

Roy, Lauren

From: Blanch, Belinda on behalf of Adjudication
Sent: Friday, 18 April 2008 5:19 PM
To: Chisholm, Shane; Roy, Lauren
Subject: FW: Complaint about eBay forcing PayPal as only online payment method [SEC=UNCLASSIFIED]

Categories: SEC=UNCLASSIFIED
ACCC Classification: SEC=UNCLASSIFIED

-----Original Message-----

From: Dan Warne [redacted]
Sent: Friday, 18 April 2008 4:59 PM
To: Adjudication
Subject: Complaint about eBay forcing PayPal as only online payment method

**EXCLUDED FROM
PUBLIC REGISTER**

Dear Sir/Madam,

I would like to make a complaint to the ACCC regarding eBay's announcement that all online payment methods except its own PayPal service will be banned on eBay from June.

Note that this is not eBay simply requiring PayPal to be "one of" the payment methods offered with auctions, but eBay requiring it to be the ONLY online payment method on auctions.

The only alternative eBay offers is cash payment on collection of goods, which, for the vast majority of items sold on eBay which are posted, will not be a viable option.

eBay argues that its joint control of eBay and PayPal will allow it to better cut fraud rates for consumers. However, it is not reasonable to expect that consumers use no other payment methods simply at the expense of cutting fraud.

- 1) Fraud is an inherent risk in any financial industry; it is something that is properly managed via a multifaceted approach rather than locking out all competing payment methods in a market.
- 2) eBay clearly stands to make a massive amount of additional revenue by forcing all electronic payments through its PayPal system since it takes an extra commission of up to 2.4 per cent of each payment. This means that compared to other methods such as direct bank deposit, consumers will be forced to pay more.
- 3) If eBay is allowed to implement its plan, there will be no competitive tension in the marketplace stopping eBay from progressively raising PayPal fees.
- 4) Given eBay is a quasi-monopoly in the online auction space and a major player in ecommerce in Australia generally, making PayPal the only payment method will clearly cripple the burgeoning industry in instant online payment systems for consumers. For example, one competing Australian company, PayMate, could lose a substantial amount of business. Australian banks may be discouraged from developing easier and more comprehensive online payment systems for consumers. Tech competitors such as Google will find themselves locked out of a key financial market by the move.
- 5) eBay has consistently said its fraud rates are one hundredth of one per cent, so it is very hard to see how the lessening of competition, the increased fees for consumers, and the potential for higher fees in the future are justification enough for further reducing fraud below one hundredth of one per cent.

Given that eBay owns PayPal, I believe it is using its market power in online auctions to lock out other competitors in the instant payments market, while simultaneously extracting new fees from consumers by removing any choice from them. As such I believe this plan is anti-competitive and eBay should be barred from doing it by the ACCC.

Kind regards
Dan Warne

