the blinc group

VAPOR & CANNABIS TECHNOLOGIES INCUBATOR

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PRE-HEARING TESTIMONY OF ARNAUD DUMAS DE RAULY

SECTION 301 COMMITTEE, JULY 24, 2018

Members of the committee:

On behalf of The Blinc Group, an incubator/accelerator and distributor of reduced risk nicotine and cannabis vaping products and primary employer of 12 US citizens, I am writing to encourage the committee to reject attempts to increase HTS No. 8543709930 and HTS No. 8543709940. Increasing tariffs on vapor product devices, batteries intended for use in vaping devices, and pre filled pods and cartridges will do great harm to American businesses, patients and consumers while doing nothing to empower American companies to manufacture these products themselves.

Tariffs won't bring back jobs to America

The University of Chicago reported that the U.S. lost about 5.5 million manufacturing jobs between 2000 and 2017.

During those same years, output from U.S. factories increased, which indicates that optimizations in productivity are a huge driver for the decline in manufacturing employment.

Today, companies rely a lot more on automation, coupled with college-educated employees to run them. Thus, it becomes harder to find a "qualified workforce".

In addition, within the cannabis and vaping industries, there are no manufacturers in the US. Also, the majority of the raw materials to produce compliant and reduced risk products for patients and smokers simply aren't available in the US and would have to be imported anyways. Costs of material are always lower in China because of their buying power and widespread availability.

Increasing tariffs may have worked 20 years ago, when US manufacturing was at its highest, but given the current economy, it is a major mistake to believe that this will bring jobs back to American citizens.

Access to reduced risk and therapeutic products would be limited

As my colleagues from the Vaping industry have previously stated, the data exists to prove the harm reduction aspects, whether from the CDC or the National Academy of Sciences (NAS) that smokers using vapor products were actually more likely to successfully quit versus those using conventional methods like the nicotine gum and patch.

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Furthermore, cannabis vaping products comprising an average of 25% of cannabis sales in medical marijuana or adult use states. Access to these products will be made virtually impossible given the current 10% to 15% margins. Dispensaries and retailers will stop carrying the products, inherently forcing patients and customers who use vaporizers, to use more aggressive consumption methods.

Not to mention states like New York, whose medical marijuana program will be harder to access for patients, as it is based solely on vaping products.

The proposed rise in the tariffs assessed on these products will only result in a tax increase on American businesses and inherently on consumers which will discourage adult smokers from switching to these harm reduction products and cannabis patients from gaining access to their medication.

Regulatory uncertainty and tax revenue

At the moment, the American vaping and cannabis industries are surrounded by a cloud of regulatory uncertainty that makes substantial investments in American manufacturing unlikely.

The FDA rule passed by the Obama Administration will put 99% of current established Vaping manufacturers out of business by 2022.

In addition, the lack of federal guidance and the ignorance of the therapeutic benefits of cannabis as well as the social justice opportunity of the promising Cannabis industry, will significantly stifle American innovation.

Regulatory certainty would result in more American manufacturing of vaping and cannabis products while increases in tariffs will make it harder for Americans to compete and would significantly reduce the governments collected taxes.

Finally, speaking of taxes, the State of Colorado has collected over $247M in Cannabis tax revenue in 2017. Considering that over the same period, cannabis vaping products comprised 25% of sales volumes, the loss of taxes due to non-availability of the products, would represent $61,75M, which represents the cost of educating 10,445 students. Yes, this revenue is used to fund education, regulation, substance abuse prevention and treatment programs.

Sincerely,

Arnaud Dumas de Rauly,

Chairman if the ISO TC126/SC3 Standards Committee on Vapor Products & Co-CEO of The Blinc Group

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