

21 December 2012



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

By Express Post

Dear Sir/Madam

Notification for third line forcing: Jim's Group Pty Ltd and

On behalf of Jim's Group Pty Ltd and Austlock Pty Ltd, I enclose the following:

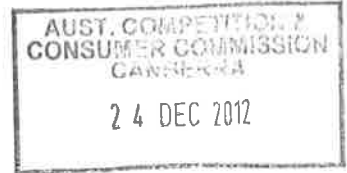
1. Form G – Notification of Exclusive Dealing; and
2. a cheque in the sum of \$200.00 in payment of the applicable lodgement fee (\$100.00 per applicant).

I look forward to receiving confirmation that the Form G has been lodged. Should you have any queries please do not hesitate to contact me.

Yours faithfully

A handwritten signature in black ink, appearing to read "CSwan".

Christine Swan
Senior Legal Counsel
Jim's Group Pty Ltd



Form G

Commonwealth of Australia
Competition and Consumer Act 2010 — 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 *Competition and Consumer Act 2010*, 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 persons giving notice:
(Refer to direction 2)

Refer to the Schedule to this Notification.

In this Notification:

- N96513 i. the Applicant is defined collectively as Jim's;
N96514 ii. Jim's Group Pty Ltd, ACN 101 925 268 is defined as Jim's Group.

- (b) Short description of business carried on by that person:
(Refer to direction 3)

Refer to the Schedule to this Notification.

- (c) Address in Australia for service of documents on those persons:

Christine Swan
Senior Legal Counsel
Jim's Group Pty Ltd
48 Edinburgh Road
Mooroolbark, VIC, 3138

2. Notified arrangement

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

Jim's Group propose to:

- launch a new Jim's service division called Jim's Locksmiths ("Jim's Locksmiths Division"); and
- grant franchises or allow Divisional (as defined in Part 1 of the Schedule) and/or Regional Franchisors (as defined in Part 4 of the Schedule) to operate Locksmith Businesses (as defined below) and grant franchises to

franchisees (“Unit Franchisees”) to conduct Locksmith businesses under the Jim’s Group trademark and the Jim’s Group Locksmiths’ trademark.

The type of business to be conducted by the Divisional Franchisor, Regional Franchisors and Unit Franchisees is a locksmith’s business offering the services listed in Item 2 of the Schedule (“the Locksmith Business”).

Jim’s Group will appoint the Divisional Franchisor under the terms of the Divisional Agreement, the Jim’s Group and the Divisional Franchisor will appoint the Regional Franchisors under the terms of the Regional Agreement and Unit Franchisees will be appointed under a tripartite franchise agreement between the Unit Franchisee, Jim’s Group and the Divisional Franchisor or a Regional Franchisor (as the case may be) (“the Locksmith Franchise Agreements”).

This Notification relates to the acquisition by Unit Franchisees and, where relevant, the Divisional Franchisor and Regional Franchisors (in conducting their own Locksmith Businesses) (“Locksmith Franchisees”) of a restricted and master key system (more fully described below) to be used in the conduct of the Locksmith Business.

Jim’s Group and/or the Divisional Franchisor propose to compel Locksmith Franchisees to acquire the restricted and master key system from the nominated suppliers (as specified by Jim’s Group or the Divisional Franchisor from time to time).

The restricted and master key system to be provided to Locksmith Franchisees by the nominated suppliers may include the following:

- a master keying system (that operates using ‘Master’ and ‘slave’ keys) used to design, register and certify every key issued and provides the client with maximum security and key control;
- a restricted keying system (that prevents key duplication by unauthorised persons, including other locksmith companies) with coding capability generated by accompanying computer software suitable for:
 - large key system requirements; and
 - domestic and smaller key system requirements.

(together, the “Locking System”)

- (b) Description of the conduct or proposed conduct:
(Refer to direction 4)

Jim's Group and the Divisional Franchisor propose to compel Locksmith Franchisees to acquire the Locking System from the nominated suppliers (as specified by Jim's Group or the Divisional Franchisor from time to time) under provisions in the proposed Divisional Agreement, the Regional Agreement and Locksmith Franchise Agreements that require Locksmith Franchisees to:

- i. use the Jim's Locksmiths' systems, procedures, methods, computer systems and manuals for the provision of locksmith services to Jim's Locksmiths' clients; and
- ii. purchase the Locking System from suppliers nominated by Jim's Group or the Divisional Franchisor whilst there is a relevant notification in place pursuant to section 93 of the *Competition and Consumer Act 2010* (Cth) or an authorisation in place pursuant to section 88 of the *Competition and Consumer Act 2010* (Cth).

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:
(Refer to direction 5)

Persons or classes of persons affected or likely to be affected by the notified conduct are Unit Franchisees who are granted the right to operate a Locksmiths Business under a Locksmith Franchise Agreement and the Divisional Franchisor and the Regional Franchisors (in conducting their own Locksmith Businesses).

- (b) Number of those persons:

- (i) At present time:

At the date of this Notification, a Divisional Franchisor is about to be appointed but there are no Regional Franchisors or Unit Franchisees.

Recruitment of Regional Franchisors and Unit Franchisees will not occur until a relevant Notification is in place pursuant to section 93 of the *Competition and Consumer Act 2010* (Cth).

- (ii) Estimated within the next year:
(Refer to direction 6)

Jim's estimates that within the next year 5 Regional Franchisors and 20 Unit Franchisees will be appointed and, therefore, be affected by the notified conduct.

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

Not applicable as there are no Regional Franchisors and no Unit Franchisees at the date of this Notification.

4. Public benefit claims

- (a) Arguments in support of notification:
(Refer to direction 7)

The notified conduct will benefit Locksmith Franchisees and the public in the following manner:

- i. the use of the Locking System by Locksmith Franchisees will ensure consistency between Locksmith Franchisees;
- ii. consistency between Locksmith Franchisees means that Locksmith Franchisees:
 - a. can be trained consistently and supported by Jim's;
 - b. can service other Jim's Locksmiths' clients in the event the Locksmith Franchisee who initially installed the Locking System is not available or has sold its Locksmith Business;
 - c. will be able to share vital information regarding the Locking System with each other to effectively service clients;
- iii. a uniform Locking System will deliver consistency in the quality and predictability of the Locking System for Locksmith Franchisees, which will translate into a consistent service experience for clients irrespective of which of the Locksmith Franchisees they engage;
- iv. clients can rely on a level of service from Locksmith Franchisees commensurate with the reputation of other Jim's franchisees providing other services;
- v. Jim's Group and the Divisional Franchisor will manage the relationship with the nominated suppliers, which will relieve Regional Franchisors and Unit Franchisees from negotiating locking system supply arrangements and allow Regional Franchisors, Unit Franchisees to focus on operating their Locksmith Businesses and delivering quality service to their clients. Additionally, Regional Franchisors and Unit Franchisees will reap the benefit of Jim's Group and the Divisional Franchisor's negotiating power and technical expertise;
- vi. the nominated suppliers will be bound to meet stringent service levels imposed by Jim's Group or the Divisional Franchisor, which Regional

Franchisors and Unit Franchisees would not otherwise be able to impose, monitor or enforce; and

vii. Locksmith Franchisees will obtain the benefit of a pricing model negotiated by Jim's Group or the Divisional Franchisor for the Jim's Locksmiths Division. The price payable by the Locksmith Franchisees to the nominated suppliers will be lower than an individual Locksmith Franchisee would pay for the Locking System of the same specifications. This will allow Locksmith Franchisees to be more profitable or to pass on these cost savings to the public. If savings are passed on to the public, the price negotiated for the Locking System may increase competition in the relevant market.

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

Jim's Group has been operating for 25 years and currently operates 34 franchise divisions and has 3301 franchisees. Accordingly, Jim's Group has extensive experience in sourcing materials and services and in negotiating supply arrangements with a variety of suppliers.

Jim's Group conducts regular surveys of clients of Jim's franchisees. Client feedback indicates that they value reliable and consistent service from Jim's Group franchisees. The proposed conduct will assist Locksmith Franchisees to deliver quality locksmith products and service to clients in an efficient and cost effective way, which will benefit the public at large.

Based on its experience in other Jim's Group divisions and its assessment of various relevant suppliers, Jim's submit that both Locksmith Franchisees and the public will benefit from the notified conduct.

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);
(Refer to direction 8)

Jim's Group has not undertaken a comprehensive market analysis. Jim's Group does not consider it necessary to precisely define the market to assess the likely competitive effects of the notified conduct. However, it is appropriate to consider the proposed conduct in the context of the Australian market for the provision of locking systems (the "Market").

The Market is characterised by strong competition from a variety of wholesale and retail competitors providing locking systems in Australia

Wholesale competitors include household names such as Lockwood and the other entities listed in Item 3 of the Schedule.

Competition in the retail sector is significant as shown in the table below listing the number of locksmiths on yellow pages online as at 11 December 2012 by state.

State	Number of locksmith listings: Yellow pages online as at 11 December 2012.
South Australia	316
Victoria	993
New South Wales	1,652
Queensland	682
Northern Territory	31
Western Australia	208
Tasmania	70
Total	3,952

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:
(Refer to direction 9)

Jim's submit that there will be limited public detriments resulting from the proposed conduct.

The likely effect of the proposed conduct will be to prevent:

- i. Locksmith Franchisees from choosing their locking system supplier; and
- ii. other suppliers of locking systems supplying Locksmith Franchisees.

There is no impact on end consumers as they may chose from whom they purchase locksmith services. Moreover, end consumers are likely to benefit as the proposed conduct will ensure Locksmith Franchisees are better able to service end consumer locksmith needs (be they domestic, commercial, automotive or safe services consumers).

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

The proposed conduct will not lessen completion in the Market because:

- i. the Market is highly competitive; and
- ii. Jim's will not have a substantial degree of power in any relevant market.

Jim's submit that the benefits of the proposed conduct for Locksmiths Franchisees and Jim's Locksmiths' clients far outweigh any possible detriment arising from the proposed conduct.

7. Further information

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

Christine Swan
Senior Legal Counsel
Jim's Group Pty Ltd
48 Edinburgh Road
Mooroolbark, VIC, 3138
Phone: 03 9780 9998
Email: christine.swan@jims.net

Dated 21 December 2012

Signed by Christine Swan on behalf of Jim's Group Pty Ltd



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(Signature)

Christine Swan
Senior Legal Counsel
Jim's Group Pty Ltd
48 Edinburgh Road
Mooroolbark, VIC, 3138



DIRECTIONS

1. In lodging this form, applicants must include all information, including supporting evidence that they wish the Commission to take into account in assessing their notification.

Where there is insufficient space on this form to furnish the required information, the information is to be shown on separate sheets, numbered consecutively and signed by or on behalf of the applicant.

2. If the notice is given by or on behalf of a corporation, the name of the corporation is to be inserted in item 1 (a), not the name of the person signing the notice, and the notice is to be signed by a person authorised by the corporation to do so.
3. Describe that part of the business of the person giving the notice in the course of which the conduct is engaged in.
4. If particulars of a condition or of a reason of the type referred to in section 47 of the *Competition and Consumer Act 2010* have been reduced in whole or in part to writing, a copy of the writing is to be provided with the notice.
5. Describe the business or consumers likely to be affected by the conduct.
6. State an estimate of the highest number of persons with whom the entity giving the notice is likely to deal in the course of engaging in the conduct at any time during the next year.
7. Provide details of those public benefits claimed to result or to be likely to result from the proposed conduct including quantification of those benefits where possible.
8. Provide details of the market(s) likely to be affected by the notified conduct, in particular having regard to goods or services that may be substitutes for the good or service that is the subject matter of the notification.
9. Provide details of the detriments to the public which may result from the proposed conduct including quantification of those detriments where possible.

Schedule

1. Applicants

(a) Name of person giving notice	(b) Short description of business carried on by that person
<p>National Franchisor:</p> <p>Jim's Group Pty Ltd ACN 101 925 268 48 Edinburgh Rd Mooroolbark VIC 3128 (Jim's Group)</p>	<p>Jim's Group operates a business providing a variety of trades and services to clients across Australia.</p> <p>Jim's Group is the franchisor licensed to use all the intellectual property relating to the conduct of Jim's Group businesses throughout Australia.</p> <p>Jim's Group grants divisional franchises to franchisees ("Divisional Franchisors") to:</p> <ol style="list-style-type: none"> 1. operate the various Jim's Group divisional franchise businesses (currently 34 divisional franchise businesses); 2. grant franchises to franchisees; and/or 3. appoint regional franchisors pursuant to a franchise agreement with Jim's Group and the Divisional Franchisor to grant franchises in a particular Region to franchisees ("Regional Franchisor"). <p>The Jim's Group Division to which this Notification relates is a new division – Jim's Locksmiths Division.</p>
<p>Divisional Franchisor:</p> <p>Austlock Pty Ltd ACN 155 828 194 C/ - JRI Practice Pty Ltd Suite 21, 168 Melbourne Street, North Adelaide SA 5082</p>	<p>The Divisional Franchisor shall, pursuant to a franchise agreement with Jim's Group ("the Divisional Agreement"), operate the Jim's Locksmiths Division under the Jim's Group trademark and the Jim's Locksmiths trademark.</p> <p>The Divisional Franchisor shall grant:</p> <ol style="list-style-type: none"> 1. regional franchises to franchisees ("Regional Franchisors") to operate Locksmith Businesses and grant franchises to Unit Franchisees in their particular region; and/or 2. franchises to Unit Franchisees to operate Locksmith Businesses, <p>under the Jim's Group trademark and the Jim's Group Locksmiths trademark.</p> <p>The Divisional Franchisor may also itself operate Locksmith Businesses.</p> <p>The Divisional Franchisor will also develop the systems and processes for the Jim's Locksmiths Division and will provide the training for the Jim's Locksmith Division.</p>

2. Services provided by Locksmith Franchisees

Locksmith Franchisees may provide domestic, automotive, commercial and safe locksmith and access control services to clients, including but not limited to the following locksmith's services:

Automotive Services

- Locked out – Keys Locked Inside (priority call)
- Baby or animal locked in vehicle (priority call)
- Lost or stolen keys to vehicle (priority call)
- Faulty ignition lock on vehicle – unable to drive
- Vehicle keys to sample – Locksmith Franchisees have sample keys
- Vehicle remote control units
- Break-in repairs

Domestic Services

- Locked out of house (priority call)
- Baby locked in house/ gas stove running and locked out (priority call)
- Locks changed (rekeyed) – usually due to lost or stolen keys, eviction of a person(s), following break-in or theft
- Locks replaced
- Deadlocks fitted
- Window locks fitted
- Remotes – garage/ alarms
- Security door lock(s) repair, replaced, faulty
- Security survey
- Break-in repairs, door and frame replacement

Commercial Services

- Door hardware
- Keys cut
- Locks opened
- Locks changed
- Locks replaced
- Locks fitted
- Restricted master key systems
- Access control and keyless entry systems
- Security survey
- Break-in repairs, door and frame replacement

Safes Services

- Supplied and installed
- Opened/ repaired
- Keys made
- Change combination
- Upgrade lock to digital
- Relocate
- Service lock – hard to operate
- Replace lock – hard to operate
- Security survey
- Break-in repairs

3. Wholesalers of locking products in Australia

- ASSA Abloy (Lockwood Australia, Whitco, EFCO and others)
- Australian Lock Company (ALCOM)
- KABA Australia (Including BOYD Australia)
- SALTO Systems
- Ingersol Rand
- DORIC
- Gainsborough (Including Austral)
- Locksmith Supply Company (LSC)
- Lock and Key Co.
- DORMA Australia

Both LSC and Lock and Key Co are the main suppliers to the retail locksmith industry with 'direct to locksmith' sales outlets in most capital cities in Australia.