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PUBLIC REGISTER

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Re: ebay International AG – Notification - N93365

We write in response to the call for submissions on the above notification. We are have both been ebay.com.au users for several years with dozens of successful transactions between us. We each have 100% feedback ratings on the site. We are all Paypal members and have used the service to buy and sell items on ebay. With two exceptions – neither related to payment method – all of our transactions on ebay have been trouble-free.

The effect of ebay's proposal is to mandate Paypal use for effectively almost all transactions on the site. Ebay's attempt to force all users to use the payment service provided by Paypal provides a slight benefit to a very small number of users at a significant cost to all. At the same time it delivers a windfall to ebay via its wholly-owned subsidiary Paypal. We ask the ACCC to reject the company's application to allow this conduct. As the dominant provider of online auctions in Australia and overseas, we believe ebay is in this instance misusing its market power to enhance its own profits.

At present there are several ways for Australian users to make or receive payments on the site. Sellers have a choice of which payment methods to offer, and buyers have a choice of which of the offered choice they will use. Buyers can choose to avoid sellers who do not offer their preferred method of payment, and sellers can restrict payment methods to those most convenient and reliable to them.

In our experience, direct bank deposit and Paypal at the two most commonly used payment methods on ebay. The simplest, direct bank deposit, costs nothing and it quick, convenient and reliable. Users may make a deposit either by internet banking, or via their local bank branch. The major alternative, Paypal, charges fees of between 1.1 per cent and 2.4 per cent of the sale price and a transaction charge of 30 cents. It charges an additional \$1 for withdrawals of less than \$500.

Paypal fees are calculated on the cost of the transaction, including shipping charges. To assist the Commission, here are some recent examples of the costs of using ebay and paypal. All transactions are sales and all were conducted within the last three months:

Sale price	Shipping	Total	ebay fee	ebay %	Paypal fee	Paypal%
\$66.55	\$8.80	\$75.35	\$3.43	4.55%	\$2.11	2.80%
\$36.50	\$8.80	\$45.30	\$3.56	7.85%	\$1.32	2.91%
\$81.00	\$10.50	\$91.50	\$5.74	6.27%	\$2.50	2.73%
\$12.50	\$8.80	\$21.30	\$1.71	8.02%	\$0.78	3.66%
\$26.00	\$8.80	\$34.80	\$2.26	6.49%	\$1.10	3.16%

In addition, Paypal charges users \$1 to transfer money from their Paypal account into their bank account. Direct bank deposit, by contrast, is free.

For the service provided, the expense is high and we both find direct bank deposit is preferable both for sales and purchases.

There are a number of ways in which ebay could increase security to users without forcing them to use Paypal, though none have been explored. Chief among these is increasing the protection offered to ebay users *within* ebay.

Ebay has continually said over many years that the problem of fraud is very low. eBay Trust and Safety Director Alastair MacGibbon says it is "fraction of a fraction of a percent" and is constantly reducing. (<http://www.brisbanetimes.com.au/news/technology/added-security-pays-for-ebay/2008/04/10/1207420537612.html>). If the cost of fraud is so low, why are all users being forced to pay more to provide increased security measures that the majority don't want. Clearly the additional cost to users – 2-3 per cent on each transaction far outweighs the purported benefit to be gained.

It is not apparent that ebay has tried to survey its users whether they believe the changes would provide a benefit for them. If the additional security is such an issue, surely users will vote with their feet and chose Paypal from the range of payment options available. Mandating a single method of payment also reduces the ability for competitors to enter the market, again to the detriment of consumers.

On the available evidence, users are opposed to ebay's plans to force them to use Paypal. More than 10,000 have signed the petition at <http://www.petitiononline.com/ebayau/petition.html>. The text of the petition preamble is instructive:

We the undersigned voice our disapproval at eBay Australia's new policy stating that ONLY PayPal can be used as a payment option from June 17th onwards. This policy is far too strict, and will limit the amount of people willing to participate in eBay transactions. As a result, online sellers will lose business, and people will find it harder to access the savings offered by eBay sellers.

As PayPal is owned by eBay, it appears that eBay Australia is making this decision purely to generate more profits, and it does not have the best interests of its users at heart.

Claims of PayPal being the most secure way to pay for auctions are not necessarily true, and are deceptive in nature. We note that

other international eBay sites have not enforced such strict payment rules.

As sellers and buyers, we strongly urge eBay Australia to re-think their decision to remove direct deposit, money orders and cheques as payment options.

On the ebay user forums, most users have expressed their opposition to the move. The following comments regarding direct debit may be found at <http://forums.ebay.com.au/thread.jspa?threadID=500078838> We encourage the Commission to review the comments in this forum as they come from ebay users.

User: girrlit (4686 transactions)
with nearly 12000 sales and up til recently 75-85% DD payments, judging by my feedback.. let me think.. NO!

User: jetadventureguru (268 transactions)
I have only ever had one problem with direct deposit which is 6 less than my dramas with PAYPAL.

User: capricorn2 (674 transactions)
never a problem in 7 years!!

User: Redbells54 (439 transactions)
Never had a problem with Direct Debit
Will never ever use PayPal. Why? Because I don't trust it!

User: Espresso capo (413 transactions)
the arrogance and insult of ebay saying that this is about safety. It is purely about money. everyone knows that for a fact. I have used direct deposit for thousands of transactions. I know for a fact many buyers will not use Paypal and are well accustomed to using direct deposit- why stop this sytem when it has worked so well?? GREED.
ebay is again biting, tearing and spitting on the hand that feeds it. No respect at all for those who actually pay all the bills including their salaries. just contempt again. one insult after the other. disgusting.

In summary we regard ebay's attempt to force users to use Paypal for the vast majority of transactions does little to enhance security that ebay could not achieve by other means. The move is unwanted and strongly opposed by users. Ebay is not attempting this course of conduct anywhere else in the world. While Paypal is convenient for some transactions and some users, it should not be forced on all. We urge the ACCC to reject the company's application. We would like to be kept informed of the ACCC's progress in assessing the notification.

Yours faithfully,

David Killick, Kevin Metcalfe and Kane Young