



Sharon Clancy
Australian Competition & Consumer Commission
GPO Box 3131
Canberra

Your ref: Trackit 32502

24th June 2008

Dear Sharon

Third line forcing notification by Brabus PA Franchising Pty Ltd and Brabus Investments Pty Ltd

I write to provide background information to this notification as an interested party.

Salonezy has been the incumbent supplier of point of sale computer systems to Price Attack for the past 6 years or so. During that time we have sold and supported computer systems to many (but not all) Price Attack franchise clients, who have become satisfied and loyal users of the Salonezy system. Over the past 3 years we have had a number of conversations with past and current owners of Price Attack regarding emerging needs for upgrades and improvements to computer systems. For reasons unknown we have been held at arms length by head office however we have remained in touch with developments through the many loyal franchisees who use our system.

The principal argument supporting the notification from Brabus is that the third line forcing will have no detrimental public effects and will provide public benefits.

Our view is that the conditions referred to by this notification will offer no beneficial effects to either Franchisees or their customers, and in fact for many franchisees the cost of changing to Shortcuts will be considerable so that the claimed decreased costs and flow-on benefits are not likely to occur. Therefore the public good arguments cannot be substantiated.

Furthermore it is questionable whether this is in the best interests of Franchisees in the respect that it is unreasonable to force them to accept and pay for a system that has not been subject to a rigorous commercial process and has not been proven to be suitable for the purpose. To our knowledge (via various verbal discussions with Price Attack owners and Salons) our SalonEzy system can meet current and emerging customer needs quite effectively without significant re-training and hardware change and at a much lower overall cost to the proposed new mandated system change.

In your response to Mills Oakley Lawyers you ask for further information. Our perspective on point 1, selection of nominated suppliers, is as follows;

From our experience the selection process for the supply of hardware and software has not involved a tender or a selection process. One of the main reasons for this could well be that there does not appear to be any description of requirements or specifications. Hence it is unlikely that has been any formal



evaluation of suppliers or their products/services. If there was we certainly did not participate in it. We believe this is the case because despite requesting specifications on numerous occasions none have been provided. The outcome is that the claimed improvements in competitiveness and costs to consumers cannot be justified.

As regards the supply of network/internet services (from Telstra) there may well be benefits in using a single provider nationally, including better pricing, however the claimed efficiency of management is irrelevant. We do not know if the supply of network services was tendered for or not.

One of the claims (clause 4f) states that cost efficiencies will be an outcome, decreasing costs to the consumer. In fact the opposite may be the outcome because of the far greater costs involved in changing to Shortcuts when compared to proposals we have made.

Claims made in section 4 are not unique to Shortcuts and could equally be claimed by us.

In summary we feel that this notification may have the effect of disadvantaging franchisees, and will not deliver the public benefits claimed.

Yours sincerely

Max Brown
Consultant

Aadil Waja
Managing Director