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**TESTIMONY OF CHARLES E. CHASE  
PRESIDENT & CEO, FIRSTSERVICE BRANDS  
HB 1620-OPPOSITION  
PENNSYLVANIA HOUSE COMMITTEE ON CONSUMER AFFAIRS  
October 21, 2015**

Good morning and thank you for having me here today to testify against HB 1620. My name is Charlie Chase and I am President and CEO of FirstService Brands, based here in Oaks, Pennsylvania. I am also a member of the IFA's Board of Directors.

FS Brands' portfolio of brands include 8 franchise systems with over 1,900 franchised units throughout the United States and Canada. Of these, 64 franchised units are located in the Commonwealth that provide a multitude of services to our citizens, create scores of jobs in the Commonwealth and keep their economic upside within their local communities.

Our franchising systems are well established- ranging in age from 22 to 50 years old. The franchising model allows FS Brands to grow our brands throughout the Commonwealth and align our interests with that of our franchisees. It's truly designed to be a

win-win for both the franchisor and franchisee – and also for the economic development of the Commonwealth.

Collectively, according to the US Census Bureaus' 2007 Economic Impact Study there are 29,514 franchised locations in the Commonwealth alone directly creating 318,600 jobs and generating \$28.4 Billion in economic output.

Unlike expansion through company owned stores – such as the ubiquitous Starbucks on every corner, franchising involves the franchisor licensing its mark and business system to local entrepreneurs in exchange for a continuing royalty payment. The franchisor expands its brand and market share and unlike a manager at Starbucks, owns and operates his own business and retains the value created by his or her own work.

Moreover, unlike Starbucks in which all of the store's profits are remitted back to Seattle, the franchisee's profits are his own, less the royalty fee – which typically ranges from 4-7% of sales. This keeps the benefits of the franchised business within the local community.

FS Brands enjoy healthy relationships with our franchisees both within and outside the Commonwealth. Our core competency at FS Brands is based upon the knowledge, expertise and success it has gathered in franchising distribution. The company excels at understanding the dynamics, intricacies and requirements around multi-location property service businesses, and inspiring both franchisees

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and franchisor teams to succeed. Because FS Brands' management have been both franchisors and franchisees, the company knows how to coach and mentor its partners on the issues of brand consistency, while honoring the effort and commitment of a local operator. Personally, I started in this business as a franchise owner in 1982 at College Pro Painters. Recognizing that there was an opportunity to create a successful and significant full-time franchised painting company, I became the founding president/CEO of CertaPro Painters.

As you can surely see, I am a true believer in the franchise model. And I can tell you without a doubt that the franchise model is thriving here in Pennsylvania and across the country under the current regulatory structure –which governs both the ongoing relationship between franchisees and franchisors, as well as the pre-sale disclosure requirements between both parties. It is for these reasons why I am strenuously opposed to this bill.

Simply put, from my perspective and my brethren across the industry, this bill appears to be a solution in search of problem that frankly doesn't exist.

Let me briefly mention some specific provisions in the bill that give me great cause for concern. First, the Declarations contained in the bill describe in grossly negative generalities a franchising model that I don't recognize nor understand to be how the vast majority of franchise systems operate.

Moreover, the Bill causes uncertainty in economic times where certainty is sorely needed. For example, HB 1620 provides an inarticulate definition of what is considered "good faith and fair dealing." Section 5510 of the bill states "Each franchisor shall owe a duty of good faith and fair dealing to each franchisee" which according to Section

5506(c)(2)(ii) includes to “do nothing that will have the effect of destroying or injuring the right of the other party to the obtain and receive the expected fruits of the contract.” In its current form the wording is vague and will create significant litigation issues if made into law.

Successful franchise systems are ones that keep up with the times to ensure that their brands remain relevant and competitive in the marketplace. Yet, section 5505(f) provides a franchisee right to terminate the franchise agreement if changes to the franchise system “cause substantial negative impact or substantial financial hardship to the franchisee in the operation of the franchise.” Not only is the language contained in this section vague, it will have a chilling effect on innovation and growth to the detriment of all involved.

HB 1620 attempts to rewrite existing contracts by inserting non-negotiated terms and conditions in relation to termination of existing franchise agreements, §5505 & §5509. Termination is governed by each individual franchise agreement, which is a business transaction freely entered into by each party at the time of signing. HB 1620 attempts to insert government regulation into contractual negotiations between two private parties.

Section 5506 requires franchisors to provide a 90 days notice to franchisees if they do not intend to renew a contract. Both parties should be left to negotiate renewals of business agreements towards the end of an existing contract. They should not be automatically renewed through government regulation. The requirement that a franchise must be renewed in perpetuity, would offer undue government interference into negotiations that should occur towards the end of a private business contract.

Unfortunately, this bill demonstrates a profound lack of familiarity with the

franchise business model as it operates today in the Commonwealth of Pennsylvania -- a model that is providing many hard-working entrepreneurs with opportunities for success, to grow and build their businesses. The reason the franchise model is so successful is, as we like to say, "you are in business for yourself, but not by yourself". This legislation takes unnecessary aim at a business model that has been remarkably successful for entrepreneurs across the country and here in Pennsylvania which is why I am opposed to HB 1620.

Thank you again for having me today. I look forward to any questions you might have.