

Trevor R. Nelson P/L

[Redacted]

9th September 2008.

The Committee Secretary,
Corporate and Financial Services,
S G 64,
Parliament House,
Canberra. ACT. 2600.

Dear Sir,

Re; FRANCHISING.

[Redacted]

1990-2004 -

[Redacted]

1976 current.

We welcome the opportunity of making a submission to the enquiry, based on our experience which has been both harmonious and successful as franchisees of the above. However, in the present climate;

*The recent collapse of [Redacted] (now in administration) does highlight the vulnerability of a \$250,000/ \$300,000 investment. We say "investment"- it could be argued one is buying a job for a fixed term, tied to a lease, usually without options.

*Common to both, and many other franchises, are that they are private companies, and accordingly an intending franchisee, while presented with excellent retail marketing information is not privy to the financial worth – information normally available if these were public companies. Alternatively, an intending franchisee is subject to a multitude of criteria including financial status (worth)- hardly a level playing field!

It is accepted that public companies can become insolvent. However in the interest of the franchisee decision making progress, the additional information provided by a public company is seen as a desirable benefit.

Another worrying issue is the difficulty associated with the leasing. The Franchisors make great play with their ability to speak of market power and negotiating skills. In practise the franchisee is often faced with

- (a) no option for extension of lease.
- (b) Non sustainable rent increase.
- (c) Minimal lease extensions of two or one year.

With respect to the latter, a Franchisee has limited equity, if any, should it be necessary to sell, no matter how successful the business.

Accordingly franchisors should be precluded from selling a new, or renewing a lease without a five year, plus option.

In summary we request that the Senate Committee pay due regard to;

Franchisors be required to register as Public Companies.

Options for renewal of lease extensions be thoroughly investigated and considered.

Thank you for the opportunity to make this submission.

Yours faithfully,

Trevor R Nelson

Trevor Nelson.
Director.

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