PENINGTON INSTITUTE

# Billions in the balance: the economic impact of cannabis regulation in Victoria

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## About Penington Institute

Frank and fiercely independent, Penington Institute connects lived experience with research to improve the management of drugs through community engagement and knowledge sharing. Our mission is to support cost-effective approaches that maximise community health and safety in relation to drugs.

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# Executive summary

Penington Institute has been engaged in a long-term effort to research and report on cannabis policy in Australia. Our research has shown that regulated cannabis markets can improve and protect community health and safety by providing lawful access to quality-controlled products within a strictly controlled framework, taking profits away from criminal syndicates while also generating economic benefits for Australians.

This report spotlights the concrete economic benefits of creating legal, regulated adult-use cannabis markets. It draws on global evidence and international case studies that reveal the diverse benefits of managing cannabis through these systems. The findings prompted Penington Institute to commission experts to quantify the economic benefits of a hypothetical regulated cannabis market in Australia.

Economic modelling was conducted by independent economic advisory firm Sapere Research Group (Sapere). Victoria served as the case study, but the social and economic benefits of cannabis regulation would apply to other states and territories across Australia. Estimates for the first 10 years of a legal and regulated cannabis industry show an array of benefits:[1]

- $18.2 billion in direct and flow-on economic activity.
- $10 billion in gross state product.
- 3,125 full-time equivalent jobs created in the first year, and a total addition of 17,000 ongoing full-time equivalent jobs over 10 years.
- $3.4 billion in new wages and salaries.
- $1.9 billion in cannabis-specific fee revenue and payroll tax government revenue, equating to nearly 1% of Victoria's total tax revenue for FY 2023-24.
- 52.5% of direct economic benefits would accrue to non-metropolitan areas.

[1] Sapere's estimates of future industry revenue, industry output, wages and salaries, tax revenue, and gross state product are reported in net present value (NPV) terms, which is the Victorian Government's preferred financial metric for assessing policy options. NPV equals the present value of benefits (the sum of discounted benefits) minus the present value of costs. For more information, see: Victoria Department of Jobs, Skills, Industry and Regions. The economic assessment information portal.

# Introduction

Decades of costly, ineffective attempts to enforce cannabis prohibition in Australia have revealed a stubborn reality: Australia's demand for cannabis is deeply rooted. Despite an estimated $2.1 billion spent on cannabis law enforcement every year,[2] less than 3% of Australia's annual demand for cannabis is seized by police,[3] meaning cannabis is cheap and widely available. The illicit market is estimated at over $5.2 billion annually,[4] revenue that supports criminal syndicates rather than the community.

Overseas jurisdictions facing a similar scenario are embracing alternative models that curtail criminal profits and expand the legitimate economy by establishing regulated adult-use cannabis markets. Sensible versions of these markets can catalyse development of a sustainable industry and bolster government resources while simultaneously extracting billions from the criminal market. Importantly, regulated cannabis markets stimulate economic activity beyond the cannabis industry itself, creating community-wide benefits.

Australia is well positioned to replicate the benefits seen in these settings. In an era of concern about criminal power, economic fragility and budgetary pressures, Australian policymakers should be attentive to opportunities to undermine the criminal economy and create new industries that deliver resources to shore up essential public services.

[2] Penington Institute. 2024. *Cannabis Regulation in Australia: Putting community safety first*. Melbourne: Penington Institute.
[3] Penington Institute. 2024. *Inquiry into the health impacts of alcohol and other drugs in Australia, submission 188*. Canberra: Parliament of Australia.
[4] Penington Institute. 2024. *Cannabis in Australia 2024*. Melbourne: Penington Institute.

# Australia's illicit cannabis market is worth over $5 billion annually

Cannabis is the most widely used illicit drug in the world and has been so for decades. Until relatively recently, cannabis for non-medical purposes was criminalised by almost all governments around the world, resulting in the creation of large-scale, deeply embedded illicit cannabis economies.

In Australia, according to the Australian Institute for Health and Welfare's National Drug Strategy Household Survey 2022-2023 (NDSHS):[5]

- 42.3% of people aged 18 and over have used cannabis at least once in their life (around 8.6 million people)
- 11.6% of people aged 18 and over have used cannabis in the past 12 months (around 2.3 million people)
- 24.4% of people aged 20-29 have used cannabis in the past 12 months (around 400,000 people)

Using NDSHS 2019 data, Prof Jenny Williams and Christiern Rose estimated a total Australian consumption of 441 tonnes of cannabis per year.[6] Based on Williams and Rose's assumed price of $12 per gram, Australia's illicit cannabis market was worth $5.29 billion in 2019.

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[5] Australian Institute of Health and Welfare. 2023. *National Drug Strategy Household Survey 2022-23*. Canberra: AIW. Tables 5.50 and 5.51.

[6] Jenny Williams and Christiern Rose. 2024. "How can we measure the size of Australia's illegal cannabis market – and the billions in taxes that might flow from legalising it?" *The Conversation,* 10 May 2024.

# International evidence for economic benefits

The most illustrative evidence for regulated cannabis markets comes from North America, where Canada and nearly half of all US states (comprising 54% of all US residents)[7] have established adult-use markets. Regulated cannabis markets in North America have produced:

- Over USD$35 billion in annual revenue taken from criminal syndicates and captured in legal regulated markets across the US[8] and Canada.[9]
- Over 440,000 new jobs within the US cannabis industry and in upstream and ancillary sectors supplying the cannabis industry.[10]
- New cannabis businesses across the supply chain, from cultivation to retail.
- Cannabis taxes worth over USD$4 billion per year across US states[11] and CAD$1.9 billion per year for Canadian federal and provincial governments.[12]

To highlight these benefits, 2 case studies are provided below: Canada, which regulated cannabis at the national level in 2018, and Colorado, which in 2014 became one of the first 2 US states to regulate cannabis.

## Case study: Canada

Canada has a population of 40 million, making it roughly 1.5 times the size of Australia. The Canadian government passed the *Cannabis Act* in June 2018. The Act instituted a shared governance model in which the federal government licenses the cultivation and production of cannabis products and imposes a cannabis excise tax, while provinces are responsible for regulating the supply of cannabis products to communities. Provincial governments determine the mix of private and government participation in wholesale and retail operations and may also levy their own cannabis sales taxes.

On a crucial dimension of reform – replacing the criminal market with a regulated one – Canada clearly illustrates the benefits of cannabis regulation. Prior to the *Cannabis Act*, Canadians were spending around CAD$5 billion per year on illicit cannabis. By 2021 – just 3 years into operation – regulated market revenue exceeded that sum, and by early 2024 the regulated market had captured 70% of all non-medical cannabis purchases nationwide by value.[13] Additionally, Canadian survey data shows that in 2024, over 70% of Canadians usually purchased their cannabis from regulated sources, while only 3% reported usually purchasing illegal cannabis.

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[7] Athena Chapekis and Sono Shah. 2024. "Most Americans now live in a legal marijuana state – and most have at least one dispensary in their county" *Pew Research* 29 February 2024.

[8] Andrew Long. 2025. "Marijuana industry will add $123.6 billion to US economy this year" *MJBiz Daily* 28 April 2025.

[9] Statistics Canada. Alcohol and cannabis sales in Canada, April 2023 to March 2024.

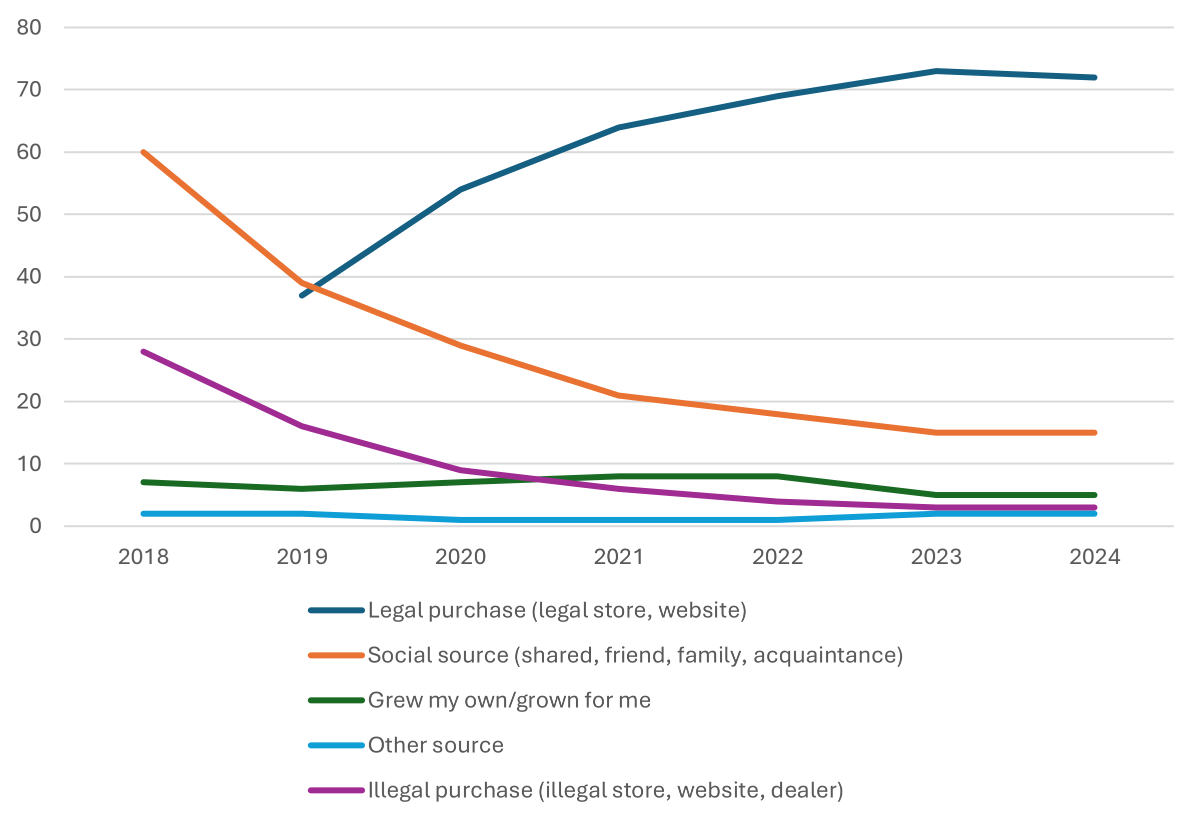
[10] Vangst. 2024. *Jobs Report.*

[11] Marijuana Policy Project. Cannabis Tax Revenue in States that Regulate Cannabis for Adult Use.

[12] Statistics Canada. Cannabis consumption in Canada.

[13] Statistics Canada. Table 36-10-0225-01: Detailed household final consumption expenditure, provincial and territorial, annual (x 1,000,000).

**Figure 1: Usual source of cannabis among Canadians who consumed cannabis in the past 12 months, 2018 to 2024 (%)**[14]




A legislative review of the *Cannabis Act* published in 2024 concluded that significant progress had been made on many of the government's key objectives, including:[15]

- Providing adults with lawful access to regulated and quality-controlled products.
- Shifting demand away from the criminal cannabis market.
- Effectively enforcing rules that prohibit advertising and promotion and control product packaging and labelling.
- A 95% reduction in charges for the possession of small amounts of cannabis.

The review also recommended that governments do even more to displace the illicit cannabis market, including by providing additional resources and powers to help police crack down on organised criminal networks.

The evidence from Canada suggests that Australia could reap potentially significant economic benefits from implementing a regulated cannabis market. Deloitte Canada[16] estimated that between 2018 and 2021, Canadian cannabis businesses invested CAD$29 billion in real estate, infrastructure and technology, added CAD$43.5 billion to Canada's GDP and sustained an average of 98,000 full-time equivalent jobs per year.

[14] Government of Canada. 2024. *Canadian Cannabis Survey 2024*. Ottawa: Health Canada.
[15] Government of Canada. 2024. *Legislative Review of the Cannabis Act: Final Report of the Expert Panel*. Ottawa: Health Canada.
[16] Deloitte Canada. 2021. *An industry makes its mark, the economic and social impact of Canada's cannabis sector*. Ontario: Deloitte.

Over this time, Canada's federal and provincial governments collected CAD$15.1 billion in taxes from adult-use cannabis. The province of Ontario alone collected CAD$3.0 billion, which represented over 2% of the province's total tax revenue.

## Case study: Colorado

Colorado has a population of roughly 6 million, which is slightly larger than the population of Queensland (5.6 million) and smaller than the population of Victoria (7 million). Colorado's regulation of cannabis for adult-use purposes occurred through a citizen-initiated ballot initiative to amend the state constitution, which passed in November 2012. The first retail outlets opened in January 2014, making Colorado the first state to implement retail adult-use cannabis sales.

The state government regulates the cultivation, production and sale of cannabis products, and local governments can choose to permit or restrict cannabis businesses operating within their jurisdictions. State and local governments each have defined powers over taxes and licensing conditions.

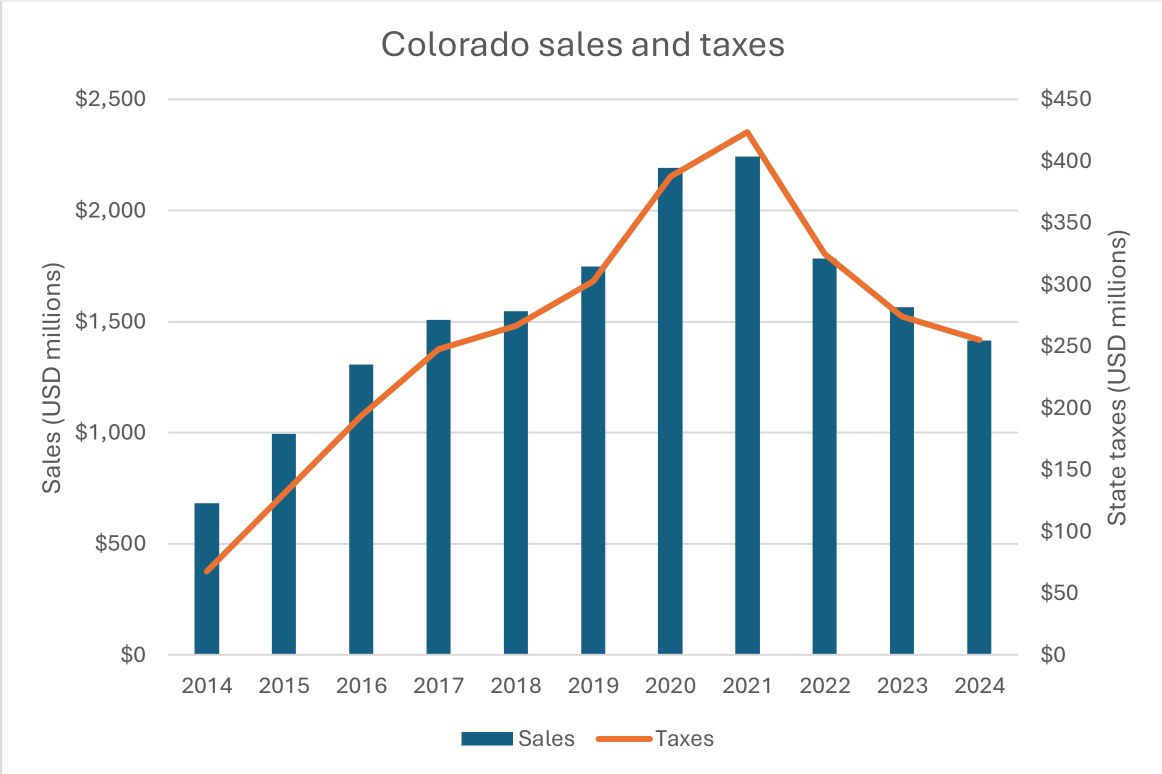
In March 2025, there were 653 active licensed adult-use cannabis retailers across the state, supplied by 512 licensed cultivators and 235 product manufacturers, with 28,858 people employed directly in the cannabis industry (both medical and adult-use).[17] From 2019 to 2022, Coloradan cannabis companies raised over USD$800 million in new investment and were involved in over $1.6 billion worth of mergers and acquisitions.[18]

Legal cannabis sales grew rapidly in the initial period of regulated access (see Figure 2), with first-year sales of $684 million tripling within 8 years.[19] The market peaked in 2021 at $2.2 billion before correcting to $1.4 billion by 2024. State taxes, which are calculated on a percent-of-value basis, followed a similar path, growing from $68 million in 2014, peaking at $423 million in 2021 and declining to $255 million by 2024.

The post-2021 decline in sales has been attributed to several factors, including intensified competition as other states implemented their own regulated markets and the proliferation of quasi-legal, unregulated hemp-derived intoxicating cannabis products, which are currently banned in Australia and are neither necessary nor advisable as part of a regulated cannabis market.

[17] Colorado Marijuana Enforcement Division. Colorado MED Dashboard.
[18] MJBiz Daily. Tracking U.S. cannabis investment by location and sector.
[19] Colorado Marijuana Enforcement Division. Colorado MED Dashboard.

**Figure 2: Regulated adult-use cannabis sales and taxes in Colorado (USD$ million)**[20]




Colorado requires cannabis taxes to be invested in specific social services and funds. During the 2022-23 financial year, Colorado collected USD$284.5 million in cannabis taxes, of which:[21]

- $82.7 million was allocated to funds dedicated to public school operations and infrastructure.
- $22 million went to local governments.
- $30.8 million went to the state's General Fund.
- $149 million was invested into the Marijuana Tax Cash Fund (MTCF).

In FY 2022-23, MTCF-supported programs included $16.1 million to increase access to services to address substance use disorders, $15.3 million to fund affordable housing development, and $5.9 million to fund mental health services for juvenile and adult offenders.[22]

[20] Colorado Marijuana Enforcement Division. Colorado MED Dashboard; Colorado Department of Revenue. Marijuana Tax Reports.
[21] Colorado Joint Budget Committee. 2025. *Appropriations Report Fiscal Year 2024-25*. Denver: Colorado General Assembly.
[22] Colorado Joint Budget Committee. 2024. *Appropriations Report Fiscal Year 2023-24*. Denver: Colorado General Assembly.

# Estimating the economic impacts of a regulated cannabis market in an Australian state

Drug policy in Australia is an established state and territory responsibility. To understand the potential effects of state-level reform, Penington Institute engaged independent economic advisory firm Sapere Research Group (Sapere) to model the economic and government revenue impact of a regulated cannabis market for adults in Victoria. This exercise comprised 2 key components:

1. Estimating the potential size of a legal, strictly regulated cannabis market.
2. Estimating the additional economic activity over a 10-year period following introduction of a legal and regulated cannabis market in Victoria.

Sapere produced these estimates based on a hypothetical commercial market, where companies are licensed to cultivate, manufacture, distribute, test and sell cannabis for adults to purchase and use (see Appendix A for more detail).

## The modelling approach

To understand the economic impact of regulating cannabis production and consumption in Victoria, Sapere used a 115-sector input-output (IO) model.[23] Results are presented with respect to changes in industry output (i.e. turnover), industry value add, salaries and wages, and employment. These outputs are reported in terms of 3 different impacts:

- *Direct effects* – Immediate changes in the industry itself. For example, an increase in demand for regulated cannabis will directly lead to the cannabis cultivation industry increasing production.
- *Indirect effects* – Supply chain impacts. For example, an increase in the production of regulated cannabis products will lead to increased demand for packaging.
- *Induced effects* – Additional economic activity generated by increased household spending due to the higher incomes resulting from the direct and indirect effects.

### Industry revenue would exceed $1.5 billion within 10 years

Sapere estimated the total annual quantity of cannabis consumed in Victoria by multiplying the number of expected users by the amount they use, weighted by the frequency of use. Following an approach similar to that used by Williams and Rose,[24] but incorporating the more recent 2022-23 NDSHS data, Sapere arrived at a total Victorian consumption of 134.6 tonnes per year.

Based on this approach, Sapere estimated the total value of a legal, regulated cannabis market in Victoria would reach $1.544 billion 10 years after its enactment (see Table 1). To estimate the rate of displacement from the illicit market to legal sources, Sapere assumed that Victoria's trajectory would be similar to Canada's, with long-term displacement rates supported by Victoria's more modest proposed taxes and fees.

[23] IO models are used to better understand how different sectors of the Victorian economy are interconnected and how legislative change in one industry may affect other industries. In essence, an IO model is like a detailed map of an economy that shows how industries rely on each other.
[24] Jenny Williams and Christiern Rose. 2024. "How can we measure the size of Australia's illegal cannabis market – and the billions in taxes that might flow from legalising it?" *The Conversation,* 10 May 2024.

**Table 1: Estimated value of Victoria's regulated cannabis market and legal market share**

| Year following regulation | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Total size of illicit market ($m) | 1,615 | 842 | 710 | 571 | 433 | 340 | 272 | 222 | 168 | 126 | 81 |
| Total size of legal market ($m) | - | 842 | 942 | 1,016 | 1,011 | 1,077 | 1,161 | 1,257 | 1,358 | 1,449 | 1,544 |
| Legal market share (%) | - | 50 | 57 | 64 | 70 | 76 | 81 | 85 | 89 | 92 | 95 |

## Government revenue over 10 years would reach $1.9 billion

While state governments are limited in their capacity to impose revenue-raising taxes or fees, there are at least 2 potential mechanisms that could be pursued. First, the state government could charge a market-based fee for the right to cultivate legal regulated cannabis via an auction mechanism for a limited number of licenses,[25] similar to the auctioning of Australian radio frequency spectrum bands.[26] Second, the state government could set licence fees at a level that would recoup direct and indirect costs associated with regulating the industry, including the socioeconomic costs of cannabis use (such as cannabis-related community education, treatment, and law enforcement costs).[27]

Regardless of the mechanism used, Sapere estimates that the Victorian regulated cannabis industry could absorb cannabis-specific taxes and fees equivalent to 20% of retail revenue before displacement of demand from the illicit to the regulated market would be hindered. In addition to fees, the Victorian government would receive increased revenue from payroll taxes as the new industry generated jobs. This would equate to $1,897[28] million in additional government revenue over the next decade in net present value (NPV) terms (see Table 2).

**Table 2: Estimated Victorian government revenue from regulated cannabis ($ million)**

| Year following regulation | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Government revenue | - | 172 | 193 | 208 | 207 | 221 | 238 | 258 | 278 | 297 | 316 |

## Industry output would exceed $18 billion over 10 years

Total output, including all direct, supply-chain and consumption effects, is estimated to reach $1,493 million in year one. The changes in total Victorian output by year are shown in Table 3 below. In NPV terms, over the next decade the regulated cannabis industry would generate $18,280 million in direct and flow-on activity in Victoria.

[25] This would require an exemption under the Competition Code 1995.
[26] Australian Communications and Media Authority. Spectrum auctions.
[27] Legal advice sourced by Penington Institute states this may be possible, depending on how license fees are structured and imposed.
[28] This figure is slightly lower than the sum of the individual annual figures reported in Table 2. This is due to how net present value (NPV) is calculated.

**Table 3: Estimated additional Victorian industry output from regulated cannabis ($ million)**

| Year following regulation | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Direct Effect | - | 673 | 753 | 813 | 809 | 861 | 929 | 1,006 | 1,086 | 1,159 | 1,235 |
| Supply-Chain Effect | - | 424 | 475 | 512 | 509 | 543 | 585 | 633 | 684 | 730 | 778 |
| Consumption Effect | - | 396 | 443 | 478 | 476 | 507 | 546 | 592 | 639 | 682 | 727 |

## Industry would support over 17,000 full-time equivalent jobs within 10 years

Sapere estimates that in year one, an additional 3,125 full-time equivalent (FTE) jobs would be directly created by the regulated cannabis industry in Victoria. From this direct expansion in the economy, flow-on supply-chain effects boosting local purchases of goods and services are anticipated, resulting in the gain of a further 1,041 jobs. The increase in direct and indirect output and the corresponding creation of jobs across the economy are expected to produce increases in the wages and salaries paid to employees. The consumption effects under this scenario are estimated to boost employment by an additional 5,263 jobs.

The jobs forecast over time is shown in Table 5. It shows that, across 10 years, we can expect an average of 4,326 directly created FTE jobs, 1,442 additional supply chain FTE jobs, and 7,291 additional FTE jobs due to higher incomes stimulating activity.

**Table 4: Estimated FTE jobs created by the regulated cannabis industry in Victoria**

| Year following regulation | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Direct Effect | - | 3,125 | 3,495 | 3,770 | 3,752 | 3,996 | 4,309 | 4,666 | 5,041 | 5,377 | 5,730 |
| Supply-Chain Effect | - | 1,041 | 1,165 | 1,257 | 1,251 | 1,332 | 1,436 | 1,555 | 1,681 | 1,793 | 1,910 |
| Consumption Effect | - | 5,263 | 5,890 | 6,354 | 6,323 | 6,735 | 7,262 | 7,864 | 8,496 | 9,063 | 9,657 |
| Total | - | 9,429 | 10,550 | 11,381 | 11,326 | 12,063 | 13,007 | 14,085 | 15,218 | 16,233 | 17,297 |

## Gross state product (GSP) would increase by nearly $10 billion over 10 years

The additional activity from the legal cannabis industry would increase GSP for the state. As shown in Table 5, in year one this would generate an additional $909 million in GSP. By year 10, GSP would increase by over $1.6 billion. Over 10 years, in NPV terms, this reflects an additional cumulative $9,997 million of GSP.

**Table 5: Estimated total gross state product created by the regulated cannabis industry in Victoria ($ million)**

| Year following regulation | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Direct Effect | - | 365 | 408 | 440 | 438 | 467 | 503 | 545 | 589 | 628 | 669 |
| Supply-Chain Effect | - | 178 | 199 | 215 | 214 | 228 | 245 | 266 | 287 | 306 | 326 |
| Consumption Effect | - | 198 | 221 | 239 | 238 | 253 | 273 | 295 | 319 | 341 | 363 |
| Taxes | - | 168 | 188 | 203 | 202 | 215 | 232 | 251 | 272 | 290 | 309 |

## Regulating cannabis would significantly benefit our rural and regional communities

Sapere estimates that non-metropolitan areas of Victoria would receive 52.5% of the direct economic benefits identified above. That means over half of the new businesses, jobs, and economic output created by the regulated cannabis industry would accrue to rural and regional areas.

# Appendix A: Key modelling assumptions

For modelling purposes, Sapere used the following assumptions to arrive at their economic estimates:

- Commercial licensing conditions present a material barrier to entry for market participants.
- Regulated products are produced and sold by private licensed entities operating within Victoria only.
- The regulated cannabis market is limited to a single product type (dried cannabis flower).
- Regulated cannabis product prices start at $12 per gram and decline over time in real terms.
- No inter-state or international imports or exports of regulated cannabis products are permitted.
- No advertising or promotion of cannabis is permitted.
- Only physical, in-person retail sales are permitted.
- No other Australian jurisdiction regulates cannabis during the 10-year period modelled.

# Appendix B: Estimated cannabis market size with full specifications

| **General assumptions** | | | | | | | | | | | | **Notes** | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| VIC 15+ population growth rate (2023-33) | 1.7% | | | | | | | | | | | [1] | |
| | **Year following the commencement of Victorian adult-use cannabis legislation** | | | | | | | | | | | | |
| | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | | |
| Rate of inflation | | 0.025 | 0.025 | 0.025 | 0.025 | 0.025 | 0.025 | 0.025 | 0.025 | 0.025 | 0.025 | [2] | |
| Recreational cannabis product deflation | | 0 | -0.08 | -0.1 | -0.15 | -0.08 | -0.05 | -0.03 | -0.03 | -0.03 | -0.03 | [3] | |
| Rate of price change in adult use cannabis | | 0.025 | -0.055 | -0.075 | -0.125 | -0.055 | -0.025 | -0.005 | -0.005 | -0.005 | -0.005 | [2]+[3] | |
| Rate of growth of adult use market | | | 0.07 | 0.07 | 0.06 | 0.06 | 0.05 | 0.04 | 0.04 | 0.03 | 0.03 | [4] | |
| **Market assumptions** | | | | | | | | | | | | | **10-year change** |
| Price per gram ($) (real) | $ 12.00 | $ 12.30 | $ 11.62 | $ 10.75 | $ 9.41 | $ 8.89 | $ 8.67 | $ 8.62 | $ 8.58 | $ 8.54 | $ 8.50 | (A) | -29% |
| Growth of demand due to price changes | | | 0.02 | 0.02 | 0.02 | 0.02 | 0.02 | 0.02 | 0.02 | 0.02 | 0.02 | (B) | |
| Total volume of cannabis consumed (t) | 134.6 | 137 | 142 | 148 | 153 | 159 | 165 | 171 | 178 | 184 | 191 | (C) | 42% |
| Total size of cannabis market ($m) | $1,615 | $1,684 | $1,652 | $1,587 | $1,444 | $1,417 | $1,433 | $1,479 | $1,526 | $1,575 | $1,625 | (D) = (A)*(1+B)*(C)*10^6 | |
| % of total market displaced from illicit market | | 0.5 | 0.57 | 0.64 | 0.7 | **0.76** | 0.81 | 0.85 | 0.89 | 0.92 | **0.95** | (E) | |
| Total size of legal market ($m) | | $842 | $942 | $1,016 | $1,011 | $1,077 | $1,161 | $1,257 | $1,358 | $1,449 | **$1,544** | (F) = (E)*(D) | |
| Total size of illicit market ($m) | $1,615 | $842 | $710 | $571 | $433 | $340 | $272 | $222 | $168 | $126 | $81 | (G) = (E) - (F) | |
| **Government revenue assumptions** | | | | | | | | | | | | | |
| Maximum % of price available for govt revenue | | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | (H) | |
| Maximum revenue based on fee limit for VIC ($m) | | $168 | $188 | $203 | $202 | $215 | $232 | $251 | $272 | $290 | $309 | (I) = (F)*(H) | |

Notes:

[1] Based on Victoria in Future forecasts for the forecast period

[3] Price deflator added to reflect experience of initial increase in price, large fall and then smaller fall by year 10

[A] Based on $12 starting price, with subsequent year prices based on incorporation of inflation and expected deflation of cannabis prices

[B] Assumed conservative price elasticity value consistent with Deloitte Canada[29]

[C] Incorporates 15% increase in use due to regulation in year 0 and adjustment for under-reporting per Williams and Rose's estimate, then tracks adult population growth rate

[E] This is based on the 5-year displacement rate in Canada[30]

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[29] Deloitte Canada. 2021. *Price. It's complicated*. Calgary: Deloitte Canada.

[30] Health Canada. 2024. *Canadian Cannabis Survey 2024*. Ottawa: Government of Canada.