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Paul Toscano, CNBC
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Fred DeLuca, the founder of privately-held Subway Restaurants, said government regulations are hurting small businesses and that this environment has prevented entrepreneurs from creating value in the market.

"If I started Subway today, Subway would not exist," DeLuca told CNBC's "Squawk on the Street" Wednesday.

DeLuca said the environment for entrepreneurs in the United States has "continuously gotten worse because there are more and more regulations. It's tough for people to get into business, especially a small business."

The Subway founder pointed to a number of government regulations that are degrading the business environment for entrepreneurs. Examples include the Affordable Care Act, an increase in the minimum wages and the end of the payroll tax holiday.

The Affordable Care Act, often referred to as "Obamacare," is "the biggest concern of our franchisees," DeLuca said. "They don't know what to expect. It's causing a lot of concern, but that too will be passed on to the consumer."

The payroll tax is another hang-up.

"The payroll tax is affecting sales. It's causing sales declines," he said, estimating a decline of about 2 percentage points off sales at his restaurants. "There are a lot of pressures on consumers," DeLuca said, adding "I think this is on the permanent side, but I think business will adjust to it."

DeLuca also said minimum wages have to increase over time, but doing a sharp raise all at once is a bad idea.

"Minimum-wage workers deserve to make more and a little bit of an increase makes sense to me," he said. "Wages directly affect prices" and "it will cause franchisees to raise prices, there is no question about it."

Subway currently employs minimum-wage workers, but depending on the market wages are often higher based on demand.

DeLuca also said there was "huge interest" in people looking to start Subway franchises, since budding entrepreneurs now find it difficult to get loans. "There are a lot of challenges

out there," he said, suggesting these difficulties encourage entry into an established brand such as Subway.

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