

**TESTIMONY OF**

**Carl Gish**

**Vice President, Global Shipping for the eBay Marketplace  
eBay Inc.**

**BEFORE THE**

**United States House of Representatives**

**Committee on Oversight and Government Reform**

**Subcommittee on Federal Workforce, U.S. Postal Service and the Census**

**Ahead of Postal Reform: Hearing from USPS Business Partners**

**Rayburn House Office Building, Room 2157**

**1:30 p.m.**

**SUBMITTED**

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Chairman Farenthold, thank you for the opportunity to submit testimony to the Committee on how eBay is partnering with the United States Postal Service (USPS) to support Internet-enabled small businesses, and empower them to serve their local and global customers. My name is Carl Gish and I am a Vice President at eBay Inc., where I oversee the global shipping initiatives on the eBay Marketplace.

Founded in 1995 in San Jose, Calif., eBay Inc. connects millions of buyers and sellers globally on a daily basis through eBay, the world's largest online marketplace, and PayPal, which enables individuals and businesses to securely, easily, and quickly send and receive online payments. We also reach millions through specialized marketplaces such as StubHub, the world's largest ticket marketplace, and eBay classifieds sites. And through our company GSI

Commerce, eBay Inc. has become the leading provider of eCommerce and interactive marketing services for many of the world's premier brands and retailers, such as Toys R Us, Ralph Lauren and Dick's Sporting Goods.

Additionally, eBay Inc. is actively working to revolutionize global commerce with the recent additions of mobile technology companies WHERE, Milo, Zong and others combined with the seasoned services of eBay Marketplaces Mobile and PayPal Mobile. In fact, in 2012, eBay Marketplaces generated \$13 billion in sales of nearly everything from cars, clothing, shoes, electronics, and toys all through mobile applications. Altogether, we estimate that the total enabled commerce volume, or purchases touched by eBay Inc., was \$175 billion in 2012, and we expect that to grow to \$300 billion in 2015.

As you can see, eBay Inc. represents a very diverse family of businesses supporting millions of users ranging from individual consumers to merchants and retailers of every shape and size. By understanding our company profile and where our company is going, you can see how the Internet and mobile technology are changing the commerce landscape and empowering retail businesses, large and small alike. It is our hope to be their partner in this venture.

But commerce as we imagine it would not be possible without strong and reliable partners to facilitate the physical movement of goods. This is true today and it will be especially true going forward. We at eBay know that developments in the commerce landscape and consumer preferences for Internet-enabled retail are why the postal service is experiencing year over year growth in shipping and package volume. And eBay's growth plans support the notion that USPS package volumes will continue to grow.

We are pleased that the USPS has put increased focus on serving their eCommerce customers, and we have been encouraged by the USPS's willingness to explore future postal innovations that would support our users – especially the small businesses and entrepreneurs that use our services. But, the USPS/eBay relationship is nothing new. eBay and the Postal Service have enjoyed a strong formal partnership for nearly 10 years. The Postal Service has long been a

key package delivery service for eBay's top sellers – the small businesses and entrepreneurs – that are at the heart of the eBay marketplace.

In addition to being long-term, the eBay relationship with the USPS is robust and complementary. Approximately 85 percent of the total domestic shipping volume from eBay is managed by the USPS. The eBay users that drive this volume include hundreds of thousands of small business retailers and entrepreneurial individuals across America, including individuals and small retailers in rural and disadvantaged communities.

In turn, eBay-generated commerce is a significant part of USPS' revenue. Shipping on eBay now accounts for approximately a quarter of all packages shipped by the USPS. As a result, eBay sellers are collectively the USPS's single largest package customer. Additionally, total USPS revenue related to commerce over eBay was close to \$2.5 billion in 2012. And we're proud to report that last year we also surpassed the \$1 billion mark in postage paid through the label function on the eBay platform. It marked the first time we've reached this mark in a single year with the USPS.

Our partnerships go beyond our user uptake. eBay has invested several millions of dollars into marketing to promote the USPS. We also continue to collaborate with the Postal Service across many fronts, including fighting fraud together and co-developing technology tools to provide shipping solutions. In fact, in April 2012, eBay was awarded the Partnership for Progress Award by the USPS for technology and financial innovation after we systematically developed a setup on our platform that allowed sellers to bill and ship faster. We also recently concluded negotiations around an extension to the service agreement that gives our small business users access to competitive shipping prices.

It is clear that eBay and the Internet help American small businesses connect with buyers across the nation and around the world. The Postal Service with its unique network is a critical piece of that connection. Together, we are driving benefits to small Internet-enabled businesses and their customers.

As I'm sure you can understand, a financially and structurally sound postal service remains critically important to eBay Inc. and the hundreds of thousands of small businesses that use our platform. We have long-supported Congressional action to preserve a postal system that is strong and viable for the long-term. As the Committee considers how to address the financial challenges facing the USPS, we would encourage you to keep in mind that eBay's sellers' success translates into a growing postal service. That's why we think Congress should focus on reforms that preserve and promote affordable and reliable shipping alternatives for the small businesses that use them.

In the world of eCommerce, low-cost shipping alternatives are a tremendously important tool for small businesses. Customers today demand free and same-day shipping. Large retailers in particular have been successful in meeting these demands by leveraging their economies of scale. Small businesses, on the other hand, have a harder time meeting these customer expectations because of their proportionally higher costs of doing business; however, the USPS provides important low cost shipping alternatives that especially benefit small businesses. Maintaining and building upon these and other low-cost shipping products ensures the ability of the small Internet-enabled retailers to compete, grow, and create jobs.

Conversely, when the USPS has increased prices, those increases have negative impacts on the small businesses that use our platform. For example, we believe that the 14.5% average increase in international shipping services instituted on January 27, 2013, has reduced the competitiveness of our sellers in their efforts to export to foreign buyers. We also know that the most recent price adjustments have negatively impacted the sales of goods that rely on first class mail. When postage rates go up, so too do the overall prices of the item, causing some customers to abandon their purchase. Overall, these higher postal shipping rates compromise the ability of small businesses to succeed in a highly competitive retail world.

Additionally, we believe that any changes to the service week or any restructuring efforts that compromise fast and reliable service by the USPS would have negative impacts on small businesses. In particular, offering affordable Saturday delivery has significant value. Without Saturday delivery from USPS, sellers will be forced to pay a significant premium. Consumers

who shop with small businesses online will suffer as these costs will be passed onto them and small business retailers will make fewer sales. This, in turn, rebounds in a negative way and means less package volume for the Postal Service.

We recognize and empathize with the financial difficulties the Postal Service now faces. That's why we support aggressive management efforts to address financial problems without undermining the core value proposition, which is based on competitive rates and quality service. For example, eBay has long agreed with other postal customers that any plan to stabilize the postal service should include reamortization of payments by the USPS to pre-fund retiree health benefits. We also believe that any financial stabilization plan should return to the USPS overpayments that were made to the federal employee retirement system. Finally, we believe that the USPS should be empowered to make structural adjustments that reflect the current market. I must underscore, though that we do not think structural adjustments should equate with price increases or service reductions. Rather, appropriately closing or moving underutilized post office locations, renegotiating labor contracts, and introducing new products should all be aggressively pursued by the Postal Service.

We are encouraged by the USPS's intention to preserve the six-day delivery week for packages, including many of the products our users enjoy. And we have worked with the postal service to try to address some of the ramifications of the most recent postal price increases. But we know that until Congress takes action, both eBay and the USPS will be limited in their ability to serve small shippers.

As I highlighted above, the Internet is an important component of every retail business model, especially for small and micro-small businesses. It provides a channel by which small businesses can grow and, with the right tools and dedication, become big businesses. But without Congressional action, this small business growth opportunity may be in jeopardy.

Thank you for the opportunity to express our views on this important issue. We look forward to working with Congress to support a strong and viable United States postal system.