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Referred: State Affairs  
and Finance

1 IN THE HOUSE

BY DEGNAN AND MALONE

2 HOUSE BILL NO. 72

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 EIGHTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act providing incentive payments for air service  
7 to small isolated communities."

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

9 \* Section 1. LEGISLATIVE FINDINGS. The legislature finds that

10 (1) there are throughout the state small communities which are  
11 totally dependent on air service for transportation of persons and goods into  
12 and out of the community for all or a substantial part of each year;

13 (2) the present frequency of scheduled service by air carriers to  
14 many of these communities is not adequate to meet the reasonable needs of the  
15 communities;

16 (3) the present level of rates for air transportation of passengers  
17 and goods into and out of these isolated communities severely limits the  
18 ability of the residents of these communities to acquire vital transportation  
19 services and restricts the economic growth and development of these communi-  
20 ties to the detriment of the state;

21 (4) the air carriers now serving these communities are either  
22 unable or unwilling to increase frequency of scheduled service or to lower  
23 the rates charged for air transportation to small communities in the state;  
24 and

25 (5) it is in the interest of the state to stimulate improved air  
26 service for small communities in the state by providing incentives to the  
27 air carriers serving these communities to increase service and reduce rates.

28 \* Sec. 2. AS 02 is amended by adding a new chapter to read:

29 CHAPTER 40. AIR SERVICE CONTRACTS.

1           Sec. 02.40.010. AIR SERVICE CONTRACTS. The department may enter  
2 into contracts with air carriers by which the carriers undertake to  
3 provide air service to and from small communities selected by the  
4 department in accordance with sec. 20 of this chapter.

5           Sec. 02.40.020. SELECTION OF COMMUNITIES SERVED. In selecting  
6 small communities eligible for contract air service under sec. 10 of  
7 this chapter, the department shall consider, among other things, the  
8 following factors:

9           (1) the need for air transportation services to and from the  
10 various small communities of the state;

11           (2) the availability and practicability of alternate means  
12 of transportation to and from the various small communities;

13           (3) the views of the small communities;

14           (4) the views of the air carriers, if any, currently providing  
15 air service to, from, or between the communities selected; and

16           (5) the effect of selection on the development of the state's  
17 air transportation system.

18           Sec. 02.40.030. CONTENT OF CONTRACT. A contract between the  
19 department and an air carrier for the provision of air service to a  
20 small community or communities shall include:

21           (1) the minimum frequency of scheduled service the air  
22 carrier shall be required to operate to and from the small community  
23 or communities;

24           (2) the maximum rates and fares the air carrier may charge,  
25 subject to revision for those reasons and by those provisions that the  
26 department may provide;

27           (3) minimum passenger and cargo capacity requirements in  
28 respect to the aircraft operated by the air carrier; and

29           (4) those arrangements that the department may require by

1 which the state may be reasonably assured of reimbursement in the event  
2 of default by the air carrier, including reimbursement for the cost of  
3 obtaining another air carrier to provide the air service which the  
4 defaulting carrier undertook to provide.

5 Sec. 02.40.040. COMPETITIVE BIDDING. (a) Air service contracts  
6 under this chapter shall be granted only on the basis of competitive  
7 bidding under procedures established by the department. The award of  
8 the contract shall be to the lowest responsible bidder after advertising  
9 for bids.

10 (b) Before the award of a contract under this chapter, the  
11 department shall ascertain that the proposed contractor is capable of  
12 meeting, during the contract period, all requirements of the department  
13 and of the Federal Aviation Administration for safety and reliability  
14 of operation.

15 (c) No contract under this chapter may exceed three years in  
16 duration or be renewed. No increase in contract price may be made for  
17 the benefit of an air carrier after the contract has been entered into,  
18 except for increases in costs attributable to governmental actions.

19 Sec. 02.40.050. CONTRACT PAYMENTS. Contract payments by the  
20 department under air service contracts are incentive or subsidy payments  
21 to achieve assurance of adequate service to the communities included in  
22 the contract. The successful bidder retains all passenger, cargo and  
23 mail revenues, as well as the contract payment, and shall bear all  
24 costs for performing the services called for.

25 Sec. 02.40.060. REGULATIONS. The department may promulgate  
26 regulations necessary to carry out the provisions of this chapter.

27 Sec. 02.40.070. ANNUAL REPORTS. The department shall annually  
28 report to the legislature on the progress of the program established  
29 by this chapter. The department's report shall include the quality

1 and extent of air service provided to small communities in the state  
2 under this chapter, the cost to the state of this service, and the  
3 department's evaluation of the relative advantages and disadvantages  
4 of the contract method of providing air service to small communities  
5 compared to alternative methods of achieving the same level of service.

6 Sec. 02.40.080. DEFINITIONS. In this chapter, unless the context  
7 otherwise requires,

8 (1) "air carrier" means any person who engages directly in,  
9 or proposes to engage directly in, air service;

10 (2) "air service" means the carriage by aircraft, on a  
11 regularly scheduled basis, of persons or property as a common carrier  
12 for compensation;

13 (3) "department" means the Department of Public Works;

14 (4) "person" means any individual, firm, copartnership,  
15 corporation, company, association, joint stock association or body  
16 politic, and includes any trustee, receiver, assignee, or similar  
17 representative.