



Michael Brennan
Chair
Productivity Commission
Locked Bag 2, Collins St East
Melbourne Vic 8003, Australia

Via online portal

Dear Mr Brennan,

Re: Innovation for the 98%

eBay Australia welcomes the opportunity to respond to the Productivity Commission’s 5-year Productivity Inquiry Innovation for the 98% Interim Report (the Report).

About eBay Australia

For more than 25 years, eBay has enabled commerce and economic opportunity for individuals, entrepreneurs, businesses and organisations of all sizes. Globally, there are more than 1.6-billion listings on eBay sites and 138-million active consumers.

Operating in Australia for more than 20 years, eBay is Australia’s largest online marketplace. Each month almost 11 million Australians visit ebay.com.au.

Our business model is set out below



Our role as a marketplace is to facilitate a safe and trusted way for businesses and consumers to transact with confidence. While responsibility for listing on our platform remains with the individual or business that originally listed the item, we support sellers and consumers with a range of services, guarantees and feedback opportunities to ensure transactions can be undertaken safely.

It's important to emphasise, eBay is a pure third party online marketplace, meaning eBay does not sell any items appearing on our marketplace.

Over our 20 years of operation in Australia, eBay has positively supported and enabled competition providing a platform for businesses of all sizes to compete and grow.

Our support for competition and entrepreneurship is clearly highlighted in the role eBay has played in the growth of new market entrants and e-commerce entrepreneurs. Australian marketplaces Catch and Kogan were created out of businesses originally developed on ebay.com.au. Similarly, the founders of Afterpay built and leveraged their knowledge of e-commerce on eBay to drive new innovations in payments while thousands of Australian pure play online retailers have been able to grow from small to larger businesses on eBay¹.

We are proud of our rich heritage and the positive contribution we have provided to enable business and competition over our 20 years in Australia.

eBay's approach to innovation

The health of a marketplace is fundamentally driven by two factors; its capacity to attract consumers; and its ability to retain sellers. This dichotomy provides significant opportunity for competition between marketplaces and is a driver of new innovations and developments. We outline this dynamic in the following diagram.



¹ <https://www.ebayinc.com/stories/press-room/au/eBay-comes-of-age-australias-first-online-marketplace-turns-21/>

To remain competitive, eBay has continued to innovate and invest in new offerings for both sellers and consumers. On the selling side, eBay provides consistent upgrades to selling and listing integrations; negotiates competitive postal rates on behalf of sellers; provides various seller protections as well as competitive third party warehousing options for sellers to utilise.

On the consumer side, we invest significantly to ensure consumers can purchase with confidence on eBay. Our core offering remains centered on our eBay Money Back Guarantee (providing consumers with additional protections in the event an item doesn't arrive, is faulty or damaged) however we also drive consumer engagement through our best price guarantee², exclusive offers as well as fast and free delivery (under our eBay Plus³ membership program).

While eBay constantly considers how to provide support for sellers and consumers, many of our investments have benefits for both. As an example, in 2020, we introduced Afterpay on eBay. This change offered consumers a new way to pay for items on eBay but also provided this payment option to eBay sellers free of charge (eBay pays the merchant fee for these transactions).

Innovating for the 98%

eBay welcomes the focus of the Report on innovating for the 98%. This focus recognises that while advances in technology drive our economy forward, substantial productivity gains can (and should) be realised when firms (particularly small to medium enterprises) are able to adopt and adapt existing technologies to their business operations. Innovation policy therefore should not simply focus on the bleeding edge of technology but on mechanisms to encourage the adoption and diffusion of innovative practice by businesses more generally.

The COVID pandemic saw the rapid acceleration of technology adoption by small and medium businesses. This adoption was seen strongly within Australian retail. As lockdowns were imposed across the nation, businesses without an online presence scrambled to quickly develop and start an ecommerce offering. Even those with an existing presence were looking to add additional channels to ensure they could effectively maintain operations.

eBay took steps to ensure these businesses could onboard quickly and easily offering free selling opportunities and tailored support for new businesses selling online for the first time.

Many of these businesses were also able to receive other private and public sector support to digitise their business operations. The move by many of these businesses to do so has been a positive outcome from the pandemic.

As the Report recognises however, adoption to be effective takes time and investment in both systems and people. Despite demonstrations of new methods to more efficiently undertake

² https://pages.ebay.com.au/buy/Best_Price_Guarantee/

³ <https://www.ebay.com.au/ebayplus/home>

operations, small businesses remain reluctant to take on new approaches. In general, SME's focus on maintaining operations rather than improving operations.

We believe that ongoing initiatives to support adoption of digital operations by SMEs should remain a key focus. Initiatives could include:

Support within the tax system for digital operations

We note the *Treasury Laws Amendment (Measures for consultation) Bill 2022* includes provision for bonus deductions for:

- digital enabling items — computer and telecommunications hardware and equipment, software, systems and services that form and facilitate the use of computer networks;
- digital media and marketing — audio and visual content that can be created, accessed, stored or viewed on digital devices;
- e-commerce — supporting digitally ordered or platform enabled online transactions

Similar state and local government based grant initiatives have also been provided to small business over recent years.

We believe continued initiatives to encourage investment by SMEs to adopt digitise technology, including through the tax system, should be supported. This should include incentives for skills training to ensure maximum benefit is realised from adoption of technology.

Education initiatives

Targeted education initiatives should similarly be a priority. This could be delivered under the umbrella of the existing entrepreneurs program⁴ with the aim to see adoption of digital services at scale. Micro-credentials in key digital services could also be developed to assist small businesses support the professional development of staff without impacting on time lost due to study.

Open Source Government

We welcome the Report's suggestions in respect of expanding the availability of fair use defences in respect of activities funded by government and similarly the expansion and accessibility of standards.

With many thousands of businesses, including many on eBay, utilising standards, simplifying and reducing the cost to access would greatly level the playing field and allow for greater scope in innovation.

⁴ <https://business.gov.au/grants-and-programs/entrepreneurs-programme>

We thank you again for the opportunity to raise these matters. If the Commission wishes to discuss these matters further, please feel free to contact the writer via laitken@ebay.com.

Yours sincerely,

Luke Aitken
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eBay Australia and New Zealand