

Before the
United States Postal Regulatory Commission

In the Matter)
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Concerning the Proposed)
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Rate Adjustment For) Docket No. R2010-4
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Extraordinary or Exceptional Circumstances)
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COMMENTS OF eBay Inc.

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eBay Inc (“eBay”) hereby submits these comments to the United States Postal Regulatory Commission’s (“Commission”) Notice and Order No. 485, issued on July 8th, concerning the proposed rate adjustment for extraordinary or exceptional circumstances. eBay appreciates the opportunity to provide our thoughts and feedback on issues as important as the financial health of the US Postal Service (“USPS”) and the hundreds of thousands of small business retailers and entrepreneurs that rely on its service.

Founded in 1995 in San Jose, Calif., eBay (NASDAQ:EBAY) connects millions of buyers and sellers globally on a daily basis through eBay’s online platform, the world’s largest online marketplace, and PayPal, which enables individuals and businesses to securely, easily and quickly send and receive online payments. Most relevant to the matter before this Commission is that eBay is an Internet marketplace that empowers hundreds of thousands of small business retailers and entrepreneurs across America. These hard-working individuals and small businesses are in every state and community across the country and have provided American consumers the opportunity to purchase quality products and services at competitive prices from the convenience of their homes.

eBay and the USPS have enjoyed a strong formal partnership since August of 2003. This partnership emerged from the fact that the USPS was a key package delivery service for eBay’s top sellers, the small businesses and entrepreneurs that are at the heart of the eBay marketplace. Today, the USPS accounts for approximately 80% of the eBay package volume in the United States, and eBay sellers are, collectively, the USPS’ single largest package customer. To give some perspective to the role of entrepreneurial eBay sellers in the USPS ecosystem, shipping on eBay now accounts for approximately one quarter of all packages shipped by the USPS, as well as approximately 13% of Media Mail and 9% of Priority/Express Mail. The total USPS revenue related to commerce over eBay is approximately \$1.7 billion.

In addition, eBay has spent upwards of \$7 million to market and promote the USPS on eBay through numerous marketing channels. We continue to collaborate with the USPS across many fronts. We are currently exploring the co-development of mobile shipping solutions, fighting fraud together, investigating sustainable shipping services and negotiating an extension to our agreement.

In short, the USPS’ unique network and eBay’s innovative online marketplace connects hundreds of thousands of small business retailers and entrepreneurial individuals across America, including individuals and small retailers in rural and disadvantaged communities, with customers in every corner of the nation. Both the USPS and eBay have played and continue to play an important role in the development and growth of small online retailers across our nation.

Internet-enabled small business retailers, including the entrepreneurial individuals using eBay to start up and grow small retail businesses, are a unique constituency of the USPS’ package delivery services. These small retailers and budding retail businesses play an important job creation role as well as being the breeding ground for new and innovative retail businesses. The major private shipping companies

focus their operations to serve larger retail shippers, while the USPS has been the most important service for smaller scale retail shippers, like the small businesses that use eBay's marketplace.

The eBay marketplace is home to commerce from the smallest individual shipper, literally someone selling a few items a year, to robust and thriving small businesses, to large retailers using eBay as one Internet retail channel. Our internal research shows that for consumer sellers, an individual selling some items but not running a small retail business, the USPS is almost exclusively their primary shipping provider. Entrepreneurial sellers, individuals who use Internet retail as an important contributor to their overall income, rely on the USPS to deliver over 94% of all packages shipped per year. Robust eBay-based small businesses, which in the context of overall retail would be quite small businesses (retailers doing in the range of \$1 million in gross sales per year), also heavily rely on the USPS' shipping services and send over 77% of their packages through the USPS per year.

Shipping is an important component to any small business retailer's efforts to grow on the Internet and the cost of shipping, in particular, is key to success. And as everyone familiar with the shipping industry knows, large shippers pay much less for shipping compared to small shippers. To put this reality into perspective, our data indicates that on average, a large retail shipper would pay approximately \$3.10 for a five pound package, while a small retail shipper, such as those using eBay, would pay approximately \$6.70 to ship the same package the same distance. As you can see, small shippers end up paying approximately 116% more in shipping costs per package, which over time adds up to tremendous costs for small online retailers and entrepreneurs trying to grow their business.

The data further indicates that, since small online entrepreneurs and businesses are disproportionately high users of the USPS for their shipping needs, increasing USPS shipping rates will disproportionately impact these small businesses compared to the larger shippers. Given the fact that small business shippers also already pay higher shipping rates than large shippers, any new USPS package shipping rate increase will only further add to the cost differential between large and small shippers, undermining small business job creation and entrepreneurial innovation among small business retailers.

An illustration from the last major USPS package delivery rate increase provides some instructive data. Within two weeks of the last price change in 2007 there was an 18% drop in daily bids on eBay for items shipped with the USPS. In most cases this translates directly to small business retailers doing less business, which will most assuredly hurt their bottom line. Make no mistake about the proposed new rate increase; it will harm the thousands of small business retailers that utilize the USPS' services. It's also important to recognize that this will in turn also hurt the USPS' bottom line.

eBay and small business shippers recognize and empathize with the financial difficulties the USPS currently faces. However, we believe that the current proposal to increase rates is not the solution to address the USPS' financial health. Rather than a package rate increase that will have negative impacts on USPS growth prospects as well as negative economic implications for the nation, we believe that aggressive management efforts are needed to address the financial problems without undermining the USPS' core value proposition of competitive rates and quality service. Appropriately addressing health

care and retirement payments, closing or moving underutilized post office locations, renegotiating labor contracts, and introducing new products should all be aggressively pursued by the USPS, before pursuing a dramatic increase in rates, which will only harm the hundreds of thousands of small businesses nationwide that rely on the USPS' services.

eBay thanks the Commission and the USPS for its commitment over the years to support the growth and success of small businesses and entrepreneurs across the country and for the opportunity to provide comments on the current rate increase proposal. eBay looks forward to working with the Commission and the USPS in the months and years ahead on promoting policies that continue to encourage the financial health of the USPS and the small businesses that it serves.