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## ▶ LEGALIZATION OF CANNABIS: THE POLICY CHALLENGES AND OPPORTUNITIES

*Kathleen Thompson, PhD, MSW, RSW, BA (Hons)*

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The commitment by the Government of Canada to legalize cannabis and cannabis products presents a complex range of socio-economic challenges and opportunities. Creating the right legal and regulatory framework to address the implications, both good and bad, will be key in determining whether legalization is deemed successful public policy.

The federal government plans to introduce cannabis legislation in the coming spring session of Parliament. The legislation will be based on the recommendations contained in a report issued on November 30 by a Task Force of experts who studied the issue for the past year. The Task Force received input from more than 30,000 Canadians, organizations and professionals. Entitled "A Framework for the Legalization and Regulation of Cannabis in Canada", the report recommends allowing more flexibility in the current federally controlled cannabis cultivation model. Specifically, the federal government would regulate a safe and responsible supply chain of cannabis.

Currently, cannabis is illegal in Canada except for Canadians who qualify for a medicinal cannabis prescription through a licenced physician. The Access to Cannabis for Medical Purposes Regulations (ACMPR) allows prescription holders to legally purchase medicinal cannabis from a Licenced Producer (LP) through on-line, mail-order purchases.<sup>1</sup> The existing regime is problematic. An estimated 90%

of prescription holders are accessing cannabis illegally rather than through LPs.<sup>2</sup>

Broadly based guiding principles for the implementation of the new framework set out in the report are: protection; compassion; fairness; collaboration; commitment and flexibility. Balancing health promotion with reducing the illicit cannabis market is to be realized through establishing taxation and pricing models.<sup>3</sup> Often the debate about legalization of marijuana focuses largely on the implications of increasing availability of the drug and its effects on individuals and society. For many it is a moral issue.

Clearly, the proper regulation of a controlled substance is critical. But one should not lose sight of the fact that the full, complete regulation of cannabis can deliver significant economic and fiscal benefits.

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Assuming the right regulatory framework, provinces can realize sustainable and major sources of revenue, as well as new stable jobs into the foreseeable future. For provinces like Saskatchewan, which are facing economic and budgetary challenges, the positive impacts of a well-functioning cannabis market should not be underestimated.

## Box 1: Cannabis 101<sup>4</sup>

- Some of the components found in the cannabis plant have been classified as “cannabinoids” meaning they are unique to the cannabis plant.
- The most abundant cannabinoid is delta-9-tetrahydrocannabinol or THC, responsible for cannabis’ most known psychoactive effects.
- Subclasses of cannabinoids include cannabidiols or CBDs which are believed to reduce pain and the intensity of the effects of THC.
- In addition to dried flowers used in smoking, a wide variety of cannabis products exist:
  - o Concentrates (e.g. oils, wax)
  - o Tinctures and sprays
  - o Edibles (e.g. infused food and drink, ingestible oils)
  - o Topical products (e.g. creams, salves, balms)
- Each product varies in its mode of delivery, potency and effect.

## ► Economic Impact: Green is the New Gold?

The size of the adult-use cannabis market in Canada is huge. It is estimated to be \$22.6 billion annually, with two-thirds of the market profits resulting from the ancillary cannabis market and related revenues.<sup>5</sup> Ancillary profits relate to revenue made by growers, infused product makers, testing labs and security. Related revenues include tourism revenue, business taxes, licence fees and cannabis paraphernalia. Research indicates that the initial years of legalization will be a fiscal burden on governments due to the costs of establishing a regulatory system and enforcement models.<sup>6</sup> Over the long run, other revenues for government from the cannabis market will result from taxes applied beyond the point of sale (i.e. corporate tax on licensed producers, income tax on legitimate cannabis-related occupations, compliance and licencing fees).<sup>7</sup>

The existing legal cannabis market is itself substantial. The medical cannabis population is seven per cent of the adult population. Twenty-two percent of Canadians report consuming cannabis at least occasionally, with an additional 17% indicating a willingness to try cannabis if it were legal.<sup>8</sup> Thus, the total potential marketplace of the adult-use cannabis market is 40% of the Canadian population.<sup>9</sup> To support demand, the industry requires a wide range of cannabis cultivators, value-added processors, and credentialed distributors.

Saskatchewan and Manitoba residents are paying the highest average cannabis price per gram in Canada (\$10.20, and \$9.28 respectively), next to the territories (\$13.17). The average price that Canadians are paying for a gram of cannabis is \$8.32. Quebecers pay the least per gram (\$7.32)

A critical dimension of successful public policy is public support for the initiative. While two thirds of Canadians favour legalization of cannabis,<sup>10</sup> eight percent oppose and 22% strongly oppose legalization, and, as table 1 indicates, Prairie people are less supportive of legalization than those in other regions.

**Table 1: Support or Somewhat Support for Legalization of Cannabis by Subgroup<sup>11</sup>**

Atlantic (n=100)	67.5%
Quebec (n=25)	68.1%
Ontario (n=300)	70.8%
Prairies (n=200)	54.6%
British Columbia (n=150)	75.0%

The lower level of support raises the question of how opinion can be changed. Building support among Prairie people lies in part by identifying the economic benefits of the potential for increased hemp cultivation and processing. Cannabis plants contain THC levels from 5 to 30 percent. Hemp contains very little THC (<0.3 percent) and is legal in Canada. In recent years, entrepreneurs on the Prairies have drastically increased hemp production and particularly the production of high quality hemp food products. Hemp Oil Canada, based in Manitoba, was the first in the world to gain international food-safety accreditation, creating opportunities for international markets for hemp food products.<sup>12</sup> The growing conditions of the Prairie region are ideal for producing the highest quality hemp food products. In addition to food products, the hemp plant has numerous value-added opportunities.

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Western Canadian provinces have the opportunity to embrace a stable taxation base and foster economic innovation by supporting development of the global hemp industry. Canadian hemp producers, particularly hemp seed and oil producers, have a global advantage that rests in advancing the regulated and taxed cultivation and production of cannabis, hemp and value-added products. Saskatchewan and its adjoining provinces are uniquely positioned to profit from the global hemp market. In 2013, Uruguay fully legalized the cultivation and selling of cannabis.<sup>13</sup> Many countries around the world have decriminalized cannabis possession. Export opportunities for hemp and cannabis products are substantial. The federal government eased regulations for the legal cultivation and testing hemp recently.<sup>14</sup> As a result, industrial hemp seeds and stalk can be processed into a wide range of products, including health foods, beer, feed, organic body care, clothing, construction materials, biofuels and plastic composites.

Given these economic factors, it’s critical to shift the dialogue from whether or not to legalize cannabis towards tangible, collaborative

discussions on co-creating a taxable, provincial cannabis distribution model. Fostering diversity in the legal cannabis production chain and distribution model can allow young and marginalized entrepreneurs opportunities for involvement in the new legalized framework.<sup>15</sup> But the process of turning an illicit industry into a licit market is complex, as we learned from the end of prohibition.<sup>16</sup>

First Nations, municipalities, provinces and the federal government all have the opportunity to realize sustainable taxation revenues providing inclusive and enforceable regulations are co-created with the cannabis industry, as part of a collaborative public policy model. The Task Force sought input from Indigenous communities, many of which expressed an interest in the cannabis industry.

## ▶▶ Health Impact: Mitigating Risks

A public health lens dominates the Canadian legalization model, with a focus on minimizing the harms associated with cannabis use. Restricting youth access to cannabis and promoting awareness of the dangers of cannabis and driving are key themes in the new framework set out by the Task Force. In its report, the Task Force highlighted the need for access to accurate information on the risks and negative effects of cannabis. With a lack of enough peer-reviewed credible research on the impact of cannabis use, there is a tendency of cannabis activists to overstate the capacity of cannabis to heal or cure certain chronic conditions. As a result, the medical community is uncomfortable with being the gatekeepers of cannabis prescriptions for Canadians seeking access to medicinal cannabis.

The federal classification of cannabis as a Schedule 1 drug in both the U.S. and in Canada has limited the capacities of researchers over recent decades across North America. Specifically, the potency level of cannabis used in clinical studies in North America typically is around five percent THC. Black market cannabis averages THC levels of 20 percent. Studies involving cannabis with higher THC levels could produce different results.<sup>17</sup> There is a critical need for evidence-informed education for policy-makers, professionals and communities as cannabis regulations are created, implemented and enforced.

Indeed, the therapeutic benefits and dosage of cannabis remain in dispute for particular illnesses and individuals.<sup>18</sup> The reality is limited research and scientific knowledge exists on cannabis as a medicine. Risks of misuse, although disputed, do exist. At least half of the use of medicinal cannabis is for pain relief. Cannabis is also known to reduce nausea and to stimulate appetite. Chronic neuropathic pain, HIV, multiple sclerosis, Parkinson's disease, Tourette syndrome and Fibromyalgia are conditions that allow for medicinal cannabis use.<sup>20</sup> However, the adverse effects of long-term use of cannabis for medical purposes require further inquiry. The social and substation impacts of cannabis in helping individuals "step down" from misuse of potentially-fatal substances such as alcohol, cocaine and opiates require further research. The relationship between cannabis use and the onset of psychosis also requires further study.<sup>21</sup>

## ▶▶ Legal and Social Impacts: Shifting Priorities

A major thrust of the legalization of cannabis is to shift the focus of cannabis use from a corrections matter to a health issue. Cannabis misuse is a health problem and it should be treated as such.<sup>22</sup> One-third of drug arrests in 2013 in Canada were cannabis related.<sup>23</sup> Statistics show that Saskatoon has the highest rate of personal possession arrests for cannabis in Canada.<sup>24</sup> Clearly then, reducing the criminalization of youth, and particularly indigenous youth, through legalized and well-regulated cannabis, is important to the economic and social well-being of Canada.<sup>25</sup>

From a law-enforcement perspective, enforcement will be crucial. A primary concern for the public is the impact widespread cannabis use could have on road safety. A legal and regulatory framework that deters and detects 'drugged' drivers will be critical to maintain public support for legalization.

Additionally, strong disincentives need to be introduced to respond to those who cultivate or dispense cannabis outside of the new framework. The transition to a legalized, regulated cannabis framework will require considerable education and re-training for law enforcement agencies and personnel. An important component of the new framework will be educating cannabis consumers on the dangers of driving under the influence of the drug, and particularly in mixing alcohol and cannabis. In fact, an opportunity exists with the legalization of cannabis to increase awareness of safe-driving practices in general towards continued roadway safety.

## ▶▶ Fully Regulated?

The Task Force Report calls upon all levels of government to quickly build capacities to create compliant cannabis policies and regulations. It will be a complicated policy task.<sup>26</sup> Western Canadian economic opportunities to seize the economic potential of new, thriving cannabis sector are unprecedented. The determining factor between profit and loss, both for businesses and governments, is how effectively the regulatory framework is created, implemented and monitored. The Task Force discourages selling liquor and cannabis together. Yet, the impending privatization of Saskatchewan liquor stores could offer a model for regulating provincial cannabis sales. Potential backlashes against legalization are risks Prairie governments face. Simultaneously, effective leaders want to avoid looking out of touch by wrestling with cannabis policies, while dozens die weekly from fentanyl overdoses.

Just as critically, the cannabis community has a role to play in collaborating with governments to successfully mitigate the risks, and the perceptions of risks, associated with cannabis use and misuse. The capacities for collaboration will likely vary significantly based on the ability to bring together various stakeholders. The key is whether cannabis activists can work collaboratively with governments. Advice from policy makers in other legal jurisdictions, primarily the U.S., is to solidly regulate cannabis cultivation and sales from the beginning of the legalization process.<sup>27</sup> Offering pathways for legalization and legitimacy for existing grey market actors is an important, yet complicated, policy reality facing governments. The

new framework is an opportunity for engaging in rigorous and compassionate dialogue about effectively regulating and taxing the safe cultivation, processing and dispensing of cannabis in our communities.

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### Kathleen Thompson, PhD, MSW, RSW, BA (Hons)

Dr. Thompson has worked in health policy analysis and research as a bureaucrat and as a consultant for the last 25 years, specializing in the mental health, disability and corrections sectors. In 2015, Dr. Thompson created the Cannabis Regulatory Research Group. The focus of the policy research group is on promoting collaborative public policy processes and evidenced-based research with the cannabis industry, governments, academia, civil society and at the United Nations. Additionally, Dr. Thompson consults with individuals and organizations on how to enter the legal cannabis industry.

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