



February 23, 2017

Senator Mia Costello
Chair, Senate Labor & Commerce Committee
State Capitol Room 504
Juneau, AK 99801

Alliance of Automobile Manufacturers Statement of Opposition to Senate Bill 47

Dear Senator Costello:

On behalf of the Alliance of Automobile Manufacturers, thank you for the opportunity to register our opposition to SB 47. The Alliance is a trade association representing twelve of the world's leading car and light truck manufacturers, including BMW Group, FCA US LLC, Ford Motor Company, General Motors Company, Jaguar Land Rover, Mazda, Mercedes-Benz USA, Mitsubishi Motors, Porsche, Toyota, Volkswagen Group of America, and Volvo Car USA. Together, Alliance members account for roughly 70% of the cars and light duty trucks sold in the United States each year.

Senate Bill 47 seeks to regulate the franchise relationship between automobile manufacturers and dealers. Unfortunately, it does so by using unnecessarily extreme versions of ideas borrowed from other states. The result is a bill that is unfriendly towards business, rewrites existing contracts, and inserts the state in to business to business relationships in a harmful way. SB 47 serves no public purpose. It is only written to intercede in private business to business contracts for the financial benefit of car dealers.

SB 47 seeks to be a wholesale rewrite of the state's automobile franchise code. The bill borrows concepts from other states, but in nearly every instance, the bill uses extreme or uncommon approaches towards each subject. Franchise codes are complex, and in other states are generally the result of manufacturers and dealers negotiating in good faith to reach workable compromises.

Last year, the sponsor of the previous iteration of this bill withdrew his support and asked the Alaska Auto Dealers Association and the Alliance to speak over the interim to negotiate the bill. The dealers' association never reached out to the Alliance to discuss their bill or the problems that they are seeking to address. Instead, the dealers' association found a new bill sponsor and is once again advocating a controversial bill without negotiation.

SB 47 begins by asking the Alaska State Legislature to make a legislative finding that the bill is necessary "to prevent the infliction of fraud and other abuses on people in the state."¹ It is outrageous that the bill's proponents would ask the legislature to make such an offensive statement about a major industry--implying that without this bill, manufacturers would defraud and abuse Alaskans. Sadly, the bill gets worse for both manufacturers and consumers. For example, the bill would among other things (1) effectively eliminate the opportunity for any new intra-brand competition; (2) prevent manufacturers from limiting the amount of "document fees"

¹ SB 47, Page 1, Paragraph 2.

that dealers may charge consumers as part of discount or cash incentive program; (3) force manufacturers to allow non-certified technicians to perform work on a consumer's car under the manufacturer's warranty; (4) create a warranty reimbursement law that encourages dealers to raise prices charged to consumers in order to maximize the dealer's reimbursement by the manufacturer; and (5) creates a constitutional problem by making the entire bill retroactive to current contracts. The list of problems with this bill is very long, and the Alliance has prepared a separate document discussing the many issues in it.

The Alliance asks this committee to not advance such a controversial bill. SB 47 is a bold request for the legislature to rewrite existing business contracts for the benefit of one side. It poses a risk to consumers as well as a threat to the notion of a free market economy.

Thank you for the opportunity to register the Alliance's opposition to SB 47. Please feel free to contact me at (202) 326-5533 or dbright@autoalliance.org if you would like any additional information. In addition, please feel free to contact the Alliance's West Coast representative, Curt Augustine, at (916) 447-7315 or caugustine@autoalliance.org. Thank you for your consideration.

Sincerely,

A handwritten signature in blue ink, appearing to read "David E. Bright". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

David E. Bright
Attorney