

Roy, Lauren

Subject: Exclusive Dealing Notification, eBay International [SEC=UNCLASSIFIED]

Categories: SEC=UNCLASSIFIED

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From: Pesmar Pty Ltd [mailto:]

Sent: Sunday, 18 May 2008 6:45 PM

To: Adjudication

Subject: Exclusive Dealing Notification, eBay International

Dear ACCC

Submission eBay / Paypal changes

Rodney Howells, eBay Powerseller

If the deadline is extended beyond May 2nd or submissions are re-opened, I would like to add my submission to the case. This was finished weeks ago, although neglected to submit.

Best regards

Rodney

Topic: Exclusive Dealing Notification, eBay International

The scope of this document is to outline the implications of the prospected changes involving the limitation of payment methods accepted by the company. Personal opinions and comments are mixed with the documentation.

Section 1: Opinions on eBay

Section 2: Why Paypal is much less safe than indicated

The benefits of using eBay are substantial and I am currently deriving 95% of my total income from sales on eBay.

On the premise, those with power seek more power.

As a casual, and in the past year, business seller, I have become familiar with the progressive changes to the eBay and Paypal policy systems. The evidence, based on my usage so far has come in the form of incremental changes that seek to regulate activity, with the purpose of increasing profits and controlling various types of behaviour.

Moreover, the proposed changes are marketed in the guise of improving services.

The benefits, which in my opinion, are less useful than the corresponding disadvantages, are highlighted and broadcast. The disadvantages are mentioned, usually only as part of the documentation.

Examples of these changes in the past include:

23/05/2008

- eBay Buyer protection is currently only available when using Paypal. Previously, this was less related to the payment method used. Restrictions on protection for countries like Russia and certain types of payment, such as Western Union however existed.
- Incremental fee increases. Because inflation will generally have a linear effect on the total revenue generated from fees, the fee increases are representative of a higher percentage commission on sales.
- Paypal changes to the method of receiving bank deposit funded payments. Now these will not appear until cleared. This change is probably due to the negative Paypal balance that can result if bank funds are removed before clearing occurs. The vendor receives their money via Paypal, although the customer ends up owing Paypal.
- Restrictions to payment methods on new account. New vendors must accept Paypal or merchant credit cards.
- Coverage increase to \$20,000. The number of transactions involving this amount of money however is small. Almost all transactions are in the tens and hundreds of dollars. This change was synonymous with the recently proposed increase in security "We're making eBay even safer", that proposes to restrict Payment methods to Paypal only.

Section 2:

Paypal is convenient, I accept Paypal on most auctions as it takes less time to process orders. However Paypal as a payment method is also advertised as the safe method for accepting payments.

In actual fact, when it comes to the crunch, the level of protection is far more limited than indicated. For buyers, there are a lot of loopholes
For sellers, protection is effectively non-existent.

For sellers, there is absolutely no protection from credit card chargebacks. In addition, there is no option for the seller to screen certain types of funding options, I have previously attempted this. Bank deposits however are completely safe, this does not even involve Paypal and has no fees.

For example, a credit card chargeback from a scammer in Brazil yielded absolutely no seller protection. Paypal indicated that the losses would be passed onto myself and the twenty or so other sellers who were affected.

There is no means of garnishing insurance for chargebacks, Paypal do not offer any coverage or protection for sellers.
Where Paypal will not provide any information regarding dispute cases, self-policing is out of the question also.

An option to allow sellers to specify types of payments accepted would allow a level of self-protection on the basis that credit-card funded payments for certain countries, could be blocked in favour of more-secure bank deposit. In my opinion this is a reprehensible lack of responsibility on Paypal's part to facilitate a transaction system that looks after the affected parties. Alternatively, if Paypal covered the losses as part of it's fee system, sellers would be protected.

For buyers

When filing a dispute for a non-received item. The seller can ship out an empty box following the

dispute, with a tracking number provided.

Paypal is satisfied that with the tracking No. as proof of delivery, the goods were sent. A claim may not be modified from non-receipt to a 'not received as described item'.

Therefore, even though Paypal is increasing it's maximum coverage, this buyer will get nothing anyway.

The reason that most people do not find out about these implications is primarily due to the goodwill and reasonableness of the average person. Goods are paid for and received so there is no purpose for contention.

Various payment methods are suited to various types of transactions and products.

Paypal is suitable for

- Inexpensive items: low fee
- High profit items: fee can be absorbed
- International orders: of a few practical methods on sub \$500 orders.
- Items around the house: convenience

The proposed changes will have serious ramifications for certain item categories.

- Low-profit items: 2% fees can represent 20-40% of an items profit.
Some items are high-turnover with post-eBay profits at 5%. Eg, a \$200 item with \$10 profit will attract 2% fees at \$4. The profit is now \$6, a margin hit of 40%.
- Medium – expensive items.
The Paypal fee as a linear amount will be perhaps \$1.20 on a \$50 item. Going up to \$14.40 on a \$600 item, it becomes a figure that shows up on the radar. In addition to eBay fees, this is an unneeded cost and eats into the bottom line.
- Expensive items: The risk of credit-card chargeback's and colossal lack of seller protection will make these items a liability. The likelihood of a chargeback is also amplified by the items value as scammers will aim to defraud more expensive items over cheaper ones.

Paypal fails to provide a system that facilitates these in the same way that other methods provide.

In conclusion, I believe the proposed changes will have a significantly more detrimental effect on the community than any proposed benefit.