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THE GENERAL MANAGER  
ADJUDICATION BRANCH  
AUSTRALIAN COMPETITION AND CONSUMER COMMISSION  
GPO Box 3131  
CANBERRA ACT 2601

**RE: EBAY INTERNATIONAL AG EXCLUSIVE DEALING NOTIFICATION**

**N93365**

Dear Sir or Madam:

We are writing to you in opposition to the proposed changes by Ebay AG as outlined in the Exclusive Dealing Notification N93365. We are a small business selling secondhand books that has traded successfully on Ebay Australia since 2005. Due to the nature of our business, transactions are generally for amounts under \$10.00 including postage. As I am sure you are aware Paypal is owned by Ebay AG and as such is forcing Ebay users to only use Paypal. This will have a significant impact on the existing Ebay community. It will result in a smaller higher priced seller base and most likely a smaller buyer base.

In our time on Ebay we have processed over 15,000 transactions, and approximately 40% of those were paid by bank deposit or money order. We have happily accepted Paypal for most of the time we have traded on Ebay as it facilitates trading in an International market.

Of the 40% of our customers that do not currently use Paypal we would expect to lose the majority of that business, as these customers are more comfortable with payment methods that do not lead to their financial information being submitted to a third party. Currently, unless a customer wants to send a personal cheque where their BSB and account number are printed on the bottom, there is no need for them to exchange any financial details with us as a seller. As a seller we are required to provide our banking details to our buyers if we wish to accept this form of payment and we have done so for over 6000 transactions without any problems.

As I mentioned we sell small cost books the average price being around \$6.00. The fee's that will be charged to transaction by Paypal take a large part of each sale for us and will make trading more difficult as we will either need to increase the cost we sell for (which will in itself increase the amount of Paypal fee's) or we will have to make significantly less profit per transaction. For example the fee's charged by Ebay and then Paypal on a \$6.00 transaction that was posted for \$4.50 would look like this.

Ebay listing fee's

11c per month

Ebay Final Value fee's                      60c (10% of item value)

Paypal Service fee's                        56c (30c transaction fee + 2.4%)

So we would be paying \$1.27 in Ebay/Paypal fees on a \$6.00 book before we even start to sell. This of course does not take into account stock purchase cost, taxation, or drawings (or profit!).

While until recently we have not had a problem with the service Paypal have provided, we have always been aware of some of its short comings. Paypal routinely "freezes" accounts for security checks, and while this is good it often leads to frustration and loss of income while you try to interact with a company that does not have a service base in Australia. All incoming calls to Paypal's Sydney phone number are transferred to the USA to be dealt with, and It has been known to take up to several months to have your account unfrozen and to then have the frozen money released into your bank account.

On the one time our account has been frozen it took us several weeks to get it back, and the suspension of service was due only to adding an additional bank account for payments to be transferred to. We currently have a very disgruntled customer who has had their Paypal account and payments frozen for one such security check, but Paypal had not alerted the customer, the first they knew of it was when we approached them as the item had already been posted before Paypal had reversed the transaction.

While Paypal may offer buyers some protection, the claims made by Ebay and Paypal are very deceptive. The general discussion and notes made available by Ebay imply that all transactions are covered, but this is not the case. A buyer can only claim 3 times in a twelve month period and if they brought more the 3 items off the 1 seller then only 3 of however many would be covered and that would be it for 12 months. As for the implementation of seller protection, well it doesn't really exist. If a fraudulent buyer makes a claim to Paypal it is almost always found in their favor and the seller is automatically deducted the amount of the sale plus postage and then generally a service fee as well. This is often regardless of whether the seller was at fault or not.

As to the matter of it being in the public interest for Paypal to be the only available payment method for users of Ebay Australia, I do not believe it is in the best interest of Australian users. It is general consensus by Australian Powersellers (Full time Ebayers who earn \$2000 or more a month on the site and derive most of their income from selling online) that approximately 40% of users pay by methods other than Paypal.

If Ebay are granted immunity what will happen to these customers? If they are happy and comfortable with other payment methods why should they be effectively excluded from purchasing or selling? There are far more practical security measures that Ebay could undertake to reduce the instance of fraud. Ebay's main competitor in Australia is Ozton. Ozton provide member with the options

to have themselves verified, including a 100 point identity verification that is undertaken by Australia Post. So when purchasing on Oztion it is easy to see if your trading partner is a "real" person.

It would not be hard for Ebay to implement such a system, but instead it has released a security policy that will check you are using the same computer to access your account on each occasion. How this is supposed to help clean up site fraud is beyond me as it still doesn't address the underlying issue of is the person registering the account who they say they are.

Also there is no identity verification with Paypal either. To check the identity of a Paypal user Paypal deposits 2 small sums into the bank account you nominate and you then have to tell them what the amounts were. If you can do this you become Paypal verified, but this only proves that you have access to the account you have nominated, not that you are who you say you are. Ebay would like you to think that Paypal is the safest form of online payment but it is really just another profit layer that Ebay uses to systematically milk extra fees buyers and sellers, while simultaneously running 'fear' advertising to drive customers away from other safe payment types such as Direct Deposit and Money Orders (see below).

There are many secure payment options available. The problems Ebay are trying to convince everyone that they are trying to overcome, cannot be

overcome by using only Paypal. While having payments processed by Paypal may provide another layer for the buyer to go through in case the transaction goes wrong, it will not reduce the incidence of Fraud, without a security policy that requires buyers and sellers to prove their identity prior to use of the Ebay venue. This is the only way that fraud will be reduced on the site, not by having sellers pay additional fees to Paypal to use a service that is not always needed.

We are more than happy to offer buyers the protection that Ebay claim Paypal provides, but we do believe that the right to choose payment method belongs with the customer, both ours and Ebays. While all users of Ebay may be considered its customers, only sellers pay fees.

If Ebay get to implement this new policy of only allowing payments via Paypal it will bring their claim that they are only the "venue" into serious contention. If Ebay are allowed to dictate to Australians about what payment method's are and are not secure, what implication will this have for our banking and business industry?

Ebay imply in their onsite ads that seller's cannot be trusted and that you must use Paypal to be protected. This ad campaign makes people scared, it does not foster trust and damages Ebay's own reputation and seriously damages the reputations of all the good sellers in Australia. If Ebay were serious about cracking down on online fraud they would be instigating some of the above

measures (As per our OZTION example) to clean up the bad transactions on the site, not using the boogeyman of 'scammers' to drive "force" buyers and sellers into their greedy exploitative arms.

Two final points to quickly note – Ebay has always trumpeted that bad and dubious transactions on its site number less than 1%, yet they have initiated a system that not only destroys buyer and seller confidence in their processes, but already caused much financial damage to its own community – for its own profit.

Secondly it is worth noting that Ebay are more than happy (almost insistent), that sellers pay Ebay their fees through Bank Deposit – “As it is a safe and secure way to make online payments”. This is HYPOCRACY of the highest order and reveals the sham of their Online Security arguments in stark detail. If other payment methods are good enough for Ebay to accept – **then they should be good enough for their customers to accept too!**

Please feel free to contact us on 03 6473 1002 if you have any further questions in regards to our submission as we are more than happy to elaborate if required.

Yours truly,

Michele Flavelle

Matthew Flavelle

Owners Lands End Books