

U.S. takes serious look at marijuana's profit potential, while B.C. allows millions of dollars to go up in smoke

BY IAN MULGREW, VANCOUVER SUN MARCH 1, 2013

The voters of Colorado and Washington who said legalize marijuana last November have transformed the American discussion about pot.

Instead of Cheech-and-Chong-like debates punctuated by what-are-you-smoking snickers, now we are seeing dry-as-dirt, tax-policy and business startup seminars.

People's eyes are glazing over not because they're high; they're boggled. Provincial Justice Minister Shirley Bond, however, is keeping her head in the sand about developments down the highway, insisting it is all up to Ottawa to deal with the marijuana issue.

U.S. Attorney General Eric Holder has been under the spotlight since the two states decided in November to legalize the recreational use of pot.

He and the Obama administration made it clear federal law-enforcement agencies would respect the states' right to allow personal possession, but regulated retail sales of weed slated to begin later this year are another story. Given Washington, D.C.'s strident stand against legalization and existing federal drug laws, the ballot results have created a tense standoff between the two levels of government over whose authority will hold sway: state voters' or the administration's.

Entrepreneurs hoping to cash in on the emerging market are anxiously awaiting the outcome as it has huge business implications - billions of dollars are believed to be at stake.

Holder's Justice Department hasn't said what it is going to do, but on Tuesday he promised an answer "soon."

He is worried not only about what happens in Washington and Colorado, but also about the effects on neighbouring states (not to mention B.C.) and on other states - especially since similar legalization initiatives are springing up like mushrooms.

Colorado Gov. John Hickenlooper says the feds have told him they haven't ruled out pushing for a change in the law through Congress to avert a showdown. But Washington Gov. Jay Inslee warns no one has an easy solution to the impasse that appears to require a federal about-face on the near century-long pot prohibition.

"As governor, I am obligated to carry out the will of Washington voters," he said in a letter to Holder released to the media. "Clearly, the world is watching the states of Colorado and Washington as their initiatives are implemented. We intend to do it right."

In Washington, the ballot initiative set taxes on marijuana production, wholesale and retail sales at 25 per cent and defined spending levels on things like education - exactly \$20,000, for example, on web-based programs about the health and safety risks of marijuana.

Colorado has had a panel drafting recommendations for legislators to consider that will be later put to

voters for approval. It has considered excise taxes of up to 15 per cent to fund school construction, a special pot levy beyond the state's present 2.9 per cent sales tax, and a series of licensing fees for growers and retailers.

The challenge is setting taxes that are not so high that legal pot is so expensive that the black market is maintained.

And it already has recommended potency labels, restricted advertising, residency requirements for marijuana workers and limits on individual sales to less than an ounce. The group decided against a residency requirement for consumers, opening the door for pot tourism.

No one knows how much money pot will generate for the two states.

Colorado state budget analyst Dan Krug, who calculated multiple tax scenarios for the panel, said estimates range from a few million dollars to \$72 million annually, depending on tax rates and growth of the industry.

Meanwhile, SFU criminology professor Neil Boyd reports that B.C. wasted some \$10.5 million in 2011 prosecuting pot possession charges. The RCMP laid twice as many charges that year than they did half a decade earlier - and generated roughly 1,200 convictions.

Justice Minister Shirley Bond responded by questioning Boyd's methodology: How would he know what it cost to process pot charges; the government doesn't even know! What's she smoking?

Forget about the waste of time and public resources; think about the damage to the individuals involved who are now saddled with a criminal record.

As Boyd says, almost one in five people in the province use pot, barely one in seven believes a criminal conviction is sensible or logical, only 14 per cent think small amounts of marijuana should lead to a criminal charge.

An Angus Reid poll in November indicated 75 per cent of the province wants to see pot taxed, regulated and sold to adults in a manner similar to alcohol and tobacco.

Why is Victoria fiddling while allowing millions to go up in smoke in spite of what is happening on the other side of the Peace Arch?

B.C. should follow the same path as its cross-border sister and bow to overwhelming public opinion.

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