

Roy, Lauren

Subject: Ebay-Paypal [SEC=UNCLASSIFIED]

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From: Cath Henshall
Sent: Wednesday, 30 April 2008 1:01 PM
To: Adjudication
Subject: Re: Ebay-Paypal

I am writing to object to the move by eBay to mandate the PayPal system as the sole electronic method of payment for items traded on the eBay auction site.

This move, if granted would significantly and detrimentally reduce choice for Australian eBay members and represents a restriction of trade by a third party.

The eBay auction system enables the trading of goods by members, however the responsibility for listing, payment and delivery of the goods thus traded lies with the buyer and seller, who enter into a relationship to complete the transaction. Currently, with some restrictions to comply with various laws against the trading of some classes of goods (firearms for example), there is virtually no limitation on what may be listed on eBay, how it is listed, and how it may be paid for. These details are negotiated between buyers and sellers, and the flexibility of this relationship underpins the site's success.

Mandating the use of PayPal is anti-competitive, discriminatory and will impose unfair costs of the activities of sellers and buyers.

It is anti-competitive because it prevents buyers and sellers from using the payment method of choice, and thus forces them, particularly sellers, to incur additional fees to receive their payments through PayPal at commission rates which are often higher than can be negotiated for other electronic payment methods such as credit card payments and EFTPOS. Most Australian banks do not (as yet) charge for the receipt of deposits to bank accounts via EFT, whereas PayPal charges commission on such deposits. Sellers would have no way of avoiding these additional fees if the request by eBay is granted, which places them at a disadvantage to other forms of trading, such as mail order. Currently eBay prevents sellers from passing these costs onto buyers.

Anti-competitive because by creating a monopoly there will be little incentive for PayPal to adopt a customer service approach to resolving difficulties and should these arise, there will be no avenue of appeal for affected consumers. Furthermore, if the monopoly is granted, sellers will have no protection against PayPal substantially raising fees whenever it suits. Should a major system or other interruptions to service occur with the PayPal system, sellers will have no practical alternative methods for collecting payments which could lead to serious losses.

It is discriminatory because it requires buyers to have a PayPal account whether or not they want one, forces them to disclose their financial details to a third party whether or not they want to and highly discriminatory to regional, disabled or marginalised users for whom COD is an impractical option if they choose not use PayPal.

This move by eBay and PayPal will have no demonstrable impact on the safety and integrity of the trading system and prevents buyers and sellers from making informed choices about how they transact on the site. Given that hundreds of thousands of companies successfully trade over the internet using a variety of payment methods eBay's arguments about protecting consumers are suspect. Many other electronic payment methods offer security

and dispute resolution mechanisms which are comparable or superior to PayPal. Even if some payment methods are less robust than others, in a properly operating market, it is up to the individual consumer to choose about how they will transact over the internet.

Lastly, should eBay be granted this exemption from the act, it will set a dangerous precedent which other internet and trading organisations, such as department stores, service stations and banks might wish to follow.

This request by eBay to be exempted from the Exclusive Dealing section of the Trade Practices Act should be denied.

Yours sincerely

Cath Henshall