

Chair's Report
Canada Roundtable on the Future of the Internet Economy
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The Internet has emerged over the past decade as the pre-eminent global medium for the conduct of commerce and communications. In fact, the rapid expansion of the Internet, coupled with the increasing use of computers by businesses and consumers and the widespread deployment of high-speed telecommunications networks, has created what many have termed an **Internet Economy** that increasingly drives innovation, economic growth and job creation.

In the twenty-first century economy, sustainable growth increasingly depends on the creative use of information and knowledge, both to add value to the processing of natural resources and the manufacture of goods, as well as to fuel the future development of the burgeoning services sector (which now generates around half of Canada's GDP and three-quarters of our jobs). Information and communications technologies (ICTs) are thus important tools which can vastly enlarge a society's capacity to innovate through the continual transformation of products, processes and business models, and thereby increase competitiveness across virtually all sectors of the economy. In recent years, studies show that investments in the Internet and other ICTs, particularly when accompanied by complementary investments in human and organizational capital, have become one of the principal drivers of growth in national economies.

Historically, Canada has long been recognized as a world leader in the field of information and communications technology. In particular, superior levels of connectivity, creativity in content and technology development, and innovative models of governance have been a significant source of national advantage for Canadians and for Canadian businesses. Today, however, a new set of challenges have emerged which may require a dramatic re-engineering of Canada's Advantage, in order to ensure that Canadians can fully seize the benefits and opportunities arising from the global Internet Economy.

The Canada Roundtable

In response to the explosive growth of the Internet around the world and its implications for the economy and society, the Organization for Economic Cooperation and Development (OECD) will hold a Ministerial Conference on the Future of the Internet Economy in Seoul, Korea on June 17-18, 2008. The objective of the conference is to frame broad principles that will guide the Internet economy over the next decade towards

the goals of innovation, sustainable economic growth and social development. Participation will include Ministers of OECD member countries as well high level representatives of business, the technical community and civil society.

In order to provide advice to the Minister of Industry on Canada's priorities and positions for the OECD Ministerial, Industry Canada convened a Canada Roundtable on the Future of the Internet Economy in Ottawa on October 2, 2007. The Roundtable agenda was structured to mirror the agenda for the Ministerial Conference, using its three main themes:

- ***Fuelling creativity*** by promoting Internet-based innovation, entrepreneurship and business transformation; encouraging user participation in the development of Internet applications and services; and enhancing public access to digital content.
- ***Building confidence*** in the Internet as a platform for economic and social transactions by cooperatively addressing business and consumer concerns related to information and network security, privacy, spam, and other malicious practices.
- ***Benefiting from convergence*** by developing overarching principles aimed at ensuring fair and effective competition between telecommunications, cable and other network operators as they converge on the Internet platform; promoting investment in the deployment of high-speed networks; and protecting consumer interests.

The Roundtable was attended by some 70 high-level representatives of the Internet service provider, telecommunications, content, and information technology industries, as well as by representatives of business and consumer Internet users, experts in Internet technology and policy, and government policy-makers and regulators.

The Roundtable was chaired by David Johnston, President of the University of Waterloo. In order to stimulate discussion and help focus debate, Industry Canada commissioned background papers on the themes of creativity, confidence and convergence from three independent experts.

Canada's Agenda and Priorities

The general sense of the Roundtable was that the OECD conference in Seoul provides an excellent opportunity to renew and re-build Canada's Advantage with respect to the Internet economy. In this regard, three fundamental goals emerged from the discussion, revolving around Performance, Policy and Partnership: (1) Performance – Regaining Canada's leadership position internationally; (2) Policy – Getting the environment right for investment and innovation; and (3) Partnership – Strengthening creative policy cooperation between government and the private sector.

Regaining Canada's leadership position internationally

Seven years ago, Canada led the OECD in the deployment and uptake of broadband. According to the latest figures we rank 9th in terms of broadband access per 100 inhabitants. In other areas, such as the cellular and mobile market, OECD studies show Canada well below the OECD average, and dropping over time. Major international

benchmarking studies also show a similar downward trend in Canada's relative ranking on various measures of how well countries are performing in the Internet economy. For example:

- the Economist Intelligence Unit's *E-Readiness Ranking*, which measures the extent to which a market is conducive to Internet-based opportunities, shows that Canada slipped from 4th in 2001 to 13th in 2006;
- the World Economic Forum's *Networked Readiness Index*, which measures the degree of preparation to participate in and benefit from ICT developments, shows that Canada slipped from 6th in 2005 to 11th in 2006.

Canada's declining performance in recent years was of great concern to Roundtable participants. The main message they wanted to send to the Minister is that it is time to re-establish Canada's position as a leader – both in policy and market performance. They believe that the 2008 OECD Ministerial Conference provides an ideal opportunity to get Canada moving again, both domestically and internationally.

Getting the right environment for investment and innovation

As the Telecommunications Policy Review Panel noted in its 2006 report, there is a correlation between policy performance and performance in the marketplace.

In the past, Canada has created a favourable environment for investment and innovation in network development and online through a judicious mix of fiscal measures, regulatory reforms, legal protections, and targeted public expenditures. In fact, Canada was one of the first countries to recognize the opportunities and challenges arising from the diffusion of ICTs throughout our economy and society, and the parallel transformation of the Internet from a research network into a public communications medium. Beginning in the mid-1990s, the work of bodies such as the Information Highway Advisory Council, the National Broadband Task Force, and the Task Force on Spam established Canada as a policy leader on key issues related to the rise of the Internet economy.

There was consensus among Roundtable participants that Canada must regain the leadership position it held in the run-up to the last OECD Ministerial conference on the Internet economy, which was held in Ottawa in October, 1998. Roundtable participants stressed the need to maintain and enhance policies to promote innovation, productivity and competitiveness in the Canadian economy. Among other things, these framework policies should aim at

- developing the skills of Canadians in relation to both the technical and non-technical job requirements of the Internet economy
- maintaining a competitive tax environment
- enhancing access to venture capital
- promoting innovation across value chains through R&D, technology commercialization, new business models, and organizational transformation
- encouraging the creation of Canadian digital content.

In addition to these general policies, Roundtable participants identified a number of specific policy initiatives Canada should immediately undertake to ensure that conditions are favourable for the future growth of the Internet economy , including:

- *measures to support the use of broadband for community economic development – based on the experience of the Broadband for Rural and Northern Development program and the recommendations of the Telecommunications Policy Review Panel;*
- *comprehensive legislation to deal with spam, spyware and other related threats to consumer confidence in the online environment – building on work done by the Spam Task Force;*
- *legislation requiring consumers to be notified when the privacy of their personal information has been breached – as proposed by the government in the PIPEDA review;*
- *measures to support the digitization of public sector content – based on the Canadian Digital Information Strategy spearheaded by Library and Archives Canada.*

In the judgment of Roundtable participants, these initiatives would significantly advance the growth of the Internet economy in Canada. They would also represent a substantial contribution to the work of the Seoul conference, by serving as policy models that directly address a number of the main items on its agenda.

Over time, effective national policies depend on setting clear performance targets, which are benchmarked against comparable countries and trading partners, and on measuring progress by using reliable information and statistical data. In this respect, continuing support for the measurement of Internet use and online commerce in Canada is essential. A failure to maintain the current capacity for statistical measurement of this growing part of the Canadian economy would not only weaken domestic policy, but could embarrass Canada internationally.

Strengthening policy partnerships

As Canada quickly recognized, new policy approaches are needed to respond effectively to the speed of change in the Internet economy and the complexity of issues in a world where borders of all kinds are blurring. In the past, Canada developed national policies and strategies for the Internet economy through innovative partnerships among key stakeholders from the federal and provincial governments, the private sector, consumer groups, and the academic and research communities. A decade ago, the policies that emerged from the work of the Information Highway Advisory Council, particularly the Canadian E-Commerce Policy Framework, served as models that were adopted by the OECD and in other countries. In the years that followed, the recommendations of the National Broadband Task Force and the Task Force on Spam attracted similar notice.

To regain Canada's leadership on key issues related to the creation of a policy environment that facilitates and promotes the growth of the Internet economy, Roundtable participants believe that innovative policy partnerships involving all concerned stakeholders are needed.

In the Internet economy, traditional legal and regulatory approaches are unlikely to be effective because of factors such as the speed of change, the borderless nature of cyberspace, the complexities of an interconnected world, and the attitudes of the ‘Internet generation’ toward issues such as privacy and intellectual property rights.

Judging by the controversy that surrounded its discussion at the Roundtable, the complex question of ‘net neutrality’ is a good example of the kind of policy challenge that will be very difficult to resolve without enormous expenditure of time and effort if it is tackled using traditional methods. These often pit stakeholders against each other in adversarial proceedings before regulatory bodies or the courts, with policy-makers remaining at arm’s-length from other stakeholders.

Instead of attempting to rely on traditional approaches to complex issues of this kind, Roundtable participants suggested Canada should address the challenges of the Internet economy through innovative governance models of the kind that are beginning to emerge in Canada and other OECD countries. These models include: multi-stakeholder initiatives similar to those already developed to deal with spam and cyber-security; co-regulatory and self-regulatory approaches to policy implementation; and public-private partnerships for program delivery.

Using innovative policy partnerships to address the question of net neutrality and the other policy priorities identified by Roundtable participants would help solidify Canada’s position as a policy leader in the OECD, and provide models for other countries to consider adopting at the Seoul conference.

Conclusion and Summary

The Canada Roundtable showed that there is a high degree of consensus among stakeholders on the challenges Canada faces in the Internet economy, as well as on the responses needed to reverse the slippage that has taken place in recent years on key indicators of national performance. The Roundtable brought together companies that compete against each other as well as their main customers — major businesses, SMEs, and individual consumers. Although views of these groups often differ, on this occasion, they were clear and unequivocal in their advice.

First, they agreed there is an urgent national need to regain the advantage in terms of increased productivity, enhanced innovation, and strengthened competitiveness that flows to the whole Canadian economy from superior levels of connectivity, creativity in technology and content development, and innovative governance. Secondly, they stressed the need to achieve these economy-wide benefits by developing policies that enable Canadian businesses to grow and prosper, even as the Internet changes economic and market fundamentals. Finally, they called for new forms of policy partnership to respond successfully to the many challenges of change in the Internet economy and for strong leadership and active participation in these partnerships by all stakeholders, first and foremost by the federal government.