

The House of Harley-Davidson 4334 Spenard Road Anchorage Alaska 99517

February 1, 2011

Senator Hollis French
State Senate
State of Alaska

Dear Senator French,

Thank you for introducing SB19 to exclude motorcycles from the passenger vehicle rental tax law. As we discussed before, I believe the law was originally written without the consideration of motorcycle rentals. However, as it is written, it does not specifically exclude them.

We are going into our third year as a Harley-Davidson motorcycle rental operator in Alaska. Like most other things, it is "different in Alaska". We have only three months in which we take care of 90% of our rental customers. To do so, we need to maintain a fleet of 12 to 15 new Harley-Davidson motorcycles. Just to break even, we have to charge twice as much or more as rental dealers in the lower 48. When you consider depreciation, it is easy to see this is not a very lucrative part of our business.

There is a lot of demand for this rental program in Alaska. The biggest complaint of course, is the price, and we do lose a lot of potential rental days each season because of it. We had over 200 rental customers in 2010 – most from the lower 48. The motorcycle rental customers spend more time and money while traveling in Alaska than those who rent cars or motor homes. They are likely to stop more often and spend more nights in hotel/motel rooms and restaurants throughout the state.

We add two seasonal employees for 6-months each summer to maintain our rental business. We also incur additional payroll expenses for our core employees to get the bikes ready, ridden for 500 miles and serviced in time for the start of the season. We are just now being invoiced for and receiving our new fleet for the 2011 season. Of course, the interest charges start immediately.

Because of customer requests and the desire of the Harley-Davidson Motor Company to have a rental operator in Alaska, we have agreed to continue with the program. However, if we incur additional expenses, we will have to consider giving it up.

Thank you for your time and support.

Sincerely,
Barry Matteson
Owner