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Chair

Mr. David Sweet

Standing Committee on Industry, Science and Technology

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• (1530)

[English]

The Chair (Mr. David Sweet (Ancaster—Dundas—Flamborough—Westdale, CPC)): Ladies and gentlemen, welcome to the 8th meeting of the parliamentary Standing Committee on Industry, Science and Technology.

I want to do a little housekeeping before we introduce the witnesses and have them give their opening remarks. A request was made by Mr. Thibeault at the last meeting for data regarding the north, specifically Nunavut and the Northwest Territories. The data is unfortunately not available. We won't be able to share it with other members either. I only wanted to let the committee know that.

We'll now go to our witnesses. I'm going to introduce them in the order in which they will present. I think this will be the first time I've broken from the order on the agenda. It's simply because we have somebody by video conference. It always means they feel a bit detached as it is. So I will introduce the witnesses in the order in which they'll present.

First, it will be Michael Deturbide, professor and associate dean at the Schulich School of Law at Dalhousie University.

Next, from the Canadian Chamber of Commerce, we have the Honourable Perrin Beatty, president and chief executive officer; and Morgan Elliott, chair of the innovation committee.

From the Information Technology Association of Canada, we have Karna Gupta, president and chief executive officer.

From the Business Development Bank of Canada, we have Michel Bergeron, vice-president of corporate relations; and Pamela Darragh, assistant vice-president, information and communications technology solutions.

From the Greater Kitchener-Waterloo Chamber of Commerce, we have Ian McLean, president and chief executive officer.

For the organizations here that have multiple people, I assume that you've been informed that you'll have six minutes for opening remarks. If you're going to have both people give opening remarks, you'll need to share that six minutes.

Without any further ado, I'll go to Michael Deturbide, who is joining us by video conference, and let him begin with his opening remarks.

Mr. Michael Deturbide (Professor and Associate Dean, Academic, Schulich School of Law, Dalhousie University, As an Individual): Thank you.

My comments are going to focus on some legal aspects of e-commerce, in particular, privacy and security issues that have been, I think, impediments to both business and online consumers.

My message, in a nutshell, is that business needs to get its act together with respect to privacy and security of data. You don't have to look too far, I think, so see why I say that.

Now, some of what I'm about to say, I know, has already been heard to some extent by Industry Canada in earlier consultations, but I think the message merits reinforcement because the problem still exists and Bill C-12, of course, is not yet law.

Back in September of 2004, a report of the Canadian e-Business Initiative identified privacy and security practices as integral parts of a successful e-business adoption strategy. That report came out at a time when Canada implemented the Personal Information Protection and Electronic Documents Act, otherwise known as PIPEDA, which legislated a model code for the protection of personal information. An element of that code is that personal information must be protected by security safeguards appropriate to the sensitivity of the information gathered.

Seven years later, where are we? Well, we continue to hear about large-scale data breaches, and small and medium size businesses in particular are unsure about what they need to do to comply with the privacy legislation—and I'll briefly mention some studies in relation that—and consumers may be excused for wondering if their personal information is being protected at all, given some of the media reports we hear.

In almost every poll or study taken on the barriers to e-commerce—and I've looked at quite a few of these online over the past few days—the principal concerns raised have been privacy and security of personal information. Consumers want some assurance that their information is going to be protected. Businesses want that assurance as well, and they want to know whether they're meeting adequate standards to protect that information and to protect themselves against possible liability.

Unfortunately, there's not been a shortage of significant data breaches over the past few years. According to the Privacy Commissioner of Canada, too many data breaches are occurring because companies have ignored some of the most basic steps to protect personal information, including a failure to implement the most basic security measures. Sometimes breaches are reported; sometimes they're not reported at all; sometimes they're reported only after the business gets an indication that the data may be being used for illegal or unscrupulous purposes. Despite the increased frequency of security breaches, a recent Environics Research Group study of small and medium size businesses indicates that most are complacent about their company's IT safeguards and underestimate the consequences of a security breach.

I just want to share very briefly some of those findings with you, if I may. The small and medium size businesses surveyed were divided about the reasons for their complacency. Most, however, acknowledged that they were not taking adequate security measures or that their existing software protection was not adequate. Many were ignorant of cloud computing. The limited number of SMEs that had adopted cloud computing was driven by their desire to spend less money on IT infrastructure, and they were not confident at all that the provider was ensuring any safety of the information they provided.

Believe it or not, people and organizations still care about privacy and security of information. One estimate is that over 35% of Internet users will not give their credit card information online because of security concerns. That's a large chunk of people who are just not engaging in e-commerce and who could be.

It's also interesting to note that a 2011 study indicated that online consumers, largely thought to be motivated primarily by savings, are often willing to pay a premium for purchases from online vendors who have clear protective privacy and security policies. I think this illustrates a couple of things. First, even in the Facebook era, when personal information is willingly disclosed and when some industry executives have declared privacy to be dead, privacy and security are still identified as major factors in a consumer's decision to do business online. And second, those businesses that do take privacy and security seriously can profit from it.

Our experience shows that sometimes legislative intervention is required to ensure adequate data protection mechanisms are in place, otherwise there may be little incentive to remedy the problem. The downside of that is that any attempt at legislative intervention is sometimes reflexively labelled as costly regulation by some in the business community.

●(1535)

For example, one of the issues to be examined is red tape, which creates barriers to growth. The question is whether regulation is red tape or whether it's actually doing something important.

In the current situation, it's been argued that mandatory disclosure of security breaches may cause unnecessary panic in situations where the chance of the fraudulent use of compromised data is minuscule. If you get too many notifications, that then leads to what one writer calls notification desensitization. What's missing from this rationale is that the aim is to encourage business to have adequate security measures in place so that the frequency of data breaches

diminishes. If that happens, there can be no oversensitization, because the event is infrequent. In any case, whatever argument is raised against notification, the priority has to be the giving of notice by the custodian of the information to those affected, so that they can take preventative measures.

I want to turn briefly to Bill C-12, currently before the House of Commons. That bill will require an organization to report to the Privacy Commissioner any material breach of security safeguards involving personal information under its control. Factors related to materiality will include the sensitivity of the information and the number of individuals affected. The organization will also be required to notify an individual of the breach if it's reasonable to believe that the breach creates a real risk of significant harm.

I don't mean to go into any great detail on the mechanics of that legislation, but it seems to me that it at least strikes somewhat of a balance—

The Chair: Mr. Deturbide, I'm going to have to cut you off there. I'm giving you some grace. We're way over time for your opening remarks.

Mr. Michael Deturbide: I'm sorry about that.

The Chair: It's okay. You might be able to squeeze in a little more later.

Thank you for those remarks.

Now we'll go to the Honourable Perrin Beatty for his opening remarks.

[*Translation*]

Hon. Perrin Beatty (President and Chief Executive Officer, Canadian Chamber of Commerce): Thank you very much, Mr. Chair and members of the committee.

[*English*]

I am very pleased to be appearing before the committee today as you study the adoption of e-business solutions in Canada. Appearing with me today is Morgan Elliot from Research In Motion, who also serves as the chair of the Canadian Chamber's innovation committee. I am very pleased as well to be on the same panel with Ian McLean from the Kitchener-Waterloo Chamber of Commerce.

I will make brief comments. Morgan is here to answer more detailed questions you may have.

Mr. Chairman, for many years now, the Canadian Chamber of Commerce has been a proponent of having all businesses, but especially smaller businesses, adopt e-business solutions that will enable them to thrive not just domestically but globally as well. Just this year, we partnered with Google on the launch of "Get your business online", a program that targets small and medium size businesses that lag in the adoption of e-commerce solutions. This initiative offered smaller businesses the opportunity of a free website and domain name for a year, with the intention of growing e-commerce adoption among Canadian businesses.

In 2010, the Canadian Chamber released a report entitled *Powering up the Network*. It was a report on small business use of e-business solutions in Canada. We surveyed our members, the majority of whom are small businesses, to gauge how they are using ICTs and what they could be doing better. We were pleased that almost 1,000 businesses from across the country participated. Of the respondents, 66% had between 1 and 10 employees. Some highlights of the report include, first, that 96% of companies have a website for business purposes; only 27% of respondents were able to accept online payments; only 31% of businesses provided the opportunity for online ordering and tracking of goods; only 51% are sending and receiving electronic invoices; only 45% send and receive data to and from governments, such as tax information. And regarding cybersecurity matters, most had anti-virus protection, but 19% said they didn't have a secure server, and 42% did not back up their data off-site.

Clearly, there are many improvements that need to be made. I have brought copies of the report with me today for you to review. Many other countries around the world are outpacing Canada in ICT and e-commerce adoption, and we need to play catch-up or risk falling further behind. The United States, Australia, Denmark, and South Korea are a few of the nations that have invested very heavily in ICT, realizing the potential return for businesses and citizens.

The Canadian Chamber has pushed for government leadership in the area of e-commerce and ICT for a number of years, given that it is a proven driver of productivity. We have been working with Industry Canada as they continue to develop the digital economy strategy. In these economic times, we need to put a greater focus on ICT innovation and the knowledge-based economy.

While the government has made some commitments for broadband infrastructure over the last couple of years, it is clear that more is needed because a connected country is a competitive country. The public and private sectors must continue to work cooperatively to create an environment of innovation and to establish a solid, viable strategy for the Internet economy.

Just last month, the Canadian Chamber released a report on engaging remote communities in Canada. As part of that report, the Chamber discussed the issue and challenges of broadband in the north. As we all saw recently when a satellite went out and knocked out vital communications to Nunavut, having a good, reliable connection to broadband in the north is a critical necessity.

Canada continues to be a world leader in many regards, including energy, natural resources, and the financial services sector. While the availability of broadband Internet access across Canada remains high, we've slipped internationally in ensuring that our digital infrastructure is world class. As a result, we put at risk our ability to attract and keep jobs in the global knowledge-based economy. ICT infrastructure is now a 21st century pillar. It must be given at least as high a priority as traditional infrastructure. We can't afford to be left behind.

Where do we go from here? Canada needs to create a true national ICT strategy in collaboration with business and academia. The federal government should accelerate investment in next-generation networks and take a more active role to encourage our youth to get engaged in ICT and entrepreneurship in innovative technologies. We

also recommend that the federal government continues to work with the private sector to accelerate e-business adoption among SMEs and that the government create a more favourable investment climate that encourages foreign and domestic investment in Canadian e-business opportunities. Without proper investment and dedication to ICT adoption, innovation, and the protection of intellectual property rights, Canada's productivity will be limited and other nations will surpass us as a preferred destination for business investment.

Mr. Chairman, it's time for Canada to take back its proper place as a world leader in innovation and to invest in our future economic prosperity in the digital economy. I hope the hearings of this committee will help us to move in that direction.

Thank you, Mr. Chairman.

• (1540)

I hope that the hearings of this committee will help us to move in that direction.

Thank you, Mr. Chairman.

The Chair: Thank you, Mr. Beatty.

Now we'll move on to Mr. Gupta, for six minutes, please.

• (1545)

Mr. Karna Gupta (President and Chief Executive Officer, Information Technology Association of Canada): Thank you, Mr. Chairman, for having ITAC participate and comment on your study on e-commerce in Canada.

ITAC represents industries in Canada. Many of our members are large companies as well as multinationals, but the vast majority are small and medium size companies in Canada—well over a few hundred.

Canadians are already served with an impressive infrastructure in support of e-commerce activities. They are a digital elite in Internet adoption, broadband penetration, online banking, and social networking. Canada's growth in these areas can be attributed to both private and public sector initiatives, including development and support of digital and broadband networks to develop high-speed access throughout the country. However, with respect to e-commerce and ICT adoption, there are several issues that we need to be aware of.

Despite an increasingly solid infrastructure, Canadian businesses' use of e-commerce and the broad use of ICT remain very low. Canadian technology investment rates are still alarmingly low; we are spending about 60¢ to their dollar in reinvestment. ITAC believes that the effective use of e-commerce and of the entire ICT tool kit increases business productivity across the economy, particularly for small and medium size businesses.

It is important to note that in 2004, an old survey showed that when small companies used online business, the average gain measured over a year was 8% across all their operations, marketing, and online purchasing.

At the highest level, the recommendations made by ITAC on behalf of our constituents concerning the digital economy strategy for Canada outline many items.

More specifically, concerning talent we need to ensure that our young are educated and attracted to ICT as a career choice. We need to get Canada into a broad leadership position within the next generation of broadband by 2017, and to avoid the digital divide of rural versus urban. Government programs can help identify these gaps and close them for greater e-commerce use. Finally, a national ICT strategy will have a direct positive impact on e-commerce.

We also believe that the clear and persistent communication from government and industry leaders that business needs to step up its use of technology is critical to achieving increased productivity and global competitiveness.

The opportunity for increased e-commerce is significant in Canada, and much of it needs to be fulfilled by small and medium size businesses. Canada has more than two million small and medium size businesses. They represent more than 40% of ICT spending and 45% of Canada's GDP. If SMEs go digital and adopt e-commerce technologies, there will be a huge impact on Canada's prosperity, with the ability to access new markets and increase sales and revenues. B2B companies can use the Internet for sales leads, to announce calls, to tender, and to offer products for sale. Effective B2B commerce includes lower costs for selecting suppliers, establishing prices, ordering, and finalizing transactions.

An international review of public initiatives related to the slowing down of e-commerce in several developing countries showed that in Australia, Korea, and the EU as a whole, they needed to acknowledge it and that they have started to take some actions in that direction. A lack of awareness at both the business and the consumer level contributes to lower usage. Government can be a catalyst in improving adoption, both by increased communication and via incentives.

As well, mobility is a critical component of effective e-commerce. We should not only think about buying music and apps on devices. Instead, we should think about doing all transactions on mobile devices; for example, the transfer of funds, the buying of groceries, engaging in everyday trade, and creating a digital wallet.

Finally, ITAC encourages all innovations that support further acceleration of e-commerce. Last year we created a national Ingenious Awards program in which two of the nineteen finalists were e-commerce-based. One was TinyEYE Therapy Services out of

Saskatoon. The other one was specific to government, the website buyandsell.gc.ca.

In conclusion, I'd like to reinforce that ITAC wants to participate actively in providing assistance for the move toward increased use of e-commerce in Canada, as it will ultimately drive greater adoption of ICT across the economy and create a net benefit for the Canadian economy.

Thank you, Mr. Chairman.

The Chair: Thank you very much, Mr. Gupta.

We'll now move to Mr. Bergeron for six minutes.

• (1550)

Mr. Michel Bergeron (Vice-President, Corporate Relations, Business Development Bank of Canada): Good afternoon.

Thank you, members of the committee, for inviting us to your hearings on e-commerce. I'm pleased to share with you today what we see happening in the marketplace and then to describe what we are doing to help increase the use of e-commerce by SMEs.

For those of you who are meeting us for the first time, I'd like to explain briefly how BDC helps Canadian entrepreneurs. At BDC we know the market through our relationship with 29,000 SMEs. We offer financing, consulting services, and venture capital from more than 100 business centres across the country.

[*Translation*]

In 2009, we were asked by the Government of Canada to find ways to help increase the adoption of information and communications technology (ICT for short) by SMEs. As a result, we have some data and information that may be of interest to the committee.

I would like to begin with what I believe is helpful context for conversations about e-commerce. As you have no doubt heard, Canada's economy is less productive than those of its peers. There are many reasons for this, but when experts try to explain why this is so, most of them point to weak business innovation. The solution is for all businesses to become more innovative.

[*English*]

And when we say innovation, we don't limit ourselves to the usual definition of high-tech firms backed by venture capital who are developing new and radically different products like the PlayBook. All firms can be innovators.

We define innovation broadly and comprehensively. It starts with incremental improvements to existing products and services and takes a variety of forms, either new products, new services, new processes, new business models. The breadth of potential innovation is worth repeating, encompassing, again, improved products, services, processes, and business models. Investments in ICT, which includes e-commerce, are a kind of business innovation.

As a final note of context, when it comes to ICT, Canada has room to improve. Our businesses invest \$2,400 less per employee per year in computers, software, and training than their American counterparts do. This is a gap that we need to close.

By happy coincidence, I have new data, freshly released this morning, on the use of ICT by Canadian SMEs. The news is not all bad from a survey of 2,000 Canadian entrepreneurs conducted by Montreal's CEFRIO organization, a think tank group on IT adoption.

Allow me to share three broad findings. One, the general trend line is high: almost all Canadian entrepreneurs are using the Internet. Two, when we talk about using ICT, it appears that size helps. So size does matter in terms of adoption. Three, entrepreneurs are clear about what the barriers are.

First is the trend, and here a striking 93% of Canadian SMEs are connected to the Internet. They do not use it for everything, though. Most of the use they make of it, about 70% to 75%, is for banking and buying provisions. Far fewer use it to sell their goods and services online; in fact, only 18% of those surveyed did so. Even fewer, 15%, use it for marketing purposes.

Regarding scale, there are discernible differences between small firms and medium size firms. Of firms with between 5 and 99 employees, 17% use ICT to sell goods and services online. But if we look at firms that have between 100 and 500 employees—what experts categorize as medium size firms—this rate jumps to 30%.

Regarding the challenge, entrepreneurs point to lots of obstacles to investing in ICT for their firms, but two dominate. The most-often cited is insufficient access to financing. Nearly a quarter of all entrepreneurs point to this. The second most-often cited barrier is the shortage of qualified or specialized people. One in five cites this.

To recap, then, most firms are online, but more could use it for selling and marketing. Two, size helps, as medium size firms are more likely to use ICT than smaller ones. Finally, the most important barrier is insufficient access to financing.

I would now like to turn away from statistics to tell you the story of one of our clients. His name is Larry Cox, and he is from Mississauga. I think his story is quite instructive.

Larry's firm is the Polaris Transportation Group. It's a traditional trucking company. The problem was that Polaris had outgrown its computer systems. Also, customers had begun to demand things such as real-time tracking of goods, which Polaris was not able to do. The choice was clear: either stick to trucking or become a logistics company. So Larry made a decision. He got advice from an IT expert referred to him by BDC and bought a new computer system tailored to Polaris's needs. The result was greater efficiency and a very substantial increase in sales.

As you can imagine, Larry is smiling these days. He says: "I have gone from fear and trepidation about technology to embracing it, and I'm very glad I did." It was difficult, but the right thing to do. It transformed his business and made a small part of Canada a little more productive.

It is with entrepreneurs like Larry in mind that BDC announced two days ago that we have earmarked \$200 million for loans to help entrepreneurs invest in ICT. We have also launched a series of new consulting services aimed at helping entrepreneurs identify, plan, and implement their technology investments. Many of our tools and consulting services are available online at bdc.ca. These include free assessment tools to help entrepreneurs take stock as to where they are in their use of ICT in general, and the Internet in particular.

We can't solve the problem alone, but we can offer funds and expert advice to help entrepreneurs buy and use the hardware and software their firms need. For ICT financing, we'll speed up and simplify the processing of applications. And because using short-term financing can reduce a firm's working capital, we'll allow entrepreneurs to pay back the loans over four years.

BDC sees a world of opportunity in defining innovation broadly and comprehensively. We see investments in ICT as an important kind of innovation.

• (1555)

Canadian entrepreneurs are using the Internet but not to its full advantage. Given the fact that most SMEs have fewer than 20 employees, they are the firms that need help investing in ICT. By the way, these businesses account for 80% of firms in Canada.

Finally and fundamentally, we believe that ambitious, innovative entrepreneurs like Larry Cox are critical to building a more productive, competitive, and prosperous economy. Simply put, Canada needs more Larrys. In fact, we need tens of thousands more. Our aim is to find them, support them with financing and advice, and hold them up as examples for others to follow.

Thank you very much for the invitation.

My colleague, Pam, and I would be delighted to take questions.

The Chair: Thank you very much, Mr. Bergeron.

Mr. McLean, you have six minutes.

Mr. Ian McLean (President and Chief Executive Officer, Greater Kitchener Waterloo Chamber of Commerce): Thank you.

On behalf of the Greater Kitchener Waterloo Chamber of Commerce, I'd like to thank the committee for the opportunity to speak this afternoon about this important topic. I'm honoured to join the Honourable Perrin Beatty from the Canadian Chamber of Commerce and Morgan Elliott from Research In Motion, a great chamber supporter of ours.

The Greater Kitchener Waterloo Chamber of Commerce has a long and storied history going back 125 years to the creation of the Berlin Board of Trade. Over the years, we have grown, particularly after merging with the Waterloo chamber in 1992 and the Woolwich chamber in 2001. The Greater KW Chamber of Commerce is among the largest chambers in the country.

In preparing for this presentation I have consulted extensively with my colleague Greg Durocher from the Cambridge Chamber of Commerce. He's president and CEO of that chamber. Together our two chambers represent nearly 4,000 member companies and organizations that hold an employee footprint of over 100,000 individuals within the Waterloo region.

One of the hallmarks of our chamber has been the ability of our business community to adapt from its origins as an agricultural-based economy in the 19th century and to evolve over the years into a manufacturing capital, then an insurance capital, and now an education centre with two world-class universities and a community college, and also a technology hub. The entrepreneurial spirit and sense of collaboration in our business community has been integral to our success in business and as a community.

While our membership in the chamber ranges from sole proprietors to worldwide corporate leaders like Research in Motion that employ thousands, our membership base is primarily small business. When I say small business, I'm talking about companies with 20 or fewer employees, as we've just heard. They are the backbone of our chamber.

Today I'll be focusing on several areas of interest that our local businesses shared with me and the difficulties they face on a daily basis. Our members understand that they need to innovate not only to stay competitive locally but also to expand their reach in the global marketplace.

There are four main issues I would like to focus on today: one, more competitive options and pricing in telecommunications and banking; two, cost-effective data transfer; three, improved safeguards to retain valuable intellectual property; and four, minimizing red tape and bureaucracy. We believe these four key factors need to be addressed in order to increase the adoption of e-commerce more broadly not only among our members that do business in the heart of Canada's technology triangle of Kitchener-Waterloo-Cambridge, but also right across the country.

Our financial institutions and communications leaders have strong partnerships with both our local chamber and the Canadian Chamber of Commerce. They play a strong role as partners, but changes to increase competition in banking and communication sectors are essential to reduce pricing structures for these sectors, which are critical to small business investment.

New technologies being developed within the e-commerce sector around the world and within Canada can offer choice to businesses

and consumers, and increase the usage of e-commerce offerings. Growing mobile payment systems are examples of these. These technologies can make it easier for small retail businesses to become technologically nimble in serving their customers and to focus on growth by lowering traditionally high financial costs. These emerging e-commerce options should be encouraged and nurtured in order to help small businesses find better ways of being productive, innovative, and successful.

Recent reductions in corporate tax rates have been a welcome development for business. But small businesses face other challenges related to the costs of e-commerce, including the high cost of data transfer. Canada is one of the world's most expensive countries with respect to data transfer costs. These high costs have potentially been stifling the number of start-ups and up-and-coming business and media technology companies in Canada.

A very well-known start-up of the past three years that has a purely media focus is the Swedish-based Spotify, an emerging global player in paid music streaming, with over 10 million paying users in just two years. After they were founded, they moved to the U.K., the U.S., France, Spain, the Netherlands, and a range of other nations, but not Canada. Their services are not even available in Canada due to current laws—but most of all because our data uploading speeds and costs just aren't effective for potential consumers. The cost is too high; the service is too weak; and the regulatory hoops are too numerous. This is a real problem to our seeing growth from a key e-commerce industry that's growing in other parts of the world. As a nation, Canadians consumes more online content per capita than any nation in the world, yet we risk being left behind in e-commerce media development, which is becoming an emerging sector for new technology start-ups around the world.

In this ever-changing business environment, legal and regulatory frameworks also need be agile and be refreshed frequently to keep up with the pace of innovation and change that businesses deal with on a day-to-day basis. As the committee looks at this issue, it would be wise to be cautious when it hears calls for new regulations of these technologies and to consider the reason. Any progress in technology, from the printing press to Kodak cameras, has been a subject of concern, ultimately because it represented change.

●(1600)

We share the view that the Internet and digital economy are key drivers of growth and productivity in Canada's economy. Some argue that the success in this area may largely be a result of fewer regulations in this area, as opposed to our creating more regulation. While regulation may be necessary, it should be clear, understandable, and fair, especially for small businesses.

We also applaud the government's initiative to streamline and reduce red tape, and we look forward to Minister Bernier's report and recommendations. The Jenkins panel report made some interesting recommendations. I look forward to better understanding all of them. One of the key points was the need to simplify the SR and ED program for small and medium size business by narrowing the base for tax credits. We hope that report will be thoroughly reviewed and considered.

For many businesses the SR and ED tax credit has been important and has encouraged research and development within new online industries in Canada, and more broadly as well. However, the administration of this SR and ED tax credit can be difficult for small business owners. These types of programs are important but need to be made easier to understand and more transparent, so that a small or medium size business can apply and receive tax credits and the company can focus on developing its cutting-edge product and spend less time on filling out complicated paperwork and forms.

Thank you for the opportunity to appear today. We represent almost 4,000 employers who are truly small business. The Greater KW Chamber and the Cambridge Chamber of Commerce believe that in these challenging economic times, every level of government needs to find ways to support the small business sector, because it is the foundation and engine of our economy. Because e-commerce is such an important factor in today's economy and for our future economic growth, this review is both timely and welcome.

Thank you.

The Chair: Thank you, Mr. McLean.

Now we're going to move to our first round of questions. I would remind members that we have a witness who is with us by teleconference. Sometimes when they're not present with us physically, we overlook them. I wanted to remind you of that.

I notice that our first questioner is armed with his BlackBerry Playbook. So we'll go to Mr. Braid.

Mr. Peter Braid (Kitchener—Waterloo, CPC): Yes, indeed, and it's no coincidence either.

Thank you, Mr. Chair, and my thanks to all of our panellists for being here today. We have a strong panel, a star-studded, I would say.

Mr. Beatty, welcome back to our committee. In your opening remarks, you mentioned that in some other countries, like Denmark, the U.K., and Australia, there are some best practices with respect to ICT investment. Could you cite any examples of other international best practices that Canada should seriously consider?

●(1605)

Hon. Perrin Beatty: Especially as you have your BlackBerry Playbook here, let me defer to Mr. Elliott from Research in Motion. They have activities all over the world and have been the beneficiaries of actions that have been taken by other countries to put in place an infrastructure that's more effective.

Mr. Morgan Elliott (Chair, Innovation Committee, Canadian Chamber of Commerce): I think one of the greatest examples you referenced was Australia. Its government made a clear decision to do a country-wide rollout of broadband and to support it financially. That was done to provide the critical infrastructure that forms the background of e-commerce and innovative technologies.

Australia has the same challenges as Canada, with its geography and its widely spread population. Broadband is not an inexpensive proposition, but there are a number of people throughout the globe who feel it's just as important as electricity, just as important as roads for transportation. They believe these broadband networks are becoming the transportation of the future.

Mr. Peter Braid: Thank you.

Mr. Beatty, in your remarks you spoke about the importance of Canada's enhancing our protection of IP. Could you explain to the committee, one, why that is important; and two, what initiatives the federal government could take to help with that objective?

Hon. Perrin Beatty: Mr. Chairman, if we want to be an innovative country and to attract investment from around the world and encourage investment from Canada itself, we have to recognize that, to a very great extent, the currency in the global economy today is in fact intellectual property. It is every bit as valuable as any tangible property that businesses might have. We have allowed ourselves to fall legislatively behind other countries in the rest of the world. We have fallen behind in the international obligations that we've taken on, and we've become less attractive than other jurisdictions as a place to invest.

The government is undertaking an important initiative now with regard to copyright reform. This will be very helpful. For example, if you look at the production of video games in Canada, it's an industry that has tremendous potential and in which a good deal of work is being done with young Canadians to train them to operate in the field, including at the university I am chancellor of, the University of Ontario Institute of Technology. There's tremendous potential there, but you want to make sure that when people develop intellectual property, they have protection and it isn't simply taken from them.

Similarly, we need to step up our activities in term of patent protection to ensure that entrepreneurs who invest very heavily in developing new technologies have better opportunities to get the return to pay back the investment they've made.

There's the whole area of counterfeit as well. We need to do a much better job in terms of manning the borders to stop people from bringing counterfeit products into Canada. Examples include everything from counterfeit heart medicine, which can literally put people's lives in jeopardy, to the brakes on your car, to jet aircraft parts. We need to be more vigilant and to arm and equip our border authorities with the authority they need to be able to make seizures of counterfeit and contraband coming into Canada.

So there's a range of areas where we can act. We have also had recommendations in Canada—and I know Mr. Morgan would be glad to elaborate on that as well, because it's very important to Research In Motion—to operate in the area of rights and rents and how we can make improvements in protecting innovative companies like Research In Motion.

Mr. Morgan Elliott: Yes, certainly the area of patents is definitely the next step after copyright. Copyright was very important for a number of industries. A lot of people don't realize that software is protected by copyright too, but patents are absolutely essential. I think people are starting to realize this with the recent sale of Nortel's patents for \$4.5 billion and the purchase of Motorola Mobility's patent portfolio for \$12.5 billion.

A lot of countries and areas are using patent protection as non-tariff trade barriers, to be quite frank, and you're seeing a lot of this in the smart phone industry, which, despite its pervasiveness in North America, is really an industry in its infancy. You're seeing a lot of these court battles in international places where competitors try to shut each other out of different markets, based solely on patent protection. So it's definitely the next frontier, so to speak, in terms of international trade.

• (1610)

Mr. Peter Braid: Mr. McLean, thank you for being here and for representing the Greater Kitchener Waterloo Chamber of Commerce. In your remarks you mentioned the Jenkins report, which was, of course, tabled on Monday. Could you elaborate on what you see in that report that you like, and what you think will be important to supporting the innovation economy?

Mr. Ian McLean: Thank you for the question.

I haven't read it in tremendous detail, but here I would refer to the whole notion of simplifying the process and allowing more companies that want to take the opportunity to invest, that want to reach out into global markets, and that want to use all the technology and ICT to create new markets and be innovative. It's widely used, and there are those who understand it—and Morgan is more familiar with many of the companies using that—but there are also small companies who are not familiar with how to do it.

In my world, many small businesses have four, five, or six employees—those with 20 employees are large companies—and don't have the capacity to understand the regulations, the paperwork, or the framework. They get sidetracked and don't take advantage of this program. So to simplify it, I'm creating clearly understood rules and guidelines and then promoting the program as something they should be taking advantage of so they can invest in their own business and can become more competitive locally, nationally, and internationally.

A common theme we hear is that people don't understand government regulation and red tape.

The Chair: That's all the time we have.

Thank you very much, Mr. McLean.

Mr. Julian, you have seven minutes.

Mr. Peter Julian (Burnaby—New Westminster, NDP): Thanks, Mr. Chair.

Thanks to our witnesses. This is important testimony.

I'd like to start with Mr. Deturbide and Mr. McLean. We had testimony on Monday from Dr. Jacques St-Amant, who talked about the legislation in place in other countries that are ahead of Canada in e-commerce. Mr. St-Amant cited Australia, for example, and the United States.

Two aspects of that are the administrative charges and the credit card charges that many businesses are facing through e-commerce. I'd ask Mr. McLean whether he would favour the type of legislative initiative that would cap, as they have in Australia, the charges that go to businesses.

Mr. Deturbide has raised concerns about security and data security. Does he see legislative frameworks around the world that would be useful for Canada to adopt?

I'd ask you both to be fairly brief, if you could.

Mr. Ian McLean: I'll start off.

We hear in our community about new options for online commerce, such as Google Wallet. The word on the street, according to some of the rumours, is that they'd like to provide free or low-cost services in that regard.

I guess our hope is that in exploring this, there wouldn't be anything in the regulatory or legislative framework that would prevent that. That would encourage more choice in the marketplace for small business in particular, because one of the barriers for small business can be the cost of banking fees and so on.

So we are open to seeing, and would look to, anything that would create more competition and choice for consumers and business.

Mr. Peter Julian: Mr. Deturbide.

Mr. Michael Deturbide: I think the issue is not necessarily whether one jurisdiction's way of approaching security is better than another's. Bill C-12, which is on the horizon and I hope will be passed, is certainly going to require businesses to turn their minds to security and security issues. But particularly with respect to small and medium size businesses, that's going to be a problem, I think.

I guess I would follow up with what several people here have said, including Mr. Bergeron, for example, that smaller firms need help in investing in ICT. Part of that would be security. First of all, there has to be an awareness and, secondly, they have to have the infrastructure in place. And that means dollars.

All of the studies I've seen seem to indicate that small and medium size businesses, at least at this stage, are not turning their minds adequately to the security issue. That's going to be to their detriment. Frankly, Canada is a little bit behind the ball here. We do have Bill C-12 on the horizon. Other jurisdictions have passed legislation that, for example, requires businesses to have certain security measures in place and, if they don't, to report security breaches. That is something, I think, that is going to come.

It begs the question, though, what small and medium size businesses can do about that. First of all is the awareness issue, and second of all is the financing to put things in place so that they are able to meet the requirements of the legislation.

• (1615)

Mr. Peter Julian: Thank you very much for that.

I'd like to move on to Mr. Beatty.

I first met you when you were a dynamic young MP in southern Ontario.

Hon. Perrin Beatty: That's a very long time ago, Mr. Julian.

Mr. Peter Julian: It's nice to see you have the same energy today.

I have two questions. First, you raised the fact that Canada is being outpaced. You mentioned other jurisdictions, including Denmark, South Korea, Australia, and the United States. The question of resources has come up, and I want to ask you what you think the federal government should be doing.

Secondly, on R and D, we've consistently seen, including with the Jenkins report, that Canada ranks last in OECD countries in terms of direct investment in R and D.

Those are problems, and so I would like you to address the issue of resources. What are these countries doing that Canada isn't doing, and what should Canada be doing?

If you could do that in a minute or so, if you wouldn't mind....

Voices: Oh, oh!

Hon. Perrin Beatty: Again, I'll turn to my friend Morgan to comment on other countries.

The key is that in Canada, the federal and the provincial governments must be facilitators. You must look for ways, first of all, of taking impediments out of the way of business investment and, secondly, providing incentives for business to roll out the various elements of infrastructure programs that need to be in place.

As it relates to R and D, if I can wear my hat from the Canadian Chamber and also from the UOIT. We do a good job in Canada in terms of public sector R and D. We don't do a good enough job in terms of commercializing public sector research in Canada. We do a poor job of that. We underinvest in terms of private sector investment in R and D. I think part of what the Jenkins report was trying to do was to ask how we can leverage more investment by the private sector and make sure that it comes to market.

We haven't had a chance to study the Jenkins report fully at this point. A number of the recommendations he makes look attractive to us, and others raise some concerns with us. But in terms of the general direction he wants to go in—encouraging better investment

in R and D, better commercialization, and more innovation—it's the right direction to go in.

Mr. Peter Julian: Thank you very much.

For that final question, because I think I have another minute, Mr. Gupta, you mentioned the issue around education and training. Again, tragically, Canada is last in the OECD in production of doctorates, Ph.D.s, so this is clearly another area where Canada's falling short. Is that something that's having an impact in the fact that we're lagging behind on e-commerce, in the fact that we are last in the OECD for the production of doctorates?

Mr. Karna Gupta: Thank you for the question.

The big part of this is that it has to start at a very early stage, down to the high school level at grade 10, because there is not enough awareness and training that kids can go into ICT as a career. So when you look at the ICT community today, it is a fairly small community and there are a significant number of job gaps. Most of the kids are still not properly trained in this area.

Several initiatives are under way. The Canadian Coalition for Tomorrow's ICT Skills is looking at some of the new programs for universities and high schools to promote that notion. So there has been some development. If you ever get a chance to look at CareerMash as a website, it talks about why young kids should go into ICT as a career choice. So we need to start there. If you don't have that and you don't have sufficient ICT-trained professionals, all the downstream technology development, usage, and adoption will suffer.

We feel that the training part is a critical component in terms of building the overall knowledge base.

The Chair: Thanks, Mr. Gupta, and Mr. Julian.

Now let's go on to Mr. McColeman for seven minutes.

Mr. Phil McColeman (Brant, CPC): Thank you, Chair.

I, too, want to thank all of the panellists for coming in today. It's a very important area that we move forward on.

As you know, and I'll direct this question to Mr. Beatty, it's important for us to pass the copyright law, as you had referred to in your comments, because of the impediments to businesses and consumers.

Do you believe that if it gets delayed for any length of time, we will just continue with the situation we're in today?

Hon. Perrin Beatty: I can perhaps give you some personal experience. When I was Minister of Communications 20 years ago, I attempted an initiative on copyright. Successive governments have tried to modernize the copyright regime for Canada without actually being able to bring it to fruition. It is important that we act now and modernize the regime.

I should stress, though, that the government said, when it reintroduced the bill in the same form it was in during the previous Parliament, that it will consider making amendments at committee. There are serious technical amendments that we have to propose to improve the bill and to make sure that, in fact, the clauses in the bill deliver on the expressed intent of the government.

So, yes, it should be an expeditious process. There's a great deal of material on the public record as a result of the work that was done in the previous Parliament, but amendments need to be made to the bill as well.

• (1620)

Mr. Phil McColeman: Thank you for that.

I want to direct my next question to Mr. Bergeron, in terms of the rollout that he had talked about.

My background is that I have owned a company of 20 employees all my working life. So I was right in that small category prior to getting into politics.

Entrepreneurs in this category—and my area was construction—often lack any resources and skill sets within their operations to even begin to look at tackling this issue. They may dabble a bit, but in a lot of ways they rely on their peers and what other people are doing within their own industries, associations, and what not. What are some of the strategies that the BDC has been using to reach out to the people who provide 80% of the employment within this country?

Mr. Michel Bergeron: I'll start at a high level and then ask my colleague to complete it.

Fundamentally, what we're trying to do is based on three pillars. The first one is about how we can increase awareness around the benefits of ICT for the competitiveness of a business. This here, for instance, is an IT guide on how to leverage IT for basic issues of your business. It's a free guide of 30-some pages. The interesting thing is that it's all based on real-life stories of other entrepreneurs and how they've leveraged ICT for marketing purposes, how they've leveraged ICT in terms of customer relationship management and for productivity enhancement. We try to connect the dots between what ICT can do and how we can help boost the top and bottom lines.

There are other initiatives, and we're working on the various content campaigns right now. Through conferences and workshops we're talking to our employees. As an example, we're training all of our account managers on the benefits of ICT, so they can have a structured discussion with their customers when they meet with them locally. There are various tools that we're trying to leverage just to increase a tiny bit the understanding around the benefits of ICT. If they are starting to be interested and they say that because of competitive pressures, etc, they understand that they need to do something, we've also developed some tools around improving consideration of ICT. For instance, we have a free online assessment where they can test their website. They'll get a free assessment of how their website ranks within minutes, of 10 to 15 pages, depending on the complexity of the website. That's an example. It also identifies for free some of the strategies they can put forward to make improvements.

If they say they need to go further on this, we've developed a group program at a reasonable cost that allows them to go through the basics of IT management to get a clear action plan for their own business. It's a mix of training and private consulting. These are examples. If they say they need to implement the plan, this is where the financing and consulting programs come in.

Pam, do you want to add anything?

Ms. Pamela Darragh (Assistant Vice-President, Information and Communications Technology Solutions, Business Development Bank of Canada): Sure.

Mr. Bergeron summarized it very well, but there are some additional pieces I'd like to add.

BDC has a small consulting group and we leverage a large pool of external consultants who bring their expertise to the table in addition to our own internal expertise. We currently have 500 consultants on what we call our network of consultants, who bring their expertise to the table. It's a matter of leveraging our own internal expertise and leveraging a pool of external consultants who can bring their expertise to the entrepreneurs and function as their trusted advisers to help them through the process. It's a combination of the online tools that are available, the financing products, and the consulting operations that can help walk them through that.

Mr. Phil McColeman: That's excellent.

Over the years I've been familiar with some of those programs. These seem daunting for some entrepreneurs. If we could ever break some of those barriers down and figure out ways to do so.... I don't have the answers to give you or to give you my thoughts on that, but we can continue to break those barriers down.

As I sit on another committee, the human resources and skills development committee, I know that we've allocated \$60 million in funding for the next three years to promote enrolment in the key disciplines related to the digital economy, such as science, technology, engineering, and mathematics. This blends well with what you're talking about here today in terms of trying to develop the expertise that can move into small companies in the beginning stages. Perhaps these can be entry level people who do know the technical side of it to help entrepreneurs move forward.

I have one last question, Mr. Chair.

Mr. Beatty, you talked about foreign investment and how important it is to get investment. As we all know, the Canadian investment environment is very risk averse in comparison to a lot of other countries.

Are there ways that the chamber can see of changing that culture in our country, or is there a way that governments can be involved in assisting and helping to change what a lot of people have commented on is a much lower risk tolerance by venture capital in Canada?

• (1625)

Hon. Perrin Beatty: I don't know that we're unique in Canada. There's a problem, particularly with small firms growing in Canada to a larger size. The studies that I've seen indicate that Canadians are as entrepreneurial as any other country, but the real difficulty has been.... For example, the folks from RIM forgot the Canadian playbook—not that PlayBook, but the usual one.

Voices: Oh, oh!

Hon. Perrin Beatty: The Canadian playbook is that you start your company, then build it up to a certain size and sell it to somebody else. RIM demonstrated that you can stay in Canada and build a world-class company right here in Canada. BDC is a part of that, and other government programs are a part as well.

We need to provide the financing at critical stages, particularly pre-commercialization of new developments, which is an area of importance. We need to give greater incentive for investors to be able to put their money into start-ups. We need to give better assistance in terms of the education of entrepreneurs and so on. There is a range of things we can do to help Canadian companies grow to size.

The Chair: Mr. Beatty, I'm sorry to interrupt you. I gave you some grace there, but I need to be honourable to all members and give equal time.

Hon. Perrin Beatty: I was only getting warmed up, Mr. Chair.

The Chair: I noticed.

Hon. Perrin Beatty: Apparently, when I'm around politicians, it has this effect on me.

The Chair: It's one of the things that's going to demotivate me for the rest of the day, seeing that I stopped all that momentum.

Mr. Hsu, for seven minutes.

Mr. Ted Hsu (Kingston and the Islands, Lib.): Thank you, Mr. Chair.

My first question is directed to Mr. McLean. But if anyone else wants to jump in, it's a specific question related to a recommendation of the Jenkins panel.

You talked about the SR and ED tax credits. One of the recommendations of the panel was to focus the SR and ED tax credit on labour costs only, and to remove the tax credit for materials and capital equipment costs. How will that affect the adoption of ICT by small and medium size enterprises?

Mr. Ian McLean: I must confess I'm not an expert on all of the details of SR and ED, but I guess the theme among the recommendations that makes sense to us is to make it easier to understand. There are a lot of small businesses in our chamber that may not be tax specific, but they can utilize a program like that to adopt e-commerce opportunities.

Mr. Ted Hsu: But if you couldn't get the tax credit for equipment and capital expenditures and could only get it for labour costs, do you think it would make a difference, regardless of complexity?

Mr. Morgan Elliott: One of the hats I wear at RIM, in addition to government relations, is managing the SR and ED team within RIM. I have quite strong views on this.

In the Jenkins report, in addition to focusing on the labour component only, it also suggested raising the cap a little. It makes things less complicated. Anything that makes reporting and auditing easier for business is always welcome. It simplifies the process.

Mr. Ted Hsu: I'm hearing that it doesn't matter too much that equipment is going to lose its credit.

Mr. Morgan Elliott: It does matter, but if a process is put in place that simplifies the filing and administration of SR and ED, business would more than welcome it.

Mr. Ted Hsu: Okay. The second question will be to Mr. Bergeron.

You mentioned there was a survey of entrepreneurs and that the challenge most often cited for lack of investment in ICT was insufficient access to financing. I know the BDC understands this and that it's why you're going to focus on this particular aspect. But how did this develop in the first place?

Why did conventional sources of financing not realize there was a need for small and medium size enterprises to get financing to invest in ICT? Why did this need arise? Is there a problem within our culture?

• (1630)

Mr. Michel Bergeron: No, I don't think the issue is about a lack of understanding on the supply side of financing. The reality of investment is such that these are all intangible assets; there is no collateral value you can associate with them. So most businesses basically end up financing this out of their working capital, which prevents them from investing in other types of investments.

For traditional banks, it's very difficult to provide financing without adequate collateral. This is an area that BDC is very familiar with. So we either do partially or fully unsecured financing. Because of the benefits associated with ICT investment, we believe it's worth supporting businesses to access this financing.

The survey cites the fact that access to financing is difficult. It's a matter of fact in their perception about accessing the financing. It is accessible in some cases, but oftentimes they basically have to draw on their operating lines to access it, which prevents them from using it for normal operating needs.

Mr. Ted Hsu: Is it fair to say that it's the usual problem, that the "money" doesn't understand the business well enough to fully value the intangible assets? And that applies to all types of things, not just ICT adoption, right?

Mr. Michel Bergeron: I would say this is a living example of the increasing challenges that bankers face in supporting and financing a knowledge-based economy. How you attach collateral value to patents, IP, distribution networks, or a brand is very difficult. It's beyond what we've traditionally been doing.

So we have to venture out into new markets. Oftentimes, some of the banks are not comfortable in that business. This is an area that BDC is trying to venture into just to make sure that we do provide financing to the knowledge-based sector.

Mr. Ted Hsu: Okay, good. That makes sense to me because I think there are lots of examples in the investment world where investors don't, for example, properly value the worth of a brand and miss out on opportunities.

For my third question, I guess it was Mr. Elliott who talked about Australia, where a very progressive government rolled out a country-wide broadband strategy. I'm just reading this very brief description in the report you brought along, but I again wonder how they dealt with this issue of financing.

I also wonder how they deal with the lack of expertise that you identified in your survey, Mr. Bergeron, the lack of qualified people to help small and medium size enterprises adopt ICT.

Does anybody know how Australia dealt with those issues?

Mr. Morgan Elliott: Well, they're still in the process of doing the rollout and it's like a field of dreams. If you build it, they will come. When you put those types of resources into building the core infrastructure, then you get the follow on and you get the tertiary benefits and then you get the spinoff benefits.

It's a multi-billion dollar rollout they're doing in terms of the investment in their country. Once that starts flowing, the expertise will come.

Mr. Ted Hsu: For my last question, I was just intrigued by something that Mr. Beatty said about amendments that needed to be made to the copyright bill. I just wonder if there is a specific one you might care to mention.

Hon. Perrin Beatty: There are a number of them, Mr. Hsu, and we'd be glad to give you a list of the ones that are of interest to us.

As an example, the bill deals with websites that are designed to promote file sharing. It is so restrictive that it doesn't deal with websites that facilitate file sharing and the violation of intellectual property. The intent was clear but the wording was not sufficiently precise to cover the range of instances that are of concern. It's this sort of thing.

The amendments we're proposing are technical in nature, but they're substantive. And as a result, what we've said is that yes, we believe it's important to act, but until we have a chance to see it, we can't make a decision on whether the bill should go ahead in its final form.

The Chair: Thank you very much, Mr. Beatty.

Mr. Hsu, I'm sorry but that's all the time we have.

That concludes the round of seven-minute questions. Now we'll go on to the second round. I just want to remind our members that we have Mr. Deturbide, via teleconference.

Now we'll move on to Mr. Richardson, for five minutes.

•(1635)

Mr. Lee Richardson (Calgary Centre, CPC): Thank you, Mr. Chairman.

I appreciate this panel. It's been very useful.

One of the recurring themes we've heard today and from previous witnesses—and I think it was noted by Mr. McLean—is what the Chamber of Commerce's report on e-business solutions describes as Canada falling from leader to laggard, or our getting behind in the field of digital infrastructure particularly.

Mr. McLean mentioned the data costs and uploading speeds, but a recurring concern is also the regulatory barriers. I think you've all touched on regulatory barriers. That's one of the things we'd like to get to here, obviously. And I'd like to know if there are specific examples you can raise.

Have any of you raised these issues? How would you bring them forward and where would you go with them? If you did have a specific example, it might be easier for the committee to grasp that process.

Mr. Morgan Elliott: There's a great example, and Mr. Braid has been very helpful in this matter. This doesn't apply only to RIM, but to a lot of small start-up tech companies in the Kitchener-Waterloo area. We heard earlier that security is paramount in terms of e-commerce.

It's a little-known agreement, but Canada is a signatory to the Wassenaar Arrangement. We have to apply to the Canadian government to export our technologies that have this encryption, which consists essentially of security locks.

So in terms of developing and opening new markets, I know that companies have been caught exporting materials and software they didn't even know were subject to regulation. So putting in general export permits would be a huge piece of red tape to help foster companies that are really leading in this area.

I will just give you an example of how ridiculous it sometimes becomes. I know of one small start-up company that has some resources overseas that they use for R and D. They need to apply for a permit to export their own software, even over the Internet for themselves.

Mr. Lee Richardson: Do you get this at BDC?

Mr. Michel Bergeron: The types of encounters we have with our customers are not about regulatory barriers. They're more about how to incorporate this within the business model. This is fundamentally more of a business-model decision.

Mr. Lee Richardson: And do they mention the...?

Mr. Michel Bergeron: If I look at the survey results on barriers to e-commerce adoption, regulatory barriers are not identified at all. The main element that is identified is the inappropriateness of their product or services being sold online, which is interesting because, in some cases, it is true. In other cases, it is just that they don't understand the opportunities that e-commerce could offer. It's more of a strategic discussion as opposed to a regulatory one.

Ms. Pamela Darragh: Our clients and entrepreneurs are generally not there yet. They're at the awareness stage and earlier stages. They have a presence online, but it's really more of a website that's a business card online. So they're just in their infancy in e-commerce, and they're not quite at the regulatory stages. So usually our conversations with them haven't touched on those topics.

Mr. Lee Richardson: I wanted to go there simply to get a sense of what you collectively might expect or wish from this committee or this government in terms of our e-commerce study and direction. If it isn't a regulatory framework of some kind, what are the best ways we can help? That's where I've been going with it.

The Chair: Now we go to Mr. Thibeault for five minutes.

Mr. Glenn Thibeault (Sudbury, NDP): Thank you, Mr. Chair.

Mr. Gupta, you made a very important statement. Mobility is an important aspect of e-commerce. As part of this study, one of the things that I've been trying to look at in more detail is mobile payments. I guess my friend Mr. Elliott likes to see everyone carrying around his mobile phone.

About a month ago, Google stepped up with its mobile wallet. I believe it's linked to MasterCard and Visa, so more and more folks are going to use their mobile phones to make their credit card purchases, wherever they are.

Do you see that coming to Canada in the near future? And do you believe that our wireless mobile infrastructure would allow for advanced services like this point-of-sale payment via cellphones or smart phones?

• (1640)

Mr. Karna Gupta: I believe that the mobile wallet is here. It is going to come to Canada, and it'll be used very heavily. Essentially there is a bunch of other things that need to happen. Your mobile phone carries your credentials now. So when you walk up to a grocery store and you don't have your debit card, you'll give them the mobile phone. They can give you the credentials, so the power shifts to the consumer's hand.

There are a bunch of issues from a technology point of view that need to be addressed, but the underlying infrastructure is there. I think the infrastructure that's getting deployed in Canada is robust, and I think the infrastructure will be there. There are regulatory issues. There are start-up companies in this economy that may require support through incubation, commercialization, and privatization. But as for usage and utilization, it is here, and we need to get on with it, because that is the future and every other country is doing it. Emerging countries are doing more mobile transactions today than we are doing in Canada.

Mr. Glenn Thibeault: I know there's some hesitancy out there. There are the interchange fees, which we can all talk about from a credit card aspect. There is also fraud, identity theft, accurate tax reporting, and all of these things. How can we get a handle on this? What would you see as a way to get a handle on this mobile payment piece?

Mr. Karna Gupta: Several issues will need to be addressed. One is managing your credentials. I'll give you one example from an energy point of view. If you have an electric car and I come to your house and plug in my car, who pays for the car? Do you pay or do I pay? Carrying your credentials with you and putting in a receptor somewhere to transfer that data and information will become paramount in mobile transactions at every stage. It requires the underlying technical capabilities, and it also requires products and solutions to be built in that area. We don't have sufficient demand today to incubate that part of the business. But as the network gets built and the surrounding infrastructure, in terms of the regulatory regime and the adoption issues, starts to move, I'm sure all of this will come.

Mr. Glenn Thibeault: Maybe, Mr. Elliott, I'll tap you for your expertise on some of this.

Say I have my credit card information in here and I lose my phone. The fear is that there's a new app coming out every day, you know, in the BlackBerry app world, created by some great entrepreneur who may take a little piece of that pie. There's a lot of fear out there on the consumer side. If I have my credentials in the phone, and I lose my phone or it's stolen, how do I shut it off all of a sudden?

Mr. Morgan Elliott: Well, if you're using a BlackBerry, you're safe.

Some hon. members: Oh, oh!

Hon. Perrin Beatty: You should charge him for that.

Mr. Morgan Elliott: I was just going to say, we'll talk about that afterwards.

Of course, I'm here in my capacity as chair of the innovation committee, but I'm also happy to answer your question.

Yes, security will be paramount in the future. Not to toot RIM's own horn, but we do have an application called Protect Me that's available in the app world, so that if you do lose your BlackBerry, you can remotely wipe your device that has those credentials. Or you can find it via GPS as well, and you can make it flash and ring, too, as you want. Things like that will be very important.

You talk about interchange fees and that. I think there's a lot of opportunity in terms of micropayments, which will definitely bring down the costs for small entrepreneurs and offer some really interesting opportunities taking away from traditional systems.

The Chair: Thank you very much, Mr. Elliott, and Mr. Thibeault.

The only thing we can hope for is that you have an app called "Now Come Home Doggie" and it will walk back to you, right?

Voices: Oh, oh!

The Chair: Now on to Mr. Carmichael for five minutes.

Mr. John Carmichael (Don Valley West, CPC): Thank you, Mr. Chair.

And thank you to our witnesses.

I'm hoping, Mr. Elliott, before you go today we're going to have a short tutorial to help us through the use of our BlackBerries.

I'd like to turn to the human side of this. Mr. Gupta specifically referred to the talent pool as a major hurdle in technology today. I come from an SME background, so I've experienced the frustration with a pipeline of qualified potential employees who could come in and help me get to the goal line....

As I listened to both you, and specifically the chambers of commerce, I was thinking about the small business internship program for post-secondary students that Industry Canada talked to us about. We've had good input from universities and colleges over the past few days and some very exciting revelations about the work that's being done.

With regard to the internship program—and I would like to start with Mr. Gupta, then Mr. Beatty and Mr. Elliott—is that program working and worth our while putting money into? That's number one.

When you talk about where we're lagging behind these other countries, such as Australia, I know a lot of it is relevant to infrastructure, etc., but how about the talent side of it? Are they doing anything that we should be looking at as we try to learn how to do this better and to close the gap?

Mr. Gupta, if I could start with you. And then, Mr. Beatty, it's over to you.

• (1645)

Mr. Karna Gupta: Thank you.

I think the internship or co-op program in universities is critical. It should almost be doled out with all of the science programs in every university and every college. It should be part of the curriculum going forward, because nowadays as the kids come...

I'll give you my personal experience. For 30 years I've been running businesses, and I tell my son, "When you graduate and I have to hire somebody, there is a chance that I may not hire you because I will hire the best person and that person might be sitting in Seoul or Hong Kong".

So they need to have hands-on working experience as they go through their schooling, which is absolutely critical in today's world, as well as multi-disciplinary teaching. Kids come out with a single-threaded education. It is no good to a business. They need to understand the business side of the education as well. How do you take a product to the market? What does developing a product mean? How do you launch a product? These are critical skills that need to be weaved even into technical training. Without that, the individual coming out is not quite complete and the businesses often tend to go where they can get that knowledge. So the training piece not only needs to be a compulsory part of the program but also needs to be expanded into the other dimension of multi-disciplinary training. It is critical for business today to survive.

Hon. Perrin Beatty: Ian can probably talk with regard to the Industry Canada program. He's there where the rubber meets the road and it's his members who are the SMEs looking for staff.

What I can say to you, though, is that Canada has a skills problem that is well on its way to becoming a skills crisis. It doesn't matter where I go in the country, what I'm hearing from employers is that their inability to get their hands on the skills they need is increasingly creating a serious impediment to their ability to grow their business, or even to maintain their position. Anything that helps to increase the skills base, anything that helps to ensure that young Canadians get those first-time jobs, and get experience in the workplace, and develop good work habits, and have a better understanding of how the workplace works is all to the good. We are in intense global competition today, and skills are really the capital that is going to be absolutely critical to our success.

Ian, did you want to comment on the program itself?

Mr. Ian McLean: Yes. We have Wilfred Laurier University, one of the best business schools in the country; and the University of Waterloo, in technology. And this type of program gets well used. It provides great international experience, as has been talked about in a lot of cases, in being able to understand the global marketplace. But it also serve as a great resource for the small and medium size businesses that can access it. I guess the real challenge is that it would be great if there were more companies that had access to it.

So I think it's a program that is well utilized—certainly in our neck of the woods—because we are fortunate to have two universities and a community college. It serves both small business and the growth of future business leaders or talent in the country.

The Chair: You have about 15 seconds, Mr. Carmichael.

Mr. John Carmichael: Thank you very much. My time is now over.

The Chair: Members, we'll go on to Madame LeBlanc right now.

I'm going to verify whether those are the bells. If they are, we'll adjourn right away, but we might as well go to Madame LeBlanc while we're confirming that.

• (1650)

[*Translation*]

Ms. Hélène LeBlanc (LaSalle—Émard, NDP): Thank you very much for your very valuable presentations.

After a few meetings like this, I realize that there seem to be gaps. Just now, we talked about gaps in being able to find employees in information technology.

There seem to be gaps between...

[*English*]

The Chair: Madame LeBlanc, I'm sorry to interrupt you, but our Standing Orders specify that when the bells ring, we need to adjourn. The bells are ringing and we need to return to the House for a vote.

An hon. member: [*Inaudible—Editor*]

The Chair: I understand. That's twice I've done it, but at least now you know that I'll do it to anybody.

Some hon. members: Oh, oh!

The Chair: The meeting is adjourned.

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