

ALASKA STATE LEGISLATURE
HOUSE TRANSPORTATION STANDING COMMITTEE

April 25, 2024

1:02 p.m.

MEMBERS PRESENT

Representative Kevin McCabe, Chair
Representative Sarah Vance, Vice Chair
Representative Tom McKay
Representative Craig Johnson
Representative Jesse Sumner
Representative Louise Stutes
Representative Genevieve Mina

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

PRESENTATION(S): FINANCING INFRASTRUCTURE IN ALASKA

- HEARD

HOUSE BILL NO. 233

"An Act relating to rates and time allowances for motor vehicle warranty work."

- HEARD & HELD

COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 141(TRA)

"An Act naming the Raymond and Esther Conquest Bridge."

- BILL HEARING CANCELED

COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 127(FIN)

"An Act relating to vehicle rental taxes; relating to the issuance of subpoenas related to tax records; and providing for an effective date."

- BILL HEARING CANCELED

PREVIOUS COMMITTEE ACTION

BILL: HB 233

SHORT TITLE: RATES: MOTOR VEHICLE WARRANTY WORK

SPONSOR (s) : REPRESENTATIVE (s) TOMASZEWSKI

01/16/24	(H)	PREFILE RELEASED 1/8/24
01/16/24	(H)	READ THE FIRST TIME - REFERRALS
01/16/24	(H)	L&C, JUD
03/06/24	(H)	L&C AT 3:15 PM BARNES 124
03/06/24	(H)	Heard & Held
03/06/24	(H)	MINUTE(L&C)
03/15/24	(H)	L&C AT 3:15 PM BARNES 124
03/15/24	(H)	-- MEETING CANCELED --
03/22/24	(H)	L&C AT 3:15 PM BARNES 124
03/22/24	(H)	Heard & Held
03/22/24	(H)	MINUTE(L&C)
04/18/24	(H)	TRA REPLACES JUD REFERRAL
04/22/24	(H)	L&C AT 3:15 PM BARNES 124
04/22/24	(H)	Moved HB 233 Out of Committee
04/22/24	(H)	MINUTE(L&C)
04/23/24	(H)	TRA AT 1:00 PM BARNES 124
04/23/24	(H)	<Bill Hearing Canceled>
04/24/24	(H)	L&C RPT 2DP 4NR
04/24/24	(H)	DP: WRIGHT, CARRICK
04/24/24	(H)	NR: FIELDS, PRAX, SADDLER, RUFFRIDGE
04/25/24	(H)	TRA AT 1:00 PM BARNES 124

WITNESS REGISTER

RANDY RUARO, Executive Director

Alaska Industrial Development and Export Authority
Anchorage, Alaska

POSITION STATEMENT: Co-presented a PowerPoint, titled
"Financing Infrastructure in Alaska."

BRANDON BREFCZYNSKI, Deputy Director

Alaska Industrial Development and Export Authority
Anchorage, Alaska

POSITION STATEMENT: Co-presented a PowerPoint, titled
"Financing Infrastructure in Alaska."

GEOFF JOHNS, Chief Investment Officer

Alaska Industrial Development and Export Authority
Anchorage, Alaska

POSITION STATEMENT: Co-presented a PowerPoint, titled
"Financing Infrastructure in Alaska."

MARK DAVIS, Special Counsel

Alaska Industrial Development and Export Authority
Anchorage, Alaska

POSITION STATEMENT: Co-presented a PowerPoint, titled "Financing Infrastructure in Alaska."

DAVID GOFF, Staff
Representative Frank Tomaszewski
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Introduced HB 233 on behalf of Representative Frank Tomaszewski, prime sponsor.

LES NICHOLS, General Manager
Fairbanks Nissan
Fairbanks, Alaska

POSITION STATEMENT: Presented a PowerPoint, titled "House Bill 233 Relating to Time Allowances for Warranty Work."

SUSAN HICKS, Service Director
Fairbanks Chrysler
Fairbanks, Alaska

POSITION STATEMENT: Gave invited testimony in support of HB 233.

JOSH GEIER, Service Manager
Seekins Ford Lincoln
Fairbanks, Alaska

POSITION STATEMENT: Gave invited testimony during the hearing on HB 233.

ERIC CONNICK, General Manager
Lithia Kia of Anchorage
Anchorage, Alaska

POSITION STATEMENT: Gave invited testimony during the hearing on HB 233.

JERRY HEADSTROM, Master Technician
Continental Honda
Anchorage, Alaska

POSITION STATEMENT: Gave invited testimony during the hearing on HB 233.

TODD NOVAK, Service Manager
Anchorage Chrysler
Anchorage, Alaska

POSITION STATEMENT: Gave invited testimony in support of HB 233.

ACTION NARRATIVE

1:02:53 PM

CHAIR KEVIN MCCABE called the House Transportation Standing Committee meeting to order at 1:02 p.m. Representatives McKay, Vance, Stutes, Mina, and McCabe were present at the call to order. Representatives C. Johnson and Sumner arrived as the meeting was in progress.

PRESENTATION(S): Financing Infrastructure in Alaska

1:04:02 PM

CHAIR MCCABE announced that the first order of business would be the Financing Infrastructure in Alaska presentation.

1:05:02 PM

RANDY RUARO, Executive Director, Alaska Industrial Development and Export Authority, began a PowerPoint, titled "Financing Infrastructure in Alaska" [hard copy included in the committee packet] on slide 2, titled "What is AIDEA?" He expounded on each point on the slide, which featured the mission statement of the Alaska Industrial Development and Export Authority (AIDEA), as well as an AIDEA overview. He spoke to AIDEA's purpose to create jobs and economic development, but that there was a finding made by the legislature some years back where they found that unemployment was a "serious menace" to the health, safety, and general welfare for the people of the entire state. He explained that currently, there were data and studies related to difficulties in rural Alaska, and that isolation and lack of access to jobs, education, and socio-economic ability all contributed to high suicide rates. He noted that the rates are much reduced when people are gainfully employed.

1:08:11 PM

REPRESENTATIVE VANCE asked what the year of the legislative finding was.

MR. RUARO offered his understanding that it was 1967, which was well before the study which took place in approximately 2022.

CHAIR MCCABE interjected that it would be beneficial to find out the difference in suicide rates for economically developed areas versus those of places like fishing communities.

[1:09:50 PM](#)

MR. RUARO related that studies performed showed how important a good job is to a rural subsistence lifestyle in terms of being able to afford it, such as the prices of gasoline and food. He continued on slide 3, titled "AIDEA's Purpose," which read as follows [original punctuation provided]:

WITHIN AS 44.88.010(a)(10), the Legislature finds, determines, and declares that:

It is in the public interest to promote the prosperity and general welfare of all citizens of the state by:

(A) **stimulating commercial and industrial growth and expansion by encouraging an increase of private investment** by banks, investment houses, insurance companies, and other financial institutions, including pension and retirement funds, to help satisfy the need for economic expansion; AIDEA's Purpose

(B) **encouraging the production of raw materials** and goods for export, the expansion of exports and raw materials and goods...;

(C) **creating the Alaska Industrial Development and Export Authority** with the powers necessary to accomplish the objectives stated in this paragraph, including the **power to issue taxable and taxexempt bonds, to acquire ownership interests in projects, and to provide development project financing...**

[1:13:34 PM](#)

BRANDON BREFCZYNSKI, Deputy Director, Alaska Industrial Development and Export Authority, joined the presentation on slide 4, titled "AIDEA's Financial Toolbox," which showed seven components that he walked the committee through. Featured were loan participation; project finance; conduit revenue bonds; energy and resource development; AIDEA bonds; and strong investment relationships and financial expertise.

[1:16:27 PM](#)

REPRESENTATIVE STUTES expressed interest in what the rate of return was on the Ketchikan shipyard.

MR. RUARO replied that it was not high, and not much larger than 1-2 percent. He noted that there would be future meetings with the shipyard to find solutions and increase the return, business, and grow jobs at the same time. In response to Stutes, he said that if the yard and rate of return cannot improve, then selling it or finding a different operator are options for the board to consider. He stated that an internal review was underway.

REPRESENTATIVE STUTES noted the multitude of years that [the yard] had been a loss to the state and said she was glad the issue was being addressed.

[1:19:31 PM](#)

CHAIR MCCABE asked about the economic benefits of having the shipyard [in Ketchikan] and whether transportation jobs were being tracked.

MR. RUARO estimated there were between 80 and 120 jobs per year, which were largely craftsman-type jobs and provided by the shipyard. In addition, he noted that materials needed were bought locally, which contributed to the economy.

CHAIR MCCABE commented on the idea of fishing boats and whether it was something for which the community was asking.

MR. RUARO confirmed that the community leaders support getting more business through the yard, and he noted a meeting coming up with them. The goal, he said, is to try to improve the yard and achieve a steady flow of work.

[1:21:37 PM](#)

MR. RUARO, continuing the discussion on the tools in AIDEA's "toolbox," including the ability to finance renewable energy projects under federal law at a positive match rate.

CHAIR MCCABE mentioned an amendment that was passed recently giving AIDEA bonding authority. He related hearing from someone who stated that "it was just an empty vessel." He asked Mr. Ruaro to expound.

MR. RUARO said one of the federal programs active right now includes credit and loan opportunities for projects that involve rare earth minerals, and AIDEA can take advantage of the federal funds but still must do its due diligence. He noted Alaska's

abundance of rare earths, which are a key element for defense, as well.

[1:25:49 PM](#)

MR. RUARO moved to slide 6, titled "AIDEA-Financed Projects."

MR. BREFCZYNSKI added that slide 6 featured a list of the types of projects around the state that AIDEA had financed or acquired in the past.

[1:26:34 PM](#)

GEOFF JOHNS, Chief Investment Officer, Alaska Industrial Development and Export Authority, joined the presentation on slide 7, titled "Best-Fit AIDEA Projects," which featured a graph of the evolution of basic investment projects. He proceeded to slide 8, titled "AIDEA Project Finance," which read as follows [original punctuation provided]:

- **AS 44.88.172 - Economic Development Account (EDA)**
- Establishes the EDA within AIDEA's Revolving Fund
- Monies within the EDA may be used to:
 - Make loans
 - Issue bonds
 - Acquire assets
 - Manage & operate development projects
- Currently, AIDEA has issued loans from the EDA, but has outstanding bond obligations

- **AS 44.88.800 - Arctic Infrastructure Development Fund**
- Similar to the EDA, but with a geographical focus on the Arctic
- Can finance 33% of an eligible project
- Loan guarantees up to \$20 million

- **AS 44.88.900 - Definitions of "Plant," "Facility," and "Project"**
- Generally, a plant or facility in connection with a business enterprise
- Includes roads, buildings, machinery, and real property

[1:29:32 PM](#)

CHAIR MCCABE expressed interest in talking about the railroad and asked what category it would fit in pertaining to slide 8.

MR. JOHNS replied that under AIDEA's ability, within enhanced bonding capacity, it could largely fit under a project revenue type of bond as something of that size would be more suitable to bonds.

MR. BREFCZYNSKI added that the bonding authority the committee provided AIDEA for critical mineral projects could possibly be used to enhance the Port MacKenzie railway.

CHAIR MCCABE gave an example of hauling antimony from Fairbanks to Port MacKenzie and asked whether that was the "critical mineral we are all talking about."

MR. RUARO confirmed that was correct and expressed his belief it could fit under Title 17 programs. He offered to follow up with a citation of the federal statute and some of the history.

[1:33:38 PM](#)

MARK DAVIS, Special Counsel, Alaska Industrial Development and Export Authority, joined the presentation on slide 9, titled "AIDEA Bonding Authority," which read as follows [original punctuation provided]:

- **AS 44.88.090 - Bonds of the Authority**
- AIDEA can finance infrastructure by issuing bonds that are repaid from:
 - Income derived from the project; and/or
 - Income derived from AIDEA.

- **AS 44.88.095 - Bonding Limitations**
- AIDEA can issue bonds up to \$25 million without legislative approval;
- AIDEA cannot have more than \$400 million of outstanding bonds in a 12-month period;
- Bonds cannot mature more than 40 years from the date of issuance.

- **AS 44.88.120 - Nonliability on Bonds**
- The State of Alaska is not financially responsible for AIDEA's debts, nor can AIDEA make financial commitments or enter into agreements on behalf of the State.

▪ **AS 44.88.130 - Pledge of the State**

- The State of Alaska pledges to respect AIDEA's financial autonomy and not hinder AIDEA's ability to work with private financial markets or fulfill contract terms

[1:35:52 PM](#)

REPRESENTATIVE STUTES observed the point that AIDEA could issue bonds up to \$25 million without legislative approval and asked whether the amount is affected by the \$300 million authority that the legislature had given AIDEA.

MR. DAVIS replied only for specific purposes. Slide 10 was shown, titled "AIDEA Bonding Capacity," which read as follows [original punctuation provided]:

- AIDEA's bonding capacity is subject to determination by external credit rating agencies and their evaluation of AIDEA's credit standing.
- Prior to 2019, AIDEA held long-term credit ratings of AA+ by S&P and Aa3 by Moody's, based in large part to AIDEA's capital reserves in place and AIDEA's dividend program.
- In 2019, the Legislature appropriated \$2 million from AIDEA's Revolving Fund that was not part of the AIDEA Dividend.
- As a result, Moody's downgraded AIDEA's Revolving Fund bonds by two steps, referencing "the Revolving Fund bonds' exposure to actions the state may take as it seeks to adopt a revenue model less dependent on North Slope oil production."
- AIDEA's capacity to provide financing opportunities is directly related to the asset base available to support those investments.

[1:37:58 PM](#)

MR. RUARO continued on slide 12, titled "AIDEA Infrastructure Development Delong Mountain Transportation System," which read as follows [original punctuation provided]:

- AIDEA-owned asset.
- In 1986, AIDEA funds mine, road, and port with \$160 million.
- AIDEA saves mine in 1990's with funding \$85 million for expansion.

- Mine could continue to be successful with deposits on state land.
- Project provides significant economic benefits.
- Project continues to yield significant dividends for NANA (royalty of \$255 million in 2021 and shares ~60% of the royalty with other Regional Corporations).
- Future opportunities also exist (Aktigirug prospect could be one of the largest undeveloped zinc deposits in the world).

MR. RUARO frequently mentioned the Red Dog mine and encouraged committee members to visit as it is very focused on local hire.

[1:41:42 PM](#)

MR. RUARO proceeded to slide 13, titled "AIDEA Project Finance FEDEX Aircraft Hangar," which he described as a significant success. The airport was a major driver of jobs and economic development in Anchorage, he said. He quickly moved through slide 14, titled "Ketchikan Shipyard," where he highlighted activities of the vessels; however, he stressed that AIDEA needed larger customers, and he said they are working hard to accomplish this.

[1:42:52 PM](#)

MR. BREFCZYNSKI continued to slide 15, titled "West Susitna Access Project," which featured a map of AIDEA's project location. He proceeded to slide 16, titled "Why is the West-Su Access Project Important?" He said that it is "not a road to nowhere" but a road to a tremendous amount of resources, land, and recreational activities for Alaskans. He moved to slide 17, titled "West-Susitna Access - AIDEA Project Update," which read as follows [original punctuation provided]:

- 2024 field season planning underway
 - Analyze data gaps in the following areas:
 - ✓LiDAR Acquisition and Mapping
 - ✓Alternatives Conceptual Engineering
 - ✓Cultural Resources Studies
 - ✓Wetlands Studies
 - ✓Fish Studies
 - ✓Visual Resource Studies
- Estimated 2024 Field Season Cost:
 - ~ \$1.6 million

[1:46:01 PM](#)

MR. BREFCZYNSKI, in response to Chair McCabe, clarified that he had said a 24-foot-wide road with 32-foot-wide bridges, and he noted the alignment is designed in a way that the road could be expanded in the future.

MR RUARO added that the road is also a utility corridor; therefore, if the project were built, it would serve renewable energy into the grid.

[1:47:03 PM](#)

REPRESENTATIVE VANCE asked where the rail would fall on the map [on slide 15] if it were to be adopted.

MR. RUARO pointed out its location but explained that the map would have to be expanded to show the rail. He offered to provide a more encompassing map.

REPRESENTATIVE VANCE asked whether there had been conversations about partnerships between the road and the rail.

MR. RUARO responded that AIDEA had looked at ways to partner together and they are in discussions with the railroad.

REPRESENTATIVE VANCE inquired what AIDEA's process was.

MR. RUARO explained that their process was similar to what they used on the Red Dog mine, in that they permit the road and get it construction ready, and then negotiations with entities occur. Bond payments would then be made by the private sector, he said.

REPRESENTATIVE VANCE referred to the process of, for example, Port MacKenzie rail coming to the legislature for a request. She inquired into AIDEA's process in this type of partnership.

MR. RUARO answered that internally, AIDEA would get the project permitted and then get the arrangements with the private sector in place. Depending on the current status of the bonding authority through the legislature, it would come for approval and review the finance plan.

REPRESENTATIVE VANCE observed a gap in conversation with what is needed in the private sector and viability. If AIDEA saw a

beneficial project, she asked whether it would wait for private investors.

MR. RUARO replied that AIDEA would proactively outreach to private sectors, but it is more common that they come to AIDEA first.

[1:53:45 PM](#)

CHAIR MCCABE expressed interest in how an entity like the Pacific NorthWest Economic Region (PNWER) and the Regional Infrastructure Accelerator (RIA) loan program could fit in.

MR. RUARO responded that AIDEA's goal is always to find the lowest cost financing so it puts the least burden on the private sector and is therefore more likely to succeed. He added that a combination of different things are looked into as well as due diligence reviews.

[1:55:21 PM](#)

REPRESENTATIVE STUTES brought up an article that noted questionable expenditures in the amount of approximately \$54 million.

MR. RUARO said there was a complaint letter filed by an environmental organization that stated AIDEA was not allowed to spend or invest in projects without every decision being approved by the legislature. He added that AIDEA is working on a response to the Ombudsman on that issue.

REPRESENTATIVE STUTES asked whether it had anything to do with the \$25 million [bonding] authority.

MR. RUARO replied that it did not relate to AIDEA's bonding authority, but to its authority in general to invest in projects.

[1:57:39 PM](#)

REPRESENTATIVE MINA asked for an update regarding the online checkbook, and whether there was a timeline.

MR. RUARO confirmed that AIDEA had recent discussions with information technology (IT) about some lapses in communication, but it is working on getting integrated as soon as possible. In

response to a follow-up question, he said there is no timeline currently and he would check with IT.

[1:58:52 PM](#)

CHAIR MCCABE thanked the team for their presentation.

HB 233-RATES: MOTOR VEHICLE WARRANTY WORK

[1:59:27 PM](#)

CHAIR MCCABE announced that the final order of business would be HOUSE BILL NO. 233, "An Act relating to rates and time allowances for motor vehicle warranty work."

[2:00:00 PM](#)

DAVID GOFF, Staff, Representative Frank Tomaszewski, Alaska State Legislature, introduced HB 233 on behalf of Representative Tomaszewski, prime sponsor. He read from the sponsor statement [included in the committee packet], which read as follows:

House Bill 233 makes a key change to the auto warranty statute by adding time allowances to the schedule of compensation for warranty work. Thousands of Alaskans benefit from warranty work every year as part of their agreement with auto manufacturers from whom they've purchased their car. By agreeing to sell cars on behalf of certain manufacturers, auto dealers assume the responsibility of coordinating the time and labor spent performing warranty repair work on their cars. Warranty work differs from regular auto work in that the manufacturer compensates the dealer directly. Additionally, qualified dealers do not have the ability to refuse the work. Auto manufacturers compensate dealers for warranty work using rates and time allowances that dictate the maximum amount of time that the dealer may bill for different repairs. The rates and time allowances that manufacturers use to reimburse dealers for warranty work are often much lower than the rates and time allowances that dealers and independent mechanics bill customers for non-warranty work. As a result, dealers are often forced to pay their mechanics more than they are compensated by the manufacturer or risk losing their mechanics to independent auto shops. Across the nation, states have taken varied approaches to addressing how to ensure

fair payment for dealers by manufacturers. Senate Bill 144 takes an approach used by states like Colorado, Montana, and Illinois by requiring that manufacturers compensate dealers for warranty work at the same rates and time allowances that the dealer charges retail customers for similar, non-warranty work.

[2:03:11 PM](#)

REPRESENTATIVE STUTES asked what prompted the bill.

MR. GOFF replied that staff had visited dealerships within Fairbanks, and it was brought to their attention that this bill was brought forward six years ago to the legislature but was referred back to working with manufacturers and dealers to try and get something worked out between them, but manufacturers were not willing to negotiate; therefore, the bill was brought back to try and achieve some resolution.

REPRESENTATIVE STUTES asked whether the manufacturers or dealers had any communication about negotiating this situation.

MR. GOFF said he wished to defer to the dealers to respond.

[2:04:19 PM](#)

REPRESENTATIVE MCKAY related that he had friends on both sides of the issue and shared his effort to understand the situation. He asked whether all major U.S. car manufacturers were involved in this.

MR. GOFF replied yes, they are all represented and available to testify.

REPRESENTATIVE MCKAY gave an example of changing a transmission under perfect conditions, that it takes 8 hours, and they get paid hourly. In reality, he added, more things may need to happen, and the job may take ten hours. He asked whether the real debate was over the two hours.

MR. GOFF agreed that that was correct and confirmed that there was a difference in the hours the manufacturer says it will take and actual hours to complete a job.

[2:07:34 PM](#)

The committee took an at-ease from 2:07 p.m. to 2:08 p.m.

[2:09:08 PM](#)

LES NICHOLS, General Manager, Fairbanks Nissan, presented a PowerPoint, titled "House Bill 233 Relating to Time Allowances for Warranty Work" [hard copy included in the committee packet] and gave a brief overview of the Alaska Auto Dealers Association (AADA), on which he stated he is also serves as board member. He proceeded to slide 4, titled "Why do all 50 States Need Auto Dealer Franchise Protections?," which read as follows [original punctuation provided]:

In 1978, the United States Supreme Court recognized the need for motor vehicle dealer franchise laws:

"Dealers are, with few exceptions, completely dependent on the manufacturer for their supply of cars. When the dealer has invested to the extent required to secure a franchise, he becomes, in a real sense, the economic captive of his manufacturer. The substantial investment of his own personal funds by the dealer in the business, the inability to convert easily the facilities to other uses, the dependence upon a single manufacturer for supply of automobiles, and the difficulty of obtaining a franchise from another manufacturer **all contribute toward making the dealer an easy prey for domination by the factory.** On the other hand, from the standpoint of the automobile manufacturer, any single dealer is expendable. The faults of the factory-dealer system are directly attributable to the superior market position of the manufacturer."

MR. NICHOLS expressed his gratitude for the resistance and representatives getting involved in private contracts and he opined it is the right thing to do.

[2:14:20 PM](#)

MR. NICHOLS continued speaking to negotiations, and he proceeded to slide 5, titled "In 2018 the Alaska Legislature Found," which read as follows [original punctuation provided]:

LEGISLATIVE FINDINGS AND INTENT.

(a) The legislature finds that

(1) the distribution and sale of motor vehicles in the state affects the general economy of the state and the interests and welfare of the residents of the state;

(2) providing warranty service for new motor vehicles is a matter of substantial concern to the residents of the state;

(3) the maintenance of fair competition among new motor vehicle dealers is in the public interest;

(4) maintaining strong and sound new motor vehicle dealerships in the state is essential to providing the consuming public with continuing and reliable services necessary for their motor vehicles; and

(5) strong and sound new motor vehicle dealerships with active service departments will provide stable employment opportunities to the residents of the state.

(b) The legislature declares that this Act is remedial, and, to the extent permitted by the Constitution of the State of Alaska and the United States Constitution, it is the intent of the legislature that the provisions of this Act apply to all franchise agreements between manufacturers and new motor vehicle dealers.

[2:16:31 PM](#)

MR. NICHOLS continued on slide 6, titled "The Problem," which read as follows [original punctuation provided]:

- Manufacturers help themselves to a massive self-decided discount on the time they will pay dealers and our employees for their warranty repairs.

- **Automotive News February 27, 2023**

- 'Mr. White - previously worked as a field service manager for Ford and stated that manufacturers aggressively discount labor time estimates.'

- Technicians are avoiding working for dealerships because they are paid for more hours for the same work when they work for an independent repair facility.

- Their discounts shift the expense of warranty repairs from the manufacturer, directly to Alaskan consumers, employees, and businesses.

[2:17:41 PM](#)

CHAIR MCCABE offered his belief that the problem was that for warranty work, mechanics are paid a flat rate, and essentially, the mechanics suffer.

MR. NICHOLS concurred and said that he could provide a breakdown.

CHAIR MCCABE observed that there were extra steps a mechanic must take in doing a particular job that added to the time on that job.

MR. NICHOLS agreed that that can be a factor but there are other factors, and he gave examples.

[2:20:05 PM](#)

MR. NICHOLS continued the discussion while slide 7 was shown, which featured a J.D. Power 2019 and 2023 U.S. Initial Quality Study (IQS). Two line charts representing each year listed multiple car manufactures and problems per 100 vehicles.

[2:23:15 PM](#)

REPRESENTATIVE MINA asked what the colors on the graphs signify.

MR. NICHOLS replied he was not sure but that the gray in the middle was the average of the industry. He proceeded to slide 8, titled "Cost Shifting by Manufacturers to Alaskan Consumers." The slide featured a 2020 Ram 1500 engine replacement job and what the job cost Alaska customers versus what the manufacturer warranty pays. He gave an analysis of the numbers listed on the slide.

[2:28:30 PM](#)

MR. NICHOLS moved to slide 9, titled "Who Is Affected," which read as follows [original punctuation provided]:

Automobile Manufacturers take these discounts out of the hands of Alaskan employees, Alaskan businesses,

and the Alaskan economy to unfairly pad their bottom line.

- **Alaskan Employees** - technicians are unable to bill full hours for their work, resulting in lower pay for them and their support staff, including service writers and service managers.

- **Alaskan Businesses - Fairbanks** lost Buick, Cadillac, Daewoo, Hyundai, Kia (twice), Mazda, Mercedes, and VW. **Juneau** lost Chevy (once) Ford, Mazda, VW. **Ketchikan** lost Subaru, Ford, and Chevrolet. **Kenai** lost Chevrolet, **Kodiak** lost Ford. **Anchorage** lost Mitsubishi and Volvo.

- **Alaskan Consumers** - The burden of manufactures' discounts directly raise prices on the Alaskan consumer.

[2:30:20 PM](#)

REPRESENTATIVE MINA asked what percentage of employees are moving to independent facilities versus moving out of state.

MR. NICHOLS replied that there is some data he did not have, but he related an example of a store shutting down and the impacts it would cause. He noted that the oil and mining industries and the Department of Transportation and Public Facilities (DOT&PF) all desire mechanics, as mechanics are in high demand.

[2:34:45 PM](#)

MR. NICHOLS continued on slide 10, titled "Solution," which read as follows [original punctuation provided]:

- This bill would require manufacturers to **pay the same number of hours for a repair** that a customer would be charged for non-warranty work **by using an industry-wide time guide** rather than their discounted time guide.
- This bill would provide protection to Alaskans by requiring manufacturers to pay **equal compensation** for doing warranty work versus non-warranty customer work.
- This bill would create **a level playing field for the Alaskan consumer** by preventing the manufacturer from inflating the cost of repairs on consumers by

discounting time from dealers and our service employees.

MR. NICHOLS advanced to slide 11, titled "Important Points," which read as follows [original punctuation provided]:

- Manufacturers believe they deserve a discount for volume work.
 - They have very sophisticated methods to extract discounts
 - They are not our biggest customers, the Alaskan consumers are.
- They claim this is a "money grab" by Dealers when we try and level the playing field, but not so when they are taking money from Alaskan workers, businesses, and consumers.
- Manufacturers know that the contracts they offer are contracts of adhesion - where the parties are of such disproportionate bargaining power that the party of weaker bargaining power could not have negotiated for variation in the terms of the contract.
- Manufacturers know their contracts have to be addressed by State Legislatures in order to be compliant with federal anti-trust laws. • They know these protections can only be provided by state law.

[2:39:12 PM](#)

MR. NICHOLS concluded on slide 12, which read as follows [original punctuation provided]:

"the simple fact is that auto manufacturers retain to this day a massive economic power advantage over their franchised dealers, resulting from market structure, manufacturer behavior, and intrusion in the market by the federal antitrust statutes. And manufacturers often use this excess power to overreach and act opportunistically in their relationships with their dealers, to the detriment of dealers and ultimately consumers.

The state franchise laws that have been enacted operate to counteract these anomalies and to afford

the dealers a reasonable opportunity to negotiate their economic relationships."

The National Automobile Dealers Association also explained the compelling need for state franchise laws in its recent comments to the FTC

MR. NICHOLS added that they are "descent negotiators" and want their rights given back. He encouraged questions from committee members.

[2:42:41 PM](#)

CHAIR MCCABE welcomed invited testifiers.

[2:43:39 PM](#)

SUSAN HICKS, Service Director, Fairbanks Chrysler, stated that manufacturers' warranty repair times are not based on real world scenarios, and she related contents of an article published in relation to her statement. She gave examples of extra time a repair job can take due to various reasons. Her dealership, she said, has had major losses because the technicians could not make a realistic living. She opined that passage of the bill would make Alaska dealerships more competitive and could create a substantial economic impact. She asked, "Could your family survive if you worked eight hours a day but only got paid for four?"

[2:47:57 PM](#)

JOSH GEIER, Service Manager, Seekins Ford Lincoln, noted the discrepancies with "these studies," and offered a case in point of a repair job in relation to the actual time it takes to accomplish it. He stressed that the standard times they are pushing for are more realistic.

[2:50:19 PM](#)

ERIC CONNICK, General Manager, Lithia Kia of Anchorage, stated that he spoke in support of his team and technicians and gave examples of their day-to-day hardships. He pointed out some of his manufacturer's warranty policies and that the only people who would benefit from the bill are the dealers. He said that the more technicians he hires, the better people he can employ and retain. He gave an example of a customer purchasing a car

from him and what he brings in money-wise, and he reiterated how much they need the legislature's help.

[2:53:27 PM](#)

JERRY HEADSTROM, Master Technician, Continental Honda, expressed the need to get paid for fair labor, and he offered examples of past repair jobs in relation to time and wages. He briefly read through retail labor time requirements. He noted that the retail labor guides are fair, and he offered to answer questions from committee members.

[2:58:04 PM](#)

TODD NOVAK, Service Manager, Anchorage Chrysler, emphasized that there was a significant technician supply deficit in Alaska, and he gave examples of customers who attempted to get their vehicles fixed but could not, due to lack of technicians. He provided examples of possible technicians not wanting to work for manufacturers due to the warranty times, and he opined that the bill would eliminate that barrier.

[3:00:16 PM](#)

REPRESENTATIVE VANCE said she looked at other states' bills and inquired about data of any changes in manufacturer markup on vehicles and the economics of it. She asked for the "cause and effect" and said she did not want to get in the middle of contracts.

[3:02:00 PM](#)

CHAIR MCCABE noted the time and welcomed follow-ups or closing comments.

[3:02:20 PM](#)

REPRESENTATIVE STUTES asked whether it was true that the manufacturers also require actual building or remodeling of the premises.

MR. NICHOLS agreed that was correct and a contributing factor. He gave an example of a dealership being required to build a whole new facility and the ramifications if it did not.

[3:04:39 PM](#)

CHAIR MCCABE announced that HB 233 was held over.

[3:06:13 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Transportation Standing Committee meeting was adjourned at 3:06 p.m.