



**MINISTER
OF CROWN SERVICES**

**Room 314
Legislative Building
Winnipeg, Manitoba CANADA
R3C 0V8**

November 7, 2017

Ms. Polly Craik
Chair
Manitoba Liquor and Lotteries
842 Milt Stegall Drive
Winnipeg MB R3G 3L4

Dear Ms. Craik:

In anticipation of legalization of cannabis, our government has taken a proactive approach to address our primary concerns, which are the health and safety of Manitobans, and elimination of the illegal market. We issued an expression of interest to explore options for participants in the new industry, including safe supply, secure distribution and appropriate retail sales. The responses have given us important information and further engaged Manitobans.

Our next step is to issue a request for proposals to seek private sector participation for secure cannabis sales. Manitoba Liquor and Lotteries will play a role in supply and distribution. This role will evolve as the industry matures. This letter sets out the initial mandate for the corporation.

SUPPLY

On behalf of the Province, Manitoba Liquor and Lotteries will:

- Work with Growth, Enterprise and Trade to secure a safe and adequate 18-24 month supply of cannabis bud and oil products for retail and online sales in anticipation of the July 2018 implementation date.
- Ensure suppliers provide product in retail ready packaging in quantities proportionate to purchasing behaviour and meet all labelling, packaging and handling requirements to inform the public about the product and keep it out of the hands of children.

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- Work with licensed producers on a secure logistics plan to coordinate production and delivery cycles consistent with demand.

Contracts should target market penetration of 50% within two years of legalization to help eliminate the illegal market.

WHOLESALE DISTRIBUTION

On behalf of the Province, Manitoba Liquor and Lotteries will:

- Offer secure, safe onsite storage and shipment of cannabis products, which maintains a high level of control and auditability, prevents diversion to the illegal market and leverages economies of scale. The use of third parties, with appropriate safeguards is also an option.
- Assume responsibility for the administration of retail orders and procurement of supply to ensure integrity of the system and help eliminate illegal sales.
- Work with licensed producers and delivery service providers to develop a secure distribution logistics plan, including options for safe storage, legal order fulfillment and secure delivery direct from supplier to retail and/or customer.
- Identify secure storage requirements in retail stores and off-site (rural fulfillment).
- Work with the federal government to determine the operational requirements of a seed to sale tracking system through the supply chain to retail, which enables only legal production, supply, distribution and sale of cannabis.

To meet timelines proposed by federal legislation, it will be necessary for certain activities to begin in advance of enactment of the required changes to *The Manitoba Liquor and Lotteries Corporation Act*. In the absence of the required legislative changes to expand Manitoba Liquor and Lotteries mandate to include cannabis, the corporation will act as Manitoba's agent. The Province will enter into binding contracts once finalized by the corporation.

Government will introduce the necessary amendments to the legislation to expand the corporation's mandate to include the buying and importing of cannabis as well as conducting or funding initiatives that promote the responsible consumption of cannabis and cannabis products. Once legislative authority is in place, the direction contained in this letter will be formalized in a Directive, approved by the Lieutenant Governor in Council and made public in accordance with *The Crown Corporation Governance and Accountability Act*.

We are providing this initial, high-level guidance to allow the necessary work to begin to meet the July 2018 timeline set by the federal government for legalization. Staff within the corporation, Growth, Enterprise and Trade and Crown Services, will work together to ensure a smooth implementation with the goals of protecting the public and displacing the illegal market in cannabis and related products.

Thank you in advance for your anticipated cooperation.

Yours sincerely,

Honourable Cliff Cullen
Minister