



November 16, 2022

The Honorable Lina Khan
Chair
Federal Trade Commission
600 Pennsylvania Avenue, NW
Washington, DC 20580

Dear Chairwoman Khan:

As the Federal Trade Commission undertakes its decennial review of the Franchise Rule, we, the umbrella organizations representing franchisees, respectfully urge the Commission to await the findings of an ongoing General Accountability Office (GAO) review before taking any action on the Rule.

As you know, in November 2020, the FTC held a workshop on the Rule where franchisees testified, and many submitted comments, asking for improved transparency and enforcement. Both franchisee advocates and state regulators also have called for additional improvements to the Rule. For instance, the current Rule only looks at presale disclosure, which is a small window into the life of a franchisee. Franchisees sign five- to 20-year franchise agreements yet feel little protection from the FTC during this phase of their franchise ownership. Extending the Rule beyond the presale disclosure would be critical to ensuring that unfair or deceptive acts or practices by franchisors are investigated, and if needed, enforcement action taken. With the significant power imbalance evidenced in franchise agreements, there needs to be additional oversight to protect the true investors in the industry, the franchisees.

In addition, at the request of Congresswoman Jan Schakowsky (D-IL), Chair of the Consumer Protection and Commerce Subcommittee of the House Energy and Commerce Committee, the GAO is in the process of studying many issues related to franchising, including inadequacies of the Rule and the concerns that have been raised surrounding FTC's enforcement of it.

This thoughtful work that is underway by the GAO surely will be of value to the FTC as it contemplates how best to ensure that the Rule continues to meet its mandate, which is, to give prospective purchasers of franchises the material information they need in order to weigh the risks and benefits of such an investment and to protect the rights of franchisees from any unfair or deceptive practices.

Toward that end, we respectfully ask that the FTC defer action on the Rule until it has the opportunity to consider improvements that may be reported in the GAO report alongside the many franchisee comments already submitted on the Rule review, including the recommendation that the Rule and enforcement extend past the point of franchise agreement signing.

Sincerely,

Robert L. Purvin, Jr
AAFD Chairman

Nishant (Neal) Patel
AAHOA Chairman

John Motta
CFA Chairman