



February 13, 2017

Senator Kevin Meyer  
Alaska State Capitol  
Room 103  
Juneau, AK 99801-1182

Re: SB 47

Dear Senator Meyer,

I want to thank you on behalf of all new franchised automobile dealers in Alaska for introducing SB 47, 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 SB 47 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 SB 47 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 SB 47 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 SB 47 in the 30<sup>th</sup> Legislature of Alaska.

Sincerely,

A handwritten signature in blue ink that reads "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