

# #FRANCHISE #AWARENESS



## Franchising In Newfoundland & Labrador: Policy Briefing



# About The Canadian Franchise Association (CFA)



**THE CANADIAN FRANCHISE ASSOCIATION (CFA)** is the recognized authority on franchising in Canada. With over 750 corporate members nation-wide, representing many of Canada's best-known brands, CFA is the indispensable resource for the franchise community and advocates on behalf of franchisors and franchisees in Canada to enhance and protect the franchise business model. CFA promotes excellence in franchising and educates Canadians about franchising, specific franchise opportunities and proper due diligence through its many events, programs, publications, and websites ([www.cfa.ca](http://www.cfa.ca) and [www.LookforaFranchise.ca](http://www.LookforaFranchise.ca)).

The CFA was founded in 1967 and, for over 50 years, has acted as the voice of franchising in Canada. CFA works with all levels of government to promote the benefits of franchising and the development of industry-made solutions to issues affecting the franchise industry. Franchising is an important engine for the Canadian economy and for a significant number of Canadians becoming a franchisee is their chosen path to running their own business.

CFA looks forward to working with key stakeholders, including all levels of government, to protect and promote the opportunities and benefits franchising brings to individuals and to Canada as a whole.

## Contact the CFA Government Relations Team:

As the Authoritative Voice of Franchising in Canada, CFA is focused on issues where government regulations and policies impact our members' business. We are committed to working with federal, provincial, and municipal government across Canada to enhance and protect the environment in which franchises do business today and in the future.

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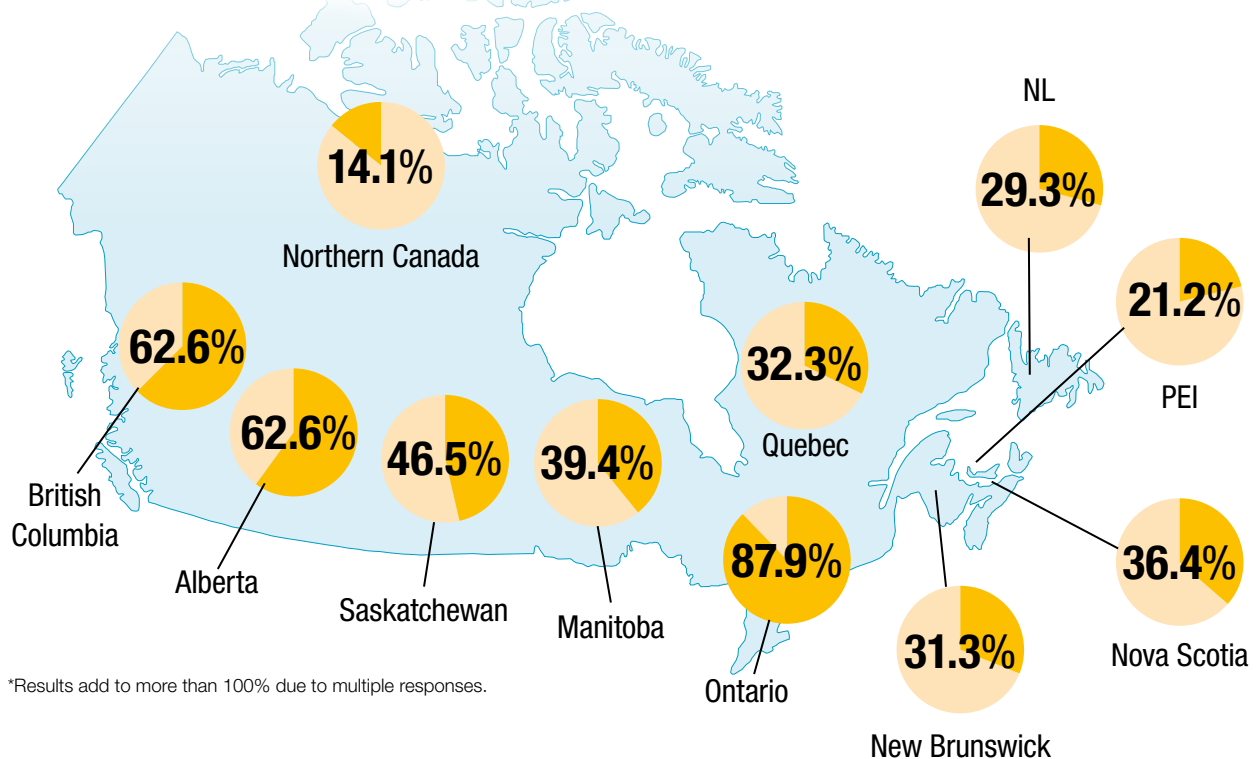
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Également disponible en français

# A Snapshot of Franchising in Canada

Where Canadian Franchise Association (CFA) member franchise systems operate



\*Results add to more than 100% due to multiple responses.

## WHAT DOES CFA'S MEMBERSHIP LOOK LIKE?

Over **750** corporate members

Operating in over **50** different sectors

**419** franchise systems, with **592** brands

CFA members represent **48,000+** franchised outlets across Canada

## CFA MEMBERSHIP BY SECTOR

Automotive & Truck Services / Products / Rentals	4%	Health / Fitness / Nutrition / Weight Loss	5%
Commercial / Residential / Services	11%	Home Based Businesses	2%
Educational Products & Services	5%	Home - Improvement / Reno / Restoration / Inspection	7%
Food - Restaurants / Dining Rooms	15%	Hotels / Motels / Campgrounds	1%
Food - Quick Service Restaurants	23%	Retail	7%
Hair & Nail Salons / Spas / Tanning	3%	Seniors Services / Home Care / Transition	4%
		Other	13%

# The Franchise Relationship

## *Franchising = Small Business*

The majority of businesses that make up our sector, both the franchisors and franchisees, are small businesses.

**THE RELATIONSHIP BETWEEN** a franchisor and franchisee is an ongoing, contractual business relationship governed by a Franchise Agreement. This agreement defines the parameters of the relationship at the outset, so both parties know their rights and obligations to the franchisor-franchisee relationship.

The franchisor provides the franchisee with the operating system and support services to help grow the businesses. The franchisor also researches and develops new products and services, oversees brand advertising, and provides access to training and support.

The franchisee is an independent small business owner who leads the operations and management of their franchise location. As the legal employer of all staff, the franchisee is responsible for executing the day-to-day operations of the business, including employee hiring, training, scheduling, discipline, wages, payroll and remitting taxes, promotions, and terminations. The franchisee is also responsible a range of other business items including accounting, inventory management, rent, and remaining in compliance with all applicable laws.

Although joining a franchise certainly provides many advantages that come with being part of a recognized brand and established system, it does not guarantee success. The tens of thousands of Canadians who are successful in this model put a significant amount of time and hard work into their operations. They invest capital by opening their business, and continue to invest by modernizing, expanding, and opening new locations, all of which helps to create new employment and economic activity in the province. Franchisees also play an important role in their communities, developing relationships and supporting local initiatives and charities. In many ways, franchising has become the modern day 'mom and pop' business.

# The Canadian Economy Runs on Franchising

THE CANADIAN  
FRANCHISE  
INDUSTRY  
GENERATES

**\$96  
BILLION  
EVERY YEAR**



Every time a new  
franchise opens,  
it creates  
**new jobs**



Direct and  
indirect  
**economic  
benefits** to  
all communities



**OVER 1.8 MILLION  
CANADIANS**

approximately 1 out of every 10 WORKING  
CANADIANS – are directly or indirectly  
employed by the franchise industry



Franchising is more  
than food – 60%  
of franchises  
can be found in  
non-food sectors

THERE ARE AN ESTIMATED  
**1,300 FRANCHISE BRANDS**  
OPERATING IN CANADA

Franchise fees can range from  
under \$5,000 to over \$75,000

Most prospective franchisees explore  
franchising as a way to be in business  
**FOR THEMSELVES** but not by themselves



There are over **78,000** franchise units across Canada

FRANCHISE BUSINESS  
MODEL IS VALUABLE TO  
NEW CANADIANS

Individual investments can  
range from under

**\$10,000** to over  
**\$1,000,000**

Franchising is  
small business

# The Canadian Economy Runs on Franchising

## Federal

Gross Domestic Product	\$96 Billion (representing 5% of the Canadian economy)
Employment (FTEs)	1,500,000
Employment (Total Contribution)	1,842,793
Household Wages	\$61 Billion
Gross Operating Surplus	\$35 Billion
Federal Tax Revenue	\$15 Billion
Provincial Tax Revenue	\$11 Billion

## Territories

Gross Domestic Product	\$208 Million
Employment (FTEs)	1,500
Employment (Total Contribution)	1,900
Household Wages	\$52 Million
Gross Operating Surplus	\$156 Million
Federal Tax Revenue	\$25 Million
Provincial Tax Revenue	\$38 Million

## British Columbia

Gross Domestic Product	\$13 Billion
Employment (FTEs)	215,000
Employment (Total Contribution)	263,334
Household Wages	\$8.2 Billion
Gross Operating Surplus	\$5 Billion
Federal Tax Revenue	\$2.1 Billion
Provincial Tax Revenue	\$1.3 Billion

## Saskatchewan


Gross Domestic Product	\$2 Billion
Employment (FTEs)	32,000
Employment (Total Contribution)	39,803
Household Wages	\$1.2 Billion
Gross Operating Surplus	\$850 Million
Federal Tax Revenue	\$330 Million
Provincial Tax Revenue	\$386 Million


## Alberta


Gross Domestic Product	\$11 Billion
Employment (FTEs)	172,000
Employment (Total Contribution)	208,708
Household Wages	\$6.8 Billion
Gross Operating Surplus	\$4 Billion
Federal Tax Revenue	\$1.8 Billion
Provincial Tax Revenue	\$1.1 Billion


## Manitoba


Gross Domestic Product	\$2 Billion
Employment (FTEs)	38,000
Employment (Total Contribution)	45,871
Household Wages	\$1.5 Billion
Gross Operating Surplus	\$870 Million
Federal Tax Revenue	\$380 Million
Provincial Tax Revenue	\$493 Million


 <b>Quebec</b>	
Gross Domestic Product	\$15 Billion
Employment (FTEs)	250,000
Employment (Total Contribution)	300,185
Household Wages	\$10 Billion
Gross Operating Surplus	\$5 Billion
Federal Tax Revenue	\$2.6 Billion
Provincial Tax Revenue	\$1.6 Billion

 <b>Newfoundland and Labrador</b>	
Gross Domestic Product	\$640 Million
Employment (FTEs)	11,500
Employment (Total Contribution)	14,008
Household Wages	\$430 Million
Gross Operating Surplus	\$210 Million
Federal Tax Revenue	\$110 Million
Provincial Tax Revenue	\$162 Million

 <b>Ontario</b>	
Gross Domestic Product	\$49 Billion
Employment (FTEs)	750,000
Employment (Total Contribution)	906,869
Household Wages	\$31 Billion
Gross Operating Surplus	\$18 Billion
Federal Tax Revenue	\$7.9 Billion
Provincial Tax Revenue	\$4.8 Billion

 <b>Prince Edward Island</b>	
Gross Domestic Product	\$200 Million
Employment (FTEs)	3,200
Employment (Total Contribution)	3,929
Household Wages	\$115 Million
Gross Operating Surplus	\$96 Million
Federal Tax Revenue	\$32 Million
Provincial Tax Revenue	\$48 Million

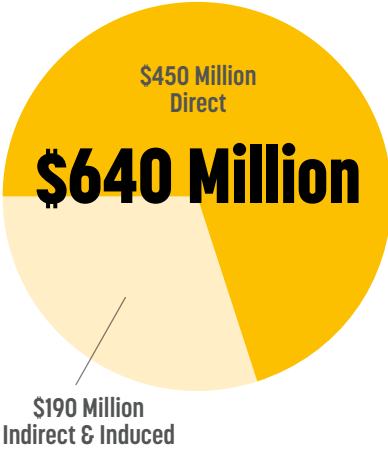
 <b>New Brunswick</b>	
Gross Domestic Product	\$1.3 Billion
Employment (FTEs)	20,000
Employment (Total Contribution)	24,712
Household Wages	\$780 Million
Gross Operating Surplus	\$520 Million
Federal Tax Revenue	\$206 Million
Provincial Tax Revenue	\$312 Million

 <b>Nova Scotia</b>	
Gross Domestic Product	\$1.6 Billion
Employment (FTEs)	29,000
Employment (Total Contribution)	35,373
Household Wages	\$1.1 Billion
Gross Operating Surplus	\$540 Million
Federal Tax Revenue	\$280 Million
Provincial Tax Revenue	\$417 Million

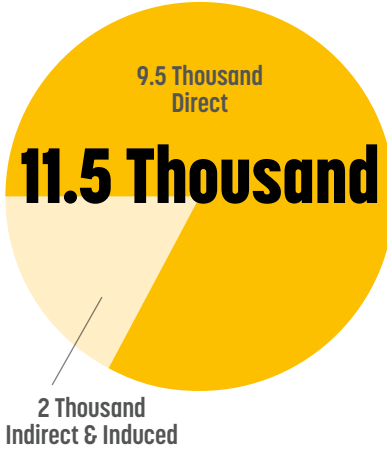
# Franchising in Newfoundland & Labrador

Franchising plays an important role in the lives of Newfoundlanders & Labradorians and NL's economy. Here are just some of the indications franchising positively impacts people and communities.

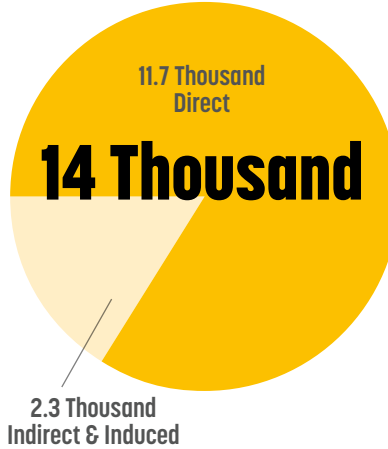
2% Proportion of NL's Gross Domestic Product



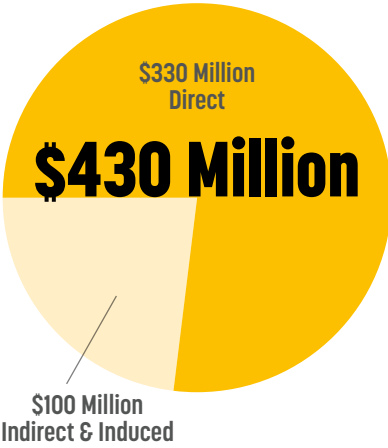
6% Proportion of NL's Total Workforce (FTEs)



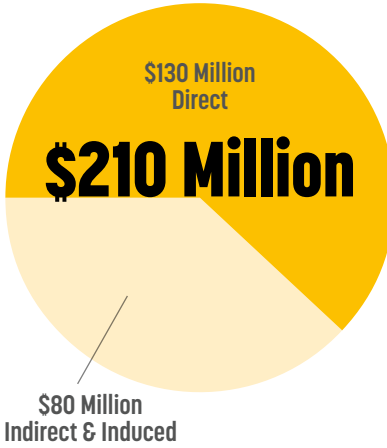
6.3% Proportion of NL's Total Workforce



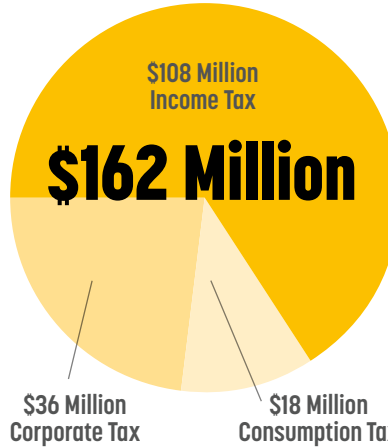
2.7% Proportion of NL's Total Household Wages



2.2% Proportion of NL's Total Gross Operating Surplus



4.1% Proportion of NL's Tax Revenue





# Franchise Industry Policy Priorities



**1. Ensuring the Independent Nature of the Franchisor-Franchisee Relationship is Recognized**



**2. Ensuring Best Practices and Uniformity in Franchise Disclosure Legislation across Canada**



**6. Maintaining a Reasonable, Predictable, and Fair Minimum Wage**



**5. Ensuring a Fair Playing Field for Franchised Businesses under Product Stewardship Legislation**



**3. Supporting the Function and Importance of the Entrepreneur**



**4. Reducing Red Tape and Regulatory Burden for Small Businesses**



# Policy Theme #1:

## Ensuring the Independent Nature of the Franchisor-Franchisee Relationship is Recognized

**AT THE HEART OF THE FRANCHISE BUSINESS MODEL** is the independent nature of the franchisor-franchisee relationship. The franchisor grants a license to the franchisee, giving the rights to operate a business using the franchisor's trademarks, brand, and operating system for a specified length of time. The franchisee in return is responsible for operating this system, as well as all day-to-day activities related to their business (hiring, scheduling, etc.). As a result of these carefully outlined roles and responsibilities, franchisees are indeed independent small business owners.

### **Protect the franchisor-franchisee relationship in legislation to recognize the true nature of the franchise relationship as an independent contract**

We believe there is significant benefit in enshrining and protecting the contractual nature of the franchisor-franchisee relationship in provincial labour and employment legislation. As well, clarification of this could be achieved through changing the definition of "employee" to reflect the true nature of the franchise business model by specifically excluding franchisees from the definition to recognize that franchisees are not employees of their franchisors.



## Policy Theme #2:

# Ensuring Best Practices and Uniformity in Franchise Disclosure Legislation Across Canada

**CFA MEMBERS FEEL THAT CURRENT** franchise disclosure requirements are confusing and lengthy, causing delays and frustration, and that it would be less onerous if disclosure laws were more consistent across the country.

While the CFA does not advocate for franchise legislation in jurisdictions across Canada, we ensure that when legislation has been created, it serves as a model of best practices, and aligns with other Canadian jurisdictions where possible.

As it stands, many jurisdictions use the Uniform Franchises Act and Regulations (UFA) created by the Uniform Law Conference of Canada (ULCC) as a guide to create franchise disclosure legislation.

However, over the years there has been development in case law related to franchising and an evolution of franchising. As a result, the CFA believes the UFA is now, in a number of ways, not reflective of best practices and the practical reality of franchising as it exists today. Furthermore, in working with various governments in the development of franchise legislation, CFA has found a hesitancy for jurisdictions to adopt some of the more evolutionary recommendations because the UFA is outdated.

### **Update the Uniform Franchises Act and Regulations (UFA)**

The CFA believes that updating the UFA will result in jurisdictions reviewing and amending their legislation to achieve a more uniform approach to franchise disclosure across Canada.



# Policy Theme #3:

## Supporting the Function and Importance of the Entrepreneur

**FRANCHISING IS A STRONG AND IMPORTANT CONTRIBUTOR** to the economies of each province in Canada. Franchised entrepreneurs create opportunities and jobs in every single community in the country, and continually stimulate activity within local economies.

### **Work with the CFA to explore franchise specific opportunities by targeting certain employment groups such as youth, new Canadians, and military veterans**

Over the past several years, we have seen an influx of interest in the franchise business model from new Canadians and youth, and as a result, there is an opportunity to develop a focused program that can lead more people towards opening a franchise. There are an abundance of free resources available to prospective entrepreneurs, and government should explore focused programs that connect prospective entrepreneurs with available opportunities.

CFA also proudly operates the Military Veterans Program (MVP), where participating members can list their franchise opportunities, including special discounts offered for military veterans, on the MVP portal on [www.lookforafranchise.ca](http://www.lookforafranchise.ca). Success in the military is often achieved through the same qualities that translate to success in franchising – discipline, perseverance, commitment and an ability to work within an established system. Only honourably discharged veterans have access to this portal, giving our members an efficient means for connecting with veterans interested in franchising.

### **Maintain a low corporate income tax rate and enhance tax credits to help small business owners, particularly franchisees, thrive**

Taxes play a significant role in shaping the broader competitive environment for entrepreneurs, especially small business owners; the value of small businesses cannot be underestimated. Government needs to ensure they provide the right economic climate and smart tax structures for entrepreneurs to have the best chance at surviving and succeeding. Keeping corporate and small business tax rates low and exploring additional tax incentives for entrepreneurship like opening a new franchise location can provide the best opportunity for small businesses to succeed.



## Policy Theme #4:

# Reducing Red Tape and Regulatory Burden for Small Businesses

**RED TAPE INTRODUCES SIGNIFICANT BARRIERS** to productivity by forcing businesses to spend a substantial percentage of their time dealing with paperwork, removing them from the responsibilities of managing their business. Franchises are small businesses who often do not have the administrative staff or resources to deal with these burdens, and they become a resource drain to busy owners who already wear many hats.

Our members describe the current impact of red tape compliance on their business as a major or moderate impact, including the requirements to file various paperwork, the staff time that is spent on regulatory related tasks, and the overall cost of upkeep with compliance measures. This is particularly difficult for small businesses, of which our membership mostly consists, because they typically do not have staff specifically for those roles.

Perhaps even more onerous for CFA members is the difficulty in understanding and finding information related to specific regulatory requirements.

Most challenging, our membership claims that compliance with red tape prevents or somewhat prevents business growth and/or profitability. Should regulatory burden continue with the status quo, or even grow in terms of compliance requirements, businesses will continue to face challenges in remaining profitable; the burden on businesses should be reduced to a level that does not have a tangible impact on profitability.

### **Commit to passing red tape reduction and regulatory reform legislation that requires annual measurement and public reporting of the amount of red tape small businesses face**

CFA and its members would welcome the opportunity to work with government to identify points of concerns for small businesses and to determine appropriate solutions that serve both government and business owners.



## Policy Theme #5:

# Ensuring a Fair Playing Field for Franchised Businesses under Product Stewardship Legislation

**PRODUCT STEWARDSHIP LEGISLATION SPECIFICALLY CALLS OUT** the franchising sector, treating it differently than other non-franchised small businesses. This puts franchised business owners on an uneven playing field, making it more difficult for them to compete with non-franchised businesses and increasing their annual costs by thousands of dollars.

### **Ensure franchised businesses are not being unfairly targeted when implementing or revising stewardship legislation**

CFA proposes that, in jurisdictions where relevant, franchise specific small business thresholds be set and that the material produced from a franchisor and franchisee be separated. This would help ensure franchises are treated equally to non-franchised small businesses.



## Policy Theme #6:

# Maintaining a Reasonable, Predictable, and Fair Minimum Wage

**THE CFA SUPPORTS A MINIMUM WAGE POLICY** which is fair, predictable, and transparent, accompanied by open communication and consultations with stakeholders, including business and franchising.

**Ensure minimum wage policy balances the realities of what constitutes a fair wage with the responsibility of keeping the business environment healthy**

CFA is not opposed to fair increases in minimum wage, instead wishing to ensure increases are predictable and phased in over a reasonable amount of time. Significant and unpredictable increases in the minimum wage can have a dramatic impact on our members and their businesses, potentially resulting in hiring freezes, price increases, and reduction of employee hours. These are not circumstances in which small businesses can thrive.



## **Have Questions? Need Assistance?**

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