



DEEP DIVE SERIES

Challenges, Solutions, and Opportunities Facing **Legal Cannabis Transportation**



This paper will explore the cannabis industry's challenges and present logistical solutions based on fleet management software that can address accountability, compliance, efficiency, and safety.

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Forget all the stereotypes: Cannabis is poised to be a huge industry

Grandview Research expects the legal cannabis industry to be worth \$73.6 billion globally by 2027. Right now, the legal segment of the industry is valued at \$9.1 billion. The main players are as serious and well-organized as you will find in any emerging market.

There's a key element of the business, though, that isn't getting the attention it deserves. That's transportation. How does marijuana make its way from plant to consumer?

From cultivation to customer delivery, there are myriad paths that legalized cannabis takes along our roadways. Some state governments regulate that journey, especially those where marijuana is legitimized as an industry.

In other states, you might have teenagers driving the product between facilities in an unmarked, untracked personal vehicle.

Contrast that with the mature trucking industry and its labyrinth of federal regulations, ranging from strict Hours of Service regulations to specialized international fuel tax agreements.

This presents an opportunity: a rare chance to establish a framework of best practices that can serve as a template for regulation.

Even better, the industry can lead the way in addressing challenges it knows first-hand rather than letting regulators lead the way.

The key to establishing that framework is fleet management technology.



An Industry with **Limited** Access to Banks

The banking industry is federally regulated. That means they run the risk of prosecution for doing business with cultivators, production labs, production kitchens, laboratories, and dispensaries. The banks could be accused of aiding and abetting a federal crime, or even money laundering.

That means no lending opportunities to start a business. Enterprises that overcome that hurdle will still be forced to operate without checking or credit accounts.

This leaves cannabis businesses operating as cash-only businesses. That's inefficient for customers, for payroll, for accounts payable, and nearly every other aspect of the business that involves the flow of money. According to NPR, cannabis companies get turned down by payroll companies, insurance brokers and HR software firms.

There are some banks who are willing to take the risk of working with cannabis businesses. But often, they charge fees that don't apply to other businesses. There are only 720 out of more than 10,000 banking institutions that work with cannabis-related businesses.

There's another risk of operating a cash-only enterprise: Employees who carry cash could be ripe targets for crime. If they're robbed of the cash they're carrying, those are uninsurable assets their employer will never be able to recover.

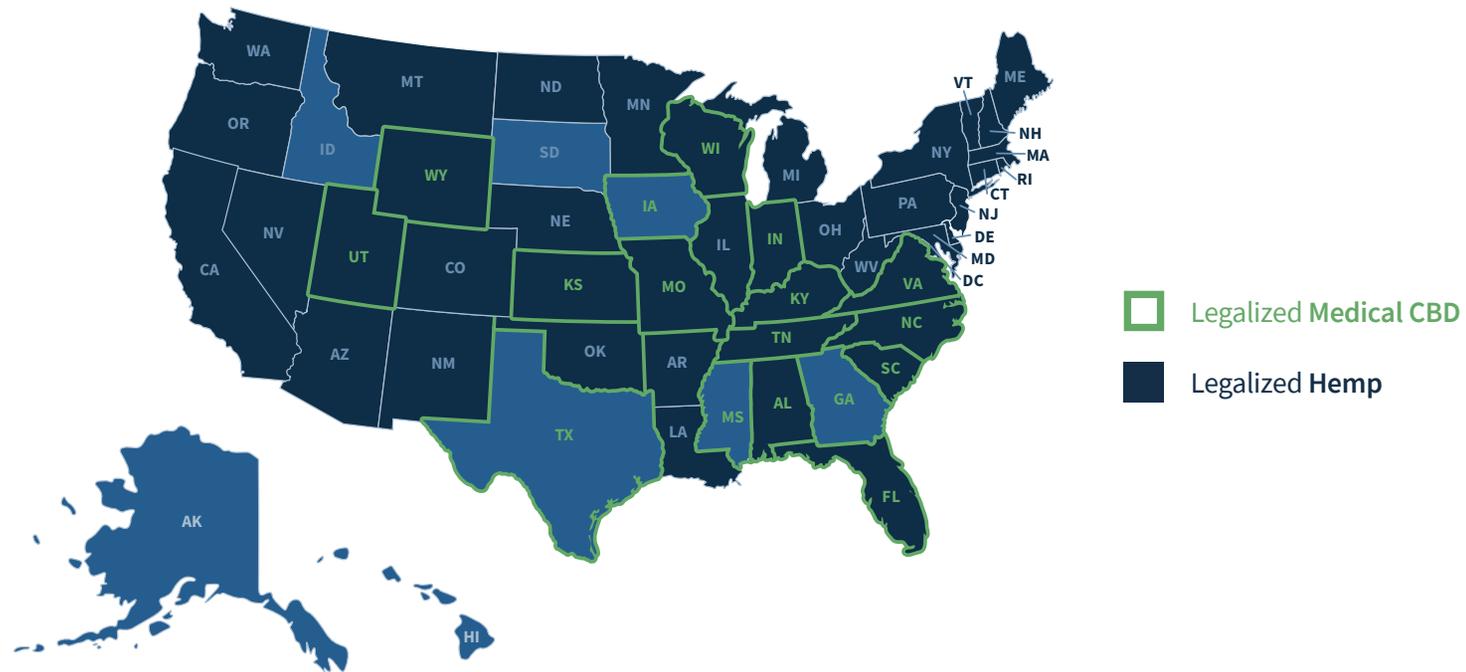
Also, employees carrying large amounts of cash creates a vector for embezzlement.

Note: California dispensaries must pay their taxes in cash using armored car services with armed guards transporting tens of thousands of dollars to state offices for inspection (photographing of every single bill used for payment), all while the client waits for a receipt from the city, state and/or county tax collectors.



There's another gray area associated with cannabidiol, or CBD, products. The CBD market could be worth \$9.7 billion by 2025 thanks to its emergence as a wellness trend. It contains no psychoactive compounds and is federally legal as long as it doesn't exceed more than .3% THC. Its legality still varies by state, though.

Let's add another layer to the challenges: There's also hemp, a relative of marijuana, that is enjoying a resurgence in industrial use. Federal laws were changed in the last few years to allow farmers to grow industrial hemp. Some CBD products are also hemp derived.





State-to-State Inconsistencies in Practice

California and Colorado provide a perfect example of what can happen when regulating cannabis is left to states.

These states, ranked Number One and Two in cannabis products sold, respectively, are opposites in their views of delivery vehicles.

In **California**, just about any vehicle is permitted to deliver cannabis as long as the product is adequately tracked. Few dispensaries own vehicles, so most deliveries make their way to the end customer in a driver's personal vehicle.

Contrast that with **Colorado's** stringent delivery regulations: A motor vehicle delivering cannabis from a dispensary must be owned or leased by a marijuana store or transportation company. It must also be insured, tracked, and compliant with security requirements.

Also, the vehicle can't have any markings indicating that it's hauling marijuana and the product must not be visible from the outside. There are also requirements for dash cams and data, as well as maximum values of regulated product that can be in the vehicle and who is allowed to drive the vehicle.

Recognizing the Obstacles in the Supply Chain

When it comes to moving products, cannabis-related businesses have the same challenges as any other organization relying on mobile workforces and vehicles.

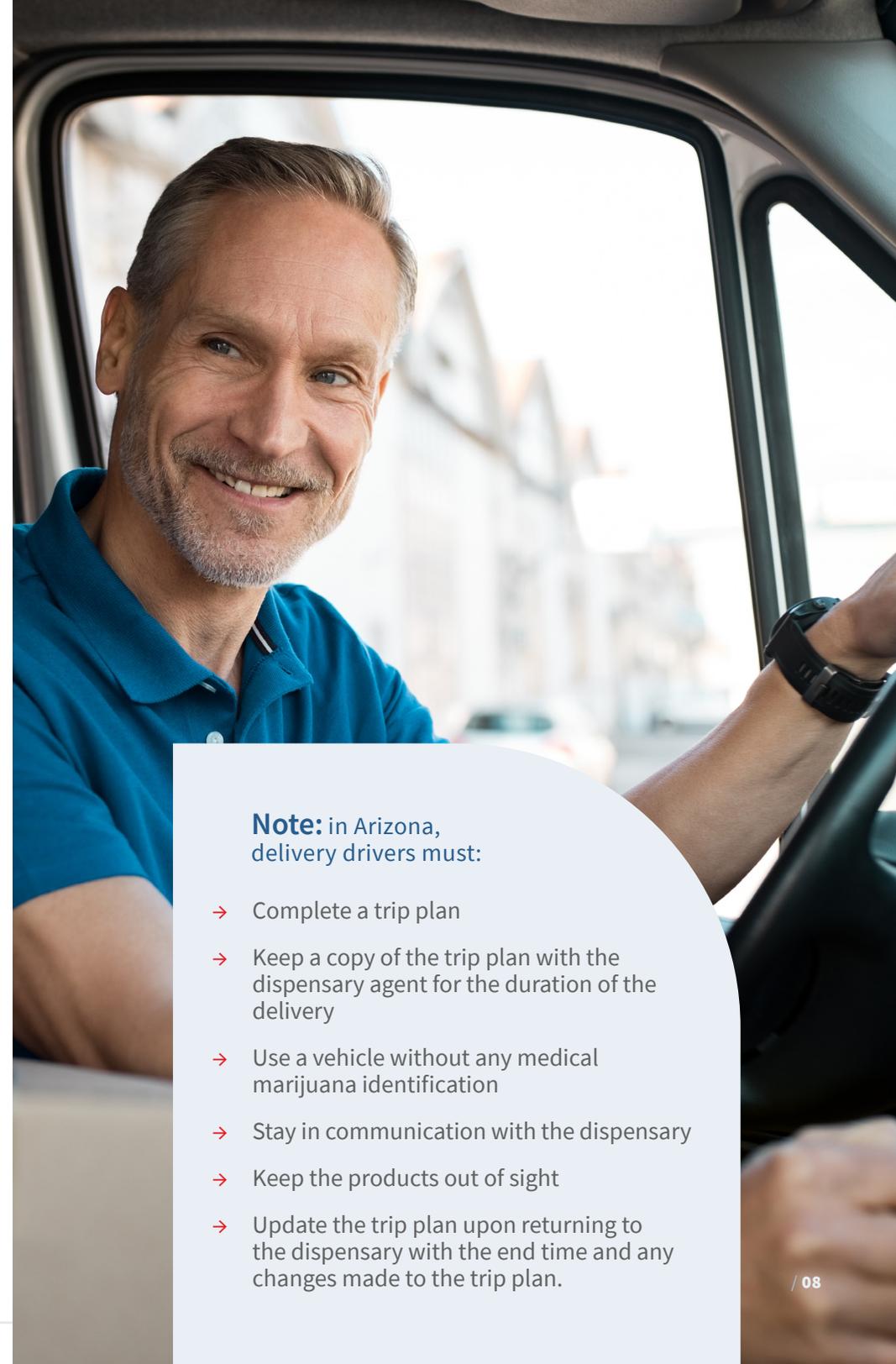
Those problems center around:

Accountability for the cannabis-related business hinges on one question: Are your employees doing what they should be doing? Are they delivering products in a way that adheres to the company's policies?

Compliance within applicable laws. As noted above, this is especially difficult today since the laws differ by state and local jurisdictions.

In many ways, complying with the laws in varying jurisdictions is similar to how freight companies must obey myriad laws ranging from Hours of Service to employing drivers who are trained to handle the cargo they're transporting.

There are also transportation-related compliance regulations. If growers are a long distance from a dispensary or laboratory, they may be subject to Hours of Service regulations. These federal rules require drivers to log their hours if they operate more than 150 miles from their home base.



Note: in Arizona, delivery drivers must:

- Complete a trip plan
- Keep a copy of the trip plan with the dispensary agent for the duration of the delivery
- Use a vehicle without any medical marijuana identification
- Stay in communication with the dispensary
- Keep the products out of sight
- Update the trip plan upon returning to the dispensary with the end time and any changes made to the trip plan.

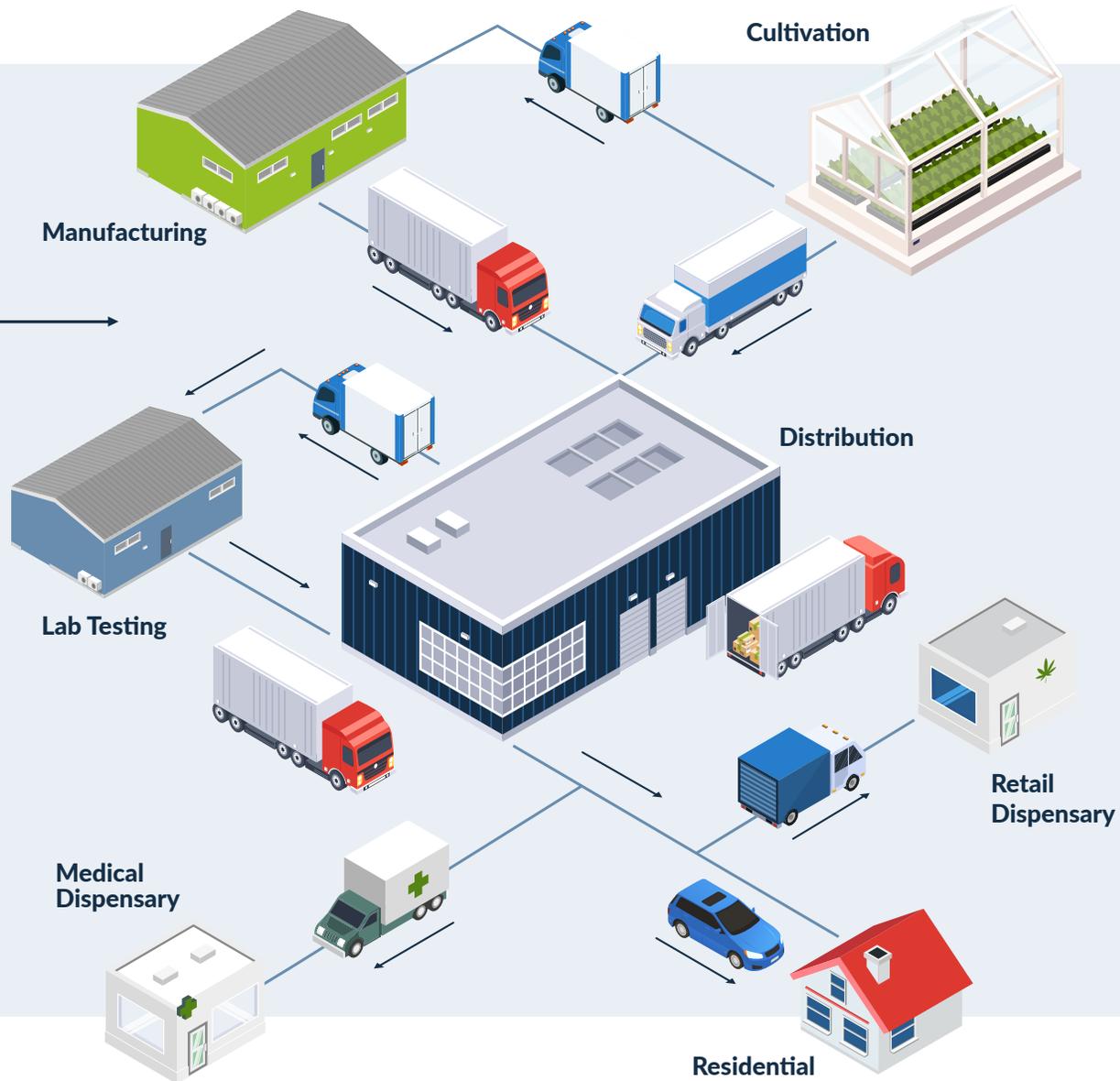


Efficiency spans a number of issues, including optimized vehicle routing, fuel efficiency, and minimizing vehicle downtime. This is a pillar of effective fleet management, and it allows organizations to get more work from their vehicles while reducing costs.

Growers can focus on fuel burn and maintenance optimization, while dispensaries will see their best opportunities in route optimization.

Safety is a major issue in the cannabis industry – and for a wide variety of different employees and vehicles. For transit from growers to labs or dispensaries, you’ll want objective measures of how safely your employees are driving, as well as ensuring that they’re protecting any product or cash they are carrying.

Dispensaries have found that delivery drivers are a vector for risk and loss. They are often carrying large amounts of cash in addition to a high-value product. This makes robbery an ever-present possibility. As with any vehicle, driving habits are also a safety concern.



i Legal Cannabis Supply Chain

Product moves between cultivation harvests to manufacturing facilities, then to production kitchens and labs, then distributed to dispensaries.

Fleet Management Solutions for the Win

For every cannabis transportation issue, there's a solution in fleet management products.

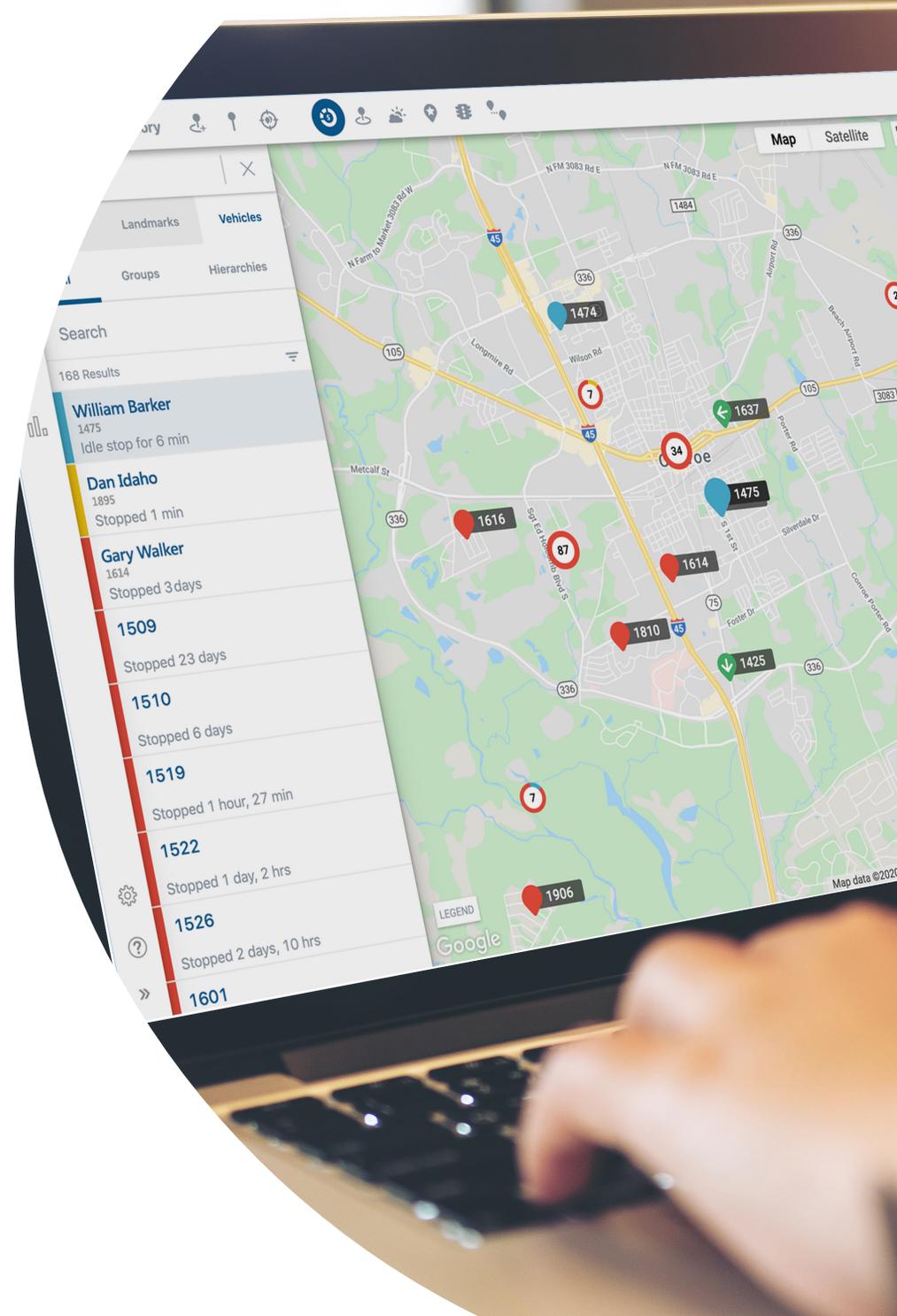
GPS Insight breaks its products into three overarching sectors. Let's examine those sectors to see how they can address cannabis transportation.

GPS Tracking

Most fleet management solutions are built on some form of GPS tracking. The goal of this type of software is to get insights into how employees are using your vehicles at all times from any desktop or mobile device.

This deviates from the current cannabis industry practice of tracking products through methods such as RFID tags. There's also a significant difference presented by deliveries from dispensaries to customers: **Unlike traditional vehicle fleets, it's rare for dispensaries to own their delivery vehicles.**

Mary Jane Intel has devised a way to track cannabis products using a custom GPS Insight solution – it was developed from the ground up to track products that are almost exclusively transported in a personal vehicle.



Fleet Begin/End of Day Report »

Vehicle: 8002-03

Driver	Date	Start Time	End Time	Day Duration	Trips	Drive Time	Distance
Curtis, Charlie	Sun, Jul 26, 2020	1:39 PM	6:51 PM	5 hrs, 12 min	3	1 hour, 52 min	
	Mon, Jul 27, 2020	11:54 AM	6:04 PM	6 hrs, 10 min	4	1 hour, 23 min	
	Tue, Jul 28, 2020	11:05 AM	9:09 PM	10 hrs, 3 min	10	6 hrs, 56 min	108.4
	Wed, Jul 29, 2020	2:07 PM	7:56 PM	5 hrs, 49 min	5	4 hrs, 54 min	108.4
	Thu, Jul 30, 2020	11:01 AM	5:42 PM	6 hrs, 41 min	9	2 hrs, 40 min	63.6 mi.
5 dates				33.9 hrs	31	17.8 hrs	366.9 mi.

Vehicle: 8002-04

Driver	Date	Start Time	End Time	Day Duration	Trips	Drive Time	Distance
Curtis, Charlie	Sun, Jul 26, 2020	9:19 PM	10:27 PM	1 hour, 8 min	2	1 hour, 5 min	35.2 mi.
	Wed, Jul 29, 2020	2:23 AM	11:02 PM	20 hrs, 39 min	4	47 min	12.8 mi.
	Thu, Jul 30, 2020	5:19 PM	6:14 PM	55 min	2	48 min	15.3 mi.
3 dates				22.7 hrs	8	2.7 hrs	63.3 mi.

Vehicle: 8004-01

Date	Start Time	End Time	Day Duration	Trips	Drive Time	Distance	Odometer
Sun, Jul 26, 2020	12:20 PM	7:27 PM	7 hrs, 6 min	5	1 hour, 35 min	60.7 mi.	163,724
Mon, Jul 27, 2020	12:44 PM	9:55 PM	9 hrs, 11 min	6	4 hrs, 31 min	225.8 mi.	163,950
Tue, Jul 28, 2020	5:49 PM	7:49 PM	2 hrs	2	29 min	7.6 mi.	163,957
Wed, Jul 29, 2020	1:25 PM	2:16 PM	51 min	2	18 min	4.2 mi.	163,961
Thu, Jul 30, 2020	11:03 AM	8:44 PM	9 hrs, 41 min	4	32 min	3.1 mi.	163,964
Fri, Jul 31, 2020	10:15 AM	11:31 AM	1 hour, 16 min	1	1 hour, 16 min	59.1 mi.	164,023
6 dates				30.1 hrs	20	8.7 hrs	360.5 mi.

Date	Start Time	End Time	Day Duration	Trips	Drive Time	Distance	Odometer
Thu, Jul 30, 2020	5:52 PM	10:13 PM	4 hrs, 20 min	5	1 hour, 30 min	58.5 mi.	57,737
Fri, Jul 31, 2020	7:03 AM	7:23 AM	20 min	1	20 min	18.3 mi.	57,737
2 dates				4.7 hrs	6	1.8 hrs	76.8 mi.

Date	Start Time	End Time	Day Duration	Trips	Drive Time	Distance

With GPS tracking, organizations are able to reduce fuel and labor costs by controlling idling, speeding, and unauthorized stops.

It's also possible to use GPS tracking for custom solutions. Some organizations have worked with GPS Insight to create in-vehicle buzzers and panic buttons. These custom products have literally saved lives.

GPS tracking offers help to cannabis businesses by being able to track their product and people at all times. You can ensure that deliveries are made on-time and to the right locations.

For dispensaries, this is will be a keyway to save time. They will be able to track all drivers from a single screen. Currently, many dispensaries must pull data from multiple apps and manually reconcile each driver's miles, tips, cell phone data and reimbursements.

With a GPS tracking report, dispensary office staff will be able to identify drivers, cars, all stops, and all mileage from home base to customers back to the home base. GPS tracking will decrease their workload while allowing greater visibility into payment errors, poor network connections, faulty card readers, and many other issues related to cannabis delivery.

Smart Cameras

Even with GPS tracking, it's difficult to truly understand everything that happens in one of your vehicles. That's where a smart camera can transform your insights into use of your vehicles, especially for vehicles owned by the dispensary, grower or laboratory.

The Driveri camera, for example, uses 360-degree views, in-vehicle alerts and endless insights to provide true visibility into each vehicle.

Driveri automatically analyzes every minute on the road. It tracks and records safe, courteous driving habits, but can also notify managers of unsafe driving.

Cannabis growers could also benefit from another aspect of Driveri: drivers can manually trigger alerts.

This means they can record and notify management of any unexpected situation. This is a great way to ensure the safety of employees carrying large amounts of cash or high-value products. You'll be able to protect not only the seed-to-sale chain of the product, but also take a major step to keeping your drivers safe.





Compliance Management

As mentioned earlier, cannabis growers may fall under Hours of Service (HOS) regulations. These rules are long and complicated. It's important for a cannabis business to determine whether its transportation activities are subject to HOS rules. There are fleet management solutions that can immediately aid with compliance, as well as experts who can help you navigate the related HOS issues.

Cannabis businesses with multiple vehicles could also use our Daily Vehicle Inspection Report app to simplify vehicle maintenance. It's also possible to create a workflow for drivers that follows steps required by local laws, such as the requirements in Arizona mentioned earlier in this document.

It's possible that a custom solution may be of help in navigating the laws of different state and local jurisdictions.

Turning Your Data into a Regulatory Framework

The cannabis industry is unique. Never before has an industry grown in spite of direct opposition from federal law. This has also created an industry culture of activism – being socio-politically savvy is a must for cannabis-related businesses.

This creates another unusual opportunity for cannabis businesses: the chance to be involved in crafting the industry’s regulatory framework.

Most observers consider legalization and decriminalization of marijuana to be

inevitable. It’s supported by polling and election results.

This is a challenge for government entities: It’s yet another industry that will require regulation. Many government agencies are already underfunded and time constrained.

By adopting fleet management solutions, cannabis businesses can begin turning data into best practices for transporting their products. Those best practices could form the basis of federal regulations as

the nation steps toward legalization and decriminalization.

Data from cannabis-related businesses can be a template created from real-world, practical experience.

A complaint we often hear from trucking industry insiders is that the regulations were created by government officials rather than experts in their field. The cannabis industry has a rare chance to influence the regulations in their infancy.

There is no better time to begin implementing fleet management solutions

Your organization will not only improve its accountability, compliance, efficiency, and safety, but you’ll be in a position to influence the industry’s regulatory framework. This can have a profound effect on being able to thrive.

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