

# The Future of Franchising

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The future governance and oversight of the \$170 billion franchise industry has become clearer this week following the release of the final report of the Parliamentary Inquiry into the Franchising Code of Conduct.

Triggered by widespread reporting of alleged underpayment of franchise workers and franchisee concerns about contractual arrangements with franchisors, the Joint Committee on Financial Services conducted public hearings across the country, hearing from franchisors, franchisees, industry experts and industry associations.

The Fairness in Franchising report has delivered more than 70 recommendations – many of which will fundamentally change the franchisor/franchisee relationship.

The Committee has proposed substantial changes to the Franchising Code of Conduct and to the responsibilities and powers of the Australian Competition and Consumer Commission.

Key recommendations include:

- A range of measures to improve disclosure and transparency, including amending the Franchising Code of Conduct to require guidance on employment matters, especially Awards, minimum wages, and overseas workforce issues to be developed by the Fair Work Ombudsman.
- Additional resources for the Australian Competition and Consumer Commission to enable it to appropriately investigate all complaints or whistleblower reports about illegal unfair contract terms.
- Greater powers for the Australian Competition and Consumer Commission to intervene and prevent the marketing and sales of franchises where a franchisor shows a track record of churning and/or burning.
- Alignment between aspects of various industry codes, including the Franchising Code, the Oil Code and the Food and Grocery Code of Conduct.
- Improving education and advice available for franchisees, including development of a FranchiseSmart website for franchisees.
- Greater protections for whistleblowers.
- The establishment of an inter-agency Franchising Taskforce to examine the feasibility and implementation of a number of the committee's recommendations.

## Next steps

As noted above, the Committee has recommended an inter-agency Franchising Taskforce be established to examine the feasibility and implementation of the committee's recommendations.

Many of the recommendations in the report will require legislative change, as well as updates to the Franchising Code of Conduct.

In anticipation of future changes arising from the recommendations of this inquiry, we recommend that franchisors be well-prepared for the process that will lead to the implementation of the report recommendations.

## How we can help

Our cross-sector retail team can help you understand how the proposed changes could impact your business.

We can:

- Assess current systems, processes and contractual arrangements and provide an independent view on the robustness of those arrangements.
- Review franchisee payroll at the individual employee level and benchmark franchisee payroll against the relevant instrument (i.e. award, enterprise agreement, etc.).
- Provide strategic communications expertise to boards and management teams on the most effective ways to communicate with internal and external stakeholders, and maximise engagement with policy and decision makers.
- Assist boards and management teams in quantifying exposure to potential future disputes or claims by franchisees or employees.

The full report can be accessed [here](#).

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