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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.

Welcome to the 65th meeting of the Standing Committee on Industry, Science and Technology, where we're dealing with the adoption of digital technology by Canadian small and medium-sized enterprises.

Just as an aside before I introduce the witnesses, we have good news; we only have one clock in the room now, rather than two, so we don't have to worry about different times. I think it's actually synchronized today with our BlackBerrys. You can target that clock for 5 p.m. That's the time we'll be meeting until, and then, of course, we'll have bells at 5:15.

Mr. Dan Harris (Scarborough Southwest, NDP): It's only taken the government six years to get the clock right.

Voices: Oh, oh!

The Chair: On that note, I'd like to introduce Alain Beaudoin, acting assistant deputy minister of spectrum, information technologies, and telecommunications, Department of Industry. With him are Raquel Peters, director of policy and liaison, small business, tourism, and marketplace services, as well as Josie Brocca, acting director, digital adoption directorate, spectrum, information technologies, and telecommunications.

Mr. Beaudoin, please go ahead. You have approximately 7 to 10 minutes.

[*Translation*]

Mr. Alain Beaudoin (Acting Assistant Deputy Minister, Spectrum, Information Technologies and Telecommunications, Department of Industry): Thank you, Mr. Chair.

We are pleased to be appearing before the committee once again.

Your committee is about to undertake a study on the importance of digital technology for small and medium-sized enterprises in Canada. I would like to take this opportunity to discuss the context in which SMEs operate, as well as provide you with some statistics we hope will support your efforts and help move this study forward.

[*English*]

To turn to slide 2, when we are talking about small and medium-sized firms, or SMEs, we are referring to firms with 500 employees or fewer. I don't intend to walk you through all of the data on this slide, but I would like to highlight three points. First, SMEs make up 99.8% of the firms in Canada with employees. Second, they employ two-thirds of the private sector workforce. Finally, they account for 40% of the GDP.

We'll turn to slide 3. As with any firm, digital technologies are becoming an increasingly important element of an SME's success. They are transforming the way business is conducted and how businesses operate.

Newer and easier-to-use technologies and applications are constantly hitting the marketplace, making digital adoption possible for more firms. For example, digital technologies are helping companies manage systems such as their supply chains or vehicle fleets, which in return is helping to improve their productivity. Through e-commerce and social media, SMEs are opening new markets domestically and around the world. Finally, faster processing speeds, greater connectivity, and applications like cloud computing are helping to spur innovations across a range of industries, leading to the creation of new products and services.

Let's now turn to slide 4. As you can imagine, there are many types of technologies being used by SMEs today. I'd like to highlight five examples that reflect, to some degree, various levels of complexity.

First is having a web presence. This is important, for example, for a tourism operator who needs to ensure that they are found on the web, as most bookings are now taking place online.

Second would be engaging in e-commerce and being able to sell your products online, which increases your customer base.

A third one would be using business systems, such as human resources, finance, or supply chain management systems.

A fourth one would be applying digital controls, whether for automation, remote sensing, or other types of similar activities.

Finally, the last would be using cloud and high-performance computing to manage and analyze large amounts of data.

There are many good examples of Canadian companies that are using digital technologies. Let me highlight a few examples.

The Tim Hortons website, for example, was voted one of the top 50 Canadian sites by a group of experts. Also, BeyondtheRack.com, which is a Montreal-based company, is one of Canada's fastest-growing e-commerce companies. For example, it hit $6 million in its first year. Three years later, it was already at $100 million in terms of revenues. Finally, a company called Select Technology Corporation from Nova Scotia is using the CANARIE network to test concepts that will allow businesses to better monitor network traffic, handle big data, and offer better services to their clients.

Let's turn to slide 5. What is interesting is that these success stories are increasingly no longer the exception. What we see is that there has been a steady increase in investment over time, from $11.3 billion in 1990 to $33.7 billion in 2012. However, while that investment has been steadily increasingly, overall Canadian investment in ICT per worker has traditionally lagged behind U.S. investment levels. For example, in 2012 Canadian ICT investment per worker was 58% of the investment in the United States.

Now let's turn to slide 6.

● (1535)

[*Translation*]

One of the challenges we face is the lack of a single source of data on the adoption of technologies by SMEs. So our information comes from a number of sources. The latest national survey Statistics Canada conducted in 2007 indicated that less than half of the businesses had a website and that 8% of them sold online. However, in 2011, CEFRIO, a Quebec-based organization, found that 70% of Canadian SMEs had a web presence and that 18% of them sold online. The same study also found that one in four SMEs were investing in business and management systems.

Although those two sets of data cannot be directly compared, they show that SMEs are adopting ICTs and improving over time. The good news is that, next June, Statistics Canada will publish new data on the adoption of digital technologies. We will then be able to see how much progress has been made since 2007.

We will make sure to send the new data to the committee clerk once it has been made public.

[*English*]

Let's turn now to slide 7.

Regardless of what data we look at, we know that SMEs face more challenges than do larger firms, as they don't always have the skills or the scope to adopt digital technologies. Despite this, many understand the benefits and are taking advantage of digital technology adoption.

These SMEs recognize that integrating digital technologies into their operations and changing their business model will lead to greater efficiencies. They are aware that there are a variety of technologies available to them that can help to determine the solution that best meets their needs.

Lastly, those that have invested successfully have the right mix of experience and skills to undertake the adoption process.

[*Translation*]

Let's now turn to slide 8.

The government recognizes the importance of adopting digital technologies and has already taken a number of steps to facilitate the adoption of ICTs by SMEs. When we appeared before you last March, we provided an overview of what had already been accomplished to improve our networks, increase access to broadband services and ensure a healthy level of competition in industry. We also talked about the various legislative measures implemented to create conditions that help enhance the online marketplace.

Today, I would like to highlight other recent government initiatives that have helped create an environment conducive to a more substantial adoption of those technologies.

More specifically, the government implemented the Digital Technology Adoption Pilot Program. That initiative provides funding and advisory services in order to speed up the rate at which SMEs are adopting digital technologies. In addition, the Business Development Bank of Canada provides online tools and consulting services to help SMEs increase their web presence.

For instance, BDC created a $200-million envelope to help business owners acquire the equipment and software they need. I think that those two organizations have been invited to testify over the next few weeks. I am sure their testimony will be very useful to you.

Finally, I would like to point out that Budget 2013 includes some initiatives for encouraging skills development and training. For instance, the government announced the Canada Job Grant, which earmarks $500 million annually for better harmonization of Canadian companies' training and needs.

● (1540)

[*English*]

Let's turn to slide 9.

In conclusion, Mr. Chair, and as you have heard from us today, SMEs are adopting digital technologies, and there are some great success stories across Canada. However, as we saw, there is still room for improvement.

Digital technologies have evolved over time, and there are more solutions available for the SME market. Cloud computing, in particular, can provide a model that works well for these firms, as do mobile applications.

Finally, there's a role for everyone to play. Our previous slide highlighted the areas in which the government can help, but ultimately it is up to the private sector to continue investing and producing the digital solutions that Canadian SMEs need.

Thank you for inviting us back to this committee. We look forward to your questions.

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

We'll now move to our rounds of questions. The first round is seven minutes.

We'll go over to Mr. Carmichael for seven minutes.

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

Mr. Beaudoin and colleagues, welcome back. This is an interesting topic. I do recall some of your testimony from your last visit to this committee.

In the business that I came from in my previous career in the retail sector, it became clear a number of years ago, maybe 10 years ago, that with the advent of the Internet and the growth in technology in both the consumer realm and SMEs—in my case, it was an SME—customers were coming in the door as well prepared and as knowledgeable as our own people, or maybe better than our own people. The training and development of our staff became a major factor in our go-forward strategies to ensure that we were able to truly compete in a technological world.

I've looked at the numbers you've presented, and we've seen these before, but 41% had a web presence in 2007, versus 70% in 2011. I presume that has grown even further. As a quick question off the top, to what extent do broadband affordability and availability contribute to Canadian business ICT investment?

I'm thinking of my colleagues and me in my previous industry, where it was an impediment; it was a problem making sure that you had the right technology, but at a cost that was substantive.... With the broadband development and growth, I wonder if you could give us some thoughts on that.

Mr. Alain Beaudoin: Thank you for your question.

With regard to how many businesses, for example, have access to Internet connectivity, there was a study issued by the CRTC in 2012. It showed that businesses with Internet connectivity were at 87% in Canada, of which 85% had access to high-speed Internet. With regard to individual connectivity, this was similar as well.

From that perspective, more firms have access to that connectivity. It doesn't necessarily equate that they will have their own websites as well. In some ways, they will use these technologies differently. Not all firms necessarily need a website; they might use different mechanisms. For example, some firms might decide to use social media instead of having a particular website, in order to communicate with their clients, or in order to get out into the marketplace. There are various ways in which they can do it.

With regard to access overall to high-speed Internet, we think the numbers have improved dramatically in the last few years. As we mentioned at our last appearance, 99% of the population—and by default, firms as well—has access to a minimum speed of 1.5 megabytes. The speeds and the affordability have increased over the years, and there has been a downward pressure on cost, which makes it more available to firms as a whole.

● (1545)

Mr. John Carmichael: Are you satisfied that at this stage, with some of the opportunities for financing and affordability that you mentioned in your presentation, SMEs have enough access to technology at a reasonable cost to make it affordable but also productive in their businesses?

Mr. Alain Beaudoin: When you look at the investments in infrastructure by the telecom service providers in the last few years, you see that the investments have been quite impressive, as a matter of fact. If you look at total expenditures, in terms of capital expenditures in 2011 it was $9.4 billion. That was up from $8.4 billion the year before. Significant investments are being made in wireless and wireline in order to provide better speed, lower prices, and better connectivity as a whole.

Mr. John Carmichael: Thank you.

In slide 5, you talked about Canada and the U.S. When you look at ICT investment, is there a correlation to the return that a Canadian investment would generate versus a U.S. investment? In other words, if you look at a Canadian SME, clearly our numbers would indicate that we're investing at a far lighter pace than what we see in the U.S. Are Canadian companies keeping pace with U.S. companies, or is there a correlation in the investment, or is it dollar for dollar? In other words, if we're only at 60%, we're only producing 60% of the results.

Mr. Alain Beaudoin: That's a very good question.

Obviously the adoption and use of ICTs have been linked to productivity. So that explains part of the productivity gap. For sure there are some incentives, or there are some reasons for firms to want to invest even more in digital technologies of all sorts, because doing so can lead to higher productivity, as I talked about.

On that front, it's something we want to better understand. That is why we've commissioned a study, which we expect will be finalized in the next couple of months, to try to better understand what's taking place from an ICT-investment perspective and to determine the reason for the gap.

I'll give you an example. We know there's a significant gap. The gap appears to take place when you look at software investments. Our firms appear to invest much less in software than do firms in the United States. When you look at hardware—computers, for example—we're actually above the United States. It seems that when you look at the software side of it, that is where there's a tremendous gap.

We will look at the reason for that. The more granularity and results we have on that front, the better we will understand the reasons behind that.

Mr. John Carmichael: I appreciated your comment earlier on the number of SMEs and on how some don't require a full-blown website and all of the technological capability to give them the scale that others have. We've all been shopping at some point and have found that it's wonderful to have a store that might have two or three members in its chain that it can connect with for inventory for available product, but—

The Chair: That's your time, Mr. Carmichael. Sorry to interrupt.

Now we go to Madame LeBlanc.

[*Translation*]

You have the floor for seven minutes.

Ms. Hélène LeBlanc (LaSalle—Émard, NDP): Mr. Beaudoin, I would like to begin by thanking you for coming to testify before this committee. It's always very important to obtain this kind of information. I thought your presentation was very interesting.

You said that, in 2007, Statistics Canada conducted a more in-depth study on SMEs and the adoption of ICTs so as to provide an overview. We are now in 2013, and it has been a while since the last study was carried out. It's difficult to figure out what the trends are.

Why did the government abandon those studies and then decide that they were needed?

Mr. Alain Beaudoin: As I said, many studies have produced various assessments on the adoption and use of ICTs by businesses. We are talking about different companies, in a number of sectors.

Statistics Canada is completing an analysis whose results will be made public next June. That will allow us to make a comparison and note the progress made by companies in various sectors.

● (1550)

Ms. Hélène LeBlanc: I am still a bit worried about the fact that Statistics Canada is not being used. That agency has methodologies and experience in this area. If I still remember my statistics courses correctly, it is always important to use the same methodology when trying to make comparisons over time. Nevertheless, I am glad you could provide us with this comparison. I think it is very important.

Earlier, you talked about the productivity gap between Canada and the United States. You showed us a table with the total ICT investments per worker as a percentage of the United States. That was also very interesting.

What policies could the government implement to encourage small and medium-sized businesses to adopt technologies?

Awareness-raising initiatives and information were discussed, but could the government introduce some interesting incentives, specifically to close that productivity gap?

Mr. Alain Beaudoin: Thank you for the question.

I would like to highlight the current measures, whose goal is to increase the use and adoption of technologies by companies. For instance, I mentioned the Industrial Research Assistance Program, IRAP, whose goal is basically to increase the use and adoption of information technologies.

It is my understanding that the executive director will testify before the committee in a few weeks. The government launched this program in 2011 in order to focus specifically on the adoption and use of information and communications technologies, ICTs. The government is building on IRAP's success and effectiveness. Experts are also involved. In addition to the funding provided, experts in the technology industry are giving companies advice in order to help them find solutions specific to their needs and maximize their impact.

I also talked about BDC, which has some free online services. It provides advice for increasing the effectiveness of online technologies. So far, it has already provided companies with advice on over 20,000 occasions. The government and BDC have set aside $200 million to help companies purchase equipment. A program is in place to help them with that.

I have one last thing to mention. We also have CANARIE, which is our ultra high-speed Internet network used to connect universities, colleagues and so on. It uses its infrastructure in a way that enables small companies to use cloud and high-performance computing to accelerate innovation and commercialization.

Ms. Hélène LeBlanc: As part of your research, have you noted—and I think this has been mentioned—a particular sector of small and medium-sized enterprises that seems to be more reluctant to adopt new technologies or finds the adoption of those technologies to be too expensive and simply cannot afford it?

Mr. Alain Beaudoin: To answer your question, I do not think we have data specifically about this. However, the use and adoption of information technologies is less intensive in some sectors than in others. For instance, the intensity of use and adoption of information technologies is lower in certain sectors than it is in competing American sectors. In other cases, the situation is the opposite. However, it is true that the use of information technologies is less intensive in certain sectors. We have some data about that, and we can send it to you through the clerk if you like.

● (1555)

Ms. Hélène LeBlanc: Do you have any general information about that? I'm not thinking about retail, but....

Mr. Alain Beaudoin: For instance, retail companies invest less than their American competitors. The manufacturing and construction industries are another example, even though the gap may be more narrow than it is in other sectors.

Ms. Hélène LeBlanc: Okay.

Mr. Alain Beaudoin: For instance, in professional services—which is a very broad category—and in the administrative sector.

Ms. Hélène LeBlanc: Okay.

Do you have ways to gather information about those sectors in order to determine why they are not adopting information technologies? Have any relevant surveys been conducted?

Mr. Alain Beaudoin: That's a very good question.

As I said, we are currently carrying out a study and working with an organization that specialized in these issues. We hope that approach will help us learn more.

However, the data is not optimal in certain cases. It does not provide us with all the answers to our questions. We are trying to find out more. We will probably have more information in a few months.

I also mentioned the Statistics Canada survey that is currently being conducted. The sample size is 17,000 Canadian companies. That is a very good cross-section that will help us provide significant findings.

[*English*]

The Chair: Thank you, Mr. Beaudoin.

Thank you very much, Madame LeBlanc. We're well over time on that one.

[*Translation*]

Ms. Hélène LeBlanc: Thank you very much.

[*English*]

The Chair: Now we'll move on to Mr. McColeman

[*Translation*]

You have seven minutes.

[*English*]

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

Hon. Geoff Regan (Halifax West, Lib.): Sweet Chair....

Voices: Oh, oh!

Mr. Phil McColeman: I want to pick up on a little bit of the questioning of my colleague, Mr. Carmichael. When I look at page 5 of the deck on the “Investment per Worker” and the two graphs, the first one tells me something.

Although my favourite subject at grad school was not stats, when I look at the second graph as investment per worker, on the surface it sounds fairly relevant, but there are so many variables here that I'm just wondering what it really tells us, if anything. If the traditional 10% multiplier between Canada and the United States were applied to it, perhaps it would tell us something.

Can you give us a little more insight on how that is relevant?

Mr. Alain Beaudoin: It's an excellent question.

I referred previously to the study that we have right now with the Centre for the Study of Living Standards, for example, which we hope will help us answer some of those questions. What we're trying to do is to disaggregate that number and understand exactly where the big gaps are, where the delta is.

Is it explained, for example, in the higher adoption and use of ICTs or bigger expenditures in some specific sectors? Is it explained, for example, by the different structure of the industry? For example, in Canada we have fewer big firms. Does that explain the big gap in some cases?

It's something that we're trying to understand, because when you look at the aggregate data, it's only an aggregate number, which doesn't tell us the extent of the story. It's one thing that we hope we'll be in a better position to understand. But we know, for example, that part of the explanation might be because of some sectors being much more ICT intensive, thus investing much more in these fields. Whether or not it's because of the scale of the firms, we're not entirely sure yet, but we hope to have better answers in a couple of months from now.

Mr. Phil McColeman: I appreciate that response to my question, because to me it's almost a dangerous graph, a dangerous statistic to use, in that I don't know what it's really telling us, given the other data. That's not to criticize that we have it, but there's this psychology that goes with looking at it and saying, “Oh, we're not doing as much as we can”.

In the graph above that, “Total ICT Investment in Canada”, we at least see an upward trend since 1990, and then your next slide actually gives us a snapshot of a period of time, from 2007 to 2011.

Do we know the total U.S. dollar value of investment compared to what is represented here in Canada? What would that graph look like in billions of dollars if it were for the United States?

● (1600)

Mr. Alain Beaudoin: Is that graph 6?

Mr. Phil McColeman: It's graph 5, on page 5, the top graph, “Total ICT Investment in Canada”. It shows this in billions of dollars from 1990 to 2010. Do we know what the United States experience is here in terms of how many real dollars they're spending and what their graph would look like?

Mr. Alain Beaudoin: I don't have the answer to your question, but what we will do, if the chair agrees, is get back to the clerk to provide you with that answer.

Mr. Phil McColeman: Thank you. I appreciate that, because I think it would be more indicative of whether or not we are keeping at the pace we should be as a country if we used the United States as the benchmark.

That leads me to my next question. How are we compared to other countries? How are we compared to the EU and other developed economies?

Mr. Alain Beaudoin: That's an excellent question.

We tend to compare ourselves to the United States first, south of the border, but at the same time, it's because they tend to be the most ICT intensive. At the same time, if you compare us to other countries, we actually compare relatively well overall.

For example, our ICT investment as a share of GDP in 2007—because these are the latest figures that we have for making some comparisons—is very comparable to what's going on in Japan. As a matter of fact, it's higher than Germany's. Some people might be surprised by that.

But everybody is facing the same challenge. The United States is the leader, but when you look at it afterwards in terms of the countries and the gaps and the differences between them, the intensity is much smaller than one would expect. Actually, this is where Canada fares relatively well in and of itself.

Mr. Phil McColeman: Thank you for that.

My last question will be about the literacy of SMEs on this front. We continually talk about the skills shortages that exist, but more so in terms of individuals who are ICT literate.

From your look at where we are today, how are SMEs doing on that front in terms of the amount of people who are literate within SMEs and who can actually adopt this kind of policy? Are there any data on that?

Mr. Alain Beaudoin: We don't have data on that. To perhaps build on your question, though, in order to do better matchmaking between the needs of the industry and also in terms of the skills, I referred earlier to the $500-million initiative in the last budget. That is meant to address in some ways that particular issue.

One other thing that I would say I am cautiously optimistic about is that as younger people are entering the marketplace and starting their own firms, they are, by default, digitally literate. They are much more used to digital technologies because they have been dealing with them since they were young kids. They are very familiar with the importance of it, but they're also very familiar with the benefits of it.

The Chair: Thank you, Mr. Beaudoin.

Thank you, Mr. McColeman.

Mr. Regan, you have seven minutes.

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

Thank you to the witnesses.

I'm going to follow along the line of questions that Mr. McColeman was asking in this area, because I think they're important questions.

First, though, can you tell me how many employees there are in Industry Canada? Is it 5,000, or 8,000...? Do you know?

Mr. Alain Beaudoin: We would have to get back to you on that.

Hon. Geoff Regan: It's better for the deputy minister, I suppose, to answer that. He'd know, of course—or Mike could tell us later.

It strikes me, looking at the charts on page 5.... You noted that the American numbers may be skewed by a small number of companies doing a lot of adoption.

It seems to me that you'd look at the Dow Jones Industrial Average of 30 companies. Among those 30 companies are 20 or so that spend a lot on R and D, and probably on information and communication technology, and do a lot of research and produce a lot of new products that keep companies like Procter & Gamble and so forth going. So it would be important to take out the large companies.

As you know, what we're studying here is the adoption of digital technology by small and medium-sized Canadian enterprises. What I guess I would want to see, then, is something that compares the situation of SMEs in Canada in terms of the adoption of ICTs in digital technologies compared with the U.S. What we have is Canadian companies overall.

Are you telling me that nowhere in Industry Canada are you able to get us the information I'm talking about, that actually compares apples to apples, Canadian SMEs versus American SMEs, and that takes out not only those big 20 but the big companies generally?

● (1605)

Mr. Alain Beaudoin: That's an excellent question.

As I referred to earlier, part of the challenge is the access to data and to make sure that we have sufficient granularity in order to undertake that analysis. When you look in terms of Statistics Canada, they do not collect investment figures by firm size. That's part of the challenge.

That's why I referred to the study earlier that we're undertaking with the Centre for the Study of Living Standards, where we're trying to get more answers on that particular issue that you've just pointed out. We're going to try to segregate some of the assumptions to try to see if there are some explanations that we can find by segregating some of the bigger firms, for example, or the bigger-sector.

Hon. Geoff Regan: I think it's fair to say that we on this committee think this is a very important topic, the adoption of digital technologies. This is why we're having this study.

In terms of assessing what this information is telling us....

[*Translation*]

I will wait until you are ready.

Okay.

If you look at page 6, you will see that the data comes from different sources in the two surveys. However, this does not mean that the figures are invalid.

How is web presence defined? Did both groups measure the same thing in 2007 and 2011? What is your definition of web presence?

Mr. Alain Beaudoin: That's a very good question.

We need to check what definition Statistics Canada used in 2007 and what CEFRIO used in 2011. Mr. Chair, we could check what those definitions were and send you the information.

However, I should mention that what is seen as web presence in 2013 is very different from what was seen as web presence in 2007. That has changed a lot. That's one of the challenges all analysts and stakeholders have to contend with, given the fact that technology is moving extremely quickly. We are talking about the web, cloud computing and all the other elements of the information technology ecosystem. We cannot necessarily learn about the future by looking at the past. We are aware that we don't know what the future holds for information technology.

[*English*]

Hon. Geoff Regan: I ask because it's not at all rare for me, when I'm looking for some of the businesses in my own riding or elsewhere, to go on the web and find a reference to a business, some site that shows you where restaurants or other kinds of businesses are. There will be an address for it, but that's the only reference. It has no real presence itself.

If that is considered a web presence for that business, then I am much less impressed when we say 70% of our businesses actually have their own web presence. So that's why that question is particularly important to me.

Let me ask you this. We've heard from people like Thorsten Heins of BlackBerry and others about how important mobile technology and its adoption are. What is the government's strategy to encourage the adoption of mobile technology?

Mr. Alain Beaudoin: Thank you for the question.

Just to go back and compare 2007 and 2011, my colleague here just emphasized that the definition of web presence is having websites. So they were looking at websites per se. I hope that answers your question.

With regard to your question about mobile technology, as we mentioned in our previous testimony, on March 7 the government announced additional measures that it's taking to increase competition in the wireless sector. We emphasized that the government is reviewing the policy on spectrum licence transfer requests with the objective of promoting a competitive environment, as well as expanding and extending the requirement for companies to provide roaming to competitors, and strengthening cell tower-sharing rules to further reduce proliferation and to deliver better services. Also, the minister emphasized a measure to ensure that at least four providers in every region can acquire spectrum in the upcoming 700 megahertz spectrum auction.

● (1610)

Hon. Geoff Regan: We heard some of that here. Thank you.

Let me ask you another one. A representative of the Canadian Chamber of Commerce was before the committee and made the following comment:

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

That's based on a study by the Boston Consulting Group. Why is Canada missing out on a $4.2-trillion opportunity, and what's the government doing to change that?

Mr. Alain Beaudoin: I would have to go back and familiarize myself with the study you referred to, but I would say that a number of ICT companies in Canada are seizing these opportunities. There's a lot of growth out there. You referred to BlackBerry as one example. There are many Canadian ICT companies that are quite successful.

As a matter of fact, if you look at the ICT sector, there are more than 31,000 firms in Canada, small and large, and we have also the presence of a number of foreign companies with significant footprint and presence in Canada. Companies like Ericsson or IBM use Canada as an R and D centre of excellence. They see Canada as a location of choice for their investments, and they see Canada as having access to the type of talent they require in order to compete globally.

The Chair: Thank you, Mr. Beaudoin.

Thank you, Mr. Regan.

We're now going on to our five-minute rounds.

Mr. Braid, please go ahead for five minutes.

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

Thank you to our officials for being here today.

Moving through your presentation, I have a couple of questions. Starting on page 6, there are statistics moving forward from 2007 to 2011, with 41% versus 70% having a web presence, and 8% versus 18% being online, between those two years.

Could you elaborate what's underneath these increased numbers? What's driving these increased numbers? I think we have all noted and agreed that they're still not good enough, but at least they're moving upward. Could you elaborate on what you think is underneath the move upward?

Mr. Alain Beaudoin: Thank you. That's a very good question.

I think a simple answer would be to say that increasingly firms see the importance of having, for example, a web presence. I referred earlier to tourism operators. Increasingly individuals are doing their bookings online. A large majority of bookings, as a matter of fact, are taking place online.

Obviously firms and SMEs will see the benefits of having a sophisticated presence online to, first, make sure they can be found, and second, to make sure that people can do the booking in and of itself. A lot of people might decide not to go to a particular location if they can't do the booking online. If there's a phone number to call, they might decide otherwise, depending on where they are and the type of customers they are.

With regard to selling online, I referred to companies like Beyond the Rack, and there are other examples. I think there's a firm not too far from your own riding, Well.ca, which is growing exponentially as well. It's a very successful firm. They see that there are some opportunities there. People are increasingly interested in buying products and services online. It's increasing.

This doesn't talk about increasing revenue as well, which is likely bigger in terms of growth as a whole.These are figures that capture just a certain number of firms. We talked earlier about how not all firms necessarily need to have a web presence, nor do they need to sell online. Some of them don't sell online, but they still need to have a web presence or to use digital technologies, for example, to manage their own supply chain.

There are different ways; this is not, in and of itself.... We will never reach 100%, just because of the industrial structure and because of the business structure of those firms, but it at least shows that there is positive growth. There is progress. The 2013 StatsCan survey results, which will be released in June, will give us a better understanding of how much progress we've made since 2007 or 2011.

Hopefully that answered your question.

● (1615)

Mr. Peter Braid: Yes. Thank you.

Throughout your presentation, you mentioned two areas of business and business opportunity that I think are critically important—I think they're growing here in Canada, and as a result providing opportunities for further job creation—and those areas are cloud computing and the development of mobile apps.

Could you speak to what the government has done to help create a solid foundation and a good environment for the growth of business in those two areas? And what can we continue to do to make sure the growth in those two areas continues?

Mr. Alain Beaudoin: Thank you.

First and foremost, you have to make sure that you have good economic fundamentals. That is critical for firms. Canada fares really well on that front. It's something that firms will always look for.

They also want access to the type of talent they need in order to undertake the R and D they require in order to be innovative and productive. That's one key thing. Canada is recognized as providing the type of talent they require.

There's also a need to make sure that those companies can have access to the type of capital they require in order to grow. On that front, government has invested a significant amount of money in the last few years. In the last initiative announced in the budget, for example, $100 million will be provided by the BDC for companies that will graduate from business incubators to accelerators. A lot of these firms, for example, are in the ICT world.

You talked about computing and mobile. Well, one thing that's important is making sure there's an ecosystem and environment that will be conducive for those firms to grow. For example, in Toronto last year, IBM announced that they'd struck a $250-million partnership with seven universities to look at the issue of data analytics, which a lot of people refer to as “big data”.

The Chair: *Merci, Monsieur Beaudoin*.

That's all the time you have, Mr. Braid. Thank you.

[*Translation*]

Mr. Lapointe, over to you for five minutes.

Mr. François Lapointe (Montmagny—L'Islet—Kamouraska—Rivière-du-Loup, NDP): Having only five minutes to spend on such a technical and important topic is torture.

Mr. Beaudoin, I will try to present the four issues I am concerned about.

I do not like the fact that deputy ministers are appearing. I like meeting with you, given your knowledge, but you have a mandate. I will be very critical, but I know that this is your mandate and that things are not always up to you.

Here is the first issue I am extremely worried about.

You develop an equation and say that it will be possible to determine the increase, since the best statistics will soon be available. Yet you yourself admitted that you did not have adequate statistics in 2007. If good data is available on one side and bad data is available on the other side, the improvement cannot be assessed. The statistics should have been adequate from the beginning to make it possible to measure the increase. I do not understand that.

Will you make sure to cover different categories this time? By that I mean computers, communications equipment, the use of software, presence on social networks—which are like another world—domestic and international online transactions. Those factors have a huge influence on tourism. As Ms. Peters must know, the SME sector is big. Are the manufacturing sector and the goods and services industry looked at separately? Both sectors consist of companies of fewer than 500 employees, but they are still very different. Are you planning to cover all those aspects when, in principle, the data will have been improved?

As for the connection between Canada Job Grant and SMEs, I would like you to check something. The manufacturers association has many chambers of commerce in the regions. However, their opinions on that initiative with regard to SMEs are very negative. If a program requires 15 electricians, companies like Bombardier will be successful, but SMEs are extremely critical of this program. A small company that needs an electrician will not always have the required $15,000. This information is not coming from me, but from most SMEs. They find the program to be ill-suited to their needs. So before we say that this is a wonderful solution, these issues need to be looked into. That's pretty important.

My third point has to do with how our results stack up against those achieved in the United States. You may say that our results are extremely good, but the U.S. is our neighbour and main competitor. Our figures in terms of communications equipment are at 28.6%. Do you have any idea why? Is access to tools in francophone sectors slowing things down so much? Why are we so behind? We can't even produce a third of what they do.

Some of the aspects—such as having a computer—are not so bad. We are at 80%. However, we are at 28% when it comes to communications equipment. Something is seriously wrong. Do we know what is at the root of this? I think it would be very important to find out.

I am getting to my last point, concerning the whole e-commerce field. We have to position ourselves much better in that area. The U. S. administration is considering overtaxing e-commerce. The logic behind that is to level the playing field, since real retailers have to pay taxes.

Are we ready to deal with that? What is Canada's position? What would be the impact of Canadian e-commerce? Should we follow the American lead?

● (1620)

[*English*]

The Chair: Mr. Beaudoin, you'll have to prioritize your answers. You have a minute and a half.

[*Translation*]

Mr. Alain Beaudoin: Allow me to begin with your second point, regarding the categories.

The questionnaire for the Statistics Canada survey is online. We will send it to the committee clerk. That way, you will be able to see that many of the elements you mentioned are included in the survey.

You also said that the programs are ill-suited to SMEs' needs. However, I cannot comment on some of the programs you talked about.

Mr. François Lapointe: Can't this equation be applied to the Canada Job Grant?

Mr. Alain Beaudoin: I want to point out that IRAP helps companies adopt and use ICTs. It helps them hire experts to apply ICT solutions.

In addition, you talked about the differences between Canada and the U.S. Earlier, I mentioned the study conducted by the Centre for the Study of Living Standards. We are trying to gain a better understanding of what is causing the differences between Canada and the United States, and specifically why Canadian companies are investing less in programs than in computers. In terms of ratio, we are talking about 120% compared with the U.S.

The Chair: Thank you, Mr. Beaudoin.

[*English*]

Monsieur Lapointe, time is over now.

We'll move to Mr. Lake for five minutes.

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

Thank you to the witnesses. This is really interesting and you've highlighted one of the challenges we had as we were discussing the study in the first place. You'll notice that even the way it's worded, it's a very broad study, because it's tough to zero in on the areas and even to know where to zero in to start with.

I want to just go really basic here to start. When we're looking at definitions, there was a lot of talk about this chart on ICT investment per worker. When you say ICT, what is ICT when you're calculating those numbers and what is it not? Maybe having definitions of ICT would be helpful as we're moving through.

Mr. Alain Beaudoin: It's an excellent question. What we're using as a definition includes computers, communication equipment, and software.

Hon. Mike Lake: Okay. So you're not saying labour per se, someone who works in ICT in an organization and supports people as they use their technology? That person wouldn't be considered to be divided among the rest of the company in terms of investment?

● (1625)

Mr. Alain Beaudoin: For those specific measures, no. The labour is not captured as part of those measures. Those are mainly capital investments.

Hon. Mike Lake: Okay. Actually I was interested in the examples you gave. You gave Tim Hortons and a couple more examples when you were speaking. You just touched on them really quickly in terms of what they're doing. Maybe you could elaborate a little bit more on what they're doing that's successful. Why did you bring those companies up?

Mr. Alain Beaudoin: That's an excellent question.

There are many examples there. If the committee is interested, we can send more examples of what we see as success stories. I would encourage the committee, when you have the BDC and IRAP here to testify in the next few weeks, to ask them to tell you more about some of the key companies they think are great success stories.

The reason, Mr. Chair, I raised those three was to give a snapshot as to the fact that there are success stories out there. Some firms are optimizing and maximizing the opportunities that they have in front of them. There are great success stories. We think emphasizing those success stories raises awareness amongst various firms and various sectors of the benefits of, for example, having a more sophisticated presence on the web or being more aggressive when it comes to e-commerce or thinking about the possibilities that those technologies give them.

Very often when you look at what's going on in the ICT world, the initial intent of some technologies goes beyond what you think of it in terms of the applications. For example, if you go back to when the iPhone was launched in 2007, nobody imagined how important the application ecosystem would become and how these tools would be used, for example, to measure productivity by various firms in doing their day-to-day business.

Hon. Mike Lake: There's been a lot of focus on the stats, and I do get concerned when I read some of them, because I don't know whether they capture the full picture. I look at the 8% sold online versus 18% sold online. Even the phrase “sold online” nowadays is something that I'm curious to get my head around what it means. If I reload a Tim Hortons card or a Starbucks card online, I still go to the Starbucks or the Tim Hortons and use the card. Is that considered to be an online sale?

Mr. Alain Beaudoin: That's an excellent question.

It tends to capture goods and services.

Hon. Mike Lake: It's goods and services, but again, if I use my credit card to put $100 on a Tim Hortons card....

Mr. Alain Beaudoin: That would not be captured as part of that. It would not be an electronic....

Hon. Mike Lake: It would not be captured. Even though I'm paying $100 online, it wouldn't be captured, because I'd go to get the good, that is, the coffee.

Ms. Josie Brocca (Acting Director, Digital Adoption Directorate, Spectrum, Information Technologies and Telecommunications, Department of Industry): Just to clarify that, the stats that are on slide 6 are reported by the business. So when you as a consumer load your Tim Hortons card, that would be captured in another set of statistics, which StatsCan has called “The Canadian Internet use survey”. Those types of activities would be included in the responses you would give there. But these are just the businesses actually selling a good or service over their website.

The Chair: Thank you very much.

Thank you, Mr. Lake.

We'll now move on to Mr. Harris for five minutes.

Mr. Dan Harris: Thank you, Mr. Chair.

Just to follow up on that, where it might actually get captured is if Tim Hortons is reporting that they're selling online. Then it would be captured here.

Ms. Josie Brocca: That's correct.

Mr. Dan Harris: First off, I actually want to thank Mr. Carmichael for asking a few of the questions I was going to ask. Now I can delve a little bit deeper in regard to productivity and broadband costs—

Some hon. members: Oh, oh!

Mr. Dan Harris: —but first I just want to go back to the Canada job grant. When is this program actually going to come into effect and start training people?

Mr. Alain Beaudoin: I'm sorry. We're not responsible for that program, and we don't have details on that front.

Mr. Dan Harris: Okay, but since you did bring up the program in the discussion earlier in regard to one of the potential solutions, it would be good to have that kind of information available. It makes it a little hard to ask my next question, which would have been, what kinds of studies have been done to measure the impact of that change? I'll leave that for another time.

What kind of digital strategy does the government have with respect to the digital adoption of technologies for SMEs, for business in general?

● (1630)

Mr. Alain Beaudoin: Thank you.

I referred to some elements before with regard to the most recent initiatives that the government has put in place.

There is the digital transformation program, which IRAP is responsible for. It was announced in budget 2011 and launched in November 2011. You will have the executive director here in a couple of weeks from now.

This is an $80-million program that is meant to provide support for companies in order to increase their adoption and use of ICTs. It provides funds to firms. It also provides advisory services to these firms, because they have what they call “industrial technology advisers” in IRAP. These industrial technology advisers are specifically dedicated to helping firms find customized solutions to their problems.

I also referred to the fact that the BDC has a website that provides free service and free advice online, and it actually provides free assessments of the sophistication and efficiency of your website. As I referred to earlier, they've already done more than 20,000 assessments of those websites. SMEs have the opportunity to do that. Also, they've put aside—

Mr. Dan Harris: Sir, I'm just going to stop you, because I think my colleague has a point of order to raise.

The Chair: Mr. Regan, I was anticipating your question about the executive director of IRAP coming in—

Hon. Geoff Regan: Well, my question is that Mr. Beaudoin has I think twice mentioned people who are coming to our committee and whom we, as members of the committee, haven't heard about and don't know about yet. So I'm wondering how he knows who is coming before the committee when we don't even know, and you don't seem to know.

The Chair: I don't have it memorized, but we have a witness list. I don't think it's in camera or anything like that, but is public knowledge. So if you want me to verify that the people are booked, I can—

Hon. Mike Lake: On a point of order, Mr. Chair, I'm not sure if Mr. Regan.... Is there is a law that if someone else got called to be a witness before the committee, they can't tell another witness before the committee that they've been called? I'm not aware of such a law.

Hon. Geoff Regan: Mr. Chairman, it just seems odd to me that we're hearing it from the.... I don't think we've seen a list ourselves of who is coming before the committee, so it just strikes me as rather strange.

Thank you.

The Chair: Okay—

Hon. Mike Lake: I move that we let the clerk do his job and just trust him to do it.

An hon. member: It's not a point of order—

The Chair: Yes, I stopped on a point of information, and we'll certainly confirm the witnesses for you, Mr. Regan, but we'll let Mr. Harris proceed now.

Mr. Dan Harris: Before we start the clock, how much time do I have?

The Chair: You have two minutes left.

Mr. Dan Harris: Thank you.

Going back to earlier comments, in your opening presentation you spoke about how 85% of businesses have access to high-speed Internet, and then you made reference later on to the previous testimony about 99% of individuals having access to high-speed.

Why is there a 15% gap between businesses that have access to high-speed and individuals, because getting to the home tends to be even more difficult than getting to the business?

Mr. Alain Beaudoin: What I referred to are the firms with current connectivity, so the ones that are connected, as opposed to the fact that they have access. Some firms decide not to be connected. It was business connectivity, sir. I'm sorry if I wasn't clear. That's what it's all about.

Mr. Dan Harris: That's fine.

Also, earlier, in regard to the ICT investments and the productivity gap, you mentioned that in some sectors Canadian companies spend more and in others they spend less. Do you have data on this that you could provide to the committee? I think I might have seen a graph or something there. I think that would be very useful for us, because it might actually provide some context as to which sectors are doing better than others.

Then in terms of finalizing that study on productivity, even if it comes later than this study itself, I think it would also be very useful for the committee to see it. I say this because the productivity gap that we do have is one of those alarming things and has a number of different causes. Some of it is caused by the ICT investments, while the other reasons have to do with more physical things like gridlock and congestion in cities. All of it has some impact on the larger picture that affects businesses.

Going back to what Mr. Carmichael raised about broadband costs and accessibility, has the cost of broadband actually dropped much for consumers and businesses in the last five years?

● (1635)

Mr. Alain Beaudoin: I referred earlier to access to broadband and wireless. Since 2008, when the government put in the AWS auction, which allowed for the entry of four players throughout the country, if you look at the overall average costs of wireless subscriptions, there has been an average savings of 18%. These are new figures that just came out. So there's been downward pressure on costs overall of 18% for wireless subscriptions.

Mr. Dan Harris: That's in the last five years.

Mr. Alain Beaudoin: Since 2008.

The Chair: Before I go on to Madam Gallant, I just wanted to let members know that all parties recommend witnesses; there's no secret to them. There are some things that we don't belabour you with as far as lists are concerned, but if you'd like all the lists as far as the witnesses go, we can transmit those to you. We have no problem doing that. You can see that for each study they get rather cumbersome, but I have no problem providing you with that, so just please—

Hon. Geoff Regan: On that, Mr. Chair, the key thing and my concern would be that no member of the committee gets it ahead of any other member of the committee, and no department of government would get it ahead of members of the committee.

The Chair: Sure.

Now, on to Madam Gallant for five minutes.

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

Some of the questions that have been directed to you have been regarding what government can do to encourage more digital uptake by businesses. But already the CRA will be requiring people in businesses to do their annual tax filings online. Companies are being required to submit electronically their monthly source deduction remittances above a certain amount. We have the accelerated depreciation of computer ware as an incentive to bring people online.

In my riding, we have a new dairy. A young family didn't want to let the business go under when the owners decided to retire, so they took it over. They wanted to be more efficient, and they're only using a certain capacity of it. But through leveraging with the eastern Ontario development program and IRAP, they were able to take a $150,000 project that essentially allowed the truck driver for the milk delivery to take an order, send it to the dairy, have everything put into production for the next day, and have delivery. Training as well was involved, so it was quite costly. They could have done it themselves, totally, but it would have been a much longer process.

Here we have an example of government doing something already to help them over that huge cost of becoming more efficient. Over time their investment will be paid off through bigger sales, and the government will get its money back through higher tax revenues.

Another company, Deslaurier woodworking and cabinetry, had a fire on New Year's Eve a number of years ago. They could have taken the insurance money and run, and just retired nicely. Instead, they had a commitment to the 150-odd employees who worked there, and they found another location to do their manufacturing.

When they did so, they were able to obtain a grant as well. They got this CAD software and upgraded their system stabilization. Now when an order comes in and somebody decides on what they want, every component in that kitchen or washroom or whatever cabinetry system gets a bar code as it's produced. Waste is minimized, because the pattern of what needs to be cut out overall is fed into a computer and scanned. A saw cuts it in the most efficient method so that the least waste comes out from the board, and so on down the line. It's put together by hand, and then eventually put out on the lot and sold. The taxes and everything due are all in one, streamlined. It's just wonderful.

So here we're doing that as well, and my question is this: we're doing so much already, what else is there besides what we're already doing? We have the stick and the carrot in place through programs and forcing people to do their tax remittances online. What else do you think we can do that won't necessarily be an overall cost to taxpayers, but where they'll recoup the money?

● (1640)

Mr. Alain Beaudoin: Thank you for your question.

I will refrain from offering new ideas that the government could undertake, because that's the prerogative of the government and the minister.

One thing I want to emphasize, though, is that, as I said in my presentation, we think the private sector has a key role in playing into this. We hope that some of the success stories referred to earlier, and the positive outcomes that will be spurred on from the investments in BDC and IRAP, and I earlier referred to CANARIE as well, will be useful for the private sector, for various organizations themselves, to raise awareness among their own members and with companies so that they can see the benefits of investing increasingly in ICTs, in digital technologies.

Like some of the great examples you referred to, they're already doing this. For example, the Canadian Chamber of Commerce has a very large network, as do both Canadian Manufacturers & Exporters and Information Technology Association of Canada. They, essentially as providers of those technologies, are trying to increase awareness throughout the economy, but this will, we think, have to increase in order for people to see these benefits.

We hope that those pilots, those initiatives that we've put forward, will have a spillover effect as a whole. Those federal organizations are already working, for example, with organizations and colleges. IRAP, with the digital transformation program, has a number of partnerships with colleges across the country in order for those colleges to provide the type of advice and expertise that these firms require. At the same time, it helps develop the type of skills and talent we need in colleges, and then they can transfer that knowledge to firms in order to benefit everybody as a whole.

The Chair: Thank you very much, Mr. Beaudoin and Madam Gallant.

We'll now move on to Monsieur Blanchette.

[*Translation*]

You have five minutes.

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

Thank you kindly to our witnesses.

Mr. Beaudoin, thank you for mentioning CEFRIO, a Quebec City-based organization. I am always delighted when an organization in my city serves as a reference. At the same time, it highlights the fact that we are lacking the information to make decisions.

Speaking of facts, the federal government held consultations on the digital economy in 2010. I recall ministers at the time engaging in considerable discussion. The process was supposed to lead to a digital economy strategy or policy—the term used would change depending on the day. In any case, there was a strong commitment at that time. The ministers appeared to be very sure and very serious.

But nothing came of it, truly nothing. Could you tell me what emerged from those consultations and what came of the results? If we could have obtained that information, I think the committee would have been further along in its study.

Where does that stand?

Mr. Alain Beaudoin: It's important to look at the initiatives brought forward by the government and the many elements supporting the digital economy that came about in direct response to issues raised by the various stakeholders. For instance, I mentioned the importance of ICT adoption and use.

Mr. Denis Blanchette: I understand all that.

Mr. Alain Beaudoin: There is also—

Mr. Denis Blanchette: Forgive me for interrupting, but I asked a very specific question. The federal government held consultations on the digital economy. There were websites that mentioned it. There was even one called “Plan for a digital Canada”, which is no longer available; I checked a little while ago.

The consultations were supposed to produce policies, information and a picture of Canada's digital economy. Now, there is nothing to speak of. And you didn't even mention it in your presentation.

So I would like to know what came of it. That, right there, is my question.

Mr. Alain Beaudoin: As I told you, the government introduced various initiatives, such as the spectrum auction announced by the minister in March. I also referred to a number of initiatives brought forward to support ICT adoption and use.

In the past few years, the government also made a financial investment, doubling IRAP's funding. Telecommunication, information and communication companies rely heavily on that program.

● (1645)

Mr. Denis Blanchette: Very well. Thank you. I can see that you don't want to answer the question. That's fine. I will move to another sector.

Earlier, you talked about social networks and websites. To my mind, you shouldn't choose between one or the other; you need both. In other words, it is paramount that SMEs have the ability to offer their products and services online and, from a marketing standpoint, to communicate with people online.

With that in mind, what is your view on encouraging small and medium-sized businesses to sell their wares online? Travel agencies were mentioned earlier. That's a great example. What are you doing to push small and medium-sized businesses in that direction?

Like it or not, even though the diagram on page 6 shows an improvement, the reality is it is happening slowly, not quickly. And that puts us behind other big economies.

What are you doing on your end to ensure that we don't fall behind while others move forward?

Mr. Alain Beaudoin: Thank you for your question.

As I mentioned, three initiatives directly targeting SMEs have been introduced since 2011.

I referred to the IRAP pilot project, which represents an $80-million program spanning three years. Basically, it is designed to provide advice, information and funding to businesses to help them increase their use of information technology.

I also talked about the BDC, which offers a free online service that can evaluate a business's website. I mentioned the fact that more than 20,000 Canadian SMEs had already had assessments done.

In addition, the BDC has earmarked $200 million specifically to help these businesses acquire the equipment they need to increase their use of information technology.

Mr. Denis Blanchette: I am going to rephrase my question.

What is the department's strategy? What areas does the department plan to invest in to help our SMEs remain competitive in the global marketplace? Doing something now is key. From their perspective, it's either an investment or their demise. In a globalized market—

[*English*]

The Chair: Mr. Blanchette, you're way over your time. If you want to be succinct, I'll let Mr. Beaudoin go ahead, but you're over your time.

[*Translation*]

Mr. Denis Blanchette: Thank you, Mr. Chair.

What areas of activity does your department intend to focus on to help our SMEs?

Mr. Alain Beaudoin: I mentioned three initiatives that all come under the department's portfolio, IRAP, the BDC and the CANARIE program. We use those programs and initiatives to assist small and medium-sized businesses in adopting ICT or expanding their use of the technology, and by the same token, increasing their level of productivity and innovation.

The Chair: Thank you, Mr. Beaudoin.

[*English*]

Now we'll go on to Mr. Lake.

Just for transparency's sake for the committee, because we're finishing one five-minute round and going to the third, Mr. Lake's time will be two five-minute rounds, so I don't need to interrupt him. He can expend the 10 minutes.

Go ahead, Mr. Lake.

Hon. Mike Lake: I don't know if I'll use the whole 10 minutes anyway.

I have to say that I do find the NDP approach of Mr. Blanchette and Mr. Lapointe in both of their lines of questioning to be quite astounding. For a party that would love to be in government one day, the lack of respect for the officials we have here today is quite something, I must say. We're talking about officials—

Mr. François Lapointe: A point of privilege, please.

Hon. Mike Lake: Yes, go ahead.

The Chair: Go ahead, Monsieur Lapointe.

[*Translation*]

Mr. François Lapointe: I started out by saying that I appreciated having the witnesses here, that their positions as senior-ranking officials were bound by terms and that I should ask questions about the results of those terms. There was absolutely nothing inappropriate, harsh or personal in what I said.

Here, we have an opportunity to find out what the policies of the government in power are, and our job is to ask questions to that end. When I ask a question, it is not out of a lack of respect. Otherwise, the official opposition's job would simply be to say, “okay, thank you very much”.

[*English*]

The Chair: Thank you, Monsieur Lapointe. It wasn't really a procedural point.

Go ahead, Mr. Lake. We'll restart the clock.

● (1650)

Hon. Mike Lake: That's fine. I will continue, actually, on that.

The officials who are here are the same officials who I would presume probably served—I'm not sure in the case of all three—under a Liberal government previously, and who would serve under whatever future government there might be. In my role as a parliamentary secretary I have had the opportunity to benefit from the completely non-partisan expert advice of officials across Industry Canada.

I do have a little bit of a problem, particularly with Mr. Blanchette's assertions a few minutes ago, or just the tone of his questioning. They're here because we invited them here as a committee to answer the questions we have on this issue. It's an important issue that we want to get to the bottom of, and they're here as experts and conduct themselves professionally. I just object to the tone of the questioning.

That's okay. I mean, you disagree, but I'll move on to some questions.

In regard to slide number 6, I talked earlier about the numbers of things being sold online. We have the numbers referring to the number of companies with a web presence. It is actually surprising to look at that 70% number, with only 70% of SMEs having a web presence. I want to know a bit about what may be behind those numbers, so could you perhaps just share a little bit on that? Is there a typical profile, for example, of a company that doesn't have a website? Which ones out there in that 30% are the companies that don't have websites? There might be good reasons why they don't. I don't know.

Mr. Alain Beaudoin: It's a very good question. I'm not sure I have all the answers, but one thing is that it's why we're going out to the field: to have a better understanding as to what's going on, to have more granularity there.

As for whether or not some firms, for example, think that they don't need to have a web presence, there might be some firms, depending on the type of business they are in, that might decide not to have a such a presence in and of itself. Again, these are firms or SMEs with employees, so the data might be capturing a corner store, for example, which might not have a web presence in and of itself and might not think they need one. In some cases, they might be highly specialized firms that are part of a very sophisticated supply chain and might not think, therefore, that they require a website.

In some cases, there might be firms that might need a website and would benefit from a website presence. That's where we hope, for example, that some firms, as part of the three programs that I referred to earlier, will see the benefits of having a web presence if they require one, and to make sure that they have a sophisticated one that will capture the attention of consumers or other firms in order for them to get the attention they require....

My apologies for not providing a great answer to that question.

Hon. Mike Lake: No, that's okay. That leads into a question I'm going to have in a second. But I'll follow up on that one, and the answer may be similar.

When we say web presence, oftentimes we go online and we're looking for a business, and we don't actually go to a website for the business, but they might have a Facebook page or they might have a page on someone else's website that's sort of a directory of companies in their field. Does that count as a web presence for the purposes of these types of studies?

Mr. Alain Beaudoin: Those figures refer to websites per se. So as I said earlier, Mr. Lake, that doesn't necessarily capture the firms that might decide not to have a website per se but might say instead that they're going to have a presence on Facebook or have a Twitter account or an account on whatever other social media, which might, from their own perspective, be more efficient for doing outreach to their consumers or to their clients.

Hon. Mike Lake: We're here addressing challenges that may arise or opportunities that may arise because of the digital environment evolving so rapidly, so might it be that the stats aren't actually keeping up with the evolution of the digital environment?

● (1655)

Mr. Alain Beaudoin: That's a very good point, and it's something we're mindful of. Part of the survey that we undertook with StatsCan involved sitting down with specialists to try to have as broad a scope as we possibly could and as big a sample as we could in order to better capture that digital technology or that digital environment you referred to.

As you mentioned, it's moving extremely quickly. One of the things I like to say, for example—and we're forgetting about this—is that the iPad was launched in the spring of 2010, so things have changed dramatically ever since. The digital ecosystem, the cloud, has changed dramatically.

How people use the various applications is something that was not foreseen when it was launched just a few years ago, and as for where it's going, your guess is as good as mine. Because I think what technology, especially information technology, has shown in the past is that we don't necessarily know what's going to happen in the future, which is quite exciting in and of itself.

Hon. Mike Lake: As we embark on the rest of this study, one of the things we probably want to do if we're going to do good work as a committee is to explore areas that maybe aren't being explored as much. We're probably spinning our wheels a little if we explore areas that have been explored 15 times already.

Where are the gaps in the knowledge right now? Do you have any thoughts on that? I'll add things to that question to give you a little more to work with.

Where are the gaps in the knowledge and what has been studied over and over again? Where do we have good information that we may not need to re-cover as we go through? Maybe as a committee we could have three or four really comprehensive reports distributed to us so we can look at them and understand them that way, but where's the new ground?

Mr. Alain Beaudoin: Let me try to start and maybe my colleague would have other elements to offer.

I referred earlier to the graph in the previous slide that shows the delta, the gap between investments per worker in the United States and those per worker in Canada. Maybe you could look at the explanation for that significant gap. As I said, when you look at it from an aggregate perspective, it doesn't give you a good sense of where the gaps really are or maybe where the issues are.

As I mentioned, in our study, which we hope will be done in about two months or so, we're trying to look at that issue. We won't have all the answers, because there are some challenges when it comes to data, but once we have the specifics with the StatsCan survey in June, we hope we're going to have better answers there, more granularity, that will allow us to have a better understanding as to where the gaps are moving forward.

Hon. Mike Lake: Okay.

I'm going to go in a completely different direction with my last question, just because it was one I wrote down early on in your presentation. I was kind of curious.

In regard to the SMEs selling online or having a web presence, has there been any research done on the abandonment rate? Is there any research on companies that have started down the path and have just abandoned the opportunity altogether because they have decided it's too cumbersome or too complicated or too expensive if they have taken the wrong path? I would think that would be a fairly common thing for companies to do.

Mr. Alain Beaudoin: It's an excellent question.

To my understanding, there's no data on this; there's no study on this. But you point to something that is really important when it comes to digital technologies, that the investment itself is just one component of the broad equation, because it also takes resources to implement these technologies and to keep investing and maintaining those operations.

One example of that is a website. It's one thing to have a sophisticated website to start with—let's say a firm hires a consultant to help them with the development of a website—but if they don't maintain the information on it and keep it up to date, then it will become out of date fairly quickly, and people will lose interest.

Hon. Mike Lake: Thank you very much.

The Chair: That's really all our time.

Madame LeBlanc, I'll give you 30 seconds. That will exhaust our time here.

[*Translation*]

Ms. Hélène LeBlanc: Once again, I would like to thank the witnesses for appearing before us and stress the fact that the official opposition holds government officials in the highest regard. That is why we take stands every day on cuts to services and staff across the public service.

We greatly appreciate your taking the time to answer our questions. It is always with the utmost respect that we ask them, but sometimes we have trouble getting answers. We are an opposition party, but we still want to make suggestions. And that may prompt us to ask questions to which answers from the government aren't always easy to come by.

Again, thank you ever so much for being here.

See you next time.

● (1700)

[*English*]

The Chair: *Merci, Madame LeBlanc.*

I would like to thank you all on behalf of the committee for taking the time to come here. Your answers and your deck were greatly appreciated.

I would also remind you that there are a couple of items for you to forward to the committee. I'll make sure that the members get them accordingly.

Ladies and gentlemen, the meeting is adjourned.