

ALASKA STATE LEGISLATURE
SENATE LABOR AND COMMERCE STANDING COMMITTEE

February 23, 2017

1:33 p.m.

MEMBERS PRESENT

Senator Mia Costello, Chair
Senator Shelley Hughes, Vice Chair
Senator Kevin Meyer
Senator Gary Stevens
Senator Berta Gardner

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

SENATE BILL NO. 47

"An Act relating to motor vehicle franchises, motor vehicle transactions, motor vehicle dealers, motor vehicle manufacturers, and motor vehicle distributors."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: SB 47

SHORT TITLE: MOTOR VEHICLE DEALER FRANCHISES

SPONSOR(S): SENATOR(S) MEYER

02/01/17	(S)	READ THE FIRST TIME - REFERRALS
02/01/17	(S)	L&C, JUD
02/23/17	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)

WITNESS REGISTER

CHRISTINE MARASIGAN, Staff
Senator Kevin Meyer
Alaska State Legislature

POSITION STATEMENT: Provided a sectional analysis for SB 47.

STEVE ALLWINE, President
Mendenhall Auto Center

Board Member, Alaska Automobile Dealers Association
Juneau, Alaska

POSITION STATEMENT: Provided supporting testimony for SB 47.

TIM TOTH, Past President and Board Member
Alaska Automobile Dealers Association
Anchorage, Alaska

POSITION STATEMENT: Provided supporting testimony for SB 47.

Gary SLEEPER, Attorney
Alaska Automobile Dealer Association
Anchorage, Alaska

POSITION STATEMENT: Answered questions and provided supporting testimony for SB 47.

ED SNIFFEN, Assistant Attorney General
Civil Division
Department of Law
Anchorage, Alaska

POSITION STATEMENT: Provided information related to SB 47.

DAVID BRIGHT, Attorney
Auto Alliance

POSITION STATEMENT: Testified in opposition to SB 47.

ROSS GOOD, Fiat Chrysler Auto Group

POSITION STATEMENT: Testified in opposition to SB 47.

MARTEN MARTENSEN, Owner
Continental Auto Group
Anchorage, Alaska

POSITION STATEMENT: Testified in support of SB 47.

RALPH SEEKINS, Owner
Seekins Ford-Lincoln
Fairbanks, Alaska

POSITION STATEMENT: Testified in support of SB 47.

ACTION NARRATIVE

[1:33:43 PM](#)

CHAIR MIA COSTELLO called the Senate Labor and Commerce Standing Committee meeting to order at 1:33 p.m. Present at the call to order were Senators Meyer, Stevens, Gardner, Hughes, and Chair Costello.

SB 47-MOTOR VEHICLE DEALER FRANCHISES

[1:34:06 PM](#)

CHAIR COSTELLO announced the consideration of SB 47. She stated that the intent is to hear the introduction, take questions, begin public testimony, and hold the bill for further review.

[1:35:09 PM](#)

SENATOR KEVIN MEYER, Alaska State Legislature, sponsor of SB 47, stated that he would prefer that the legislature stay out of negotiated contracts, but when a manufacturer uses a one-size-fits-all franchise agreement it doesn't necessarily fit the unique circumstances in Alaska. The intention is not to take sides but to put Alaskan dealers on a level playing field with those in the Lower 48.

He advised that some of the topics covered in the bill are how agreements are terminated, the procedure for returning inventory to the manufacturer, fair compensation for warranty work, allowing dealers to provide warranty work for consumers who are over 100 miles from the dealer or who do not have road access, procedures for succession plans for dealers, and other minor items. He said his primary concern is how this benefits the Alaska consumer and how to keep franchise agreements up to date and applicable to Alaska. He expressed optimism that bringing the bill forward could encourage the two sides to work out their differences without legislation. That would be his preference.

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CHRISTINE MARASIGAN, Staff, Senator Kevin Meyer, Alaska State Legislature, said she would like to go through the sections of SB 47 and have the invited testifiers explain the issues and why certain provisions are needed.

MS. MARASIGAN requested Mr. Toth and Mr. Allwine sit with her and help explain some of the sections.

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At ease

[1:41:17 PM](#)

CHAIR COSTELLO reconvened the meeting.

[1:41:42 PM](#)

TIM TOTH Past President and Board Member, Alaska Automobile Dealers Association, Anchorage, Alaska, introduced himself.

[1:41:53 PM](#)

STEVE ALLWINE, President, Mendenhall Auto Center; Board Member, Alaska Automobile Dealers Association, introduced himself.

MS. MARASIGAN presented the following sectional analysis for SB 47:

Section 1

Uncodified Law New section
Legislative findings

She advised that the preamble in this section explains why the bill is amending so many sections of law.

Section 2

Amends AS 45.25.110(a)
Addresses termination, adds acted in good faith clause.

Section 3

Adds a new subsection to AS 45.25.110
Reasons not to terminate an agreement, standards for the motor vehicle dealer.

MS. MARASIGAN suggested Mr. Toth talk about Section 3 and the reasoning for making it harder to terminate a dealer.

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MR. TOTH explained that Section 3 sets some good faith rules for terminating a dealership and gives a dealer a way to recapture some of their significant investment when there is a decision to terminate a dealer.

CHAIR COSTELLO asked him to mention the organization he is representing and who are members of that organization.

MR. TOTH said he is a board member and past president of the Alaska Automobile Dealers Association.

CHAIR COSTELLO asked him to describe the membership.

MR. ALLWINE advised that the association has 29 new car dealers in the state who have various franchise agreements. The association also has used car dealer members and associate members from the insurance and financial industries.

MR. TOTH offered to share a list of the members with the committee.

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SENATOR GARDNER asked if the provisions in Section 3 are standard in the rest of the country and if have there been problems with a manufacturer insisting a dealer carry only one line of car.

MR. ALLWINE said this has come up from time to time when a manufacturer is looking for "more shelf space" and perhaps wants their product to be a standalone. That makes sense in some, but not all, environments in Alaska and elsewhere. For example, he currently has five separate franchises in two buildings. Three operate in one building and two in the other. He said that when he put that project together he received pushback from the manufacturers. Similarly, if he and one of the manufacturers were to sever their relationship and he made a decision to put another manufacturer in the building, he would have to negotiate that with the existing manufacturers in the building. Under current statute he is potentially jeopardizing his existing franchises.

That is the reason for Section 3 and it's not uncommon in other states, Mr. Allwine said.

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MS. MARASIGAN continued the sectional analysis of SB 47.

Section 4

Amends AS 45.25, adds new section.

Sec. 45.25.115 Good Cause; burden of proof. This allows the manufacturer to terminate an agreement on conduct of the auto dealer.

She added that this section increases the time from 90 days to 180 days for that termination, with a notice provision. This doesn't apply if the dealer is terminated due to insolvency or fraud. She suggested Mr. Toth address the reason for more time.

MR. TOTH said this section ensures the termination flows through proper due process.

CHAIR COSTELLO asked how the due process works under current statute and why isn't it working.

MR. TOTH said the structure for terminations is a gray area. The dealer agreements are unilateral contracts that are resigned at different intervals depending on the manufacturer. The contracts are based on the manufacturer's terms, not the state's terms or what is in the best interest of the dealers.

CHAIR COSTELLO questioned his use of "state's terms" because her understanding is that the state has no role in the existing relationship.

MR. TOTH clarified that he was trying to say that other states have that provision and dealers in Alaska would like it too.

SENATOR HUGHES referenced the term "reasonable time" that appears on page 4, line 17. She asked who will make that determination and whether that should be more definitive.

MS. MARASIGAN explained that 180 days is the upper limit although someone could provide notice a reasonable amount of time before that time.

SENATOR HUGHES said it's clear that the manufacturer has 180 days after they notify a dealer of the failure. The "reasonable time" refers to the time the dealer has to correct the failure. She asked why that isn't a specific number of days.

MS. MARASIGAN said she would follow up with the answer.

SENATOR GARDNER referenced page 4, line 12, and asked how "reasonable and materially significant" is defined in the context of failure to comply with a franchise agreement. She observed that the manufacturer's and dealer's interpretations could be worlds apart.

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MR. ALLWINE said there are two sides to this. One is that the 180-day timeline is needed because manufacturers change their minds "depending on the direction and velocity of the wind." The other is that what the manufacturer writes in the contract may actually be very difficult for the merchant or vendor to deliver. The phrase "reasonable time" is used to provide some give and take.

He advised that federal antitrust laws prohibit automobile dealers from getting together to negotiate with automobile manufacturers. The only solution is for dealers to seek relief through statute.

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SENATOR STEVENS asked if there is a chance this could be settled without legislation.

MR. ALLWINE replied these are not negotiated contracts; they are arbitrary, take-it-or-leave-it, agreements and the manufacturers set the conditions. "We don't have the ability to negotiate these agreements and that's the reason we have to come to the legislature and look for relief in statute."

SENATOR STEVENS said he sees the rationale.

SENATOR HUGHES asked what has happened in other states.

MR. ALLWINE said they provided the sponsor with a map that shows how the different bill sections apply in other states. He added that to his knowledge, nothing in the bill is absolutely new. A couple of the sections are only addressed in the state of Washington and a lot of the sections are addressed in multiple states.

CHAIR COSTELLO said the map is in the packets.

SENATOR GARDNER asked which provision is only addressed in the state of Washington.

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MR. ALLWINE said it's the one on market analysis. The idea is to keep manufacturers from arbitrarily putting dealerships in locations where it will make it less economically feasible for existing dealers to survive. For example, last week Fiat Chrysler announced it would add 500 dealers throughout the U.S.

SENATOR GARDNER said she is looking at what might be the unintended consequences of every provision. She expressed discomfort with some of the premises and support for others.

MR. TOTH explained that a dealer spends tens of millions of dollars to open a facility and there is no assurance that the manufacturer won't put another dealer in the same location two years later. That splits the market.

CHAIR COSTELLO asked if there has been an effort to address some of these issues at the federal level.

MR. ALLWINE said he isn't sure anyone wants to get into federal antitrust regulations. The automobile industry has had to play by these rules for almost 100 years. They are take-it-or-leave-it contracts that are managed and dictated by the manufacturers. This has placed dealers in the position of having to ask their state legislatures to adopt policy to address the problem.

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MS. MARASIGAN continued the sectional analysis for SB 47.

Section 5

Amends AS 45.25.120(a) - Before termination of a franchise agreement

Clarifies termination by manufacturer.

CHAIR COSTELLO asked how this changes the current practice.

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GARY SLEEPER, Attorney, Alaska Automobile Dealer Association, Anchorage, Alaska, advised that Section 5 isn't substantive. It adds a new paragraph that allows an automobile dealer to be terminated on short notice if the dealer loses his/her license and it makes conforming changes.

SENATOR GARDNER asked what type of license he is referring to.

MR. SLEEPER replied it's an occupational license.

MS. MARASEGAN continued the sectional analysis of SB 47.

Section 6

Amends AS 45.25 and adds new section

Sec. 45.25.135 Termination by dealer.

She explained that Section 6 addresses what happens when there is a termination, including the criteria for establishing a purchase price and a basic reimbursement mechanism.

Section 7

Repeals and reenacts 45.25. 140

Sec. 45.25.140 clarifies the payment for inventory, equipment, and other items.

Section 8

Repeals and reenacts 45.25. 150

Sec. 45.25.150 clarifies payments for dealership facilities and businesses

Section 9

Amends AS 45.25 and adds new section
Sec. 45.25.155 Application of payment provisions

MS. MARASEGAN deferred further explanation to Mr. Allwine.

CHAIR COSTELLO asked for an explanation of the current practice and how Sections 7-9 changes that.

MR. ALLWINE said this bill updates the list of manufacturer responsibilities that were placed in statute in 2002. That list didn't reflect things such as technologies and tooling that dealers are required to have so those expenditures wouldn't necessarily be reimbursed in the event of a termination.

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CHAIR COSTELLO asked him to point to the map to indicate which states have adopted similar or identical language and which is specific to Alaska.

MR. ALLWINE directed attention to map 5 - termination assistance and map 6 - clarifications for unsold vehicle inventories.

SENATOR GARDNER referenced map 5 and questioned whether all the states colored in red have all the termination provisions contained in SB 47.

MR. TOTH replied, "The ones colored in red have this provision."

SENATOR GARDNER asked for verification that those states have the provisions in entirety because the map says, "termination assistance available in some form."

CHAIR COSTELLO expressed interest in hearing the answer.

[2:12:41 PM](#)

MR. SLEEPER responded that most states have some form of termination assistance, but in Alaska it is crucial because of the limited resale market. A dealer who is terminated will have difficulty getting rid of his/her inventory. He said the bill simply adds a couple of protections to the termination assistance that Alaska currently has. The bill requires manufacturers to repurchase loaner vehicles in the event of termination and it requires the manufacturer to reimburse the dealer for required alterations to their facilities if a dealer is terminated within three years of making those alterations.

CHAIR COSTELLO asked which section he is talking about.

MR. SLEEPER directed attention to the new paragraph (6) [in Section 7] and the new paragraph (1) in Section 8. He described these new termination protections as fair and reasonable.

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MS. MARASIGAN continued the sectional analysis of SB 47.

Section 10

AS 45.25.160 is repealed and reenacted
Sale, transfer or exchange of a franchise.

She highlighted that subsection (f) addresses the right of first refusal if a dealer is selling to a family member. She noted that this matter also comes up in later sections.

SENATOR GARDNER questioned the notion that a manufacturer could not approve the sale of a franchise to someone who meets the standards for a legitimate purchase.

MR. ALLWINE said manufacturers have exercised that option and the dealer's expenditures to find and vet a suitable buyer are a sunk cost. The bill says a dealer has the right to sell to a qualified buyer of his/her choosing.

SENATOR GARDNER observed that the language at the top of page 11 still seems to allow the manufacturer to refuse to approve a sale.

MR. ALLWINE said that's correct but the manufacturer would have to provide a material reason for the refusal.

CHAIR COSTELLO asked what happens in the event that a dealer passes away.

MR. ALLWINE explained that most manufacturers ask dealers to have a succession plan, but there is no guarantee currently that the successor would be approved "once they got beyond a specific timeline."

[2:21:48 PM](#)

MS. MARASIGAN continued the sectional analysis of SB 47.

Section 11

Amends AS 45.25 by adding a new section

AS 45.25.165 mitigation of damages

Section 12

Repeals and reenacts AS 45.25.170
Succession

SENATOR GARDNER asked if a manufacturer has to mitigate damages if there is good cause for the termination.

MR. ALLWINE explained that a dealer is effectively terminated once the manufacturer declines an applicant and at that point the buyback provisions apply.

SENATOR GARDNER asked for clarification that it did not include the dealer's expense of vetting a qualified applicant.

MR. ALLWINE deferred the question to Mr. Sleeper.

SENATOR GARDNER asked the sponsor or Mr. Sleeper to clarify the definition of damages.

MR. SLEEPER explained that Section 11 says a dealer has certain buyback rights if the franchise is terminated by a manufacturer, but the dealer is obligated to mitigate damages when possible. For example, a dealer is supposed to sell the loaner vehicles if it is reasonable to do so.

MS. MARISEGAN continued the sectional analysis of SB

Section 13

Repeal and reenact AS 45.25.180
New or relocated dealership

MR. TOTH added that Section 13 sets out the ground rules for a manufacturer to bring in a new dealership or to relocate an existing dealership. It's basically what the market will bear.

CHAIR COSTELLO asked if he's saying that manufacturers don't do a market analysis before establishing or relocating a dealership.

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MR. SLEEPER explained that under current law a manufacturer has to establish good cause before opening a new dealership in an existing dealer's market area. That statute allows the superior court to determine whether or not good cause exists, and it provides guidance. SB 47 adds to that list of factors the court

should take into consideration when it makes a finding of good cause. He highlighted that several of the additions are designed to protect consumers and ensure adequate competition. He read excerpts of subsection (c), paragraphs (3), (6), (7), and (8) on pages 14-15, none of which are contained in the existing statute.

CHAIR COSTELLO referenced map 20 and questioned why just four states have statutes that address relocating a dealership.

MR. SLEEPER clarified that map 20 is only referencing the item in subsection (c)(10) on page 15. It asks the court to consider whether the manufacturer has considered whether to allow a dealer to establish a satellite location. He added that many states have a similar list of the other factors, but just four states have considered the factors in subsection (c)(10).

CHAIR COSTELLO noted that is on page 15, lines 15-17.

MR. SLEEPER agreed.

[2:31:51 PM](#)

SENATOR GARDNER asked if the maps generally reflect that red is desirable for dealerships and the color for Alaska reflects passage of SB 47 as currently written.

MR. SLEEPER explained that the maps were prepared based on the Alliance comments that Alaska dealers were asking for a radical departure from existing law in Lower 48 states. The red colored states have passed laws that are substantially similar to what is proposed in SB 47. He directed attention to map 6 that reflects 15 states that have a substantially similar statute to what is proposed in the bill. The other colorations tell what the variations might be.

MS. MARISEGAN continued the sectional analysis of SB 47.

Section 14

Amends AS 45.25 by adding a new section
Sec. 45.25.185 Court Actions

She explained that this sets a time certain limit for someone to bring a court action. She checked with the court liaison and learned that this provision is found in other sections of statute and wouldn't impact the court.

Section 15

Amends AS 45.25 by adding new sections
Sec. 45.25.200 Payment and approval of claims
Sec. 45.25.210 Rates for warranty and other work
Sec. 45.25.220 Performance and reimbursement of
certain repairs
Sec. 45.25.230 Discontinuation or reduction of line.

MS. MARASIGAN opined that the section on consumer protections merits discussion.

CHAIR COSTELLO asked if manufacturers were involved in the drafting of the bill.

MS. MARASIGAN said not to her knowledge.

MR. ALLWINE referenced the recent letter from the Alliance that alluded to the fact that the sponsor withdrew his support of the bill last year and suggested that the dealer association and the alliance ought to get together. He related that on August 25, 2016 former president Toth sent a letter to the Alliance but did not receive a response. He also advised that the bill last year was withdrawn because the dealers association thought it was more important for the legislature to focus on the budget.

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SENATOR MEYER recalled that the sponsor last year was Senator Coghill.

MR. ALLWINE agreed.

SENATOR MEYER asked if the committee could get a copy of the letter that Mr. Toth sent to the Alliance.

MR. ALLWINE agreed to provide a copy.

CHAIR COSTELLO asked Ms. Marasigan to continue.

MS. MARASIGAN advised that one of the reasons for Section 15 was based on discussions about the cost to dealers when they have to ship a vehicle to another location to get warranty work done.

SENATOR HUGHES said she experienced that problem last year and is pleased the bill is addressing that issue.

CHAIR COSTELLO asked Mr. Sniffen to expand on the explanation of the need for Section 15.

[2:39:31 PM](#)

ED SNIFFEN, Assistant Attorney General, Civil Division, Department of Law, Anchorage, Alaska, said Section 15 seems to address the relationship between the manufacturer and the dealer with respect to getting warranty claims paid in a reasonable time. He opined that these claims are fairly transparent for consumers but how the dealer is reimbursed is not as clear.

MS. MARASIGAN continued the sectional review of SB 47.

Section 16

Repeals and reenacts 45.25.300
Unfair practices; addresses practices by
manufacturers.

MS. MARASIGAN suggested Mr. Toth could provide specific details.

MR. TOTH explained that the intent of this section is to ensure that all incentives are available to all dealerships, regardless of the size or location of the dealership or the population of the community where the dealership is located.

CHAIR COSTELLO observed that the language on page 23, line 6, talks about renovations, which is a little different than incentives.

MR. ALLWINE explained that certain manufacturers offer dealers the opportunity to earn back the cost of a completed renovation based on future car sales. Dealers in Anchorage and Fairbanks sell enough cars to benefit from that program, but his dealership in Juneau doesn't sell the volume required to recover any of that money. This puts most dealers in Alaska at a disadvantage.

SENATOR GARDNER asked if he's saying that under this provision there couldn't be quantity discounts.

MR. ALLWINE replied it would be unfair if quantity discounts weren't offered to all dealers on an equal basis.

CHAIR COSTELLO directed attention to page 23, line 6, and asked how "unreasonably require" would be measured.

MR. ALLWINE cited the example of Mercedes Benz requiring a dealer to replace their showroom flooring because the existing tile did not meet the manufacturer's standards. It didn't help the dealer's business at all. He related his personal experience

with Subaru requiring a particular type of floor even though it is impractical in Juneau. Three months after he finished the project Subaru notified him that they no longer required that type of flooring.

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MS. MARASIGAN continued the sectional review of SB 47.

Section 17

Repeal and reenacts AS 45.35.990 (19)
Defines terminate.

Section 18

Amends AS 45.25.990
Defines line or make and relevant market area

Section 19

Repeals AS 45.25.110(b) and 45.25.110(c)
Franchise agreement termination due to death or incapacity; Good cause

Section 20

Adds a new section to uncodified Law.
This is an applicability section, effective date and definitions.

Section 21

Adds a new section to uncodified law.

[2:49:13 PM](#)

At ease from 2:49 p.m. to 2:50 p.m.

CHAIR COSTELLO reconvened the meeting and asked Mr. Toth and Mr. Allwine to provide their public testimony.

[2:50:47 PM](#)

MR. TOTH advised that the Alaska Automobile Dealers Association is a volunteer organization, whereas most states have paid staff to keep current with changes in the industry. He provided an example to demonstrate how this can be costly to a dealer. He said the amendments that Alaska dealers are requesting are law in most other states and there haven't been problems. SB 47 simply provides an opportunity for Alaska to catch up and allows dealers to take better care of their employees and customers.

[2:53:00 PM](#)

MR. ALLWINE said he has been in the car business his entire adult life and his perspective is that car dealers in this state are heavily vested in the welfare of their employees, community and the state. All but one dealership in Alaska are family owned and operated organizations and what the dealers are asking for is important. He acknowledged that the bill is long but pointed out that it has been 15 years since these statutes have been amended.

[2:55:38 PM](#)

DAVID BRIGHT, Attorney, Auto Alliance, advised that the Alliance represents 12 manufacturers of cars and light trucks and he is speaking in strong opposition to SB 47. It is an effort to rewrite existing contracts between manufacturers and car dealers. He said manufacturers have a vested interest in seeing that their dealers succeed. Many of these relationships go back years and it would be preferable to work out any disputes "in the family" rather than in the legislature.

He said these franchise contracts are take-it-or-leave-it for the simple reason that everyone needs to be treated the same. The only way that can happen is with a form contract. He said he finds the statement baffling that this discussion is needed because of federal antitrust law. For years dealers and manufacturers have negotiated these franchise contracts through dealer councils. These are groups of dealers that get together with a manufacturer to discuss problems and potential changes in franchise contracts in the future. That is the negotiation process and to say there is no negotiation or that negotiations must go through the legislature is inaccurate.

MR. BRIGHT stated disagreement with the previous testimony regarding termination assistance. He argued that it is extremely uncommon to require a manufacturer to pay a dealer who terminates a franchise agreement the same amount as when the manufacturer terminates the agreement. He emphasized that termination assistance and many other provisions in SB 47 are extraordinarily aggressive and take outlier positions on many topics. He maintained that the bill does not conform Alaska to the rest of the country. Rather, it would give Alaska the most anti-manufacturer, anti-consumer, over-aggressive franchise law in the nation.

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MR. BRIGHT highlighted additional areas of disagreement.

1) Section 10 that addresses sale or transfer of a dealership and prohibits the right of first refusal and Section 13 that addresses new or relocated dealerships. He cited a study by the Phoenix Group and extrapolated that SB 47 incentivizes one dealer to consolidate all the dealerships in an area, which will ultimately raise prices for consumers. He argued that the right of first refusal isn't a heavy-handed tactic. If manufacturers can't use it, diversity for consumers is not ensured. He explained that when a manufacturer exercises a right of first refusal, the selling dealer is reimbursed for the sale price and the dealer's expenditures associated with that sale. The selling dealer is not harmed. However, consumers could be harmed by subsection (d) in Section 13 because it has the potential to solidify an existing dealer in an existing market area. He emphasized that this bill helps dealers and harms both consumers and manufacturers.

2) Consumers are also potentially harmed if manufacturers can't cap document fees under affinity programs.

3) The bill requires the manufacturer to pay the dealer the retail rate for warranty work. Retail rate is defined to focus on high margin items and exclude low margin items, which puts upward pressure on prices. He explained that when a manufacturer believes a dealer has an unreasonably high retail rate there is some back and forth. By contrast, SB 47 defines unreasonable as the highest retail rate of any of that brand or any similar competing brand. One dealer can be unreasonable and by default everyone else is reasonable. The audit provision for dealer warranty claims is also outside the norm. The bill allows a six-month-look-back audit once a year. Theoretically that means there is a six-month window where there is no opportunity for an audit.

SENATOR GARDNER asked where that provision is in the bill.

MR. BRIGHT said the audits are addressed on page 18, line 18. The language regarding an unreasonable rate appears on page 20, line 18.

CHAIR COSTELLO noted that the committee will adjourn in 20 minutes and eight more people want to testify.

MR. BRIGHT concluded that he would be happy to work with car dealers on a reasonable compromise but given the extreme nature of the bill it doesn't seem possible.

CHAIR COSTELLO expressed appreciation that he stated on the record that he is willing to work on a compromise.

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SENATOR HUGHES asked him to explain in writing why after 15 years there hasn't been some sort of compromise and what is different today.

MR. BRIGHT clarified that this has not been an ongoing negotiation for 15 years. The first time he heard concerns from Alaska car dealers was when legislation was introduced last year. Some of the issues in the bill have arisen recently.

SENATOR MEYER asked if he heard the testimony that the Alaska dealer association sent a letter last August and didn't get a response.

MR. BRIGHT said he has no knowledge of the letter, but the Auto Alliance has reached out and will continue to talk to Alaska dealers.

SENATOR MEYER asked if he could provide documentation of any efforts to reach out to dealers.

3:15:09 PM

SENATOR GARDNER asked if manufacturers would support the Alaska-centric provision allowing dealers to work with a local service technician to do warranty work if the car that needed work wasn't located in a community that has the correct dealer, or in some circumstances any dealer.

3:15:45 PM

ROSS GOOD, Fiat Chrysler Automobile Group, said yes. Manufacturers realized last year that that Alaska-centric problem needed an Alaska-centric solution. He said he too had not seen the letter from the Alaska dealers but was willing to work with dealers on some of the issues. However, it takes a willing partner and FCA hasn't found that to be the case.

MR. GOOD said he has a good working relationship with Mr. Allwine and is a little embarrassed to have a family fight spill over to the legislature. "We're all sophisticated business people; we should be able to work this out in discussions."

He advised that manufacturers can't provide individual contracts for dealers and then treat everyone the same. The standard contracts are done with everyone's best interest in mind. The

idea that a contract needs to be written to favor one group over another is a little distasteful.

CHAIR COSTELLO suggested anyone who is interested should provide their testimony in writing. The bill would be held in committee with public testimony open.

[3:19:00 PM](#)

MARTEN MARTENSEN, partner, Continental Auto Group, Anchorage, Alaska, said this issue is before the legislature because this seems to be the logical course to take. He questioned the testimony that the manufacturers are willing to negotiate. He spoke of signing the manufacturer's form contract 17 years ago, of spending millions of dollars on the facility, and of having no recourse when he was presented with renewal contracts. He maintained that manufacturers only care about selling cars whereas dealers care about their customers who are buying cars. He described the disagreement as Alaska versus Detroit. The dealers are open to negotiation but that's unlikely to happen because the parties are too far apart.

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SENATOR GARDNER asked, "How long is a contract?"

MR. MARTENSEN replied they vary by the manufacturer; he's had a five-year contract and another with Volvo hasn't been renewed in 20 years.

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RALPH SEEKINS, owner, Seekins Ford-Lincoln, Fairbanks, Alaska, discussed his experience dealing with different manufacturers; what dealers have done over the last three years to look at where the existing statute can be improved; intra-brand competition; assertions about document fees, and warranty repairs. He offered to serve as a resource - based on his 47 years of experience in the industry, to explain why certain provisions are included in the bill.

CHAIR COSTELLO held SB 47 in committee with public testimony open.

[3:29:10 PM](#) There being no further business to come before the committee, Chair Costello adjourned the Senate Labor and Commerce Standing Committee meeting at 3:29 p.m.