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UNITED STATES OF AMERICA  
Federal Trade Commission  
WASHINGTON, D.C. 20580

## **Prepared Opening Remarks of Commissioner Rohit Chopra<sup>1</sup>**

### **American Association of Franchisees and Dealers 2021 Franchisee Leadership Summit and Annual Conference**

**June 24, 2021**

Thank you to the American Association of Franchisees and Dealers for hosting all of us virtually. I know many of you have heard a lot of government officials talk a lot about how much they care about small businesses. We heard it from so many as small business owners were devastated during this pandemic.

But the reality at many government agencies is much different. During my time at the Federal Trade Commission, I've seen how Commissioners are quick to slam small businesses, while being much more forgiving of larger, more powerful companies.

The reality is that it is harder and harder for so many small businesses to make a living. Margins are being squeezed by middlemen, like food delivery apps and major suppliers. When Congress enacted the Paycheck Protection Program, many small businesses could barely get answers about how to get help from the large national banks. But perhaps, most important for all of you, for years and years, Commissioners at the Federal Trade Commission have failed to prioritize enforcement of the basic rules of the road when it comes to the franchise industry.

Franchising is a critical way to promote entrepreneurship by Americans from all walks of life. It's supposed to be a way for an entrepreneur to launch a business with an accepted product or business model, while still allowing the franchisee to use their skills and creativity to build a successful business. Many entrepreneurs don't have special connections or inherited wealth – that's why franchising is so appealing. It's also why franchised businesses are more likely to be operated by immigrants, people of color, and veterans compared to other businesses.

During my time as Commissioner, I've had the chance to hear from so many in the franchise industry across so many sectors: lodging, quick-service restaurants, fuel stations, convenience stores, and more. While some franchisees have a positive relationship with their franchisor, many franchisees report that franchisors are imposing more and more rules and regulations, squeezing your margins further and further. Many franchisees feel they have been coerced into accepting

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<sup>1</sup> The views expressed below are my own and do not necessarily reflect those of the Commission or of any other Commissioner.

updates to franchise agreements where they are forced to surrender their control. Many of these practices were documented in a recent Senate [report](#).

For many franchisees, this is humiliating and disregards them as professionals and entrepreneurs. Many franchisees tell me they wanted to do everything they could to take care of their employees during the pandemic, but franchisors made it difficult for them to provide help.

Here's the hard truth. For a long time now, the government simply hasn't cared. The message is pretty clear. Your employees don't matter. Your customers don't matter. You don't matter.

This needs to change. Across multiple administrations, FTC Commissioners have not prioritized protecting small businesses and franchisees. I worry that many of my predecessors think of small businesses as "illegitimate" compared to larger and more powerful firms. We have exceptional investigators and prosecutors who can do the job, and you've met some of them. But franchisees have asked why won't the FTC make it a higher priority? And franchisees don't understand why the Commission makes it nearly impossible for them even to file formal complaints.

But I'm feeling upbeat that FTC Commissioners – and the state regulators – are going to get more serious about tackling some of the abuses targeting franchisees. The FTC's overseas counterparts are also [taking action](#). If we don't act, the dreams of entrepreneurship will continue to evaporate for more and more Americans. But we need your help.

First, independent businesses need to work more closely with your employees to safeguard the financial future of both the operator and their workers. The Service Employees International Union joined with franchisees from major chains like 7-Eleven and McDonald's to petition the FTC to launch an industrywide investigation of harmful franchisor practices. Violations of unfair trade practice laws at the federal and state level harm both small businesses and workers, and all will benefit from more effective enforcement.

Second, we need you to speak up to continue to tell your stories to federal and state officials. Law enforcers and policymakers need to hear from you about what is happening. Minority-owned businesses have been especially struggling. If we want there to be an equitable recovery, we need to make sure that franchising remains viable. I know that many of you fear retaliation, but law enforcement often provides a way for you to even provide a tip anonymously to help us investigate and root out wrongdoing.

Finally, we all need to work together: franchisees, franchisors, employees, and others to map out how we can update the FTC's Franchise Rule. We need to make sure that both prospective and current franchisees are protected from the imbalance of power inherent in this business model. In addition to the required disclosures, it will be important to consider non-disparagement and non-compete agreements, conflicts of interest between franchisors and suppliers, and so much more.

If we want to ensure franchising remains vibrant in America, we have to ensure the market is fair. Thank you again for inviting me, and I look forward to the conversation.