



TRADE PRACTICES ACT 1974

**UNDERTAKING TO THE AUSTRALIAN COMPETITION AND CONSUMER
COMMISSION GIVEN FOR THE PURPOSES OF SECTION 87B**

BY

**CHEAP AS CHIPS FRANCHISING PTY LTD
ACN 058 036 169**

BACKGROUND

1. Cheap As Chips Franchising Pty Ltd (ACN 058 036 169) ("CAC Franchising") is the franchisor of:
 - mobile general residential and commercial cleaning services; and
 - cleaning agents, equipment and other related products.

2. The Australian Competition and Consumer Commission ("the ACCC") contends that as from 7 July 1997 CAC Franchising engaged in conduct including the following:
 - Issuing directives to its franchisees which imposed additional and detailed obligations upon them with respect to the conduct of their franchised businesses;
 - Informing its franchisees that any failure by them to comply with any of their obligations would result in CAC Franchising refusing to allocate cleaning jobs to them (being "suspended") or CAC Franchising terminating their franchise agreements (being "terminated");
 - Failing to consult with its franchisees before imposing additional and detailed obligations upon them;
 - Refusing and failing to negotiate with its franchisees in relation to disputes;
 - Curtailing disputes by threatening to suspend, suspending, threatening to terminate and terminating its franchisees for alleged failures by them to fulfil their obligations; and
 - Failing to disclose to its franchisees all cleaning jobs undertaken by subcontractors in the territories of its franchisees, in some circumstances due to administrative error;

- Failing to comply with the dispute resolution procedure in Part 4 of the Franchising Code of Conduct (“the Code”); and
 - Inducing a franchisee not to associate with other franchisees for a lawful purpose.
3. The ACCC considers and CAC Franchising admits that in the circumstances of the franchising system operated by CAC Franchising, the conduct detailed in paragraph 2 above in respect of Stephen Calmsley Dengate, Taishun International Pty Ltd and Annvid Pty Ltd which occurred after 1 July 1998 contravened sections 51AC and/or 51AD of the *Trade Practices Act 1974* (Cth) (“the Act”).
 4. On 30 June 1999, the ACCC instituted proceedings against CAC Franchising and its director, Mr Peter Hudousek, in relation to the conduct detailed in paragraph 2 above. After extensive discussions and consultations, in an effort to resolve the issues raised by the proceedings, the parties have agreed to resolve this proceeding by consent. Part of this agreement is that CAC Franchising undertake, pursuant to section 87B of the Act, to implement a Trade Practices Corporate Compliance program as detailed herein.
 5. CAC Franchising has engaged consultants for the purpose, among others, of developing a constructive working relationship with its franchisees.

UNDERTAKING

6. CAC Franchising hereby undertakes for the purposes of section 87B of the Act, that it will, within 3 months of the signing of this undertaking, develop a Trade Practices Corporate Compliance program (“the Program”) with the following characteristics and attributes:

A Aim

To create a culture of compliance within CAC Franchising (having regard to Australian Standard AS 3806-1998 Compliance Programs) and to prevent, so

far as possible, any contraventions of sections 51AC and 51AD of the Act by CAC Franchising or by its director, employees or agents.

B Approval of Program

CAC Franchising will ensure that prior to implementation of the Program, Russell Kennedy (Lawyers), or such other suitably qualified compliance professional approved in writing by the ACCC, provides written confirmation to CAC Franchising that the Program possesses all the characteristics and attributes set out herein.

C Responsibility for the Program

CAC Franchising will place responsibility for the implementation and effectiveness of the Program with its director.

D Compliance Officer

CAC Franchising will appoint Rex Keogh, or another suitably qualified compliance professional approved in writing by the ACCC, or a senior, full-time employee of CAC Franchising, other than Mr Peter Hudousek, to act as its Trade Practices Compliance Officer (“the Compliance Officer”).

E Disputes Procedure

Having regard to Australian Standard AS 4608-1999 Guide to the Prevention, Handling and Resolution of Disputes, CAC Franchising will cause to be implemented a procedure for the prevention, negotiation and resolution of disputes arising between CAC Franchising and franchisees (“the disputes procedure”).

F Compliance Reviews

CAC Franchising will ensure that the Compliance Officer reviews:

- any dispute between CAC Franchising and a franchise of which CAC Franchising has written notice;

- any modification (by any medium) to the regulations, procedures or standards with which CAC Franchising requires a franchisee to comply;
 - any suspension of a franchisee by CAC Franchising;
 - any notification by CAC Franchising (in any medium) that CAC Franchising intends to place a franchisee on suspension; and
 - any notification by CAC Franchising (in any medium) that CAC Franchising intends to terminate a franchisee,
- to ensure that they comply with sections 51AC and 51AD of the Act.

G Documentary Records

CAC Franchising will ensure that the Compliance Officer keeps a documentary record of the compliance review referred to at paragraph F above. CAC Franchising will require such documentary record to include:

- the date of such review;
- a description of the dispute, modification, suspension or notification;
- a description of the conduct of CAC Franchising in relation to the dispute, modification, suspension or notification;
- advice of any possible contraventions of the Act that were identified by the Compliance Officer during such reviews and the action taken to address these possible contraventions; and
- advice that the conduct of CAC Franchising in relation to the dispute, modification, suspension or notification has been reviewed and cleared by the Compliance Officer.

CAC Franchising will ensure that the Compliance Officer keeps a separate documentary record of all details of complaints in regard to CAC Franchising's compliance with sections 51AC and 51AD of the Act. CAC Franchising will ensure that such a record:

- is made within one week of CAC Franchising having written notice of the complaint;
- identifies the date the complaint was made;

- describes the complaint; and
- describes the action taken by CAC Franchising with respect to that complaint.

H Review by the ACCC

CAC Franchising will ensure that documentary records referred to in paragraph G above are available to the ACCC for review from time to time. CAC Franchising will ensure that such records are available from one week after the date of the dispute, modification, suspension, notification or complaint, for a period of three years after that date. CAC Franchising will ensure that such records are provided to the ACCC within ten working days of its written request for those records.

I Education

CAC Franchising will ensure that a suitably qualified person or firm of practitioners approved in writing by the ACCC conducts training in relation to the Code and sections 51AC and 51AD of the Act. The training will be conducted for the Compliance Officer and CAC Franchising's managers, director and staff on two occasions during the eighteen month period following the date of this undertaking. CAC will ensure that the first of these training programs is completed within three calendar months of the date of this undertaking and the second, nine months after that.

J Program Review

CAC Franchising will retain Russell Kennedy (Lawyers) or such other suitably qualified compliance professional approved in writing by the ACCC to produce, on two occasions, a written review of the Program and CAC Franchising's compliance with the Program. CAC Franchising will ensure that the first of these reviews is produced within three months of the date of the Federal Court's final Order in relation to the proceeding, and the second within fifteen months of the date of the Order. If any such review identifies

any deficiencies, CAC Franchising will make the necessary alterations to the Program within one calendar month from the date of the review. CAC Franchising will provide the ACCC with a copy of each such review within one calendar month from the date of the review.

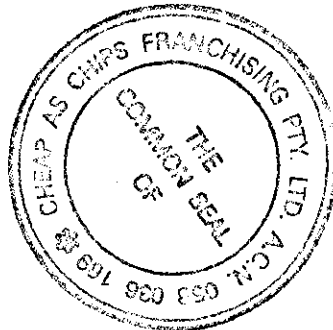
K Duration of the Program

CAC Franchising will maintain the Program for a period of eighteen months.

ACKNOWLEDGMENTS

7. CAC Franchising acknowledges that the ACCC will make this undertaking available for public inspection.
8. CAC Franchising further acknowledges that the ACCC may from time to time publicly refer to this undertaking.
9. CAC Franchising acknowledges that this undertaking in no way derogates from the rights and remedies available to any other person arising from the conduct.

IN WITNESS of these undertakings
and its agreement, the common seal of
Cheap As Chips Franchising Pty Ltd (ACN 058 036 169)
was hereunto affixed by authority of the
Director in the presence of:



Director.....

This 08 day of 03 2001

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

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Professor Allan Fels

Chairperson

This 26 day of March 2001