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## **AAHOA, AAFD and CFA Convene with FTC Chair Lina Khan to Discuss the Current State of Fair Franchising**

ATLANTA, GA, May 3 – Leaders of the Asian American Hotel Owners Association (AAHOA), the largest hotel owners association in the world, were joined by two peer associations, the American Association of Franchisees and Dealers (AAFD), and the Coalition of Franchisee Associations (CFA), to discuss the state of Fair Franchising with the honorable Federal Trade Commission (FTC) Chair, Lina Khan. With representation from nearly 100,000 franchisees and business owners, the virtual meeting provided an important forum to discuss the state of franchising and how fairness and oversight can be improved through education and advocacy.

The FTC joined the forum as part of its fact-finding mission to learn more about how franchisors disclose certain aspects and contractual terms of the franchise relationship. The FTC is also seeking information about the scope, application, and effect of those aspects and contractual terms on both franchisors and franchisees, including hotel owners, and whether there is transparency and fairness in the process.

FTC Chair Khan discussed the role of the Commission in addressing franchisee-franchisor contractual provisions on non-competes. She highlighted the Robinson-Patman Act, a law that has seen a lack of enforcement in recent years. The law requires all sellers, in this case the franchisor, to treat franchisees in the same way.

“The Robinson Patman law prohibits, among other things, commercial bribery or kickbacks,” said **FTC Chair Lina Khan**. “This is a statute that unfortunately has also been dormant for some decades. It will have implications for all sorts of business relationships, but the franchisee franchisor relationship is also one area where Robinson Patman could apply.”

With AAHOA’s nearly 20,000 Members owning more than 60% of all hotels across the U.S., AAHOA Members recognize the importance of sustaining and enhancing the franchising relationship. During the FTC forum, AAHOA Officers emphasized the need for **four core pillars** for hotel industry franchisees:

- Fully disclosing the tens of millions of dollars in vendor rebates derived from hotelier franchisee purchases, and returning them to the franchisees for the betterment of the system



- Fairly compensating franchisees for all loyalty program discounted sales and free reward nights
- Limiting mandated vendors for non-trademarked products to encourage fair pricing and competition, and
- Avoiding unilaterally imposed and arbitrary franchise fees without proper disclosure and approval

“The FTC’s stated goals of transparency and fairness are music to the ears of all franchisees who find themselves in one-sided, imbalanced and inequitable relationships with their franchisors,” said **AAHOA President & CEO Laura Lee Blake**. “Regrettably, many hotelier franchisees are stuck in 20-year franchise agreements, and they cannot voluntarily leave because the liquidated damages would cost them hundreds of thousands of dollars. We truly thank the FTC and Chair Lina Khan for listening to these issues and paying close attention to how franchising is currently being operated.”

“For AAHOA, each of our Officers participated in the FTC forum because fair franchising represents a balanced and transparent business relationship between franchisors and franchisees, with clear and reasonable terms for both parties,” added **AAHOA Chairman Bharat Patel**. “Without transparency and fairness, the franchise system cannot be sustained for the long term for our children and the next generation of hoteliers. We strongly support a culture of equity and collaboration that attracts talented entrepreneurs and promotes mutual success.”

AAHOA’s four pillars are specially designed to ensure a mutually beneficial relationship between franchisors and franchisees, built on trust and fairness. By following these guidelines, AAHOA submits that franchisors can create a thriving system that fosters a better climate for small businesses and entrepreneurs, as well as franchisors.

As an organization committed to transparency and equity, AAHOA invites other industry leaders to join us in championing the principles of Fair Franchising and building a brighter future for franchisors and franchisees alike.

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#### **About AAHOA**

*AAHOA is the largest hotel owners association in the world, with Member-owned properties representing a significant part of the U.S. economy. AAHOA's 20,000 members own 60% of the hotels in the United States and are responsible for 1.7% of the nation's GDP. More than one million employees work at AAHOA member-owned hotels, earning \$47 billion annually, and member-owned hotels support 4.2 million U.S. jobs across all sectors of the hospitality industry. AAHOA's mission is to advance and protect the business interests of hotel owners through advocacy, industry leadership, professional development, member benefits, and community engagement.*