



Office of Commissioner
Rohit Chopra

UNITED STATES OF AMERICA
Federal Trade Commission
WASHINGTON, D.C. 20580

Opening Statement of Commissioner Rohit Chopra

Before the United States Senate
Committee on Commerce, Science, and Transportation
Hearing on Oversight of the Federal Trade Commission

August 5, 2020

Chairman Wicker, Ranking Member Cantwell, and Members of the Committee, thank you for the opportunity to appear before you.

The Federal Trade Commission's responsibilities are wide and far-reaching, with many directly relating to the crisis we face. Health care and pharmaceuticals, disinformation and fake reviews, abuse and misuse of data, and so much more. But, there is one area in particular that the FTC can and should prioritize: protecting America's small businesses.

According to a survey by the Society of Human Resource Management, 52 ,

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businesses employ Americans across the country, and they're also more likely to be minority-owned, compared to other small businesses.

However, there are signs that franchisors may be using the pandemic to impose new policies that are exacting more economic pain on franchise operators. For example, Subway and 7-Eleven franchisees are fighting back against attempts by franchisors to gain more control and implement practices that shift more cost and risk to local business owners.

The FTC administers the Franchise Rule and enforces laws that prohibit unfair business practices by franchisors. This responsibility is critical, given the threats faced by operators of franchised businesses today.

Finally, the FTC will need to police markets for anticompetitive mergers that scoop up scores of small businesses. One common acquisition strategy is called a "roll up." This is when a buyer, often a private equity fund, acquires a substantial number of small players in a market and combines them into a single large firm.

For example, many independent medical practitioners are seriously struggling, and many believe they will need to sell their practices to an investment fund or a hospital system, due to the dire economic straits they face. The slow extinction of independent physician practices, in particular, may have a serious impact on cost and quality of care.

Many of these deals are not subject to merger reporting, because they're relatively small. However, when buyers are acquiring sometimes dozens or even hundreds of these small businesses, this kills competition and can make it more difficult for new players to enter the market. The FTC will need to use its authority to halt anticompetitive acquisition sprees and monopolization schemes that stamp out competition and small players.

In closing, we face unusual and extraordinary times for our economy, and the FTC will need to sharpen its focus on the impact of the pandemic on small businesses. Thank you for again for the opportunity and I look forward to your questions.