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Ontario mulls legalizing cannabis lounges as it moves to a more open market

The government is not considering changes to the Smoke-Free Ontario Act, it said in a statement on Monday

Mark Rendell

Ontario is considering allowing cannabis consumption lounges as well as permits for consumption at festivals and events across the province. It is unlikely, however, that lounges would resemble Amsterdam's famed cannabis cafés, given provincial legislation prohibiting smoking indoors.

The Ontario government began a public consultation process on Monday, using a survey to gather feedback on "cannabis consumption establishments" and "special occasion permits." Currently, cannabis users in Ontario are allowed to consume in private residences and in most outdoor spaces, but not inside enclosed public spaces or commercial establishments, where smoking and vaping is prohibited by the Smoke-Free Ontario Act.

The government is not considering changes to the Smoke-Free Ontario Act, it said in a statement on Monday, suggesting that any cannabis lounges or cafés would be focused on serving cannabis-infused edibles, such as chocolates and drinks.

Edibles-only cafés would also have to navigate federal rules that only allow cannabis to be sold in approved packaging.

"You couldn't put [infused drinks] on taps in restaurants because of federal regulations about the product having to be in the packaging at the point-of-sale," said Michael Wilson, a lawyer with Goodmans LLP and former chief of staff to Ontario Attorney-General Doug Downey.

"But in theory you could have a canned beverage or a bottled beverage served to a customer at a table and probably still comply with the federal rules," Mr. Wilson said.

He added that the province will have to decide whether to allow alcohol and cannabis-infused products to be sold in the same establishment.

The consultation period, which ends March 10, is the latest attempt by the Ontario government to improve the business environment for province's cannabis retailers and growers, many of whom are struggling to compete with the black market. The lack of retail outlets in Ontario – there are still fewer than 30 stores open – is commonly cited by cannabis producers to explain why their financial results have fallen short of expectations.

In December, Ontario scrapped the retail lottery system it used to award licences and moved to an open licensing model with no cap on the total number of stores allowed in the province.

"We've had a terrible month in terms of news in the cannabis industry, where we've seen layoffs from various different licensed producers. I think today's announcement should be an economic shot in the arm for both licensed producers and retailers," said Omar Khan, national cannabis sector lead for consulting firm Hill+Knowlton Strategies.

"There's an enormous opportunity for licensed cannabis retailers to explore the possibility of also operating consumption lounges either next to their retail locations or very close nearby. I also think there's a huge opportunity here for people who run, and have experience running and operating, cafés and bars," Mr. Khan added.

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