



**Australian
Competition &
Consumer
Commission**

Our Ref: C2006/627 & C2006/630
Your Ref: RBO:221687
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2 May 2006

Mr Richard Ottley
Partner
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GPO Box 35
SYDNEY NSW 2001

Dear Mr Ottley

Ella Baché: Third Line Forcing Notifications lodged by Hallas Trading Co Pty Ltd (N92456) and Hallas Franchising Co Pty Ltd (N92457 & N92458) lodged on 14 March 2006

I refer to the above third line forcing notifications lodged with the Australian Competition and Consumer Commission (the ACCC) on 14 March 2006 by Hallas Trading Co Pty Ltd (Hallas Trading) and Hallas Franchising Co Pty Ltd (Hallas Franchising). The notifications have been placed on the ACCC's public register.

The notifying parties have described the conduct as follows:

- Hallas Franchising proposes to change the list of Ella Baché products that franchisees must acquire from Hallas Trading Pty Ltd, which is contained in Appendix 3 of the Franchising Agreement. It also proposes to change the list of other specified products that franchisees must acquire from other suppliers, which is contained in Appendix 4 of the Franchising Agreement. Appendices 3 and 4 contain details of the franchisees' obligations under Clauses 7.3 (a) and 7.3 (b) of the Franchising Agreement, respectively.
- Hallas Trading proposes to change the list of other specified products that franchisees must acquire from other suppliers, which is contained in Schedule B of the Distribution Agreement. Schedule B contains details of the distributors' obligations under Clause 9.2 (b) of the Distribution Agreement.
- Hallas Franchising and Hallas Trading propose to introduce an information management system, the "Shortcuts Salon & Spa Point of



Sale & Information Management System" (Shortcuts), which new franchisees will be required to purchase, while existing franchisees and distributors will be encouraged to adopt when they choose to change their existing information management systems.

Legal immunity conferred by the notifications came into force on 31 March 2006 for the Hallas Franchising notifications (N92457 & N92458), and on 1 April 2006 for the Hallas Trading notification (N92456).

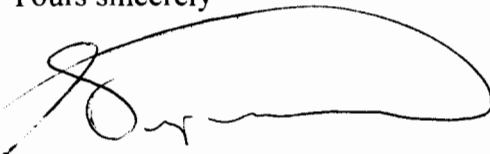
I also note a letter dated 21 April 2006, in which you provided additional information relating to the implementation of the Shortcuts information management system.

On the basis of the information that you have provided, it is not intended that further action be taken in these matters at this time. You would be aware that some earlier notifications lodged by the notifying parties in respect of similar conduct created a significant amount of interest and led the ACCC to engage in a process of public consultation with interested parties before it decided to take no further action in relation to those matters. While the ACCC has not identified any concerns beyond those previously considered, should it receive complaints in relation to the revised conduct, the ACCC would then consider whether to engage in consultation with interested parties again.

As with any notification, please note that the ACCC may act to remove the immunity afforded by this notification at a later stage if it is satisfied that the likely benefit to the public from the conduct will not outweigh the likely detriment to the public from the conduct.

This letter has been placed on the ACCC's public register. If you wish to discuss any aspect of this matter, please do not hesitate to contact Tim Scott on 02 6243 1221.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Scott Gregson', with a large, sweeping flourish that extends to the right and loops back under the name.

Scott Gregson
General Manager
Adjudication Branch