

**ONTARIO IS THE FIRST PROVINCE IN CANADA TO REVEAL ITS PLAN FOR DISTRIBUTION OF CANNABIS UNDER THE PROPOSED FEDERAL CANNABIS ACT**

By Rick Moscone



[Rick Moscone](#)  
Partner

On September 8, 2017, the Province of Ontario announced its planned approach to the federal legalization of cannabis as proposed by Bill C-45, the *Cannabis Act*, which provided significant discretion to the provinces to determine the approach to distribution, sale and retailing of cannabis within the individual provinces.

Ontario's plan was announced by Yasir Naqvi, Attorney General, Charles Sousa, Minister of Finance and Dr. Eric Hoskins, Minister of Health and Long-Term Care. Highlights of the announcement are as follows:

- The Liquor Control Board of Ontario (LCBO), a crown corporation, shall be provided with the mandate to distribute, sell and retail cannabis products for recreational consumers in Ontario, both at physical retail locations and online.
- Alcohol and cannabis will not be sold in the same physical retail locations. The LCBO will establish a separate entity, which will distribute cannabis through cannabis-specific retail outlets physically separate from existing LCBO stores.
- The expectation is that the LCBO will have opened 40 cannabis-specific retail outlets by the Government of Canada's targeted July 1, 2018 implementation date of the *Cannabis Act*. The locations of these retail outlets will be determined in consultation with municipalities across the province. The stated goal is to increase the number of retail locations to 80 within the first year, and up to 150 locations by the end of 2020.
- It has not yet been determined what the new stores will be called or how they will look. Products will not be permitted to be visible to young people, in accordance with federal rules, and would have a "behind-the-counter" system, as in the case of tobacco.
- The new LCBO subsidiary will also distribute cannabis across the Province of Ontario online through a government-controlled website that will be functional by the targeted July 1, 2018 implementation date of the *Cannabis Act*.
- The pricing model has not yet been determined but will be guided in order to discourage customer reliance on the black market. The

t: 416.941.8858  
[moscone@foglers.com](mailto:moscone@foglers.com)

Fogler, Rubinoff LLP  
Lawyers  
77 King Street West  
Suite 3000, PO Box 95  
TD Centre North Tower  
Toronto, ON M5K 1G8

t: 416.864.9700  
f: 416.941.8852  
[foglers.com](http://foglers.com)

---

Ontario Government anticipates that profitability will initially be modest.

- Consistent with the *Cannabis Act*, edibles and cannabis-infused snacks will not be sold in either the physical retail locations or online.
- Ontario's new rules will allow the use of recreational cannabis only on private property, not in public, workplaces or in vehicles. Mr. Naqvi said the possibility of allowing the consumption of cannabis in some sort of licensed establishments could be part of a later phase of legalization, after more study.
- Cannabis sales will be restricted to those aged 19 and older in Ontario, which is consistent with current alcohol restrictions. Under the *Cannabis Act*, the mandatory minimum age of 18 has been proposed by the Government of Canada.
- Police officers will be permitted to confiscate small amounts of cannabis from individuals under the age of 19, which will not result in a criminal record for such individuals.
- Dispensaries currently operating in Ontario will be shut down through a coordinated approach with police forces and local municipalities.

The provincial representatives have highlighted that the LCBO distribution model benefits from the LCBO's experience in the distribution of controlled substances. In addition, the Ontario Government believes this distribution model will place a focus on harm reduction from cannabis use, protecting youth and promoting public health, public safety and shutting down the black market.

It will be interesting to see whether Ontario's announced plans have any influence on other provinces as they roll out their plans in the next few months.