

12. MAXIMIZE THE ECONOMIC BENEFIT OF RECREATIONAL MARIJUANA

Issue

The legalization of recreational marijuana, which has been promised by the current government as part of its 2015 election platform, would create a market worth up to \$5 billion.¹ In the event that the Government of Canada passes legislation to legalize recreational marijuana use, the Greater Niagara, Windsor-Essex and Abbotsford Chambers of Commerce recommend that the government implement a regulatory framework that will allow competition and consumer choice while also protecting consumers, the public, and youth.

Background

The legalization of recreational marijuana was a part of the Government of Canada's 2015 election platform, and on April 20th, 2016, the Government duly promised that legislation would be proposed in the spring of 2017. As Member of Parliament Bill Blair, who is leading the federal government's marijuana legalization project, recently recognized, there is an opportunity for the federal and provincial governments to model the regulation of marijuana after that of other intoxicants, including alcohol and tobacco.² Strict regulations must particularly be passed and enforced to protect youth, and these existing industries can form a useful model.

There are several options for distribution, and the government should investigate all with a view, firstly, to protecting youth and ensuring that regulations are effectively enforced, and secondly, to ensuring that competition and consumer choice are maintained. With regard to the first, the Tobacco Act (1997) provides a framework and legislation should be along these lines.

Apart from the distribution model of tobacco, in which independent retailers may sell the product and are expected to comply with the law, there are some alternatives. Some pharmacies are interested in retailing recreational marijuana.³ Existing producers of medical marijuana are already distributing their product to users, and could simply ramp up the scale of their online distribution. The Government of Canada has the power to direct or at least set the tone for sale and distribution, as it has for tobacco, and should seek a model that preserves consumer choice and a free market.

The legalization of recreational marijuana in other jurisdictions, such as Colorado and Washington, has realized significant economic benefits. In 2014, Colorado retailers sold \$386 million USD of medical marijuana and \$313 million USD of recreational marijuana totalling nearly \$700 million USD in sales.⁴ These sales generated \$63 million USD in tax revenue and an additional \$13 million USD collected in licenses and fees.⁵ The state's Department of Revenue projects that marijuana sales in the state will exceed \$1 billion USD in 2016.⁶

It is anticipated that the Government of Canada would similarly benefit from the legalization of marijuana. A report from CIBC World Markets has projected that federal and provincial governments could gather as much as \$5 billion

¹ Financial Post, *Canada's budding marijuana industry could blossom into a \$5-billion market if Liberals make recreational pot legal* (<http://business.financialpost.com/news/agriculture/canadian-marijuana-stocks-jump-as-liberal-wins-signals-legalization-on-the-table>)

² Toronto Star, *MP Bill Blair says legal pot could be sold in liquor stores* (<http://www.thestar.com/news/canada/2016/01/08/justin-trudeau-picks-bill-blair-to-lead-marijuana-legalization-reform.html>)

³ Globe and Mail, *For Canadian pharmacies, pot is a gateway drug with high upside* (<http://www.theglobeandmail.com/report-on-business/rob-commentary/for-canadian-pharmacies-pot-is-a-gateway-drug-with-high-upside/article28866161/>)

⁴ Washington Post, *Colorado's legal weed market: \$700 million in sales last year, \$1 billion by 2016* (<https://www.washingtonpost.com/news/wonk/wp/2015/02/12/colorados-legal-weed-market-700-million-in-sales-last-year-1-billion-by-2016/>)

⁵ *ibid.*

⁶ Colorado Legislative Council Staff, *Focus Colorado: Economic and Revenue Forecast* (⁶ [http://www.leg.state.co.us/clics/clics2014A/cslFrontPages.nsf/FileAttachVw/Forecast/\\$File/forecast.pdf#page=32](http://www.leg.state.co.us/clics/clics2014A/cslFrontPages.nsf/FileAttachVw/Forecast/$File/forecast.pdf#page=32))

per year in tax revenues from the industry.⁷ There are nearly 30 licensed producers of marijuana in Canada that are well positioned to capitalize on this market opportunity. It is in this context that now Prime Minister Justin Trudeau committed to legalizing marijuana for recreational consumption during the 2015 federal election.

In order to safely maximize the economic benefits of the recreational use of marijuana, the federal and provincial governments should coordinate to legalize the sale and distribution of marijuana for recreational use. In addition, the government should coordinate to develop effective health and safety recommendations to promote the safety of recreational marijuana consumers.

Recommendations

That the federal government:

1. Introduce a modern, legal framework for recreational marijuana production and distribution
2. Develop effective health and safety regulations that will ensure consumer safety and protect Canadian youth throughout the production and distribution of marijuana for recreational use
3. Investigate and implement a retail and distribution policy in partnership with the provincial governments to preserve consumer choice, ensure a level playing field and adherence to regulations and restrictions, and avoid offering special treatment to any person or organization in the industry.

SUBMITTED BY THE GREATER NIAGARA CHAMBER OF COMMERCE

Co-sponsored by the Windsor-Essex Chamber of Commerce

⁷ CBC News, *Legal pot taxes could add \$5B a year to government coffers, CIBC says*
(<http://www.cbc.ca/news/politics/pot-revenue-government-5-billion-1.3423705>)