



Franchising
Building local businesses,
one opportunity at a time.

September 12, 2012

Dear Members of the House Regulatory Reform Committee:

On behalf of the International Franchise Association (IFA) and its members, who include both franchisees and franchisors, I would like to inform you of our grave concerns with House Bill 5465.

The amendatory language contained in Section (J) regarding "equipment, fixtures, supplies, or services" is problematic. As currently written, the language will most assuredly result in unforeseen consequences affecting the entire franchise industry. Standards used in a franchise system exist to protect the franchise brand, which is beneficial to both franchisees and franchisors. Although something might meet the technical standards of a franchisor, there still could be consistency issues. Further, multiple sourcing of goods and services could create serious problems if a recall situation would happen to arise, especially in the case of food.

Standards are agreed to by both parties at the time of signing the franchise agreement. The language in Section (J) would put these standards into doubt. Additionally, what constitutes "central to the franchise business" creates further ambiguity.

The costs to franchisors reviewing multiple suppliers would be substantial and should not be ignored.

IFA has always taken the position that the occasional disagreements that arise between franchisees and franchisors should be resolved between the parties and not through legislation that will have the likely result of encompassing other franchisees and franchisors not involved with the original dispute.

We therefore respectfully request that House Bill 5465 be withdrawn.

Sincerely,

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