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The Honourable Mark Eyking

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• (1530)

[English]

The Chair (Hon. Mark Eyking (Sydney—Victoria, Lib.)): Good afternoon. We will continue with this very important study on progressive Canadian enterprises and SMEs through electronic commerce. This is our second meeting. We had a very productive and informative last meeting on Monday. We're looking forward to having another one, and we're very happy to have with us today eBay Canada Limited, La Maison Simons Inc., and of course Michael Geist, who always comes when we need him.

Good to see you here, sir.

If it's the first time for anyone here on the panel, if you would try to do your opening remarks in five minutes or less, we would appreciate it. If you see my red light coming on, it just means you're running out of time. If you have any further ideas, you can them incorporate them when we have dialogue with the MPs.

Without any further ado, I think we're going to get started, and we're going to start with eBay Canada Limited, Ms. Andrea Stairs.

Go ahead, you have the floor.

Ms. Andrea Stairs (Managing Director, eBay Canada Limited): Thank you, Mr. Chair, and good afternoon.

On behalf of eBay Canada, thank you for the opportunity to present before the Standing Committee on International Trade. Before I dive in, I'd like to provide some background about eBay in Canada. Enabling small business to get online and participate in international trade is at the heart of our business model.

eBay is one of the world's largest online marketplaces. Launched 17 years ago in Canada, eBay remains the top e-commerce destination, enabling more than \$1.5 billion of trade by Canadians annually. Each month our platform receives nine million unique Canadian visitors, nearly one-third of the Canadian online population.

In addition to changing how consumers buy, e-commerce has also changed the ways in which we sell. In fact, Canadians on eBay sell more than one million items each month. E-commerce is also levelling the playing field for rural retailers. By leveraging part of the Internet, platforms like eBay have effectively decoupled entrepreneurial success from the need to locate in population centres. Take for instance, Christine Deslauriers, who has been able to create a thriving sports apparel business in the tiny town of Blezard Valley, Ontario. This is due largely to the sales her eBay store receives.

eBay's platform is also one in which even the smallest business can engage in international trade. In fact, 99% of Canadian commercial sellers on eBay export internationally, which stands in stark contrast to the export rate of traditional SMEs at less than 15%, and these businesses reach vastly more markets than their traditional peers—18 countries for eBay sellers versus 2.5 countries on average per year for traditional SMEs. Finally, our data finds that, for eBay commercial sellers who export, more than half of their sales come from international buyers. These sellers are in fact micro-multinationals.

It's important to note that Internet-enabled trade differs significantly from traditional trade. Exporters don't forward deploy inventory or enter into foreign distribution agreements; rather, platforms like eBay drive demand in foreign markets and create the connection and the trust between consumers and retailers. Unlike traditional export, this trade occurs via individual orders crisscrossing the globe, with shipments clearing borders via consumer channels rather than commercial ones.

Given eBay's role in working with these micro-multinationals, my team and I are acutely aware of the frictions associated with this trade and the federal actions that could address them. Specifically, I'd like to recommend a change to the Canadian de minimis threshold to empower Canadian small and medium-sized businesses to thrive in the global economy. As you're aware, the de minimis threshold is the value above which goods shipped into the country can be assessed for duties and taxes. The \$20 threshold was originally set in 1985, prior to the birth of e-commerce. In fact, had it simply been increased with inflation, Canada's de minimis threshold would now stand at almost \$45. Instead, Canada's de minimis is the lowest in the industrialized world and among the lowest globally.

This low de minimis level causes major friction for Canadian small business. It negatively impacts their ability to access low-value international supply chains and creates red tape when purchases are returned from foreign buyers. In fact, a report from the C.D. Howe Institute found that an increase in the de minimis level from \$20 to \$80 would benefit Canadian businesses by more than \$100 million in reduced red tape and other costs.

Furthermore, Canada's low de minimis threshold does not support what the Canadian consumer wants: fairness and choice. E-commerce gives rural Canadians or Canadians with physical limitations access to goods that are otherwise hard to find. It's not hard to understand why a poll conducted by Nanos research found that 76% of Canadians were supportive of a modest increase in the de minimis threshold.

Finally, an increase in the de minimis threshold would improve government efficiencies. The same C.D. Howe Institute report found that the Government of Canada is spending \$166 million to collect just \$39 million in duty and taxes on goods valued between \$20 and \$80. As taxpayers, we should all be concerned that the cost of enforcing the de minimis threshold dramatically exceeds the revenues collected on low-value purchases.

As a platform for small business, eBay respectfully requests that the committee consider an increase to Canada's outdated de minimis threshold through its review of ways to support progressive Canadian enterprise through electronic commerce.

I look forward to your questions.

• (1535)

The Chair: Thank you, Madam Stairs.

We're going to move over to Mr. Simons.

Mr. Simons, you have the oldest family enterprise in Canada. You were founded in 1840. Congratulations to you and your family on your success.

You have the floor, sir.

Mr. Peter Simons (Chief Executive Officer, La Maison Simons Inc.): Thank you.

Thank you to the committee for the opportunity today to express my ideas regarding this issue. As you mentioned, we're the oldest family private business operating in Canada. I think it gives us a unique view of the evolution of a variety of technologies that are starting to impact our economy, be they automation, AI, or the refinement of applied mathematics in managing our business.

As a national retailer, we're at the forefront of these changes. It has given us unique insight into how this third industrial revolution is going to impact our economy and our country, but more importantly, how it's impacting our values as a family business and our values as Canadians.

Today, I'm not here to lobby with a narrow vision for the retail industry or another egocentric, narrow constituency. I would like to speak today as a citizen, as the father of two children, as a technophile—I want to underline that—and as a proud Canadian with dreams of the potential for this great nation.

My thesis, my objective today is to impress upon our political establishment the necessity for courageous, visionary change, to ensure not only fiscal equity in the future but also our ability as a country to build our communities around the values and projects that we aspire to. That is what is at stake here.

Despite the awesome potential that technological change offers us, it's negative impact will cause enormous social turmoil, even

upheaval, if we continue to address these changes with archaic fiscal legislation created a 100 years ago. An ad hoc approach of piecemeal actions that focus on easy change will not suffice, in my mind. Our government's efforts will appear arbitrary, and impossible to explain or defend, leading to further social inequality and instability. Ultimately, as a country, as a nation, we will be unable to afford the very values that define our project as a country.

We are in the early stages of a revolution. I'm on the forefront of it in retail. As McAfee wrote in *The Second Machine Age*, we're on the second half of the chessboard. This is a point where geometric acceleration will both outline and underline the potential and the dangers that await us. As a businessman, I have one foot in the old economy with stores, and one foot in the new economy with the second largest website in Quebec, one of the top 10 in our category in the country.

I want to bring to you today a view from the battlefield of what's going on. There has to exist a sense of crisis and urgency. In my mind, we need thoughtful action, or else we will no longer control our destiny. Ultimately, this revolution will arrive right here in Ottawa, at your doorstep. You will find yourselves facing eroding tax bases and the inability to offer adequate essential services such as education and health care, as well as the inability to effect essential change, for example to a more sustainable, low-emissions economy.

Until we clearly identify the problems and causality, we will find ourselves, I believe, in a cycle of austerity, then budget cuts, followed by a temporary surplus, and then austerity again. That is the direction until we identify the causes and modernize the legislation.

Quickly, I think, if you have this sense of urgency that I bring here today, the government has to look at a number of things.

First, if we believe in a global trading system, companies and citizens must accept that there's a new global fiscal framework to be put in place. We must engage with an emerging group of nations, such as France, Germany, and Australia, who are not only lobbying for their particular interests but are beginning to reflect on a 21st-century global consensus for fiscal equity. Access to open global trade networks is not a right. It is a privilege that has been built by hard work over the past decades. It comes with responsibilities. A refusal to engage transparently in the new global initiatives should be met very severely.

Second, we must understand that it is citizens who require services, and thus taxation must be accrued at the points of consumption. Without this fundamental principle, smaller, less populace regions will always be able to profit from the ability of individuals and organizations to transfer activities to less populace, more fiscally advantageous countries.

Third, tangible and intangible products must be taxed in the same manner. The reality is that most products today are a combination of both. In a restaurant, 25% is actual, physical food; the other 75% is experience. To imagine that we can separate these two, or consider them differently, is just nonsensical. It will lead to a massive erosion of our tax base as the economy continues to dematerialize, and this is going to impact our cities and our ability to evolve.

● (1540)

Fourth, governments must avoid focusing on small, limited actions, until a broader platform of ideas and directions are in place. This is, in my mind, a crisis. To focus on little items, such as employee discounts for the young woman who works 15 hours at Simons, which was an issue a couple of weeks ago, just doesn't have any vision to it at all. It will be seen as arbitrary by citizens, and consequently, change will be impossible to effect.

Fifth, sales tax in Canada must be collected on all products, both tangible and intangible. We must find a way to collect it at the point of sale, and accumulate it at the point of consumption.

Sixth, de minimis levels must be set at zero. I find it difficult to believe we continue to have this. I am for thin borders, easy trade. I'm a free trader. However, to not set de minimis levels at zero is basically destroying the idea of localizing tax collection at the point of consumption. Operating in Canada is a privilege. Companies must transparently and honestly accept the responsibilities accompanied with that privilege. Higher de minimis levels will decouple the connection between fiscalty and the locality of consumption.

Seventh, governments must rethink industrial job creation policies and subsidies. That's where we're at. The core to the future is education, both university and technical.

Eighth, Canada must participate in a movement to redefine corporate taxation based on where actual sales, consumption, employees, citizens, and physical assets are located.

Ninth, I believe Canada must push—

The Chair: I'm sorry, you're going to have to wrap up.

Mr. Peter Simons: Those are nine points of action that are essential to this change.

The Chair: Thank you, sir, and thanks for your frank presentation. It was good.

Mr. Geist, you have the floor.

Dr. Michael Geist (Canada Research Chair in Internet and E-commerce Law, Faculty of Law, University of Ottawa, As an Individual): Thanks very much. Good afternoon.

My name is Michael Geist. I'm a law professor at the University of Ottawa, where I hold the Canada research chair in Internet and e-commerce law. As always, I appear today in a personal capacity representing only my own views.

While there are many Canadian e-commerce success stories, often started small—everything from e-commerce platforms such as Shopify to services such as Hootsuite and retailers such as Clearly Contacts—there are also, as we've just heard, many smaller businesses that use a combination of e-commerce, social media, and online platforms to raise awareness and foster customer loyalty.

In my view, the question for this committee is what, if anything, the government should be doing to further facilitate e-commerce in Canada. Are there current regulatory or legal barriers? Are there opportunities for the government to help support e-commerce growth? Are there instances of an uneven playing field that disadvantages Canadian online businesses? I believe the answer is yes, and I'd like to quickly focus on five such instances.

I'll start with access as the first of these. It may be stating the obvious, but universal, affordable Internet access is the foundation for e-commerce. If Canadians are not online, they are not buying online. Minister Navdeep Bains was right when he said earlier this year:

We need every Canadian to be innovation ready—ready to spot opportunities, imagine possibilities, discover new ideas, start new businesses, and create new jobs.

All Canadians need access to high-speed Internet, regardless of their income level or postal code.

Until we bridge this digital divide, Canadians will not reach their full potential.

There is still much to be done to bridge this digital divide. Too many Canadians still do not have affordable access, and our pricing, particularly for wireless services, remains among the highest in the developed world. We need public investment to support universal, affordable access, and policy measures designed to foster enhanced mobile competition. Moreover, proposals such as the committee heard earlier this week calling for an Internet service provider tax and Internet tax, which by the advocate's own estimates would add more than \$100 million a year to the costs of consumer Internet access, should be rejected.

Second is consumer trust and confidence. Even if Canadians are online, their willingness to engage depends on trust—trust that their information will be used appropriately and trust that online sellers will deliver what is promised. The need to foster trust has a government policy dimension.

For example, concerns associated with fraudulent spam undermine the potential success of all e-commerce activities. The industry committee is currently reviewing CASL, the anti-spam legislation, and there are business groups criticizing the law as overbroad, yet it is having a positive impact, with some studies finding that there's a 37% reduction in spam originating from Canada and a reduction of spam into Canadians' inboxes.

It is essential that Canada have a tough anti-spam law to help facilitate online trust. Further, we need to ensure that long-overdue security breach disclosure rules come into effect as quickly as possible, ensuring that our privacy legislation keeps pace with global standards, particularly those emerging out of the European Union.

Third is intermediary liability. If you were to canvass many of the biggest digital-first businesses today—social media and companies and other online services—about the relative legal risks in Canada as opposed to in the United States, many would likely point to the absence of safe harbour rules for content and the contributions of third parties in Canada.

That's an issue that remains largely hidden to the general public, but in the United States, Internet giants such as Google, Facebook, Amazon, and indeed eBay, as well as small companies that invite feedback comments and user participation, are protected from liability for the content of third parties through a statute known as the Communications Decency Act, the CDA, which provides that an intermediary is not liable for the third party content it hosts but does not actively review.

The standard makes sense. In a world in which platforms may have millions or even billions of users, placing editorial responsibility on the site is a recipe for disaster, with users going elsewhere.

Canada does not have a statutory equivalent. In practice what this means is that sites either relocate to the United States, where they have that safe harbour, or they simply remove content—often perfectly lawful content—for fear of liability. If we want to compete on the global e-commerce stage, we need laws that do not place Canadian businesses at a competitive disadvantage.

Fourth is intellectual property laws. As I mentioned in my last appearance before this committee, on NAFTA, Canadian companies, particularly those active in the digital environment, may be at a disadvantage with our restrictive IP laws as compared with some of the more flexible rules found in the United States. For example, the availability of “fair use” in copyright in the U.S. represents a significant competitive advantage for U.S. businesses and creators.

• (1545)

Similarly, Canada's anti-circumvention provisions, often referred to as digital lock rules, are among the most restrictive in the world and create unnecessary limits on innovation.

Finally, fifth, the committee has heard as recently as earlier this week about the need for an e-commerce or digital trade chapter in our trade agreements. I think there is some value there, but we should be wary of provisions that undermine legitimate public policy interests, including privacy and security. For example, the U.S. has identified restrictions on local data storage, often called data localization, as one of its objectives. The Canadian government should resist those efforts within NAFTA, or within the restarted TPP 11, to limit the ability of federal or provincial governments to establish legitimate privacy and security safeguards through data localization requirements.

Limitations on data transfer restrictions, which mandate the free flow of information on networks across borders, can raise similar concerns. The U.S. has been seeking a ban on data transfer restrictions, and I think we ought to ensure that our privacy and security rules aren't superseded by trade agreements such as NAFTA or the TPP 11.

In sum, we're succeeding in e-commerce, but we can do better and there is a role for the federal government to help make it happen.

I welcome your questions.

• (1550)

The Chair: Thank you, sir.

That wraps up the panellists' presentations. We're going to go right into dialogue with the MPs, starting with the Conservative Party.

Mr. Allison, you have the floor for five minutes.

Mr. Dean Allison (Niagara West, CPC): Thank you very much, Mr. Chair, and to the witnesses, thank you for being here today.

One of our witnesses earlier this week, Startup Canada, was talking about how difficult it is for start-ups. I shouldn't say “difficult”, but how it's more challenging in terms of understanding what they can do to export and how they can figure that stuff out. Obviously, larger companies have the capacity to bring it in house, or they grow over time and they figure that stuff out.

Ms. Stairs, my first question is to you. You stated the fact that, if you're selling on eBay, there is a big export component to that. Talk to us about some of the challenges that smaller companies have in trying to figure that out and some of the things you guys take care of to help them manage that piece.

Ms. Andrea Stairs: The good news is that it's getting easier. Both getting online and using the Internet to enable exports is getting a lot easier now with platforms such as Shopify, effectively pay-as-you-go, and it can scale with the business. You don't have to have massive upfront infrastructure investments, software investments, in order to get online and to start exporting.

Certainly what we see is that small businesses might start somewhere, even start on eBay, and use that as a way to test the waters. It's a very low-risk way to dip your toe into exports, and eBay is creating a trust, it is facilitating the transaction, and it's providing guarantees on both sides.

That said, when we talk to the small businesses that trade on eBay, they are not as aware as they should be of all the programs and benefits that are open to them, to get them going.

We've had round tables with both the current Minister of International Trade and the minister from the previous government, and in both cases our sellers were asked, “What government programs have you availed yourselves of?” The answer was, effectively, “None”. There needs to be much better communication and much better, for lack of a better word, marketing to small businesses to let them know what's available to them.

Certainly getting online with eBay and similar platforms can take a lot of the heavy lifting out, because those platforms are able to immediately connect them with demand in any number of countries.

Mr. Dean Allison: How would you do that? I realize that's a problem for start-ups, not always knowing what's out there and what's available. What would that marketing piece look like, or how would that happen?

There are good programs that the government offers, and you're right, people are not necessarily aware of what they are.

Ms. Andrea Stairs: I totally agree. There are some great programs.

We need to create programs that respond to this new version of Internet-enabled trade, because a lot of the programs react to an old model of trade where you need distribution agreements in foreign markets and you need to have contacts there, and the trade commissioner will facilitate that.

That said, having a one-stop shop, being able to advertise where the businesses are, which is in social media, and using platforms such as eBay to bridge that gap are all good ideas.

Mr. Dean Allison: Mr. Geist, you talked about the chapter on e-commerce, etc., and you did mention a couple of things. Obviously, there is privacy and security, but what are some of the other things that we need to be looking at, as we negotiate and upgrade this NAFTA chapter, to deal with this whole chapter on e-commerce and digital?

Dr. Michael Geist: I think we've done a good job domestically, generally speaking, in establishing e-commerce-related rules. We have fairly high standards when it comes to privacy. We have consumer protection rules that could still be improved, but we do fairly well. We have the anti-spam law that I made reference to as well.

I thought that one of the problems with the TPP 12, the original TPP, is that it established a really low standard. In fact, on many of those issues, Canada was content to have provisions that didn't come close to the kinds of things that we've established here. If we're looking for level playing fields and if we're looking for Canadian businesses to have the opportunity to take advantages in other jurisdictions and to see them grow elsewhere, then I think we ought to be looking for a higher-level standard.

A good example would be in the TPP 11 agreement. For example, it's the U.S. that sought to lower the standard when it came to privacy in TPP. Given that they are now out of those TPP 11 discussions, there might be an opportunity for Canada to advocate for a higher-level standard when it comes to some of the privacy provisions in that chapter.

• (1555)

Mr. Dean Allison: Thank you very much.

The Chair: Thank you, sir. You're right on time. You must have a stopwatch over there. Good show.

We're going to move over to the Liberals now.

Madame Lapointe, you have the floor.

[Translation]

Ms. Linda Lapointe (Rivière-des-Mille-Îles, Lib.): Thank you very much, Mr. Chair.

Dear witnesses, I am so pleased to see you all here today. Thank you for your presence.

My questions are for Mr. Simons.

Mr. Simons, you appeared on the very popular Quebec program, *Tout le monde en parle*, which has 2 million viewers. On the program, you talked about trade and competition.

Do you think it is possible to compete fairly with electronics companies, whether they are to the south of Canada or in Asia?

Mr. Peter Simons: Yes, definitely.

For my part, I invest here, in Quebec, and I plan on continuing to do so. That being said, I do not think all players are on an equal footing. That is why I raise the issue of a zero de minimis threshold. We could certainly discuss it, since we will get there eventually.

Once all the players are on an equal footing, we will be able to compete with the others. Right now, we are considering a world-class investment in robotics and distribution, with a de minimis threshold of \$800. All the financial partners and shareholders in the project want to sit down and talk about it, because these issues have to be examined carefully.

In my opinion, we must ensure that all players are on an equal footing, and then let companies compete with each other. I think we can do that.

Ms. Linda Lapointe: You are saying it will be possible if you are on an equal footing. Earlier, you mentioned bringing the tax system...

Mr. Peter Simons: We are certainly not on an equal footing right now, because of the whole issue of customs and sales taxes being collected or not. There is obviously uncertainty about the de minimis threshold, which worries us.

Even when that is all in place, there will still be major challenges. I think we will be able to meet them nonetheless since we have the technological knowledge and the teams to do so. It will be a completely different story though if we start out with the disadvantage of paying 18% in customs duties, 15% taxes, and a \$800 de minimis threshold.

Ms. Linda Lapointe: You suggested that taxes should be collected where there are physical sales and employees. You also mentioned that taxes should be brought into line with the location where the products are consumed.

Have you thought about how that could be done?

Mr. Peter Simons: Actually, I do not have a team that can come up with a structure for that.

Ms. Linda Lapointe: Do you have any suggestions?

Mr. Peter Simons: Essentially, when companies refuse to collect sales tax for technological reasons, for example, we must not be naive. If there are driverless cars in Los Angeles, we can certainly collect sales tax.

It will of course require international coordination. I would be very pleased to see Canada engage more proactively in the consensus that is slowly forming. You might think I am being utopian, but ultimately we can get there, either by going through a crisis or by being visionary. I would rather see Canada engaged with countries such as France and Germany. Australia has already given a lot of thought to this as well. I think coordination is beginning on these issues.

Ms. Linda Lapointe: On that television program, you said that Quebec's retail council, the *Conseil québécois du commerce de détail*, has indicated a loss of \$1.3 billion. Where does that figure come from?

Mr. Peter Simons: Honestly, I don't know where the retail council got that figure. I don't know the source.

Ms. Linda Lapointe: We should have invited someone from the council so we could ask them.

Mr. Peter Simons: Yes.

Ms. Linda Lapointe: You said there are tremendous fiscal losses. That is not in just in Quebec, but in Canada as well?

Mr. Peter Simons: Yes, because customs duties are not being collected, for one thing. Secondly, there are losses because sales tax is not being collected. That is a disadvantage.

For my part, all the products I sell are fully taxed and subject to customs duties. That is not true for other companies, however, so there is an imbalance or unfairness in terms of competition.

I am not asking for my business to be subsidized or protected, but simply for things be fair. As citizens, we have responsibilities, and that is expensive. For example, my company pays delivery charges and taxes that go towards maintaining our roads. Amazon, on the other hand, uses our roads to deliver products that are not subject to sales tax.

• (1600)

Ms. Linda Lapointe: I have one last question.

On the program, you mentioned that a very well-known Quebec company, DeSerres, had the opportunity to set up shop in the United States, specifically in order to benefit from being in that location. For your part, you dismissed out of hand the idea of setting up shop there.

[English]

The Chair: That will be a short answer, please.

[Translation]

Mr. Peter Simons: I do not remember that comment specifically.

A de minimis threshold of \$800 would certainly have a huge impact on the choice of location, a choice that would also be a function of the supply of labour and the minimum wage. That would impact a broad range of decisions.

Ms. Linda Lapointe: Thank you very much.

[English]

The Chair: Thank you.

We're going to move on.

I remind MPs to be careful with the questions coming on the end of your five minutes. It throws a—

[Translation]

Ms. Linda Lapointe: I was not here on Monday; it makes a difference.

[English]

The Chair: I know. It was a good question, but save it for the next round.

We're going to go to Ms. Ramsey.

Go ahead. You have five minutes.

Ms. Tracey Ramsey (Essex, NDP): I apologize for being late.

Mr. Simons, I appreciate that you sent us your brief in advance so that I could look through it. I think I know the position of eBay and Mr. Geist quite well.

I want to talk about the levels of privacy protection around this e-commerce. I know, Mr. Geist, that you've been critical of the fact that there have been voluntary undertakings in our agreements so far. How can the government help SMEs and their customers around these particular rules of privacy? How important is it to Canadians and Canadian consumers?

You mentioned the TPP. Can you expand a little on maybe some of the things we could incorporate into trade agreements to have growth for SMEs but also protect our privacy?

Dr. Michael Geist: I think Canadian privacy law largely meets global standards, although we've started to see the European Union in particular, through something known as the GDPR, elevate those standards. I think we're going to rapidly face some challenges if the EU starts digging into whether or not we continue to meet those standards.

In terms of compliance domestically, we have a Privacy Commissioner, who of course enforces the anti-spam rules. It's a shared responsibility between the commissioner and the Competition Bureau and the CRTC. We have a number of players there on the domestic front.

How Canada can help develop better privacy protections on a global basis, particularly when Canadians may purchase or engage with foreign entities, to ensure there is adequate privacy protection, that's where there is, I suppose, the potential for trade agreements to play a role.

As I mentioned in my earlier response to Mr. Allison, it seems that one of the challenges we're facing is that the extent to which we're negotiating with the United States.... The U.S. has not been a particularly strong supporter of strong privacy protections. It tends to adopt more of an "anything goes" approach. As long as you disclose what it is that you're going to do and someone agrees to it, then so be it. I'd argue that's a bit of a fiction. Most people don't know the kinds of things they are clicking their way into.

Developing baseline standards of privacy protection is an important thing to do, certainly domestically. Also, as we enter into some of these trade agreements, whether NAFTA or TPP 11, or perhaps some others, we need to ensure that we establish an appropriate benchmark in those agreements.

Ms. Tracey Ramsey: Thank you.

The other thing that has come up with this study has been about fair taxation and having a level playing field with U.S. companies, large multinationals like Netflix, Facebook, and Google, that aren't paying the same amount of tax, or paying essentially no tax to operate those platforms here in Canada. There are other countries, like New Zealand, Australia, Japan, and the EU, that have begun to bring laws and regulations into place that will allow them to collect some of those taxes.

I wonder if you can speak to how important it is to close that loophole. I'll open that to anyone.

I think our Canadian businesses and entrepreneurs need to have a level playing field in the digital space. I'll open it up to your thoughts on how important it is to close that loophole.

Dr. Michael Geist: Mr. Simons has obviously made a strong case for why he thinks there's a problem.

I'll say a couple of things. First off, I think there is an inevitability to sales taxes in the online environment, so with regard to this debate over Netflix sales tax, the notion that somehow there are a whole lot of people out there who are about to drop their Netflix subscriptions and go to something else strikes me as highly unlikely. It's a well-priced product, and if you added the sales tax I don't think it would move the meter very much.

That said, there are some countries that are starting to experiment. I think there are some dangers about implementing across-the-board sales taxes for anybody that happens to sell. The compliance costs, the enforcement costs for modest sales into Canada might well result in many of those businesses avoiding the Canadian market altogether, and that would decrease consumer choice and lessen competition.

The last point I would make—with all respect to my colleague on the panel here—is that no Canadian company succeeds in the e-commerce environment by solely targeting the Canadian market, so the notion that somehow if only we taxed everybody trying to sell into the Canadian market there would be opportunities for Canadian businesses to succeed online, with respect, I don't think that's consistent with what we've seen.

Over the last decade or so, we've seen consistently that Canadian companies can compete in the global market, but the only way you compete in the global market is by competing in the global market. Trying to increase costs in the Canadian market for some of that competition isn't really an effective way to do that.

•(1605)

Ms. Tracey Ramsey: Yes. I think it's about levelling the playing

The Chair: Thank you.

I'm sorry, Ms. Ramsey, your time is up. I know it was quick, but that's when you have great dialogue going on.

We're going to move on. You will have another three minutes later on. We're going to go over to the Liberals.

Mr. Dhaliwal, you have five minutes. Go ahead, sir.

Mr. Sukh Dhaliwal (Surrey—Newton, Lib.): Thank you, Mr. Chair.

Thank you to the presenters.

Ms. Stairs, in January there was an article published in *The Globe and Mail*. There were 50,000 eBay customers who signed a petition to the Minister of Finance to raise that threshold limit. On the other hand, the local consumers were not in favour of it.

How do you see that raising that threshold limit will negatively impact Canadian businesses, to continue with what Mr. Geist was saying?

Ms. Andrea Stairs: How will it negatively impact Canadian business?

Mr. Sukh Dhaliwal: Yes.

Ms. Andrea Stairs: In fact, I don't think it will negatively impact Canadian business. I think the C.D. Howe report was pretty clear that an increase in the threshold would actually unlock 100 million dollars' worth of red tape costs from Canadian small business.

The reason eBay has been advocating on behalf of small and medium-sized businesses for an increase in the threshold is precisely, to Mr. Geist's point, to remove some of the frictions that are currently applied to Canadian small businesses as they try to transact in the global economy.

I think the playing field is not level precisely because you have Canadian small and medium-sized businesses trying to engage in global e-commerce using a de minimis threshold of \$20 that is over 30 years old, set before e-commerce was a thing, competing against American sellers who are facing a de minimis threshold of \$800. In fact, I think increasing the threshold to create freer trade for small and medium-sized businesses would be of net benefit to the country. Certainly, it would be of benefit to Canadian taxpayers.

We understand that even with the low enforcement threshold or low enforcement that currently exists, so that most low-value packages coming through the postal channel are waved through, even with that being the case, we know that the Canadian government is spending \$170 million to collect \$40 million in revenue. There must be a better way to spend those dollars.

Mr. Sukh Dhaliwal: In a constituency like mine, Surrey—Newton, 90% of the businesses are small businesses. How can eBay or other platforms help them to grow so they don't have to face the challenges they are facing right now?

Ms. Andrea Stairs: That's precisely it. When we talk about our commercial sellers, these are tiny micro-businesses. These are businesses of one, two, three, or four people that may not have the expertise to launch a full-blown exporting business of their own, but by listing their inventory on a platform like eBay, they are able to close that gap. They are able to transact with customers in Australia, the U.K., the U.S., and anywhere else on the planet, and to do so at a very low cost. The cost of entry has effectively been done away with for exports.

I think precisely platforms like eBay are able to open up and democratize international trade in a way that hasn't been the case up until now, where trade has been the domain of large enterprises that are able to ship vast quantities of goods around the world. That's no longer the case.

Mr. Sukh Dhaliwal: What steps are you taking to make them familiar with the types of platforms that are available? Are you telling them government should be...?

• (1610)

Ms. Andrea Stairs: We spend a lot on marketing. Yes, we're trying to tell the story. We had an event here last week, in Ottawa. Members of the committee were there, participating, which was lovely to see. We in fact honoured small and medium businesses that had done really well on the platform. We use events like those, marketing and whatever, to tell the story.

It's something we need to do more of in Canada, creating a narrative of small business success and what that looks like, so that people like me can do it, as opposed to, you know, the Shopifys of the world. It is an awesome example and a great success story, but there are a lot of micro-businesses that are doing tremendously well. eBay definitely spends a lot of resources to try to bring those to the surface and publicize them.

The Chair: That ends our first round. We're going to go into a second round, starting off with the Liberals. They have five minutes.

Mr. Fonseca, you have the floor.

Mr. Peter Fonseca (Mississauga East—Cooksville, Lib.): Thank you, Mr. Chair. Thank you to our presenters.

Mr. Simons, congratulations on the success you have had over many decades—centuries actually. We look at Eaton's, Simpsons, and Sears, and the demise of those companies. I would like to ask how you've reinvented yourself.

Thank you very much for opening your first store, your flagship, in Mississauga, Ontario, which is my riding. That's great, given all those jobs you've brought and the investments you've made.

I want to know about what has kept you so successful. How do you work with those small businesses that supply to you? Do you help bring them along as part of your supply chain? Do you provide the resources and the expertise to be able to get them into your supply chain, keep them in your supply chain, and keep them growing?

Mr. Peter Simons: I'll address that in two parts.

How have we stayed successful? It's been very demanding for a private company over the last 10 years. We've invested massively in

our e-commerce operations. We still feel there's a new equilibrium business model being formed between stores and e-commerce.

Today we run a world-class tier one platform. We're using facial image recognition technology from Spain. We've really tried to stay on the forefront of technology, but it's been very demanding from an investment point of view. It's also been essential, because e-commerce is no longer just a separate business. We sell in the U.S., so we are international. It's really become the backbone of all our IT infrastructure, and it will continue to be that way.

In that regard, that's what I think. Your second question, then, was what?

Mr. Peter Fonseca: It was just about your supply chain. Do you bring in product from SMEs, and some of the smaller manufacturers?

Mr. Peter Simons: Yes. It's amazing how much creativity there is in Canada at that micro-level. There's Philippe Dubuc, who's a designer in Montreal, who runs one shop. We've been supporting him, and we're working with new start-ups from coast to coast today.

It's not only product start-ups we're bringing in. We're finding young, creative artists who really have no interest in commercializing their art. Perhaps we have new ways to help them commercialize their skill sets. A'Shop and En Masse, for example, are artistic, artisanal workshops that are going well.

I'm really proud about what we're doing in Canada to pair up with these creative resources, and our customers are reacting very positively to it too. We definitely bring them in and try to nurture them along. It's a win-win.

Mr. Peter Fonseca: It seems like you've always been ahead of the game. We often talk about governments sometimes not keeping pace in terms of the services we provide through CanExport or our trade commissions.

Are those helping you?

Mr. Peter Simons: As of today I've never accepted a dollar of—I have, I'm sorry. There is a scientific tax credit for innovation in the supply chain that we've accessed, but it's a non-factor for us. We've put together a vision of what we want to build and we've struggled to build it on our own, and I'm prepared to continue doing that. Again, as I said, we're on the verge of trying to break ground on what will be a \$100-million robotic purchase—a total project of \$150 million—to render our distribution world class.

We're ready to compete. It should be a level playing field and I think we have to come to see what is ultimately going to be unavoidable. We have the technology today to simply.... I think the idea of little orders "can't collect taxes" is disingenuous, honestly. We have the technology today to easily collect these taxes. Yes, I think the U.S. de minimis should be at zero too or there are going to be problems. I'm not arguing for an uneven playing field. I'm arguing for common sense. I'm arguing for the fact that our societies are aging. There are values in things we want to do in Canada and we're going to have to finance them.

I believe change is going to be very focused on the cities, especially on the energy grid and sustainability. I think as you see dematerialization happen in your city, such as Mississauga, you will start to find a reduction in your real estate rolls and you'll find an erosion of your city tax base. I think it's going to be very detrimental to our ability to modernize our cities in Canada. I really come back to that level playing field.

• (1615)

Mr. Peter Fonseca: To Ms. Stairs—

The Chair: I know you're on a roll, but your time is up.

It's all going well this afternoon. We have to move over to the Conservatives for five minutes with Mr. Dreeshen.

You have the floor, sir.

Mr. Earl Dreeshen (Red Deer—Mountain View, CPC): Thank you very much, Mr. Chair.

It certainly is great to be able to speak to you. Again, one key thing that was brought up earlier was the Internet, and of course, how we're able to manage that. I was on industry, science, and technology, and we were about to study Internet capabilities in rural and remote Canada. Hopefully that's going to be continued and looked at. That's really one of the major criticisms and concerns that we have right now. It seems as though the costs associated with it and the coverage that is there is obviously where the major population is. That's something that has to be addressed. Again, I think the businesses are the ones that can help push governments to make sure that they're focused in the right direction.

The other thing to recognize is that what's taking place is the disruptive technologies that are out there. I do think back to Sears. To me, when I was a kid it was all the catalogue. I didn't know that they had buildings. If we're looking at what is happening now, they got lost on that. Of course, with so many businesses, we have these stranded assets that are there as they've put millions and millions of dollars into these things, but that isn't what is going to be needed in the future.

I think that's really one key thing that I'd like us to be able to focus on. From the panellists, are there ways that we can ensure that the requirements needed for our Internet services are up to par for all of Canada and not simply the corridors of population?

Mr. Geist.

Dr. Michael Geist: There's a reason that I started the five recommendations with access, because I really do think it is the foundational issue that you have to address. You are right to note that there is not a quality of access today, and access even where it is available in many places remains expensive, which creates, in a sense, two sets of digital divides in Canada.

We have a digital divide sometimes between urban and rural with communities that don't have any access at all, but even within urban communities where Internet is available, it may be unaffordable. That's why there is an emphasis, I think, both on affordability and on access.

We've seen various programs and successive governments from both sides endeavour to establish programs and prioritize the issue

and we haven't made the kind of progress that I think we would have otherwise hoped for, given that there are still too many Canadians who don't have that kind of access. That can't help but create a real laggard when it comes to e-commerce adoption, whether as consumers or as businesses seeking to adopt.

I think that means, at times, investment where the market won't otherwise invest. I think it means finding ways to inject new competition, particularly in the wireless sector. It's things like NVNOs, which are seen as virtual companies riding on the network but offering up the prospect of greater levels of competition—we see these kinds of things in some other jurisdictions—and then continuing with spectrum policy that seeks to inject some of those new competitors into the marketplace as well.

It's not going to happen overnight, but unless it is a top priority with clear targets and objectives—and the CRTC tried to do that—I fear we're going to be here five years from now still talking about the number of Canadians who can't afford it or don't have access.

• (1620)

Mr. Earl Dreeshen: Ms. Stairs, when you're looking at e-commerce, and so on, your organizations would be the ones most affected by this or the restrictions that exist there. Are there any discussions within your organizations about how that can be improved, at least on the e-commerce side of things?

Ms. Andrea Stairs: We are very much advocates for investing in access, because we see the potential and we certainly see that platforms such as eBay, but any number of platforms, allow people to make money, support a family, hire people in their local community, and stay in their local community, which is something that we see over and over again. As to how we bridge that gap, certainly we have participated in some of the consultations with ISED and are very supportive of that, but what we bring to the table is the platform.

To Mr. Geist's point, people need to be able to access the platform. Once you can access the platform at a decent speed and at a decent cost, it is amazing that the world is now suddenly your oyster and you can stay wherever you happen to be in the country.

We did a heat map that looked at commercial activity by population. We saw hot spots in southern Ontario, but also that northern B.C. and the southern part of the Northwest Territories were hotbeds of e-commerce activity. That's precisely because people are able to access. They can stay in their small communities and have meaningful commercial activity as a result of the access.

Mr. Earl Dreeshen: Thank you.

The Chair: Thank you.

We're going to move over to the Liberals. Madam Ludwig, you have the floor.

Ms. Karen Ludwig (New Brunswick Southwest, Lib.): That's fascinating testimony. Thank you very much.

My first question is around the business community itself. There are many who have said that the business community is turning flat as we get more involved with e-commerce. Mathew Wilson was here earlier this week from the Canadian Manufacturers and Exporters and he talked about the importance of “brand Canada”.

In the e-commerce environment, is that an important aspect to trade, that people know they're buying a Canadian-made suit, or a Canadian-made item or service?

Ms. Andrea Stairs: Absolutely, yes. To Michael's point, Canada is seen as having good protections and a good infrastructure, and trading with a Canadian company feels more secure than trading with companies from other jurisdictions. There is a massive benefit to "brand Canada".

Is it all that it could be? Perhaps not, but absolutely there's a benefit.

Ms. Karen Ludwig: For my next question, I'm going to start with Dr. Geist and move along.

I know in previous testimony you've talked about cybersecurity. I'll give a local example. There's a small inn in my community, and someone had basically fraudulently copied the website. People were paying, thinking that they were staying at this inn. Not only did they lose the revenue for it, but they lost the bookings, because they were double-booked when the person finally arrived, and certainly the individual lost their personal experience and some of their personal information.

For all of you on the committee, how do we protect and enhance the protection of consumers and businesses against this in terms of cybersecurity?

Dr. Michael Geist: I'll start by noting that there's no single solution, and you're right to highlight it as an issue. I mentioned in my opening remarks the importance of trust, and I highlighted that in the context of the anti-spam legislation.

It is worth emphasizing that the anti-spam legislation isn't just about dealing with fraudulent spam. It deals with malware. It deals with phishing attempts, which can be used in some of those instances. We do have some of those rules in place, and it is important to recognize that there is, in my view, a concerted effort to water down that legislation. I appeared before the industry committee here a week or so ago and have seen some of that testimony.

If you take a look at the data, we established a world-class law. In fact, the data suggests that even on the email e-commerce side, Canada has higher deliverability rates and higher click-through rates than we see in other places. In other words, people are more trusting of email e-commerce in Canada than they are in the United States, as more of them are likely to click through. Part of that might well be because we've seen an increase as a result of tough anti-spam laws that had the effect of cleaning up many of the lists and made that aspect of e-commerce more effective.

• (1625)

Ms. Karen Ludwig: Thank you.

Mr. Simons, your company must focus quite significantly on cybersecurity.

Mr. Peter Simons: It's an important area. The only comment I would make, without perhaps as much reflection on the issue, from a personal point of view, is that there has to be good co-operation regarding the payment providers.

I've had a number of experiences where we have a piece of AI that identifies potentially fraudulent transactions, which we block and then we automatically review. When I review them, I know they're fraudulent. I call the banks and say it's fraudulent, and no one wants to talk to me. They tell me to ship it anyway, because it's just part of their loss that they're going to pass on to their consumers.

In any part of security, it really is a team effort, and I think there would be something to do to really underline the fact that not only the Internet sites, but the payment providers really have to be sensitized to it and not just blow it off as a cost of business.

Ms. Karen Ludwig: Are the payment providers also collecting taxes that will go back into the local communities?

Mr. Peter Simons: Do you mean on the fraudulent payments?

Ms. Karen Ludwig: No, I mean just in general.

Mr. Peter Simons: In general, no. I collect my taxes and I remit them to the—

Ms. Karen Ludwig: Okay. Thank you.

Ms. Stairs.

Ms. Andrea Stairs: To speak to the earlier points, trust is critical both in domestic transactions and particularly in international trade transactions that happen through e-commerce. At eBay, as a platform, that is one of our absolute top priorities. It's not my area of expertise, but I know for a fact that we invest tremendous amounts. There are bad actors out there who are constantly banging away trying to find ways to exploit weaknesses.

To address Mr. Simons' point, the focus on security is something that has to be carried through the entire flow of the transaction, because the one weak point will be found and exploited. It's very unfortunate, but that is the way it is. This therefore needs to be something in which all of consumers, government, and business are holding hands and taking part. If any one of those groups drops the ball, that's exactly where the bad actors will go.

Ms. Karen Ludwig: Thank you.

The Chair: That wraps up your time. We're going to move over to the Conservatives.

Mr. Carrie, you have the floor.

Mr. Colin Carrie (Oshawa, CPC): Dr. Geist, you said, I think, that increased costs in the Canadian market are not the way to go. Remember, I come from Oshawa, and the traditional business was bricks and mortar. Government policy makes a big difference. If you're increasing electricity rates or putting in new taxes, as we've seen, many of our jobs ship out.

I see with e-commerce that many of the jobs are portable, and these businesses can be portable. They don't necessarily have to be in Canada. I see that there's a bit of an urgency here, if we want to be marketing Canada to the world so that Canadians get an advantage in this.

Maybe I'll start with you, Dr. Geist, but then go across the panel. You gave us five really good points, but what's the low-hanging fruit here? What advice can you give the government as to what, maybe over the next six months to a year, we could do policy-wise to improve our global competitiveness? Is e-commerce going to help Canadian businesses be more competitive internationally?

What can you tell us that we could do right now to help things out?

Dr. Michael Geist: I'm glad you liked the five I started with. I think those are the kinds of issues, given that we are actively renegotiating NAFTA and negotiating TPP 11, that are very much current.

Taking the perspective that e-commerce is somehow a threat and that those jobs can leave isn't to view e-commerce with the fulsome kind of potential that it has. Of course, eBay provides a paradigm example of the way many people can succeed on a global basis, but there are many examples over the last number of years. In many ways, we should almost stop calling it e-commerce and just think of it as commerce, because it does reflect how people do business today.

I have every confidence that Canadians can compete. What we have to get out of is the mindset that what we need to do is erect barriers or have government come in with programs to help make it happen. This is not to suggest that there isn't a role for government to help educate, to help lay the foundation, as I talked about, with such things as access. But it's a global marketplace, and what we ought to recognize is that if we're not able to compete on the global level, other companies are going to come in and compete right here at home. Amazon we know, for example, is obviously a giant in the space, and not just with the traditional books, of course, but with just about anything, including now groceries.

When you start thinking about those kinds of paradigm shifts that are taking place from an e-commerce perspective, what we need isn't so much cheerleading. We need to, in a sense, embrace the commercial opportunities that the Internet has brought and recognize that we do have a lot to offer and we can compete.

• (1630)

Mr. Colin Carrie: Mr. Simons.

Mr. Peter Simons: I agree completely that we have a lot to offer and that we can compete. I can just talk from my point of view. What's holding us back right now is really the question of our ability to handle the quantity of transactions in a productive way. It necessitates enormous investment.

I marked here, "close NAFTA with zero de minimis", because also economies of scale.... The more you move to robotics, the more you move to a fixed-cost business. The key to a fixed-cost business is to a certain extent volume. Zero de minimis isn't about erecting barriers. It's a question of how we finance our society.

The second thing is technical education. We're moving in Quebec City into a situation in which this investment will require 25 full-time electrical engineers to manage and maintain the robotics necessary to continue shipping. Those people are not available in Quebec right now. I would probably point to technical training, to make sure we have the skill set to support the infrastructure that will

allow us to grow our businesses rapidly, because that's holding us back right now—NAFTA and having technical skills available.

Mr. Colin Carrie: Madam Stairs, could you comment?

Ms. Andrea Stairs: Yes, I'd agree with Dr. Geist. I think that Canadians are ready, willing, and able to compete. I think you only have to look at the myriad of sellers on eBay to see that's possible. I think they're looking for regulation that is built for the 21st century, that isn't a holdover from the early eighties. They talked to me about two things. First was shipping costs, which is a different committee, and the second was the de minimis threshold and the need to essentially get out of their way and take some of the red tape costs off their plate.

Mr. Colin Carrie: Good.

All right.

The Chair: You're time is up. You're right on time, Mr. Carrie. Good show.

Okay, we're going to move over to the NDP.

Ms. Ramsey, you have three minutes. Go ahead.

Ms. Tracey Ramsey: Okay. I know this will go quickly.

I was interested to hear about southwestern Ontario being an e-commerce hotspot. I'd like to chat about that more.

One-third of all trade travels through the Windsor-Detroit corridor, and customs is a huge piece of e-commerce. You're obviously shipping to other countries, so I really want to ask you about customs processes, and the complexity, and some cross-border e-commerce frictions that you have in that space.

This will likely go to Ms. Stairs. Go ahead, Ms. Stairs.

Ms. Andrea Stairs: The interesting thing about e-commerce trade is that it's going through consumer channels like you and I would send something to our aunt in Bethesda. It's not going through programs that have been set up for commercial use. That creates specific frictions. No one's going to be surprised when I say de minimis is one of those big frictions both in terms of increasing the cost of low-value inputs—the reality is these small micro-businesses are bringing inventory in to resell in the hundred of dollars—and then it also is a huge pinpoint in terms of processing returns.

Returns on e-commerce transactions are table stakes. It's something that you need to offer now in order to compete. When you're doing more than a half of your business outside Canada, as most commercial sellers on eBay are, you're bound to be receiving returns from international customers. They tend to get assessed for duties and taxes, which you can reclaim, but that process costs money and diverts time and attention away from what you really want to be doing, which is running your business.

For that reason, aligned with what Dr. Geist was saying, we need to have regulation that acknowledges this new kind of trade and removes some of that friction, while still focusing on the key things of preventing dangerous goods, preventing the kinds of things that CBSA really needs to focus on. It's clear that picking up a \$21 package, assessing it for duties and taxes, costs way more than the revenues that this generates.

If we feel we need to protect Canadian retail, there must be a more efficient way of doing that and in a way that consumers can trust that this package is above the threshold so it will get assessed, but this is package below so it won't. We play duty roulette now. Half the time the stuff coming across the border is assessed; half the time it's not. That creates a lot of red tape. It doesn't permit Canadian consumers to participate in global e-commerce in the way that it appears other countries do, and to use global e-commerce to fill the gaps from what they're able to get domestically.

• (1635)

The Chair: Okay. That's it, unless somebody has something quick.

Ms. Tracey Ramsey: Mr. Simons.

Mr. Peter Simons: For the returns, I agree. Returns are a big part of e-commerce. They're expensive. They have to be automated, and that is a lot of friction. I was in my store this morning and I sold a three-dollar hair accessory. To say the taxes I collected on it are friction, no, that's just the way it is. That's what we've chosen to do, collect the taxes.

To say that it's going to be auto-declaration, that doesn't work. The person who's selling, who's shipping to Canada should collect the taxes. Should it be efficient? Yes, but to say it's friction and it's protectionism.... As far as I'm concerned collect the same taxes from everyone, but lower the tax rate for everyone, then. Lower it by 5% on everything we purchase in Canada. You'd probably break even. But you can't have one person calling taxes a "friction" and the other one calling it a "legal responsibility". That doesn't make sense to me.

The Chair: Thank you.

We're going to go right to the Liberals again.

Mr. Peterson, you have the floor.

Mr. Kyle Peterson (Newmarket—Aurora, Lib.): Thank you, Mr. Chair.

Thank you, everyone, for being with us this afternoon. I find the presentations very informative, and obviously important as we do our study into e-commerce here in Canada.

I have a question. It seems to me that de minimis is obviously coming up. I think we lack consensus with stakeholders, and it's obviously going to take some more input.

Andrea, I'll start with you. I just wondered if you see a difference between the impact of raising the de minimis regionally. Is there a regional benefit to a change in de minimis at all?

Ms. Andrea Stairs: The key benefits are going to be for Canadians who don't live near the border, right? On a consumer basis, obviously Canadians who live near the border have had higher in-person duty thresholds for quite some time. The small businesses

that are at the border have also had the benefit of being able to cross the border and receive goods and returns in the U.S. and then drive them back across, which we know happens. The real beneficiaries will be both consumers and small businesses away from the border.

We need to level set. E-commerce is still a tiny proportion, less than 10% of total retail. While it's growing well, the growth is coming through domestic e-commerce. Canadians would much prefer to buy in-store first, online second, and when they buy online, they prefer to buy domestically. What they're using international e-commerce for is to fill the gaps.

On the small business side, to Dr. Geist's point, in order to survive and create a robust business, you need to trade outside Canada. I don't think that's news to this committee. Being able to access those foreign markets in a way that is efficient no matter where you are in the country is critical.

Mr. Kyle Peterson: Mr. Simons, I don't know if you have any insight into that, whether there would be a regional impact, even if we take your suggestion to take the de minimis to zero.

Mr. Peter Simons: The logic for me would be that if you take the de minimis, let's say it is raised, then in a sense there's an issue of sacrificing your sovereignty, your national independence to make certain decisions. I'll go to minimum wage. To build a robotics facility in southern Ontario or in the upper Michigan peninsula, obviously you'd look at unemployment rates, accessibility of labour, and minimum wage.

If you raise the de minimis, effectively you're probably removing your freedom to make other choices of public policy, which as a nation we'd probably regret and we'd be dragged down to a lower level. The regional impact is more in regard to where people will localize their businesses.

Mr. Kyle Peterson: Thank you for that.

Something that we haven't really touched on, but it's an important part of the e-commerce infrastructure, is payment systems and the way money travels through the Internet when we make online purchases.

Of course, we have the Visas and the Mastercards. The big credit cards play an important role. There's some push-back against those now for fees that might not be commercially viable for some of the people who use those services. We have things such as PayPal, which is a hybrid, and we look at things such as Bitcoin, which obviously undercuts the traditional payment methods altogether.

Have you guys given any thought to that infrastructure and what role that's going to play in making sure that Canadians can leverage e-commerce to the benefit of Canada and Canadians?

Professor Geist, maybe I'll start with you.

•(1640)

Dr. Michael Geist: I want to quickly chime in, even on that last question about the regional side, and recognize that there are at least two sides to this coin. There is also a consumer side, especially in rural communities where they don't have some of the stores and where the amount of consumer choice might be far less than what is available in an urban community. That ultimately means that they've often not had the choice or they've had to rely on, let's say, the Sears catalogue, if we go back decades.

E-commerce has created a far more level playing field from a consumer perspective in terms of massively increasing consumer choice. I would argue that if what we did was to say to every one of those micro-businesses, wherever they're located anywhere in the world, that one of their obligations is to collect and remit Canadian sales taxes, we're going find that many of those consumers are going to face the frustration we face from time to time of being told, sorry, they don't sell into our jurisdiction because the costs are simply far in excess of the kind of revenues it would generate.

Yes, it makes it easier for Canadian sellers because they don't face that competition, but from a consumer choice perspective, particularly in some of the regions where there is traditionally less choice, it makes a big difference.

In terms of payments, to your specific question, we're already seeing a lot happening, but frankly, we see far more happening in the United States with innovative payment services. We're very proud of our banking system and how secure it happens to be, but what it also means is that type of disruptive innovation in the financial payment sector is happening at a far faster pace in the United States than in Canada. Part of it is that we get the benefits of a secure banking system, but we also don't get the type of disruptive innovation that we're seeing elsewhere. Longer term, that's a real risk to the growth of e-commerce.

The Chair: Thank you, Mr. Peterson.

We're doing pretty good on time. I have a request for two short, quick questions, so quick questions and quick answers.

Madame Lapointe, go ahead.

[Translation]

Ms. Linda Lapointe: Thank you very much, Mr. Chair.

What is being discussed today is very interesting.

Mr. Simons, thank you for being here.

You referred earlier to education as one of the ways of making businesses more competitive as regards international e-commerce.

By the way, I would like to commend you on your investments in robotics.

I would like to hear your thoughts on that.

Mr. Peter Simons: The e-commerce movement requires a whole new skill set. Clearly, Quebec is facing a shortage of those skills

right now. I am in favour of strengthening education. Essentially, it is the key to moving forward. We can build robotics, but then someone has to maintain and program the tools.

At my company, there are two people who have a doctorate in applied mathematics, and neither of them is in Canada. One is in France and the other in Iran. They are working on emerging projects.

In my opinion, education is part of infrastructure maintenance. Thought must be given to ensuring access to the skill set that is needed to compete with other companies.

Ms. Linda Lapointe: Thank you very much.

[English]

The Chair: Mr. Fonseca, do you have a quick question?

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

My question is to Ms. Stairs. It's in regard to large e-platform-type organizations like yours.

In terms of the collection of taxes locally and also your corporate taxes, are they kept here in Canada for all sales that happen in Canada or do you offshore those somewhere else in the world? All Airbnb's money goes to Ireland.

We're not sure, even if taxes are being collected locally.... I say that because of rural communities and others. You have to build roads, infrastructure, etc. If we're not collecting those taxes, those rural communities aren't going to be able to get that Internet infrastructure. We're not going to be able to build it. That's what I'd like to hear from you.

Ms. Andrea Stairs: I work for an entity called eBay Canada Limited, which is a Canadian corporation. We collect and remit taxes on the services that we provide. On the fees that we charge our sellers, which is how we make revenue, we collect the sales tax and that's remitted to the federal government.

We also give our Canadian sellers the ability to create tax tables. They also can apply the appropriate tax based on the Canadian jurisdiction, so that in fact, they can also collect and remit taxes on the sale of goods.

•(1645)

The Chair: Thank you.

That wraps up the time and that wraps up our dialogue with the MPs.

Panellists, thank you very much. There were very different perspectives. We're definitely at a time of trade being different right now with e-commerce.

That's going to end this session. MPs, I have five minutes of new business. We're going to break for a minute and then get right back at it.

[Proceedings continue in camera]

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