

**ALASKA STATE LEGISLATURE  
HOUSE STATE AFFAIRS STANDING COMMITTEE**

May 16, 2003

8:00 a.m.

**MEMBERS PRESENT**

Representative Bruce Weyhrauch, Chair  
Representative Jim Holm, Vice Chair  
Representative Nancy Dahlstrom  
Representative Bob Lynn  
Representative Paul Seaton  
Representative Harry Crawford  
Representative Max Gruenberg

**MEMBERS ABSENT**

All members present

**COMMITTEE CALENDAR**

HOUSE BILL NO. 272

"An Act relating to motor vehicle dealers."

- MOVED HB 272(STA) OUT OF COMMITTEE

HOUSE BILL NO. 158

"An Act eliminating the longevity bonus program and making related conforming changes; and providing for an effective date."

- MOVED HB 158 OUT OF COMMITTEE

**PREVIOUS ACTION**

BILL: HB 272

SHORT TITLE:MOTOR VEHICLE DEALERS

SPONSOR(S): REPRESENTATIVE(S)WEYHRAUCH

Jrn-Date	Jrn-Page		Action
04/16/03	1009	(H)	READ THE FIRST TIME - REFERRALS
04/16/03	1009	(H)	L&C, STA
04/28/03		(H)	L&C AT 3:15 PM CAPITOL 17
04/28/03		(H)	Scheduled But Not Heard
04/30/03		(H)	L&C AT 3:15 PM CAPITOL 17
04/30/03		(H)	Scheduled But Not Heard

05/01/03		(H)	STA AT 8:00 AM CAPITOL 102
05/01/03		(H)	Scheduled But Not Heard --
05/05/03		(H)	L&C AT 3:15 PM CAPITOL 17
05/05/03		(H)	Heard & Held MINUTE(L&C)
05/07/03		(H)	L&C AT 3:15 PM CAPITOL 17
05/07/03		(H)	<Bill Hearing Postponed to Fri. 5/9/3>
05/09/03		(H)	L&C AT 3:15 PM CAPITOL 17
05/09/03		(H)	Moved CSHB 272(L&C) Out of Committee MINUTE(L&C)
05/12/03	1560	(H)	L&C RPT CS(L&C) 6DP 1AM
05/12/03	1560	(H)	DP: LYNN, GATTO, CRAWFORD, DAHLSTROM,
05/12/03	1560	(H)	ROKEBERG, ANDERSON; AM: GUTTENBERG
05/12/03	1560	(H)	FN1: ZERO(LAW)
05/13/03		(H)	STA AT 8:00 AM CAPITOL 102
05/13/03		(H)	Heard & Held MINUTE(STA)
05/14/03		(H)	STA AT 8:00 AM CAPITOL 102
05/14/03		(H)	Moved Out of Committee MINUTE(STA)
05/15/03		(H)	STA AT 8:00 AM CAPITOL 102
05/15/03		(H)	Heard & Held MINUTE(STA)
05/16/03	1732	(H)	STA RPT CS(STA)FORTHCOMING 3DP 1NR 3AM
05/16/03	1732	(H)	DP: CRAWFORD, LYNN, WEYHRAUCH;
05/16/03	1732	(H)	NR: HOLM; AM: DAHLSTROM, GRUENBERG,
05/16/03	1732	(H)	SEATON
05/16/03	1732	(H)	FN1: ZERO(LAW)
05/16/03		(H)	STA AT 8:00 AM CAPITOL 102

BILL: HB 158

SHORT TITLE:ELIMINATING LONGEVITY BONUS PROGRAM

SPONSOR(S): RLS BY REQUEST OF THE GOVERNOR

Jrn-Date	Jrn-Page		Action
03/05/03	0427	(H)	READ THE FIRST TIME - REFERRALS
03/05/03	0427	(H)	STA, FIN
03/05/03	0428	(H)	FN1: (ADM)
03/05/03	0428	(H)	GOVERNOR'S TRANSMITTAL LETTER

03/11/03		(H)	STA AT 8:00 AM CAPITOL 102
03/11/03		(H)	Heard & Held MINUTE(STA)
05/15/03		(H)	STA AT 8:00 AM CAPITOL 102
05/15/03		(H)	Heard & Held -- Recessed to a call of the Chair -- MINUTE(STA)
05/16/03	1731	(H)	STA RPT 1DP 5DNP 1NR
05/16/03	1731	(H)	DP: WEYHRAUCH; DNP: SEATON, GRUENBERG,
05/16/03	1731	(H)	DAHLSTROM, CRAWFORD, LYNN; NR: HOLM
05/16/03	1731	(H)	FN1: (ADM)
05/16/03	1731	(H)	REFERRED TO FINANCE
05/16/03		(H)	STA AT 8:00 AM CAPITOL 102

**WITNESS REGISTER**

LINDA SYLVESTER, Staff  
to Representative Bruce Weyhrauch  
Alaska State Legislature  
Juneau, Alaska

POSITION STATEMENT: Summarized the intent of the proposed  
legislation on behalf of Representative Weyhrauch, sponsor,  
during the hearing on HB 272.

CLYDE (ED) SNIFFEN, JR., Assistant Attorney General  
Fair Business Practices Section  
Civil Division (Anchorage)  
Department Of Law  
Anchorage, Alaska

POSITION STATEMENT: Answered question during the hearing on HB  
272.

CHIP WAGONER, Lobbyist  
for Pioneers of Alaska  
Juneau, Alaska

POSITION STATEMENT: Testified during the hearing on HB 158 to  
suggest a compromise to the bill that would benefit seniors.

MARIE DARLIN, Coordinator  
Capital City Task Force  
AARP  
Juneau, Alaska

POSITION STATEMENT: Testified during the hearing on HB 158 to  
propose a compromise to the bill.

PAT LUBIE, Legislative Representative  
for AARP  
Anchorage, Alaska

POSITION STATEMENT: Testified during the hearing on HB 158, and asked the committee to consider a compromise to benefit seniors.

**ACTION NARRATIVE**

**TAPE 03-68, SIDE A**

Number 0001

**CHAIR BRUCE WEYHRAUCH** called the House State Affairs Standing Committee meeting back to order at 8:00 a.m. [The previous meeting on 5/15/03 was recessed to a call of the chair at 11:27 p.m.] Representatives Dahlstrom, Lynn, Crawford, Gruenberg, and Weyhrauch were present at the call to order. Representatives Seaton and Holm arrived as the meeting was in progress.

HB 272-MOTOR VEHICLE DEALERS

Number 0010

CHAIR WEYHRAUCH announced that the committee would return attention to HOUSE BILL NO. 272, "An Act relating to motor vehicle dealers."

[Although an objection to moving proposed committee substitute (CS), Version 23-LS0975\H, Bannister, 5/14/03, before the committee was still pending from the Thursday, May 15, 2003 House State Affairs Standing Committee meeting, Version H was treated as before the committee.]

CHAIR WEYHRAUCH announced that public testimony was closed.

Number 0220

LINDA SYLVESTER, Staff to Representative Bruce Weyhrauch, Alaska State Legislature, noted that every state in the country takes special care to articulate in statute the relationships between [car] manufacturers, [car] dealers, and consumers. Last year, she said, Alaska, after four years of consideration, passed a 25-page omnibus motor vehicle dealer bill. She reminded the committee that [in previous days' hearings] it had heard testimony on the consumer protection statutes regarding brokers of motor vehicles from 1993.

Number 0333

MS. SYLVESTER said that the government is concerned, because a vehicle is the second-most expensive purchase a person in the U.S. will make. Another reason that the government is "very interested," she indicated, is: "The franchise agreements that a manufacturer has with their chosen agents of their product are unilateral agreements and, as such, the franchises are in a very precarious situation, dealing with the manufacturers."

MS. SYLVESTER said that HB 182, which passed out of the House Labor and Commerce Standing Committee [during the Twenty-Second Alaska State Legislature], has "oddball things" such as where a manufacturer can establish "a new dealership - a new franchised dealer." She explained that that's a protection for the franchised dealer. She said, "This legislature has taken a lot of interest in establishing whether that range should be 14 miles, 20 miles, 30 miles, a city, or what." The legislature finally decided on a 14-mile range, which she explained means that, by statute - not through a manufacturer's franchise agreement - manufacturers may not establish a new dealership [within 14 miles of] an existing franchise.

MS. SYLVESTER clarified that what is being discussed is new vehicles, not used. She said that HB 272 defines what is a new versus a used vehicle. She noted that some previous testimony stated that what makes a used vehicle is when the manufacturer's certificate of origin is converted into a title. Different states consider that, she said; however, Alaska doesn't. Alaska, she said, "talks about a current model year." A current model year is "kind of a squishy term," Ms. Sylvester said, because "that could be 14 or 15 months, depending." She added, "So we've taken care to establish what a used vehicle is."

MS. SYLVESTER said that a consumer doesn't expect all of the perks and "neat treats" that come with a new vehicle to come with a used vehicle. She said that everyone has heard of the problems that used vehicles have, and she said, "And that's where the consumer protection angle comes in." She continued as follows:

So what we're talking about here is whether or not a broker of used vehicles is allowed to sell a new vehicle. It's not [that] we contest a vehicle that has just simply had a title conversion with 20 miles. What we're saying is that it's the current model year, with some caveats. ... AS 45.25.180 establishes these guidelines for relevant market areas for the new vehicles and used vehicles.

... The manufacturer gives his dealer a ... relevant market range. ... Whether we're talking about Canadian vehicles, [or] vehicles that are being illicitly unloaded by a dealer in another state and given to a broker in Alaska at a reduced cost - what happens is, there's a loophole that's been established, where the ... new cars have been converted, and they come in under the wire that Alaska statute has established and that supports the manufacturers' ... agreement[s] with it's franchises.

The issue is: Currently, the Canadian market vehicles or these gray-market vehicles are what's happening now; but what we're talking about is an illicit transaction. And it violates not only the franchise agreement, it violates the spirit of our statutes. And it's a clarification that we need to make. And that is the issue. It's not [North American Free Trade Agreement] (NAFTA) - it's not restraint of trade. We're expanding the trade potential that's available for used car dealers and brokers. But we're also clarifying what a new vehicle is.

You've heard testimony ... that should be compelling and convincing, that a vehicle, however it gets to Alaska, if it's got 20 miles on it, it's not a ... used vehicle, it's a new vehicle. And it's a slight of hand. And if it's not illegal in Canada, then that ... it just simply doesn't relate here. The vehicle was acquired through some kind of fraud. Otherwise, the dealers would turn these vehicles right over to the car brokerage or the auction (indisc.) in Washington State. They don't do that. It was illicit, it's unethical, and it doesn't change the fact that it's unethical when they're being sold in the states underneath the wire and ... contrary to the spirit of our statutes.

Number 0801

REPRESENTATIVE GRUENBERG said he is looking at AS 45.25.180. He said that it seems to him that it involves new motor vehicle dealers alone. He asked Ms. Sylvester if that is correct.

MS. SYLVESTER concurred. She confirmed that that statute addresses current-year vehicles, not used vehicles. She said,

"These are new vehicles, and these are the impediments that franchised dealers are required to adhere to." She continued as follows:

This is relevant, because ... in close proximity to the franchised dealers, you have a car brokerage that ... is selling new vehicles acquired through illicit means. So, ... if you, Representative Gruenberg, ... wanted to set up a franchise - if you wanted ... do a Ford dealership, you would not be able to. If you wanted to acquire the Ford product through illicit means through Canada, you would be able to, because our statute has a loophole that we're seeking to close. And again, it doesn't matter if the vehicles come from Canada or if they come from some other illicit source, the fact is, they don't come from the manufacturer directly to the franchise of the new vehicles.

Number 0930

REPRESENTATIVE GRUENBERG noted that AS 08.66.015 refers not only to new vehicles, but also current model motor vehicle. He said, "Had they intended to include current model motor vehicle in AS 45.25.180, they would have clearly stated that, wouldn't they?" He clarified that he was suggesting that it was a definite legislative determination not to include current model motor vehicle in the new dealership statute.

MS. SYLVESTER stated her belief that Mr. Sniffen, who drafted HB 182, would be the person to "answer that question." She added, "And I believe that both of these things stand on their own."

Number 1046

REPRESENTATIVE LYNN referred to an advertisement [which is part of a 5-page handout in the committee packet, apparently provided by the Mendenhall Auto Center in Juneau, Alaska]. The advertisement was about vehicles priced to save the consumer money and "all with warranties." Representative Lynn stated his understanding that a warranty comes from the manufacturer and is built into the price of the [vehicle], while a service contract is something that consumers purchase on their own, sometimes to extend beyond a warranty. He asked if the warranties offered in the advertisement are paid for in addition to the price of the vehicles being sold, or if they are paid for by the dealer who advertised.

Number 1135

MS. SYLVESTER stated her understanding that "those are not paid for independently." She referred to the Heritage [Administration Services, Inc., new vehicle limited warranty] form [included in the committee packet, attached to a six-page handout, the first page of which is from the State of Alaska Department of Law]. On the form, she noted, there is an option for deductibles. She said, "So you ... can have different versions of the deductibles." She deferred further comment to Mr. Lyberger, Mr. Allwine, or Mr. Sniffen.

REPRESENTATIVE LYNN asked, if he were to buy one of the advertised automobiles, would he have the warranty/service contract as part of the deal, or would he have to buy it as an additional fee.

MS. SYLVESTER responded, "These are things that Mr. Lyberger is providing." She stated her understanding that other brokerages that have the Canadian market vehicles where the manufacturer has not extended a warranty are not required to have warranties. Mr. Lyberger, she said, does [have the warranties] to compete within his market. In response to a follow-up question by Representative Lynn, she concurred that if he were to go down the block to buy the vehicle, it may not have that warranty. She offered the following clarification:

When a vehicle comes into the country, is imported legally, when it's acquired illicitly from the franchise, turned over to the importer, and is imported legally into the United States, the importer must ... - and this is a federal requirement - ... place a bond on the vehicle ... to cover any recalls. And the registered importer tracks the vehicles that way.

MS SYLVESTER stated that that's the only requirement. She said that the registered importer retains that responsibility of keeping the bond for any safety recall.

Number 1270

REPRESENTATIVE LYNN asked if he could take the vehicle back to the new car dealer to get a [part on his] vehicle fixed if the manufacturer had a recall [on that part], for example.

MS. SYLVESTER answered that the responsibility is with the registered importer, and she stated her belief that the Department of Transportation regulates that very carefully. The importer would contact Representative Lynn, for example, and arrange for the recall to be satisfied, she said. She added, "But ... that's the only requirement. They're not required to ... substitute service contracts in place of warranties. Warranties are something that the manufacturers do, because they believe in their vehicle."

Number 1365

REPRESENTATIVE GRUENBERG referred to page 1, line 9, of Version H. He asked what the purpose was of eliminating the words "new or".

Number 1430

CLYDE (ED) SNIFFEN, JR., Assistant Attorney General, Fair Business Practices Section, Civil Division (Anchorage), Department Of Law, in response to Representative Gruenberg's question, referred to the [proposed] changes to AS 08.66.015 as a whole, and noted that the current statute is set up into two [subsections] (a) and (b). It read as follows:

Sec. 08.66.015. Sale of motor vehicle.

(a) A person who does business as a dealer in the state may not offer to sell or sell a motor vehicle as a new or current model motor vehicle unless the motor vehicle retains the manufacturer's certificate of origin.

(b) A person who does business as a dealer in the state may not offer to sell or sell a motor vehicle as a new or current model motor vehicle having a manufacturer's warranty unless

(1) the dealer has a current sales and service agreement with the manufacturer and the agreement requires the dealer, upon demand of the motor vehicle buyer, to perform or arrange for, within a reasonable distance of the dealer's place of business in the state, the repair and replacement work required of the manufacturer under the warranty; or

(2) the dealer offers to give the buyer a rebate to cover the repair and replacement work that the dealer cannot perform or arrange for within a reasonable distance of the dealer's place of business.

MR. SNIFFEN noted that the proposed Version H would remove the "current model" language from [subsection] (a). The result would be that a motor vehicle with very low miles on it that does not have a certificate of origin cannot be sold as a new car, but would have to be sold as a used car. Furthermore, he noted, Version H would change the stipulations in [subsection] (b) for selling a current model motor vehicle.

REPRESENTATIVE GRUENBERG stated that he does not question the change to subsection (a); however, regarding subsection (b), he asked what possible harm there could be to making the requirement concerning the manufacturer's warranty also apply to new vehicles. He said, "It seems to me to be under-inclusive, and it may conceivably deny some consumers of new vehicles the protection of subsection (b). He asked Mr. Sniffen if he would have a problem with keeping "new" vehicles in that subsection.

Number 1572

MR. SNIFFEN responded that in his brief immediate review of Version H, he doesn't see a problem with that. He asked Representative Gruenberg to clarify that he meant he wants the warranty requirement left in for new cars, as well.

REPRESENTATIVE GRUENBERG said yes. He explained that his next line of questioning was going to be to ask why the language on page 1, line 10, "[HAVING A MANUFACTURER'S WARRANTY UNLESS]", couldn't be left in, as well as the language on page 1, beginning on line 12, to page 2, line 1, which read as follows:

[AND THE AGREEMENT REQUIRES THE DEALER, UPON DEMAND OF THE MOTOR VEHICLE BUYER, TO PERFORM OR ARRANGE FOR, WITHIN A REASONABLE DISTANCE OF THE DEALER'S PLACE OF BUSINESS IN THE STATE, THE REPAIR AND REPLACEMENT WORK REQUIRED OF THE MANUFACTURER UNDER THE WARRANTY]; [OR]

REPRESENTATIVE GRUENBERG offered his understanding that that would provide a warranty protection; in addition to the warranty protections under the uniform commercial code, which apply to the manufacturer, it would also add - as a matter of state law - a dealer's warranty. He opined that that's an important additional protection to have the dealer's warranty, as well as the manufacturer's warranty.

Number 1733

MR. SNIFFEN offered his understanding that the initial reason the new car dealers wanted to remove that language was to clean up the statute. He said, "I believe they didn't have that concern; if in fact the used car dealers weren't selling these current model motor vehicles, this becomes much less of a concern. Only in the event that they are allowed to continue those sales would that issue be a concern." He said that he doesn't have a problem leaving that language in there, if that's the will of the committee.

Number 1773

REPRESENTATIVE GRUENBERG said he is beginning to understand the problems between "these two types of businesses," and he is not looking at the issue from either profession's point of view, but rather from the point of view of the Alaskan car buyer.

Number 1810

REPRESENTATIVE CRAWFORD reiterated the question he had asked Mr. Allwine during the May 15, 2003 meeting, regarding whether the language covers "lease fleet vehicles," or if that language should be added to [paragraph] (3) [on page 2, lines 7-8, in Version H].

MR. SNIFFEN said he thinks Mr. Allwine was correct in that the language probably covers those transactions, but he added that he doesn't think it would hurt to clarify that in [paragraph] (3). In response to a question by Chair Weyhrauch, he suggested that perhaps the term "at the end of a lease term" could be added to [paragraph] (3). He said he would have to give it some thought to come up with the appropriate language.

Number 1895

REPRESENTATIVE LYNN asked what is wrong with the language the way it is.

Number 1925

MR. SNIFFEN opined that there is probably not much wrong with it the way it is; however, he commented that there is a "little gray area" on the lease issue, because all the exceptions [in Version H] deal with transactions that arguably could exclude, for example, a situation where a dealership may have leased a vehicle and the lease had expired. In that case, he explained, "they're technically not purchasing the vehicle back from the

consumer, it's not a repossession, it's not in service with a rental fleet, [and] it hasn't been purchased from an auction, so that kind of transaction is sort of excluded from any of those exceptions." He suggested an exception to the effect that "if the vehicle is returned to the dealer at the end of a bona fide lease from the dealer", then that might cover that transaction if it's a concern.

Number 1970

REPRESENTATIVE CRAWFORD said he thinks that some people turn their vehicles in without fulfilling the lease terms. He asked, "Does that language actually take care of it?"

MR. SNIFFEN responded that he is trying to think as fast as he can and he is not sure. He proffered, "If you have a bona fide lease with a dealer and the vehicle comes back to the dealer, I'm trying to determine if there's some way that a Canadian vehicle would be leased from the dealer in this way." He explained that that's why he's having trouble deciding if that language is really necessary. He revealed that he does not know of many transactions where the current model Canadian vehicles coming back from a consumer under a lease are really going to be a problem. If they are, he added, it would require, essentially, that a dealer be in possession of one of these Canadian vehicles, which, theoretically, they shouldn't be; so, they wouldn't be in a position to lease these vehicles. However, he gave an example where a consumer leases a vehicle in Canada, or from another dealer who "had one of these vehicles," and the lease term expires. He said it would just go back the dealer who actually leased the vehicle. He said, "And if you want to include those transactions in the types of transactions that we want to allow under this statute, it might bear specific attention."

Number 2055

REPRESENTATIVE CRAWFORD said that he is not familiar with leases, but knows that he would like for legitimate lease vehicles to be covered in the bill. He added that his concern is not so much whether the vehicles are Canadian or for sale in the U.S., but that he wants to ensure that [the legislature] isn't leaving legitimate business out of the list of exceptions.

Number 2104

REPRESENTATIVE GRUENBERG offered an example whereby a motor vehicle dealer leases a three-year leased vehicle to "Joe Consumer," and the vehicle is turned back, or it's at the end of the lease term. At that point, he noted, that vehicle would not be for sale, unless the owner of the vehicle, who would probably be the dealer, wanted to sell it. He asked for confirmation that the purchaser who had been the lessee doesn't have any right to sell it, because he's just renting it.

MR. SNIFFEN answered that he thinks that's correct. In any event, he added, that type of transaction wouldn't fall under the language of [AS 09.66.015], because it would no longer be a new or current model motor vehicle.

REPRESENTATIVE GRUENBERG suggested that if it was a new vehicle that was leased and it was turned back within a couple of months, it would still be a current year model vehicle. But the lessee, he reiterated, would not have any right to sell it, because he/she doesn't own the vehicle.

MR. SNIFFEN confirmed that that is correct.

Number 2233

REPRESENTATIVE GRUENBERG stated that he is going to offer an amendment as follows: on page 1, line 9, add back in the words "new or"; on page 1, line 12, to page 2, line 1, add back the language "and the agreement requires the dealer, upon demand of the motor vehicle buyer, to perform or arrange for, within a reasonable distance of the dealer's place of business in the state, the repair and replacement work required of the manufacturer under the warranty; or".

REPRESENTATIVE GRUENBERG indicated that he didn't want to formally offer the amendment until he had talked to Mr. Sniffen.

Number 2316

REPRESENTATIVE GRUENBERG turned attention to Amendment 1, which read as follows:

Page 2, lines 2 - 3:

Delete "received as a trade-in"

Insert "manufactured for sale in the United States and acquired by the dealer"

Page 2, line 6:

Delete "i."  
Insert "; or"

Page 2, lines 7 - 10:

Delete all material and insert:

"(3) the vehicle is a current model used vehicle not manufactured for sale in the United States, the dealer acquired the vehicle in the normal course of business, and the dealer complies with AS 45.25.470."

Page 5, following line 19:

Insert a new bill section to read:

"\* Sec. 5. AS 45.25.470 is amended to read:

Sec. 45.25.470. Sales of vehicles manufactured for sale in a foreign country. Before sale of [,] a motor vehicle not manufactured for sale in the United States, a motor vehicle dealer shall disclose to the consumer in writing, in addition to any other disclosures required for the sale of a used [WHETHER A MOTOR] vehicle, [WAS ORIGINALLY MANUFACTURED FOR SALE IN CANADA OR ANOTHER FOREIGN COUNTRY]

(1) that the vehicle was originally manufactured for sale in Canada or another specified foreign country;

(2) if applicable, that the vehicle was originally sold new in the specified foreign country identified under (1) of this section and imported into the United States;

(3) that the vehicle's odometer was converted from kilometers to miles, and shall provide the consumer with a legal vehicle title, an odometer verification certificate, or another document that verifies the mileage reading after the conversion;

(4) if applicable, that the vehicle does not have a manufacturer's warranty; and

(5) any other information required by regulations adopted by the attorney general."

Renumber the following bill sections accordingly.

REPRESENTATIVE GRUENBERG noted that if Amendment 1 is not adopted, then the language on page 2, lines 7-10, of Version H, would not be deleted. The language read as follows:

(3) the vehicle has been purchased directly from a consumer in the United States for purposes of resale;

(4) the vehicle has been in service with a bona fide rental fleet for at least five months;

REPRESENTATIVE GRUENBERG said that the term "five months" may be hard on people in Fairbanks and the north part of the state, because the rental season there is less than five months long. He commented that there have been suggestions to [change the language in the bill] to "three months" or "four months", so that the vehicle could be sold after one rental season. He said he would probably leave Amendment 1 for Representative Holm to offer, or at least for him to be present, because he represents Fairbanks.

Number 2390

REPRESENTATIVE GRUENBERG began discussion of what later was labeled Amendment 5, which read as follows [original punctuation provided]:

Page 2, lines 27-28:

Delete "represent that a savings occurs at a lower [HAVE OCCURRED AT THAT] price."

Insert "represent that a buyer would save money by paying a [HAVE OCCURRED AT THAT] price that is lower than the "manufacturer's suggested retail price," "MSRP," or "list price"."

REPRESENTATIVE GRUENBERG referred to page 2, lines [24-28 of Version H], which read as follows:

(3) whenever using the term "manufacturer's suggested retail price," "MSRP," or "list price," the dealer [SHALL PROVIDE IN THE ADVERTISEMENT A CLEAR AND CONSPICUOUS DISCLOSURE THAT STATES THAT A SALE] may not represent that a savings occurs at a lower [HAVE OCCURRED AT THAT] price.

REPRESENTATIVE GRUENBERG offered his understanding that the problem that [paragraph] (3), on page 2, lines 24-28, is designed to cure is the fact that very few vehicles are actually sold at manufacturer's suggested retail price (MSRP), but generally are sold at a lower price, and customers don't know that. He asked if "that whole part of the bill" was designed to require dealers to let customers know that usually vehicles are sold at lower prices.

Number 2448

MR. SNIFFEN answered, "In part, yes." He said there has been a practice in the past where dealers will run advertisements comparing prices to MSRP, or other prices. He said a new auto dealer Act was structured under AS 45.25 to prohibit price comparison advertisement, except with MSRP prices, which he said are such nationally known numbers that often are seen on television. He said that a price [on a vehicle] that is lower than the MSRP gives the impression to consumers that they are receiving some kind of a savings, when in fact the vehicle may have never been sold at the MSRP price, but may have been higher or lower. He said, "We had put that section in here, Representative Gruenberg, to make it clear to consumers that when they see those kinds of advertisements, ... they may not actually be saving money."

REPRESENTATIVE GRUENBERG stated that although it seemed to him that the purpose of the amendment in [Version H] was to clarify the language, he thought that Amendment [5] would make it even clearer. He asked Mr. Sniffen if he agreed.

Number 2600

CHAIR WEYHRAUCH questioned Mr. Sniffen to find out which amendments he had received by facsimile.

CHAIR WEYHRAUCH mentioned issues that had been raised by Mr. Coffey at a previous hearing on HB 272. He asked if Mr. Sniffen had any comments in that regard.

Number 2627

MR. SNIFFEN prefaced his comments by opining that Mr. Coffey is an excellent lawyer who is representing the interests of Mr. Lyberger well. Notwithstanding that, he stated that he thinks a lot of the concerns that Mr. Coffey has are "just not substantiated." He continued as follows:

The "takings issue" is really nothing that I think has any merit to it for ... one simple reason: We have a law that's been in place since 1993, that already prohibits the conduct that's currently going on, and Mr. Lyberger, for example, opened his shop after that law was in place and knew of the law when he engaged in his business. I don't think a "taking claim" would survive very long, under those facts.

He also mentioned some concerns with NAFTA, and I am by no means a NAFTA expert. And I have looked through the provisions of NAFTA, and I find it curious that no one - Ms. Urban, Mr. Coffey, no one - has pointed to any specific provision of that agreement that this legislation could possibly violate. I haven't seen a citation to, you know, Chapter 3, Section 1.65, that says the legislature in the state shall not do this. And no one's been able to point me to any of those provisions, so I'm skeptical that there are any NAFTA concerns at all. The provision I looked at in NAFTA didn't seem to indicate that there was a problem. And, if there was a problem, it's a problem that already exists under our current law. So, nothing that HB 272 does could possibly be any worse than what we currently have.

So, these NAFTA concerns and these competition concerns, and our trust concerns are really irrelevant, because if there are concerns, then we already have them, and this bill isn't going to change that. If anything, this bill relaxes those concerns to the extent that it carves out these exceptions now that everyone can use to transact in certain types of vehicles. So, in that sense this is a pro-competitive piece of legislation, because it's opening up the markets for new and used car dealers to sell certain kinds of cars that are already prohibited from being sold.

So, I don't have the concerns for NAFTA, or the anti-trust concerns, or these "taking concerns" that I've heard raised. Our supreme court might disagree with me down the road on that, but our review of these issues just doesn't warrant that kind of concern.

Number 2764

REPRESENTATIVE SEATON stated that he has some concerns regarding NAFTA. He said the entire idea of NAFTA, whether "we" agree with it or not, was to open trade between "the countries." When [the legislature] says it's going to restrict that trade to certain individuals, he said he thinks there are possibilities of problems. He added, "And definitely it seems to be a restriction in the philosophy of where the country has gone and is continuing to go since we've given the president the authority to negotiate on ... other free trade agreements." He

said that he doesn't know that there are any particular provisions of NAFTA that are being considered for change; however, he commented that, basically, what is being discussed is a restriction of sales between Canada and the U.S., by saying that the trade between the U.S. and Canada could only be through certain individuals for a certain period of time each year. He concluded that that's his concern with the interaction with NAFTA.

Number 2830

MS. SYLVESTER proffered that NAFTA is irrelevant for the following reason: The methods through which a broker can acquire a used vehicle are itemized. Excluded are new vehicles illicitly acquired from a manufacturer. She indicated that, for example, a franchised dealer in California or Washington State who has a deal with a broker and is selling "these new vehicles" to the broker at a cut rate would be excluded as well, because "it's not acquired in these same ways." Currently, she said, there's a market condition based on the favorable exchange rate, coupled with recent changes and modifications, that made it much cheaper for Canadian market vehicles to be converted "to American standards." She added, "There's no guarantee that's going to stay." She explained that that just happens to be the current popular source of the illicit vehicles that are required outside of the manufacturer's franchise agreement with the dealers. She added, "And that's something that Alaska law, and every ... state in the U.S. supports." She concluded, "In no way are we saying that NAFTA is intended to protect illicit trade."

REPRESENTATIVE SEATON stated the following:

I am quite opposed to the characterization of this, because these vehicles are legally imported into the U.S. by registered importers that are ... certified by the Department of Transportation. So, you are going back and presuming a method of something that's happening in Canada before the vehicles are legally imported into the U.S. And so, to say that these are [fraudulent] or illegal actions is totally incorrect, because everything that is happening in the U.S. -- now it may be in violation, possibly, between some manufacturer and their own personal agreements with people they sell their cars to; however they're continuing to sell those cars to those people.

We had testimony yesterday from the importers that said that these were fleet sales that are done legally. I haven't seen anything other than just postulations that college students are buying this. We haven't seen anybody refute that these fleet deals that give extreme discounts and then are imported - that those are illegal in our country. So, I get disturbed when we say that these are illegal, when we have legal importers that are licensed and that are bringing these in, and that people can buy them -- unless we want to make them illegal. But of course, under Alaska law, it's illegal for the franchised dealers to buy them, as well; it's illegal for anybody right now.

**TAPE 03-68, SIDE B**

Number 2985

MR. SNIFFEN concurred that the importation process itself perhaps is legitimate, legal, and in accordance with federal and state requirements. He noted that the idea of a registered importer sounds more grandiose than it actually is. He said it is probably easier to become a registered importer than to become a car dealer in Alaska. He added, "You fill out an application and you post a bond." He noted that there's no training or text, for example, and no other requirement other than perhaps a background check. He continued as follows:

And it would be curious to get a national highway traffic safety administration person familiar with the import issues to testify before this committee, and I would suspect you would find that there is a tremendous amount of import fraud that takes place. And I'm not sure that just saying, "Well, these are legally imported, ... direct to some of these consumer concerns" -- although I cannot deny that there's a lot of truth to that: that the conduct that perhaps is illicit is something that's occurring outside of Alaska and Canada. And you know, perhaps that's conduct that we should be concerned with.

Number 2900

MR. SNIFFEN referred to the previous testimony of "Ms. Urban" [on May 15, 2003] that there are 210,000 Canadian vehicles legally imported. He said he would be curious to find out how many of those were current-model vehicles with less than 150

miles on them, for example. He said he bets a majority of those vehicles with less than 150 miles on them have come into possession of the importers in some "interesting ways." He added, "And I'm not going to say illegal, or even illicit; it's just [that] we've heard testimony from other folks about that, and we haven't done an investigation in our office to verify any of those things, so we can't speak with any authority on it - only what we've heard."

CHAIR WEYHRAUCH returned the committee's attention to a portion of Representative Gruenberg's possible amendment, to leave the words "new or" on page 1, line 9.

MR. SNIFFEN said he doesn't know if that would violate some of the intent that the new car dealers "were thinking of by removing that language," but he said he can't see any problem with that [amendment, if proposed].

Number 2843

REPRESENTATIVE SEATON said he wasn't sure why "or current model" is in there. He offered his understanding that the desire is to prevent someone from offering to sell a motor vehicle as new [if it isn't].

Number 2831

REPRESENTATIVE GRUENBERG returned attention to Amendment [5]. He referred to the added language in Version H on page 2, line 27, which read, "represent that a savings occurs at a lower". He clarified that with Amendment [5], [page 2], lines 27-28 of Version H would read as follows [punctuation as stated]:

may not represent that a buyer would save money by paying a price that is lower than the "manufacturer's suggested retail price", "MSRP," or "list price".

REPRESENTATIVE GRUENBERG suggested the foregoing is more clearly written and asked Mr. Sniffen his opinion.

MR. SNIFFEN answered that he believes it sounds fine.

Number 2728

REPRESENTATIVE GRUENBERG asked why Section 3 is in the bill. He said the current [statutory] language looks good to him and

covers both new and used vehicles as well as related goods or services. It is a much broader protection.

MR. SNIFFEN replied:

We had modified that section because I don't know that anyone could come up with a really good definition for "related goods". And the intention of this section was to make sure dealers weren't advertising for a whole bunch of cars when, in fact, they only had one at that price. You might have seen advertisements in the past that would lead a consumer to suggest, "Hey, Cal Worthington has 55 Ford Explorers at this price." And you would go down there and they'd say, "Oh, no, that was ... one car at ... this particular configuration, and we don't have that one anymore; it sold a week ago. But, hey, we have these other 45 Explorers that are kind of the same."

Number 2663

REPRESENTATIVE GRUENBERG said Mr. Sniffen had convinced him to limit it to the vehicles themselves. He asked whether his feeling is that these used vehicles are a little different from each other and hence this should be limited to new vehicles.

MR. SNIFFEN answered in the affirmative. He added that used vehicles, by their nature, are unique; having an expected quantity of specific used vehicles didn't make any sense.

Number 2632

REPRESENTATIVE GRUENBERG turned attention to Section 4, [paragraph (1)], found on page 3, lines 7-13, of Version H. Noting that the current [statutory] language appears to require advertisements to include "taxes and everything else," he offered his understanding that the proposed legislation would eliminate this requirement because it is "too variable."

MR. SNIFFEN cited variability and that the language is very confusing. He offered his belief that the new language accomplishes exactly the same thing but is much easier to read.

REPRESENTATIVE GRUENBERG said he didn't have a problem with that. Continuing with Section 4, he drew attention to [paragraph (10)], found on page 4, lines 21-23, of Version H. He said he gathers that it isn't really a problem, "people

passing things off as being offered by a private party." He added that he doesn't know what a "motor vehicle agent" is.

MR. SNIFFEN explained that the language is being excluded from current law because "we didn't really know that it added anything to the revised version." He added that the intent is, if a vehicle is to be offered for sale or lease, "you have to include ... your name if you are a dealer."

Number 2535

REPRESENTATIVE GRUENBERG responded that he didn't have a problem with that. He then surmised that the reason for eliminating [paragraph (11)] on page 4, lines 25-29, of Version H is that sometimes sales are extended longer than was originally thought.

MR. SNIFFEN affirmed that and explained:

We found that there were some promotional deals offered by manufacturers to dealers that did not really have an ending date; they would be very open-ended. So if the end of the month came along and you had an advertisement that said, "Hey, come in until March 30th to take advantage of this deal," and then the manufacturer called you up and said, "Well, we're extending this promotion for another 15 days," you as a dealer wouldn't be able to participate in that extended promotion because you've already advertised and you had to do it within a certain timeframe.

Number 2501

REPRESENTATIVE GRUENBERG turned attention to [paragraph (12), beginning on page 4, line 30, of Version H]. He asked why the current [statutory] language isn't being retained, since it seems to protect consumers against unscrupulous people who would require the purchase of not only the vehicle, but also features that are added at the dealership.

MR. SNIFFEN answered:

We couldn't come up with a good situation that actually was occurring in the normal practice of selling cars where a buyer wouldn't know what was on a vehicle when they went into a car dealer to purchase it. And the example that I like to use is that block heaters in Alaska, which are very common, if a

customer came into a dealership and said, "I want this car, but I see you've installed a block heater, and that's not something that was installed by the factory, I want you to take it off," it would require the dealer to take that off. Sometimes these cars come in and dealers will put accessories on them - sometimes spoilers or mud flaps or little things - and this language required dealers to actually go in and disassemble those things if they weren't installed by the factory.

And there are some things that come, actually, with the vehicles, that the factory asked the dealer[s] to install themselves. And there was an argument to be made that if it didn't come off the barge with [these] things ... on there from the factory, that ... if a consumer wanted to force the issue, they could make you take those things off before they took delivery of the vehicle -- and it wouldn't make the car any cheaper; it would just mean that these things would have to come off. And we didn't see any practical application for that in the normal transaction between a dealer ... and a consumer.

REPRESENTATIVE GRUENBERG surmised that it wasn't as much of a problem as it might appear to be to a layperson like himself. He said he was willing to bow to Mr. Sniffen on that issue. He announced that this completed his questions on Section 4.

Number 2374

REPRESENTATIVE GRUENBERG turned attention to Section 5. Referring to existing language on page 5, lines 24-25, he asked why this is limited to the sale of new motor vehicles. He suggested striking "new" and providing this protection for the sale of all motor vehicles.

MR. SNIFFEN answered that this relates to when a new motor vehicle comes in off a barge with some damage that is repaired by the dealer and hence the consumer doesn't know that the vehicle wouldn't be in new condition without this repair.

Number 2377

REPRESENTATIVE GRUENBERG said that answered his question. He then expressed concern about the following proposed phrase on page 5, line 28: ", or \$1,000, whichever amount is greater".

He said it seems to be lessening consumer protection, because \$1,000 is 5 percent of a vehicle costing \$20,000. If the vehicle is being sold for less - \$15,00 for example - that amount would only be \$750, he noted. In other words, he said, "This protection wouldn't kick in, whereas, under current language it is for cheaper cars." He noted that the people who buy cheaper cars are generally people without as much money who really need the protection even more than people with a little more means.

Number 2310

REPRESENTATIVE GRUENBERG said that he would like to delete "or \$1,000,", because he said he thinks it not good for the consumers, particularly folks who live in parts of town like his.

Number 2277

MR. SNIFFEN remarked that that's an excellent observation, and he added that it is curious, because [Representative Gruenberg's point] is the exact reason why that language was included in the first place. He said that [the language] wasn't [added with the intention] to not provide consumers protection.

MR. SNIFFEN explained that there are dealers who sell cars for under \$10,000, and when they get some of these cars they find they have little scratches on the fender, for example, and they might have to spend \$500 in labor to buff out the scratches or replace a panel. The cost of doing those repairs can quickly exceed the 5 percent limit that is in statute; therefore, [one of the dealers] asked for the rule to be relaxed a little, for the reason that if they do work on a low-value car, they would have to disclose [that information], which could make it difficult to sell the car, or might create some kind of impression that the car really isn't new, whereas dealers who do exactly the same thing on higher-valued cars would not have to disclose this type of work.

MR. SNIFFEN stated that he would have no objection to removing that language if that's the will of the committee. He suggested perhaps another number could be chosen, perhaps \$800, for example. He explained that a limit needed to be put in that would allow all dealers to at least work up to a certain range without making disclosures - to level the playing field.

Number 2168

REPRESENTATIVE GRUENBERG asked if "dings," for example wouldn't come under the phrase, "cosmetic parts", on page 5, line 30.

MR. SNIFFEN said it would not, because the cosmetic part language is intended to include things that can be replaced in whole, like bumpers, for example. In response to a follow-up question by Chair Weyhrauch, he said that a hubcap would also be an example of a cosmetic part.

Number 2130

REPRESENTATIVE GRUENBERG announced that he would probably bring up, for the purpose of discussion, reducing the \$1,000 to \$800, which was the amount that Mr. Sniffen suggested.

Number 2100

CHAIR WEYHRAUCH asked if anyone had any thoughts regarding that possible change.

Number 2089

REPRESENTATIVE CRAWFORD commented that the way vehicles cost today, he doesn't think there's a huge difference between \$800 and \$1,000.

CHAIR WEYHRAUCH said that he feels \$1,000 is an easier number to work with.

REPRESENTATIVE LYNN indicated that he is not concerned.

REPRESENTATIVE GRUENBERG said, "Okay, well we will not worry about that then."

Number 2060

CHAIR WEYHRAUCH asked if there were any questions on Sections 6, 7, and 8. There being none, he said the committee would focus on Section 1.

[The hearing on HB 272 was temporarily suspended to address the next bill.]

HB 158-ELIMINATING LONGEVITY BONUS PROGRAM

Number 2042

CHAIR WEYHRAUCH announced that the next order of business was HOUSE BILL NO. 158, "An Act eliminating the longevity bonus program and making related conforming changes; and providing for an effective date." He stated his intent was to ask for a motion to move the bill to the House Finance Standing Committee for public comment there. He noted that there is a lot of passion involved regarding HB 158.

Number 1970

CHIP WAGONER, Lobbyist for Pioneers of Alaska, stated that that group has looked at the issue surrounding HB 158, is aware of the fiscal realities of Alaska, and has joined with AARP to propose a compromise position that is fair to seniors, "to give them time to have a softer landing." He told the committee that [the compromise] would provide a "4-year phase-out" - four more years of [longevity bonus] payments, with a 20 percent reduction each year.

MR. WAGONER opined that [the compromise] is a gutsy move by the leadership of AARP and by the Pioneers of Alaska, because "they will be taking over a \$9 million hit in FY 04," followed by a decrease [of funds] over the next four years. Conversely, he stated, [the compromise] would protect the seniors that are in the program currently who have planned their financial lives around the [longevity bonus] payments, and it would give them time to "readjust with some dignity."

MR. WAGONER conveyed the belief that [the compromise] is fairer than "a cutting off" of the entire program in one year, which he said is cruel. He also offered the belief that [the compromise] is fairer than the current needs-based proposal being circulated. That proposal, he explained, would eliminate 75 percent of the people in the program with one fell swoop.

MR. WAGONER said that [the Pioneers of Alaska] hope that the legislature adopts [the compromise], that the governor accepts it, and that "life goes on for our seniors."

Number 1879

REPRESENTATIVE LYNN asked if any thought has been given to going to a needs based [program] after the four years.

MR. WAGONER prefaced that he cannot speak for the organization. However, he stated that he has given that some thought. He

noted that one issue with trying to turn the current longevity program into a needs based one is that it only takes into account half of the senior population. He clarified that only half of the senior population is in the program now. He mentioned seniors, women, and children [who may be in need], and "the working poor," and said, "Whatever program is developed by the legislature should incorporate those people, too." He reiterated that [the Pioneers of Alaska] think that the phase-out is fair. He added that he hopes that the legislature will "step up to the plate," with regard to drug prescription programs," for example.

MR. WAGONER, in response to a follow-up question by Representative Lynn, said that he has not had communication with the administration on this particular proposal and has received no assurances from [the governor] one way or the other.

Number 1699

MARIE DARLIN, Coordinator, Capital City Task Force, AARP, testified that AARP has previously given testimony on HB 158 to state that its first priority is that [the longevity bonus program] remain as is. She emphasized that there are many seniors who "really depend on this."

MS. DARLIN said that AARP was asked by some of the staff to either find \$47 million or come up with an option. Therefore, AARP began looking at possible options. In working with the Pioneers of Alaska, AARP jointly agreed that [the compromise] seemed like something that would be workable if the current longevity bonus could not be maintained as it currently is.

MS. DARLIN, addressing the issue of people going on adult public assistance, stated that AARP feels that "the rates for eligibility for that are very low." She said there are many seniors who are "on the borderline," and would not qualify for [public assistance], yet still need some [financial] help. She continued as follows:

MS. DARLIN said that if the end result is either a continuation of the current program or an acceptance of an optional type of program over a period of a few years, then AARP can work on making a "fairly level playing field for seniors," in order for seniors to be able to remain in their homes and out of "facilities," and remain as independent as she emphasized they want to be. Ms. Darlin reiterated that AARP was asked to come up with options, which it did. She stated that AARP felt lucky

to be able to work with the Pioneers of Alaska to come up with something that both groups thought was at least feasible.

MS. DARLIN said that AARP knows that there are some legislators who still want to "hang tough on 'a promise is a promise.'" She said that AARP really feels the same, yet remarked, "In order to be able to work with the legislature, and all, if you're asked for options, that's what you try to do." She said that the longevity bonus still needs to be considered, and she stated the fact that seniors bring in a great deal into the economy of Alaska, and are an important part of the state; therefore AARP wants to see that seniors are taken care of as much as possible and allowed to remain independent for as long as possible.

Number 1530

PAT LUBIE, Legislative Representative for AARP, told the committee that he works in the Anchorage office on both state and federal issues. He mirrored Ms. Darlin's testimony that AARP would prefer that the longevity bonus [program] run its course and eventually end as people die or leave the state. He said that AARP doesn't think that that option will exist. He mentioned the collaboration between AARP and the Pioneers of Alaska. He referred to Mr. Wagoner's description of [the compromise] as "a softer landing." He stated, "People have to be able to prepare for this; you can't just take all this income away from people and then expect them to survive."

Number 1481

MR. LUBIE said that a "means test" has a lot of logic to it and will help "the people who need it the most." However, he pointed out that the problem with the means test is that it only looks at income. He related that a woman in Anchorage who's [annual income] is between \$17,000 and \$18,000 "probably could make it." He said that she would not be eligible for the means test. He noted that she also has \$750 a month in prescription drug bills. He stated that one third of "older Alaskans" have no coverage for prescription drugs and the means test doesn't take any of that into consideration. He said that AARP will be looking for some way - either through [U.S. Congress] or the state legislature - to also deal with the enormous prescription drug problem that older people face. He said, "The older you are, the more prescriptions you take." He stated that Alaska has the highest prescription drug increase rate in the country; the Keyser Family Foundation reported that [Alaska's]

prescriptions increased 25 percent, with the average for the country being 17 percent.

MR. LUBIE remarked that when the governor said that [the longevity bonus program] doesn't work and would be eliminated, older people began calling AARP every day, unable to sleep because they are worried about the issue. He stressed that it is important to come up with a plan, so that on July 1, the older people don't get a note saying, "By the way, the program ends completely. You better make some other plans." He added, "It's a little tough when you're 85."

Number 1343

REPRESENTATIVE GRUENBERG stated that this is a very difficult situation. He told all three testifiers that he applauds their efforts to find a solution. He asked them if they had truly obtained resolutions from their board of directors or memberships to back up what they are doing [in proposing HB 158]. He said that he can foresee what will happen politically: People will write saying, "The groups may have said we want the compromise, but I can't live with this." He stated that, politically, he has to follow the wishes of his constituents.

Number 1270

MR. WAGONER responded that the Pioneers of Alaska have a governmental affairs committee which is charged with legislative advocacy. Members throughout the state serve on that committee. He said that he has a letter from the grand-president of the Pioneers of Alaska, giving authority to that committee to represent the membership. He told the committee that letters will be arriving from each igloo - the Pioneers of Alaska's subsidiary organizations. He also noted, "The committee chairman representing the committee has authorized us to speak on this compromise."

Number 1213

MR. LUBIE informed the committee that AARP has an executive council that sets the legislative policy for the association in each state. In addition, he said that [AARP] asked many of its current and former leaders at the local level what they found out about the issue, how they reacted [to the proposed cut], and how they thought people in their local chapters would react.

MR. LUBIE admitted that there would undoubtedly be people who would "take shots at" [AARP's] organizations for caving in. He stated it is imperative that [AARP] be concerned about what will happen on July 1, and he said that the organization wants to throw [the compromise] on the table. He recognized that many legislators would like to let the longevity bonus program run its course and let it phase out, while others would like to do some type of a means test. He added that, no matter what the legislature might do, what needs to be done is to figure out what is best for older people. For example, he said, "What are they going to be able to handle, in terms of paying their bills." He also talked about relieving some of the stress and anxiety that this issue has raised with older people.

MR. LUBIE said that [AARP] knows that it has a responsibility to educate its folks. He stated that the organization realizes also that its people have paid taxes before and understand that the government is not free and Alaska is in a fiscal crisis. They are not naïve and know that they will have to pay their fair share. Many of those people question whether the longevity bonus program should have been established in the first place, he said. He added that the program did not end up the way the legislature had intended, and he mentioned a court case.

Number 1100

MR. LUBIE noted that the average age of the longevity bonus recipient is 77, and [the recipient base] is composed primarily of older women. He stated that the most significant financial event in an older woman's life is when her husband dies. He explained that an older woman usually spends much of her and her husband's assets to pay for his health care at the end of his life, and that's when women become poor.

MR. LUBIE stated that [AARP] will be working with the administration, as well as with the legislature, to attempt to figure out what needs to be done regarding adult public assistance and housing, for example. He said that one woman he spoke to who had received "the letter" from the governor indicating which safety-net programs were available to her, told him that she is number 1,170 on the eligibility list and would be dead before being eligible for federal housing. He clarified that her point was that she is indeed eligible, but cannot get in.

Number 1015

REPRESENTATIVE GRUENBERG said that, at the request of a senior, he had offered an amendment in the House Special Committee on Ways and Means to provide an exemption for people over the age of 65. He stated that, if Alaska adopts a sales tax, that would be "an additional hit for the seniors." He stated that he does not know that he will support [HB 158]. He said that he would like to see if there's a way that [the legislature] can solve this problem.

Number 0965

REPRESENTATIVE CRAWFORD stated that he does not like the position that [the legislature] is in. He stated that his big concern is that [the legislature] would adopt [the compromise] only to have [the administration] veto it. He said that he doesn't see a good solution. He said that he would much prefer that if a phase-out is adopted, it be more like 10 percent a year for 10 years, not 5 years. He stated, "I don't want to be put in a position to vote for a cut in the longevity bonus, but if that's what y'all want, I'll do it without objection. But I don't like it."

Number 0873

REPRESENTATIVE LYNN stated, "There's already a phase-out program in effect: It's called death."

Number 0856

REPRESENTATIVE SEATON asked [the testifiers] if they have received indications from [the administration] that if [the compromise] is adopted it will satisfy [the administration's] requirement.

Number 0831

MS. DARLIN responded that a letter was sent to the governor, but no reply was received. She mentioned further meetings on the issue like the one present and said that "we" were asked to give an option. She stated that "we've run the figures" to see what could be done to save money over time. She noted that the cost of the program already would go down \$3 million every year under the current phase-out, because of the death rate. She continued as follows:

There's going to be a lot of them that are going to be gone in five years. That's for sure. As everybody

says, "Look at the obituaries." And, as some of the other legislators have said, "We're dying as fast as we can." Well, what more can we do than to say [that] we're trying to look at some options. We do want to protect our people.

MS. DARLIN reiterated that [AARP'S] preference would be to keep the program as it currently is, with the original schedule of phase-out, but if that can't happen then other options need to be looked at. She stated, "Most of our people are willing to do that." In fact, she said, most of the testimony that was given during hearings on this issue showed that "we're willing to go back to paying an income tax." She added, "Nobody said anything about sales tax." She said that those people on the lower end of the scale would not be paying that much [income tax] anyway; therefore an income tax wouldn't hit people as [hard] as some of the other options. She noted that the governor has "line-item veto" [power].

Number 0621

REPRESENTATIVE CRAWFORD said, "It seems to me that you're negotiating against yourself .... Until you hear from the third floor, I don't see how you can negotiate."

MS. DARLIN responded that that may be true, and she said she supposes the only place that [AARP] can negotiate is with [the legislature].

REPRESENTATIVE CRAWFORD said, "We don't have the power."

MS. DARLIN replied, "I don't know where that leads us."

Number 0565

MR. WAGONER, in regard to a previous comment by Representative Crawford, stated that the governor has already said in his budget that he wants to eliminate the [longevity bonus] program in its entirety. He opined that the governor has already taken a political hit and does not have anything to lose by staying the course. He said that he thinks it would be harder for the governor to redline the compromise proposal of the seniors than it would to redline the whole program, because it is a compromise that is both fair and takes into the account the fiscal realities of the state. He said that [the compromise] shows responsibility by the seniors to step up to the plate and respond to the governor's public declaration in the newspapers

asking [seniors] for a proposal. He read [that declaration] from an unidentified news article as follows:

In the tradition of Alaska's pioneers, I am confident that pre-1996 seniors who are receiving the longevity bonus would want to lead the effort to right Alaska's fiscal problems. They would be among the first to agree to share the load in down times.

MR. WAGONER said, "Well, we took him up on his challenge." He stated that he doesn't know any other organization other than AARP and the Pioneers of Alaska that has showed some fiscal responsibility by being willing to take the hit in order to help the fiscal situation. He posited that it would be more difficult for the governor to veto [the compromise] than it would be for him to eliminate the entire program.

MR. WAGONER said he knows that many legislators want to support "the entire program." He said, "If you've got the votes, go ahead and do it. But if you don't have the votes, then we believe our compromise puts us in the strongest political position to go forward and to allow our seniors to have a soft landing."

Number 0368

REPRESENTATIVE SEATON asked if the \$9 million decrease per year includes the \$3 million reduction from death rate, or is just "20 percent off of the number of checks that are written."

MR. WAGONER answered that he believes that it takes into account "the death also," based upon looking at the average number of monthly payments. He said that, if the program stays as is, the projected FY 04 cost is \$44,776,000. Under [the compromise] it would be \$35,821,000. He continued as follows:

In the succeeding years where you have the big savings, for FY 05 it would go from \$41.5 million down to \$24.9 million. For FY 06 it would go from \$38.3 million down to \$15.3 million. For FY 07 it would go from \$35.2 million down to \$7 million. In other words, if the legislature and the third floor can get over the hump of FY 04, then from a physical point of view from the state, it's much, much easier.

Number 0235

CHAIR WEYHRAUCH asked Mr. Wagoner to provide those statistics [in writing] to the committee.

[The hearing on HB 158 was temporarily suspended in order to address the next bill.]

The meeting was recessed at 9:43 a.m. to a call of the chair.

Number 0112

CHAIR WEYHRAUCH called the meeting back to order at 1:36 p.m. Present at the call back to order were Representatives Seaton, Dahlstrom, Lynn, Gruenberg, and Weyhrauch. Representatives Holm and Crawford rejoined the meeting as it was in progress.

**TAPE 03-69, SIDE A**

Number 0001

The committee took an at-ease from 1:37 p.m. to 1:43 p.m.

HB 272-MOTOR VEHICLE DEALERS

Number 0045

CHAIR WEYHRAUCH announced that the committee would return to HOUSE BILL NO. 272, "An Act relating to motor vehicle dealers." Before the committee was the proposed committee substitute (CS), Version 22-LS0975\H, Bannister, 5/14/03.

Number 0160

REPRESENTATIVE CRAWFORD moved to adopt [a new] Amendment 1, which read as follows [original punctuation provided]:

Page 2, Line 11:

Insert "The vehicle is a current model used vehicle that has been leased by a consumer and has been returned to the leasing dealer; or"

Renumber accordingly

REPRESENTATIVE CRAWFORD stated that he believes fleet vehicles need to be included, and Amendment 1 would do that.

Number 0189

REPRESENTATIVE GRUENBERG referred to a two-page amendment labeled [23-LS0975\H.1, Bannister, 5/15/03], which he said he had referred to previously as [Amendment] 1, which read as follows:

Page 2, lines 2 - 3:

Delete "received as a trade-in"

Insert "manufactured for sale in the United States and acquired by the dealer"

Page 2, line 6:

Delete ";"

Insert "; or"

Page 2, lines 7 - 13:

Delete all material and insert:

"(3) the vehicle is a current model used vehicle not manufactured for sale in the United States, the dealer acquired the vehicle in the normal course of business, and the dealer complies with AS 45.25.470."

Page 5, following line 22:

Insert a new bill section to read:

"\* Sec. 5. AS 45.25.470 is amended to read:

Sec. 45.25.470. Sales of vehicles manufactured for sale in a foreign country. Before the sale of [,] a motor vehicle not manufactured for sale in the United States, a motor vehicle dealer shall disclose to the consumer in writing, in addition to any other disclosures required for the sale of a used [WHETHER A MOTOR] vehicle, [WAS ORIGINALLY MANUFACTURED FOR SALE IN CANADA OR ANOTHER FOREIGN COUNTRY]

(1) that the vehicle was originally manufactured for sale in Canada or another specified foreign country;

(2) if applicable, that the vehicle was originally sold new in the specified foreign country identified under (1) of this section and imported into the United States;

(3) that the vehicle's odometer was converted from kilometers to miles, and shall provide the consumer with a legal vehicle title, an odometer verification certificate, or another document that verifies the mileage reading after the conversion;

(4) if applicable, that the vehicle does not have a manufacturer's warranty; and

(5) any other information required by regulations adopted by the attorney general."

Renumber the following bill sections accordingly.

REPRESENTATIVE GRUENBERG noted that if the committee subsequently adopts that amendment [Version H.1], then Representative Crawford's Amendment 1 would become moot; however, he said, "But I have no objection to this being in there with that understanding."

Number 0259

CHAIR WEYHRAUCH asked if there was any objection to [Representative Crawford's] Amendment 1. There being no objection, it was so ordered.

Number 0425

The committee took an at-ease from 1:47 p.m. to 1:48 p.m.

Number 0486

MR. SNIFFEN, in response to a comment by Chair Weyhrauch, confirmed that he did draft the language of Amendment 1, which was just adopted.

Number 0600

REPRESENTATIVE GRUENBERG offered Amendment 2 [labeled 23-LS0975\H.3, Bannister, 5/15/03, which was originally labeled Amendment 3], which read as follows:

Page 6, following line 1:

Insert a new bill section to read:

"\* **Sec. 6.** AS 45.25 is amended by adding a new section to read:

**Sec. 45.25.530. Disclosure regarding receipt of commissions.** If a motor vehicle dealer's service operations employees receive a commission for the amount of work they perform, the motor vehicle dealer shall post a conspicuous sign that is visible to service customers that the dealer's service operations employees work on commission."

Renumber the following bill sections accordingly.

REPRESENTATIVE GRUENBERG recalled testimony revealing that it is often a practice that people in service centers work on commission; therefore, the more repairs sold, the larger the commission. He added, "That's happened to me." He noted that Amendment 3 would ensure full disclosure.

Number 0655

MR. SNIFFEN, in response to a request by Chair Weyhrauch, said that he understands the intent behind [Amendment 2] and does not see any harm in it.

CHAIR WEYHRAUCH said that [Amendment 2] has some appeal to him. He explained that his mother just bought tires for her car and, while on a trip, was told at a station that she needed a whole new set, and she bought them. He said he thinks people are vulnerable to this.

Number 0698

REPRESENTATIVE CRAWFORD noted that the only place where this type of thing has happened to him was at Sears, where he was solicited to buy "numerous oil changes, and that sort of thing." He stated that he is not so sure that Sears would be included under "motor vehicle dealer".

Number 0760

CHAIR WEYHRAUCH said that [the amendment] does relate to motor vehicles, and he said that he is "trying to keep within the scope of this."

REPRESENTATIVE CRAWFORD said that he doesn't know if the committee is directing the amendment to what the actual problem is. He commented that he doesn't have much experience with new car dealers.

REPRESENTATIVE GRUENBERG responded that he offered the amendment in response to what happened to him. He added that he is not saying that the people were at all dishonest, but that he "just didn't know."

Number 0815

CHAIR WEYHRAUCH asked if there was any objection to Amendment 2.

Number 0830

MR. SNIFFEN referred to AS 45.45.150, which he said is titled "notice to customer" and requires an automobile repair facility to notify a customer that he/she is entitled to a return of the replaced parts from the repair of an automobile. It also requires the repair shop to post in a conspicuous location a sign that informs the consumer of its requirement to provide those parts when requested. He said he was wondering if "this type of language would fit better in that statute, as opposed to this statute."

Number 0885

REPRESENTATIVE GRUENBERG replied that he would ask that the staff work with Legislative Legal and Research Services counsel to see "whether it would go better here or in 45.45.150." He added that he doesn't care where it goes.

Number 0916

CHAIR WEYHRAUCH said, "We will make that note on Amendment 2, and, seeing no objection, Amendment 2 is adopted."

Number 0925

REPRESENTATIVE GRUENBERG offered an amendment labeled [23-LS0975\H.5], which he called Amendment 3, which read as follows:

Page 1, line 8, through page 2, line 6:

Delete all material and insert:

"(b) A person who does business as a dealer in the state may not offer to sell or sell a motor vehicle as a new or current model motor vehicle [HAVING A MANUFACTURER'S WARRANTY] unless

(1) if the vehicle is offered for sale or sold as having a manufacturer's warranty, the dealer has a current sales and service agreement with the manufacturer and the agreement requires the dealer, upon demand of the motor vehicle buyer, to perform or arrange for, within a reasonable distance of the dealer's place of business in the state, the repair and replacement work required of the manufacturer under the warranty; [OR]

(2) the vehicle is a current model used vehicle received as a trade-in in the normal course [DEALER OFFERS TO GIVE THE BUYER A REBATE TO COVER THE REPAIR AND REPLACEMENT WORK THAT THE DEALER CANNOT PERFORM OR

ARRANGE FOR WITHIN A REASONABLE DISTANCE OF THE DEALER'S PLACE] of business;i"

REPRESENTATIVE GRUENBERG asked Mr. Sniffen if he remembered previously discussing page 1, line 8 through page 2, line 1, [in Version H], on the record with him.

MR. SNIFFEN answered yes.

REPRESENTATIVE GRUENBERG said, "What this will do is deal with subsection (b)."

CHAIR WEYHRAUCH noted that he had interrupted Mr. Sniffen's preliminary comments earlier in the morning. Because the bill was drafted as a result of concerns that Mr. Sniffen voiced originally, he said he wants to make certain that the committee has the full benefit of hearing any additional thoughts and views of Mr. Sniffen's.

[No action was taken on the proposed Amendment 3 at this time.]

Number 1124

MR. SNIFFEN responded that he did listen to a lot of testimony last night and would appreciate the opportunity to follow up on some of the comments from "our department's perspective." He noted that his department is charged with protecting consumers under [Alaska's] consumer protection Act, and he stated his concern with some of representations that "might be taken out of context by the committee here." He continued as follows:

One of those deals with the idea that a registered importer has some kind of consumer protection responsibility because they are bonded and licensed and other things, and, as I'd mentioned earlier today, that process is a very simple one - it's not very difficult to become a registered importer.

But, more importantly, the registered importer has no interaction with the consumer. Consumers purchase these vehicles from dealers. Dealers get these cars from importers or from auctions, and then the auctions deal with the importers.

We had a case here, just last year, from a consumer who purchased a Canadian vehicle - it was 1996 Chevy product - and it had an onboard diagnostic chip that

could not be recalibrated to conform [to] U.S. emissions standards. He took that vehicle back to the dealer, and the dealer essentially wanted to wash his hands of the problem and said, "Well, you know, it was imported that way."

When the consumer tried to get some documentation from the dealer who actually tried to find who the importer was and find out if there was some recourse against the importer, it was just impossible to do, because the relationship that the consumer sees is he's buying from the dealer, he's not buying from an importer. The consumer doesn't know who this importer is; he's not aware of this bond. I don't know that any consumer would know how to bring an action against an importer's bond. It would take some savvy.

So, the notion that there is some consumer protection here because of the obligations on an importer to comply with federal standards and might go to jail for 20 years if they tamper with odometers and those things, those protections don't really filter down to the consumer, and this bill, I think would help prevent some of those things in its present form.

And another issue I wanted to bring up dealt with the whole warranty issue that several of the Lyberger employees testified about, and, you know, if every used car dealer in Alaska was a Lyberger, perhaps we wouldn't have as many problems as we do. And the testimony we've heard from used-car dealers are reputable used-car dealers - ... the Budgets and the Lybergers and the Affordables - but there are 347 other used-car dealers in the state, and all of these other used-car dealers may not be as forthcoming with these types of disclosures and information as Mr. Lyberger's folks are. And we're going to create, perhaps, an opportunity for consumer fraud if ... we allow these kinds of transactions to proceed if we don't monitor them very carefully.

And, I think it was brought up earlier: these dealers aren't required to offer warranties on these cars. Lyberger does and that's great. I think Mr. Hass (ph) testified earlier, and he didn't suggest that he offered these kinds of warranties on vehicles. So, there's no guarantee that these warranties are going

to go with these vehicles, so discussing when they apply, whether there are service contracts, whether there are warranties - I think that's important stuff, but for a majority of car dealers that may become irrelevant. And if we're going to sanction these transactions now that are currently prohibited, I would be cautious that we're opening up a new ground for perhaps some used-car dealers who don't sell these vehicles to now start selling them. And we might run into some of these problems in the future.

I would just like the committee to consider those comments as you go through some of the original intent of this bill, and why we need to do something with the current law, but at the same time, provide some consumer protection. And I'm just leery that you might be thinking that, "Well, ... importers are protecting consumers," because I have some serious reservations whether they are. I also have reservations about whether free warranties with vehicles from used car dealers are going to help protect consumers, as well.

Number 1429

REPRESENTATIVE SEATON referred to [paragraph] (2) on page 2, [beginning on] line 2, which read as follows:

(2) the vehicle is a current model used vehicle received as a trade-in in the normal course [DEALER OFFERS TO GIVE THE BUYER A REBATE TO COVER THE REPAIR AND REPLACEMENT WORK THAT THE DEALER CANNOT PERFORM OR ARRANGE FOR WITHIN A REASONABLE DISTANCE OF THE DEALER'S PLACE] of business;

REPRESENTATIVE SEATON asked, "Isn't that essentially ... what is being satisfied with either the Heritage warranty, or offering to do that in-house with his own ... repair facilities or with a short distance?"

MR. SNIFFEN replied as follows:

I think it does to some extent, but I don't know that that was the original intent of this section. The way statute currently reads is you can't sell a new or current-model car having a manufacturer's warranty. The Heritage warranty is not a manufacturer's

warranty, it's really an after-market service contract or warranty, if you will - technically it is a service contract.

But I think the current statute has this language in here to prevent, perhaps, folks in the Bush who don't have access to repair facilities, from selling a new vehicle to a consumer with a manufacturer's warranty, but then not have the ability to actually perform the warranty service.

So, under those circumstances, if you had to fly from Bethel to Fairbanks, or from some remote area to a repair facility to get the work done, then you could only sell the warranty if you agreed to reimburse the consumer for those expenses. And I think that was the situation that this language addressed.

I don't know that it necessarily was meant to allow used car dealers to sell current-model Canadian vehicles so long as they had a replacement service contract of some kind to go along with them, because those aren't manufacturer's warranties.

MR. SNIFFEN, in response to a question by Representative Gruenberg, confirmed that he had not yet received [Amendment 3].

REPRESENTATIVE GRUENBERG offered Amendment 4 [originally labeled Amendment 3], which read as follows [original punctuation provided]:

Page 5, following line 22:

Insert a new bill section to read:

"\*Sec. 5. AS 45.25.465 is amended by adding a new subsection to read:

(c) When a motor vehicle dealer sells a used motor vehicle, the motor vehicle dealer shall disclose to the buyer in writing in a manner that is clear and conspicuous

(1) that the warranty provisions of AS 45.45.300-45.45.360 do not apply to the purchase of the motor vehicle; and

(2) that, if applicable, the vehicle is not subject to a manufacturer's warranty."

Renumber the following bill sections accordingly

REPRESENTATIVE GRUENBERG said that that would include a current-model motor vehicle also.

Number 1729

REPRESENTATIVE LYNN objected for the purpose of discussion.

Number 1750

MR. SNIFFEN, in response to a question by Representative Gruenberg, said that he doesn't believe that the words "or current-model motor vehicle" have to be added. He stated, "I'm not sure that [paragraph] (2) would have any relevance to a lot of motor vehicles covered by this language. The vehicles (indisc.) to a manufacturer's warranty is almost assumed and obvious in so many used vehicle transactions that making it a requirement might ... just add another unnecessary layer of paperwork to an otherwise ... normal used-car transaction." He proffered that it really makes the most sense to require that disclosure when you're selling a vehicle "that a consumer might confuse the new vehicle, which would be these current-model year vehicles."

Number 1790

REPRESENTATIVE GRUENBERG suggested the following amendment to Amendment 4 as follows:

After "used motor vehicle"  
Before ", "  
Add: "or a current-model motor vehicle"

MR. SNIFFEN confirmed that that would be the right term to use.

Number 1830

REPRESENTATIVE SEATON stated his understanding that "current-model motor vehicle" would include a new vehicle.

REPRESENTATIVE GRUENBERG responded no. He explained, "New is different."

REPRESENTATIVE SEATON said, "No, a current model can be neither [either] new or used, but it's a current model."

Number 1855

MR. SNIFFEN responded as follows:

That was exactly my first reaction, is that if we just said "current-model motor vehicle", that would include the universe of all new cars. And it would have to read something to the effect of "current-model used motor vehicle".

REPRESENTATIVE GRUENBERG acquiesced to the suggestion of inserting the words "current-model used motor vehicle" instead. He asked Mr. Sniffen if he could support Amendment 4, [as amended].

MR. SNIFFEN said yes. He added, "The more information we can give a consumer about these transactions, ... the better."

Number 1920

REPRESENTATIVE GRUENBERG said that his staff had added the words "clear and conspicuous" to Amendment 4 after a discussion he had had with Representative Lynn. He asked Representative Lynn if that addition was satisfactory.

Number 1933

REPRESENTATIVE LYNN suggested a "bumper-sticker-sized sign" on the window that says, "Canadian vehicle, current, no factory warranty." He added that it would also say in small print, "see disclosure forms for further information."

Number 1988

REPRESENTATIVE GRUENBERG said that he would accept that as a "conceptual friendly amendment" [to Amendment 4]. He suggested that it could read:

After "clear and conspicuous"  
Insert "and posted in the window of the car"

REPRESENTATIVE LYNN repeated his idea for the information to read "Canadian vehicle" and "no factory warranty". He rephrased his previously stated suggestion to recommend that [the sticker] also read in small print, "See detailed disclosure."

REPRESENTATIVE GRUENBERG said he thinks that the amendment should also include "that it's not subject to the lemon law."

REPRESENTATIVE GRUENBERG suggested another amendment to Amendment 4 would be to delete the word "and" [preceding paragraph (2)], and [after the corrected word "warranty", to delete "." and] insert ";" and "(3) and stating the country of manufacture if not the United States."

REPRESENTATIVE GRUENBERG, in response to a question by Representative Lynn, said that he would like the language to be broad enough [to encompass other countries].

Number 2080

MR. SNIFFEN, in response to a question by Chair Weyhrauch, noted that there is already a statute - AS 45.25.470 - that requires the disclosure in writing to a consumer whether a vehicle was originally manufactured for sale in Canada or another foreign country; therefore he said he doesn't know that that language needs to be included in here.

Number 2100

REPRESENTATIVE LYNN reiterated his idea to require a sticker on the car. He noted that a lot of vehicles manufactured overseas arrive into the U.S. in a legitimate manner. He clarified that he wants to separate those cars that come in from the "grey-market" from those that come in through a new-car dealer in the normal course of business. He suggested an alternative would be to "withdraw the friendly amendment and just vote against the whole thing."

REPRESENTATIVE GRUENBERG read AS 45.25.470 as follows:

Sales of vehicles manufactured for sale in a foreign country. Before sale, a motor vehicle dealer shall disclose in writing whether a motor vehicle was originally manufactured for sale in Canada or another foreign country.

REPRESENTATIVE GRUENBERG said, "So, my suggestion would simply be to have as a category, 'subject to AS 45.25.470,' and that would do exactly what you want." He asked Mr. Sniffen if that was true.

MR. SNIFFEN said he believed so.

Number 2198

REPRESENTATIVE LYNN withdrew his friendly amendment.

Number 2225

REPRESENTATIVE GRUENBERG clarified that [a new paragraph (3)] would read as follows:

(3) that, if applicable, the vehicle is subject to AS 45.25.470

REPRESENTATIVE GRUENBERG said he would make that conceptual, because "we don't want to just cite the statute." He said that it would have to say clearly that it's made in another country, subject to sale in the United States.

Number 2770

CHAIR WEYHRAUCH asked if there was any objection to the amendment to Amendment 4 that would add "or a current-model used motor vehicle".

Number 2299

REPRESENTATIVE CRAWFORD said, "It's getting awfully confusing to me, and I don't know if it's really needed, but ..."

Number 2315

REPRESENTATIVE LYNN stated that he would vote against [Amendment 4] no matter what is added to it.

CHAIR WEYHRAUCH continued:

And then ... adding, "(3) that, if applicable, the vehicle is subject to AS 45.25.470." Okay, as a friendly amendment we'll just add those.

CHAIR WEYHRAUCH, in response to a question by Representative Gruenberg, said that he thinks the committee has the idea [of what the amendments are about]. He asked Representative Gruenberg if there was anything else [to discuss] regarding Amendment 4.

REPRESENTATIVE GRUENBERG answered no.

CHAIR WEYHRAUCH said, "Okay, there's a motion on Amendment 4 [as amended and] an objection. Is there any further discussion? Secretary call the roll."

[The friendly amendments to Amendment 4 were treated as adopted; therefore, Amendment 4 would read as follows:]

Page 5, following line 22:

Insert a new bill section to read:

"\*Sec.5. AS 45.25.465 is amended by adding a new subsection to read:

(c) When a motor vehicle dealer sells a used motor vehicle or a current-model used motor vehicle, the motor vehicle dealer shall disclose to the buyer in writing in a manner that is clear and conspicuous

(1) that the warranty provisions of AS 45.45.300-45.45.360 do not apply to the purchase of the motor vehicle;

(2) that, if applicable, the vehicle is not subject to a manufacturer's warranty; and

(3) that, if applicable, the vehicle is subject to AS 45.25.470."

Renumber the following bill sections accordingly

A roll call vote was taken. Representatives Gruenberg, Holm, Seaton, Crawford, and Weyhrauch voted in favor of Amendment 4, as amended. Representative Lynn voted against it. Therefore, Amendment 4, as amended, was adopted by a vote of 5-1.

Number 2400

REPRESENTATIVE GRUENBERG offered Amendment 5 [text provided previously].

REPRESENTATIVE LYNN objected for the purposes of discussion.

Number 2420

MR. SNIFFEN, in response to a question by Representative Gruenberg, said, "We have no opposition to that amendment."

REPRESENTATIVE LYNN withdrew his objection to Amendment 5.

Number 2436

CHAIR WEYHRAUCH asked if there was further objection. There being none, Amendment 5 was adopted.

Number 2485

REPRESENTATIVE GRUENBERG referred to Amendment 3. He addressed Mr. Sniffen as follows:

It was my thought that the law currently allows somebody who is selling a current-model motor vehicle to provide a rebate to cover the cost of repair, or to have a current sales and service agreement. I actually wanted to just retain the current law.

REPRESENTATIVE GRUENBERG referred to [paragraph (2)] of Amendment 3, which read as follows:

(2) the vehicle is a current model used vehicle received as a trade-in in the normal course [DEALER OFFERS TO GIVE THE BUYER A REBATE TO COVER THE REPAIR AND REPLACEMENT WORK THAT THE DEALER CANNOT PERFORM OR ARRANGE FOR WITHIN A REASONABLE DISTANCE OF THE DEALER'S PLACE] of business*;*"

REPRESENTATIVE GRUENBERG said, "We had continued to delete that," but he said that he thinks that language should probably be left in. He asked Mr. Sniffen if he agreed.

Number 2571

MR. SNIFFEN said it looks as though that language is repeated in [paragraph] (1) of [Amendment 3]; therefore he said he's not sure "what the purpose of keeping that language in would be."

Number 2582

REPRESENTATIVE GRUENBERG said that that is what he had thought initially; however, he noted that the rebate is not mentioned [in paragraph (1)], and he thinks that's important to include.

CHAIR WEYHRAUCH, in response to a request for clarification from Representative Crawford, said that the committee is discussing Amendment 3 "that was earlier discussed and then withdrawn," which is labeled, 23-LS0975\H.5, [Bannister, 5/16/03].

REPRESENTATIVE GRUENBERG reiterated that [paragraph (2)] is not exactly the same as [paragraph (1)], because of the reference to the dealer's ability to give the buyer a rebate.

Number 2666

REPRESENTATIVE SEATON pointed out another difference [between the two paragraphs] is that paragraph (1) talks about a new car having a manufacturer's warranty, while paragraph (2) addresses used vehicles. He stated that he agrees with Representative Gruenberg that the deleted language should be left in for consumer protection.

Number 2695

MR. SNIFFEN responded as follows:

I don't know that I have a problem with the concept or the intent here, but when we're trying to amend current Version H to include these warranty issues things get a little complicated for me as well, and I have to share Representative Crawford's confusion a little bit.

I think the intent of the initial amendment was to clean up [AS] 08.66.015, so it was very simple and easy to understand. If you're selling a new car, this is what you have to do. If you're selling a current-model car that's not new, this is what you have to do to sell that. And we took out these warranty issues, because they simply weren't a problem up here in Alaska. And I think working with that language over ... at least the four years I've been here, and speaking with the new car dealers, I think the manufacturers' service agreements with the dealers have sort of removed some of the concerns that that warranty language was intended to protect against.

If we want to address these warranty issues - selling cars, whether or used with a warranty, and what you have to do - it might be better to put that into a separate provision in and of itself, so we're not combining these concepts. And I think that might keep it cleaner and easier to understand.

Number 2755

REPRESENTATIVE GRUENBERG suggested he could offer [Amendment 3] as a conceptual amendment and ask the drafter to work with staff and Mr. Sniffen to set the language out in a separate section, if necessary.

MR. SNIFFEN responded that he thinks that would be a better approach, and he stated that he would be happy to work with the drafters on either coming up with a separate section or "a separate provision within this section" that just addresses these warranty concerns.

Number 2833

REPRESENTATIVE CRAWFORD asked if there is a problem with the way our Version H is written. He said, "I thought we had worked this language out that was pretty much acceptable."

CHAIR WEYHRAUCH said, "And I object too, for that reason. I think I want to keep that as simple as possible on this one." He asked if there were any further comments from the committee.

Number 2860

MR. SNIFFEN, in response to a question by Representative Gruenberg, said that Amendment 3 raises some confusion for various reasons that he said he did not know if the committee had time to get into. He concluded, "I don't know that it helps our cause any."

Number 2875

REPRESENTATIVE GRUENBERG withdrew [his motion to adopt Amendment 3].

Number 2885

REPRESENTATIVE GRUENBERG moved to adopt Amendment 6, [labeled 23-LS0975\H.1, Bannister, 5/15/03].

Number 2889

REPRESENTATIVE LYNN objected for the purpose of discussion.

Number 2900

REPRESENTATIVE GRUENBERG reviewed the highlights of Amendment 6 [text provided previously].

**TAPE 03-69, SIDE B**

Number 2999

MR. SNIFFEN mentioned the "sale approach." He added, "And I think I've testified previously on our concerns with it, but leave it to the committee to decide how they would like to approach it." Mr. Sniffen continued as follows:

[Amendment 6] certainly would be something that would help the consumer. I don't know that it would be as effective as the language currently contained in Version H, simply because we're dealing with so many used-car dealers and their ability to make these disclosures in an informed way is something that our office doesn't have a lot of faith in, to be frank. And I remember testimony by one of the members of this committee that when they visited Lyberger's lot this year, they weren't even told that these vehicles were manufacturers' (indisc.). So, having this law and making sure that all of the 350 some-odd used-car dealers in Alaska who sell these vehicles comply with it is a different story, and since we are dealing with a fairly large purchase - if not the single largest purchase a consumer might make in their lifetime, then perhaps the second largest, followed closely by their home - it's risky. ... But it does accomplish some of the goals that we're trying to achieve.

Number 2930

REPRESENTATIVE CRAWFORD said he thinks he's addressed this issue several times. He noted that there are "homegrown franchised dealers" [in Alaska], and [the legislature] has seen fit in the law to say that there can't be other new-car dealers within 14 miles of [another same dealership]. He continued as follows:

These cars that are coming in - they are used, under the law, but pretty much as a technicality, as far as I see. And they're new to the consumer. They may be used to the law, but they're new to the consumer, and I believe that undercuts and puts our franchised dealers in a non-competitive situation, and I can't vote for it.

Number 2900

REPRESENTATIVE LYNN said, "Ditto."

Number 2910

REPRESENTATIVE HOLM apologized for his absence during the earlier portion of the meeting. He referred to [Amendment 6] and asked for a definition of "normal course of business".

Number 2869

MR. SNIFFEN said that he doesn't believe that that term is defined anywhere in statute. He said that it's an assumed definition, such as "reasonable person," which he said really isn't defined anywhere, other than in some jury instructions.

Number 2853

REPRESENTATIVE GRUENBERG said there has been considerable testimony that there are various ways that "people do obtain these vehicles." Some of those ways, he noted, are purchasing a used vehicle as a trade-in, directly from a consumer, or "from a rebel fleet or a repossession." However, he stated his understanding that the primary way that dealers obtain these vehicles is at dealer auctions. He asked Mr. Sniffen if he agreed with that assessment.

MR. SNIFFEN said that that is the testimony that he's heard, as well.

Number 2811

A roll call vote was taken. Representatives Holm, Seaton, and Gruenberg voted in favor of Amendment 6. Representatives Dahlstrom, Lynn, Crawford, and Weyhrauch voted against it. Therefore, Amendment 6 failed by a vote of 3-4.

Number 2759

REPRESENTATIVE DAHLSTROM moved to report CSHB 272(STA), Version 23-LS0975\H, [Bannister, 5/14/03], as amended, out of committee with individual recommendations and the accompanying zero fiscal note. There being no objection, CSHB 272(STA) was reported out of the House State Affairs Standing Committee.

HB 158-ELIMINATING LONGEVITY BONUS PROGRAM

Number 2718

CHAIR WEYHRAUCH announced that the committee would return to HOUSE BILL NO. 158, "An Act eliminating the longevity bonus program and making related conforming changes; and providing for an effective date."

CHAIR WEYHRAUCH summarized the previous testimony heard earlier the same day for the benefit of Representative Holm, who had recently arrived.

Number 2669

REPRESENTATIVE SEATON moved [to report HB 158 out of committee with individual recommendations and the accompanying fiscal note].

CHAIR WEYHRAUCH noted an objection from Representative Lynn.

Number 2652

REPRESENTATIVE CRAWFORD said that [the decision before the committee] is a tough one on him and everybody involved. He said that he knows it is not a choice that the seniors want to [make]. He stated his understanding that "something is better than nothing," but told [the testifiers], "I don't believe we're negotiating with the governor here." He stated that he is opposed to a 5-year phase-out and believes that "the deal has already been struck." He said that he doesn't know how he could vote to phase [the longevity bonus program] out in any manner. He concluded, "I don't like it. And I don't know how to say it any better than that."

Number 2598

REPRESENTATIVE DAHLSTROM stated for the record that although she thinks that this is a tough situation, she cannot vote to agree to a 4- to 5-year phase-out. She said that she doesn't believe that "that would allow us to fix our problem in a reasonable amount of time." She said she believes that no matter what changes are worked out among groups, the governor will do as he said and remove the program. Representative Dahlstrom said, "If there were to be a phase-out, and it was a six-month to a year phase-out, that might be a different story. But I can't agree to a 4- to 5-year [phase-out]."

Number 2552

REPRESENTATIVE LYNN stated that he thinks "we" have a de facto contract with the seniors of Alaska. He reiterated his disclosure that he is not a recipient of the longevity bonus. He said that he knows the governor is attempting to cut spending. He said that that is a laudable goal, but he doesn't think it "should be cut on the backs of the seniors." He said that he doesn't have a clue what the governor will do when [HB 158] or any other bill arrives on his desk.

REPRESENTATIVE LYNN reiterated that the longevity bonus [program] is, in fact, being phased out by death. He said that he totally agrees that phasing out the program in a 4- or 5-year plan is better than [ending] it all at once. He added, "Nonetheless, you dress a pig in a tuxedo and it's still a pig. And we shouldn't get rid of it."

Number 2503

CHAIR WEYHRAUCH, in response to a question by Representative Seaton, confirmed that there is no amendment to the bill. He explained that [the intent] is to move [HB 158] to the next committee of referral for any amendments.

2469

REPRESENTATIVE SEATON said he wanted to clarify that the committee will be voting on the original bill [requested by] the governor.

Number 2410

REPRESENTATIVE DAHLSTROM renewed the motion to report HB 158 out of committee.

CHAIR WEYHRAUCH reminded the committee that an objection had been previously stated.

A roll call vote was taken. Representatives Seaton, Dahlstrom, Holm, and Weyhrauch voted in favor of HB 158. Representatives Lynn, Crawford, and Gruenberg voted against it. Therefore, HB 158 was reported out of the House State Affairs Standing Committee by a vote of 4-3.

#### **ADJOURNMENT**

Number 2395

The meeting was recessed at 2:43 p.m. to a call of the chair.  
[The meeting did not reconvene.]