

# Zordan Legal

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12 October 2009

Our Ref: TZ:09106

The General Manager  
Adjudication Branch  
Australian Competition and Consumer Commission  
GPO Box 3131  
Canberra ACT 2601

FILE No:
DOC:
MARS/PRISM:

Dear Sir/Madam

## **HARVEY WORLD TRAVEL FRANCHISES PTY LIMITED – LODGEMENT OF FORM G**

Attached, for processing, is original Form G and cheque in the amount of \$100, being the lodgement fee payable.

Yours faithfully  
**Zordan Legal**



Tania Zordan



# Form G

Commonwealth of Australia

*Trade Practices Act 1974 — subsection 93 (1)*

## NOTIFICATION OF EXCLUSIVE DEALING

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 subsections 47 (2), (3), (4), (5), (6), (7), (8) or (9) of that Act in which the person giving notice engages or proposes to engage.

PLEASE FOLLOW DIRECTIONS ON BACK OF THIS FORM

### 1. Applicant

(a) Name of person giving notice:

N94267 Harvey World Travel Franchises Pty Limited ABN 65 059 507 587 ("HWT")

(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, 77 Berry Street, North Sydney, NSW 2060

### 2. Notified arrangement

(a) Description of the goods or services in relation to the supply or acquisition of which this notice relates:

Galileo computer reservation system

(b) Description of the conduct or proposed conduct:

As part of its franchise system HWT requires its franchisees to utilise the Galileo Computer Reservation System ("CRS"). Franchisees are currently required to execute an agreement with HWT pursuant to which HWT provides franchisees with access to the Galileo CRS. This conduct has been notified to the ACCC in Notification N31187.

HWT intends to vary this arrangement to require franchisees to enter into an agreement direct with Southern Cross Distribution Systems Pty Ltd ("SCDS") for the provision of the Galileo CRS. This will be beneficial to franchisees as they will then have a direct access licence with SCDS.

**3. Persons, or classes of persons, affected or likely to be affected by the notified conduct**

- (a) Class or classes of persons to which the conduct relates:

Franchisees of HWT

- (b) Number of those persons:

- (i) At present time:

316

- (ii) Estimated within the next year:

326

- (c) Where number of persons stated in item 3 (b) (i) is less than 50, their names and addresses:

**4. Public benefit claims**

- (a) Arguments in support of notification:

- (i) Franchisees and consumers

The proposed conduct is likely to have the benefits listed below for HWT franchisees and end consumers:

- (A) The proposed conduct encourages consistency, uniformity and quality control which is an essential element of the HWT franchise network and the integrity of the HWT brand.
- (B) The proposed conduct is likely to foster business efficiency as franchisees are assured of access to CRS services at a competitive price and of a consistent standard, which gives them more time to focus on operating their business.
- (C) Business efficiency is enhanced by HWT franchisees utilising the Galileo CRS. It would be inefficient for each franchisee to be required to assess the ability of each CRS supplier to meet HWT specifications and provide competitive pricing. HWT draws on considerable knowledge and experience in the retail travel industry to identify CRS systems and suppliers that deliver services that are of an acceptable quality.
- (D) HWT has made use of its established supply relationship and the economies of scale available to a franchising network to negotiate with SCDS guaranteed access to an HWT approved CRS service for franchisees on better financial terms than the current recommended retail price. This allows franchisees to offer favourable prices to the consumer and establish a competitive advantage.
- (E) In addition to financial benefits, supporting a single CRS provider allows HWT to negotiate with SCDS to achieve additional benefits, such as improved franchisee service support levels which will deliver more comprehensive and in-depth technology assistance. SCDS provides franchisees with specific account management tailored to the Harvey World Travel group and provides help and support staff that are trained to understand the Harvey World Travel system. This allows franchisees to provide a better quality of service, and more timely service, to the customer.

- (F) In the retail travel industry, competition between the various brands is fierce. Requiring franchisees to acquire the Galileo CRS promotes the integrity of the "Harvey World Travel" brand and allows the "Harvey World Travel" brand to compete more effectively in the retail travel market.
- (G) Supporting a single CRS provider results in less onerous technical support requirements for HWT which, in turn, reduces costs to franchisees. These lower costs are likely to ultimately benefit consumers.
- (H) A single integrated franchise system delivers more sophisticated automation services at a decreased cost which, due to the extremely competitive nature of the travel industry, is expected to result in lower costs, wider choice and expanded information availability for consumers.
- (I) The Galileo CRS has been an integral part of the HWT franchise system for many years with 97.5% of HWT franchisees currently using the Galileo CRS.
- (J) As the Galileo CRS is an integral part of the HWT franchise system, HWT operates a customer relationship management system which is built and maintained to interface with the Galileo back-office system. This serves as a cost saving to HWT franchisees who would otherwise need to source, build and maintain multiple interface systems.

(ii) Supplier

The proposed conduct provides SCDS with increased certainty of supply to franchisees which is likely to result in:

- (A) cost savings in the management of its business; and
- (B) increased business efficiency,

as it is not required to spend time negotiating a separate arrangement with each franchisee or accommodating different business systems.

(b) Facts and evidence relied upon in support of these claims:

Nil

**5. Market definition**

Provide a description of the market(s) in which the goods or services described at 2 (a) are supplied or acquired and other affected markets including: significant suppliers and acquirers; substitutes available for the relevant goods or services; any restriction on the supply or acquisition of the relevant goods or services (for example geographic or legal restrictions):

The markets can be reasonably identified as:

- (i) the market for the provision of retail travel services to consumers; and
- (ii) the market for the supply of retail travel franchises.

**6. Public detriments**

- (a) Detriments to the public resulting or likely to result from the notification, in particular the likely effect of the notified conduct on the prices of the goods or services described at 2 (a) above and the prices of goods or services in other affected markets:

(i) Franchisees

Franchisees will not be permitted to acquire CRS services from alternative suppliers. This is a requirement of the arrangement that HWT has negotiated with Southern Cross Distribution Systems Pty Ltd on behalf of its franchisees. However, the arrangement that HWT has negotiated is more favourable than the current recommended retail price.

Accordingly, the detriment to franchisees will be minimal.

(ii) Consumers

The anti-competitive effect on consumers of HWT travel agencies will be negligible as there are numerous travel agencies that offer retail travel services in Australia. Consumers are easily able to compare the prices and services offered.

(iii) Suppliers

The conduct prevents alternative CRS suppliers from supplying their CRS services to HWT franchisees as HWT is of the view that it has negotiated the best possible CRS service arrangement for its franchisees as a whole.

- (b) Facts and evidence relevant to these detriments:

Nil

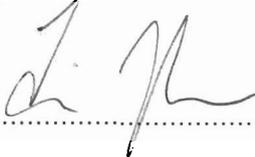
**7. Further information**

- (a) Name, postal address and contact telephone details of the person authorised to provide additional information in relation to this notification:

Tania Zordan, Zordan Legal, Suite 508, 3 Kings Cross Road, Rushcutters Bay NSW 2011

Dated 12 October 2009

Signed on behalf of the applicant



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Tania Zordan

Zordan Legal

Principal