

CRAIGSLIST

CONGRESSIONAL TESTIMONY

STATEMENT OF CRAIGSLIST, INC.,

**Testimony before
The Subcommittee on National Security and
Foreign Affairs
Committee on Oversight and Government Reform
United States House of Representatives**

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Chief Executive Officer**

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My name is Jim Buckmaster. I am the Chief Executive Officer of craigslist, Inc., which owns and operates the "craigslist" website. Craigslist's sole place of business is in San Francisco, California, but from this one office and from servers located in San Francisco we host local community web sites featuring self-service and largely free classified advertisements, including jobs, housing, for sale, services, personals and community information for 450 local cities, worldwide.

Craigslist's Sources of Revenues.

Craigslist's revenues come from only two sources: paid job listings in 10 US metropolitan areas, and paid advertisements for brokered apartments in New York City. Craigslist does not accept paid "banner" advertisements, does not serve paid "text ads", "pop up" ads, or any other kind of display advertising, and does not engage in affiliate marketing, email marketing, or any of the dozens of other ways internet companies typically derive revenue. More than 99% of classified ads on craigslist are free of charge, including most job ads, nearly all housing ads, all services ads, all community and event ads, and all "for sale" ads. I can say unequivocally that craigslist did not collect so much as a penny on any of the transactions involving sale of military equipment to undercover agents that are the topic of today's hearing.

How Sale Transactions are Completed on Craigslist.

Craigslist's service is essentially an online version of the traditional local newspaper classified advertisement. A person wishing to post a "for sale" advertisement on craigslist first visits the craigslist web site for their city, where the sale is to take place, clicks on the "post to classifieds" link, which then leads through a series of prompts that results in the advertisement being placed "live" on craigslist. "For Sale" advertisements are categorized by the type of good being sold. Although there is a catch-all "General for Sale" category, it is worth noting that there are no specific categories that are applicable to military equipment or paraphernalia.

Someone can respond to a craigslist advertisement either by replying to the email or, as is often the case, calling a local telephone number included as part of the advertisement. Local people in the same community seeking to buy and sell goods thus use craigslist to meet one another, much like people in the same community also use newspaper advertisements to meet one another. Craigslist operates as a local venue where people can find others in their city or area with complementary needs, and arrange to meet, as job applicant and interviewer, apartment seeker and prospective landlord, potential boyfriend and girlfriend, or buyer and seller. In the case of a "for sale" ad, once the initial connection is made, craigslist has no further involvement in any transaction that may take place. We do not remain as a party to the dialogue between buyers and sellers, and in fact, our site is engineered so that if a person placing an advertisement wishes to respond to someone who has replied to the initial advertisement, the response *cannot* be through our servers. We also are not a financial intermediary, neither facilitating payment, receiving a commission or other compensation, or even being aware that a sale has taken place.

Craigslist Transactions are Intended to be Local.

Significantly, an advertisement can be posted in only one of craigslist's 450 cities. There is no function permitting an advertisement to be posted throughout craigslist. In fact, posting the same

advertisement to multiple cities or areas violates craigslist's terms of use, and we have implemented technical measures to prevent cross-posting to multiple areas. Similarly, the search feature within craigslist is restricted to searching one city site, and it is not possible to conduct a broad geographic search. If someone wishes to search on craigslist for military equipment, that person would need to perform 450 individual searches, one for each local craigslist site, in order to search all of craigslist.

We also discourage long-distance transactions that are completed by mail, shipping or other means. In fact, users of craigslist are also cautioned that the most effective way to avoid online "scams" is to deal only with local people they meet face-to-face. Limiting interactions between buyers and sellers on craigslist to local transactions is intentional and is one of the primary distinctions between craigslist (which is intended to facilitate local communication and face-to-face meetings) and the other large internet sites (which are intended to facilitate global communication, generally without face-to-face meetings). If we wanted to permit national or international postings or searches, we of course could do so. However, we believe that creation of a marketplace of national or international scale would detract from the community nature of craigslist. In short, the "for sale" section of craigslist is specifically intended to facilitate "face-to-face" meetings and local in-person transactions. As a result, craigslist is not a good forum to use if someone wants to offer something for sale to a national or worldwide marketplace.

Craigslist's Terms of Use.

Craigslist's terms of use constitute a contract between craigslist and the people using its service. Postings that violate craigslist's terms of use are often blocked before they reach the craigslist website using computerized filters, or removed by members of the craigslist community using a "flagging" tool. The flagging tool permits any person viewing a questionable advertisement to flag the advertisement as objectionable, with the advertisement being automatically removed from the site after receiving a specified number of flags. The number of flags required to remove an individual posting varies from category to category, from city to city, and from day to day, depending on conditions. We also manually remove advertisements and block accounts of people who come to our attention as violating the terms of use. Currently, our terms of use prohibits the sale of items that are prohibited by or heavily regulated by applicable laws. A link from the terms of use lists a partial list of specific items prohibited on craigslist, including "weapons and related items," and "stolen property." There are also links to various other websites that provide information regarding what property may be legally sold, including sites maintained by the Bureau of Alcohol, Tobacco, Firearms and Explosives. Our terms of use and related online educational materials are constantly being reviewed and are periodically modified, as our community, including members of law enforcement and regulatory agencies, call our attention to the need to modify the Terms of use to address specific issues, or to improve the related educational materials that craigslist provides.

Commitment to Enforcing Our Terms of Use

The vast majority of people who use craigslist are well intentioned, law abiding citizens who use craigslist to find items that they need in their everyday lives, including jobs, employees, housing, tenants, roommates, automobiles, furniture, computer equipment, household goods, local services, event listings, and community information. People also use craigslist to participate in

free forums on a wide array of topics. Many users of our free "personals" section have also found their spouses on craigslist. On rare occasions, however, craigslist is misused. Any criminals misusing craigslist will soon learn, if they have not learned already, that craigslist provides no safe haven for their activities. People using craigslist leave behind a variety of electronic records, sometimes including telephone records, that can be traced when craigslist is misused. Craigslist has a long and successful history of cooperation with law enforcement agencies to track down criminals. However, we do not rely solely on law enforcement to enforce our terms of use. Ensuring that users of craigslist abide by the law and use our website only for legal purposes is one of our very highest priorities. Although we are a small company, a majority of our employees are involved in projects designed to enforce our terms of use, and these activities constitute a large portion of their daily duties. I personally spend a large percentage of my working time engaged in these efforts, as does our founder, Craig Newmark. When matters come to our attention that require the assistance of law enforcement, we proactively call these matters to the attention of the appropriate authorities. Partly because we are a small company, we have developed a reputation for being exceptionally responsive to requests for assistance from law enforcement.

Comments on the GAO Report

On Monday April 7, the staff of this committee provided us with a draft of the GAO report to be released on April 10, and we thank the staff for this courtesy. We have not had much time to consider all of the aspects of this report as we would need to provide a full response, but, for the record, we would like to make the following correction:

- Although craigslist does not have a formal "Fraud Investigation Team," prevention of fraud and other misuse of craigslist is a top priority for a majority of our employees, across all departments, including Craig Newmark and me, and several of our employees have extensive experience in this area. The draft GAO report we received implied that only one person at craigslist was engaged in combating fraud, which is very misleading.

In addition, for the record we would like to add the following observations:

- Craigslist is intended to facilitate only local transactions, between buyers and sellers in who live in the same geographic area. Because we strongly discourage users from doing business with persons who do not reside in the same local area, we haven't historically felt that we needed to provide information regarding export laws.
- The business models of craigslist and eBay are fundamentally different, with eBay providing a single global marketplace, and craigslist providing hundreds of separate local marketplaces. Under the circumstances, we believe that craigslist does not deserve the equal billing it received with eBay throughout the report, implying that craigslist approaches eBay as a marketplace for the re-sale of sensitive defense related items sold using the internet. As a collection of 450 separate local classified ad venues, craigslist is not a very effective marketplace for people to use if they want to engage in global trafficking of specific items of military equipment.

Tangible Steps for the Future

For the reasons described previously, craigslist is not "user friendly" to those who would misuse the site for illegal purposes, and our company has zero tolerance of persons seeking to illegally sell military equipment. We thank the committee for calling this problem to our attention and are very interested in learning more, as we prepare to take whatever steps prove to be most effective in preventing such misuse on our website in the future. Possible steps that we could take that have occurred to us as we have begun to think more deeply about this issue include the following:

- We think that it would be helpful to update our terms of use and our prohibited items page to specifically list the resale of defense-related equipment that has not been disposed of in accordance with Department of Defense demilitarization policies. Craigslist users are generally willing to refrain from posting items for sale that they know are prohibited, and likewise are passionate about using the flagging tool to remove listings of items they know are prohibited.
- Our experience is that technical screens can be very effective in preventing advertisements that facilitate illegal activities. Once we have a better understanding of this class of prohibited items, we think that it will be fruitful to task our engineers with implementing technical screens targeting advertisements of specific kinds of equipment designated as not eligible for resale.

We will consider other measures as well, including adding staff, in order to effectively address the problems at hand. We would welcome additional suggestions from all interested parties.

Concluding Statement

Craigslist believes that nature of its 450 distinct local marketplaces discourages the use of craigslist by people who are interested in acquiring military equipment for export outside of the United States. While craigslist currently can be used to find such equipment locally as the GAO report has demonstrated, we feel that we have identified measures that will dramatically curtail this trade, and we are motivated to do what it takes to address these issues. We would like to thank the subcommittee on National Security and Foreign Affairs for inviting us to participate in this hearing, and look forward to working together to help solve this important problem.