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in honor of:
Danny Tal, who is in charge of trade levies, Ministry of Economy and Industry

Professional analysis of the Ministry of Health regarding the decision of the commissioner of levies in the Ministry of Economy and the industry to recommend the imposition of a floating levy on cannabis flowers from Canada

First of all, we would like to refer to the work process. As you know, the responsibility for the field of medical cannabis has been assigned by the government to the Medical Cannabis Unit (MKR) under the Economy, Regulation and Innovation Division of the Ministry of Health. Within its various procedures, the IKR regulates the way of working in all the segments of the production chain of the

field of medical cannabis, it is the regulator entrusted with the work vis-a-vis the farmers, the factories, the trading houses, the pharmacies and the patients, and its employees are the professionals with the best governmental knowledge of the field.

Accordingly, I have nothing but regret that the entire examination of the field did not involve in a real and deep way the professional elements of the Ministry of Health, including the director of the IKR and his employees. Apart from sending general quantitative data to the Ministry of Economy in accordance with your request, there was no process at all of a joint examination of the quality and scope of the data on which the report is based, and beyond that the professional body with the authority in the field was not involved in the process of formulating the recommendations and examining their implications for patients, supply and availability Medical cannabis and those involved in the field. I have no doubt that the professional examination by the Ministry of Economy would have genuinely involved the employees of the IKR from the beginning, we should not now have pointed out a variety of factual and methodological gaps that, in our opinion, do not allow professional acceptance of the recommendation of the Commissioner for Trade Levies in the Ministry of Economy.

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Regarding the factual basis of the recommendations, it seems that it is not updated and comprehensive enough to formulate recommendations based on it. And this in three layers:

1. The analysis relies on partial information from a small number of manufacturers and exporters from Canada to Israel who chose to send the data, and insufficient use was made of available large-scale data. Relying on some of the players in the market creates a heavy methodological concern for selection bias . We note that the commissioner's work for determining the reference price in the local market in Canada relies, as mentioned, on data from a few relevant companies that have chosen to transfer data, even though there are additional players in the market that have entered Israel in recent years, as well as additional relevant data from many Israeli companies. Also, the collection of information from the Israeli companies was only partial, as reflected by many references submitted to the advisory committee by Israeli companies that are very relevant to the matter and who claimed to have completely different data.

Because of this, it is not possible to professionally rely on these partial data as representing the entire market and in fact with a very high probability they represent a situation that does not reflect the real situation at all. It was expected that a full collection of data would be carried out from all the relevant players in the market (and not only from those who agreed to send data on the subject) and if necessary they could be required to do so with the relevant regulatory tools that are not necessarily those of the Ministry of Economy (and again only a scion of the unilateral way of working). Yes, it is possible and recommended to work together with the CBS or other professional bodies familiar with the international market (such as the OECD) or international consulting companies), in order to formulate a complete micro and macro picture, on which it will be possible to draw professional conclusions. In addition, there are public data available that are not used, such as the Canadian Cannabis Exchange (CCX , or the public agency Health Canada), which track the legal cannabis market in Canada, including exports abroad. Therefore, accepting the picture of the situation that emerges from the commissioner's decision is partially, very limited, raises direct methodological difficulties and certainly cannot be relied upon in a way that will allow the promotion of legal and economic measures with a direct impact on the economy, practitioners and patients.

2. Out of date information. The commissioner's data is only relevant until 2023, This is despite the fact that there are data available for 2024 as well which can be obtained relatively easily. Today,

relevant. Today, the volume of imports to Israel has decreased (both in absolute terms and in terms of market share, so that the total imports are currently only about a quarter of the Israeli market), exports from Israel have finally expanded to respectable volumes, the mix of products and players has changed, and there are many dealers who are no longer active and were active in the past . Any inference between previous information (even if it was complete, and it is not) does not allow drawing conclusions about the current situation, but requires receiving current and relevant information that will fit the different situation today.

3. There are additional factual and methodological gaps in the report. We thoroughly reviewed Prof. Eugene Kendall's opinion as well as the public comments of relevant Israeli dealers, and we must admit that they point to a number of additional methodological issues (for example, how to compare the various products, how to calculate the reference prices, whether the prices are indeed prices the floats that are different from the prices in other markets in order to eliminate the local market, etc.), while some of their additional professional arguments are based on professional thresholds stable, and cast further doubt on the ability to formulate and certainly implement operative recommendations based on the existing work.



as aforesaid, In view of the insufficient and out-of-date factual basis described above, in our professional position it is not possible to advance operative conclusions that would stand a thorough professional test, and accordingly we believe that they will not stand a legal test by the courts or international organizations.

In addition, there are a number of other issues to which the recommendations did not provide a satisfactory professional response and which must be addressed in the future when a comprehensive and up-to-date staff work is carried out:

1. The very recommendation to impose a sanction on imports only from a certain country inevitably creates unbalanced mechanisms that will create in a very short time easy and non-enforceable bypass routes, such as exports from Canada to European countries and from there to Israel directly, after being checked by a local documentation institute. These routes are very easy to implement and unenforceable, and may encourage the entry into the market of unwanted and irresponsible players who will engage in the creation and implementation of these bypasses, without the regulator in the Ministry of Health, or the Ministry of Economy, being able to follow the entire value chain. In this way, the economic impact of the one-time levy will probably not be large, but it will encourage a black market and transit of medical cannabis (on which a large number of patients rely) through unwanted intermediate stations. Even if it was correct to impose a floating levy, it would have to be across the board on every import whatsoever. Given that this is not the recommendation, the imposition of a levy only on a specific country from which medical cannabis can be easily transported to another country and imported from it, is the worst of all worlds.
2. Possible damage to exports, which only in the last year and after great efforts on the part of the Ministry of Health, and with the encouragement of the Ministry of Economy, began to occur in significant commercial volumes. As we know, the expansion of the business activity of Israeli companies depends to a large extent on the regulatory policies of the countries of the world, which already today suffers from many regulatory restrictions in the field of medical cannabis that prevent free trade. The tightening of import restrictions to Israel may lead to protective countermeasures by other countries, which may lead to damage to the business activities of Israeli companies. Therefore, this step may harm the many efforts invested by the Ministry of Health to open the Israeli markets for export abroad.

companies in the market and will create an incentive to "bypass" imports from Canada. The levy rate determined by the commissioner applies to imports from Canada only, while even for the import of cannabis from Canada the levy rate is not uniform and depends on doubt. The Ministry of Health believes that the decision to impose the levy and give priority to certain providers over others is very problematic due to the expected increase in the prices of cannabis products and the consequences for cannabis patients in Israel. Among other things, the ministry fears that high-quality products that are essential for treating patients will disappear, and the ministry also fears a reduction in supply and damage to the ability of patients from the lower deciles to purchase the product.

4. Finally, the acute issue that was not adequately addressed in the report was the possible impact on the patients. Naturally, medical cannabis is not a tradable product like tomatoes or shampoo bottles (for which the Ministry of Economy would not have considered promoting a floating levy without examining the impact on consumers). This is a medical product that provides an important answer to over a hundred thousand patients in Israel. Addressing the subject only from the prism of possible damage to the part

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From the local farmers, you inevitably miss the big picture. It is important to emphasize that cannabis products are not included in the medicine basket and most patients bear their full financial cost without the participation of the health insurance fund in their financing. To the extent that the levy commissioner's discounts are realized, even in part, it is expected that the price of the product will increase, thus creating an immediate harm to the accessibility and quality of medical cannabis for the entire population, and in particular for the weakest groups. This, at the same time as a long-term damage to the level of competition, product quality and market prices.

In view of all of the above, and especially in view of the lack of professional cooperation of the Ministry of Health in the process of examination and formulation of recommendations, and as a result, in view of the failure to examine and validate the factual basis and the relevant considerations with the professional body in charge of the field, we, as the professional bodies in charge of the field, cannot support the position of the supervisor or To protect her professional judgment in court or in any other procedure. As much as the Ministry of Economy would like to promote professional staff work, which will be based on extensive current data on the entire field and which will include a full professional examination, the Medical Cannabis Unit in the Economy, Regulation and Innovation Division of the Ministry of Health, will be happy to be a partner in this.

greetings,

Ran Ridnik
Head of the Ministry of Health's
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