

UNDERTAKING

This undertaking is given to the AUSTRALIAN COMPETITION AND CONSUMER COMMISSION ("the Commission") by STA TRAVEL PTY LTD, A.C.N. 004 801 512, of 224 Faraday Street, Carlton, Victoria ("STA Travel") pursuant to section 87B of the Commonwealth *Trade Practices Act 1974* ("the Act").

BACKGROUND

- A. STA Travel provides travel and related services from 41 agencies located Australia wide.
- B. Since about 1988 STA Travel has offered a program called the Student Work Abroad Program ("SWAP"). SWAP offers students and other young people who wish to work overseas arrival accommodation, information and support services for the duration of their working holiday. Students who wish to participate in SWAP are required to book their flights through STA Travel.
- C. In recent years SWAP has been offered in conjunction with NUS Services Pty Ltd ("NUS Services"). In the lead up to SWAP 1996 STA Travel and NUS Services conducted a series of negotiations over a number of issues, including which travel insurance product should be preferred. STA Travel preferred STA Travel (Readyplan) Travel Insurance ("Readyplan"), while NUS Services preferred StudentCover Travel Insurance ("StudentCover").
- D. By letter dated 1 May 1996 STA Travel assured NUS Services that, following extensive research, STA Travel was satisfied that Readyplan provided a great deal for participants in SWAP. STA Travel informed NUS Services that, because in its opinion Readyplan was a superior product and better value for money, only Readyplan would be offered to participants in SWAP 1996.
- E. By letter dated 7 June 1996 STA Travel insisted to NUS Services that the purchase of Readyplan by participants in SWAP be compulsory on the basis that STA Travel strongly believed this was in their best interest.
- F. By letter dated 12 June 1996 STA Travel informed NUS Services that it would not be distributing a brochure prepared by NUS Services promoting SWAP 1996 which recommended that participants in SWAP purchase StudentCover. STA Travel further informed NUS Services that it intended producing a brochure advising that participants in SWAP must purchase Readyplan. In its letter STA Travel requested artwork from NUS Services to arrange for the production of this brochure.
- G. By letter dated 19 June 1996 STA Travel informed NUS Services that it would not be launching SWAP 1996 until the brochure promoting the program was reprinted to state that Readyplan was compulsory. The letter again requested NUS Services to supply STA Travel with the necessary artwork to reprint the brochure.
- H. By letter dated 20 June 1996 STA Travel complained about NUS Services' unilateral decision to print the SWAP 1996 brochure with StudentCover being the only travel insurance recommended to participants.

- I. By letter dated 21 June 1996 STA Travel reaffirmed to NUS Services its view that it was in the best interests of all participants in SWAP that they take out Readyplan. STA Travel again complained about NUS Services' unilateral decision to print the SWAP 1996 brochure with StudentCover being the only travel insurance recommended. STA Travel then informed NUS Services that in order to prevent further delay in the launch of SWAP 1996 and jeopardise its success it would handle the 1996 program without Readyplan being compulsory.
- J. By letter dated 1 July 1996 STA Travel reaffirmed to NUS Travel that participants in SWAP 1996 would not be required to purchase Readyplan. STA Travel again stated its view that Readyplan was superior to StudentCover.
- K. NUS Services produced a brochure for SWAP 1996 that strongly recommended that participants take out StudentCover.
- L. STA Travel's internal training document for SWAP 1996 stated that participants should be offered a choice of Readyplan or StudentCover, and that Readyplan was highly recommended on the basis of a detailed comparison between the two products.
- M. The Commission considers that the conduct referred to in clauses E, F and G constituted an attempt by STA Travel to induce NUS Services to engage in conduct in contravention of subsection 47(6) of the Act.

STA TRAVEL UNDERTAKES TO THE COMMISSION THAT:

1. Compliance with the Act

- (1) STA Travel will not offer, attempt to offer, or attempt to induce others to offer travel or other services on condition that travel insurance is also acquired from a third party.
- (2) The obligations of STA Travel under subclause (1) extend to its officers, employees and authorised agents.

2. Corporate Compliance Programme

STA Travel will institute a corporate compliance programme ("the Programme") with the objectives of:

- (1) identifying and remedying the circumstances leading to the giving of this undertaking;
- (2) preventing contraventions of the Act by imparting a sufficient understanding of the Act to all officers, employees and authorised agents of STA Travel to enable them:
 - (a) to avoid contraventions;
 - (b) to appreciate their own and their subordinates' responsibilities; and
 - (c) to recognise potential contraventions before they occur; and
- (3) placing responsibility for corporate compliance with the Act onto some member of management;

in accordance with clauses 3-11.

3. Aim

The aim of the Programme will be to foster a culture of compliance within STA Travel so as to prevent, as far as is reasonably possible, any contraventions of the Act by STA Travel, or by its officers, employees or authorised agents.

4. Corporate Policy

- (1) As part of the Programme, STA Travel will formally adopt a corporate policy ~~of~~ strict compliance with the Act within STA Travel.
- (2) The corporate policy will include the imposition of appropriate disciplinary sanctions against officers, employees and authorised agents of STA Travel who are knowingly or recklessly concerned in a contravention of the Act.

5. Compliance Infrastructure

As part of the Programme, STA Travel will appoint an appropriately qualified senior executive as the compliance officer with overall responsibility to the Managing Director of STA Travel for compliance with the Act ("the Compliance Officer").

6. Coverage

The Programme will cover all officers, employees and authorised agents of STA Travel whose duties could result in them being concerned in conduct that might breach the Act ("the Relevant Staff").

7. Education

As part of the Programme, STA Travel will develop and implement an education programme designed to have the Relevant Staff conversant with the provisions of the Act to a level where:

- (1) the Relevant Staff can:
 - (a) avoid obvious contraventions; and
 - (b) identify more complex potential problems for referral to the Compliance Officer; and
- (2) the Compliance Officer can address more complex issues, including those that require referral to STA Travel's legal advisers.

8. Development

- (1) STA Travel will develop the Programme in co-operation with the Commission's Compliance Education Unit ("CEU").
- (2) STA Travel will:
 - (a) co-operate fully and promptly with the CEU; and
 - (b) accept all reasonable recommendations made by the CEU; in developing the Programme.

9. Implementation

- (1) STA Travel will promptly implement the Programme as developed in co-operation with the CEU.
- (2) STA Travel will accept all reasonable recommendations made by the CEU in implementing the Programme.

10. Timing

- (1) STA will develop and implement the Programme in accordance with clauses 8 and 9 within 6 months of being notified by the Commission of its acceptance of this undertaking.
- (2) The period referred to in subclause (1) may be extended by agreement with the CEU on behalf of the Commission.

11. Annual Review

- (1) In this clause, "year" means 12 calendar months commencing on:
 - (a) the date that STA Travel is notified by the Commission of its acceptance of this undertaking; or
 - (b) the anniversary of that date.
- (2) STA Travel will at the end of each year for at least 3 years engage an independent accountant or solicitor approved by the Commission:
 - (a) to review the compliance by STA Travel with this undertaking during the previous year;
 - (b) to review the implementation of the Programme, and the achievement of its objectives during the previous year;
 - (c) to recommend any changes to the Programme that will or may assist in the achievement of its objectives; and
 - (d) to report in writing to STA Travel under each of paragraphs (a)–(c) within 3 weeks of the end of the year under review.
- (3) STA Travel will provide the Commission with a copy of the report within 1 week of receiving it.
- (4) STA Travel will promptly incorporate into the Programme and implement all reasonable recommendations made under paragraphs (2)(c) and (d):
 - (a) that are endorsed by the Commission; or
 - (b) that are not endorsed by the Commission, but that STA Travel considers will or may assist in the achievement of the objectives of the Programme.

STA TRAVEL FURTHER ACKNOWLEDGES THAT:

1. the Commission will make this undertaking available for public inspection;
2. the Commission will from time to time publicly refer to this undertaking; and
3. this undertaking does not affect the rights of any person other than STA Travel and the Commission.

Sealed by STA TRAVEL PTY LTD,)
A.C.N. 004 801 512, in accordance)
with its articles of association on)
19 March 1997 in the presence of:)

[Signature] director
[Signature] director/secretary

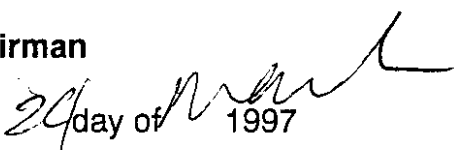


ACCEPTED BY THE AUSTRALIAN COMPETITION & CONSUMER COMMISSION
PURSUANT TO SECTION 87B OF THE TRADE PRACTICES ACT 1974.

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Professor Allan Fels

Chairman

This  day of 1997