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Chair

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.*

Welcome to the 13th meeting of the Standing Committee on Industry, Science and Technology. Today we have witnesses before us from Interac Association, Kirkland Morris, vice-president, enterprise strategy; and CANARIE Inc., Jim Roche, president and chief executive officer, and Harry Sharma, policy analyst.

As well, we have the Retail Council of Canada, Diane Brisebois, president and chief executive officer; and also the Canadian Bankers Association, Terry Campbell, president and chief executive officer, as well as David Revell, senior vice-president, business support and strategic initiatives, CIBC.

We'll follow the order that is on our agenda here in front of us. That means we'll begin with Kirkland Morris.

Just one speaker per organization for six minutes, please. Mr. Morris.

Mr. Kirkland Morris (Vice-President, Enterprise Strategy, Interac Association): Thank you very much.

Good afternoon, Mr. Chair and members of the committee.

Thank you, indeed, for the invitation to appear before you today to discuss the e-commerce market in Canada.

I will start out with a brief overview of who we are and what we do, the services that we offer, and then focus on the key elements of our business that relate more specifically to your study. I will also comment on the importance of having a healthy, competitive payments market to facilitate commerce, both physical and electronic.

You have a brief deck in front of you and we'll follow along through there.

Interac is Canada's leading payment brand. Our organization operates a world-class, economical debit system that serves Canadians well. We are also Canada's only domestically run, coast-to-coast debit payment network, handling about 57% of all card payment transactions in Canada.

Canadians paid with Interac nearly four billion times last year. Indeed, we are among the world's most active users of debit cards on a per capita basis. Interac also has a strong and rooted history of

being merchants' economical, flat-fee-per-transaction payment method.

We are a leader in the prevention and detection of debit card fraud, and consumers are fully protected from fraudulent transactions via our zero-liability policy.

We securely connect Canadians to their money at the ABM, at retailers in Canada and the United States, and online through web-based services: Interac Online and Interac e-Transfer. We are currently rolling out Interac Flash, a contactless enhancement of Interac Debit, and are moving our payment solutions forward into the mobile space.

With that introduction, I'll provide a little more detail about some of these products and enhancements, the ones that relate most directly to your study today, including our extensions into the mobile environment.

Let's start with Interac Flash. It is an enhancement of Interac Debit and Canada's first contactless debit payment solution. It also provides the platform for mobile NFC proximity payments. In fact, we plan to be in market with a mobile solution in 2012.

We estimate that Canadians make roughly \$90 billion in purchases under \$20 using cash and coin each year. Interac Flash allows cardholders the choice of paying for these smaller purchases faster than ever before by simply flashing an Interac chip debit card at a reader that supports Interac Flash, rather than inserting the card and entering a PIN. This increased speed helps merchants improve customer throughput by reducing the time they spend processing payments, particularly handling cash.

Interac Flash is secure and protected against tactics such as electronic pickpocketing. It leverages EMV-based secure chip processing, existing chip debit infrastructure, strong consumer protections, zero liability, and other features unique to Interac Association.

Scotiabank and RBC are the first financial institutions issuing Interac Flash cards.

In the online space, Interac Online is a unique solution that allows web-banking customers to securely make payments on the Internet directly from their bank account without providing any personal financial information to the merchant or service provider, not even a card number.

Despite what one of our competitors asserted at your last meeting, Interac Online is offered by more than a “handful” of merchants. Indeed, it is a growing service available at more than 750 Canadian online merchants, including Indigo, Cineplex, Roots, VIA Rail, telecommunications companies such as Rogers, Telus, and Virgin Mobile, and numerous universities, municipalities, and government agencies, including the Canada Revenue Agency.

Interac e-Transfer allows Canadians to send and receive money across the country in near real time, from one bank account to another. Transactions are done quickly and securely through web or mobile banking without the sender needing to know any of the recipient's banking information.

Available to more than 10 million web-banking customers through over 70 financial institutions and with a growing list of institutions offering e-Transfer through their mobile banking apps, this rapidly growing service represents a quick and cost-effective alternative to cheques and wire transfers.

While primarily a person-to-person solution, the service is also gaining popularity among small businesses, as an inexpensive and guaranteed way to receive funds from customers. With future enhancements, e-Transfer also offers the potential to extend into the business-to-business and electronic-invoicing space.

• (1535)

Finally, having given you a sense of our role in the e-commerce arena, I want to close by discussing the importance of having a healthy competitive payments market to facilitate commerce. The payments landscape is changing rapidly, and how it evolves will have a significant impact on Canadian consumers, merchants, and businesses.

For the benefit of all stakeholders, including government, I believe that we must ensure that the payments marketplace in Canada remains healthy, competitive, innovative, safe, and secure, and that the system works for all participants. Sound regulation plays an important role in this outcome.

The code of conduct for the credit and debit card industry in Canada introduced by the Minister of Finance in April 2010 is an excellent example of a pragmatic solution to marketplace problems that has helped to promote more effective and fair competition. Despite what some market participants have argued, the code of conduct is not anti-competitive. On the contrary, debit competition at point of sale remains open, fair, and transparent. In fact, the code of conduct has helped to push competition into the open and to force payment networks and service providers to demonstrate value to end users as a condition to winning their business. As such, we believe that the fundamental public policy objectives of the code of conduct, most notably its focus on transparency and choice for merchants and consumers, can and should be maintained and applied to other payment technologies, including mobile.

Thank you. I look forward to answering your questions.

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

Now, for six minutes, we will move on to Mr. Roche.

Mr. Jim Roche (President and Chief Executive Officer, CANARIE Inc.): Good afternoon. Thank you very much, Mr. Chair and committee members.

My name is Jim Roche, and I'm the president and CEO of CANARIE Incorporated. Thanks very much for the opportunity to speak with you today about CANARIE and its importance in fostering e-commerce in Canada. My presentation will focus mainly on the digital infrastructure required for developing and commercializing new e-commerce products and services to ensure that Canada is at the leading edge of a global digital economy.

As we all know, government support has played a foundational role for e-commerce. The U.S. defence research lab, DARPA—Defense Advanced Research Projects Agency—paved the way for the Internet as we know it. Scientists at the CERN lab in Switzerland developed the browser to share information on the Internet, and of course the list goes on.

In Canada, CANARIE, with its partners, played an important role in the introduction and adoption of broadband Internet in the early 1990s. In fact CANARIE was created and funded by the Government of Canada to run and operate an ultra-high-speed network for research and education across the country.

With the Government of Canada's support over the past 18 years, CANARIE has built a 19,000-kilometre-long fibre optic network that is separate from the commercial Internet. This national backbone links provincial and territorial research networks and stretches from coast to coast. Provinces share in the cost of this infrastructure: for every federal dollar invested in the CANARIE network, we leverage \$1.50 in matching investments from the provinces.

The network itself connects all Canadian universities, over a hundred federal and provincial labs and departments, and thousands of community colleges and K-12 schools. More than one million Canadian users have access to this national ultra-high-speed network. It enables them to collaborate across Canada, and with colleagues in 100 countries worldwide, including the United States, Brazil, China, and India.

Post-secondary institutions in the United States have proven themselves to be the most fertile ground for the development of innovative technologies, including e-commerce technologies. For example, roots of the most innovative companies of the day, such as Google and Facebook, can be traced back to U.S. universities.

However, in Canada the commercialization effort of new services leaves much to be desired. We have not witnessed the same level of commercialization activity from the higher education sector as the Americans have. One of the reasons, according to recent analysis by national advisory bodies such as the Council of Canadian Academies, the CCA, and the Science, Technology and Innovation Council, STIC, is that there are not enough strong linkages among the private sector and the academic sector, be it at the policy level or the infrastructure level. We believe that CANARIE's state-of-the-art infrastructure can be further leveraged to not only create new knowledge but also to increase collaboration and knowledge transfer from university labs to the marketplace.

CANARIE has been doing its part to support the Canadian innovation ecosystem. Along with operating its advanced national infrastructure, CANARIE has also funded technology innovation programs aimed at developing leading-edge platforms. To put it into context, CANARIE has invested close to \$200 million over the last 18 years and leveraged \$240 million from other sources in the development of online platforms and services in over 300 projects. Towards the end of the last decade CANARIE specifically funded projects to help develop and accelerate adoption of advanced e-business applications and services.

An example of a project that CANARIE has funded is GS1 Canada, previously called ECCnet. I think they made a presentation before this committee a few days ago. In 2002 this CANARIE investment helped to ensure the Canadian industry was positioned to play a leading role in the development and participation in global e-commerce trading standards.

In April of this year CANARIE also launched the digital accelerator for innovation and research program, also called DAIR, in short. The aim of this project is to make our infrastructure available to small and mid-sized Canadian companies in the information and communications technology sector. DAIR allows them to use the CANARIE network together with cloud-based compute and storage facilities to design, develop, test, and validate their solutions on the large scale prior to commercial deployment.

Even in the early stages of this DAIR program, which is currently in its pilot phase, we have observed its benefits to our users. It has reduced their upfront capital investments in R and D infrastructure, allowing them to focus on the most important task, developing the product. This helps reduce their time to market and gives them the opportunity to seize first-movers' advantage in the global marketplace.

• (1540)

A second equally important advantage that our users have is access to expertise in leading-edge technologies. For example, through DAIR, CANARIE has helped small and medium-sized Canadian businesses to use cloud computing resources and technologies, and to integrate them with their business models. The results have been very positive.

Our plan is to expand this program, and offer more resources to accommodate significantly more companies, around 3,500, once it's fully operational. We see no reason why the next Google or Facebook cannot be developed right here in Canada over the CANARIE network.

In short, by supporting research and education, CANARIE is helping to deliver on the government's priorities, including innovation and productivity to create more wealth and improve the health and wellness of Canadians.

CANARIE is a major internationally recognized Canadian success story. The need for CANARIE remains compelling, and it is growing. As I mentioned earlier, there is a legitimate role for the federal government to invest in CANARIE. It represents a strategic investment in the future of Canada.

CANARIE is funded in five-year tranches, and our current five-year mandate ends in March of next year. On behalf of its users and

the beneficiaries of its services and programs, CANARIE seeks your support for another five-year renewal of its mandate and associated funding so it can continue to accelerate e-commerce development and adoption.

I'd be pleased to answer any questions from members, and to provide whatever additional information the committee may need.

Thank you for your time.

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

Now, Madame Brisebois, I understand that we have your opening remarks from another session where there was a vote—and by the way, I regret to inform you that it's going to happen today.

I'll let you recap your remarks for a couple of minutes, Madame Brisebois, so everybody remembers them, and then we'll go on to Mr. Campbell. We'll try to get as deeply into the meeting as we can before those dreaded bells ring.

Please go ahead.

Ms. Diane Brisebois (President and Chief Executive Officer, Retail Council of Canada): I will summarize. Thank you, Mr. Chair.

• (1545)

[*Translation*]

We went over some documents during our last presentation.

[*English*]

I'm not sure they were circulated today, but I certainly will not go over those notes. I thought it was important to be invited again—and thank you—to comment on the voluntary code of conduct for credit and debit cards, and particularly the misleading comments made by VISA and MasterCard during their testimony. I don't use my words lightly.

We thought we would go on record to ensure that the committee understood the point of view of small, mid-sized, and large retailers in this country. Let's be clear: Retail Council of Canada only speaks for merchants; it does not speak for other businesses. Its membership represents

[*Translation*]

80% of total retail sales in Canada.

[*English*]

So this is from the retail perspective.

We believe the code did serve the retail community well by ensuring that retailers could say yes to VISA credit or MasterCard credit, but be allowed to say no to VISA debit or indeed MasterCard debit. That was extremely important. As we heard Kirkland discuss, there's a huge difference between the price of accepting a credit card and a debit card, specifically an Interac debit card.

We believe, however, that the code now needs to address fair competition in the mobile and online world, so that transparency and choice are still available to merchants, specifically small and mid-sized merchants.

We also believe that the Competition Bureau needs to move on the Interac restructure, to ensure that there's a healthier and more effective governance model, so that Interac can reinvest and be competitive in the mobile and online world.

Mr. Chairman, I'll end by just adding a few comments in French.
[*Translation*]

Retail electronic debit and credit card services benefit two parties: merchants and consumers. Consumers enjoy payment choices and the ability to buy goods instantly through debit cards or credit lines. But while consumers are free to choose their method of payment, merchants must absorb differing costs.

A 2010 Competition Bureau press release suggests that the purchase of \$400 worth of tires costs a merchant 12¢ if the customer uses a debit card, and \$12 if the customer uses a credit card that carries a 3% fee. And it goes without saying that the costs are also a reality when it comes to mobile and online technologies. So we are here to ensure that the Interac system continues to be available in stores, as well as online and in mobile payments.

Thank you.

The Chair: Thank you very much, Ms. Brisebois.

[*English*]

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

Mr. Terry Campbell (President and Chief Executive Officer, Canadian Bankers Association): Thank you very much.

I'd like to update Mr. Revell's title. He just got a new job. He's also doing two jobs at once—the senior vice-president and chief information officer of retail and business banking at CIBC. Outside of his banking hours, he spends a lot of time supporting tech start-ups, particularly in the Kitchener-Waterloo area. I thought you should know that.

[*Translation*]

Good afternoon. I want to thank you for inviting the CBA to participate in these hearings.

There are three things I want to talk to you about today. Let me start with online banking.

[*English*]

This committee has considered what e-commerce might look like in the future, but it's important to recognize that here in Canada today, we have a successful example of Internet-based commerce that can serve as a model for the expansion of e-commerce in other areas of the economy. Obviously, I'm talking about online banking, which Canada's banks offer to their 25 million customers across the country.

Online banking is the most widely used form of Internet commerce in Canada, with over two-thirds of Canadians reporting that they used online banking in 2010.

Whether it's paying the phone bill, the cable bill, utilities, toll roads like the 407 north of Toronto, newspaper subscriptions, or a whole host of other kinds of invoices, Canadians can do all of this and more online through their bank's website. They can also transfer funds between accounts. They can buy and sell stocks. They can invest in mutual funds. They can send money to friends and family. They can buy travel insurance. The list goes on.

As you know, technology continues to evolve. As this committee has heard, for example, from a number of other organizations, we're now offering mobile banking services that allow Canadians to carry out a variety of day-to-day banking transactions through their smart phones. In the future, it was just recently announced, Canadians will also be able to use their bank authentication credentials to obtain access to online services provided by the Government of Canada.

This leads me to my second key point, and that's the critical factor of trust. Underpinning the banks' e-commerce experience is the single most valuable commodity for any online provider, and that is consumer trust: trust that their bank will keep their personal information and their financial resources safe; trust that the bank will deliver on its promises—deliver its product, deliver its services; and trust that the bank will provide them with a recourse mechanism and protection for consumers, should something go wrong along the way.

Research shows that Canadians—82% of them, in fact—are confident that banks continually update their technologies so online and electronic transactions are safe. And that confidence is justified. Since 1996, banks have invested more than \$56 billion to ensure that the Canadian banking system is accessible, convenient, and secure—and those investments in security will continue.

My point is that ensuring robust security standards to protect customer information and to protect the integrity of payment transactions in effect must be “table stakes” for anyone who wants to accept or process customer payments. The question, of course, is how to get there.

We think that building mechanisms for secure digital ID and secure authentication is a key first step, and we know that useful work is already being undertaken in this area by the federal government.

I'd like to conclude with some comments about Canada's effective payments system, particularly payment cards. It's the 25 million consumers in Canada who drive our economy through their purchases. They rely on an efficient and effective payments system that's there for them 24/7. And they derive a great deal of benefit from that.

Consumers in Canada, for instance, have tremendous choice, with hundreds of institutions offering credit cards with a wide range of features that can fit every profile and every pocketbook. Many cards include rewards, and Canadians really value those rewards; they use them. Consumers also benefit from very high security standards, and if there's a problem, it gets fixed quickly and painlessly. You've heard it before at this committee, it's the zero-liability promise.

Consumers benefit, but let's not forget—as Diane was mentioning just a moment ago—so do businesses. For businesses, payment cards speed up the checkout line. Payments are virtually instantaneous, and they provide security of payment. Imagine if every payment transaction took an extra 30 seconds; it would use up an additional 27 million hours of staff time every year. Remember when businesses had to extend credit just to be able to get the sale? Or remember when the store manager had to come by and verify your ID so you could cash a cheque? You don't have to do that any more, because of the payment system we have.

Payment cards also enable online sales, and that helps expand business. Card payments also mean less cash on hand, and that means less cost of counting, handling, and making deposits. And it makes it considerably safer for employees. Consider the teenager working the midnight shift at a convenience store. People go after the cash; they don't go after credit card slips.

• (1550)

The payment system in Canada is very easy to take for granted because it works so well. It's critically important here that future public policy decisions continue to ensure that the efficiency, the resiliency, and the security of the payment system in Canada are not compromised, because the price we would all pay would be a significant and negative impact on the economy.

I would like to conclude just by saying that as this committee and as policy-makers consider the future of e-commerce in other sectors of the Canadian economy, we think some important lessons can be learned from our experience in the online banking world. We look forward to discussing these points and thank you very much for the opportunity of appearing.

• (1555)

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

I'll ask the members here. I'm going to need unanimous consent on one of my decisions of discretion. The best estimate now is that we have about 21 minutes before the bells, at least from my information. So we'll either go with the first round of five minutes for everybody, or with unanimous consent we'll go with the standard seven minutes per person, but that will take us eight minutes after the bell. So I need unanimous consent for that.

What would you like, five minutes or seven minutes?

I don't have consent for seven minutes, so it will be five-minute rounds and we'll begin with the Conservatives.

Mr. McColeman, you have five minutes.

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

And thank you all for being here and bringing us your thoughts.

I would like to ask and learn more about CANARIE. I'm wondering, Mr. Roche, if you could first of all confirm for us what we heard from Bernard Lord when he was here. He's the president of the Canadian Wireless Telecommunications Association. He was saying that about 97% of the Canadian population is covered by 3G or faster. He also asserted that we have more of the fastest networks in Canada than any other country in the world. Is that a correct statement, from your point of view and your experience?

Mr. Jim Roche: I can't confirm or deny Mr. Lord's comments with regard to wireless coverage. The CANARIE network is focused solely on research and education. It's not available to the average Canadian for use the way the commercial Internet is. The CANARIE network, though, is a world leader in terms of the capacity it offers to our researchers and has been a world leader pretty much since its inception in 1993. So with respect to research and education networking, yes, Canada is at the forefront with regard to bandwidth and capacity available to our researchers.

Mr. Phil McColeman: I'm wondering if you could just give us not only some real-life examples of how your network connects and the importance of it to what you had mentioned, which is the research element and obviously the enhancements to education, but also some real-life examples you may be able to share with us regarding how it has sped up the commercialization of research in the Canadian context.

Mr. Jim Roche: There are so many examples I could think of. I'm just sorting through my mind as to which one might be most relevant.

One example is a massive multi-player game that has in-game purchases enabled. The gaming industry is actually quite a large industry in Canada, as you are probably aware. This massive multi-player gaming company was able to trial its product on the CANARIE network to ensure that, once it went into full production, the technology supported the number of users who would be using it simultaneously, and it allowed that company to verify that the in-game purchases operated the way it expected them to, so it could collect its revenues for that type of transaction. That's one concrete example of commercialization. That company is using the DAIR pilot program I referred to in my earlier comments.

Harry, do you have another example that you want to bring forward?

Mr. Harry Sharma (Policy Analyst, CANARIE Inc.): I could mention that in previous mandates back in the early 1990s we invested in a lot of companies such as Flintbox, which you may know of. It's basically used for distributing IP licences to companies now. As Jim mentioned, there are many other examples that we would be happy to share with the committee if you want.

Mr. Phil McColeman: Excellent. Thank you for that.

This question is for Ms. Brisebois. What sorts of steps are your members taking to ensure they are growing their businesses or increasing their productivity and innovation in the new digital world? What examples can you give us? What sorts of steps are your members taking?

Ms. Diane Brisebois: I think the first thing I should do is make sure that each member of the committee receives a copy of the Industry Canada study on the state of retail in 2010. It's fairly recent. It speaks to the productivity of the retail sector in Canada, which has surpassed every other sector in information technology investment and supply chain investment. That includes, obviously, e-commerce, which we talk about in the research.

Our retailers in Canada, both international players and local players, specifically mid-size and large retailers, have been investing more than their U.S. counterparts in the last five years. Many of them, I'm sure you'll hear from other witnesses, are investing in or doing a lot of tests in mobile technology, which includes not only mobile payments but mobile marketing. The large retailers are investing in social media, interaction with customers, and customer management information.

We also saw a substantial increase in web business enabling technology. That means not just websites that provide product knowledge but websites that allow customers to interact with a company and purchase goods online. There's been an increase of 30% in the number of those sites within the medium and large retail market in Canada. There's been quite a bit of activity. I think often we don't realize that, because we tend to compare Canada with the U.S.

• (1600)

The Chair: Thank you, Madame Brisebois.

I have to be a little bit disciplined, because I want to try to give everybody at least one round before we go.

Ms. Diane Brisebois: I'm trying to jump in before I'm put on a plane again.

Voices: Oh, oh!

The Chair: I understand.

We'll have Mr. Thibeault, for five minutes.

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

I guess, Ms. Brisebois, I'll start right off with you, then, before you have to get right back on that plane.

We've been hearing some great testimony since we've been studying e-commerce and mobile payments over the last little while. One of the things we've been trying to identify are the concerns of the merchants on the other side of this who are having to accept the mobile payments and the e-commerce transactions.

We can go back a year and a half or two years, when we had the stop-sticking-it-to-us campaign against the merchants fees, and all the stuff we did on that file. Now, again, the warning flags are coming up with respect to how mobile payments and e-commerce are going to affect the merchants. It's great that we have all this innovation. And no one is trying to stifle the innovation. But how is that going to affect the small and medium-sized retailers?

I guess maybe you can give me your comments on that to start off.

Ms. Diane Brisebois: Thank you for the question, Monsieur Thibeault.

I think that small and mid-size retailers will be back here in short order to talk about the costs associated with accepting mobile payments. The challenge is that they have very little leverage.

As I mentioned earlier with regard to the code of conduct, because VISA, MasterCard, and their issuing banks were unable to circulate those cards at the point of sale, merchants said, "No, it's too expensive. We want Interac debit. We'll take your credit card. We like it, but we can't afford anything else."

Our concern is that the code does not protect the online world and the mobile world. They're kind of ignoring the bricks and mortar and are moving their VISA and MasterCard debit, with the different issuers, into the other world. As you know, the costs are substantially higher for merchants to accept VISA debit versus Interac debit.

What's interesting, in closing, Mr. Chairman, is that they always talk about more competition, that Interac has a monopoly. It's funny that a monopoly is cheaper than the competition. It's odd how that's working. Until such time as they can really bring a competitive product to the market and there's an association between the cost we pay and the service provided, I think the code needs to continue to be refreshed so that we can ensure that they are transparent and competitive.

Mr. Glenn Thibeault: We all have our technologies with us—BlackBerrys, iPads, iPhones, whatever it is. There are new developers coming out daily, almost, with a new app to process a payment. Many of them are for small and medium-sized businesses. That's where I think the fear is.

Mr. Campbell, we had VISA and MasterCard here. MasterCard is saying that there's going to be no cost for some of their applications. VISA can't give us an answer; they say that they have to make sure this is coming out.

We know that the merchant fee is a concern. Are the banks looking at putting another percentage point on some of these transactions? What can we see from the banking industry in relation to mobile and e-commerce?

Mr. Terry Campbell: First of all, I should say I'm deeply sympathetic to Diane. Lightning strikes twice for you, but there we go.

Ms. Diane Brisebois: I'm sure you're very sympathetic.

Mr. Terry Campbell: I am sympathetic. Diane and I actually have a lot of good conversations on things.

Let me say a couple of things. First of all, on the code—Diane mentioned the code, because it relates to a lot of these issues—we think the government did a very good job on the code. We thought it was balanced. We thought it was, quite frankly, an elegant solution. It has only been in place for just over a year and our argument is to give it time to work. We think it actually is working and we think to the extent that there are disputes it gives a good basis for being able to resolve them, and that has happened.

We hear a lot of discussion about the costs. I emphasized in my opening remarks that that's focusing on one thing. You really do need to look at the benefits and at the positive revenue implications with the payments card system we have. If you look at mobile payments, it's not here yet, but there are a couple of things to bear in mind. Canada has the number one penetration in the world. You won't get this in the United States. We have the number one penetration in the world for contactless, the payWave and the PayPass. The mobile system is going to build on that. It's not as if you need to introduce a whole new set of technology. It's way too early for me to talk about whether there would be costs or fees, but just bear in mind that it's going to build on an existing technology.

• (1605)

The Chair: Thank you, Mr. Campbell.

I'm sorry, Mr. Thibeault.

Mr. Glenn Thibeault: We should have gone with seven minutes.

The Chair: On to Mr. Richardson for five minutes....

Mr. Lee Richardson (Calgary Centre, CPC): I'm with you, Glenn.

I'd like you to continue, but we're kind of getting to that point where.... Maybe two minutes, and then, Diane, I'd like you to reply.

Ms. Diane Brisebois: I'm sure. I know you don't, but I will.

Mr. Lee Richardson: Can you give me two minutes, Mr. Campbell? And then I want to hear the reply. I can't believe you both.

Mr. Terry Campbell: First of all, I would say—and I say this with a lot of respect for Diane, because she does great work for her constituency—there is a lot of exaggeration and hyping up on the cost side. I invite you to consider the benefits that accrue to retailers and businesses with a payment system that works very well.

On mobile going forward, the forgotten voice in a lot of these discussions is the consumer. We talk about issuers, networks, retailers. It's the consumer. The consumer likes to be able to use these things. They are the ones who drive our economy, and if we change the structure of the payment system in a way that is going to disadvantage consumers, you will have a negative impact.

On mobile, we have not seen any kind of rollout. As I say, it's building on existing technology and it's not introducing a whole new set of machines or boxes on the retailer's counter. So I think that's going to be factoring into issues of cost.

Diane.

Ms. Diane Brisebois: I feel like I should be playing this little violin, but I'm not going to.

That was a good try, Terry.

Consumers will always be well served and they will always have a wide choice of products. There are lots of issuers, lots of banks out there, competing for their business, regardless if it's VISA or MasterCard. So I'm not concerned about consumers. I'm concerned about the middle guys—no gender intended—small and medium, and even large businesses, because we heard their testimony last year or two years ago, who know this technology is coming, who are not, Terry, with all due respect, at the table to discuss the standards, to

discuss whether there should be one machine on the desk or 20 machines on the desk, and who are asking why is this machine not lasting 10 years versus a year, and why isn't this great security, the new PIN pads, the new PIN cards, the chip in PIN cards, decreasing fraud? It's costing more than when retailers were handling cash 10 years ago.

So it's very hard to convince the retail community, and they are very sophisticated, regardless of their size. With all those improvements and technologies, costs are going up. In every other business with increased investment in technology, efficiencies go up and costs go down. That is the biggest concern. It's great, VISA has more money than the Vatican. They have great advertising. They will convince you to pay with your VISA credit card, even if you buy a loaf of bread. That's not to the advantage of the merchant. The consumer is not less served or better served; they're just using a different product. What they don't know is these guys are making a hell of a lot more money by using the credit or mobile or tap-and-go than by using Interac debit. So let's be honest about that.

I think I won that argument.

• (1610)

Mr. Terry Campbell: I'm not so sure.

Ms. Diane Brisebois: I'm voting for myself.

Voices: Oh, oh!

A voice: Terry's going to get the violin out.

Mr. Terry Campbell: Yes, it's my turn with the violin.

I'd like to take just a moment, Mr. Chair.

The Chair: You have a minute and a half left, Mr. Campbell.

Mr. Terry Campbell: If we learned one thing during the financial crisis, it's that you cannot ever take prudence and security and safety for granted. It's absolutely critical. It's also true in the payment system. In the payment system, the bad guys are always trying to get ahead of you. The costs of dealing with security are ever-increasing, because they get more sophisticated. They're highly motivated. These things do not come cheap and they do not come easily. It is a continual fight, and it takes money to win it.

Remember, though, the more efficient you get—and that's what mobile will do—the better it is for Diane's community, the better it is for businesses generally, and the better it is for consumers, because it will be faster and more effective.

Mr. Lee Richardson: Are you any less secure?

Mr. Kirkland Morris: Are we? No.

Mr. Lee Richardson: There you go.

The Chair: Mr. Regan.

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

My thanks to all our witnesses for coming today, especially you, Madam Brisebois, and anybody else who's had to travel and will be sent away much too soon today.

Mr. Morris, one of the things we heard earlier on in the study was that the uptake of e-commerce has been slower in Canada than in the U.S. What is your sense of whether that's true, why that's the case, and how the U.S. market compares?

Mr. Kirkland Morris: That's a great question.

I would suggest that the Canadian market is moving forward well into the digital economy in the world of electronic commerce. As a payment provider, we're endeavouring to offer a suite of solutions that take our products and our answers—whether it's for the retail community, a small-business community, government, or other communities—from the old bricks-and-mortar world into electronic commerce.

We often look south of the border and have these feelings of inferiority. I don't think this is an area where we should. I think Canada has long been recognized as having a highly robust, highly mature, highly efficient, safe and sound payment system. Interac and a number of Canadian payment providers are looked at as leaders on the global stage, and I think that's a place we can continue to occupy.

Hon. Geoff Regan: Do you have anything measurable? You're telling me that we're doing well here compared with the U.S. Do you have some measurements you can talk about?

Mr. Kirkland Morris: Off the top of my head, I'm not sure I have anything that directly relates Canada to the U.S. I'd certainly be happy to—

Hon. Geoff Regan: How many retailers are using e-commerce in each country? That's the best comparison I can think of. What we've been told is that it's faster and there's more of it in the U.S., partly because there's more competition in transaction fees, etc. Because it's lower cost, there's more uptake.

Mr. Kirkland Morris: We've had lots of debate about fees at the table today. Canadians on the personal side and business side give up a lot less in payments than their counterparts south of the border. Through all of this debate, the one thing we know is that Interac has been at the heart of that low-cost, efficient payment system for a very long time.

Hon. Geoff Regan: How do we get small businesses up to speed?

Mr. Kirkland Morris: If we had a magic formula, we'd be using it. The average small business has been trying to make payments to suppliers at the end of the month, get paid by clients at the end of the month, and all the time manage their costs. It's not that different from a typical consumer trying to pay the mortgage and the power bill, pay for the groceries, and send the kids to school, all at the same time.

We've been successful in delivering a host of valuable payment solutions in the consumer space for a long time. We're beginning to ask how we can take what we do well in the consumer world, where I think we are a recognized leader on a global scale, and apply it in the business arena, particularly at the small-business end of the spectrum.

Hon. Geoff Regan: Ms. Brisebois, when we embarked on this study, the thing that first occurred to me was that I was thinking at the time of credit cards, credit card fees, and loyalty programs. I was thinking about all the new cards that were costing more and more to retailers and the impact of that. It struck me that as long as there was a level playing field, the way they cap those fees to retailers, I can't see one bank complaining about another having an advantage as long as they face the same rules. As to the fees that may apply and the concern for small business, what role should government play?

• (1615)

Ms. Diane Brisebois: I think government has done quite a bit of good work in this area. Canada has surprised many other jurisdictions in moving forward with a voluntary code of conduct.

[*Translation*]

I must admit,

[*English*]

we wanted the code to be involuntary, not voluntary, but we also saw that it was achieving the goals.

I'm not sure I could speak about caps. The one thing I would remind the committee is that there is a task force for the payment system review and this brought everyone together.

[*Translation*]

It included small businesses, large businesses and

[*English*]

different stakeholders, and they have prepared recommendations that are worthy of this committee, of your attention in government. They deal with Canada falling behind in some issues on mobile payments. They talk about small business and how we can help them pay their bills electronically versus with cheques.

I think all of those, including what's happening in the payment system, are addressed in a serious way in this paper. I would recommend that we look at that report. I think that will answer many of those questions.

The Chair: Thank you, Madame Brisebois.

Thank you, Mr. Regan.

The bells are going now. I will be clear before I hit the gavel that this will be a suspension and an extended coffee break for our witnesses.

We intend to make it back. However, I don't know what will transpire in the House after the first vote. We'll suspend right now and we hope to come back and resume.

• (1615)

_____ (Pause) _____

• (1705)

The Chair: Ladies and gentlemen, time is of the essence here. We've only got a limited amount.

We're going to go over to the Conservative Party again now for five minutes, to Mr. Braid for his questions.

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

Thank you to the witnesses for being here this afternoon.

Our colleagues will slowly come in, but we did want to kick things right off again.

I have a couple of questions just to start relating to CANARIE, Mr. Roche. I'm just curious if all of the funding is government funding—federal, provincial—or are there other sources of funding for CANARIE as well?

Mr. Jim Roche: The CANARIE network is funded by a combination of federal funding, provincial funding, and user fees that we charge. The majority of the user fees come from the institutions that we connect. So mostly it's from the universities, and to a lesser extent, from a monetary perspective, colleges, government laboratories, and K-12 schools.

Mr. Peter Braid: Is every post-secondary institution in Canada part of the network, or virtually every one?

Mr. Jim Roche: Every university and the vast majority of the colleges—but not every college—are members of the CANARIE network, yes. It's connected to the CANARIE network.

Mr. Peter Braid: I'm curious whether the CANARIE research-related Internet has spurred any innovation in the commercial Internet.

Mr. Jim Roche: That's a great question. The answer is absolutely it has. When CANARIE was started in 1993 the commercial Internet was just getting started and CANARIE actually acted as a test bed for the development of new technologies that were ultimately deployed in the commercial Internet in a production network. Over the last 18 years CANARIE's network has become more of a production network in support of research and education. But what we've recently done is allocated a portion of our network for this kind of experimentation, to continue the evolution of next-generation technologies and the commercialization of those technologies in the commercial Internet.

Mr. Peter Braid: Thank you.

A question for the CBA: Mr. Campbell, in your presentation you talked about the importance of updating technology to ensure that transactions are safe and secure. Can you just bring us up to date on what the latest version of this technology is? How has that evolved in the last couple of years? How rapid is the evolution?

• (1710)

Mr. Terry Campbell: Is this something you'd like to talk about?

My colleague, Mr. Revell.

Mr. David Revell (Senior Vice-President, Business Support and Strategic Initiatives, Canadian Imperial Bank of Commerce, Canadian Bankers Association): Sure, I can cut in on that.

In terms of security, the current generation of technology is basically chip and PIN. That's a standard of security. And the question is how do we actually extend chip and PIN functionality through all the other channels? When we talk about mobile payments

and the state of the art, we talk about NFC, near field communications, and being able to do payments off your phone, etc. In behind it is the same type of state-of-the-art security of chip and PIN.

Mr. Peter Braid: Could you bring us up to date, then, on what the current status or what the current state of the technology is? How would you describe it in terms of bit technology or security?

Mr. Terry Campbell: Maybe Dave could help me out here, but the main focus is what the banks have been building over time. And it's where we are now, and we want to extend that. It's called defence in depth. That's the strategy, and it's a layered approach on security. What it is, you have both the front end and the back end.

You can ramp up the front end, and they're getting progressively more sophisticated, based on the risk—that is, the assessment. You could have simple identification in a password or you could ramp that up. You could have machine tagging, for instance. If an online request came in and it's not from the machine that you normally use, that prompts a series of questions, questions about what you know or what you have. If they, in turn, then assess that there is risk beyond that, they might introduce things like tokens, a separate little piece of hardware that adds an additional multi-factor security. So there's a lot of front-end stuff.

The back-end stuff... You've seen this yourself, and this gets progressively more sophisticated every day. If somehow a bad guy can actually penetrate that and try to commit a fraud, you have what they call heuristic systems that check your behaviour. If your behaviour is out of sync, they will send up a flag, geographical flags, transaction limits. These are all very dynamic and they're moving. The idea is to try to get that security throughout the system as well.

Mr. Peter Braid: Great.

Do I have—

The Chair: You have ten seconds.

Mr. Peter Braid: Thank you.

The Chair: Thank you very much.

We'll move to Madame LeBlanc now for five minutes.

[Translation]

Ms. Hélène LeBlanc (LaSalle—Émard, NDP): Good afternoon. I want to thank all the witnesses for waiting for us. Your patience is appreciated. I also want to thank you for your presentations, which were quite informative.

Everything often comes back to the same problem: the apparent difficulty in adopting new technologies. Things have come a long way, with the advent of Interac technology, electronic payments and so forth. But the fact remains that small businesses appear to be having trouble adopting new technologies.

I would like to hear your opinion on that. What obstacles do small and medium-sized businesses face when adopting new technologies? Do the obstacles stem from cost, skilled labour or existing policies?

I would like to hear from Ms. Brisebois first, and then Mr. Roche.

Ms. Diane Brisebois: Thank you, Ms. LeBlanc.

Actually, you already mentioned the obstacles. Usually, the problem has to do with money, especially a lack thereof. The budgets that small and medium-sized businesses have at their disposal are limited, especially in retail. We are talking about a margin of 3% or less. In grocery stores, it is around 1%. So there is very little money in the bank, so to speak, to invest in new technologies that have a very high level of risk attached.

The second challenge is what is known as economies of scale. It costs businesses that are a lot smaller a lot more.

The third obstacle has to do with labour. It is hard to find people who want to work for a small business, especially in the area of technology. Most university graduates want to work for big international companies.

Those are the three biggest challenges that small merchants face today.

• (1715)

[English]

Mr. Jim Roche: With regard to adoption of ICT technologies, information and communication technologies, in small and medium-sized companies, one of the big barriers is lack of sophistication in understanding the technologies themselves. Larger organizations will have dedicated departments with chief information officers who can help the organizations identify and adopt new technologies. Smaller organizations tend to employ more generalists, who don't have the sophistication in understanding the technology. Canada lags behind many other OECD countries, including the U.S., in the use of ICT technologies in our businesses.

That gap has been widening over the last few years. CANARIE has taken a step to try to help smaller companies understand newer technologies like cloud computing by allowing companies to use the CANARIE network and CANARIE facilities and to learn from CANARIE experts so that they can adopt these technologies more readily in their business.

[Translation]

Ms. Hélène LeBlanc: Could you elaborate on that? What is the success rate of small and medium-sized businesses as far as adopting new technologies goes?

[English]

Mr. Jim Roche: We implemented a pilot program earlier this year. Currently 25 companies are using this pilot program, and all of those companies are now using cloud computing techniques. They had never used cloud computing techniques before.

It's a small sample size. It's a little bit difficult to extrapolate from that. Our hope is that over the next five years, with the extension of our mandate, we will be able to assist 3,500 ICT companies, and that those companies in turn will deploy technologies into non-ICT companies, increasing the rate of adoption of these technologies.

[Translation]

Ms. Hélène LeBlanc: I am again speaking to the same two witnesses.

How would you advise lawmakers to act? There has been much discussion, there have been reports and so forth. What would you

suggest in terms of programs that could help nudge small and medium-sized businesses in the right direction?

[English]

The Chair: There are a couple seconds left. Be very brief.

[Translation]

Ms. Diane Brisebois: Right now, we are studying the U.S. model. There, universities and colleges have these labs where they encourage students enrolled in bachelor's or honours programs in technology to do a work term in a small business. This is done through government grants, and those could be at either the provincial or the federal level. Everyone works together to offer these types of labs. This initiative benefits students, professors and small businesses. It is in place in the U.S., but not yet in Canada.

The Chair: Thank you, Ms. Brisebois.

[English]

Mr. Carmichael, for five minutes.

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

Thank you to our witnesses for your patience today.

I've listened to your testimony today, and that of some witnesses last week, particularly those from VISA and Mastercard, and it sounds to me like technology and the cost of technology is a growing issue for retailers. Security, it seems to me, from what I'm hearing, is a given today. I'm getting a lot of nods on the security issues. That was a concern I had early on. It sounds like we've taken care of that.

Early on in this study, cost to the retailers or cost to the users was identified as one of the significant hurdles in growing our economy, in growing the ability to do business on an e-commerce platform. Clearly—and I think Madam Brisebois has articulated this—the retailers bear the cost; it's not borne by the consumers. Consumer products tend to be governed by competition and competition dictates the margins.

Coming from that world, I think that retailers, to accommodate the technology, will absorb the cost. I'm trying to get a better grasp, first of all, on how great this hurdle is. When I hear 12¢ to 3% on the cost, I'm trying to understand why there is that disparity in the margins. I'm wondering if, first of all, you can help me with that.

Then, Madam Brisebois, if there are a couple of minutes left, maybe you could just talk to the cost issue as a hurdle, because I think we really have to get our minds around how to deal with that as a hurdle to the future.

Mr. Morris, I don't know if you can....

• (1720)

Mr. Kirkland Morris: I'm not sure I can speak to the reasons for the 3% side of the 12¢ to 3%. I can certainly talk to the "few pennies to 12¢" side.

Certainly Interac has become a payment method that I think both sides—consumers on the one side and retailers on the other—have come to rely on greatly in their everyday lives. It's a product that we're able to deliver to the market not only I think as the most inexpensive payment option in this market—for a typical large retailer, say, 2¢ or 3¢ per transaction, and for a small retailer probably 10¢ per transaction—but also even on global levels. These are costs that are low by almost any international standard.

I think this has been what Interac has been about. We've heard a lot about costs at this table today. It's what we continue to look to as we talk about advancing into e-commerce, mobile commerce, and so forth. Part of the effort here is to continue to deliver service that is valued by merchants and consumers at cost points that are approachable for consumers and merchants.

Mr. John Carmichael: Thank you.

Mr. Campbell?

Mr. Terry Campbell: Well, I guess I'd say a couple of things. First of all, retailers do bear some of the cost, there's no question about that, but a lot of the cost for security and so on is funded by other parts. It's funded by the spread. So the costs are shared all the way around, but I take your point on that.

You talked about the Interac cost versus the cost of cards. Again, numbers are bandied about here. I encourage the committee to go online. There's a real nifty chart on the website of the CFIB, another business representative, that actually charts the costs of card acceptance. It's actually lower than 3%. They've done a very comprehensive...it is lower than that.

But remember: there are different products here. Interac, as was just said, is directly into the account. The money's there and you pull the money out. Credit cards are a credit product: you're extending credit. You're advancing credit to people and the institution is taking a risk. You have to price for that risk. There's a whole bunch of other things that go into that, but to compare the two.... They really are different products and people use them differently.

Mr. John Carmichael: Okay. Thank you.

Ms. Diane Brisebois: I loved that opening. He just opened the door for me here—

[Translation]

The Chair: You have 30 seconds.

[English]

Ms. Diane Brisebois: It is very difficult, then, to justify why VISA and Mastercard come before this committee—and before finance committees in the past—and say “Our VISA debit is 1% versus 2¢”. MasterCard.... That's the reason why retailers said no. That's why there's a code of conduct. There's no reason. Let's be honest here—it's my 10 seconds—they charge it because they can.

[Translation]

It's as simple as that.

[English]

Mr. John Carmichael: Thank you.

[Translation]

The Chair: Thank you very much, madam.

[English]

We'll move on.

[Translation]

Mr. Caron, you have five minutes. Go ahead.

Mr. Guy Caron (Rimouski-Neigette—Témiscouata—Les Basques, NDP): Thank you, Mr. Chair. I will be sharing my time with Mr. Thibeault.

I want to come back to the 12¢ it costs per transaction when the customer pays by Interac. We take for granted that that fee is not reflected in the selling price, but is instead absorbed by the retailer. Is that true? More and more, we are seeing—some consumers have come to see me about it and I, too, have experienced it—that retailers are beginning to charge different prices based on the payment card used. Do you think that is a direct result of this policy? What can we do to counter this phenomenon? If the selling price does not reflect the cost of the transaction and the consumer realizes this, it puts small and medium-sized businesses that use differential pricing at a competitive disadvantage.

Ms. Diane Brisebois: It puts them at a huge competitive disadvantage. While everyone does not always agree, there is a consensus that overcharging is not a good business practice. Actually, even when the customer pays 5¢ instead of 1%, that cost is always included in the product's selling price, just as the employer's rent and labour costs are. What is worrisome is the percentage.

Mr. Caron, it is all the more worrisome because small businesses do not have the sales volume needed to negotiate better rates. Just imagine I am a small business owner and I charge my customers 10¢ a transaction when they pay with card X. If I had to compete with a very big company that benefits from a much lower rate, I would go out of business. So there is that issue. New technologies will probably be too expensive for small businesses. That is what worries us.

I am not saying they should not have to pay; the technology has to be paid for. But we need to have merchants at the table when new technologies and products available to consumers are being discussed.

• (1725)

Mr. Guy Caron: Thank you.

[English]

The Chair: Mr. Thibeault.

Mr. Glenn Thibeault: Thank you.

How much time do I have?

The Chair: You have a little under three minutes.

Mr. Glenn Thibeault: Perfect. I'll get right to it then.

I'll start with Mr. Morris. I think most of us here know what debit card co-badging is all about. Can you give me your views on that? Why does the current voluntary code of conduct for the credit and debit card industry prohibit debit card co-badging? Can you talk to that?

Mr. Kirkland Morris: Sure. You're right that the code tackles the issue of co-badging directly. For clarity, co-badging is the co-residency of competing payment brands on a card targeting the same transaction. So two debit brands, for example, are on the same transaction. The code also addresses the coexistence of credit and debit functions on the same card.

In its wisdom the code is not endeavouring to regulate market outcomes and say "You shall price this way" or "You shall do this that way". It is trying to establish a framework for healthy competition to allow merchants on one side of the equation to understand the costs of various forms of payment in clear contracts, and to be able to act on those with the ability to consciously select and opt into what they will and will not offer in terms of payments at the point of sale.

On the consumer side, it allows them to choose quite consciously and without confusion what cards to place in their wallet, and then what card to pull out of their wallet to make any given transaction.

I think the concern around co-badging has certainly led to the provisions in the code and what folks viewed as the unhealthy trajectory we were on. There was confusion on both sides. The consumer wasn't sufficiently informed with clear choices, and the merchant wasn't sufficiently informed and able to make clear choices that both of those would prevail.

Mr. Glenn Thibeault: Ms. Brisebois, what are your thoughts on co-badging?

Ms. Diane Brisebois: I think it's terrible. I don't think there's much that needs to be said, especially in an environment where the merchant has no choice. The problem here is that the customer sees the advertising: if you use this product you'll get five points instead of one, or you'll get points, but if you use this other product you won't. You create the demand at the consumer level, because it's not costing them more, and you're making the middle guy pay.

You have products residing on the same card, and the mechanism they say you have to put on your cash or on your counter to accept that card is controlled by someone else. So you cannot ensure that the transaction is going through the cheapest route—

Mr. Glenn Thibeault: So would we have some concerns?

The Chair: That's it, Mr. Thibeault. I apologize. Time is always our enemy here.

Mr. Lake is next, for five minutes.

Mr. Mike Lake (Edmonton—Mill Woods—Beaumont, CPC): Thank you, Mr. Chair, and I again thank the witnesses for coming and being patient.

Diane, thanks for coming here twice now.

Ms. Diane Brisebois: It's always a pleasure.

Mr. Mike Lake: I still don't think you got your full two hours.

Ms. Diane Brisebois: I know. I'm trying really hard though.

Mr. Mike Lake: Mr. Roche, I'll start with you. In budget 2011 we announced the provision of \$80 million in new funding over three years for IRAP to help the small and medium-sized businesses accelerate the adoption of technology through collaborative projects

with colleges. I just want your thoughts on that. How important is that right now?

Mr. Jim Roche: I think it's an excellent program. I'm a very strong supporter of IRAP. My background is in high-tech entrepreneurship, and I have benefited from the programs that IRAP offers. I see many of my colleagues in other companies benefit from those programs. It's a very strong and effective program in Canada.

The additional \$80-million program you talked about will help Canadian small and medium-sized enterprises learn how to adopt technologies. It addresses the problem we were discussing earlier. I was hoping to have a chance to talk about it, so thank you for giving me the opportunity.

I think Minister Paradis made an announcement—

Mr. Mike Lake: On Monday.

Mr. Jim Roche: —on Monday about this program. So we don't have any evidence yet on whether the program will be as effective as the core IRAP program, but I think the delivery mechanism is an effective one, and the way the program is structured is well thought out.

• (1730)

Mr. Mike Lake: What's the challenge? Why has Canada lagged in adopting that over a long period of time?

Mr. Jim Roche: That's a very big question. The Council of Canadian Academies tried to address that question and looked at the various components that would have contributed to this gap. One of their conclusions was that it has to do with the culture of our business. Canadian companies are less aggressive. They tend to be less willing to take risk compared to their American counterparts. I think that is true. Interestingly, although our adoption of ICT is much less than that of our U.S. counterparts, our companies are as profitable as our U.S. counterparts.

So we haven't yet seen the economic impact of not adopting ICT in our Canadian companies. I expect that with time we will see an economic impact, and that will have the biggest impetus in getting small and medium-sized companies in particular to learn how to use these technologies to their benefit.

Mr. Mike Lake: Diane, do you want to weigh in on that? You represent some of those businesses.

Ms. Diane Brisebois: It's an excellent question. I think I would have to agree with Jim. We found that with more international players in the marketplace, Canadian companies in retail started thinking more seriously about investing in technology. I use the term "technology" generally here, but even specifically in e-commerce, they were not as aggressive.

This was a very contained market. There was competition but not over-competition. The world has changed substantially in this country in the last ten years, for good and for bad...but for good. It's because Canadian companies are now realizing that if they do not have a very strong e-commerce presence they will not survive in the retail market locally or internationally.

Mr. Mike Lake: Mr. Campbell—just a complete change of direction here—your being here today highlights a combination of two real challenges we face: the need for increased financial literacy, and the need for increased digital literacy. You kind of represent the merging of them in the conversation today.

What is the CBA or banks doing to address those challenges? I think they will become more pronounced over time, and we've already had some indication in our conversation today of that.

Mr. Terry Campbell: That's really the right question. Financial literacy and digital literacy go across the whole spectrum here, and they're absolutely critical. We're very active. We think what Minister Flaherty is doing on financial literacy is great. We are strongly supportive of that. But that's only part of it. It's not in the schools yet and it needs to be there. We have our own non-partisan, non-commercial programs that we try to put into schools on the financial literacy side.

But on digital literacy, I think there is a role all players—the banking industry, this committee, the government—need to play to foster awareness in the Canadian population about the importance of security. It's very often through the customer's computer system that the bad guys get in. With greater awareness comes greater comfort and greater confidence in being able to use the systems, and that will go a long way.

The Chair: Thank you, Mr. Campbell. I'm sorry, but that's all the time we have.

I want to thank the witnesses very much. I want to particularly commend Mr. Campbell and Madame Brisebois on the great spirit that you showed us, of being of different minds and yet having such a great level of diplomacy between the two of you.

Thank you very much.

Mr. Terry Campbell: I appreciate that.

The Chair: The committee is adjourned.

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