December 10, 2020

The Honorable Joseph Simons Chairman  
Federal Trade Commission  
600 Pennsylvania Avenue, NW  
Washington DC 20580

Dear Chairman Simons:

We are writing regarding the September 4, 2020, announcement of a public workshop and request for public comment made by the Federal Trade Commission (FTC) regarding its decennial review of the FTC Franchise Rule. For the benefit of our constituent stakeholders involved in the franchise business format, we strongly urge the FTC to extend the Franchise Rule. Since the development of the first Franchise Rule promulgated in 1978, the rule has been one of the most important measures for the franchise sector, detailing important consumer protections for the 733,000 franchise establishments that employ more than 7.6 million Americans, over 30 percent of which are owned by minorities.

This essential rule delivers clear guidelines for franchise brands to follow and transparent information for prospective franchise owners to do their due diligence before making an investment. The rule was updated a little over a decade ago following a 10-year-long, constructive, consensus-based process that included regulators, franchise brands and franchise owners. That process worked, and the Rule has driven franchisors to increase transparency into their systems’ financial performance disclosures, with 66% of franchisors disclosing revenue information in their Item 19s in 2017 compared to only 52% in 2014.\(^1\) By requiring clear and consistent disclosure of information at the outset of all franchise relationships, and through its evenhanded federal application, the existing rule allows for better-performing franchisors and franchisees to succeed together.

The franchise community has consistently supported regulatory policies designed to ensure that prospective franchisees receive relevant information about their proposed franchise purchase sufficiently in advance of their purchase to permit them the appropriate time, as well as the pertinent information, to make a well-informed decision. To that end, we believe the current rule supports a proper balance between the legitimate disclosure needs of prospective franchisees and the compliance burdens and costs, borne by both franchisors and franchisees. It has created a more efficient franchising system, where expectations are clear, disclosures are transparent, and all franchise systems are required to comply with its requirements.

\(^1\) FRANdata 2017 Financial Performance Representation Study, April 2017.
For these reasons, we strongly affirm a continuing need for the rule substantially in its current form, which represents the franchise sector’s interests and desire for thoughtful, consistent, and fair regulation.

Sincerely,

Dean Phillips  
MEMBER OF CONGRESS

Kevin Hern  
MEMBER OF CONGRESS

Co-signers:

Gus M. Bilirakis  
MEMBER OF CONGRESS

Julia Brownley  
MEMBER OF CONGRESS

Larry Bucshon, M.D.  
MEMBER OF CONGRESS

Bradley Byrne  
MEMBER OF CONGRESS

Tony Cárdenas  
MEMBER OF CONGRESS

Earl L. “Buddy” Carter  
MEMBER OF CONGRESS

Tom Cole  
MEMBER OF CONGRESS

Henry Cuellar  
MEMBER OF CONGRESS

Rodney Davis  
MEMBER OF CONGRESS

Bill Foster  
MEMBER OF CONGRESS

Virginia Foxx  
MEMBER OF CONGRESS

Vicente González  
MEMBER OF CONGRESS

Denny Heck  
MEMBER OF CONGRESS

Richard Hudson  
MEMBER OF CONGRESS

Fred Keller  
MEMBER OF CONGRESS

Daniel T. Kildee  
MEMBER OF CONGRESS

Andy Kim  
MEMBER OF CONGRESS

Raja Krishnamoorthi  
MEMBER OF CONGRESS

Dan Meuser  
MEMBER OF CONGRESS

Tom O’Halleran  
MEMBER OF CONGRESS
Chris Pappas
MEMBER OF CONGRESS

Kathleen M. Rice
MEMBER OF CONGRESS

Denver Riggleman
MEMBER OF CONGRESS

David P. Roe, M.D.
MEMBER OF CONGRESS

Kurt Schrader
MEMBER OF CONGRESS

W. Gregory Steube
MEMBER OF CONGRESS

Tim Walberg
MEMBER OF CONGRESS

Mark Walker
MEMBER OF CONGRESS