

ROY, LAUREN ; CHISHOLM, SHANE

From:
Re: eBay International A.G. Notification N93365
To: Roy, Lauren; Chisholm, Shane
Date: Thursday 24th April 2008

**EXCLUDED FROM
PUBLIC REGISTER**

Please withhold my name from public view.

eBay.Inc is the biggest online sales and auction venue in the world by a very large margin. eBay.Inc has online sales venues in many countries.

PayPal is a 100% owned subsidiary of eBay. PayPal is not a bank and is not bound by banking law, either in Australia or the USA. PayPal is classified as a deposit broker. The User Agreement states "PayPal may combine your funds with the funds of other Users and place those Pooled Accounts in one or more bank accounts in PayPal's name." This applies to any user funds that are in the company's "custody." The agreement further states that accountholders "irrevocably transfer and assign to PayPal any ownership right that you may have in any interest" that accrues in these accounts. PayPal's revenue totaled \$563 million in the fourth quarter 2007, an increase of 35% compared to the previous year. PayPal is estimated to have made \$10 million per quarter on float funds. eBay has never paid dividends to shareholders.

PayPal changes its Legal Agreement and Terms of Service frequently; because PayPal is not a bank it is not required to notify its customers when it changes the terms under which it does business. It is the responsibility of the customer to read the changes on the website. Unfortunately the moment a customer clicks on the website login, under US law they are deemed to accept any changes. Samples of some recent changes are attached.

eBay has historically used exclusionary practises to compel Sellers to accept the in house payment processing system. eBay owned Bidpay (a PayPal competitor) and prevented Sellers from accepting PayPal on the grounds that PayPal was "not a safe or secure payment method", until eBay purchased PayPal. After eBay acquired PayPal it became "safe and secure" without any changes being made to the operating system, this is public record and may be seen by reading the changes tab on the PayPal website. PayPal's biggest competitor Google Checkout is not permitted on eBay because "it is not a safe or secure payment method". This is transparently anti-competition.

eBay's much touted Buyer Protection is only good for as much as PayPal can extract from the seller's account. Fraudulent buyers and sellers are well aware of this and take steps to prevent it. eBay offers NO protection to its customers who are the sellers. It is increasingly common for buyers to purchase high value items using hijacked accounts, pay by credit card and chargeback as soon as they are notified the item has been shipped. The seller loses the item, the payment and the fees paid to both eBay and Paypal.

eBay charges sellers an Insertion Fee scaled to the opening bid price of the item to list on the venue, this fee is payable regardless of the item selling or not. The next two largest online sales venues, both based in the USA (iOffer.com and eCrater.com) do not charge an Insertion Fee, this is public record. eBay also charges sellers a Final Value Fee, which is commission, on the sale price of the item. Final Value Fees vary in the USA between 8.75% and 12%. Final Value Fee is not charged on the shipping and handling. iOffer.com charges scaled FVF of approximately 5%, eCrater.com charges none.

eBay has recently quietly changed the operating policy to require an additional fee from sellers wishing to have their products visible for purchase on other eBay international sites. Fees for international site visibility vary by country; each country you select has a separate fee. Previously this was included in the Insertion Fee and available merely by indicating on the sales form that the seller would ship internationally. As a US based seller, if I wish to have my item visible only in Australia I now have to pay an insertion fee in the USA PLUS another in Australia. How does this benefit the consumer? I have to raise my price to cover overhead.

In the USA PayPal charges a \$0.30 transaction fee plus 2.9% of total funds received including shipping and handling charges. Because Paypal is a subsidiary of eBay this is double dipping. PayPal charges exchange fees and sets the rate of exchange on international transactions. PayPal charges sellers additional fees if buyers pay with a credit card. Google Checkout charges \$0.20 transaction fee plus 1.9%. Google Checkout is not currently available to Australian sellers, it is available to Australian buyers, but prohibited on eBay.

Australian buyers and sellers may currently use direct bank deposit free of charge. They can pay with cheques and Postal Money Orders. If an item is picked up in person from the seller the buyer can pay cash. Each of these options is a lost revenue opportunity for eBay/PayPal. If eBay succeeds in forcing Paypal as sole payment gateway it will increase revenue 100% in Australia while denying Australians freedom of choice. eBay CEO John Donohoe publicly stated this month that if eBay was successful in forcing PayPal in Australia, the company would introduce it in other countries "in months, not years." **This is not about buyer protection, this is about profit.**

Customer Service: eBay is notorious for lack of customer service. This applies to notification of fraudulent auctions, hacked ID reports, and reports of listing violations including prohibited items. Any communication will result in a bot driven response usually having no bearing on the original communication. This is public record.

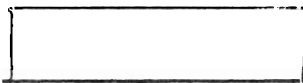
Paypal has no address on the website nor does it provide a telephone number for Australian consumers. Primary contact is by email and it can take days to get a response. Any response from Paypal will be similar to that received from eBay, it will not answer other than to inform you that Paypal has decided to take the action. There is no appeal process nor is there any form of due process, hearing or public enquiry. Paypal is accuser, judge, jury and executioner. There are documented cases of Paypal users having funds frozen repeatedly for 180 day periods for years with no recourse because the 180 days

restart every time a Paypal employee checks the file. An Australian man who sold his motor scooter and accepted Paypal had his account frozen this year for "unusual activity"

As a seller I have a Paypal account because I am compelled to offer Paypal if I wish to sell on eBay. I no longer keep funds in my PayPal account nor do I keep funds in the bank account linked to my Paypal account, or have a credit card, because Paypal can and will go into my bank account or credit card and remove funds to pay fines Paypal has imposed if it *thinks* I may be violating terms of service, no proof is required, all in a process in which I am not permitted to participate.

Finally, eBay violates the privacy of all PayPal users. You may not opt out of having your private information shared with any eBay owned subsidiary. Each time the information is shared further opportunities arise for fraudulent use of that information. Instances of eBay related identity theft and credit card fraud are rising.

Sincerely



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Amendment to the PayPal User Agreement

Effective Date: March 5, 2008

PayPal is amending section 10.2 of the User Agreement to allow PayPal to take the actions described in that section if PayPal has reason to believe that you have engaged in any of the Restricted Activities. The prior language allowed PayPal to take the actions described in that section if you engaged in any of the Restricted Activities.

Amendment to Section 10 of the PayPal User Agreement

Notice Date: July 25, 2007

Effective Date: August 23, 2007

Beginning August 23, 2007, section 10.5 of the PayPal User Agreement is being amended to allow PayPal to hold your funds for up to 180 days and fine you up to \$2,500 (increased from \$500) for the following violations of the Acceptable Use Policy:

- a. Using the Service to receive payments for any sexually oriented or obscene materials or services in violation of the Acceptable Use Policy; or
- b. Using the Service to receive payments for any narcotics, other controlled substances, steroids or prescription drugs in violation of the Acceptable Use Policy; or
- c. Using the Service to receive payments for wagers, gambling debts or gambling winnings, regardless of the location or type of gambling activity in violation of the Acceptable Use Policy; or
- d. Using the service to receive payments for tobacco products in violation of the Acceptable Use Policy.

Amendment to the PayPal Privacy Policy

Effective Date: May 7, 2008

Beginning May 7, 2008 the PayPal Privacy Policy is being amended as to the purposes for which we share personal information with other companies in the eBay Inc. corporate family. These purposes are now as follows: to provide joint content and services (like registration, transactions and customer support), to help detect and prevent potentially illegal acts and violations of our policies, and to guide decisions about these related companies' products, services and communications.

Amendment to the PayPal User Agreement

Effective Date: March 14, 2008

Beginning March 14, 2008, the PayPal User Agreement is being amended to include a new section 10.4 as follows:

10.4 eBay Item Hold.

eBay item hold. PayPal, in its sole discretion, may place a hold on a payment you receive for an eBay transaction when PayPal believes there may be a high level of risk associated with the transaction. If PayPal places a hold on your payment, it will show as "pending" in your PayPal Account.