

Roy, Lauren

Subject: eBay exclusive dealing notification [SEC=UNCLASSIFIED]
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From: stewart carter [mailto:mail@ecommercereport.com.au]

Sent: Thursday, 1 May 2008 8:44 PM

To: Adjudication

Subject: eBay exclusive dealing notification

Dear ACCC,

I'd like to contribute the following submission to your deliberations on eBay's request for an exclusive dealing authorisation

No N93365 essentially making PayPal the only accepted payment method at eBay.com.au.

eBay's application contends that there will be no anti-competitive ramifications from this action.

Alternatively, it contends that there will no net public detriment, even if there is some, because of the security benefits PayPal offers to online consumers.

In considering these propositions I would like to submit the following comments and information.

1, ACCC has failed to identify and/or consult with many relevant interested parties

The list of 'interested parties consulted' fails to include much of the industry.

It appears the ACCC has not sought submissions from any of the many payment gateway service providers operating in Australia, and competing against PayPal in the Australian marketplace.

Amongst many that might be mentioned are Paymate, eWay, Camtech, Securepay, Poli (i.e. Centricom) and eMatters.

Each is a local business competing against PayPal in trying to sign up online merchants.

Typically these businesses are not members of peak industry associations and/or any of the organisations listed.

Similarly, your list fails to include any online merchants.

The most obvious of these are the other online auction sites that directly compete against eBay

- examples include Grays online, oztion, bidmate, auctionbidz etc

Again, none of these businesses are either members of or represented by any of the organisations and businesses you have listed as interested parties.

You should be aware that many online merchants have a keen interest in eBay's proposal, because many online merchants operate both an eBay store and their own web-site.

Indeed many smaller online businesses start life as an eBay business and, once they've grown successful move some or all of their own business to their own web-site

I believe the ACCC should seek contact, input and submissions from Australian online merchants, very few of whom are members of the Internet Industry Association.

I would be happy to facilitate that contact, and specifically through the Australian eCommerce Network.

7/05/2008

2, There are two PayPals - the eBay authentication service and a separate (but integrated) payment gateway service.

The fact is that PayPal is not just a service used on eBay and specific to online auction sites.

PayPal also offers payment gateway services to all online merchants. Moreover it has had considerable success in this regard in Australia over the last 18 months or so.

A number of Australia's larger online merchants have recently added PayPal to the payment options they offer customers. dStore and FastFlowers are just two examples that spring immediately to mind.

PayPals success in this regard has followed on from its acquisition from a payment gateway service formerly owned and operated in Australia by Verisign (or eSign as it was known for a time).

Or in other words, PayPal is not just an intermediary authentication service used on eBay to facilitate payments through by deposits and /or withdrawals into/from linked credit card and other bank accounts.

Part of PayPal's business is also a payment gateway service provider that operates in direct competition to local payment gateway service providers.

Indeed the choice of Australia as the first global location where this policy change is being tried may well stem largely from the fact that Australia is the first country in the world where PayPal has grown outside of eBay to such an extent that it has become a part of the payment system in general.

3, PayPal's security benefits are outweighed in many instances by its lack of local support.

PayPal is, first and foremost, a service that offers two key value propositions to online merchants and consumers.

First, by requiring buyers and sellers to register a linked bank account before they can use PayPal, eBay authenticates users identities and thereby reduces the incidence of online fraud perpetrated via abuse of online identity.

However its system is nowhere foolproof and, in any event, the security offered to online shoppers and merchants in this way is equivalent to that of scheme credit and debit -cards.

After all individuals and /or businesses have to prove their identities to banks and/or card issuers before they can get a card. In that respect PayPal is no more or less secure than payment via a credit-card.

PayPal's second value proposition is that it enables both buyers and sellers to remain relatively anonymous in the transaction, such that personal or business address, contact, bank account and/or credit-card details don't have to be divulged to the other party.

These two aspects of PayPal mean it offers some security comfort to online consumers and merchants, and may also help with reducing transaction disputes.

But specifically in connection with a reduced incidence of disputes, and that aspect of online security, I am not aware of, beyond PayPal's own and/or commissioned research any evidence that, of itself, as an online payment method, PayPal is any less prone to transaction disputes than other equivalent payment methods (e.g. Paymate).

And to the extent that PayPal transactions in general show a lesser incidence of disputes than do other

payment methods, the data has to be discounted to the extent to which the transactions involved are inherently risky, such as in the online selling of adult, gaming and other services, none of which are available on eBay.

So the proposition that PayPal offers unique security benefits to online consumers and merchants is certainly arguable.

Moreover even if such benefits can be assumed, there is considerable evidence that PayPal's lack of local support services (such as a readily available Australian contact phone number) of itself causes problems and difficulties for Australian merchants.

PayPal is believed to maintain only a relatively small staff establishment in Australia and the company's systems for investigating and handling transaction disputes appear generally to be automated, and not to be located here.

This inevitably gives rise to problems that competing Australian based service providers just don't have.

Please feel free to contact me for access to the archives or the eCommerce Report and or for further information on Australin eCommerce Network activities, resources and expertise that might assist you.

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