

**Submission by Retail Food Group Limited to the Parliamentary Joint Committee on Corporations and Financial Services**

**Inquiry into the operation and effectiveness of the Franchising Code of Conduct (“Code”)**

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Retail Food Group Limited (**RFG** or the **Company**) respectfully considers that its broad experience in franchising across multiple brand systems, both domestically and in international markets, provides it with a unique perspective on the franchising industry in Australia, and, therefore, appreciates the opportunity to make this submission to the Parliamentary Joint Committee on Corporations and Financial Services.

**Introductory Comments:**

*About RFG:*

RFG is a publicly listed global food and beverage company, headquartered in Queensland and with offices in Sydney, Melbourne, Auckland and Los Angeles.

Since its inception in 1989, RFG has migrated from a relatively small franchise system manager with less than 50 franchised outlets, to become Australia’s largest multi-brand retail food franchise owner, and, to some extent, a vertically integrated business through its wholesale coffee roasting operations and food services distribution division.

RFG’s franchise network spans c.2,400 outlets throughout Australia and internationally, across the following brand systems: Crust Gourmet Pizza; Pizza Capers Gourmet Kitchen; Gloria Jeans; Brumby’s Bakery; Michel’s Patisserie; Donut King; Café2U; It’s a Grind; The Coffee Guy; Esquires Coffee; and bb’s Café.

Over 1,000 RFG franchisees operate outlets in Australia, employing in the order of 15,000 team members who make significant contributions to their local communities. Remaining RFG franchised outlets are distributed amongst over 80 international licensed territories, ranging from the United States of America through to Europe, the Middle East and Africa, the Pacific, and developing nations in Asia.

*Franchising in Australia:*

RFG considers that franchising is a dynamic business platform which provides a support structure and environment which translates into significant opportunity for participants.

The strength of this platform is evidenced by the diversity of franchise systems operating within Australia. The Franchising Australia 2016 report identified over 1,100 business format franchisors, represented by an estimated 79,000 units, or 4% of small businesses in Australia, which provided direct employment to over 460,000 people. The report estimated sales revenues across the entire franchising sector totalled \$146b in 2016. These figures were forecast in the report to grow in coming years.

#### *RFG's Franchise Model:*

Across its own domestic franchise business, RFG operates a traditional business format franchising model which encourages hands-on owner-operator involvement in the franchisee's small business. Under this model, franchisees contribute franchise and marketing fees in exchange for an established brand, business systems, training and ongoing support. RFG respects that its franchisees are independent small business owners, and that its franchisees value their independence. RFG seeks to strike a balance between providing support and guidance to its franchisees, whilst still preserving this independence and allowing some scope for franchisees to use their entrepreneurial spirit.

Although all of RFG's brand systems are ultimately consumer facing retail food businesses, they span a number of different segments, have quite different business models, and attract quite different franchisees and consumers. For example, the Gloria Jeans network is a traditional premises-based café system, including a number of drive through outlets, whereas the Café2U network is a mobile coffee based franchise. The investment profile and operational requirements applicable to these businesses are also substantially different.

#### *Franchising vs Independent Operations:*

RFG is a passionate supporter of business format franchising, and considers it a commercially beneficial and rewarding model by which risk and reward is appropriately shared amongst franchisor and franchisee, providing a mutual support structure not emulated amongst the wider small business sector. Indeed, latest Australian Bureau of Statistics (ABS) data indicates that new small businesses suffered from a failure rate of circa 45% during the period FY14 – FY17.

This percentage translated to the failure of over 127,000 new small businesses during the three years ending June 2017. This figure is almost 50,000 more small businesses than there are estimated business format franchise units within Australia in total. By way of context, average franchisee tenure within RFG's brand systems well exceeds the timeframe contemplated above.

#### *Action & Support Structures:*

The Company has publicly acknowledged how, through its whole of business review commissioned late FY17, it is implementing a range of initiatives to improve franchisee profitability and support. This review has been enhanced by the recently created Chief Executive Australia position, charged with working closely with RFG's franchisee representative bodies and broader franchisee community.

RFG has commenced the process for implementation of significant reductions amongst its initial and renewal fee structures, despite historic fee arrangements under RFG's franchise agreements being generally consistent with industry averages sourced from FRANdata (which provides average fees across 103 Australian franchisors).

In addition to fee reductions, the review program contemplates the simplification of RFG's business, enhancement of internal capabilities and the re-alignment of resources to better drive positive franchisee outcomes.

As well, RFG is investing circa \$1.5m in the implementation of a revised field service structure that will result in the creation of additional business tools, together with approximately 25 new 'in field' roles tasked with working alongside franchisees to support outlet performance and mentor business owners. Additionally, RFG maintains dedicated teams focused on the supply chain side of

its business, charged with providing franchisees with reliable supply to quality products at competitive prices. The Company recently secured price reductions in respect of a number of high volume products used within its network.

RFG's broader brand system support team comprises approximately 200 employees across a variety of disciplines, including operations and compliance, training, marketing, business intelligence and product innovation.

Historically, RFG has consistently invested, and continues to invest, significant resources in connection with its franchise networks.

#### *Challenging Market Conditions:*

It is clear from the number of small businesses which fail in Australia, that operating any small business, whether independent or franchised, comes with risk.

RFG's franchise systems operate within a highly challenging and evolving retail market. Rising landlord rents, labour and utility costs, intense competition and changing consumer trends, together with declining retail sector performance, have contributed to increasingly difficult operating conditions.

The Company contends that retail is difficult for all participants, with a number of high profile group collapses in recent years. ABS data indicates that sales amongst small businesses operating within the retail sector have contracted 1.6% in the 12 months ending February 2018.

The foregoing challenges are particularly evident amongst shopping centres, with an analysis of RFG's franchise network indicating high shopping centre occupancy costs to be a key contributor to reduced outlet operating performance. It is RFG's experience that occupancy costs amongst speciality retailers, regardless of whether they are franchised or independent, generally increase at a greater rate than overall centre turnover (MAT). Within RFG's network, occupancy costs amongst shopping centre based outlets are generally 70% higher than those occupancy costs applicable to non-shopping centre based outlets.

#### **Executive Summary:**

RFG is and remains committed to the franchise sector, and considers that franchising has much to offer all stakeholders, together with the broader community. However, it is concerned that it will be at a competitive disadvantage against non-franchised businesses if compliance costs and regulatory restrictions are significantly increased, especially if that were to occur in the absence of prior and broad industry consultation.

RFG's position on each of the Terms of Reference can be summarised as follows:

- 1 **Disclosure:** The disclosure process under the Code achieves the stated desire to assist prospective franchisees to make a reasonably informed decision about the business opportunity. Prospective franchisees receive a significant amount of information and there is no evidence to suggest that increasing disclosure will improve franchisee protection. RFG's experience is that its franchisees find the information useful, but are more likely to be overwhelmed by the volume of information received, rather than feeling like they do not have enough information.

*Recommendation:* RFG considers that there exists opportunity to improve franchisee outcomes and understanding through education and the imposition of mandatory requirements for franchisees to obtain pre-contract legal and financial advice from accredited professionals. RFG requires prospective franchisees to obtain legal advice in relation to franchise agreements, and is currently in the process of extending this requirement to financial advice regarding the business opportunity.

*Recommendation:* Provided the necessary checks and balances are implemented (such as franchisor/tenant consent to action proposed to be taken), the Company considers that potential benefits may exist in providing scope for franchisees to enforce tenant rights directly with lessors.

- 2     **Dispute Resolution:** RFG considers that the Code provides franchisees and franchisors with a cost-effective and timely dispute resolution process, which does not preclude a party from pursuing traditional Court based action should it be motivated to do so.

*Recommendation:* The Company considers that the efficacy of the dispute resolution process provided by the Code might be enhanced in circumstances where the Code prescribed guidelines or rules for the mediation process, such as the role and responsibilities of the mediator.

- 3     **Unfair Contract Provisions:** RFG undertook a review of the franchise agreements used in its networks following the introduction of the Australian consumer law unfair contract term provisions to small business contracts. More recently, RFG has been undertaking a project to refresh its franchise documents to make them more reader friendly. The Company considers it premature to assess the practical impact of the unfair contract term provisions given they only have potential impact on franchise agreements entered into or renewed after November 2016.

- 4     **Oil Code:** RFG does not express a view on the Oil Code, as it is not relevant to the RFG network.

- 5     **Termination:** RFG considers that termination of a franchise is a step of last resort, and prefers to work with a franchisee to resolve challenges which may exist from time to time. The termination provisions in the Code are easy to understand and impose substantial limitations on RFG, which the Company considers are manageable and appropriate in the vast majority of circumstances. RFG considers that it is appropriate to restrict a franchisor's right to terminate in order to provide protection for franchisees, but would not wish to see a narrowing of the grounds for termination.

- 6     **Restraints:** The enforceability of restraints of trade are already the subject of significant legal precedent, and the ability for a franchisor to enforce restraints is limited by common law principles and the Code. RFG understands the basis for restricting a franchisor's right to enforce restraints of trade, but contends that there needs to be a balance to ensure that franchisors can protect their goodwill, but, importantly, also the goodwill associated with the businesses operated by other franchisees within the relevant brand system.

- 7     **Enforcement:** RFG has had various interactions with the Australian Competition and Consumer Commission (ACCC), and considers the ACCC to be a well-resourced and effective regulator.

## **Submission on Terms of Reference**

RFG considers the current inquiry to be an opportunity to improve public perceptions of franchising and to educate the community about the importance of the franchising sector to the business landscape in Australia.

The Franchising Code of Conduct was introduced in 1998, as a key recommendation of the Fair Trading Report. At the time, the Federal Government also introduced the prohibition on unconscionable conduct, and gave the ACCC oversight over the franchise sector.

The Code has been reviewed in 2006, 2008, 2009 and 2013, with various amendments made as a consequence of these reviews. The 2013 review by franchising expert Alan Wein was intended to be a comprehensive review, with Mr Wein directed to include findings and recommendations based on evidence, and undertake specific consultation with State and Territory stakeholders due to concerns that submissions to past inquiries were largely anecdotal. Mr Wein produced a comprehensive report that addressed all aspects of the regulatory framework, and noted that the sector was suffering from review fatigue. Indeed, Recommendation 17 of the Wein Report noted that there should not be another review of the Code for a minimum of five years after any amendments to the Code took effect (it is noted that amendments to the Code came into effect on 1 January 2015).

The high volume of reviews and the resulting changes to the regulatory regime have resulted in franchisors such as RFG incurring significant costs to understand the impact of the changes and ensure ongoing compliance.

The relatively recent comprehensive review, significant changes to the Code in 2015, the 2016 Australian Consumer Law changes that prohibit unfair contract terms in standard form small business contracts, and the introduction of the *Fair Work (Protecting Vulnerable Workers) Act*, evidences the significant focus already applied to the franchising sector by legislators. Subject to those proposals elaborated upon later, RFG's recommendation is to resist any inclination to make broad regulatory changes, but ensure that the ACCC and other regulators continue to be sufficiently resourced to enforce the laws that currently exist.

### Disclosure:

RFG contends that existing regulation imposes significant disclosure obligations upon a franchisor proposing to grant, renew or vary a franchise agreement.

In the first case, franchisors are obliged, at an early stage, to provide prospective franchisees with an Information Statement, the terms and format of which are prescribed by the Code, which, inter alia, includes statements regarding the potential risks of entering a franchise, the need for a prospective franchisee to undertake due diligence and procure independent advice, and the potential for unexpected expenses to arise throughout the life of a franchise.

RFG incorporates the mandatory Information Statement within its application documents for prospective franchisees, and, to further reinforce the intent thereof, provides an additional copy to prospective franchisees if their application is approved (and before there is any commitment from the franchisee to proceed).

As well, the disclosure document that RFG is required to produce for each brand system under the Code is a comprehensive document that provides prospective franchisees and their advisors with considerable information.

Under the Code, this document must be provided to franchisees or prospective franchisees, along with a copy of the Code and the franchise agreement in the form in which it is proposed to be executed, at least 14 days before the franchisee enters into, renews or extends the scope of a franchise agreement, or otherwise pays non-refundable money to the franchisor. Following disclosure, a franchisor is precluded from entering a franchise agreement (or renewing or extending the scope of a franchise agreement) unless it has first procured a number of statements from the franchisee, including about the advice the franchisee has procured, and importantly, that the franchisee has read and had a reasonable opportunity to understand the disclosure document and Code. New franchisees are also provided a seven day 'cooling off' period following their entry into a franchise agreement, during which they can terminate a franchise.

Disclosure documents must be prepared in accordance with the requirements of the Code, and incorporate considerable information regarding such matters as the franchisor, the network of franchisees (including former franchisees), site arrangements, establishment and other costs (such as initial, ongoing and renewal fees), and key matters relevant to the proposed franchise and its operation, including key commercial terms of the franchise agreement. Prospective franchisees also have the opportunity to make contact with existing and former franchisees to get their perspective on the brand system. Indeed, RFG encourages prospective franchisees, as part of their due diligence, to engage with franchisees about their experiences in the brand system. Small business operators that do not join a franchise network are unable to access this type of information, if available, without incurring significant costs.

Franchisees which propose occupying premises leased by RFG or its subsidiaries, are also provided with extensive disclosure in connection with proposed occupancy arrangements pursuant to relevant retail shop lease legislation. If they hold the lease directly, this information will be provided directly by the landlord. This information includes a copy of the proposed occupancy agreement and the underlying lease or lease agreement relating to the premises.

Although RFG has received feedback that the volume of information disclosed is excessive and can be overwhelming, RFG considers that it is appropriate that it provides prospective franchisees with an appropriate level of information to assist them in their due diligence, so that they may make reasonably informed decisions. Although disclosure and due diligence cannot guarantee success, RFG encourages all of its prospective franchisees to commit as much time as possible to ensure they understand the risks involved.

The Code also requires RFG to recommend to prospective franchisees that they obtain independent legal, financial and business advice in relation to the business opportunity.

Despite not being required by the Code, RFG requires that prospective franchisees obtain independent legal advice in relation to the proposed franchise agreement and its implications. In the past, the Company has also encouraged franchisees to obtain independent financial and business advice regarding not only the franchise opportunity, but also the financing arrangements proposed with their lenders, who also necessarily vet the franchise opportunity and the risks associated with it as part of their lending processes.

Notwithstanding that it may deter potential franchisees given the added cost burden it imposes, to further assure it that franchisees are informed about the franchise opportunity, RFG is in the process of implementing a mandatory requirement that prospective franchisees must also receive independent financial advice in relation to the proposed franchise.

The processes employed by RFG in regard to franchisee recruitment are rigorous given the many checks and balances required, some of which have been described previously. Some of the criteria applied by RFG during its application process includes review of the potential franchisee's business experience, financial position and capability, background history, transferable skills, education, analytical capability, attitude and outlook, and understanding of the franchise industry. On average, there is a 22 stage process for franchisee approval which translates to a timeframe for acquiring an RFG franchise of approximately three months, during which period applications are vetted by the Company's brand system, sales, leasing, legal, finance, and learning and development teams. This process demonstrates RFG's commitment to finding prospective franchisees that have the best chance of building a successful business.

Ultimately, it is RFG's view that the information required to be disclosed is adequate to enable a prospective franchisee to make a reasonably informed decision about the business opportunity.

However, RFG considers that there exists scope to improve franchisee outcomes or understanding in circumstances where:

- a) The Code prescribed a mandatory requirement that prospective franchisees must obtain independent legal and financial advice in relation to the proposed franchise opportunity, preferably from accredited professionals, with some potential exceptions for existing or sophisticated franchisees;
- b) There existed a scheme by which legal and accounting professionals could procure specialist 'franchising' accreditation, either through relevant professional bodies (such as State based Law Societies) or through an industry body (such as the Franchise Council of Australia); and
- c) Funding is allocated to better promote and or make available pre-franchise entry educational programs, such as that offered by FranchiseED, with the support of the ACCC.

In the meantime, the terms of reference address four specific questions in relation to the adequacy of disclosure:

1 *Likely financial performance of a franchise and worse-case scenarios*

In accordance with the requirements of the Code, RFG provides detailed information in relation to the estimated costs of establishing and operating a franchised business. It is much harder for reliable information to be provided in relation to overall financial performance, as each individual outlet differs in terms of location and occupancy arrangements, store size, demographics, and the skill of the owner.

RFG does not, and will not, provide earnings estimates in relation to individual franchise outlets and advises prospective franchisees to obtain financial and business advice regarding historical (where relevant) and potential business performance and outlet viability.

RFG considers that its existing disclosure procedures, and the information available to prospective franchisees in relation to these matters, to be adequate in light of:

- (1) The template Information Statement provided to prospective franchisees before they receive any other information in relation to the franchise opportunity, which as noted, specifically addresses the risk of business failure;

- (2) The process for prospective franchisees to obtain independent advice; and
- (3) The disclosure document, which also provides significant information in relation to the establishment and ongoing operational costs involved in running a franchise business, together with various other warnings and qualifications regarding the risks involved in establishing or acquiring a franchised business.

2 *The contractual rights and obligations of all parties, including termination rights and geographical exclusivity*

The disclosure documents produced by RFG provide a comprehensive overview of the rights and obligations of the parties. Further, RFG considers that the terms of its franchise agreements are clear and understandable. As noted previously, RFG imposes a requirement that prospective franchisees obtain independent legal advice in respect of the proposed franchise agreement, and is extending this requirement to financial advice in respect of the business opportunity.

In terms of exclusivity, the disclosure document includes a specific section that explains the position in relation to geographical exclusivity, although this is only relevant to some of RFG's brand systems.

The rights of RFG, or any franchisors, to terminate a franchise agreement are constrained by the Code, a copy of which is provided to prospective franchisees. Although RFG has no objection, in principle, to including information about termination rights in its disclosure document, RFG does not consider that this disclosure will have any material impact or improve franchisee outcomes.

3 *The leasing arrangements and any limitations of the franchisee's ability to enforce tenants' rights*

Franchisees which propose to take on a retail lease, whether directly or by way of an outlet licence from RFG or its subsidiaries, receive significant disclosure in relation to proposed leasing arrangements, prior to their entry into a franchise. The disclosure document also includes a specific section dealing with certain issues relating to the site.

Leasing arrangements, and disclosure in relation to leasing arrangements, is governed by retail leasing legislation in each State and Territory. Given this, together with the fact that a large proportion of franchise networks (including some of RFG's networks) are not premises based, RFG submits that it would be problematic for the Code to deal with leasing matters beyond what is already the case.

Notwithstanding this view, provided necessary checks and balances are implemented (such as franchisor consent to proposed action intended), the Company considers that potential benefits may exist in providing scope for franchisees to enforce tenant rights directly with relevant head lessors.

This view is informed by, without limitation, the following reasons:

- a) It is RFG's experience that, in most cases, major retail shopping centre landlords insist on leases being held by a common entity associated with the franchisor, rather than a franchisee;



- b) Franchisees are better informed regarding the totality of circumstances affecting premises they occupy, or the performance of shopping centres within which they operate;
- c) Franchisees occupying premises leased by franchisors or their associates may not always be aligned with their franchisor in regard to potential action which may or may not be available under a lease; and
- d) Franchisee enforcement of tenant rights directly with relevant head lessors would contribute to efficiencies and reduced costs for relevant stakeholders.

4 *Expected running costs, including cost of goods required to be purchased through prescribed suppliers*

The disclosure document requires the provision of detailed information in relation to establishment and operational costs. Disclosure in relation to ongoing operational costs was significantly increased as a result of a previous amendment to the Code.

The disclosure document does not provide expected cost of goods used in the ordinary course of a franchised business, noting this will vary dependent upon, for example, instore stock management practices, consumer demand and product mix, and changes to suppliers from time to time.

The majority of products and supplies purchased by franchisees within RFG's franchise network are procured from third party suppliers and distributors. From a commercial perspective, suppliers will generally require that supply terms, including current price lists, be kept confidential. If RFG was required to disclose the terms negotiated with suppliers, it would inhibit RFG's ability to negotiate positive commercial outcomes.

As indicated previously, RFG is in the process of implementing a strategic program focused on, among other things, better assuring the Company's franchisee value proposition. Driving outlet revenues and reducing cost of goods is a key aspect of this activity, and has already resulted in a number of significant price decreases amongst approved products for RFG's franchise network.

Dispute resolution

The franchise agreements used within RFG's network adopt the dispute resolution procedures prescribed by the Code.

RFG considers the prescribed dispute resolution process to be appropriate and effective, providing RFG and its franchisees with a timely and cost effective process for resolving disputes without proceeding to formal arbitration or court proceedings.

It is RFG's experience that the approach taken by mediators to mediations undertaken in accordance with the Code's dispute resolution procedures can be inconsistent, for example, in relation to the role and responsibilities of the mediator and whether parties' are entitled to be legally represented at mediation. The Company, therefore, considers that the efficacy of the dispute resolution process provided by the Code could be enhanced where the Code prescribed guidelines or rules for the mediation process.

It is otherwise noted that the dispute resolution process provided by the Code does not preclude a party from pursuing a dispute through traditional Court based action should it be motivated to do so. The Code also now provides that franchisees must not be forced to litigate through courts in a different jurisdiction from where the franchised business is based, to prevent any disincentives to franchisees issuing formal proceedings where appropriate.

RFG considers that the level of substantive disputation within its networks is relatively low when viewed in the context of its network, a situation not inconsistent with the broader franchise sector. According to the Franchising Australia 2016 report, 1.8% of franchisees were involved in a substantial dispute with their franchisor in the preceding 12 months.

#### Unfair Contract Terms

RFG conducted a review of the terms of its franchise agreements in the context of the Australian consumer law unfair contract terms provisions, and made amendments where considered appropriate, at or about the time application of these laws were extended to small business contracts.

As the provisions and associated changes only have potential impact on franchise agreements entered into or renewed after November 2016, RFG considers it too early to assess the practical impact of these changes.

As noted previously, more recently, RFG has been undertaking a project to refresh its franchise documents to make them more reader friendly.

#### Oil Code

RFG does not have any insight in relation to the operation of the Oil Code.

#### Termination

Generally, RFG considers termination of a franchise to be a step of last resort, and would prefer to work with a franchisee to resolve any challenges which may exist.

In addition to RFG's commercial position with respect to termination, the Franchising Code of Conduct imposes limitations on the ability of franchisors to terminate a franchise agreement. These limitations are considered manageable and appropriate in the broader franchise industry context.

RFG is also aware of the impending changes to the *Corporations Act 2001* that will further restrict RFG's rights to terminate where an external administrator has been appointed to a franchisee.

The Company considers that it is appropriate to restrict a franchisor's right to terminate in order to provide protection for franchisees in the manner described currently in the Code, but would not wish to see a narrowing of the grounds for termination. Franchisors need to be able to take action, where appropriate, to protect the goodwill in their brand, both for their own benefit and for the benefit of other franchisees in the network. RFG essentially considers the current regime to contain fair and reasonable restrictions on termination.

### Restraints

The enforceability of restraints of trade are already the subject of significant legal precedent, and the ability for a franchisor to enforce its restraints is limited by common law principles and the Code.

RFG considers that Courts have established a clear and fair path of dealing with such issues, and, therefore, considers that no further intervention is required through the Code.

RFG understands the basis for restricting a franchisor's right to enforce restraints of trade, but contends that there needs to be a balance to ensure that franchisors are able to protect their goodwill, and, importantly, the goodwill associated with the businesses operated by other franchisees within a brand.

### Enforcement of breaches of the Franchising Code of Conduct

RFG takes compliance with its obligations under the Code seriously, and devotes significant resources to ensuring compliance and supporting its franchisees.

In addition to the resources devoted to supporting franchisees, RFG maintains an internal legal team that is comprised of 16 employees, with a significant proportion of this team's time being devoted to Code compliance matters.

RFG is aware of many instances where the ACCC has intervened and taken action against non-compliant franchisors, including directors of such franchisors in some instances, and considers the ACCC to be an effective regulator.

### Other related matters

The regulatory regime within which RFG operates is burdensome and complex. Although the Code sets out the requirements in relation to the disclosure process and otherwise provides various protections for franchisees, it is far from the only protection afforded to franchisees.

Franchisees also have significant protections under the Competition and Consumer Law (including in relation to misleading or deceptive conduct, unconscionable conduct and unfair contract terms) and retail leasing legislation (which varies between States and Territories). Franchisees also have the support of an effective and well-resourced regulator in the form of the ACCC, and access to relatively low cost dispute resolution procedures prescribed by the Code.

As a result of recent changes, employees of franchisees also have further protections under the Fair Work Act that now imposes responsibilities on franchisors to endeavour to procure compliance by their franchisees.

RFG has invested, and continues to invest, significant resources to better assure franchisee compliance with Fair Work Act obligations within the Company's network.

RFG also invests significant resources in supply chain management targeted at ensuring that all franchisees within RFG's networks (whether metropolitan or regional) have consistent access to quality products at competitive prices. RFG would be concerned about any attempts to regulate tied supply arrangements in a manner that could undermine the Company's ability to continue to support its franchisees in this manner.

## **Conclusion and recommendations**

Even within the RFG business, there is a wide variety of business models that are regulated by the Code. Care needs to be taken to ensure that the Code appropriately regulates, but does not inhibit, franchising as a business model.

RFG respects that its franchisees are independent business owners, and understands that its franchisees value their independence. RFG seeks to strike a balance between providing support and guidance to its franchisees, whilst still preserving this independence.

The current regulatory regime provides significant protection for franchisees and prospective franchisees and imposes substantial obligations on franchisors. In RFG's view, it strikes an appropriate balance between the rights and responsibilities of franchisors and franchisees, albeit the Company has made proposals that it considers would better assure prospective franchisees are better informed prior to embarking on a franchise relationship.