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Multnomah County Commissioner, District 2

February 7, 2022

Members of the House Committee on Business and Labor
900 Court Street NE
Salem, OR 97301

RE: Support for HB 4152

Chair Holvey, Vice-Chair Bonham, Vice-Chair Grayber, and members of the committee,

I am the Multnomah County Commissioner for District 2, representing North, Northeast, and parts of East Portland. Thank you for reading my testimony and considering the importance of passing HB 4152.

As you probably know if you've been to a 7 Eleven or Subway recently, a disproportionate number of franchisees of these big chains are immigrants; and a large number of those are from South Asia -- India, Pakistan, Bangladesh, Nepal. I was given one estimate that 90% of 7 Eleven franchises are immigrants. Many arrive not speaking English well, or at all; almost all arrive without experience in the American business or legal system.

They are attracted to franchising in large part precisely because franchisors specifically advertise it as requiring little or no experience, and because franchisors specifically target and recruit immigrants.

These franchisees often borrow or invest their life savings to acquire the franchise; they're willing to work 24 hours a day, seven days a week, and enlist their family members to do the same, because they don't have a lot of other options. These are essentially minimum wage jobs, but are done 24 hours a day, seven days a week.

Franchisors are, by and large, huge corporations with access to legal and financial resources. Franchisees, by and large, do not have those resources. And the agreements they enter into are entirely one-sided.

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There are lots of ways these agreements are rigged against the franchisee, but the main lever of control is the right of termination. Franchisors generally have very broad rights of termination -- essentially for any infraction, no matter how minor. Franchisees have reported being terminated for having one dead light bulb.

At the same time as franchisors have almost unilateral ability to terminate, franchisees have very limited ability to renew or transfer their franchise. Even if they have some renewal rights, those rights are often subject to the franchisor's ability to completely change the terms. And if their contract is terminated, or they aren't allowed to renew, or they choose not to - because they don't want the new terms -- they lose their entire investment.

These agreements trap franchisees into untenable situations. And because they can be terminated for the most minor infractions, franchisees face retaliation if they complain about unfair or predatory treatment.

There is an enormous imbalance of power inherent in these franchise relationships. That imbalance is so profound that franchisees are very afraid to challenge franchisors - so afraid that when this bill was before this committee in the last session, franchisees approached me and asked me to speak for them - literally read their testimony into the record for them - because they were afraid to do so themselves.

They approached me in large part because I too am a South Asian immigrant. I was born in India, and came to the United States when I was 16, to go to college. I know well what it's like to be alone in a strange new country, and I can sense the desperation these franchisees feel about the arrangements in which they are trapped.

At this point, I'd like to offer some excerpts from emails I received from franchisees who asked me to keep them anonymous.

- "Corporate ... make us sell merchandise below our cost or on very low profit. We increase the sales and with an increase of sales, we need more labor to do it, but now corporate takes an even bigger chunk of the profit...On top of it we do everything as asked, still they try to intimidate us and remind us of the consequences."
- "According to our contract, we are independent contractors, but in reality, they dictate us on everything. If we don't listen to them, then they start finding something in our operation to give us the breach of the contract and try to kick out of the store. This bill seems to be the light in the dark tunnel."

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- “My franchisor creates the agreement which I either have to sign or walk away from my business that I build with blood, sweat and tears for over two decades. I cannot buy from local vendors to support small businesses here in Oregon. I am forced to buy from their recommended vendors for which corporate keeps the rebates and I end up paying higher price.”

It's long past time for an end to these one-sided agreements. By requiring the parties to deal in good faith and on reasonable terms, including regarding disclosure and termination, HB 4152 would help prevent exploitation of immigrant and small business owners, and contribute to a thriving economy and a thriving Oregon.

Thank you for your consideration.

