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Chair

Mr. David Sweet

Standing Committee on Industry, Science and Technology

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• (1530)

[English]

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

[Translation]

Good afternoon, everyone.

[English]

Welcome to the 60th meeting of the Standing Committee on Industry, Science and Technology. Today we're studying broadband and Internet access across Canada.

We have with us today, from the Canadian Chamber of Commerce, Scott Smith, director of intellectual property and innovation policy. He will begin his remarks.

Mr. Smith, I think you're familiar with the way the committee works—

Hon. Geoff Regan (Halifax West, Lib.): Mr. Chair, on a point of order, before we get started—

The Chair: Yes, Mr. Regan.

Hon. Geoff Regan —I wonder if we could set aside 10 minutes for a chat, preferably after 4:30, to talk about what's happening when we come back. We've had two meetings that didn't happen. Basically, we've missed two meetings, and I'm anxious to see that we will be hard at work and kept busy when we return.

The Chair: Mr. Lake.

Hon. Mike Lake (Edmonton—Mill Woods—Beaumont, CPC): That sounds fine to me.

The Chair: That's great.

Thank you, Mr. Regan.

Mr. Smith, you can go ahead for six to seven minutes. Then we'll have alternating rounds of questions.

Mr. Scott Smith (Director, Intellectual Property and Innovation Policy, Canadian Chamber of Commerce): Thank you very much.

Good afternoon, everyone, and thanks for the opportunity to address this committee.

My name is Scott Smith. I was retained as the director of intellectual property and innovation policy at the Chamber of Commerce last November.

I'd like to preface my remarks by saying that while the chamber is always happy to address Parliament and assist in your deliberations whenever we can, the short notice for this appearance has limited our capacity to provide the analytical depth through briefing materials that we would normally come prepared with—so my apologies for that. My hope is that what I have to say will offer some fruit for future discussion and the opportunity to collaborate more fully on these ideas.

That said, I'll start with a provocative statement. Canadian business is not online. This is despite the fact that Canada has some of the most advanced and available telecommunications infrastructure in the world.

A recent study of G-20 countries by The Boston Consulting Group indicates that Canada is behind in the adoption of technology by business and in the size of our Internet economy. The study concludes that this gap will widen over the coming years, meaning that Canada will lag behind its global competitors even more. The \$4.2-trillion opportunity represented by the Internet will pass Canada by. This gap exists across the economy, across sectors, regardless of the size of the entity.

The story I want to tell you is one of adoption, or lack of adoption, not about barriers to access.

With our relatively small population and huge land mass the Canadian market is essentially California with a distribution challenge. Yet Canadians continue to be among the first users in the world to benefit from next-generation networks. Over 50% of Canadians already have access to long-term evolution—or LTE—networks at prices that are in line with those in other advanced economies. Right now over 99% of the population have basic wireless coverage and 98% have coverage for advanced wireless networks that support smart phones and similar devices.

For wire-line penetration, Canada ranks 13th out of 34 OECD countries and number one in the world for time spent online, with an average of 45.6 hours per month. According to the “Connectivity Scorecard” report, which is overseen by University of Calgary business school dean Leonard Waverman, Canada ranks eighth in useful connectivity, which reflects the world-class network available to Canadians. This is a good-news story.

But Mr. Waverman also notes deficiencies in the adoption and usage of broadband, and investment in information and communication technologies generally, across the economy. Corporate spending on IT services is comparatively low, as are the estimated levels of ICT spending by government, health care, and educational sectors.

Canadian businesses need the right incentives, such as tax incentives and continued improvements to the scientific research and experimental development program, SR and ED, in order to keep investing in next-generation infrastructure if Canada is to rise to the very top of the international rankings and most effectively lever broadband for competitive advantage.

Further, while both wire-line and wireless broadband are critical infrastructure and the cornerstone of economic growth, addressing the availability of broadband is not sufficient without a broader focus on adoption and use of information and communications technologies. Government policy must also ensure access extends to rural communities and do its part as a major user to stimulate demand.

Across the economy, as a large user of information technology the government can play a significant role by mandating online interactions for its partners, for citizens, and for suppliers. Already, tax returns can be filed online. Like any large user, by undertaking a commitment to online commerce and the related technology governments can defray costs for suppliers and provide valuable incentive to adopt technology.

To this end the government should design initiatives to drive demand and adoption among key user groups, such as small and medium-sized enterprises. As the Competition Policy Review Panel noted in its June 2008 final report, the Internet is also a force for productivity growth because it promotes the more efficient use of business resources.

In northern and remote communities where other infrastructure projects lack the market forces necessary to implement, the productivity growth potential of broadband telecommunications offers a model of how government might work with the private sector to meet public policy goals for infrastructure by providing sustainable incentives and public-private partnership options in remote areas.

•(1535)

I noted earlier that Canadian business lags. The fact that Canadians themselves are highly engaged online and are some of the most active consumers in the world of online services, social networking, online video, and other Internet services should be a signal to governments and to business that the additional focus on Internet innovation can result in significant uptake and success with consumers. Such focus needs to be brought to bear, and we, as the chamber, believe the federal government has a significant role to play here.

Our recommendations are as follows.

The federal government should lead by example and provide all of its services online. Almost every transaction Canadians can make with the government should be possible to complete online.

The government should accelerate investments in next-generation networks by amending tax policies to stimulate investments on a geographically and technologically neutral basis.

The federal government should continue to rely on private sector investment and competitive market forces to drive the rollout of broadband networks and facilities in Canada.

The government should ensure that any initiatives designed to help facilitate access to broadband facilities in Canada and by Canadians in rural and remote areas, where market forces are not sufficient, are introduced in the least market-distorting manner possible by working with relevant not-for-profit organizations, utilities, and service providers.

The government should promote digital literacy as a critical aspect of skills development.

The government should increase engagement with the private sector to accelerate e-business adoption among small and medium-size enterprises, especially given the increase in growth rate in this sector.

That concludes my remarks. Thank you for your indulgence. I'm happy to take any questions.

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

Now we'll move to the rotation. I'm going to try to stay tight to the time, so the greatest number of people can participate in the meeting.

Mr. Lake, you have seven minutes.

Hon. Mike Lake: Thanks, Scott, for coming today.

You mentioned Canada being eighth in useful connectivity.

Mr. Scott Smith: That's correct.

Hon. Mike Lake: Perhaps you could elaborate on that a little bit. What do you mean by useful connectivity? It sounds like a good stat, but what does it mean?

Mr. Scott Smith: Essentially it's a measure of how effective the connectivity is. You have an infrastructure of broadband networks, for example. How well is it being used?

Hon. Mike Lake: If you're a business operating in Canada today, you have the infrastructure there, by and large. We've made the investments in infrastructure. The infrastructure is there, but then the other stats you were quoting tell me that, for some reason, businesses aren't using the infrastructure that exists.

Mr. Scott Smith: It's not being used to its potential. That's what they mean by useful connectivity. The number of businesses that are conducting transactions online, the volume of e-commerce, the....

Hon. Mike Lake: You talk about all of the different things government can do, different programs the government might run or put in place, or whatever. There's lots of discussion, of course; it's something we're seized with. But you would think businesses would see that opportunity for themselves.

Why is it that Canadian businesses aren't taking advantage? We've built this useful connectivity. Why is it that it's not actually being used?

Mr. Scott Smith: That's a really good question. It's something we haven't studied to a great degree at this point, but we have a few theories.

As an example, Canadian companies typically don't export significantly. There seems to be a strength in companies that have inserted themselves into global value chains and which have the certainty of that global market to be able to invest in additional ICT.

● (1540)

Hon. Mike Lake: Has there been any research done among your members in terms of best practices, companies that do it right, not specifically tech companies, because that's a no-brainer, but mainline companies that have maybe been around for a while, that have transitioned from an old model to a digital model in terms of their work, in terms of their delivery, in terms of their marketing, or whatever the case may be?

Mr. Scott Smith: I don't have one that I could point to right now, but I could certainly dig some up. I don't have any with me now.

Hon. Mike Lake: I'm sure Peter could find us a few in his area, in the Kitchener—Waterloo area.

What is the chamber doing within its own organization to promote the greater use of this connectivity, the greater use of technology, among members across the country?

Mr. Scott Smith: Typically the chamber is primarily an advocacy organization, but we do produce papers, for instance. We have several that we've done on this subject matter, on the value of entering the global value chain and the value of the adoption of new technologies. That's something that we circulate and promote within our own network.

Hon. Mike Lake: You've talked about the promotion of digital literacy. What does that look like? You've tossed around the words "digital literacy". Many people have come to us and there are different studies talking about the government's role in promoting digital literacy. What does that mean to you? What does that look like to you? What does a successful strategy look like? How might the business community or the chamber partner with government in that? What's the role of government? What's the role of the private sector organizations that are out there?

Mr. Scott Smith: I think that means investing in training, and that's something the chamber can certainly help facilitate. The training needs to be there, first and foremost.

If you look at our "Top 10" release, which all of you I think have now seen, I think you'll see that the number one issue concerns skills. That is where both government and industry can work together to help build that skill set.

Hon. Mike Lake: Right, but again, to sum up what you've said in your remarks, it's interesting that we're actually undertaking a broadband study, a study of broadband Internet. We've talked about the idea of doing a study on digital issues following out of this. It sounds like what you're saying is that we're connected, by and large, that we've actually done a really good job in terms of building the infrastructure, but really, the area we need to look at is the use of that infrastructure—

Mr. Scott Smith: Yes, absolutely.

Hon. Mike Lake: —over time.

That's good.

The Chair: Thank you, Mr. Lake.

[*Translation*]

Ms. LeBlanc, you have seven minutes.

Ms. Hélène LeBlanc (LaSalle—Émard, NDP): Thank you, Mr. Chair.

I find it interesting and a little surprising to hear Mr. Lake say that all of Canada is connected and that it ranks eighth in useful connectivity, although we know that a number of regions in Canada do not have access to high-speed Internet. For practical purposes, if you don't have access to high-speed Internet, you don't really have access to the Internet.

When you say that we are in the eighth place in terms of useful connectivity, are you talking about access to high-speed Internet?

[*English*]

Mr. Scott Smith: The eighth place I was referring to with respect to connectivity has some relation to the availability...but it's also the usefulness. We've said "useful connectivity", meaning who is actually making the best and highest use of the available networks?

I take your point. Yes, there are some challenges, certainly in the northern and remote communities, with access to Internet. In the opening of my presentation, the example is that Canada has a very dispersed population and the market forces aren't necessarily there to warrant the investment of networks.

That being said, with the cost 15 years ago, the market wasn't there for even some of the urban areas to have the networks that we have in place now. What we are espousing at this point is that over time those costs will drop and the availability of those networks, through private-public partnerships, will evolve.

● (1545)

[*Translation*]

Ms. Hélène LeBlanc: You have probably noticed that access to high-speed Internet often goes hand in hand with prosperity. Business is good, people are connected and more education opportunities are available. If we really want to develop the north, to occupy the territory and to watch regions grow, the Internet will have to be available, be it for education or for companies that would like to set up shop in the north to develop natural resources, for instance. It will be important.

You also talked about partnerships. For partnerships to be really worthwhile, the government must provide incentives so that a network can be developed to provide access to the Internet. Do you see that also happening with the 700 MHz spectrum auction that we hear so much about? Has the Minister of Industry announced that there will be incentives for providers to deploy their network in the north, in rural and remote regions?

[*English*]

Mr. Scott Smith: I'm not sure I can speculate at this point on how the spectrum auction will roll out in northern communities.

With regard to some of the advantages I saw in how that auction has been positioned, there will be some sharing of spectrum between the three major players at this point, which will certainly go towards reducing costs. That reduction of costs allows for the building of new networks and a broader audience.

[Translation]

Ms. Hélène LeBlanc: Do you think that is a strong enough incentive to deploy networks in regions where, as you said, it is not always profitable, especially when the population is quite scattered and small?

[English]

Mr. Scott Smith: With the implementation of LTE and the fact that the transmission lengths are much longer, I think this spectrum auction will help. Do I think it's enough? Probably not. I think there will still be a need for some incentives.

That's where I was suggesting in my presentation that the government work with local not-for-profit organizations. We actually have a report that we did very recently where we pointed out these examples, such as working with first nation groups for satellite access to Internet. That example has worked very well.

[Translation]

Ms. Hélène LeBlanc: Okay, thank you.

Do you think a portion of the revenue from the auction should be set aside for deploying networks in regions where it is perhaps less profitable for companies to do so?

[English]

Mr. Scott Smith: That's something I would have to take back to our member companies and come to a consensus on.

[Translation]

Ms. Hélène LeBlanc: You have conducted studies and, in your answers, you mentioned that, according to your observations, small and medium-sized businesses were not likely to want to adopt some technologies because they do not export. How can we show them the benefits? Are steps being taken to show the benefits of a technology when doing business or even when you own a company?

• (1550)

[English]

The Chair: Mr. Smith, if you want to try to answer that, I'll have to ask that you wait until the next question. The time has run out, I'm sorry.

Mr. Braid, you have seven minutes.

Mr. Peter Braid (Kitchener—Waterloo, CPC): Actually, why don't I begin by allowing that answer?

Ms. Hélène LeBlanc: Ah, this is....

Mr. Dan Harris (Scarborough Southwest, NDP): He must be going away for a week.

Voices: Oh, oh!

Mr. Scott Smith: To answer your question, I think many small to medium-sized enterprises out there don't have the desire to grow. The challenge for all business is certainty. The incentives that need to be in place need to provide market certainty. That's where I suggested the global value chain, where they have access to a strong market. Trade agreements are very important for that. Put those in place and give small business the insights on how to access those markets.

A lot of those programs are in place right now. Industry Canada has some great programs, although unfortunately most small businesses don't know how to get to them. It's our view—I think Industry Canada is actually working on this right now—that some kind of one-stop shop be put in place for small business to actually access government services.

Mr. Peter Braid: Do you have any further questions, Madame LeBlanc, or may I proceed?

Voices: Oh, oh!

Ms. Hélène LeBlanc: Thank you very much, Mr. Braid. That was much appreciated. I have loads of questions, but I will keep them.

Mr. Peter Braid: Okay.

Thank you very much, Mr. Smith, for being here today.

I have just a few questions that will maybe give you an opportunity to elaborate on some of the points from your presentation.

First of all, with respect to the LTE penetration rate, I think you said it was 50% in Canada?

Mr. Scott Smith: Correct.

Mr. Peter Braid: I'm just curious to know how that compares with other OECD countries, other G-7 countries, or whatever comparator is best. My sense is that our LTE rate is fairly good. Is that correct?

Mr. Scott Smith: It's very high. I do have it with me, but I'll have to look it up.

Mr. Peter Braid: That's fine.

I guess perhaps I have a two-part question. I presume that will continue to grow as LTE infrastructure is built out.

Do you have any sense as to how that will continue to increase? That's maybe on the same chart.

Mr. Scott Smith: It might be.

In terms of wireless penetration, it places Canada in the ranks of other advanced economies like Germany, and far ahead of other European countries such as France or the United Kingdom. We are only now beginning to deploy LTE, so we're at the beginning stages. I think that the auction announced today is going to go a very long way to changing that.

Mr. Peter Braid: Great. Thank you.

In your presentation you seem to suggest that our challenge isn't an issue of availability, accessibility, or infrastructure. It's a challenge of adoption.

Who isn't adopting?

Mr. Scott Smith: There's somewhere in the neighbourhood of 2.2 million small businesses in Canada, small and medium-sized enterprises. Approximately 70% of those companies don't currently have a website. That's a staggering number given today's technology and its availability, yet they are not taking advantage of it.

It's not only small companies; there are large companies that have not adopted it as well.

Mr. Peter Braid: Since the industry committee's study on e-commerce, I'm sure there has been a dramatic change in that. Perhaps you could come back to us to demonstrate how our study has made an impact on that.

That's really staggering that 70% of SMEs still don't have a website.

Mr. Scott Smith: That was from a 2011 public opinion poll.

Mr. Peter Braid: I think we really focused fairly widely on that. Hopefully we'll see that change.

I'm intrigued about your proposals for public-private partnerships in remote areas. I think that would be one of the answers to solving access in aboriginal communities, for example.

Are there any models or examples where a public-private partnership like this has existed in Canada or outside of the country that we could point to?

• (1555)

Mr. Scott Smith: There's one in Canada, and I'll always get the acronym mixed up so I'll look it up. It's NICSN. It's Northern Indigenous Community Satellite Network. That's a clear example of what has worked well.

Mr. Peter Braid: Do you know where that community is, or do you have any additional information about that particular project?

Mr. Scott Smith: I can leave the committee with a copy of this report afterwards.

Mr. Peter Braid: Please.

Do you know who is involved in that public-private partnership? Is it all in the report?

Mr. Scott Smith: It's all in the report.

Mr. Peter Braid: Very good. I think that report would be very helpful.

Coming back to the SMEs or to sectors that are underconnected, if you will, are there other specific sectors that are underconnected? Are there specific segments of our economy?

Mr. Scott Smith: You could probably point to the health care sector. I know there are some changes being made in the health care sector now with digital health records, but there is no connectivity between provinces, as an example. Those digital health records need to move forward.

Mr. Peter Braid: This is the issue of eHealth Ontario—always a contentious word in Ontario, I might add.

Is the chamber dealing with this issue of promoting eHealth across the country?

Mr. Scott Smith: Not promoting eHealth per se.

Mr. Peter Braid: Thank you.

Thank you, Mr. Chair.

The Chair: Thank you, Mr. Braid.

Mr. Smith, is the report you are referring to in both official languages? That's fantastic. If you have enough copies you can distribute them directly.

Mr. Scott Smith: I have only one French copy and one English copy.

The Chair: Can you send that afterwards?

Mr. Scott Smith: Certainly. It's also available online.

The Chair: Oh, it is. That's fantastic. Then just send the link, and we'll make sure we distribute the link.

Now we go on to Mr. Regan for seven minutes.

Hon. Geoff Regan: Thank you, Mr. Chair.

Mr. Smith, thanks very much for being here today.

As you know, the current government and minister have been promising for years to develop a digital strategy, and it's clearly a promise that remains unkept. For instance, as you mentioned, there are numerous programs out there but no cohesive strategy about how they should work so that small and medium enterprises could know where to find stuff. You referred to that.

Michael Geist recently said, "If part of your economic strategy doesn't include a digital economy strategy, then I'd say you don't have an economic strategy". I'd like to hear your views on the lost opportunities as a result of the lack of a digital strategy.

Mr. Scott Smith: As I pointed out in the presentation, roughly \$4.2 trillion worth of business is available on the Internet economy right now, and Canada is not capturing what I would say is its fair share. Because of this lack of useful connectivity, it's passing us by. There needs to be that relationship between how Canada manages its trade agreements and how Canadian businesses take advantage of those trade agreements.

Hon. Geoff Regan: During the committee's study of intellectual property, as we heard then as we've heard today, that while Canadians are very much early adopters of technologies, and of e-commerce in this particular case, businesses haven't been. How would you compare this with other jurisdictions? Could you talk about that some more?

In your view, why is our performance so poor in this regard?

Mr. Scott Smith: We certainly lag behind Europe and the U.S. in business adoption of technologies and e-commerce in particular.

On your suggestion about how Canadian consumers are first adopters, there is another good news story there on how Canadian telecom companies have brought out a model that allows Canadian consumers to have the latest and greatest all the time—at a very reasonable cost when you consider the cost of the individual smart phones they are buying. Canadian consumers have a higher percentage of smart phones than any other country in the world.

Again, the real challenge is getting business to be more receptive to new technologies and to adopt an online strategy.

Does that answer your question?

• (1600)

Hon. Geoff Regan: I think so. It's a broad question. I'm sure you could talk about it for quite a while, but let me go on to talk about other programs that are related.

While it's clear that broadband and Internet policies are important to our small and medium enterprises, we've heard concerns expressed that other programs are also important. For instance, we've heard that the changes to SR and ED are counterproductive. I've been told that the new approach to SR and ED is leading to business models that will limit the growth of our SMEs.

Can you shed any light on why this is happening and what we should be doing to encourage growth, not limit it?

Mr. Scott Smith: The changes to the SR and ED program have essentially changed the program from being a tax credit incentive to a direct incentive. The direct incentive may have the result of limiting the size of the growth of those companies, because once they grow beyond that certain point, they will no longer be eligible to make use of those programs. Indeed, some companies have adopted a strategy of limiting their size because they are going to continue to use this. It makes sense for them.

There is nothing on the other side of that for the larger companies, the ones that typically are commercializing. Again, this is about productivity and commercialization of R and D. Those larger companies are the more likely ones to take a product to the commercialization stage, because they have the capital, because they have the resources, and because they have the skills base to take a research and development idea to commercialization.

There is nothing on the incentive for them at this point.

Hon. Geoff Regan: One of my earlier thoughts about SR and ED, which I believed would have worked better than what's happened, was to say that we're going to keep this as a tax credit because we want businesses, not government, to decide what they should do and shouldn't do in terms of R and D, but we're going to require you up front to indicate that you're going to apply for this in relation to the R and D you're doing. The concern we were hearing, of course, was about the consultants who would make a fair buck by going back over a business's activities and trying to find things that fitted into this category and applying for the credit, rather than having legitimate R and D activity that was being done.

I know of a company in my riding that's done very innovative work, has a very innovative product that's selling around the world now, and has had no success with SR and ED because they claimed that they weren't doing R and D. They've got a really innovative product that they did R and D on, so it was very frustrating.

What's your view of where the government should have gone?

Mr. Scott Smith: I think there are a couple of things here that we need to think about. The way that the tax incentive program is designed, you actually need to turn a profit to be able to take advantage of it. Most of those smaller companies that could have been eligible for the tax incentive didn't get to the point where they could make use of it. Some of them still have it on their books. We need to find a way to deal with that.

But the other half of that is how monetize those tax incentives. Maybe here the government could look at finding a way for angel investors or foreign investors to make use of those tax incentives up front and make them flow-through, where you're going to see it on the other end. It would end up being revenue neutral, but it would

give that opportunity to those smaller companies who don't have the capital, who don't have access to the capital, to find a way to do that.

The Chair: Thank you very much, Mr. Smith, and Mr. Regan.

Now we'll move on to the next round. We're down to five minutes.

Mr. McColeman.

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

And thank you for being here, Scott.

You mentioned that we rank number eight on one scale. Who are the world leaders?

Mr. Scott Smith: I think I brought that with me too—all I've got to do is find it.

No, I didn't.

The world leaders are mostly European countries and Japan and Korea.

• (1605)

Mr. Phil McColeman: Okay. In your mind, are there theories as to why they're in the position they are and we are where we are?

Mr. Scott Smith: There are a couple of reasons. According to that report, there's the fact that they were later in adopting new technologies. Countries like Japan actually started building their networks as the newer technology was available, so they actually have single investment as compared to the multiple investments that were made in Canada for changing the networks.

Mr. Phil McColeman: So they had a head start is basically what you're saying.

Mr. Scott Smith: They had a head start, yes.

Mr. Phil McColeman: It's a staggering number you mentioned—\$4.3 trillion dollars of business being missed on the Internet. Put that in terms that a layperson would understand. What kind of business is out there in such high quantities that it's being missed?

Mr. Scott Smith: It's all to do with commerce and trade, and so it involves selling product over the Internet. But it's more than that: it's about logistics and how you track products; it's about efficiency and productivity. I think that \$4.2-trillion number incorporates both volume of sales and efficiencies.

Mr. Phil McColeman: So it's right across all sectors, all services, all products then?

Mr. Scott Smith: Correct.

Mr. Phil McColeman: It's all encompassing. I understand it now.

Again, from a small business entrepreneurial point of view, when I had my business a couple of things drove me. One was customer demand, to make changes in my business to react to customer demand, and lowering my overhead, my expense side. I sat on my chamber of commerce's board of directors for a while. I think most of the people who were with me at the time were of the opinion that they'd rather do it themselves than be involved with government incentive programs.

How do your members today reflect on the issue of the government being involved in the viability of their business?

Mr. Scott Smith: I don't think you can make a generalization like that. I have met small business owners who think exactly as you did, that they would rather do it themselves. They take a certain pride in what they do and they're not interested in government services. There are many who would take advantage of government services if they knew they were available. They don't. There are many that do take advantage of government services and prosper for it.

I think there are many education programs, incentive programs, that small business should be taking advantage of. They're not designed to pick winners; they're designed to help everyone. It's about connection.

Mr. Phil McColeman: Going back to a previous comment you made, is it about developing new programs or connecting to what's already in existence?

Mr. Scott Smith: I think there are some additional incentive programs that could be developed, changes to the tax structure, as an example. We've already talked about the SR and ED program. There need to be some changes there that would advantage everyone and help the entire country prosper. I think the first step is taking a look at what's already out there in inventory so that everybody understands what's out there.

Mr. Phil McColeman: Of course, that's one of the dilemmas for a small or medium-sized business, having the resources to actually navigate through the maze of what governments seem to be rolling out and presenting. That's just a perspective and an opinion on my part.

In your opinion, are there any cultural influences between the high-performance countries and Canada, or the leaders you mentioned who have influence?

Mr. Scott Smith: The cultural influence, I think, would be leadership. There is a clear distinction between some companies that grow and some companies that don't grow. It has to do with the leaders of those companies. That's something we can look at from a skills perspective in this country. How do you grow entrepreneurs? How do you grow leaders?

The Chair: Thank you, Mr. McColeman.

Now on to Mr. Harris for five minutes.

Mr. Dan Harris: Thank you Mr. Chair.

Thanks, Scott, for being here.

Following up on that point, I think that digital literacy is critical. I think it has to become a fundamental component of business programs so that people going into business actually have a fundamental understanding. When I ran a small web design business, getting small and medium enterprises to invest even 500 dollars into a storefront website was like pulling teeth. Certainly if you're going to try to sell things online, the cost goes up greatly because of the security requirements to ensure that you're going to be taking proper care of people's personal and financial information.

But all of this is going a bit off of from where I wanted to go. The lack of business adoption of the Internet definitely speaks to a lag in

productivity, I think, and it's one of those challenges that Canada is facing.

I want to talk about the rural areas and the challenges that small and medium, and even large, enterprises face when you're operating in a rural environment. Working in the oil sands, for instance, companies are having to make multi-million dollar investments to get connectivity to those sites, by setting up a tower, getting the equipment and gear in, and getting that running.

Are you experiencing a lot of questions and concern from your smaller chambers in rural areas about connectivity or the lack thereof? Many people in rural areas are still dealing with dial-up.

● (1610)

Mr. Scott Smith: What concerns me is that we hear that more from consumers than from businesses.

There are some rural areas that have limited connectivity, and that needs to be dealt with; but we're not hearing that from business, and we should.

Mr. Dan Harris: Is that because for businesses it's not even on their radar because their own customers aren't able to get online?

Mr. Scott Smith: Essentially.

Mr. Dan Harris: Okay.

That brings up another question about how to fix that. Certainly the wireless spectrum option that's will be coming up in November should be a component of that. LTE networks should be a component of that, particularly in rural areas, where putting in wired connectivity is more challenging and more costly for business and consumers.

What would you like to see the government doing to address that rural-urban divide?

Mr. Scott Smith: There needs to be some government involvement, both financially and policy-wise, presenting those options to private companies that will build those networks. I'm not sure I can go into much more detail than that. That's going to have to be between government agencies and those individual companies. But that's how much of the infrastructure has already been built. Private investors have looked at a market opportunity. You need to give them enough of a private opportunity to warrant the investment.

Mr. Dan Harris: Well, they're going to go where the money is. When the current wireless providers in previous auctions bought up areas that were partially urban and partially rural, they ignored the rural because there wasn't a big enough customer base; they go where the money is. Certainly, providing that incentive for them to actually service the rural areas is critical.

With regard to Madam LeBlanc's questions earlier, you mentioned having to go back to your members to ask them what they would think about using some of the money gained from the wireless spectrum auction to actually reinvest in some of that infrastructure. I think we'd be very interested in hearing back from the chamber on that question after you've had a chance to go back to your members. They could certainly help, but perhaps not necessarily for this study, to guide us down the road.

In regard to rural business, I know that the chamber—in your top 10—has some serious concerns within the tourism industry. Much tourism happens in rural areas. Are there any points you'd like to add that are specifically relevant to this study on how tourism industries could be helped by enhanced connectivity or other efforts?

Mr. Scott Smith: That's a difficult question to answer. I can see some opportunities for some remote areas of Canada that would certainly benefit from increased connectivity from a tourism perspective. People visiting have an expectation now that they will have connectivity wherever they go, and the reality is that there are some areas of Canada where you're just not going to get that.

Yes, from a tourism perspective there is some opportunity there.

•(1615)

The Chair: Thank you, Mr. Smith.

Now to Mr. Carmichael, for five minutes.

Mr. John Carmichael (Don Valley West, CPC): Thank you, Chair, and thank you for joining us today, Mr. Smith.

You mentioned a number; I heard \$4.2 trillion. Was that the volume of business passing by?

Mr. Scott Smith: Yes.

Mr. John Carmichael: So that's passing by SMEs, or just small business?

Mr. Scott Smith: No, pardon me, that's the volume of business available online, so it's not what's passing Canada by.

Mr. John Carmichael: So there's \$4.2 trillion. What was the number you mentioned earlier, when you mentioned that there was a certain volume of business that's passing by those who are not connected? I think you were referring to small business.

Mr. Scott Smith: Correct.

Mr. John Carmichael: What was that number?

Mr. Scott Smith: What I said was there is \$4.2 trillion worth of business out there that is passing Canada by. It's not necessarily that Canada could actually capitalize on \$4.2 trillion.

Mr. John Carmichael: Okay.

I listened to Mr. Harris, who obviously has a background in this business, and he mentioned that in a previous capacity, going into a storefront, a small business, a \$500 exercise to get somebody hooked up was like pulling teeth. It was a very difficult challenge convincing somebody that the \$500 was worth spending.

You also mentioned that so many small businesses aren't profitable or aren't achieving a level—I can't recall quite how you put it—but that to be able to afford to connect there has to be a baseline where it makes sense. Profitability strikes me as the baseline that you're playing with.

I'm looking for some information, some leadership, from you on this one. When you deal with your membership, which, I presume, is predominantly business.... Here, I'm not quite sure how you define small business as a measure, but small business is predominantly entrepreneurial. These are the people who go to work every day because they have a vision to make something happen and grow their business. Profitability is critical to it; they have to make it happen in order to pay the bills, let alone hook up on the Internet.

If somebody in an entrepreneurial environment—and I'm really just looking for your feedback on this—just doesn't get it, doesn't see it, doesn't want it, how can you as a chamber motivate that person to get involved, to grab hold of this thing?

Mr. Scott Smith: I think what you're saying, and I would agree, is that there are many small businesses that don't see the value because they don't understand what's beyond. By accessing the Internet and putting their business online, they're accessing a global market. They don't see how their local product can translate into something that's valuable globally.

So they're reluctant to spend any money. They don't have a guaranteed market. There's a risk there. It's that risk that they're adverse to. They know their own market. They know their own locality. Many small businesses in small towns are quite happy with a retail or a small production where they're selling locally.

It's opening their eyes to that global value chain and being able to systematically get them there with less risk than they would have if they did it on their own. It's about collaboration.

Mr. John Carmichael: I guess I'm thinking about small business in particular. You mentioned that 70% aren't connected today. I think your opening line was that Canadian business is not online. I'm not chipping away here; I'm just trying to understand how we as a committee add value to a study or to a report of some sort, to bring value to small business. You've got 70% that are not online or not connected. We've heard about tourism, heard about some other ideas. I can see some of those perhaps having an opportunity.

If you've got a small business where an entrepreneur, somebody who's got a vision for a business, and is driving their business every day and doesn't see the value in it.... We've got the infrastructure pretty much in place across the country, I would think from everything I understand of it. It's just a matter now of developing, rounding out the connection across the country. But if you've got small businesses that don't see it.... I understand what you're saying. How do you motivate 70% of the people who don't want anything to do with it because they're saying it just doesn't bring value for the cost, for the dollar, to their business in their community?

•(1620)

The Chair: That will have to be the end of that, Mr. Carmichael. We're over time there.

Now we go on to Mr. Stewart for five minutes.

Mr. Kennedy Stewart (Burnaby—Douglas, NDP): Thank you, Mr. Chair.

We've been talking about rural connectivity. I'm interested in cities. We have been talking about Canada in comparison to other countries. I'm just wondering about cities, because that's really where the action is in terms of productivity. How do Canadian cities stack up against other cities internationally?

Mr. Scott Smith: There are a few Canadian cities that actually stack up quite well and can be made examples of. We actually have a report specifically on smart cities. Again, that's available on our website. If you're looking for it, I can send you the links.

Mr. Kennedy Stewart: That would be great if we could get that.

Mr. Scott Smith: The example in Canada is Stratford, Ontario. That may come as a surprise. For the second year in a row, the Intelligent Community Forum ranked Stratford as one of the top seven cities in the world for creating “uniquely powerful innovation ecosystems on a foundation of information and communications technology”.

Mr. Kennedy Stewart: When I think of some place like Seoul, Korea, where you have access to the highest speed broadband through wireless networks for \$11 a month and anybody can access this, it must significantly lower business costs for that kind of provision. Singapore has the same thing, and so does Brussels. So many cities have these networks. I'm alarmed that it's Stratford. I'm glad for it, but I'm alarmed that it's not Toronto, Vancouver, and Montreal.

Mr. Scott Smith: I think the challenge for cities that already exist and haven't built those networks is that there is a barrier to entry in terms of cost. But the benefits are significant, as you mentioned, particularly when a municipality actually adopts the ICT necessary to change its processes. It builds efficiency. Having everything done online improves efficiency for everything and reduces costs—for instance, transportation infrastructure, how you pay your taxes, etc.

Mr. Kennedy Stewart: That's a good suggestion. It's almost a procurement policy, or something, by the municipality.

How about from the federal angle? Is there something we could do to, say, put Vancouver in the top 10 connected cities in the world? Can you think of something that the federal government could do right away?

Mr. Scott Smith: One project...? No, I'm not sure I could.

Mr. Kennedy Stewart: No suggestions? What does your smart cities report say? Because, obviously, I think this is a problem. The reason we rank so low on the innovation scale has largely to do with problems in our cities, I think. We have the universities and we have the infrastructure, but it doesn't seem that we're doing what other cities are doing to compete.

Mr. Scott Smith: Apart from infrastructure funding, similar to what was done in the past couple of years... I think that's probably the best thing the federal government could do.

Mr. Kennedy Stewart: Okay.

Also, how do you think a lack of connectivity affects productivity within a city?

Mr. Scott Smith: The tourism example came up. People expect to be able to be connected when they go to a city.

Mr. Kennedy Stewart: Right, and would it deter tourism if they knew that they wouldn't be?

Mr. Scott Smith: Yes, I think it would. People don't want to go where they can't get their favourite shows or access their iTunes or their Facebook. If they can't do that, they won't go.

Mr. Kennedy Stewart: Okay.

We often think about commuting reducing productivity, in that if you have to drive an hour to work, it takes that time out of the amount that you can actually produce in profits. I think about Internet connectivity. If you're running at half the speed that your

competitor in Seoul is... In Burnaby, we have tons of high-tech companies that are passing stuff along through the Internet and downloading things, especially in the movie industry, for example.

• (1625)

Mr. Scott Smith: Take something as simple as conference centres. Those centres have to be connected. Otherwise, you're not going to be experiencing conferences in those areas.

Mr. Kennedy Stewart: Is there anybody monitoring that in Canada?

Mr. Scott Smith: Not that I'm aware of—

Mr. Kennedy Stewart: So we're not even—

Mr. Scott Smith: We're not looking at it.

Mr. Kennedy Stewart: Right, so again, that's why it points to this idea of a digital strategy, perhaps. Is this something that the Chamber of Commerce recommends?

Mr. Scott Smith: Yes, absolutely.

Mr. Kennedy Stewart: Okay. I'm conscious of my time here, but that would include, for example, something like just a monitoring of how we're doing. Would you do that on an urban basis or by municipalities or something?

Mr. Scott Smith: It's not something that we've looked at doing as a study specifically, but it's something we would encourage.

The Chair: Thank you, Mr. Smith and Mr. Stewart.

Now we'll move on to Mr. Lake.

Hon. Mike Lake: Thank you, Mr. Chair.

Mr. Smith, I listened to the conversation back and forth with the NDP, I'd be interested in pulling up their costing document from the 2011 election campaign—

Voices: Oh, oh!

Hon. Mike Lake: I just want to get your opinion, if I could.

Mr. Dan Harris: Please say “carbon tax”—

Hon. Mike Lake: No, no. Well, we can talk about the \$21-billion carbon tax, but I'm pretty sure I know what your opinion is on that.

Voices: Oh, oh!

Hon. Mike Lake: As I noted in listening to the questions, it's interesting they do have \$1.5 billion in spending on what they call “broadband for all”. It's part of \$70 billion in increased spending over four years. One of the ways they were going to pay for that, of course, was the \$21-billion carbon tax, but they also have a 30% increase in taxes on job creators. Taxes would raise from 15% to 19.5%, so 4.5 points divided by 15 would be a 30% increase—

I am interested in knowing what the Chamber of Commerce's position would be on a 30% increase in the corporate tax rate.

Mr. Scott Smith: I'm not sure that I really even need to answer that one.

Hon. Mike Lake: Well, you could, though. Please—

Mr. Scott Smith: I don't think the chamber would be in favour of a 30% tax increase.

Hon. Mike Lake: Thank you, and what about the \$21-billion carbon tax, just out of curiosity? It is on page 4 of that document, so it's not like it's fiction: it's \$21 billion.

Actually, I won't even make you answer that one. Cheryl will take the rest of the time in this round.

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

To our witness today, mention was made that you felt the government should be helping out in these rural areas where the business case does not necessarily exist to have the Internet corporations wanting to provide the coverage.

I just would like to mention that in May of 2012, we did roll out strengthening access to rural broadband, which was part of the stimulus phase of Canada's economic action plan. An amount of \$225 million was provided to Industry Canada, over three years, to develop and implement a strategy to extend broadband coverage to as many underserved households as possible.

The biggest component of the strategy was Broadband Canada: Connecting Rural Canadians. That's already helped provide broadband access to over 210,000 additional households.

What's especially important about this is that approximately \$170 million went into eastern Ontario, where the biggest broadband gap exists. Even once it's fully implemented, it's estimated that no matter what, maximum 95%, with the combination of wire and wireless and every other technology that exists to connect people, that will be maxed out.

My concern is what you had mentioned about the government forcing businesses to use Internet access. To a certain extent they have. I know they have, because I hear the concerns of people who don't have connectivity and are worried about having to submit their GST remittances online, or the companies that are fortunate enough to have over \$2 million in revenues but have to put their source deductions online every month. If they have no fast-paced high-speed Internet, by the time they use a telephone line and try to download a form, the form gets corrupted many times over. They're told to take it to their library and do their books there, but that doesn't work either.

So I just want to caution you that what may be good in larger centres like this may not be okay in the smaller areas, where they are really trying to adapt to technology. Even in this room, I haven't been able to get connectivity—on the cellphone it's no problem, but on the iPad, with the same carrier, there's nothing.

So it's not perfect, and to put that kind of pressure on small business across the board might be a little early.

• (1630)

Mr. Scott Smith: Just to clarify my comments, my suggestion was that government make all services available online, not necessarily force business to use those services. For those who want it, it's there; for those who can't or won't, there are still alternatives.

Mrs. Cheryl Gallant: In addition to what we've already done in terms of the strategy and putting the money in, is there anything else that government can be doing to ensure that our country is the best connected in the world?

Mr. Scott Smith: It could provide additional incentives for those rural communities, and work with the telecom companies to build those networks.

The Chair: Thank you, Mr. Smith.

It's 4:30 now, and I need to seek the guidance of the committee. There are two people left on the speakers list, and we've also had a request for a business meeting of 10 minutes afterwards.

I need some direction from the committee.

Mr. Warawa.

Mr. Mark Warawa (Langley, CPC): Chair, I ran my schedule based on the one you provided us with. If we want to discuss informally what the future agenda will look like, that's fine, but at this point I would move that we adjourn.

The Chair: That's a dilatory motion, the move to adjourn, so I have to go immediately—

Hon. Geoff Regan: I have a suggestion, I guess.

The Chair: I have to go immediately to a vote.

All in favour of adjourning? Opposed?

(Motion agreed to)

Hon. Mike Lake: Geoff, he has to fly out, and we can't—

Hon. Geoff Regan: No, no, I know.

I propose that we agree unanimously not to have any motions that are problematic.

An hon. member: We'll just talk.

Hon. Geoff Regan: I we can just talk, that's fine.

The Chair: Mr. Smith, thank you very much. We appreciate your input.

The meeting is adjourned.

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