

HB

136

<TARGET><BILL>HB 136</BILL><SUBJECT>HB
136</SUBJECT><COMM></COMM></TARGET>

SENATE COMMITTEE REPORT

DATE: 4/10/18

FURTHER: RULES

DATE TURNED
IN TO OFFICE: 4/13/18

State Affairs Committee considered CS FOR HOUSE BILL NO. 136(TRA)

HB 136 MOTOR VEHICLE DEALER FRANCHISES

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

and recommends:

- be replaced with SCS _____ (_____) Same Title Technical Title Change
 New Title/SCR No. _____
- adopt previous SCS _____ (_____) Same Title Technical Title Change
 New Title/SCR No. _____
- attached amendment(s)
- adopt _____ Letter of Intent
- further referral to _____ Committee

Dept Abbr.	
ADM	LWF
CED	LAW
COR	LEG
EED	MVA
DEC	DNR
DFG	DPS
GOV	REV
DHS	DOT
AJS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
LAW			✓	2

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	Do PASS	Do NOT PASS	NO REC	AMEND
	Wilson	✓			
	Griessel	✓			
	Coghill	✓			
	[unclear]	✓			
CHAIR:	MEYER	✓			



Alaska State Legislature

Representative Matt Claman

Session: State Capitol, Rm 405 Juneau, AK 99801 Phone: 465-4919
Interim: 716 W. 4th Ave, Rm 312 Anch, AK 99501 Phone: 269-0130

To: Senator Kevin Meyer, Chair
Senate State Affairs Committee

From: Representative Matt Claman
HB 136 Prime Sponsor

A handwritten signature in blue ink, appearing to read "Matt Claman".

Subject: Hearing Request for HB 136

Date: April 10, 2018

I respectfully request that you calendar the House Transportation committee substitute for HB 136 for a hearing in the Senate State Affairs Committee. You have received a copy of the most recent version of the bill, the sponsor statement, the sectional analysis, and additional supporting material.

The bill updates Alaska statutes dealing with franchise agreements between Alaska's auto dealers and outside automobile manufacturers. HB 136 brings the auto dealer franchise agreements in line with existing law in other states with particular focus on franchise termination, succession and warranty work.

The staff assigned to this bill is Sara Perman who can be reached at 465-6597. Please do not hesitate to contact my office if we can provide any additional information.



Alaska State Legislature

Representative Matt Claman

Session: State Capitol, Rm 118 Juneau, AK 99801 Phone: 465-4919
Interim: 1500 W. Benson Blvd., Anch, AK 99503 Phone: 269-0130

House Transportation Committee Substitute to House Bill 136 Version N

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

Sponsor Statement

House Bill 136 updates Alaska statutes dealing with franchise agreements between Alaska's auto-dealers and the automobile manufacturers and distributors. The need for a change in franchise agreements became apparent after the 2008 market crash when General Motors and Chrysler terminated roughly 2,000 dealerships. As of 2016, Alaska dealerships directly or indirectly employed 6,876 people. In the same year, car sales accounted for 14.1% of total retail sales in Alaska. House Bill 136 recognizes the contributions of auto-dealers and manufacturers to Alaska's economy and updates Alaska statute to update protections for both.

The work draft – CS HB 136 Version R - is a product of extensive negotiations between the Alaska Automobile Dealers Association and the Alliance of Automobile Manufacturers. Both groups have worked together to find solutions that protect the consumer, protect the investments of Alaska's auto-dealers, and maintain the brands of the manufacturers.

House Bill 136 updates statutes relating to warranty repair work, requiring a manufacturer to pay for warranty work at a competitive rate that is consistent with the retail rate for non-warranty work. It also outlines the requirements for warranty repairs for consumers who are 100 miles or more away from a dealership. The bill expands upon dealership terminations. It sets out good cause for terminations and sets out the manufacturers and auto-dealers' financial responsibilities during terminations. The bill also updates the provisions and terms for transferring or selling a dealership. Manufacturers may not unreasonably prevent the transfer of a dealership to someone who meets their standards. Manufacturers may use the right of first refusal except in circumstances involving the transfer of a dealership to family members or managing employees owning more than 15% of the dealership. Lastly, the bill defines certain unfair practices.

House Bill 136 brings the auto dealer franchise agreements in-line with similar laws in other states. It is the intent that with this legislation, we may provide support for an industry that services and employs thousands of Alaskans.



Alaska State Legislature

Representative Matt Claman

Session: State Capitol, Rm 118 Juneau, AK 99801 Phone: 465-4919
Interim: 1500 W. Benson Blvd., Anch, AK 99503 Phone: 269-0130

House Transportation Committee Substitute to House Bill 136 Version N

“An Act relating to motor vehicle franchises, motor vehicle dealers, motor vehicle manufacturers, and motor vehicle distributors.”

Sectional Summary

Section 1

Adds legislative intent language to uncodified law:

It is in the public interest to protect have warranty service for new motor vehicles and maintain fair competition among auto manufacturers and auto dealers.

Section 2

Amends AS 45.25.010:

Applicability: AS 45.25.020 -045.25.310 apply to franchise agreements between manufacturers and Alaska auto dealers.

Section 3

Amends AS 45.25.110(a):

Manufacturers may not terminate an auto dealer unless they have complied with notice requirements and shown good cause for termination. Auto dealers have up to 120 days to correct areas out of compliance with the franchise agreement. The manufacturer may terminate a franchise if the dealer has systemically engaged in fraud.

Section 4

Adds new subsection to AS 45.25.110:

Good cause to terminate a franchise does not include the failure of an auto dealer to meet sales or service goals due to factors beyond the control of the dealer including market conditions or insufficient supply of new motor vehicles.

Section 5

Amends AS 45.25.140(a):

Updates and amends the manufacturers repurchase requirements upon termination of a franchise agreement. The manufacturer must repurchase current year models of new motor vehicles, certain new motor vehicle models from the prior year, parts, trademark signs and equipment, special tools, computer, printers, and electronic hardware.

Section 6

Amends AS 45.25.150(b)

If a franchise termination occurs, auto dealers have an obligation to mitigate damages under a lease and mitigate the costs of facility relocations, alterations or remodels.

Section 7

Adds new subsection to AS 45.25.150:

If a franchise termination occurs, manufacturers must pay the costs of relocation, alteration or remodeling of an auto dealers facilities if they were required by the manufacturer and were completed within three years of termination.

Section 8

Repeals and reenacts AS 45.25.160:

This section establishes a procedure for the proposed transfer of a dealership.

- Manufacturers may not prevent the sale of a franchise to a potential buyer who is capable of being licensed as an auto dealer and who meets the manufacturers' standards.
- Upon receipt of the notice to transfer the franchise, manufacturers have 30 days to request supplemental information after which the manufacturer has 75 days to give notice of rejection of the transfer.
- The manufacturer has the right of first refusal to a transfer with limitations. The manufacturer has the same notice requirements for the right of first refusal as they have for rejecting the transfer outright. A manufacturer may not exercise the right of first refusal if the transfer of the franchise is to a family member or a managerial employee owning 15% or more of the dealership. If a manufacturer exercises the right of first refusal, then the manufacturer must provide the auto dealer with the same compensation as offered by the proposed buyer. The manufacturers must also pay the legal fees incurred for the preparation of the void transfer agreement.

Section 9

Amends AS 45.25.180(d)

Expands the factors that the superior court must consider in a lawsuit addressing whether good cause exists to establish or relocate a dealership.

Section 10

Adds new subsection to AS 45.25.180

Establishes the burden of proof in a franchise lawsuit. A manufacturer has the burden of proof to establish good cause for establishing or relocating a dealership that the manufacturer has proposed. An auto dealer must establish good cause for any establishment or relocation that the auto dealer proposes.

Section 11

Amends AS 45.25.190

This section updates the statutory references in the arbitration section.

Section 12

Adds new sections to article 2 of AS 45.25

This section addresses warranty work and pay rates for warranty work:

Sec 45.25.200: A manufacturer must pay an auto dealer for all warranty work if the auto dealer provides documentation of the need for the repairs. The auto dealer must submit the claim within 90 days of the completed warranty work, and a manufacturer must approve the claim within 30 days of receipt. If the manufacturer rejects the claim they must provide notice of their reasons to the auto dealers, who may correct the issues within 30 days of receipt of the rejection. A manufacturer may conduct an audit of warranty repairs performed, which must be done within a year of the claim. Only one audit can be performed per year.

Sec 45.25.210: A manufacturer must provide auto dealers with a schedule of compensation for warranty work. The rates may not be less than the rates that the auto dealer charges customers for similar retail work. To establish this warranty rate, auto dealers shall submit 100 sequentially ordered claims. Rates for special events and manufacturer specials are not considered in this calculation.

Sec 45.25.220: If a vehicle needs warranty repairs and is located in a remote location, the manufacturer shall make reasonable efforts to repair the vehicle in the remote location. If the repairs cannot be made on site, the manufacturer may arrange, at no cost to the owner, to ship the vehicle to a location where repairs can be completed. The manufacturer is responsible for returning the repaired vehicle to the remote location. The manufacturer may direct auto dealers to refer customers in remote locations to the manufacturer. Auto dealers may subcontract warranty work in a remote location. 'Remote location' refers to a location that is not accessible by road or is 100 road miles or more from an auto dealer.

Sec 45.25.230: Manufacturers shall provide auto dealers with specific instructions for the preparation of new vehicles before delivery to buyers, compensation for the preparation, and the amount of time allowed for preparation.

Section 13

Repeals and reenacts AS 45.25.300

Regarding unfair practices, manufacturers may not:

- Require or coerce auto dealers to relocate or remodel their facilities if the changes are unreasonable.
- Require auto dealers to purchase a set number of certified pre-owned vehicles or lease return vehicles
- Refuse to deliver for sale a line or make of vehicles that manufacturer makes.
- Require auto dealers to purchase unreasonable advertising displays or an unreasonable number of signs.
- Require auto dealers to accept vehicles, parts, accessories or equipment they did not voluntarily order.
- Increase the price of a vehicle ordered by the auto dealer between the time of order and the time of payment.
- Require or coerce auto dealers to join an advertising association or contribute to an advertising campaign.

Section 14

Repeals and reenacts AS 45.25.990(19)

Defines "terminate" for this chapter.

Section 15

Adds new paragraph to AS 45.25.990

Defines 'schedule of compensation' and "warranty work" for this chapter.

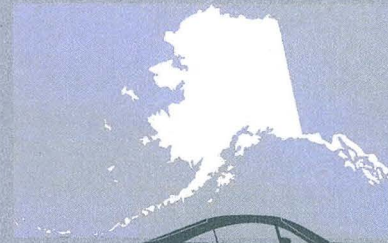
Section 16

Repeals AS 45.25.320

Driving Alaska's Economy

Annual Contribution of Alaska's New-Car Dealers

Numbers reflect annual economic activity during 2016.



29

DEALERSHIPS
(new car)



6,876

TOTAL JOBS
(created by dealerships)

Includes 3,088 direct jobs and
3,788 indirect and induced jobs.



69

EMPLOYEES
(average per
dealership)



\$1.6B

TOTAL SALES

14.1%

Share of Total
Retail Sales in State



\$133M

PAYROLL

\$60,136

Average Annual
Earnings

\$53M

State and Federal
Income Taxes Paid

Includes income taxes paid for direct,
indirect and induced jobs.



0.2%

REGISTRATIONS

Alaska's Share of Total U.S.
New-Vehicle Registrations

13.5 YEARS

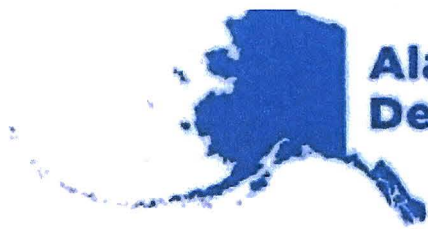
**AVERAGE
VEHICLE AGE**

Sources: Alliance of Automobile Manufacturers, Center for Automotive Research, IHS Markit, NADA Industry Analysis,
U.S. Bureau of Labor Statistics.



NATIONAL AUTOMOBILE DEALERS ASSOCIATION

NADA Industry Analysis | 8400 Westpark Drive, Tysons, VA 22102 | 703.821.7010 | industryrelations@nada.org
NADA Legislative Affairs | 412 First Street, SE | Washington, DC 20003 | 800.563.5500 | legislative@nada.org



**Alaska Automobile
Dealers Association**

P.O. Box 201305
Anchorage, Alaska
99520-1305

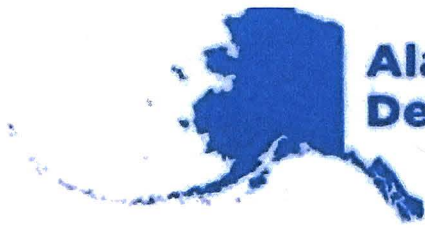
Why do Alaska and 49 other states have Auto Dealer Franchise Laws?

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.”

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

“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.**”

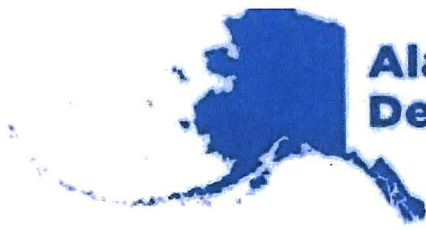


Update Alaska's of Auto Dealer Franchise Act – HB 136

HB 136 updates Alaska's Statutes dealing with franchise agreements between Alaska's auto dealers and outside auto manufacturers. The bill includes provisions dealing with manufacturer policies on warranty service, which will positively impact Alaska consumers and workers.

This legislation brings to Alaska much-needed updates that level the playing field by providing protections to Alaskan businesses and consumers. These protections exist in most other states, however Alaska is behind in updating its laws. Specifically it:

1. Addresses what constitutes good cause for termination or nonrenewal of franchise agreements by adopting good faith standards for the manufacturers, including reasonable performance goals and supplying inventory.
2. Updates notice requirements in cases of termination or nonrenewal of franchise agreements and sets procedures for returning inventory to the manufacturer, including vehicles, parts, and signage previously required by the manufacturer.
3. Establishes procedures determining fair compensation to dealers for warranty work, governing manufacturer audits, and allowing dealers to provide warranty work for consumers over 100 miles from the dealer or not accessible by road.
4. Establishes procedures governing succession planning for dealerships.
5. Provides terms appropriate for rural states rather than large urban centers governing the establishment of new and relocated dealerships.
6. Addresses the sale, transfer or exchange of franchises.



Alaska Automobile Dealers Association

P.O. Box 201305
Anchorage, Alaska
99520-1305

Affordable Used Cars, Anchorage	Kendall Porsche, Anchorage
Alaska Sales and Service – Anchorage, Chevrolet	Kendall Toyota, Anchorage
Alaska Sales and Service – Anchorage, Cadillac	Kendall Volkswagen, Anchorage
Alaska Sales and Service – Anchorage Buick	Lithia BMW of Anchorage
Alaska Sales and Service – Anchorage GMC	Lithia Chrysler, Anchorage
Alaska Sales and Service – Valley Buick	Lithia Dodge, Anchorage
Alaska Sales and Service – Valley GMC	Lithia Jeep, Anchorage
Anchorage Chrysler	Lithia Ram, Anchorage
Anchorage Dodge	Lithia Fiat, Anchorage
Anchorage Ram	Lithia Hyundai, Anchorage
Anchorage Jeep	Lithia Kia, Anchorage
Chevrolet of South Anchorage	Lithia Mini of Anchorage
Chevrolet of Wasilla	Lithia Chevrolet of Fairbanks
Continental Acura, Anchorage	Lithia Buick of Fairbanks
Continental Honda, Anchorage	Lithia GMC of Fairbanks
Continental Mazda, Anchorage	Lithia Chrysler, Wasilla
Continental Nissan, Anchorage	Lithia Dodge, Wasilla
Continental Subaru, Anchorage	Lithia Jeep, Wasilla
Continental Volvo, Anchorage	Lithia Ram, Wasilla
Dependable Used Cars, Anchorage	Lyberger Car & Truck Sales, Anc
Fairbanks Nissan	McGee Auto Sales, Anchorage
Gene's Chrysler, Fairbanks	Mendenhall Auto Chevrolet, Juneau
Gene's Dodge, Fairbanks	Mendenhall Auto Chrysler, Juneau
Gene's Jeep, Fairbanks	Mendenhall Auto Dodge, Juneau
Gene's Ram, Fairbanks	Mendenhall Auto Jeep, Juneau
Kendall Ford, Anchorage	Mendenhall Auto Ram, Juneau
Kendall Ford, Kenai	Mendenhall Auto Honda, Juneau
Kendall Ford, Wasilla	Mendenhall Auto Subaru, Juneau
Kendall Lincoln, Anchorage	Mendenhall Auto Toyota, Juneau
Kendall Audi, Anchorage	Quality Auto Sales, Anchorage
Kendall Lexus, Anchorage	Red White and Blue Auto Sales, Anc
Kendall Mercedes, Anchorage	Seekins Ford, Fairbanks
	Seekins Lincoln, Fairbanks



8725 Mallard Street • Juneau, AK 99801 • (907) 789-1386

April 7, 2018

The Honorable Matt Claman
State Capital Room 118
Juneau, Alaska 99801

Dear Representative Claman,

As an automotive retailer in Juneau, Alaska, I have over 40 years of both retail and manufacturer experience and I am writing in support of HB136. I have been a member of the board of directors for the Alaska Auto Dealers Association since its inception and served as its President. In 1999 I was named as the first Alaskan to receive the Time Magazine Quality Dealer Award. In addition to the Alaska Auto Dealers board, I currently serve as a member of the board of directors for the National Auto Dealers Association.

I along with my partners operate Mendenhall Auto Center. We have been in business for 30 years, are the oldest Chrysler dealer in the state, and now represent five manufacturers in our community.

Because of my tenure as a dealer I was involved in the original dealer bill that was created around 2002. That statute has had minor modifications over the years, but has not remained current with the issues facing both dealers and consumers today.

I first wish to acknowledge the hard work put forth by you and your staff. The fact that you were able to bring members of the Alliance for Automotive Manufacturers to the table and facilitate a meeting is a major accomplishment. The results of your endeavors are even more impressive as it appears we have reached an understanding. The members of the Alaska Auto Dealers association strongly support HB136.

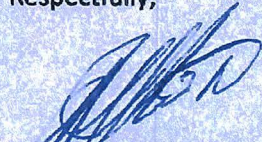
The areas that HB136 serves to address:

1. What constitutes good cause for termination or nonrenewal of franchise agreements by adopting good faith standards for the manufacturers, including reasonable performance goals and supplying inventory.
2. Updates notice requirements in cases of termination or nonrenewal of franchise agreements and sets procedures for returning inventory to the manufacturer, including vehicles, parts, and signage previously required by the manufacturer.

3. Clarifies procedures governing succession planning for dealerships.
4. Establishes procedures determining fair compensation to dealers for warranty work and recalls. This will help dealers to provide stronger investments in equipment, training, and personnel enhancing customer satisfaction.
5. Most importantly, by requiring manufacturers to address safety recalls and warranty work in remote areas. Either directly with the dealer, or by facilitating the repair in the specific location. This is certain to provide a better consumer experience.

In closing, again I thank you for your hard work on this legislation.

Respectfully,



Steven J. Allwine

President



April 10, 2018

Rep. Matt Claman
Alaska House of Representatives
State Capital Room 118
Juneau, Alaska 99801

Dear Representative Claman,

As the owner of Continental Auto Group in Anchorage and President of the Alaska Auto Dealers Association I'd like to express my support for HB 136. The Alaska Auto Dealers Association has been trying for the past two years to get legislation passed that addresses issues of significant importance to Alaska car dealers and their customers. HB 136 is the result of our efforts to find a compromise with the Auto Alliance (auto manufactures) to address these concerns.

In a nutshell, HB 136 clarifies good cause for termination or nonrenewal of franchise agreements by adopting good faith standards for the manufactures. It updates notice requirements in cases of termination or nonrenewal of franchise agreements and sets procedures for returning inventory to the manufacturers. It clarifies procedures governing succession planning for dealerships. It establishes compensation to dealers for warranty work and recalls and most importantly establishes some guidelines for warranty repairs in remote areas of Alaska. This is especially important to Alaskans because of our vastness and in many cases limited access to new car dealerships.

As a member of the Alaska Auto Dealers Association for the past 15 years I've been involved with a number of legislative issues affecting our business. Your approach to finding common ground between the AADA and the Auto Alliance was something I'd never experienced before. Your tireless commitment to establishing a compromise by acting as a mediator between our two groups was extraordinary. Thank you for sponsoring HB 136.

Sincerely,

Marten Martensen
Owner
Continental Auto Group



KENDALL
Administrative Offices

8854 W. Emerald St.
Suite 260
Boise, ID 83704

Phone: 541-335-4581
Fax: 208-297-7952
kendallauto.com

April 11, 2018

The Honorable Representative Matt Claman
Alaska House of Representatives
State Capitol
Juneau, Alaska 99801

RE: House Bill 136 – Letter of Support

Dear Representative Claman:

Kendall Automotive Group would like to thank you for introducing House Bill 136. Kendall has dealerships in other Northwest states and therefore has a firsthand look at the unique challenges Alaska auto dealers face because of weak or outdated franchise laws. Alaska is significantly behind franchise protections that are afforded auto dealers in other states. In other states the auto associations have full time employees that keep up with needed legislation as the industry changes. In Alaska we have a volunteer group that meets once a month for an hour. We simply don't have the dealer body to hire such advocates for Alaskan auto dealers which has left us far behind the lower 48 franchise laws. The passing of this bill will allow us to better take care of our customers. It will also better protect these Alaskan businesses and employees from manufacturer over reach and unrealistic requirements.

Kendall owns and operates 39 dealerships in the Northwest with 17 franchises in Alaska: Kenai, Anchorage, Soldotna and Fairbanks. Kendall auto dealerships have been family owned since 1963.

The owners and 715 Alaskan employees, thank you for your hard work and dedication facilitating this discussion with the Auto Alliance and the Alaska Auto Dealer Association. Your hard work has paid off as both parties have come to an understanding and agreement.

Key changes that will help Alaska and Alaskans.

1. Holding manufactures accountable for safety recalls and warranty work in remote areas.
2. Provides fair compensation for warranty work.
3. Fair succession of dealerships to family or who the dealer wishes.
4. Terminations processes and requirements.

House bill 136 has no down side to Alaska. It protects our customers, our businesses and employees. It brings us closer to the protections lower 48 states have had for many years.

Respectfully,

David Blewett

President/CEO

KENDALL



ALASKAN OWNED & OPERATED SINCE 1944

February 28, 2017

Representative Matt Claman
Alaska State Capitol
Room 118
Juneau, AK 99801-1182

Re: HB 136

Dear Representative Claman,

I want to thank you for your time to meet with some of us automobile dealers on Feb. 7th! We know with the very busy schedule you folks are on, every minute is valuable, so we thank you! And especially, on behalf of all new franchised automobile dealers in Alaska for introducing HB 136, a bill that will bring our automobile franchise laws more in line with the rest of the states in the nation.

The automobile industry is a very dynamic industry, in particular from the standpoint of a franchised new automobile dealer. We are tethered to our particular manufacturers by a Sales and Service Agreement (SSA), a pretty unilateral agreement that, at least with my manufacturer General Motors (GM) is consistent for all their dealers. If you want to represent a particular brand, you must meet the manufacturer's qualifications and sign the agreement for that brand. GM's SSA's are the same for each of their brands; there are no negotiations allowed for change by the dealer.

My company, Alaska Sales and Service, Inc. (AS&S) has been in business in Alaska since 1944. I have been employed with AS&S since 1969 and have been fortunate enough with my oldest son to now be the owners of the company. It has always been Alaskan owned and operated by family business people. AS&S has represented virtually every brand GM has had with the exception of Saturn. When GM discontinued Saturn, AS&S agreed to be the service center for owners of Saturn automobiles when the then dealer discontinued his business relationship with GM.

To accommodate the requirements of the SSA's, AS&S over the years has invested millions of dollars in land and facilities, furniture, fixtures, equipment, and our continual employee base of 210-280 full-time employees.

As mentioned earlier, the automobile industry is very dynamic and has been through some rough periods especially in more recent years. In 2005, AS&S invested millions of dollars in a new state-of-the-art dealership to meet all GM's facility requirements in the Mat-Su Valley to accommodate our Pontiac, Buick and GMC franchises at that location.

Then, to our dismay, in April 2009 GM decided to discontinue the Pontiac brand worldwide. Unfortunately the loss of this successful brand for both our Valley and Anchorage dealerships was a big financial blow to AS&S, especially to our new dealership in the Mat-Su where Pontiac made up 28% of its new vehicle sales. While the existing AS 45.25.140 has provisions for GM to repurchase their branded automobiles, parts, signs, equipment and furnishings that bear their trademark or trade name required by the manufacturer within the last five years, and required special tools purchased in the last three years, there was no provision for compensation to the dealer for investment in his owned real estate to include the buildings and land to accommodate the franchise requirements.

In early May 2009, GM notified 1,100 of its 6,000 dealers that they were going to be terminated. June 1, 2009 GM declared bankruptcy. All the GM dealers received a notice stating that if they wanted to continue to be a GM Dealership, then they must sign a "participation agreement" for the non-discontinued brands and a "wind-down" agreement for the discontinued Pontiac line. The agreements were to be returned in less than 2 weeks. GM offered a small pittance to the dealers for the "wind-down" After those notices came out, about June 8, 2009 GM also discontinued the Chevrolet and GMC medium-duty truck lines followed in February 2010 with the discontinued production of the Hummer brand all of which were accompanied by a "wind-down" agreement. Although the existing provisions of AS 45.25.140 and 45.25.150 should have applied to the "wind-down" (discontinuance) of the Pontiac, Chevrolet Medium Duty, GMC Medium Duty and Hummer, the provisions didn't apply.

The manufacturer compensated AS&S - Valley less than \$55,000 for the discontinuance ("wind-down") of the Pontiac brand, all inclusive of all provisions of the existing law (parts, signs, special tools etc.) AS&S - Anchorage received less than \$100,000 for the discontinuance of Pontiac, Chevrolet Medium Duty, GMC Medium Duty and Hummer. In both dealerships, we had invested millions of dollars to accommodate those brands.

Although HB 136 does not address a manufacturers' bankruptcy, it does have much better provisions if the manufacturer discontinues the sale and distribution of a new motor vehicle line on a nationwide basis.

Other provisions of HB 136 that not only help the dealers stay on a more even playing field with the manufacturers, but also benefit consumers and employees. The most apparent provision is the issue of payment to dealers for warranty repairs. At this time, the manufacturers have their own labor time guide (a guide stipulating how many hours they will pay the dealer for to perform a particular job), which is significantly fewer hours or tenths of hours less than the industry labor time guides for the same job done for a customer, non-warranty. This impacts not only the amount the dealer receives for a similar job done under warranty, but also the amount that their service technician is paid for the job. Dealers are required under their SSA to perform warranty on brands for which they hold a franchise. In many cases, the technician performing the repair must be certified by the manufacturer to perform a particular service, or the manufacturer will not pay the dealer. Many times the dealers must send their technicians outside of Alaska for specialized training, a costly investment in their technicians. Additionally, the technician gets penalized for performing the warranty job because it pays fewer hours or tenths of hours than a non-warranty repair would pay.

Many other provisions of HB 136 have been elaborated on in Alaska Automobile Dealers Association response to the letters from the Auto Alliance in March 2016 against the 2016 bill SB 197.

We graciously thank you for your support and introduction of HB 136 in the 30th Legislature of Alaska.

Sincerely,

A handwritten signature in blue ink that reads "Diana Pfeiffer". The signature is written in a cursive style with a large, flowing 'D' and 'P'.

Diana Pfeiffer
President/CEO
Alaska Sales & Service Anchorage and Valley

**CHEVROLET
OF SOUTH ANCHORAGE
A LITHIA STORE**

March 4, 2017

The Honorable Matt Claman
Alaska, State Capitol
Juneau, Alaska 99801

RE: House Bill No. 136

Dear Representative Claman:

My name is Jamie Turner and I am a general manager for Lithia Motors who serves as the executive manager at Chevrolet of South Anchorage and reside in Anchorage, Alaska. I'm writing this letter in support of HB No. 136. This is a comprehensive bill that fairly expands legislative protections for automobile dealers, consumers and dealership employees.

Representing a dealership owned by a publicly held and traded company (NYSE: LAD), there are sections that do not relate to my day to day business. However, I fully support the language in the bill that gives family owned dealerships the protections they deserve, specifically related to unwarranted terminations and succession plans. My business, consumers and employees will benefit most from the provisions related to fair compensation, reasonable warranty terms related to Alaska conditions and audit limitations.

Alaska is one of the last remaining states to pass a bill like HB No. 136, which creates a fair playing field between the manufacturer and automobile dealers. There are two sections which will affect my business the most:

- Section 15:
 - Will allow dealers to charge and collect labor and parts at retail for all warranty work performed, as well as limit the consumer's responsibility. This will allow me to pay my most skilled technicians a better wage and limit the expenses forced onto the consumer to transport the vehicle to and from the dealership for warranty repairs.
 - Will limits the time that a manufacturer may initiate a claims audit.
- Section 16: Will prohibit the manufacturer from selling parts to a third party distributor for a lower price than offered to a dealer. This will allow me to stock more parts inventory and become less dependent on third party providers, which makes repairs more efficient for the consumer.

I appreciate your time and hope you have successful Thirteenth Legislative Session.

Sincerely,


Jamie Turner
16751 Carl Street
Anchorage, AK 99516

9100 Old Seward Hwy, Anchorage, AK 99515 ♦ (907) 365-8600





February 27, 2017

Rep. Matt Claman
Alaska House of Representatives
State Capitol, Room 118
Juneau, Alaska 99801

Re. HB 136

Dear Representative Claman,

I'd like to express my support for HB 136. In particular I'd like to explain the importance of Section 15 as it applies to warranty and policy work and Section 16 as it applies to unfair practices.

Because we are in Alaska many of our customers are more than 100 road miles from our dealerships or in some cases not even accessible by road. The problem arises when these vehicles that are under warranty need to be repaired. Continental has had customers as far away as Valdez and Fairbanks required by the manufacture to drive their cars back to the dealership in Anchorage. The manufactures contend that the repairs need to be performed at the dealership by a manufacture certified technician. This is both an inconvenience and is costly to the customer. HB 136 simply states that the dealer can arrange to have the repairs performed by another reasonably qualified technician where the vehicle is located. This is much more acceptable than burdening the customer to get their vehicle back to the dealership.

On October 7, 2015 I attended a meeting with Nissan representatives in Anchorage. The meeting mainly covered regional marketing plans and goals. During this meeting a Nissan representative stated, "grow or go" referring to Nissan's stance that if a Nissan dealer isn't growing they should get out of the Nissan franchise. This same representative asked me "Do you want to be a Nissan dealer or should we find a new one?" I took considerable offense to this considering the amount of time, energy and millions of dollars we've invested in our Nissan franchise. Nissan's attitude is completely unfair and unreasonable. The manufactures expectations are in most cases out of the control of the dealers. I received a letter dated February 1, 2016 (the letter is hereby attached) from Nissan North America. In the letter Nissan recognized that our "year-over-year sales performance is below the average of the Northwest Region". Nissan further states that it is imperative you make the operational improvements necessary to address

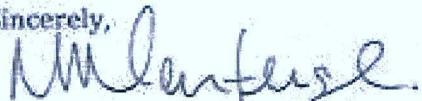
this issue". I would argue that our Nissan sales are down because Nissan discontinued our second highest volume vehicle the Nissan Xterra and the Nissan Titan truck is so outdated (10 years without a redesign) that it doesn't even compete in the largest segment of the Alaska market which is trucks. Of course the biggest factor is Alaska's current state of the economy. Year to date we are already considerably behind last years sales volume. By my experience the manufactures don't take into consideration what sells in Alaska let alone the economic climate in a small market like Alaska.

With the ever shrinking profit margins of new car sales, the manufactures contend that they "help" dealers by offering bonus incentives if the dealer achieves certain objectives set by them of course. This the manufactures way of controlling what we sell and what we market. In 2016 Continental didn't achieve any of the annual sales objectives that Subaru, Honda, Acura, Nissan, Mazda and Volvo set for us. There are many factors that can contribute to achieving these objectives or the failure to do so. For instance we didn't even receive enough Subaru inventory in 2016 to reach the objective that they set for us. All of the manufactures listed above have programs that they force us to participate in and thereby control how much inventory we are allocated and how our dealerships should look. Demanding that a dealer upgrade their dealership image program in a recession or penalizing them because their new car volume is down is again unfair. Under HB 136 manufactures may not unreasonably require a dealer to remodel or renovate an existing facility or thereby withhold new car inventory.

In 2008 when the U.S. economy was in the midst of the worst recession the country had experienced in the past 50 years, the automotive industry was affected tremendously. General Motors and Chrysler filed for bankruptcy and required a government bail out to survive. During this time, GM and Chrysler terminated dealerships with total disregard to the dealers and the people that worked for them. Warranty work was scrutinized to the point that dealers where being audited by the manufactures and penalized millions of dollars because dealership personal didn't dot an "i" or cross a "t". It prompted new car dealership associations around the country to take action to support dealer franchise protection through legislation. Since 2008, 39 states have passed new car dealer franchise laws similar to HB 136. As a member of the Alaska Auto Dealers Association we have been working on this for sometime. We feel that HB 136 is fair and reasonable and necessary to protect our local interests from corporate manufactures that are becoming increasingly anti-franchise dealers.

We greatly appreciate your support and sponsorship of HB 136.

Sincerely,



Marten Martensen
Continental Auto Group
Anchorage, AK



NISSAN NORTH AMERICA, INC.
Northwest Region
11900 NE 1st Street, Suite 300
Bellevue, WA 98005

February 1, 2016

Continental Car and Truck, LLC
Continental Nissan of Anchorage
5115 Old Seward Hwy.
Anchorage, AK 99503

RE: Declining Sales Performance

Dear Mr. Martensen:

It is critical and in the mutual interests of Nissan North America, Inc. and its dealers for the Nissan brand to be represented by a highly competitive dealer network that is effective in both sales and customer satisfaction.

We are contacting you today because of Nissan's concern regarding your dealership's year-over-year sales performance trend. As reflected below, your dealership's year-over-year sales performance is below the average of the Northwest Region.

2015 VS. 2014 - SALES DATA

2014 Total	2015 Total	DEALER % Change	REGION % Change
530	460	-13%	+2%

Accordingly, it is imperative you make the operational improvements necessary to address this issue. Your field team is available to help you in this endeavor. There is substantial opportunity available for incremental volume and profit in your dealership, and it is in our mutual best interest that you take steps to capture this opportunity.

Respectfully,

Josh Batie
Regional Vice President
Northwest Region

February 27, 2017

Dear Rep Matt Claman,

The wording contained in HB136 is very important to protecting local companies, Alaskan jobs, and our community. The manufacturers are concerned with global forces and Wall Street. They know very little about Alaska's economy, Alaska's people. The local franchisees, the local dealers, are the ones supporting thousands of families, contributing to local schools and charities, and who have invested their livelihoods in support of long term positive growth for our state.

In the past, our laws have sought a level the playing field, address local needs and to protect the lesser party, and that is exactly what this bill seeks to do. The manufacturers have almost unlimited resources and without legislative protections, local businesses and the livelihoods of the Alaskans rest with the decisions of the manufacturers. This bill provides regulations protecting consumers and local businesses which are standard in most states and which have yet to be addressed in our state.

The industry regulations which this bill addresses and for good reason. We have had a manufacturer charged us back more than \$120,000 for rebates which the customers received, because we didn't cross our T's or Dot our I's as a example we have invoices showing the customer purchased signage on their vehicles and received the appropriate rebate to account for the signage but we did not have proof of payment the manufacturer charged us back, not the consumer and nowhere in the rules does it state we needed to provide such proof. Under these conditions, dealers are uncertain what work or rebates they will be paid for, and if they are paid, they don't know if the manufacturer will construct an arbitrary reason to charge the dealer back.

Manufacturers do not treat dealers the same. They can provide additional inventory to the dealer of they choose, subsidizing that dealer by paying them hundreds of thousands of dollars in extra incentives for the additional sales the dealer made using their own allocation process. The competing

dealers could have their franchise terminated for not attaining their market share of vehicles which they did not receive or allocated. Without this bill, auto dealers which have been employee local Alaskans and serving the community since statehood, can be eliminated by the manufacturer without cause.

In closing these manufactures self-interests have too much control over our local businesses. When the manufacturers are allowed to have this much legal control without oversight, dealers are in jeopardy, the consumer will pay the end cost, local businesses lose. We are asking for your support, and with this bill, you can bring fairness back to the market and ensure local jobs and a stable economy we desperately need now in Alaska.

As a lifelong Alaskan I am asking for your support of this bill and on behalf of the Auto dealers of Alaska and all the employees our future depends on it. Thank you for your support.



Troy Jarvis

General Manager

Lithia Chrysler Jeep Dodge Ram Fiat of Anchorage

Fiscal Note

State of Alaska
2018 Legislative Session

Bill Version:	CSHB 136(TRA)
Fiscal Note Number:	1
(H) Publish Date:	3/30/2018

Identifier: HB136-LAW-CIV-03-10-17
 Title: MOTOR VEHICLE DEALER FRANCHISES
 Sponsor: CLAMAN
 Requester: House Transportation

Department: Department of Law
 Appropriation: Civil Division
 Allocation: Commercial and Fair Business
 OMB Component Number: 2717

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2019	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2019 Request	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
OPERATING EXPENDITURES	FY 2019	FY 2019					
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimated SUPPLEMENTAL (FY2018) cost: 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2019) cost: 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No
 If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version/comments:

Not applicable, initial version.

Prepared By: Representative Stutes
House Transportation Committee
Representative Wool
House Transportation Committee

Phone: (907)465-2487
 Date: 03/10/2017

Fiscal Note

State of Alaska
2018 Legislative Session

Bill Version:	CSHB 136(TRA)
Fiscal Note Number:	2
(H) Publish Date:	4/9/2018

Identifier: HB136CS(TRA)-LAW-CIV-04-04-18
 Title: MOTOR VEHICLE DEALER FRANCHISES
 Sponsor: CLAMAN
 Requester: House Labor & Commerce

Department: Department of Law
 Appropriation: Civil Division
 Allocation: Commercial and Fair Business
 OMB Component Number: 2717

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2019 Appropriation Requested	Included in Governor's FY2019 Request	Out-Year Cost Estimates					
			FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
OPERATING EXPENDITURES								
Personal Services								
Travel								
Services								
Commodities								
Capital Outlay								
Grants & Benefits								
Miscellaneous								
Total Operating	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

None								
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time								
Part-time								
Temporary								

Change in Revenues

None								
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimated SUPPLEMENTAL (FY2018) cost: 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2019) cost: 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No
 If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version/comments:

This fiscal note addresses changes to HB 136 due to a Committee Substitute for the bill.
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Prepared By:	Valerie Rose, Budget Analyst	Phone: (907)465-3674
Division:	Administrative Services Division	Date: 04/02/2018 10:53 AM
Approved By:	Jahna Lindemuth, Attorney General	Date: 04/04/18
Agency:	Department of Law	

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2017 LEGISLATIVE SESSION

Analysis

This bill amends AS 45.25, related to franchise agreements between manufacturers and new motor vehicle dealers. The bill adds new provisions relating to when good cause exists for termination of franchise agreements, and related to compensation for new motor vehicle dealers. The bill repeals and replaces AS 45.25.160, related to the transfer of a dealership to add more detail regarding the prevention or refusal to transfer a dealership. New sections, AS 45.25.200 and 45.25.210, contain provisions related to payment of warranty claims. The bill repeals and replaces AS 45.25.300, that sets out prohibitions for manufacturers; prohibited acts include requiring or coercing a dealer to change locations, requiring a predetermined number or percentage of vehicles; failure to deliver or offer a dealer new motor vehicles, requiring unreasonable advertising displays, requiring a dealer to accept or order products (motor vehicles, accessories, advertising, for example), requiring contributions or participation to an advertising campaign, or requiring a dealer to increase the price of a new motor vehicle subject to a pending retail sale.

The bill allows a private right of action between a manufacturer and a new motor vehicle dealer, which is consistent with current law. The Department of Law expects no fiscal impact if the bill becomes law.