderful question. I'll see if I can give my best view on how we manage that process because it is a bit complex, frankly, and it is consumer-driven, but it's also driven by the limitations of some of our actual facilities that we have.

As I said in my opening comment, we will basically take anything that is viable. What that means is we have to have a fair amount of understanding about the scope and capability of that supplier, and how that product is going to roll through the system. So you'll hear a lot of we call the myth of the 30-store minimum - if you can't hit 30 stores, you can't be at the NSLC. That just isn't true.

What we do have is a general list that is 30 to 36 stores and if you can hit a certain degree of capability, you can get into that set. That's really the wheelhouse of when a supplier starts to become what we call sustainable. That means they have a regular supply of product, that it's constantly going to be available when we need it, when we issue P.O.s, a product comes in, and we constantly keep those stores full of product.

[10:30 a.m.]

That's the nirvana if you are trying to build capacity and capability and want to sell within the NSLC store, but we also have a number of sets where we'll list a single product for a single store. The Port, for example, carries product from just single suppliers.

What is really important is that we understand exactly what that supplier wants to do. Often they'll come to us and they'll say, "I'm a new craft brewer and I want to bring five or six products into your location." The reality is, we know from experience that they will not be successful if they try and do that. Our recommendation to them is start slow, build your capacity, make sure you can handle it, and then we'll continually add more products for you

We are not very good at someone showing up and saying, "I've got five cases, I want to put them through the back door of your store" or "I only want to sell to this one particular store, but I want to sell to it directly." We're not very good at that. But if you come to us in January and say, "I'm opening up a craft brewery and by May of this year I am going to have this kind of capacity," we will make accommodations for almost anything.

Now, having said that, there are some products we won't list. We won't list products that have pornographic labels or products that are racist in any way, anything that offends the CRTC regulations or the Advertising Standards Council rules. We are very strict on that, and as much as entrepreneurial people sometimes like to be very creative, sometimes we have to limit that.

I do want to comment a bit on the overall environment because you have to understand the degree of capability we have within our stores. Every single store, every

single shelf lineup, every single space is captured within our SAP replenishment environment. We operate on what's called a perpetual inventory system. What that means is that for every one of those products, the system knows how many products are on that shelf and they know when the product gets down to what we call the min-max of a certain number of products. It spits out an order and then the NSLC distribution centre ships that order to the store. Then when enough of those things happen in enough stores, it also spits out an order to the supplier.

So for us to randomly manage inventory and space in stores is actually very expensive to do as an organization. We can do it, and we try and be as flexible as we can. We've actually carved up space, as I mentioned earlier, in our rural stores - 15 per cent of that assortment, we're giving them more flexibility. We do have some free spaces, some of our bigger stores that can accommodate specific craft brewer and wine introductions, but it has to be done in a controlled environment in which we can manage the process. We can't just randomly bring product in and out without some degree of discipline to it.

I can tell you that we operate a very high service level because of that system, so our licensee wholesale partners get about a 98.5 per cent service level, which means that 98.5 per cent of the time when they order from us, they get it. Our retail network is about 97 per cent - very high.

If we look at our local suppliers, the number is between 69 and 75 per cent service level. So we have to be very careful, because ultimately the consumer is saying, "Why don't you have the product? You had it last week, but you don't have it this week."

It's our intention to continue to work with them. We want to make sure that we build a capacity so they understand what it means not only to be a supplier to us but to be a successful beverage alcohol manufacturer.

Now, to be fair to them, I should say that not all of them, frankly, are beverage alcohol manufacturers. They are really hospitality players and they are tourism players, and that's totally fine. You just have to recognize that's a different animal than what the NSLC can normally handle.

MS. ROBERTS: I appreciate everything you are saying, and at the same time, I feel like I'm going to push back a little bit. I know that, for example, in Annapolis there are four local brewers and none of them are able to supply the NSLC, or none of them are currently on the shelf at the NSLC. Given the NSLC's mandate for supporting local and the local economy, and that obviously all of us enjoy the revenues that the NSLC provides - that supplies our public coffers, but also it can be a vehicle for local economic development.

As you described those sort of constraints and the needs of your systems, I'm wondering, is there room for flexibility through dialogue with the Craft Brewers

Association so that two shelves at Annapolis County NSLCs are kind of exempt from the general system and are able to be supplied on a continual basis by local brewers, based on what they have in that time? It actually then also becomes an avenue for promoting local tourism, right?

Yes, they may be more hospitality or almost tourism destinations, but there's no reason why the NSLC can't play a role in supporting that and benefit both arms of economic development.

MR. CHAIRMAN: Mr. Mitchell, a minute and a half.

MR. MITCHELL: I have two comments. First, I am not familiar with the Annapolis-specific situation, but there is no reason that would preclude them from potentially never being in the Annapolis store, other than if there is something that they are unable to do to allow them to be in the store on a consistent basis. I have the note, and we will figure out just what it is about Annapolis.

I have to say, one of the things that we coach is that if you are in a small town and you already have a retail store at your brewery there, that is probably open at least as long and maybe more, more hours than the NSLC is, would it not be a better operational opportunity for you to sell your product somewhere else? We would encourage our big, craft beer stores in HRM, for example, to have the widest possible assortment. It might be better, I'm not saying it is, but it might be better for them to have multiple towns in which to sell as opposed to a single one.

I'll comment on the other because I don't want to be too harsh on this, but the notion of us supporting tourism and hospitality - I'm not saying it's a bad idea, but we do have legal constraints on what we are supposed to do, and we are not supposed to do that. We have a responsibility for manufacturers and producers, not tourism and hospitality players. That is the legal responsibility that we have. We love doing it, we love having them there, and we love to be as supportive as we can, but there are restrictions on how far we can go.

MS. ROBERTS: Thank you. I know that in 2007, apparently somewhere on a Hansard record, you said that New Brunswick and Nova Scotia had reached a new policy that meant Nova Scotia would treat New Brunswick microbreweries equally, but the substance of that agreement isn't clear. I am wondering if you could tell us more about that agreement and whether, in fact, there is...

MR. CHAIRMAN: Order. We will now move to the Liberal Party caucus, to Mr. MacKay for 14 minutes.

MR. HUGH MACKAY: I think, in the collegial manner for this group, I'd like, maybe if you could comment on my colleague's question that she was posing, if you have enough information from what she said.

MR. MITCHELL: I'll refer to my colleague, Ms. MacDougall, to speak to the policies.

MR. CHAIRMAN: Ms. MacDougall.

MS. HEATHER MACDOUGALL: You are looking for clarification on the 2007 agreement and what it outlines for microbreweries? The agreement was between New Brunswick and Nova Scotia, and was subsequently extended to Prince Edward Island as well.

In the microbrewery section of that agreement - because it speaks to other aspects of the beer trade as well - but in the microbrewery section it speaks to the fact that each party will accord to beer and beer products of a microbrewery of the other province; basically, treatment no less favourable than the best treatment it gives to its own microbreweries within its province up to an annual sales volume of 15,000 hectolitres.

That was chosen at the time because that's the cut-off we have in terms of permitting a brewery in Nova Scotia to be a craft brewery, and it extends to the issues of listing, pricing, and mark-ups, access to points of sale, distribution, storage and refrigeration, refillable bottle returns, merchandising, and other costs, such as service fees and other charges.

MR. MACKAY: Thanks very much, I appreciate that, and thank you, Mr. Chairman, for allowing me to open that matter.

We keep hearing detractors, both here in the House of Assembly and out on the street or in the media - people saying that there are so many unanswered questions. Yes, there are some - supply and demand, and so forth. What I'm hearing are a lot of thoughtful answers based on research, on consultation, and I think on evidence.

To me, it is confirming that the government has made a good decision - a wise decision, in fact - by inviting the NSLC - well, you might not consider it invite, you might consider it directed - to take charge of the introduction of legalization of cannabis here in Nova Scotia or across Canada, but specifically here in Nova Scotia, that the NSLC will be the distributor of retail cannabis. Also, for ensuring that things are done for the protection of Nova Scotians, in particular, our children and our youth.

I am wondering if both Mr. Rafuse and Mr. Mitchell might speak to the government's decision to put this in the hands of the NSLC as a responsible distribution partner?

MR. CHAIRMAN: Mr. Rafuse.

MR. RAFUSE: I will start with the fact, as I indicated earlier, that the province confirmed that feeling on what Nova Scotians felt about the Nova Scotia Liquor Corporation through the polling that was done last Fall. They did indicate that Nova Scotians were comfortable with and, in fact, preferred the proven record of the NSLC in the area of alcoholic beverages, into the recreational cannabis area. The province and the government took comfort in that. It confirmed their belief that that is the best way to safely and securely retail recreational cannabis in Nova Scotia. They remain very comfortable in that decision.

Since that time that the mandate was given to the NSLC, we remain impressed by the level of thoughtfulness that has gone into the retail model and the way in which distribution can be handled in a safe and secure manner. I think it just reconfirmed that thought. Given their proven record on being socially responsible, I believe it confirmed that they made the right choice.

Bret, do you have anything to add?

MR. MITCHELL: I will maybe refer more to the retail opportunity than what Byron has expressed. We're obviously very pleased that the government recognized that we have all those things in our experience and at our disposal. We're very pleased that the government has recognized that we do a really good job on the social responsibility side.

I'll speak to the retail experience because I think that's where, ultimately, we will earn our keep beyond the safety side. I can tell you it's a very exciting time at the NSLC to take this on. It's probably the largest transformation or opportunity that the organization has experienced since the incorporation and the re-invention of the NSLC into a modern professional retailer.

I can tell you that the organization is extremely excited. Most of the employees are wanting to know how they can be a part, how they can contribute. It's a major piece of work. A full third of our head office complement is working on this. That's a lot of people. It's 12 major projects and over 50 people getting it to a point where we can hand it over to the operators to actually execute it.

It is a major retail opportunity. As professional retailers, that always excites us, an opportunity to create a great customer experience, one which Nova Scotians will enjoy and also be proud of. We're very pleased that we have the opportunity to do it.

MR. MACKAY: Again, I think your comments indicate that this was a good decision by government. Within the decisions that are being made, one of the ones that my colleagues and I hear questioned frequently is the age that was decided upon for people in Nova Scotia to be able to access cannabis products. I'm wondering if you could speak to the age of 19 that was selected?

MR. RAFUSE: I'll take that question because, ultimately, it was the provincial government's decision to choose that age. As you know, the federal government set a possible range. There was a lot of debate in the community about where to set it. Ultimately, based on the evidence that was given to the province as well as what Nova Scotians said to the government, it was decided to choose the same legal age as there is for alcohol consumption. I think that actually ends up allowing for a consistent message. It allows for easier implementation. It is one which Nova Scotians themselves said they supported.

MR. MACKAY: Amongst the other legislative decisions, I'm curious about your comments as to some of the differences in legislation in other provinces versus Nova Scotia and how we may have decided upon such things as the retail access, be it private or public stores, number of stores and so forth. Could you expand upon some of the other aspects where Nova Scotia might differ from our sister provinces?

[10:45 a.m.]

MR. RAFUSE: Certainly. I don't have an exhaustive list here, but I can give you some examples where the approach is different. As you know, the federal government maintained responsibility for the supply side of the house, and the provinces were given the distribution and retail side of the house. The approach in Nova Scotia was to keep things consistent with alcohol beverages, to have a retail system that was a store-within-a-store concept, as opposed to stand-alone. We do have the one stand-alone operation at Clyde Street.

Other provinces have gone with a private retail system. That's fitting with what their view was. Some of it was based on remoteness. Some of it was based on the model they already had on the alcohol beverage side of the house and the like. So there are some differences.

It really came down to some things where you had some leeway. The Province of Nova Scotia has chosen to allow individuals to grow four plants for their own use. The Province of Quebec has chosen not to. For some reason, the Province of New Brunswick has chosen that you have to have a fence around it. There are certainly differences. It's based on their local preferences and decision-making process.

But it does actually reflect a couple of things. The retail system for beverage alcohol is actually different from province to province. We have monopoly systems in some provinces, and we have a totally private system on the retail side in Alberta, except with the wholesale aspect being maintained.

So it is really a reflection of some of the differences in provinces. Some of it is geographic, some of it is political and some of it is otherwise. I think that's why the federal

government actually allowed provincial governments some leeway within certain constraints.

MR. MACKAY: Again, I think we heard detractors asking, why isn't Nova Scotia making decisions on this? We were hearing that months and months ago. I think what is indicated by your response and the government's position is that we have taken our time to be thoughtful, to be consultative - not just here with Nova Scotians, which was done extensively, but also with other jurisdictions where perhaps cannabis products have been available for some time.

I would like to switch to some of the questions that came up earlier pertaining to anticipated projected revenues that might be derived from the sale of cannabis products. I'm wondering if you could comment on some of the costs that you're expecting and how that's going to impact any potential profits this year or in future years.

MR. RAFUSE: I can start with that. I'll talk about the non-retail costs associated with that, and maybe I'll ask Mr. Mitchell to talk about the retail side.

On the provincial side as we indicated, we're still working through what all the costs are. We have talked about the public awareness campaign that will be launched, and that's part of the provincial cost. We're still sorting through with our partners the impact it may or may not have on the enforcement side of the house. Certainly, enforcement differs in models that are through the NSLC from what it would have been on a private retail aspect. We would have had different retail enforcement issues to deal with on law enforcement through the Departments of Justice and Municipal Affairs. We are talking to our municipal colleagues about what that impact may be. We're still sorting through that.

It will evolve as we know better. Maybe people are tired of hearing that. There was talk for a long while about devices that would help on roadside safety checks. That was something that would have been explored. Obviously, the reality of that being available doesn't seem to be forthcoming because of the challenges of such things. The enforcement costs or impacts are still being worked out.

On the retail side, maybe Mr. Mitchell can speak to that.

MR. MITCHELL: Obviously, at \$87 million it's a fairly large endeavour. There is a lot of work to be done, a lot of capital to be invested, and a lot of stores to be fixed. There are operational expenses that we're anticipating for sure.

On the capital side in terms of getting the boxes right, you're probably looking at somewhere around \$500,000 to \$580,000 per location with the exception of Clyde Street, which will be a bit more. The store itself is in kind of rough shape, so we have to fix it up regardless of cannabis, so it will be a bit more. If you include that plus the capital we're

going to need to put into the DC fulfillment and the IT capability that we need to build, the total capital is about \$9 million to make this thing operational.

To operate it ongoing, it's about \$13 million to \$13.5 million a year in operational expenses, and \$1 million of that in the first year will be a one-time expense which will go away, so about \$12.5 million is what I call the operating expenses on that \$87 million. Most of that, obviously, were retailers. Most of it is labour, so about \$4.8 million of that is in the labour force.

You know, \$87 million actually generates a fair amount of credit card fees, so that's \$1 million for the credit card fees, but the actual running of an extra fulfillment centre is going to be around \$3 million as well. We'll probably spend somewhere around \$200 million to \$300 million in training to get it up and running.

The social responsibility money we've set aside for this is about \$150,000 to do ongoing, as well as some content education around \$200,000 - so put those two together, about \$350,000 for . . .

MR. CHAIRMAN: Order. Sorry, our time for questions has expired.

I would now turn it over for closing remarks for either Mr. Mitchell or Mr. Rafuse. Mr. Rafuse.

MR. RAFUSE: I'd just like to thank the committee for the opportunity to come in and talk. I don't believe there were any follow-up questions that we need to provide but, if there were, I'm sure that we'll hear from Ms. Langille. But I just say again, thank you for the opportunity to speak on this matter.

MR. CHAIRMAN: Mr. Mitchell.

MR. MITCHELL: Just a few closing comments. Like Byron, I'd like to thank you for the questions and for the opportunity to come in and talk both local and cannabis, and I want you all to know that we're heavily committed to making sure that the local industry continues to grow and keeps its vibrant nature that it is and, at the same time, recognize that we have a new adventure in front of us which is a significant change for the NSLC. I can assure you you've got 1,400 very, very energetic and very well-intentioned Nova Scotians who are working very hard on both sides of this business. Thank you for the opportunity and the great questions.

MR. CHAIRMAN: I'd like to certainly thank the witnesses for the work they did in answering the questions and, actually, all three Parties for the good questions that we saw on that side.

We'll now move into committee business. We have one item that I'd like to have brought to the floor that I spoke briefly about regarding the Chair for next week. We have a wish from the person that we had appointed to chair the meeting, Ms. Suzanne Lohnes-Croft. She would actually like to participate as it is an area that she's quite interested in.

There has been a request to have Brendan Maguire appointed as Chair for the next meeting. I would ask for the favour of the committee for that.

Hearing no opposition, we'll have Mr. Maguire chair that meeting.

We have some correspondence from the Department of Agriculture, information that was requested. I believe everybody received that.

Lastly, the next meeting date will be here on May 9th. It will be the Department of Health and Wellness, Department of Community Services, Department of Education and Early Childhood Development, Nova Scotia Health Authority, and the IWK. That's regarding services and supports for children with ASD/complex needs.

So, saying that, no further business, I would move the meeting - Mr. Houston.

MR. HOUSTON: Mr. Chairman, I know last week we talked about the Internal Services and the FOIPOP situation and the committee decided that they didn't want to bring Internal Services before the Public Accounts Committee to discuss the breach. But I would like to revisit that in light of the additional information that's come out over the last few days, with more and more breaches. I would just like to ask the committee to reconsider, I guess, its decision not to bring Internal Services before us.

I'd make a motion that the committee ask the clerk to schedule Internal Services to appear before the Public Accounts Committee to talk about security and some of these things, and do that sooner rather than later.

MR. CHAIRMAN: I thank the honourable member for the question. I believe this is something that was dealt with by the committee. I don't know if there's a favourable request to deal with it again at this point in time.

Mr. Wilson.

MR. DAVID WILSON: I would concur with my colleague's comments. This is an issue that's not going away, and I think it's most appropriate for our committee to look at this.

I would support that motion that we, as a committee, call Internal Services to review not only the breach of the Freedom of Information portal but other breaches that have come to light since the initial discussion.

MR. CHAIRMAN: Thank you. Mr. Houston?

MR. HOUSTON: If the committee could move the motion to a vote, I'd ask that the vote be by a show of hands.

MR. CHAIRMAN: Again, I think it would be at the discretion of the Chair, from my experience in chairing meetings and bringing similar motions forward that have already been dealt with. But in respect to that, I will take it to a vote, to a show of hands.

Would all those in favour of the motion please raise your hand. Contrary minded, raise your hand.

That will leave the deciding vote to me. I will vote against.

Seeing that there's no further business, I conclude the meeting. Thank you.

[The committee adjourned at 10:56 a.m.]