



# Franchise Council of Australia Media Release

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## MEDIA RELEASE - Franchise Council of Australia

### Proposed SA law a yoke for franchising

Investment in the \$9 billion South Australian franchise sector will grind to a halt if the SA Government goes ahead with plans to upend regulations in place for more than 25 years.

Planned changes are at odds with the court system, the Constitution and Federal legislation, the Executive Director of the FCA, Steve Wright, said today.

"If the SA Premier, Mr Rann, fails to see this, then there is a duty for the Federal Minister for Small Business, Senator Sherry, to make it clear to him," Mr Wright said.

"For good reason, the Federal Government has rejected past calls for the type of changes now being mooted in SA.

"Businesses will run away from investing in a State where they could be fined up to \$100,000 for being unable to DISPROVE a subjective allegation made against them and be denied the right to get professional help to defend themselves," Mr Wright said.

"Add to that judgment by a single individual without any need for qualification or experience of franchising, and no right of appeal, and you have a classic kangaroo court," he said.

The changes were created by SA backbencher Tony Piccolo last year and have now been taken up by former Transport Minister, now newly appointed SA Small Business Minister Tom Koutsantonis.

Franchising has been a great success story in the Australian economy in the past two years, when tens of thousands of small businesses had gone out of business due to the testing economic circumstances, Mr Wright said.

"Now the SA Government appears intent on turning the lights out on investment in a sector which has been a beacon in gloomy times."

"This is a risky course given that the Government itself acknowledges the economic importance of small business in a State where big business is scarce."

Mr Wright said the move to strangle franchising growth was more difficult to understand given the lack of evidence of any systemic problem in the sector.

"Since moves for separate rules in SA were unveiled more than a year ago, the FCA has asked to see the evidence which supports the need for such dramatic change. It has not been provided.

"Franchising has a proud history in SA, with some outstanding national and international brands, such as V.I.P. Home Services and Cartridge World, earning the State substantial export income.

"But no SA brand is proud of this move by the SA Government."



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Earlier this year, the FCA conducted a national survey which found that 95% of respondents said franchising should be regulated nationally and not subject to separate state rules.

The value of franchise businesses would suffer, 84% of the survey respondents said. Close to 80% indicated that if implemented, the new rules would influence their attitudes towards investment in the state.

“The survey showed what we have told the Government for some time -- that there is little or no upside to this legislation,” Mr Wright said. “It would be bad for everyone in the sector -- franchisors, franchisees and advisers -- and damaging to South Australian economy.”

“It would make it harder for small business owners to start franchises in SA, and more difficult to sell them – hindering local growth of what has been one of the nation’s best performing sectors since the onset of the global financial crisis in 2008,” Mr Wright said.

“It is the franchising equivalent of taking South Australia back to the days of the narrow gauge railway.”

**For more information, please contact:**

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*The Franchise Council of Australia is the peak industry body for the \$130 Billion Australian franchise sector representing franchisors, franchisees and suppliers/advisors. [www.franchise.org.au](http://www.franchise.org.au)*