

Roy, Lauren

From: Blanch, Belinda on behalf of Adjudication
Sent: Friday, 18 April 2008 2:59 PM
To: Chisholm, Shane; Roy, Lauren
Subject: FW: eBay International A.G. / Paypal only notification [SEC=UNCLASSIFIED]

Categories: SEC=UNCLASSIFIED
ACCC Classification: SEC=UNCLASSIFIED

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

From: Wayne [mailto:]
Sent: Friday, 18 April 2008 2:06 PM
To: Adjudication
Subject: eBay International A.G. / Paypal only notification

**EXCLUDED FROM
PUBLIC REGISTER**

Wayne Jeffers

[Redacted]

[Redacted]

**EXCLUDED FROM
PUBLIC REGISTER**

[Redacted]

Re: Recent announcement of Payment type restrictions by Ebay Australia

Dear Sir / Madam,

I would like to report my sincere concerns with a recent announcement made by the company that operates Ebay Australia (www.ebay.com.au <<http://www.ebay.com.au/>> , hereafter referred to as Ebay). You are probably already aware of the announcement to which I refer, advising that in the near future sales that are made from listings placed on their site are to be restricted to one payment method only - payment via the Paypal service. Paypal is of course also wholly owned by Ebay.

Let me start by qualifying that I am not just a casual user of either Ebay or Paypal. I have been a member of the former for over nine years, and the latter for some seven years. I make a large proportion of my income via Ebay based activity, and in fact

have completed in excess of 70,000 (seventy thousand) sales and purchases using Ebay sites.

I am also not opposed to Paypal per se - I signed up for their service before it was bought as a going concern by Ebay, and have used it regularly to both make and receive payments both before and since the Ebay acquisition. I always offer Paypal's service as one of the available payment methods on items that I sell.

What I am opposed to and seriously concerned about though is the forthcoming plan by Ebay to 'ban' all other payment types, removing the freedom of choice that has worked well for many years. Ebay tout that such a ban provides increased security for buyers and sellers alike. I am firmly of the opinion that that is not the real agenda or concern at all. (After all, they have made this change applicable to Australia only - in all other countries buyers and sellers are still free to negotiate payment in several flexible ways.) It is my personal opinion that the one single reason for Ebay's decision is based upon the fact that Paypal penetration (ie. The percentage of Ebay transactions that are completed using Paypal) is lower in this country than it is in others. There is of course a good reason for that - the acceptance rate of internet based banking (and indeed the accessibility and performance of internet banking) in Australia is better than almost anywhere else in the world. For that reason Ebay will never have the paypal penetration rate they seek unless they force the issue as they are currently trying to do.

Although the preceding is supposition, I believe there is ample evidence to support my theory that the entire thrust of the forthcoming change is aimed purely at increasing Paypal profits to the detriment of millions of Australians who use Ebay's site to buy and sell. Ebay have unsuccessfully tried many tactics over the last few years to obtain the Paypal penetration rate they so desperately require. In no particular order these tactics include:

* Publishing blatant mis truths about internet and over counter banking (advising buyers in writing that if they use it they are divulging their personal details to a seller - errant nonsense of course).

* Providing a site function that allows sellers to provide bank details to purchasers, then having that function malfunction for weeks at a time, explaining same as a "Site Glitch".

* Offering "promotional discount periods" to sellers who use the site, then limiting the benefits of same only to sellers who utilise the Paypal service.

* More recently, and perhaps an even better sign of the desperate desire to stimulate Paypal usage within this country, Ebay / Paypal literally gave away "free money" - Paypal based credits ranging from \$20 to \$100 in amounts to thousands of Australian users who had Paypal accounts but were choosing instead to pay via other means.

Although the actions they have taken in an attempt to get the result they wanted became more and more extraordinary, my belief is that they still failed to get the desired result, again based on the fact that Internet banking in this country is

hugely successful.

Ebay claim that their decision provides more benefits than detriment for the millions of Australians who use their site. I can categorically state that such is not the case, and again remind you that I am extremely familiar with the Ebay operation as both a seller and a buyer. There will be many many Australian people impacted negatively by the move. I personally have spoken to many casual Ebay buyers (most of whom were not even my direct customers), and can state for certain that a significant percentage will simply cease to use Ebay as a purchasing venue, as they are opposed to the forced use of Paypal, or simply do not have (or want) access to Paypal for various reasons. On face value that would affect Ebay's bottom line - but the more important concern is that it will limit the income of thousands of Australians who use Ebay as a sales Venue. (And, no doubt Ebay have already worked out that any profit missing from lost sales would be more than compensated for in their own balance by an increase in Paypal fees charged.)

Another immediate impact of forcing exclusive dealing with Paypal will be one of pricing to the end consumer. I, and I suggest all other large sellers on the Ebay site have calculated my profit margins to include Paypal fees on the approximate current percentage of purchases that are made that way. When that percentage is taken to 100% all prices will have to rise for a seller's business to remain viable. I cannot see how a virtually "across the board" price rise will benefit Australian consumers in any way. It will also lessen the competition that "online" selling currently provides to the Australian retail industry.

Yet another impact of Paypal only transactions will be a significant slowing of transaction time on a huge percentage of transactions. (I have received hundreds of Paypal payments that took many days to become available.) Again, that is NOT a benefit. It is a serious impact on a seller's cash flow, and detrimental to a buyer's experience. Australian buyers want the satisfaction and comfort of receiving their items quickly. As things stand now that is within their control thanks to choice of payment methods. If methods other than Paypal are removed it will have a negative impact on both buyers and sellers alike.

Even if there were justification to restrict trade to one payment method only (and there isn't) - it would make far more sense for that one method to be something other than the Ebay owned Paypal. Paypal makes very big claims about both seller protection and buyer protection, but when the fine print is read the "protection" offered is riddled with so many escape clauses and impractical requirements that it is really little more than comforting words. When push comes to shove there are thousands of people who have been left extremely unsatisfied with the Paypal "dispute" process, and if Ebay gets their way no doubt that number will increase dramatically.

Lines about "increased security" really are just words, and conveniently ignore the fact that Ebay has many sophisticated systems and procedures already in place to facilitate safe trading. The same systems they use world wide, without having to resort to forced Paypal use. Comparing again to internet banking, if a purchaser pays in that manner, his financial details are not shared with anyone, and do not leave Australia. Said purchaser simply instructs his Australian based bank to transfer a set amount of funds to another Australian based bank. On the rare occasions something goes wrong the transaction can be traced, right here in Australia. If the same user is forced to use Paypal his personal details are firstly given to (then stored on) a privately owned USA database (Paypal), then payment occurs to the seller. For the seller to access the funds involved he need to draw those funds down to a regular bank account within Australia. When using Paypal, for a significant period of time the funds in question are fully controlled (and subject to the whims of) a private company, unlike internet banking (or indeed just posting a cheque).

In my own personal experience, and across tens of thousands of Ebay based transactions, I have only been defrauded on very few occasions. The actual loss I have suffered as a percentage is less than the loss I suffered in previous more traditional businesses to shoplifting etc. so is not a major concern. It is interesting to note though that as a seller over 90% of the losses I have suffered due to fraudulent behaviour were transactions that involved Paypal, not transactions that involved more traditional payment means such as bank transfer, cheque or money order. I can provide documentary evidence to support my claim. It's easier to commit fraud using paypal (or similar services) than it is to commit fraud using traditional payment means. After all, if I receive a paper cheque that dishonours, I simply don't ship the goods. A fraudulent paypal "dispute" can be placed weeks after the item has shipped to a purchaser. Ebay's "safer for sellers" claim is not supported by reality.

As a buyer, I have been defrauded twice. Again, that is not a significant figure given that I have purchased hundreds of items. What is significant though is that on BOTH of those occasions the transaction was paid for using Paypal. I will continue to use Paypal, because it is a good service, but I am not at all comfortable with the removal of all other options (many of which are better, quicker, and safer in many instances). "Safer for buyers" is again a broad statement that is not always true.

Ebay may be a privately owned company, but given the huge penetration and impact they now have in the Australian economy, the millions of Australians who now use their service as a conduit, and the thousands of Australians who now make their living via Ebay's site, surely some responsibility and accountability must be involved. The Paypal only push (exclusively for Australia where other safe and well accepted payment methods proliferate) is purely aimed at increasing Paypal's penetration and Ebay's profit. It does so to the detriment of virtually all of the large portion of the Australian community who use the Ebay platform. It will also unfairly totally deny the Ebay platform to many thousands of Australians, something Ebay do not do in any other country that they operate in.

Reasons cited by Ebay for the proposed change do not stand up to close scrutiny at all. I would welcome the opportunity to provide any assistance or further details to the ACCC on this matter.

Sincerely

Wayne Jeffers