

I rise today to speak to Bill C-63, A second Act to implement certain provisions of the budget tabled in Parliament on March 22, 2017, and other measures.

Bill C-63 is a lengthy and complex piece of legislation, covering everything from the taxation of beer made from concentrate on the premises where it is consumed to several complicated tax changes dealing with investments.

I look forward to the officials' explanation of these matters, what they mean and, just as important, who benefits because, if we've learned one thing about the Minister of Finance, he is always looking out for someone, and it isn't always the middle class and those working hard to join it, as the Finance Committee was made only too aware on our trips both to Western Canada and to the Maritime provinces to hear about the proposed tax loopholes.

I won't presume to go over everything that is in this bill — it is 317 pages long — but I would like to touch on a few items that deserve a careful look.

Part 1 of Bill C-63 implements several income tax amendments, including the elimination of what is known as billed-based accounting for designated professionals. This is an accounting method whereby doctors, dentists, veterinarians, accountants and lawyers can choose to exclude the value of work in progress when calculating their income. The effect is that they do not incur a tax liability until the work is billed.

Under Bill C-63, that will no longer be permitted. The value of work in progress must be counted as income, even though no invoice has been issued, let alone paid. As announced in the budget, this measure was to be phased in over two years, but, after substantial pushback from professionals, the phase-in has been extended to five years in Bill C-63.

The particular concern with the end of billed-based accounting was that it could limit access to justice for civil plaintiffs of modest means who hire lawyers on contingency. Smaller law firms that handle such cases could face crippling tax bills for work not yet billed, causing cash-flow problems that could threaten their continued operation.

The Canada Revenue Agency has issued a clarification on its website that says that the changes should not affect bona fide contingency cases, those where no bill will be payable unless there is a successful outcome in the case. That is reassuring news until you consider the recent track record of the Canada Revenue Agency and the recent report of the AG. If they are willing to go after diabetics and autistic persons, I'm not sure I'd expect much sympathy if I were a lawyer.

The elimination of billed-based accounting is yet another attack by the government on professionals, in keeping with its egregious proposals for taxation of private corporations.

I'd like to turn now, for a few minutes, to Part 4 of Bill C-63, the amendments to the Federal-Provincial Fiscal Arrangements Act. These amendments empower the Minister of Finance to enter into cannabis taxation agreements with provincial governments. This is a government that came to power promising to listen to Canadians and dedicate itself to evidence-based policy, but, in its rush to meet a self-imposed deadline for legalization of cannabis, the government is showing it is not listening and is ignoring the evidence.

In September, the provincial justice ministers asked the federal government to slow down on its legalization plans. Police across this country have asked that implementation be delayed. They need time to train officers and to certify drug-recognition experts to deal with cannabis-impaired drivers, pilots, truck drivers and anybody who works in heavy machinery. They have repeatedly said it is impossible to be ready by July 1, 2018.

There are only 600 officers certified as drug-recognition experts in Canada, but the Canadian Association of Chiefs of Police say that at least 2,000 are needed.

Rick Barnum, Deputy Commissioner of the Ontario Provincial Police, says that if the government does not postpone the legalization date, there will be a window, following July 1, of six months to a year when police will not be ready. To quote Deputy Commissioner Barnum:

The damage that can be done between the time of new legislation and police officers being ready to enforce the law in six months or a year can make it very hard for us to ever regain that foothold.

They won't be ready to keep our streets and highways safe. They won't be ready to prevent organized crime from exploiting the grow-at-home exemptions. They simply will not be ready to enforce this law.

It's not just police who want a delay. The provinces of Quebec and Manitoba have made the same request, and the public, although it supports legalization, has grave concerns about the timelines.

This is a major policy shift that raises important health and safety concerns. Proper regulation that has been subject to appropriate consultation is critical. Yet, in the government's haste, it has decided to bypass normal regulatory process.

Proposed regulations are generally published in Part I of the *Canada Gazette*. Typically, the text of the regulation is published along with a regulatory impact assessment statement, a note on the number of days open for comment and contact information to provide feedback. It is called pre-publication.

After public consultation, the regulations, as enacted, are published in Part II of the *Canada Gazette*. It is part of an open and transparent regulatory process that is one of the best in the world.

But, in the case of the federal cannabis regulations, the Health Canada document entitled *Proposed Approach to the Regulation of Cannabis*, released two weeks ago, said the following:

To meet the government's commitment of bringing the proposed Cannabis Act into force no later than July 2018, the final regulations will need to be published in the *Canada Gazette*, Part II, as soon as possible following Royal Assent. As such, it is important that interested parties provide feedback on the regulatory proposals in this consultation paper, as draft regulations will not be pre-published.

There is a mechanism available under the Treasury Board guidelines to exempt regulations from pre-publication. Exemptions from the normal process are permissible when regulations are of minimal impact or correct errors to ensure consistency between official languages, or when they respond to emergencies, or when they are of a sensitive nature, when pre-publication would cause adverse effects, such as when changing subsidies or interest rates.

But there is no scenario imaginable in which cannabis regulations would qualify for one of these exemptions. For one of the most important policy shifts in many years in this country, one with profound implications for public health and safety, the government is short-circuiting the regulatory process.

There is no reason for this undue haste, aside from the fact they want revenue from taxation, which brings us back to Bill C-63 and a federal cannabis tax framework with the provinces.

We have heard the Prime Minister's views on this — that the federal government should get half of the excise tax to be imposed on the retail sale of cannabis. This, despite the fact that the costs in enforcing the new law and the consequences that flow from the increased use of cannabis will be overwhelmingly borne by provinces and municipalities.

I hope there is substance to recent reports that suggest the government is willing to grant a larger share to the provinces, provided the money is shared with municipal governments. That is an encouraging sign, because there is no doubt the legalization of cannabis will put a severe strain on local governments. But that lack of agreement on tax-sharing revenues is the least of the problems with the government's approach to this issue.

One area of Bill C-63 that has received considerable attention in the other place is Part 5, Division 2, the proposed “Asian Infrastructure Investment Bank Agreement Act.” Although Canada has formally committed to investing roughly \$250 million in this Chinese-led initiative, this bill, on page 239, authorizes the Minister of Finance to transfer nearly double that amount.

There is no question Canada needs to diversify its trade, considering the increasingly erratic and unpredictable trading relationship with our traditional partner, the United States. But that does not mean our primary focus should be China. It is a country that does not recognize democratic norms, routinely violates human rights, has a serious corruption problem, does not respect intellectual property, and conducts cyberattacks and industrial espionage around the world. China is not a free and fair trader, to say the least.

What Canada will get out of this infrastructure bank is questionable at best. We will have a 1 per cent share compared to nearly 30 per cent for China itself and will have little say in what investments are made or what companies will benefit.

The progressive conservative organization bankwatch.org rates the bank as the worst of any multilateral bank in terms of transparency. Although the infrastructure bank has made all the right noises about environmental stewardship, it is expected to make arm’s-length investments through other financial intermediaries that will leave open the possibility of financing projects that are environmentally unsound or that violate human rights. So Canada may be financing coal-fired power plants in Asia or pipelines with no concern for upstream or downstream greenhouse gas emissions. I repeat: We have no say in where our money is invested.

We won’t build a pipeline from Alberta to New Brunswick, but we may finance one in a country that does not share our commitment to environmental stewardship, let alone human or democratic rights.

If the Prime Minister is serious about diversifying trade and gaining access to Asian markets, why is he skipping meetings on the Trans-Pacific Partnership? That is a trade deal that would provide an opportunity for a balanced trading relationship, unlike a bilateral agreement with China. Including an agreement on the TPP would be a far better use of Canada’s resources than shipping half a billion dollars to Beijing for use by an infrastructure bank over which we have little influence. That is an extraordinary amount of money, and it is not at all clear it will benefit Canadians in any substantive way.

Honourable senators, the Liberals inherited a balanced budget. They promised modest deficits of \$10 billion before returning to balance in 2019-20. But Minister Morneau and Prime Minister Trudeau delivered a deficit three times what they promised and have abandoned all pretense they will ever balance the budget. It was a truly interesting sight to see Minister Morneau asked repeatedly — seven times, in fact — at a committee meeting last month when the budget will be balanced and hear him avoid a substantive answer — seven times in a row — to this very straightforward question.

Here I disagree with my colleague the Honourable Senator Marwah. Deficits, I think, are important. Canadians were told deficits were needed to rebuild our road and bridges, and help the middle class. But two years into their mandate, the Liberals have been unable to get money out of the door for infrastructure projects. Just this fall, they announced they were delaying \$2 billion in infrastructure spending because of their failure to get projects approved.

And what about the middle class? According to an analysis by the Fraser Institute, 81 per cent of middle-class families in Canada will pay more in income tax this year, an increase of \$840 on average. What they gave with one hand via their middle-class tax cut they took away with the other — and then some. No more income splitting for middle-class families. No more children’s fitness tax credit. No more Public Transit Tax Credit.

They have delivered exactly the opposite to what they promised for middle-class families.

As an example, take a look at the front lawn and the temporary rink that blocks the view of Christmas lights on Parliament Hill, a rink that will be taken down after a few months but costs as much as an arena that could last for decades in any small town in this country. First, it was \$5.6 million and now it’s exceeding \$7 million.

Honourable senators, thank you, and I look forward to seeing Bill C-63 receiving thorough study in committee.