

From: [REDACTED]
To: [Franchising Review](#)
Subject: Review of the Franchising Code of Conduct.
Date: Thursday, 21 September 2023 1:49:46 PM

To the Independent Reviewer,

Firstly thank you for taking the initiative to look into the Viability and Workability of the Current Franchising Code of Conduct.

I have been a member of the Franchisee Community for over 23 years, being part of this industry for so long meant that systems that were in place to effectively regulate this industry worked in the past. Having said that we are in a rapidly changing Business Environment, this industry has seen a huge growth and therefore like every thing else there is a urgent need to review and bring about effective changes to the regulation for this industry to make sure it is prevalent in the future.

I HAVE THE FOLLOWING POINTS TO ASSIST IN THIS REVIEW AND WOULD LIKE MY PERSONAL DETAILS TO REMAIN CONFIDENTIAL.

- a) The Franchise Code as it exist now does far to little to regulate the Practices of the the Franchisor. The code is too weak and vague and do not provide adequate protection to the Franchisee (in most cases small business and individual) against the Franchisor (in most cases Multinational and big Venture Capitalist Organizations) who are obviously in a much stronger position.
- b) The Role of ACCC and the Australian Small Business Ombudsman in regulating the industry is negligible and ineffective.

Suggestion: Need of a Designated Independent Governing Body looking into the Affairs of Franchising Industry.

- c) Most Franchise Agreements are very One Sided in favour of the Franchisor. There needs to be a regulated Formate which needs to be formulated to govern the terms and conditions of these agreements to make sure they are fair, legal & balanced for both parties involved.

Suggestion: May be introduce a Retail Franchise Act like we have for the Retail Lease Act where the all terms and conditions are regulated & standardised.

- c) The Obligations & Practise of the Franchisor around Termination, Return on investment, Viable Business Model, 5% commission on Sale of the business by the franchisee, Unrealistic Huge Capital Expenses imposed by the Franchisor on the Franchisee resulting in unwanted financial liability.

Suggestion: Formation of a Independent Regulatory Body responsible for the Franchising Industry as a whole. Encouraging and formation of a Union Body for Franchisee to represent their interest.

- d) Transparency, Regulation & Disclosure around various Financial Rebates earned by the Franchisor from various mandatory Suppliers of goods & services.

Suggestion: Legal requirement to disclose not just names of the Suppliers but also the \$ amount of the actual rebate/commission earned from them on annual audit report to the Franchisee partners.

- e) Look into the Practises of Whole Sale and vested conflict of interest of the Franchisor in key Supplier Companies reflecting poor group buying contracts imposed on the Franchisee where those items could be bought a lot cheaper in the market.

Suggestion : Regulatory Independent Body and mandatory involvement of the Franchisee representative in the tender process and outcomes for more transparency of the process.

- f) Clear guide lines around territory of Expansion of New Stores and the impact of cannibalisation on existing store sales when opened too close to existing stores.

- g) Regulation on the working of the Foreign Venture Capitalist Firms investing in these sectors and taking huge profit overseas many times at the cost of the depleting bottom line of the individual franchisee small business.

Thank you again and hope that we can bring about much required changes in regulations governing this sector and the Franchise Code of Conduct to make it more effective to meet the current demand of the Franchising Industry in Australia.

Regards,

