

ALASKA LEGISLATURE COMMITTEE FILES 1983 - 1984 8672

2647 SLC SB 286 (FILE 2)

1 to the manufacturer or distributor of the vehicle, the agent of the  
2 manufacturer or distributor, or the manufacturer's or distributor's  
3 dealer during the term of the warranty or within one year after the  
4 date of delivery of the motor vehicle to the owner, whichever date is  
5 earlier, the manufacturer, distributor, agent, or dealer shall make  
6 the necessary repairs to conform the vehicle under the express  
7 warranty.

8 (b) If a manufacturer, distributor, agent, or dealer is unable  
9 to conform the motor vehicle under an applicable express warranty  
10 under (a) of this section after a reasonable number of attempts and  
11 the nonconformity is a defect or condition that substantially impairs  
12 the use <sup>OR</sup> [and] market value of the motor vehicle to the owner, the  
13 manufacturer or distributor shall accept the return of the defective  
14 motor vehicle and shall, [~~at its option,~~] replace the motor vehicle with  
15 a new, comparable motor vehicle, or refund the full purchase price to  
16 the owner, including all collateral charges less a reasonable  
17 allowance for the consumer's use of the motor vehicle. A refund under  
18 this subsection shall be made to the owner and to a lienholder as  
19 their respective interests appear.

20 (c) It is an affirmative defense to a claim made under (b) of  
21 this section for a new motor vehicle or a refund that the nonconformi-  
22 ty complained of

23 (1) does not substantially impair the use <sup>OR</sup> [and] market value  
24 of the motor vehicle; or

25 (2) is the result of abuse, unreasonable neglect, or un-  
26 authorized modification or alteration of the motor vehicle by the  
27 owner or any other party who is not an official representative of the  
28 manufacturer, distributor, agent, or dealer.

29 (d) A presumption that a reasonable number of attempts have been

*...the time period for repair, refund or replacement under (b) of this section is reduced to 14 days.*

1 undertaken to conform a motor vehicle under an applicable express  
2 warranty is established if (1) the same nonconformity has been subject  
3 to repair four or more times by the manufacturer or distributor, its  
4 agent, or its dealer during the term of the warranty or the one-year  
5 period after delivery of the motor vehicle to the owner, whichever  
6 period terminates first, but the nonconformity continues to exist; or  
7 (2) the vehicle is out of service for repair for a total of 30 or more  
8 business days during the warranty term or the one-year period referred  
9 to in (1) of this subsection, whichever period terminates first. ( The  
10 warranty term or the one-year period referred to in (1) of this sub-  
11 section is extended by any period during which repair services are not  
12 available to the owner for reasons that are not the responsibility of  
13 the owner. ) Any period of time that repairs are not performed for  
14 reasons that are beyond the control of the manufacturer or the manu-  
15 facturer's agent is excluded from the 30-day time period referred to  
16 in (2) of this subsection.

*is recorded, but slightly different.*

17 (e) A failure to replace or refund the purchase price of a motor  
18 vehicle when there is a requirement to do so under this section is an  
19 unfair trade practice under AS 45.50.471.

20 (f) A motor vehicle returned under (b) of this section may not  
21 be resold unless full disclosure of the reasons for the return is made  
22 to the prospective buyer before the resale is concluded.

23 (g) The provisions of this section do not limit other rights and  
24 remedies that may be available to the owner of a motor vehicle under  
25 other provisions of law.

26 (h) A manufacturer or distributor of motor vehicles sold in the  
27 state under manufacturer's or distributor's express warranty shall  
28 maintain a repair facility that is able to perform the service and  
29 make the repairs required by the warranty and by this section. A

1 manufacturer or distributor may comply with the requirements of this  
2 subsection by entering into a warranty service contract with an inde-  
3 pendent service and repair facility that provides for the manufacturer  
4 or distributor to reimburse the facility for all service and repairs  
5 that are covered by the written independent service contract. In lieu  
6 of establishing a repair facility or entering into a warranty service  
7 contract with an independent service and repair facility as required  
8 by this subsection, a manufacturer or distributor may pay the actual  
9 costs of shipping a motor vehicle to and from the nearest authorized  
10 facility for warranty service and repairs.

11 (i) If a manufacturer or distributor has established an informal  
12 dispute settlement procedure in the state <sup>has been approved by A.C. 25 50512.1</sup> [that substantially complies]  
13 with the provisions of 16 C.F.R. Part 703, <sup>compliance</sup> as that Part may be  
14 amended, the provisions of (b) of this section concerning refund or  
15 replacement do not apply to an owner who has not first resorted to the  
16 informal dispute settlement procedure.

17 (j) No claim under this section may be filed by an owner more  
18 than 12 months after expiration of the express warranty.

19 (k) In this section <sup>no cause of action under this section may be</sup>  
20 <sup>filed by an owner more than 12 months after the</sup>

21 (1) "distributor" means an agent of a manufacturer or a  
22 corporation engaged in the <sup>operation of the express warranty as to motor vehicles</sup> wholesale distribution of motor vehicles to  
23 retail motor vehicle dealers; <sup>a decision by an informal dispute settlement</sup>  
24 <sup>procedure under (i), whichever is later.</sup>

25 (2) "motor vehicle" or "vehicle" means a motor vehicle as  
26 defined in AS 28.35.260 that is purchased for personal, family, or  
27 household purposes and required to be registered under AS 28.10 or  
28 with a governmental agency of another jurisdiction performing a  
29 similar function;

(3) "owner" means a purchaser, other than for resale, of a  
new motor vehicle, a person to whom the motor vehicle is transferred

1 during the term of an express warranty applicable to the vehicle, or  
2 any other person entitled to enforce an express warranty on the vehi-  
3 cle under the terms of the warranty;

4 (4) "reasonable allowance" means an amount attributable to  
5 a consumer's use of a motor vehicle, but does not include any period  
6 after the consumer's first report to the manufacturer, or any of its  
7 authorized agents or dealers, of a nonconformity with an express  
8 warranty applicable to the motor vehicle during which the motor  
9 vehicle is out of service due to the nonconformity;

*The reasonable allowance*

*shall not exceed the depreciation in value of the vehicle, for the time the vehicle*

*is in service, when* (5) "substantially impairs use [and] value" refers to a

*depreciated* defect or condition in a vehicle that

*calculated by a straight-line method* (A) prevents it from being operated;

*over the life expectancy of a new* (B) makes it unsafe to operate; or

*vehicle, when the purpose of this* (C) decreases the economic life of the vehicle.

*substitution shall be deemed to be 1 unit.*

\* Sec. 3. AS 28.20.440(b)(3) is amended to read:

~~(3) contain coverage in the amounts set out in (2) of this  
subsection for the protection of the persons insured under the policy  
who are legally entitled to recover damages from owners or operators  
of uninsured or underinsured motor vehicles because of bodily injury  
or death, or damage to or destruction of property arising out of the  
ownership, maintenance or use of the uninsured or underinsured motor  
vehicle, except that this coverage or part of it may be waived in  
writing by the insured on or before the effective date of the policy.~~

\* Sec. 4. AS 21.39.020(a) is amended to read:

(a) An automobile liability policy that [WHICH] insures an owner  
or operator of a motor vehicle against loss resulting from [HIS]  
liability for bodily injury or death, or for property injury or de-  
struction, or both, which is sold in the state [AFTER JANUARY 1, 1969,  
BY AN INSURANCE CARRIER AUTHORIZED TO TRANSACT BUSINESS IN THIS

Amendments to SB 286/ Act Relating to Motor Vehicles

by Rep. Mike Miller

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Amendment 1. Page 2, line 6. After "is the result of abuse,"; insert "unreasonable".

Amendment 2. Page 2, line 15. After "a total of 30 or more"; insert "business".

Amendment 3. Page 2, lines 17-18. Delete ", WHICHEVER PERIOD TERMINATES FIRST. A PERIOD OF TIME UNDER THIS SUBSECTION IS"; and insert the following, "shall be".

Amendment 4. Page 2, line 20. After "responsibility of the owner." Add "The 30 day limit shall extended only if repairs cannot be performed due to conditions beyond the control of the manufacturer or it's agents."

Amendment 5. Page 2, lines 21-24. Delete entire subsection (e) and renumber following subsections accordingly.

Amendment 6. Page 2, after line 27. Insert new subsection to read: "No motor vehicle returned by a consumer under subsection (b) may be resold unless full disclosure of the reasons for return is made to any prospective buyer."

Amendment 7. Page 3, after line 1. Add new subsection to read: "The manufacturer or distributor of motor vehicles sold in the state for which manufacturer or distributor has made an express warranty shall maintain sufficient repair facilities reasonably close to all population centers where vehicles are sold to carry out terms of such warranties.

(a) As a means of complying with (h) manufacturer or distributor shall be permitted to enter into warranty service contracts with independent service and repair facilities. The manufacturer shall establish procedures to reimburse the independent repair facility for all costs of affecting the repair including diagnostic costs, telephone expenses, and shipping costs.

(b) As an alternative to establishing repair facilities manufacturer shall pay the actual costs of shipping the defective vehicle to the closest authorized repair facility.

Renumber following subsections accordingly.

Amendment 8. Page 3, line 3. After "dispute settlement procedure"; insert "in state".

SB 286 Amendments, cont.

Amendment 9. Page 3, line 10. Delete ".360"; insert ".260".

Amendment 10. Page 3, after line 22. Add:

(4) "distributor" means an agent of the manufacturer or a corporation engaged in the wholesale distribution of motor vehicles to retail motor vehicle dealers.

(5) "population center" is a contiguous community of over 7,500 persons.

###

# MEMORANDUM

# State of Alaska

TO: Denise Zachary, Legislative Aide  
Rep. Mike Miller (Juneau)

DATE: June 23, 1983

NORMAN C. GORSUCH  
ATTORNEY GENERAL

FILE NO:

TELEPHONE NO: 279-0428

FROM: *Connie J. Sipe*  
By: *Connie J. Sipe*, Assistant AG  
Consumer Protection Section

SUBJECT: Suggested  
Amendments to HB7

Amendment 1, page 2, line 12: Before "market value"; delete "and" and insert "or."

Amendment 2, page 2, line 14: Delete "at its option."

Amendment 3, page 2, line 23: Before "market value"; delete "and" and insert "or."

Amendment 4, page 3, line 27: After "repair facility" insert "in all population centers."

Amendment 5, page 4, line 12: After "in the state" delete "that substantially complies"; insert "has been approved by the attorney general as substantially complying."

Amendment 6, page 5, line 9: After "nonconformity"; insert "The reasonable allowance shall not exceed the depreciation in value of the vehicle, for the period of time the vehicle is in service, when depreciation is calculated by a straight-line method over the life expectancy of a new vehicle, which, for purposes of this subsection shall be deemed to be 7 years."

Amendment 7, page 5, line 10: Before "market value"; delete "and" insert "or."

Amendment 8, page 5, after line 14: Add: (6) "population center" means a contiguous community of over 7500 persons.

\* \* \* \* \*

### LEGAL CLEANUP TO CLARIFY INTENT. (Very important).

Page 4, lines 17 and 18: Delete "no claim under this section may be filed by an owner more than 12 months after the expiration of the warranty" insert "no cause of action under this section may be filed by an owner more than 18 months after the expiration of the express warranty or 6 months after a decision by an informal dispute settlement procedure under (1)." (Note that "claim" is extremely ambiguous; could mean a "claim" (1) to manufacturer for refund, (2) to dispute panel, (3) or to court, for refusal to refund.)

*whichever date is later.*

cc Art Peterson  
AGO/Juneau

Population determination definition derived  
from these statistics:

Table 10  
Population by Election District - 1980

<u>House Election District</u>	<u>1980 Population*</u>	<u>%</u>
1 - Ketchikan	15,138	3.8
2 - Wrangell	7,804	1.9
3 - Sitka	8,742	2.2
4 - Juneau	22,143	5.5
5 - Cordova	10,702	2.7
6 - Mat-Su	17,739	4.4
7-12 Anchorage	173,017	43.2
13 - Kenai	22,241	5.6
14 - Kodiak	8,757	2.2
15 - Aleutians	9,472	2.4
16 - Bristol Bay	6,830	1.7
17 - Bethel	8,790	2.2
18 - Galena	8,322	2.1
19 - Nenana	9,168	2.3
20 - Fairbanks	55,756	13.9
21 - Kotzebue	8,152	2.0
22 - Nome	7,708	1.9
Total	400,481	100.0

\*Includes military population.

Source: Election District Population Comparison, Reapportionment Board  
March 16, 1981

Amendments to SB 286/ Act Relating to Motor Vehicles

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Amendment 1. Page 1, line 2. After "reports the nonconformity"; insert "in writing".

Amendment 2. Page 1, line 23. After "the use and"; insert "market".

Amendment 3. Page 1, line 25. Delete "the option of the owner" and insert "it's option".

Amendment 4. Page 1, line 26. After "a new"; insert ", comparable".

Amendment 5. Page 1, line 26. After "refund the"; insert "full".

Amendment 6. Page 1, after line 27. After "all collateral charges"; insert "less a reasonable allowance for the consumers' use of the vehicle".

Amendment 7. Page 2, after line 4. After "the use and"; insert "market".

Amendment 8. Page 2, line 8. After "owner"; insert "or any other party that is not an official representative of the manufacturer, distributor, agent, or dealer".

Amendment 9. Page 3, line 13. Delete "cost of performing warranty service and repairs, including diagnostic costs, telephone expenses, and shipping costs" and insert in it's place, "provisions that are provided for in written independent service contract".

Amendment 10. Page 3, line 22. After "in the state that"; insert "substantially".

SB 286

proposed amendments, cont.

Amendment 11. Page 3, line 26. After "dispute settlement procedure. Insert a new sentence to read, "Action for filing complaint should be commenced during the express warranty or twelve (12) months thereafter."

Amendment 12. Page 4, line 11. After "impairs use and"; insert "market".

Amendment 13. Page 4, after line 15. Add definition for "reasonable allowance". (5) "reasonable allowance" means an amount attributable to a consumer's use of a motor vehicle, but does not include any period after the consumer's first report to the manufacturer, or any of its authorized agents or dealers, of a nonconformity with an express warranty applicable to the motor vehicle during which the motor vehicle is out of service due to the nonconformity.


STATE OF ALASKA  
THE LEGISLATURE

POUCHY STATE CAPITOL  
JUNEAU, ALASKA 99811  
907.465.3800

LEGISLATIVE AFFAIRS AGENCY

M E M O R A N D U M

June 9, 1983

SUBJECT: Sectional analysis of proposed CSSB 286 (L&C)  
TO: Senator Richard I. Eliason  
Chair, Senate Labor and Commerce Committee  
FROM:  Linn H. Asper  
Legislative Counsel

You have requested a sectional analysis of the proposed Labor and Commerce committee substitute for SB 286.

Section 1 adds a new section to AS 45.45 relating to motor vehicle warranties.

AS 45.45.300(a) places a duty on a manufacturer or distributor of motor vehicles, or their agents or dealers, to make repairs under the terms of express warranties that apply to new vehicles, during the term of the warranty or one year, whichever period ends first.

AS 45.45.300(b) provides that if a motor vehicle cannot be repaired under the terms of the warranty after a reasonable number of attempts, and the defect that cannot be repaired substantially impairs the use and value of the vehicle, the owner may return the vehicle and receive a replacement or a refund of the purchase price, at the option of the owner.

AS 45.45.300(c) gives the manufacturer, distributor, agent or dealer two affirmative defenses to the owner's claim for replacement or refund:

- (1) that the defect complained of does not substantially impair the use and value of the vehicle; and
- (2) that the defect is the fault of the owner.

AS 45.45.300(d) establishes a presumption that a reasonable number of attempts to repair the vehicle have occurred if the defect has been repaired four or more times during a

year, but continues to exist, or if the vehicle is out of service for more than 30 days during the warranty term or the one-year period. The one-year time period during which the owner may seek repair is extended by periods during which repairs are not available for reasons that are not the responsibility of the owner. The 30 day time period does not include periods of time when repairs are not made for reasons that are beyond the control of the manufacturer, distributor, agent, or dealer.

AS 456.45.300(e) makes violation of the section an unfair trade practice under AS 45.50.471.

AS 45.45.300(f) prohibits the resale of a vehicle returned under the section, without full disclosure of the reason for the return to the prospective buyer.

AS 45.45.300(g) makes the remedy provided by the section non-exclusive and allows owners to seek remedies that they may have under other provisions of law.

AS 45.45.300(h) requires manufacturers or distributors to maintain warranty service facilities near population centers of the state to service vehicles sold in the state. Manufacturers or distributors may contract with independent facilities to provide warranty service if the contract requires full payment for such service. Payment for shipping motor vehicles to and from service facilities is allowed in lieu of establishing additional facilities.

AS 45.45.300(i) requires owners to resort to informal dispute settlement procedures established under federal law, if such procedures exist in the state, before exercising the rights provided in (b) of the section.

AS 45.45.300(j) defines terms used in the section, including "distributor", "motor vehicle", "owner", "population center", and "substantial impairment of use and value".

LHA:ljb  
24/002



**Representative Mike Miller**

TO: Senator Eliason  
Labor and Commerce Committee

FROM: Rep. Mike Miller

Date: June 6, 1983

RE: SB 286/ Motor Vehicle Warranties

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Attached are the election district population comparisons that were used in the definition of "population center" in Amendment 10.

Thank you for your time and consideration on this legislation.

Table 10  
Population by Election District - 1980

<u>House Election District</u>	<u>1980 Population*</u>	<u>%</u>
1 - Ketchikan	15,138	3.8
2 - Wrangell	7,804	1.9
3 - Sitka	8,742	2.2
4 - Juneau	22,143	5.5
5 - Cordova	10,702	2.7
6 - Mat-Su	17,739	4.4
7-12 Anchorage	173,017	43.2
13 - Kenai	22,241	5.6
14 - Kodiak	8,757	2.2
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18 - Galena	8,322	2.1
19 - Nenana	9,168	2.3
20 - Fairbanks	55,756	13.9
21 - Kotzebue	8,152	2.0
22 - Nome	7,708	1.9
Total	400,481	100.0

\*Includes military population.

Source: Election District Population Comparison, Reapportionment Board  
 March 16, 1981

# Senate Labor + Commerce Cmte

Jan 31, 1984

SB 286

1:30 pm

Members present

Eliason, chair

Sackett

Mulcahy

Pettyjohn

Rodey

- 0 Sen. Eliason convened the S L+C cmte at 1:30 with all members in attendance
- 10 Sen Ray, prime sponsor of SB286, stated the purpose of legislation ~~was~~<sup>is</sup> to require a manufacturer of a new vehicle to live up to the express warranty offered. Sen Ray further commented that an estimated 800-900 Alaskans purchase defective vehicles each year. Therefore, there is a problem and SB286 is designed to address this concern.
- 73 Sen. Pettyjohn ~~stated his objection to~~ outlined a possible scenario where a new vehicle is purchased in Anchorage and then shipped to a remote site in Alaska not connected by the road system. Would the manufacturer be responsible to ship the car out to fix it?

132

Sen. Sackett asked for clarification regarding two memorandums placed in committee members file

144

Connie Sipe, Consumer Protection, explained her memorandum addressed to ~~Sen. Eliason~~ <sup>Chair,</sup> in which ~~proposed~~ the amendments incorporated into ~~CS~~ the work draft before the cmte were outlined. Connie also recommended a further amendment to clarify the meaning of the legislation

The Office of the Attorney General supports SB286 and urges the passage of this legislation. The Attorney General recognizes the <sup>monetary</sup> value of a warranty which can add between \$400-\$1000 to the purchase price of a new vehicle. Alaskans deserve the added protection to see that a <sup>their</sup> warranties <sup>are</sup> honored. It is hoped that this legislation will encourage the automobile manufacturer to better service their automobiles; therefore, giving Alaskans the full value of their warranties.

Connie reiterated the Attorney General's opinion (as expressed in written memo to the chair of Senate L+C) that, <sup>perhaps the</sup> automobile manufacturers don't treat Alaskan dealers / ~~customer~~ consumers as fairly as dealers / consumers in other states. For example, dealers cannot get warranty parts air freighted to Alaska at manufacture expense even though this practice is in place for the other 49 states.

Raising the <sup>manufacturer</sup> level of responsibility under their own warranty will get the attention Alaska deserves

344

Sen. Rodey posed a question concerning the ~~id~~ wondered if many dealers had filed complaints with <sup>had been filed</sup> Consumer Protection concerning the necessity of ~~servicing~~ an automobile in which was not sold by that dealer. dealers who were "less than enthusiastic" to service cars in which they had not sold.

Connie responded that not many complaints were reported, but it is a factor to consider. ~~It was also noted.~~

382

The concern of honoring a warranty to an automobile in a remote location was raised by Sen. Pettyjohn. ~~It~~ was acknowledge that ~~section (h), it~~ <sup>page 3, sub-section</sup> ~~should~~ <sup>shall</sup> read "a manufacturer... should maintain a repair facility IN THE STATE (or words to that effect)"

434

Connie Sipe explained that the <sup>proposed</sup> work draft of SB 286 does not require the manufacturer to pay for the shipment of a vehicle from a remote site. ~~This section was in a prior version of this legislation, but it is~~ ~~si~~ ~~That section was in a prior~~ ~~This language has been deleted from SB 286.~~

~~It~~ was further explained by Sen. Eliason that the proposed draft was the result of compromises by ~~the~~ ~~manufacturers~~ at meetings between

the car manufacturers and interested parties.

456 Jim Austin representing the Motor Vehicle Manufacturers Assn.,  
and Lee Ridgeway, General Motors Corporation, stated they were in accord, <sup>in</sup> with many respects, with SB286. Their official position is ~~is~~ while not specifically endorsing this legislation, they are not opposing its passage.

~~78~~ Jim Austin continued by outlining several proposed amendments for committee consideration.

500 It was suggested by Mr. Austin that a nonconformity be reported <sup>in writing</sup> to the manufacturer to ensure that the manufacturer is aware of the consumer's concern. As the manufacturer is the party responsible, the manufacturer must be kept informed regarding the defect.

623 After much committee input, Connie presented proposed language which clarified that owner of a vehicle needed to notify the manufacturer <sup>only</sup> once that ~~with~~ defects

in ~~the car~~ the owner was experiencing difficulties with the vehicle

630 Jim Austin acknowledge that the presented testimony would satisfy the manufacturer's concerns.

653 The proposal to make the manufacturer responsible to provide a new OR comparable vehicle ~~when~~ available to the consumer ~~who has~~ who had previously purchased "a lemon" was discussed at great detail

736 It was noted by Lee Ridgeway that General Motors receives payment of the full purchase price, but not any interest charges. An amendment was proposed to take this fact into consideration when determining the buy-back value.

802 Less than  $\frac{1}{2}$  of 1% of vehicle sold are involved in a buy-back situation. The proposed amendments would make SB 286 effective for all parties concern stated Mr. Ridgeway

833

~~The automobile manufacturer's~~  
It was requested by the  
manufacturer representatives that the  
disclosure concerning a vehicle's  
history ~~be~~ deleted. ~~It was pointed~~  
~~out that it is a "lemon"~~. Once a  
"lemon" is restored, ~~to~~ the vehicle  
is covered by a new warranty  
and therefore; as expressed by  
Lee Ridgeway, should be treated  
as a "new" automobile and not  
as vehicle with a history.

Side 2

02

Sen. Ray voiced support for the  
full disclosure on the vehicle's  
history. It is important that the  
consumer has this information.

66

Discussion regarding an outside  
limit for "reasonable allowance" followed  
~~and~~ Jim Austin's proposal to  
eliminate the maximum dollar amount.  
Jim felt the third party arbitrators  
should have the flexibility to set  
an amount which seemed reasonable.

123 Connie Sipek suggested this  
outside limit as expressed in  
straight <sup>line</sup> depreciation over a 7yr  
life span for a vehicle was ~~just~~  
~~equitable~~ and ~~provided the consumer~~  
~~with a needed protection~~  
and gave the arbitrators some  
guidance to <sup>what was meant</sup> ~~what~~ "reasonable  
allowance". ~~was to mean.~~

190 Proposed clarification of the  
term "economic life" was suggested  
and ~~not~~ objections were voiced.

Sen. Eliason announced a teleconf.  
scheduled for Feb 9 at 1:30 pm  
to further discuss SB 286

284 Sen. Eliason directed Connie Sipek  
to prepare a memorandum on <sup>for the comm. Hec</sup>  
the proposed amendments <sub>members</sub>

290 Sen Ray expressed his ~~appreciation~~  
to the committee for the <sup>comm. Hec's</sup> courtesy

294. Meeting adjourned - 2:30pm

SPONSOR: Senate Labor + Commerce  
leg non-leg/pub hear work ses inv hear

T/C DATE/DAY: THURS. 2/9/84

SUBJECT: SB 286 Jensen Jaw

TIME: Alaska 1:30-3:00

MAILING ADDRESS: \_\_\_\_\_

DATE TAKEN/BY Inh. 2/11

PHONE 4917 CONTACT: Shela

JUNEAU ROOM \_\_\_\_\_

SITES PARTICIPATING:

North Slope  
Anaktuvuk Pass  
\* Barrow  
Kaktovik  
Point Hope  
Wainwright

Bristol Bay  
Aleutians  
\* Bethel  
\* Dillingham  
St. Paul  
Sand Point  
\*\* Unalaska  
Togiak  
Toksook  
Naknek  
Newhalen

Norton Sound  
Gambell  
Hooper Bay  
\* Nome  
Savoonga  
Shishmaref  
\*\* Unalakleet

Southeast  
Cordova  
\* Haines  
Hoonah  
\* Juneau  
\* Ketchikan  
\* Petersburg  
\* Sitka  
Wrangell  
Yakutat

Interior  
\* Delta Junction  
\* Fairbanks  
\*\* Fort Yukon  
Galena  
\* Glennallen

South Central  
\* Anchorage  
\* Homer  
\* Kenai (Sol)  
\* Kodiak  
\* Mat-Su  
\* Seward  
\* Valdez

Nana  
Ambler  
\* Kotzebue  
Noorvik  
Selawik

ALL ALASKA

ALL LIO's

ALL LIO's, OTHER SITES WELCOME  
WITH PRIOR NOTIFICATION

*any site with interest  
may participate*

*red-added  
2/3/84*

Chairing Site/person Sen. Eliason / Tru

Special Offnet \_\_\_\_\_  
Location/Phone # \_\_\_\_\_  
\_\_\_\_\_

Shela Peterson 2/1/84

This teleconference is an advertized public hearing  
required to meet the public hearing law.

SIGNATURE OF SPONSOR/CONTACT PERSON DATE

-----TELECONFERENCE OFFICE USE ONLY-----

2-Wire \_\_\_\_\_ 4-Wire

Publicity:

\_\_\_\_\_ Local calls/list attached

Media P.S.A. attached

Can Expect:

\_\_\_\_\_ Lengthly Back-up

\_\_\_\_\_ Bill Summary

\_\_\_\_\_ Participants List

\*\*\*\*\*  
LEGISLATIVE TELECONFERENCE NETWORK SIGN-IN SHEET  
\*\*\*\*\*

2/9/84\_\_\_\_\_ : DATE  
FBX\_\_\_\_\_ : SITE/LOCATION  
SEN. LABOR & COMMERCE "LEMON LAW"\_\_\_\_\_ : SPONSOR/SUBJECT  
SB286

TESTIFIED/PARTICIPATED:

OBSERVED:

1. JOHN P. IMMEL, 1924 HILLING, FBX, 99701 456-5248
2. TERRY PIPOLY, 302 ANTOINETTE, FBX, 99701 452-3300
3. LARRY WALKER, 4013 EVERGREEN, FBX, 99701 479-2310
4. GEORGE DROWER, 4841 DALE ROAD, FBX, 99701 479-5951

-----STATS-----  
0\_\_\_\_\_TESTIFY/ED           \*\*\*\*\*T/C STARTED: 1:30 P.M.  
4\_\_\_\_\_OBSERVE/ED           \*\*\*\*\*T/C ENDED: 3:10 P.M.  
4\_\_\_\_\_TOTAL

=====EOM

MSG 84-00612010 PRTY 1 02/09/84 15:16:24 ORIG: LS00 IN= 0014 OUT= 0024  
FROM: SITKA TO: PRIMARY MODERATOR & JUNEAU TC  
TARGET: LJH6 SUBJ: HOONAH FINAL STATS/2-9, LEMON LAW TC

\*\*\*\*\*  
LEGISLATIVE TELECONFERENCE NETWORK SIGN-IN SHEET  
\*\*\*\*\*

DATE: FEBRUARY 9, 1984  
SITE: HOONAH  
SPONSOR/SUBJECT: (S) LABOR & COMMERCE COMMITTEE/ LEMON LAW

0 TESTIFIED \*\*\*\*\*T/C STARTED: 1:30PM  
2 OBSERVED \*\*\*\*\*T/C ENDED: 3:00PM  
2 TOTAL

OBSERVED  
\*\*\*\*\*

- 1. LEO HOUSTON, JR., BOX 236, HOONAH, AK 99829 945-3377
- 2. THOMAS JACK, SR., BOX 359, HOONAH, AK 99829 945-3239

\*\*\*\*\*

MSG 84-00011982 PRTY 1 02/09/84 14:40:31 ORIG: LM01 IN= 0001 OUT= 0025  
FROM: MATSU TO: PRIMARY MODERATOR & JUNEAU T/C  
TARGET: LJH6 SUBJ: SEN. LABOR AND COMMERCE/SB 286

\*\*\*\*\*  
LEGISLATIVE TELECONFERENCE NETWORK SIGN-IN SHEET  
\*\*\*\*\*

-FEB. 9, 1984- : DATE  
-MAT-SU LIO- : SITE/LOCATION  
-SENATE LABOR AND COMMERCE/SB 286 : SPONSOR/SUBJECT  
-1- TESTIFY/ED \*\*\*\*\*T/C STARTED \_\_\_\_\_ADT  
-0- OBSERVE/ED \*\*\*\*\*T/C ENDED \_\_\_\_\_ADT  
-1- TOTAL

NAME/REPRESENTING	ADDRESS/PHONE	TESTIFY	OBSERVE
1. GLORIA KENYON,	PO BOX 17103, BIG LAKE 99687	892-6911 TESTIFY	10

MSG 84-00012024 PRTY 1 02/09/84 15:28:40 ORIG: LF02 IN= 0007 OUT= 0026  
FROM: TRACIE/FBX TO: JNO T/C  
TARGET: LJH6 SUBJ: FINAL STATS LEMON LAW LEG. PUBL. HEARING

---FEB 9, 1984---: DATE  
---KTN/LIO---: SITE/LOCATION  
---SL&C/LEMON LAW-SB286---: SPONSOR/SUBJECT

FINAL STATS:

---2---: TESTIFIED  
---0---: OBSERVED  
---2---: TOTAL

\*\*\*\*\*T/C STARTED: -1:35 PM--  
\*\*\*\*\*T/C ENDED: -3:05 PM--

NAME/REPRESENTING ADDRESS/PHONE TESTIFY OBSERVE  
\*\*\*\*\*V\*\*\*\*\*V\*\*\*\*\*Y\*\*\*\*\*

- 1. LES HIATT, SELF PHONE 225-5878 **(4)** X  
ROUTE 1-BOX 194, KETCHIKAN, AK 99901
- 2. PAUL L. BECK, SELF PHONE 225-4906 **(3)** X  
PO BOX 5720, KETCHIKAN, AK 99901

NOTE: THESE STATS ARE FOR KETCHIKAN ONLY; WRANGELL DID NOT PARTICIPATE IN THIS TELECONFERENCE.

MSG 84-00012012 PRTY 1 02/09/84 15:17:31 ORIG: L000 IN= 0009 OUT= 0023  
FROM: KODIAK TO: JUNEAU T/C  
TARGET: LJH6 SUBJ: KODIAK "FINAL STATS" SEN. L&C SB 286 LEM

\*\*\*\*\*  
LEGISLATIVE TELECONFERENCE NETWORK SIGN-IN SHEET  
\*\*\*\*\*

DATE: FEBRUARY 9, 1984  
SITE/LOCATION: KODIAK / L.A.I.O.  
SPONSOR/SUBJECT: SENATE LABOR & COMMERCE/SB 286 LEMON LAW  
LOCAL MODERATOR: MARY JO

---1--- TESTIFY/ED  
---0--- OBSERVE/ED  
---1--- TOTAL

\*\*\*\*\*T/C STARTED: 1:30 P.M.---  
\*\*\*\*\*T/C ENDED: 3:09 P.M.---

NAME/REPRESENTING ADDRESS/PHONE TESTIFY OBSERVE  
\*\*\*\*\*V\*\*\*\*\*V\*\*\*\*\*Y\*\*\*\*\*

- 1. LORNA LEE ARNDT, P.O. BOX 2069, KODIAK, 486-6486 **(6)** X
- 2.
- 3.
- 4.
- 5.
- 6.

\*\*\*\*\*  
 LEGISLATIVE TELECONFERENCE NETWORK SIGN-IN SHEET  
 \*\*\*\*\*

2/9/84 \_\_\_\_\_ : DATE  
 SOLDOTNA \_\_\_\_\_ : SITE/LOCATION  
 SB 286 LEMON LAW \_\_\_\_\_ : SPONSOR/SUBJECT  
 1:35 \_\_\_\_\_ : T/C START  
 3:10 \_\_\_\_\_ : T/C ENDED

5 \_\_\_ TESTIFY/ED  
 3 \_\_\_ OBSERVE/ED  
 8 \_\_\_ TOTAL

NAME/REPRESENTING	ADDRESS/PHONE	TESTIFY	OBSERVE
1. JIM CONKLIN	BOX 8287 KENAI	X	
2. ROBERT BYERS	BOX 865 SOLDOTNA	X	
3. LINDA LAUGHRIDGE	BOX 990 KENAI	X	
4. SHIRLEY CONKLIN	BOX 8227 MRB KENAI		X
5. FRANK MULLEN	BOX 57 SOLDOTNA	X	
6. CHARLES ROSER	BOX 172 SOLDOTNA		X
7. MARTIN MCGAHAN	BOX 8106 NIKISHKA		X
8. MR. M.M. MCGAHAN	BOX 8106 NIKISHKA	X	

\*\*\*REGIONAL STATS\*\*\*

\_\_\_\_\_ LTC SITE  
 \_\_\_\_\_ TESTIFIED  
 \_\_\_\_\_ OBSERVED  
 \_\_\_\_\_ TOTAL

- 1.
- 2.
- 3.
- 4.

\*\*\*REGIONAL STATS\*\*\*

\_\_\_\_\_ LTC SITE  
 \_\_\_\_\_ TESTIFIED  
 \_\_\_\_\_ OBSERVED  
 \_\_\_\_\_ TOTAL

- 1.
- 2.
- 3.
- 4.

MSG 84-00011886 FR 1 02/09/84 13:22:49 ORIG: LG00 IN= 0011 OUT= 0004  
FROM: JOANN GLENNALLEN TO: TOM JUNEAU T/C  
TARGET: LJH6 SUBJ: SP 286 LEMON LAW T/C 02-09-84 1:30

---

GLENNALLEN HAS ONE OBSERVER PRESENT AT THIS TIME:

JAMES D. SPARKS  
REPRESENTING:

COPPER RIVER NATIVE ASSOCIATION

DRAWER H COPPER CENTER AK. 99573

822-5241

②

NOTE: HE MAY WISH TO TESTIFY LATER AS T/C PROGRESSES - WILL OMNI YOU IF HE WISHES TO.

Shielda from Tom Tele

MSG 84-00012018 PRY 1 02/09/84 15:23:26 ORIG: LA19 IN= 0007 OUT= 0021  
FROM: ANCHORAGE TO: FINAL STATS JNUTC  
TARGET: LJH6 SUBJ: (S) LABOR & COMMERCE

\*\*\*\*\*  
LEGISLATIVE TELECONFERENCE NETWORK SIGN-IN SHEET  
\*\*\*\*\*

DATE: FEB. 9  
SITE: ANCHORAGE  
SPONSOR/SUBJECT: SB 286 SENATE LABOR & COMMERCE

..8...TESTIFIED \*\*\*\*\*T/C STARTED: 1:30  
.31...OBSERVED \*\*\*\*\*T/C ENDED: 3:10  
.39...TOTAL

TO TESTIFY:  
\*\*\*\*\*

- 1. DENNIS STOVALL, 2603 W. 30TH, 248-1485 (1)
- 2. FRED MORINO, 935 GAMBELL STREET, 99501, 272-5522 (2)
- 3. DAVID GARRISON, P.O. BOX 875351, WASILLA, 376-2900 (4)
- 4. SIG MURPHY, 4200 RABBIT CREEK RD., 99516, 345-6600 (11/12)
- 5. MAUREEN KENNEDY/AKPIRG, P.O. BOX 1093, 99510, 278-3600 (13)
- 6. JANIC SMITH, 2000 BONIFACE PARKWAY, # 326 785-5520 (14, 12)
- 7. CONNIE SIPE, 1031 W. 4TH AVENUE, SUITE 110 279-0420 (11, 12)
- 8. DEBBIE TURNER, SR BOX 1196, CHUGIAK, AK 688-9686 (OMNI # 3) (5)

\*\*\*\*\*NOTE: DEBBIE TURNER HAS INDICATED A TIME CONSTRAINT AND WOULD LIKE TO SPEAK ASAP. \*\*\*\*\*

TO OBSERVE:

- 1. DICK SILBERER, 821 E. 5TH AVE,
- 2. BARBARA HENDRICKSON, 1031 W. 4TH AVE, SUITE 110, 279-0428
- 3. MARK RILEY/KENI RADIO
- 4. D C MORN, DAILY NEW, 786-4343
- 5. MAX HESSEL, 1226 ST., ANCHORAGE (?)

AND

26 STUDENTS FROM NORTHWOOD ELEMENTARY SCHOOL  
DENNIS STOVALL  
4807 NORTHWOOD DRIVE  
ANCHORAGE, AK 99503

\*\*\*\*\*

Henry Pratt (15)  
Ralph Seatins (16)

MSG 84-00012017 PRY 1 02/09/84 15:22:59 ORIG: LK00 IN= 0017 OUT= 0022  
FROM: E/ELYN/KETCHIKAN TO: JNUTC  
TARGET: LJH6 SUBJ: 2/9/84-T/C SB286 LEMON LAW

# MEMORANDUM

# State of Alaska

TO: Senator Richard L. Eliason

DATE: June 6, 1983

FILE NO:

TELEPHONE NO: 279-0428

FROM: NORMAN GORSUCH  
ATTORNEY GENERAL  
By:  
Scotty Dawkins, Investigator  
Consumer Protection Section  
AGO/Anchorage

SUBJECT: SB 286  
Motor Vehicle  
Warranties

Dear Mr. Chairman. Thank you for allowing me to testify today. My name is Scotty Dawkins, I am an investigator for the Consumer Protection Section of the Department of Law and I specialize in automotive complaints. Before moving into the government arena, I spent over 15 years in the automobile industry. I am a nationally certified general mechanic and I am licensed by the State of Michigan as a master mechanic both in passenger cars and heavy duty trucks. I have worked in dealerships as a mechanic and as a service manager. I was employed by a vehicle manufacturer as an engineering technician, a garage supervisor, a service representative, a technical instructor, and as a German based international service manager. My experience then and my more recent experiences convinces me that Alaskans need the protection offered by SB 286.

Last month's newspaper "Automotive News" reported that the average 1982 automobile sold for \$9911.00. In Alaska we know this figure to be considerably higher, however, even at this price vehicles routinely are delivered to buyers with

built-in problems. A General Motor's spokesman recently said "When a product is mass-produced, it is possible that from time to time a particular item may be completed and yet contain a defect in material or workmanship". The GM spokesman was speaking to the problems with the Oldsmobile diesel engine, the Chevette transmission GM installed in their full size cars and the tens of thousands of camshafts that have failed in the 305/350 Chevrolet V8 since 1974. The GM spokesman was making the understatement of the year, when they made this admission.

Consumer Reports often find over twelve built-in defects in the new cars they test. Often the manufacturer is aware of these defects but seldom is any voluntary action taken to correct the problems in cars that are already built. Instead the manufacturer relies on a predelivery inspection performed by the dealer to detect and correct these problems. What actually happens is that the buyer discovers the problems after delivery and faces the hassle of attempting to have repairs completed by the dealer's service department.

Most, if not all new car warranties require that you take your car back to the dealer for these warranty repairs. In Alaska the fact that your new car dealer may be hundreds of miles away somewhat complicates this requirement. We earlier had suggested an amendment to the house bill to alleviate this situation.

Even if you live in the Anchorage area warranty service can be a problem. Consumers often report to me that it takes

two weeks or more just to get their car into the dealer's repair shop. It is clear many Alaskan automobile dealer's lack adequate service departments for the number of vehicles they sell. I was recently told by a major manufacturer's representative that their largest Alaskan dealer had, by national standards, half the number of mechanics they should have. Indeed, it is not unusual to find an Alaskan dealership that has more sales personnel than it has skilled mechanics. Although Alaskan dealers complain they would hire additional mechanics if they could, not a single Alaskan new car dealer has a bonafide apprenticeship program in operation.

Last year the 25 Alaskan new car dealers sold 27,705 new vehicles, which works out to be 1,148 new vehicles per dealership. Automotive News of May 1983, reports the sales per dealer of the average GM single line dealer is 265 vehicles. The average Alaskan automobile dealership does much better than this with average gross sales in excess of \$10,480,000. Indeed Alaska is host to two of the most profitable dealerships in the country and the only full line GM dealer this side of Kuwait.

Despite the healthy condition of the auto dealers in Alaska, Alaskan buyers of new cars have problems when it comes to obtaining service on the defective products they were sold. What recourse do these buyers have? In Alaska very little. While all vehicle manufacturers have a service support system spread across the country, a system that

includes thousands of employees and dozens of offices, not one manufacturer has an office or an employee in this state that is responsible for any of the aspects of customer service. However, they do have offices and personnel to assist you in financing the purchase price of a new car. An Alaskan with vehicle problems has to rely on an Oregon or Washington service representative that visits once every 6 to 8 weeks, or long distance telephone calls to Seattle, California or Detroit. In other states most of the manufacturers have set up third-party arbitration systems to help deal with these problems. In Alaska nobody has as of this date. Instead you may be referred to a Seattle based arbitration programs. A consumer may seek redress through litigation, however, the Small Claims limit of \$2000.00 precludes most of these cases. Alaskan attorneys normally are reluctant to handle these cases due to the lack of statutory definitions and minimal case law, besides the time and expense involved.

I don't wish to waste the committee's time with any unnecessary rhetoric but let me outline five separate complaints that I have recently been involved with. The first complaint came from a District Court Judge who for 18 months had been trying to have his 1980 vehicle's thirst for engine oil and an inoperative horn repaired. The dealer who had worked on this problem many times told the judge that the warranty had now expired, and since the dealer didn't build the car just sold it, he was not responsible. Instead the dealer offered half of the \$9000 selling price in trade for

a new car. The judge then contacted the manufacturer only to be rebuffed, they would not even return his calls. My intervention did convince the manufacturer to rebuild the vehicles engine, however, I was recently informed that the newly rebuilt engine is consuming one quart of oil every 50 to 100 miles. Senate Bill 286 would resolve this problem.

The second complaint came from a Valdez resident who purchased a car from an Anchorage dealer. The salesman assured the buyer that warranty work could be handled in Valdez. The buyer also paid several hundreds of dollars for an additional service contract to expand his warranty to 5 years or 50,000 miles. Seven months later the vehicle's engine failed. Contact was made with the dealer who informed the consumer that repairs would only be made at the dealership and whatever expenses were accrued in towing the now disabled vehicle from Valdez to Anchorage would be out of the owners pocket. I tried but was unsuccessful in resolving this dilemma. The consumer ended up paying to have his disabled truck shipped to Anchorage, and probably hundreds more to ship it home after the repairs. An amended Senate Bill 286 would have resolved this problem.

The third complaint was by an Alaska State Trooper. His station wagon had been in the dealers shop 8 times in a futile battle to effect repairs to a defective engine. Our intervention finally convinced the manufacturer to replace the engine. However, the problems did not end. The replacement engine also failed. It was again repaired but continued

to use an excessive amount of oil. A different dealership service department resolved the problem when they discovered the valve seals had not been installed during the previous repair. Senate Bill 286 would have resolved this problem much earlier.

The fourth complaint came from a Ketchikan resident. The vehicle in question had been purchased in Washington. Again assurance was made by the selling dealer that warranty repairs could be done in the buyer home community. The vehicle, a small four wheel drive unit, developed a severe vibration. The consumer soon found out how reliable the warranty representations were. After having paid a number of local garages work on the problem, the consumer paid to have the vehicle shipped back to the Washington dealer. The dealer made a number of modifications to the vehicle then shipped the vehicle back to Ketchikan, at the consumer's expense. The problem persisted, however, and finally progressed to the point that the State Troopers ordered the car off the road. Our office was called and finally after technical information was received from Detroit a local garage was able to correct the defect. The car however, is in a deteriorated condition caused by the vibrations of the defect. If the manufacturer had an established service facility in Ketchikan as per our amendment this dilemma would never have occurred.

Alaskan dealers and their employees have on numerous occasions stated they wish they could do more to correct

these problems. On occasion I have been told by dealership personnel that a particular automobile was a lemon and should be brought back; however, their hands were tied and they could only follow manufacturers procedures or that the manufacturer would not authorize what needed to be done. Even when repairs are authorized, the manufacturer reimburses the dealer considerably less than their normal retail rate for the service and parts provided. We have earlier proposed an amendment to speak to this issue.

The availability of service parts is a part of this problem. No manufacturer warehouses any service parts in this state. Instead, reliance is placed on the supplies stocked by the dealer. If a part is not available locally to repair a warranty covered defect that has placed a vehicle out of service, a Lower-48 dealer can have that part shipped by air and the manufacturer will cover the costs. An Alaskan dealer is not afforded the same service, therefore the vehicle owner has to pay airfreight charges or wait for the part to arrive by surface freight. In short, Alaskan new car buyers have special problems in having their new cars repaired and Senate Bill 286 goes a long way towards resolving some of these issues. I feel Alaskans should have similar protection already afforded citizens of California, Connecticut, Wyoming, Minnesota, and Wisconsin.

STATE  
of ALASKA

## MEMORANDUM

TO:  Rep. Walt Furnace, Chairman      DATE      May 4, 1983  
House Labor & Commerce Committee  
House of Representatives      FILE NO.

TELEPHONE NO      279-0428

FROM: Norman C. Gorsuch      SUBJECT      House Bill 344  
Attorney General      (Motor Vehicle Warranties)  
By: *C. Depe*  
Connie J. Sipe  
Assistant Attorney General  
Chief, Consumer Protection Section  
AGO/Anchorage

The Office of the Attorney General is in favor of House Bill 344, although we do suggest some possible amendments to the bill which would enhance its benefit to Alaskan citizens. Before I analyze the bill section by section, I would like the committee to note that state legislation which dictates a certain degree of performance of warranties on consumer goods is not unusual, and in many states, it has been a frequent subject of legislative action. The Alaska legislature passed a bill in 1978 setting minimal warranty standards for mobile homes and providing for performance bonds by manufacturers of mobile homes sold in the state. (AS 45.30.011--100.) The Uniform Commercial Code for the State of Alaska also addresses warranties in a more general manner.

It is our information that as of this date the states of Connecticut, California, and Wyoming have passed a bill similar to House Bill 344, and that the State of Wisconsin is likely to pass a bill this section. Several other states are considering these bills.

Analysis of HB 344

Section 1. Section 1 of the bill states that when the express warranty given by a manufacturer against defects of design, manufacturing or assembly is not being carried out, because the vehicle is displaying a defect, then the owner may report the nonconformity to either the manufacturer, or in the case of a foreign manufacturer the U.S. "distributor" of the vehicle, or their agent. Subsection (a) limits the application of the bill to the term of the warranty, or one year, whichever comes first. Many manufacturers are now offering three to five years warranties with extended mileage periods, but HB 344 would only apply to the first year of ownership of the vehicle if a year is shorter than the manufacturer's express warranty.

Subsection 1(a) also requires the manufacturer or its dealer to make the necessary repairs to bring the vehicle to conformity under the express warranty. Testimony which will be submitted by our auto investigator will show that Alaskans have great difficulty in getting such repairs performed in a timely fashion.

Sect. on 1(b), at line 19, sets out the burden of proof which a consumer would have to meet if the consumer sued the manufacturer of a vehicle. (Under case law interpreting the Uniform Commercial Code and other common law warranty rights, the consumer's burden of proof can be more difficult.) By the operation of (b), the vehicle owner would enjoy a legal presumption that after a reasonable number of attempts to correct a deformity, that the vehicle is in fact defective or a "lemon." HB 344 also provides a remedy: namely, that the owner has the option of returning the defective vehicle for a refund of the purchase price (including all collateral charges) or having the new motor vehicle replaced with an identical motor vehicle. (The bill does provide for a refund to a lien holder if one exists.)

Subsection (c) (page 2, line 1) gives the manufacturer two affirmative defenses to the owner's claim for a refund. The manufacturer may not be liable if the defect complained of does not actually cause substantial impairment to the owner's ability to use the vehicle or to the value of the vehicle, or if the defect is not in fact a manufacturer defect but resulted from the abuse or modification of the vehicle by the owner. I would urge the addition of the word "unreasonable" just before "neglect." Otherwise, an express warranty may set up such an unreasonably strict maintenance schedule for the consumer to follow that the manufacturer would always be able to claim that any defect was caused by consumer "neglect." I think that a modification to "unreasonable neglect" would be a good balance.

Subsection (d) creates the presumption (or in other words a legal definition) of when a car is "defective" by defining as defective a vehicle which has been worked on four or more times for the same nonconformity, or which is out of service for more than 30 days, during the warranty term or the first year (whichever comes earlier). Such a car is legally presumed to be a "lemon." \*

Please note that an amendment needs to be made in subsection (d), at page 2, lines 17-20. This last section of the sentence should read:

... The warranty term or the one year period referred to in (1) of this section shall be extended by any period during which repair services are not available to the owner for reasons that are not the responsibility of the owner.

As the section reads now, the presumption of what is a lemon (4 repairs or 30 days out of use) would be taken away from the consumer by being "extended" (?) when the manufacturer fails to provide repairs.

Subsection (e). Frankly, I do not understand what the legislative drafter meant by subsection (e). The clear intent of the passage seems to be that if the nonconformity which is a defect in the motor vehicle is one that makes the vehicle unsafe for owner operation, that a repair must be effected within 14 days. However, the 14 days language references back to subsection (b) which does not contain any time period. Perhaps the drafter meant to refer back to subsection (d) saying that if the vehicle is unsafe to operate, then only 14 instead of 30 days would be required to create a presumption of a "lemon." However, as you will hear from testimony of the auto investigator, 14 days is the norm in Alaska even for safety defects. I think the 14 days would probably be too strict a time period in terms of a standard for creating the presumption that the vehicle is a lemon. I think that 30 days out of service during the warranty period, or the first year, is a reasonable time period for creating a presumption that the owner owns a defective car.

Subsection (f) makes the manufacturer's failure to honor the owner's request for replacement of, or refund of the purchase price of a defective motor vehicle an unfair trade practice under the Alaska Unfair Trade Practices and Consumer Protection Act. This is an efficient way of providing an enforcement mechanism for the statute, since it gives the Attorney General public enforcement powers against a manufacturer or dealer who is engaging in a pattern of refusal to honor its warranty obligations, but it also gives private individuals a private cause of action, with up to triple damages, costs and attorneys fees, under AS 45.50.531. Since the Alaska Unfair Trade Practices Act already discusses warranty work at AS 45.50.471(b)(17), and since the warranty becomes "false" if it is not honored by the manufacturer, it is appropriate to put the enforcement section in this

statute. It also dovetails well with the Motor Vehicle Repair statute which is already incorporated into the Unfair Trade Practices Act, at AS 45.50.471(b)(23).

Subsection (g) insures that the provisions of this act do not limit any other rights or remedies that the motor vehicle owner might have under common law regarding express or implied warranties. This is a good provision, since the courts might develop a higher standard for manufacturers, and some courts might rule in the owner's favor on a defect which shows up after the one year period.

Subsection (h) refers to the federal Magnuson-Moss Warranty Act act, and the regulations promulgated pursuant to that act. Under that act a manufacturer of vehicles may set up an informal dispute settlement procedure, outside the court, (usually an arbitration panel) to which consumers must take their defect or warranty claim before filing suit against the manufacturer for a defective vehicle. However, the informal dispute settlement procedure must follow carefully the standards in the federal regulations, including a provision that the award of the arbitration panel is binding on the manufacturer but is not necessarily binding on the consumer owner of the vehicle unless the owner accepts the award. If the owner does not agree with the award the owner may then proceed to court. Subsection (h) insures that under the Alaska motor vehicle warranty act we would allow the national manufacturers to exercise this section.

\* [The committee should know that historically, it was the hope of Congress to encourage all the manufacturers to create such informal dispute resolution programs, but that to date none of the manufacturers have set up a national program that complies with the Magnuson-Moss Act. In the last year, General Motors has contracted with the Better Business Bureau in some states (not Alaska) to do arbitrations with discontented vehicle owners, but the arbitrations do not meet the federal requirements because they are binding on both parties and the consumer does not have the option of refusing the arbitration award. Because of this requirement, consumers are not required to use the GMC/BBB program before going to court on what the consumer believes to be a defective GMC car.]

Subsection (i) of the bill includes pertinent definitions. The definition of "owner" includes not only the original purchaser of the vehicle but anyone to whom the vehicle is transferred during the term of the express warranty, which is appropriate, since the warranties on new vehicles are transferrable by their own terms. Also, this subsection includes examples of what are "substantial impairments" of the use and value of a vehicle. These definitions seem to cover most instances that a court would want to consider and I think they are adequate.

OVERALL COMMENTS ON HB 344

HB 344 is very well drafted in respect that it avoids some problems found in its counterpart in Connecticut statutes. Specifically, in the Connecticut statute, the consumer owner who asks for a refund of the purchase price of the vehicle will have deducted from it a "reasonable allowance for use of the vehicle." This is a serious problem, and one which it is anticipated that dealers or the manufacturers may suggest as an amendment to HB 344. HB 344 should not include this kind of set off provision, because, under court case law developed pursuant to under the U.C.C. on warranties, when a consumer revokes acceptance of a defective vehicle the consumer is usually entitled to the full refund of the purchase price, and may sometimes recover from the manufacturer "cover" costs for buying a more expensive replacement vehicle. Also, under the U.C.C., the consumer may recover incidental and consequential damages from the dealer, not just the purchase price. Under the U.C.C., a consumer could claim consequential damages caused by the vehicle's failure, such as: loss of work due to a car that broke down, long distance telephone calls, towing charges. HB 344 is a better statute than the Connecticut lemon law because it does not allow the manufacturer to ask for the set off for use of the defective vehicle. This is appropriate in light of the case law.

Overall, HB 344 if passed would greatly help the work of the Consumer Protection Section of the Office of the Attorney General in mediating and investigating warranty complaints by consumers. As our auto investigator will report, a great number of our auto repair problems are alleged warranty violations or defects in vehicles.

It is my opinion, after working in this area for seven years, that very few Alaskans, especially those who live outside the three major cities, receive full value of the warranty on their vehicles. We know that warranties, and the service guaranteed under warranties, is a substantial selling tool of the manufacturers. We also know that the warranty has a definite, although unstated, economic value as part of the purchase price of a motor vehicle. Since Alaskans pay not only the top manufacturers' suggested retail price but usually amounts in addition to the suggested retail price we can see that Alaskans do not get any break or allowance for their difficulty in obtaining warranty work. (As far as I know this is the only marketplace in the entire United States where consumers pay manufacturer's suggested price or above.) ←

Suggested Amendments

I would suggest the addition of language like the following, although this has not yet been refined to legislative standards. The suggested language, which is attached, would require manufacturers of motor vehicles to either maintain sufficient repair facilities reasonably close to all areas where its vehicles are sold or to designate independent shops in various towns as authorized warranty repair facilities.

Most manufacturers and their corporate organization provide for such independent repair facilities, but in fact, we do not know of any non-dealer, factory authorized repair centers in the State of Alaska. We have tried to negotiate directly with a couple of manufacturers to get them to authorize repairs in population centers like Ketchikan, but we have failed in our efforts.

Also as you will note in the suggested amendments, it is important that the manufacturer be required to fairly compensate either the dealer or the non-dealer authorized repair facility for the warranty work done. As the auto repair investigator can testify, the flat rate paid to dealers for warranty work often reflects the economic and political power differential between the manufacturer and the dealer more than it does the actual time and effort necessary to cure a warranty defect. Also, the warranty service manual's suggested times for repair are geared to large dealer service centers with computer diagnostic equipment and factory-trained technicians. Since an independent repair facility in Bethel would be unlikely to have the same sophistication of equipment or personnel training, the manufacturer should pay the actual time necessary to repair the warranty defect, not just the suggested flat rate time in a warranty repair manual.

Availability of parts. Another problem in Alaska is the availability of repair parts for warranty work. The manufacturer should fairly reimburse the repair facility for shipping cost on warranty covered repairs. Also, the manufacturer should timely reimburse repair facilities for warranty expenses. Consumers should not be required to pay for parts shipments on warranty repairs.

Substitute Transportation. Another suggested addition to the bill is a requirement that if a vehicle is not timely fixed, within two weeks of notice of defect, that the manufacturer should be obligated to provide substitute transportation or rental car cost, from the two week date until the car is repaired. (At the present time, only one national manufacturer promises a loaner car in its express warranty. In Alaska, most dealers do not offer loaner cars as a courtesy, although that courtesy is a common practice in the lower 48.)

The manufacturers should be encouraged to beef up their repair facilities and their inventory of repair parts within the state or face the obligation to provide alternative transportation, at least after the first two-week period that a vehicle has been unuseable.

Vehicle Transport Costs. It is important that Alaska take action to clarify what is the duty of the customer to re-deliver a vehicle to the manufacturer's nearest dealership for warranty repairs. This is requirement in most express warranties, but it creates great difficulties, especially when there are no roads back from the consumer's location, (such as Bethel ) to the nearest dealership (say in Anchorage). Perhaps manufacturers should not be required to bear all the high cost of transportation of vehicles within the state, but the manufacturer could choose an alternative if these amendments were put into law. The manufacturer should either authorize independent repair facilities in the communities to repair vehicles, or pay for at least one way of the transportation of the vehicle, namely from the dealership back to the customer after repair.

Sec. 45.45.305. WARRANTY REPAIR FACILITIES AND

OBIGATIONS. (a) Every manufacturer or distributor of motor vehicles sold in this state for which the manufacturer or distributor has made an express warranty shall maintain in this state sufficient repair facilities, reasonably close to all population centers where its vehicles are used, to carry out the terms of such warranties.

(b) As a means of complying with section (a), a manufacturer or distributor shall be permitted to enter into warranty service contracts with independent repair facilities. The warranty service contracts may provide for a flat rate schedule of repair times to be used in calculating charges for warranty service or repair work, provided that the contract hourly rates must reimburse the repair facility at normal retail rates, for the community where the facility is located, for any service and parts reasonably required to carry out warranty repairs. The manufacturer or distributor shall also fairly reimburse a dealer or authorized contract repair facility for expenses incurred in ordering and shipping parts needed to effect warranty covered repairs. Any request by a contract repair facility for reimbursement of warranty covered repairs must be paid by the manufacturer or distributor within 30 days.

(c) In the event that repairs of any warranty covered malfunction or defect are not completed within two weeks of (1) the customer's delivery of the vehicle to the manufacturer's or distributor's designated repair facility or dealer; or, (2) the customer's notification to the manufacturer, distributor, or its dealer of a warranty malfunction which renders the vehicle inoperable; then reasonable charges for the owner's rental of substitute transportation shall be paid by the manufacturer or distributor, or the manufacturer or distributor shall provide

a substitute vehicle, from the date two weeks after delivery of the vehicle or notification of a malfunction rendering a vehicle inoperable, until repairs are complete.

[NOTE: Subsection d, below, is very rough, even in concept!]

(d) If the express warranty requires the owner to deliver the vehicle to the nearest manufacturer's dealer for warranty repair, that duty shall not be binding on the owner, nor a waiver of the owner's warranty rights when, (1) due to the malfunction or defect the vehicle cannot safely be operated, or (2) the delivery of the vehicle cannot be made by road or by shipment by boat or ferry of less than one day's shipping or travel time. Should the customer be unable to effect return of the vehicle for any of the above reasons, the customer shall notify the manufacturer, distributor or its nearest dealer or authorized repair facility within the state. Written notice of the malfunction or defect to the manufacturer, distributor, dealer or repair facility shall constitute "return" of the vehicle for purposes of this section. Upon receipt of such notice of malfunction or defect the manufacturer or distributor shall, at its option, repair the vehicle at the customer's residence or town of residence, or arrange for transporting the vehicle to a dealer or repair facility. All reasonable costs of transporting the vehicle when, pursuant to (1) above, the owner is unable to effect delivery, shall be at the manufacturer's expense. When the owner cannot deliver the vehicle under the time limits of (2) above, if the manufacturer does not choose to repair the vehicle at the owner's residence or town of residence, the reasonable cost of transporting the vehicle to the dealer or designated repair facility shall be paid one-half by the owner and one-half by the manufacturer.

## WARRANTIES - MOTOR VEHICLES - REPAIRS

COMMENTARY: Under existing case law, a manufacturer who is sued because of failure to service or repair goods to conform to applicable express warranties after a reasonable number of attempts may be required by a court to either replace the goods or reimburse the customer. However, the costs of determining in the court what is a "reasonable" number of repair attempts and by what method a customer should be reimbursed makes such suits very difficult and costly.

This bill would provide that it shall be presumed that a reasonable number of attempts have been undertaken to conform a new motor vehicle to the applicable express warranties, if, during the first year or 12,000 miles of the applicable express warranty (note that some warranties are now "5-year"): (1) the same malfunction or defect has been subject to repair four or more times by the manufacturer or its agent or authorized dealers or (2) the vehicle is out of service by reason of repair (or repair delays) of a warranty covered malfunction or defect for a cumulative total of more than 30 business days during the first year of the warranty.

The bill would provide that the presumption may not be asserted by the customer until after the customer has resorted to an in-state qualified third party dispute resolution process, if one is available in state. The bill would also provide that a manufacturer shall be bound by a decision of the third party process if the customer elects to accept it, and that if the customer is dissatisfied with the third party decision the customer may assert the presumption in an action to enforce the buyer's rights as specified. (This tracks the federal Magnuson-Moss Warranty Act.) The bill also would require manufacturers to pay for the shipping of parts.

Rep. Walt Furnace, Chairman

May 04, 1983

279-0428

NORMAN GORSUCH  
ATTORNEY GENERAL

HB 344  
Motor Vehicle  
Warranties

By:  
Scotty Dawkins, Investigator  
Consumer Protection Section  
AGO/Anchorage

The weekly newspaper "Automotive News" reported that the average 1982 automobile sold for \$9910.00. In Alaska I'm sure this figure is considerably higher, however, even at this price vehicles routinely are delivered to buyers with built-in problems. General Motors recently said "When a product is mass-produced, it is possible that from time to time a particular item may be completed and yet contain a defect in material or workmanship". GM was speaking to the problems with the Oldsmobile diesel engine, the Chevette transmission they installed in their full size cars and the thousands of camshafts that failed in the 305/350 Chevrolet V8 since 1974. GM was making the understatement of the year, when they made this admission.

Consumer Reports often finds over twelve built-in defects in the new cars they test. Often the manufacturer is aware of these defects but seldom is any voluntary action taken to correct the problems in cars that are already built. Instead the

manufacturer relies on the predelivery inspection performed by the dealer to detect and correct these problems. What actually happens is that the buyer finds the problems after delivery and faces the hassle of attempting to have repairs completed by the dealer.

\* Most, if not all new car warranties require that you take your car back to the dealer for these warranty repairs. In Alaska the fact that your new car dealer may be hundreds of miles away somewhat complicates this requirement.

Even if you live in the Anchorage area warranty service can be a problem. Consumers often report to me that it takes two weeks or more just to get their car into the dealer's repair shop. It is clear many Alaskan automobile dealer's lack adequate service departments for the number of vehicles they sell. Indeed, I was recently told by a major manufacturer's representative that their largest Alaskan dealer had half the number of mechanics they should have, by national standards. Indeed, it is not unusual to find an Alaskan dealership that has more sales personnel than it has mechanics.

Last year the 25 Alaskan new car dealers sold 27,705 new vehicles, which works out to be 1,148 new vehicles per dealership. Automotive News of May 1983, reports the sales per dealer of the average GM single line dealer is 265 vehicles. The

average Alaskan automobile dealership is big business with the average gross sales in excess of \$10,480,000. Indeed Alaska is host to two of the most profitable dealerships in the country and the only full line GM dealer this side of Kuwait.

Despite the healthy condition of the auto dealers in Alaska, Alaskan buyers of new cars have problems when it comes to obtaining service on the defective products they were sold. What recourse do these buyers have? In Alaska very little. While all vehicle manufacturers have a service support system spread across the country, a system that includes thousands of employees and dozens of offices, not one manufacturer has a office or an employee in this state that is responsible for any of the aspects of customer service. An Alaskan with vehicle problems has to rely on an Oregon or Washington service representative that visits once every 6 to 8, weeks or long distance telephone calls to Seattle, California or Detroit. In other states most of the manufacturers have set up third-party arbitration systems to help deal with these problems. In Alaska nobody has as of this date. Instead you may be referred to a Seattle based arbitration programs. A consumer may seek redress through litigation. However, the Small Claims limit of \$2000.00 precludes most of these cases. Alaskan attorneys normally are reluctant to handle these cases due to the lack of statutory definitions and minimal case law, besides the time and expense involved.

I don't wish to waste the committee's time with any unnecessary rhetoric but let me outline five separate complaints that I have recently been involved with. The first complaint came from a District Court Judge who for 18 months had been trying to have his 1980 vehicle's thirst for engine oil and an inoperative horn repaired. The dealer who had worked on this problem 10 times told the judge that the warranty had now expired, and since the dealer didn't build the car just sold it, he was not responsible. Instead the dealer offered half of the \$9000 selling price in trade for a new car. The judge then contacted the manufacturer only to be rebuffed. They would not even return his calls. It is well known that this brand of vehicle had an oil-burning defect but the Alaskan industry refused to acknowledge it.

The second complaint came from a Valdez resident who purchased a car from an Anchorage dealer. The salesman assured the buyer that warranty work could be handled in Valdez. The buyer also bought an additional service contract to expand his warranty to 5 years or 50,000 miles. Seven months later the vehicle's engine failed. Contact was made with the dealer who informed the consumer that repairs would only be made at the dealership and whatever expenses were accrued in towing the now disabled vehicle from Valdez to Anchorage would be out of the owners pocket. I tried but was unsuccessful in resolving this dilemma. The consumer ended up paying several hundred dollars to have his disabled truck shipped to Anchorage, and probably hundreds more to ship it home after the repairs.

The third complaint was by an Alaska State Trooper. His station wagon had been in the dealers shop 8 times in a futile battle to effect repairs to a defective engine. Our intervention finally convinced the manufacturer to replace the engine. However, the problems did not end. The replacement engine also failed. It was again repaired but to this day still uses an excessive amount of oil.

The fourth complaint came from a Ketchikan resident. The vehicle in question had been purchased in Washington. Again assurance was made by the selling dealer that warranty repairs could be done in Ketchikan. The vehicle, a small four wheel drive unit, developed a severe vibration. The consumer soon found out how reliable the warranty representations were. After having a number of local garages work on the problem, the consumer paid to have the vehicle shipped back to the Washington dealer. The dealer made a number of modifications to the vehicle then shipped the vehicle back to Ketchikan, at the consumer's expense. The problem persisted, however, and finally progressed to the point that the State Troopers ordered the car off the road. Our office was called and finally after technical information was received from Detroit a local garage was able to correct the defect. The car however, is in a deteriorated condition caused by the vibrations of the defect.

Alaska dealers and their employees have on numerous occasions stated they wish they could do more to correct these problems. On occasion I have been told by dealership personnel that a particular automobile was a lemon and should be brought back; however, their hands were tied and they could only follow manufacturers procedures or that the manufacturer would not authorize what needed to be done.

I could go on with many more "horror" stories but I think I've made my point. Alaskans have severe problems in obtaining service on their new cars, and House Bill 344 goes a long way to correct these woes.

May 1983

DEPARTMENT OF LAW -- CONSUMER PROTECTION SECTION

AUTOMOTIVE WARRANTY COMPLAINTS

A Note on Complaint Statistics: A total of 133 auto warranty complaints were formally filed with Consumer Protection from January 1981 to April 1983. This figure, although significant, does not necessarily reflect the total number of warranty problems in Alaska.

A study by T.A.R.P. Inc., a Washington D.C. based research firm, revealed that 96 percent (96%) of consumers with a complaint never even tell the business of the problem, much less complain to a government agency. The Consumer Protection Section's experience over a ten year period is that for each consumer who complains, there are probably five or more additional consumers in a similar situation. Many Alaskans do not file a complaint with Consumer Protection because: they don't know we exist, they are distant from our offices, or our limited ability to negotiate voluntary settlements may not satisfy their needs. National automobile industry complaint statistics show that three percent (3%) of all new car buyers feel they were sold a defective vehicle and are frustrated in their attempts to have the defects corrected. If this three percent number holds true in Alaska (and indeed it might be higher) last year alone 846 Alaskans purchased defective vehicles that may meet the criteria established in HB 344.

AN ANALYSIS OF AUTO WARRANTY COMPLAINTS

January 1981 - April 1983

TOTAL NUMBER WARRANTY COMPLAINTS ..... 133

REGIONAL BREAKDOWN:

	<u>Number</u>	<u>Percentage</u>
South Central/Anchorage .....	101	76%
Interior/Fairbanks .....	14	10%
Southeast/Juneau .....	18	14%

COMPLAINTS BY PRIMARY ALLEGATIONS:

Multiple Repairs to Same Defect .....	28	22%
Unreasonable Delay in Repairs .....	17	14%
Multiple Defects .....	27	20%
Safety Related Defect .....	13	10%
Complaint Involves Defect Under Federal Investigation (FTC, NHTSA, EPA, ect.) .....	12	9%
Paint, Water Leak .....	7	6%
Miscellaneous .....	10	8%

<u>DISPOSITION OF WARRANTY COMPLAINTS:</u>	<u>Number</u>	<u>Percentage</u>
<u>Mediated to Consumer's Satisfaction</u> ....TOTAL:	73	55%
Repairs Completed .....	38	29%
Repair Costs Refunded .....	10	8%
Repair Cost Split between Factory and Consumer .....	8	6%
Manufacturer Supplied Parts but not Labor ....	5	4%
Manufacturer or Dealer Bought Car Back .....	5	4%
Miscellaneous .....	7	5%
	(73)	(55%)
<u>Not Mediated to Consumer's Satisfaction</u> .TOTAL:	48	36%
<u>Because Manufacturer's Response Was:</u>		
Warranty Expired .....	10	8%
Not Covered by Terms of Warranty .....	8	6%
Consumer Unable to Return Vehicle to Dealership, So Repairs Denied .....	2	2%
Factory Refused to Authorize Repairs .....	4	3%
Owner Abuse/Lack of Maintenance .....	3	2%
Consumer Refused to Return to Dealership: (Lost Confidence After Dealer's Attempts to Repair). .....	3	2%
Refused Consumer's Buy Back Request .....	8	6%
Miscellaneous .....	10	8%
	(48)	(36%)
<u>WARRANTY COMPLAINTS NOW PENDING:</u> .....TOTAL:	12	9%
Anchorage .....	8	6%
Fairbanks .....	2	2%
Juneau .....	2	2%

ECONOMIC IMPACT ON CONSUMERS

The owner of a defective vehicle suffers real economic harm, measured in: (1) hours/days of lost work, (2) cost of substitute transportation, and (3) after the warranty expires, cost of numerous repairs due to aftereffects of the defect.

Also, the economic life and value of a defective vehicle is seriously lessened, and this economic truth is recognized by the automobile industry itself. The following example is taken from the June 1983 "Blue Book," a widely used guide to used car values. Calculation of the Blue Book resale price of a 1982 Cadillac includes a deduction of \$1,335. because the vehicle is equipped with a diesel engine which has become nationally recognized as seriously defective. This sharp decrease in value, in comparison to a non-diesel version of the same Cadillac, is made despite the fact that this particular diesel engine had cost the owner \$925. extra at the time of purchase. Thus, the owner of the defective diesel vehicle can be said to have suffered an economic loss of \$2,460. in the value of his/her defective vehicle in comparison to the owner of a similar Cadillac without the defect.

## opinion

# Anchorage Daily News

Winner, 1976 Pulitzer Prize Gold Medal for Public Service

Katherine Fanning  
Editor and Publisher

Howard Weaver  
Managing Editor



Gerald E. Grilly  
General Manager

Steve Lindbeck  
Editorial Page Editor

Lawrence Fanning, Editor and Publisher, 1967 to 1971  
Alaska's Only Morning Newspaper • Founded in 1946 by Norman C. Brown

## Dealing with 'lemons'

Public voices should ring clearly today at a teleconference hearing before the House Labor and Commerce Committee on a proposed state "lemon law" governing new automobile warranties. The hearing begins at 2 p.m. and deserves healthy public participation.

The law essentially would shift part of the burden of proof in dealing with defective automobiles from the consumer to the dealer and manufacturer. It provides that a consumer is entitled to either a new vehicle or a full refund if a manufacturer's defect renders it undriveable for 30 days or more during the first year of ownership.

The major effect would be to encourage dealers to stand up and pay heed to the products and warranties they offer. For the dealer who already performs warranty service promptly and efficiently, the impact of the law would be negligible, and in fact good for credibility. For the dealer who ducks or delays the demands of a good-faith warranty there would be new incentive to meet the obligations of doing business.

And for the consumer who has a right to expect automobiles under warranty to run properly, there would be an improved chance of gaining full value for a very expensive investment. That seems like a good deal for all concerned.

# 'Lemon law' would force dealers to replace cars

By JIM ERICKSON  
Daily News reporter

Alaska auto dealers would be forced to buy back or replace automotive "lemons," defective new cars that defy all attempts at repair, if legislation introduced recently in the state Senate and House becomes law.

House Bill 344 calls for replacement of a new car or a refund of the purchase price when manufacturing defects make the car undriveable for 30 days or more during the first year of ownership.

The so-called "lemon law" is scheduled for a House Labor and Commerce Committee hearing Monday.

An identical bill introduced in the Senate by Sen. Bill Ray, D-Juneau, has not been scheduled for a hearing.

The House measure was introduced last month by Rep. Mike Miller, D-Juneau. Miller said Saturday the legislation would compel dealers and manufacturers to honor new-car warranties promptly.

"The legislation doesn't spell out the warranty," he cautioned. "That's up to the manufacturer. What it does do is put full force of the state law behind customer satisfaction of that warranty."

If the defect poses a safety

hazard, the car must be repaired within 14 days, the measure states.

In all cases, dealers would be allowed four chances to fix the car, before the buyer could demand a refund or a replacement. The measure applies only to failures covered by new-car warranties, and only during the first year of ownership.

"What we are talking about is correcting major problems of the vehicle," Miller said. "This is not in regard to trivial repairs or problems that result due to owner abuse."

Similar legislation has been adopted in California, Connecticut, Montana and Wyoming, said legislative aide Denise Zachary. Ten other states are considering lemon laws, she said.

Monday's hearing will be linked to Anchorage, Fairbanks and Ketchikan via the state teleconference network.

Zachary said the public can comment on the bill by attending the teleconference, to be held in Anchorage at the Anchorage Legislative Information Office, 1024 W. 6th Ave.

The teleconference will begin at 7 a.m.

# Some of the grubby details

By Andy Rooney

er traveling for inside of this two-y helicopter we're look the same as car after a week

cked up little bags hings and added we brought origi-ht a small cooler nks in and at the we clean out the nk cans, but when people in a con-bound to get a lit-r a while. There t few of those lit-ef around, for ex-

p briefly for fuel rt, someone buys chips or peanuts ls up on the floor llion dollar ma-seems funny to port that the as-do some house-r space ship be- after this trip I t.

ing before we o decide what to r the helicopter k in the big suit- the van follow-ht and bulk are s.

we flew from d in Dallas for on to Oklahoma lew the straight ahoma City and ay it's a straight e Bill and Dave, ding those com-I'm sticking to Esso Road map. e road between ough Amarillo a straight line.

ed to carry the road maps of oma, and a Cer-so that I could an (I'm not too ooe state to an-th I had one of e maps of The z I was a kid) mera; binocu-small tape re-ersonal phone ke to be with d made in ad- we were

which I should be entering all my expense account items; a calendar on which I've marked our itinerary; a light jacket; a small box of chocolate candies the manager of the hotel in Houston had put in my room.-At the airport in Houston, I packed up two newspapers and added them to the one from the day before. I hadn't had time to read that, either.

Well, it was not good packing. As so often happens with me when I travel, I brought a lot of stuff I didn't need and didn't bring what I needed. Fo. one thing, it got cold and windy when we approached Tucumcari and I realized I should have brought a warmer jacket. Binoculars don't work very well in any kind of aircraft. (I'm not even sure binoculars ever really work.) With a professional cameraman in the aircraft, I had no need whatsoever for my own little camera. Naturally I never touched the expense account notebook nor did I look at my calendar,

There never was any time to read any of the newspapers I bought. The candies in the little gold box looked too good to throw away, but I had no interest in eating them and neither did anyone else on board. Dave put his in his pocket and forgot about them. Several hours later he reached in his pocket for something else and found a goeey, chocolate mess. He had to buy a new shirt at the next airport we stopped at for jet fuel. I'm pleased to find that pilots, who are so conservative and careful about some things, are human in other ways.

DAVE'S CHOCOLATE shirt was one of the items that added to the used look of the inside of the helicopter. I don't know whether he's going to keep it or throw it away. We've been arriving at our motel or hotel every night hungry, thirsty, tired and too late to bother finding a laundromat.

These are some of the grubby details of this great trip. We're seeing a magnificent America from the uniquely intimate vantage point a helicopter provides. I'll tell you about the magnificent part later.

# Letters to the

## Auto insurance

Dear Editor:

This letter is to inform our House member in Juneau, Joe Hayes, that the majority do not support state mandated auto insurance. I think Joe Hayes needs

to get his hands out of our pockets and off our backs and try to help the people he is supposed to serve.

Richard Payton  
672 Fairbanks St.

Dear I: artie child Steve lent a Hc

## The third party

Dear Editor:

A two party bill is being introduced by the House Judiciary Committee. This bill is designed to stop third party candidates, specifically Libertarian candidates, from running for office.

If the Republican Party of Alaska is concerned that Libertarian candidates will take away votes from them, I feel the Republican Party should re-think its position on political matters.

It was proved in the last governor's race that over 10 percent

of Alaska's voters supported Libertarian principles by the votes cast for Dick Randolph.

This country was founded on the basis of individual freedoms. Over 10 percent of a state's voters should be a sufficient amount to allow a third party on the ballot. If this percentage were to vote only for candidates who did not support this bill, that percentage could make a great difference in the next election.

Vicki Padberg  
1405 Turpin

Dear I st system about we see no the Why n Wh. changi lector haps t body would More of cou cially greater I at grundle

## Lemon law Times 5/19

Dear Editor:

When you buy an item that is defective, you have the option of returning to the store to exchange it or get a refund. Not so when you buy a new car that is defective, at least not in Alaska. The "lemon law" has been passed in four states and has been proposed in Alaska and several other states.

Understandably, the local car dealers are not in support of the lemon law because, according to them, your warranty coverage takes care of all possible problems your car might have and this added legislation is unneces-

sary. However, a true, "lemon" cannot be fixed and continues to have problems when the warranty runs out. This law would insure that if the manufacturer is unable to fix your car in a reasonable number of attempts and the defect substantially impairs the value of your car, then at the option of the owner, your car must be replaced with a new one or the purchase price of the car refunded to you. This law would be very good insurance for new car owners.

N. Allen  
Anchorage

Dear E You titled "the clo: of the J prevent handling not true Hous 1076, w Jones A U.S. car port to register sel for p The fore propose: German port Ca. Alaska c sage of ) using U. move Al nadian px The J laws ena. of the we waterbon registerec manned t Members Rep. Don amending the Jones. of the iss supporting the best ur the U.S. as.

## Permanent fund dividends

Dear Editor:

I would like to commend Rep. Hugh Malone of Kenai and Rep. Mike Miller for their defense of the direct distribution from the permanent fund. They have grasped that there is a principle involved and the principle is that the oil royalty money belongs to the people of Alaska. I can imagine the hue and cry if Texas were to confiscate royalty checks from their citizens.

The fact that our constitution sets out a different set of mechanics does not change the principle. In fact, the governor and legislators (that I have heard) all say, "It's the people's money." They agree on that; they split asunder on whether the people get to spend their own

money (as they do in Texas) or whether the governor and the legislature gets to spend it for us "for our own good." The fact that the checks may be smaller this year is another good reason for a direct distribution. If a person's check is smaller, he can adjust very quickly his spending plans; unfortunately, a government cannot.

Hooray for the legislators who see the principle and who are not afraid to stand up and be counted.

Donnis Thompson  
Kenai

EDITOR'S NOTE: Ms. Thompson was the candidate for lieutenant governor on the Libertarian ticket last fall.

### What others say

## Here's the sugar for the lemonade

From The Juneau Empire

**SOMETIMES IT SEEMS** that all cars should be painted yellow just to warn buyers what they are getting themselves into. All too often, expensive cars transform themselves into "lemons" before their owners' very eyes.

Before a sale is made, salesmen point out all of the wonderful aspects of a new car. It's pretty, the doors slam with a solid "thunk" and it sounds good idling there in front of the dealer.

But a select few cars turn into "lemons," some the minute they are driven off the lot. Some don't start right; some don't stop right; some don't do anything right.

**ANY DEALER IS MORE THAN** happy to provide buyers with a copy of the warranty manufacturers give for their cars. Some last for a year; some last for five years. But unless the dealer and manufacturer back up the claims of those warranties, they aren't worth the paper they are printed on.

Introduced in the Alaska Legislature last week was a bill aimed at taking the "lemon" out of the lives of Alaska car buyers. The bill, whose prime sponsors are Juneau Sen. Bill Ray in the Senate and Reps. Jim Duncan and Mike Miller in the House, does nothing more than make manufacturers and dealers live up the promises made in war-

ranties.

For most people, buying an automobile is the second-largest purchase they will make in their lives. The largest purchase, of course, is a home, but it should be remembered that the price of some 1983 cars would buy a nice house 20 years ago.

**BECAUSE OF THE TREMENDOUS** expense of cars, no one should be struck with a "lemon" — a car that doesn't work properly. Yet we all know people with horror stories about how their expensive new cars went to pot on them and they were unable to get satisfaction from the dealer.

It is for those people that the "lemon law" before the Legislature is meant. A warranty is not written on paper that self-destructs once the sales agreement is signed. It is a document in which the manufacturer, through the dealer, promises to make a car run properly, no ifs, ands or buts.

Dealers should welcome the advent of a "lemon law" in Alaska. It means dealers that have been standing behind their products won't be affected in the slightest. Other dealers, who are unwilling to stand behind their products and the warranties that go with them, will — and should — find themselves having to shape up.

The "lemon law" bill deserves your support.

Anchorage Times  
5/14/83



jim erickson

## TROUBLESHOOTER

### CONSUMER ADVISORY-ALASKA LEMON LAW:

A statewide teleconference has been set for Wednesday on a proposed Alaska "lemon law," legislation that would give consumers substantially more leverage when wrangling with automobile dealers and manufacturers over warranty obligations.

Under the provisions of House Bill 344, automakers would be forced to replace or refund the purchase price of new cars that, due to manufacturing defects covered by the new-car warranty, cannot be satisfactorily repaired.

If the defect causes the car to be undriveable for 30 days or more during the first year of ownership, the car buyer would be entitled to either an identical new vehicle or a refund, including repair costs. Auto dealers would be given four chances to repair the defect.

Fred Morino, part-owner and general manager of Euro Volkswagen in Anchorage, said Monday that he felt the bill was unnecessary in light of the track record of Alaska dealers.

"If the customer has a legitimate complaint, most (dealers) really seemed to bend over backward" to help iron out difficulties, he said. "If there is a problem, none of us to our knowledge haven't got it fixed within a reasonable length of time."

Marino, who called the bill "heavy and cumbersome," added that the legislation would increase taxpayers' expense, despite legislative estimates to the contrary. "Just enacting it would cost a great deal," Marino said.

In written testimony submitted to the House Labor and Commerce Committee May 9, Assistant Attorney

General Connie Sipe noted the bill gives vehicle owners the benefit of "a legal presumption that after a reasonable number of attempts to correct a deformity, that the vehicle is in fact defective or a lemon."

Sipe, head of the Consumer Protection Section of the Attorney General's Office, said under current common law warranty rights, it is up to the vehicle owner to prove a car is a lemon before the courts can compel automakers to replace a vehicle.

If HB 344 is passed, she said, that burden of proof would be shifted. If the manufacturer cannot prove a defect does not cause substantial impairment to the operation or value of the vehicle or prove the owner caused the failure by abuse or modification of the car, the car would be presumed to be a lemon and the buyer would be entitled to reimbursement.

"It is my opinion, after working in this area for seven years, that very few Alaskans, especially those who live outside the three major cities, receive full value of the warranty on their vehicles," Sipe said. "Since Alaskans pay not only the top manufacturers' suggested retail price, but usually amounts in addition to the suggested retail price, we can see that Alaskans do not get any break or allowance for their difficulty in obtaining warranty work."

Consumer Protection auto investigator Scotty Dawkins said before the House Labor and Commerce Committee May 8 that automakers routinely deliver vehicles to buyers with built-in problems.

"Often the manufacturer is aware of these defects but seldom is any voluntary action taken to correct the problems in cars that are already built," Dawkins said.

"Instead, the manufacturer relies on the predelivery inspection performed by the dealer to detect and correct these problems. What actually happens is that the buyer finds the problems after delivery and faces the hassle of attempting to have repairs completed by the dealer."

Dawkins added that new car warranties require the buyer to return to the dealer for warranty work, but "in Alaska, the fact that your new-car dealer may be hundreds of miles away somewhat complicates this requirement."

The Attorney General's Office is calling for an amendment to the bill that would require manufacturers to establish factory-authorized repair centers in towns where there are no dealers.

The public is invited to testify at Wednesday's public hearing before the House Labor and Commerce Committee. The hearing will be held via the Legislative Teleconference Network at 2 p.m. ADT. Anchorage residents who would like to participate can contact the Legislative Information Office, 1024 W. 6th Ave (270-9624).

# Alaska's auto dealers protest 'lemon law' proposal

Dealers: Law unneeded  
Consumer rep: Yes it is

By DEBBIE REINWAND ROSE  
Empire Staff Reporter

Alaska car dealers converged on teleconference sites throughout the state this morning to protest a bill its sponsors say will protect consumers who purchase autos.

Labeled the "lemon law," the legislation sponsored by local Reps. Jim Duncan and Mike Miller and Sen. Bill Ray would force car dealers to adhere strictly to the advertised warranty on a new car.

If a customer complained of a "substantial" problem not caused by owner abuse, the manufacturer or distributor would be given four chances to fix the vehicle. Failing that, the customer could receive a refund or a new car to replace the defective model.

Testimony at today's teleconference, organized at the request of car dealers in the state, ran heavily against the bill. Input came primarily from auto distributors.

Fairbanks car dealer James Masters said the consumer already has plenty of protection from defective autos.

"In case of a difference between the consumer and the dealership, they can go directly to the dealer, or the manufacturer," he said. "If that doesn't work, the (state) Consumer Protection Division is very good at following through on these

complaints."

Consumer Protection officials, however, favored the legislation as offering the car buyer "some recourse" when dealing with faulty vehicles, according to Scotty Dawkins in the Anchorage Consumer Protection office.

"In Alaska, it often takes two weeks or more just to get the cars into the service department. Not one manufacturer has a service representative in the state, so the consumer has to wait six to eight weeks for that rep to come up here," he said. When dealing with many warranty problems, the defect often must be checked by the service representative.

Alaska has a booming automobile sales business, Dawkins said, and dealers should be responsive to the public's needs. Last year, 27,705 cars were sold in the state for an average of 1,148 sales per

distributorship. In the rest of the nation, the average is 205 cars per year for each dealership, he added.

As an example of problems faced by Alaska car owners, Dawkins cited several complaints received over defective cars:

- One district court judge had his car worked on 10 times for, among other things, a defective horn. After all attempts to repair the car had failed, he was offered half the \$9,000 sticker price on a trade-in, said Dawkins.
- An Alaska State Trooper had his station wagon worked on eight times, and ended up having the engine replaced after the protection agency intervened in the matter.
- After purchasing a car in Anchorage, complete with a \$700 service contract, a Valdez resident had to pay towing fees bet-

Continued on Page 2

## 'Lemon' ...

Continued from Page 1

ween Anchorage and Valdez when the engine quit running. He had been assured by the dealership in Anchorage that his service

contract would be honored in Valdez, Dawkins said.

Bill sponsor Miller said the crux of the testimony revolved around "people giving excuses for not conforming to the warranty."

"We are not trying to place the burden on the dealer. ... They are missing the point of the bill. If there is a major problem with a car, then it should be corrected. The manufacturer issues the warranty, and they are ultimately responsible for living up to that warranty," he said.

Extensive testimony from disgruntled car dealers continued until adjournment of the meeting. House Labor and Commerce Chairman Walt Furnace, R-Anchorage, has scheduled a statewide teleconference on the bill for May 18, from 4 to 6 p.m. in the Labor and Commerce room in the Behrends Building.

## Lemon law would force dealers to replace cars

By JIM ERICKSON  
Daily News reporter

Alaska auto dealers would be forced to buy back or replace automotive "lemons," defective new cars that defy all attempts at repair, if legislation introduced recently in the state Senate and House becomes law.

House Bill 344 calls for replacement of a new car or a refund of the purchase price when manufacturing defects make the car undriveable for 30 days or more during the first year of ownership.

The so-called "lemon law" is scheduled for a House Labor and Commerce Committee hearing Monday.

An identical bill introduced in the Senate by Sen. Bill Ray, D-Juneau, has not been scheduled for a hearing.

The House measure was introduced last month by Rep. Mike Miller, D-Juneau. Miller said Saturday the legislation would compel dealers and manufacturers to honor new-car warranties promptly.

"The legislation doesn't spell out the warranty," he cautioned. "That's up to the manufacturer. What it does do is put full force of the state law behind customer satisfaction of that warranty."

If the defect poses a safety

hazard, the car must be repaired within 14 days, the measure states.

In all cases, dealers would be allowed four chances to fix the car, before the buyer could demand a refund or a replacement. The measure applies only to failures covered by new-car warranties, and only during the first year of ownership.

"What we are talking about is correcting major problems of the vehicle," Miller said. "This is not in regard to trivial repairs or problems that result due to owner abuse."

Similar legislation has been adopted in California, Connecticut, Montana and Wyoming, said legislative aide Denise Zachary. Ten other states are considering lemon laws, she said.

Monday's hearing will be linked to Anchorage, Fairbanks and Ketchikan via the state teleconference network.

Zachary said the public can comment on the bill by attending the teleconference, to be held in Anchorage at the Anchorage Legislative Information Office, 1024 W. 6th Ave.

The teleconference will begin at 7 a.m.



Photo by Danny Davies

si Walk for Hope, which was C-3.

Daily News 3/8/83

## s a phrase for every misdeed

(Not to mention the ultimate disaster: "If you eat that now, you won't be hungry for dinner!")

And then there is the chapter on Questions Without Answers. These generally come along during the teen-age years.

Questions like, "You're not going out dressed like that, are you?"

Or, "You know this goes against everything we've ever taught you, don't you?"

Not to mention the all-time winner, which spans most of the formative years: "Just what do you think you're doing?"

Experienced mothers know they can mix and match these phrases for special effect, as in: "Just where do you think you're going dressed like that?"

"When you're grown and have children of your own, that's when."

This last, especially, falls under the definition of all-purpose Motherese, touching as it does on the perpetually ripe arena of life after one has children of one's own.

Of course, it's not all conflict and threats in Motherese. There's the Broken Heart chapter, things mothers say to make you feel better. Things like, "Ten years from now this will all seem funny" and "Just think of it as good experience" — not to mention the all-time classic, "Well, just consider yourself lucky, a man will never marry a girl like that!"

I suppose with changing mores they'll be wanting to update the Mother's Phrase Book before long, make it a little more hip, but I

# 'Lemon law' deserves support

Sometimes it seems that all cars should be painted yellow just to warn buyers what they are getting themselves into. All too often nowadays, expensive cars transform themselves into "lemons" before their owners' very eyes.

Before a sale is made, salesmen point out all of the wonderful aspects of a new car. It's pretty, the doors slam with a solid "thunk" and it sounds good idling there in front of the dealer.

But a select few cars turn into "lemons," some the minute they are driven off the lot. Some don't start right; some don't stop right; some don't do anything right.

Any dealer is more than happy to provide buyers with a copy of the warranty manufacturers give for their cars. Some last for a year; some last for five years. But unless the dealer and manufacturer back up the claims of those warranties, they aren't worth the paper they are printed on.

Introduced in the Alaska Legislature last week was a bill aimed at taking the "lemon" out of the lives of Alaska car buyers. The bill, whose prime sponsors are Juneau Sen. Bill Ray in the Senate and Reps. Jim Duncan and Mike Miller in the House, does nothing more than make manufacturers and dealers live up the promises made in warranties.

For most people, buying an automobile is the second-largest purchase they will make in their lives. The largest purchase, of course, is a home, but it should be remembered that the price of some 1983 cars would buy a nice house 20 years ago.

Because of the tremendous expense of cars, no one should be stuck with a "lemon" — a car that doesn't work properly. Yet we all know people with horror stories about how their expensive new cars went to pot on them and they were unable to get satisfaction from the dealer.

It is for those people that the "lemon law" before the Legislature is meant. A warranty is not written on paper that self-destructs once the sales agreement is signed. It is a document in which the manufacturer, through the dealer, promises to make a car run properly, no ifs, ands or buts.

Dealers should welcome the advent of a "lemon law" in Alaska. It means dealers that have been standing behind their products won't be affected in the slightest. Other dealers, who are unwilling to stand behind their products and the warranties that go with them, will — and should — find themselves having to shape up.

The "lemon law" bill deserves your support.

5/7 Duncan Empire

DON'T KNOW THE DIFFERENCE BETWEEN NOISE AND HAZARD.

We went to the stairs to a glass-enclosed booth. When Widget shut the door he said, "I want you to meet my Master Robot, Turnbill. He is programmed to program the robots on the floor."

Turnbill gave me a steely look and reluctantly put out his arm which I shook.

"How many sneakers did we make today, Turnbill?" Widget asked.

Turnbill's lights blinked, and a deep voice said, 12,890." Widget rubbed his hands. "I used to make that many in 2 week."

# Eyeing the ne

WASHINGTON (NEA) — "I can make a million through the union," Jackie Presser boasted several years ago to a magazine in his hometown of Cleveland. Indeed, the union has made him rich — and now it's about to make him famous as well.

The union is the International Brotherhood of Teamsters, Chauffeurs, Warehousemen & Helpers of America, arguably the country's most corrupt labor organization.

When the Teamsters' executive board met recently to select a new president for the union, it could have chosen a leader whose reputation had not been blackened by compelling evidence of regular affiliation with organized crime figures.

M.E. (Andy) Anderson, area director of the union's Western Conference, is hardly a candidate for sainthood but he surely would have been more suitable as president than Presser if the Teamsters were serious about restoring at least a semblance of integrity to their organization.

The same is true, although perhaps to a lesser extent, of the other two "dark horse" contenders for the presidency — Joseph W. Morgan, area director of the union's Southern Conference and Donald Peters, a Chicago Teamster leader.

But, in an election preordained as far back as the union's 1981 convention, all three of those men were summarily rejected in favor of Presser, a glib, portly 56-year-old veteran of more than three decades as a Teamster organizer.

A detailed affidavit filed by the FBI in connection with a criminal case in U.S. District Court in Los Angeles quoted FBI informants as stating that Presser was "controlled" by members of the Mafia.

In testimony before the New Jersey Commission of Investigation, a state police sergeant identified Presser as an intermediary for syndicate members seeking loans from the Teamsters' pension and welfare funds.

Some of the most disturbing allegations about Presser come from Aladena "Jimmy the Weasel" Fratianno, believed to be the first Mafia member to testify against another Mafioso in court. His testimony has aided federal prosecutors to convict approximately two dozen organized crime figures.

According to Fratianno Presser's union activities generally have been conducted under the direction and control of James T. "Blackie" Licavoli, the reputed head of the Cleveland "family" of the nationwide crime syndicate. "Jackie Presser, he told me himself that 'I don't do nothing unless Blackie tells me,'" Fratianno said in sworn court testimony.

How does Presser respond to those allegations? He blithely denies any knowledge of La Cosa Nostra: "There's no organized crime that I know of as a person."

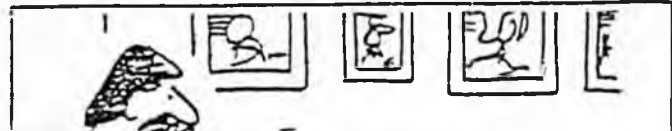
Presser offers a similar see-no-evil response to the documented examples of massive abuse of the union's Central States, Southeast and Southwest Areas Pension Fund: "Despite the many claims and accusations of various governmental agencies, the Central States (Fund) is a sound, well managed plan."

In 1976, Presser's father, William, was forced to resign as a trustee of the fund after he invoked his Fifth Amendment right against self-incrimination while being interrogated about trust fund abuses by federal investigators.

William Presser's position as a fund trustee was inherited by his son, Jackie, but he too was forced to resign only one year later and is one of numerous Teamster leaders being sued by the Justice Department for approving more than

Berry's World

Window of v



# 'Lemon' bill would put the squeeze

By DEBBIE REINWAND ROSE  
Empire Staff Reporter

Hearings begin this week on a bill that should warm the hearts of everyone who has ever bought a "lemon" — a car that for some reason doesn't work right.

Commonly known as the "lemon law," this legislation, introduced by the Juneau delegation, would bind car dealers under state law to adhere strictly to the warranty they advertised when selling a car.

Under it, if a customer complains of a "substantial" malfunction during the warranty term, the dealer or manufacturer would

have to repair it. The dealer would be given four chances to bring the car up to par, and failing that, would then have to refund the customer's money or provide a new car.

"It's not an overly restrictive law; if anything it's conservative and could be tighter," said Rep. Mike Miller, D-Juneau. "What we're talking about correcting are major problems with the vehicle. This is not in regard to trivial repairs or problems that result because of owner abuse."

Currently, 12 states have similar legislation on the books. Montana and Wyoming just passed lemon laws.

While the bill is aimed at protecting the consumer, it should not

unnecessarily alarm car manufacturers.

"One feature is that the legislation doesn't spell out what the warranty is — that's up to the manufacturer. What it does is put the full force of state law behind customer satisfaction of that warranty," said Miller.

"The idea is if the distributor or parent company issues a warranty as a selling point for their vehicles, they should live up to it; no sloughing off," said Sen. Bill Ray, D-Juneau.

And Ray should know. Like a number of people who have contacted him about the bill, the senator once owned a "lemon."

"A lot of the time, the car wouldn't start. The dealer kept say-

ing we didn't know how to operate it. ... The car ended up being recalled because of a problem with the starter," he said.

During that experience, Ray ran into delays getting the car fixed. He advocated the clause in the bill putting a limit on how long the car can be out of commission. That provision would allow the customer a refund or new car if the "lemon" has been out of service for 30 days during the warranty period or one year, or if repair services are not available to the owner for reasons beyond the owner's control.

Rep. Jim Duncan, D-Juneau, has also had a "couple of

lemons," and backs the bill because it would benefit Alaskans.

"You run into this every once in awhile and it should be cleared up so the consumer is adequately protected," he said.

The measure has been introduced in both houses, and while House passage is unclear, the co-sponsorship of several majority coalition members may help the bill.

The first hearing on the lemon law will be Thursday at 8:45 a.m. in the Labor and Commerce Committee, room 210 in the Behrens Building.

## Buyer gets \$85,000 for lemon

MEMPHIS, Tenn. (AP) — A man who complained about the treatment he got from an auto dealer after his new car burned too much oil has been awarded \$85,000 by a Circuit Court jury.

Charles Pardue was awarded \$10,000 for actual loss and \$75,000 in punitive damages in the judgment reached Tuesday.

"As far as the repair of his car was concerned, it was poorly handled," said jury foreman James Reid Jr.

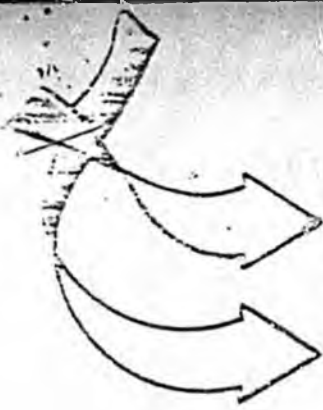
Reid said jurors discussed awards ranging from \$20,000 to \$500,000 but settled on the final figure as a "fair compromise."

Randall Noel, the lawyer for Lewis Ford Inc., where Pardue bought his 1976 Ford Grenada, said his client is considering an appeal.

Pardue, a resident of Oakland, Tenn., bought the car in 1977 for \$5,178, but said it soon began using too much oil.

He said it took two years to get the car fixed and he was charged \$1,600 for a new engine he never ordered.

*Stinson Empire 4/14/83*



# Conflict Resolution Center

conciliation • mediation • arbitration

May 16, 1983

Walt Furnace  
Alaska State Legislature  
Pouch V (MS 3100)  
Juneau, Alaska 99811

Dear Representative Furnace:

As a constituent residing in your district and as Executive Director of the Conflict Resolution Center, I am writing to express my support for SB286, relating to motor vehicle warranties.

The Conflict Resolution Center, which opened October 1, 1982, is a private, non-profit organization dedicated to the resolution of disputes of all kinds through the use of conciliation, mediation, and arbitration. In addition to these services, the Conflict Resolution Center (CRC) provides technical assistance and training to community organizations, agencies and small businesses for the purpose of designing settlement systems that prevent disputes or expedite their resolution.

The Center is supported by grants from the Municipality, Alaska Bar Association, United Way, corporate and foundation grants, in addition to fees for service that are charged on a sliding scale according to income.

CRC was developed as the result of the efforts of a voluntary committee of the Alaska Bar Association. The committee was formed because of growing concern in our community that many disputes between citizens go unresolved because the amount in controversy makes it economically infeasible to pursue a resolution through the courts. Seldom can a government agency assist in private citizen disputes. Consequently, such disputes have simply festered, creating dissatisfaction, loss of friendship or relationship, and all too often have resulted in violence.

CRC can help close the gap between unhappy people, not by more government, but through community citizens who volunteer their time to help resolve disputes between their fellow citizens in an informal face-to-face hearing. Conciliation, mediation and arbitration are forums that can process disputes in a fair, inexpensive and timely manner.

Because the Conflict Resolution Center's work is cooperative and non-adversarial, it has been well accepted by the people of Anchorage and by

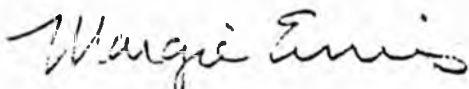
The agencies and organizations that traditionally handle civil and interpersonal complaints. In the brief time the Center has been open, CRC has successfully resolved over a hundred cases including consumer complaints, landlord/tenant disputes, neighborhood problems, contract disputes, harassment, vandalism, fights, threats, and employer/employee conflicts.

One of the primary categories for cases coming into the Center are consumer complaints. From October 1, 1982 through April 30, 1983, the Center received 85 disputes regarding the selling/buying and repair of new and used automobiles. Our experience has been that the used car dealers, generally "mom/pop" operations, have been willing to negotiate a settlement with the assistance of a neutral third party. Whereas the large dealerships have been much more recalcitrant to enter negotiations with a disgruntled customer. This, I believe, is a reflection of the few leverages/official actions that a consumer can take against a dealership when no one or thing necessarily will "encourage" a dealership to take seriously, responding in a timely manner, or settle an issue to everyone's concerned satisfaction. It is possible the proposed SB286 may just provide such "encouragement" for the dealerships to set up dispute mechanisms that are fair, timely and can provide both parties an opportunity to be fully heard and in which the needs and interests of both parties can adequately be met.

As a constituent and as a program director that has experienced the potential of alternate dispute mechanisms in resolving consumer complaints, I urge you to lend your support to SB286 as it may be a vehicle to bring auto dealers to understanding the importance of establishing voluntary dispute resolution mechanisms.

Sincerely,

CONFLICT RESOLUTION CENTER



Margie Ennis  
Executive Director

ME/jm

cc: Mike Miller (Juneau)  
AK. State Legislature  
Pouch V (MS3100)  
Juneau, Alaska 99811



MOTORCYCLE INDUSTRY COUNCIL, INC.

*Government Relations Office  
Washington, D.C.*

May 10, 1983

Honorable Mike M. Miller  
State House of Representatives  
Juneau, AK 99811

Dear Mr. Miller:

The Motorcycle Industry Council, (MIC) is a non-profit national trade association representing motorcycle manufacturers, distributors, and members of allied trades. I am writing to you and to the members of the House Labor and Commerce Committee on behalf of the MIC member companies regarding H.B. 344 which would require a manufacturer to replace a motor vehicle after a reasonable number of attempts to repair it. The Council wishes to draw your attention to what may be the inadvertent inclusion of motorcycles in this bill, by virtue of the fact that the definition of motor vehicle encompasses motorcycles, motor homes and recreational vehicles as well as automobiles. However, due to the inherent differences between these various types of vehicles and cars, their inclusion in this type of legislation is inappropriate and unnecessarily complicates the bill.

While automobile-related problems have consistently ranked highest among consumer complaints, motorcycle-related complaints historically have been rare. A summary of consumer complaints published annually by the Council of Better Business Bureaus, compiled from statistics gathered by Better Business Bureaus located throughout the nation, confirms the infrequency of motorcycle complaints. The Bureau's report on product quality ranks products from 1 to 10 on the basis of complaints received. Motorcycles have never appeared in this report. On an expanded list of 150 categories which the Bureau tracks, motorcycles account for a mere 1.2% of complaints. There is a lack of evidence of any demonstrated need for burdensome regulation in light of these statistics.

The very nature of motorcycle use as compared to that of automobiles helps explain why the number of motorcycle-related complaints is negligible and does not warrant regulation. A motorcycle typically is not the consumer's primary mode of transportation and consequently, the necessity for expeditious repair service is not urgent, as it is in the case of a car owner who is dependent on his car. Additionally, motorcycle use is very seasonal and it is not unusual for customers to take their motorcycles to dealerships for service and leave them there by choice for extended periods of time as a convenient storage place during those months of non-riding weather. Any law requiring vehicle replacement if it has been out of service for 30 days may be unfeasible if applied to motorcycles.

Mr. Mike Miller  
May 10, 1983  
Page Number Two

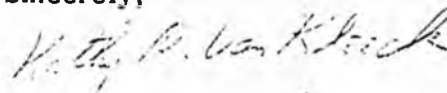
Both the California and Connecticut laws which were the first two laws of this sort to be enacted and which have been used as models for other state legislation, recognize the unique nature of motorcycles and exclude them from regulation.

Motorcycle manufacturers are currently acting in a responsible and conscientious manner to ensure product quality and customer satisfaction. Adequate remedy for the resolution of any consumer problems is readily available at the manufacturer level and procedures for such, including telephone numbers for easy access, are published in owner's manuals and on written warranties. All motorcycle manufacturers have fully staffed customer relations departments which provide assistance with warranty and other service problems.

In light of the foregoing, we feel that inclusion of motorcycles in H.B. 344 is neither needed nor justified and we urge you to amend H.B. 344 to exclude motorcycles.

Thank you for your consideration.

Sincerely,



Kathy Van Kleeck  
Director  
Legislative Affairs

KVK/tlf

DEAR Individuals,

1<sup>ST</sup> I'd LIKE TO SAY THAT  
I'm dissappointed THIS IS held  
during THE day. I'VE had TO  
TAKE Enough TIME off TO  
GET my CAR fixed. I TOTALLY  
SUPPORT A LEMON LAW. I HAVE  
had my THEN NEW 1983 Plymouth  
RELIANT IN 8 TIMES FOR THE  
SAME problem. THEY HAVE YET  
TO fix IT right. PLEASE PASS  
A LEMON LAW. IT'S IN THE  
BEST INTEREST OF THE public.

THANK YOU

KEVIN NISTER

2601 RASPBERRY Rd

Arch 99502

243-0014

Wall Street Journal - Page 31 - Tuesday, July 12, 1983

# 'Lemon Laws' Gaining Popularity Despite Auto Makers' Opposition

By WILLIAM M. BULKELEY

Staff Reporter of THE WALL STREET JOURNAL

EAST HARTFORD, Conn. — Michael White's 1982 Chevrolet Camaro had a transmission problem that wouldn't go away. The clutch was so stiff he could barely depress it. It whined and squealed. "I cursed it every time I shifted," he says.

Mr. White took the car to his dealer seven times in five months. Then he told the dealer to give him a new car under the state's lemon law, which forces auto makers to replace cars if they can't fix them in four attempts or 30 days in the shop. Soon he had a new 1983 Camaro. He paid \$1,300 for the car, reflecting the 13,000 miles he had put on the old car and some optional equipment.

Mr. White says his success in wheedling a new car out of General Motors Corp. shows the effectiveness of Connecticut's nine-month-old lemon law, the first such law in the country.

General Motors disagrees. Replacing Mr. White's car is the type of action the company occasionally takes "as a matter of good customer relations," says a GM spokesman in Detroit. GM says lemon laws are unnecessary, encourage litigation and "mislead customers into thinking some new right is being bestowed upon them."

Despite the opposition of GM and other car makers, lemon laws are sweeping the country. Since Connecticut's law went into effect Oct. 1, 10 other state legislatures have passed similar laws, including California, New York and New Jersey. Ten more states may adopt such laws by year-end, advocates say.

## Supporters' Arguments

If Connecticut's experience is typical, car replacements will remain uncommon. The industry says it has been building better cars and repairing them faster, anyway. But supporters of the new laws maintain that they will subtly force dealers and manufacturers to respond more attentively to consumer complaints.

Such legislation is enormously popular. "This is the kind of consumer issue that looks good when legislators go back home," says Charles L. Spillman, director of state relations for the Motor Vehicle Manufacturers Association, a trade group that lobbies against the bills. In New York, the bill was approved by a Senate vote of 55-1 and a House vote of 155-2. In Massachusetts, 14 legislators introduced lemon law bills, one of which passed.

Lemon laws, or repair-replace laws, as the auto industry calls them, aren't a new idea. The Motor Vehicle Manufacturer's Association says such a law was first proposed in Hawaii in 1972.

John J. Woodcock, a legislator from South Windsor, Conn., who wrote Connecti-

cut's law, says he got the idea when he read a column by humorist Erma Bombeck that mentioned a California bill. When he proposed the bill, other legislators and the local press were amused, he recalls. But he arranged a public hearing, and "people came from all over the state with their own personal horror stories" about new cars that kept breaking down, he says. "The timing was right, and the grass-roots support made it a political home run for any legislator," he says.

Connecticut's lemon law is similar to most of the laws that have been passed since. It says that if a car dealer doesn't repair substantial defects covered by the new-car warranty within a reasonable time, the

**A GM spokesman contends that lemon laws, or repair-replace laws, are unnecessary, encourage litigation and "mislead customers into thinking that some new right is being bestowed upon them."**

consumer may be entitled to a comparable new car or a refund. The law defines a reasonable period for repair efforts as four separate trips to repair the same defect or a total of 30 days in the repair shop. If the auto maker or dealer objects to providing a new car, the car owner must go through an independent arbitration procedure—if the car manufacturer has one—before going to court to sue.

The independent arbitration panels have existed in some places for a few years, and auto makers say the panels make lemon laws unnecessary. Ford and Chrysler have established panels to judge disputes between consumers and car makers and dealers; General Motors Corp., Nissan and Volkswagen have contracts with the Better Business Bureau. Many importers use a National Automobile Dealers Association program called Autocap to arbitrate disputes.

The arbitration panels are made up of people who aren't employed in the industry, and are free to consumers. Their decisions are binding on the company, although consumers can usually appeal decisions to the courts. Generally they handle disputes over whether an auto maker should pay for problems that occur after a warranty expires.

Auto makers and consumer groups say the panels work. Ford Motor Co.'s panels, which were started in 1977 and are being expanded nationally, have judged 7,500 cases. The boards decided Ford or its dealers were fair about two-thirds of the time and gave the consumers more than Ford had offered the other third. A Ford spokesman says Ford has been ordered to replace a car about a dozen times. "Typically a new board takes if we're serious about replacing a car—usually a Lincoln," a spokesman says.

## Replacing Cars

The three big U.S. auto makers didn't have arbitration procedures in Connecticut before the law was passed, so it's impossible to tell if they have changed their practices because of the law. General Motors says it has replaced nine cars in the state since last September. Nationwide, it says it replaced 267 cars since 1978, when it started the arbitration agreement with the Better Business Bureau.

In Connecticut, some lawsuits are pending, but no lemon-law suits have gone through the Connecticut courts, attorneys say.

Nevertheless, the lemon law is having an effect, advocates say. Mr. Woodcock, the legislator who wrote the law, concedes that nobody knows how many cars have been replaced. But, he says, "the true measure of the effect is the spirit of cooperation between dealer and consumer in working things out." William H. Clendenen, a New Haven, Conn. lawyer who says he has brought a lemon-law suit against General Motors, says the law "could make a difference for consumers" because it transfers responsibility from the dealer to the auto maker. "The deep pocket, the manufacturer, now has a clear responsibility. Prior to this the dealer often had to bite the bullet."

The Connecticut Automobile Dealers Association initially opposed the law because they thought it would lead to a lot of lawsuits, but "after some experience, we see the manufacturers are stepping forward and working out the arbitration system," says Richard Meek, executive vice president of the dealer trade group. "I told the national association meeting they don't have that much to fear from the laws."

The law seems to have improved dealer repair practices. After the law went into effect, manufacturers sent representatives to dealerships, advising them to avoid long tie-ups in the shop and to notify dealers about recurring new-car problems. "Now we put on the computer the number of times and days a car is in the shop," says Harvey Lipman, owner of Lipman Chevrolet in East Hartford.

# Bitter Contest for Control of World Airways

One of the most effective pieces of consumer protection legislation ever put on the books has never been used. It is the automotive Lemon Law, which is designed to protect the new car buyer from being stuck with a lemon—a car that can't be fixed. First passed in Connecticut last fall, now law in 16 states and under consideration in several more, the law has yet to be tested in court. And yet, it appears to be highly effective, because car buyers with serious, supportable complaints are finding dealers and manufacturers displaying a degree of understanding and responsiveness that didn't exist before the law was passed.

John Woodcock, who sponsored the Connecticut bill, says, "We haven't had a court case, but the Lemon Law works every day. Since it went into effect, at least 20 cars have been replaced."

Why this sudden change in attitude if the law hasn't even been used in court? Simple, Woodcock says. No manufacturer wants a judge to publicly stamp one of its products a lemon. The negative publicity a court action could create is enough to encourage dealers and manufacturers to change their stance.

Although Lemon Laws vary in wording from state to state, they are all based on

essentially the same guidelines. If, during the first year, four unsuccessful attempts are made to correct the same fault, or if the car is out of service for the same problem for 30 days total, the manufacturer must replace the vehicle or refund its cost, less a fair amount for the time the car was actually used. However, if the manufacturer objects, the owner must first take his or her complaint to an independent arbitration panel. Only if that fails does the case go to court.

Arbitration panels have existed for years—since 1977 Ford's has heard more than 7,500 cases, with two-thirds decided in Ford's favor. According to a report in the *Wall Street Journal*, GM has replaced 267 cars since 1978.

But, under the Lemon Law threat, solutions are being reached long before official arbitration is necessary.

Eight days after buying a new Ford station wagon, a Connecticut couple was back at the dealership with an automatic transmission that wouldn't shift into reverse. After 39 days in the shop, they were told the car would be replaced—at an additional cost of \$1,500 to \$2,000.

The couple contacted Woodcock, who wrote Ford, noting the car had been out of

service for more than the 30-day maximum the Connecticut law allows. Ford's first response was negative, but later that day, a Ford representative called Woodcock to say the car would be replaced at no cost.

Some car dealers, it appears, look on lemon laws as good things. Jay DeFuria is a consultant to the California legislature and worked on passage of the law there.

"Dealers used to be caught in the middle, between the customer and the manufacturer," DeFuria says. "Now, with the Lemon Law making the manufacturer ultimately responsible, dealers feel they can make those big replacements, like engines and transmissions, and not get left holding the bag."

DeFuria also notes that service departments are solving repeat problems earlier in attempts to make effective repairs before the cars are out over the allowable 30 days.

As this was written, Lemon Laws were reported to be in effect or virtually enacted in: California, Connecticut, Florida, Maine, Massachusetts, Minnesota, Montana, Nebraska, Nevada, New Jersey, New Hampshire, New York, North Carolina, Washington, Wisconsin, and Wyoming.

—Mike Knepper

# Lemon Laws: New Aid for Auto Buyers

**Help has arrived for owners of new cars with intractable problems. In 19 states, they can now obtain a refund.**

When Henry Adelman drove his new imported car out of a Palo Alto, Calif., showroom, he thought the gold four-door sedan was just peachy. Within a week, he concluded that he'd bought a leaky lemon.

"Every time it rained, the floor on the driver's side would fill up with water," recalls Adelman, a professor at the University of Santa Clara. "The interior stank with mold." Adelman took the car back to the dealer three times, to no avail. Then he let it sit unused "because it smelled so bad."

Adelman's bitter experience ended sweetly. Taking advantage of California's law on defective new cars, the professor went before a panel of arbitrator who ordered the auto maker to refund his \$12,450.

The movement to pass such lemon laws is in high gear. Just this year, 17 states have enacted lemon laws, bringing the total states to 19. Bills are pending in 11 more legislatures.

Most lemon laws copy the one in Connecticut, where the nation's first such law took effect in 1982. Generally, a new car is a lemon if it is repaired four times for the same type of problem—braking, electrical, steering or transmission—or exceeds 30 days in the shop in its first year. Most states encourage consumers to seek arbitration before suing.

**Proper repairs.** Proponents, led by the Center for Auto Safety in Washington, D.C., say repairs are more often being done correctly the first time, while arbitration eases court backlogs.

They also believe lemon laws give auto makers needed incentive to make a better product. J. D. Power & Associates, which does automotive market research, found "recurring repair problems" among 29 percent of those responding to a poll of 23,000 domestic and foreign-car owners who had their 1982 models a year or more. Three to

1, the owners blamed manufacturers, not dealers, for the breakdowns.

Few lemon laws hold dealers to blame for flaws. "The manufacturer produces the defective auto," says State Representative Vincent Palumbo, sponsor of New Hampshire's lemon law. "The auto dealer does not."

The Motor Vehicle Manufacturers Association, the auto makers' trade group, says lemon laws were unnecessary because people could always sue, and because car makers had established their own consumer-arbitration panels.

Auto makers say the definition of a lemon car is too arbitrary. They complain, too, that some lemon laws exceed their own one-year, 12,000-mile warranties. New York's law, for example, covers a new car for two years or 18,000 miles.

But some states give auto makers far more leeway. Wyoming allows a car to be in the shop for 30 business days—as long as six weeks—before its law is invoked. In most states, the option of

whether to replace the car or issue a refund is solely the manufacturer's.

In any event, very few autos are returned under provisions of lemon laws—just 40 in Connecticut in the first 13 months, during which 113,000 new cars were registered.

Auto makers take varying approaches to these laws. Chrysler sued Texas authorities on November 16, charging that the state's arbitration statute is "unfair and confusing" to consumers. Ford Motor Company seeks laws that require notification of manufacturers about consumer complaints. In Connecticut, after one Ford owner returned with a minor problem, the dealer deposited the car on his lot for 45 days, an act that by state law made it a lemon. Grips Ford spokesman Mike Davis: "It isn't one, but we didn't even know about it."

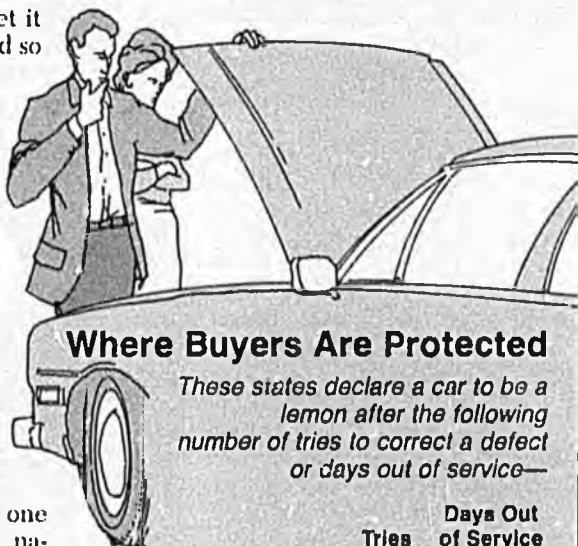
**Limitations sought.** Ford also wants to restrict the laws to serious functional and safety defects. The company wants to avoid, says spokesman Davis, "the guy who trades down a bigger car for a smaller car to save gas and then says, 'Make this car ride as nicely as the other one.'" Auto makers have pushed, with much success, to be able to deduct for actual mileage that the consumer drove while the car worked properly.

Even proponents are dissatisfied with the way some lemon laws work. A recent study by the attorney general of Connecticut complains that Better Business Bureau arbitrators, who adjudicate that state's law, take an average of 93 days to decide cases—a violation of the state's statutory 40-day time limit. The study claims the BBB did not adopt written procedures, used manufacturers' service staff as technical advisers and trained its arbitrators poorly. The BBB says it is resolving the problems.

State Atty. Gen. Robert Abrams wants New York's law extended to cover used cars so that buying a second-hand auto will stop resembling the picking of "a camel in an Oriental bazaar—on the basis of a guess, a hunch and a sales pitch." Abrams says New Yorkers buy almost twice as many used cars as new ones.

**"A snowball's chance."** Auto-industry opposition is stalling a proposal to enact a federal lemon law. Hearings have not been scheduled for a bill introduced in Congress by Representative Tom Lantos (D-Calif.). One industry lobbyist's terse assessment of its prospects: "A snowball's chance in hell."

But almost everyone agrees that additional states are certain to join the parade. Remarks Davis at Ford, "Fighting lemon laws is like fighting motherhood and sunshine." □



## Where Buyers Are Protected

*These states declare a car to be a lemon after the following number of tries to correct a defect or days out of service—*

	Tries	Days Out of Service
California	4	30
Connecticut	4	30
Delaware	4	30*
Florida	4	25*
Illinois	4	30*
Maine	4	30*
Massachusetts	4	22*
Minnesota	4	30*
Montana	4	30*
Nebraska	4	40
Nevada	4	30
New Hampshire	4	30*
New Jersey	4	31*
New York	4	30
Oregon	4	30*
Texas	4	30
Washington	4	31*
Wisconsin	4	30
Wyoming	4	30*

\*Business days.

USNAWR—Basic data: Center for Auto Safety



BRUNO R. SCHRECK

## "American Aristocracy Is Very Much Alive and Growing"

Martin Stansfeld, a Scottish-born writer, is editorial director of the American editions of *Debrett's Peerage*, premiering with a volume on Texas. In Britain, *Debrett's* is a social register of nobility. In the next decade, publication is scheduled of 10 U.S. regional editions that will name 10,000 American "aristocrats" picked by the editors on advice of local social leaders.

### Noblesse oblige in "the broad public interest"

Some people think American aristocracy died out 200 years ago when inherited titles were banned by the Constitution, but that is definitely not so. There are no inherited American titles, but aristocracy in every other sense—people of substance, education, influence and wealth—goes all the way back to the George Washingtons and Thomas Jeffersons. It is very much alive and growing in this country today.

Our research indicates that the influence of American aristocracy is becoming stronger, particularly as elected leaders have come under a cloud. Because the public is suspicious of politicians, aristocrats have been called upon to exert their ameliorating influence.

Aristocrats don't always consult the public. They take their friends to dinner or on a fishing trip and persuade them to donate a new wing to the museum or run for mayor. They accomplish their goals quietly through their banks, law firms, clubs and political donations. They're the ones who make a community work after the elected politicians have failed. The cleanup is left to the aristocrats as a matter of noblesse oblige—caring for the broad public interest.

### Regions where patricians are "more visible"

Some regions have a more visible aristocracy than others. There's definitely a vitality among aristocracy in the southern tier of states, from Virginia to Texas and California, that is lacking in the North. The trouble with many Northern aristocrats these days is that they are taught to be low-keyed—to shy away from outside affairs, such as politics and social causes. The Rockefellers and Kennedys are the exceptions.

In the South, many aristocrats, such as the Byrds of Virginia and the Klebergs of Texas, are families that have been community leaders for decades. They are comfortable using their power and privilege. Over the years, those families have sent some of their offspring west, and now there is considerable behind-the-scenes leadership in California from those families and the old landowning Mexican Americans retaining influence.

A large number of noblemen—people with real inherited titles such as princes and dukes—have fled European socialism and settled recently in the Rocky Mountain states, as well as New York, Virginia and Florida.

### "Ways you can climb the social ladder"

New forces among the aristocracy are providing more vitality in American leadership. In all parts of the United States, there are growing numbers of "new men and

women"—people of wealth and community clout and social distinction created in a generation or two. In Texas, the children of the late oil man H. L. Hunt are examples of important new community leaders.

One of the quickest ways you can climb the social ladder in America is with donations to museums, opera houses, ballet and the like. There's nothing particularly phony about that, because to get extremely rich in America today you have to have a first-rate education. So these people are interested in the arts anyway. It's natural for them to donate.

People also climb by such activities as backing social causes or becoming involved in politics. Texas is an extraordinary case of a state with a diverse establishment that pulls together. There's a very successful Texas lobby in Washington that cooperates whether the politician is a poor radical or a fat cat.

### U.S. "should have a House of Lords"

Even though the Constitution rules out the granting of titles, many people would welcome the custom today. Texas came close to establishing titles when it was a republic, and Texas-born Princess "Titi" von Furstenberg says, "If Texas hadn't joined the Union, we Texans would all have titles."

In Britain, the House of Lords, composed of titled people, works well as a restraining hand on the more immoderate actions of the House of Commons, which is composed of elected politicians. Across the United States, our researchers are hearing that this country should have titled people and a kind of House of Lords, too. Because such an institution doesn't exist in America, aristocrats here are forced to wield their influence from the closet.

Houston Grand Opera patrons mingle with international stars and the opera's music director after a performance.



# 'Lemon law' bill draws mild comments

Juneau Empire 2/1/84

By DEAN FOSDICK  
The Associated Press

A proposed "lemon law" that would put the squeeze on auto manufacturers for defective vehicles and which ultimately could require that they provide replacements or refunds drew some relatively mild comment from two industry representatives at a Senate hearing Tuesday.

The measure (CSSB 286), backed by state Attorney General Norm Gorsuch, "would require manufacturers to live up to the warranties they offer," said Sen. Bill Ray, D-Juneau and the bill's sponsor.

Connie Sipe, an assistant attorney general and chief of the department's Consumer Protection Section, said 18 other states have similar bills and as many as 30 will enact such measures before the end of this legislative session.

"A car is expensive and a warranty is an expensive part of that purchase price," she testified before the Senate Labor and Commerce Committee. "When people buy their cars and take them to remote areas, they often don't get their money back from the

warranty expense."

In a Jan. 31 letter to the committee, Gorsuch said such laws indicate national recognition of a problem "and a need to restore consumer confidence and manufacturer responsiveness in the new car market.

"With the lemon law in place, the manufacturers, the consumers and the courts have clear standards to apply as to what is a 'lemon,' which is a reasonable number of attempts or time period for repair of a vehicle, how a consumer should be compensated and what type of notice the consumer should give the manufacturer before demanding a refund or replacement," Gorsuch wrote.

A lemon law would save consumers money because they are required to run their complaints through informal mediation and arbitration procedures before going to court, Gorsuch contended.

Under the amended bill, a manufacturer, dealer or agent would be required to make the necessary repairs under the warranty or replace the original "with a new, comparable motor vehicle, or

refund the full purchase price to the owner."

"The intent of the measure is to insure quality from the beginning," Sipe told a reporter. "The manufacturer and dealer will be on their best behavior to do a good job and do a better job along the way. This gives them an economic incentive to fix it, or they buy it back."

Jim Austin, public affairs manager, Pacific Coast region, for the Motor Vehicle Manufacturers Association, said, "We're pretty much in accord in many respects.

"We're not endorsing the bill but we're not opposing it, either," Austin said.

C. Lee Ridgeway, a representative of GMC's industry-government relations staff from Sacramento, Calif., said, "Our position is that with lemon laws in, total payouts aren't necessary.

"In two years in San Francisco, GM bought back only 10 or 11 cars," Ridgeway said. "Normally, they fix them."

The committee delayed action on the measure until hearing testimony from a Feb. 9 teleconference.

# GM's earnings could set industry record

DETROIT (AP) — General Motors Corp.'s 1983 earnings could set a record for the nation's largest automaker and lift combined U.S. car industry profits for the year to an all-time high, analysts say.

Many analysts see GM surpassing its record profit of \$3.51 billion set in 1978, a year before the American car industry plunged into a four-year sales slump that Detroit began to shake off just last year.

David Healy, an automotive industry analyst for Drexel Burnham Lambert Inc. in New York, said the earnings will be "in the neighborhood of" \$3.7 billion.

"Dollars weren't what they were in 1978, so it won't be a record in real dollars. But that's still a very good figure," Healy said.

GM Chairman Roger B. Smith, who has led the company on its way out of the industry's sales slump, was to make the earnings announcement in an address to the National Press Club in Washington this afternoon.

When Ford Motor Co., Chrysler Corp. and American Motors Corp. close their books later in the month, the U.S. car industry is expected to have racked up profits far exceeding the industry record of \$5.18 billion in 1977.

The record earnings for a year by a U.S. corporation was set in 1982 when AT&T recorded a profit of \$7.23 billion, earning more than \$2 billion in one quarter alone.

Analysts predict that Ford's earnings could approach, or even exceed, its record of nearly \$1.7 billion in 1977. Chrysler is a sure

bet to set a record for 1983. Its record for a year was \$422.6 million in 1976 and it eclipsed that in just three quarters of 1983, earning \$582.6 million. AMC says it will post a profit for the fourth quarter, but has not predicted a profit for the year.

Healy said GM's results came "from a combination of three things: the recovery in car sales, a reduction in their break-even point — doing it with fewer people — and the market mix, which is very profitable. They were selling more of the profitable big cars and not as many of the smaller cars."

Gary Glaser, an automotive analyst for Sanford C. Bernstein & Co. Inc. in New York, said GM piled up the profits because of improved sales in big cars, GM's specialty, the improved sales market that has aided all carmakers and better efficiency, which has dramatically lowered GM's break-even point.

"The overriding factor has been the significant increase in (cars and trucks) sold as the market comes back," Glaser said. "Certainly, part of it relates to the fact that GM is the most significant player in the higher end of the market."

He also cited "the excellent programs GM has made in lowering and containing costs."

Glaser said that in 1978, when GM hit its previous record profit, "they needed to build 5 million vehicles to break even. By 1983, Glaser said, GM had lowered that "to 4 million. This is really the key, with the fact that sales have indeed come back."

MSG 84-00011905 PRTY 1 02/09/84 13:42:02 ORIG: LF01 IN= 0003 OUT= 0108  
FROM: PAULA/FKS TO: JNU INFO  
TARGET: LJHK SUBJ: FOR 24

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TO: SENATE LABOR & COMMERCE  
SENS ELIASON, MULCAHY, PETTYJOHN, SACKETT, RODEY

ALSO: REPS DAVIS, BETTISWORTH, KOPONEN, RINGSTAD, M.W. MILLER  
& SENS BENNETT, FAHRENKAMP, & MOSS

FROM: REBECHA MILLER, P.O. BOX 75395, FKS, 99707, 452-7126-W

RE: SB 285, LEMON LAW

MSG: THANK YOU FOR ALLOWING THE OPPORTUNITY TO COMMENT. WHOLEHEARTEDLY  
I ENDORSE THE CONCEPT OF SB 286. ONE SUGGESTION, HOWEVER, WOULD BE TO  
CLARIFY WHAT YOU MEAN BY 30 DAYS OUT OF SERVICE (LINE 19). IF THIS IS  
LEFT TO INTERPRUTATION, IT COULD WELL PROVE COSTLY. LANGUAGE SHOULD BE  
INSERTED IN SECTIONS (K) TO THE EFFECT THAT THE 30 DAYS ARE COUNTED FROM THE  
TIME AN OWNER REPORTS THE PROBLEM AND REQUESTS AN APPOINTMENT.

-----EOM

MSG 84-00002253 PRTY 1 01/10/84 15:42:09 ORIG: LA09 IN= 0002 OUT= 0085  
FROM: SHIRLEE ANC LIO TO: POMS/JUNEAU INFO  
TARGET: LJHK SUBJ: POM

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TO: ALL LEGISLATORS

FROM: KEITH KLEMME  
6630 EAST TENTH AVENUE  
ANCHORAGE, AK 99504 (H) 337-2216

I AM AGAINST MANDATORY INSURANCE FOR AUTOMOBILES IN THE STATE  
OF ALASKA, BUT I AM FOR A VERY MUCH NEEDED LEMON LAW FOR THE  
AUTOMOBILE INDUSTRY FOR THE STATE OF ALASKA TO PROTECT THE  
CONSUMER AGAINST THE CAR DEALERS.

\*\*\*\*\*

MSG 84-00013117 PRTY 1 02/13/84 17:01:53 ORIG: KIN IN= 0019 OUT= 0136  
FROM: KIN / ANCH LIO TO: JUNEAU INFO / POM  
TARGET: LJHK SUBJ: POM

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TO: ALL LEGISLATORS

FROM: JOSEPH IRETON, 3425 CREEKSIDE DRIVE, 99504 *Anch.*  
H 333-7602

I AM FOR A TOUGH LENON LAW ON NEW CARS. THANK YOU.

FROM: DR. FRANK MOORE, PO BOX 773329, EAGLE RIVER, 99577  
H 694-5865 W 564-9111

AS A DIRECTOR OF THE EMERGENCY DEPARTMENT AT PROVIDENCE HOSPITAL,  
I HAVE HAD TO CARE FOR MANY CHILDREN BADLY INJURED OR KILLED BECAUSE  
THEY WERE NOT PROPERLY RESTRAINED. I STRONGLY URGE YOU TO PASS SB163  
SO WE CAN DECREASE THE NEEDLESS INJURIES TO THE CHILDREN OF OUR STATE.

MSG 84-00013134 PRTY 1 02/13/84 17:43:48 ORIG: LA17 IN= 0002 OUT= 0148  
FROM: KIN / ANCH TO: JNU INFO / POM  
TARGET: LJHK SUBJ: P O M

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TO: ALL LEGISLATORS

FROM: STEVE PAULS, 13590 SEABREEZE CIRCLE, ANCHORAGE 99516  
H 345-3405 W 276-4218

I BELIEVE THAT THE AUDIT OF THE STATE'S AIRCRAFT SECTION IS A WHITEWASH.  
SERIOUS THEFT HAS TAKEN PLACE AND THOSE INVOLVED MUST BE HELD ACCOUNTABLE.  
IMMEDIATE ACTION MUST BE TAKEN TO STOP THIS CRIMINAL USE OF PUBLIC MONEY.

MSG 84-00012417 PRTY 1 02/10/84 14:04:25 ORIG: LF00 IN= 0007 OUT= 0082  
FROM: PAULA/FKS TO: JNU INFO  
TARGET: LJHK SUBJ: POM

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TO: SENATE LABOR & COMMERCE - SENS ELIASON, MULCAHY, PETTYJOHN, SACKETT,  
RODEY

FROM: ELIZABETH DUGDALE JACKSON, BX 83318, FKS, 99708, 479-0733-H 456-2030-W

RE: SB 286, LEMON LAW

MSG: I WHOLEHEARTEDLY SUPPORT THE PASSAGE OF THIS BILL. IT WOULD BE A  
GREAT STRIDE FORWARD FOR THE CONSUMERS OF ALASKA. BASED ON PERSONAL  
EXPERIENCE, IT IS ABSOLUTELY CRUCIAL TO HAVE SUCH A LAW.

-----EOM

MSNG 17007

a MARY/MATSU

TO: SENATORS KERTTULA, ELIASON, MULCAHY; PETTYJOHN, RODEY, SACKETT  
REPS. LACHER, LARSON

FR: GREG AND KATHLEEN WILKINS  
SR BOX 3364-A  
WASILLA 99687

PH: 376-6144

RE: SB 286 - LEMON LAW

I HAVE REVIEWED THIS LEGISLATION AND KNOW IT IS NEEDED AS I HAVE PURCHASED A "LEMON". THIS WILL DEFEND THE PUBLIC. THE PUBLIC HAS BEEN VICTIMIZED ALL TOO FREQUENTLY IN THE AREA OF NEW CARS. MY CAR HAS A DEFECT WHICH MAKES IT UNSAFE TO DRIVE. ALTHOUGH ORIGINALLY COVERED BY WARRANTEE, THE REPAIRS HAVE STILL NOT BEEN MADE AND THE WARRANTEE HAS EXPIRED. I AM NOW BEING CHARGED FOR REPAIRS. URGE IMMEDIATE PASSAGE OF THIS BILL. THANK YOU.

MSG 84-00017007 PRTY 1 02/23/84 16:26:56 ORIG: LM00 IN= 0013 OUT= 0153  
FROM: MARY/MATSU TO: JNU INFO  
TARGET: LJHK SUBJ: P O M

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TO: SENATOR ELIASON

FR: ELSIE O'BRYAN  
BOX 24  
HOUSTON 99694

RE: LEMON LAW - SB 286

THE SERVICE DEPARTMENT AND MANUFACTURERS DO NOT COORDINATOR LIABILITY  
FO DEFECTIVE VEHICLES UNDER WARKANTY. I RECOMMEND REVIEW OF CLAUSE  
TO ALLEVIATE RESPONSIBILITY FOR MINOR PROBLEMS. SUGGEST CONSIDERATION  
OF "SAFETY OF OPERATING VEHICLES" AS UPPERMOST IMPORTANCE. URGE  
PASSAGE OF LEGISLATION AS QUICKLY AS POSSIBLE.

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# Alaska Public Interest Research Group

P.O. Box 1093

Anchorage, Alaska 99510

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Phone (907) 278-3661

February 15, 1984

Senate LABOR & COMMERCE  
Room 417 Capitol  
Pouch V  
Juneau, AK 99811

Dear Senator Richard I. Eliason:

Enclosed is a copy of my testimony at the Committee hearing on SB 286, the Lemon Car bill.

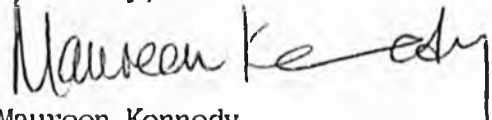
Two bills have been introduced to the Connecticut legislature, amending that state's Lemon Car Law. One would set up a statewide arbitration committee for owners of cars whose manufacturers do not have a program set up. The other bill requires the Attorney General to authorize that each manufacturer's arbitration program complies with 16 CFR part 703.

The AG had found that several manufacturers purporting to have arbitration programs in compliance with Part 703 in fact did not. As a result, owners of vehicles were having to wait inordinate periods of time for a hearing, and then a decision. Many consumers with strong cases eventually dropped out of the process through sheer frustration as manufacturers used arbitration to their advantage in putting consumers off.

We feel that it is especially important that the Alaska Office of the Attorney General authorize the manufacturer's programs in this state. Moreover, there is no reason that the programs can't comply in all respects with Part 703.

Please feel free to call me in Anchorage, if you have any additional questions.

Sincerely,



Maureen Kennedy  
Director

COMMENTS BEFORE THE SENATE LABOR AND COMMERCE COMMITTEE ON THE LEMON CAR BILL

Good afternoon, my name is Maureen Kennedy, and I am the director of the Alaska Public Interest Research Group. AkPIRG does research and advocacy on economic and social issues and has over 400 members statewide.

We are very supportive of the concept of lemon car legislation, though we support the language embodied in the original version over that of the current version. Nevertheless, I was pleased to hear that industry representatives are satisfied with the committee substitute.

We would like to see the following changes made before the bill is passed out of committee:

The manufacturer or dealer should be required to fix the car until it conforms to both the express warranty AND the implied warranties of merchantability and fitness for purpose. There is plenty of precedent for this in the federal Magnuson/Moss Warranty Act and in other states' lemon car laws. As the bill is now worded, only problems with materials or workmanship must be resolved, while DESIGN defects that "substantially impair the car's use and value" need not be fixed by the dealer or manufacturer.

If a manufacturer produces a car with a design defect that has the same impact on the owner as a problem with materials or workmanship, that is, the car is in the shop for 30 working days, then the company should have the obligation to replace the car. Overall, the car should do what it's supposed to do, even if the problem is with the specifications rather than the production.

In part (b) of the bill, the OWNER of the vehicle should be able to choose between a replacement car and a full refund. Car owners who must resort to the Lemon Car Law will probably have little faith in the model and perhaps the manufacturer after the ordeal. They should be entitled to a refund if THEY wish, rather than a replacement car, which may be more palatable from the perspective of the dealer or manufacturer.

We are pleased that Part (f) dealing with full disclosure at resale, has been added to the bill.

In Part (i), the dispute settlement procedure should comply rather than substantially comply with the provisions of 16 CFR part 703. Moreover, this section should expressly say that no member of the arbitration committee can be a manufacturer, distributor or dealer of cars. The state that passed the first lemon car law, Connecticut, is having substantial problems with this portion of its law, and a bill to tighten up the language has been introduced this session.

The bill should include a requirement that the manufacturer give notice in the express warranty of the owner's rights under any arbitration procedure and the Lemon Car Law, including deadlines for action.

One final point. Though we were pleased to see that an Alaskan received a refund through a manufacturer's arbitration program, we all need to keep in mind that such programs solve only a few of the difficulties the Lemon Car bill is meant to address. Many manufacturers don't have these programs in place and other consumers may not be satisfied with the results of arbitration. Most Alaskans with lemons will have no recourse until this bill becomes law.



MOTORCYCLE INDUSTRY COUNCIL, INC.

*Government Relations Office  
Washington, D.C.*

February 6, 1984

Honorable Richard Eliason  
Chairman  
Senate Labor and Commerce  
Committee  
State Capitol  
Juneau, AK 99811

Dear Chairman Eliason:

The Motorcycle Industry Council is a nonprofit national trade association which represents the manufacturers and distributors of motorcycles and over 100 other companies involved in allied trades. I am writing with regard to SB 286, the "lemon" bill.

The Council believes that motorcycles should be excluded from the legislation and would like to share with you some reasons why we believe exclusion is merited.

There are several factors unique to the motorcycle industry and some inherent differences between motorcycles and passenger cars which complicate and make inappropriate the inclusion of motorcycles in such laws.

While car-related problems consistently rank high among consumer complaints, probably because of their sheer numbers and the high expenditures involved, motorcycle-related complaints historically have been few. The Council of Better Business Bureaus compiles statistics gathered nationwide and ranks products from 1 to 10 on the basis of complaints received. Motorcycles have never appeared in this report, nor did they appear on the latest available expanded list of 88 categories of complaints which were received by the Bureau in 1981.

Expanding a lemon law to products that are not a subject of concern is unnecessary and costly and will probably cause more problems than it will solve; for example: increased disputes and litigation between motorcycle manufacturers and their dealers which would be inherent in the shared yet undefined requirements and responsibilities imposed by the bill, probable reduced voluntary consumer accommodation by dealers, and a probable reduction of goodwill repairs by the manufacturer.

Likening motorcycles to cars for the purpose of this legislation does not seem appropriate when taking into consideration both the size and nature of the industries and the costs and use differences of the products.

The motorcycle industry is far smaller than the auto industry. Based on 1982 sales figures for Alaska, there were only 1,247 motorcycles sold that would be subject to this legislation. For every 100 cars sold there would be only 7.6 motorcycles, and in terms of dollar volume, motorcycle sales would constitute a mere 2.2% of car sales.

While some motorcycle models are indeed expensive, this bill also would be regulating for instance, the small Honda Express, which at under \$300 is less expensive than many bicycles and used for the same purposes, namely recreation and errand running. Cars are one of the major expenditures a consumer will ever make, and one on which he is the most dependent. Motorcycles on the other hand are generally discretionary purchases and some are less expensive than major household appliances and entertainment devices. It seems no more appropriate to cover motorcycles by a specific lemon law than it does to cover any other such purchases, from refrigerators to stereos. These consumer purchases, including motorcycles, are covered adequately already under the Uniform Commercial Code which offers protection to buyers of defective products.

The majority of motorcycle dealerships are relatively small businesses. The average dealership has 5 full-time employees which typically include the owner/operator, his or her spouse and one mechanic. I believe it is a common misconception that lemon laws will be only a manufacturer concern with regard to compliance. The dealer is and will continue to be the focal point of the customer in all matters having to do with the purchase. The manufacturers' responsibilities and ability to comply will be very much dependent upon the dealer's performance of his or her responsibilities with regard to service management and particularly the extensive record-keeping that will be required. The motorcycle industry as a whole is a drop in the bucket compared to the auto industry and motorcycles' inclusion will impose a proportionally much greater burden on our industry than on the larger automobile industry, not only in terms of increased dealer burden, but in the prohibitive cost of establishing formal dispute resolution mechanisms when effective customer service procedures are already in place.

Finally, motorcycle use is very seasonal and it is common for customers to leave their motorcycles for service at dealerships for extended periods of time. In this regard, a law requiring vehicle replacement if it has been out of service for 30 days would be more of a consumer inconvenience than a benefit, for this practice will surely end. The manufacturer's risk exposure will overshadow the owner's convenience and the dealer's efficiency.

Motorcycle manufacturers view warranty repair policies as an investment in good customer relations and future repeat sales. Motorcycles are largely a discretionary purchase and if a consumer is dissatisfied, he simply won't buy another motorcycle of any make. A dissatisfied car buyer usually will not nor cannot abandon the automobile market, since for most people a car is a necessity. Motorcycle manufacturers have to be responsive to complaints if they want to retain their customer base. It is not uncommon for motorcycle manufacturers to perform goodwill repairs on vehicles, even though the repair is not required under warranty or the vehicle's warranty has expired. If motorcycles were included in a lemon bill, these goodwill repairs would surely end since they would be included in the number of repairs allowed before a vehicle is considered a lemon. In effect, a lemon law could prove to be detrimental, rather than beneficial to consumers.