WORLD
FRANCHISE
COUNCIL

World Franchise Council Joint Declaration of Las Vegas, USA
February 14, 2015

URGING RESTRAINT IN GOVERNMENT INTERVENTION IN FRANCHISED BUSINESS

Government actions should not unjustifiably interfere with the franchisor-franchisee relationship.

The relationship between the franchisor and the franchisee is characterized by a well-designed balance that has proven successful over many decades. This relationship is symbiotic, it works, and overreaching governments that interfere with this private business relationship are pursuing a dangerous path.

If the franchisor is allowed total control, the franchisee is reduced to an afterthought, and few businesspeople will be attracted to the model. Conversely, if the franchisee is allowed to dictate terms of the relationship, franchisors will shift to corporate-owned units, and fewer businesses will be attracted to franchising. Both parties recognize this balance, which is why franchising has proven so successful.

The proof of this balance is through the open marketplace: in most cases where franchising is a maturing sector, it has successfully grown faster than the rest of the economy. If franchisors and franchisees reach their own collective decisions on what works best for their industry, it will lead to enhanced operations and greater opportunity for expansion, serving the interests of both parties, and thus society at large.

Governments should avoid actions which damage the proper balance in this relationship.

- Governments should not regulate franchising unless there is strong evidence that franchisors who do not comply with those regulations will be unable to conduct the franchise business reliably and effectively.

- Governments should not dictate the terms of agreements unless there is demonstrable evidence that particular prohibited provisions lead to results which are contrary to the best interests of society.

- Governments should not limit to whom franchises may be granted, how many franchises may be granted, where the units may be located, what models of expansion may be used, how rapidly a system may grow or from whom the parties must acquire the goods and services necessary to sustain the business, unless the economic, social and political objectives sought to be achieved by these measures are of such overriding significance to the country that they justify the interference with the freedom of the parties to contract.

Whatever objectives governments seek to achieve by such steps must be balanced against the detrimental effects of tampering with the agreement the parties have freely struck, or with the business model upon which the franchise concept is based. Franchising provides powerful economic benefits to a society; it should not be interfered with in the absence of overwhelming evidence that doing so is necessary in the interests of an orderly society.

Franchise-specific regulation not generated by government does not mean that no regulation should frame the franchise industry. The franchise communities in the member countries of the World Franchise Council support franchise-specific self-regulation, which is not in contradiction with national business law, as the best collective framework for defining the balance that must be sought between any franchisor and its franchisee in their respective relationships. The World Franchise Council supports self-regulation by means of its Principles of Ethics for franchising.

About the World Franchise Council

The World Franchise Council is an international entity that unites the franchise associations of 43 countries. The World Franchise Council supports the development and protection of franchising and promotes a collective understanding of best practices in fair and ethical franchising worldwide.

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