

CRAVEABLE BRANDS PTY LTD

Submission
on the Franchise Disclosure Register

craveable brands.

1 Background

- 1.1 Craveable Brands Pty Ltd (**Craveable Brands**) is a wholly owned Australian company and is home to three iconic Australian chicken brands, Red Rooster, Chicken Treat and Oporto.
- 1.2 Currently the group employs 580 people directly across Australia. Through our franchise network our brands employ a further 11,200 across Australia.
- 1.3 With its operational genesis in Perth in the 1970's, Craveable Brands has carved a unique place in the Australian corporate landscape.
- 1.4 The Treasury wishes to consult with the Franchising sector on the Exposure Draft Changes to the Franchising Code of Conduct (**Exposure Draft**) that introduces a Franchise Disclosure Register (**Register**).
- 1.5 We set out our comments and concerns below.

2 Craveable Brands is supportive of the Register

- 2.1 Craveable Brands supports the introduction of the Register on the basis that it facilitates the comparability of disclosure statements and promotes more transparency in the franchising industry and enables franchisors to implement best practice.

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Summary of Craveable Brands' Concerns regarding the Exposure Draft

- 3.1 Craveable Brands has some concerns around the following areas in the Exposure Draft:
- the timing of uploading disclosure statements; and
 - the failure to be able to redact additional commercially sensitive information.

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Timing

- 4.1 We have real practical concerns about the timing of:
- downloading the first disclosure statement (clause 53C(3)(b));
 - downloading each subsequent disclosure statement (clause 53D(3)(b)(i); and
 - uploading material changes to the disclosure (clause 53E(3)(b)).

- 4.2 Pursuant to clauses 53C(3)(b) and 53D(3)(b)(i) a franchisor is required to upload the first and each subsequent disclosure statement by 31 October.
- 4.3 This coincides with the last date that the franchisor must update its disclosure statement each year.
- 4.4 The timing does not make any practical sense. If a franchisor has until 31 October to update its disclosure statement then any upload to the Register should occur after that date.
- 4.5 Disclosure statements are complex and often require significant updates – franchisors are entitled to update their disclosure each year up to 31 October (and often need all that time to do so as their financial reports are being prepared at the same time).
- 4.6 As a consequence, we strongly recommend that the date for uploading should be 14 days after the last date that the franchisor has to amend and update its disclosure (otherwise we foresee many franchisors uploading their documents on the very last day which will place significant pressure on the website and its functionality).
- 4.7 Similarly we consider that the requirement to upload material changes within “14 days after the franchisor becomes aware of the matter” is too short – we would advocate that this is extended to a minimum of 21 days (or a month like it is with ASIC lodgements).

5 Redacted Information

- 5.1 We support the redaction of personal information and the information on rebates referred to in clause 10.1(k)(iii) of the disclosure however the latter is not the only commercially sensitive information contained in a disclosure statement.
- 5.2 We consider it is important that:
- the names of suppliers;
 - the method for working out how rebates are shared;
 - the restrictions on the goods or services that a franchisee must acquire (and the names of those suppliers);
 - details of establishment and operating costs; and
 - financial reports,
- are also redacted on the basis that this is commercially sensitive information.
- 5.3 Confidentiality around suppliers (and the goods and services a franchisee must acquire) is particularly important as it provides franchisors with a competitive advantage and competitors of the franchisor should not be able to view this information on a public register.
- 5.4 Similarly, the method of working out how rebates are shared is commercially sensitive information that competitors should not have access to.
- 5.5 The proposed changes to the Code mean that the Register will be entitled to receive yearly financial reports before ASIC seems an unintended consequence. In any event, the Register is not the appropriate forum to contain this information. Disclosure is adequately covered by the Corporations Act.

5.6 Given that prospective franchisees will have access to the above information through the disclosure process anyways there is no real practical need to have this information displayed on a public forum.

6 Summary

6.1 We are supportive of the Register however we have real practical concern around the timing of uploading disclosures and the fact that clause 53C(4) does not cover the redaction of all commercially sensitive information in the disclosure statement.

6.2 We trust these comments assist the Treasury.

6.3 Should you require any clarity on the above or wish to discuss it further please do not hesitate to call our Chief Inhouse Legal Counsel, Brett Dingli on 0438 584 440 or myself.

6.4 This Submission may be published.

Dated the 29th day of October 2021