

ALASKA STATE LEGISLATURE
HOUSE LABOR AND COMMERCE STANDING COMMITTEE

April 6, 2009

3:20 p.m.

MEMBERS PRESENT

Representative Kurt Olson, Chair
Representative Mark Neuman, Vice Chair
Representative Mike Chenault
Representative John Coghill
Representative Bob Lynn
Representative Robert L. "Bob" Buch
Representative Lindsey Holmes

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

HOUSE BILL NO. 167

"An Act relating to a corporation income tax credit for contributions by a person owning or operating a commercial passenger vessel to a qualified trade association that was awarded a contract by the Department of Commerce, Community, and Economic Development, and used for planning and executing a destination tourism marketing campaign."

- MOVED CSHB 167(L&C) OUT OF COMMITTEE

HOUSE BILL NO. 177

"An Act relating to marine products and motorized recreational products; and providing for an effective date."

- MOVED CSHB 177(L&C) OUT OF COMMITTEE

HOUSE BILL NO. 185

"An Act relating to the labor organization position of state agencies and others with regard to construction contracts paid for by state money."

- HEARD AND HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 167

SHORT TITLE: TAX CREDIT FOR STATE TOURISM PROGRAM
SPONSOR(s): REPRESENTATIVE(s) COGHILL

03/09/09 (H) READ THE FIRST TIME - REFERRALS
03/09/09 (H) L&C, FIN
04/06/09 (H) L&C AT 3:15 PM BARNES 124

BILL: HB 177

SHORT TITLE: MARINE & MOTORIZED RECREATIONAL PRODUCTS
SPONSOR(s): REPRESENTATIVE(s) COGHILL

03/12/09 (H) READ THE FIRST TIME - REFERRALS
03/12/09 (H) L&C
03/30/09 (H) L&C AT 3:15 PM BARNES 124
03/30/09 (H) Scheduled But Not Heard
04/06/09 (H) L&C AT 3:15 PM BARNES 124

BILL: HB 185

SHORT TITLE: LABOR NEUTRALITY FOR STATE CONTRACTS
SPONSOR(s): REPRESENTATIVE(s) KELLY

03/12/09 (H) READ THE FIRST TIME - REFERRALS
03/12/09 (H) STA, L&C, FIN
03/12/09 (H) STA REFERRAL REMOVED
03/27/09 (H) L&C AT 3:15 PM BARNES 124
03/27/09 (H) Scheduled But Not Heard
04/06/09 (H) L&C AT 3:15 PM BARNES 124

WITNESS REGISTER

KAREN LIDSTER, Staff
Representative John Coghill
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Testified on behalf of a joint prime sponsor of HB 167.

JOHANNA BALES, Excise Audit Manager
Anchorage Office, Tax Division
Department of Revenue (DOR)
Anchorage, Alaska

POSITION STATEMENT: Answered questions during the discussion of HB 167.

ROURKE BROWN
Homer, Alaska

POSITION STATEMENT: Testified during the discussion of HB 167.

JERRY SCHOLAND, Operator
Kiana Bed and Breakfast
Homer, Alaska

POSITION STATEMENT: Testified in support of HB 167.

BONNIE QUILL, Executive Director
Matanuska-Susitna Convention & Visitor's Bureau (MSCVB)
Wasilla, Alaska

POSITION STATEMENT: Testified in support of HB 167.

SHANNON HAMRICK
Kenai Peninsula Tourism Marketing Council (KPTMC)
Kenai, Alaska

POSITION STATEMENT: Testified during the discussion of HB 167.

DEB HICHCOCK, President, and CEO
Fairbanks Convention & Visitor Bureau (FCVB)
Fairbanks, Alaska

POSITION STATEMENT: Testified during the discussion of HB 167.

SUZANNE RUST
RUSTS FLYING SERVICE
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 167.

JULIE SAUPE, President
Anchorage Convention and Visitor Bureau
Anchorage, Alaska

POSITION STATEMENT: Testified during the discussion of HB 167.

RYNNIEVA MOSS, Staff
Representative John Coghill
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Testified on HB 177, on behalf of a joint prime sponsor, Representative John Coghill.

CURTIS SPENCER
Anchorage, Alaska

POSITION STATEMENT: Testified during the discussion of HB 177.

DUDLEY BENESCH, Owner
Alaska Mining and Diving Supply
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 177.

WAYNE HULS, Co-owner
Marita Sea & Ski, Alaska Power Sports
Anchorage, Alaska

POSITION STATEMENT: Testified during the discussion of HB 177.

LARRY INNIS, Director
Marine Retailers Association of America (MRAA)
Annapolis, Maryland

POSITION STATEMENT: Testified in support HB 177.

RALPH SEEKINS, Owner
Seekins Ford Mercury
Fairbanks, Alaska

POSITION STATEMENT: Testified during the discussion of HB 177.

CLINT KIRRY, Representative
Hewes Marine Company
Reno, Nevada

POSITION STATEMENT: Testified in opposition of HB 177.

DAVID DICKERSON, Representative
National Marine Manufacturers Association (NMMA)
Chicago, Illinois

POSITION STATEMENT: Testified during the discussion of HB 177.

DAVID MCCORMICK
Bethel, Alaska

POSITION STATEMENT: Testified during the discussion of HB 177.

CRAIG COMPEAU, Vice President
Compeau Marine
Fairbanks, Alaska

POSITION STATEMENT: Testified during the discussion of HB 177.

PETER THOMPSON, President
River and Sea Marine
Soldotna, Alaska

POSITION STATEMENT: Testified in support of HB 177.

MARK HORDEMANN
Soldotna, Alaska

POSITION STATEMENT: Testified in support of HB 177.

CLYDE (ED) SNIFFEN, JR., Senior Assistant Attorney General
Commercial/Fair Business Section, Civil Division (Anchorage)
Department of Law (DOL)
Anchorage, Alaska

POSITION STATEMENT: Provided comments and answered questions during the discussion of HB 177.

REPRESENTATIVE MIKE KELLY
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Testified as prime sponsor of HB 185.

ACTION NARRATIVE

[3:20:19 PM](#)

CHAIR KURT OLSON called the House Labor and Commerce Standing Committee meeting to order at 3:20 p.m. Representatives Buch, Chenault, Neuman, and Olson were present at the call to order. Representatives Coghill, Holmes, and Lynn arrived as the meeting was in progress.

HB 167-TAX CREDIT FOR STATE TOURISM PROGRAM

[3:20:32 PM](#)

CHAIR OLSON announced that the first order of business would be HOUSE BILL NO. 167, "An Act relating to a corporation income tax credit for contributions by a person owning or operating a commercial passenger vessel to a qualified trade association that was awarded a contract by the Department of Commerce, Community, and Economic Development, and used for planning and executing a destination tourism marketing campaign."

KAREN LIDSTER, Staff, Representative John Coghill, Alaska State Legislature, introduced herself as staff to a joint prime sponsor of HB 167.

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REPRESENTATIVE NEUMAN made a motion to adopt the proposed committee substitute (CS) for HB 167, labeled 26-LS0695\E, Bullock, 4/1/09.[Version E was before the committee.]

CHAIR OLSON objected for purposes of discussion.

MS. LIDSTER explained the changes. She stated that on page 2, line 2, a new paragraph was added, as follows:

- (3) not used to provide the person making the contribution with a direct or tangible benefit.

MS. LIDSTER explained paragraph (3) was added to ensure that a person making a contribution would not receive a direct or tangible benefit from the contribution and also receive an income tax credit. She explained that the bill would establish a tourism marketing tax credit to help create a sustainable funding source for Alaska's tourism marketing program. The bill would allow a tax credit for contributions to a qualified trade association that has been awarded a contract by the Department of Commerce, Community, & Economic Development for planning and executing a destination tourism marketing campaign. The tax credit would be equal to the value of the qualified contributions and could be applied to a tax liability under the Alaska Corporate Net Income Tax. The credit could not be used to reduce corporate income tax below zero, and the tax credit could not be carried forward or transferred. Additionally, the definition of "commercial passenger vessel" is defined in AS 43.52.295. This bill was created when the legislature asked the tourism industry for ideas for funding sources for tourism marketing in Alaska.

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REPRESENTATIVE NEUMAN referred to the sectional analysis for HB 167. He related his understanding the bill would provide commercial passenger vessels a credit against the tax due for a cash contribution to a marketing program. He asked for further clarification.

MS. LIDSTER explained the contribution would be made to a qualified trade association that was awarded the tourism marketing contract administered by the DCCED.

REPRESENTATIVE NEUMAN asked if a business such as a fictitious "Karen's Whitewater Riverboat Extravaganza" made a contribution to the Alaska Tourism and Marketing Association if it would get a credit.

MS. LIDSTER agreed it would be eligible for a tax credit so long as the business fell under the definition in AS 43.52.295 with respect to "commercial passenger vessel." She explained that the tax credit is limited to vessels with 250 berths or more.

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MS. LIDSTER, in response to Representative Neuman, explained that no limit has been established at this time. In further

response to Representative Neuman, Ms. LIDSTER explained that the company could make a \$10 million contribution so long as the company's income tax did not fall below zero.

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JOHANNA BALES, Excise Audit Manager, Anchorage Office, Tax Division, Department of Revenue (DOR), stated this particular tax credit is limited to those corporations that operate commercial passenger vessels of 250 berths or more, which would apply basically to cruise ships. Under the bill, the company could reduce its tax liability to zero. She referred to Representative Neuman's earlier question and answered that a tax credit would apply so long as the industry had a \$10 million tax liability, the company could reduce its liability to zero. In further response to Representative Neuman, Ms. Bales stated the companies could estimate the tax credit since payments can be made any time during the year. Thus, the company could take the credit at the end of the year when the company would have a better idea of the amount of corporate income taxes owed.

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MS. BALES, in response to Representative Buch, explained that the fiscal note is for \$30 thousand to cover a one time cost for startup expenses to enhance the tax examination system, produce tax forms, and educate the stakeholders. She explained that the revenues are considered indeterminate since the department can not estimate the amount of the income tax. She further explained that currently the department only has one year of data available and taxpayers that pay the corporate income tax are also commercial passenger vessels. She offered that the department previously "lumped" the corporation taxes together with other tourism industry corporation taxes. In 2007, prior to commercial passenger vessels paying corporate income tax, the department received \$3.5 million from other corporations in the tourism industry. She highlighted the amount collected increased to \$15.8 million. She pointed out that a large part of the tax collected was due to large passenger vessels. However, taxpayers were not allowed to disclose the exact amount, she noted. Thus, the department indicated in its fiscal note that had the tax credit been in effect in 2008, the potential could have resulted in a \$15.8 million decrease in revenue. In further response to Representative Buch, Ms. Bales explained that the \$30,000 is the specific cost of the impact of this bill. She explained that the one time cost is to cover contract costs for information technology assistance.

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ROURK BROWN explained that he is a small business owner and a volunteer government relations chair for the Alaska Travel Industry Association (ATIA). He stated that the tourism industry is an important part of Alaska's economy. He provided statistics such as that tourism brings \$1.8 billion in new dollars to Alaska's economy and provides the equivalent of 40,000 fulltime jobs, \$70 million in local taxes and fees, and \$122 million in state taxes and fees. He referred to his handout, titled "Tourism Tax Credit Premiere Travel Destination", and to page 4, titled "Tourism Marketing in Alaska". He explained that since 1999, the public sector funding for tourism marketing has declined from \$24 million to \$5 million in FY 08. During that time independent travel has also declined. The industry believed that the only effective proven tool is destination marketing and a minimum budget of \$20 million is needed to effectively market Alaska as a destination. Last year the legislature reinvested the \$9 million vehicle rental tax it collected. The bill that implemented the vehicle rental tax also allowed funds to be spent on tourism marketing. He further stated that the private sector matched the \$9 million with an additional \$2.7 million, which was the third highest public/private match. Only Hawaii and California exceeded Alaska, he mentioned. He said, "We are very grateful for this first step that was taken last year." Last year, the legislature placed a three-year sunset on the vehicle rental tax bill, asking the industry to work to provide a long-term sustainable solution to use visitor industry generated tax dollars to fund tourism marketing. He related that the industry has worked to find a solution which is embodied in HB 167.

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MR. BROWN explained that HB 167 would allow the cruise lines to make contributions directly to the state's marketing program and receive a tax credit against their corporate income tax liability. He related that the cruise industry pays corporate income tax as a result of a cruise ballot initiative. He referred to page 5 of his handout, titled "Estimated State Tourism Revenues" and to the \$12,300,000 collected from the Cruise Corporate Income Tax. He clarified that this amount does not include the head tax, gambling tax, or ocean ranger tax also collected. He compared the concept for cruise tax credits is similar to the concept of oil tax credits such that when the industry drills more wells, it will produce more wells, which

will increase state revenues. He opined that this bill would increase state revenues, which is also one of the travel industry's goals.

MR. BROWN asked if travel marketing works. He then answered by stating that in FY 05, the marketing program resulted in over 500,000 responses for people interested in coming to Alaska. He referred to page 3 of his handout, titled "Research Reveals: Marketing = Visitors," stating that the travel industry tracked the results of visitors who traveled to Alaska. He provided statistics on those who requested information in 2005. Of those requesting information in 2005, 14.7 percent traveled to Alaska in 2006, 13.7 percent traveled to Alaska in 2006, 7.7 percent traveled to Alaska in 2007, and 9 percent traveled to Alaska in 2008. He opined that 45.1 percent of the people who indicated they were interested in 2005 in traveling to Alaska actually traveled to Alaska. He explained that the average group size was 2.6 persons, and the average spending per person was \$971, not counting any transportation costs to Alaska. He said, "Tourism marketing is the only proven way to increase visitation."

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MR. BROWN referred to page 6 of his handout, titled "Season is in Jeopardy", and stated the outlook is grim. He opined that bookings are down anywhere from 20 to 60 percent. He stated that cruise prices are at historic lows, many small businesses may not survive, and local governments will also have diminished bed tax revenue projections. He said that it is too late to affect the 2009 travel season, but the industry could begin to turn the tide in 2010 with passage of this bill. He urged members to pass HB 167 this session.

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REPRESENTATIVE BUCH opined he would have a difficult time justifying the bill to his constituents. He related his understanding that many industries such as commercial fishing, timber, and mining do not benefit from similar state funding for their industries.

MR. BROWN related that he appreciated the concern. However, he mentioned that the travel industry generates \$122 million to the state in taxes and fees, and contributes \$70 million to local governments. He highlighted that his community of Homer pays a sales tax and a large part of the tax collected is derived from

nonresident tourists. He said, "I believe it's fair to say that this industry does support the state and all residents thereof."

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JERRY SCHOLAND, Operator, Kiana Bed and Breakfast, stated he and his wife operate the Kiana Bed and Breakfast. He related that he is also a member of ATIA. He highlighted that tourism provides about \$122 million in state taxes. He indicated that throughout the 1990s, more money was spent to market Alaska than in this decade. He opined that HB 167 seems to be a painless way to take about 10 percent or less of the \$122 million and return it to the industry to market Alaska. He further opined that tourism is truly a renewable resource. Tourists take pictures out of the state and basically come, spend money, and leave. He stressed that Alaska is not losing any resources by funding tourism. He emphasized that it will be a tough year for tourism. He projected a reduction in Alaska's tourism ranging from 30 to 60 percent, which he related he has confirmed in his own business. He urged members to pass the bill.

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BONNIE QUILL, Executive Director, Matanuska-Susitna Convention & Visitor's Bureau (MSCVB), stated that the MSCVB represents 300 tourism businesses in the Matanuska-Susitna valley, most of which are small businesses. She asked members to support HB 167. She announced that she is pleased that ATIA has created the proposal to make Alaska tourism marketing efforts competitive. She opined that it is urgent to pass this bill to provide the cruise lines that are paying taxes in Alaska an opportunity to invest in the tourism marketing program. She urged members to pass HB 167.

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SHANNON HAMRICK, Kenai Peninsula Tourism Marketing Council (KPTMC), stated that the Kenai-Peninsula Tourism Marketing Council represents over 400 tourism businesses on the Kenai Peninsula. She encouraged members to move HB 167 from the committee. She related that tourism is economic development for Alaska and the Kenai Peninsula. She stressed that the industry is in crisis. She emphasized that ATIA is critical to the efforts of the KPTMC for outreach to prospective visitors. She opined that this bill is an excellent step to provide a sustainable solution to marketing using dollars that the visitor industry generates. She concluded by stating that over 25

percent of all businesses licensed in the Kenai area are tourism based, and 30 percent of overall sales tax revenues are generated by tourism businesses. She said, "This bill will support small businesses. Please help them by passing HB 167 this year."

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DEB HICHCOCK, President, and CEO, Fairbanks Convention & Visitor Bureau (FCVB), stated that she also serves as a volunteer on the ATIA Board. She thanked members who have supported HB 167. She stated supporting funding for marketing for ATIA also assists business owners in Fairbanks, the Interior and throughout Alaska. She related that entrepreneurs are the hallmarks of the visitor industry. She also related local business owners and their employees are Alaskan neighbors, friends, and members' constituents. She offered her belief that tourism creates a ripple effect through the communities, generating construction, transportation, and countless other services. She stressed that tourism contributes to the quality of life in her community. She related that the community has better airline schedules, a beautiful airport, and many attractions. She indicated that tourism also provides about half of the operating cost of the University of Alaska Fairbanks, Museum of the North. She highlighted that facilities like the Carlson Center benefit from tourism dollars. She also offered her belief that additional marketing funds could help Fairbanks develop its winter tourism. She opined that Fairbanks has concentrated its efforts on winter tourism, but cannot reach that goal solely by its own efforts. She referred to a recent itinerary that was coordinated by the ATIA for tour operators. She noted that tour operators from countries such as Australia, Germany, Switzerland, and the UK visited multiple points throughout the state. She explained that in Fairbanks, the operators were exposed to many locally owned businesses. She listed a long list of businesses, including Brewster's Restaurant, the Pumpouse Restaurant, Aurora Borealis Lodge, and the Farthest North Harley Davidson Outpost. She mentioned the tour operators also visited the Arctic Circle and Chena Hot Springs. She emphasized that HB 167 creates a sustainable funding mechanism for ATIA marketing that could benefit businesses in the summer and winter. She opined that this marketing reaches the depth and breadth of potential customers that is far beyond the reach of most small businesses. She urged members to support HB 167.

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SUZANNE RUST explained that her family owns Rusts Flying Service in Alaska and K2 Aviation in Talkeetna. She explained that she also volunteers on the ATIA board. She asked members to support HB 167. She stated that her family's business has employed about 75 people in Anchorage and Talkeetna. She also stated that her family anticipates reducing its workforce by approximately 20 to 30 percent this year. She highlighted that the reduction in work force affects grocery stores and restaurants, creating a strong ripple effect in the local economies. She stressed that the situation is real. She opined that tourism is the economic engine in Alaska. She related that some of the major tour companies have cut their programs in half. She noted that there is a limited pool of visitors in the U.S. probably consisting of more domestic visitors than international visitors. She opined that Alaska will need to compete for its visitors from the overall pool. She stressed the importance of marketing dollars to Alaska. She stated that tourism is a renewable resource that affects everyone. She asked member to support for HB 167.

3:55:19 PM

JULIE SAUPE, President, Anchorage Convention and Visitor Bureau, offered her appreciation as well as that of the 1,100 members of the ACVB for members' anticipated support of HB 167. She stated by supporting the marketing funding for the ATIA that the state will assist small and large businesses throughout the state. She related that a healthy tourism industry is a key component of Anchorage's growth. She pointed out that tourism contributes significantly to the state's general fund and local government. She further related that the tourism industry makes many contributions that help create a robust and lively community that residents enjoy year round. She said, "Your support of this legislation will expand this win-win cycle to everybody's benefit." She indicated she has observed first hand the number of families that tourism supports. She emphasized that ACVB relies on statewide marketing. She opined that by partnering with ATIA, ACVB can focus its energy on booking conventions and groups. She related that booking meetings and conventions keeps the economy vibrant during winter months. She mentioned that ATIA is a model of private/public partnership. She highlighted that she serves on the Board of Directors of the ATIA and on its marketing committee, so she can attest to the debates and the efforts that are put forth to ensure the program is representative of the entire state. She commended the ATIA. She further opined that it is time to take this model program

and provide a stable funding mechanism. She asked members to support HB 167.

3:58:05 PM

CHAIR OLSON, after first determining no one else wished to testify, closed public testimony on HB 167. He removed his objection.

REPRESENTATIVE BUCH expressed reticence to second guess the voters who passed the cruise ship initiative. He inquired as to whether the sponsor has considered a sunset clause.

3:59:19 PM

REPRESENTATIVE COGHILL said he was open to that suggestion but had not previously considered it. He related that a minimum of three seasons is needed for planning purposes. He recalled that several tax credits are targeted for profit and nonprofit industries, as well as for public/private partnerships in tourism. He related that due to the downturn in the economy that this bill could help boost Alaska's economy. He projected that the corporate tax will also diminish and the legislature would likely need to revisit the matter very soon.

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REPRESENTATIVE BUCH suggested that the sunset clause would need to be a minimum of five years. He made a motion to adopt Conceptual Amendment 1, to add a sunset date ending June 30, 2014.

CHAIR OLSON asked if there was any opposition to Conceptual Amendment 1.

REPRESENTATIVE NEUMAN suggested the sponsor consider an amendment to Conceptual Amendment 1, and change the sunset date from June 30, 2014 to January 1, 2015, to extend the date so the legislature could review the matter.

REPRESENTATIVE BUCH offered an amendment to Conceptual Amendment 1, to extend the sunset date to January 1, 2015.

REPRESENTATIVE COGHILL stated that he did not have any objections to the amendment. There being no objection, the amendment to Conceptual Amendment 1 was adopted.

There being no objection to the Conceptual Amendment 1, Conceptual Amendment 1, as amended, was adopted.

[4:01:59 PM](#)

REPRESENTATIVE NEUMAN offered his belief that tourism is important to Alaska. He opined that the state can cover its mandated costs such as for public safety and education for several years. He recalled prior committee work to consider directing marketing funds to the ATIA or other organizations. He acknowledged that the marketing amounts fluctuate, which makes it difficult for the tourism organizations since they do not have any certainty of funding from year to year. However, he expressed concern with this bill since state funding is also uncertain. However, he noted that he did not wish to stop the bill. He opined the tourism industry will be "hit hard this year." He also offered his belief that it's important for Alaskans to have jobs, too.

[4:04:37 PM](#)

REPRESENTATIVE NEUMAN moved to report HB [167], labeled 26-LS0695\E, Bullock, 4/1/09, as amended, out of committee with individual recommendations and the accompanying fiscal note. There being no objection, the CSHB 167(L&C) was reported from the House Labor and Commerce Standing Committee.

CHAIR OLSON announced that HB 167, Version E, as amended, will move on to the next committee of referral, the House Finance Committee.

[4:04:58 PM](#)

The committee took an at-ease from 4:04 p.m. to 4:07 p.m.

HB 177-MARINE & MOTORIZED RECREATIONAL PRODUCTS

[4:07:34 PM](#)

CHAIR OLSON announced that the next order of business would be HOUSE BILL NO. 177, "An Act relating to marine products and motorized recreational products; and providing for an effective date."

[4:07:41 PM](#)

RYNNIEVA MOSS, Staff, Representative John Coghill, Alaska State Legislature, introduced herself.

REPRESENTATIVE NEUMAN made a motion to adopt the committee substitute (CS) for HB 177 labeled 26-LS0477\P, Bannister, 4/2/09[Version P was before the committee.]

CHAIR OLSON objected for purposes of discussion.

[4:08:16 PM](#)

MS. MOSS explained that Version P represents three years of work to implement consumer protection provisions with respect to marine products and motorized recreational products, including four wheelers, three wheelers, and snowmachines. She reviewed the bill section-by-section. Section 1 amends AS 45.25 to eliminate all-terrain vehicles, recreational vehicles, and snowmachines from the "lemon laws" since those vehicles will be addressed under new provisions in the bill.

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MS. MOSS referred to Section 2, titled "Chapter 27. Marine Products and Motorized Recreational Products" and related that AS 45.27 states that a manufacturer cannot withhold consent to a sale or transfer of a dealership so long as the transferee meets the criteria applied by the manufacturer and agrees to the terms and conditions of the existing dealership agreement. Proposed AS 45.27.020 would prevent a manufacturer from canceling or declining renewal of a dealership agreement unless the manufacturer has satisfied the notice requirements and has good cause to cancel or fail to renew an agreement. She explained that requirements for noticing are included such as a 60-day notice to the dealership, with some exceptions such as a 15-day requirement if the authorized dealer engages in fraud. The manufacturer cannot decline to renew in the event of a death of a partner/owner as long as the owner is not listed in the agreement as one whose expertise and abilities were the reason for the agreement.

MS. MOSS referred to page 3, to a definition for "good cause" which includes infractions on material provisions. However, material provisions may be a change that is not in the agreement. In those instances, the item would need to be noticed to the dealership or owner in writing not less than six months prior to the effective date of the cancellation.

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MS. MOSS referred to page 3, of proposed AS 45.27.030, which outlines the notice of cancellation or nonrenewal provisions. She reviewed the requirements include a 90 day notice provision must be given to a dealer for violations, and a 15 day notice must be given for bankruptcy, insolvency, or conviction of a felony involving moral turpitude, fraud, or a violation of a dealership agreement contractual agreement.

MS. MOSS referred to page 4, of proposed AS 45.27, which establishes that a manufacturer cannot coerce an authorized dealer to enter into a dealership agreement with unfair stipulations such as requirements of dealers to overstock inventory. This proposed section creates a definition for "manufacturer's representative" that can include an employee or an agent who engages in the business, including distributors.

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MS. MOSS referred to proposed AS 45.27.050, which is similar to motor vehicle statutes, she stated. She opined that these statutes help ensure a dealer is treated fairly. This provision requires that a manufacturer must repurchase a two-year inventory, including those products listed in the manufacturer's parts price books in the prior two years if the manufacturer cancels or fails to renew a contract without good cause. She recalled that in the motor vehicle provisions either party can cancel a dealership agreement and the manufacturer would be required to purchase the inventory. She related that the dealer has 90 days to return the property for compensation and the manufacturer has 60 days to reimburse the dealership or the financial institution that holds the security interest.

[4:14:54 PM](#)

MS. MOSS referred to page 5, to Article 2 titled "Article 2. Product Warranties." She explained that this article covers what happens with respect to defects in products or parts. She further explained that during a warranty period the dealer will be paid to repair defective products. She related that this provision establishes a requirement to provide a schedule for reimbursement of defective products and the customary charges for warranty work, which may be a printed flat rate, or it may be a rate fee reviewed and agreed to by dealers and manufacturers. She referred to page 7 of proposed AS 45.27.160, which establishes a timely reimbursement of claims within 30

days. She noted that the manufacturer's failure to pay the claim or to provide notice is considered a default. However, manufacturers have 30 days to provide notice that manufacturers do not intend to pay the claim.

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MS. MOSS referred to page 7, to Article 3, titled "Article 3. Miscellaneous Business Practices" which she related as the consumer protection provisions. She explained that this requires authorized dealers to post notices for retail labor rates, for notification that their technicians are factory certified. This provision requires dealers to post notice for customers who are having work done that does not fall under warranty provisions to provide written estimates to include, parts, labor, and costs, and any additional charges such as diagnostic or storage charges. She related a scenario in which a constituent took a car to a local shop for repair, discovered the charges were more than she could afford, and when she picked up her car she was assessed a \$100 diagnostic charge. This provision would require authorized dealers to post notices for hidden charges. She referred to proposed AS 45.27.220, which requires a manufacturer to provide the date when parts and equipment will be available for factory recall notices.

[4:18:23 PM](#)

MS. MOSS referred to proposed AS 45.27.230, which she characterized as the "lemon law." She stated that if a purchase is under warranty, but the product is less than a year old and at least one or two problems arise, the manufacturer must replace the product or refund the purchase price. First, if the dealer cannot fix a serious defect, after attempting to fix the defect four times, or if the defect prevents the user from using the product for 30 days or longer. She highlighted this provision in the bill is clearly a policy call. She related her understanding that the motor vehicle lemon law would apply to vehicles that have been taken into the shop three times for repairs, with the vehicle in the shop for up to 30 days without the defective vehicle being repaired.

[4:19:32 PM](#)

MS. MOSS referred to page 8, titled "Article 4. Miscellaneous Provisions." She explained any provision in a dealership agreement that violates this chapter is unenforceable. Additionally, contract law and common law continue to apply.

She referred to Article 6, titled "General Provisions" which provides definitions including definitions for "authorized dealers", "dealership agreements", and "landed cost." She related that this legislation is named the Alaska Marine Product and Motorized Recreational Product Act. She explained that proposed AS 45.50.471(b) exempts these products from existing law, AS 47.67, under the trade practices sections of the statutes. She highlighted that the bill applies to dealership agreements entered into after the effective date of the act. The bill has an immediate effective date.

[4:20:51 PM](#)

REPRESENTATIVE HOLMES stated that she greatly appreciates the time sponsor has put into HB 177.

REPRESENTATIVE NEUMAN pointed out he previously worked on this issue. He related his understanding that this bill would cover marine and motorized recreational products such as ATVs similar to the automobile consumer protection. He offered his belief that the bill is to help Alaskans. He highlighted that ATVs and snowmachines are primary modes of transportation for many Alaskans.

MS. MOSS brought up section she previously missed. She referred to page 5, of proposed AS 45.27.110, with respect to defective parts. She offered that language was added to require the manufacturers to deliver the part to the authorized dealer nearest to the purchaser or to the dealer that sold the product to the consumer. She described a scenario in which a consumer purchases a snowmachine or ATV in Delta Junction, but lives in Fairbanks. Thus, in the instances of defects, the nearest dealer would be a dealer that the consumer had not purchased the product from or had not conducted business with. She related this bill provides an option for the consumer to select the dealer. She recalled early dealers operating out of their garages and compared that to opening a new dealership with the costs of inventory and specialized tools. She opined that this bill could well be an example of cutting edge legislation for this industry.

[4:24:38 PM](#)

REPRESENTATIVE COGHILL thanked Ms. Moss for her staff work. He explained that he worked to strike a balance between the unique needs of dealers and consumers in Alaska, and manufacturers. He said, "I think we've found what I would consider a clean pathway

for all three to have good rules to work by and still have it so the manufacturers just don't rule the distributors or refuse to get good service to the consumers, So it is consumer protection in that regard." He opined that the bill does not enter into the contract agreements but can assist dealers in working with manufacturers on issues. He further opined that the bill will assist all three groups.

[4:26:31 PM](#)

CURTIS SPENCER stated he is a consumer who has had lots of experiences with items. He related an incident in which he purchased a jet boat for \$125,000. He stated that he had to replace 18 fuel pumps over four months, without any help from the manufacturer. He opined this is a bill that needs to be passed. He highlighted that he has worked with dealers on ATVs and snowmachines so he has experienced the agony dealers have when assisting consumers. He recalled that one time the dealer purchased his snowmachine since he could not fix it. He offered his belief that this bill will be good for everyone, including the manufacturer.

[4:28:41 PM](#)

DUDLEY BENESCH, Owner, Alaska Mining and Diving Supply (AMDS), stated his business has been in operation for 33 years and employs 44 Alaskans. He related that he has worked on this issue for many years. He offered his belief that this is legislation that is being enacted throughout the country. He pointed out numerous states such as Montana, New York, Louisiana, and Texas have all passed similar legislation with the same goal which is to create balance between manufacturers, dealers, and consumers. He opined HB 177 focuses on problems that have been experienced in the industry. He indicated that the bill will help produce a more reliable product for consumers. He said, "Our whole goal is to see warranty issues go away or go down." He offered that approximately 30 to 40 percent of his shop's time is spent fixing warranty issues and safety recall issues that the manufacturers have created. He said he did not know if it is due to rapidly changing technology and manufacturers can't keep up or if products are being rushed to market without adequate testing.

[4:31:02 PM](#)

MR. BENESCH provided a sense of the expenses involved. He related that on one occasion the dealership had an issue in

which 300 snowmachine units affected by a drive shaft recall. He applauded the manufacturers for their efforts. He said, "But the devil is in the details." Due to availability issues his dealership had to order and pay in advance for 300 drive shafts and kits with seals and gaskets for a total cost of over \$60,000. Additionally, his shop provided labor for 20 percent reduction in the allowable time from last year, and this year the gap was higher. Furthermore, he was given 21 days to return the defective drive shaft to the factory at his expense. He pointed out that to return items to the East Coast on that type of timeframe required sending it by United Parcel Service (UPS) or by U.S. Post Office priority airmail. He related that his business has lost over \$3,000 returning their defective drive shaft without any reimbursement. He opined that the safety recall cost his dealership over \$35,000 in lost labor, administration costs, and freight costs. He offered his belief that the dealerships have been one sided with manufacturers, making decisions on cost and paperwork issues. He said, "I strongly support HB 177. I think it's a great, great opportunity for this state to get some consumer protection there for businesses and consumers."

[4:34:17 PM](#)

WAYNE HULS, Co-owner, Marita Sea & Ski, Alaska Power Sports, stated that he is a board member of the Alaska Marine Dealers Association. He stated that he has battled with manufacturers for over 18 years on behalf of consumers. He opined that the one-sided warranty policies make it difficult for dealers to take care of their customers. He related his experiences are similar to Mr. Benesch's experiences in terms of costs incurred. He highlighted that many customers have missed out on an entire season of outdoor sports due to warranty issues. Furthermore, many of these people are dependent upon their ATVs or outboard motor for living and income. He said, "I've seen manufacturers grossly mismanage product recalls resulting in promises of replacement parts, but continually pushing the ship date out for the parts leaving the affected customer without use of the product for extended periods of time."

[4:36:07 PM](#)

MR. HULS offered his belief that his product really is customer service, but that he has been in a stranglehold by the manufacturers which has made it very difficult to provide good service to Alaskans who want to enjoy the outdoors. He stated that the manufacturers dictate labor charges based on Lower 48

prices. Furthermore, the manufacturers discount parts, delay the arrival of parts, and require the broken parts to be returned to them which force the dealer to pay freight expenses. He related his understanding that providing warranty service to his customers costs Alaska's small businesses. He opined that the dealer either makes little profit, or loses money to care for customers. He pointed out the uniqueness of Anchorage, Alaska as a hub for sales in Western Alaska and elsewhere. Many small "bush" dealers must perform warranty work on products the business did not even sell. He mentioned that he is a dealer for a major brand and recognizes that many rural dealers "clean up" problems that a manufacturer has caused, even though the machines were purchased at his dealership. He offered his belief that these dealers must take a loss to accommodate the customer or the consumer must return the unit to him, at great expense. In short, the manufacturer sent defective products that were purchased by consumers. Meanwhile, the dealer must fix the problem that was the manufacturer's problem, but the dealer is not breaking even. This bill is a consumer protection measure, and if passed all dealers, including rural dealers, will be in a better situation to provide good customer service. He said, "I see this for all constituents will benefit if this bill is passed. It will be a win-win situation and will make the ground effort equal amongst the manufacturer, the dealer, and the consumer. Thank you for the opportunity to express my opinions."

LARRY INNIS, Director, Marine Retailers Association of America (MRAA), stated that the MRAA strongly supports the bill. He also asked committee members to support HB 177. He explained that MRAA is a national trade association representing businesses in the retail side of recreational boating. He offered that MRAA consists of 3,000 members that sell and service boats and operate marinas and retail stores. He explained that since the early 1970s, the MRAA has worked to protect investments and promote small businesses. He related that boat dealers work hard to enhance the boating experience and make it safe and enjoyable. During this time boating consumers expect far better quality than they currently receive. As a result of increased expectations, boat dealers have worked to improve their relationships with manufacturers. Dealers have found that the informal practices of 30 to 40 years ago do not work in today's environment. He said, "Consumers want and expect more. Dealers want more safeguards to protect their business. Many of these safeguards can only be provided by their product manufacturers. Dealers would like to enhance warranty payment and claims procedures, and would like more

assurances on future business relationships to correspond with the increased financial commitment that many are required to make in order to keep a certain product line. Additionally, dealers want to build a business that has value to sell or transfer. He opined that due to the frustrations with the arcane agreements and the unwillingness of manufacturers to revise or edit the agreements, dealers have turned to the MRAA for assistance. He recalled that MRAA promoted a model agreement in 1966 that more closely resembled the business model of the time and would have made a fair and level playing field between dealers and manufacturers to meet the expectations of buyers and consumers.

[4:41:37 PM](#)

MR. INNIS related that after circulating the model agreement the manufacturers did not comment. Once more, changes were made and copies were distributed but dealer agreements did not change and manufacturers did not express any willingness to address the changing climate. Eventually dealers began to turn to state legislatures for relief. He related his understanding that currently seven or eight states have dealer manufacturing laws in place and four additional states are working to adopt changes this year. Presently the legislatures' approach more closely addresses the market place than agreements by boat manufacturers. Thus, the market is thriving in states that have passed similar consumer protection. He related that long-term agreements provide dealers increased security and business value, and more importantly, boating customers enjoy improved warranty service and enhanced boat buying experience. He concluded by stating MRAA believes that HB 177 is a good bill that addresses many of the issues expressed by dealers including fair and timely payment of warranty claims, product buyback due to manufacturer cancellations, long-term multiyear contracts and protection from unwarranted cancellations. He thanked the committee and offered strong support for HB 177.

[4:43:10 PM](#)

RALPH SEEKINS, Owner, Seekins Ford Mercury, stated that he has been a Ford dealer in Fairbanks for over 32 years and has been in the auto business for 40 years. He further stated that he is the primary author of the automobile dealer franchise law as well as the Alaska Motor Vehicle Warranties Act, or "Lemon Law," prior to being a member of the Alaska State Legislature. He noted that he worked with Ms. Moss to review this bill. He offered several suggestions. First, he suggested that this bill

takes the customer out of the middle between the dealer and the manufacturers. He recalled similar experiences in the automobile industry. At the time, car dealers were picking up expenses for the manufacturers in an attempt to keep customers happy with the products. He opined that the dealers had adhesion contracts, which are basically "take it or leave it contracts." He offered his belief that virtually every state has an Automobile Franchise law and some version of a Lemon Law. He opined that was the only way to require manufacturers to uphold their responsibilities.

[4:45:11 PM](#)

MR. SEEKINS referred to the applicability section of HB 177 and related his understanding that this means the bill would not apply to current dealership agreements. Thus, a dealer could be covered, but one down the street might not be covered. He highlighted that in the Automobile Franchise Law, the law was crafted to apply to franchise contracts between the manufacturer and dealers. He applauded members for continuing to keep the term snowmachine and not snowmobile, which he stated is truly an Alaskan term. He recalled that several things were important to the automobile dealers. First, they wanted to ensure that the franchise agreements apply to all dealers. Secondly, dealers wanted the jurisdiction or venue to be within the state. Most contracts required that disputes be adjudicated under the laws of the state of Michigan, for example, with Ford Motor Company. However, the legislature changed the law so disputes were adjudicated in Alaska, more specifically to the location of the dealer's principal place of business. Additionally, the automobile law prohibited manufacturers from forming a corporate or subsidiary to accomplish what was prohibited by the bill. He recalled that the manufacturers came to the legislature to attempt to get the applicability changed to after the effective date. He opined that would have left him 20 plus years out of time.

[4:47:19 PM](#)

MR. SEEKENS explained that some contracts may be renewable on regular cycles such as a five year cycle. He further explained that may be something the committee might want to consider. He said, "Otherwise, I look at this bill as pure consumer protection. I know what it meant to my consumers to be able to have the force of law to require manufacturers to be reasonable about what they paid for repairs." He opined that encourages dealers to perform a quality repair since he/she does not lose

money in doing so. Additionally, he opined that most reputable manufacturers would prefer to have the quality service. He encouraged passage of the bill on behalf of consumers across the state.

4:48:30 PM

CLINT KIRRY, Representative, Hewes Marine Company, stated that Hewes Marine Company has been creating high quality aluminum boats since 1944 and is currently the number one selling aluminum boat in Alaska. He expressed concern with any legislation that might affect the risk of doing business in Alaska. He related that Hewes Marine Company does not support HB 177. In general, he offered his belief the bill is one-sided, in that it protects marine dealers against cancellation by manufacturers, while leaving manufacturers at risk of cancellation by dealers. He related that even when a boat manufacturer meets all requirements for cancellation or non-renewal the boat manufacturer would be required to buy back large amounts of inventory. He opined that a dealer could under perform in selling products and the manufacturer would still have requirements to buy back perfectly fine products. He highlighted that manufacturers work with each dealer on a case by case basis and have dealer agreements in place. He stressed the importance of the need for freedom to put together dealer agreements.

4:50:23 PM

MR. KIRRY offered his belief that HB 177 makes the playing field uneven and protects the dealers at the risk of manufacturers. He also expressed concern that warranty requirements seek to hold the manufacturers responsible for warranty coverage that is already being provided by the manufacturers is good faith to the dealers in Alaska. He opined that his company already commits to paying retail for labor costs, with respect to warranties. Further, warranty policies between Hewes Marine Company and dealers have already been determined in writing. He related his understanding that the proposed legislation is unnecessary. He maintained that his company has had few recalls, and every claim has been handled fairly and all parts and labor are handled by the manufacturer. He pointed out his company realizes that warranties are put in place for a reason.

MR. KIRRY stated when the manufacturer has placed a defect in the product that manufacturers must take care of that through warranties. He emphasized that his company hopes to do business

in Alaska for a long time and simply do this within the marketplace without this type of legislation. Additionally, the issues brought forward seem to be aimed at correcting a few isolated incidents of bad practices by one or two motor sports or marine manufacturers who do not handle their dealerships relationships in the right way. He objected to having the bill apply to all manufacturers since the industry has voluntarily established practices that have made doing business in Alaska agreeable for a long time. He concluded by stating the bill seems to attempt to rewrite and supplant dealer/manufacture agreements and hinders the ability for manufacturers to enter into business freely. He urged members not to approve HB 177.

[4:52:57 PM](#)

DAVID DICKERSON, Representative, National Marine Manufacturers Association (NMMA), stated that the NMMA represents about 1500 boat builders, engine manufacturers, and accessory manufacturers. He recalled earlier testimony today and had several comments to make. First, the bill does not recognize how cancellations by the dealer impacts manufacturers. For example, a cancellation at the end of a model year can leave a manufacturer with a tremendous amount inventory to store. Secondly, he related that he visited Alaska and learned more about the Alaska market. In particular, a cancellation by the dealer can be a crisis for the manufacturer due to the small number of dealers in Alaska and the ability to retain a market presence. He related his understanding of the intent, but opined that he is not sure the proposal provides balance. To illustrate he indicated a number of issues raised should not be addressed in this bill such as proper replacement of fuel pumps, the amount of money expended for a drive shaft recall, and the method by which recalls are handled. He agreed that recalls must be handled appropriately. He referenced other legislation in the Lower 48, stating that Minnesota and Iowa have chosen not to take any action. And Michigan has not taken any action for two full legislative terms. He acknowledged that contractual obligations between manufacturers and dealers are respected in the bill.

[4:55:38 PM](#)

MR. DICKERSON questioned the need for the legislature to intrude when so much weight is placed on the contracts. He asserted that the contracts should be supreme and should oversee relationships between the manufacturers and their marine dealers. He recalled testimony suggesting consumers wanted to

move to purchase their products other than the dealer closest to their home since the consumer preferred the service or a better deal. In fact, anything to encourages better service rather than allow the consumer to leave the area for better service creates a disservice to the consumer. Yet, that is what this bill does rather than protecting dealers that perform well. He recognized that testimony was given by what appears to be superb dealers. However, he offered his belief that the real protection this bill provides is to dealers who are not providing the level of service that the testifiers strive to give.

[4:57:06 PM](#)

MR. DICKERSON referred to the warranty reimbursement. He explained that marine reimbursement provides "full reimbursement plus, plus." A large number of the brands sold in Alaska provide full warranty reimbursement. He offered his belief that this bill is well intended, but it over regulates and misses the mark. He said, "And overall, I think it is a real thumb on the scale of competition and in the end will not be good for consumers because it will protect those dealers that provide poor service rather than provide any real benefit to those dealers who are at the top of their game and doing the best they can." He concluded by asking Chair Olson to not report out this bill.

[4:58:03 PM](#)

DAVID MCCORMICK stated that he has operated a marine business since 1999. He related that he has had the same manufacturer for five years. He mentioned he has raised his family in Bethel and loves the area. He pointed out that his customers come first. He stressed his experience that in the past five years his manufacturer has been an anchor that has been sinking him. He opined that there has not been a year except for this year that he has not had to take out loans. In particular, he pinpointed warranties as the reason. He offered his belief that the unfair reimbursement from the manufacturers makes it nearly impossible for him to do business. He said he is in business since he loves his business, the state, and the people in Bethel. He said, "I'd like to continue what I do. I do it. I do it well and I want to continue doing it. But, unfortunately, how long can I keep on taking loans out that keep mounting up to hundreds of thousands of dollars and keep in business." He emphasized that this bill is long overdue. In particular, he related that warranties have caused problems for dealers since

the 1970s. He related his understanding that manufacturers worry about paying too much for unwarranted repairs. Typically, he finds warranty issues to be legitimate. He stressed manufacturers are often aware of issues at the factory level. He explained that he sells 50 machines per year, cannot afford to pay employees due to insurance costs. Thus, he must provide warranty work himself. He reiterated he would love to stay in this business. He said, "I find this to be a very good bill. I just hope you guys can pass it. I'd love to stay in this. I know my customers deserve a good product. The product should come out of the factory without these defects that they are coming here with." He thanked members for his opportunity to testify.

[5:02:15 PM](#)

CRAIG COMPEAU, Vice President, Compeau Marine, stated his testimony would be brief. He said his testimony is similar to that of other dealers who have testified. He provided an incident in which one of the manufacturers had outboard motors that could not be fixed. The manufacturers refused to repurchase the outboard motors. After much pleading, the compromise offered was to have the dealer remove the power pack and serial number tag from the motor for a \$2 thousand credit. He stated that the company paid \$7 thousand per motor, which totaled over \$100,000. More importantly, the outboard motors potentially could have affected his customer's safety. And to maintain credibility with his customers, Mr. Compeau further stated that he had to purchase back the motors from many of his customers. He implied this is not an isolated case, but one that is repeated. He said, "We think HB 177 truly benefits Alaska's consumers, who are the ones behind the steering wheel of that boat, behind the four-wheeler, you know, who are really operating this product that isn't just a toy. We really appreciate the opportunity to do testimony here and I thank the committee for their time and service."

[5:04:09 PM](#)

PETER THOMPSON, President, River and Sea Marine, stated his deep appreciation for the opportunity to speak in support of HB 177. He related that the uniqueness of Alaska also poses many challenges including transportation. He offered his belief that HB 177 provides many safeguards for customers and consumers who use the products as daily tools. He opined that dealers invest large sums and pay Alaskan workers. He further opined that businesses have a ripple affect including transportation and

aviation. Dealers can only satisfy customers if manufacturers initially produce a good product. He emphasized that dealers expend thousands of dollars to train with the new technology in order to be able to provide warranty service. If the dealer does not invest in adequate training, it could result in a breach of the manufacturer's contract. He related that consumers are often deprived of the use of products for weeks or months while the dealer attempts to remedy the situation. He said:

This is not in any way, shape, or form, an acceptable scenario. We need to come into line with many Lower 48 states [that] have already passed legislation designed to mitigate this totally untenable situation and rectify to the fullest extent possible the need to have a cohesive support line from manufacturer to end user and to endeavor to have these past inequities minimized. To all the parties involved, and ultimately to better serve the needs of the customers in this state, to ultimately the future development and success of the state rests. In closing, I'd like to address the concerns of Mr. David Dickerson, NMMA, and Mr. Clint Kirry, from Hewes Craft, that if this bill is enacted it is not intended to polarize or antagonize any parties, but is in fact a chance to form a new and fair and beneficial chance for all parties to start afresh.

[5:08:37 PM](#)

MARK HORDEMANN stated that his snowmachine came in during October, but the machine had a recall due to the gas tank. He waited several weeks for the remedy and picked up his snowmachine. Part way through the season the drive shaft snapped. He said:

I was told, yes, they are having a problem with it. This was a new and improved drive shaft, in which fact it was nothing more than the same exact drive shaft that they'd put in from the manufacturer. The drive shaft was put in and this year I received a recall notice once again to have the same drive shaft replaced with a new and upgraded drive shaft. All this time put out basically was around three months of not being able to use my snowmachine. This is the type of thing I would like protection from. And I

support the bill and thank you very much for listening to me.

[5:10:03 PM](#)

CHAIR OLSON, after first determining no one else wished to testify, closed public testimony on HB 177. He removed his objection [Version P was before the committee].

[5:10:23 PM](#)

REPRESENTATIVE HOLMES asked if Mr. Sniffen had any overall thoughts on the proposed committee substitute.

[5:10:47 PM](#)

CLYDE (ED) SNIFFEN, JR., Senior Assistant Attorney General, Commercial/Fair Business Section, Civil Division (Anchorage), Department of Law (DOL), stated that he has reviewed the bill. He related that he does not have too many comments. He further related he noticed that the Lemon Law section is a fairly short and streamlined process compared to the motor vehicle law. He pointed out that the motor vehicle statutes consist of three pages and include details such as for noticing, and under what circumstances a replacement is not authorized. He offered to discuss the details with the sponsor prior to the next committee hearing. Otherwise, he offered that the DOL has no other issues with the bill.

[5:12:12 PM](#)

REPRESENTATIVE BUCH commented he first reviewed the bill several years ago and had reservations, particularly with some provisions that were very restrictive regarding manufacturer/dealership requirements. He recognized the major modifications made to the bill and suggested it may need some minor tweaking as mentioned by the assistant attorney general. Thus, he has chosen to cosponsor the bill and endorses HB 177.

[5:12:54 PM](#)

REPRESENTATIVE NEUMAN offered that he worked on this issue several years ago in order to protect Alaskans, not only with respect to costs, but for the safety aspects. He stated that he wanted to ensure that Alaskans have good equipment since their lives are at stake. He recalled the testimony from the Bethel businessman who cannot afford the warranty problems. He

stressed when businesses must pay for extra equipment and parts that the additional business costs reduce profits to the point the dealer will simply go out of business. He thanked the sponsor and his staff for their hard work. He opined that HB 177 is a good consumer protection bill.

[5:13:54 PM](#)

MS. MOSS asked to point out that the only repurchase the bill requires is when a manufacturer terminates or fails to renew a contract without good cause. She said, "Very straightforward. I have before me a dealership agreement that does not even address warranty work and defects. She asked to read two sentences. She said she would not name the company. She read, "This company has the absolute right in its sole discretion to terminate this agreement on written notice of ten days prior to the effective date of termination.

MS. MOSS stated under repurchases, it reads, "Upon termination or nonrenewal of this agreement the company has no obligation but shall have first option to repurchase any inventory." Thus, these dealership agreements do not provide much protection for a dealer.

REPRESENTATIVE COGHILL commented that he will work on the replacement issue with respect to the Lemon Law. He offered to work to tighten up the language. He stated that he does not want to slow down the bill.

[5:15:18 PM](#)

REPRESENTATIVE NEUMAN moved to report Version P, labeled 26-LS0477\P, Bannister, 4/2/09, out of committee with individual recommendations and the accompanying fiscal note. There being no objection, the CSHB 177(L&C) was reported from the House Labor and Commerce Standing Committee.

[5:15:59 PM](#)

The committee took an at-ease from 5:15 p.m. to 5:18 p.m.

[5:18:02 PM](#)

HB 185-LABOR NEUTRALITY FOR STATE CONTRACTS

[5:18:04 PM](#)

CHAIR OLSON announced that the final order of business would be HOUSE BILL NO. 185, "An Act relating to the labor organization position of state agencies and others with regard to construction contracts paid for by state money."

REPRESENTATIVE MIKE KELLY, Alaska State Legislature, speaking as prime sponsor of HB 185, stated that the bill promotes open construction and is also called the "Government Neutrality and Contracting Act." He related that Alaska's construction force consists of about 70 to 75 percent non-union and about 25 to 30 percent union. This bill would promote and ensure open competition on state construction projects while maintaining government neutrality toward construction contractor labor relations, he further stated.

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REPRESENTATIVE KELLY offered that the intent of HB 185 is to reduce construction costs, expand job opportunities, and prevent unfair discrimination based on labor affiliation or non-affiliation. This bill supports awarding construction work based on the merit of the bid or proposal through open competition without favoritism to any special interest. The bill forbids the state from requiring union only project labor agreements (PLA), while at the same time providing that nothing in its terms prohibit any contractor or subcontractor from voluntarily entering into a PLA or other labor agreement. He related that this bill is about fairness. It's about the three-fourths of our state that operate non union. It ensures PLAs are voluntary, that the state does not impose its will on the construction work force.

CHAIR OLSON stated that HB 185 would be held over for further consideration.

[5:20:37 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 5:20 p.m.