



Franchising[™]
Building local businesses,
one opportunity at a time.

June 24, 2009

The Honorable William J. Murphy
Speaker
Rhode Island House of Representatives
State House Room 323
Providence, Rhode Island 02903

Dear Speaker Murphy:

On behalf of the International Franchise Association, I write to express opposition to proposed fee increases on franchise activities included in House Bill 5983 (Watson - State Budget Bill). Along with the enactment of the Fair Dealership Act of 2007 (Public Law 2007-36), Rhode Island continues to enact unwelcoming public policy for franchising.

As the largest and oldest franchising trade group, the IFA's mission is to safeguard the business environment for franchising worldwide. IFA represents more than 85 industries, including more than 11,000 franchisee, 1,200 franchisor and 600 supplier members nationwide. According to a 2008 study conducted by PricewaterhouseCoopers, there are more than 900,000 franchised establishments in the U.S. that are responsible for creating 21 million American jobs and generating \$2.3 trillion in economic output. In Rhode Island alone, there are 3,077 franchise establishments, employing 35,860 workers and generating an economic output of \$2.77 billion.

Excluding lodging, the typical franchised small business creates an average of 10.8 jobs and an additional 9.8 indirect jobs. It also creates an average of \$828,000 in direct annual economic output and another \$1.3 million in average indirect annual economic output. With the proposed fee increases contained in HB 5983 (Section 2, amending Section 19-28.1-29 of the General Laws), the state is sending yet another signal that economic development through the growth of franchised businesses is of little interest to the state. While your need to balance the state's budget is understood, public policy in the state is already working against the franchise industry.

In 2007 the General Assembly enacted new restrictions and mandates on franchising in the state. The Fair Dealership Act purported to protect small business owners, but had the effect of harming small business owners by allowing substantially noncompliant franchisees to remain in business forever. Wisely, you and your colleagues chose to scale back the most onerous provisions of the law last year. However, roadblocks to efficient and effective franchising remain in Rhode Island.

These proposed fees increases will only further dissuade franchised businesses from locating in Rhode Island, thereby slowing the growth of small business ownership and the jobs that go along with them. Again, I urge the General Assembly to reconsider additional fees on the already high cost and complicated nature of doing business in the state.

Sincerely,

A handwritten signature in black ink, appearing to read "m 7474", is written over a light blue horizontal line.

Troy Flanagan
Director, Government Relations