

ALASKA STATE LEGISLATURE
HOUSE LABOR AND COMMERCE STANDING COMMITTEE

April 10, 2002

3:32 p.m.

MEMBERS PRESENT

Representative Lisa Murkowski, Chair
Representative Andrew Halcro, Vice Chair
Representative Kevin Meyer
Representative Pete Kott
Representative Norman Rokeberg
Representative Harry Crawford
Representative Joe Hayes

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

HOUSE BILL NO. 269

"An Act establishing employment protections for certain employees in the aviation industry relating to safety issues."

- HEARD AND HELD

HOUSE BILL NO. 271

"An Act relating to recovery of punitive damages resulting from an aviation accident; and providing for an effective date."

- MOVED CSHB 271(L&C) OUT OF COMMITTEE

HOUSE BILL NO. 429

"An Act relating to certain licenses for the sale of tobacco products; relating to tobacco taxes and sales and cigarette tax stamps; relating to provisions making certain cigarettes contraband and subject to seizure and forfeiture; relating to certain crimes, penalties, and interest concerning tobacco taxes and sales; relating to notification regarding a cigarette manufacturer's noncompliance with the tobacco product Master Settlement Agreement or related statutory provisions and to confiscation of the affected cigarettes; and providing for an effective date."

- HEARD AND HELD

PREVIOUS ACTION

BILL: HB 269

SHORT TITLE:JOB PROTECTION FOR EMPLOYEES IN AVIATION

SPONSOR(S): LABOR & COMMERCE

Jrn-Date	Jrn-Page		Action
05/04/01	1532	(H)	READ THE FIRST TIME - REFERRALS
05/04/01	1532	(H)	L&C, JUD
05/04/01	1532	(H)	REFERRED TO LABOR & COMMERCE
05/06/01	1617	(H)	PRIME SPONSOR CHANGED
04/10/02		(H)	L&C AT 3:15 PM CAPITOL 17

BILL: HB 271

SHORT TITLE:CAP ON AVIATION ACCIDENT PUNITIVE DAMAGES

SPONSOR(S): LABOR & COMMERCE

Jrn-Date	Jrn-Page		Action
05/04/01	1532	(H)	READ THE FIRST TIME - REFERRALS
05/04/01	1532	(H)	L&C, JUD
05/06/01	1617	(H)	PRIME SPONSOR CHANGED
04/10/02		(H)	L&C AT 3:15 PM CAPITOL 17

BILL: HB 429

SHORT TITLE:TOBACCO TAXATION; LICENSING

SPONSOR(S): RLS BY REQUEST OF THE GOVERNOR

Jrn-Date	Jrn-Page		Action
02/15/02	2282	(H)	READ THE FIRST TIME - REFERRALS
02/15/02	2282	(H)	L&C, JUD, FIN
02/15/02	2282	(H)	FN1: (REV)
02/15/02	2282	(H)	GOVERNOR'S TRANSMITTAL LETTER
04/03/02		(H)	L&C AT 3:15 PM CAPITOL 17
04/03/02		(H)	Heard & Held
04/03/02		(H)	MINUTE(L&C)
04/08/02		(H)	L&C AT 3:15 PM CAPITOL 17
04/08/02		(H)	Scheduled But Not Heard
04/10/02		(H)	L&C AT 3:15 PM CAPITOL 17

WITNESS REGISTER

CHRIS KNIGHT, Staff
to Representative Andrew Halcro
Alaska State Legislature

Capitol Building, Room 414
Juneau, Alaska 99801

POSITION STATEMENT: Presented HB 269 and HB 271 on behalf of the sponsor, the House Labor and Commerce Standing Committee.

FRED CIARLO, General Manger
Tanana Air Service
PO Box 60713
Fairbanks, Alaska 99706

POSITION STATEMENT: Discussed the costs of aviation insurance.

MIKE SALAZAR
PO Box 6918

Ketchikan, Alaska

POSITION STATEMENT: Testified that anything that can be done to limit the awards of settlements in aviation cases will reduce the costs to travelers.

BOB JACOBSEN

Wings of Alaska
8421 Livingston Way
Juneau, Alaska

POSITION STATEMENT: Discussed the rise in aviation insurance rates.

KIP KNUDSON, President
Alaska Air Carriers Association
929 E. 81st, Number 108
Anchorage, Alaska 99518

POSITION STATEMENT: Testified that HB 271 is a good start. With regard to HB 269, the association is neutral.

MIKE ONEIL (PH), Owner
Security Aviation
3600 W. International Airport Road
Anchorage, Alaska

POSITION STATEMENT: Discussed difficulties with rising aviation insurance rates.

JOHN STEINER, Assistant Attorney General
Transportation Section
Civil Division (Anchorage)
Department of Law
1031 W 4th Avenue, Suite 200
Anchorage, Alaska 99501-1994

POSITION STATEMENT: Expressed concerns with HB 269.

RICHARD HARDING, Vice President
Peninsula Airways
(No address provided)

POSITION STATEMENT: Discussed reasons for rising aviation insurance costs.

MIKE ELERDING
Northern Sales Company
PO Box 8112
Ketchikan, Alaska

POSITION STATEMENT: Provided written comments and noted support of an amendment to HB 429 included in the committee packet.

ACTION NARRATIVE

TAPE 02-54, SIDE A
Number 0001

CHAIR LISA MURKOWSKI called the House Labor and Commerce Standing Committee meeting to order at 3:32 p.m. Representatives Halcro, Meyer, Crawford, and Hayes were present at the call to order. Representatives Murkowski, Kott, and Rokeberg arrived as the meeting was in progress.

HB 269-JOB PROTECTION FOR EMPLOYEES IN AVIATION
HB 271-CAP ON AVIATION ACCIDENT PUNITIVE DAMAGES

VICE CHAIR HALCRO announced that the first order of business would be HOUSE BILL NO. 269, "An Act establishing employment protections for certain employees in the aviation industry relating to safety issues." and HOUSE BILL NO. 271, "An Act relating to recovery of punitive damages resulting from an aviation accident; and providing for an effective date."

VICE CHAIR HALCRO reminded the committee that last year there was a subcommittee on aviation in Alaska. The subcommittee, chaired by Representative Halcro, put forth three recommendations. There was a recommendation for training and education which [led to] substantial investment in programs such as the Medallion Program and the Cap Stone Program at the University of Alaska. The second recommendation was employee protection, which is encompassed in HB 269. The third recommendation was for tort reform for aviation accidents, which is encompassed in HB 271. House Bill 271 limits punitive damage awards.

Number 0226

CHRIS KNIGHT, Staff to Representative Andrew Halcro, Alaska State Legislature, presented HB 269 and HB 271 on behalf of the sponsor, the House Labor and Commerce Standing Committee. Mr. Knight explained that HB 269 inserts "whistle-blower" protection privileges into the current aviation statutes. Therefore, an employee of an aviation company has certain protections when working for that company. So an individual who talks about certain safety practices, for example, would be protected under HB 269 with [regard to the retention of their job]. Mr. Knight said that 99.9 percent of the aviation businesses in Alaska operate good businesses. He noted that HB 269 mirrors some existing statutes on whistler-blower protection.

MR. KNIGHT turned to HB 271, which addresses punitive damages. He mentioned the difficulty in obtaining hard data with regard to how many punitive damages relating to aviation accidents have been awarded in Alaska. This legislation limits the punitive damage portion of litigation involving aviation accidents that go to court. This legislation does not limit, in any way, the compensatory damages. House Bill 271 is important in this package for aviation because typically a lawyer enters into settlement cases and although the lawyer will never move through the processes to seek punitive damages, the lawyer will threaten to do so in order to boost settlement costs or compensatory damages.

MR. KNIGHT said that the main reason for this all is that insurance rates [for aviation] are going through the roof. In some cases, insurance rates have tripled and quadrupled. He pointed out that the committee packets should include a document from the Division of Insurance, which discusses the direct losses incurred over the last ten years. With regard to the direct losses, Alaska has increased by 141 percent over ten years. This legislation, HB 271, is aimed at allowing insurance companies to get a handle on their overall costs, which then allows the insurance companies to [adjust] their rates. Therefore, it would benefit the air carriers.

MR. KNIGHT concluded by noting that he has had little communication with the insurance companies. All the impetus for these bills has come from the air carriers.

Number 0517

REPRESENTATIVE CRAWFORD inquired as to what was used to established the punitive damages limits in HB 271.

MR. KNIGHT answered that the limits were based on what the current policyholders have with regard to compensatory damages. He informed the committee that in 1997 legislation was enacted that established limits for punitive damages that allowed three times the compensatory rate or \$5,000, whichever is higher. In the aviation industry, the compensatory awards are often upwards of \$1 million. Therefore, under the current tort reform laws there could be punitive damage awards upwards of \$3 million. The limits in HB 271 seem to be fair while allowing the insurance companies to obtain a grasp on their marketable risk. With regard to punitive damages sought by an attorney, it's hard to prove the egregious act was knowingly performed with no regard to safety mechanisms or hazards and that those business practices continued and thus endangered the clients or other people. He reiterated that in 99 percent of the cases that are settled, the lawyers seeking compensatory damages use punitive damages as a threat in order to drive up the costs of compensatory damages. Mr. Knight said that the committee packet should include research that specifies that there have been eight punitive damage awards in the last two years, four of which were between \$15,000-\$100,000. Of the other four awards that were higher than \$100,000, the three highest awards were \$2.6 million to \$150 million.

Number 0768

REPRESENTATIVE CRAWFORD related his understanding of Mr. Knight's testimony that under current tort reform, the upper limit [for punitive damages] would be \$3 million. However, [the research] specifies that there was a judgment for \$150 million.

MR. KNIGHT said that there are certain ways around the [tort reform limitations for punitive damages]. He explained that tort reform for punitive damages allows three times the limit [specified for] compensatory [damages] or \$5,000, whichever is higher. Therefore, placing a cap on punitive damages seems to allow the insurance companies and air carriers to have a "fix" on how much their rates can expand.

VICE CHAIR HALCRO noted that both HB 269 and HB 271 were introduced last May and in the last three months there have been a number of newspaper articles on these subjects.

Number 0967

FRED CIARLO, General Manger, Tanana Air Service, informed the committee that two years ago Tanana Air Service was listed as the ninth largest passenger carrier for rural Alaska. Tanana Air Service operates out of 86 different villages in the Interior. Insurance is one of the major costs and anything that can be done to reduce that cost would be appreciated. Mr. Ciarlo explained that last year Tanana Air Service was quoted \$3,000 per seat to insure an airplane. Therefore, 50 seats would equate to \$150,000. Those costs are [borne by the consumer] at a rate of \$15-\$20 a ticket. This year Tanana Air Service faces a 20 percent increase in insurance. Mr. Ciarlo informed the committee that last year he reduced the number of seats by 13 and didn't insure those seats. Furthermore, passenger service out of Bethel was eliminated because of insurance and the high cost of jury-awarded settlements. Mr. Ciarlo related that if there is an accident and someone dies, he could expect to lose the company. He noted that safety has been increased through the aforementioned Medallion Program. "Anything that we can do to limit the awards of settlements will reduce the costs to the air constituents in traveling and we appreciate those efforts," he said.

The committee took a brief at-ease and the gavel was returned to Chair Murkowski.

MIKE SALAZAR testified on his own behalf, but noted that he works for Accordion Northwest out of Seattle, Washington. Mr. Salazar informed the committee that he was in the aviation business for over 30 years in Ketchikan. He said that this legislation won't chase any insurance companies out of Alaska but rather will help. Most of the underwriters that he spoke with felt that obtaining a cap on what they will have to pay out results in establishing better rates under which the operators can work. With regard to punitive damages, Mr. Salazar pointed out that many insurance policies don't cover punitive damages or there are questions with regard to whether they do or don't. Therefore, the carrier has to hire an attorney in order to ensure that the carrier is protected.

MR. SALAZAR informed the committee that certified air carriers are only required to carry \$150,000 of insurance per seat. A 401 certified air carrier, which means that the aircraft hauls the mail on a scheduled basis through the Federal Aviation Administration (FAA) and the Department of Transportation (DOT), [is required to carry] a minimum of \$300,000 worth of insurance. Basically, each company bets its net worth when it flies. In

conclusion, Mr. Salazar related his belief that what the committee is doing is good.

Number 1252

REPRESENTATIVE HALCRO recalled the Haglen (ph) Aviation case in which the judge ruled that punitive damages weren't covered in the [business] per person limit. Hopefully, passage of this legislation [HB 271] would define a businesses exposure. He requested Mr. Salazar discuss how this legislation would help underwriters get a better grip on the total exposure in order to establish rates.

MR. SALAZAR answered that if a person sues for punitive damages, the aviation business has to provide a defense. He noted that one result could be the charge that punitive damages are excluded from the policy. However, without review of each policy he couldn't say.

CHAIR MURKOWSKI related that she had read in the February Journal Commerce that the percentage increase in insurance can be anywhere from 20-200 percent.

MR. SALAZAR agreed and pointed out that the largest problem is getting the proper coverage for the air carrier.

Number 1390

BOB JACOBSEN, Wings of Alaska, informed the committee that from 1989-1994 Wings of Alaska paid about \$150,000 for its annual insurance policy for 120-130 seats. In 1995 the cost went to about \$250,000. In 1996-1999 the insurance costs for Wings of Alaska were about \$350,000, which increased to about \$700,000 in 2000 and last year it rose to about \$850,000. He pointed out that during 1989-1994 Wings of Alaska had "smooth policy limits". He explained that a \$10-\$20 million policy didn't have any per passenger sub-limit. However, underwriters don't like smooth policy limits because they feel too exposed and underwriters have spent a lot due to the current liberal juries. Therefore, the [per passenger] sub-limit came into play. Mr. Jacobsen informed the committee that this year Wings of Alaska will pay about the same price as last for \$250,000 a seat, which is all the company could afford. He explained that in the last few years Wings of Alaska has been purchasing the most insurance that it could afford. What is happening is that good carriers are being put out on a limb. Mr. Jacobsen noted his appreciation of the committee's efforts with HB 271, which he

characterized as a start. Although HB 271 doesn't go far enough, he expressed hope that it would be the first step in more meaningful tort reform while work in the area of training and safety continues.

Number 1585

CHAIR MURKOWSKI turned to the spike in Wings of Alaska's rate between 1999 and 2000 and asked if that was due to an accident or was that merely the market.

MR. JACOBSEN answered that it was reflective of what was happening in the market. He informed the committee that in the last two years during which Wings of Alaska faced these large increases, it has not had one claim. He related that in those years some underwriters were lost; there has been consolidation in the worldwide aviation underwriting market. Furthermore, the State of Alaska has lost some underwriters due to the Haglen (ph) accidents. Also, there was a [more recent] case in which the people on the ground who witnessed their relatives in an accident and went after the third-party liabilities. A judge found in favor of the plaintiffs, which cost the underwriters well beyond their policy limits on the per sub-passenger basis. He mentioned that much of what is happening this year is related to the September 11th tragedy. He also mentioned that this increase in insurance rates is now happening to [larger carriers outside of Alaska] such as with United Airlines and Alaska Airlines. Perhaps this will all plateau or decrease a bit over the coming years, although he predicted rates won't decrease that much in Alaska.

Number 1698

KIP KNUDSON, President, Alaska Air Carriers Association, characterized the issues being discussed today as discussions of Alaska's transportation infrastructure in rural Alaska. He explained that Alaska has an odd public:private agreement. That is, private companies do most of the hauling and the public entities provide spaces for the air craft to land and handle the passengers. As mentioned earlier, carriers are moving out of the passenger-carrying business in droves. However, "you haven't seen nothing yet," he said. For almost every carrier in the state the next "re-up" for insurance will happen in the next six months and the increases that were discussed by Mr. Jacobsen will be felt by those who have yet to experience them. He predicted that those companies will either pull out of the passenger business or go out of business completely. Therefore,

the conundrum becomes how the state provides adequate transportation to those in rural Alaska. However, he questioned whether the current situation, with the limits that are being carried, provides adequate transportation.

MR. KNUDSON turned to the legislation before the committee. With regard to HB 271, the Alaska Air Carriers Association takes the position that it's a good start, although the association would probably prefer an elimination of punitive damages for aviation incidents. In reference to HB 269, the association isn't opposed to any whistle-blower protection, although the association believes that there is probably ample protection now either through the FAA or state law. Since none of the members of the association see HB 269 as an issue, the association is neutral on it.

Number 1827

CHAIR MURKOWSKI turned to HB 269 and suggested that rather than flagrant safety violations there would be subtle economic pressure. For instance, [the economic pressure could result in] taking a flight of paying passengers sight seeing in less than optimal weather. She said she believes there would be more of that type of [infraction reported by a whistle blower] rather than scrimping on the maintenance of the aircraft. However, with the economics of insurance coming into play the deferred maintenance may increase, she commented.

MR. KNUDSON informed the committee that the air carrier for which he works, Era Aviation, is overseen by up to eight FAA inspectors designated to Era Aviation alone. The oversight in Alaska is quite adequate, he remarked. Under the FAA regulations it has become very difficult, in a good way, to be a passenger carrier in Alaska. Furthermore, the industry itself is establishing higher standards for maintenance. Mr. Knudson reiterated that none of the Alaska Air Carriers Association members see whistle-blower protection as an issue and thus the association doesn't oppose HB 269.

Number 1932

MIKE ONEIL (PH), Owner, Security Aviation, testified via teleconference. He informed the committee that Security Aviation consists of five aircraft [with a total] of 37 passenger seats which amounts to an approximate value of \$5.9 million. Security Aviation has been in business for 17 years and has been accident free for that time. Mr. Oneil noted that

he has extremely high standards for pilot recruitment. The pilots log 10,000-35,000 hours of flight time in Alaska. Mr. Oneil informed the committee that he is currently paying \$750,000 a year [for insurance]. He noted that although he has slightly higher limits than most similar air taxis, it isn't sufficient to make him comfortable because one accident could result in the loss of [his business]. Mr. Oneil expressed frustration with the way the insurance industry places everyone with an Alaskan address in [a high rate category]. For example, he pays an insurance rate about 40 times higher than an operator of similar size out of Seattle, Las Vegas, or Key West. Mr. Oneil noted that two days worth of operations pay for the insurance premiums for minimal coverage.

MR. ONEIL expressed the hope that he would never come to the point of flying into locations that aren't [optimal weather wise] in order to pay for insurance. He informed the committee that [due to increased insurance rates] some operators will decrease the number of pilots while increasing the hours of flying time for those pilots. The same situation can occur in regard to maintenance. All of these things create more exposure for the insurance companies. Although Mr. Oneil said that he didn't have a solution, he did note that the insurance companies can't be leaned on because they have no obligation to do business in Alaska. He offered the suggestion of the state providing a pool similar to that provided for workers' compensation. With regard to the number of carriers leaving the business, Mr. Oneil informed the committee that a senior FAA inspector told him that the Anchorage office has had 23 "135 certificates" turned in since the September 11th tragedy.

Number 2173

JOHN STEINER, Assistant Attorney General, Transportation Section, Civil Division (Anchorage), Department of Law, testified via teleconference. He noted that the Department of Law and the administration has not taken a formal position on HB 269. Mr. Steiner related that the provisions of HB 269 would seem to reasonably alleviate potential concerns of an employee in the aviation industry [when performing a task differently than the employer specified for a reason related to aviation safety]. However, he acknowledged Mr. Knudson's comments that the aviation industry doesn't seem to have a problem and said that he had no reason to dispute that.

MR. STEINER said that although he didn't see any legal problem with the purpose of HB 269, he did have some questions with

regard to specific language. Although HB 269 has been described as a whistle-blower provision, the legislation really doesn't speak to whistle blowing in the traditional sense which is reporting something to an oversight industry. Rather, the legislation deals with an employee taking conduct on their own or declining to take contact, which is a bit different than the traditional thinking. The bill appears to cover all employees of an employer in the aviation industry, which is a defined term. It appears that the employee is covered even if the employee has nothing to do with aviation itself. Therefore, this legislation would arguably apply to all state employees because the state troopers, fish and game, and the Air National Guard operate aircraft. With such a definition, the legislation appears to apply to those employees who don't even have aviation jobs, but may be inclined to perform a task differently than directed on the basis that some safety-related aviation issue was involved. If the intent of the protection is to apply to workers in the aviation industry, the bill could be a bit more clear on that point. Furthermore, the concept of the safety-related aviation issue isn't defined in the legislation nor is the employee's relation in the action or inaction and the safety-related issue. Although the legislation only protects action or inaction that was performed in good faith, it appears to make no difference whether the conduct is reasonable or whether the good faith is based on reasonably relevant or reliable information or reasonably sound judgment. Furthermore, the legislation doesn't seem to be limited to situations in which the employee reasonably believes that doing what he/she was instructed to do would materially compromise safety. Mr. Steiner stated that the aforementioned factors may make enforcement more difficult and may preclude employers from dealing with unreasonable conduct or poor judgment of an employee claiming their conduct was based on an existing safety issue.

MR. STEINER pointed out that the legislation also doesn't indicate that employees who decline or fail to carry out directions or perform differently than expected must report that to the employer. Therefore, it seems that it could pose a risk to safety if an employee is freed from responsibility of their conduct but is not required to report to the employer that he/she didn't do what he/she was supposed to do. This could lead to the employer being unable to account for the accomplishments of tasks with predictability.

TAPE 02-54, SIDE B

MR. STEINER, speaking from an employer's responsibility, specified that there may be the need to change the language a bit in order to ensure that it's not overly broad.

Number 2362

MR. STEINER pointed out that the Department of Law submitted an indeterminate fiscal note because it can't predict the cost of prosecuting enforcement of the civil fine provision against employers due to the lack of knowledge with regard to how many such cases there will be. Furthermore, the Department of Law can't predict the cost of defending claims that might be brought by a state employee. Moreover, the department can't predict whether this legislation would change the behavior of state employees on the basis of safety-related aviation issues that would pose additional costs on other departments. Mr. Steiner pointed out that one of the provisions of HB 269 is that employers would be required to inform employees of these protections, which could result in some abuse.

REPRESENTATIVE HALCRO suggested that perhaps a committee substitute could be drafted to more clearly define the intent of HB 269.

Number 2279

RICHARD HARDING, Vice President, Peninsula Airways, informed the committee that he has flown in the state for 32 years and has seen many changes, particularly in recent years. In the past few years, passenger carriers have moved to cargo carriers only because of insurance costs. The problem has become so bad that U.S. Senator Ted Stevens has [introduced] legislation in Washington, D.C., to address the problem. The congressional legislation once again ties bypass mail to passenger carrying; if a carrier doesn't carry passengers, then it can't carry bypass mail. However, the root of the problem with carriers leaving passenger travel is the insurance costs. He specified that there are two reasons why aviation insurance rates are expensive in Alaska. One of the reasons is Alaska's high accident rate, which the Alaska Air Carriers Association is working on via the Medallion Program. The other reason for expensive aviation insurance rates in Alaska is because Alaska is ranked the second worst state for jury awards. He indicated that most aviation cases in Alaska are settled outside of court because of the fear with regard to what would happen in court. He noted his desire to not see any punitive damages. However,

having caps on noneconomic and punitive [damages] would allow cases to be settled in months rather than years.

Number 2061

REPRESENTATIVE ROKEBERG asked if the Medallion Program is recognized by the FAA.

MR. HARDING replied yes and noted that the FAA actually issues the medallion. After a year of [successful] operation under the Medallion Program, the operator is considered a medallion carrier. He noted that there have been commitments from the FAA, the Department of Transportation & Public Facilities, and school districts to market the Medallion Program and require their employees to fly on Medallion Program carriers. He predicted that after a few carriers operate under this program, others will want to join as well. He also predicted that once carriers operate at a higher standard under the Medallion Program, the number of accidents will be reduced. A reduction in accidents will result in a decrease in insurance premiums, he predicted.

REPRESENTATIVE ROKEBERG asked if it would be fair to create a connection between those who qualify for the Medallion Program and the level of the caps. He viewed it as an incentive.

MR. HARDING indicated it was a good idea, but didn't know about the mechanics of it.

REPRESENTATIVE ROKEBERG noted that there may be some question with regard to the legal application of creating a connection between those who qualify for the Medallion Program and the level of the caps.

REPRESENTATIVE HALCRO requested that HB 269 be held in committee and HB 271 forwarded to the next committee of referral, the House Judiciary Standing Committee. He noted that conversations with rural legislators have [indicated] their support of this.

Number 1936

REPRESENTATIVE HALCRO moved to report HB 271 out of committee with individual recommendations and the accompanying zero fiscal note.

REPRESENTATIVE MEYER objected. He asked if there is a definition of employee. He noted concern with regard to the situation in which businesses use contractors versus employers.

MR. KNIGHT directed the committee to paragraph (2) on page 2 of HB 271 and informed the committee that this bill was drafted to reflect the current statute for tort reform. The current statute discussed the number of employees per company. Therefore, the drafter modeled the legislation after current statute and some aviation items. Due to the size, only a few companies would be applicable to the third category. If there is a way to categorize the size of a company differently, he was sure that Representative Halcro would be open to suggestions.

REPRESENTATIVE MEYER clarified that his question is in relation to page 2, line 10, subsection (c). He pointed out that Alaska Airlines may have less than 200 employees in the state while having many out of state employees and others who are contractors. Perhaps this issue could be reviewed in the House Judiciary Standing Committee.

MR. KNIGHT said he would look into it.

REPRESENTATIVE MEYER related his understanding that the intent is that the larger the carrier, the more the carrier could pay. However, some of the larger carriers may have [the majority] of their employees located in another state.

CHAIR MURKOWSKI suggested that Representative Meyer speak with Representative Halcro between now and when this legislation is heard in the House Judiciary Standing Committee.

REPRESENTATIVE MEYER pointed out that this legislation has an effective date of July 1, 2001.

REPRESENTATIVE HALCRO withdrew his motion to report the bill from committee.

Number 1752

REPRESENTATIVE MEYER moved that the committee adopt the following amendment, Amendment 1:

Page 2, line 16,
Delete "July 1, 2001"
Insert "July 1, 2002"

There being no objection, the amendment was adopted.

Number 1722

REPRESENTATIVE HALCRO moved to report HB 271 as amended out of committee with individual recommendations and the accompanying zero fiscal note. There being no objection, CSHB 271(L&C) was reported from the House Labor and Commerce Standing Committee.

[HB 269 was held over.]

HB 429-TOBACCO TAXATION; LICENSING

CHAIR MURKOWSKI turned to the final order of business HOUSE BILL NO. 429, "An Act relating to certain licenses for the sale of tobacco products; relating to tobacco taxes and sales and cigarette tax stamps; relating to provisions making certain cigarettes contraband and subject to seizure and forfeiture; relating to certain crimes, penalties, and interest concerning tobacco taxes and sales; relating to notification regarding a cigarette manufacturer's noncompliance with the tobacco product Master Settlement Agreement or related statutory provisions and to confiscation of the affected cigarettes; and providing for an effective date."

CHAIR MURKOWSKI informed the committee that members should have received an amendment. She acknowledged that Mr. Elerding had flown to Juneau to address the amendment. She noted that the committee packet does include his previous written testimony. She offered to let Mr. Elerding testify, although the bill would not be taken up today.

MIKE ELERDING, Northern Sales Company, said that he would submit his written comments. He announced that he is in favor of the proposed amendment.

CHAIR MURKOWSKI announced that HB 429 would be heard on Monday [April 15th].

ADJOURNMENT

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 4:40 p.m.