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**EVIDENCE**

**Tuesday, April 30, 2013**

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**Chair**

**Mr. David Sweet**



## Standing Committee on Industry, Science and Technology

Tuesday, April 30, 2013

• (1530)

[English]

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

Welcome to the 66th meeting of the Standing Committee on Industry, Science, and Technology.

We are studying the adoption of digital technology by Canadian small and medium-sized enterprises.

Before we begin, I have a couple of housekeeping things.

First, I'd like to get a motion regarding our present budget for this study. We always make sure there are some margins so that we have enough to cover the study, and it's \$6,300 for this particular study.

Can I get a motion in that regard?

Moved by Mr. Carmichael.

All in favour?

(Motion agreed to)

Also, I have the bad news that we now have two clocks again, and of course they are a little bit different. I will be going by the Blackberry time, which is 3:32 right now.

Finally, for Thursday's meeting, the clerk and I have received a communication that Minister Paradis, Minister Bernier, and the officials will only be available for the main estimates from 4:15 to 5:15, which means that our meeting will begin at 4:15.

**Ms. Hélène LeBlanc (LaSalle—Émard, NDP):** Could we get the officials from 3:30 to 4:15?

**The Chair:** We could try to communicate with them, but right now they're saying that Minister Paradis, Minister Bernier, and IC officials are available from 4:15 to 5:15 for the second INDU meeting on main estimates.

**Ms. Hélène LeBlanc:** So we're not given a reason, which is a little bit unfortunate. I understand that ministers have busy schedules, but we've had that meeting scheduled for a long time. I find this very unfortunate. It's also unfortunate that the officials will be here with the ministers for an hour, when we had requested an hour with each minister. The officials are always welcome, and we always have a lot of questions, but we are being deprived of our due time as the official opposition to put questions forth on important subjects that matter to Canadians.

I am requesting that we have the officials from 3:30 to 4:15, and then have the ministers do their presentations as soon as they arrive. After that, we can ask questions, as is our duty.

• (1535)

**The Chair:** I will make that request, Madam LeBlanc, and then I will communicate the response to the committee. I hope we will get a positive one.

Mr. Reagan, and then Mr. Harris.

**Hon. Geoff Regan (Halifax West, Lib.):** We've heard a lot over the years from members of the government, as well as others in academia and elsewhere, about the importance of studying the estimates in detail and spending time on them. I agree with my colleague that it's disappointing.

**Hon. Mike Lake (Edmonton—Mill Woods—Beaumont, CPC):** I have a point of order.

**Hon. Geoff Regan:** This is a point of order, isn't it?

We're on a point of order already, Mr. Chairman, it seems to me.

**The Chair:** I won't know until I hear it, Mr. Regan.

**Hon. Geoff Regan:** Isn't Madame LeBlanc's comment a point of order? Aren't I already speaking to a point of order?

**The Chair:** No, I just allowed the dialogue to begin, Mr. Regan.

Just hang on for a second.

**Hon. Mike Lake:** We have guests here waiting to testify. Perhaps it would make sense for us to reserve the last 15 minutes of this meeting to talk about committee business, so we can hear the guests who came here to testify.

**The Chair:** I'll do that if it continues at any length, Mr. Lake.

Mr. Regan?

**Hon. Geoff Regan:** If you recall, we were also going to invite the minister for ACOA. Do you have any information about her status and when she might be appearing? Do we have an answer from her?

**The Clerk of the Committee (Mr. Jean Michel Roy):** If I may, I asked the minister to appear, and I proposed three dates, the three meetings when the committee will return after the recess. That's the Tuesday in two weeks, the Thursday, and the last Tuesday in time for the estimates.

**Hon. Geoff Regan:** You haven't had an answer?

**The Clerk:** No, there has been no reply. I put the request in about a week ago.

**The Chair:** Mr. Regan, when we hear, we'll make sure that you're notified as quickly as possible.

Mr. Harris?

**Mr. Dan Harris (Scarborough Southwest, NDP):** Just to reinforce the point, it's frankly unacceptable for the opposition to have a grand total of 12 minutes to question the industry minister, the minister for small business, and the department officials on the estimates—on the budget that's being released. That's not nearly enough time. It's bad enough that we're getting both ministers at the same time—but then to have the officials crammed into that same period of time as well? That needs to be split off.

**The Chair:** We'll do what we can, Mr. Harris.

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

**The Chair:** Now I'll introduce the witnesses who are here with us regarding our study.

From the Canadian Federation of Independent Business, we have Corinne Pohlmann, the vice-president of national affairs; and Monique Moreau, senior policy analyst. From Pelmorex Media Inc. we have Paul Temple, senior vice-president of regulatory and strategic affairs. And from the Canadian Chamber of Commerce, back with us is Mr. Scott Smith, the director of intellectual property and innovation policy.

Who will be presenting for CFIB?

**A voice:** Corinne.

**The Chair:** Then please go ahead, for six minutes.

**Ms. Corinne Pohlmann (Vice-President, National Affairs, Canadian Federation of Independent Business):** Thank you for the opportunity to be here. With me is Monique Moreau, who will assist with the questions at the end.

CFIB is a not-for-profit, non-partisan organization that represents more than 109,000 small and medium-sized businesses across Canada. Our members represent all sectors of the economy and are found in every region of the country.

There's no doubt that digital technology is of growing importance to small businesses across Canada. One of the greatest benefits has been the explosion of the Internet, as it helps to showcase small businesses' products or services as effectively as those of their larger competitors and attract clients from around the world. But there are barriers to their ability to effectively adopt digital technologies that we'd like to raise today.

You should have a slide deck presentation in front of you, which I'd like to walk you through over the next few minutes.

I believe there are two aspects to adopting digital technology. The first is how easily small businesses are able to access the infrastructure needed to effectively use digital technology, and then once they have access, how easily they are able to use that technology in growing their business.

As you can see on slide 2, high-speed Internet is the most widely used form of telecommunication technology by small firms, and will be the focus of our presentation.

As you can see on slide 3, almost two-thirds of small businesses are using the Internet to make purchases online, and almost one-third use online directories or social media to market their business. In fact, all aspects of Internet use, in our 2012 survey, increased substantially since 2009.

But the most impressive growth has been in the number of small firms that have a website. In 2009 about half of small businesses had a website. By 2012 more than 70% did, a 40% increase in just three years. As you would expect, the larger the business, the more likely it is to have a website, as you can see on slide 4. So while virtually all firms with more than 100 employees now have a website, almost 60% of firms with fewer than five employees have one, which is 50% higher than it was in 2009.

As you can see on slide 5, besides using the website to provide information about their business, almost half are actively updating their website on a regular basis, and 21% are actually selling online, which is more than double the 8% that were selling online in 2009. But to many this growth is still not fast enough.

We believe that small businesses do want to embrace digital technology, but there are some significant barriers mostly related to cost.

First, smaller firms want to be able to access high-quality, high-speed Internet services, but just as important is that these services must be made available at a reasonable cost. The best way for these types of costs to remain reasonable is for there to be proper competition in the marketplace.

When they were asked from whom they purchase their Internet services, there seem to be a fairly healthy number of Internet service providers to small businesses across Canada, as you can see on slide 6.

However, when you look at the use of ISPs by region, you quickly realize that access to high-speed Internet for smaller firms is dominated by one or two players in each region, usually the incumbent telephone or cable supplier from that region. With the exception of Quebec and Ontario, other suppliers are not as prevalent, as you can see on slide 7.

In addition, many of these firms charge small business owners more than they charge residents for essentially the same high-speed Internet services, despite evidence that residents tend to be bigger consumers of high-speed Internet than small businesses are. In fact, almost half of those surveyed in 2012 were dissatisfied with the competitive options available in their area, as you can see on slide 8. Of even greater concern is that 55% of rural-based small businesses were dissatisfied with their competitive options in their area.

When we look at data based on whether small businesses are located in an urban or rural environment, 42% of those in the rural areas stated they had only one choice in their area, as you can see on slide 9. Clearly the competitive options for Internet service provider services in many rural parts of Canada remain extremely limited.

Another barrier relates to how they use digital technology to grow their business. Many have said that small businesses are slower in selling their products online. Part of this stems from the fact that to sell online, you may have to think differently about how you run your business, for example, how you manage your inventory, how you accept payments, and how you interact with your customers. However, we also believe that much of this has to do with the cost of accepting electronic payments.

In a study we did for the 2011 payments review, we found the most important obstacle to accepting electronic payments was that the cost of implementing the system did not justify the investment, as you can see on slide 10. In particular, it's the cost associated with processing electronic payments that discourages many from moving in this direction. With the recent introduction of mobile payments in Canada, which will add new players to the payments industry, there's even greater fear that these costs will go up even further.

Another factor for many is concerns with online security, as they feel there's a potential risk of losing customer or business data or having sensitive personal or financial information stolen, for which they become liable. This is especially worrisome for smaller firms that cannot always afford to protect their systems with more sophisticated software.

- (1540)

Finally, another cost factor that discourages many smaller firms from adopting digital technology is the cost of the hardware and software needed to properly take advantage of the latest advances. In 2009 and 2010, the federal government introduced a temporary accelerated capital cost allowance that allowed businesses to deduct 100% of the cost of computers and software in the year purchased. As you can see on slide 11, this was the most used form of government support aimed at encouraging innovation. We found in another survey that more than 60% felt that this measure was beneficial to their business. We believe that such a measure should be looked at again to encourage adoption of new technologies especially among smaller firms.

In conclusion, small businesses want to embrace digital technology to a greater degree but face certain cost barriers that combine to discourage them from adopting technology as quickly as we might like in Canada.

Some ideas to help overcome some of the cost barriers are on slide 12. It includes encouraging more competitive options for high-speed Internet services, updating the code of conduct for the credit card industry, encouraging the creation of more affordable and secure electronic payment methods, and reintroducing the 100% CCA for computers and software to encourage investment among smaller firms.

Thank you very much.

**The Chair:** Thank you very much, Ms. Pohlmann.

Mr. Temple, for six minutes, please.

**Mr. Paul Temple (Senior Vice-President, Regulatory and Strategic Affairs, Pelmorex Media Inc.):** Good afternoon. My name is Paul Temple and I'm the senior vice-president of regulatory and strategic affairs at Pelmorex Media Inc.

When I was first asked to appear here, it was more along the lines of a case study, so I'm going to just basically tell you our story.

Pelmorex is a multiplatform, multimedia leader in weather and weather-related products, best known to Canadians through our Weather Network and MétéoMédia brands. We're a privately owned Canadian company with offices and broadcast facilities in Montreal and Oakville. We currently employ just under 500 employees in Canada.

In addition to a creative and talented on-air broadcasting team, Pelmorex employs a variety of skilled professionals, including meteorologists, software developers, and geographic information systems and location-based specialists. All these jobs are focused on serving Canadians.

Within the last year we have expanded domestically and internationally. In Canada, we launched the Travelers Network, an Internet-based service dedicated to helping users get from point A to point B quickly and efficiently. Internationally, we purchased El Tiempo, Spain's leading multi-platform weather-related information service. In the U.S. we purchased Beat the Traffic, a service which provides local traffic and commuter information.

While our roots have been in the conventional medium of analog television, Pelmorex was very quick to adopt digital technology and our company's growth in the past few years reflects that.

In 1995, during the very early days of the Internet, we launched our websites, [theweathernetwork.com](http://theweathernetwork.com) and [meteomedia.com](http://meteomedia.com), one of the first few Canadian companies to do so. Within 10 years, we had launched additional websites specifically designed to be accessed by mobile devices as well as desktop applications to allow for instant access to weather information on PCs and Apple computers.

We were one of the first to launch a smart phone application specifically for BlackBerry in 2006. After that a rapid succession of applications was developed and launched for iPhone, Android, and Microsoft smart phones. In the space of seven years, we have designed and launched over 40 different smart phone and tablet applications and upgrades.

Today we're working on multiple applications designed for Internet-connected TVs. Almost all of this work is done internally within Pelmorex. Every one of our products was designed to provide Canadian consumers our services in their choice of English or French.

In 2010, we built and launched the national alert aggregation and dissemination system, which acts as Canada's backbone system to collect and distribute public safety and threat to life messages from Environment Canada as well as provincial and territorial emergency management officials. In the past 10 months, we have received, authenticated, and distributed Canada-wide almost 31,000 public safety messages.

Because we were an early adapter and embraced digital technology, today we are a leader in Canada in expanding beyond our borders. We will serve 2.4 billion webpages to Canadians this year.

In 2012, our popular iPhone and iPad weather applications were consistently ranked among the top three applications, beating companies like Facebook, Skype, Twitter, Shazam, and Pinterest.

In the digital world there are no borders. Today, foreign-based weather companies in Atlanta or Stockholm can just as easily serve Canadians from their websites, smart phones, and tablets. For this reason, we need to be the best at what we do, attract skilled employees, and invest to take advantage of digital technology.

An example might help. On our website, we were able to leverage our meteorological and forecasting models, geographical information systems, and web development skills to generate and provide weather forecasts for over 20,000 Canadian communities, with an additional 50,000 locations outside of Canada, a tenfold increase from where we were 10 years ago. Then we went one step further and today we provide Canadians with customized weather forecasts, on demand, for any postal code in Canada. We plan to take these same skills to our new acquisitions in Spain and the United States.

Apart from the obvious challenge of competing with every other weather information company in the world, we face the ongoing challenges of heavy demands for continual re-investment in technology. We need to be on every platform with the latest and greatest features.

• (1545)

To do that, we also need to attract skilled professionals: meteorologists, web and application developers, IT and GIS specialists. Strengthening government programs, such as the scientific research and experimental development tax incentive, as well as targeted programs to assist small and medium-sized companies to attract skilled workers would be beneficial.

I hope these comments are helpful, and I'm happy to answer your questions.

**The Chair:** Thank you very much, Mr. Temple.

Now we'll move on to Mr. Smith for six minutes, please.

**Mr. Scott Smith (Director, Intellectual Property and Innovation Policy, Canadian Chamber of Commerce):** Good afternoon and thank you for this opportunity to address this committee again.

My name is Scott Smith. I'm the director of intellectual property and innovation policy at the Canadian Chamber of Commerce, an organization I think you're all familiar with.

When I was here before you on March 7, talking about the Internet and broadband in Canada, I indicated that Canadian business is not online. While I think that's still true, I did use a statistic in response to a question about how many businesses have websites, and you've heard here today that this number was probably inaccurate. It's one I shouldn't have used as it was somewhat outdated, and I apologize for that. The most recent number I have corresponds with what the CFIB suggested, 70% of businesses in Canada now have websites, and we're talking specifically about SMEs, but I still find that a surprisingly low number.

The good news is Canadians have access, as I alluded to at our last meeting, and are making use of that access. A Chamber of Commerce survey indicated that 96% of businesses surveyed used

the Internet for business purposes and Canada already serves 98% of its population with broadband access. We have a study that estimates that by 2050, 86% of the Canadian population will live in urban centres, where the bulk of digital infrastructure investment is being made. It's clear that Canadian consumers are overwhelmingly digital adopters. A good demonstration of the digital adoption by consumers is the growth of social media. The *Calgary Herald* noted on April 29 that "One in three anglophone Canadians says not a single day goes by without [their] checking into their social media feeds". Like the evolution of search engines on the Internet, social media has become a part of the way we live.

Where Canada continues to lag is in the adoption of e-commerce and mobile application technology by business. When it comes to looking at how businesses are using their websites, 27% accept online payments and 31% of businesses provided the ability for online ordering and tracking of goods. When it comes to the adoption of e-business solutions for business-to-business online transactions, the results were mixed: 42% of businesses surveyed said they did use an automated electronic data exchange system to send orders to suppliers, 51% are receiving and sending electronic invoices, 46% are able to receive orders from customers, 65% send or receive product information, 46% send payment instructions to financial institutions, and 45% send and receive data to and from governments, so, for example, they file their taxes online.

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. They conclude this gap will widen over the coming years and that Canada will further lag behind its global competitors. The study estimates that by 2016 the global Internet economy will reach \$4.2 trillion, and that will largely pass Canada by. For example, online retail in Canada in 2010 was only 3.4% of total retail. That's only expected to reach 5.4%, or \$33 billion, by 2016.

It's no secret that productivity is directly linked to innovation and the adoption of technology. Countries like the United States, Britain, Australia, and Denmark are pouring resources into the digital economy and in some cases creating federal ministries to oversee opportunities and challenges. Canada's productivity gap compared to the United States remains problematic. While the business community understands the government's current financial constraints, there are pioneering ways to work together to advance the digital economy strategy. More can be done to stimulate the adoption of information and communication technologies. Many countries have recognized that investments in e-commerce and ICT result in increased productivity and growth in the overall economy, and Canada needs to be a leader in this area. The recognition of the growing digital learning divide between large and small business is one example of how the Government of Canada can provide an essential service in connecting small business to online training through service portals.

For Canadians to continue to enjoy a high quality of life and standard of living, we must improve our productivity and competitiveness through innovation. The Conference Board of Canada has noted that "innovation is the ability to turn knowledge into new and improved goods and services" and that Canada's performance on innovation over the past three decades rates a consistent D. That's simply not good enough. According to the "Connectivity Scorecard" report, overseen by the then University of Calgary business school dean, Leonard Waverman, Canada ranks eighth in useful connectivity, reflecting both the world-class networks available to Canadians, but also deficiencies in the adoption and usage of broadband, and investment in ICTs generally across the economy.

Clearly, Canadian business needs the right incentives, such as continued improvements to the SR and ED program to keep investing in next-generation infrastructure, if Canada is to rise to the very top of the international rankings and most effectively lever broadband for competitive advantage. Further addressing the availability of broadband is not sufficient without a focus on the adoption and usage of ICT.

• (1550)

Across the economy, as a larger user of information technology, the government can play a larger role by mandating online interactions for its partners, for citizens, and for suppliers. Already, tax returns can be filed online, and like any large user, by undertaking a commitment to online commerce and the related technology, government can defray costs for suppliers and provide valuable incentive to adopt technology. To this end, the government should design initiatives to drive demand and adoption among key user groups, such as small and medium-size enterprises, and set milestones to measure success.

We think Canada can become a global innovation leader. With the right plan, Canada can dominate the digital economy. By building on our strengths and working together with the federal government, Canadian business will be in the right position to realize the benefits of the digital technologies and achieve a competitive advantage internationally.

• (1555)

**The Chair:** Thank you very much, Mr. Smith and all the witnesses, for your opening remarks.

Now we'll move to our rounds of questions, and it is seven minutes for the first round.

Mr. Braid, you have seven minutes.

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

Thank you to all of our witnesses for being here this afternoon and participating in this study.

I'll start with Ms. Pohlmann from the CFIB. We've heard the statistic from the chamber on the number of SMEs with own websites—70%, I believe, is the statistic. Is that statistic borne out by your own numbers? I'm looking at your page 4, and I see you've broken it down, but is that the bottom line, 70%?

**Ms. Corinne Pohlmann:** Yes, 70% of our members told us in our 2012 survey that they had a website. There, it is just broken out by size of firm, so you have a perspective on the smaller versus the larger firms.

**Mr. Peter Braid:** Okay.

How has that increased over the last couple of years? Is there some progress being made there, at least?

**Ms. Corinne Pohlmann:** Yes, the last time we did this survey was in 2009, and at that point about 50% had a website, so it's gone up from 50% to 70% in three years. We see that as a fairly significant increase.

**Mr. Peter Braid:** It's certainly going in the right direction.

What's the reason for the continued gap, though? Over 90% of SMEs indicate they use the Internet, but only 70% of SMEs have their own website, so what's up with that?

**Ms. Corinne Pohlmann:** Again, it's going to be at the smaller end of the spectrum. It's when you look at those that are sole proprietors, with two to three employees. They may just be starting out as a business and they haven't really had the time to invest in a website yet. Or it could be that they simply don't feel that the website is a technology they're comfortable with.

It really can vary, and we're certainly encouraging more to try to get online and to do more e-commerce as well. I do think the trend line is going up. The bigger and more important statistic is that, for those businesses that have fewer than five employees, the number of firms that created a website over the last three years went up by 50%. That's where the biggest growth is, among those really small firms, and that's what we want to see. So I think the trend is going in the right direction.

**Mr. Peter Braid:** Great.

I know your presentation included some recommendations generally, but specific to this issue of encouraging more SMEs to have their own website, to embrace digital technology themselves, and to potentially move beyond that to e-commerce, do you have any thoughts or recommendations on how all of us could encourage those outcomes?

**Ms. Corinne Pohlmann:** Yes, we believe a lot of the barriers in Canada have to do with cost. The cost of doing business is a reality, and to move to an online environment, sometimes there are some costs that you have to undertake, and that can include the cost of the technology itself and the cost of the software associated with it. It could include the cost of accessing high-speed or dependable networks. It can also be the cost of accepting electronic payments from customers, which is pretty high in Canada as well.

Those are all things that we think help discourage businesses, especially those businesses just starting out, from moving too quickly into this environment. So the first stage is getting them a presence on the web and using social media, and then as they grow they will hopefully expand and get more active in many of these digital environments.

**Mr. Peter Braid:** On page 11 of your presentation, you very clearly indicate the success of the government's initiative to implement the accelerated capital cost allowance for computers and software. It's had a particular impact. Your recommendation at the back suggests the continuation of that.

Here's your opportunity to make the case. Why was this initiative so important, so beneficial, and what would you suggest we do, moving forward?

**Ms. Corinne Pohlmann:** Sure.

Of course, this was a stimulus measure during 2009 and 2010. We've done a lot of surveying on what was and wasn't effective for our members throughout that period. Aside from the freeze on EI premiums, which was by far the most well liked, this was one of the most well accepted by small businesses because it did lower the cost of that investment.

In fact, we do a monthly economic indicator called the business barometer. In that business barometer, through that period, especially in late 2010, we saw quite an uptick in investment in computers and technology. We think this had a direct impact on encouraging some of them to make these investments. It is a significant hit for a small firm to take on all at once.

We believe it should be expanded and should perhaps be reintroduced. I know it's not a cheap measure; I think it was about \$350 million in the budget. Perhaps it can be targeted more towards smaller firms, because I believe that measure was available to all firms, if we really wanted to target their investing more in these types of equipment.

• (1600)

**Mr. Peter Braid:** Mr. Temple, congratulations on the success of your company. It's great to have the opportunity to learn more about that today.

You're a company that has clearly embraced digital technology. You have your own in-house web and application developers. What

advice would you have for Canadian small business in terms of why and how they should be embracing this, as you clearly have?

**Mr. Paul Temple:** I want to make one point. I know it will probably sound like a five-minute commercial for The Weather Network and MétéoMédia, but the point is that getting a website is just the beginning. It's a constant process of change and investment after that. Yesterday's site has to be revised, it has to be updated. There are different tools you can use to provide information to consumers. Smart phones are changing continually, and there are different sizes. You think you have it nailed and then Apple comes out with something and the dimensions of the screen are different. You have to go back and change the whole thing.

It's not just a process of my having a website and now I'm good to go. There's just a constant need to invest. I think that's an important point I wanted to get across.

**Mr. Peter Braid:** Thank you.

**The Chair:** Thank you, Mr. Braid and Mr. Temple.

When riding a motorcycle, I access your site a lot. I just want to commend you as well.

I thought it was quite innovative that you redesigned your whole site, but then said that if users were comfortable with your old site, you left a button on there so that they could still go to the old site. That's pretty good.

I'm certain Mr. Thibeault as well enjoys the ability—

**Mr. Glenn Thibeault (Sudbury, NDP):** I'm looking on there all the time.

**The Chair:** —to access that weather and keep dry as well.

[Translation]

Ms. Leblanc, you have seven minutes.

**Ms. Hélène LeBlanc:** Thank you very much, Mr. Chair.

My thanks to our witnesses because their presentations were very interesting.

My first question goes to Ms. Pohlmann.

Could you please remind me how many members the Canadian Federation of Independent Business has?

[English]

**Ms. Corinne Pohlmann:** We have 109,000 members.

[Translation]

**Ms. Hélène LeBlanc:** So you cover a broad spectrum of Canadian small and medium-sized businesses.

My congratulations also for the surveys you conduct.

Statistics Canada also did some surveys in quite some depth in 2007. They produced a picture of the adoption of technologies by small and medium-sized businesses in 2007. It is now 2013. It seems that we are expecting something on this issue. Would you like Statistics Canada, a government agency, to help to paint some in-depth pictures of small and medium-sized businesses in terms of the adoption of technologies? Do you think that would be something really useful?

[English]

**Ms. Corinne Pohlmann:** The problem with Statistics Canada is that their data usually takes years to come out. The data they produce is excellent—we use it ourselves in many instances—but often it's two or three years before you finally see the information. I think when it comes to this particular type of information, that's almost too late.

We pride ourselves in the work that we do. We try to be very credible and to make sure that information is out more quickly. It's not to say that Statistics Canada shouldn't be doing this type of work themselves, but I'm just suggesting that's one of the limitations of depending on Statistics Canada.

[Translation]

**Ms. Hélène LeBlanc:** I have to tell you that I would not like you to stop the work that you are doing. Statistics Canada serves all Canadians and you serve small and medium-sized businesses. It would be useful to have that data, because they are processed in depth and they are categorized in various ways. They can be analyzed. They can be useful to you, but they can also be useful to all Canadians, especially to parliamentarians who have to make decisions on the issue.

I am also interested in something else. On page 11 of your presentation, if I understand correctly, the first program no longer exists. That was the accelerated capital cost allowance for computers and software. You made an excellent suggestion and I have taken careful note of it. It seems that the program, valued at \$350 million, was definitely designed for the entire wide range of businesses. Clearly, somewhat larger companies took advantage of it. Do you find that the government is good at communicating when it comes to programs that are of real interest?

Do you feel that communication is good and that information on government programs gets to smaller businesses? Are they aware? Are the programs widely publicized? What is the situation there?

• (1605)

[English]

**Ms. Corinne Pohlmann:** This particular program of the accelerated capital cost allowance was well used by our membership. I wouldn't say the government is the best at communicating its programs, but certainly we try to do our best—and I'm sure other groups, such as the chamber, do their best—to make sure that the programs that are out there and of benefit to them are being communicated to them. We certainly do our part to do that.

The accelerated capital cost allowance program for computers and software was definitely a program, as I said, that had good uptake by at least our membership. We did see in our statistics a little bit of an increase in those investments during this particular period.

This was, as you may recall, during a downturn in the economy, a fairly severe one at that time, and they were still investing even more. We believe this had something to do with making sure those investments kept happening.

[Translation]

**Ms. Hélène LeBlanc:** I think that is deplorable, in a way. Before a program really gets going, and while everyone is getting organized,

all of a sudden, they are told that it is over. They hear no more about it and something else comes up.

I noticed something in your presentation. When we had people from Industry Canada with us, they were very proud of the BDC innovation financing program. I feel that it is a good program. But from what I see, I wonder if people took advantage of it. The “no” line is pretty long. The same goes for the Industrial Research Assistance Program, the IRAP.

Could you explain that to me? How is that these programs, which the government seems to be promoting as the be-all and end-all at the moment, do not seem to be embraced by entrepreneurs?

[English]

**Ms. Corinne Pohlmann:** Yes, that would be true. There's BDC, for example, though it's more of a lending place of last resort. Not that many of our members will tend to go to the BDC; they will go to traditional sources of financing on these types of things. So this is not unusual.

IRAP, which is the other one you mentioned, is a really good program for those that can access it, but it is a very targeted type of program that only certain types of companies are able to access, or are willing to access.

The accelerated capital cost allowance is one that is very broad in nature, and therefore a lot more firms are able to take advantage of it. That's exactly why you see that. IRAP is a very specific thing, so for those that can get it, we would agree it is a fairly decent program. But only a very small minority can get it.

[Translation]

**Ms. Hélène LeBlanc:** In any event, I find that that slide in your presentation speaks volumes.

[English]

It speaks volumes.

[Translation]

Now I would like to speak to Mr. Smith.

You mentioned that small and medium-sized businesses are lagging in terms of the adoption of technology and that it will be an obstacle to our competitiveness and our ability to increase productivity. There are gaps between small businesses and medium-sized businesses and between urban areas and more remote regions. At the moment, it seems that we have no long-term plans to reduce those gaps and to encourage small and medium-sized businesses to embrace and adopt digital strategies. Did I understand what you said correctly?

• (1610)

[English]

**The Chair:** Be as brief as possible, please.

**Mr. Scott Smith:** A couple of things need to be pointed out here. We talk about how many companies have a website. I think the more important question is how many are actually using that website to enter the global value chain. The challenge for most SMEs is they have limited access to that global value chain. They need to be able to participate in that.

One of the key advantages that has been talked about in just the last few minutes is the capital cost allowance. I would agree wholeheartedly that it is a great incentive for the adoption of ICT, largely because the technology changes so quickly. If that program were implemented long term, it would allow companies to have more turnover of the communication technology they're purchasing.

**The Chair:** Thank you very much, Mr. Smith and Madame LeBlanc.

Now on to Madam Gallant, for seven minutes.

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

I'm quite familiar with the Canadian Federation of Independent Business. I find the surveys and the responses quite helpful in staying on track with the interests of small businesses in my community. I just wish more of them would put their names on the reply cards so that I could call them and speak further about the issues and points they wanted to make.

Last day, we had Industry Canada testifying. As discussed, we have a number of programs: IRAP helps digitization; FedDev has a series of programs. They're saying that in order to take businesses to the next level, it's not just about government but different organizations.

Earlier you had said that you are promoting it. But are there any hands-on ways you're encouraging your members to go to that next level and digitize?

**Ms. Corinne Pohlmann:** Certainly. We're currently looking at offering online types of services to our members so they can actually go in and create their own websites and e-commerce types of websites. We're currently looking at partnerships there so that we might be able provide our members with access to these services at lower cost than they would otherwise be able to do. We're also looking at developing an online database, where our members can go and promote their firms electronically and encourage them to use social media in a more active way to promote themselves as well as the database that we're trying to put together. We're doing that in partnership with Interac.

There are things that we're trying to do to encourage the greater use of social media, online tools, and so forth among our membership. We're just starting to explore that more as an organization. These are just some of the things that are still under development right now but are a part of our initiative to make sure that our members are actively thinking about how they can use online tools to promote and expand their businesses.

**Mrs. Cheryl Gallant:** You mentioned Interac. Are you providing a group blanket special rate for Interac or PayPal or any others?

**Ms. Corinne Pohlmann:** No, we're not. Like most organizations, we do have a special service on the side that we provide to our members as a discount fee through a processor. That's not our

partnership with Interac; this is more about working with Interac to help promote small businesses in Canada and the importance of independent Canadian businesses online. They've joined us in helping to do that.

**Mrs. Cheryl Gallant:** For Pelmorex, how do the Weather Network and Pinterest actually make their money?

**Mr. Paul Temple:** In terms of our digital media products—that is, our web and applications—they're solely supported by advertising. We're very reliant on being able to reach as many people as often as possible who check the website. We try to monetize that by selling advertising. For the conventional television service we have a subscription fee, which we also have, that's charged and added to your cable bill, but not for the digital media.

**Mrs. Cheryl Gallant:** Almost everybody has the Weather Network in their favourites column.

**Mr. Paul Temple:** I hope so.

**Voices:** Oh, oh!

**Mrs. Cheryl Gallant:** It's very important in planning for packing.

In terms of public safety messages, you mentioned several hundred or thousand that you have done in the past several years. How does one receive one of those public service messages? I certainly haven't received any through the Weather Network, unless it was posted and I just happened not to be there that day.

•(1615)

**Mr. Paul Temple:** We have an arrangement with Environment Canada and with all of the provinces and territories. They can access our system and distribute their public safety messages. On a typical day, we'll get a hundred of so public safety messages from Environment Canada alone. Some of them are just frost warnings. Not all of them are threats to life. If you have our applications on your smart phone, and if there's a warning for Kitchener and you're on the Kitchener city page on our website, or if you're looking at the Kitchener weather, you'll see that warning scrawled across the screen of your computer or your smart phone. We distribute every public safety message that Environment Canada issues. The special aspect of this dissemination system is that we also make it available to anyone in Canada. So any broadcaster can access it and pass on those messages. It's free. We provide the service at no cost to government, and we provide it at no cost to anyone who wants to redistribute those messages.

**Mrs. Cheryl Gallant:** So it's passive? It's not something that somebody can sign up for and get the breaking news for this week?

**Mr. Paul Temple:** You can sign up for our email and text-messaging services. We have text messaging. We have email. We're going to be putting it on Twitter. For any product we provide, we include public safety messages. Unfortunately, other broadcasters have not been as enthusiastic in picking it up, even though the service is available free to them.

I just got—and this wasn't rehearsed—a snowfall warning for Dauphin, Manitoba.

**Mrs. Cheryl Gallant:** Too bad for them.

Mr. Smith, we're looking at different devices here. I see one person is with one carrier, and he's got four bars and has been able to work. I have one bar and haven't been able to work all day online.

To what extent is the unreliability of connectivity hindering small businesses from going digital and doing more business online?

**Mr. Scott Smith:** I'm not sure you can make the connection between small business having difficulty with connectivity and one bar in one place versus three bars in another. The different carriers have different access to the spectrum, and it depends on the carrier whether you're going to have challenges or not. There's sufficient competition in each market to be able to get what you need.

I'm not really following what your questions is.

**The Chair:** Sorry, but our time is up.

Thank you, Madam Gallant and Mr. Smith.

We'll now move on to Mr. Regan.

**Hon. Geoff Regan:** Thank you very much, Mr. Chairman, and my thanks to the witnesses for coming.

Mr. Temple, it so happens that just over an hour ago I was on the Weather Network website and I was looking at the 14-day forecast for Ottawa. As a matter of fact, I like the new look of your website. When I looked at the 14-day forecast I must say that the next few days look much better than next week. So if you could work on next week.... I have to acknowledge that while you've been in the room things have brightened up considerably outside, so that really is marvellous work.

What should the Government of Canada be doing? You talk about the experience of your firm, but what do you think the government of Canada could do so that other firms could adopt digital technology and e-commerce?

**Mr. Paul Temple:** There have been changes to the SR and ED program, and the ability to claim certain tax incentives has been reduced. One of the points I want to make is that it's an ongoing process, and the availability of those types of tax credits are very helpful.

In some ways, we're a good case study; in others, maybe we're a bad one. We're a media company, so we're not retailing and we don't have some of those challenges. One of the main points I want to make has to do with the need for continual reinvestment. We're now competing. We're trying to get people. But it's difficult because we're getting to the size where there's some cachet in working for the Weather Network. We're competing with the Googles and Microsofts now. It's getting more and more difficult to get people. I know it's in the papers a lot now about foreign workers, but we'll take whoever we can get to help us develop our applications and redesign our websites and whatever else we have to do.

• (1620)

**Hon. Geoff Regan:** On the point of SR and ED, Mr. Smith, you actually raised the need for improvements to that program. Would you like to talk about what those should be?

**Mr. Scott Smith:** The SR and ED program is designed primarily for innovation, product innovation, research and development. It has some applicability to the discussion here with respect to ICT adoption. It's important for a lot of other research-based companies.

The changes in 2011 to the SR and ED program significantly reduced the amounts that can be deducted by larger companies. It's those larger companies that spend the most on research and development in this country. The improvements need to find a way for those companies to continue that R and D and to be supported in the same way as small businesses, which still have access to the SR and ED program.

**Hon. Geoff Regan:** Let me turn to Ms. Pohlmann and ask you about slide 8, which highlights the dissatisfaction of many of your members about the availability of competitive options for wired Internet providers in your area.

I don't think you had a slide on wireless Internet, but I'd like you to comment on both of those and what you think has to happen to improve them.

**Ms. Corinne Pohlmann:** On the wireless side, we didn't include questions on the wireless Internet in the survey that we did. We did ask about wireless telephones, but we didn't have time to include those results in the survey or this particular presentation. The satisfaction with access to wireless phone systems is a little bit better in terms of the competitive options available, because they do tend to cross-pollinate across the country. You have Telus in eastern Canada and you have Bell in western Canada when it comes to mobility and wireless phones. But I don't have any information on wireless Internet access.

To improve these competitive options there are a few things involved. There are some things that we believe the CRTC has done, for example, to make it more difficult for competitive firms to perhaps grow their businesses and expand into new markets and rural areas—for example, some of its rulings no longer allowing competitors to purchase access to the incumbent's lines at a wholesale plus fair-cost amount. That ruling of a couple of years ago, we think, has actually diminished the number of competitors in the marketplace because they no longer have a controlled cost access to those lines. Companies like Bell and Telus can now charge those competitors a lot more to access and rent those lines. That's our understanding. I have a very rudimentary understanding of these things, but that's our understanding.

We have been supporting some of the competitive companies and trying to maybe go back to that system. We believe that competition in this area is still quite limited, especially for small and medium-sized companies, which may not always necessarily have access to cable networks either, because they're in industrial parks and cable companies don't go into industrial parks, for example. They are in bigger cities, where it's not so bad, but in smaller communities it can be very difficult.

Some of those rules we need to look at a little more closely to see if they really are helping to increase competition or actually making competition worse for this particular market segment, that is, small and medium-sized companies.

**Hon. Geoff Regan:** With your top recommendation, in which you call for more competitive options for telecom services, especially for rural areas, are you saying that's how we will achieve that or are there other things we need to do to encourage more competitive options?

**Ms. Corinne Pohlmann:** It's difficult to ask a smaller company that's providing Internet service to create and build whole new lines. We're a big country in lots of different ways and so we need to make sure that they have access to the lines that already exist, many of which were built through government programs and subsidies with bigger companies at one time.

Those are some of the things we'd like to see maybe explored a little bit more to encourage the growth of those smaller ISPs in some of those other markets that may not be as big. I think that's a key one for us.

**Hon. Geoff Regan:** We've heard a lot from retailers about the cost of credit card charges. They are being charged for using credit cards—and, of course, you are very familiar with this issue. You talk about the issue of electronic payments, mobile payments, as part of that. Would you comment on that and what impact that has and what it does in making SMEs reticent to get involved?

• (1625)

**Ms. Corinne Pohlmann:** The cost of accepting credit cards has been going up, and just went up again on April 1. These are definitely barriers for small firms to adopt.

The advent of mobile payments in the Canadian marketplaces worries a lot of small business owners because the last time we saw a new product enter the Canadian marketplace was when premium cards were introduced. We saw rates skyrocket at that point.

Right now it's fairly stable, but we worry about when this becomes a much bigger part of our day-to-day life. Mobile payments usually mean that you have another player now involved in the payments network, in this case telecommunications companies, in addition to the banks and the processors and the credit card companies.

We find it really difficult to believe that this new player is not going to want a piece of the pie as well. The only way to get that is to expand the pie. Right now they're sharing it, but we believe that down the road that may extend further. We do worry about that and making sure that the credit card code of conduct is expanded to include some of the rules that these mobile payment companies have to abide by is really important.

**The Chair:** Thank you, Mr. Regan.

We're moving to five-minute rounds now.

Mr. Carmichael.

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

Good afternoon to our witnesses.

Mr. Smith, I'd like to go back to some of your earlier comments regarding the online retail percentages relative to Canada. Do you have U.S. comparatives as well?

You talked about 3.4% of retail right now being online and that it's going to move to 5.4% by 2016. How does that compare to U.S. numbers? Do you have those handy?

**Mr. Scott Smith:** I think I do.

**Mr. John Carmichael:** In the interest of time, while you're looking we'll keep moving along.

I wonder if you could talk about Canadian versus U.S. adoption of technology and websites and their use by small business. How are we comparing or contrasting? You talked about Canada lagging. We hear that from time to time. I don't know if I've heard comparable numbers that would tell me how far behind we really are—or are we?

**Mr. Scott Smith:** I don't have a direct comparison to the U.S. so I can't give you the ranking. I could look it up and give you that information. I don't have that off the top of my head.

**Mr. John Carmichael:** Okay. Somebody talked earlier about the witnesses we had the other day from Industry Canada. They said about 41% of businesses in Canada had websites in 2007. That moved to 70% in 2011. As I understand, the numbers today are around 90%. I think that's accurate.

As a former business person and former member of the CFIB, I would perhaps address this next question to them. At the time I relied on our website to inform our customers in the past of the business we were involved in, what products we offered, the features and benefits—all the good things. It wasn't related to the global supply chain.

I wonder if you would talk about local business. You talked about having 109,000 members. I get your surveys and I love your surveys. I'd like them to be a little more detailed and in-depth, and I'd like to see the names as well, because I'd like to talk to some of your members. The reality is that you have franchisees, you have distributors, you have those who are truly smaller in business. They have their websites, but they're not part of the global supply chain. When you start looking at SMEs, how do you differentiate between the two levels of business, between those who want to do business globally and those who are strictly local providers?

**Ms. Corinne Pohlmann:** It's harder and harder to differentiate. You're absolutely right, as the vast majority of our members want to serve their local markets and that's where they're happy. It may be a service business too, so it's really just about interaction with people. They really just want to be able to use the website to make sure people understand what their services are and how to contact them.

However, in those same local communities could be that little start-up, with four or five employees, that is looking to sell overseas or across another province, whatever the case may be. I think that's what's great about the digital revolution, if you want to call it that, because it has really allowed those smaller companies now to perhaps reach markets they never could before. I don't think it's as easy to differentiate as we once thought it was, and that's maybe a good thing. But I think it's about making sure that they have the tools and that we understand that the costs for them are going to be relatively high, compared to larger companies, to get into these markets. So how do we make sure we're minimizing that in the best way possible so they can get that step forward and get into those global markets if they are so inclined?

• (1630)

**Mr. John Carmichael:** I agree with you on that. I had the opportunity a couple of weeks ago to do an announcement during Small Business Week with one of your team. It was just that. The small local business producer had put their product out on the Internet and they had customers coming in from around the world—very specialized, very select. But it was quite interesting to see how that worked.

Were you going to jump in?

**Mr. Scott Smith:** I was going to give you the statistic you were asking for. It's 5% in 2010 for the U.S., and 7.1%. So it's about 2.5% more in each case. They're significantly ahead of us.

**Mr. John Carmichael:** I'm not sure how you quantify the "significantly" other than the market is so large perhaps.

**Mr. Scott Smith:** Only if you look at it on a per capita basis. In other words, 5% of the retail market in 2010 in the U.S. was online. In Canada, in 2010, it was only 3.4%. In 2016, the projection is 7.1% in the U.S., whereas in Canada it's only 5%.

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

Monsieur Lapointe, for five minutes.

[Translation]

**Mr. François Lapointe (Montmagny—L'Islet—Kamouraska—Rivière-du-Loup, NDP):** Thank you, Mr. Chair.

Mr. Smith, a period of five minutes is not enough for all the expertise we have before us. This is a little cruel, but if I hurry you along a little, it will be because we do not have enough time.

Page 11 of the document provided by the Canadian Federation of Independent Business jumps out at me in some fundamental ways. Recent efforts by the current government have focused on lowering income taxes for very large companies and, to a smaller extent, for smaller companies. For SMEs, it comes as no surprise that what can really help them is direct assistance. The capital cost allowance really helped SMEs. But programs that require them to stop baking bread or cleaning clothes in order to sit down with BDC people and find out which programs may help and may meet the criteria are not so easy for small companies. Direct assistance is what helps them.

Do you have any data about big companies by comparison? Perhaps Mr. Smith can answer. It seems to me that there is little direct assistance.

So what is the proportion of indirect assistance used by large companies as opposed to small ones?

In terms of the SR&ED program, more than 75% of the small businesses that were able to use it by virtue of some of their activities have been unable to do so for two years. The regional chambers of commerce confirm that fact. Medium-sized businesses do not do too badly, but people all tell me the same thing: they have to invest up to 30% of the amount they are looking for. For example, if they want \$100,000, they have to invest \$30,000 in administration to justify the \$100,000 they are looking for. If they do not, they get no assistance. We find that situation all over eastern Quebec; is it anything like what people have told you elsewhere in Canada?

[English]

**Mr. Scott Smith:** That's a fairly convoluted question.

The SR and ED program is basically not available to large companies now. The changes in the SR and ED program have basically eliminated large companies from participating to a large degree. There is still some incentive, but unfortunately it's not significant enough for them to make the investments that they need to make to continue research and development in Canada. They're going to do it for other reasons now.

[Translation]

**Mr. François Lapointe:** In terms of that trend with small businesses, have you heard comments, do you have figures along those lines? Where I live, more than 75% of the projects that used to be accepted have not been accepted for 18 months or two years now. I get those figures from all the chambers of commerce and tax experts in eastern Quebec. It is a fact.

[English]

**Mr. Scott Smith:** I'm not aware of that discrepancy. Small companies still do have access to the SR and ED program. The challenge for a lot of them is meeting the criteria.

[Translation]

**Mr. François Lapointe:** Ms. Pohlmann, you have put your finger on a major problem. There is a lack of Internet service, especially in rural areas. In my situation, for example, when you are close to Quebec City, there is no problem. Prices are competitive. But the more you get into the mountains and the byways, the fewer the services. Sometimes you find a single service provider who asks for twice and three times the price you could get in a big city. We know the problem.

Are there any likely solutions to that issue? Could regulation, or some kind of approach, by the federal government help to reduce the difficulty, in your view?

• (1635)

[English]

**Ms. Corinne Pohlmann:** As I said earlier, I think there are different ways. We can perhaps encourage new technologies to move into those areas—I'm not an expert in this area either—such as satellite technologies and wireless technologies that could perhaps bring some competitive options into those more rural areas.

In addition, how do we encourage competitors to those larger incumbents, which tend to be the only ones in those rural areas, to perhaps take a chance in some of those particular communities? The only way to do that is to somehow keep their costs reasonable as well.

Right now, the only way they can get into those areas is if they can rent lines from the larger incumbents, and from my understanding—perhaps you need to talk to some of those folks as well—that can be very expensive for them to do. Then they are not able to provide competitive pricing to those rural communities. Therefore, it's almost impossible for them to even bother to enter those markets.

I mean, it can be a combination of factors. New technology is coming out all the time, and hopefully those new types of technologies will be able to expand into more rural markets at a more reasonable price. But we are a big country and those are some of the challenges we face.

**The Chair:** Mr. McColeman, for five minutes.

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

Thank you for being here, witnesses.

I'd just like to pick up on the comments made by my colleague across the table that he believes in direct assistance to businesses.

Having been a small businessman in my previous life for close to 25 years, owning my own small company, being a member of the chamber, sitting on our board, and heading up the Ontario Home Builders' Association in the middle of the nineties...

With that frame of reference, that background, do your organizations support direct intervention by governments to assist businesses in acquiring technologies?

**Mr. Scott Smith:** I assume the question is for me?

**Mr. Phil McColeman:** Both you and CFIB.

**Mr. Scott Smith:** I can answer that in a couple of ways.

First, our organizations support the idea of government assistance. There are a number of companies that greatly benefit and that help bring things back to the economy because of government assistance.

That being said, the preference is for a more general application of tax incentives that are probably more effective and more accessible, that have fewer criteria and barriers to being able to access them. Most companies will go through their own accountants as opposed to going to government offices to try to apply for grants as opposed to a tax incentive, where it's either a tax deduction or a tax credit.

**Ms. Monique Moreau (Senior Policy Analyst, Canadian Federation of Independent Business):** We would support what Mr. Smith has said. For most of our membership, the easier it is to access the assistance, the more likely it is they're going to take advantage of it.

We have a saying at CFIB: we prefer that government doesn't pick winners but lets the businesses themselves try. They'll apply for a tax credit versus having to go through the complicated hoops, which can be quite expensive as well—for SR and ED, for example—and do what they can with the tax credit to improve their business.

**Mr. François Lapointe:** If I may, Mr. Chair, I have a quick point of order.

[*Translation*]

I think there was an error in the translation, but I think that the witnesses understood me. I was mentioning the fact that tax support measures were more available to SMEs. I thought I heard the translation mention direct program assistance. I was talking about tax assistance.

[*English*]

**The Chair:** Mr. Lapointe, that is nowhere near a point of order or procedure at all. It really is a part of debate here.

[*Translation*]

**Mr. François Lapointe:** I cannot raise a point of order if something is badly translated?

[*English*]

**The Chair:** Go ahead, Mr. McColeman. We'll start the time again.

**Mr. Phil McColeman:** Thank you.

I'd like to talk about the issue of cyber-security in terms of what businesses must look at when they adopt technologies. Is this an area for your members that concerns you? Do your members bring you issues about cyber-security?

I'd like your views on that and whether you're hearing anything back from small businesses on that particular front.

• (1640)

**Mr. Scott Smith:** We're certainly hearing issues around cyber-security. It comes in many forms. If we're talking about the anti-spam legislation, for instance, there are issues around cyber-security with what might happen if it's implemented the way it's written right now. There are also issues around cyber-security for the new bill that's coming through the House on anti-counterfeiting, for instance.

Am I hearing it with respect to the functioning of small business? Yes and no. It's not a major topic of concern within our membership. However, a number of associations that are part of the chamber network are certainly tackling that issue and have big concerns about it.

**Mr. Phil McColeman:** And at the CFIB?

**Ms. Corinne Pohlmann:** Yes. If you look at slide 10 of the deck I gave you, where we look at the obstacles to accepting electronic payments, the fourth one, at 26%, says "concerned with online security".

We delved into this further. It's related to the fear that they become liable, of course, should there be customer information and so forth that gets stolen or is somehow not properly handled. I think that's part of it.

In addition to that, there's something called PPI compliance. Credit card companies have requirements now on businesses, when they accept credit card payments, that they must have a certain amount of security within their system. That can be very costly as well for businesses, depending on the volumes they transact.

All of these things add up as part of the online security issue, and add costs to the small business. It is an issue, I think, for much smaller firms, especially once they start seeing the e-commerce component of their business start expanding and they're starting to deal with higher volumes and more information, which they then become liable for.

Having the more sophisticated systems to make sure everything is protected is important. Again, that's where the costs come in. As I think Mr. Temple pointed out, it's an ongoing, growing investment that you have to make as you expand into this world. Obviously, having the resources to do that will be very important.

**Mr. Phil McColeman:** Thank you.

**The Chair:** Thank you, Mr. McColeman.

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

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

Just to go back to the last point about online security, that alone is the biggest hurdle most businesses face. It's a very scary thing, when you're not very Internet or digitally literate, to start even considering all the implications. Of course, the privacy requirements and then the requirements by credit cards and the banks for the type of security—the security certificates and going through all those hurdles—are actually far more cumbersome than even filling out government grant applications, which also can be cumbersome from time to time.

Earlier, Mr. Smith, you were talking about key milestones and the ability to measure success. If my colleague, Mr. Kennedy Stewart, were here today, he would be very happy to hear you say that because he really feels it is important for us to actually measure success and measure the efficiency and efficacy of programs that we put in place.

Going back perhaps to the credit card rates that CFIB brought up, there is of course that requirement to honour all cards and the increasing fees that come into play, and when you add an online payment component to that... Have you done any research on how much more cost that brings to small businesses?

**Ms. Corinne Pohlmann:** It really depends, obviously, on the rates they are able to negotiate, but in addition to that, of course, is the cost of setting up the systems. No, I don't have any exact numbers of what that could look like, but certainly we know when premium cards were introduced into the marketplace in 2008, most of the calls—and we had hundreds of them coming in—were telling us that their costs had increased by 25% to 30% overnight, within one month. So this is a substantial issue for smaller firms, whose profit margins tend to be fairly thin to start with. That's why there is the concern now that a new form of payment coming into the marketplace may again cause these increases, which they've hopefully been able to stabilize over the last few years.

However, part of the issue has become that these fees are often not that transparent, so it's not always clear from month to month how

much you're going to be paying, given all the different types of fees, which I won't get into here today. That can add up for a small business. But, relatively speaking, small businesses pay more for these types of transactions than larger businesses do simply because of sheer volume. So, again, it's a higher cost on smaller firms than on larger firms.

• (1645)

**Mr. Dan Harris:** There's a bit of a double-edged sword that exists for small businesses that are looking to access the global marketplace because, yes, certainly that gives them potential access to far more customers, but it also forces them to compete with those much larger retailers that are able to negotiate better rates; that are able to negotiate better shipping rates; that are able to get, compared to small business, a more preferential rate all across the board just because of the volume they are dealing with.

For a small business also, with the “honour-all-cards” rule, you don't necessarily know when someone swipes that card what kind of fee you're going to be paying at the end of the day, and there are many different fees that you wouldn't think would be charged. If you go to a restaurant and you pay by credit card, then the tip gets a fee attached to it, and the HST gets a fee attached to it. So for things that have to be remitted to the government or by law have to be remitted to employees, such as their tips, the merchant is also going to be paying 2%, 3%, or 4% on that fee, which is absolutely incredible.

You talked about the code of conduct earlier. Do you find that it's effective right now the way it is, or do you think it needs improvements?

**Ms. Corinne Pohlmann:** We always knew when the code of conduct was introduced in 2010 that it would be a document that needed to be updated constantly. We do think it's in need of updating today, including adding some provisions around mobile payments, on which there have been some good consultations done and some good ideas, but we have yet to hear when that's going to be added to the code of conduct. We also believe we should have the “honour-all-cards” rule eliminated, as you mentioned. We also believe businesses should have the ability to surcharge up to the amount of the actual fee that they're paying.

Those are some of the additions we'd like to see made. We'd also like see a little more clarity around some of the activities of some of the players in the industry and the way they harass some of the small business owners in getting them to sign onto what we sometimes see as being fairly unethical types of contracts. And we believe there needs to be a dispute resolution process in place.

These are some of the areas in which we'd like to see some improvements in the code of conduct.

**The Chair:** Thank you very much, Ms. Pohlmann.

Thank you very much, Mr. Harris.

Mr. Lake, for five minutes

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

I have a whole bunch of different directions I could go in. There was \$350 million a year, I believe from Budget 2010, as a stimulus measure for accelerated capital costs for computers. The idea was to have a time-limited and targeted measure to encourage companies to make investments that would benefit them in the long-term, much like all of the stimulus program funding, knowledge infrastructure programs, and a lot of different programs, such as the RInC program.

It was time-limited for a reason, because we said as a government that we were determined to get back to budget balance by 2015, which we're on track for. I believe we will be one of the only developed countries to actually be running a balanced budget by 2015. How important is that to your members?

**Ms. Corinne Pohlmann:** To have a balanced budget?

**Hon. Mike Lake:** The fact that we will have a balanced budget by 2015.

**Ms. Corinne Pohlmann:** That is very important to our members. It's among one of the top two or three most important issues for our members, that governments at all levels look to find ways to bring budgets back into balance as soon as possible.

**Hon. Mike Lake:** I always find the line of questioning of opposition parties in these meetings interesting, because they zeroed in on that \$350 million a year right there. The fact is, that if you look at the NDP costing document from the last election, they had about \$70 billion—

**Ms. Hélène LeBlanc:** Mr. Chair, point of order.

**The Chair:** It's going to be about procedure, right?

**Hon. Mike Lake:** I don't think so.

**Ms. Hélène LeBlanc:** I'm sorry. I think we're conducting a very efficient line of questioning on a lot of things. I see Mr. Lake's direction going into a more political framework. I think I would like the questions to stick to the study we have at hand and the great presentation that we had.

I feel that the line of questioning is out of order.

• (1650)

**The Chair:** I understand, Madame LeBlanc, but my job here is simply to be a referee on procedure and not on debate.

**Ms. Hélène LeBlanc:** But we are not in debate here. We're questioning experts, not questioning another party's position.

**The Chair:** I understand that. Whatever you want to call the dialogue that we have, the substance of it, unless it veers way off track—

**Ms. Hélène LeBlanc:** It is already veering off. Sorry, Mr. Chair, it is veering off in a direction that is not really conducive to the professionalism of this committee.

We have presentations, we have points here, and let's question our experts on their presentations. We stick to that point on this side and we will continue to do so.

**The Chair:** Thank you, Madame LeBlanc.

You may continue, Mr. Lake.

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

I think I heard the word “irrelevant” coming from the other side. I would say that I'm referring to the NDP's actual, printed, costed document from the last election campaign. I don't know, but I would say that it's relevant to the discussion. It clearly lays out a plan to increase government spending by about \$70 billion over four years. Part of that, I would point out, is an increase in the corporate tax rate by 30%, going up to 19.5%.

When we talk about indeterminately extending what were stimulus measures in the budget—it's not just one stimulus measure, it's many stimulus measures that they would be pushing for continuing—are we willing to increase business taxes by 30% to do that in your organization's views?

Ms. Pohlmann and Mr. Smith.

**Mr. Scott Smith:** I think it's a delicate balance between being able to find the right stimulus for business that will stimulate the economy and drive revenues for government in taxes in different forms, and finding ways to balance the budget. From the chamber's perspective, yes, a balanced budget is very important as is finding the right tax incentives for business to be able to be competitive globally.

**Hon. Mike Lake:** The answer was to increase corporate tax rates to 19.5%. Would the Canadian Chamber of Commerce be in favour of that?

**Mr. Scott Smith:** No.

**Mr. François Lapointe:** Point of order.

[*Translation*]

Our platform called for lower taxes for SMEs.

Two can play at your game, if you want. It may not be a point of order, but since you seem to be playing the game to such an extent, I would like to remind you that the same platform called for lower taxes for SMEs.

If you stop playing this little game, I will stop right away.

[*English*]

**The Chair:** Listen, all of my colleagues, I know there are occasions when all members say things that are unsavoury to other members in regard to the point at order. Calling for points of order regarding procedure is not applicable, really. If we're going to continue to do that, I'll suspend the meeting until it settles down.

Go ahead, Mr. Lake.

**Hon. Mike Lake:** Thank you.

I don't think it's out of order for me to raise relevant questions related to the line of questioning coming from the opposition. The opposition's typically questions government measures in certain areas. I certainly think, as we're evaluating the alternatives, that it's quite fair to put both alternatives on the table and to make sure we're clear on what those alternatives are.

You can't argue, as I'm reading off your budget document. So if you're saying it's a lie, you're basically calling your own budget document a lie. It's right there in black and white: page 3, under "Revenues", "Corporate Tax Rate Restoration to 19.5%". It's clear. It would raise \$5.9 billion in 2011-12, \$8.6 billion in 2012-13, \$9.3 billion in 2013-14, and \$9.9 billion in 2014-15. I'm actually quoting from the NDP budget document. In the end, it says "Be a part of it". You know, some Canadians may not want to be a part of that. And I'm quoting from your own budget document, so....

Anyway, back to a line of questioning here, if I could....

How much time do I have, Mr. Chair?

**The Chair:** Thirty seconds.

**Hon. Mike Lake:** Thirty seconds.

You know what, I think I'll just leave it for 30 seconds.

**The Chair:** Thank you, Mr. Lake.

Mr. Thibeault, for five minutes.

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

I'm looking forward to actually getting to some factual information here.

Let's talk about the payments task force, which did some great work. I know the CFIB was part of that. So were the Canadian Payments Association, PIAC, FCAC, and the Consumers' Association of Canada. They introduced that report. They gave it to the Minister of Finance. It was introduced in the House in December 2011.

The task force for the payments system review called for this legislation, which could potentially save the Canadian economy \$32 billion in productivity gains through the modernization of Canada's payment system. Now according to the task force, Canadian payment regulation is being quickly outpaced by countries like Romania and Peru. This comes from that task force report. We're a G-8 country; they are not.

The task force also indicated "that unless Canada develops a modern digital payments system, Canadians will be unable to fully engage in the digital economy of the 21st Century", of course "leading to a lower standard of living across the country and a loss in international competitiveness". Since this was introduced in the House, nothing has come from this government to address the payment systems report.

I'll give you a "for instance" on this:

Small businesses are frustrated by the lack of digital alternatives to paper cheques. (Eighty per cent of small business payments are made by cheque because there is no accessible, reasonably priced electronic payment alternative.)

Industry has indicated that it "has not implemented change due in part to uncertainty and lack of coordination", which the government should be leading on by example, both in terms of adopting new practices and coordinating efficiencies in the private sector.

So I'd like to ask this question of both the CFIB and to the Chamber: in your view or opinion, what role should government take to encourage small and medium-sized enterprises to digitize their payment and invoicing systems? Should the government solely

be leading by example, or should it be playing an active role assisting SMEs in modernizing their payment and invoicing practices? I'll start from there.

• (1655)

**Ms. Corinne Pohlmann:** The data you just quoted came from one of our surveys, where we do know that 80% of our members are still using cheques for business-to-business transactions. That's really where the biggest hurdle is: it's these business-to-business types of payments. For business-to-consumer transactions, there are the credit card and debit card types of systems out there, but it's the business-to-business side of things that we don't really have an effective electronic payment system for that is affordable and secure and accessible to smaller companies. Part of that has to come from the banking sector itself, and finding ways to bring that group together. That's not always easy to do, to come up with ideas on how that can be done most effectively.

There is something called FinPay now that has been created, which is a group of those types of companies, including CFIB as part of that group, to have those sorts of discussions, and hopefully move that along. We would like to see it move more quickly, absolutely, whether it should be government or private sector industries, or perhaps a combination of both, that help create these electronic payment systems in practice in Canada. It's difficult for me to say who has the best role. We would probably move towards that the private sector should be really developing that, and making it accessible to smaller firms.

But at the moment that is where the big hurdle is: how do we make those systems effective for those business-to-business transactions so that we are moving away from paper-based and more to this digital online type of payment system?

**Mr. Glenn Thibeault:** Would you have any response to that?

**Mr. Scott Smith:** Yes. The only thing I would add to that is we talked about tax incentives for adoption of ICT. I think that the government's role in that could be looked at.

To Corinne's point, I think business generally would prefer to find its own solutions. That's probably not where we would see a role for government.

**Mr. Glenn Thibeault:** How much time do I have, Mr. Chair?

**The Chair:** You have 50 seconds.

**Mr. Glenn Thibeault:** I'll be very brief. You mentioned an interesting point. I'm sure you're well aware, as many people are, the New Democrats are going across the country, talking to small business owners about the merchant fees they're paying, and talking about some of the changes we would like to see, what we're proposing, and what stakeholders and small businesses would like to see.

You mentioned surcharging, which is something we're putting out there. I'm hearing from small businesses that they don't want a surcharge. If they surcharge, that cost is going from Visa and MasterCard right to the consumer, and it's not addressing the problem.

They want to see government action, which they're not getting, to address this problem. If we keep this open, how is that going to continue to affect small businesses? When we know mobile payments are coming, when we see language trying to skirt co-badging, this inaction will be detrimental to small business, won't it?

• (1700)

**Ms. Corinne Pohlmann:** We believe that we need to look at things like surcharging. I agree, most of our members are not going to want to surcharge, and I understand that. The point behind the idea of allowing the surcharging is that it gives power back into their hands. We know in other international examples around the world that, where they have allowed surcharging, small businesses rarely use it, but it gives the power back to the merchant to at least push back a little on the credit card companies, in terms of what they're doing.

I think the "honour-all-cards" rule is another one that needs to be eliminated, because then they can say no to certain cards.

I think consumers are more and more aware of that, especially independent businesses. We do see a lot of empathy for those independent small businesses among consumers now too. They don't take out their premium cards.

**Mr. Glenn Thibeault:** An education campaign would help, wouldn't it? Then consumers understand, if they're being surcharged, that we're not addressing the problem.

Thank you.

**The Chair:** We're way over, but I allowed the answer.

Thank you, Madam Pohlmann.

I think there's one thing some of my colleagues would not be aware of. Could you briefly mention the members of FinPay for the benefit of all colleagues?

**Ms. Corinne Pohlmann:** It includes the banks, the credit card companies. I believe the Consumers' Association of Canada, and the Retail Council of Canada are part of it as well. I don't think it's all the banks. I don't sit on it, but our president, Dan Kelly, does.

I believe that's the mix. It's a mix of credit card companies, banks, and the retailers, being the Retail Council of Canada and us.

**The Chair:** How's that negotiation been going?

**Ms. Corinne Pohlmann:** It probably started about the beginning of this year or late last year. They are meeting every two to three months. They have a meeting this week.

**The Chair:** Colleagues, I'm sorry for the digression, but I thought everybody would want to know that.

**Mr. Paul Temple:** Excuse me, Mr. Chair.

**The Chair:** Thank you, Mr. Harris.

Mr. Lake, you have five minutes.

**Hon. Mike Lake:** Sorry. Mr. Temple wants to say something.

**The Chair:** Oh, I'm sorry.

Mr. Lake, hang on for a second.

Yes, Mr. Temple.

**Mr. Paul Temple:** Sorry to interrupt, but when I agreed to appear, I also indicated that I had to leave at 5 o'clock. I didn't want to sneak out and let you think I was getting bored or was trying to avoid any questions.

**Mr. Dan Harris:** In five more minutes I would have got to you.

**The Chair:** It was Mr. Lake's opportunity. He probably would have been the one who was offended, Mr. Temple. That's fine.

**Mr. Paul Temple:** My apologies. Again, thank you for including me.

**The Chair:** Thank you, Mr. Temple, for your testimony. I appreciate it.

**Mr. Dan Harris:** May I ask for one moment of leniency to ask Mr. Temple to provide something to the committee at a later time, if he's willing?

**The Chair:** Certainly.

**Mr. Dan Harris:** In number 11 of your opening statement, you mentioned that you believe there should be a strengthening of government programs such as SR and ED. Would you be able to provide the committee with more of a rationale as to why you believe that program should be enhanced?

**Mr. Paul Temple:** Certainly.

**Mr. Dan Harris:** Thank you very much.

My apologies to Mr. Lake.

**The Chair:** Yes, send that to our clerk. Thank you very much, Mr. Temple.

Mr. Lake, the button wasn't pushed, so go ahead. You still have five minutes.

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

**Mr. Dan Harris:** Take 30 seconds off my time.

**Hon. Mike Lake:** I don't blame him for leaving. It can get uncomfortable with these mean NDP guys asking their mean questions. I'm just kidding. They're friends of mine.

Now I'm getting heckled by my own guys.

I liked Mr. Thibeault's line of questioning on the payment thing, and I want to follow up a little. I imagine this could be an interesting discussion among your members, both with the chamber and with the CFIB. On one hand, typically your members would be advising us on a fairly regular basis to get out of their business, in a sense, and get out of the way and let them do their thing. In this area the messaging is a little different.

How do you find the balance there? What is the balance? I think Mr. Thibeault's line of questioning...he and I would probably have some agreement in this area. We might disagree on some things; in other areas we would have some agreement or at least be sympathetic to a similar position on behalf of consumers especially, and small business people.

Maybe you could articulate that balance.

**Ms. Corinne Pohlmann:** It's not an easy balance. The credit card industry in Canada is dominated by two or three, and maybe now four, players, given the entry of Discover into Canada.

Given that they have such a dominance in that particular market, we believe there needs to be a little bit of oversight in terms of how they operate in conjunction with the merchant side of the community. Hence, we felt the code of conduct was a great step forward in trying to create some of that oversight.

We knew, as I mentioned earlier, that it had to be a document that would evolve as this industry evolves because it's a rapidly changing industry. We can learn from what's going on in other countries and perhaps try to adapt in Canada before it hits our merchants and consumers too quickly.

So it is a balance. We're not big fans of going too far in regulating the industry, but at the same time we need to balance that with what's happening in the marketplace when it comes to merchant fees and how they're being imposed on small business owners and, of course, ultimately on consumers.

• (1705)

**Hon. Mike Lake:** Further to that question about balance, I'm just thinking about how there's a lot of talk when we're dealing with issues like this about the challenges, and obviously we want to find solutions to challenges. We want to try as a government to do everything we can to create a tomorrow that's better than today, I guess, in virtually every aspect of what we do. So naturally we look at some of the challenges and try to see if we can correct them.

One of the things that oftentimes is missing, I think, from the discussion when we deal with payments is the incredible opportunities that come with this new technology. Here we are as a committee right now addressing adoption of digital technology by companies and here we have this incredible world that is being opened up by new technology, in terms of payment systems, and we're not really discussing the opportunities presented. There's an opportunity, for example, for someone to start an Internet business and start accepting payments in their basement office. That's a world that was never open to them before.

Could you maybe speak to some of the opportunities that are presented to your members by these new technologies that are arising?

**Ms. Corinne Pohlmann:** Absolutely. As I said, I think that mobile technologies as well as digital technologies have been great for small businesses because they have given them an avenue to the world and to customers, putting them almost on par with larger competitors. On the Internet everyone is sort of equal in some respects.

So I think that has really been important. When it comes to the payment side of things, we believe strongly that we should push for more new technologies, one of them being a better way to do business-to-business transactions electronically, which doesn't exist in this country yet. Well, it exists, but at a high price.

So I think we want to encourage companies to continue to grow and expand into new technologies that are obviously going to benefit small business, but we have to make sure that... It's an interesting industry in that the credit card companies' market or people they're

trying to cater to are really the banks. It's not the merchants and it's the consumers because the credit card companies are trying to get the banks to distribute their credit cards. So they become the people they're trying to attract to their product, not so much the merchants.

So the merchants almost become a secondary off-shoot and end up having to just accept the conditions the credit card companies are imposing on them. It's a bit of a skewed industry that way. So we would love to see new models out there that are going to compete with that and we would encourage that more and more, and we're hopeful that by looking at some of these new options that are out there, we can allow the same rules to be applied to new entrants and even the playing field a little more, so that it isn't so dominated by MasterCard and Visa and American Express and Discover and all those others.

I don't know if I answered your question.

**Hon. Mike Lake:** Thank you.

**The Chair:** Thank you, Mr. Lake. That concludes our second round of questioning.

Now we're going to a third round of questioning and we start with Mr. Carmichael for five minutes.

**Mr. John Carmichael:** Thank you, Chair.

I wanted to follow up on my friend Mr. Thibeault's comments with regards to the surcharge issue.

That area concerns me greatly because I come from business and as a retailer and service provider, if I had the choice to provide that surcharge on top of the bells that I'm going to provide to my customers, it's nothing more than an additional tax, and our government is totally focused on reducing taxes, not increasing them. I truly believe that the discussion has to occur between the merchants and the providers. To his point, if there are areas where we have to be involved in that discussion, that's fine, but competitive advantage and competitive alternatives should provide a solution in that discussion.

Could you comment on that? Again, the surcharge piece really worries me because that's going to hit the consumer, as he stated, and that to me is a real problem. That's where we've got to be very careful because then you're penalizing the people you're trying to support and supply.

**Ms. Corinne Pohlmann:** I hate to tell you this, but it's already hitting the consumer. I mean, the merchant fees are being put into the price of the product. The way it is today, anybody who pays cash or uses Interac is subsidizing those who are paying by credit card, because the merchants have to incorporate their costs into the products.

This way, you—

• (1710)

**Mr. John Carmichael:** That's a competitive issue, isn't that right?

**Ms. Corinne Pohlmann:** That's right. But this way, at least you're only charging those people who choose to use maybe a premium credit card. That's where we would like to see it.

Most of our members who would surcharge.... Frankly, as I said, we believe that the vast majority are not going to do it. It's really about the power piece of it. But if someone pulls out a card that you know is going to cost you 4%, and you know they have a card that would only cost you 1.5%, you might say, "If you want to use that card, I'm going to have to charge you the 4% fee." It's about bringing some of the power in the relationship back to the merchants, so that they can control their own costs in a better way.

Right now, they can't control those costs. Even the Competition Bureau agreed that these are probably anti-competitive behaviours and took these companies to the tribunal. We're awaiting the decision on whether the tribunal agrees. But this is part of the reason we think these rules need to be looked at.

**Mr. John Carmichael:** That's a good point.

We started off talking about websites and talking about ICT technology and the whole gamut. The last question I have is, when you look at the cost of small business's competing in a technological world, what is the greatest hindrance today? Is it the service providers, or is it just the capital cost of getting in, for a small business owner, an SME?

**Mr. Scott Smith:** I would actually look at it as a skills issue more than anything else.

**Mr. John Carmichael:** Skills?

**Mr. Scott Smith:** Yes. One of the key barriers for a lot of small businesses—you hear it in the surveys, it was suggested by CFIB, and we have heard it in our own surveys—is that there are challenges for small businesses in understanding what the next level of technology is or how to take best advantage of it.

There are too many options out there for them. Larger companies have the resources to bring in people with the right skills. Smaller businesses don't necessarily have those resources; some do and some don't. But one of our recent studies suggested that the skills gap is one of the keys.

**Mr. John Carmichael:** Has that portion been narrowing, though? In other words, are we seeing less of a gap between the haves and the have-nots?

**Mr. Scott Smith:** We're seeing less of a gap, yes, because there have been improvements in adoption, but there are still challenges.

**Mr. John Carmichael:** Okay.

Is there any other comment, from your end?

**Ms. Monique Moreau:** I would just add that while this is an issue, cost remains an issue for small businesses.

Just today we looked at some of the monthly payments that small business owners have access to through our incumbent providers. The cost just to get Internet access can range up to \$150 a month. That can be a substantial cost, especially for a small entrepreneur or a sole proprietor. It eats into relatively thin margins for small businesses.

So it is a skills issue—I think we support that—but it remains a cost issue, not in terms just of a capital cost but of the monthly ongoing cost as well. Whether you make any money that month or not, you're still paying for your Internet bill.

**Mr. John Carmichael:** Thank you very much.

I have finished.

**The Chair:** Thank you, Mr. Carmichael.

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

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

Once again, Mr. Carmichael, your first question was exactly what I was going to ask. I've been part of the tour that has been launched looking at merchant fees, and that's exactly what all the merchants have said, that they are now charging prices that reflect what they are going to be paying in credit card fees.

If, then, someone is paying by cash, cheque, or Interac, they're actually paying more for products because the companies have to accept credit cards. They have to honour all cards, including the new high-rate cards, and the next level of premium cards could have percentages for merchants that could be up to 6%. That's a huge markup in cost.

I want to branch off a little bit, looking at digital adoption of technologies. There are some cities in the world that have brought in broadband Wi-Fi access across an entire city. That's something that could probably be very attractive to small businesses, because no matter where they were within that municipality, they would have instant access. If they were a mobile business, they would have access wherever they went.

Is that something CFIB has been looking at or has done any work on respecting how it could help your members?

**Ms. Corinne Pohlmann:** We haven't actually asked our members about that particular model. What we would always have to look at is what the cost of it would be to that community and where it was going to get the funds to create that kind of wireless system. This would be a big concern for us; municipalities tend to be some of the heavier taxers on our members as well.

The concept is certainly an interesting one. We know that many communities, as you mentioned, are starting to go down that path. I think even the City of Ottawa was looking at it at one point. But we would have to go to our membership and ask them. It would really depend on the cost to the community and what that means in cost to them spread over the entire community.

● (1715)

**Mr. Dan Harris:** Is this something you could see government playing a role in to help bring it about, to help municipalities put those kinds of systems in place so as to make themselves more attractive for business?

**Ms. Corinne Pohlmann:** It's all about priorities, isn't it? It's about what the priorities are at the municipal level and whether this is the priority, when you ask a small business owner what a municipality should be investing in.

It's a great idea, but whether it's at the top of the list....

**Mr. Dan Harris:** You need to get roads and sewers and electricity and everything else first.

**Ms. Corinne Pohlmann:** We would probably argue that they need more help in some of those other areas before this one.

**Mr. Dan Harris:** Infrastructure is absolutely, I think, the biggest one. Digital infrastructure is going to take on a greater importance, certainly, in the years to come.

Mr. Smith, did you have anything to add—quickly, because I want to share my time with Mr. Lapointe?

**Mr. Scott Smith:** I will just add to your point about digital infrastructure. Municipalities can play a large role in helping bring the digital economy along by automating most of their infrastructure systems.

**Mr. Dan Harris:** Great. Thank you.

I would like to pass my remaining time to Mr. Lapointe.

[Translation]

**Mr. François Lapointe:** A number of merchants have told me of their concerns. It goes right to this issue. Online businesses are inviting consumers to go to real stores, not virtual ones, scan the labels, and the online supplier promises to sell the item 5% cheaper. You can understand what competition like that can do to people who take risks, buy inventory and pay municipal taxes. They cannot compete with it.

Last week, the American government floated the idea of taxing online trading of goods in order to help real merchants, whose costs are higher, to be competitive. I have not yet finished deciding how I feel about that, but I would like to know what our stand on it should be.

[English]

**Ms. Corinne Pohlmann:** We would be strongly opposed to any kind of additional tax being imposed on.... Even as an online merchant in Canada, you're subject to taxation laws in the place of supply, wherever you're located as a business, regardless of where your customers are. In the Canadian context, I think this is somewhat addressed. Maybe it is not in the American context, and perhaps that's why they're doing this.

I can tell you right now that we'd be strongly opposed to any sort of additional tax on online merchandising just to balance it out.

[Translation]

**Mr. François Lapointe:** How can we help real-life merchants who buy inventory, pay municipal taxes and have to face aggressive competitors offering to sell me a product for 5% less than the price on the label, if I scan it? You can understand the concern of the merchant who is not in a position to do that. How do we help him? You say no to a tax, but what can we do?

[English]

**The Chair:** Be very brief.

**Mr. Scott Smith:** I can do this briefly. I would agree that the idea of taxing for online sales is probably not the way to go. Most businesses now do brick and mortar and online to serve their customers.

One thing that is missed is that most people do their research online first, so they're going to find the best price and then go to a brick-and-mortar shop to purchase. The idea of taxing Internet.... I haven't heard from any of our members of this being a problem.

**The Chair:** Thank you, Mr. Lapointe.

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

**Hon. Geoff Regan:** Thank you, Mr. Chair. Thank you very much.

There's been a lot of discussion here and elsewhere, Mr. Chair, about promoting digital literacy and about the need for it across Canada. I think it's connected very much to the topic we're discussing today. Many of us address the role of the federal government in relation to the promotion of digital literacy.

What comes to your minds—I guess I'll ask both organizations about this—when you think about adoption of digital technology, and what is the role in your view of the Government of Canada? What linkages do you see?

**Mr. Scott Smith:** From the chamber's perspective, one role of the federal government should be.... There are many programs out there for digital literacy. People will learn.

The challenge is in finding and accessing them. There's a role for government to play in providing a portal, providing a one-stop, central location for everybody to come to and find what they need.

• (1720)

**Ms. Corinne Pohlmann:** I would definitely agree. There are lots of tools out there for people to learn how to use the digital world. Groups such as us and I'm sure the chamber are doing our part to make sure that our business owners understand.

I have to say that I'm not sure there's a role for the government in digital literacy beyond, I suppose, that of the provincial governments and the school systems. Given that it's such a vast and quickly changing environment....

I don't mean to be disrespectful, but governments aren't necessarily known for their quickness and their ability to quickly react to situations. I would probably argue that governments are perhaps not the necessarily best source to provide digital literacy and that we should leave that to the many other groups out there that are doing this kind of work already.

**Hon. Geoff Regan:** The government's budget has a new program for training, \$15,000, whereby \$5,000 will be from the federal government and \$5,000 from provincial governments, where the provinces can afford it—and in fact the four Atlantic premiers just asked why the government hadn't consulted them on these things when it put them forward—and of course \$5,000 from small business. When we're talking about the need for small businesses to enhance their knowledge in this area, how many of your 109,000 members could afford to take part in that kind of program?

**Ms. Corinne Pohlmann:** My understanding is that it's up to \$5,000. It's difficult to say. We believe it's important to have training at the workplace level or at the business level, so we like the concept of what they're trying to do with this particular program. We're still waiting for more details as well. We are concerned about the red tape and the ability of businesses to be able to raise that sort of money, but at the same time, we also know small businesses already invest thousands of dollars per year in training. So we want to make sure that the Canada job grant, which is what I think you're talking about, is accessible to smaller firms and that it recognizes things like informal training, which is leading way in which small firms do train people.

We're waiting to get more information to understand it better as well before we decide whether or not it's the best approach for small firms.

**Hon. Geoff Regan:** If some provinces feel they can't afford to opt in, what impact does that have on your members in those provinces?

**Ms. Corinne Pohlmann:** It's hard to say. Again, it's early days to understand how that's going to ultimately impact the entire training process, but we do need more skills. We need to figure out how to get Canadians more skilled in different areas, so finding ways to make sure that the training is happening at the workplace itself, to us and I think to other organizations, is probably the most effective way of getting people trained into certain positions.

**Hon. Geoff Regan:** Thank you.

**The Chair:** Thank you very much, Mr. Regan.

We normally don't have this luxury, but I'm delighted that I can capitalize on it. If you'd like to have some closing remarks, maybe two minutes from each organization, to maybe sum up or fill in where you had a question and the time ran out.

Why don't you begin, Mr. Smith, and then I'll go to Madam Pohlmann. It looks as if you're ready.

**Mr. Scott Smith:** Thank you very much, Mr. Sweet.

One thing I would like to raise is this. We've spent a lot of time talking about the barrier to ICT adoption being the cost, particularly the cost related to payment transfers. One of the things I hope doesn't get lost in this study is that ICT adoption can do more than just payment transfer or the transfer of money. There are advantages and efficiencies for all businesses to adopt technology for tracking their shipments, for procurement, for other types of online transactions, even to communications. The efficiency of being able to meet with your counterparts and colleagues and competitors in an online environment, the fact that the technology exists for now, does amazing things for efficiency. I hope that doesn't get lost in this discussion.

**The Chair:** I know one particular area is training, where it's really revolutionized the ability of people to perform.

Madam Pohlmann.

**Ms. Corinne Pohlmann:** I would agree. I think digital technologies are more.... We focused on these because this is where we have the data and the information and, frankly, it's where it hits home mostly for smaller firms right now. We understand the huge advantages that can exist with digital technologies, especially, I think, for smaller firms. So encouraging them to look at some of the technologies that Mr. Smith has been talking about, I think, is important.

I don't really have much more to add. In looking at ways we can reduce those barriers, I do think small Canadian firms want to embrace digital technology. I think that's very clear. I think they are moving forward and that it is growing at a fairly rapid pace. I'm looking forward to our next survey to see where it's moved yet again. I think now it's more about how to get them involved in cloud computing and social media and all those other things that we think could be of great benefit to smaller firms, ultimately making sure we understand that the costs at the smaller business level are higher relative to larger businesses. So finding ways to minimize those costs is going to be the most important thing to get them to access these technologies.

● (1725)

**The Chair:** Thank you very much. We've had the luxury of both of you being here. I would assume that between the chamber and CFIB, you represent just about all of the businesses in the nation. So we've had the luxury of you both.

Yes, Mr. Thibeault.

**Mr. Glenn Thibeault:** I think for the benefit of the committee, regarding what Mr. Smith was talking about, if he has some information that he can share with the committee on that, I'd like to ask his indulgence in sharing it with us.

**A voice:** Sure.

**Mr. Glenn Thibeault:** I think that was an important piece that we've overlooked today, and I'd like to ensure that we have it.

Thank you.

**The Chair:** In fact, please feel free to provide the clerk with anything that you think would add to our study, upon reflection when you leave. We'll accept it as regular testimony.

Thank you very much.

Colleagues, thank you.

We're adjourned.







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