



September 2, 2008

Dr. Robert Campbell, Chair
Nicole Beaudoin, Member
Daniel H. Bader, Member
Canada Post Corporation Strategic Review
330 Sparks St. (HCCR)
Ottawa, Ontario
K1A 0N5
Attention: Anne-Marie Bouchard
Email: bouchaa@tc.gc.ca

Dear Dr. Campbell, Ms. Beaudoin and Mr. Bader,

Re: eBay Canada Submission to the
Canada Post Corporation Strategic Review Advisory Panel

eBay Canada, as the voice of more than 5 million individual users and small and medium-sized enterprises (SME) in Canada, welcomes the opportunity to participate in the Canada Post Corporation (CPC) Strategic Review consultation.

eBay Canada is delighted with the stated mandate of the Canada Post Corporation Strategic Review Advisory Panel: to conduct a strategic review of Canada Post to ensure that the Corporation remains focused and is well positioned to continue to serve Canadians in the future. eBay Canada believes more competitive Canada Post parcel rates are crucial to ensure Canadians can compete in an increasingly global and online economy.

Many eBay users cite high Canada Post shipping rates as a significant impediment to e-commerce growth. In fact, Canada Post rates can be twice as expensive as the United States Postal Service (USPS), and for media items such as DVDs and CDs, up to four times the rates of USPS. As a direct consequence of the shipping rate disparity, Canadian seller profit margins are significantly lower than those of the average US seller. This also means that Canadian buyers can source goods much cheaper from the US, and US buyers can source items much cheaper domestically than from Canada -- a lose-lose situation for Canadian sellers.

Over the past three years, eBay Canada and Canada Post have worked collaboratively on postal rate initiatives that have provided short-term relief to Canadians and Canadian SMEs. However, more needs to be done to bridge the long-term shipping rate gap to allow Canadian businesses to compete effectively on the world stage.

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eBay Canada's submission outlines our recommendations on how eBay Canada and Canada Post can continue to collaborate on postal rate initiatives to ensure Canada Post remains well-positioned to foster e-commerce growth in Canada, and to ensure the economies in Canadian local communities remain vibrant.

Kindest regards,

Original signed by:

Andrew Sloss
Country Manager
eBay Canada

Attachment



eBay Canada

Formal Submission to the Canada Post Corporation Advisory Panel

RE: CANADA POST CORPORATION STRATEGIC REVIEW

September 2, 2008

Presented by:

**Andrew Sloss, Country Manager
Ira Grossman, Head of Shipping
Ashley Lawrence, Business Intelligence Manager**

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EXECUTIVE SUMMARY

eBay Canada (eBay), as the voice of more than 5 million individual users and small and medium-sized enterprises (SMEs) in Canada, welcomes the opportunity to participate in the Canada Post Corporation (CPC) Strategic Review consultation and to provide input on the key issues that need to be addressed to ensure that Canada Post remains relevant and well-positioned to serve Canadians in the future, and fosters e-commerce growth in Canada. eBay hopes that its unique vantage point in e-commerce can provide some interesting perspectives that can help shape and inform the Advisory Panel's recommendations on the CPC's future.

- eBay is a significant part of Canada's e-commerce engine.
- Canada dramatically lags its peers on eBay user penetration (number of registered eBay users who bid on or list an item as a percentage of the online population).
- E-commerce's current shipping environment is extremely competitive, with many online retailers using free and/or discounted shipping as a way to entice buyers; buyers do not want a significant amount of their online spending to go towards shipping.
- High shipping charges are a problem on eBay and correlate to negative buyer experiences.
- eBay businesses and individual sellers cite Canada Post's high shipping rates as a critical impediment to e-commerce growth.
- Canada Post rates are up to two times higher than United States Postal Service (USPS) rates, resulting in Canadian seller margins that are significantly lower than average US seller margins.
- More competitive Canada Post parcel rates (relative to USPS) are crucial to domestic and cross-border shipment growth; currently, Canadians can buy items much cheaper from the US, and Americans can buy items much cheaper domestically than from Canada -- a lose-lose situation for Canadian sellers.
- Canada Post's critical domestic service weakness is an economical small packet service.
- Canada Post's critical cross-border service weakness is a small packet service with tracking.
- Greater delivery competition from UPS and other couriers in the small parcel market (i.e. items less than 1-2 kgs) would be welcome in Canada.
- eBay's global shipping partners look at eBay and Canada Post as a best of breed co-partnership in marketing and pricing efforts.

- eBay forecasts project that a further discounting of Canada Post rates would result in incremental parcel growth. Existing sellers will sell and ship more, and new sellers will come aboard as a result of improved competitiveness vis-a-vis US sellers.

Summary of Recommendations

eBay recommends that:

1. Canada Post treat eBay sellers as one customer based on aggregate parcel volume (similar to how Canada Post treats Amazon) to allow SMEs to compete more effectively with larger players;
2. Canada Post offers improved discounts to eBay SMEs based on graduated volume level thresholds;
3. Canada Post prices its services based on probable usage scenarios. Currently, Canada Post prices its services – e.g. the Flat Rate Box Expedited Parcel service -- based on minority-use cases (pricing based on extreme: on situations that happen the minority of the time) such as national shipments (but Ontario is the primary origin and destination for shipments) and heavy-weighted shipments (but top products shipped are primarily lightweight);
4. Canada Post views new product introductions as additive to their existing business; eBay can help increase the number of Canada Post shipments through the acquisition of new listers, the increased activity of current listers, and the reactivation of lapsed listers; and
5. Canada Post invests in long term pricing programs to allow eBay sellers to realize savings in their actual shipping costs, and ultimately pass these savings on to buyers.

1. EBAY & E-COMMERCE

The Internet has the fastest rate of technology adoption in history and has transformed how people communicate and interact in their daily lives. Since 2003, the number of global Internet users has skyrocketed to 1.3 billion from 730 million.

Online marketplaces such as eBay have changed the way people buy and sell goods. With a click of a mouse, people can bid on or instantly purchase a variety of items from around the world – from cameras to handbags to real estate. Canadians have welcomed online shopping, creating an over \$1 billion USD economy last year on eBay alone.

1.1 eBay's Evolution

Founded in 1995, eBay created a powerful platform for the sale of goods and services by a passionate community of individuals and businesses. Initially, a platform for trading collectibles in the US only, eBay has evolved and expanded internationally and now eBay enables trade in a number of different product categories on a local, national, and international basis with customized sites in 39 markets around the world. Through an array of services, eBay is enabling global e-commerce for an ever-growing online community.

1.2 The eBay Family

eBay Inc. operates a diverse number of market-leading online assets, including **eBay**, the World's Online Marketplace[™], a global online trading platform where practically anyone can trade practically anything; **PayPal**, a safe and secure online payment solution provider; and **Skype**, the leader in online communications, allowing millions of people to communicate with others through free voice and video calls, as well as instant messages (in recognition that communications is at the heart of e-commerce and community). eBay Inc.'s stable of companies also includes new online marketplaces, including **Marktplaats.nl**, **Mobile.de**, **Rent.com**, **Shopping.com**, **StumbleUpon** and **Kijiji**.

**eBay
is the voice of more than 5
million individual users and
small and medium-sized
enterprises (SME)
in Canada**

**The eBay Family comprised
of:
eBay (marketplaces),
PayPal (payments),
Skype (communications),
and new on-line
marketplaces
facilitates the
e-commerce experience**

1.3 eBay: The World's Online Marketplace

eBay is the World's Online Marketplace™ with more than 276 million registered users worldwide. At any given time, eBay offers more than 115 million listings globally (approximately 6.9 million listings are added per day). Everyday, eBay facilitates more than 1 billion pages views, 298 million searches and 17 million bids. eBay users worldwide trade \$2,040 USD worth of goods on the site every second. In the first quarter of 2008, eBay accounted for \$16 billion USD in gross merchandise volume (GMV), the total value of all successfully closed items on eBay Inc.'s trading platforms (total GMV for the full year 2007 was more than \$59 billion USD).

Every second, more than \$2,040 USD worth of goods is traded on eBay. In 2007, eBay accounted for more than \$59 billion USD in gross merchandise volume (GMV).

1.4 eBay in Canada: Influencing e-commerce

Of the over 24 million Internet users in Canada, one in four are currently registered on eBay.

Canadians spent over \$1 billion USD on eBay in the last 12 months.

eBay is the top retail e-commerce site in Canada, visited by almost one out of every two Canadians online, and ranked #1 by unique visitors – 10 million Canadians in May 2008. Canadians spent over \$1 billion USD on eBay in the last 12 months.

More than 32,000 Canadian sellers use eBay as a primary or secondary source of income.

With well over 5 million Canadian users, eBay facilitates domestic and international trade, allowing Canadians to flourish in a global economy. More than 32,000 Canadian sellers use eBay as a primary or secondary source of income, and the vast majority who conduct business through eBay are micro, small or medium-sized enterprises which, in order to be competitive, operate on razor-thin margins.

1.5 eBay: Big Business Powered by Small Business

eBay is also bolstering the economies in smaller Canadian cities. A recent eBay survey revealed smaller communities, such as Belle River (ON), Sooke (BC), Kemptville (ON), Niagara-on-the-Lake (ON), Chelmsford (ON), Fort Nelson (BC), Tottenham (ON), Cornwall (PEI), Kingston (NS) and Ste-Marthe-Sur-Le-Lac (QC), form some of eBay's top Canadian buying and selling communities.

II.2 Cross-Border Trade with Significant Domestic Potential

Domestic trade in Canada is an underdeveloped area of eBay Canada.

The vast majority of Canadian purchases are imported from outside of Canada even though eBay buyer feedback shows that Canadians have better buying experiences domestically.

Canadian sellers are looking to international markets. Indeed, 95% of Canadian eBay business sellers earn more than a quarter of their revenue from US and international markets.

A real opportunity for growth lies in fixing seller economics through lowering postal rates to allow Canadian eBay sellers to be more competitive in the domestic retail market.

II.3 Shipping Rates: Crucial to Buyers and Sellers

Shipping rates are important to both eBay buyers and sellers.

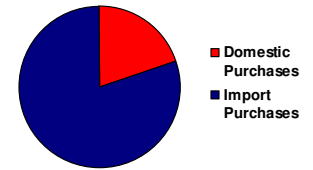
For sellers, shipping is the main cause of lower seller margins (relative to US sellers), and shipping is ranked the second most difficult task by sellers. eBay's customer feedback mechanism shows that customers consistently provide weaker scores to Canadian sellers.

In an effort to improve customer service on eBay, eBay has established a rigorous framework to provide detailed seller ratings (DSRs), which give increased insight into buyers' perceptions of sellers' shipping practices (in terms of cost and speed). Sellers are motivated to improve their ratings in order to obtain improved seller discounts from eBay and higher search results rankings, among other things.

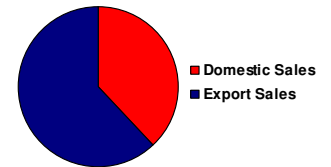
For buyers, 5 of the top 7 bad buyer experiences on eBay are shipping related, including:

- item was late
- shipping was too expensive
- item was never received
- item was damaged/defective
- item was poorly packaged

Canadian eBay Buyers



Canadian eBay Sellers



Shipping Mission: Ensure the final stage of the buyer and seller's eBay transaction is a great experience

II.4 Shipping: An Important Factor in Buying Decisions

The e-commerce shipping environment is extremely competitive, with many online retailers utilizing free and/or discounted shipping as a way to entice buyers; buyers do not want a significant amount of their online spending to go towards shipping.

Due to the comparatively high Canada Post shipping rates, in many cases, it is cheaper for Canadians to purchase goods from a US seller and have it shipped to Canada, than to buy it here in Canada.

The following example is representative of the competitive disadvantage which results from higher shipping rates for Canadian sellers:

Example #1: Canadian Buying From a Canadian (expressed in USD)

Item: Josh Groban CD
Item Location: Toronto, Ontario, Canada
Price: US \$11.93 or approximately **CDN \$12.75**
Shipping Costs: Canada - **US \$7.99 or \$8.53 CDN**

Example #2: Canadian Buying From an American

Item: Josh Groban CD
Item Location: USA
Price: US \$9.90 or approximately **CDN \$10.58**
Shipping Costs: To Canada - **US \$5.99 or \$6.29 CDN**
(discount available)
(Standard International Flat Rate Service to Canada)

The shipping price from a Canadian seller to a Canadian buyer is more expensive than from a US seller to a Canadian buyer -- a lose-lose situation for Canadian sellers.

Canada Post rates are up to two times as high as USPS rates, resulting in Canadian seller margins that are significantly lower than those of the average US seller.

Shipping remains a large component of the total price to the buyer. More competitive Canada Post parcel rates are crucial to enhancing domestic and cross-border shipment growth rates.

Due to the comparatively high Canada Post shipping rates, it is cheaper for Canadians to purchase goods from a US seller and have it shipped to Canada, than to buy it here in Canada.

Shipping is still a large component of the total price to the buyer: in Canada the shipping is almost as much as the price of the item.

Canada Post rates are up to two times as high as USPS rates, resulting in Canadian seller margins significantly lower than those of the average US seller.

II.5 Seller Economics: Shipping A Key Concern for Canadian Sellers

Canada Post rates are prohibitively expensive: rates are up to 2 times higher than USPS rates.

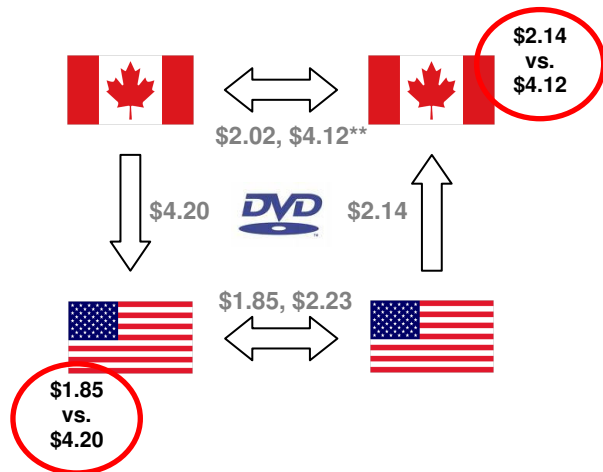
As a result, Canadian seller margins are significantly lower than those of the average US seller. This is primarily driven by the difference in Canada Post and USPS rates.

Canadian sellers are under pressure from the strength of the Canadian dollar and are now primarily competing against US sellers for Canadian business. Canadian sellers face increased pressure on and off eBay to lower shipping costs to align with e-commerce. The following examples demonstrate the Canada-US competitive gap.

Canada Post rates are prohibitively expensive: rates are up to two times higher than USPS rates.

II.6 Competitive Parcel Rates: Crucial to Domestic & Cross-Border Shipment Growth

Example I: Shipping a DVD



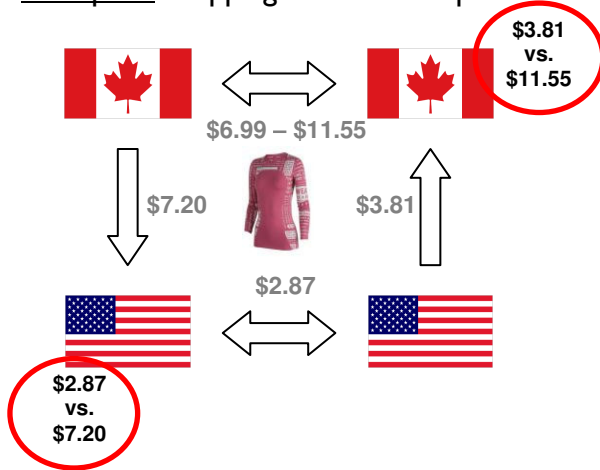
- Proposed January 2009 rate increase in Oversize Lettermail for rigid items will double domestic shipping costs for Canadian Sellers
- USPS Media Mail service equivalent does not exist in Canada
- US domestic rates are less than half the import rate from Canada Post

Shipping a DVD from the US to Canada costs only \$2.14. Shipping that same DVD within Canada Will cost \$4.12.

On lower-cost items, Canada Post shipping rates force Canadians to buy from Americans rather from Canadians.

*July 2008 cheapest services offered by Canada Post and USPS, includes sales tax and fuel surcharge. USPS: First Class Mail Rates, Media Mail Rates; **Proposed January 2009 rate increase; Ranges of costs represent shipments within the same Postal Code/Zip Code and from ON to BC or CA to NY. (envelope, 140g/.31lb, 23cm x 16cm x 2cm). CPC rates in CAD, USPS rates in USD; Source: Canada Post and USPS web sites for current rates; Contact: Ira Grossman / A. Lawrence

Example 2: Shipping an athletic top



- **Lack of a small packet domestic service makes parcel shipments expensive in Canada**
- **US sellers can ship items to Canada at half the cost of Canadian sellers**
- **US domestic rates are less than half the import rate from Canada Post**

*July 2008 cheapest services offered by Canada Post and USPS, includes sales tax and fuel surcharge.
USPS: First Class Mail Rates. Ranges of costs represent shipments within the same Postal Code/Zip Code and from ON to BC or CA to NY. (envelope, 300g/.66lb, 34cm x 24cm x 6cm). CPC rates in CAD, USPS rates in USD.
Source: Canada Post and USPS web sites for current rates;
Contact: Ira Grossman / A. Lawrence

II.7 eBay Sellers: Voicing Their Concerns

eBay entrepreneurs want the playing field to be leveled as reflected in their feedback below:

Why would a Canadian buyer get this item from me when an American counterpart will ship it for half the price?"
my_twins_mommy_plus_on

"We have started doing all of our US and overseas shipping from the US even though we have to make a 2 hour drive each way to get there. It has literally saved our business."
Oldbaglady

"Why would a Canadian buyer get this item from me when an American counterpart will ship it for half the price?"

“Canada Post shipping costs are insane and a disgrace. CP should realize if it wasn't for eBay, a lot of the postal branches would have gone under long ago. This is a real detriment to eBay.ca sellers and a classic example of abuse in a monopolized sector. Hopefully Canada Post will realize this and make some serious changes that would benefit everyone.”

nitecrawler2008

“I am frankly amazed that eBay users have not been more successful in getting the message across to Canada Post. I know that my business alone represents a significant part of the volume at my PO outlet. assuming that this pattern holds true across Canada, it is easy to see that eBay sellers should be a force to be reckoned with. If only we were able to ship to other countries as effectively as they are able to ship here (and to the U.S.), I think eBay sales by Canadians would increase dramatically. Maybe double. If rates were cheaper, usage would increase, therefore making fulfillment more efficient possibly enabling even lower rates.”

Art-in-the-making

“I know that my business alone represents a significant part of the volume at my PO outlet.”

II.8 Domestic & Cross-Border Trade & Shipping: Challenges & Solutions

The shipping challenges most often cited by eBay sellers as barriers to selling items domestically and internationally include:

- Higher shipping costs
- Availability of tracking and delivery confirmation
- Variability in shipping time
- Customs paperwork and delays

eBay has developed tools and programs to help sellers and buyers:

- Sellers: shipping calculators to integrate shipping cost directly into their eBay listings; ability to purchase shipping labels with postage online; special pricing programs and promotions
- Buyers: onsite tracking to monitor shipping status

III. EBAY CANADA SHIPPING RELATIONSHIPS

III.1 eBay's Shipping Relationships: Examples

eBay has developed relationships with various Posts and shipping companies, including:

- Canada Post Corporation
- United States Postal Service (USPS)
- Royal Mail
- Deutsche Poste
- Australia Post
- La Poste
- UPS
- FedEx
- DHL

III.2 eBay's & Canada Post: Over Time

Since 2005, eBay and Canada Post have built a strong working relationship aimed at improving shipping:

May 2008 – Canada Post / eBay Flat Rate Box launch

November 2007 – eBay Shipping Calculator with Canada Post rates launch

August 2006 – Revised new Light Packet service launch

February 2006 – Integrated label printing solution launched for domestic and international services

September 2005 – eBay Community outcry over Canada Post's proposed new Light Packet service

March 2005 – Marketing & Service Integration Agreement implemented



III.3 eBay's & Canada Post: Collaboration

eBay and Canada Post have collaborated in the development of postal solutions that benefit Canadians, including:

- Integration into eBay's shipping calculator
- Integration into eBay's label printing solution
- Promotional programs
- Co-branded packaging materials
- Co-marketing programs
- Educational outreach to the eBay Community

However, more collaboration is necessary to ensure that Canadians can compete on a level-playing field with their US counterparts.

Sell on eBay. Ship with Canada Post.
Vendez sur eBay. Expédiez avec Postes Canada.

stack & weigh
CANADA POST
eBay
SCALES

Valuable Discounts from Canada Post
with eBay's Online Shipping

Save up to 8% on shipments within Canada

Save up to 9% on shipments to the U.S. & other International destinations

Get a FREE shipping kit
Click here
eBay.ca

Vintage Comic Book Store

IV. POSITIONING CANADA POST FOR THE FUTURE: RECOMMENDATIONS FOR GLOBAL COMPETITIVENESS

While eBay Canada has successfully partnered with Canada Post on postal rate initiatives that provide some short-term relief to Canadians and Canadian SMEs, more needs to be done to ensure that Canadians can compete in an increasingly global and online economy, and to ensure the livelihood of the thousands of entrepreneurs from across Canada that earn their living on eBay.

To that end, eBay Canada is delighted with the stated mandate of the Canada Post Corporation Strategic Review Advisory Panel -- to conduct a strategic review of Canada Post to ensure that the Corporation remains focused and is well positioned to continue to serve Canadians in the future.

IV.1 eBay and Canada Post: Current Situation

- eBay's network of sellers continue to be viewed individually.
- Current agreement with Canada Post offers eBay discounts no greater than those available to current Canada Post VentureOne members (with the exception of an additional 1% on international shipping).
- Canada Post prices services based on worst case usage scenarios.
- Canada Post views new product introductions as cannibalistic to their existing business. In fact, new shipping products will add to the volume of shipments.
- Canada Post creates short term pricing promotions (e.g. up to 25% off XpressPost for the month of June 2008) and eBay sellers likely pocket the difference in savings rather than pass the savings along to consumers because there is no long term incentive or justification to reduce shipping prices.

More needs to be done to ensure that Canadians can compete in an increasingly global and online economy, and to ensure the economies in Canadian local communities remain vibrant.

IV.2 Recommendations for the Future

eBay Canada recommends that:

1. Canada Post treat eBay sellers as one customer based on aggregate parcel volume (similar to how Canada Post treats Amazon) to allow SMEs to compete more effectively with larger players;
2. Canada Post offers improved discounts to eBay SMEs based on graduated volume level thresholds;
3. Canada Post prices its services based on probable usage scenarios. Currently, Canada Post prices its services, such as the Flat Rate Box Expedited Parcel service, based on minority-use cases, such as national shipments (but Ontario is the primary origin and destination for shipments) and heavy-weighted shipments (but top products shipped are primarily lightweight);
4. Canada Post views new product introductions as additive to their existing business; eBay can help increase the number of Canada Post shipments through the acquisition of new listers, the increased activity of current listers, and the reactivation of lapsed listers; and
5. Canada Post invests in long term pricing programs to allow eBay sellers to realize savings in their actual shipping costs.

IV.3 eBay and Canada Post: A Symbiotic Future

eBay's recommendations are aimed at improving Canada Post's shipping price competitiveness. Accomplishing this not only benefits the more than 5 million Canadians who use eBay (including those gaining their livelihood as eBay powersellers) but it will generate increased demand for Canada Post's services. These are win-win solutions.

- In a more competitive environment for Postal services, there will always be pressures to maintain revenues – the increased velocity of trade through e-commerce represents a growth opportunity for Canada Post with positive top-line impact.

eBay's suggested recommendations will not only benefit the over 5 million Canadian users, but will also benefit Canada Post.

These are win-win solutions.

- eBay is different from other e-commerce players – eBay is ‘big business powered by small business’.
- These small businesses depend on their local Post Office for their survival, but local Post Offices also depend on e-commerce for an increasing part of their business.
- Significant growth opportunities exist for Canada Post if they are willing to view eBay as a single customer (such as Amazon) and work toward improving seller economics.

V. eBAY CANADA CONTACT INFORMATION

eBay Canada looks forward to continuing our dialogue with the Government of Canada to develop policies that will foster the entrepreneurial advantage, boost SME economic development, contribute to the economies of our local communities, and ensure that Canadians can continue to take advantage of e-commerce opportunities to gain a global competitive advantage.

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