

Congress of the United States

Washington, DC 20510

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,



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MEMBER OF CONGRESS



Kevin Hern
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