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Mr. David Sweet

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● (1530)

[*English*]

The Chair (Mr. David Sweet (Ancaster—Dundas—Flamborough—Westdale, CPC)): Good afternoon, ladies and gentlemen. *Bonjour à tous*.

This is the 11th meeting of the parliamentary Standing Committee on Industry, Science and Technology. It's again on e-commerce and electronic payments.

I'll briefly introduce the witnesses before us. From Xplornet, we have John Maduri, the chief executive officer. From Globalive, we have Ante Rupcic, vice-president of core network. From UPS Canada, we have Gordon Reed, director of customer solutions. From Google, we have Jacob Glick, Canada policy counsel.

I understand that Mr. Glick has to leave at 5 p.m. So after the opening statements, if you have any questions for Mr. Glick, make sure that you ask those first.

I'm going to follow the order on the agenda in front of us, and I'll begin with Mr. Maduri. You have six minutes for opening remarks. I have to stay close to that timeframe, so please don't take it personally if I cut you off.

Mr. Maduri, go ahead, for six minutes.

Mr. John Maduri (Chief Executive Officer, Xplornet): Thank you. There should be a presentation in front of everyone, in both official languages. I'll call out the panels at the top left, if I could, just to lead you through it.

First, who are we? We are the leading provider of broadband to rural Canada. We're a national provider. We have customers in every market in this country. The CRTC annual monitoring report, which basically takes a tally of all of the key statistics in the telecom industry, indicates that 83% to 85% of Canadians will receive broadband high-speed Internet through wired technology—DSL, cable, and fibre. The balance will receive broadband service through wireless or satellite technology. In essence, that is the market we focus on. That's the market we serve.

On panel 3, just to give you a little bit more background on our company, our goal and mission is to bridge and end the digital divide. Our expected time frame to do that is 2012. We use 4G—fourth generation—wireless and satellite broadband technology. In fact, I'm just two weeks from having returned from Moscow and Kazakhstan, where we launched our first high throughput, fourth generation satellite.

The company has roughly $400 million in private capital, in addition to the $400 million that we have secured to support the leases on the new satellite. One of the key messages I'll leave you with is that this is a business that has been predominantly driven by private capital.

On panel 4, the question we often get is, will Canadians living in rural communities need broadband, if given the opportunity? How important is it to them? The message I will leave you with today is that broadband high-speed Internet service is an absolute fundamental to what we are talking about here today. It's a building block for e-commerce. What clearly matters to rural Canadians is 100% reach and 100% availability. I would also offer that urban Canadians should be as concerned about the ability of rural Canadians to get access to broadband. Let's remember that a significant portion of this country's GDP actually originates in rural and remote regions of the country.

As panel 5 indicates, we do have many studies and examples, but I pulled one that is relevant to anyone living in the rural regions surrounding the city of Ottawa. We built out the rural regions around the city in 2008. A study was conducted by Leonore Evans of Carleton University. The statistics you see on page 5, frankly, are quite conservative. They indicate that 75% of business respondents said access to high-speed Internet had improved sales and profitability, 15% of all respondents in the business sector said they would be forced to relocate if they didn't have access to quality high-speed Internet, and 20% of non-business owning respondents indicated they would not be able to continue working for their current employer if they didn't have the capacity to telecommute. That is just one example. We have many examples across this country where we are being invited to participate in digital partnerships very similar to what happened here in Ottawa, with similar results.

On panel 6, there is a lot of discussion or noise out there about spectrum auctions, more so in the context of urban cellular competition. The message I want to bring to you today is that it's an absolutely critical discussion to getting wireless broadband service into rural communities. We have everything we need as an industry or sector to get to 100% broadband reach. We have fourth generation wireless in satellite technologies. We've been able to demonstrate a track record of raising private capital. We have a business model that fits the needs of rural communities. Again, the key outstanding item to address and bridge the digital divide is spectrum.

On panel 7, I will give you an example of this. This is the Toronto licence. Spectrum radio frequencies are divided into licences. This is just one example. It's a tier 4 licence. In essence, the challenge we face is rural providers. The area that is in blue is the rural, low-density areas that surround the city of Toronto. Green and yellow represents urban and suburban development. In today's world, with the rules that exist for spectrum options, Xplornet would have to purchase 94% of the total population here to get a 6% share, representing the market that we choose to serve, the rural areas.

One of the challenges today is that rural and urban areas are combined in the way that licenses are defined. What that ultimately means is that it's almost virtually impossible for us to acquire licensed spectrum, which is an absolute necessity for delivering wireless broadband.

● (1535)

Turning to panel 8, one of the key messages or learnings we've had over the last six years in this industry is that rural Canadians, when given the chance to access high-speed Internet, use that capability in the same manner and to the same extent as urban Canadians. Today our customers in rural regions of this country use 18 gigabytes of monthly downloading. That's the measure, the statistic of activity, and it's very similar to what urban Canadians use with DSL, cable, and other technologies. To be clear, we're not in the mobile business; we're in the fixed business. So customers are using roughly the same amount of data that they use in the urban environment.

Going to panel 9, the ask that we've made of Industry Canada, of this government, is to create rules that would allow private operators to access spectrum for rural high-speed Internet service. We have two simple requests. One is to separate or partition licences into urban and rural, and the second is to introduce competitive measures that would ensure that the largest players in the industry can't scoop or capture all of the spectrum.

In closing, we see two paths for the rural regions of this country. We believe there are some simple and practical fixes to the issue of spectrum for rural providers. With those changes made, we will have the key elements that we need to deliver the CRTC's target of 5-megabit service before 2015. In fact, we believe we can deliver that by 2013, and then we'll be in a position, confidently, to turn our attention to awareness, adoption, and advantage. That means how we gain advantage from high-speed Internet, the ability to focus our efforts on digital literacy, and fundamentals such as the availability of PCs in every home and ICT adoption in small- to medium-size business.

Frankly, these are issues that are not just rural but urban as well.

If we choose to ignore rural broadband in the upcoming spectrum auction, our concern is that we'll continue to do more of what we've done over the last five years and the issue of how to close the digital divide will remain. We'll be discussing spectrum and still be in the same place three to five years from now.

The Chair: Thank you, Mr. Maduri.

Now, on to Mr. Rupcic for six minutes, please.

Mr. Ante Rupcic (Vice-President, Core Network, Globalive Communications Corporation): Thank you very much.

The name is Ante Rupcic, and I'm with Wind Mobile.

Wind Mobile is a relatively new market entrant. We are the leading new-entrant mobile 3G and 3G+ provider. We have service in all the key cities: Toronto, Ottawa, Vancouver, Calgary, and Edmonton. We keep expanding our coverage. Our focus up until now has been on coverage and providing some key services, including mobile broadband.

I'm here today to talk about mobile and mobile commerce in particular. Let me start by talking about some general trends. The future of mobile is about applications. There is going to be an application for just about everything. The mobile app market is clearly one of the fastest-growing consumer markets ever.

For mobile commerce in particular, markets in Japan and South Korea, for example, show us some of the possibilities—and I'll share some examples with you shortly. Mobile Internet shopping in Japan exceeds $10 billion annually, and there's an expectation that 15 billion mobile ticketing transactions will happen in western countries by 2014.

Essentially, your mobile phone will become your wallet. Of course, it's already your camera, your computer, your reader, and your game console. The possibilities for the mobile phone are endless.

Wind Mobile believes that in the next three years, every retail business should have a mobile application or site to sustain or grow market share. The caveat, or the important point to focus on, is that to develop mobile presence, you must consider some critical factors: intuitive navigation, accurate search capability, a pleasing design, enticing merchandising, and easy and frictionless checkout when you buy things with your phone.

Currently, Wind Mobile sells content through its mobile portal. We sell to all subscribers, and we bill on a pay-per-use basis. We deal in all sorts of content types: ring tones, full music tracks, wallpaper, and games. We're looking at video clips now and songs. We are considering applications in TV streaming. We intend to continue that offering by bringing in as many partners as we can. We have something called the service delivery platform, which essentially enables ease of charging and revenue share between our back-end systems and our new partners. We offer our partners a standard-charging API to connect any of these new partners. This ease of connection will facilitate new music, new games, and new applications from all of our different partner networks. It will also facilitate micro-purchases of many types.

The other area we're looking at very diligently is near field communications, or NFC, which will facilitate the mobile wallet. Currently, there is an initiative called EnStream, which is an M-commerce consortium between Bell, Telus, and Rogers, and we are going to be invited into that consortium.

We believe firmly that industry coordination is a must, because it's about standardization and end-to-end ease of use. There are challenges with any technology. With NFC, we see new SIM cards, or identity cards, being required. We see new devices with specific chips and new applications. This is ideal for any point of sale with NFC, and currently we're discussing this with a number of venders. The other advantages are over-the-air credit, debit, prepaid, and loyalty cards. You get coupons and promotions and all sorts of gifting opportunities for mobiles.

The other area that we're looking at now is QR/2D codes and scanners. Essentially, you point your phone's camera at a 2D bar code, and you instantly take yourself as a consumer to extended information: websites, video content, maps, social media, and contact information. The consumer does not need to type a thing. It's a very user-friendly engagement. It also facilitates on-the-move bargain-hunting and price comparison. Once you scan your 2D code, you can compare whatever's on the Internet.

You can shop with these 2D codes. For example, when I was in South Korea a little while back, I walked into a subway. On the subway wall, there was a 2D grocery market with different grocery items with 2D bar codes. You take your phone and you take pictures of the codes you want, or the fruit or vegetables you want to buy, and that gets itemized in your checkout. You go and buy it on your phone, and it gets delivered to your home by the time you get there. So it's a very interesting example of how to utilize 2D to get all of the things you want.

With M-coupon and M-ticket, you can see the possibilities there. Essentially, you buy a coupon or a ticket with a code that appears on your mobile screen. You go to the entertainment venue where you want to use the coupon or a ticket, and there is a scanner that you point your phone screen at, and your coupon is validated.

● (1540)

As for M-banking, there's a good example of this in North America. I have a colleague who is involved in this initiative. Essentially you can take a picture of a cheque you've received and deposit it remotely. It's a Charles Schwab initiative. It shows you the power of the mobile phone, the mobile screen, and the interesting aspect of mobile banking.

The other aspect that will make this a very powerful formula is mobile local search and location. Location-based services are being used to improve communications and create stronger ties among individuals, communities, and local merchants.

For example, Foursquare is an application that allows you to check in through your mobile phone or reveal your geographical location. Once the application knows your geographical location, retailers can take advantage of that information and provide you with coupons, freebies, and things that are relevant to your current location. It's a very powerful time-based, location-based capability.

To summarize, some of the key challenges for mobile commerce include availability of devices to support NFC. We are in a particular band called AWS, and there are different devices with different bands supported. For our particular application we need AWS-supported devices. Secure payment infrastructure is key: you don't want users to be financially crushed when they use their mobile phone for commerce. Retailers need to embrace this as an enabler. Consumer trust and education are key. You want your consumers to feel comfortable using this and to trust this capability. And of course there's the task of optimizing all commerce sites for mobile screens, given the size of the screen you're using.

Thank you.

● (1545)

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

Now we'll go to Mr. Reed for six minutes, please.

Mr. Gordon Reed (Director, Customer Solutions, UPS Canada): My name is Gordon Reed. I am the director of customer solutions for UPS Canada.

Over the last 22 years, I've worked with Canadian companies, helping them to become competitive both within Canada and globally, from the one-man business to some of the largest companies in the world. Technology is putting more power in the hands of both Canadian businesses and consumers. Businesses can now target markets beyond their backyard, and consumers now have greater accessibility and choice in purchasing goods and services regardless of their physical location.

From UPS's perspective—not as a participant in selling of goods over the Internet but as a company that provides technology and a delivery network to assist others to become successful—Canada is at a critical point with e-commerce. Online sales offer Canada accessibility to worldwide markets and the opportunity to make ourselves one of the most relevant players in global commerce.

I'm going to take the next few minutes to outline, from UPS's perspective, Canada's current adoption of e-commerce, how to increase engagement by Canadian businesses and consumers, the future of e-commerce, and how we can ensure that Canada stays ahead of the curve.

In Canada, we are seeing increased adoption by large companies as well some small- to medium-size enterprises. While some small businesses are increasing their adoption and engagement of e-commerce, we have a long road ahead. If Canada is going to be serious in supporting e-commerce growth, it will be important to engage, educate, and support small businesses in taking this step. We must encourage e-commerce adoption rates and help turn Canada into the powerhouse it can be. As the markets evolve and expand, this is good for all of us, creating jobs here in Canada while exposing our strengths and ingenuity to the world.

So what's standing in the way? Adopting e-commerce can create more work initially for a business until processes are in place. Businesses must be able to effectively handle order fluctuations, return requests, and delivery inquiries. They may feel overwhelmed with all of the back-end resources that need to be set up and with the unknown number of inquiries they will receive, potentially from around the world and in multiple languages. Because of this, many end up shying away from moving towards online sales.

Another barrier is the fear of going global. They may be afraid that sending goods across the border would cause delays or add unexpected additional costs, thereby affecting the service and experience of the end customer. According to feedback from a recent UPS survey, small- to medium-size enterprises indicate that one of the biggest barriers to engaging in global trade is the time it takes to learn how to sift through all of the paperwork that comes from shipping and communicating outside of Canada.

So how can we cut through the red tape? To increase adoption of e-commerce sales, we need to communicate and demonstrate the benefits to businesses and consumers of selling and buying online. Suppliers and governments must be committed to supporting businesses as they embark in this new area. For example, UPS has invested in technology infrastructure to help support e-commerce. We've developed free APIs or online tools for businesses to enhance the functionality of their websites while reducing inbound calls and taking away the uncertainty of shipping within Canada or around the world. Companies should be aware of the resources available to them to build their back end e-commerce processes; they don't have to do it all themselves and the cost of outsourcing does not need to be overwhelming.

Regarding the fear of exporting and the paperwork required, education will continue to be critical in this area, along with dealing with knowledgeable partners. Encouraging education and making it easy for Canadian businesses to go global is the responsibility of both Canadian corporations and the government.

Today, the BRIC nations—Brazil, Russia, India and China—make up one quarter of the world's GDP, 42% of the world's population, and 45% cent of the world's labour force. The consulting firm McKinsey estimated that a billion people from these nations will reach middle class standing within 10 years, doubling their spending power to more than $9 trillion. With the right strategy, product offerings, and service options, our small businesses could be very profitable serving these people.

Some critical factors e-commerce leaders have figured out include creating a positive experience for the end customer and managing processes and costs. A major difference between an online customer experience and an in-store one is the lack of personal contact online.

● (1550)

Websites must be easy to navigate and be formatted for the target audience. When the end customer checks out, there should be no surprises in their shopping carts, such as undisclosed administrative fees or shipping fees. Ensuring this is the case not only decreases abandon rates at the time of checkout, but it also improves customer confidence and can help forge a lasting relationship with the business.

We encourage our clients to communicate an accurate date and time of delivery for the package to their customers. This is a best practice in the industry. Especially for an audience with an “I want it now” mentality, the ability to offer time-definite options for the consumer to choose from helps set e-tailers apart and helps them build lasting relationships with their customers.

We also encourage e-tailers to minimize such competitive barriers as charging high fees for shipping. Consumers will look at the total cost of the purchase, including the cost of goods, additional fees, and shipping. This total cost needs to be competitive with traditional commerce in order to allow businesses to grow.

Cost factors for e-tailers are different from those for traditional businesses. Businesses need to better understand their costs and options and market themselves effectively in order to compete in the global market.

One option to help companies attract new or repeat customers is to include free or discounted shipping for high-value purchases, or to give any other kind of volume discount to reward customers for large or repeat purchases. Another option is investing in sustainable business practices and satisfying the demand for eco-friendly products. More often, consumers are looking for a convenient, cost-effective means to address climate change in a real or tangible way. Online green-tailers who have integrated UPS into their websites are able to offer this to customers through access to carbon-neutral shipping.

For larger-volume companies, distribution centres need to be strategically located as close as possible to the density of their customer base. This should be reviewed by companies regularly to allow them to remain competitive as their markets grow.

Hybrid transportation solutions, such as UPS's Trade Direct Cross Border program, will allow larger companies to move shipments in bulk to foreign locations and then enter the transportation system as a domestic movement.

The Chair: I'm sorry to interrupt you, Mr. Reed, but that's all the time we have for your statement. Thank you very much.

Mr. Gordon Reed: Thank you.

The Chair: We now go on to Mr. Glick for six minutes, please.

Mr. Jacob Glick (Canada Policy Counsel, Google Inc.): Thank you, Mr. Chair.

Happy Halloween, everybody. I hope you'll find today's session a treat. I can assure you there is no trick.

Some hon. members: Oh, oh!

Mr. Jacob Glick: My name is Jacob Glick. I'm Google's Canada policy counsel. I would like to thank the committee for inviting me to participate in your study on e-commerce in Canada. It's an issue that is close to Google's heart.

This topic is a little like Dickens: it was the best of times, it was the worst of times—well, maybe not the worst of times, but the "we could do a lot better of times". On the one side of the ledger there are some warning signs that Canadian business lacks the digital literacy and engagement critical to today's knowledge economy.

Less than 50% of Canadian businesses have a website, which is much lower than the rate for most other OECD countries. With comparatively fewer Canadian businesses online, it's no surprise that Canadians do a lot less online shopping. A recent study found that 46% of online users in Canada make online purchases. By comparison, in the United States 63% of surfers shopped, as did 75% in the U.K. and 93% in South Korea.

By the way, we didn't plan these remarks ahead of time, but I think we have been quite consistent across the panel.

On the other side of the ledger we find that while Canadian businesses have been slow to get online, Canadians themselves are early adopters and serious surfers of the web. In some ways we are the most wired country in the world. Canadians spend over 40 hours online each month, by some measures, and while Canadian e-commerce stats are nothing to write home or to Parliament about, as the case may be, Canadians have embraced certain forms of e-commerce, such as online banking, at world-leading levels.

The truth is, we need Canadian businesses to show as much enthusiasm for the web as Canadians generally. And why should we care? I think you've heard already from this panel and other participants in your study that Canada's success in the digital economy is critical to enhancing our standard of living and driving jobs, growth, and innovation in the future.

At the macroeconomic level, the Internet drives growth. In the U.K., the Internet accounted for over 7% of GDP in 2010—that's £100 billion—and it will grow to 10% by 2015.

We don't, by the way, have numbers like that in the Canadian context. We can talk a little bit about that during the question period, if you're interested.

Of course, this isn't just about macroeconomic trends. Businesses need consumers, and consumers are increasingly online seeking out products and services. One out of every five searches on Google is for local information, and one out of every three searches on mobile devices is for local information. So there's an incredible nexus with consumers going online looking for local information, not just for global information.

At Google we're doing our part to help Canada and Canadian businesses succeed in this new online world. We've recently launched the Get Your Business Online initiative. It's a program that provides any Canadian business that wants one, free for one year, a customized website and a .ca domain name, as well as a bunch of tools to help them reach customers in Canada and around the world. We have done this in partnership with the Royal Bank of Canada, Rogers, the Chamber of Commerce, and the Canadian Internet Registration Authority.

Our focus is to help every small business in Canada get online. Since small business in particular drives jobs and growth, helping them succeed online will catalyze Canadian innovation and growth. The initial results have exceeded our expectations. More than 60,000 businesses have signed up with GYBO, as we call it, and nearly 11,000 have already published their websites.

To reiterate, because of this program, more than 60,000 businesses in Canada have started getting online, and we're not done yet. We're thrilled that businesses from all over Canada, represented by many of the members on this committee, have started getting their businesses online. Research tells us that Canadian businesses that actively use the Internet report overall sales growth of up to 30% year over year.

GYBO removes the primarily psychological obstacles preventing businesses from getting online, namely that they think it's costly and hard to do. We take away the cost component so that there's no excuse, and we make it incredibly easy to do. Canadian businesses are now able to take advantage of the incredible opportunities online to help them realize growth and reach new customers. And every day we hear from businesses that are growing quickly and adding jobs because of their investment online.

● (1555)

The federal government has an important role to play in supporting small business and the growth of e-commerce. And I will close here by offering five strategies for how the federal government can help, as outlined in our joint submission with eBay at the digital economy strategy consultation about 18 months ago, sometime in 2010.

One, work with the private sector to encourage the development of near-ubiquitous, robust, high-speed, and open broadband networks. During the question period I'll be happy to talk about wired and wireless in this context.

Two, avoid over-regulation. Any legislative or regulatory interventions must be carefully targeted and effective, avoiding overly prescriptive or technologically specific measures that could artificially distort or thwart innovation.

Three, enhance confidence in cross-border data flows, recognizing that Canadian business will want to serve customers globally and use services from providers around the world.

Four, view digital literacy as a core skill for all Canadians. This is an issue that I'm particularly passionate about and, again, would be happy to talk about further.

Five, make government a leader in using e-commerce strategies in providing services to the public, including online payment processes, vending auctions, etc. This isn't just about getting government to buy more e-widgets from a particular vendor. It's really about making the business of transacting with governments, as a citizen, as easy as business itself aspires to make commercial transactions.

Let me conclude by saying that technology is developing at an astonishing pace. Duh, you probably knew that one already. But as the digital economy becomes increasingly integral to the standard of living that we enjoy as Canadians, the issues this committee is examining also take on increasing importance. The open Internet is key to that growth, to those jobs, and to innovation in Canada.

Thank you for your time today. I look forward to your questions.

● (1600)

The Chair: Thank you, Mr. Glick. That certainly was a bag full of goodies.

Now we'll go to Mr. Braid for seven minutes please.

Mr. Peter Braid (Kitchener—Waterloo, CPC): Thank you, Mr. Chair.

And thank you to all the witnesses for being here today. You had some very informative testimony. Thank you.

I'll try to cover everyone with my questions, if I can, starting with you, Mr. Maduri. You indicated that rural broadband was also important for urban Canada. Could you just elaborate a little bit on that?

Mr. John Maduri: Let's think about the agricultural sector, mining, and oil and gas. How much of our wealth gets created in rural Canada? The opportunity, the need, the imperative to actually be able to communicate digitally with businesses that are in the most remote and rural parts of the country is one example.

Another quick example is to think of this at the residential level. Will we ever get to e-health and all of the nirvana of electronic health records and digital remote diagnosis? Will we ever get there if 15% of Canada doesn't have access to a PC, and doesn't have access to broadband? Will we really leave 10% or 15%—pick your percentage—of this country behind? I think the answer is probably no.

So to the extent that we as a country want to advance on any of these digital avenues, I think it will be critical to make sure that we have 100% broadband available, and 100% of Canadians digitally literate. We have to get to all of them to be successful.

Mr. Peter Braid: Thank you.

Mr. Rupcic, in your presentation I lost count of the number of times you used the word “mobile”. It seems that everything isn't only going to the Internet but also to the mobile Internet, to the handheld Internet. During the course of our study, we've been getting mixed messages with respect to whether Canada is a little bit ahead of or behind the curve when it comes to mobile Internet usage and infrastructure. What are your thoughts on that?

Mr. Ante Rupcic: I think we're behind the curve. I travel quite a bit and I've been to a number of countries—in Asia and so forth—so I can share with you my travel stories as well as my industry knowledge. While we in this country like to think that we're advanced in a number of ways—and certainly our Internet usage is high and up there—our mobile savvy and, in particular, our mobile commerce are behind the curve. A lot of that has to do with the mobile phone being an acceptable wallet, the framework or the infrastructure for using that device, and consumer trust and acceptability of this device as a tool for mobile commerce.

I think these are the things that are inhibiting us from catching up at this time.

● (1605)

Mr. Peter Braid: Mr. Reed, UPS has obviously had great success in embracing the use of the Internet, the use of e-commerce. In one of your statements, you said that businesses can find other resources to help them build the back-end infrastructure. What are some of those other resources that SMEs can seek?

Mr. Gordon Reed: From a lot of the available providers, both through transportation companies and logistics companies, there are a tremendous number of technology companies out there that have prepackaged products which customers can quite easily get up and running in starting their businesses. These products may not take them where they ultimately need to go, but they can get them running.

Mr. Peter Braid: Mr. Glick, I congratulate you and Google on your initiative to help SMEs establish their own websites via Get Your Business Online. Is that correct? What inspired you to pursue this initiative?

Mr. Jacob Glick: Thanks very much for the question.

In Kitchener-Waterloo, roughly 1,100 businesses have signed up and about 250 have published new websites. Those 250 businesses in Kitchener-Waterloo weren't on the Internet before.

For Google, it's really as simple as thinking that our business hinges on the success of all those other businesses, in terms of making sure that they're online and engaged. I say this because when they have a web presence, we know that people will search for them online. We know that people will access their information online, and they'll come to Google first to get to that business. So, for example, when you're out and about with your smart phone, if you know that you can find every business in your community, you're likely to turn to Google Maps and search for them.

So in some ways there was a crass reason for our doing this. We're a business so it wouldn't shock everyone, right? But I think there's also something deeper here, which is that Google in Canada and on a global basis sees the information economy as the foundation for success in any economy, and so we don't think that we need to wait for government to do a program like this. We just wanted to do it.

Mr. Peter Braid: You also explained in your remarks that there's a disconnect between individual Canadians embracing the Internet and businesses or SMEs embracing the Internet. Why do you think there's that disconnect?

Mr. Jacob Glick: The research we've done suggests some of the psychological barriers I mentioned.

The research suggests the following about businesses. One, they think it's too costly to get a domain name and a website. It's not, by the way: it's very cheap, and cheap enough that most businesses can afford it. Two, they think it's too complicated. So we have tried to break through that barrier by creating a customized solution that they could step through very quickly. Three, lots of businesses just don't see the value. They say they're a local business operating on Union Street in Kitchener and ask why they need to be globally relevant. The answer is that we trying to help businesses understand that value proposition by bringing them to that next step, to get them a website and to get them online, so they can see for themselves how their digital storefront is just as important as their physical storefront.

The Chair: Thank you very much, Mr. Glick, and Mr. Braid.

Now, on to Mr. Thibeault for seven minutes.

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

I want to thank everyone for coming here today. You're all bringing something to the table that I know we've all been trying to find out over the last few meetings. Before the meeting started, we talked about what my daughter was going to be for Halloween. We couldn't figure out. I bet if we Googled it, we'd find the answer.

Mr. Glick, I've been talking about mobile payments and using Google as a example with its Google Wallet, which launched in the United States, I believe, at the beginning of September. I'm sure you'll correct me if I have that date incorrect. When can we anticipate its launch here in Canada? Maybe you could give us the Coles Notes version of how that technology works.

Mr. Jacob Glick: I'll start by thanking you for the question and for your interest in the product.

I'll back up to say that a lot of the technology behind Google Wallet is developed in Kitchener, Ontario.

● (1610)

Mr. Peter Braid: Hear, hear!

Mr. Jacob Glick: We have a significant R and D facility and some of the best computer scientists in the world working there. So even though it has not launched in Canada, it's made partially in Canada.

You'll also be happy to know that in Sudbury, roughly 340 businesses have signed up for the Get Your Business Online program and 49 have published. So those are 49 businesses that weren't online, but I know you had a specific question.

Mr. Glenn Thibeault: Yes.

Mr. Jacob Glick: The answer to the specific question is that I don't know when we're launching in Canada. I'm hoping it will be soon, and I'm advocating internally that we launch in Canada soon.

Fundamentally Google Wallet is a technology that allows you to store your credit card details on your phone, so that if you have a properly enabled phone with what's called a near field communication chip, or NFC, and you go to a register at a store, you can tap your phone and enter your PIN and pay for goods that way, rather than swiping or entering or tapping your card on the same card reader.

The technology currently used to make the communication is roughly the same technology that MasterCard uses in its PayPass infrastructure. So it's not something that is layered on top of existing hardware for retailers, for example.

What's interesting about the technology on the phone itself is that in some ways it's actually more secure having a digital wallet than a leather wallet, because there's a secure element on the phone, a physical chip separate from all of the other hardware of the chip, which stores in a secure and encrypted manner the credentials relevant for processing the payment. If that chip is tampered with at all, it loses all of the data associated with it.

That's the Reader's Digest or Coles Notes version.

Mr. Glenn Thibeault: That works. Those were some of the specifics I was looking for in relation to Google.

Mr. Jacob Glick: Okay.

Mr. Glenn Thibeault: It's great to hear that more Sudbury businesses are getting online. My colleagues and I tip our hat to Google and to anyone who can provide that service to help those small- and medium-size enterprises get on the Internet.

I liked your analogy, though I was taking it a little differently. It's the best of times; it's the worst of times, or the not-so-great times.

We're seeing technology grow very quickly, and it's making our lives simpler, and that's fantastic. But with that simplicity comes more complexity in the technology going into making mobile payments, the technology going into e-commerce. I think part of this study looks at what we are going to do to ensure that we protect consumers and retailers. A little warning flag goes up that says that we know, for example, that credit card costs and the merchant fees associated with them for small- and medium-size businesses are detrimental in some instances. We've heard through other studies that the credit card merchant fees are affecting how they can move forward.

Are there costs associated with using Google Wallet, because I'm sure Google isn't getting into Google Wallet to...? Even though you're darn good corporate citizens, you still have to make a profit. We get that.

Are there costs there, and are those costs going to be passed on to the consumer or the retailer?

Mr. Jacob Glick: The short answer is no.

Mr. Glenn Thibeault: Okay.

Mr. Jacob Glick: There are no costs to consumers for making transactions with Google Wallet; there are no costs to retailers for using it; and there's no charge to credit card companies for using it.

You're asking about the reason Google is in this business. You're saying, “Show me the money”, as the kids say—though maybe they don't any more. I don't know.

Mr. Glenn Thibeault: Yes.

Mr. Jacob Glick: I guess they did in—

Mr. Glenn Thibeault: We're dating ourselves, but that's okay. But I was with you: I'm thinking, that's right on.

Voices: Oh, oh!

Mr. Jacob Glick: For Google that answer is that this is part of a broader commerce strategy. It's to encourage consumers to be out there using their mobile devices, using Google's local offers business. It's not been launched in Canada, but in the U.S. Google has a local offers business that will be tied to the Wallet, such as Groupon. You can imagine that for us there is a constellation of products and services that we think we'll do very well on—and we don't have to charge transaction fees on top of that.

Mr. Glenn Thibeault: Great. Thank you.

How much time do I have, Mr. Chair?

The Chair: You have 10 or 20 seconds.

● (1615)

Mr. Glenn Thibeault: Perfect. Thank you.

I'll go to Mr. Maduri with Xplornet.

Sudbury, Ontario, is a thriving city, a fantastic place. But you drive 20 minutes outside of there, and it's very difficult to get any type of cell service, and broadband is just non-existent. We have dial-up in many places for small businesses and homes.

What do I tell those folks who are part of the 1% who aren't getting the 3G or the 4G service, who want to stay where they are but are starting to worry that they're being forgotten?

Mr. John Maduri: First of all, it's not 1%. Again, by CRTC's statistics, the percentage of Canadian households and businesses who will need wireless and satellite to get broadband or high-speed Internet is probably closer to 15%.

Second, it's about wireless. It's about satellite. The technology is coming. In fact, if you have names, I'll take them: they'll be sales calls for me, because we will be launching our 4G satellite commencing at the end of the year.

So there are—

Mr. Jacob Glick: Do I get a commission?

Voices: Oh, oh!

Mr. Glenn Thibeault: I have about 250 residents in an area or community that—

The Chair: I'm sorry, folks, but that's all the time we have—

Mr. Glenn Thibeault: We'll chat.

Voices: Oh, oh!

The Chair: Yes, I saw a transaction happening, and I thought I'd better step in.

Madam Gallant, for seven minutes, please.

Mrs. Cheryl Gallant (Renfrew—Nipissing—Pembroke, CPC): Thank you.

One part of our problem with cross-border shopping and doing online business is online brokerage fees. If customers are not present at the time of delivery, the item is either sent back or put into storage someplace.

Is there any way UPS can assist in finding out what the brokerage fees are in advance so that more people would be apt to do the purchases?

Mr. Gordon Reed: Yes. We have tools that we make available to e-tailers to help them determine in advance the duties, taxes, and brokerage fees to about 100 different countries in the world, as well as to import into Canada, if they choose to use those.

Mrs. Cheryl Gallant: Okay.

I'm aware of the country of origin labelling wherein, if you buy something, and it reaches our port and doesn't have a label, it gets sent back or the customer gets fined.

Mr. Gordon Reed: That's right.

Mrs. Cheryl Gallant: What other sorts of obstacles are you finding in your business that impact on whether or not people will continue to buy online?

Mr. Gordon Reed: A lot of it boils down to the total cost. When a consumer is looking at buying a product online, whether for personal or business use, they're asking, “What's it going to cost me when it arrives at my door?” If it's coming from outside the country, that needs to include the duties, taxes, brokerage, shipping, and any other fees that may be associated.

A lot of websites do a very poor job of displaying those. Some do a terrific job. I think it's becoming an item that companies are looking at more and more. We're getting asked daily, “How can we help our customers know what their landed costs are going to be? Are there ways to make it more efficient for me to sell to the U.S. or the EU?”

So we're developing products and services to hep companies do that.

Mrs. Cheryl Gallant: Okay.

This question might be for Google or Wind.

Customers are reluctant to purchase online from a company that doesn't have the bricks and mortar. They have no way of telling whether or not a business is legitimate. Does the online industry plan to provide a central registry where a customer can verify that the company they want to do business with is legitimate?

Mr. Jacob Glick: First of all, just so that no one feels left out, there are eight businesses in Pembroke that have signed up for this program.

Voices: Oh, oh!

Mr. Jacob Glick: One of them has published its website online through the Get Your Business Online program.

To answer your question directly, I'm not aware of any specific initiative. As a practical matter, I don't know that people are afraid of doing business with companies that exist online only. If you look at the statistics for Amazon, for example, it's the largest retailer in the U.S. now—or if they're not, they're certainly number two behind Walmart—and they don't have a physical storefront anywhere.

Mrs. Cheryl Gallant: Well, Amazon is well known, but there are smaller businesses that aren't as well known as Amazon. They want to do business, but people just don't know whether or not they truly exist.

Mr. Jacob Glick: I guess if the question is how a consumer can authenticate a business they're transacting with, I think that goes to fundamental questions of digital literacy.

I don't think there can be any one authoritative registry of businesses throughout Canada, but there are any number of tools that a savvy web consumer can use to help authenticate the identity of the business they're transacting with. You can look at who has registered the domain name. You can look at whether you're transacting with somebody who's providing a secure connection. To secure a connection—that is, to provide an encrypted connection—an operator will have to have gone to a certificate issuer who then authenticates their existence. Then they can get an encryption certificate.

So you can look at hallmarks like that. The importance of doing that will depend on the kind of transaction being entered into, the money at stake, and the comfort of the individual. But there are any number of tools an individual can employ in protecting themselves.

● (1620)

Mr. Ante Rupcic: To add to that, a lot of it has to do with brand recognition, for example, PayPal. My wife will certainly buy many things if it there as a middleman.

It's an industry initiative. We are getting together with the other mobile operators, Rogers, Telus, and Bell, on this end-of-stream initiative for a near field communication. When we endorse something as an industry and we collectively put our names on it as a brand, a certification, or a seal of approval, if you will, it goes a long way in endorsement.

Mrs. Cheryl Gallant: Thank you.

To Xplornet, you've been very active with the eastern Ontario rural broadband initiative. Today you've spoken about 4G. How long will it be before we get 4G in eastern Ontario outside major centres?

Mr. John Maduri: There's a variety of dates.

On the satellite side, I believe it's the end of the fourth quarter or the early first quarter. It's around the corner. There is a schedule of dates on wireless starting sometime in the middle of next year. We can provide all of that information.

It's really right around the corner.

Mrs. Cheryl Gallant: Thank you.

Mr. John Maduri: Could I comment on digital literacy? There is no silver bullet.

It's such a fundamental. It's been interesting to hear the conversation on how consumers protect themselves and how we get small business engaged. We have to get to 100% digital literacy, yet I don't know if we've reached 100% on traditional literacy. It's fundamental to moving forward and being a digital leader.

Mrs. Cheryl Gallant: Thank you.

The Chair: Thank you very much, Madam Gallant.

Mr. Maduri, before we go to Mr. Regan, I think the committee might be interested if you could submit some principles to it afterward on the broader picture of digital literacy.

Mr. Glick, since it seems to be at the top of your mind, I am certain that all committee members would like to see a list of the ways to authenticate a secure and trustworthy website. We'd quite possibly use the information in our final report.

We'll now go to Mr. Regan for seven minutes.

Hon. Geoff Regan (Halifax West, Lib.): Thank you very much, Mr. Chairman.

I can't restrain myself from carrying on with Mr. Glick's Dickensian theme and talking about a tale of two countries.

One of the things we've heard is that the e-commerce sector in the U.S. has been developing more quickly than in Canada. I'd like to ask all of you why you think that's the case, and if you agree. What is the chance that Canada will meet its great expectations in this regard or can we look forward to a bleak house?

I will start with Mr. Glick.

Mr. Jacob Glick: You can't throw all those puns at me and then ask me to be serious!

Voices: Oh, oh!

Mr. Jacob Glick: For the 788 businesses in Halifax that signed up for Get Your Business Online and the 143 businesses that have published websites online for the first time, they would probably say that the value proposition was something they'd never seen before. It's hard to know why businesses in the United States have seen it. I haven't seen a good comparative analysis.

I previously implied this, but I'll be more direct in answering your question. I actually think there's a lack of national statistical research. We did quite a bit of quantitative research in 1995 on ICT adoption and broadband deployment in this country. For various reasons, a lot of the research has stopped. It would be nice to start it up again, not only to get the picture in Canada but also to make international comparisons and contrasts. In a way, it comes back to this committee as something to think about in terms of its recommendations. For businesses and government, good decision-making is premised on good numbers, and I don't think we have good numbers in this regard for Canada.

On the digital literacy component in particular, I'd pick up on the last question, if I could. I know you have limited time.

● (1625)

Hon. Geoff Regan: I bet you'll get a chance to answer. I get to ask very few questions.

Mr. Jacob Glick: Okay.

Hon. Geoff Regan: Others may have strong views on this. Do you see major obstacles in Canada to the development of e-commerce?

Mr. Gordon Reed: My comment there would not about an obstacle but is an observation. The cost of setting up e-commerce, getting it up and running and completing a first shipment, is similar in Canada and the United States when you look at the total cost. One of the realities is that their domestic market is much bigger. So the payback can be faster if you only look at the domestic marketplace. It is a reality.

Hon. Geoff Regan: For instance, you think that the Internet service itself is—

Mr. Gordon Reed: No, I'm not talking of just the Internet service.

Hon. Geoff Regan: I mean, the cost of Internet service is one of the things we've heard about as an obstacle. Would you agree that it's an issue in Canada versus the U.S.?

Mr. Gordon Reed: In some markets, I think it is more expensive. Although, when you look at the total cost of getting up, getting a warehouse, getting your product, and getting ready to sell, I think your total cost is going to be similar north and south of the border.

Hon. Geoff Regan: I want to ask about spectrum, but I should give Mr. Rupcic and Mr. Maduri a chance to answer the first question, if they'd like. I would like to go on to the spectrum issue, so it's up to you.

Mr. Ante Rupcic: Very quickly, I think it is about consumer trust. It is about knowing that you can take your cell phone and use it to buy things. I think we certainly are becoming more PC and Internet access savvy, but it's just about trusting the device as being capable of buying things. That is one of the key roadblocks.

Hon. Geoff Regan: Mr. Maduri, I think you're going to want to talk about spectrum.

Mr. John Maduri: It's an important issue to our company.

But again, on digital literacy, what is the number? Seventy-five per cent of Canadian households have a working PC and 25% don't. It's those small percentages, it's about the danger of those small percentages. Twenty-five percent may not sound like a lot. Fifteen percent of Canadians don't have access to broadband. These are all small percentages, but when you do the Venn diagram, it results in a number that I think is debilitating to the advancement of e-commerce and mobile commerce.

This is my final comment. We talk a lot about the state of mobile in Canada, and the state of broadband. Never underestimate the challenges of the Canadian shield and the Rockies, meaning the challenges of geography and low population density. If we were Montreal, Toronto, or Vancouver, and we looked like Singapore, some of those challenges wouldn't be as significant, but we're Canada. We've got some great big cities that are easy to serve, and then we've got a lot of space in-between. It's what makes the country great. It's what makes the country challenging to knit together.

Hon. Geoff Regan: So in view of those challenges, how are we doing in Canada on the rollout of spectrum versus the U.S.?

Mr. John Maduri: I think we have an issue. Frankly, I think all countries with a significant rural challenge have the same issue. How do you get enough infrastructure into the rural parts of the country? The U.S. has an issue similar to Canada's, which is that gaining access to spectrum is challenging. Remember, the things that make rural areas challenging are the elements of geography and low population density. So we're already disadvantaged from a cost structure standpoint. Wireless and satellite negate or offset that risk and problem, but we need spectrum to be effective, and the rules to gain access to spectrum are really challenging.

Hon. Geoff Regan: Has it been slow in being rolled out?

Mr. John Maduri: What part of it? The spectrum?

Hon. Geoff Regan: Yes.

Mr. John Maduri: As an industry, we're awaiting the new spectrum rules. We don't know what they're going to look like, and my hope is that they will address the rural issue. If they don't, we're back to talking about subsidies, subsidies, and more subsidies, when in fact the challenge is spectrum, not subsidies.

Hon. Geoff Regan: Has spectrum been rolled out slowly in Canada as compared to the U.S.?

Mr. John Maduri: I can't comment on that. I know that neither country has addressed the issue of how to partition urban and rural, and that's a real issue.

Hon. Geoff Regan: That's the big focus for you. You're saying it has been a mistake, I guess, to hand out segments of bandwidth to companies without segmenting them. We've essentially been saying in some cases that you've got this segment for the whole country, without saying, no, you'll have it for this area but not another, because we're going to give it to somebody else.

Mr. John Maduri: Right.

Hon. Geoff Regan: Is that what you're saying we should do?

Mr. John Maduri: To be clear, the mobile people need it for a different reason. We need it for fixed networks. What I'm saying is that the rules don't enable us to get spectrum on a cost-effective basis. I don't want to negate what folks are saying about mobile, or all the great things you're talking about in terms of mobile commerce, but right now, that's an urban construct and an urban opportunity, until we get spectrum in rural communities.

● (1630)

Hon. Geoff Regan: So what has to change?

Mr. John Maduri: The rules have to change. It doesn't make sense, if I want to serve the area around Ottawa or around Calgary, that I also have to spend on the 94% of the population I don't want to serve. I don't want to serve downtown Calgary. I don't want to serve downtown Toronto. I want to serve the rural regions, but I have to buy that spectrum, warehouse or inventory it, and incur that cost, to capture the spectrum for the 6% of the population that I want to serve.

The Chair: Thank you, Mr. Maduri.

Mr. Regan, I'm sorry, but the time has run out.

Now we go to Mr. McColeman for five minutes. We're in a new five-minute round.

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

Mr. Glick, I want to commend you as well for your initiative to get business online. I believe it was with RBC, as you mentioned. I'm sure it's mutually beneficial. I guess my first question is, how many are there in Brantford?

Mr. Jacob Glick: I thought you'd never ask. There are 118 businesses that have signed up for the program, and 27 that have gone through to publishing websites.

Mr. Phil McColeman: Fantastic.

It makes me think about the marketing or psychological barriers that all of you have concurred about, which are perhaps among the major hurdles to getting people online. The one statistic—and I'm not sure which of you mentioned it in your presentation—is that although we are perhaps falling behind in some ways, the adoption and use of online banking is a bright spot in the way Canadians do e-business.

I wonder if perhaps all of you would like to comment on the question of those psychological barriers. Whose responsibility is it to perhaps get a cultural change—which I would call marketing from a business perspective? Who is responsible for the marketing to people, to individuals, to get them to change their behaviour? Was it the banks' responsibility? What were the lessons learned there? Was it the banks that did a really good job in saying, here it is and it's convenient, and there was all of a sudden an awakening and a light bulb lit up in people's minds that they didn't have to stand in line any more and talk to a teller, etc.? What were the lessons learned?

And perhaps this is the broader issue that I'd like you to comment on. Who is really responsible to change that cultural or psychological barrier that exists?

Perhaps we could start with you, Mr. Maduri.

Mr. John Maduri: It's education, and I think industry and government have a role to play in education.

We run sessions in the communities, when we launch service, on how to use the Internet and how to be secure on the Internet. So we take it seriously, knowing that if we're going to move the market, if we're going to invest in a rural community with broadband and to drive its adoption, we have to communicate and make people aware that broadband is available. That is a challenge in its own right. We have to get them comfortable with using broadband and have them understand the applications available to them.

In fact, I know that when we started this business, there was always a concern from investors about the age demographic in rural communities. But in fact, we've turned that into an advantage, because how many grandparents wouldn't want to use Skype to communicate with their grandkids?

So I think it's incumbent upon government in terms of how it conducts its business to be able to move as much as it can online; and it's about industry educating; and it's about the education system in its own right. We all have a role to play.

Mr. Phil McColeman: Would anyone else like to comment?

Mr. Ante Rupcic: I'll jump in.

I think it's also about innovation and interoperability. Being the new entrant or new player on the wireless scene, I've noticed that the incumbents are very slow to innovate. Some of that also has to do with their unwillingness to interoperate—for example, with IP interconnection.

So I think that we service providers have an obligation to promote, to innovate, and to agree on interoperability standards that the mass market can get behind. If we're all doing things in a different way, it's hard to develop brand trust, M-commerce trust, or what have you. As an industry, we need to agree on the simplest ways and interoperate and agree on those standards.

● (1635)

Mr. Phil McColeman: Anyone else?

Mr. Gordon Reed: Certainly industry as a whole has a role to play, but individual companies also need to step up to the plate, using things like third-party validations and making it easy for their consumers.

I read a study a while ago from McKinsey, I believe, that indicated that something like 89% of people buying online will be influenced by the use of security and the ease of making a return if their purchase is unsatisfactory. And companies have to get their heads around that and make it easy for people to trust them, and make it easy to do business with them.

Mr. Jacob Glick: I'd just add to what the panellists have already said insofar as to say that fundamentally, the businesses that are providing platforms or services online have to demonstrate a compelling value proposition to the other businesses they're trying to get to come online.

What Google says to companies is this: Get your business online and we think you're going to see returns, we think you're going to drive traffic, we think you're ultimately going to increase your business. And if you don't, and we're wrong, then nothing ventured, nothing gained. In other words, nothing has been lost.

The Chair: That's right, Mr. Glick. Thank you very much.

That's also all the time we have. Thank you, Mr. McColeman.

Now on to Madame LeBlanc *pour cinq minutes*.

[*Translation*]

Ms. Hélène LeBlanc (LaSalle—Émard, NDP): Thank you, Mr. Chair. I want to thank all our guests and all the witnesses who are providing us with a lot of information. My first question is for Mr. Glick.

In the document on the digital economy strategy you submitted to the government, you recommend—and you repeated this during your presentation—that the government avoid adopting regulations that would involve intervention in the market.

However, as you know, the government did intervene twice in a very significant way over the last few years to reverse the CRTC's decisions, especially when it came to Internet usage billing. How did those government interventions affect the market?

[*English*]

Mr. Jacob Glick: I don't want to opine on the particulars of the government decisions in regard to those CRTC decisions, but I will say in general that the structure of the Telecommunications Act, which allows the cabinet to intervene and substitute its own decision for the CRTC's in certain circumstances, is proper. Fundamentally, the CRTC, in many of these cases, is making quasi-political policy decisions. And, ultimately, those decisions rest with government.

I think the current structure of the act makes sense, but I don't want to opine on the particulars of the decisions that were made.

[*Translation*]

Ms. Hélène LeBlanc: I will now address Mr. Rupcic.

Wind Mobile and Mobilicity recently launched a public campaign, calling for the next sale of spectrum licences to allow new players in the telecommunications market to bid. What kind of consequences would there be for the telecommunications market if the bidding was completely open, that is, if all the players could participate?

[*English*]

Mr. Ante Rupcic: Wind Mobile has a specific amount of spectrum in the AWS band now, and that spectrum has allowed us to get started. We have a little bit more in Toronto, as you might expect, and a little bit less in the other cities. That spectrum allows us to launch 3G-plus services. Essentially we can attain speeds in the 20 to 25 megabit-per-second range, mobile broadband speed. Of course, those are shared speeds, so average users wouldn't realize this.

Where I'm going with this is to say that we do need more spectrum to be able to compete against the incumbents for the 4G offering, or LTE, as it's also known. The reason we need more spectrum is that we need to be able to attain higher speeds to compete with the incumbents and to offer a lot of the same mobile broadband services.

Currently there is a limited amount of spectrum, for example, in the 700 megahertz range, so the competition for the spectrum will be very intense. We feel that we will not be able to get a fair shake and a sufficient amount of spectrum to be able to offer decent 4G services because there is a minimum required to offer decent 4G services.

● (1640)

[*Translation*]

Ms. Hélène LeBlanc: That has been discussed a lot. How will that bidding affect the adoption of e-commerce by small- and medium-sized Canadian companies?

[*English*]

Mr. Ante Rupcic: It has to do with the e-commerce offerings we plan to have on 4G. It has a lot to do with the voice and data and commerce-like services—or interoperability.

As a typical example, if I am trying to buy something at a store and I don't have my significant other with me in a store, in the future I may wish to have an avatar of myself with my suit on, and I may wish to video share this with my wife, for example. She may not like the colour or the stripes, or what have you, but I need that bandwidth to be able to transmit the picture of myself—and of course, I'll look better in the avatar.

Voices: Oh, oh!

Mr. Ante Rupcic: This is a use case, or example, that I can think of.

The Chair: Madame LeBlanc, that's really all the time we have. *Excusez-moi.*

[*Translation*]

Ms. Hélène LeBlanc: That's fine.

[*English*]

The Chair: Now we go to Mr. Richardson for 5 minutes.

Mr. Lee Richardson (Calgary Centre, CPC): Great, thanks. This has been a good meeting. Thank you all for appearing.

I'm curious, Mr. Maduri, about your pitch and what the advantage is from a consumer point of view. You opened by saying that you wanted to create an opportunity for privately funded, competitive, sustainable rural broadband. How's that any different from what we have now? Who in the game isn't privately funded and competitive? It's only competitive in relation to you and your interest. Why is it more competitive for the consumer? Once you've bit on broadband, then isn't it all the same for the consumer when he or she gets it, and that's it?

Mr. John Maduri: First and foremost, the rural market is a competitive market. We have competitors in the rural market. I'm here, as I've been invited, and I hope you'll invite some of our competitors in the market. They face the same challenge, which is how to get access to the spectrum. How does it impact the consumer?

We have markets in Canada where I have capital. I don't want to speak to specific examples, though I could if that would be helpful. Others also have capital. We have 4G technology. I'd be delighted to invest in that market without a government subsidy, but I can't. Why? Because I don't have spectrum. Without spectrum, there's no value in putting up towers, having equipment on those towers, or investing in the technology. I can't operate without spectrum.

I think that's always hard to get across. There's so much focus in the marketplace on the mobile opportunity. At least 15% of Canadians will get their broadband, not through wires but through satellite and wireless, because of low population density and geographic challenges. Without having access to spectrum to deploy wireless technology, those Canadians will neither get the service nor be able to. As their demand and need for real-time entertainment or complex applications grows, they will not be able to get a service that meets their needs.

Mr. Lee Richardson: And you're saying that if you eliminate those servers that now have that spectrum or would get that spectrum —unless you limit them, unless the government—

Mr. John Maduri: We're not wanting to limit any....

Mr. Lee Richardson: —excludes them.... You're looking for a set-aside so that you don't have to bid against the big guys. Is that what you're doing?

Mr. John Maduri: There are two things. What we're looking for is not having to buy urban Toronto to get the not insignificant rural population around Toronto. That applies to Calgary as well. There are 44 licences where we're asking government, that is, Industry Canada, to partition—

Mr. Lee Richardson: I understand that from your perspective, as the totally self-serving perspective of your company. But how does that affect the consumer in Calgary? If the server gets the high-density part of the city, do they not have the same ability to provide the service you do? Are you just saying they won't do it?

Mr. John Maduri: Other providers like Xplornet would have the same challenge. You need spectrum to deliver it.

Mr. Lee Richardson: I'm not talking about that; I'm talking about people that have it now. You're just saying that they won't provide the service in the rural areas? Is that what you're saying? You will, and they won't?

● (1645)

Mr. John Maduri: No. I'm saying that if you're a wireless provider looking to serve those rural areas around Calgary, you can't execute a quality service without spectrum.

Mr. Lee Richardson: I understand that, but whoever gets the spectrum is going to serve those areas.

Mr. John Maduri: Right.

Mr. Lee Richardson: So why do you have to be given a break to get the spectrum?

Mr. John Maduri: I'm talking about rural providers as a category, not just Xplornet. What I'm saying is that there is a lot of spectrum out there. I'm not saying that you should take all of it and partition it. I'm saying, take some portion of it. We understand that the mobile folks need spectrum.

Mr. Lee Richardson: That's obvious and reasonable. What I'm saying is, why would you have to do that? Couldn't the people who already have that spectrum, or who will get that spectrum, if they get the high-density area, do the same thing as you would do? What is the advantage to the consumer of giving you a break on cutting out this rural spectrum so that you bid on it more cheaply than the guys who have the urban area?

Mr. John Maduri: Well, the guys who have the urban area aren't using it. I'm not sure where to go with the question. There are people who have spectrum—

Mr. Lee Richardson: Something sets up a question.

Mr. John Maduri: There are people who have spectrum. They're not executing in the market.

A voice: They're not doing it.

Mr. John Maduri: I want to execute in the rural area. I can't get spectrum on a cost-effective basis. I don't want it free. I bought spectrum in private purchases, but what I need to do is buy the 10% that is rural and not pay for the 100% that includes the urban centre.

Mr. Lee Richardson: Who wouldn't?

Mr. John Maduri: So what's the alternative? The alternative is that we can keep talking about subsidies, because without a reasonable way to access spectrum to providers right across this country—

Mr. Lee Richardson: You get subsidies.

The Chair: Gentlemen, that's all the time we have.

That's all the time we have, Mr. Maduri, and Mr. Richardson. You'll have to explore that again.

Now on to Mr. Harris for five minutes....

Mr. Dan Harris (Scarborough Southwest, NDP): I'm not going to ask the question again, but I think the answer there, Mr. Maduri, lies in your earlier comment that if you have to buy up all of that spectrum, you then would inventory the urban section, whereas currently the people who are operating and having those are inventorying the rural section, because it's not a priority as the margins are much smaller there and that's not their business focus.

Mr. John Maduri: Right.

Mr. Dan Harris: Their focus is making the money in the urban centres, which is why rural Canada has sub-par service, period. End of story on that one.

Any way, I can answer half of the questions that get asked. It's an interesting place to be.

In following up on Ms. Gallant's comments about the issues with smaller, lesser known businesses operating online—and, of course, the concerns of digital literacy are definitely right up there—Mr. Glick talked very briefly about site certificates. Very few people know that site certificates can also be self-issued, for instance, and therefore carry no real security in that case. I think she asking about the safeguards that would be in place with, say, Google Wallet, and businesses that use it. They don't have bricks and mortars, so what safeguards would be in place to ensure that fraudulent actions can't take place through Google Wallet?

Mr. Jacob Glick: Don't forget that Google Wallet just stores existing credentials on a mobile device. So any of the anti-fraud services and protections that your existing credit card provider provides to you would still exist. You would have additional security features, because you have to use a PIN to access the secure element on the phone, and then the secure element itself has its own security features built into it. We've built layers on top of a number of security components to protect individuals from fraudulent purchases, probably at least as much as their existing credit card infrastructure, and probably more.

I just want to make a brief comment about spectrum, because I didn't do so previously and it might be relevant to the broader discussion. All of the discussion today—and I've seen some of the blues from previous meetings—has been about licensed spectrum. But there's another component to rural and urban broadband, and that's unlicensed spectrum. It is critical for Industry Canada when allocating spectrum in the next auction to maintain a certain component of what is called unlicensed spectrum.

Today, the spectrum that we use for WiFi, in the Starbucks downstairs for example, was made unlicensed spectrum in the 1980s, when no one anticipated it being used for wireless broadband. It is in fact junk spectrum. There is a new part of the spectrum that's coming available between the TV channels called the TV white spaces—and we can go into more details on this—that is terrific spectrum, and it needs to be made and be kept unlicensed. We can talk more about that.

● (1650)

Mr. Dan Harris: That was a perfect time, so I wouldn't have to cut you off.

Mr. Reed, with respect to UPS, what percentage of your business right now is being generated by online purchases? People are using retailers, then you guys are shipping, and where do you see that in the next five years?

Mr. Gordon Reed: I don't have an exact number. My estimate would be that it's somewhere in the 20% to 30% range, but that sector is growing at about double the rates of brick and mortar companies.

Mr. Dan Harris: Okay. I'm looking down my list. I never have a shortage of questions.

Mr. Glick, with respect to the Get Your Business Online, could you explain the relationship with CIRA a little bit and how they participated in it?

Mr. Jacob Glick: Sure. CIRA, the Canadian Internet Registration Authority, is the country code, top level domain registry for .ca.

Mr. Dan Harris: And everyone who has a .ca domain name gets a vote on their board, anyway. Most of you might not know that.

Mr. Jacob Glick: No.

Indeed, they're also my previous employer.

Participation is on the basis of their being a supporter of the program and promoting it to CIRA members. That's one of the reasons the program exclusively gives out .ca domain names, because we really want to integrally link the program to it being Canadian and a Canadian business.

The Chair: Thank you, Mr. Glick.

Thank you, Mr. Harris.

I was quite surprised that you didn't talk about the businesses in Mr. Harris's riding.

Mr. Dan Harris: I think we all benefit in having a full list of all members of Parliament in all ridings and cities.

The Chair: Now we'll go on to Mr. Carmichael for five minutes, please.

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

Mr. Glick, that is why we're changing up the cards here. We're trying to see how quickly you can keep up.

Voices: Oh, oh!

Mr. John Carmichael: Mr. Reed, I'd like to ask you a brief question with regard to security. You talked about your role in providing technology to assist businesses to be successful. We've heard that one of the major hurdles is getting past that confidence phase so that business owners, specifically, get to a place where they have the confidence and security to take advantage of the technology you are providing.

I wonder if you can give us a brief overview of some of the technologies, some of the measures, you're taking to create that confidence level in the security.

Mr. Gordon Reed: I guess one example is our making the information about the transaction visible, both within the company and externally. For example, for purchases online, we're making all of the transactions that happen and the transportation visible to both parties, so there's confidence that the goods you purchased were in fact shipped and are moving on their way.

It is the same thing with rates and time in transit and things like that. We are making them broadly available. Where there is confidential information, there's a lot of encryption and there is the need to have secure passwords to get into that information.

Mr. John Carmichael: I know about that as a business user, because it's an area that concerns me. CTV recently did a piece in the last couple of weeks on what I think is called RFC technology where one just waves a credit card. For somebody who is not technologically advanced, it was a terrifying bit of TV as far as how vulnerable you are just walking through a mall.

Mr. Glick, I wanted to ask you about your thoughts on digital literacy as a core value. In alluding to it, you covered a few things. One of the things Industry Canada has done is to institute the small business internship program. We talk about post-secondary education and bringing young people up to a level of competence so that they're going to become an asset to businesses, SMEs specifically, across the board.

Would you perhaps comment on the value of that program, if you are familiar with it, and maybe talk about post-secondary education and whether we are doing enough as a government?

● (1655)

Mr. Jacob Glick: I'm not familiar with that program. I'm sure that one of the 1,275 businesses in Toronto, or one of the four businesses in LaSalle, published—

Mr. John Carmichael: I was hoping you were going to narrow it to Scarborough and North York, but that's okay.

Mr. Jacob Glick: I don't have those numbers, unfortunately. So we'll have to go with Toronto.

You've seen our executive chairman, Eric Schmidt, speak about the importance of science, technology, engineering, and math education. That's critical, not just at the applied level—although the applied level is obviously important—but at the world-leading research level.

Google is hiring some of the top computer scientists in Canada and around the world. That's the profile of the people we're looking for and are able to recruit to come to Kitchener and Montreal to work with our engineers. Having strong, world-class research institutions, as Canada does, actually puts it a step above, I think.

When you look at the building blocks of what creates a country that should be global leader in the Internet economy, Canada has many of those foundational pieces. We are very technologically literate. Our basic literacy is very high. We have excellent universities and excellent science and engineering research.

Mr. John Carmichael: When you talk about hiring, are these made-in-Canada hires?

Mr. Jacob Glick: Yes, we're hiring—

Mr. John Carmichael: You're not sourcing them globally, but finding them right here at home?

Mr. Jacob Glick: Well, it's both. We're hiring people from the University of Waterloo, undergraduates fresh out of computer science, and graduates of master's and Ph.D. programs. And we're hiring them from all across the country. We're also bringing back from the U.S. the Canadians who had careers in Silicon Valley, and who say, "I don't want to live that California lifestyle, notwithstanding the awesomeness of no snow. I want to come back to live and raise my family in Montreal or in KW".

Mr. John Carmichael: Excellent.

How much time do I have?

The Chair: That's pretty well it, Mr. Carmichael.

These clocks aren't actually accurate. It's closer to 4:58 right now, so you still need to go at 5 o'clock, Mr. Glick.

We're going to suspend for two minutes to allow Mr. Glick to leave the back of the table with honour, and then we'll come back.

● (1655)

(Pause)

● (1655)

The Chair: Ladies and gentlemen, we're back in session now.

Now we'll move on to Mr. Blanchette *pour cinq minutes*.

Order, please.

[*Translation*]

Mr. Denis Blanchette (Louis-Hébert, NDP): Thank you, Mr. Chair.

My first question is for Mr. Maduri.

I would like to talk about the satellite service itself. Canada has been a global leader in satellite services in the past. Could you give me your opinion, not on behalf of your company, but on behalf of the industry as a whole? Could you also tell me about Internet services and the area they cover in Canada? I know that we are currently quite behind Europe when it comes to broadband satellite Internet service. Could you tell us what providers like yourself think about the current accessibility to satellite bandwidth Internet services and about the capacity to meet user demand. For instance, are you able to meet the demand by applying the redundancy principle to avoid situations like the one we saw recently when a satellite broke down, leaving almost everyone without service?

● (1700)

[*English*]

Mr. John Maduri: Those are a lot of questions.

To be quick, you're absolutely right about satellite. Satellite broadband is being viewed as the solution for areas of low population density and challenging geography. There are two reasons for that: the ubiquity of the service, as it's able to reach very large areas; and its ability to deal very cost-effectively with areas with low population density.

Canada is not the only country deploying this technology. These are fourth-generation high-throughput satellites. Australia, I believe, has a $43 billion publicly funded program and is looking to satellite and wireless technology to reach the last 10%. It's a very comparable country in terms of density and challenging geography.

As for Europe, despite the fact we have only three people per square kilometre here and France has over 100 people per square kilometre, you would assume that satellite would not have a place there. The Europeans have, I believe, three new 4G satellites going into the marketplace to reach their rural areas.

So in summary I would say to you that there is growing consensus that satellite is the right way, the most cost-effective way, to reach the last 5% to 8% of population, depending on the country.

And really, the issue has been one of affordability, capacity, and reliability—all points that you referenced. And all I can tell you is what we are doing. In Canada we have two new high-throughput satellites. We launched one in Kazakhstan two weeks ago. That satellite has more broadband capacity than all of the previous satellites launched in North America. A key goal for us has been to get more capacity in the country to drive down the cost per megabit so that we can ultimately deliver higher quality and better value to consumers.

The CRTC has a goal that all Canadians, regardless of where they live, will be able to sign up for 5-megabit service. And it's my view, based on what we're deploying in the way of satellite and wireless, that we will be there by the end of 2012. The CRTC target is to get there by the end of 2015, so we'll be three years ahead of schedule.

[*Translation*]

Mr. Denis Blanchette: Mr. Maduri, it was a great idea to mention Australia, which may be an even better comparison for us, given the geographical area.

Australians are very ambitious, in the sense that their current target in terms of satellite service is not five but ten megabits over the next few years.

What's your opinion on the Canadian satellite industry? How can we catch up to geographically and culturally similar countries like Australia?

[*English*]

The Chair: Be very brief, please.

Mr. John Maduri: The first satellite was launched. We're launching another satellite in the middle of next year. I don't think we're behind Australia, but ahead of it. They don't have a 10 megabit service in the market. They have not deployed satellites, which take four years to build. So we've deployed the first satellite, launched literally last week, which should be in service by the end of this year, and a second high throughput satellite. So we will have two satellites addressing your concern about redundancy as well.

Mr. Denis Blanchette: Merci, Mr. Maduri.

The Chair: Very good timing. Thank you very much, Mr. Maduri, and Monsieur Blanchette.

Now on to Mr. Rickford for five minutes, please.

Mr. Greg Rickford (Kenora, CPC): Thank you, Mr. Chair.

Thank you, colleagues, for the opportunity to be here today.

I had a few questions for Jacob. We've had a chance to work on another committee before, but I think that we have the people here who might be able to answer a few of my questions.

I'm the member of Parliament for the great Kenora riding. At over 326,000 square kilometres, we may actually be at the rural/remote divide. I want to be clear that the term "rural" is used somewhat categorically and technically in different departments to describe just how far we are from city centres, and what have you. In any event, about 35,000 people live in communities that have no access to roads in my riding in the province of Ontario. That said, I have two questions.

I want to speak in the most general terms about the key challenges facing isolated remote communities, beyond of course the incredible commitment that our government has made to the region through the Broadband Canada fund. Our first step actually was to get good broadband service in there. I apologize for just saying "good broadband", as I realize you have other technical terms for it.

Besides issues like our rates of adoption of these technologies and our digital literacy, and residual key issues facing the remote and isolated regions, are there other ones? And in responding, could you avoid talking about the unlicensed spectrum, because if that is an issue, I'd like to just focus on it as a second part of my questions here today.

● (1705)

Mr. John Maduri: You're looking for what the issues are?

Mr. Greg Rickford: What are the challenges that we face beyond —

Mr. John Maduri: We have the technology. In terms of the markets, probably the best example I can give you of full engagement—both business and community and government—is New Brunswick. We deployed in the province of New Brunswick in less than three years. We deployed in an area with 43,000 households that were unserved by traditional landline technology. We went from 0%, because there was no broadband available, to just over 50% adoption in three years. That is exceptional in terms of adoption.

What were the factors? Community engagement was one. We were on the radio constantly, and when I say "we", as a collective the issue of broadband being available in the community was front and centre. There were MPs, local members of Parliaments, and community government, just so much noise out there about broadband being available and how it could be deployed. And again, that wasn't all our advertising; there was just a groundswell of community engagement.

That's the best example I can give you to date of everyone coming together, not just to deliver broadband, as we've done in bringing in that technology and capability, but also actually to engage as a community in using it and capturing the digital advantage—

Mr. Greg Rickford: I take your point on page 4 of your brief about rural, remote, and isolated folks embracing the Internet to obtain products they wouldn't otherwise get in their immediate areas, or even several hundred kilometres away. I'm just trying to understand what kinds of steps we can take to facilitate that or enhance it, if you will?

Mr. John Maduri: I hate to hit the button again, but we've been able to raise $400 million in private capital. We've been able to finance two new high throughput satellites at a cost of roughly $400 million. So when people say that capital is not available for this sector, we're proof-positive that you can raise money if you have a good business plan. We have a good business plan. There's great tech —

Mr. Greg Rickford: I see enough yellow here in our regions.

Mr. John Maduri: There's good technology, such as 4G satellite and 4G wireless. The technology is available. The only outstanding challenge is spectrum. Again, I can give you examples where we are prepared to invest, but there's no spectrum. We're prepared to compete with other organizations focused on rural areas for spectrum. We've bought spectrum, we're prepared to invest in it, but it has to be on some reasonable terms. That's the key outstanding issue on the infrastructure side, and then I would say digital literacy is a major issue.

Mr. Greg Rickford: In my last fifty-six and a half seconds, then, with regard to our maintaining this whole area of unlicensed spectrum that Jacob was speaking—

Mr. John Maduri: That's a different issue.

Mr. Greg Rickford: It's a different issue. I understand—

Mr. John Maduri: Unless we execute unlicensed spectrum today, the challenge with it is that you can't control, you can't plan, for capacity. When we started in our business, there was 5 gigabytes of monthly download. Today, in a span of just under five years, we're getting closer to 20 gigabytes of monthly download.

Rural Canadians use broadband in the same way that urban Canadians do, in that 46% of our customers use it for real time entertainment. It's almost the same percentage that you see in urban Canada. We've seen the adoption of this technology in our markets; when we make broadband available, rural Canadians subscribe to broadband.

Mr. Greg Rickford: Okay. I think I've finished.

The Chair: Thank you very much, Mr. Rickford, and Mr. Maduri.

We've finished our second round. We are moving to a third round.

We will go to Mr. Lake.

Mr. Mike Lake (Edmonton—Mill Woods—Beaumont, CPC): Thank you, Mr. Chair.

After Mr. Harris's last intervention, I'm tempted to ask him some questions. I noticed that he worked for Not Your Average Day Care back in Scarborough. I'm curious about how that experience would have prepared him for life in the NDP caucus—

Some hon. members: Oh, oh!

Mr. Mike Lake: —but I won't ask that.

Mr. Dan Harris: It's more helpful for the government benches.

Mr. Mike Lake: Mr. Reed, Mr. Glick made some comments about the U.K. numbers. I made some notes because I was curious about embracing e-commerce in some of these geographically smaller countries. How much of the impact might be due to shipping costs? How would shipping costs in Canada compare with shipping costs in most of these smaller European countries?

● (1710)

Mr. Gordon Reed: The smaller the country, the greater the density, so your total shipping costs are going to be lower in many small countries. There are parts of Canada that are tremendously expensive to bring transportation to. There are other spots where it's economical. Some of the best rates in the world can be in the GTA and southern Ontario. We have great density in those areas. If you are living in Kenora, the costs are going to be significantly higher than they would be in Burlington or any other city.

Mr. Mike Lake: I think you were comparing the U.S. with Canada. Geographically, they are not far off size-wise, but the U.S. has 10 times the population built into its geographic footprint.

Mr. Gordon Reed: Yes.

Mr. Mike Lake: That has to have some impact.

Mr. Gordon Reed: If I look at our cost to serve in Canada versus the United States, it is significantly lower in the United States. The density is there. They don't have our vast space with no population. The overall cost to serve is significantly lower as a result.

Mr. Mike Lake: One of the benefits in this country is that, with technology being what it is, you can set up in a beautiful, more rural location and have a little bit more fresh air and everything that goes along with that and still conduct business. What would you advise someone, taking into account the cost structure, if he or she were doing something like that?

Mr. Gordon Reed: That person is going to need to look where they are, and might need to be innovative in getting their products to market. Shipping from your back door on an individual basis may not be the most economical thing. Maybe you need to do a hybrid movement where you move goods in bulk to Toronto and distribute out of Toronto, or use a third-party logistics warehouse to do that distribution for you while you run your business from a remote area.

Mr. Mike Lake: I'm going to use the chance to have Mr. Maduri and Mr. Rupcic together here. You have some similarities in some of your business. What would be the difference between the technologies your companies use and whom you serve?

Mr. John Maduri: It's apples and oranges. I serve homes and businesses. I put an antenna at the roofline of the customer's home. I install a device. I'm up 18 feet. I'm not mobile. If we were to look at CRTC statistics, the average in 2010 was roughly 15 gigabytes of monthly download. That's what my customers use in comparable communities. That's a mobile solution, and if I could guess, the monthly usage for a mobile broadband customer in Canada is about 1 to 2 gigabytes per month.

Mr. Ante Rupcic: Actually, it's a lot more, surprisingly. We have customers who are well over 100 or 200 gigabytes per month.

Mr. John Maduri: And the average for the group?

Mr. Ante Rupcic: Let me say that we have categories. We have the heavy users, who go that high; and then we have the normal users, the smart phone users, who are at 9 or 10 gigabytes; and the data stick users are greater than that.

Mr. Mike Lake: Being an Edmonton Oilers fan and spending a lot of my life here in Ottawa, I've signed on to a GameCenter package on my iPad, and am able to watch hockey games over 3G. I imagine that would be one of the things that would drive up usage over time.

Mr. John Maduri: Absolutely.

Mr. Mike Lake: What other things would?

Mr. Ante Rupcic: We hired a company to look at the different applications that our customers are using. Netflix, for example, is certainly present on our network. YouTube streaming, and peer-to-peer file sharing—though maybe not as high as before—are some of the top applications being used.

The Chair: Thank you, Mr. Rupcic, and Mr. Lake.

Now we go to Mr. Thibeault for five minutes.

Mr. Glenn Thibeault: Thank you, Mr. Chair.

Mr. Maduri, in no way do I want to say this applies to Xplornet, but what I've heard from some constituents and others who are in the rural areas is that the satellite costs are just so much higher than what you can get in the community, that it's just not a viable option for many people in rural areas. Is that a myth? Can you debunk that? Is that accurate?

● (1715)

Mr. John Maduri: That's absolutely correct, and it's about to change.

Mr. Glenn Thibeault: Okay.

Mr. John Maduri: The fundamental issue has not been technology. Government, the military, and large enterprises have been using satellite communications for truly mission-critical applications for the last 40 years. If you think of applications that move out of the military, large business, and government into the consumer realm, the challenge has been for us to bring in more capacity and reduce the cost per megabit, the cost of a unit of capacity. In essence, that's what these two new satellites are all about.

This isn't just an Xplornet or a Canadian phenomenon. All across the globe high-throughput satellites are being deployed that increase capacity by multiples. In our case, I think we'll be bringing to Canada 10 or 12 times more capacity at, in essence, the same cost. So that improves our cost structure and allows us to price more effectively.

Having two satellites covering areas of Canada offers the opportunity for reliability. So satellite broadband is about to get dramatically better, cheaper, more reliable, and it's all about the investment in this next generation of technology.

Mr. Glenn Thibeault: That's very exciting.

Mr. John Maduri: It is. It's a game changer for rural Canada.

Mr. Glenn Thibeault: It is. I guess that's part of the frustration for many of the folks, specifically in northern Ontario and those outside the greater city of Sudbury.

So, first, maybe you could explain the turnaround time for that, if you have any dates.

Secondly, I think it's important to elaborate on your earlier discussion about the urban versus rural partition. I want to get this correct, which is why I'm asking you to repeat it, that you're not necessarily looking for competitive advantage. Can you explain why you want that?

Mr. John Maduri: Okay.

I'll address the turnaround-time issue first. The first satellite went up less than two weeks ago. By the time we complete all of our testing, we should be in the market at the end of this year. Depending on where you live, it could be the first part of the year—January or February. It differs somewhat depending on where you are in the country. But it's soon, and just around the corner. So those services are being offered. We're pre-selling those services and we've had great initial demand for them, and expect to be able to increase our sales rates. So this is just around the corner.

In terms of the spectrum, we're asking for the partitioning, that is, for 44 licences. We're not asking for all of the spectrum. There are hundreds of megahertz of spectrum; we're asking for enough to be made available for rural broadband usage. If we're going to have an auction or a competitive process, we need to have it among literally hundreds of rural broadband providers, not just Xplornet. We're not the only provider; there are dozens of providers in the province of Alberta, for example. We compete with at least 50 rural broadband service providers. In Ontario, there are also dozens. So it's not just for Xplornet.

There was a communication in the *Hill Times* newspaper—I think we had the back page—in which we, the rural providers, along with others in the industry, came forward and asked for this partitioning, or for a different set of rules for rural providers.

Mr. Glenn Thibeault: Great.

How much time do I have?

The Chair: One minute.

Mr. Glenn Thibeault: Perfect. Thank you.

Mr. Reed, we've heard over and over again that Canadian companies have been lagging behind in online sales. So maybe you could give us a picture of how much your e-commerce-related shipping business is sourced directly from the U.S., and what proportion is consumer-driven versus business to business. And are we seeing all the stuff coming in from China?

Mr. Gordon Reed: Ultimately as we all know, a lot of the goods do come from China. Our customers are Canadian bricks and mortar companies. That's whom we deal with. We do see a lot of goods coming in from the U.S. Those are dealt with by our U.S. parent, not by us. We do see a lot of growth and a lot of interest; there isn't a day that goes by where there isn't a company looking to get in, trying to figure out how to do it. They're phoning us with questions and asking for advice.

Mr. Glenn Thibeault: Thank you.

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

Now we'll move on to the Conservative Party.

Mr. Mike Lake: I know Mr. Regan has a quick question he wanted to ask Mr. Rupcic. I think we're probably pretty good now.

The Chair: Mr. Regan.

Hon. Geoff Regan: Mr. Chairman, I won't ask the same the question of Mr. Lake that he asked of Mr. Harris, in relation to his work at the Oilers and the experience of concussions.

Some hon. members: Oh, oh!

Hon. Geoff Regan: So let me go on.

Mr. Rupcic, what is your view on what should happen with the spectrum auction and why?

● (1720)

Mr. Ante Rupcic: We should get it all.

Some hon. members: Oh, oh!

Mr. Mike Wallace (Burlington, CPC): At what price?

Mr. Ante Rupcic: There is a nominal amount of spectrum in the 700 band, and depending on how you want to allocate channels—whether you want to follow the U.S. approach, or whether we're going to subdivide the channels differently—to sensibly launch a competitively 4G offering, we need at least 2 x 10 MHz of spectrum. If you do the math and you see what's available in the 700 MHz band, it is challenging to set aside that amount. I can understand the difficulties in doing that. But again, to be competitive in 4G, we need 2 x 10 MHz of spectrum.

Hon. Geoff Regan: Thank you.

The Chair: Thank you very much to our guests. Here is a quick question from me, if the committee will have some patience.

Mr. Maduri, you talked about the saturation of the unlicensed spectrum in the shops, etc. I take it that this is the reason that, oftentimes, when I'm sitting in a VIA Rail train or at a Starbucks and I start to get slow service, if I go to my cell service it is actually faster because of the saturation of the unlicensed spectrum.

Mr. John Maduri: I want to be clear: I really don't follow unlicensed spectrum in urban areas. But it might be the challenge that you're facing. The issue for us is that there are not a lot of rules around how that spectrum is managed. So in essence you can't control it.

Where we own spectrum, we can dedicate spectrum and say that this is for our customers; and as customers grow in their usage profile, which has happened over the last five years, we can use that spectrum confidently knowing that we have it. The challenge with the unlicensed spectrum is that you can't control the service experience.

The Chair: Thank you very much.

Thank you to the witnesses. We appreciate your time here and your input in response to the questions.

The meeting is adjourned.

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