

eCommerce Report

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ACCC rejects eBay's plan for PayPal monopoly

eBay's plans for www.ebay.com.au to become a PayPal-only zone had a setback at the hands of the Australian Competition and Consumer Commission (ACCC) last week.

In a detailed, 39 page notification, the ACCC said it had concluded that eBay's plan had "substantial anti-competitive detriments" and that these "outweigh any public benefit."

The ACCC knocked back virtually all of eBay's arguments and significantly, did not endorse eBay's claim that PayPal is more secure than other payment methods.

"The evidence available does not support the view that PayPal is the most secure method of payment, or offers the best service for all transactions" said the ACCC.

Moreover the ACCC also found that a PayPal monopoly would "prevent consumers from selecting the payment method they prefer", inhibit innovation in online payments and generate only "negligible public benefits for sellers on eBay."

And it said that in the absence of its approval, the ACCC assumed the status quo would be restored. But in that respect the ACCC may yet turn out to have misjudged eBay.

At home in the US eBay has been no stranger to controversy in its dealings with both customers and competitors.

And it has responded to the ACCC's draft notice in typically aggressive fashion.

A statement the company posted at ebay.com.au last Friday said that whilst it "intends to work with the ACCC" eBay has not abandoned its PayPal plan, just delayed it for a month..

'[eBay]... will delay the removal of other payment methods from the site until Tuesday 15 July.'

The statement said that eBay "challenges the ACCC draft notice," will "continue to fight" and that the decision "undermines online consumer protection."

It insisted that PayPal is "a safer and easier online payment system" and said, despite the ACCC's notice, promised increases in buyer's insurance limits on PayPal transactions will still go ahead this Tuesday June 17th.

The online auction giant has, of course, already implemented phase one of its plans, changing its rules last month so that all sellers must offer now PayPal as a payment option.

However, if confirmed, the decision may mean that eBay will have to reverse that decision as well abandoning its PayPal monopoly plan.

If it persists despite the ACCC's clear disapproval, it risks of prosecution under the Trade Practices Act.

eBay may however, decide to roll the dice and test the strength of the ACCC's resolve.

It may simply thumb its nose at the ACCC's decision and effectively dare it to take action.

eBay could also decide to appeal the ACCC's decision to the Federal Court and its Australian Competition Tribunal.

The ACCC has announced it will take submissions on its draft decision until 3rd July and will release its final decision sometime after that.

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ACCC action underlines reality that PayPal is eBay's future

eBay's application to the ACCC for official endorsement of its plan to make its Australian online marketplace a PayPal only zone would appear to have backfired in a big way.

Not only has the action failed to succeed, it has also generated lots of bad press, and shone a light on some of eBay's more unattractive features.

Australia's president of the **Professional eBay Sellers Alliance**, **Phil Leahy**, told the ACCC that the company planned to sue rival **Oztion** out of existence if it ever became larger enough to pose any sort of threat to eBay's 90% +market share.

And the **Australian Securities and Investments Commission** revealed that eBay is a free-rider on the industry's EFT code of conduct, having thus far failed to sign up.

The action also revealed that, whilst eBay has claimed its monopoly plan is aimed at reducing the incidence of so-called Bad Buyer Experiences (BBE's), the ACCC found "insufficient evidence to conclude that the problem of BBE's is as significant as eBay submits."

International dimensions to the eBay proposal were also highlighted following the revelation that Google had submitted a very-detailed and late anonymous submission.

Google and eBay have had some celebrated run-ins before this in the US, including a spat over PayPal and Google's competing service, Google check-out. eBay prohibits the use of Google check-out in its US marketplace.

But it does have some real competitors in its US marketplace, and in that respect the situation in the US is quite different from that eBay faces here. Nevertheless, *eCommerce Report* believes that success in an Australia PayPal monopoly push could encourage eBay to try it on in other countries in which it operates.

eBay is clearly looking to PayPal for its future growth, both because organic growth in its online marketplaces has slowed dramatically, and major investments such as its multi-billion dollar investment in **Skype** have failed to pay off.

Certainly in Australia as elsewhere PayPal is growing increasingly significant as a payments provider outside of eBay.

Only this week, PayPal announced signing up **Webjet** as a new user of PayPal.

Webjet will be offering PayPal as a payment method on all international airline tickets bought online.

Budget airline operator, **AirAsiaX**, too, has announced it will not accept PayPal.

The eBay ACCC action has also been important in highlighting the size of the online retail marketplace, and eBay's importance in that space.

According to the ACCC, citing IBIS World data, online retailing is worth around \$15billion in annual revenue,

and has been growing 5-10% per annum for the last five years.

40% of that revenue is earned in air travel, accommodation and event ticketing, meaning that online retail itself is worth about \$10billion.

eBay has a huge share of that, and competing marketplaces, such as **OZtion** and the **Trading Post**, are just minnows by comparison.

For more information go to

www.ebay.com.au

www.paypal.com.au

www.accc.gov.au

www.oztion.com.au

www.gopesa.org

www.webjet.com

www.airasia.com.au

www.tradingpost.com.au



Questions mounting over new government EFTPOS welfare card

There are previous few details available about the government's new Centrelink EFTPOS debit card for welfare recipients, and certainly many questions about it still unanswered.

Minister for Human Services, Joe Ludwig and Minister for Family Services, Jenny Macklin, jointly announced the government's plans for the card early last month.

They said the new "income management debit card" would be available "early in the new financial year. Targetted at indigenous Australians in the Northern Territory intervention, the card is intended to help prevent parents spending their **Centrelink** payments on booze, gambling and fags instead of on food for their kids.

"The debit card will make it easier for people on income management to buy essential items," said Ms Macklin.

"Customers will not be allowed to purchase alcohol, tobacco or pornography, use the debit card for gambling or to withdraw cash."

Minister Ludwig said that the card would be a big improvement on the current system.

"The previous ad-hoc system of income management had high administrative costs for government and imposed excessive red-tape on the business community," Senator Ludwig said.

"This card will mean that we can focus on helping people care for and support their children."

Continued next page

Questions mounting over new government EFTPOS welfare card (cont).

But whilst the government's intentions are clear, it is the detail of the proposal that raises questions. According to the ministers joint statement Centrelink will issue the card.

"Centrelink will issue the debit card to customers and provide support to those who may need assistance in learning how to use the card. Centrelink will work with local businesses during the rollout and accreditation of the new system."

Government officials indicated that whilst Centrelink will make the card available to its clients it will be a financial institution that will actually issue the card under a contract arrangement with the government. What sort of card it will be, however, remains something of a mystery.

The minister's statement said that it would be a PIN-protected EFTPOS card and have the ability be re-loaded.

"The new card will be more secure than store cards and the ability to reload the debit card with new funds each payment period will provide more convenience for customers."

However it appears that card-holders won't be able to 'reload' the card themselves. And just how Centrelink will do it remains to be clarified.

A direct-credit into the card-holders account would seem to be the most obvious way, but government officials have thus far been unable to confirm that this is how it will be done.

Indeed they seemed at pains to say that the card will not be linked to an account owned or operated by the card-holder.

Why that should be isn't yet clear.

But what is clear is that the government will still be asking store managers and checkout operators to police Centrelink's spending bans.

The government's statements may have appeared to suggest its new card, because it will be accepted in EFTPOS terminals, would feature a technical way of enforcing the spending bans, with blocks programmed into either the cards or the EFTPOS terminals.

However a closer reading of the statement shows that isn't happening

"The card can be used in shops with EFTPOS facilities which adhere to the Australian Government's terms and conditions."

"Conditions include agreeing under contract not to sell alcohol, tobacco and other prohibited goods to customers using the debit card."

"A special brand recognition symbol will be developed to help customers identify which stores and merchants have been approved to accept the debit card."

Even so, the government clearly appears to expect that the new card will give it the power to monitor welfare recipients spending at a level of detail that may provoke some concerns in the wider community.

Marketers get access to electoral roll?

The minister's statement said that "Using the EFTPOS network will make more data available for better-targeted compliance checks aimed at detecting breaches."

Just how EFTPOS network data can be used to monitor the spending patterns of Australians on welfare is an intriguing question that remains yet to be answered.

eCommerce Report requested further information from the office of the Minister for Human Services, Joe Ludwig.

A departmental spokesman responded just as this issue went to press.

"The IMC will not be a bank-issued card. It will be a PIN-protected card, using the EFTPOS infrastructure. It is not a debit card. No value will be held on the card itself."

For more information go to www.humanservices.gov.au



Marketers get access to electoral roll?

Changes to Electoral Act regulations last year have given marketers direct and online access to voters' details on the Australian Electoral Roll.

Responding to an enquiry from *eCommerce Report* last week, a spokeswoman for the Australian Electoral Commission confirmed that Sydney based FCSOnline, a subsidiary business of Perceptive Communications Ltd, has been given online access to the Electoral Roll.

FCS Online has been promoting its access to voters details in marketing an online identity verification service used by financial institutions.

Banks, credit unions and others can use FCS service to meet their identify verification obligations under the new anti-money-laundering and counter financial terrorism laws.

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Dutch bank ING Direct uses the service for its online savings accounts.

It enables ING to complete all the required identity verification checks without having to get a physical signature from a new customer.

eCommerce Report initially began investigating FCSOnline data access capabilities after company executives told industry newsletter - *The Sheet* - that its services now included access to passport data.

Department of Immigration officials however, said that the claims were incorrect, and all that FCS had access to is the same service used by many other employers to check Visa status.

Known as **Visa Entitlement Verification Online**, the free service enables employers to check the work status of prospective non-Australian born employees in a matter of seconds.

The department told *eCommerce Report* it had approached FCSOnline "and requested they amend information which incorrectly stated passport data for Australian citizens is being made available to financial institutions."

However whilst FCS Online may have over-stepped the mark with its claims about passport data, our research revealed that the company is not the only one with access to the electoral rolls.

Indeed there are now at least five companies that have been given direct and online access to the Electoral Roll.

An initial group of three companies were granted access last year.

- Perceptive Communications (i.e. FCS Online)
- Veda Advantage Information Services and Solutions Ltd
- Experian Asia-Pacific

Two other companies were given access earlier this year, namely

- ACXIOM Australia Pty Limited and
- The Global Data Company Pty Ltd

AEC officials declined to say as to whether any other companies have yet given access to the rolls, and/or whether any others have applied.

They said the companies paid a fee for the access, but declined to give any further details.

A further important question is what controls the AEC has put on these companies given that, for most, identity verification is only a very minor part of their business.

Veda Advantage is probably best known as a debt-collector, for example, and **Dun & Bradstreet** has recently taken a significant equity stake in Perceptive. Experian Asia-Pacific is probably best known as the owner of Internet ratings company - **Hitwise**, whilst ACXIOM and the Global Data Company are probably both mainly found operating as the supplier of data to direct-marketing and advertising businesses.

Au domain aftermarket slowly emerging

Instant riches for au domain name owners have so far failed to materialize in the wake of the new rules that came into effect on June 1st allowing au domain names to be traded.

But a number of new web-site have sprung up hoping to cash-in on the change in rules.

They include a site at www.smartyauctions.com.au being developed by web-site hosting provider and domain name reseller, **smartyhost**.

But that site isn't yet operating however so the leader of the pack thus far is probably

www.domainshed.com.au

Domainshed has around 40 au domains up for auction and/or sale.

Its web-site features a professional looking appearance, and looks to have all the right bells and whistles.

Domainshed's Goran Simunovic told *eCommerce Report* that sellers can list their names either on a pay only if sold basis (10%), or on a fixed fee with no commission.

Seven day auctions are the cheapest option, at \$20 per name, with 28 day auctions costing \$35.

"We're currently negotiating with some domain names owners who have hundreds of names and we know we need to get more names on the site as soon as we can" he said.

Speaking from his Byron Bay offices, Simunovic said he'd been surprised that none of the main domain name registrars had set up competing sites thus far. And he readily conceded that the venture was quite a risk.

However he said that he and his associates had been in the online industry for ten years, with businesses such as www.australiarealty.com and www.Australianloans.com.au.

Simunovic said that the name domainshed.com.au had been carefully chosen to make sure it was search engine friendly.

"We wanted to make sure it had the name domain in it, and that it had an Australian aspect to it. So as every Aussie has to have a shed that's why we chose the word shed."

Simunovic said that sellers listing on the site didn't have to guarantee the exclusivity of their listing, and to that extent it is working on an honour basis.

"We realize that people can list their names on other sites as well and could try and avoid payment by trying to make sure that the sale goes through another site instead of ours.

"But I don't really see how we can stop that and anyway, if the sale goes through on our site we know who the buyer is so we don't see that payment will be a problem."

For more information go to

www.domainshed.com.au

www.smartyauctions.com.au

Sensis adds auctions to Trading Post online

After years of decline and neglect, Telstra subsidiary - Sensis, has finally added online auctions to its Trading Post classifieds service.



Since Sensis bought the iconic Australian publication for \$636 million back in 2004 - a price that looked extravagant at the time - the Trading Post has been in a steady decline.

Indeed last year Sensis reportedly wrote down the value of its investment in Trading Post by some \$110million, to just over \$500million

Sensis is keeping the real numbers on the Trading Post close to its chest, but last years financial accounts suggested that even that reduced valuation is still way over the top.

Turnover looked to be in the \$50-60million range, and profits negligible if there were any at all.

Independent observers such as us here at *eCommerce Report* have wondered why Sensis has steadfastly resisted the obvious marketplace imperative to match **eBay's** functionality.

But until just recently, Sensis has continued to insist that Trading Post is different, and didn't need to match eBay.

Now however, Sensis appears to have finally woken up and added online auctions to the Trading Post site. With sellers now able to list products for sale either by auction or at a negotiated price, and with fees only paid on sale, Trading Post online might finally be able to take the fight up to eBay.

Sensis CEO, Bruce Akhurst said that changes were aimed at "...the 3.4 million Australians using online auctions that are not currently using Trading Post." "Trading Post's new website and auctions means we now offer a strong local alternative to eBay – one that lets you choose payment options and provides terrific value for money."

"Australian businesses that make their living trading online are screaming out for a way to trade online in which they have more control over how they do business.

"Trading Post has been listening closely and is now providing auctions with a broad range of payment options for sellers to choose from. We've also made it easier to register, buy, sell, navigate, search and compare products online," he said.

Remarkably, Sensis was able to secure an endorsement for its re-vamped service from **Phil Leahy**, speaking on behalf of the 60 odd local members of the **Professional eBay Sellers Alliance**.

"Our members are in the business of trading online and anything Trading Post can do to help competition by providing a more flexible environment and more affordable alternative, we support" he said.

OZtion sold in \$2million deal

"With eBay's recent restrictive changes, many buyers

to

Certainly eBay has lacked much in the way of competition in Australia, with some estimates suggesting that the Trading Post online ranks a poor third in the local online classifieds marketplace segment.

eBay dominates the segment with at least 5 million registered users, with Oztion perhaps second, with around 275,000 registered users, followed by the Trading Post.

Given the Trading Posts inherent advantages in the Australian market, including high levels of brand recognition and awareness, local customer support by phone and email, the business poor performance in the marketplace suggests Sensis managers have been doing a very bad job.

This latest announcement gives some hope, nevertheless, that that situation is about to change. As well as the addition of online auctions, the Trading Post is taking real steps to reduce seller and/or buyer fraud by requiring traders to supply an Australian address when they register. A new "Verified Trader program" enabling buyers and sellers to verify themselves through a free 100-point identity check with Australia Post is also a new selling point. Akhurst said the new Trading Post site had been built using technology from German company, **Intershop**, amongst others.

For more information go to
www.thetradingpost.com.au
www.intershop.com
www.oztion.com.au



OZtion sold in \$2million deal

Local online auction site OZtion has attracted a large number of new users recently, many of them disgruntled with eBay.com.au

And now it has also attracted a new owner - listed company, **Jumbuck Entertainment**.

The \$2million deal was announced to the **ASX** on the 3rd of June.

It said Oztion has more than 275,000 registered trading users and enjoys 1 million unique visitors every month.

OZtion has also developed a mobile version of its service that Jumbuck sees as having considerable potential.

Jumbuck CEO, Adrian Risch said that with more than 670,000 items for sale, Oztion is the clear challenger to the biggest online auction website in Australia.

Continued next page

and sellers have been switching to Oztion.”

Ozptions founders - Philip Druce and Kelvin Yip have been contracted to continue working with OZtion for the next two years as part of the deal.

“Joining forces with Jumbuck will help us grow OZtion and continue to improve the range of services we offer buyers and sellers” said Druce

According to the Jumbuck statement OZtion is on track to generate \$1.2million in revenue this financial year, doubling its revenues in 2007/8.

Jumbuck, headquartered in Melbourne with offices in San Francisco, London, Cologne, Rio de Janeiro and Perth, claims to be one of the world’s leading providers of mobile phone and messaging applications.

For more information go to

www.Oztion.com.au
www.jumbuck.com

Fraud stats show Australian card fraud very low

Credit and charge card fraud (that is, signature permitted and card-not-present) increased from 36.9 cents to 44.5 cents in every \$1,000.

The largest component of Australia’s credit and charge card fraud relates to card-not-present (CNP) fraud and cross-border fraud activity.

CNP includes fraud conducted over the internet, phone, mail and fax.

APCA’s Chief Executive Officer, Chris Hamilton said “Australia’s increase in CNP and cross-border fraud appears consistent with trends reported in the UK and the Asia-Pacific region over the last few years.”

“While Australia’s payment card fraud rate has increased over the last 12 months it still remains low by global standards. For example, the UK’s payment card fraud rate is the equivalent of \$1.18 in every \$1,000 as against slightly under 28 cents in Australia,” Mr Hamilton added.

“What the statistics are telling us is that even as today’s technology makes it possible to buy anything from anywhere, it is also making it possible for fraudsters to operate globally.

It’s no surprise that Australian consumers and retailers need to take particular care when not dealing face-to-face,” Mr Hamilton added.

For more information go to www.apca.com.au

NSW pricing regulator backs Cabcharge concerns

A 10% surcharge levied by Cabcharge on fares collected through its payment system have been flagged as a competition concern by the NSW pricing regulator, the Independent Pricing and Review Tribunal (IPART).

A draft IPART report on taxi fares released last month said that the concerns were outside the scope of its jurisdiction, but also said that if far regulation is to be really effective, its important that these issues be addressed.

“In light of these factors, IPART considers that the **Australian Competition and Consumer Commission** may be well placed to review this issue” said the report.

It remains to be seen whether IPART’s final report, which is expected to be released last this week or early next, will couch its comments on this issue in more definite terms or in stronger language.

But there is no doubt that some parts of the taxi industry are gunning for Cabcharge over the issue. Submissions to IPART included one from the

Australian Taxi Drivers Association claiming that the surcharge is “an abuse of monopoly power.”

Certainly Cabcharge has a dominant position in the market for EFTPOS linked processing of cab fares, and is also a significant player in the industry in its own right as the owner of several taxi networks.

Even so, the issues involved in its payment surcharge are complex and it isn’t at all clear that the situation can be directly compared with the surcharges that the Reserve Bank (RBA) has made it possible for retailers and other merchants to levy on credit and scheme debit card transactions.

The RBA’s decision to permit surcharges were bitterly resisted by the card companies even down to a multi-million dollar court action.

Cabcharge paved the way for that RBA action by initially refusing to accept VISA cards in its cabs and arguing that, if it were to accept the US company’s cards, then VISA should pay for that privilege.

Ultimately, both VISA and MasterCard caved in, both because Cabcharge refused to budge, and because it was embarrassing to have their cards declined by the cabs at Australia’s major international airport.

That’s all history, of course, but the Australian card and payments market remains dominated by two US companies that continue to deduct between 1 to 4% of the proceeds of any card transaction they process when the funds are deposited into the merchant’s bank account.

So it will be intriguing to see whether the IPART final report actually results in any reference to the ACCC and, even further into the future, whether the ACCC decides to investigate.

For more information go to

www.ipart.nsw.gov.au
www.cabcharge.com.au

In-Brief:**Shane Warne fronts online poker site**

Celebrity Australian cricketer and serial bad-boy, Shane Warne, has popped up as the new face of an on-line poker service backed by listed UK gaming company 888.

Visitors to either www.shanewarne.com or www.shanewarne.com.au will find Shane touting his appearances at upcoming poker tournaments and promising regular blogs on his performances. Other Australian cricketing stars are also going online under their own domain names to promote various services.

Brett Lee, for example, is promoting a Sydney clothing store at www.brettlee.com.au. Australian captain, **Ricky Ponting**, is yet to develop a site under his own Australian domain-name, but is now at least in control of the name following intervention by *eCommerce Report*.

We look forward to reporting on other celebrity's efforts to monetize and commercial their domain-name online in coming issues.

For more information go to www.shanewarne.com or www.brettlee.com.au

PayTV gambling operator strikes parliamentary opposition

The Victorian government's recent decision to let TABCorp customers place bets through Foxtel's Pay TV Sky Racing service has run into trouble.

An **opposition MP, Senator Bruce Billson**, has introduced a private members bill into the federal parliament looking to overturn the decision. The bill is backed by church and anti-gambling groups.

Two-Way's chief executive was reported as saying the bill is misguided, saying the service offers more protections against problem gambling than other online services.

He said that turnover for the new service was around \$60,000 per day on Saturdays and miniscule compared to traditional channels.

For more information go to www.way2bet.com.au or www.twowaytv.com.au

Conferences & Events**24 June, Web Accessibility Workshop Melbourne**

\$522.50 per person
Organised by **Vision Australia**
www.visionaustralia.org.au

2-5 July, Catalyst 2008. Sunshine Coast,

\$249 per person
Organised by ChannelAdvisor
www.channeladvisor.com.au

31 July, Web Accessibility Workshop Canberra

\$522.50 per person
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www.visionaustralia.org.au

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