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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]

Hello everyone.

[English]

Welcome to the sixth meeting of the Standing Committee on Industry, Science and Technology. We'll be commencing our study on the e-commerce market in Canada.

Members, I'll just briefly introduce our witnesses.

We have Helen McDonald, who is the senior assistant deputy minister of spectrum, information technologies, and telecommunications. Janet DiFrancesco is the director general for the electronic commerce branch, and Chris Padfield is the senior director, digital economy planning and coordination. It sounds like we have all the right people here.

From the Competition Bureau we have Matthew Kellison, who is the acting assistant deputy commissioner of the civil matters branch, and Lisa Campbell, deputy commissioner of competition, fair business practices branch.

I take it there will be one person from each organization with opening remarks. Is that correct?

We'll start with Industry Canada first. Please commence, for ten minutes.

Ms. Helen McDonald (Senior Assistant Deputy Minister, Spectrum, Information Technologies and Telecommunications, Department of Industry): Thank you very much.

[Translation]

Your committee will be undertaking a study on e-commerce in Canada. I would like to take this opportunity to provide your members with Industry Canada's perspective on e-commerce and related issues.

First, I will briefly explain e-commerce and where Canada ranks in relation to other countries.

Second, I will give you an overview of the main activities underway at Industry Canada to stimulate e-commerce, that are a part of the digital economy strategy.

[English]

The OECD's internationally accepted definition of e-commerce states that

An e-commerce transaction is the sale or purchase of goods or services, conducted over computer networks by methods specifically designed for the purpose of receiving or placing of orders. The goods or services are ordered by those methods, but the payment and the ultimate delivery of the goods or services do not have to be conducted online. An e-commerce transaction can be between enterprises, households, individuals, governments, and other public or private organisations.

While this definition is useful for guiding international comparisons and data collection efforts, from a more practical perspective, payments, online banking, and bill payments are often considered key elements of electronic commerce.

[Translation]

In this definition, one thing is clear: the first prerequisite for e-commerce is that it must be online. More and more Canadians are online.

According to the CRTC's Communications Monitoring Report 2011, 96% of Canadian households currently have access to broadband services at a speed of at least 1.5 megabytes per second. It is estimated that that percentage will reach 98% by 2012.

A transmission speed of 1.5 megabytes per second encourages e-commerce by increasing the number of households able to buy and sell goods and services online.

[English]

In 2010, 70% of Canadian households subscribed to broadband Internet services. Statistics Canada's 2009 Canadian Internet use survey found that nearly 22 million Canadians, or 80% of people over 16 years of age, used the Internet for personal reasons—from home, the office, or some other setting.

Once online, Canadians used the Internet for a variety of activities, such as electronic banking and bill payment, searching for information, and communicating with Canadian municipal, provincial, and federal governments. They undertake education and training online, and also access information on weather, travel, health, and investments.

Canadians are also increasingly purchasing online. About 39% of Internet users indicated they engaged in e-commerce in 2009, and the total value of these online purchases was \$15 billion. To give you a sense of the magnitude, total retail sales by Canadian firms were \$415 billion in that year.

From the perspective of Canadian firms selling online, total online sales, both retail and commercial, were almost \$63 billion in 2007—and this unfortunately is the last year in which data was collected. Of these sales, 59% were commercial, business-to-business transactions. The remaining 41%, or \$25.5 billion, were retail sales, business-to-consumer transactions. And despite the relatively large value of online sales, only 8% of firms reported selling online in 2007.

• (1535)

[Translation]

The difficulty of encouraging more Canadian businesses to make the transition to e-commerce and the low overall take-up rate of digital technologies by Canadian businesses are closely linked. Investment per worker by Canadian businesses in information and communications technologies is 60% of investment per worker by American businesses.

Digital technologies play an important role by supporting innovation and productivity. Digital technologies greatly contribute to online transaction processing, electronic funds transfers, supply chain management, computerized data exchanges and automatic data collection.

Increasing the take-up rate of all digital technologies—not only those that support e-commerce—is critically important to ensure the vitality and competitiveness of the economy.

[English]

Last fall Minister Clement articulated the government's vision for a digital economy in his interim report. This is a quote:

By 2020, the Harper government sees a Canada that boasts a globally competitive digital economy, characterized by innovation, enhanced productivity, and enduring prosperity—a nation where businesses, communities and individuals have the skills they need to use digital technologies to their advantage and where a globally competitive ICT sector supplies more markets with more innovative products and more new services.

For greater adoption of digital technologies or for e-commerce to be successful, the legal framework governing it must be clear. Industry and consumers alike must understand what is expected of them and what the rules of engagement are. For consumers to engage in the online marketplace, they need to be confident that it is a safe place to shop, that consumer protections are in place, and that personal information is secure.

Minister Paradis confirmed in his speech this May to the 2011 Canadian Telecom Summit that the government is committed to ensuring there is a robust legal framework to increase confidence in and security of online transactions.

Canada's anti-spam law received royal assent in 2010 and is expected to come into force in early 2012. This law will protect Canadian businesses and consumers from the most damaging and deceptive forms of online threats and will deter spammers from operating in Canada. The anti-spam regulations were published last July, and the official consultation period ended on September 7. The department is currently analyzing the input received.

[Translation]

Bill C-11 the Copyright Modernization Act, An Act to amend the Copyright Act was tabled in Parliament last week. The phenomenal

popularity of social media and new technologies, such as tablet computers, mobile devices and e-readers, has dramatically changed the way Canadians create and use copyrighted materials.

Copyright modernization allows creators and rights holders to have the tools they need to protect their work and ensure the growth of their companies, especially as Canadians consume and buy more copyrighted material online.

Furthermore, amendments will be made to the Personal Information Protection and Electronic Documents Act under Bill C-12, also tabled last week. One of the main amendments relates to the notification requirement for data breaches. It is an important tool for increasing the security of online markets.

A second prerequisite for e-commerce is access to high speed networks, that is an affordable connection. In order to participate in e-commerce, you have to be connected to the Internet. Therefore, it is clearly in the government's interest to ensure that consumers have enough choice in accessing different affordable Internet services.

In recent years, thanks to government measures to increase competition in the wireless market, Canadian consumers have seen new companies enter the market and have benefited from lower prices and a greater selection of packages.

• (1540)

[English]

Increasingly, wireless networks are offering high-speed Internet access and the benefits of a mobile economy. To help meet the increasing demand of Canadian businesses and consumers for access to mobile broadband, Minister Paradis has confirmed that the government will be auctioning off the 700 megahertz spectrum and the 2,500 megahertz spectrum.

The third prerequisite is to increase private sector adoption of digital technologies. Targeted efforts are needed to raise the awareness of businesses, particularly small and medium-sized businesses, of the benefits of adoption. Industry Canada's small-business internship program provides small and medium-sized enterprises with financial support to hire a post-secondary student intern to assist them in their adoption of e-commerce strategies.

The government has taken two additional steps to promote awareness and adoption. In the spring of 2011, the Business Development Bank of Canada announced an array of new efforts to support ICT adoption among small and medium-sized enterprises. The BDC helps firms with web strategies, sales, customer management, and choosing the technologies best suited to the firms' needs.

Budget 2011 also announced the creation of an \$80-million pilot project over three years involving the NRC's industrial research assistance program and Canadian colleges, to promote the take-up of advanced digital technologies among small businesses. More details on the pilot will be available once it has been formally launched.

[Translation]

The growth of e-commerce also requires a workforce with the requisite digital skills. In budget 2011, Human Resources and Skills Development Canada will reallocate \$60 million over three years to encourage an increase in the number of students enrolled in key disciplines linked to the digital economy.

Citizenship and Immigration Canada also plays a major role by attracting to Canada foreign workers who have the skills to ensure that digital economy and e-commerce thrive, and by encouraging them to stay in the country.

Granting councils have also played a big role over the years by creating research chairs and by financing centres of excellence to face the brand new issues and opportunities.

Promoting the acquisition of digital skills is a responsibility we share with the provinces and industry, which play a leading role. That is why Industry Canada continues to work closely with all of its partners.

[English]

Thank you very much for this opportunity to come before you today. I and my colleagues would be happy to take questions at your leisure.

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

We'll go on to the Competition Bureau first before we go into rounds of questioning.

Madam Campbell, you have ten minutes, please.

Ms. Lisa Campbell (Deputy Commissioner of Competition, Fair Business Practices Branch, Competition Bureau): Good afternoon, Mr. Chairman and members of the committee. On behalf of the bureau, I am pleased to be here today to take part in this study.

As the chairman mentioned, I am deputy commissioner of the Competition Bureau's fair business practices branch, one of four deputy commissioners at the bureau charged with enforcing the Competition Act. I would like to give you an overview of the bureau's mandate and responsibilities, and outline how they relate to the topic you're studying today.

As colleagues of mine from the bureau appeared before the committee in June as part of your study of gas prices, I will be brief but would, of course, be pleased to answer any questions the committee may have afterwards.

The Competition Bureau is an independent law enforcement agency headed by the Commissioner of Competition that enforces the Competition Act and three labelling statutes. Our goal is to ensure that Canadian businesses and consumers prosper in a competitive and innovative marketplace. We deliver on our mandate by taking consistent, targeted enforcement action to ensure that we

have the largest impact possible to promote competition, innovation, and productivity in the Canadian economy.

The Competition Act applies, with very limited exceptions, to all sectors of the Canadian economy, and sets out criminal and civil penalties for a variety of specific anti-competitive practices. These include engaging in misleading advertising and deceptive marketing activities; entering into agreements with competitors to fix prices, allocate markets, or restrict output; and abusing a dominant market position. We are also responsible for reviewing proposed mergers to determine whether they will likely cause substantial harm to competition.

As many of the members of this committee will recall, in 2009 Parliament passed the most significant amendments to the Competition Act in 25 years. Among other things, these amendments increased the penalties for deceptive marketing practices and empowered the courts to award restitution to consumers who purchased a product as a result of false or misleading representations. What's more, we now have the power to recommend a freeze on company assets to ensure that restitution for consumers is available in the future.

Consumers need accurate information to make informed choices, and our recent enforcement actions demonstrate our commitment to enforcing the act in this area. For example, in June we announced that Bell Canada had agreed to stop making what the bureau had concluded were misleading representations about the prices offered for its home phone, Internet, satellite TV, and wireless services. We found that the advertised prices were not in fact available, as additional mandatory fees were hidden from consumers in fine-print disclaimers. Bell was also required to pay an administrative monetary penalty of \$10 million, the maximum amount allowed under the Competition Act.

● (1545)

[Translation]

In addition, we have recently sought refunds for consumers misled by false and misleading representations in two cases in particular—one in our case against Rogers regarding inaccurate claims of "fewer dropped calls" than new wireless entrants; the other in our consent agreement with the maker of Nivea creams.

In addition to the 2009 amendments, in December 2010, Parliament passed Canada's first anti-spam law, as Ms. McDonald mentioned. Along with increased powers for the CRTC and the Office of the Privacy Commissioner, this new law will enable the bureau to more effectively address false or misleading representations and deceptive marketing practices in the electronic marketplace, ultimately promoting greater truth in online advertising for the benefit of consumers, legitimate businesses and the economy overall.

As a result of these changes, the bureau is now better placed to protect Canadian consumers and businesses from the harm caused by anti-competitive activity, particularly in the challenging e-commerce area where tools and technical powers must keep pace with rapidly changing technology.

[English]

To turn to the committee's study, the online world is increasingly complex as businesses and consumers take advantage of innovative technologies to work, shop, and socialize.

Whether in the traditional or online marketplace, the bureau's priority is to get high-impact results for Canadian consumers and businesses through consistent, targeted enforcement action. In so doing, we not only punish violators, but more importantly, send a message of deterrence to those considering harmful anti-competitive activity, thus increasing consumer confidence.

As online activity crosses national borders, we coordinate with our counterparts in other countries to amplify the reach of our enforcement action in the extremely challenging frontier of e-commerce. We participate in coordinated Internet sweeps to search for sites that may potentially be deceiving or defrauding consumers. These sweeps are designed to improve consumer confidence in e-commerce by demonstrating that a vigorous and effective global law enforcement presence exists online.

In addition, we co-chair the Fraud Prevention Forum, a group of over 100 private sector firms, consumer groups, government agencies, and law enforcement organizations, all of whom are concerned with fighting fraud aimed at consumers and businesses through awareness, education, and promoting reporting so as to facilitate enforcement.

To conclude, in the world of e-commerce, just as with traditional commerce, our role is to detect and take principled action against anti-competitive behaviour that violates any of the provisions of the Competition Act, with a view to cracking down and deterring would-be offenders.

The responsible enforcement of the act is the most effective way for the bureau to have a positive impact in the online economy for both consumers and businesses.

My colleague Matt Kellison and I look forward to your questions.

Thank you.

The Chair: Thank you very much, Madam Campbell.

Now we'll go on to our first round questions, a seven-minute round. We will go to the NDP; it will be Mr. Julian for seven minutes.

• (1550)

[Translation]

Mr. Peter Julian (Burnaby—New Westminster, NDP): Thank you very much.

I found your...

[English]

The Chair: I'm sorry. Please forgive me. I hearkened back to a previous Parliament.

Mr. Peter Julian: And it was a good Parliament. I think there were good practices, Mr. Chair, and I think you should continue in the spirit of non-partisanship.

The Chair: I do have your name here, Mr. Julian, for your appropriate timing.

We'll now go to Mr. McColeman for seven minutes. I apologize for that.

Mr. Phil McColeman (Brant, CPC): I find Mr. Julian's comment quite interesting, that it was a good Parliament—insinuating that this one may not be so good. I don't know; I don't know what he's thinking here.

First of all, thank you to our witnesses today. Thank you for coming and for sharing your views on this most important move forward in terms of making sure that businesses in Canada can thrive in a new digital economy.

Ms. McDonald, I come from a small-business background, having run a company throughout my life. Your mention of the small-business internship program intrigues me. Can you relate any current success stories you may have had under this program, and/or how it's been received in terms of the SMEs?

Ms. Helen McDonald: I'm sorry if I disappoint you by giving you a rather limited answer, as it's a program that's run by one of my colleagues.

My understanding is that it's essentially aimed at getting kids their first job. So it's an internship, but it's also focused on students with a background in the ICT field, so if you put them in periods of work with small firms they can help them improve their web strategies.

My understanding is that they are targeting 400 students and 400 SMEs per year, and it's been running for a number of years.

Mr. Phil McColeman: And how does the small-business community access it, or how do they become aware of it?

Ms. Helen McDonald: My understanding is that we have selected 17 organizations across the country that will pick the firms they will be dealing with and assisting, and that the government is picking up as much as 75% of the cost of the intern for a defined period of time.

Mr. Phil McColeman: It sounds like a good program, but there has to be more to offer. What are the other strategies the department is taking to orient business people, particularly people in small and medium-sized business? Are there other strategies you're employing so that they recognize the opportunity and have the desire to make the changes in their corporate structures? Often they have limited resources to take advantage of these things. How else are you reaching out to them?

Ms. Helen McDonald: I think you are putting your finger on one of the fundamental problems, which is the lack of awareness. Small businesses often don't have the time to do the research to figure out how they could best use technologies to become more productive or efficient and what technologies to use. They often lack the skill set inside their organization to actually implement these. You can't just put in the technology; you often have to change your business practices, how you work, or perhaps your organizational structure to take advantage of it.

Not within the department per se, but within the portfolio of Minister Paradis, there are two other significant measures that I mentioned.

BDC is trying to open new awareness-raising efforts to make sure that when its clientele of about 29,000 small firms is coming to it, they also make them aware of the need to think about these things and offer them advice, when they might benefit. They're trying to build up their portfolio of assistance both on the advice side and in the use of their existing loan programs to help in this area.

The second area is the NRC's IRAP program, which is a very well-regarded program. They have several hundred IT advisory specialists out across Canada who are in contact with a number of small businesses, and they want to use that capacity plus financial assistance to help small businesses rethink their offerings, if you like, in a much more fundamental way.

That program has not been announced. It was just in the budget, but it has not been formally launched or announced, so I can give very few details on its structure.

Mr. Phil McColeman: I'm curious to know whether, on an international basis, there are any best practices in other jurisdictions around the world for e-commerce. Are you aware of other countries or regions in the world?

•(1555)

Ms. Helen McDonald: We look at what other countries do. I think Canada is a little unusual in its industrial structure, in that we have an enormous number of small businesses, as distinct from larger businesses, which you wouldn't find in many other nations. So the nature of our problem is a little bit better.

There have been programs of set-asides used in other countries. I believe you can also find them in Canada in, for example, aboriginal business set-asides as a percentage of procurement. It's a kind of soft target for departments that is an approach also used in the U.S. It's not really targeting the ICT industry or adoption of ICTs; it's targeting government procurement as a way to help small businesses.

Other than that, many countries have programming similar to ours that tries to find promising firms that just need a little help to get their product to market or to commercialize a new technology. We're not really out of the pack in terms of what we're trying to do here.

Mr. Phil McColeman: Another question concerns accessing export markets. For many companies, moving towards this as quickly as possible would certainly help, I think. In your analysis and in your judgment going forward, do the percentages you've used regarding uptake represent as huge an opportunity as I would perceive in relation to accessing markets that normally wouldn't be accessible, if e-commerce is utilized?

Ms. Helen McDonald: Many people see that the Canadian marketplace is small and that therefore, to be successful, even as a small firm growing you need to look very early at what an export market opportunity would be, because you can leverage what you are doing. Canada has to sell to a broader marketplace. To achieve this goal is, I believe, what the Department of Foreign Affairs is doing in trying to encourage firms to think globally as they start up.

That being said, if people are looking at what the business case would be for an investment by BDC or by some other means, such as IRAP and so on, they're going to be looking at the market for the result. Are they going to be able to sell it? Are they going to be successful? I think they would be taking into account the export side of life. On the other hand, you just don't want to push them out too early before they've managed to stand on their feet.

The Chair: Thank you, Ms. McDonald, we're just over time there. Thank you very much for your response.

Now, Mr. Julian, you actually have the opportunity to go ahead for seven minutes.

[*Translation*]

Mr. Peter Julian: Thank you very much, Mr. Chair, you are very kind.

I would like to thank the witnesses for their presentations.

First of all, I would like to talk about Industry Canada's programs. Before being elected to Parliament, I managed a social enterprise. I sold devices that helped deaf and hearing impaired people in a store. Then, we made the transition to e-commerce.

There are two things I found very interesting. First, there was no government help available at the time. Second, once that e-commerce was in place, we started selling our products throughout the United States, in Europe and in South America. We received orders from all over. It was extremely interesting to see to what extent people from Asia or even Africa were interested in Canadian technology. I found the experience to be very interesting. Furthermore, I found there was not much support from government programs.

You talked about three funding sources: the pilot project, the program for small businesses and the BDC. I would like to know how much funding is available. For example, small businesses receive the services of 400 interns per year. I presume we are talking about an overall budget of about \$400,000 or \$4 million. What is Industry Canada's budget for all of these programs?

Ms. Helen McDonald: I think Industry Canada's budget for the program that helps small businesses, the Small Business Internship Program, is \$3.5 million this year. For the six years the program will last, from 2009 to 2014, I think that total is \$17.5 million.

•(1600)

M. Peter Julian: Is that for the BDC?

Ms. Helen McDonald: No, it's for the Small Business Internship Program. I don't have the BDC's numbers in front of me. It's a program which awards grants, a bit like IRAP.

Mr. Peter Julian: Fine.

Ms. Helen McDonald: In the 2011 budget, the new IRAP received \$80 million over three years.

Mr. Peter Julian: As it now stands, generally speaking, we are talking about approximately \$50 million per year, if you include all of Industry Canada's programs.

Ms. Helen McDonald: About \$27 million a year is available under the new IRAP, and it's between \$3 million and \$4 million for the Small Business Internship Program. However, I don't have the numbers for the BDC.

You are right, it's about \$30 million, but that might not include certain programs. For example, I know that Public Works has a program which helps small- and medium-sized businesses to market their state-of-the-art technologies to various departments. That program has \$40 million spread over two years. It is also a pilot project. I also know that Industry Canada has a website with information for small- and medium-sized businesses. I don't know how much it costs to maintain that site.

Mr. Peter Julian: All right. Thank you very much.

The value of online transactions stands at close to \$6 billion, that's impressive. I find that interesting in a context where budgets have been cut back.

[English]

Ms. Campbell, I'd like to come back to the Competition Bureau. In particular, you've talked about enforcement. The Competition Bureau has been a lot stronger in enforcement over the last few months, and that's very impressive and important. But we're talking about e-commerce and of course we're talking about organizations and companies that are offshore. What enforcement powers, if any, do you have to go after those who are deliberately being deceptive or defrauding that are overseas?

Ms. Lisa Campbell: That's a good question, because the Internet doesn't operate within neat geographic boundaries, so more and more enforcement agencies like ours need to collaborate with our counterparts, for example in the U.S. We have two things happening. It can be Canadians being targeted with false or misleading representations over the Internet, and there we have jurisdiction. Conversely, we may get contacted by the Federal Trade Commission in the United States, for example, who may say that they know there's someone in Canada targeting the U.S. market with false and misleading representations and they will ask for our assistance. We have multilateral agreements with them, which allow us to cooperate in law enforcement activities.

We will take action, whether representations are made in a store, on labels, or online. If they are false, misleading, or deceive consumers, we can apply the provisions of the act.

Mr. Peter Julian: At this point, as far as cooperative agreements, it would only be with the United States?

Ms. Lisa Campbell: No, we have several around the world. We are also part of the International Consumer Protection Enforcement Network, which is a group of over 40 organizations like ours around

the world who work to ensure consumer protection both offline and online.

Mr. Peter Julian: Okay.

Can you mention those other jurisdictions briefly?

Ms. Lisa Campbell: Yes, if you'll just give me a moment. I'll find the tab I put that in.

Mr. Peter Julian: How much more time do I have, Mr. Chair?

The Chair: You have 40 minutes. Sorry, you have 40 seconds.

Mr. Peter Julian: I have 40 minutes? That's great. I'm going to filibuster.

Ms. Lisa Campbell: As an example, it in fact includes the last conference I attended, which was in the Netherlands. It includes Australia, the U.K., and newer developing economies like Costa Rica. Essentially, the purpose of it is to share best practices and highlight fraud trends that are happening around the world. What we find with the Internet is that schemes can operate from one country with funds being kept in another country and consumers being targeted in a third jurisdiction. It really is important to share information about what we're seeing in the marketplace.

The Chair: Thank you very much, Ms. Campbell and Mr. Julian.

Now on to Mr. Carmichael for seven minutes.

●(1605)

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

Ms. Campbell, I'll stay with you on the same idea but more local.

I have a background in my business career as part of a consumer protection agency that had its own enforcement and what not in the province of Ontario. We dealt largely with the auto industry. The biggest problem we always had seemed to be finding a way to set a common set of standards by which we could assess or appraise who was dealing truthfully and who was not.

When you talk about a sweep of advertising, do you gear your advertising enforcement more to the manufacturer or to the retailer? Or is it across the board?

Ms. Lisa Campbell: That's an excellent question.

Our law is a law of general application. It applies across industries and across the country. For example, the Bell case I just talked about was really, at bottom, about transparency and pricing. Tell consumers what you're charging them for various services and don't hide fees that are then tacked on and which they have to pay afterwards. That applies whether it's telecommunications, retail clothing, or auto manufacturing. When I describe our enforcement approach, we do try to take targeted enforcement that will have an impact on a large industry, but also across industries, because as we know, price bundling and hidden prices are not just problems in telecommunications.

Mr. John Carmichael: It is a huge problem. The challenge is finding a way to break it down to some kind of common set of standards that gives you access to the numbers. I'm just curious as to how you're....

As this market unfolds, with respect to Ms. McDonald's numbers, the growth in this industry is staggering and the access to it is staggering. I'm thankful I have kids that can help me find my way through there. When I think about the number of purchases that are made online today and the numbers you have validated, it strikes me that you almost have to find a common set of standards that you can apply to ensure that everybody plays by the same rules. Am I off base on that? Is that too controlling?

Ms. Lisa Campbell: No, I understand what you're saying. Many trade associations will in fact self-regulate and develop those standards for themselves. Our role as an enforcement agency is to make clear where the bright lines are. For example, following the Bell Canada case, Bell Canada stopped making what we viewed as misleading representations about its price, advertising a lower price than what was available to consumers. All of the other telecommunications companies watched that and brought their ads into line as well. It does have a ripple effect.

However, for trade associations, as far as setting standards, that isn't our role, but our enforcement action probably informs what they do.

Mr. John Carmichael: As a consumer, it strikes me that we don't want a nanny state. By the same token, when you're comparing apples to apples or apples to oranges, how do you know which are the comparable numbers other than by doing tremendous research and breaking it down? That to me is a difficult part. For the average consumer that's where the challenge really exists.

Ms. Lisa Campbell: It is, and one of the things we are actively involved in on the Internet is false claims, of course. So for the Nivea settlement that I mentioned, we concluded an agreement with Beiersdorf, the maker of certain Nivea products. They warranted that the application of a cream would reduce a person's size. Following our settlement, they've agreed to take the product off Canadian shelves, as they did in the U.S., to pay an administrative monetary penalty, and to pay the cost of our investigation, because the claims they made weren't, in our view, supported by adequate tests.

Mr. John Carmichael: That is interesting, and then when you take that to an international level from a domestic level, it just amplifies the problem as far as monitoring is concerned.

Thank you. I appreciate that.

Ms. Lisa Campbell: Thank you.

Mr. John Carmichael: Ms. McDonald, you talked about the spectrum auctions coming up, and I'm just wondering what effect you would perceive the new market entrants are going to have on the Internet, wireless, and telecommunications industries for consumers. You talked a bit about that, but I wonder if you could just go a bit deeper on that.

Ms. Helen McDonald: In 2008, in an auction of what was called AWS—advanced wireless services—spectrum, the government had a set-aside, and they wanted to get new entrants in. Therefore, only very small players were allowed to bid on this. That brought in at least four, if not more, new entrants. You've probably seen the signs for WIND Mobile and Globalive. Videotron in Quebec was also a beneficiary of that set-aside.

Prices are very difficult to compare because they're usually in baskets of goods. If you're a high user of the Internet and only an occasional or rare user of the phone, it's hard to make comparisons, but on average the prices are going down. We have new players in place. They're offering packages that are attractive to people who were never cellphone owners or Internet users before. So all of that is good. The more people there are online, the more opportunity they have to benefit from education or e-commerce or other sorts of activities they can do. So that is what the government did in its past auction. We are waiting for Minister Paradis' decision on the next upcoming auctions.

• (1610)

Mr. John Carmichael: That's interesting, and I guess that's going to ramp up the partnership between your two agencies, to make sure all these new entrants play by the same set of rules as far as consumer offerings go.

Ms. Helen McDonald: I think we want to make sure that all tools are available to ensure that the new competition is successful.

Mr. John Carmichael: Yes, that's absolutely true, on that end. I'm just saying from a consumer's perspective—that's where my life is—it concerns me that consumers just don't understand all of the details when they are offered, particularly when they're clouded in all kinds of special offers.

You talked about access to high-speed Internet, Ms. McDonald, which is critical to consumers and businesses participating in electronic commerce. Certainly the world I came from, the car business, involved more data management than necessarily sales of cars over the Internet. That's still a tricky business and one that has a long way to go.

I wonder if you could explain what measures this government has taken to ensure that consumers and businesses, specifically in rural areas, have access to high-speed Internet as well as the benefit to them. Obviously we want to create a level playing field where everybody has the same opportunity.

Ms. Helen McDonald: The extraordinary news about Canada is that the private sector has been very successful, for a country this size with a population density our size, in reaching large numbers of Canadians. Bell, Telus, and Rogers have over 90% of the population now covered by their new wireless networks, and they're in the order of 92% to 96%, which internationally is very impressive.

Governments, not just federal but also provincial, have been active with programs trying to extend the reach of broadband. The government's program on broadband in Canada will be assisting, I think, over 200,000 households through this program, in many cases in partnership with provincial governments such as those in Quebec and Ontario. That should mean available access to broadband service for just over 98% of Canadians—i.e., they could subscribe if they wish to.

We're defining broadband service as having a basic speed of 1.5 megabits per second. In my opening remarks I said that's a good robust speed. It gives you voice-over-Internet for long-distance calls. It gives you basic video conferencing. You have a robust web experience. It's not good for downloading MRIs from your hospital—that would take some time—but it has a good basic speed, and that's what the program was intended to have.

The Chair: Thank you, Ms. McDonald.

We're going to go on to Mr. Hsu now for seven minutes, and I'm going to make up some time. I thought this last question Mr. Carmichael had was one that everybody would want an answer to, regarding high-speed availability, so I let it go on for a minute. I'll make sure I equal it up with the rest of the individual parties.

Go ahead, Mr. Hsu.

[*Translation*]

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

In fact, that was the question I wanted to ask. In the next Parliament, I hope to be the one to ask the first question.

Some hon. Members: Oh, oh!

[*English*]

Mr. Ted Hsu: For Ms. McDonald, getting back to the issue of broadband Internet for rural areas, are there certain choices? I know with the spectrum auctions coming up, rules will be published at some point. Are there certain choices among different proposals for rules that would be good for getting broadband Internet out to rural areas and making sure that at some point we have more or less complete coverage?

Ms. Helen McDonald: I'm unable to give you detail on how the government will approach the auctions. That will be something that my minister would be announcing in due course. I can say that during the broadband program we tried to be as open as possible to different technologies, because they don't always suit the rural areas or you want to pick among them.

You may know that there are new satellite technologies coming along, for example, and some Canadian firms are launching, very shortly I believe, new generations of satellites that have greater capacity at much lower costs. You also need to be aware that the

private sector continues to innovate in this area, continues to try to push out its service, so that the benefits of mobility and all that entails are available to more Canadians.

• (1615)

Mr. Ted Hsu: You mentioned anti-spam coming into force. Will there be metrics or some sort of follow-up to see what effect this law has? My question is whether I am going to see less spam. Can I relate that to the—

Ms. Helen McDonald: I'm going to ask Janet DiFrancesco to talk a bit more in detail about that, what effects we should see.

In answer to your question, and I tried to say this at the outset, we hope to see fewer spammers in Canada. I think Lisa has pointed to the fact that this is a very global game and therefore someone in Russia could be using computers in a third country or a second country to spam to Canadians here. One hopes for the interaction between Lisa and her colleagues in other countries to try to treat those cases. But it's not always possible, since they don't always have agreements with countries that want to work with them to catch spammers outside of Canada.

Mr. Ted Hsu: The reason I'm so excited about this is that I see it as an enormous waste of resources around the world.

Ms. Helen McDonald: It is.

Mr. Ted Hsu: So it would be good if we could do something about it.

Maybe Ms. DiFrancesco would like to add something.

Ms. Janet DiFrancesco (Director General, Electronic Commerce Branch, Department of Industry): Maybe I can just add that other countries that have introduced similar kinds of anti-span legislation—the U.S., the U.K., and Australia—have witnessed significant drops in spam originating from those countries. I think, as Helen pointed out, it's a global problem, and having our three enforcement agencies—in particular, the CRTC and the Competition Bureau—being able to collaborate with their international partners will also hopefully make an impact.

I will just finally say that the legislation, as you may recall, has a three-year parliamentary review, so we are working closely with the enforcement agencies to put in place a measurement process to be able to demonstrate the results, come the three-year parliamentary review.

Mr. Ted Hsu: Do we keep track of the total amount of spam coming into Canada?

Ms. Janet DiFrancesco: What we do know is that in 2010 the estimate was that 90% of all e-mail traffic was spam. In Canada the estimate was that every Canadian received approximately 49 e-mail messages of spam on a daily basis, on average. So certainly it's significant. Also, that doesn't account for your spam filters that are getting rid of a lot of that. So certainly it is a significant problem, and we do hope that the new legislation will have the impact we're looking for.

Mr. Ted Hsu: Still with Ms. McDonald, you mentioned programs to train students in the areas required by e-commerce and working with immigration to facilitate people immigrating to the country bringing those skills and helping out businesses.

Have we looked at Canadians abroad and at trying to attract some of that talent abroad? I have relatives and friends who are.... I can tell you where they are, and a lot of them are not in Canada. Are there things we're trying to do to attract them to come back to Canada?

Ms. Helen McDonald: That's probably a question best placed for the Department of Foreign Affairs or CIC. We have a bit of a data problem, in that we hear from various parts of the ICT industry, in particular, that they don't have this or that type of skill set or that many of their jobs are taking a long time to fill. We don't have good data that lets us know whether we have a temporary problem or long-term problem—whether we have to change the way we either retrain people and encourage students to get into these careers, or to fast-track more people from offshore, whether they're Canadians who can be repatriated or other talents we're looking for.

I would say that the issue of digital skills is a little less well understood. The data is a little harder to get at. In particular, it's spread across the private sector, it's at multiple levels of government, on both supply and demand. Therefore, there's a feeling that something is needed, but not precisely what is needed—do you have to change this in particular; what is it? There is a feeling that we're just not graduating enough students for the demand, but it's hard to get good enough data to allow us to pinpoint where the problem is.

• (1620)

Mr. Ted Hsu: Do I have a lot of time left?

The Chair: You've got a minute and a half.

Mr. Ted Hsu: This is a question I asked the deputy minister—actually, it's more of a comment I thought I would make again.

Ms. Helen McDonald: I'll make sure I get my answer right.

Mr. Ted Hsu: It's a comment based on my personal experience. Mr. McColeman asked a great question. There's a program at the BDC to try to get some of the loan officers talking to BDC's clients about how to integrate ICT into the business and improve the bottom line. I understand there's this new IRAP program, which I think will be good. I know some of the IRAP officers, and they really understand the people they work with.

In my experience, having worked in businesses, where a transformation has occurred in how the business is run directly affects the bottom line, as a result of using information technology in an innovative way. It's always been driven by somebody who really understands how the money gets to the bottom line—and all the problems and opportunities and threats—and at the same time who understands the potential for a new technology.

I want to plant that bug, with the hope that the loan officers at BDC and the IRAP officers will.... They may understand their clients and roughly understand their businesses but may not understand every single little obstacle and opportunity that comes between the top line and the bottom line. I just want to plant that bug.

The Chair: That's really well used up, that minute and a half.

Now on to Mr. Richardson for a five-minute round.

Mr. Lee Richardson (Calgary Centre, CPC): Thank you very much for coming.

I want you to help me with some homework real quick here. Can you tell me about point of sale payments and smartphones, and where we're going with that and where we are now? Are the current networks and communication companies robust enough to handle that? Who will pay for it? Will it be competitive with credit cards at retail outlets, for example?

Ms. Helen McDonald: My understanding is that the Minister of Finance has started a task force on the payment system in Canada. One of the areas they're bearing down on is the idea of mobile payments, and what the opportunities, the risks, and the barriers are. As an observer of this field, I know that many companies see this as a new income opportunity: perhaps by assisting you in making an easy, painless mobile payment with your cellphone, a fraction of a cent goes to the service provider.

I know the interested parties include the banks, the telcos, companies like Google, PayPal, and Amazon. I think there's a lot of interest in what looks like a growth opportunity. I expect sooner or later the consumer will be paying for the efficiency or the ease, or whatever it is that gives them the benefits of that mobility, and will be using a single device like a smartphone to make a variety of transactions or to transfer money. But I'm by no means an expert in mobile payments, and I believe that the task force might be of interest.

Mr. Lee Richardson: I wonder about controlling it, or competition, and also how you might regulate it if you need to.

Ms. Lisa Campbell: As I was saying before about our work on the Internet, online, we have to be where consumers and businesses are, so we've had to develop the capacity. When we, for example, execute a search to seize terabytes of data, we often seize mobile devices and have to examine the data that's on them.

Also, the characteristics of smartphones that make them so appealing as a payment system.... And by the way, that is, as you mentioned, on the rise. Many smartphones are now equipped with something called near-field communications. This simply allows people to either swipe or tap at a payment terminal and they can pay using their phone. There are 25 million mobile phone users in Canada, and the global estimate for mobile advertising revenue is expected to be \$14 billion this year. It's on the rise. So it's not only financial companies but marketers who are very interested in mobile phones for one key reason: it also contains a lot of information about the consumer and also often has a geospatial device that tells marketers precisely where consumers are physically.

It's a wonderful marketing tool, if you will. You can be quite precise, if that's what consumers are interested in. There are applications like geo-fencing, where a virtual fence is set up around a certain retailer, for example, and when a consumer walks by it, they can be targeted with ads from the retailer outlets in that area. Or there is augmented reality, which works in a similar way. If you hold up your phone and look at a visual area, it can add ads on top of, for example, Parliament Hill, saying "Starbucks is nearby".

We are very interested in this space, as are our counterparts around the world, simply because—to the point that another member made earlier—it becomes increasingly challenging for consumers to negotiate and transact on a device that is quite small, where many of the conditions of a contract are hidden in fine print disclaimers that require several screens to navigate through. It isn't impossible to make it a fair playing field, but we need to adapt with it, as do businesses, so that it is a fair playing field.

• (1625)

The Chair: One more minute, Mr. Richardson.

Mr. Lee Richardson: That's all, Mr. Chair.

The Chair: Okay.

Well, I'm certainly educated: augmented reality and geo-fencing.

Mr. Thibeault, it's a five-minute round, but you have six minutes, as I added a minute to Mr. Hsu's as well to make up for the last round of questioning.

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

Thank you for being here today.

I will continue to follow up on my colleague Mr. Richardson, in relation to mobile payments. I believe you said the Ministry of Finance is having a task force. That's something I think I'll save some of my questions for, that task force.

I think the important thing to look at is that right now we're talking about credit cards and the credit card interest rates and the payments through a mobile phone. Will there be some cooperation between finance and industry to start working together? I guess on the telecom side, that falls to industry. On the rate side and some of the fears that we have relating to what happens if someone.... Right now, I believe a national bank has a sticker on the back of a phone. What happens when that falls off? Where's the responsibility going?

Is there anything being done right now to look into ensuring that we're protecting consumers in mobile payments? Because it seems every day there's a new application being introduced.

Ms. Helen McDonald: I'm a spectrum regulator, so once the spectrum has been auctioned or handed out for near-field communications on an unlicensed basis, my job is essentially done. We don't try to control what is done on it. That would be through another set of rules run by the Minister of Finance or the ministry itself.

Janet is sitting on top of the Protection of Personal Information and Electronic Documents Act, which promotes good privacy practices in commercial transactions. That's where I think she has been monitoring and trying to assist the task force to make sure the privacy aspects are looked at in their deliberations.

We wouldn't regulate, in a sense, other than through what happens through the anti-spam law, or what happens through the protection of personal information law, what goes on in those transactions. That's where we would end. I'm not talking about the Competition Bureau, but—

Mr. Glenn Thibeault: I'll get to competition in a second.

Is there, through the Office of Consumer Affairs—and I guess it's difficult for you to answer that question—anyone right now on the industry side looking at mobile payments and how that's coming mostly through telecoms?

Ms. Helen McDonald: This is Michael Jenkin, from Industry Canada as well, from the Office of Consumer Affairs. He can answer that question.

Mr. Michael Jenkin (Director General, Office of Consumer Affairs, Department of Industry): Thank you, Mr. Thibeault.

We are doing work internationally on this. As you know, mobile payments are a very new development. There are lots of different platforms out there, so lots of different ways in which companies are presenting the transactions.

The OECD consumer policy committee, which I chair, is working right now on revising its guidelines for consumer protection, which form the basis for what governments take as the standard for their consumer protection legislation. They're dealing with mobile commerce right now as one of the items they're looking to update. The guidelines were initiated in 1999. They're ten years old now and in need of revision.

There are concerns about issues such as disclosure, screen size, security, and other similar issues. I hope that work is going to come to an initial conclusion, at least on that part of it, the mobile commerce side, within about a year. Eventually that may result in some OECD guidelines in this area, which national governments will look at in terms of how they may approach the issue.

• (1630)

Mr. Glenn Thibeault: Is your department then looking into creating a report of some sort into this? If so, would it be something that we would be able to get our hands on to review?

Mr. Michael Jenkin: No, we're not working on a report right now. We're working more on the international approach to standardize and harmonize, so we've got something to refer to.

As the other speakers have said, a lot of this stuff is inherently borderless, and one of the things you want to do is make sure your approaches reflect the best practice everywhere. I think we need to get some fundamental consensus about these issues internationally first and then look at how we proceed domestically.

The task force for the payments system review I think will also be looking at this issue as part of their ambit.

The Chair: One minute.

Mr. Glenn Thibeault: Thank you.

Then maybe specifically to the Competition Bureau, I believe Rogers recently announced it intends to enter the banking industry, chiefly in the realm of credit cards. Would you foresee any conflicts that could arise from a mobile carrier also operating on a credit card system, particularly with the emergence of a mobile payment system or applications in e-wallets.

Ms. Lisa Campbell: I'm going to turn to my colleague, Matt Kellison, to talk about a case we have ongoing that illustrates some of the dynamics in this area.

Mr. Matthew Kellison (Acting Assistant Deputy Commissioner, Civil Matters Branch, Competition Bureau): Thanks, Lisa.

As you may be aware, we have a matter before the Competition Tribunal right now. We've made an application against Visa and MasterCard under our price maintenance provision, where we're challenging certain rules they've imposed on merchants that we feel are anti-competitive and that are raising merchant fees and by extension raising consumer prices.

As that matter is before the tribunal right now, I'm a bit limited in what I can say. What I can tell you with respect to, for example, mobile payments—and you mentioned Rogers specifically—is that would be something we would have to look at. Certainly communications carriers are becoming more and more complex, both in terms of carriage over telecom networks and in terms of the content they may own and provide on those networks. Certainly if they were to branch into something like mobile payments, that would be an area we'd have to examine to determine if there was any conflict.

As my colleague Ms. Campbell described, that's a developing market. It's a market we're seeking to stay on top of. Things obviously change very quickly. I can't say off the top of my head that

this would be something that would immediately raise issues. It's something we'd certainly be mindful of.

The Chair: Thank you very much, Mr. Kellison. That was a great effort in trying to make a very sophisticated answer very brief.

Now on to Madam Gallant for five minutes.

Mrs. Cheryl Gallant (Renfrew—Nipissing—Pembroke, CPC): Thank you, Mr. Chairman, and to each of our witnesses.

Certainly from your introduction there is a great deal of expansion available in terms of e-commerce on the part of both the consumer and the commercial organizations. We're seeing that people are reluctant, first of all, to make any payments on the Internet because they're concerned about security. They're starting off purchasing more through organizations that have bricks and mortar.

When we want to expand industry and jobs in Canada, the availability of cash to put those bricks and mortar on the ground and start a business is becoming increasingly difficult.

We have the hurdle where the consumer is reluctant to purchase from a business that they don't know really exists and the businesses that want to do commerce on the Internet don't know how to get started. Is there a designation for businesses that have demonstrated they are a legitimate e-commerce? For example, in the travel industry there is a TICO, Travel Industry Council of Ontario, designation. People know if they see the little TICO bar on there that they have some backup. Is there any designation even for Canadian companies where it's verifiable that if you do business with this company they're on the up and up?

Ms. Helen McDonald: Other than a better business bureau, which would just be generally “up and up”, I don't know of any brand or mark that's used to show that a Canadian firm is trustworthy in its Internet commerce. Within a particular industry sector they may have such designations, but I don't know of...

Lisa.

• (1635)

Ms. Lisa Campbell: You pinpoint what is a growing international problem. We are seeing more and more Internet sites that either use a country name, a domain name, or a country flag. In fact the fraud that we see online will be targeted to a geographic population. We have a case going on right now with a copycat of the well-recognized Yellow Pages “fingers”. It's an international fraud, in our view. It's before the courts, so I can't speak about it in detail. Suffice to say, though, that it was targeted even down to the province, so it would say “Yellow Pages Ontario”, imitating what we thought was the real Yellow Pages.

In fact, I mentioned the International Consumer Protection and Enforcement Network. They do an annual sweep, and the sweep this year is just that, to target websites that say they're endorsed by a celebrity, endorsed by a third-party trust organization, or endorsed by a country. Around the world regulators like us, enforcement agencies, are targeted at finding those sites and shutting them down if they're false.

Mrs. Cheryl Gallant: So there's no place a consumer can go to on the Internet—a government website—to check to see that a company has been demonstrated to be trustworthy in its conduct of e-commerce?

Ms. Lisa Campbell: No, there is not an accreditation per se. What we do have, though, is tremendous guidance on how to spot fraud and report it, what to do and how to check against it. But there isn't something to accredit a website, because, quite frankly, it is very easy to set up a website.

Mrs. Cheryl Gallant: Are regulations being considered to increase to a higher level of security for e-commerce? When you do e-banking there seems to be a much higher level of security in doing transactions than if you're just buying something over the Internet. Is there a push to have other companies be required to have a greater degree?

Many of us have experienced hacking into accounts, and everybody has access.... There have been some big ones. I think of Winners, a while back, and so on. So that's another hurdle that consumers have to overcome to be willing to do business on the Internet.

Ms. Helen McDonald: If I could respond briefly to that, the task force looking at the payment system, including mobile payments, is also looking at the question of whether greater regulation is needed in this area. But there's a technology slice to it as well. Do you need ways in which you could assure yourself that a website is valid and that your transactions are secure? If you've done any electronic banking, you'll note the "http" shifts, the S comes in to designate it's secure. In some instances, you find little keys on your screen that show you've now established a secure transaction.

I don't think there's any single solution to this. It does require regulation. It does require technology solutions.

The data breach notification in the amendments that were tabled recently to PIPEDA will also help, in that it will force businesses to let the data subject know if there has been a substantial breach that will put at risk your information or identity or finances because of the nature of the breach. And because that now becomes incumbent on all companies—not just those that are good at this and care about it—it should help improve the level of security in firms as well.

The point was made earlier that if you don't have digitally skilled citizens engaging in these transactions, those who do know how to protect themselves, that is also not helpful. In my opinion, we have to make sure that the kids graduating from schools are able to look after themselves online. And we have to make sure that the information we're putting out on our anti-spam websites, on the Competition Bureau website, as many websites as we can, is simple information on how to protect yourself and how to stay on top of what the new scams might look like, and what to avoid.

The Chair: Thank you, Ms. McDonald. I'm sorry, I have to call that a round.

We're now on to Madame LeBlanc, for five minutes.

• (1640)

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

Thank you very much for all the information.

[*Translation*]

I will speak in French. It will be easier that way.

Thank you for the information and the light you have shed on this matter which, as I understand, is fairly complex.

I thought I heard you say that only 8% of companies have indicated that they do business online. Is that correct? Do you know why some businesses do not do business online?

Ms. Helen McDonald: Unfortunately, that percentage dates back to 2007.

Ms. Hélène LeBlanc: I understand.

Ms. Helen McDonald: We don't have any more recent data. I imagine that the percentage is higher today, but we don't know for sure. I imagine that these are companies that buy or sell online. They might in fact be bigger companies.

Ms. Hélène LeBlanc: So you believe that this percentage, which goes back to 2007, and which might have increased by 2011, represents more big companies, who might prefer to do business online.

Ms. Helen McDonald: I imagine so, but the figure of 8% has been stable for many years now. However, I imagine that the percentage is higher today.

We have information on the three reasons why companies do not want to buy or sell online. First, they believe that their products or services are not appropriate at all for online transactions. This might be the case for vehicle sales, for example. Second, they believe the way they do business does not lend itself easily to online commerce. Third, they have concerns with regard to security or the lack of security of online transactions.

The 8% rate applies to companies that sell online. It is higher for companies that buy online: that percentage stood at 48% in 2007.

Ms. Hélène LeBlanc: There is a difference.

You mentioned that it is nevertheless a fairly big market. The number was \$63 billion for online retail transactions in 2007.

Ms. Helen McDonald: That number includes both bulk and retail sales. And that figure indeed stood at \$63 billion in 2007.

Ms. Hélène LeBlanc: Thank you.

Ms. Helen McDonald: That includes business between companies.

Ms. Hélène LeBlanc: Yes.

Ms. Helen McDonald: I am referring to sales between companies and sales to consumers.

Ms. Hélène LeBlanc: You broke down retail sales—or transactions—business by business. What proportion of the \$63 billion goes to Canadian companies? What was the percentage of purchases made outside of Canada? For example, I can purchase something from the United States or from elsewhere in Canada.

Do you have those kinds of details?

Ms. Helen McDonald: I don't know whether the \$63 billion includes purchases made by Canadian companies outside of Canada. However, I know that a distinction was made between Canadians who bought from Canadian companies and Canadians who bought from American ones. I believe that it was 40%. I am looking for that number.

It seems that 60% of the sales of Canadian companies were made to foreign companies or individuals.

• (1645)

Ms. Hélène LeBlanc: It is nevertheless interesting to note that a fairly low percentage of Canadian companies are opening themselves up to this huge market. I believe that you have explained some of the programs which you have put in place to try to bring SMEs on board, given that big companies have more means to get organized.

What program do you think would be most suited to help SMEs benefit from e-commerce sales, an emerging market which will only expand?

You also talked about internship programs, but it seems that SMEs are still fairly reluctant to participate. Do you think there are other ways that would allow SMEs to benefit from this market?

[English]

The Chair: Please be as brief as possible.

[Translation]

Ms. Helen McDonald: Instead of the two programs I mentioned, that of the BDC and of the NRC, it might be better for government or for the public sector to deliver services in order to encourage clients to do business online.

[English]

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

I'll try to give you some time for closing remarks. If there are any questions that you can't fulsomely answer, then hopefully in your closing remarks you can do that.

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

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

Thank you to all of the witnesses for being here this afternoon.

Ms. McDonald, at the beginning of your presentation you provided us with a number of statistics. You reiterated that many were from 2007.

Can you benchmark any of the information against our G-7 partners? I'm thinking in terms of Canada's use of e-commerce and our uptake or embracing of digital technology.

Ms. Helen McDonald: The G-7 is a little more difficult because the data is not always comparable.

I think the adoption statistic I used in my opening remarks was that Canadian businesses are investing, per worker, 60% of what the U.S. is doing. That is a gap that has maintained itself, if not increased, over the last seven or eight years. The concern is that this underinvestment is linked to productivity; that we're less productive, perhaps because we've had the benefit of a lower dollar or we've had the benefit of lower wage rates; and that perhaps we're a little more risk-averse, and therefore the companies are not investing to the same extent.

It's hard to benchmark, but we try to look at how our legislative regime compares with that of other countries and what pieces we do have to put in place. The data breach legislation, the amendments to PIPEDA, the anti-spam, the copyright—they'll all help that way.

But in terms of engaging in electronic commerce, Canadians are not doing badly for some types of services. I think our percentage for Canadians willing to engage in online banking compares well.

Mr. Peter Braid: In terms of the business community, then, the private sector, you see a direct link between increased innovation, increased use of e-commerce and digital technology, and increased productivity?

Ms. Helen McDonald: Yes. When we were consulting on the digital economy strategy, there was a very thoughtful think piece put in by the Council of Canadian Academies. They focused on the adoption question, and they felt it was essentially causally related.

It doesn't explain all of the productivity difference, but there was a key role due to the underinvestment in ICTs; hence the emphasis on trying to pick examples from different types of firms that can be used as best practices for others and generally raising awareness through every vehicle we have, through all government programming, to emphasize the need to think smart about the use of ICTs, whether it's to protect your existing market position or to improve productivity, cut costs, reach new markets, or have new products.

• (1650)

Mr. Peter Braid: How will the anti-spam legislation, once it's enforced, be foundational to the increased use of digital technology?

Ms. Helen McDonald: I'm going to ask Janet to talk a bit about that, but just generally, the more we can take down the concerns over security or the concerns over the cost of spam to the small business owner...that's one of the things we're trying to accomplish beyond protecting Canadians.

Ms. Janet DiFrancesco: As Helen indicated, I think the real contribution is making the online environment more safe, so one of the key elements of the anti-spam legislation, in addition to targeting unsolicited commercial electronic messages, is to also target things like malware, malicious software that can do real damage to businesses that are doing business online as well as to individuals.

In addition to the references that my colleagues from the Competition Bureau have made about deceptive market practices, all of these things I think are steps in the right direction, steps to giving Canadians confidence that the online market is safe, that they're not at risk of attracting a malicious virus, that they can actually control their inbox in terms of who they correspond with, and that there are measures in place for things like deceptive marketing practices.

Mr. Peter Braid: In my remaining time, I'll turn to the Competition Bureau.

Ms. Campbell, in your presentation you mentioned those situations where you had investigations: the Bell situation, and I think there was a Rogers, and a Nivea. Were all of those driven by consumer complaints?

Ms. Lisa Campbell: Partially. We receive upwards of 15,000 complaints a year at the bureau. We also get information from domestic partnerships, from law enforcement partnerships across Canada, as well as internationally, but sometimes it can be something we observe in the marketplace that consumers haven't complained about or have complained to someone else about, so sometimes yes.

The Rogers matter you've mentioned involves active litigation ongoing by us in which we found that Rogers made advertising about having fewer dropped calls than new entrants, which in our view was false, and that is before the courts at the moment.

In the Yellow Pages matter I mentioned, that was the result of an international investigation that Canada led, involving the U.S., Australia, and the U.K., targeting individuals in Spain with money potentially in another jurisdiction, but targeting consumers in those four other jurisdictions, including Canada. I mentioned our new powers to freeze assets. We recently obtained an injunction and also an asset freeze for future restitution for consumers.

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

Now we'll go on to Mr. Julian and Mr. Thibeault for five minutes.

Mr. Peter Julian: Thanks, Mr. Chair.

I wanted to come back to Ms. Campbell and ask her if she's aware of any cases internationally where e-commerce sites were cited when they were abroad. You talked earlier about the Bell case, and that's certainly a case where obviously the Competition Bureau has jurisdiction and obviously there's a way of following up with a way to activate and enforce Canadian law. But either in Canada or in the case of another jurisdiction, are you aware of a foreign company or a foreign website that has been successfully prosecuted for infringing upon basic competition law with fraudulent behaviour, misleading advertising, etc.?

Ms. Lisa Campbell: In fact, we have cases in Canada. In the Yellow Pages case I mentioned, there were, in our view, fraudulent misrepresentations made on the Internet. That's precisely what our case is about; it's to cease those representations, at least in Canada. But we're doing something that in our view has greater effect: we're collaborating with our colleagues in other jurisdictions so that we can take global enforcement action and hopefully put a stop to this.

Mr. Peter Julian: Thank you.

I'll turn things over to Mr. Thibeault.

Mr. Glenn Thibeault: Thank you.

I want to direct this to the folks from the Competition Bureau.

I want to thank you for those answers. They were great and to the point. You've been very informative, but I want to get back to the mobile payments piece. I want to get your thoughts and your input on what has been done in the past in relation to small business and the burden, I guess, that they've been receiving from the unnecessarily high merchant fees that accompany credit card payments.

Could you foresee a shift to mobile payments, particularly with the emphasis on mobile credit card applications? Will that saddle small and medium-sized enterprises with additional merchant fees? Also, should we not be looking at allowing the debit market to compete in this area as well? The cost to small and medium-sized enterprises is significantly less for debit. I'd like to hear your input.

• (1655)

Ms. Lisa Campbell: I'll start, and then turn to my colleague Mr. Kellison.

Essentially a lot of the important cases we have brought recently are about transparency, showing consumers the real cost for various services they're being offered, like the CREA case, the real estate case. It was the same thing with the Bell case. It's about telling consumers what it actually costs and letting them choose and decide. Don't hide costs that merchants then ultimately pass on to consumers, which is hard on small and medium-sized enterprises.

Mr. Kellison.

Mr. Matthew Kellison: I think that's absolutely right, and I think your point is well made.

What our credit cards case focuses on is rules that are raising merchant acceptance fees of credit cards and making it more costly for merchants to accept credit cards. For most merchants, accepting credit cards is a necessity. And particularly for small and medium businesses, that can be a huge cost. One of the things we're hoping to do is challenge these rules and somehow mitigate the fees that merchants pay, which in a lot of instances they really have no choice but to pass on to consumers.

In answer to your question on whether mobile payments would fill the gap a bit, I think that is possible. I think there are a variety of payment methods that are competing in one form or another, whether it be cash, cheque, debit or credit cards.

As you observed, in many cases merchants pay significantly lower fees for accepting debit card transactions than for accepting credit cards. A credit card fee for a merchant may be up to 3% of the total purchase price, whereas for debit in this country, it's usually fixed at about 12¢, regardless of the size of the purchase. However, in many cases consumers aren't aware of that, and consumers aren't aware that merchants may be paying higher fees.

Because of the rules imposed by Visa and MasterCard, in our view, merchants really don't have the ability to steer consumers to different types of payments. We suspect that if they had that ability, not only might it make merchant fees that are set by the credit card companies more competitive, it might also make these other methods of payment more of an option for consumers.

Mr. Glenn Thibeault: You're excellent at getting 30-second answers in, so I'll do my best to get the question in there.

Interac uses their line, and there's a different line that can be used by credit card companies. If Rogers or other telecoms get involved in the mobile payment, will they be using specific lines that would then cost merchants more, or are they looking at using the current type of debit line to ensure those costs stay low?

As you mentioned, people don't understand, they just pay. They don't understand the whole process that ends up costing the SMEs more money.

Mr. Matthew Kellison: That's a very good question. There are a variety of payment processing networks that have been set up, by a number of independent companies. Interac has a network. Visa has a network. Quite often they will partner with different payment processes at the point of sale.

My understanding is that it could be a network that could be accessed by an entrant, or it could be an area where they seek to establish their own network. As I mentioned before, whether a company that basically owns the pipes has the ability to influence the way people use the pipes, or to favour their own content in some way, is certainly something we're mindful of.

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

Now on to Mr. Braid for five minutes.

Mr. Peter Braid: Thank you, Mr. Chair.

Ms. Campbell, picking up where we left off, you indicated that the Competition Bureau can initiate an investigation on its own; it doesn't need to be driven by a customer or consumer complaint. Is that correct?

Ms. Lisa Campbell: Yes.

Mr. Peter Braid: In the case of consumer complaints, or consumer protection generally, how do you outreach, educate consumers, that they have that option of coming to the Competition Bureau?

Ms. Lisa Campbell: The volume of complaints that we receive I think speaks to Canadians' willingness to come forward. As I mentioned, it's about 15,000 annually.

Our challenge—and it's the challenge that our partners to the south, the Federal Trade Commission, face as well—is doing data analytics of those complaint trends, working with law enforcement

agencies to see whether we are dealing with a criminal problem or a civil problem. We have authority under both regimes. Is it something that's connected to organized crime, or is it more about misleading advertising by a large corporation? We're guided by that complaint database.

We're also guided by competitor complaints. One company, which is often represented by counsel, will come to us and complain about what their competitor is doing. We are not obliged to act on those complaints. We consider it. We do an initial investigation to see whether we've already been active in that industry, and then try to pick our cases very carefully to have maximum impact, as I was saying at the outset.

• (1700)

Mr. Peter Braid: Ms. McDonald, as we know, the manufacturing sector in Canada has been particularly hard hit through the global economic downturn.

Many manufacturing companies that have survived and thrived are those that have embraced and enhanced innovation. Can you speak to the importance of the manufacturing sector adopting e-commerce practices, implementing digital technologies, and perhaps any case studies or examples you might have in terms of success stories?

Ms. Helen McDonald: My experience is going to be much better with the ICT industries, since that is part of my portfolio, rather than autos or airlines. Aside from the general economic downturn, there has been a gradual diminution of manufacturing in Canada, because there are offshore, lower-cost countries, like China, that are able to make more and more of this gear at affordable prices.

We also see that software and services are increasing as a proportion of our GDP. So it's not just in manufacturing; it's also in software and services. You want to make sure the creators of these kinds of products and services are using ICTs to the extent possible to create new products or reach new markets.

If you are selling software, you could do it entirely online. You don't have to ship a product across a border, other than in digital form. Services may be also something that you can provide, such as health advice or educational services. We increasingly see these offered online. Moving up the value chain and making sure the processes and products are as innovative as possible are important for manufacturing. But there are also opportunities in the other types of economic activity.

Mr. Peter Braid: How does the Department of Industry, in its day-to-day business, use e-commerce or apply digital technology?

Ms. Helen McDonald: I spend most of my life on my BlackBerry when I'm not in meetings. I can't really say how much of our purchasing of supplies is done online with delivery later. I am unaware of that. A lot of our transactions with our colleagues and clients are done through e-mail or website postings. Certainly, when we have formal consultations on aspects of spectrum management, it's all done online. Then, of course, inside we print entirely too much paper.

Mr. Peter Braid: Does the Department of Industry assist or influence the rest of government in its use of innovation and technology, or is that more a Treasury Board Secretariat responsibility?

Ms. Helen McDonald: That's a Treasury Board Secretariat responsibility within the new Shared Services Canada, I presume. Treasury Board also has a service sector that promotes good delivery of services and cost efficiency. Therefore, they are presumably also promoting electronic means where it makes sense.

The Chair: Thanks, Ms. McDonald.

We will go to Mr. Braid first, and then to Madame LeBlanc.

Mr. Peter Braid: Is there anyone here who has questions?

Mr. Phil McColeman: I do.

Mr. Peter Braid: I would be happy to share my time with Mr. McColeman. If we have time left, perhaps we will save some for Mr. Hsu to use in the next Parliament.

The Chair: He has an opportunity in this round.

Please go ahead, Mr. McColeman.

Mr. Phil McColeman: It is known internationally that our economy has been a leader—it is well respected around the G-7. *Forbes*, a well-known magazine, recently recognized that Canada is the best place to do business. This is the subject matter we are talking about today. We are bringing in new legislation to move towards positioning ourselves even better.

You are right at the heart of it, right in the midst of it all. You are seeing what we are doing and how we are moving forward on this. I hope you will be able to make comments on this. Do you see anything else that we might be able to do? Are there any other areas where we can improve our global competitiveness? How does it relate to this e-commerce initiative that we are moving forward with and trying to put in place sooner rather than later?

• (1705)

Ms. Helen McDonald: In terms of the international positioning, we are a little hampered by the delay in our data, and if we compare 2007 in Canada to 2010 or 2011 in another country, we're going to look a little backward. So I'm glad that *Forbes* has declared us a good place to do business, but in terms of measuring how well we're performing as a country on e-commerce, we're a little hampered in our ability to do that in a timely fashion.

But to answer your question, I think the promotion of adoption is clearly where the game is because that's where you get the benefits. So I would say anything that can be done on that behalf would be good, not just within the private sector but also within the public sector—for example, delivery of health care, delivery of education, smart grids, how you manage your electricity, how you promote

awareness of climate change, and delivery of government services are all areas in which we all need to look at how well we're doing. On the skills side, many of you have pointed to the problems in getting graduates and entrepreneurs who understand how to use ICTs smartly to improve their bottom line and beat off the competition. I think these areas are harder to get at but areas that are very important to us.

Mr. Phil McColeman: It's interesting that you mentioned applying technologies and business best practices to the public sector and how we could actually make some really significant gains in that area because it represents a large amount of expenditure. Could you comment further, without getting too philosophical about it, but mixing that in with the idea of the competitiveness of the things we do in the public sector? Do you see any opportunities from having studied and been part of this for a long time?

Ms. Helen McDonald: In the newspaper reports about Shared Services Canada, where there's a consolidation of the IT spend of the government, I'm reading that this is a way to improve the smartness of the spend and perhaps improve the cost-effectiveness of that spend rather than have duplicative data centres or networks. That would be one example of how to improve.

On the public services, I think if we look around the world we see everyone is concerned about rising health care costs for an aging population and asking how we can use these technologies to keep people in their homes instead of moving them to hospitals and still provide good levels of health care. If those opportunities are around the world as well as in Canada—and I know the government is taking action through the Infoway to try to help on that—it also means sales opportunities for the Canadian ICT industry. If we need products and services in the health care field or in smart grids or smart transportation, those are export opportunities for us that we should also be trying to exploit. So to my mind, the emphasis on adoption helps on an e-commerce front, helps on getting benefits to Canada, but also helps on our GDP.

[Translation]

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

You now have the floor, Ms. LeBlanc.

You have five minutes.

Ms. Hélène LeBlanc: Ms. McDonald, there is more and more concentration in the telecommunications sector. I could perhaps ask this question of Ms. Campbell as well, because it also concerns competition.

You talked about the big spectrum sale and the fact that the big players would like to have as much of it as possible. You also talked about the vertical integration of telecommunications companies that offer several services.

Do you think that this concentration in the hands of a few players could be bad for e-commerce or bad for consumers, given that there would be less competition between the players?

• (1710)

[English]

Ms. Helen McDonald: This is an answer that is best shared between us because

[Translation]

you can see that the concentration or that integration offers consumers more choice. It is often a question of scale.

Ms. Hélène LeBlanc: Yes.

Ms. Helen McDonald: Without economies of scale, it is difficult to have

[English]

the reach, the strength, the innovation....

[Translation]

That is one aspect of the issue.

Ms. Lisa Campbell: In answer to your question, as my colleague Ms. McDonald mentioned, I would say that three companies in Canada have 90% of the market, and Canadians pay some of the highest prices for mobile services in the world. The government therefore held an auction to allow other companies to enter the market.

As it now stands, there is a case before the courts with regard to something one of these big companies said. That company claimed it provided better service with fewer dropped calls compared to the new entrants. That is what the company claimed. However, our investigation revealed that it was false advertising. This kind of advertising really strikes a chord with consumers. Indeed, for them, the cell phone is increasingly becoming their tool of choice for work, for personal business, for social networking and for Internet access.

Ms. Hélène LeBlanc: If the prices are high for consumers, they are just as high for small businesses that would like to engage in e-commerce. But the costs to enter the e-commerce market are too high for some small companies, as compared to the gains they expect in return.

Ms. Helen McDonald: But prices are currently going down.

Ms. Hélène LeBlanc: I see.

Ms. Helen McDonald: That is what happened after more competition was introduced. It is the same thing for small companies and consumers. That is why the government made the decision to bring in more competition in order to bring down prices.

Ms. Hélène LeBlanc: Do I have any time left?

The Chair: Yes, you have one minute.

Ms. Hélène LeBlanc: Ms. Campbell, you talked about consumer trust and the importance of knowing how much something is going to cost.

What measures do you intend to propose to lawmakers to regulate e-commerce, to ensure that companies are truly acting in a more transparent manner?

Ms. Lisa Campbell: There are several aspects to the issue. We chair the Fraud Prevention Forum. We do a lot of awareness-raising each year. We also do work internationally. It is important that our citizens be aware of these issues. They know how to surf the

Internet. The new anti-spam legislation will also boost consumers' trust when they do business on line. They will have more confidence that doing business online is safe and that they can spend their money that way.

Another committee member raised the issue of security breaches. You have to pay for online security. There is a cost, and it is not something you will only pay for once. You have to pay again and again because online security systems are only good for a couple of months and then you have to pay again.

Ms. Hélène LeBlanc: That is fine.

The Chair: Thank you very much.

[English]

The government has relinquished their spot to make sure we have enough time for closing remarks from the witnesses.

Mr. Hsu has a brief question.

Mr. Ted Hsu: Thank you, Mr. Chair.

Sometimes when I'm buying things online I have to wade through all these websites to find a Canadian company. Is that something you could do anything about, or should do?

Ms. Helen McDonald: I think it's difficult to look to the government to become the advertising agency for all things Canadian, outside of Canadian cultural content, which is treated differently. Part of the challenge is trying to find out where the electronic world really differs from the physical world. I know in certain sectors of the economy the industry associations promote Canadian products with the client group. I know the Canadian forestry industry promotes wood products to Japan and tries to help their industry sector that way.

• (1715)

Mr. Ted Hsu: When you go to the store you have pears from the U.S. or these clothes are made in such-and-such a country. Could we not do that online?

Ms. Helen McDonald: I don't see why industry associations cannot do that for themselves and for their members online or consumer groups that may be interested in steering interested parties toward Canadian products. I think it's also important to ensure there's sufficient competition to keep Canadian online service providers as agile as their competitors. Therefore I would be worried about setting up a little walled garden that people don't go to, because you also want to encourage people from other countries to buy Canadian.

The Chair: Thank you very much, Madam McDonald and Mr. Hsu.

I'd like to give you an opportunity of six minutes each for any closing remarks.

I notice that Ms. Campbell is writing and she probably has some closing remarks.

Ms. Lisa Campbell: I don't have any.

The Chair: No? Is that right?

Do you have no closing remarks at all?

Ms. Lisa Campbell: Actually I had a few remarks to share with the committee, if you wish.

The Chair: Okay. Why don't we begin with you and then we'll move to Ms. McDonald.

Ms. Lisa Campbell: This is just something to capture a bit of the points we were making earlier.

As an enforcement agency we need to be where consumers and businesses are, and increasingly that's online and has an international reach. So it means that we need to work increasingly in collaboration with our international counterparts.

There are also many changes. The way in which people access the Internet is changing. It used to be via a search page, but increasingly it's through social media, which is supported by so-called free services. But we need to remember that most of these services are monetized by the exchange of personal information—that's how they're funded—which is sometimes subject to data breaches, as was raised earlier. So it raises very interesting questions from an advertising perspective, from a perspective of protecting consumers and businesses, as this trade and commerce happens online.

We're delighted to be here to answer any of the questions the committee has, and also we are happy to send you further information if any of what we've discussed piqued your interest.

Thank you.

The Chair: Thank you very much, Madam Campbell.

We're now on to Ms. McDonald.

Ms. Helen McDonald: We've very much appreciated this opportunity to come and particularly to hear your questions. We look forward to the final report.

There is a big difference between business-to-business commerce, business-to-consumer commerce, where a number of your concerns over protecting consumers come in, and consumer to consumer. That may be where the mobile payments start coming in, where, cellphone to cellphone, we can do lots of things that may be much more difficult for many of us to regulate. There may be a different type of issue that emerges there, so I just wanted to bring that to your attention.

We have a report on e-mobile commerce, on some of the emerging consumer issues, on our website, by the Office of Consumer Affairs at Industry Canada, and we would be happy to bring it to the attention of your clerk should you wish to look at it.

The Chair: That would be great. In both official languages it would be very good.

On behalf of the committee, I would like to say thank you very much. I was just listening to the broad spectrum of questions that you fielded today, and it was impressive. So I want to thank the witnesses on behalf of the committee.

Some hon. members: Hear, hear!

The Chair: We stand adjourned.

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