



**Submission to the New Zealand Productivity Commission
on Boosting Productivity in the Services Sector
2nd Interim Report: Competition and ICT topics**

Introduction

This submission is from Trade Me Limited.

Trade Me operates a wide range of online services that connect people to undertake a transaction or form a relationship. We aim to do it in a way that is trusted, effective, great value, and in a transparent way which empowers the consumer.

Trade Me's services include:

- Trade Me online marketplace, which incorporates Trade Me Property, Motors, Jobs and Services;
- Insurance comparison website LifeDirect;
- Dating website FindSomeone and social networking site Old Friends;
- Travel sites Holiday Houses, Holiday Homes, Travelbug and BookIt; and
- Vehicle information website MotorWeb.

Trade Me is the most frequently visited domestic website in New Zealand. All Trade Me data is hosted and stored within New Zealand.

Online services challenge the traditional way of doing business. We've seen this through our experience in establishing a level playing field for individuals and small businesses to compete with larger, more traditional businesses. For example, individuals selling their car can advertise in the same online marketplace as motor vehicle dealers. Likewise, individuals can advertise houses on the same platform as real estate agents.

To increase competition in traditional industries where there is little competition, it's important that online platforms exist and are easily accessible to encourage individuals to do business alongside traditional players.

To ensure ICT services increase productivity and innovation, we believe it is crucial to improve internet connection speeds and making our international connection more robust.

We set out below some comments and recommendations in relation to various questions included within the Second Interim Report.

Addressing search and switching costs

Q3.1: Is there a need for specific guidelines or an accreditation system for comparison websites in New Zealand? If so, what approach would be most effective and who would be best positioned to manage and run it?

Online comparison sites provide a useful, transparent and efficient way for consumers to compare services sold or delivered by a wide range of providers. Our view is that there isn't a need for an accreditation system for comparison websites. Comparison sites are subject to advertising and consumer legislative requirements, so if drafted, we'd suggest the Commerce Commission or Advertising Standards Authority publish guidelines, as they do on a range of topics already.

Having the ability to compare similar services all in one spot boosts productivity in industries, which are traditionally less accessible whether through lack of time, or lack of ability to access the service via the traditional means. Trade Me owns LifeDirect, a comparison website for insurance policies. The site allows the easy comparison of a variety of different insurance providers and insurance policies. Comparison sites work for consumers by increasing visibility of options, widening choice, and provide more knowledge about a particular service or product industry. It's vital for both the credibility of the comparison site and the service providers who are being compared that the information on the site is up-to-date and accurate.

Although accreditation systems may provide initial criteria to ensure websites include accurate information, there are other factors that provide rigour to ensure comparison sites are of an acceptable standard. Government has already strengthened consumer protection legislation in the latest consumer law reform, which will begin to come into force this year. These protection measures provide redress for consumers if they have a negative experience through using online services.

For an industry like insurance comparison, we see no reason to raise barriers to entry when there are already other requirements to meet, and sufficient regulatory protections for consumers. These may include gaining access either to the service provider's (which are being compared) APIs or getting consent (in whatever form that may be) from the primary service provider. For example, LifeDirect had to sign agency agreements with all the insurance providers before including insurance companies on the comparison site, and be registered as a Financial Services Provider under that regime. Having an accreditation system would add an additional, and in our view unnecessary, barrier to entry, on top of already having to face the challenge of finding developers and developing the site.

If a person is offering a comparison website in order to advance a commercial interest, the person or company will presumably be 'in trade' and therefore, need to meet obligations under both the Fair Trading Act and Consumer Guarantees Act. As such, a person will have recourse under consumer legislation if they have

been misled by the comparison website. Also, the Advertising Standards Authority (ASA) code for comparative advertising provides another check to ensure what is being advertised is accurate and informative. Therefore, existing regulatory requirements already provide protection to consumers, without the need for an additional accreditation system. These protections also provide ongoing compliance requirements, which an initial accreditation system may not provide.

To provide certainty to consumers, and additional guidance to comparison site developers, we'd recommend either the Commerce Commission or the ASA develop guidelines in relation to comparison sites. These guidelines could be similar to what the Commerce Commission already publish in relation to a number of different topics, including advertising and selling online. Also, the ASA is self-regulatory body that does a great job of regulating the advertising space and could develop guidelines and monitor behaviour in this area.

Improving competition law

Q4.2: If a market studies regime were introduced in New Zealand:

- *Should the Commerce Commission have formal powers to compel the supply of information for market studies?*

We wouldn't support a change to compel companies to supply information for market studies. A lot of information is commercially sensitive, and often subject to other commercial agreements, which require confidentiality. The Commission already has considerable powers already to demand information where required for investigation and enforcement purposes, and we think this is appropriate.

The company should have the discretion as to whether to supply information or not, but it shouldn't be compelled to supply it. Any requirement to supply (whether through compulsion, or strongly recommended to supply, but with discretion), should apply to government agencies and companies alike.

- *Should the Commerce Commission have the discretion to launch market studies, or should this be the responsibility of Parliament or Ministers?*

We'd support the Commerce Commission having the discretion to launch market studies.

ICT adoption by firm: business and policy influences

Q6.1: Have you faced any barriers to buying information and communication technology (ICT) products and services in New Zealand? If so, what products are affected, and how?

We've faced challenges to buying ICT hardware, rather than 'barriers'. These challenges largely relate to some products and services not being available to purchase in New Zealand. However, our infrastructure team has found that even if we can't purchase ICT hardware in New Zealand, we are generally able to

purchase the item from Australian suppliers. When considering whether to purchase ICT hardware from Australia, we need assurances from the provider that replacement items are held in New Zealand and that we can obtain local support and after purchase service of the products purchased. The location of replacement items is always a factor when discussing purchasing products from international suppliers.

For products that may be released in America, but not released by an authorised New Zealand seller to the New Zealand market for a number of months afterwards, (e.g., iPhones or iPads) we rely on the ability to parallel import the item from an overseas authorised seller. This allows our development teams to test any applications and software that have been developed for the device, which may not yet be available from an authorised New Zealand distributor.

We face barriers to using cloud-based software services, which are hosted internationally. We'd be uncomfortable storing all our intellectual property and code base which is commercially sensitive and vital to our business operations in a cloud-based storage system on an international server. Also, due to the frequency of needing to access a service like this, the relative fragility of New Zealand's international connection could make it difficult to access and gain full benefits from using the service.

Q6.2: What is your experience of purchasing ICT products for business use in New Zealand? Do prices differ significantly from international prices? What might explain these differences?

Location is always a factor in the price of an ICT product. The constraints Trade Me faces are the usual budgetary constraints that any business faces, due to the relatively high cost of purchasing ICT hardware. Due to Trade Me's size, brand and networks, it has a buying power in the ICT industry which provides benefits when purchasing ICT products.

Q6.3: In your experience, does latency – the delays involved in moving data to and from other countries – make some services unattractive or unusable in New Zealand? What services are affected?

Yes. Due to latency and data transfer delays, Trade Me would currently not contemplate using some international data storage services. "Infrastructure as a service" is something Trade Me would keenly consider if it was available in New Zealand at scale. Offshore examples of these services include Amazon Web Services (storage, database and application services) and Rackspace (a cloud hosting service) where capacity concerns for IT businesses are mitigated due to not having to incur high capital setup costs. It's an attractive service due to the low barriers to entry, along with flexibility in usage. These services allow innovative businesses to deliver products to the market and consumers quickly, but without the high capital outlay or cost. Infrastructure as a service means consumers only pay for the level of demand that they require, and removes the high cost of having to set up a domestic data storage centre, or of purchasing servers and rackspace domestically. However, due to delays in data transfer

internationally, we currently wouldn't use these services. Even the transfer of data to Australia (the closest country which offers Amazon Web Services), is too slow to contemplate using these services.

It's worth noting that even if New Zealanders did have the ability to use infrastructure as a service, companies face jurisdictional issues of where member/customer data is stored.

Q6.4: In your experience, is a deficiency in domestic data-communications infrastructure constraining ICT adoption by New Zealand businesses? Which businesses are affected and in what way?

Our overall comment is that a fast connection to the home is important. This is particularly so for those businesses that only operate online, and need a fast connection in order to efficiently operate their businesses.

Supply and demand of IT skills

Q8.5: What initiatives have been tried to improve collaboration between education providers and firms in the past? How effective have they been? What are the factors that made the initiatives successful or unsuccessful?

Trade Me recognises the need for improved collaboration with education providers and has tried a number of initiatives along these lines. Along with ad hoc mentoring of university students by several Trade Me staff, we've provided comments below on a number of initiatives which help improve collaboration between education providers and our business.

Summer of Tech

Summer of Tech (www.summeroftech.co.nz) is an internship programme that matches technology students with New Zealand employers and, in our experience, is a programme that has worked well at bridging a gap in formal study.

University students, most of whom are in their final or penultimate year of study, sign up to be part of the Wellington-based Summer of Tech program. The key benefit for students in the programme is that they put themselves into a pool of candidates to be matched with, and selected by, employers in the IT industry. Before any summer internship starts, students have access to free 'bootcamp' workshops to upskill on technical and professional development topics. Small and large IT businesses hire the students for a summer internship. Most businesses will generally go on to hire some or all of the students on a fulltime basis following their studies, highlighting the success of the programme.

Over the years we've been involved in the Summer of Tech, we've found that students learn business skills through sitting alongside and working with current employees. This is an invaluable skill, which they wouldn't otherwise have exposure to through formal study. We realise individual companies, particularly

large companies, can recruit interns independent of this programme. However, having a dedicated IT programme where there is a pool of students and a pool of employers is an efficient use of recruitment time and provides a benefit to smaller businesses. We'd recommend other initiatives, similar to this one, are set up in other centres around the country.

WorkChoice

Workchoice Trust (www.workchoice.co.nz) has a programme called WorkChoice Day where students in their final two years of secondary school study meet business people in workplaces who help the students make decisions about future study options. WorkChoice Day is held annually in Wellington and Auckland. At these presentations, our staff explain how they got to where they are in their career, and whether it involved planning & goal oriented studies, or whether they fell into a certain position organically. Students have the opportunity to ask staff about their role, what they studied in university and the path that led them to working at Trade Me. Our experience is that students have loved the WorkChoice Day. However, given the time lag between secondary school and employment, it's difficult to assess how successful a programme like this is.

Trade Me Jobs' involvement in both the WorkChoice student and teacher days provides a wonderful opportunity to reach out to key groups who can benefit from our team's expertise, insights and experience with the jobs market. As young students ready themselves with the help of teachers to enter the workforce, our role is to help them make better informed decisions about the job hunting and putting their best foot forward with potential employers.

Young Enterprise

Trade Me became involved with the Young Enterprise (www.youngenterprise.org.nz) organisation (YES) in 2011. YES runs a programme for secondary school students with a focus on creating and running a viable business. In order to help further students' education in the area, they visit real-world businesses like Trade Me to hear the stories of how the business started, its core values and the issues faced in day-to-day operation.

We have a YES group in to visit Trade Me annually. From feedback gathered from the students and YES staff, the visits provide valuable insight for the participants. The effort involved in pulling an event together is minimal compared to the benefits for the students.

FedEx Day

At Trade Me, "FedEx Day" occurs a few times a year and is a 24 hour event where teams get together and build something useful for the company. It's an opportunity for individuals to build a new application, a piece of software or hardware and a great way to foster innovation within the company. Trade Me have adopted the concept from other international software organisations, with the name "FedEx" playfully reinforcing the "overnight delivery" aspect of the event. Although not in collaboration with an education provider, we mention it here as a way for businesses to grow individuals and we regard it as another

form of continuing education within the company environment. The FedEx Day idea may also provide an opportunity for businesses to collaborate wider, perhaps with other businesses or external agencies looking to solve a problem or generate new ideas.

We thank the Commission for the opportunity to submit on this report.

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