



February 22, 2016

Senator John Coghill
Alaska State Capitol
Room 119
Juneau, Alaska 99801-1182

Re. SB 197

Dear Senator Coghill,

I'd like to express my support for SB 197. In particular I'd like to explain the importance of Section 15 as it applies to warranty and policy work and Section 16 as it applies to unfair practices.

Because we are in Alaska many of our customers are more than 100 road miles from our dealerships or in some cases not even accessible by road. The problem arises when these vehicles that are under warranty need to be repaired. Continental has had customers as far away as Valdez and Fairbanks required by the manufacture to drive their cars back to the dealership in Anchorage. The manufactures contend that the repairs need to be performed at the dealership by a manufacture certified technician. This is both an inconvenience and in costly to the customer. SB 197 simply states that the dealer can arrange to have the repairs performed by another reasonably qualified technician where the vehicle is located. This is much more acceptable than burdening the customer to get their vehicle back to the dealership.

On October 7, 2015 I attended a meeting with Nissan representatives in Anchorage. The meeting mainly covered regional marketing plans and goals. During this meeting a Nissan representative stated, "grow or go" referring to Nissan's stance that if a Nissan dealer isn't growing they should get out of the Nissan franchise. This same representative asked me "Do you want to be a Nissan dealer or should we find a new one?" I took considerable offense to this considering the amount of time, energy and millions of dollars we've invested in our Nissan franchise. Nissan's attitude is completely unfair and unreasonable. The manufactures expectations are in most cases out of the control of the dealers. I recently received a letter dated February 1, 2016 (the letter is hereby attached) from Nissan North America. In the letter Nissan recognized that our "year-over-year sales performance is below the average of the Northwest Region". Nissan further states that "it is imperative you make the operational improvements necessary to address this issue". I would argue that our Nissan sales are down

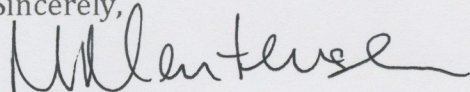
because Nissan discontinued our second highest volume vehicle the Nissan Xterra and the Nissan Titan truck is so outdated (10 years without a redesign) that it doesn't even compete in the largest segment of the Alaska market which is trucks. Of course the biggest factor is Alaska's current state of the economy. Year to date we are already considerably behind last years sales volume. By my experience the manufactures don't take into consideration what sells in Alaska let alone the economic climate in a small market like Alaska.

With the ever shrinking profit margins of new car sales, the manufactures contend that they "help" dealers by offering bonus incentives if the dealer achieves certain objectives set by them of course. This the manufactures way of controlling what we sell and what we market. In 2015 Continental didn't achieve any of the annual sales objectives that Subaru, Honda, Acura, Nissan, Mazda and Volvo set for us. There are many factors that can contribute to achieving these objectives or the failure to do so. For instance we didn't even receive enough Subaru inventory in 2015 to reach the objective that they set for us. All of the manufactures listed above have programs that they force us to participate in and thereby control how much inventory we are allocated and how our dealerships should look. Demanding that a dealer upgrade their dealership image program in a recession or penalizing them because their new car volume is down is again unfair. Under SB 197 manufactures may not unreasonably require a dealer to remodel or renovate an existing facility or thereby withhold new car inventory.

In 2008 when the U.S. economy was in the midst of the worst recession the country had experienced in the past century, the automotive industry was affected tremendously. General Motors and Chrysler filed for bankruptcy and required a government bail out to survive. During this time, GM and Chrysler terminated dealerships with total disregard to the dealers and the people that worked for them. Warranty work was scrutinized to the point that dealers where being audited by the manufactures and penalized millions of dollars because dealership personal didn't dot an "i" or cross a "t". It prompted new car dealership associations around the country to take action to support dealer franchise protection through legislation. Since 2008, 35 states have passed new car dealer franchise laws similar to SB 197. As a member of the Alaska Auto Dealers Association we have been working on this for sometime. We feel that SB 197 is fair and reasonable and necessary to protect our local interests from corporate manufactures that are becoming increasingly anti-franchise dealers.

We greatly appreciate your support and sponsorship of SB197.

Sincerely,



Marten Martensen
Continental Auto Group
Anchorage, AK