

**INQUIRY INTO IMPACT OF THE REGULATORY  
FRAMEWORK FOR CANNABIS IN NEW SOUTH WALES**

**Organisation:** NSW Young Labor

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The Hon. Jeremy Buckingham MLC  
Chair, Portfolio Committee No. 1 - Premier and Finance  
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Dear Chair,

New South Wales Young Labor would like to thank the committee for allowing public submissions to its inquiry into the 'Impact of the regulatory framework for cannabis in New South Wales.'

NSW Young Labor consists of members of the NSW Labor Party aged 15-26 from across the state, and it is with this perspective that we make this submission and its recommendations.

We note the inquiry's terms of reference, with our submission predominantly addressing items b - f.

The recommendations of our submission are underpinned by the fundamental principle that substance use and abuse is first and foremost a health issue, and that the Government's highest priority when considering this matter should be harm reduction.

As such, our submission recommends legalising cannabis for personal use, and the cautious development and implementation of robust and evidence-based regulatory and legal frameworks that maximise consumer safety and health outcomes.

We again thank the committee for the opportunity to make this submission.

Max Kennedy  
President  
NSW Young Labor

# NSW YOUNG LABOR SUBMISSION TO PORTFOLIO COMMITTEE NO. 1 - PREMIER AND FINANCE

*Impact of the regulatory framework for cannabis in  
New South Wales*

**2024**



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# **Inquiry Terms of Reference**

1. That Portfolio Committee No. 1 - Premier and Finance inquire into and report on the impact of the regulatory framework for cannabis in New South Wales, including:
  - a. the historical development and implementation of the regulatory framework for cannabis
  - b. the socioeconomic impact of the current regulatory framework for cannabis
  - c. the historical, current and future financial cost of cannabis prohibition to the Government and the economy
  - d. the impact of the current regulatory framework for cannabis on young people, the health system, personal health, employment, road safety, crime and the criminal justice system
  - e. the impact of the regulatory framework for cannabis on Aboriginal, LGBTIQ+, regional, multicultural and lower socioeconomic communities
  - f. alternative approaches to the regulatory framework for cannabis in other jurisdictions
  - g. the provisions of the Drug Misuse and Trafficking Amendment (Regulation of Personal Adult Use of Cannabis) Bill 2023, and
  - h. any other related matters
2. That the committee report by 26 September 2024.

# Recommendations

## Possession and Use

1. New South Wales legalises the consumption of cannabis for adults aged 18 or over.
2. New South Wales legalises the possession of cannabis for the purposes of personal use for adults aged 18 or over.
3. New South Wales follows the model of the ACT in allowing adults aged 18 or over to possess and grow two cannabis plants, with a maximum of four per household.
4. New South Wales develops an evidence-based framework for the public consumption of marijuana that follows international best practices, including examining aspects of the existing frameworks for smoking/vaping and alcohol consumption for applicability.

## Regulatory Framework, Tax Regime, and Industry

5. New South Wales develops a strict licensing system for both growers and commercial sellers of cannabis to maximise consumer safety.
6. New South Wales develops a taxation and licensing fee framework for cannabis that follows expert advice and international best practices, including examining taxes based on weight, price, and THC, and licensing fees for licensed growers and sellers.
7. New South Wales reinvests a significant proportion of the revenue generated by this framework into rehabilitation services for drug use.
8. New South Wales acknowledges Australia's globally leading role in cigarette/tobacco packaging and advertising laws and looks to these for approaches for inspiration in considering cannabis products and their advertising.
9. New South Wales ensures that workers employed in the cannabis industry have safe and secure workplaces and appropriate workplace protections.

# Discussion

## Possession and Use

### Health Outcomes

In considering the regulatory framework for any substance, including those that are currently illegal to consume, it is the strong belief of our organisation that these frameworks are first and foremost considered through the lens of health outcomes and harm minimisation.

The medical truth is that recreational cannabis use is no more harmful for an individual than currently legal substances, including alcohol and tobacco<sup>1</sup>. This means that the current categorisation of cannabis as illegal while alcohol and tobacco both remain legal presents does not reflect contemporary evidence.

**It is for this reason that NSW Young Labor believes cannabis should be legalised for individuals over 18 years of age for personal recreational consumption.**

It is however crucial that any regulatory framework recognises that the consumption of cannabis for non-medicinal reasons does cause harm to the health of individuals. Much like tobacco and alcohol, cannabis use should not be encouraged, particularly by Government, and users and potential users should be fully aware of the negative effects caused by consumption.

If the New South Wales Government makes cannabis legal for personal use, it should be extremely cautious in implementing this policy, implementing an evidence-based approach that draws on lessons from other jurisdictions including both the ACT and overseas. As will be discussed in the next section, a robust framework for producers and sellers of recreational cannabis would be required, as well as strict rules dictating how it can be advertised and packaged.

The criminalisation of cannabis has also been self-identified by users as a reason that they have not sought help for addiction or problematic use<sup>2</sup>, as within the current framework seeking help for addiction is inherent an admission of a criminal act. It is our

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<sup>1</sup> <https://journals.sagepub.com/doi/full/10.1177/20503245221095228>

<sup>2</sup> <https://www.abc.net.au/news/2021-01-31/what-has-changed-since-cannabis-was-legalised-in-the-act/13105636#>

hope that legalising cannabis would remove a barrier for those seeking help to deal with addiction, an outcome that is supported by anecdotal evidence.

It is also worth noting that cannabis does have potential as a medical treatment, and while this in and of itself does not mean that the consumption of cannabis should be made legal, it does strengthen the overall argument for legalisation. As recognised by Premier Minns last year, there has been a dramatic increase in the number of prescriptions for medicinal cannabis, which is in and of itself a recognition of its efficacy as a medical treatment.

Finally, the New South Wales Government must develop policies to regulate the public consumption of cannabis. It is crucial that these policies recognise that the evidence base surrounding the effects of second-hand smoke from cannabis is currently limited, although initial evidence suggests that they may be similar to that of cigarette smoke.<sup>3</sup> Further, cannabis also has intoxicating effects much in the way that alcohol does, and the effect of these on public behaviour should be considered.

## Socioeconomic Outcomes

Currently, the criminalisation of cannabis has led to, in effect, a two-tiered system amongst cannabis users. For example, Aboriginal and Torres Strait Islander users of cannabis are nearly four times more likely to face criminal penalties for being in possession of cannabis,<sup>4</sup> and users from lower socioeconomic backgrounds are also at greater risk of facing criminal charges. These communities also already have greater police presence, which makes users of cannabis from these communities both more likely to be caught in possession of cannabis, and also more likely to face criminal charges.

The effect this has is that First Nations people, those from lower socioeconomic backgrounds, and other disadvantaged members of society are introduced to the criminal justice system earlier and with more frequency. This is particularly damaging for younger First Nations people, where increased interaction with police does not have a preventative effect on future offending, but instead increases its likelihood<sup>5</sup>. In effect, all the criminalisation of cannabis use does is put already disadvantaged members of society at greater risk of committing more serious criminal acts.

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<sup>3</sup> <https://nida.nih.gov/publications/research-reports/marijuana/what-are-effects-secondhand-exposure-to-marijuana-smoke>

<sup>4</sup> <https://www.bocsar.nsw.gov.au/Publications/CJB/CJB258-Report-Cannabis-cautioning-2023.pdf>

<sup>5</sup> <https://search.informit.org/doi/10.3316/informit.477691928372070>



## Regulatory Framework, Tax Regime, and Industry

### Taxation of Cannabis

One of the strongest arguments outside of the health arguments for legalising cannabis is the potential additional stream of revenue for the New South Wales Government.

As was correctly recognised by Treasurer Daniel Mookhey, New South Wales has a \$7 billion budget black hole after the fiscal mismanagement of the previous Government, which was compounded by recent decisions made by the Federal Government regarding GST distribution.

Legalising and taxing cannabis has the potential to bring in significant amounts of money into New South Wales' coffers, money that can then be reinvested into healthcare, education, and infrastructure projects.

While this submission is not prescriptive as to how cannabis products should be taxed specifically, it is important that the Government uses an evidence-based approach to prioritise firstly health outcomes and harm minimisation, but also consider the most efficient and effective methods for taxing cannabis. Drawing on international examples, consideration should be given to taxes based on weight, price, THC content, and to a combination of taxes.

An effective tax and licensing fee regime has the potential to generate hundreds of millions of dollars of yearly tax revenue for the NSW Government<sup>6</sup>. Using the average of the 11 US states included in the Tax Policy Centre of the Urban Institute & Brookings Institution's study of cannabis taxation frameworks, the average per capita tax revenue of these states, converted to AUD, would generate approximately AU\$440 million a year in revenue for the NSW Government, while the highest per capita tax regime would generate AU\$880 million a year. Further, these figures do not include tax revenue from general sales taxes not applied specifically to cannabis products.

### Other Economic Impacts

The legalisation of cannabis would also have other downstream positive economic effects. This submission does not seek to quantify these impacts, but rather just to raise them.

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<sup>6</sup> <https://www.urban.org/research/publication/pros-and-cons-cannabis-taxes>

These economic impacts would include the removal of the costs associated with policing the possession and use of cannabis and a reduction in the costs associated with policing production and selling cannabis products. It should however be noted that some of these costs would be redirected towards the body responsible for enforcing the regulatory framework.

The legalisation of cannabis would also lead to a reduction in legal costs for the state as it would no longer prosecute these offences, and a reduction in costs associated with incarceration as those convicted of possession and use of cannabis would no longer serve time in jail.

Further, bringing the current black market out of the shadows would lead to increases in both payroll and income tax revenue, as the legal industry employs people and their income can now be accounted for by State and Federal governments.

## Licensing

In the previous section of this submission, it was recognised that cannabis consumption has negative effects on users' health. It is important that the licensing regime for both producers and vendors of cannabis recognises this, and that this is incorporated into the framework for licensing.

Producers of cannabis should have strict regulations enforcing minimum standards for produce, including the regulation levels of chemical compounds such as THC.

This licensing scheme should also generate revenue for the Government, allowing them to enforce the above restrictions and regulations on producers and vendors.

Vendors of cannabis should also have a legal requirement to adhere to responsible service guidelines. While this submission is not prescriptive as to how this is done, the New South Wales Government should consider drawing inspiration from the Responsible Service of Alcohol program.

## Advertising and Packaging Laws

Australia has world-class laws on the packaging and advertising of tobacco products, and it is crucial that if cannabis is legalised in New South Wales, laws regulating the packaging and advertisement of cannabis should be heavily inspired by tobacco laws.

With the rise of vaping amongst young people, significant thought should be given to how to ensure that cannabis does not similarly take hold amongst under-18s, including considering how cannabis products are packaged. Strong consideration should be given to a framework that only allows cannabis to be sold in plain packaging, and only from behind the counter.

## Industry & Workers

As first touched on in the 'Other Economic Impacts' section, legalising cannabis brings those currently participating in the production and selling of cannabis products out of the black market.

In addition to the tax benefits to the state, there are also significant benefits to those currently participating in this market. It brings them out of a system where they are often exploited and put in significant amounts of danger. It also gives these people greater stability and gives them basic legal conditions, while empowering them to be able to negotiate for further improvements in conditions.