

New rules say plain-English documents must spell out franchise risks

By **ARI SHARP**

FRANCHISEES must in future be presented with plain-English documents that set out clearly their rights and responsibilities under changes intended to clean up the notoriously conflict-ridden sector.

In the biggest changes to the franchising code of conduct in its 12-year existence,

franchisors must make clear to franchisees that there may be unilateral contract variations, unforeseen capital expenditures and confidentiality restrictions. The new rules will also require franchisors to spell out the process for the sale of a business.

Rule changes covering good faith or unconscionable conduct have not been included in the code, however.

In a recent public revolt, some of the 2700 franchisees in the Jim's Group organisation, Australia's second largest, claimed they were facing an unexpected doubling of fees.

Small Business Minister Craig Emerson said yesterday the reforms would put franchisees in a better position to understand any risks "by giving clearer information upfront about the terms and conditions on offer".

The Franchise Council of Australia said there are about 71,000 franchise agreements in a sector that employs more than 400,000 people and turns over \$130 billion a year.

"The measures are about further enhancing franchisee confidence without the need for onerous compliance obligations or confusing rule changes," council executive director Steve Wright said.