April 18, 2019

The Honorable Joseph Simons  
Chairman  
Federal Trade Commission  
600 Pennsylvania Avenue, NW  
Washington DC 20580

Dear Chairman Simons:

We are writing regarding the February 14, 2019, request for public comment made by the Federal Trade Commission (FTC) regarding its decennial review of the FTC Franchise Rule. As you may be aware, the FTC has put forth thirteen questions to assess the efficiency, cost, benefits, and regulatory impact of the rule. Since the development of the first Franchise Rule promulgated in 1978, the rule has been one of the most important laws for the franchise sector. The FTC Franchise Rule was updated more than a decade ago following a 10-year-long, constructive, consensus-based process jointly led by franchisors and franchisees that delivers clear guidelines for franchisors to follow and transparent information for prospective franchise owners to do their due diligence before making an investment. That process worked, and the current FTC rule has led to a growing franchise economy with more than 733,000 locations who together employ nearly 8 million Americans. In the last decade, franchises have grown at nearly twice the rate of non-franchise businesses.

The current rule requires franchisors to provide all potential franchisees with a Franchise Disclosure Document (FDD) containing 23 specific items of information about the offered franchise, its officers, and other franchisees. The Rule discloses prospective purchasers of franchises transparent information on risks and benefits of such an investment. The material contained in the FDD is crucial to understanding the health and financial wellbeing of the franchise system. Furthermore, the health of any franchise system is dependent upon franchisees who understand the terms contained in the license agreement. By requiring clear and consistent disclosure of information at the outset of all franchise relationships, and through its evenhanded federal application, the existing rule allows for better-performing franchise brands and franchise business owners to succeed together.

The franchise community has consistently supported regulatory policies designed to ensure that prospective franchisees receive relevant information about their proposed franchise purchase sufficiently in advance of their purchase to permit them to make an informed and unpressured purchase decision. The current rule supports a proper balance between the legitimate disclosure needs of prospective franchisees and the compliance burdens and costs, borne by both franchisors and franchisees, such that a disclosure inevitably requires. The current rule has created a more efficient franchising system, where expectations are clear, rules are transparent, and all systems are required to comply with its requirements.

For these reasons, we strongly affirm a continuing need for the rule, which represents the franchise sector’s interests and desire for thoughtful, fair regulation.

Sincerely,

Tony Cárdenas  
Member of Congress

Gus M. Bilirakis  
Member of Congress
Henry C. "Hank" Johnson, Jr.
Member of Congress

Jeff Van Drew
Member of Congress

Julia Brownley
Member of Congress

Henry Cuellar
Member of Congress

Bill Foster
Member of Congress

Denny Heck
Member of Congress

Mark Walker
Member of Congress

David P. Roe, M.D.
Member of Congress

Denver Riggleman
Member of Congress

Kurt Schrader
Member of Congress