

CHEVROLET
OF SOUTH ANCHORAGE
A LITHIA STORE

March 4, 2017

The Honorable Matt Claman
Alaska, State Capitol
Juneau, Alaska 99801

RE: House Bill No. 136

Dear Representative Claman:

My name is Jamie Turner and I am a general manager for Lithia Motors who serves as the executive manager at Chevrolet of South Anchorage and reside in Anchorage, Alaska. I'm writing this letter in support of HB No. 136. This is a comprehensive bill that fairly expands legislative protections for automobile dealers, consumers and dealership employees.

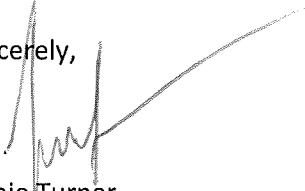
Representing a dealership owned by a publicly held and traded company (NYSE: LAD), there are sections that do not relate to my day to day business. However, I fully support the language in the bill that gives family owned dealerships the protections they deserve, specifically related to unwarranted terminations and succession plans. My business, consumers and employees will benefit most from the provisions related to fair compensation, reasonable warranty terms related to Alaska conditions and audit limitations.

Alaska is one of the last remaining states to pass a bill like HB No. 136, which creates a fair playing field between the manufacturer and automobile dealers. There are two sections which will affect my business the most:

- Section 15:
 - Will allow dealers to charge and collect labor and parts at retail for all warranty work performed, as well as limit the consumer's responsibility. This will allow me to pay my most skilled technicians a better wage and limit the expenses forced onto the consumer to transport the vehicle to and from the dealership for warranty repairs.
 - Will limits the time that a manufacturer may initiate a claims audit.
- Section 16: Will prohibit the manufacturer from selling parts to a third party distributor for a lower price than offered to a dealer. This will allow me to stock more parts inventory and become less dependent on third party providers, which makes repairs more efficient for the consumer.

I appreciate your time and hope you have successful Thirteenth Legislative Session.

Sincerely,


Jamie Turner
16751 Carl Street
Anchorage, AK 99516

9100 Old Seward Hwy, Anchorage, AK 99515 ♦ (907) 365-8600





February 27, 2017

Rep. Matt Claman
Alaska House of Representatives
State Capitol, Room 118
Juneau, Alaska 99801

Re. HB 136

Dear Representative Claman,

I'd like to express my support for HB 136. 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 is costly to the customer. HB 136 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 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

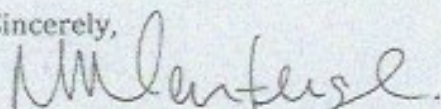
this issue". I would argue that our Nissan sales are down because Nissan discontinued our second highest volume vehicle the Nissan Xterra and the Nissan Titan truck is so outdated (10 years without a redesign) that it doesn't even compete in the largest segment of the Alaska market which is trucks. Of 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 2016 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 2016 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 HB 136 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 50 years, 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, 39 states have passed new car dealer franchise laws similar to HB 136. As a member of the Alaska Auto Dealers Association we have been working on this for sometime. We feel that HB 136 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 HB 136.

Sincerely,



Marten Martensen
Continental Auto Group
Anchorage, AK



NISSAN NORTH AMERICA, INC.
Northwest Region
11900 NE 1st Street, Suite 300
Bellevue, WA 98005

February 1, 2016

Continental Car and Truck, LLC
Continental Nissan of Anchorage
5115 Old Seward Hwy.
Anchorage, AK 99503

RE: Declining Sales Performance

Dear Mr. Martensen:

It is critical and in the mutual interests of Nissan North America, Inc. and its dealers for the Nissan brand to be represented by a highly competitive dealer network that is effective in both sales and customer satisfaction.

We are contacting you today because of Nissan's concern regarding your dealership's year-over-year sales performance trend. As reflected below, your dealership's year-over-year sales performance is below the average of the Northwest Region.

2015 VS. 2014 - SALES DATA

2014 Total	2015 Total	DEALER % Change	REGION % Change
530	460	-13%	+2%

Accordingly, it is imperative you make the operational improvements necessary to address this issue. Your field team is available to help you in this endeavor. There is substantial opportunity available for incremental volume and profit in your dealership, and it is in our mutual best interest that you take steps to capture this opportunity.

Respectfully,

Josh Batle
Regional Vice President
Northwest Region

February 27, 2017

Dear Rep Matt Claman,

The wording contained in HB136 is very important to protecting local companies, Alaskan jobs, and our community. The manufacturers are concerned with global forces and Wall Street. They know very little about Alaska's economy, Alaska's people. The local franchisees, the local dealers, are the ones supporting thousands of families, contributing to local schools and charities, and who have invested their livelihoods in support of long term positive growth for our state.

In the past, our laws have sought a level the playing field, address local needs and to protect the lesser party, and that is exactly what this bill seeks to do. The manufacturers have almost unlimited resources and without legislative protections, local businesses and the livelihoods of the Alaskans rest with the decisions of the manufacturers. This bill provides regulations protecting consumers and local businesses which are standard in most states and which have yet to be addressed in our state.

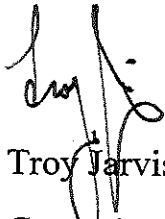
The industry regulations which this bill addresses and for good reason. We have had a manufacturer charged us back more than \$120,000 for rebates which the customers received, because we didn't cross our T's or Dot our I's as a example we have invoices showing the customer purchased signage on their vehicles and received the appropriate rebate to account for the signage but we did not have proof of payment the manufacturer charged us back, not the consumer and nowhere in the rules does it state we needed to provide such proof. Under these conditions, dealers are uncertain what work or rebates they will be paid for, and if they are paid, they don't know if the manufacturer will construct an arbitrary reason to charge the dealer back.

Manufacturers do not treat dealers the same. They can provide additional inventory to the dealer of they choose, subsidizing that dealer by paying them hundreds of thousands of dollars in extra incentives for the additional sales the dealer made using their own allocation process. The competing

dealers could have their franchise terminated for not attaining their market share of vehicles which they did not receive or allocated. Without this bill, auto dealers which have been employee local Alaskans and serving the community since statehood, can be eliminated by the manufacturer without cause.

In closing these manufactures self-interests have too much control over our local businesses. When the manufacturers are allowed to have this much legal control without oversight, dealers are in jeopardy, the consumer will pay the end cost, local businesses lose. We are asking for your support, and with this bill, you can bring fairness back to the market and ensure local jobs and a stable economy we desperately need now in Alaska.

As a lifelong Alaskan I am asking for your support of this bill and on behalf of the Auto dealers of Alaska and all the employees our future depends on it. Thank you for your support.



Troy Jarvis

General Manager

Lithia Chrysler Jeep Dodge Ram Fiat of Anchorage



ALASKAN OWNED & OPERATED SINCE 1944

February 28, 2017

Representative Matt Claman
Alaska State Capitol
Room 118
Juneau, AK 99801-1182

Re: HB 136

Dear Representative Claman,

I want to thank you for your time to meet with some of us automobile dealers on Feb. 7th! We know with the very busy schedule you folks are on, every minute is valuable, so we thank you! And especially, on behalf of all new franchised automobile dealers in Alaska for introducing HB 136, a bill that will bring our automobile franchise laws more in line with the rest of the states in the nation.

The automobile industry is a very dynamic industry, in particular from the standpoint of a franchised new automobile dealer. We are tethered to our particular manufacturers by a Sales and Service Agreement (SSA), a pretty unilateral agreement that, at least with my manufacturer General Motors (GM) is consistent for all their dealers. If you want to represent a particular brand, you must meet the manufacturer's qualifications and sign the agreement for that brand. GM's SSA's are the same for each of their brands; there are no negotiations allowed for change by the dealer.

My company, Alaska Sales and Service, Inc. (AS&S) has been in business in Alaska since 1944. I have been employed with AS&S since 1969 and have been fortunate enough with my oldest son to now be the owners of the company. It has always been Alaskan owned and operated by family business people. AS&S has represented virtually every brand GM has had with the exception of Saturn. When GM discontinued Saturn, AS&S agreed to be the service center for owners of Saturn automobiles when the then dealer discontinued his business relationship with GM.

To accommodate the requirements of the SSA's, AS&S over the years has invested millions of dollars in land and facilities, furniture, fixtures, equipment, and our continual employee base of 210-280 full-time employees.

As mentioned earlier, the automobile industry is very dynamic and has been through some rough periods especially in more recent years. In 2005, AS&S invested millions of dollars in a new state-of-the-art dealership to meet all GM's facility requirements in the Mat-Su Valley to accommodate our Pontiac, Buick and GMC franchises at that location.

Then, to our dismay, in April 2009 GM decided to discontinue the Pontiac brand worldwide. Unfortunately the loss of this successful brand for both our Valley and Anchorage dealerships was a big financial blow to AS&S, especially to our new dealership in the Mat-Su where Pontiac made up 28% of its new vehicle sales. While the existing AS 45.25.140 has provisions for GM to repurchase their branded automobiles, parts, signs, equipment and furnishings that bear their trademark or trade name required by the manufacturer within the last five years, and required special tools purchased in the last three years, there was no provision for compensation to the dealer for investment in his owned real estate to include the buildings and land to accommodate the franchise requirements.

In early May 2009, GM notified 1,100 of its 6,000 dealers that they were going to be terminated. June 1, 2009 GM declared bankruptcy. All the GM dealers received a notice stating that if they wanted to continue to be a GM Dealership, then they must sign a "participation agreement" for the non-discontinued brands and a "wind-down" agreement for the discontinued Pontiac line. The agreements were to be returned in less than 2 weeks. GM offered a small pittance to the dealers for the "wind-down". After those notices came out, about June 8, 2009 GM also discontinued the Chevrolet and GMC medium-duty truck lines followed in February 2010 with the discontinued production of the Hummer brand all of which were accompanied by a "wind-down" agreement. Although the existing provisions of AS 45.25.140 and 45.25.150 should have applied to the "wind-down" (discontinuance) of the Pontiac, Chevrolet Medium Duty, GMC Medium Duty and Hummer, the provisions didn't apply.

The manufacturer compensated AS&S - Valley less than \$55,000 for the discontinuance ("wind-down") of the Pontiac brand, all inclusive of all provisions of the existing law (parts, signs, special tools etc.) AS&S - Anchorage received less than \$100,000 for the discontinuance of Pontiac, Chevrolet Medium Duty, GMC Medium Duty and Hummer. In both dealerships, we had invested millions of dollars to accommodate those brands.

Although HB 136 does not address a manufacturers' bankruptcy, it does have much better provisions if the manufacturer discontinues the sale and distribution of a new motor vehicle line on a nationwide basis.

Other provisions of HB 136 that not only help the dealers stay on a more even playing field with the manufacturers, but also benefit consumers and employees. The most apparent provision is the issue of payment to dealers for warranty repairs. At this time, the manufacturers have their own labor time guide (a guide stipulating how many hours they will pay the dealer for to perform a particular job), which is significantly fewer hours or tenths of hours less than the industry labor time guides for the same job done for a customer, non-warranty. This impacts not only the amount the dealer receives for a similar job done under warranty, but also the amount that their service technician is paid for the job. Dealers are required under their SSA to perform warranty on brands for which they hold a franchise. In many cases, the technician performing the repair must be certified by the manufacturer to perform a particular service, or the manufacturer will not pay the dealer. Many times the dealers must send their technicians outside of Alaska for specialized training, a costly investment in their technicians. Additionally, the technician gets penalized for performing the warranty job because it pays fewer hours or tenths of hours than a non-warranty repair would pay.

Many other provisions of HB 136 have been elaborated on in Alaska Automobile Dealers Association response to the letters from the Auto Alliance in March 2016 against the 2016 bill SB 197.

We graciously thank you for your support and introduction of HB 136 in the 30th Legislature of Alaska.

Sincerely,

A handwritten signature in blue ink, reading "Diana Pfeiffer". The signature is fluid and cursive, with the first name "Diana" and last name "Pfeiffer" clearly distinguishable.

Diana Pfeiffer
President/CEO
Alaska Sales & Service Anchorage and Valley