

7 June 2002

Our Ref: TJZ:223910
Contact: Tania Zordan
Direct Line: 9225 2551
Direct Fax: 9225 2592

Mr Tim Grimwade
General Manager, Adjudication Branch
Australian Competition and Consumer Commission
Level 7, Angel Place
123 Pitt Street
SYDNEY NSW 2000

BY HAND

Dear Sir

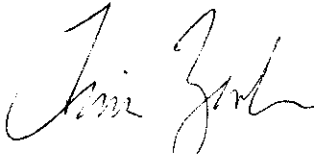
**RE: HARVEY WORLD TRAVEL FRANCHISES PTY LIMITED -
EXCLUSIVE DEALING NOTIFICATION**

We act for Harvey World Travel Franchises Pty Limited.

Please find **attached** 3 (three) Notifications by our client in accordance with Section 93(1) of the *Trade Practices Act 1974 (Cth)* setting out particulars of proposed conduct of a kind referred to in subsection 47(6) of the Act.

We also **attach** a cheque in the amount of \$300 payable to the "ACCC", being the fee payable on lodgement of the notifications.

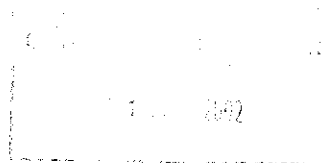
Yours faithfully
KEMP STRANG



Tania Zordan
Partner
Email: zordant@kempstrang.com.au

Enc

75691_1.tjz



Level 14
55 Hunter Street
Sydney NSW 2000
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FORM G**Regulation 9**

COMMONWEALTH OF AUSTRALIA
Trade Practices Act 1974 – subsection 93(1)
EXCLUSIVE DEALING: NOTIFICATION

To the Australian Competition and Consumer Commission:

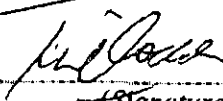
Notice is hereby given, in accordance with subsection 93(1) of the *Trade Practices Act 1974*, of particulars of conduct or of proposed conduct of a kind referred to in subsection 47(2), (3), (4), (5), (6) or (7), or paragraph 47(8)(a), (b) or (c) or 9(a), (b), (c) or (d), of that Act in which the person giving notice engages or proposes to engage.

1. (a) Name of person giving notice:
 Harvey World Travel Franchises Pty Limited ABN 65 059 507 587
 ("HWTF")
- (b) Short description of business carried on by that person:
 Franchising of retail travel agencies
- (c) Address in Australia for service of documents on that person:
 633 Princes Highway, Kogarah, New South Wales, 2217
2. (a) Description of the goods or services in relation to the supply or acquisition of which this notice relates:
 Provision (including writing) of travel insurance policies as authorised agent of underwriter.
- (b) Description of the conduct or proposed conduct:
 See annexed page
3. (a) Class or classes of persons to which the conduct relates:
 Franchisees of HWTF who carry on franchised retail travel agencies
- (b) Number of those persons:
 - (i) At present time:
 370
 - (ii) Estimated within the next year:
 375
- (c) Where number of persons stated in item 3(b)(i) is less than 50, their names and addresses:

4. Name and address of person authorised by the person giving this notice to provide additional information in relation to this notice:
 Timothy Dodds, Finance Director, 633 Princes Highway, Kogarah NSW
 2217

Dated 7/6/ 2002

Signed by/on behalf of the person giving this notice:


 (Signature)

TIMOTHY DODDS
 (Full Name)

FINANCE DIRECTOR
 (Description)

DESCRIPTION OF PROPOSED CONDUCT

Harvey World Travel Franchises Pty Limited (“HWTF”) proposes to implement a new franchising concept. It will involve franchisees paying a franchise fee that comprises a fixed component plus a variable amount, less an incentive. The incentive will apply if a franchisee satisfies certain performance requisites and will increase with the number of requisites satisfied.

The way the incentive works is that funds will be derived from various sources arising largely as a result of the cost savings HWTF can provide to suppliers because of the changed franchisee behaviour. The funds will be placed in a pool and distributed to franchisees based upon “incentive points” they have earned from their particular behaviour. Accordingly, the incentive is a means of allowing franchisees to share in the cost saving that is available as a result of their improved behaviour.

One such requisite which will allow a franchisee to obtain an incentive is that a minimum of 90% of travel insurance policies sold by the franchisee are Thomas Cook Insurance Services Pty Ltd (“TCIS”) policies. TCIS, like HWTF, is a wholly owned subsidiary of Harvey World Travel Limited and more than 95% of policies currently sold by franchisees are via a single HWT branded policy, with a third party insurance company. It is intended that in the future, travel insurance policies will be TCIS policies.

The provision of TCIS insurance policies by franchisees provides the following benefits to the public:

- Allows HWTF to negotiate with various insurance companies to develop a travel insurance policy that carries the “Harvey World Travel” name and brand. Increased utilisation by franchisees of TCIS insurance policies will enable HWTF to deliver a considerable pool of business to insurance companies (approximately \$23 million). This will enable HWTF to negotiate more competitive terms, conditions, cover and premiums which will benefit and result in a better product being made available to customers. It will also allow franchisees to provide a better quality of service to the customer by having increased knowledge of the particular policy being sold. An example of this is that the existing Thomas Cook policy (provided through TCIS) does not require a medical declaration from passengers over 70 years whereas other policies typically provided by insurance companies to travel agencies with no buying power have this requirement.
- Improves quality of the franchise system and protects customers by removing potential exposure of consumers which may result from franchisees selling the policy of inferior insurance underwriters who may not be able to satisfy claims.
- Improves quality of the franchise system and protects customers by removing potential exposure of consumers resulting from franchisees selling insurance products after their agency arrangement with an underwriter has been revoked, which would result in customers not being covered. This is achieved as TCIS insurance is provided through the use of an HWT developed automation system which allows franchisees to immediately print written confirmation that their

policy has been issued. Access to the automation system would be denied if the franchisee's agency arrangement was revoked.

- By only providing one policy, the level of training and knowledge of consultants is increased. This improves the quality of service to customers and allows them to be better informed as to the risks of travelling without insurance and ensures that fewer mistakes and misunderstandings occur which results in a better informed and serviced consumer.
- As the proposed arrangement is likely to allow Franchisees to provide travel insurance at a lower premium, competition is likely to be increased as, due to the extremely competitive nature of the retail travel business, other retail travel agencies are likely to follow and attempt to match the HWTF initiatives. This is likely to result in the consumer having an increased quality and more relevant cover and/or lower premiums.
- Travel insurance removes the responsibility and expense of repatriating travellers who fall seriously ill or are injured or become incapacitated overseas from being borne by the community. HWTF has established, from its review of the level of insurance policies sold by Thomas Cook Travel Australia Pty Limited, as opposed to HWTF, that the level of insurance policies sold increased when there were better conditions and insurance coverage, better training and competitive premiums, as generated through the TCIS system. This results in less cost being incurred by the public in circumstances where insurance is not sold and significant repatriation costs are incurred.
- Under the TCIS system there is only one insurance policy. It is HWTF's understanding that under the *Financial Services Reform Act 2001 (Cth)* the degree of training and qualifications needed by franchisees selling more than one policy is considerably greater than for those that sell only one policy. If franchisees write more than one type of insurance policy, this will result in HWTF incurring significant costs in training and licensing requirements which it will need to pass on to franchisees. Ultimately, it is likely that such costs will be passed on to consumers. It will also require franchisees to dedicate additional time to training and licensing requirements which will reduce the amount of time that franchisees are able to spend providing quality services to their customers.
- The overall aim of the HWTF new franchising concept is to decrease costs for franchisees. Due to the extremely competitive nature of the travel industry, this is expected to result in decreased costs to consumers. Decreased costs for franchisees is also likely to have the effect of allowing more franchisees to stay in business, thus increasing competition in the retail travel industry.

As referred to above, the provision of TCIS insurance policies by franchisees will also provide significant benefits to franchisees who comprise a class of the public. These include the following:

- Significant decrease in costs;
- Improved quality of services provided to the franchisee by HWTF;
- Decreased workload.

FORM G

Regulation 9

COMMONWEALTH OF AUSTRALIA
Trade Practices Act 1974 – subsection 93(1)
EXCLUSIVE DEALING: NOTIFICATION

To the Australian Competition and Consumer Commission:

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1. (a) Name of person giving notice:
 Harvey World Travel Franchises Pty Limited ABN 65 059 507 587
 ("HWTF")
- (b) Short description of business carried on by that person:
 Franchising of retail travel agencies
- (c) Address in Australia for service of documents on that person:
 633 Princes Highway, Kogarah, New South Wales, 2217
2. (a) Description of the goods or services in relation to the supply or acquisition of which this notice relates:
 Subscription to Macquarie Communications telephone system
- (b) Description of the conduct or proposed conduct:
 See attached page
3. (a) Class or classes of persons to which the conduct relates:
 Franchisees of HWTF
- (b) Number of those persons:
 - (i) At present time:
 370
 - (ii) Estimated within the next year:
 375
- (c) Where number of persons stated in item 3(b)(i) is less than 50, their names and addresses:

4. Name and address of person authorised by the person giving this notice to provide additional information in relation to this notice:
 Timothy Dodds, Finance Director, 633 Princes Highway, Kogarah NSW
 2217

Dated 7/6/ 2002

Signed by/on behalf of the person giving this notice:

Tim Dodds
 (Signature)

TIMOTHY DODDS
 (Full Name)

FINANCE DIRECTOR
 (Description)

DESCRIPTION OF PROPOSED CONDUCT

Harvey World Travel Franchises Pty Limited (“HWTF”) proposes to implement a new franchising concept. It will involve franchisees paying a franchise fee that comprises a fixed component plus a variable amount, less an incentive. The incentive will apply if a franchisee satisfies certain performance requisites and will increase with the number of requisites satisfied.

The way the incentive works is that funds will be derived from various sources arising largely as a result of the cost savings HWTF can provide to suppliers because of the changed franchisee behaviour. The funds will be placed in a pool and distributed to franchisees based upon “incentive points” they have earned from their particular behaviour. Accordingly, the incentive is a means of allowing franchisees to share in the cost saving that is available as a result of their improved behaviour.

One such requisite is that franchisees subscribe to the Macquarie Communications telephone system.

HWTF has entered into an arrangement with Macquarie Communications whereby significant savings will result if franchisees choose to utilise the Macquarie Communications telephone system. This system has been in place for more than 6 months and results in a significant cost saving to franchisees. Franchisees have advised that they have been too busy to sign the necessary documentation. The incentive is being offered to encourage them to subscribe so that savings can be achieved.

Subscription to the Macquarie Communications telephone system is not likely to significantly impact on the franchisee or the consumers as, for an average franchised business, the amount of the incentive they would receive is approximately \$205 per year. The range in amounts would be \$105 to \$480. The incentive will apply for a maximum 18 month period.

Through cost saving initiatives that HWTF can provide to Macquarie Communications if an increased number of franchisees subscribe, HWT will be able to provide savings to its franchisees.

The subscription by franchisees to the Macquarie Communications telephone system will provide the following benefits to the public:

- Ensures quality of the franchise system.
- Allows HWTF to negotiate with Macquarie Communications to obtain additional benefits, such as better service, for franchisees which will ultimately benefit the consumer by resulting in a more efficient business and better quality services.
- The overall aim of the HWTF new franchising concept is to decrease costs for franchisees. Due to the extremely competitive nature of the travel industry, this is expected to result in decreased costs to consumers. Decreased costs for

franchisees is also likely to have the effect of allowing more franchisees to stay in business, thus increasing competition in the retail travel industry.

As referred to above, subscription to the Macquarie Communication telephone system by franchisees will also provide significant benefits to franchisees who comprise a class of the public. These include the following:

- Significant decrease in costs;
- Improved quality of services provided to the franchisee by HWTF;
- Increased efficiency resulting in less work for franchisee.

FORM G

Regulation 9

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Trade Practices Act 1974 – subsection 93(1)
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1. (a) Name of person giving notice:
 Harvey World Travel Franchises Pty Limited ABN 65 059 507 587
 ("HWTF")
- (b) Short description of business carried on by that person:
 Franchising of retail travel agencies
- (c) Address in Australia for service of documents on that person:
 633 Princes Highway, Kogarah, New South Wales, 2217
2. (a) Description of the goods or services in relation to the supply or acquisition of which this notice relates:
 Harvey World Travel approved and specified hardware for use in conjunction with the Gallileo computer reservation system
- (b) Description of the conduct or proposed conduct:
 See attached page
3. (a) Class or classes of persons to which the conduct relates:
 Franchisees of HWTF
- (b) Number of those persons:
 - (i) At present time:
 370
 - (ii) Estimated within the next year:
 375
- (c) Where number of persons stated in item 3(b)(i) is less than 50, their names and addresses:

4. Name and address of person authorised by the person giving this notice to provide additional information in relation to this notice:
Timothy Dodds, Finance Director, 633 Princes Highway, Kogarah NSW
2217

Dated 7/6/ 2002

Signed by/on behalf of the person giving this notice:


(Signature)

TIMOTHY DODDS
(Full Name)

FINANCE DIRECTOR
(Description)

DESCRIPTION OF PROPOSED CONDUCT

Harvey World Travel Franchises Pty Limited (“HWTF”) proposes to implement a new franchising concept. It will involve franchisees paying a franchise fee that comprises a fixed component plus a variable amount, less an incentive. The incentive will apply if a franchisee satisfies certain performance requisites and will increase with the number of requisites satisfied.

The way the incentive works is that funds will be derived from various sources arising largely as a result of the cost savings HWTF can provide to suppliers because of the changed franchisee behaviour. The funds will be placed in a pool and distributed to franchisees based upon “incentive points” they have earned from their particular behaviour. Accordingly, the incentive is a means of allowing franchisees to share in the cost saving that is available as a result of their improved behaviour.

HWTF as part of its franchise system, provides to franchisees an automation solution. This automation solution changes from time to time as new technologies are researched and added to the system, and as new arrangements are negotiated. The current automation solution includes:

- Access to the Galileo Computer Reservation System (“CRS”)
- Offsite data backup
- Email, internet access, and corporate intranet site
- Harvey World Travel Internet site
- Preferred computer hardware buying arrangement for HWT specified hardware
- Help desk and response centre facilities.

As part of the new franchise concept, HWTF intends to provide an incentive, (in the form of a discounted franchise fee) to franchisees who utilise the Automation Solution including the Galileo CRS (access to which will be provided to the franchisee by HWTF) rather than the CRS of a competitor to Galileo. Incremental additional rebates will be available if the franchisee elects to utilise the other services offered by HWTF. All of these will be provided to the franchisee by HWT, other than the preferred hardware buying arrangement. An incremental additional rebate will be available if the franchisee elects to acquire and use HWTF’s specified and approved hardware. This must be acquired from a specified third party supplier.

The acquisition and use of HWT approved hardware from a specified third party by franchisees is not likely to significantly impact on the franchisee or the consumers as, for an average franchised business, the amount of the incentive they would receive is approximately \$40 per month (\$480 per annum). The range in amounts would be \$5 to \$150 per month.

The acquisition and use of HWT approved hardware from a specified third party by franchisees provides the following benefits to the public:

- Improves quality and results in less onerous support requirements for HWTF which, in turn, reduces costs to franchisees which are likely to ultimately be passed on to the consumers.
- Ensures quality of the franchise system and results in franchisees having a more sophisticated automation system at a decreased cost which, due to the extremely competitive nature of the travel industry, is expected to result in decreased costs, wider choice and expanded information availability for consumers.
- Improves the quality of the data back up and support services provided by HWTF. This includes remote off-site data back up facilities which is critical in promptly restoring an office's automation in the event of failure. It also facilitates a centralised customer relationship management system which will improve service to customers and franchisee performance and enables data transmission to operate the HWT Group's management information system, thereby decreasing the Franchisee's manual collation and allowing more time for franchisees to provide customers with better service.
- Allows HWTF to negotiate with the particular third party supplier better product and service which will benefit franchisees through more reliable automation equipment. This will allow franchisees to provide a better quality of and more timely service to the customer.
- The overall aim of the HWTF new franchising concept is to decrease costs for franchisees. Due to the extremely competitive nature of the travel industry, this is expected to result in decreased costs to consumers. Decreased costs for franchisees is also likely to have the effect of allowing more franchisees to stay in business, thus increasing competition in the retail travel industry.

As referred to above, the acquisition by franchisees of HWTF approved hardware from a specified third party supplier will also provide significant benefits to franchisees who comprise a class of the public. These include the following:

- Significant decrease in costs;
- Improved quality of services; and
- Decreased workload resulting from greater efficiency and better support.