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CLERK GREFFIER
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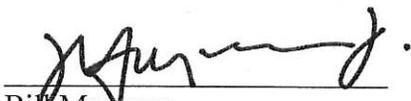
Mr. Richard Denis
Clerk of the Senate and Clerk of the Parliaments
The Senate of Canada
Centre Block, Room 185-S
Ottawa, Ontario K1A 0A4

Dear Mr. Denis:

We have the honour to present the Response of the Government of Canada to the Eleventh Report of the Standing Senate Committee on Aboriginal Peoples, entitled *The subject matter of Bill C-45, An Act respecting cannabis and to amend the Controlled Drugs and Substances Act, the Criminal Code and other Acts, insofar as it relates to the Indigenous peoples of Canada.*

Pursuant to rule 12-24(3) of the Rules of the Senate of Canada, you will find enclosed, two copies, in both official languages, for tabling in the Senate.

Yours sincerely,


Bill Morneau
Minister of Finance


Jane Philpott
Minister of Indigenous Services


Ginette Petitpas Taylor
Minister of Health


William Blair
Minister of Border Security and
Organized Crime Reduction

Enclosures

Canada



The Honourable Lillian Eva Dyck
Chair, Standing Senate Committee on Aboriginal Peoples
The Senate of Canada
Ottawa, ON
K1A 0A4

Dear Senator Dyck,

On behalf of the Government of Canada, we are pleased to respond to the report of the Standing Senate Committee on Aboriginal Peoples (the Committee), entitled “*The Subject Matter of Bill C-45: An Act Respecting Cannabis and to Amend the Controlled Drugs and Substances Act, the Criminal Code and Other Acts*” (the Report), which was tabled in the Senate on May 1, 2018.

We would like to thank the Committee for its dedicated and thoughtful study of Bill C-45 and the many witnesses who contributed to the study for their expertise, time and interest. The perspectives expressed in the Report align with the high priority the Government places on protecting the health of all Canadians, including Indigenous Peoples.

The new framework to legalize and strictly regulate cannabis is founded on a comprehensive public health approach that aims to better protect Canadians and minimize the harms associated with cannabis use. The approach features five key strategies: educating Canadians about the harms and risks of cannabis; promoting healthy choices and reducing youth access; preventing problematic and high risk patterns of use; protecting Canadians through strict regulation and vigilant oversight; and monitoring trends and impacts in order to quickly respond to new risks and evidence. In taking this approach, we will advance our key objectives of protecting youth from the harms of cannabis and displacing the illegal market.

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The Government has made a clear commitment to establish a renewed relationship with Indigenous Peoples, based on recognition of rights, respect, co-operation and partnership. Beginning in the early stages of our work to develop a federal framework to legalize and strictly regulate cannabis, this commitment has continued to guide our work. The Government is taking concrete action to address a number of the issues raised in the Report. The attached response outlines federal actions and investments that seek to advance the objectives that underline the Committee's recommendations. On behalf of the Government of Canada, we trust that this response demonstrates our ongoing commitment to ensuring the interests of First Nations, Inuit and Métis continue to be carefully considered throughout the implementation of the *Cannabis Act*.

The Government will continue to actively engage Indigenous organizations, communities and leadership on the implementation of the Act following coming into force, and has committed to report back on progress on action areas identified in the Committee's Report by June 2019.

Sincerely,



Bill Morneau
Minister of Finance



Jane Philpott
Minister of Indigenous Services



Ginette Petitpas Taylor
Minister of Health



William Blair
Minister of Border Security and
Organized Crime Reduction

**GOVERNMENT RESPONSE TO THE ELEVENTH REPORT OF THE STANDING
SENATE COMMITTEE ON ABORIGINAL PEOPLES ENTITLED “THE SUBJECT
MATTER OF BILL C-45: AN ACT RESPECTING CANNABIS AND TO AMEND THE
CONTROLLED DRUGS AND SUBSTANCES ACT, THE CRIMINAL CODE AND
OTHER ACTS”**

Prohibiting cannabis has not been effective at deterring use or preventing easy access to cannabis by young Canadians. According to Phase 3 of the First Nations Regional Health Survey (RHS)¹ (conducted between March 2015 and December 2016), more than one in ten First Nations adults (18 years old or older) living in First Nations communities reported using cannabis on a regular basis (i.e., almost daily or daily), while approximately one-third (30.3%) of First Nations adults reported using cannabis in the past 12 months with no statistically significant change from Phase 2² (conducted between 2008 and 2010). In terms of First Nations youth (aged 12 to 17), cannabis use decreased from 36.2% in Phase 2 to 27.2% in Phase 3. Phase 2 results also indicate that one in ten youth reported smoking cannabis daily or almost daily.

Data specific to cannabis use among Métis and Inuit in Canada is not available. According to Statistics Canada’s 2018 National Cannabis Survey, 2nd Quarter, however, 33% of Canadians aged 15 years and older in Iqaluit, Nunavut, which has a high population of Inuit, have reported consuming cannabis within the past three months.

In order to better protect all Canadians, including Indigenous Peoples, and minimize the harms associated with cannabis use, the Government of Canada has taken a comprehensive public health approach to the legalization and regulation of cannabis. The goal for legalizing, strictly regulating, and restricting access to cannabis is to keep cannabis out of the hands of Canadian youth, and to prevent criminals and organized crime from continuing to profit from the illegal cannabis market.

The new legal framework that will be in place when the *Cannabis Act* is scheduled to come into force on October 17, 2018 will prioritize the health and safety of Canadians. This framework is supported by strategies aimed at educating Canadians about the harms and risks of cannabis use, promoting healthy choices and reducing youth access, preventing problematic and high-risk patterns of use, and monitoring trends and impacts in order to quickly respond to any emerging risks and impacts. Taken together, these strategies better enable the Government to protect youth and Canadians from the harms associated with cannabis use.

¹ First Nations Information Governance Centre, National Report of the First Nations Regional Health Survey Phase 3: Volume One, (Ottawa: 2018). 200 pages. Published in March 2018.

² First Nations Information Governance Centre (FNIGC) (2012). First Nations Regional Health Survey (RHS) 2008/10: National report on adults, youth and children living in First Nations communities. Ottawa: FNIGC.

This response is grouped into five themes that align with the Committee's recommendations:

- 1) Delaying the coming into force to allow further time for negotiation with Indigenous partners;
- 2) Indigenous authority and jurisdiction;
- 3) Supports for Indigenous services;
- 4) Economic opportunities for Indigenous communities and governments; and,
- 5) Revenue generation and taxation.

Theme 1: Delaying coming into force to allow further time for negotiation with Indigenous partners

The Government recognizes the importance of ongoing engagement with Indigenous leaders, organizations and communities, and of seeking opportunities to help Indigenous Peoples meet their objectives and address outstanding concerns related to the legalization and strict regulation of cannabis. This approach supports the Government's commitment to a renewed, nation-to-nation relationship with Indigenous Peoples, based on recognition of rights, respect, co-operation and partnership.

Although the Committee's reasoning behind calling for a delay in the coming into force of the *Cannabis Act* is understood, such a delay would only have perpetuated a system that is not working. The current approach to cannabis allows criminals and organized crime to profit, while failing to keep cannabis out of the hands of Canadian youth. This approach has also served to criminalize the possession of small amounts of cannabis for many Canadians. Statistics Canada reported that, in 2013, cannabis possession accounted for 67% of police-reported drug offences.

The risk of criminal convictions may be more acute for specific populations, including Indigenous Peoples. While the exact causes are numerous, complex, and inter-related, Indigenous Peoples are over-represented in the criminal justice system. In 2016, Indigenous Peoples accounted for only 4.9% of the general Canadian population³ and 26% of the in-custody federal prison population⁴. The findings for P/T custodial admissions (27%) were similar to community admissions (24%)⁵. Furthermore, the 2015-16 adult correctional statistics indicate that overrepresentation of Indigenous adults was more pronounced for females than males, with Indigenous females accounting for 38% of female admissions to P/T-sentenced custody, while the comparable figure for Indigenous males was 26%. In the federal correctional services, Indigenous females accounted for 31% of female admissions to sentenced custody, while the figure for Indigenous males was 23%. The criminal records that can result from cannabis-related charges have serious, lifelong implications. A timely change is needed now to address the health

³ Statistics Canada. Aboriginal peoples in Canada: Key results from the 2016 Census. 2017. Accessed at <https://www150.statcan.gc.ca/n1/daily-quotidien/171025/dq171025a-eng.htm> on August 14, 2018.

⁴ Statistics Canada. Adult correctional statistics in Canada, 2015/2016. Accessed at: <https://www150.statcan.gc.ca/n1/pub/85-002-x/2017001/article/14700-eng.htm> on August 14, 2018.

⁵ Statistics Canada. Adult correctional statistics in Canada, 2015/2016. Accessed at: <https://www150.statcan.gc.ca/n1/pub/85-002-x/2017001/article/14700-eng.htm> on August 14, 2018.

and social harms associated with illegal cannabis production, distribution and use for all populations.

To ensure Senators were aware of the Government's plan to respond to issues raised by the Committee, the Ministers of Health and Indigenous Services outlined a number of commitments in a letter to the Chair and Deputy Chair of the Committee that was read aloud during debate of Bill C-45, on June 6, 2018. The letter included a commitment to continue engaging with Indigenous organizations and communities on areas identified in the Committee's Report, as well as report back to both Chambers around progress on action areas by June 2019, and to return to the Committee, as needed, to update Senators on areas of interest and concern regarding the implementation of the new cannabis framework. Senators indicated that the commitments outlined in this letter precluded the need to delay the coming into force of the *Cannabis Act*.

Throughout the legalization and regulation of cannabis, the Government has placed a high priority on Indigenous interests. To ensure that Indigenous perspectives and roles would be considered in the design and implementation of the legal framework, the Government mandated the Task Force on Cannabis Legalization and Regulation to engage with Indigenous governments and representative organizations. In fulfillment of this mandate, the Task Force invited Indigenous experts, representative organizations, governments and Elders to a number of discussions including expert roundtables, bilateral meetings and Indigenous Peoples roundtables. Through this engagement process, the Task Force was provided with valuable information and perspectives, which informed its recommendations. The advice and recommendations of the Task Force significantly informed the Government's framework to legalize, strictly regulate and restrict access to cannabis. As recommended in their report, the Government has and continues to prioritize engagement of Indigenous governments and representative organizations.

The Minister of Health has committed to work closely with leaders of the Assembly of First Nations, Inuit Tapiriit Kanatami and Métis National Council. As an example, the Minister of Health reached out directly to leaders of the National Indigenous Organizations to give them advance notice of the 60-day public consultation on the proposed regulatory approach. Invitations to attend information sessions and to submit feedback were sent to all Modern Treaty Holders (land claim holders and self-governing nations), all First Nations political territorial organizations, national and regional Indigenous organizations and associations, Regional Métis Governing Members and organizations, and others. The former Parliamentary Secretary to the Minister of Health, the Honourable Bill Blair, met with representatives of Nunavut Tunngavik Incorporated, Inuit communities, Kitikmeot Inuit Association, Pauktuutit Inuit Women of Canada, Indigenous community council members in the Timmins and Thunder Bay areas, and participated in an Assembly of First Nations Special Chiefs Assembly on Federal Legislation. Ministerial engagement with Indigenous leaders will continue to be a priority for this Government leading up to and during the implementation of the *Cannabis Act* and its

regulations.

In July 2017, Health Canada's Cannabis Legalization and Regulation Branch put in place a team dedicated to engage with Indigenous organizations and communities. The primary role of this team is to reach out to, and engage with, Indigenous governments, organizations and communities to create understanding of the *Cannabis Act*. This team also aims to work collaboratively to increase dialogue and obtain unique Indigenous perspectives, to improve working relationships, and improve the availability of culturally-appropriate public education. To date, all requests and invitations from Indigenous organizations and communities for Government officials to travel to communities and provide information on the legislation and discuss their interests have been accepted.

The Government has engaged extensively with Indigenous leadership, organizations, and communities to provide information on the legislation and to discuss the unique interests and needs of First Nations, Inuit and Métis. To date, Government officials have participated in approximately 70 engagement sessions with Indigenous leaders, organizations and communities including:

- fora and meetings with a wide reach including with political territorial organizations that convened leadership and administrators from up to 30 First Nations at a time, large national and regional Chiefs' Assemblies and First Nations Secretariats that have convened 5-10 First Nations for dialogue on cannabis;
- meetings and dialogue with key committees that include representation from all regions of the country and Indigenous experts, such as the National Inuit Committee on Health, National Inuit Youth Council, the Assembly of First Nations Chiefs Committee on Health, Mental Wellness Committee;
- meetings in individual First Nations with Chief and Council, tribal council staff and executives; and,
- full-day community-wide fora in individual First Nations that convene a broad audience from tribal council staff to police, health professionals and interested community members.

Health Canada officials continue to engage regularly with the Assembly of First Nations, Inuit Tapiriit Kanatami, and Métis National Council and are continuously exploring ways to further support their work. To date, Indigenous Services Canada has invested \$500,000 over 2017-18 and 2018-19 to support an Assembly of First Nations Cannabis Task Force. The aim of this Task Force is to inform First Nations communities and assist them in addressing public safety, health, economic development and jurisdictional issues.

Throughout the 60-day public consultation on the proposed regulatory approach, Health Canada received feedback from several Indigenous organizations, and individual representatives of Indigenous organizations and communities. To broaden the reach of its consultation efforts,

Health Canada officials sought further opportunities for engagement through bilateral meetings with national and regional Indigenous organizations. These discussions confirmed that First Nations wanted the dialogue to extend beyond the regulatory approach to include areas such as effective public education, as well as public health and safety, economic development, regulatory jurisdiction, law making authority, taxation and revenue sharing.

In a further effort to promote an understanding of the Government's plan regarding the legalization and regulation of cannabis, and in order to ensure communities are aware of the support available to them, in June 2018, Health Canada mailed letters to all First Nations, Inuit and Métis community leaders.

The Government understands there is significant interest among Indigenous communities in Canada regarding the *Cannabis Act* and its regulations and has taken important steps to address specific interests expressed by Indigenous organizations and communities. The Government will continue to work closely with Indigenous communities and organizations to ensure that their specific needs and interests are carefully considered throughout the implementation of the *Cannabis Act*.

Theme 2: Indigenous authority and jurisdiction

In its Report, the Committee outlined jurisdictional concerns that were identified by Indigenous communities, organizations and businesses regarding the ability of Indigenous communities to control, restrict, or prohibit the distribution, sale, possession and consumption of cannabis. Since the release of the Committee's Report, First Nations governments and representative organizations have highlighted the need to increase control over those activities in their communities. For example, individual communities have come forward to express an interest in authorizing and co-licensing cannabis production on their lands.

The Government acknowledges the interests of Indigenous communities and governments in establishing models and rules that meet their unique needs and recognizes that Indigenous regulatory authority can derive from a number of sources, including rights recognized and affirmed in Section 35 of the *Constitution Act, 1982*, historic and modern treaties and land claim agreements, self-government agreements and federal legislation such as the *Indian Act*. In the letter sent to Senator Dyck and Senator Tannas on June 6, 2018, the Government re-affirmed its commitment to uphold existing Aboriginal and treaty rights, as recognized in section 35 of the *Constitution Act, 1982*.

Support for the self-determination of Indigenous Peoples is a key objective of the Government. This must be balanced against the need to ensure that the legal and regulatory framework for cannabis, including criminal prohibition, is applied consistently across the country. As such,

similar to the *Criminal Code*, the *Cannabis Act* is a federal law of general application that will apply to all people in Canada, including Indigenous Peoples.

Under the *Cannabis Act*, those wishing to produce and sell cannabis products will need to obtain the appropriate federal or P/T licence. Such cannabis products would be produced under a federal licence, and sold to consumers by a P/T-authorized retailer, or by a federally-licensed seller of cannabis for medical purposes. Some provinces have taken specific steps to include Indigenous populations in the design of their systems. For example, Ontario and Quebec have included provisions in their legislation that support the negotiation of agreements with Indigenous communities to implement local cannabis rules. In Manitoba, First Nations support was included as part of the criteria applied by the Manitoba government to assess proposals from private retailers; two of the four groups conditionally accepted for retail in this province include First Nations partnerships.

The Government is committed to continuing to engage with Indigenous Peoples, and with P/Ts, to support Indigenous communities in meeting their diverse objectives, including the appropriate way to accommodate jurisdictional issues.

Theme 3: Supports for Indigenous services

Culturally-appropriate public education

Public education and awareness efforts are fundamental to achieving the Government's objective of protecting public health and safety, especially for youth.

As recommended in the Committee's Report, the Government has provided stable funding for culturally-specific education about cannabis. Budget 2018 announced an investment of \$62.5 million over five years to support the involvement of community-based and Indigenous organizations that are educating their communities on the risks associated with cannabis use. This new funding will help to expand our work with Indigenous organizations, with particular emphasis on: supporting health professionals on and off reserve land in raising awareness of the health and safety risks of cannabis use; developing innovative approaches for reaching Indigenous youth; building capacity among community leaders and members to lead cannabis awareness initiatives; and ensuring that cannabis public education is integrated in broader health promotions, and wellness and substance use interventions targeted to Indigenous populations.

The Government is working with Indigenous leaders to help ensure that approaches are culturally appropriate, and that Government efforts address their specific needs. For example, with federal support of more than \$1 million, the Thunderbird Partnership Foundation is engaging Indigenous communities across Canada to discuss community public education needs,

with a focus on harm reduction. The insights gained from these sessions will directly support the development of evidence-informed and culturally appropriate public education initiatives. Discussions are also underway with a number of other organizations such as the Inuit Tapiriit Kanatami and Inuit regions, and Nishnawbe Aski First Nation to discuss public education needs and initiatives.

Similarly, the Government is working with the Métis National Council to increase Métis engagement and targeted public education activities, together with Governing Member organizations across the country.

The Government has also taken steps to ensure that critical information about legalization and regulation, the health effects of cannabis use, and resources to support parents in discussing cannabis with youth are translated into a variety of dialects including Inuktitut, Ojibwe, and Cree, and are made available to Indigenous organizations and communities. For example, Health Canada has recently funded and completed the translation of the Drug Free Kids Cannabis Talk Kit into Inuktitut for distribution to Inuit communities.

Looking ahead, the Government will significantly intensify its efforts to support Indigenous communities in developing culturally sensitive and linguistically appropriate public education materials. Immediate steps will be taken to sustain engagement with Indigenous communities and to ensure that communities and organizations are aware of funding and other resources available to them that could be leveraged to support public education efforts. The Government is also committed to keeping the Committee informed on Indigenous-specific funding for these activities.

Mental health services and substance use prevention and treatment

Consistent with the Committee's Report, the Government has in Budget 2017 and Budget 2018 substantially increased funding to frontline health service delivery, in particular in mental health and prevention and treatment for substance use. The Government recognizes the need to continue to strengthen its relationship with Indigenous partners, and to support comprehensive, culturally-competent, and community-based mental health and substance use services.

Indigenous Services Canada provides over \$350 million⁶ annually to fund community-based mental health services and substance use prevention and treatment for First Nations and Inuit across Canada to reduce risk factors, promote protective factors, and improve health outcomes of First Nations and Inuit to support:

- mental wellness promotion;
- life promotion and suicide prevention;

⁶ This amount includes funding from June 2016 and Budget 2017 but excludes Budget 2018 investments.

- crisis response services;
- substance use treatment and aftercare;
- emotional and cultural support services for former Indian Residential School students and their families; and,
- support and funding for healthy child development programs and healthy living programs.

The Government also agrees with the Committee regarding the importance of accessible substance use treatment. Currently, 45 First Nations treatment centres provide a range of services such as residential, out-patient and outreach treatment services. Drug and alcohol prevention services are also available in the majority of Indigenous communities across Canada.

In the North, mental wellness services related to substance use were transferred to the Government of Northwest Territories and the Government of Nunavut under the 1988 Northwest Territories Health Transfer Agreement and through the creation of Nunavut in 1999. Indigenous Services Canada provides approximately \$23 million annually in grants and contributions funding directly to these two territorial governments to support prevention and health promotion activities for First Nations and Inuit communities. This amount also includes funding provided directly to Yukon First Nations communities through contributions or self-governing agreements.

In Spring 2017, through a request of the Nunavut Partnership Table, Indigenous Services Canada committed \$388,000 to support the Government of Nunavut's Quality of Life Secretariat to lead a feasibility study for a possible in-territory residential treatment centre. The study is being informed by a multi-stakeholder working group, including community-based wellness organizations, Nunavut Tunngavik Incorporated, and multi-departmental representation from the Government of Nunavut. This collaborative and inclusive approach will result in a robust final product that speaks to the needs of all stakeholders. A meeting was held in February 2018 with the multi-stakeholder group to validate proposed approaches to treatment and inform the direction of the final report.

During the past several years, a number of initiatives have been undertaken to improve access to mental wellness services for First Nations and Inuit. For example, in June 2016, the Government invested \$69 million over three years to meet the immediate mental wellness needs of First Nations and Inuit communities. This investment enhances capacity at local and regional levels to provide essential mental health services that respond to ongoing crises. Since that time, crisis response capability has been expanded in regions across Canada. The number of First Nations communities able to access federally funded mental wellness teams has increased from 86 communities to 344. This investment also supports the Inuit Tapiriit Kanatami's National Inuit Suicide Prevention Strategy and the 24/7 Hope for Wellness Help Line, which was established in

2016 to offer immediate help to First Nations and Inuit individuals. The Help Line is staffed by experienced and culturally competent counsellors.

Budget 2017 committed an additional \$204 million over five years to further enhance mental wellness services for First Nations and Inuit, including community-based mental wellness supports, professional services, and traditional healers.

Building on existing funding, Budget 2018 announced important investments that aim to further improve access to needed services. Budget 2018 announced \$200 million over 5 years, with \$40 million per year ongoing, to enhance the delivery of culturally appropriate substance use treatment and prevention services in communities with high needs to address problematic substance use, including opioids. In addition, Budget 2018 announced \$248.6 million over three years, to continue providing for services, including mental health and emotional supports to Indian Residential School survivors and their families.

The Government will continue to work closely with Indigenous organizations to help ensure the interests of Indigenous communities are carefully considered in the provision of services, including mental wellness services.

Police Services for Indigenous Peoples

Policing in Canada is largely the responsibility of P/Ts. In recognition of the relationship between the Government and Indigenous Peoples, the Government invests in the First Nations Policing Program (FNPP) which provides funding to support policing services that are professional, dedicated and responsive to the First Nation and Inuit communities they serve. The Program operates in accordance with the First Nations Policing Policy, a national framework for the provision of policing services in First Nation and Inuit communities. Policing services are supported through tripartite policing agreements among the Government, P/T governments, and First Nation or Inuit communities. The costs of which are shared by the federal and P/T governments (52% by the federal government and 48% by P/Ts).

On January 10, 2018, the Government announced an investment of up to \$291.2 million for policing in First Nation and Inuit communities over five years, beginning in 2018-19. This includes:

- \$102 million as proposed in Budget 2017;
- an additional \$144.4 million to support priorities such as officer safety, policing equipment and more competitive officer salaries; as well,
- \$44.8 million, starting in 2019-20, for up to 110 additional officer positions.

In addition to existing Public Safety Canada funding of \$522.5 million, recent funding brings the Government's total five year investment in the FNPP to \$813.7 million.

For the first time, the federal funding commitment is ongoing and will include an annual increase to keep up with inflation so that First Nations and Inuit communities can rely on it to strengthen public safety in the long term.

In addition to this investment, Public Safety Canada will be investing up to \$81 million over five years to support P/Ts through access to enhanced training and training capacity for law enforcement to recognize the signs and symptoms of drug-impaired driving as well as screening devices. To access this funding, P/Ts need to ensure, through a strategic plan, that they are addressing the needs of rural, remote and Indigenous communities.

Public Safety Canada is also working with the First Nations Chief of Police Association to determine their current capacity to enforce impaired driving laws. This information will be used by both the Government and P/T jurisdictions to ensure that First Nations police services receive the training they require.

Theme 4: Economic opportunities for Indigenous communities and governments

For some Indigenous communities, the emerging legal cannabis industry is seen as an important opportunity for economic development. Increased economic opportunities for Indigenous partners within the legal cannabis industry are also seen as a critical means of displacing illegal cannabis storefronts or “dispensaries”, the proliferation of which has been identified as a concern by some community leaders. The Government acknowledges the important links between economic development and improved health and social outcomes and supports Indigenous participation in this new industry in a number of ways.

The Government takes note of the Committee’s suggestion to reserve a fixed percentage of total cannabis production licences for Indigenous-owned or -controlled producers. However, as cannabis will not be a supply-managed commodity, the Government is not in a position to reserve a portion of the market for certain groups. Acknowledging the need to consistently support participation of Indigenous proponents in the cannabis market, Health Canada has established a navigator service that is specifically designed to help guide self-identified Indigenous applicants through each step of the licensing process. A licensing professional is fully dedicated to guiding and assisting them in successfully meeting the regulatory requirements and obtaining a licence. To date, the regulated cannabis for medical purposes industry includes six federally licensed producers with close partnerships with Indigenous communities and/or businesses and another 18 applicants known to be affiliated with Indigenous groups, including four in British Columbia, six in Ontario, five in Saskatchewan, one in Alberta, one in Nova Scotia, and one in Newfoundland and Labrador. Of these, five applicant sites are located on reserve land.

In addition, the Government has modernized Indigenous economic development programs so that Indigenous communities are now eligible to receive support for cannabis-related activities. For example, Indigenous Services Canada can now provide economic development funding support to Indigenous communities through its Community Opportunity Readiness Program. This will allow Indigenous communities to benefit from these types of economic ventures on reserve lands if they choose to do so. Projects to support economic opportunities in these areas will be subject to assessment and regulatory processes, as with any other proposal. In acknowledgement of the concerns raised by Indigenous Peoples related to how cannabis legalization and regulation may have an impact on communities experiencing serious health and social issues, project proposals will also need to demonstrate community support.

Moreover, several federal organizations – including Innovation, Science and Economic Development Canada, and the federal regional economic development agencies – offer financial and other supports for entrepreneurs and small-to-medium sized enterprises across Canada. Licensed producers, including those with Indigenous affiliations, are eligible to apply to these programs.

The Government is continuing to explore ways to facilitate Indigenous participation in the cannabis industry for those communities wishing to do so. Efforts are underway for Government departments, including regional development agencies, and other partners to work collaboratively so that as departments we are able to collectively respond to requests from Indigenous communities and businesses and, where possible, leverage funding. The Government is also committed to track and monitor progress in facilitating Indigenous participation and will keep the Committee informed as the *Cannabis Act* is implemented.

Theme 5: Revenue generation and taxation

The Government supports the negotiation of tax arrangements with Indigenous governments and acknowledges the importance of revenue generation opportunities for Indigenous governments in support of reconciliation and self-determination.

Options currently exist under which Indigenous governments could generate tax revenues in respect of activities related to the production and sale of cannabis products within their lands. For example, if a First Nation or other Indigenous self-government has entered into an agreement with the Government of Canada for the implementation of a First Nations Goods and Services Tax on its reserve or settlement land, it would receive the First Nations Goods and Services Tax revenues attributable to the consumption of goods and services, including cannabis products, on its reserve or settlement land in accordance with that agreement.

In addition, First Nations are able to implement real property tax regimes under either the *Indian Act* or the *First Nations Fiscal Management Act*. If cannabis producers on reserve own or lease real property, a First Nation with a property tax regime could generate property tax revenues in respect of that property or interest on reserve. Currently, approximately 150 First Nations have implemented real property tax regimes within their lands.

The Government has also reiterated in successive budgets its willingness to facilitate arrangements between Indigenous governments and a P/T in respect of direct sales taxes similar to the provincial portion of the Harmonized Sales Tax or provincial sales taxes.

The Government has introduced a new federal excise duty on cannabis products that will support the Government's goals of keeping cannabis out of the hands of youth and profits from its sale out of the hands of criminals. This will entail keeping duties low and working with P/Ts to maintain a coordinated approach to taxation.

As set out in the *Budget Implementation Act, 2018, No. 1*, which received Royal Assent on June 21, 2018, the excise duty on cannabis products will be paid by producers of cannabis products, including Indigenous producers, wherever located in Canada. Based on the Government's longstanding position that the *Indian Act* tax exemption does not apply to indirect taxes, such as federal excise duties (as these taxes are added to the price of goods produced and ultimately paid by consumers), the *Indian Act* tax exemption will not apply in respect of the excise duty on cannabis products.

The Department of Finance has been engaging with self-governing Indigenous governments and Indigenous groups negotiating self-government in respect of access to tax revenues. In addition, the Department of Finance is engaging with the Assembly of First Nations on how to best move forward with collaborative work on access to tax revenues.

In addition to supporting the continued development of First Nations taxation and regulatory regimes, the Government will advance a new fiscal relationship with Indigenous communities by our commitment to sustainable, sufficient, predictable and long-term funding arrangements.

Conclusion:

This response outlines the broad range of initiatives and investments that the Government has put in place to address a number of the issues raised in the Committee's Report, including supporting Indigenous public education, mental wellness and substance use prevention and treatment, public safety and economic development. The Government remains committed to addressing the health and social harms associated with illegal cannabis production, distribution and use as soon as possible in order to better protect the health of all Canadians, including Indigenous Peoples. For

this reason, the Government wishes to reiterate its commitment, expressed in the letter sent to Senator Dyck and Senator Tannas on June 6, 2018, to provide a full report back to both Chambers around progress on action areas identified in the Committee's Report by June 2019, and to return to the Committee, as needed, to update Senators on areas of interest and concern regarding the implementation of the new cannabis framework.

The Government will continue to work closely with Indigenous leaders, organizations and communities to help Indigenous Peoples meet their objectives and address concerns related to the legalization and strict regulation of cannabis for non-medical purposes. This includes working in partnership to address concerns raised in the context of the *Cannabis Act* that relate to broader, long-standing health, economic and social issues.