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May 9, 2008

The Honorable Patricia Smith  
Louisiana House of Representatives  
Post Office Box 2701  
Baton Rouge, Louisiana 70821

Dear Representative Smith:

On behalf of the International Franchise Association, I write to express concerns with certain provisions of your House Bill 1083, the Construction Industry Independent Contractor Act. The IFA believes the bill may unintentionally affect the independent nature of franchisor-franchisee relationships if applied too broadly.

IFA is the world's oldest and largest organization representing franchising with a growing membership of more than 1,300 franchise systems, 10,000-plus franchisees and more than 500 firms that supply goods and services to the industry. According to a 2008 study by PricewaterhouseCoopers, there are more than 900,000 franchise establishments in the U.S. that are responsible for creating 21 million American jobs and generating an annual economic output of \$2.3 trillion. In Louisiana alone there are 13,760 franchised small businesses employing 172,763 workers.

Of specific concern is the three-prong test laid out by HB 1083. Application of this legislation to franchises could, in the most severe interpretation, outlaw *all* franchises since *all* franchises intend to create a business-to-business relationship that could be incorrectly construed to replace an employer-employee relationship.

Franchising is an extremely popular way of owning a business and building a strong brand that has been recognized and regulated by state and federal governments for many years. The Federal Trade Commission Franchise Rule dates back to 1979 and many states have some level of specific franchise regulation. It is strikingly inconsistent for state governments to regulate franchising as a business method with one set of statutes on one hand and as an employment relationship on the other.

IFA recognizes the intention of your bill with respect to certain industry practices outside of franchising. However, we hope you will consider working with the IFA on ways to improve your legislation so that investors who choose franchising will continue to enjoy the freedom of owning their own business.

Please do not hesitate to contact me if I can be other assistance.

Sincerely,

M. Troy Flanagan  
Director, Government Relations

