

## **MP warns of rogue operators at Franchise Expo**

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The Member for Southern River, Mr Peter Abetz, has issued a warning to people considering entering into a franchise arrangement after visiting the Perth Franchise Expo, which will be held this week end May 21 and 22nd . He warned that franchising is a “minefield for the inexperienced business operator”.

Mr Abetz recently introduced a Private Member’s Bill in the WA State Parliament in an effort to provide additional protection to mum and dad franchisees from unscrupulous franchisors. He urged people considering buying a franchise to make sure that they speak to other franchisees in that system and not only the ones the franchisor suggests.

“There are people out there who prey on the inexperienced and naive business operator. Franchising is not a level playing field and although I am sure the majority of exhibitors at the Franchise Expo are people of integrity, there is every likelihood that some rogue elements will be there as well.” Mr Abetz said.

“While there is a Franchising Code of Conduct, franchisees need to be aware that there are no penalties for breaches of the code, which results in some franchisors thumbing their nose at the code, because they know that franchisees don’t have the \$100,000 or more it takes to sue their franchisor for rogue behaviour,” Mr Abetz said.

Mr Abetz pointed to a recent media report about a Sumo Salad franchise outlet in Sydney where reportedly a franchisor sent a crew into the franchise and vandalised the property of the franchisee.

“Franchisees buy a franchise because they trust the franchisor, but sadly, that trust is often misplaced. “I would never consider buying a franchise unless the franchise agreement included words to the effect that the franchisor must deal with me at all times and in all aspects of our relationship, honestly, fairly, reasonably and cooperatively. “

The other aspect that franchisees often don’t realise is that while buying a franchise is touted as “be your own boss”, the fact is that when the franchise agreement expires, most franchising agreements allow the franchisor not to renew the agreement and to take over the business themselves, and then sell it as a going concern to someone else. In other words, franchisees can build up a great business, but ultimately it is not their business. It is simply a licence to use the franchisors system for a period of time.” Mr Abetz said

I would caution anybody who is contemplating buying a franchise to take all precautions and seek independent advice before making a commitment” Mr Abetz said.

The Franchising Bill 2010 introduced by Mr Abetz seeks to ensure that both franchisees and franchisors adhere to generally accepted standards of conduct, and that persons breaching the Franchising Code of Conduct can be fined. “Unless there are penalties, there will continue to be few incentives for unscrupulous operators to act honestly, fairly, reasonably and cooperatively.” Mr Abetz said.

The Franchising Bill 2010 is currently being examined by a Parliamentary Committee which is expected to report back to Parliament by the end of June.