

Mr Glenn Stevens  
Chairman, Payments System Board  
Reserve Bank of Australia  
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*I represent a group of people who use the on line auction platform ebay to buy and sell goods. Some of us are reasonable size sellers while others are very small scale and yet others are principally buyers. In recent days we have conducted a number of campaigns via the ebay discussion boards, on the matters contained in this letter, and have garnered a high level of support.*

*We are having significant difficulty with ebay and the methods that they are using to force PayPal (a wholly owned ebay company) as the default method of payment by our customers for the goods that they purchase from us.*

*According to the annual report of PayPal for 2007 they have just 15 staff in Australia. This does not make for very good customer support or inspire confidence in users that they can get problems responded to in a timely manner.*

*Among other tactics; ebay has made their payment page into an advertisement for PayPal that gives the impression that there is only one way of paying. To pay by other than PayPal a buyer must search out the links and they are difficult to find.*

*Throughout the site ebay portrays PayPal as the only safe payment method and inferring that all other methods are unsafe. Further, this message is reinforced through media advertising and statements in media interviews. They advertise a Buyer Protection scheme for PayPal that is entirely illusory. Protection in the form of reimbursement of lost funds is only forthcoming if PayPal can recover it from the Seller.*

*They cancel people's sales if they indicate a preference for payment by any means other than PayPal. Although they demand that, in order to prove that a seller has sent the goods, we must use Registered Post, they prohibit us from requiring that the buyer pays for that Registered Post. They cancel people's sales if they offer an incentive for people to pay by means other than PayPal.*

*Over the last 6-9 months ebay has suffered a series of computer "glitches" that have seen sellers Bank Details disappear from the payment system virtually forcing people away from paying by Bank Deposit. These supposed glitches impact large numbers of sellers and are widely reported in online discussion forums both on ebay and elsewhere.*

*We are concerned that, unlike other payment systems used in transactions away*

*from ebay, (credit card transactions) we are not permitted, by ebay, to pass on the additional charges that apply to the seller when a buyer uses PayPal to pay for goods purchased on the site.*

*We are concerned that PayPal is not a signatory to the EFT Code of Practice.*

*We are concerned that ebay is using its strength to force buyers away from alternatives to PayPal.*

*We are concerned that ebay compels all sellers to offer as one of the payment options PayPal.*

*Ebay claims that they have 5,000,000 members in Australia. This is clearly a dominant position in the market. Our view is that this dominance is being used to further increase the revenue to ebay. Acceptance of PayPal as a payment method can double the amount of fees that a seller pays to ebay/PayPal. Accordingly we believe that this demands that the Public Interest be considered in relation to the behaviour of ebay and PayPal in regard to their payment system.*

*To this end we request that the provisions of the Payment Systems (Regulation) Act 1998 be enforced. In particular we believe that section 11 (1) of the Act should be utilised to make PayPal a designated payment system because it is in the Public Interest to so do.*

*Further we believe that the Reserve Bank should invoke section 18 and set standards for the operation of PayPal as it relates to ebay as this is in the Public Interest. Our view is that this matter is so urgent that section 18 (5) should be used to issue urgent standards. The urgency stems from the fact that ebay's aggressive tactics to make PayPal the defacto payment method has meant that many ebay members (buyers and sellers) who are unable or less able to adapt to this forced change are becoming unviable and are having to cease trading on ebay.*

*Such standards should ensure that;*

- (a) ebay/PayPal deals equally with all payment systems available on its site,*
- (b) ebay does not require as a condition of participating in ebay the acceptance of PayPal as a payment method,*
- (c) ebay/PayPal are prevented from having rules which prohibit the recipients of PayPal payments charging a fee or surcharges for the use of PayPal,*
- (d) PayPal becomes a signatory to the EFT Code of Conduct.*

*We believe that these measures will promote efficiency and competition in the Australian, online, payment system.*

*There are very strong Public Interest and Competition issues that we believe*

*compel the Regulation of PayPal as it relates to ebay at least.*

*The dominance that ebay has over the on line auction market means that if it uses this strength, and the tactics set out above, to enshrine PayPal as the defacto payment standard it will squash all other payment methods. This will remove choice and allow PayPal to set whatever terms and conditions that it chooses. It will also diminish the possibility that a new player could enter the market.*

*Failure to be a signatory to the EFT Code of Conduct leaves the users of PayPal open to dangers not associated with PayPal's natural competition, who are all signatories to this Code.*

*The terms that ebay enforces on its customers in the use of PayPal means that PayPal has an unfair advantage over its competition. Fees can't be passed on, secure delivery methods must be paid for by the seller of the goods, the competition to PayPal cannot be preferred or promoted by ebay's customers.*

*Given that we have limited means to communicate with like minded people, we wish to advise you that, without meaning any disrespect to you or the Bank, 24 hours after this letter is sent to you we intend to post the letter on the discussion boards at ebay. This is to ensure that people know of this action.*

*Yours sincerely,  
Anthony Green*