



March 4, 2014

James Rajotte, Chair
Standing Committee on Finance
Committees and Legislative Services Directorate
House of Commons
131 Queen Street, 6th Floor
Ottawa, Ontario K1A 0A6
FINA@parl.gc.ca

Via Email

Re: House of Commons Standing Committee on Finance study on emerging digital payment systems

1. The Canadian Wireless Telecommunications Association (CWTA) is the recognized authority on wireless issues, developments and trends in Canada. It represents cellular, PCS, messaging, mobile radio, fixed wireless and mobile satellite carriers as well as companies that develop and produce products and services for the industry, including handset and equipment manufacturers, content and application creators and business-to-business service providers. CWTA is pleased to file comments to, and take part in, the Standing Committee's study of emerging digital payment systems.
2. Although CWTA's members comprise a diverse range of competitors, they all share one common goal: more Canadian consumers and businesses using the wireless network to do more things. First and foremost, we stand for the growth, expansion and use of Canada's digital infrastructure to enhance social, commercial and personal prosperity. Indeed, our members not only respond to demand for wireless bandwidth, they help generate that demand.
3. Mobile payments provide a perfect example of this shared goal. The widespread rollout of point-of-sale proximity payments from mobile devices requires collaboration from multiple stakeholders, including mobile operators, device manufacturers, issuers, global payment networks, and secure software providers. Because of our world-leading status in all of these industries, Canada has been identified as one of the most advanced markets in the world for mobile payments.¹
4. It is therefore timely of the Standing Committee to undertake this study of digital payment systems. There is a very real opportunity for Canada to drive the global mobile payments agenda, resulting in job creation and R&D benefits not only from domestic industry development, but also from export opportunities. The regulatory climate could play a significant role in determining whether Canada's first-mover promise in mobile payments is realized or not. CWTA is pleased to submit the following additional background on mobile payments in Canada for the Committee's consideration.

¹ See <http://mobilereadiness.mastercard.com/the-index/noflash.php>

Canada is a leader in mobile payments readiness

5. Wireless technology has spawned a communications revolution. By uniting the two most important enabling technologies of the 21st century so far – mobile communications and broadband Internet – wireless networks and devices have transformed not only the way we communicate, but also the way we work, inform, navigate, collaborate and entertain. Canadians have embraced this revolution more than virtually anyone else in the world. In 2013, the average Canadian mobile consumer used more than one gigabyte of mobile data per month. This number is forecast to be nearly eight gigabytes per month by 2018.²
6. To meet this data demand, Canada’s wireless carriers have made world-leading investments to ensure Canadians benefit from among the fastest and most reliable network technology commercially available in the world. In 2012, the wireless industry invested \$2.6 billion in network infrastructure,³ which ranks Canada third among OECD countries in terms of capital investment per subscriber.⁴ It is also predicted that by 2016 almost 80% of the smartphones in Canada will be near field communication (NFC)-enabled, increasing the potential base for mobile payments.⁵ Canadians’ demand for data over smartphones, and the investments by network operators and device manufacturers to meet this demand, provides the foundation for the widespread adoption of mobile payments in Canada.
7. Canada’s payment industry and retailers have also deployed the necessary infrastructure to support mobile payments. The Canadian Bankers Association estimates that approximately 5% of card-accepting merchants in Canada are accepting NFC transactions, more than double the percentage in the US (2%).⁶ However, it is the large retailers who are leading the charge – MasterCard reports that 19 of Canada’s 25-largest retailers accept or plan to accept its NFC payment functionality, PayPass.⁷
8. Indeed, Canada is poised to pioneer the mobile payments industry, providing a unique opportunity to drive the global agenda for an entire sector. The advantages of such first-mover status would be widespread. Canadian consumers and retailers would benefit from the immediate efficiency of mobile payment options, and Canadian mobile payment developers would have the opportunity to export their knowledge and technology worldwide.

The policy environment should help ensure Canada fulfills its promise as a world leader in mobile payments

9. Considering the substantial benefits inherent to Canada’s position as a world leader in mobile payments, there would be significant consequences to unnecessarily suppressing the rollout of mobile payments. CWTA has noted some reticence from stakeholders based on misguided beliefs about the nature of mobile payments, particularly with respect to unforeseen fees and security issues. Neither concern is based on the reality of mobile payments.

² Source: Cisco, VNI Mobile Forecast Highlights, 2013 – 2018.

³ Source: Nordicity, The Benefit of the Wireless Telecommunications Industry to the Canadian Economy in 2012.

⁴ Source: Bank of America Merrill Lynch Global Wireless Matrix.

⁵ Source: Business Wire, Research and Markets: Canadian Payments Forecast - 2012 - By 2016 a Substantial Reduction in Cash Transaction Volumes is Expected in Canada.

⁶ Source: NFC Times, Google’s Schmidt predicts contactless terminal rollout, June 2011.

⁷ Source: Canadians are leading in adoption of MasterCard PayPass Tap & Go Technology, MasterCard Cashless Conversion Blog, November 2, 2012.

10. As mentioned above, the top priority of all CWTA members is the growth, expansion and use of Canada's digital infrastructure. The increased utility and ubiquity of mobile devices – not per-transaction fees – is motivating Canada's wireless service providers to offer mobile payment options. Global experience has demonstrated that attempts by wireless service providers to extract a 'cut' of mobile payment transactions only stalls the rollout and delays the overall benefits of mobile payments. In fact, from a technological standpoint, the NFC payment terminals are unaware if the payment is from a contactless card or NFC-enabled mobile device, so no additional fee could be assigned to proximity payments made from mobile devices. Similarly, wireless service providers have no record of what payment transactions their subscribers have made from their wireless devices.
11. Proximity payments from mobile devices are also secure. Mobile payment options build on the existing security of contactless cards by requiring the active initiation of the NFC functionality from both the payment terminal and the mobile device. And because the payment is coming from a handheld computer, issuers can customize security features for each mobile payment option.
12. The mobile payments ecosystem only truly works when a critical mass of consumers have access to the majority of existing payment options on a wide variety of devices and from most wireless service providers. It is in the industry's best interest to ensure this proliferation happens. Pursuing per-transaction fees or offering options that are not completely secure would delay deployment and therefore be counter to the objectives of mobile payment providers. Similarly, rules and regulations aimed at addressing issues that do not exist would suppress rollout. CWTA respectfully submits the government should ensure that the market conditions that support the broad deployment of mobile payments remain in place.

Conclusion

13. Mobile technology continues to revolutionize the way Canadians communicate, work, inform, navigate, collaborate and entertain. Soon it will revolutionize the way Canadians pay for products and services at the point of sale. Perhaps more significantly, if we continue on our current trajectory, Canada will play a significant role in shaping the mobile payments environment around the world.
14. All industry stakeholders – mobile operators, device manufacturers, issuers, global payment networks, and secure software providers – are working to ensure there is quick, widespread adoption of mobile payments. Payment options from mobile devices are straightforward and secure, and are generally designed to replicate payments from contactless cards in terms of process and cost. Indeed, our ability to disrupt the current payment industry as little as possible by leveraging existing infrastructure and payment habits will help Canada fulfill its promise as a global leader on mobile payments.

End of Document