

KEMP STRANG

MEMBER OF THE KENNEDY STRANG LEGAL GROUP



Our Ref: TJZ:273070
Contact: Tania Zordan
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FILE No:	
DOC:	
MARS/PRISM:	

16 March 2007

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

BY HAND

Dear Sir

HARVEY WORLD TRAVEL FRANCHISES PTY LIMITED - EXCLUSIVE DEALING NOTIFICATION

We act for Harvey World Travel Franchises Pty Limited.

Please find **attached** a Notification 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 \$100 payable to the Australian Competition and Consumer Commission, being the fee payable on lodgement of the Notification.

Should you have queries in relation to the Notification, please do not hesitate to contact the writer.

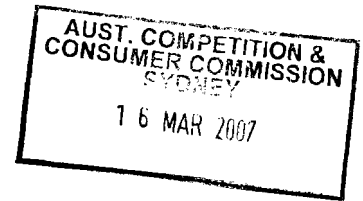
Yours faithfully
KEMP STRANG

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

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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:

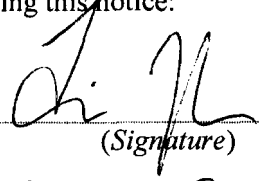
Notice is hereby given, in accordance with subsection 93(1) of the *Trade Practices Act 1974*, of particulars of conduct or of proposed conduct of a kind referred to in subsection 47(2), (3), (4), (5), (6) or (7), or paragraph 47(8)(a), (b) or (c) or 9(a), (b), (c) or (d), of that Act in which the person 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:
Level 3, 225 Euston Road, South Sydney Business Hub, Alexandria, New South Wales, 2015
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 designed, supplied and administered by Cover-More Insurance Services Pty Ltd.
- (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:
323
 - (ii) Estimated within the next year:
343
- (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:
Jennifer Hanna, Legal Officer, Level 3, 225 Euston Road, Alexandria, New South Wales, 2015

Dated 16 March 2007

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

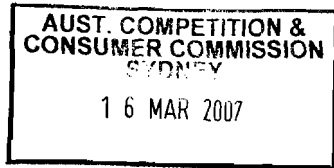


(Signature)

TANIA ZORDAN

(Full Name)

SOLICITOR - AUTHORISED
(Description) REPRESENTATIVE



DESCRIPTION OF CONDUCT

Harvey World Travel Franchises Pty Limited (“**HWTF**”) operates a franchise system that involves franchisees paying a franchise fee that comprises a fixed component plus a variable amount, less an incentive. The incentive applies if a franchisee satisfies certain performance requisites and increases with the number of requisites satisfied.

The way the incentive works is that funds are derived from various sources arising largely as a result of the cost savings HWTF can provide to suppliers because of the franchisee’s behaviour. The funds are 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 behaviour.

One such requisite which has allowed a franchisee to obtain an incentive was that a minimum of 90% of travel insurance policies sold by the franchisee were to be policies of “Thomas Cook Insurance Services Pty Ltd” (a company which then became known as Harvey World Insurance Services Pty Ltd) (“**HWIS**”). This arrangement was authorised pursuant to authorisation number N91006 and the proposed conduct under this notice is similar to authorisation number N91006.

It is now intended to offer the same incentive to franchisees, however, travel insurance products sold by the franchisee will be products designed, supplied (on behalf of underwriters) and administered by Cover-More Insurance Services Pty Ltd (“**CMI**”). That is, CMI will replace HWIS as a premium preferred partner with the incentive program administered by HWTF.

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

- Allows HWTF to negotiate with CMI to provide travel insurance policies that carry the “Harvey World Travel” name and brand. Increased utilisation by franchisees of CMI insurance policies will enable HWTF to deliver a considerable pool of business to CMI (approximately \$29 million). This enables HWTF and its related entities to negotiate more competitive terms, conditions, cover and premiums which will benefit and result in a better product being made available to consumers. It will also allow franchisees to provide a better quality of service to the consumer by having increased knowledge of the particular policies being sold.
- Improves the quality of the franchise system and protects consumers by removing the potential exposure to consumers which may result from franchisees selling policies that provide inferior benefits and protection to consumers.
- By only providing policies offered by CMI, 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 about the attributes and benefits of the products and support services. This minimises the risks of travelling without insurance and ensures that there are better informed and serviced consumers.

- Travel insurance removes the responsibility and expense borne by the community in repatriating travellers who fall seriously ill or are injured or become incapacitated overseas. 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 CMI system there is only one policy provider. It is HWTF's understanding that under the *Financial Services Reform Act 2001 (Cth)* the degree of training and qualifications needed by franchisees selling policies offered by more than one policy provider is considerably greater than for those that only sell policies offered by one policy provider. If franchisees provide policies offered by only one provider, they are only required to use a single system and only need to become familiar with policies that have similar provisions and use similar words. This results in franchisees requiring less marketing materials and less training. As it requires franchisees to dedicate less time to training and licensing requirements, it increases the amount of time that franchisees are able to spend providing quality services to their customers. It also results in HWTF saving significant costs in training and licensing requirements, where such costs are usually passed on to franchisees. This ultimately results in savings to the customer as such costs are usually then passed from the franchisee to the consumer.
- By only selling policies offered by CMI, customers will always be provided with a sophisticated policy issuing system that allows franchisees and travel consultants to easily compare product benefits. The CMI system will also provide a range of business tools, such as forecasting tools, to assist members in determining sales levels available in the next 12 months. This ensures that customers receive the best cover to meet their needs and also assists franchisees in developing their insurance business.
- The overall aim of the HWTF 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 CMI insurance policies by franchisees will also provide significant benefits to franchisees who comprise a class of the public. These include the following:

- Decrease in costs;
- Improved quality of services provided to the franchisee by HWTF;
- Decreased workload; and
- Increase in revenue flowing to franchisees as the commission rates offered by CMI have increased compared to that offered by HWIS.