



January 11, 2008

Competition Policy Review Panel
280 Albert Street, 10th Floor
Ottawa, Ontario K1A 0H5
Email: competitionreview@ic.gc.ca

Dear Panel Members,

Re: *Sharpening Canada's Competitive Edge: Competition Policy Review Panel Consultation Facilitating Small and Medium-Sized Enterprises (SMEs) in Global Commerce*

eBay Canada is very proud of its role in facilitating SME commerce across Canada and around the world. With well over 5 million Canadian users, eBay facilitates inter-provincial and international trade, allowing Canadian SMEs to flourish in a global economy. Approximately 32,000 Canadians 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 operate on razor-thin margins.

eBay Canada was pleased to see that the mandate of the Competition Policy Review Panel included *Outward Investment by Canadians* and the need to examine policies that would enhance Canada as an environment from which Canadian enterprises would emerge and prosper globally, with a particular focus on facilitating the participation of Canadian SMEs in global commerce. To that end, eBay Canada is pleased to present policy proposals to the Competition Policy Review Panel that will benefit Canadian buyers and further foster economic growth and trade opportunities for the Canadian online SME retail community.

Fostering Participation of Canadian SMES in Global Commerce - The Competition Policy Review Panel should give thought to how it can help Canadian SMEs compete internationally through the power of the Internet. The Internet offers a powerful platform for the sale of goods and services by a passionate community of individuals and businesses. Between 2006-2011, *eMarketer* projects that online spending will grow at an annual rate of 27.65%. It creates jobs through local, national, and international trade. Buyers can choose to search and purchase either domestically or from the global marketplace. Sellers can list locally and trade globally, reaching a huge international marketplace.

However, only 55.5% of Canadian Internet users actually made a purchase online in 2007, compared with 66.3% in the United States (*eMarketer, Canada B2C e-Commerce Report, December 2007*). Further,

the strong Canadian dollar in relation to the US dollar has provided a market boost by causing a surge in Canadian spending on US websites: about one-third of Canadian on-line spending is conducted on foreign sites, mainly those in the United States. As more consumers purchase online, Canadian retailers must be encouraged to take advantage of this market potential, but to be able to attract new customers Canadian retailers must also sell online. And while the Statistics Canada's *2006 Survey of Electronic Commerce and Technology* indicates that the Canadian retailers that sold online increased to 15.3% (up from 10.3% in 2005), the capacity for Canadian SMEs to reach new customers and trade globally via e-commerce is still largely an untapped opportunity.

Personal Exemption Threshold - One of the biggest impediments to the growth of Canadian e-commerce is the low personal exemption threshold on imported dutiable goods. The purported goal of the current threshold is to provide an incentive to buy Canadian, but this protectionism ultimately hobbles Canadian businesses by driving buyers offline instead of increasing their opportunity for growth online. Indeed, rather than seeing the entry of US web retailers as a threat, many Canadian web retailers think they enlarge the market to the benefit of all. In the context of free trade and smart regulation, the current policy regarding the duties on imported goods and the release of goods imported via courier is harmful to the Canadian economy.

While eBay and its user community were delighted to see movement in the 2007 Federal Budget on the 48 hour traveller's personal exemption threshold increase to \$400 (from \$200), we are hopeful that this policy will be extended to the personal exemption limit on imported dutiable goods. In particular, harmonizing the current personal exemption threshold on imported dutiable goods with the USA personal exemption threshold (\$200 USD). Harmonizing the personal tax exemption would be consistent with the federal government's *Advantage Canada* initiative: building on Canada's strengths to gain a global competitive advantage in key areas, including reducing taxes for all Canadians and fostering the entrepreneurial advantage.

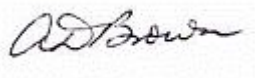
Shipping Costs - Shipping costs constitute one of the biggest operating costs for Canadian SMEs on-line retailers, and put Canadian SMEs at a competitive disadvantage compared to their American counterparts. Part of the increased margin compression Canadian SMEs are experiencing can be directly related to the significant shipping costs they incur when shipping both domestically and internationally. According to data gathered by eBay Canada, Canadian postal rates via Canada Post are estimated, on average, up to one-and-a-half to two times higher than American postal rates via the United States Postal Service (USPS), for both domestic and cross-border delivery. There's no practical alternative to Canada Post for Canadian SMEs other than to drive across the US border and place their letter mail and small parcels into the USPS system. As a result, to be globally competitive, many Canadian businesses are forced to shave their margins to offset higher shipping costs. Under these circumstances, there is little incentive for Canadian retailers to take their businesses online.

Conclusion - In an era of globalization and free trade, Canadian buyers and sellers should have more choice. The more people buy online, the more products Canadian businesses will sell online, and that, in turn, will draw more repeat buyers from Canada and around the globe. Canadian

SMEs and Canadian buyers want and deserve a level playing field with their USA neighbors so they can tap into the full economic potential of the Internet and compete on a worldwide scale. Harmonizing the personal exemption limits and reducing Canada Post shipping costs will create an economic rising tide. By unleashing the Internet's potential for Canadian small businesses and Canadian buyers, more retailers and more buyers will transact online, and that will escalate into a thriving Canadian SME retail online economy.

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 and ensure that Canadians can continue to take advantage of e-commerce opportunities to gain a global competitive advantage. Please do not hesitate to contact us if you have any questions, or if we can be a resource to you on e-commerce issues.

Sincerely,



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*eBay, the World's Online Marketplace™, also includes eBay's payment solution provider **PayPal**, and eBay's global VoIP company **Skype**.*