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Mr. Geoff Dawson
Committee Secretary
Parliamentary Joint Committee on Corporations and Financial Service
Department of the Senate
PO Box 6100
Canberra ACT 2600

Dear Sir

Franchise Inquiry

As a former Manager of Licensee/Franchisee Operations for several car rental companies during my career, I have taken a keen interest in the welfare of many of my former constituents.

I wish to place on record my dismay at the rough shod ways in the way many are being treated with their contracts these days.

I worked in the car rental industry from 1963 to 1988, mostly in later years as a Licensee Manager, selling and advising on franchise territories.

When I first started to seek out franchisees for the [REDACTED] in the 1970s I was told to that the franchises were on the basis of 5 year intervals, with the promise of an automatic renewal each 5 years, on the same terms and conditions, provided the franchisee was not in breach of those terms and conditions.

This is what I told all of the franchisees to whom I sold franchises.

Most of them proceeded to then invest and expand in their businesses, many starting from scratch. It was very pleasing indeed to see nearly all of them grow their fleets, year after year, pouring more and more money into their operations.

Many of the territories I franchised were sold for only a token few dollars or so. The Corporations were simply grateful for a local to develop the territory and, of course, to use his or her own capital.

I make the point in the strongest possible terms that it is a terrible breach of faith that during the 1990s the Corporation suddenly decided that the 5 years were no longer periods of review, but a date at which the contract would inexplicably lapse.

It is simply unthinkable that anyone would ever have bought into a car rental franchise if they thought there was only a 5 year time frame in which they could buy the franchise, and develop it, only to then lose it.

The franchise agreements I sold were always 'standard contracts' and not to be altered in any way. When queried about some of the clauses (particularly the ones about reservation fees and marketing charges) I was told to tell franchisees these were clauses that applied in other parts of the world, not in Australia, because Australia had higher royalty fees.

This I believed because clearly many clauses didn't apply in Australia.

This 'change of heart' about the contracts representing "What you sign is what you get" is, in my opinion, reprehensible. Many of them were persuaded by myself about their on-going security (provided they were not in breach of the terms and conditions).

It is clear to me that the changes are only about by the large corporations trying to enrich themselves at their expense of their franchisees.

For people have entered into car rental franchises there is almost 'no way out'. They have been encouraged and praised for investing in bigger and bigger fleets. They thus become trapped.

I understand in the negotiations with [REDACTED] 5 years ago the above stories were ridiculed by the lawyers. i.e. Franchisees were told "What you are claiming is that you were want the territories in perpetuity".

This notion never worried [REDACTED] or [REDACTED], in the days I worked for them.

And I know that it's a matter of fact that many franchises in the USA were also considered 'permanent' unless bought out.

If [REDACTED] or [REDACTED] wanted the territories back, and the sometimes did, they just negotiated and agreed on a fair price in the normal commercial way.

There never was a franchisee that wouldn't sell out for a fair price as most wanted to retire eventually.

This talk of "perpetuity" is simply a recent invented word to distract people such as the ACCC as to what has really been going on

I trust you will accept my views in the way they are intended - I am in total sympathy for any new laws which might be developed to protect small business people who act in good faith.

Yours faithfully,

Don Hamence

[REDACTED]
[REDACTED] [REDACTED]

12 September 2008