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TRADE PRACTICES ACT 1974

UNDERTAKING TO THE AUSTRALIAN COMPETITION AND CONSUMER COMMISSION GIVEN FOR THE PURPOSES OF SECTION 87B OF THE TRADE PRACTICES ACT 1974

BY

REPCO LIMITED (ACN 097 993 283)

PERSON GIVING UNDERTAKING

1. This undertaking is given to the Australian Competition and Consumer Commission (the Commission) by Repco Limited (ACN 097 993 283) (Repco) of 362 Wellington Road, Mulgrave, in the State of Victoria, pursuant to section 87B of the *Trade Practices Act 1974* (the Act).

BACKGROUND

Repco

- 2. Repco is incorporated pursuant to the provisions of the *Corporations Act 2001* and is registered in the State of Victoria.
- 3. Repco carries on the business of selling automotive replacement parts, tools and motor vehicle accessories to trade and retail customers in all States and Territories in Australia.
- 4. Repco operates a total of 290 stores under the 'Repco' name in Australia. This undertaking only applies to the business constituted by the Repco branded stores in Australia.

Conduct

- 5. From about 5 September 2005 to 11 September 2005 Repco caused to be distributed around 3.9 million catalogues (Catalogues) to consumers via letterbox deliveries and in-store distribution stands promoting Repco's '\$1 Million Sizzling Sound Sellout' (the Sale). A sample copy of the Catalogue is at Annexure A to this Undertaking.
- 6. The Catalogue is an 8 page Catalogue. The first 3 pages contain advertisements for 28 sound system related products. The following 5 pages contain advertisements for automotive parts, tools and motor vehicle accessories.
- 7. The Sale commenced on 8 September 2005 and concluded on 25 September 2005 (the Sale Period).

- 8. After the Sale commenced Repco received a number of consumer complaints regarding a lack of stock for certain products advertised within the Catalogue. Repco contacted the Commission on 9 September to advise the Commission of the sound promotion and the concerns customers were raising directly with Repco regarding the availability of certain advertised items.
- 9. Following receipt of a number of consumer complaints, the Commission wrote to Repco by letter dated 14 September 2005 to raise its concerns that Repco appeared to be advertising products at significant discounts in circumstances where those products were not available for sale to many consumers.
- 10. The Commission was concerned that Repco's conduct may have breached sections 52 and 56 of the Act. Section 52 of the Act prohibits misleading or deceptive conduct, or conduct which is likely to mislead or deceive. Section 56 of the Act prohibits a company from advertising goods or services at a specified price (not necessarily a special price) if the company is or should reasonably have been aware that it would not be able to supply reasonable quantities at that price for a reasonable period, having regard to the nature of the market and the advertisement.
- 11. The concerns raised by the Commission specifically related to 3 products, namely:
 - (a) a DVD Monitor (**Blau 1**) advertised for \$99 reduced from a pre-clearance price of \$872;
 - (b) a DVD In Dash Player (**Blau 2**) advertised for \$99 reduced from a preclearance price of \$1,260; and
 - (c) a DVD Portable Player (**Sound 4 Portable**) advertised for \$99 reduced from a pre-clearance price of \$299.
- 12. In its response to the Commission, Repco identified 2 further products advertised in the Catalogue which were advertised at significantly discounted prices and which sold out very early in the Sale Period. These products were:
 - (a) a DVD In Dash Tuner (**Sound 4 Player**) advertised for \$99 reduced from a pre-clearance price of \$399; and
 - (b) a CD Tuner (**Blau 3**) advertised for \$199 reduced from a pre-clearance price of \$1,260 (NB this item is advertised on page 3 of the Catalogue).

(These products together with products described in paragraphs 11 (a) to (c) are hereinafter collectively referred to as **the Products**).

- 13. Repco also informed the Commission that:
 - (a) it had 62 of the Blau 1 available Australia wide at the commencement of the Sale (and was able to source a further 13 during the Sale);
 - (b) it had 57 of the Blau 2 available Australia wide at the commencement of the Sale (and was able to source a further 12 during the Sale);
 - (c) it had 76 of the Sound 4 Portable available Australia wide at the commencement of the Sale (and was able to source a further 6 during the Sale);

- (d) it had 181 of the Sound 4 Player available Australia wide at the commencement of the Sale (and was able to source a further 4 during the Sale); and
- (e) it had 60 of the Blau 3 available Australia wide at the commencement of the Sale (and was not able to source any further stock of this product during the Sale).
- 14. The Commission analysed information provided to it by Repco and in doing so found that the majority of Repco's 290 stores sold out of all the identified Products on the first day of the Sale, and more than a third of Repco's stores did not have any of the Products available during any part of the Sale Period
- 15. Having regard to the widespread advertising and high level of demand for the Products that were heavily discounted and the limited quantities of the Products Repco had available for sale, the Commission reached the view that Repco's promotion of the Sale was likely to contravene sections 52 and 56 of the Act.
- 16. As soon as Repco became aware that stock was selling out significantly faster than anticipated, Repco independently undertook several measures to address its inability to supply the Products to consumers, including:
 - (a) on 8 September 2005 (the first day of the Sale) instructing all Repco stores to place in-store notices apologising to consumers that had missed out on any sound equipment advertised in the Sale;
 - (b) on 10 September 2005 publishing an advertisement in capital city and regional newspapers throughout Australia to make consumers aware of limited stock availability and to apologise for any disappointment resulting from limited stock availability;
 - on 10 September 2005 publishing a notice to consumers on Repco's website www.repcoshop.com.au (**the Website**), apologising for any disappointment resulting from limited stock availability and providing updates on stock levels for certain sound equipment advertised in the Catalogue;
 - (d) responding to complaints by those consumers who had provided Repco with their address, by providing an apology in writing and also:
 - i offering a Repco gift voucher to the value of \$100;
 - ii offering a 25% off voucher (valid until the end of September 2005); or
 - iii sourcing alternative stock to the satisfaction of the consumer.
- 17. Repco informed the Commission that the purpose of the Sale was to sell all existing stock of particular product lines to enable it to introduce new product lines. In this regard, the purpose of the Sale was to clear the advertised stock.

- 18. Repco further informed the Commission that it had not intended to switch consumers to alternative products, with more profitable margins, once those consumers were told that the advertised Products were not available for sale.
- 19. Repco acknowledges the Commission's concerns regarding the conduct outlined in paragraphs 5 through 18 above, and has undertaken that it will take steps to better ensure it has reasonable quantities of advertised products available, having regard to the nature of the market in which Repco operates and the nature of the advertisements in question, in the future.
- 20. In response to the Commission's concerns regarding the conduct, Repco has offered this Undertaking to the Commission pursuant to section 87B of the Act.

COMMENCEMENT OF UNDERTAKING

- 21. This undertaking comes into effect when:
 - (a) The Undertaking is executed by Repco; and
 - (b) The Commission accepts the Undertaking so executed.

UNDERTAKINGS

- 22. Repco hereby undertakes to the Commission, for the purposes of section 87B of the Act that:
 - (a) within 1 month of this Undertaking coming into effect, publish at its own expense, a public disclosure notice in the form of **Annexure B** in a prominent position on its www.repcoshop.com.au website and maintain the notice continuously on the Website for 1 month;
 - (b) within 1 month of this Undertaking coming into effect, place a public disclosure notice (in A4 size) in the form of **Annexure B** in a prominent position on the main sales counter in each Repco store or on the front door of each Repco store and maintain that notice continuously in these positions for 2 weeks;
 - (c) within 3 months of this Undertaking coming into effect, publish at its own expense, a public disclosure notice (in A4 size or full page, whichever is smaller) in the form of **Annexure C** in the Repco internal newsletter (*Repco Filter*) and make that newsletter available to all Repco staff and also send a copy to the Commission's Melbourne Regional Office 'ACCC, GPO Box 520 Melbourne VIC 3001';
 - (d) within 3 months of this Undertaking coming into effect, or as soon as possible thereafter should the lead times set by the publisher require longer, publish at its own expense, an article in the form of **Annexure D**, in the 'Australian Automotive Aftermarket Association Magazine' circulated in Australia.

Redress to Consumer Complaints

- (e) within 1 month of the Commission providing Repco with the names and addresses of those who made complaints to the Commission in relation to the conduct, Repco will provide all persons who made a written complaint to Repco or to the Commission prior to the date of this Undertaking (and who have not otherwise received any compensation from Repco) with redress as follows:
 - (I) the option to purchase all or any of the products complained about by that consumer at a price not more than the price advertised in the Catalogue; or alternatively, at Repco's option
 - (II) a \$100 Repco in-store gift voucher.

Trade Practices Compliance Program

- (f) within 6 months of this Undertaking coming into effect, review and update its existing Trade Practices Compliance Program in accordance with the requirements set out in **Annexure E** for the relevant employees involved in Repco's business, being a program designed to minimise Repco's risk of future breaches of Part V of the Act and to ensure Repco's employees and agents are aware of Repco's responsibilities and obligations under Part V of the Act;
- (g) to maintain and continue to implement the Trade Practices Compliance Program for a period of 3 years from the date of this Undertaking coming into effect; and
- (h) to provide, at its own expense, a copy of any documents requested by the Commission in accordance with **Annexure D**.

ACKNOWLEDGEMENT

- 23. Repco acknowledges that the Commission will make this Undertaking available for public inspection.
- 24. Repco acknowledges that the Commission may, from time to time, publish and publicly refer to this Undertaking.
- 25. Repco acknowledges that the acceptance of this Undertaking by the Commission does not affect the rights and remedies that may be available to any other person arising from the circumstances referred to in this Undertaking.

SIGNED BY AUTHORISED REPRESENTATIVES of REPCO LIMITED

Signature of Secretary/Director

Signature of Director

LARY WEST

(Print) Name of Secretary/Director

Print) Name of Director

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

Graeme Julian Samuel

Chairperson

This $\sqrt[3]{2}$ day of December 2005.

cars are our life too

On Sale 8/9/05 to 25/9/05 While stocks last www.repco.com.au Call 133 227



Speaker Pair

6" 200watt

12 month warranty (FX803)



6 x 9", 130watt

12 month warranty (sci36)

IVMS5601 5.56" Monitor 5.6" high quality TFT monitor, headphone and video socket,

12 month warranty (7607003581) SELLOUT 9ea

PRE-CLEARANCE PRICE \$872



Blau 1

Blau 2 SELLOUT

PRE-CLEARANCE PRICE \$1260

Sound 4 Portable

Portable DVD Player

12 month warranty

SELLOUT

PRE-CLEARANCE



DVD In-Dash Tuner. CD MP3 & Screen

12 month warranty (DVD2)

10750 SELLOUT 9_{ea}

> PRE-CLEARANCE PRICE \$399

Speaker Pair



CD Tuner Pack

140watt, 30 presets. 12 month warranty (FXP114/FXP1145)



PRE-CLEARANCE

BLAUPUNKT

DVD In-Dash Player

12 month warranty (IVCP01) Screen sold separately (7607003581)





CD Tuner Pack

200watt, detachable facia, 2 year warranty (cpi3esonus) PRE-CLEARANCE

SAMILLION SIZZING SOUNDS









KICKER.

Amplifier

2 x 60watt (pictured) (KX120.2) Pre Clearance Price-\$249

2 x 75watt, 12 month warranty (KX200.2)

Pre-Clearance Price \$372.99



KICKER, Subwoofer 10"

200watt 12 month warranty



BLAUPUNKT

Amplifier PA 275

2x100watt, 12 month warranty (F00E430006) SELLOUT \$99ea PRE-CLEARANCE PRICE \$149

KICKER Subwoofer 12"

800 watt 12 month warranty (CVR122)



SELLOUT \$199ea

PRE-CLEARANCE PRICE \$399







DX-R52 Anthracite Navigation

12 month warranty (F005X10049)



Save up to 20% on fuel costs

HOW DOES VAPORATE WORK?

Typically a fuel injection system only vaporises 80-85% of fuel injected into an engine. Vaporate is a patented collar installed over the fuel injector nozzle which transfers the engine heat to the injector nozzle tip to increase the fuel vaporisation. This leads to more efficient fuel

combustion and improved fuel consumption.

* Repco and Vaporate recommend fitment by a qualified motor mechanic. Authorised fitters include Repco Authorised Service Centres, K Mart Tyre and Auto Service, Lubemobile, Midas and Ultra Tune (except SA & NT).

For more information, go to www.vaporate.com, call the Vaporate support line on 1300 737 632 or talk to your nearest Repco store.

Vaporate provides a 2 year warranty on the product

¹ All claims and savings printed are based on information provided and supported by Vaporate. Please refer Vaporate for further information regarding savings claims. ² Conditions apply, see website for details.













SELLOUT

PRE-CLEARANCE

PRICE \$129

pr



BLAUPUNKT Speaker Pair VRC

12 month warranty (7606205002)



Speaker Pair

6 x 9", 3 way, 70watt, 12 month warranty (Exess)



PRE-CLEARANCE PRICE \$399



300mm, 1000watt With box 12 month warranty







Split Speaker

12 month warranty 5.25° 130watt (x5.2) Pre-Clearance Price \$235.99

6,25" 150watt (K5:2) Pre-Clearance Price \$199



BLAUPUNKT

Speaker Pair 6 x 9", 2 way 12 month warranty



(7606269000)





Subwoofer 12" Boxed

250watt 12 month warranty (BBEX12P)

Boys toys



Wall Mounted Tool Cabinet



ALLTRADE

The Right Tool for the Right Project

20% Alltrade Tools





Garage Jack 2000kg and

Jack Stand 2000kg
Rear castors for easy
jack positioning
Jack movement between
127mm-420mm
Stand movement



450watt motor 16mm geared chuck

12 month warranty (PT-ZJ4116H)

SAVE \$50 7 \$199

FACH

BONUS JACK STANDS





Boseh Power Tools

Store stock only



Comes with 338 tools and accessories

Contains a comprehensive assortment

665(W) x 665(H) x 103(D)mm (KTMB-01338)

of popular AF/metric hand tools

Impact Drill

550watt, 9 piece bit set, carry case

12 month warranty (0.603.387.564)

Scorpton

950watt Generator

2.4hp, 4 stroke

(6hr run time)

Low noise 63dBA

12 month warranty

Long range fuel tank

\$**59** EACH

CLEARANCE

Bosch IXO 3.6V Lithium Ion Screwdriver

Includes 12 bit accessory set 12 month warranty (0603949837)



between 284mm-446mm

(2160002)

2hp Petrol Powered Pressure Washer

1300psi max, 5.8L/min 6m hose.

12 month warranty (SPW-2)





\$199

EACH

SAVE \$100





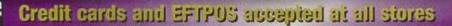












Great range of seat covers





Racing Mesh Seat Covers (167_)

Rear (1678_) \$29.99 ea

48 CD Wallet (CDHMFX_) \$9.99 ea

Seat Belt Comforters (SBCMFX_) \$12.99 pr

Car Mats (6142_) \$24.99 set of 4



All Over Mesh Seat Covers

Rear \$34.99 ea

(MHCIR_)





Jacquard fabric (ICTEMBLU_)

Rear (JCTEMBLU06) \$24.99 ea

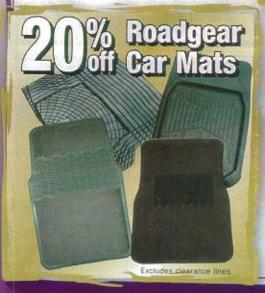


SAVE \$20 Comfort/ **Arena Seat Covers** Australian made

(B)

(A) Comfort: Mocha, Grey (2/com_) Rear \$44.99 ea

(B) Arena: Charcoal (ARE_), Black (2/ARE_) Rear \$44.99 ea





Window Sox

Slip over shade Allows fresh air flows Insect protection (ws_i FROM



Great range of trailer components





FROM **5**99 EACH **High Temperature Bearing Grease**



High pressure lever action (600A) \$69.99 ea High pressure pistol grip (660A) \$99.99 ea

An ideal grease for trailer wheel bearings

\$5.99 ea

500g (100930)

\$19.99 ea 2.5kg (100931)

Grease cartridge, 450g (100933) \$5.99 ea

These Narva Components



TROJAN



Trailer Plugs & Connectors



Trailer Spring Kit

1,000kg rating

1 pr leaf springs, 1 pr hangers, 1 pr slippers, 1pr u-bolt plates,

2 pr u-bolts (661005)



TRAILER SPRING MIT.

Trailer Couplings Non braked 2,000kg

(616202) \$21.99 ea

Braked (override type) 2,000kg (201678) \$59.99 ea







Mobil Super HP

20W-50 SL 5L (98HA39)



Mobil Super XHP

15W-40 SL 5L (98HA30)



Mobil 1 Synthetic 5W-50 SM 5L

(98680E)

Purchase selected Mobil 5L Oil from Repco between 1st September and 15th October and you could win a Plasma TV, \$1,000 of free fuel or one of 50 \$20 Repco Gift Vouchers

For conditions of entry and full terms and conditions please see www.repco.com.au or visit your local Repco store. Permit Numbers: NSW TPL05/08408, VIC 05/2552, ACT TP05/3016, SA T05/2959, NT NT05/2469



GE CreditLine card accepted at all stores

Trailer essentials











Single Hub Sets Holden LM bearings included Holden (080040) forana (080025) 20% OFF





minimizes false braking, to give you a smoother nde, even on the roughest roads (9030-AUS)

\$**Q**99 EACH Tow Balls Chrome

(pictured) (MGC850A) 9.99 ea Stainless Steel (STE35E) \$19.99 ea

EACH Coupling Lock (CPL10) (550308)

30% OFF Wheel Clamp (522101) EACH



Mobil Super Diesel 15W-40 Cl4/SJ 5L (986H13)



Mobil Super 4X4 10W-40 SL 5L (98HA27)



Mobil Super Early Model 20W-50 SG 5L (98HA09)









VVIIV a Plasma TV, \$1000 of free fuel or one of 50 \$20 Repeo Gift Vouchers





Super Eco LED Torch

1 minute wind up = 30 mins of light 12V charging lead also included Swivel head, magnetic base







Plugs into vehicle 12V outlet

Holds 11 x 375ml cans plus 4 can holder in lid (105010) (Drinks not included)



2.2hp Belt Drive Compressor with Pit Lane Tool Kit

includes: 1/2" impact wrench and sockets, 3/8" reverse drill, spray gun with 15m fitted hose and accessories

12 month warranty (X7-1245K) (FAD:140l/min)

More Stores, Big Savings

Victoria

Store stock only Store stock will vary

OPENING HOURS MINIMUM 7 DAY STORES Mon - Fri 8.00am - 5.30pm Sat 8.00am - 4.00pm Sun 9.00am - 4.00pm

ARPORT WEST* 101-103 Matthews Ave,

Cnr Dromana St (03) 9335 1900 ALBURY (NSW) 477 Young St (02) 6021 1679 BALLARAT** 333 Gilles St (03) 5332 1823 BAYSWATER** 258 Canterbury Rd (03) 9738 0800 BENDIGO 137 High St (03) S443 9455 BURWOOD 72 Burwood Hwy (03) 9808 4655 CAMPBELLFIELD / FAWKNER** 1351 Hume Hwy (03) 9359-5200 CLAYTON** 1660 Centre Rd (03) 9545 0101 COBRAM 2 Colgan St (03) 5872 2666 COLAC 325 Murray St (03) 5231 5722

Crv Station & High St (03) 5996 4722 DANDENONG* 37 Bennet St (03) 9792 0933 DOVETON Shop 1B/22 Princes Hwy (03) 9793 7355 ECHUCA 199 Hare St (03) 5482 2922

CRANBOURNE*

ELSTERNWICK 466 Glenhundy Rd (03) 9528 6788

ELTHAM** 5 Bridge St (03) 9439 4444 EPPING Unit 3, 88 Cooper St (03) 8405 3477 FERNTREE GULLY**

1032 Burwood Hwy (03) 9758 0355 FOOTSCRAY Lot 4, 54 Buckley St (03) 9362 0605 FRANKSTON**

30-32 Dandenong Rd West (03) 9783 6199 GEELONG 69 Myers St (03) 5221 4655

GEELONG NORTH 390 Thompsons Rd (03) 5278 2844

Factory 1, 72-74 Hallam Rd (03) 9796 5322 HAMILTON 88 French St (03) 5572 1933

HASTINGS* Unit 1/2027 Frankston Flinders Rd (03) 5979 2000

HOPPERS CROSSING** 174-182 Old Geelong Rd (03) 9749 5350 HORSHAM 97 Wilson St (03) 5382 0016 LILYDALE 43 Cavehill Rd (03) 9735 4177 MILDURA** 93-97 Seventh St (03) 5022 1814

MOONEE PONDS 521 Mt Alexander Rd (03) 9370 7933 MOORASSIN** 418 Warrigal Rd (03) 9558 3822

MORNINGTON*** Unit 1D; 1128-1132 Nepsan Hwy (03) 5975-2077 NARRE WARREN Cry Victor Cres & Princes Hwy (03) 9705 1800

NUNAWADING**

283 Whitehorse Rd (03) 9878 4011

OAXLEIGH** 1605 Princes Hwy (03) 9563 1366 PAKENHAM** 8 Station St (03) 5941 5466

PORTLAND 151 Percy St (08) 5523 5722 PRESTON** 94A Bell St (03) 9495 0131

RICHMOND* 401 Bridge Rd (03) 9427 7235

RINGWOOD** 71 Maroondah Hwy (03) 9879 7215 SALE 250 York St (03) 5144 2755

SHEPPARTON 89 Benalla Rd (03) 5821 4577 SUNSHINE** 447 Ballarat Rd (03) 9312 5584

THOMASTOWN** Lot 6, Settlement Rd. Cnr Dalton Rd (03) 9464 5004 TRARALGON 17 Princes St (03) 5174 1699

WANGARATTA 17-19 Rowan St (03) 5722 3166 WARRAGUL** 136 Queen St (03) 5622 3233

WARRNAMBOOL 193 Raglan Pde (03) 5562 5188

WATERGARDENS** 460 Melton Hwy (03) 8390 8044

WONTHAGGI 13 Murray St (03) 5672 5113

*These stores open Sat 8.00am - 5.00pm, Sun 9.00am - 4.00om

*These stores open Sat 8.00am - 5.00pm, Sun 9.00am - 5.00pm

***These stores open Sat 8.00am - 5.00pm, Sun 10.00am - 5.00pm

OPENING HOURS Mon - Fri 8.00am - 5.30pm

Sat 8.00am - 1.00pm ARARAT 278 Barkly St (03) 5352 2468 BAIRNSDALE

35 Payne St, Chr Main St (03) 5152 3299 BENALLA 198 Bridge St (03) 5762 2244 BULLEEN 44 Greenaway St (03) 9852 0966

DENILICUIN (NSW) 60 Harding St (03) 5881 2600 LEONGATHA 64 8air St (03) 5662 4250

MARYBOROUGH 87 Napier 5t (03) 5461 4000 MELTON 302 High St (03) 9743 7222 MOE 1 Market St (03) 5127 8100

MORWELL 97 Buckley St (03) 5134 3644 RESERVOIR 18-20 Newlands Rd (03) 9462-6107 ROBINVALE 80 Bromley St (03) 5026 3416

102-106 Thistiewaite St (03) 9690 2322

SUNBURY 7 Harker St (03) 9744 7288 SWAN HILL 7-13 Campbell 5: 0030 5032 2611

WODONGA Shop 2, 10 South 5t (02) 6024 3322

Tasmania

OPENING HOURS MINIMUM 7 DAY STORES Mon - Fri 8.00am - 5.30pm Sat 8.00am - 4.00pm Sun 9.00am - 4.00pm

BELLERIVE 8 Gordons HII Rd (03) 6244 5455 BURNE 106 Wilson St (03) 6431-3811 DERWENT PARK* 2426 Derwent Park

(03) 6278 1151 DEVONPORT 13 Oldsker St (03) 6424 1621

HOBART* 167 Argyle St (03) 6234 3525 KINGSTON 16 Freeman St (03) 6229 4755 LAUNCESTON 41 Canning St (03) 6331 9244

Mon - Fri 8.00am - 5.30pm Sat 8.00am - 1.00pm

NORTH LAUNCESTON 217 Irwermay Rd (03) 6326 6917 ULVERSTONE 27 Victoria St (03) 6425 4144

All prices include GST. At effect will be made by Report to unsure that advertised abook is available for the duration of the sale, but cannot be held responsible for the unswallability of such products by abipping delays, where delivery, quality control resons or appliers falling to deliver of all cannot be held responsible for the unswallability of such products are displayed in all stores, but can be ordered in, unless restricted by relaying the sale of t Saves and percentage discounts ind laws. None pictured we represent from Repco E & O.E. Copyright Repo

Annexure B

Public Disclosure Notice [16 Point] An Apology from Repco Limited [20 point font]

[Repco logo – no smaller than 2 cm high x 6cm long. No larger than 4 cm high and 8cm long]

[Notice not less than one full A4 page with clearly legible text]

In September 2005 Repco Limited (**Repco**) distributed a '\$1 Million Sizzling Sound Sellout' Catalogue (**Catalogue**) to approximately 3.9 million letterboxes Australia-wide. The Catalogue promoted a sale commencing 8 September 2005 and concluding on 25 September 2005 (**the Sale**). Unfortunately Repco did not have sufficient stock of some products advertised to meet the demand, which disappointed many of our customers. Repco regrets this occurred and wishes to apologise to all our customers who were unable to purchase advertised items during the Sale.

The Australian Competition and Consumer Commission (Commission) has raised concerns with Repco relating to potential misleading and deceptive conduct and bait advertising in respect of 5 products advertised in the Catalogue. These 5 products were advertised in prominent positions in the Catalogue at a discount on their pre-sale price of between 66% and 92%. The majority of Repco's 290 stores sold out of all the 5 products on the first day of the Sale, and a large number of stores did not have any of the Products available during any part of the Sale.

The purpose of Repco's Sale was to clear stock of discontinued sound lines in preparation for the introduction of new lines. It was not Repco's intention to use the Sale as a method to increase store traffic for the purpose of switching consumers to alternative products to allow Repco to increase its profit margin. In fact Repco quickly took several measures to communicate the low stock levels and apologise to customers. These steps included publishing stock level information on our website, placing notices in all our 290 stores, and publishing an advertisement in national capital city and major regional newspapers throughout Australia.

Whilst we sought to clear all existing stock of the 5 products, Repco underestimated the consumer demand that would be created by offering such significant discounts on the 5 products. As a result of our error, Repco was unable to supply many consumers who arrived at Repco stores with one or more of these 5 products. Notwithstanding the steps taken to mitigate customer dissatisfaction, we acknowledge the Commission's concerns that Repco may have breached sections of the *Trade Practices Act* that relate to misleading or deceptive conduct (s.52) and bait advertising (s.56).

In recognition of Repco's commitment to complying with its obligations under the *Trade Practices Act 1974* and to ensure that this conduct does not re-occur, Repco has offered a court enforceable undertaking to the Commission. The undertaking requires Repco to review its existing compliance program to ensure it is sufficiently up to date and robust, and to conduct additional Trade Practices training, to be undertaken by relevant staff and management. The undertaking may be viewed at www.accc.gov.au.

[Commonwealth Coat of Arms and Commission logo – not less than a total of 2cm high x 5 cm long. No larger than 4 cm high and 6 cm long].

This public disclosure has been circulated at Repco's cost in accordance with Repco's undertaking with the Australian Competition and Consumer Commission.

Annexure C

Staff Notice [16 Point]

Repco Sizzling Sound Sale – September 2005[20 point font]

[Repco logo – no smaller than 2 cm high x 6cm long. No larger than 4 cm high and 8cm long]

[Text in 12 point font]

Many of you will be aware of the concerns raised by both customers and regulatory authorities regarding our '\$1 Million Sizzling Sound Sellout' Catalogue which promoted a sale commencing 8 September 2005 and concluding on 25 September 2005.

The Australian Competition and Consumer Commission (ACCC) has raised concerns with Repco relating to potential misleading and deceptive conduct and bait advertising in respect of 5 products advertised in the Sound Sale catalogue. We have been working with the ACCC to come to a resolution regarding this matter.

In recognition of Repco's commitment to complying with its obligations under the *Trade Practices Act 1974* and to ensure that this conduct does not re-occur, Repco has offered a court enforceable undertaking to the ACCC. Amongst other things, the Uundertaking requires Repco to review and implement changes to its existing compliance program to ensure it is sufficiently up to date and robust. You will be hearing more about this review over the first half of 2006.

As part of several public disclosure steps we are also required to take under the Undertaking, the below notice is being placed in all Repco stores throughout Australia, as well as on the Repco Shop website. Please read the notice carefully, as it explains to customers what happened and what we are doing to prevent a repeat of the circumstances which led to many customers missing out on advertised stock.

I want to take this opportunity to stress to all staff the need to be vigilant on trade practices compliance issues, and to thank those staff who were at the front line of managing customer concerns throughout the Sound Sale period. Whilst the process of entering into an undertaking with the ACCC is costly and has taken considerable time, the real damage is done when our customers are let down. It is everyone's job at Repco to help prevent this happening again.

Peter Mummery Managing Director

[Image of final in-store notice, as per Annexure B, to be inserted on separate page]

Annexure D

'Lessons from Repco Limited regarding Catalogue Advertising'

By Peter Mummery, Managing Director of Repco Limited.

[Article with clear and legible text consistent with font size used by the publisher in other articles]

In this article I would like to reinforce the importance of compliance with the *Trade Practices Act 1974* by reference to a recent matter involving Repco Limited (**Repco**) and the Australian Competition and Consumer Commission (**the Commission**). This matter resulted in Repco providing the Commission with a court enforceable undertaking pursuant to section 87B of the *Trade Practices Act 1974*. As part of the Undertaking, Repco has agreed to publish this article to increase awareness of compliance issues within the automotive aftermarket.

I would like to share with you this recent experience so as to provide some learnings for the whole industry. In September 2005 Repco circulated approximately 3.9 million Catalogues to letterboxes and through in-store distribution stands advertising a '\$1 Million Sizzling Sound Sellout' commencing on 8 September 2005 and concluding on 25 September 2005.

The Catalogue included five sound system products, advertised in prominent positions within the Catalogue at discounts on their pre-sale price of between 66% and 92%.

The Sale was designed to sell all existing stock of particular sound lines to enable Repco to introduce new products. In this regard, our goal was to clear stock, and the Catalogue featured typical clearance sale wording such as "Limited Stock" and "Sellout". It was not Repco's intention to increase store traffic for the purpose of switching consumers to alternative products, and we did not use the Catalogue to do this. In fact, once we became aware of the significant demand for certain products, Repco quickly took several measures to communicate the limited stock levels and apologise to customers who may have missed out. These steps included publishing stock level information on our website, placing notices in all our Repco stores, and publishing an advertisement in national capital city and major regional newspapers throughout Australia.

Repco also alerted the Commission to the Catalogue and the complaints that Repco was receiving from our customers.

Whilst we sought to clear all existing stock of the 5 products, Repco underestimated the consumer demand that would be created by offering such significant discounts on the 5 products. As a result of our error, Repco was unable to supply many consumers who arrived at Repco stores with one or more of these 5 products.

In fact, the majority of Repco's 290 stores sold out of all the 5 products on the first day of the Sale, and a large number of stores did not have any of the Products

available during any part of the sale. As a result, Repco received many complaints from consumers, as did the Commission and the fair trading agencies in each state and territory in Australia. Repco has been working with the Commission to ensure our customers have been looked after, and to put steps in place to ensure these circumstances are not repeated.

Repco has suffered criticism from many of its loyal customers, spent considerable time managing customer complaints, and incurred significant cost to redress consumer concerns. In particular I note that:

- (a) Repco has incurred significant financial expense including:
 - a. the cost of publishing notices in national capital city and major regional newspapers during the sale period informing consumers of Repco's inability to offer the advertised stock for sale during the sale period;
 - b. the cost of providing compensation to consumers; and
 - c. legal fees in responding to the concerns raised by the Commission;
- (b) This experience has been counter productive. It was a distraction to Repco's sales staff during the sale period (as a result of them receiving large numbers consumer complaints) and a distraction to those staff that have been involved in responding to consumer complaints and the concerns of the Commission;
- (c) Repco's reputation among our customers and in the market place has been damaged.

In addition to the impact on our branding, Repco risked contravening the *Trade Practices Act 1974*. The Commission has advised us that retailers who advertise discounted products through catalogues (or other mediums) and who do not have sufficient stock to meet consumer demand during the advertised sale period may:

- (a) be in breach of section 56 of the *Trade Practices Act 1974* (namely the bait advertising provisions); and
- (b) find themselves exposed to criminal and/or civil prosecution by the Commission (including individual action against individuals involved).

Catalogues can be an effective means of advertising to consumers and we are free to advertise discounted or clearance products. However, the Commission has made it clear that it is important businesses do not advertise goods or services if they are aware, or ought to be aware, that they will not be able to supply reasonable quantities at the advertised price for a reasonable period having regard to the nature of the advertisement. Where stock is available in limited quantities and/or locations it would be prudent to clearly communicate this. Doing otherwise creates a risk of contravening section 56 of the *Trade Practices Act 1974*.

The concerns raised by the Commission could have been avoided by Repco by undertaking a more comprehensive analysis of the anticipated demand for the advertised products at the discounted prices and by better detailing stock limitations in the Catalogue.

To better ensure compliance with the *Trade Practices Act 1974* one measure is to introduce and maintain an effective compliance program and to ensure that it is reviewed and implemented through regular staff training.

I hope that Repco's experience can highlight the need for us all to be especially vigilant in meeting our obligations under the *Trade Practices Act 1974* when conducting catalogue advertising.

Peter Mummery
Managing Director, Repco Limited.

Annexure E

TRADE PRACTICES COMPLIANCE PROGRAM

Repco Limited (ACN 097 993 283) will establish a Trade Practices Compliance Program (the Compliance Program) for the Repco store network business in Australia and its employees, officers and directors (referred to as Repco in this Annexure D) that complies with each of the following requirements:

Appointments

- 1. Within 3 months of the date of this Undertaking coming into effect Repco will appoint a Director or a Senior Manager with suitable qualifications or experience in corporate compliance as **Compliance Officer** with responsibility for ensuring the Compliance Program is effectively designed, implemented and maintained.
- 2. Within 3 months of the date of this Undertaking coming into effect, Repco will appoint a qualified, internal or external compliance professional with expertise in trade practices issues (the Compliance Advisor) to conduct a *Trade Practices Act 1974* (the Act) risk assessment (the Risk Assessment) in accordance with paragraphs (a) to (d) below:
 - (a) identify the areas where Repco is at risk of breaching Part V of the Act;
 - (b) assess the likelihood of these risks occurring and the consequences of the risks to the business operations of Repco should they occur;
 - (c) identify where there may be gaps in Repco's existing procedures for managing these risks; and
 - (d) provide recommendations for action having regard to the assessment.

Compliance Policy

- 3. Within 3 months of the Undertaking coming into effect, Repco will issue a policy statement to all Repco employees and agents outlining Repco's commitment to trade practices compliance (the Compliance Policy). Repco will ensure that the Compliance Policy:
 - (a) is written in plain language;
 - (b) contains a statement of commitment to compliance with the Act;
 - (c) contains a strategic outline of how commitment to trade practices compliance will be realised within Repco;

- (d) includes a requirement for all staff to report any compliance related issues and trade practices compliance concerns to the Compliance Officer;
- (e) contains a clear statement that Repco will take action internally against any persons who are knowingly or recklessly concerned in a contravention of the Act and will not indemnify them;
- (f) is given to all new Repco employees as part of their induction process.

Complaints Handling System

4. Repco will ensure that the Compliance Program includes a complaints handling system capable of identifying, classifying, storing and where necessary, referring internal and external trade practices complaints.

Reports to Board/Senior Management

- 5. Repco will ensure that the Compliance Officer reports to the Board and/or senior management meetings every 3 months on the continuing effectiveness of the Compliance Program.
- 6. Repco will ensure that details of the report to the Board and/or senior management are recorded in the minutes of the Board meeting.

Training

- 7. Repco will ensure that the Compliance Program provides for regular (at least once a year) and practical trade practices training that focuses on Part V of the Act for all directors, officers and employees of Repco whose duties could result in them being concerned with conduct that may contravene Part V of the Act. Repco must ensure that the training is conducted by either a suitably qualified compliance professional or legal practitioner with expertise in trade practices law.
- 8. Repco will ensure that the Compliance Program includes a requirement that awareness of trade practices compliance issues forms part of the induction of all new employees whose duties could result in them being concerned with conduct that may contravene Part V of the Act.
- 9. The training and induction process referred to in paragraphs 8 and 9 above is not required for Repco store staff below the position of assistant store manager or equivalent.

Supply of Compliance Program Documents to the Commission

10. Repco shall, at its own expense, within 6 months of the date of this Undertaking coming into effect, cause to be produced and provided to the Commission copies of each of the documents constituting the Compliance Program and implement promptly and with due diligence any

recommendations that the Commission may make that are reasonably necessary to ensure that Repco maintains and continues to implement the Compliance Program in accordance with the requirements of this Undertaking.

Review

- 11. Repco shall, at its own expense, cause reviews of the Compliance Program (the Reviews) to be carried out in accordance with each of the following requirements:
 - (a) Scope of the Reviews the Reviews should be broad and rigorous enough to provide Repco and the Commission with a supportable verification that Repco has in place a program that complies with each of the requirements detailed in paragraphs 1 10 above and to provide the Review reports and opinions detailed at paragraph 12 below;
 - (b) Independence of Reviewer Repco shall ensure that the Reviews are carried out by a suitably qualified, independent compliance professional with expertise in trade practices law (**the Reviewer**). The Reviewer will qualify as independent on the basis that he or she:
 - i. did not design or implement the Compliance Program;
 - ii. is not a present or past staff member or director of Repco;
 - iii. has not acted and does not act for Repco in any trade practices related matters;
 - iv. has not and does not act for or consult to Repco or provide other services on trade practices related matters other than Compliance Program reviewing; and
 - v. has no significant shareholding or other interests in Repco.
 - (c) Evidence Repco shall use its best endeavours to ensure that the Reviews are conducted on the basis that the Reviewer has access to all relevant sources of information in Repco's possession or control, including:
 - i. enquiries of any officers, employees, representatives, agents and stakeholders of Repco;
 - ii. Repco's records, including Repco's complaints register/reports and any documents relevant to Repco's training or induction program; and
 - iii. documents created by Repco's consultants for use in Repco 's Compliance Program.

(d) Repco shall ensure that the first Review is completed within 18 months of this Undertaking coming into effect and that a subsequent Review is completed within 18 months thereafter.

Reporting

- 12. Repco will use its best endeavours to ensure the Reviewer sets out the findings of the Review in two separate reports as outlined below:
 - (a) Company Compliance Program Review Report (to be provided to Repco). Repco's Company Review Report will provide particular and specific information regarding the performance of the Trade Practices Compliance Program to the corporation including:
 - i. If, and to what extent, the Compliance Program of Repco includes all the elements detailed in paragraphs 1 10 above;
 - ii. If, and to what extent, the Trade Practices Compliance Program adequately covers the parties and areas identified in the initial Risk Assessment;
 - iii. If, and to what extent, the trade practices training is effective;
 - iv. If, and to what extent, Repco's complaints handling system is effective;
 - v If, and to what extent, Repco is able to provide confidentiality and security to 'whistleblowers' on Part V trade practices issues, and staff are aware of the protection mechanisms; and
 - vi. Recommendations for rectifying deficiencies in sub paragraphs i.

 v. above that the Reviewer thinks are reasonable necessary to ensure that Repco maintains and continues to implement the Compliance Program in accordance with the requirements of the Undertaking.
 - (b) Commission Compliance Program Review Report (to be provided to the Commission). The Commission Review Report will provide particular and specific information regarding the scope of the Review and the effectiveness of the Trade Practices Compliance Program including:
 - i. details of the evidence gathered and examined during the Review;
 - ii. the name and relevant experience of the person appointed as the company Compliance Officer;

- iii. the Reviewer's opinion on whether Repco has in place a Trade Practices Compliance Program that complies with the requirements detailed in paragraphs 1-11 above;
- iv. the Reviewer's opinion on if, and to what extent, Repco has complied with the Trade Practices Compliance Program component of the Undertaking;
- v. actions recommended by the Reviewer to ensure the continuing effectiveness of Repco's Compliance Program;
- vi. confirmation that any actual and potential inadequacies in Repco's Compliance Program have been brought to the attention of the Compliance Officer and the Board;
- vii. confirmation that the Reviewer has revisited any actual and potential inadequacies in Repco's Compliance Program identified in any previous Company Compliance Program Review Report, and assessed how they have been addressed by Repco;
- viii. any reservations that the Reviewer might have about the reliability and completeness of the information to which the Reviewer had access in the conduct and reporting of the Review; and
- ix. any comments or qualifications concerning the Review process that the Reviewer, in his or her professional opinion, considers necessary.
- (c) Repco will ensure that the Review Reports are completed and provided to Repco within two months of each Review.
- (d) Repco will retain the Company Compliance Program Review Report and cause the Commission Compliance Program Review Report to be provided to the Commission within 14 days of its receipt from the Reviewer.
- (e) Repco acknowledges that a brief statement regarding the Commission Compliance Program Review Report may be included in the Commissions 87B public register.
- 13. Recommendations Repco shall implement promptly and with due diligence any recommendations made by the Reviewer or required by the Commission that are reasonably necessary to ensure that Repco maintains and continues to implement the Compliance Program in accordance with the requirements of this Undertaking.
- 14. If requested by the Commission Repco shall, at its own expense, provide copies of documents and information in respect of matters which are the subject of the Compliance Program.

15. In the event the Commission has sufficient reason to suspect that the Compliance Program is not being implemented effectively, Repco shall, at its own expense and if requested by the Commission, cause an interim or additional Review to be conducted and cause the resulting Commission Review Report to be provided to the Commission.