The Honorable Paul Holvey
Chair, Oregon House Committee on Business & Labor
900 Court St. Ne
Salem, OR 97301

RE: Oppose HB 4152

Dear Chairman Holvey & Members of the Committee:

We are writing in strong opposition to HB 4152, sponsored by Representative Janelle Bynum. This legislation has far-reaching and harmful ramifications for franchisors, franchisees, and the Oregon economy. The proposed legislation would create ambiguity and undermine the enforcement of franchise contracts, promote litigation between franchisees and franchisors, and result in sub-standard services and products for consumers in Oregon. **This legislation is government overreach in its most obvious form, inserting the state of Oregon as a third party in private contracts between franchisors and franchisees. Additionally, the timing of a proposal like this could not be worse. A proposal of this magnitude deserves input from all sides, which has clearly not happened despite repeated offers of engagement. A wholesale change of franchise law like this, which has not been passed in many decades and rejected by this legislature in past years, requires at least a dialogue and an opportunity for stakeholder input. In fact, the last state to enact a policy like this in its totality was Iowa in 1994, which led to a notable decline in the franchise development there.Notably, that law has been significantly amended and scaled back since 1994.**

HB 4152 would further complicate and undermine the existing, strong regulatory system governing franchising with vague language and unreasonable new regulations – all in an attempt to solve a problem that does not exist. **This measure would harm Oregon's 9,000 franchise establishments, which generate nearly $7 billion in economic output and employ nearly 83,000 Oregon residents.**

This legislation undermines the very key to franchising – a brand's standards of safety, quality, and operation. These brand standards signal to consumers they can expect the same safety, consistency, and quality of a product or service regardless of the business location. By placing these brand standards at risk, HB 4152 will actually hurt the majority of Oregon's existing franchise small business owners and their customers. If HB 4152 takes effect, Oregon small business franchise owners will have to contend with uneven quality standards, fewer loyal customers, and shrinking opportunities for new business ventures. In effect, the legislation protects substandard operators at the expense of those who meet their contractually- agreed-upon standards and obligations.

Moreover, this bill will also be harmful to Oregon residents interested in pursuing franchise ownership, as franchisors will be less likely to develop new franchise locations in Oregon due to the significant risk associated with a regulatory environment under HB 4152. Companies not currently franchising but considering franchising as a method of expansion have already indicated similar proposals in other states (all of which have been rejected) would have precluded expansion as a viable option, further depriving potential business owners from an opportunity to start a business and employ Oregon residents.

Between its weakening of brand standards and the chilling effect of new regulations, this legislation both harms existing small business owners and hinders prospective small business owners from starting businesses of their own. The franchise small business owners who play by the rules, honor customer deals and adhere to these quality controls will feel less secure about doing business in Oregon. HB 4152 puts these owners, who have built equity in their business, at a disadvantage to those franchise owners that decide not to comply with their contractual agreements.

The franchise industry gives local entrepreneurs the means to build and grow a business within an established, successful franchise system. Legislators should be focused on policies encouraging job creation and economic growth, not ones that inhibit growth or give franchise small business owners additional concern about expanding in Oregon. Franchise agreements are private contracts that should be honored. This legislation will only hurt Oregon's economy and franchising in the state.

For the reasons set forth above, we respectfully request the Committee opposes HB 4152.

Thank you,

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