

3-11-82

HB 794

HB 795

HOUSE LABOR & COMMERCE
STANDING COMMITTEE
March 11, 1982
1:48 p.m.

Members Present: Rep. Martin, Chairman
Rep. Bylsma, Vice Chairman
Rep. Gardiner

Members Absent: Rep. Rogers
Rep. Randolph

COMMITTEE CALENDAR

HB 794 An Act relating to sales practices of motor
vehicle dealers.

HB 795 An Act relating to motor vehicle
rustproofing services; and providing for an
effective date.

WITNESS REGISTER

Jim Welch
Rust Control
2529 Scott Drive
Juneau, Alaska 99811
Position Statement: Testified about impact of HB 795 on his
business.

Ralph Bennett
testified on his own behalf
c/o House Finance Committee
Pouch V
Juneau, Alaska 99811
465-3877
Position Statement: Went over problems he foresaw with HB 795.

Robert Evans
Consumer Protection Agency
Department of Law
1049 West 5th Avenue
Anchorage, Alaska
279-0428
Position Statement: Suggested amendments to HB 795.

PREVIOUS ACTION

HB 794 No previous action.

Statutory Reference: AS 45.45; AS 45.50

Action Taken: No action taken.
Teleconference hearing set for March 30.

HB 795

No previous action.

Statutory Reference: AS 45.45; AS 45.50

Action Taken: No action taken.
Teleconference hearing set for March 30.

ACTION NARRATIVE

Tape #36
Recording
Number 000

Rep. Martin began taking testimony at 1:25 p.m., but meeting was not called to order until 1:48 p.m. for lack of a quorum. When Rep. Rogers arrived at 1:48, meeting was called to order. Members present were: Reps. Martin, Bylsma, and Rogers. Members absent were: Reps. Randolph and Gardiner. At the time of call to order, testimony was being taken on HB 795.

Number 012

Jim Welch, owner of Rust Control, Juneau, went over problems he had with the bill. (Welch submitted written testimony, which is available for review from the committee.) He felt requirements for warranties were not specific enough. He did not like the provision regarding warranting rustproofing on used cars. He said he had never run across a provision such as the one providing for claims service in case a business is terminated. There was discussion.

Number 135

Welch suggested warranting rustproofing on a vehicle sold by the original owner by charging a fee to transfer the warranty. Welch went over the bill, section by section, listing problems he found with the bill.

Number 300

Rep. Rogers arrived, and the meeting was formally called to order.

Number 322

Welch resumed testimony. He discussed the impact of the bill.

Number 443

Jeff Barry gave a sectional analysis of HB 795. He said rustproofing is an \$11-billion a year industry. The problem is that many times, businesses who claim to be doing

rustproofing are not actually providing that service. He gave the example of new car dealers requiring consumers to purchase rustproofing with a faulty warranty. He spoke of needing a clear warranty on rustproofing of used cars. Barry went through the purpose of the bill. There was discussion of the definition of rustproofing and of undercoating.

Number 677

Barry went over how the warranty periods were arrived at. He said, regarding liability amount, that the consumer would be recompensed for the amount of damage, not the amount paid for the service. He said the basis of the bill is to protect people in the market from "fly by night" outfits, and to protect the consumer. There was discussion.

Side B, Number 016

Ralph Bennett, representing himself, said, regarding indemnification, that he thinks this is intended to use the past problem with mobile homes as a model. He thought the part dealing with used vehicles was bad legislation. He felt the inspection portion under (c)(2) was put in because of past car manufacturers warranties that required the consumer to spray wheel wells, which was found in court to be unreasonable. Rep. Rogers said this section came from the attorney general's office, because of a problem with businesses requiring consumers to come in on exact warranty inspection dates.

Number 084

Bennett said there should be nothing in a warranty voiding the warranty after a claim has been made. Rep. Rogers commented on this point in a sample of a warranty which was passed out to the committee. There was discussion.

Number 105

Robert Evans, Consumer Protection Agency, said, regarding used cars being impossible to protect, that he is not sure that is so, but at least rustproofers should be required to notify consumers they can't guarantee rustproofing. He referred the committee to the memo written by the Consumer Protection Agency, which contained suggested amendments (this memo is available for inspection from the committee).

Number 144

Rogers asked about the wording, "from the inside out" in one of the proposed amendments. He felt this was too vague. There was discussion. Rep. Rogers suggested possibly saying, "non-painted side to the painted side", or "from the side of the metal to which the rustproofing is applied". Evans went over the proposed amendments. The committee discussed the proposed amendments.

Number 311

Rep. Bylsma asked where the complaints are coming from. Evans said they have been involved in industrywide investigation--contacted other states, found where problems are occurring. They want to be prepared for problems as the industry grows in Alaska. He said the complaints come from people within the rustproofing industry who are concerned with maintaining quality, and from agencies in other states. Evans said there have been no substantial consumer complaints yet, but that salt and calcium, which induce rust, have not been used on roads for long.

Number 354

Rep. Martin directed the committee's attention to HB 794. Evans suggested modifications which involve deleting some language. He said that, unless amended, the bill would apply to specially ordered vehicles. He felt the intent of the bill is to prevent option loading by a dealership prior to purchase by the consumer. He said that when a dealership has the option to add accessories without checking with the purchaser, the purchaser is put in an unfair position. He said the problem exists because, in other places, consumers have an alternative--they can go to another dealer. But in Alaska there is generally no other place in the market area to go. He said a second effect, because option loading injures other competitors, is that this would open the market. The bill as drafted narrowly limits the effect of option loading; it only applies to the consumer who special orders a vehicle and has it delivered to him. Evans went over suggested changes.

Number 549

Rep. Bylsma asked about charging for dealer preparation. There was discussion as to what that is (no one knew). Bennett said Article 6, section (2) "applicable federal

laws" needs to be clarified. He said dealer preparation is often not specified, or the dealer is not made aware what is being provided. He said this needs clarification. There was discussion.

Number 645

Rep. Martin announced a night meeting to discuss HB 832. He asked committee staff to set a teleconference hearing on House Bills 754 and 795, and to notify all new auto dealers of the hearing.

Number 726

There being no further business to come before the committee, the meeting was adjourned at 2:58 p.m.

March 11, 1982

To: Rep. Terry Martin, Chairman, House Labor and Commerce Committee

From: Philip C. Blackstone, President
Endrust of Alaska, Inc.
4651 Stuart Way
Anchorage, AK 99503

279-3061 (w)

Dear Rep. Martin:

In talking with your office this morning, we are surprised to say the least that HR 795 is up for discussion in your committee today. We found out about this pending legislation late yesterday afternoon and quite by accident at that. One would think that with only three or four companies in the state of Alaska that are in the business of rustproofing vehicles, we would be advised as to possible legislation and asked for our comments and input.

We would be most agreeable to appear before your committee in person or via a teleconferenced hearing, but because of the lack of notice, please accept the following and make it part of the record.

I understand that this legislation is at the request of the Consumer Protection Bureau. Our company has been rustproofing vehicles in Anchorage for almost three years and I have no knowledge of any complaints filed with Consumer Protection. They, Consumer Protection, or any of our customers have never taken exception to our warranty policy, our free annual check-ups, our full repair and unlimited claims, and our grace period for the no-charge yearly cleaning and touch-up.

This bill as written imposes a lesser warranty in some cases than we currently offer. In other areas it imposes restrictions which would be impossible for any rustproofing company, in good conscience, to stand behind. Of the approximately sixty rustproofing companies nationally, there is not one company that does not require annual inspections. If a vehicle is rustproofed, and then driven on all the rock and gravel roads in Alaska, it only follows that the rustproofing material in the wheel wells is going to be torn apart over time and needs to be touched up periodically. This service we offer all of our customers -- and at no charge. We have never charged anyone for an annual inspection.

Again, we are very surprised by this pending legislation. We believe there are facts that need to be presented to your committee before this legislation is voted upon. And we are that with such a small population of companies offering this rustproofing service in Alaska that we have not been notified that this legislation was being considered.

Sincerely,

Philip C. Blackstone, President

cc: Rep. Joe Hayes
Rep. Joe Montgomery

March 9, 1982

Gentleman:

As owner and operator of Rust Control which is a complete automobile and truck Rustproofing Service here in Juneau, I feel I must present to you how House Bill No. 795 would affect a small business such as mine.

I will respond to only Section 45.45.241.

(b) 2

I believe the supplier shou'd be liable for a rust-out condition but only to the extent of the Consumers Total Investment in Rustproofing. Also there are many vehicles which have structural defects (such as a brace welded inside a fender) and there is no possible way to rustproof an area like this.

The length of a warranty for new cars should be left to the discretion of the applying dealer. The consumer is not obligated to deal with a supplier whose warranty he doesn't approve of.

It would be suicidal for our business to warranty all used vehicles. This would depend on where the vehicle came from, how long it has been there, how much it was driven, where it's been kept (garage or outdoors) and how old the vehicle is. Occasionally we rustproof a vehicle which is already starting to rust-out. The customer is usually aware of this and if not we bring it to his attention. His usual comment is "I just want to get another year or two out of it."

This would eliminate a large part of our used vehicle business because we would be unable to determine just how close many of them are to a rust-out condition, especially in hidden or boxed in areas.

(b) 4

What does a consumer do if any small business goes out of business for any reason? Also Consumer Protection is a great avenue.

If the Rustproofing industry has to state procedures for claims service etc. I propose "all" automotive related business's such as; Service Stations who have Mechanics on duty, small garages and small independent Car Dealers be subject to the same.

(b) 5

Who is deciding business policy for a business? The Businessman or the State? I repeat, if the consumer does not agree with our warranty he is not obligated to use our service.

(c) 1

I feel the limit or number of claims should not exceed the total investment of the rustproofing.

(c) 2

We require a vehicle on warranty be inspected at 2 years or 20,000 miles as this gives us a chance to respray any areas which the material may have been scraped off underneath and check all areas of the vehicle. Also if there is any sign of rustout we can make the necessary repairs before the damage is extensive.

(d) a

The consumer knows when he receives his warranty what the conditions are. It is his responsibility to bring the vehicle back on the proper date for his inspection.

(g)

Most small business's DO NOT HAVE \$5000.00 to just put in an interest bearing account.

If rustproofing services should be subjected to this, all automotive related business's should be included.

Again; Consumer Protection is fully capable of taking action in the consumers behalf if he has a legitimate complaint.

Jim Welch

MEMORANDUM

State of Alaska

TO: Terry Martin
Chairman
House Labor and Commerce
Committee
Juneau

FROM: Connie J. Side
Assistant Attorney General
Chief, Consumer Protection
Section
AGO/Anchorage

DATE: March 10, 1982

FILE NO:

TELEPHONE NO: 279-0428

SUBJECT: House Bill 795
Motor Vehicle Rustproofing

The Consumer Protection Section of the Office of the Attorney General strongly supports House Bill 795, and urges this committee to give it a "do pass" recommendation. The bulk of our testimony submitted today suggests some important technical and language changes which would make this an even better bill. The changes are meant to clear up areas of ambiguity. With those changes, the office believes the bill is a good one.

The Consumer Protection Office supports the bill because, although consumer problems with rustproofing of vehicles has not yet been a major problem within the State of Alaska, and although there are only two or three retailers now representing major rustproofing companies within the state, rustproofing or related services have had and will have an increasingly important economic impact on Alaskans.

It is the belief of both this office and the industry representatives to whom we have talked, that more and more sellers will be entering the rustproofing market, and that more and more Alaska consumers will opt to purchase rustproofing. As consumers become aware that salt and/or liquid calcium are being used on winter roads in the Anchorage and Juneau areas, and as they become more sensitive to their own economic need to retain a new automobile for a longer period of time, we believe more consumers will be purchasing rustproofing.

Major rustproofing representatives only started selling in Alaska in the last three to five years; therefore, it is not unusual that we have not had great numbers of problems reported by consumers to date. However, we do believe there may be some deceptive advertising of warranties of rustproofing services going on at the present time, but consumers will not be aware of these problems unless the application to their vehicle proves defective and they must make a claim on their warranty in the years to come.

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Alaska is not alone in its concern about rustproofing. Other cold weather, snow-belt and coastal states have examined rustproofing problems and the rustproofing industry in depth, and I would refer the committee to the pamphlet called "Rust Never Sleeps" put out by the Maine Attorney General's Office. This pamphlet gives an excellent discussion of the industry and of consumer concerns.

These other states have found that most problems in the rustproofing area are related to, and perhaps the crux of the entire problem is, the warranty given by a rustproofing seller. When our office looked into the rustproofing industry in Alaska, we found evidence that some of these potential warranty problems exist here.

The warranty on rustproofing service is the essential value of the service. The reason for which a consumer pays a sum of money to get his or her car rustproofed is not for the first immediate service, but for the protection offered by the warranty which will repair or replace any portion of the car which rusts out. Therefore, these warranty-related problems go to the very essence of the commercial value of a rustproofing service.

The major problems that have been found in rustproofing warranties, which problems are addressed by this bill, include:

1. Deception regarding warranties, such as the advertising of warranties as being "lifetime" when in fact the warranties are not transferable to a second owner, or the warranty is good only for one repair. In fact, it is interesting to note that in the fine print of several national rustproofing warranties, the consumer is in a double-bind. He is required to bring the vehicle in for repair upon the first small spot indicating rust, but in another paragraph, he will be excluded from any second repair once the first small spot has been fixed, despite the fact that the initial advertisement claimed that this was a "lifetime" warranty against rust.

House Bill 795 attempts to cure this problem by placing a reasonable limit on the period of time and the transferability of an auto rustproofing warranty. An industry representative has given us his professional opinion that, at least in the current state of technology, a claim that a rustproofing process (other than some new alloy which may be developed in the future by auto manufacturers) cannot reasonably guarantee that it can rustproof a car any longer than seven years. Similarly, any company which could not guarantee against major rust when applied to new automobiles for at least three years, is not fairly competing in the "rustproofing" industry.

2. Unreasonable warranty conditions. Many of the national warranties require consumers to fulfill certain conditions to keep their warranty valid, such as requiring the consumer to bring

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the auto back on exactly the one-year anniversary date of the first rustproofing application; or giving the sloppy applicator a loophole because the warranty proclaims that it only is good as to those sections of the car where the rustproofing sealant was "actually applied." In other words, if the applicator skipped a wheel-well altogether, the consumer's warranty does not cover the rusted-out wheel-well.

Maine, New York and other states, as well as some industry representatives, have told us that they have heard that some rustproofers may use a poorer quality or a diluted sealer compound, but misrepresent that they are using a national brand-name rustproofing compound of a certain chemical quality or characteristic. Also, there are often problems with poor application of the sealant to all of the necessary areas of the automobile.

3. Finally, our office has seen evidence in Alaska of deception by auto dealers and sellers of other processes that are clearly not rustproofing. During an industry-wide investigation of the Alaska motor vehicle sales industry over the last two years, our office has found that many dealers apply an "undercoating" to the bottom surface of all their motor vehicles, before they are placed on the showroom for sale. (This will be also discussed in conjunction with House Bill 794.)

The undercoating is a tarry or plastic substance, which is spread on the bottom of the vehicle, and which can be scratched off the metal, as it does not actually bond to the metal like a rustproofing compound. Also, the undercoating is not actually a rust inhibitor, except to the extent that it covers the metal. If the undercoating surface is scratched, cracked or broken, rust can actually get started under the undercoating and spread, causing a worse condition than if the undercoating had never been applied. It was the experience of the Consumer Protection Office that dealers and their sales people often misrepresent, whether deliberately or negligently, that the undercoating is a "kind of rustproofing," or represent that the customer still has the option of having their new car rustproofed without disclosing that the already applied undercoating will prevent full rustproofing.

It has been the experience of other states that the rustproofing industry is an easy market to enter, and that a bond or some way of tracing legal responsibility to the supplier of rustproofing who claims that the services will guarantee against rust "for the life of the car" might be necessary. For this reason, the bonding provisions were included. However, even without the bonding provisions, we believe that the rest of the act would assure that the rustproofing industry in this state and other sellers of related auto products deal fairly with the Alaska public.

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The committee will probably note that the bill suggest that enforcement of the rustproofing act be accomplished by incorporating the rustproofing act as an unfair and deceptive trade practice or unfair method of competition, under AS 45.50.471. Our office feels that we can handle that sort of enforcement, as we already are the agency to which such complaints are directed; and the type of deceptive advertising prohibited, whether directly deceptive or deceptive by omission of material facts, is within our area of experience and expertise. We do not believe that we would need any additional staff to enforce this law, especially as our auto repair investigator position is filled by a person who is familiar with these problems and can work on any large-scale enforcement action.

SUGGESTED LANGUAGE CHANGES

We urge the following amendments to the current bill:

1. The bill should be amended throughout so that the word "supplier" is replaced with the words "retail seller." The bill is meant to apply to retail sellers of rustproofing services, not to the wholesale supplier of the rustproofing compound to the rustproofing franchisee (the actual retail seller who applies the material to the auto).

2. Section 45.45.241(a) should be amended to read as follows:

(a) A retail seller of motor vehicle rustproofing service shall warrant to the consumer that the service will prevent rust or corrosion, from the inside out, in the portions of the motor vehicle covered by the rustproofing warranty.

This change clears up some problems with the present language which requires that the warranty cover those portions of the motor vehicle to which the rustproofing service "is applied." This is a loophole for sloppy retail sellers who simply don't "apply" the rustproofing service to crucial parts of the vehicle. Also, this amendment clarifies that rustproofing is meant to be rustproofing from the inside out. In other words, rust rarely eats all the way through the metal when the rust starts on the outside of the vehicle, and since rustproofers do not apply any materials to the outside of the vehicle, they are not warranting against rust from the outside to the inside of a door panel. Rather, what the rustproofer is warranting is that the materials sprayed up inside the door panel will prevent rust from starting inside the door panel, where moisture does accumulate, and rusting through to the outside of the door panel.

3. The definition section, 45.45.241(h) should be amended to add a definition of "retail seller of rustproofing services," specifically:

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a person who adds rustproofing service to a vehicle other than at the point of manufacture of the particular vehicle.

Such a definition would make it clear that the bill does cover dealerships or regional distributors (who distribute cars to local dealerships). The bill should include these folks if they add rustproofing before they sell a vehicle. The bill should not try to regulate or in any way discourage rustproofing that is now being provided by some national manufacturers as "factory supplied" rustproofing.

4. The bill should be amended by adding a new section which requires that on the face of each warranty, the retail seller shall specify, by manufacturer's name and product identification number, the rustproofing sealant actually used on each customer's vehicle. (This provision would enable the customer who has a dispute over a rusting vehicle, or the auto repair investigator, to determine by a chemical analysis, whether the retail seller used the brand-name chemical compound advertised. We have received reports, both in this state and from other places, that some shops may substitute a different, perhaps less expensive, rustproofing compound.)

5. The bill should be amended by expanding Section (2) to read:

AS 45.50.471(b) is amended by adding two new paragraphs to read:

(26) failing to comply with AS 45.45.241.

(27) any person to represent, in connection with the sale of new motor vehicles, that a particular vehicle is rustproofed, or has been given any type of rust or corrosion protection, unless such representation is substantiated by a manufacturer's rustproofing warranty or the retail seller of the motor vehicle is a retail seller of rustproofing services as defined in AS 45.45.241 who offers a rustproofing warranty in compliance with that section.

6. Section (1), AS 45.45.241(c) (2) could probably be stricken altogether since Section (d) is probably enough protection against unreasonable demands on the consumer who is trying to keep his warranty valid.

7. Section 45.45.241(c) (2) should be replaced with:

(a) require that the motor vehicle be inspected to validate the warranty unless any cost of inspection or pre-inspection preparation to the vehicle is conspicuously disclosed before the service is purchased as well as in the written warranty.

8. Section 45.45.241(b) (2) should be amended by changing the word "indemnification" to the word "reimbursement."

9. Section 45.45.241(b) (3) should be amended to read:

include "all motor vehicle body sheet metal, structural members, frame components and appropriate suspension components."

10. A change is necessary at Section 45.45.141(h) (3), the definition of rustproofing services, to clarify that the bill is talking about a warranty both on the rustproofing process or services itself, and on the chemical sealant or the "goods" (as the law defines them) that are used in the service. I would suggest the insertion of a clause so that the definition reads:

(3) "rustproofing service" means a service or process, including the goods used in that service or process, that is represented to be for the purpose of preventing, inhibiting, or retarding rust or corrosion of any part of a motor vehicle;

11. Section 241(g), the section on bonding, should be amended to delete the word "performance" wherever it appears. When George Cada discussed this with the insurance companies, the companies said it was unlikely they would issue such a "performance" bond. The section should be amended to refer to the bond as a "rustproof supplier's bond," or similar language. Apparently the bonding industry is willing to bond a "dealer's" bond, just not a "performance" bond.

12. One last concern, for which we did not make any suggested language change, is whether or not a provision should be included that protects the small local retail seller, the franchisee who perhaps gets sent defective rustproofing sealant by the national manufacturer. If the committee wishes to do so, we agree that it

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would be reasonable to provide some kind of indemnification for the local dealership against the manufacturer who misrepresents the quality, properties, or chemical composition of any of the sealant which it supplies, on a wholesale level, to the retail seller of rustproofing goods and services.

CJS/aw

MSG 82-00013268 PRTY 1 03/11/82 12:37:16 ORIG: LA00 IN= 0006 OUT= 0046
FROM: CAROL, ANCH. TO: JUNEAU INFO
TARGET: LJH2 SUBJ: MESSAGE FOR REP. MARTIN PAGE 0001

TO: REP. TERRY MARTIN, CHAIRMAN, HOUSE LABOR AND COMMERCE COMMITTEE
REPRESENTATIVES BYLSMA, GARDINER, RANDOLPH, AND ROGERS
FROM: FRED MORINO
EERO VOLKSWAGON
935 GAMBELL STREET
ANCHORAGE 99501 (H) 345-3100 (W) 272-5522

RE. HOUSE BILLS 794 AND 795

BOTH OF THESE BILLS NOW BEFORE YOUR COMMUNITY APPEAR TO DESERVE INPUT FROM THOSE IT MAY AFFECT. I RECEIVED A COPY OF THE BILLS ON MARCH 9, 1982, AND UP TO THAT DATE WAS UNAWARE OF THE BILLS. ON MARCH 10, 1982, I PERSONALLY CALLED ALASKA SALES AND SERVICE, ANCHORAGE CHRYSLER, STEFF BROTHERS, UNIVERSAL MOTORS, SUNSET MOTORS, PIONEER AUTOMOTIVE, EUROPEAN MOTORS, CONTINENTAL MOTORS, NORTHERN MAZDA, CAL WORTHINGTON FORD, AND ENDRUST OF ALASKA ASKING ALL OF THE OWNERS OR GENERAL MANAGERS IF THEY

MSG 82-00013268 PRTY 1 03/11/82 12:37:16 ORIG: LA00 IN= 0006 OUT= 0046
FROM: CAROL, ANCH. TO: JUNEAU INFO
TARGET: LJH2 SUBJ: MESSAGE FOR REP. MARTIN PAGE 0002

HEARD OF THESE BILLS EITHER VERBALLY OR IN WRITTEN FORM. NO ONE HAD ANY KNOWLEDGE OF THESE BILLS AND ALL OF THEM INDICATED AN INTEREST IN GIVING INPUT TO YOUR COMMITTEE ON THESE BILLS. PLEASE ALLOW US TIME TO INVESTIGATE THESE BILLS AND SUBMIT.

THANK YOU FOR YOUR COOPERATION.

Atts. to:
Gardiner
Randolph

Meeting officially called to order 1:48 pm

3/11/82

HB 794

HB 795

Tape # 36

1:25

000

~~Call to order~~ Began taking testimony; not formally called to order for lack of quorum.

HB 795

010

Jim Welch - submitted written testimony. Went over problems he had with bill. Feet requirements for warranties were not specific enough. Did not like provision regarding ^{warranting} rustproofing on used cars.

078

Byloma asked if it were not possible to be unaware of some ^{places} rusted on used cars. Welch said it was.

095

Welch said he'd never run across a provision such as the one providing for claims service in case of business is terminated. ~~Also see~~

Discussion, Byloma - Welch

135

Welch ^{suggested} ~~felt a better way of~~ warranting rustproofing on a vehicle ~~as~~ sold by the original owner ~~to be~~ ^{by} charging a fee to transfer warranty.

Went over bill section by section listing problems in bill.

300

(Rep. Rogers arrived 1:48) Meeting formally called to order

317

Ralph Bennett offered his comments after Welch is finished.

322

Welch resumed testimony. Discussion of impact of bill.

443 ~~Robert Evans, Dept of Law~~ Jeff Barry - sectional analysis of bill.

\$11B/yr industry. Prob is that many times businesses who claim to be doing rustproofing aren't. eg, new car dealers - consumer required to purchase rustproofing with factory warranty. Spoke of needing clear warranty on rustproofing of used cars.

~~Purpose of bill is to~~ Went through purpose of bill.

~~Rogers had~~ Discussion of definition of rustproofing. Discussion of definition of undercoating.

677 Barry ~~said undercoating to consumers~~ went over ~~choice~~ ^{has} warranty periods were arrived at. Amt of money - if ~~co-1/2~~ purchased this, they are recompensed for amt of damage, not amt pd for svc.

Side B

005 Basis of bill is to protect people in market from "fly by night" outfits, & to protect consumer.

Discussion.

016 Ralph Bennett, rep'g self, ~~As undercoating~~ ^{stat} - thinks ~~of~~ ^{intended} to use ^{past} mobile homes problem as model. (Went over that prob.)

040 ^{marks} Part dealing w/used vehicles is bad legislation.

058 Inspection portion under (c)(2) was put in because of past car mfg warranties that required consumer to spray wheel wells. This was found in ct to be unreasonable. Rogers said, ^{came from} Act of '76, with ^{business} people ~~requiring~~ requiring consumer to come in on ^{warranty} fact, dates.

084 ^{Bennett} Re - shd be nothing in warranty voiding warranty after a claim has been ^{made} made.

Rogers commented on ^{this point in} a warranty passed out to the committee Discussion.

105 Robert Evans, Dept of Law - ~~the~~ re used cars being impossible to protect - not sure that's so, but at least rustproofers shd be req'd to notify consumer they can't guarantee rustproofing. Referred to state's memo (written by Consumer Protection Agency) which had suggested amdmnts.

144 Rogers asked abt wording, "fm the inside out" in one of the prop'd amdmnts; felt this was too vague. There was discussion. Rogers suggested possibly "non painted side to the painted side" or "from the side of the metal to which the rustproofing is applied"

Evans went over the prop'd amdmnts. Committee discussed ~~the~~ these proposals.

311 Rep Pryloma asked where complaints are coming fm. Evans said they have been involved in industrywide investigation - contacted other states, found where probs occurring; want to be prepared for problems as industry grows in Alaska. Complaints come fm people w/in rustproofing industry concerned w/ maintaining quality; fm agencies in other states; ~~no~~ no substantial consumer complaints yet, but zinc & calcium have not been used for long.

HB 794

354 Rep Martin turned to HB 794.

360 Evans - Suggested modifications which involve deleting some language. As amended, bill wd apply to specially ordered vehicles. Intent of bill is to prevent option loading by deal dealership prior to purchase by consumer.

When
dealership has option to add accessories w/o chg w/ purchases,
purchases put in unfair prsn. Prot exists because, ~~in~~ in
other places, consumers have alternative ~~for~~ ~~also~~ can go to
another dealer. In Alaska, no ~~other~~ other place in market
area to go. ~~Bill is~~ Second effect - because option loading
injures other competitors, this wd open market.
Bill as drafted ~~too~~ narrowly limits effect of option loading -
only applies to consumer who special orders vehicle & has it
delivered to him.

461 Went over suggested chngs.

549 Poyloma asked abt charging for dealer preparation. There was
discussion as to what that is (no one knew). Bennett said
Article 6, sec (2) "applicable fed'l laws" needs to be clarified.
Dealer prep is often not specified, or dealer is not made aware what's
being provided. Needs clarification. Discussion.

645 Rep Martin announced next mtg Mon 3/15(?) 7pm.

Set teleconf for Thu, Apr, 7:30; inc prop'd amdn'ts in wkdrft;
send wires to all new auto dealers on HB 794.

Set teleconf after 3/23

706 Adj. 2:58

LABOR & COMMERCE COMMITTEE
DAILY COMMITTEE HEARING

Date: 3/11/82

Place: _____

| <u>Members</u> | <u>Present</u> | <u>Absent</u> | <u>Time Arrived</u> | <u>Time Left</u> |
|--------------------------|----------------|---------------|---------------------|------------------|
| Rep. B. Bylsma, V. Chair | — ✓ — | _____ | 1:10 | |
| Rep. D. Randolph | | | | |
| Rep. B. Rogers | _____ ✓ _____ | _____ | 1:48 | |
| Rep. T. Gardiner | | | | |
| Rep. T. Martin, Chair | _____ ✓ _____ | _____ | 1:00 | |

Subject Matter:

House Bill No. 794 795 _____ _____ _____
Senate Bill No. _____ _____ _____ _____ _____

Special Orders:

Introduced: 2/15/82
Referred: Labor & Commerce

1 IN THE HOUSE

BY THE LABOR AND COMMERCE
COMMITTEE BY REQUEST

2 HOUSE BILL NO. 794

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to sales practices of motor vehicle
7 dealers."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. AS 45.45 is amended by adding new sections to read:

10 ARTICLE 6. REGULATION OF MOTOR VEHICLE DEALER SALES PRACTICES.

11 Sec. 45.45.300. PROHIBITED MOTOR VEHICLE SALES PRACTICES. (a) A
12 dealer may not require a purchaser ^{of} ~~who orders~~ a new motor vehicle for
13 ~~delivery~~, as a condition of the sale, to

14 (1) purchase a special feature, appliance, piece of equip-
15 ment, part, or accessory refused by the purchaser that is not included
16 as standard equipment by the manufacturer of the vehicle; ^{(provided (see note))} or

17 (2) pay transportation costs in excess of those disclosed
18 under applicable federal laws, except for delivery costs actually in-
19 curred and paid by the dealer.

20 (b) Violation of a provision of this section is a deceptive trade
21 practice under AS 45.50.471.

22 ^{& new Sec 3.} Sec. 45.45.390. DEFINITIONS. In AS 45.45.300

23 (1) "dealer" means a person or an agent, broker, or salesman
24 of a person who is engaged in buying, selling, or dealing in new motor
25 vehicles;

26 (2) "motor vehicle" means a vehicle that is self-propelled,
27 except for a vehicle that is propelled by human or animal power, and
28 includes an automobile, truck, tractor, or semi-tractor.

29 * Sec. 2. AS 45.50.471(b) is amended by adding a new paragraph to read:

(26) failing to comply with AS 45.45.300.

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