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Assalamualaikum Warahmatullahi Wabarakatuh dan Salam Sejahtera.

Y.B. Dato' Mohamed Khaled bin Nordin
Menteri Pembangunan Usahawan Dan Koperasi

Y.B. Dato' Khamsiyah Yeop
Timbalan Menteri Pembangunan Usahawan Dan Koperasi

Y.Bhg Dato' Ahmad bin Konchong
Ketua Setiausaha
Kementerian Pembangunan Usahawan Dan Koperasi

Sdra. Izham Yousoff
Timbalan Pengerusi
Persatuan Francais Malaysia

Dif-dif kehormat
Para peserta FIM 2005
Tuan-Tuan dan Puan-Puan yang dihormati sekalian,

1. Saya bersyukur ke hadrat Allah S.W.T. kerana dengan limpah kurnia dan keizinan-Nya dapat kita bersama-sama berkumpul pada hari ini di majlis perasmian Franchise International Malaysia 2005 (FIM 2005). Saya terlebih dahulu ingin merakamkan ribuan terima kasih kepada Y.B. Dato' Mohamed Khaled bin Nordin, Menteri Pembangunan Usahawan dan Koperasi di atas jemputan dan penghormatan yang diberikan kepada saya untuk menyampaikan ucapan dan seterusnya menyempurnakan majlis perasmian FIM 2005 pagi ini. Saya juga ingin mengucapkan syabas kepada pihak Kementerian Pembangunan Usahawan dan Koperasi (MECD) dan Persatuan Francais Malaysia (MFA) yang bertungkus lumus berusaha menganjurkan FIM 2005 ini. Saya percaya semangat kerjasama ini melambangkan pakatan baik yang sedia terjalin erat di antara kedua-dua pihak Kerajaan dan swasta untuk terus bersama-sama dalam usaha meningkatkan kejayaan perniagaan francais negara ke tahap yang lebih tinggi sehingga ke tahap antarabangsa.

Ladies and Gentlemen,

2. First and foremost, I would like to take this opportunity to congratulate the joint organizers of this conference and exhibition, FIM 2005, for their commendable effort in bringing together the local and overseas franchising communities which include franchisors, franchisees, experts, as well as would-be franchisors and franchisees. I was made to understand that this annual gathering is aimed at promoting the healthy growth of the franchise business in this country. I am pleased to note that this year's conference has succeeded in attracting an even larger number of international participants as compared to previous years. Today's theme 'Unlimited Global Ventures' is not only relevant, but also timely in the wake of challenges brought about by globalisation and liberalisation of the market place. I am pleased to

note the participation of friends from our neighbouring countries namely Thailand, Indonesia, Singapore and the Philippines, and we are equally pleased to have participants from Hong Kong, Australia, New Zealand, Europe and the United States. This augurs well with the Government policy of encouraging the growth of a wider international network amongst the Malaysian franchise businesses to take advantage of opportunities offered by a more and more globalised business world.

Ladies and Gentlemen,

3. As ordinary citizens and consumers, we are all aware of the existence of a number of well-known franchise brands – from the multinational McDonalds, Coffee Beans and Tea Leaf, Gloria Jean Coffee to the local franchise such as Secret Recipes, Marrybrown, England Optical, Nelson and Smart Reader – but yet we know little about the size of this sector in the economy or how it operates. We are also too familiar with the cliché describing franchising as being the innovative way of marketing products and services beyond the confines of the local geographical boundary to reach the borderless markets. There are several advantages from franchising as a means of expanding business. These include the low cost factor to the franchisors, the ability to utilize local managerial and entrepreneurial expertise, the flexibility in the forms of joint agreement to foster business growth and the low level of risk to the franchisees. According to a recent study, the failure rate of franchises over five years is less than 12% as compared with more than 70% for independently generated business. Indeed, franchising has been instrumental in the growth of multinationals, particularly in the service industry, and has, in fact, shaped the landscape of modern day service industry. In many developed economies, franchised services now take up a large segment of retail sales and command around 10 percent of GDP.

4. Franchising has indeed resulted in better delivery of services to society and in the process fulfilled customer's needs more effectively. It also offers an attractive opportunity for spearheading business expansion in both domestic and international market. Business statistics for the last several decades show the significant and rapid increase in franchising growth and the emergence of franchising as a significant force which propels the internationalization of businesses. The resultant higher value created from this business globalization has profited the business people, prospered nations and benefited the international community as a whole.

Ladies and Gentlemen,

5. I am happy to note that franchising is one of the fastest growing sectors in Malaysia. The number of franchise business continues to rise rapidly since year 2000. In the past four years, there has been a 15 percent increase in the number of registered franchise business. There is no doubt that Malaysia's strong economic climate has encouraged the strong growth of the existing franchises as well as the creation of very successful franchises in new industries.

6. The government's sensible and sound management of the economy has produced a conducive environment that supports business growth, delivering low interest rates and continuing low inflation. Sound economic management has also allowed businesses to engage in what they do best, running their business with the confidence that they can carry through with future business plans. Under the leadership of Prime Minister YAB Dato' Seri Abdullah Badawi, who is extremely passionate about small business issues, the government's efforts to assist small

businesses and entrepreneurs is certain to prosper.

7. The Malaysian Government provides a great deal of support to promote the growth of franchise business in the country. We adopt a pro-franchise policy and conduct an open policy towards franchising. Malaysia welcomes franchisors from within and outside the country to set up businesses. We believe that the healthy growth of franchise business would help prosper the nation, benefiting not only businessmen, consumers, bankers, supporting service providers, the government but also citizens and consumers at large.

8. At the same time, the Government policy towards franchise business also recognizes the need and the importance of supporting the development of home-grown franchisors as part of the overall development agenda of building domestic capability for wealth creation and ensuring prosperity. Within that policy framework, programmes aimed at helping target groups, like the Bumiputeras, to gain fair access to resources as part of assertive measures to put them into the mainstream of economic development are also put in place. On the whole, the role of the Government is one of facilitating the growth of franchise business and encouraging the participation of certain target groups so as to enable them to be involved in the franchise business through various measures.

9. These measures include the setting up various special funds made available to franchisors and franchisees through financial institutions. The Franchise Act enacted in 1998 is to provide a more transparent governance structure for the orderly growth of the business. Also the appointment of Perbadanan Nasional Berhad (PNS) last year is to assume the role of a development agency that is aimed at further strengthening the effort to promote the development of home-grown franchise businesses, particularly Bumiputera franchises. With the establishment of this role, PNS would eventually become the leading Government agency responsible for the franchise development in this country.

Ladies and Gentlemen,

10. I wish to reiterate that the Government's role is only a facilitative one. It is the business communities themselves which, in the final analysis, need to take on the challenge of entrepreneurship to develop their respective businesses both in the domestic and global markets. They are the ones who will finally need to make their own decisions and make the necessary commitments as well as assume the risk of their business ventures. They are the ones who would have to aggressively compete for markets and make sure their business models match up to the expectations of the consumers and that they are capable of standing up to competition. As such, you are a critical part of the economic prosperity of this country. Franchises also play another important role – they encourage the development of a business-skills base that is vital to the country's future. As franchisors and franchisees, you build your own business and you create more local jobs. In the majority of cases, the person who owns the business runs the business. As the owner, you are more motivated to succeed and improve sales because in the end you are the one that will reap the benefits directly.

11. The Government also takes pride in the strides gained by the franchise industry thus far but let us not allow this little progress to lull us and make us rest on our laurels. There is a great deal of hard work that needs to be done in order to scale up our franchise capabilities, so that we can become world class players. Malaysian

franchisors should venture into the international markets, especially India and China which represent two emerging economies with a large middle class to serve. I am proud to note that there are now a number of our home grown products which have made some inroads into global markets, particularly in the ASEAN region, China, India and the Middle East countries. This embodies the spirit of Malaysia Boleh. It will take a great deal of painstaking preparation and hard work as well as strong networking to venture and succeed overseas. And in doing so, we must remember to think 'Glocal' by offering products and services intended for the global market but are also customised to suit the local culture. I believe most of you are doing well, but the Government wants you to do better.

12. The future harbours both opportunities and challenges for the franchisors and franchisees. With the opening out of new markets and products resulting from globalization and liberalization, opportunities for franchise growth and expansion are expected to be tremendous. However, these opportunities would have to be realized through strong capabilities on which our franchise communities will have to work hard to achieve. In this regard, the various parties must put their act together more effectively and strengthen networking as well as undertake research and development. An area that should be explored in seriousness by the franchise fraternity is to strengthen the existing networking in research with the local universities as well as overseas in order to strengthen our franchising capabilities. At the same time, the recent transformation in the franchise sector has resulted in a broadening beyond the traditional fast-food retailers and home service providers. The franchise business model has attracted and continues to attract new industries. Businesses involved in franchising now range from banking and financial services to childcare and pre-school services.

13. I would also like to take this opportunity to invite the international franchising community to come and venture into Malaysia, in order to take advantage of the business opportunities present here. This is also in line with Malaysia's intention to strengthen the franchising base, increase the breadth of business networking and enlarge the franchising community. Your involvement would help expand the variety of products and services which would benefit the Malaysian entrepreneurs and consumers. Local franchisors should not view foreign participation as merely to their business, but should also see things from the bigger picture of a win-win framework offering joint-ventures and commercial tie-ups for mutual gains.

14. Looking at things from a broader perspective, I would like also to offer and extend our invitation to our foreign franchising communities to make Malaysia the hub from which to launch your franchise businesses around the region. The rising prosperity of this region should make it an attractive place of investment and a platform from which to launch your products and services into new markets. The excellent business environment should convince you that Malaysia is an excellent choice as a hub to manage your investments in the ASEAN region which has a combined population of over 500 million people.

Ladies and Gentlemen,

15. I would like to thank the Ministry of Entrepreneur and Cooperative Development (MECD) and Malaysia Franchise Association (MFA) once again for inviting me today. I wish you every success in your conference and exhibition and hope this meeting of the franchise fraternity would achieve the goals it sets. With that note, it is with great pleasure that I now officially launch the 'Franchise International Malaysia

2005'.

Thank you.

Wabillahi Taufiq Walhidayah Wassalamualaikum Warahmatullahi Wabarakatuh.