

COMMITTEE REPORT
SENATE

FURTHER:

5/7/86

Date 5/11/86

Mr. President

The Committee on FINANCE considered CSHB 611(Fin)am relating to enplanements, investigations of compliance with financial responsibility and certificate of compliance requirements for air carriers, penalties, display of certificates of compliance and the definition of aircraft. and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt SCS for CSHB 611(Fin)
- new title
- same title and recommends Do Pass
- and attached a "LETTER OF INTENT" NEW FISCAL NOTE
@ HFC/Commerce
- reports it back without recommendation
- recommends referral to _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS

[Signature]
Keith Halford
Paul Strick
[Signature]
[Signature]

[Signature]
Chairman
do pass
Chairman recommendation

**STATE OF ALASKA 1986 LEGISLATIVE SESSION
FISCAL NOTE**

Revision Date : _____

REQUEST

Bill/Resolution No. : CS HB 611 (FIN)
 Title : Air Carriers

 Sponsor : Representative Cato
 Requestor : House Finance Committee
 Date of Request : 4/12/86

FISCAL DETAIL

Agency Affected : Dept. Commerce & Economic Dev.
 BRU : _____

 Components : _____

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES		-0-	-0-	-0-	-0-	-0-
TRAVEL		-0-	-0-	-0-	-0-	-0-
CONTRACTUAL		-0-	-0-	-0-	-0-	-0-
SUPPLIES		-0-	-0-	-0-	-0-	-0-
EQUIPMENT		-0-	-0-	-0-	-0-	-0-
LAND & STRUCTURES		-0-	-0-	-0-	-0-	-0-
GRANTS, CLAIMS		-0-	-0-	-0-	-0-	-0-
MISCELLANEOUS		-0-	-0-	-0-	-0-	-0-
TOTAL OPERATING		-0-	-0-	-0-	-0-	-0-

CAPITAL		-0-	-0-	-0-	-0-	-0-
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REVENUE		-0-	-0-	-0-	-0-	-0-
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FUNDING : (Thousands of Dollars)

GENERAL FUND		-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS		-0-	-0-	-0-	-0-	-0-
OTHER		-0-	-0-	-0-	-0-	-0-
TOTAL		-0-	-0-	-0-	-0-	-0-

POSITIONS :

FULL-TIME		-0-	-0-	-0-	-0-	-0-
PART-TIME		-0-	-0-	-0-	-0-	-0-
TEMPORARY		-0-	-0-	-0-	-0-	-0-

ANALYSIS : Attach a separate page if necessary

It is expected that funds for enforcement of the air carrier financial responsibility statute will be included in the FY 87 Budget.

Prepared by: Representative Al Adams - Chairman Phone: 465-3706
 Division: House Finance Committee Date: 4/12/86

Approved by Commissioner: _____ Date: _____
 Agency: _____

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

Original sponsors: Cato, Szymanski
and Binkley

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 SENATE CS FOR CS FOR HOUSE BILL NO. 611 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to enplanements, investigations of
7 compliance with financial responsibility and certifi-
8 cate of compliance requirements for air carriers,
9 penalties, display of certificates of compliance, and
10 the definition of aircraft."

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

12 * Section 1. AS 02.15.050 is amended by adding a new subsection to
13 read:

14 (g) The department may acquire data on passenger enplanements
15 from air carriers; however, the department may not obtain passenger
16 manifests.

17 * Sec. 2. AS 42.30.200(c) is amended to read:

18 (c) The department may authorize department personnel to conduct
19 investigations and to enforce this section and may adopt procedural
20 regulations necessary to implement this section. Upon finding a
21 violation the department may issue a stop use order.

22 * Sec. 3. AS 42.30.200(e) is amended to read:

23 (e) A person who violates [(a) OF] this section is guilty of a
24 class A [B] misdemeanor and is punishable by a fine of not less than
25 \$1,000 [~~\$500~~] or more than \$5,000 for each day of violation but not to
26 exceed ~~\$50,000~~ ^{\$10,000} for each violation [~~\$1,000~~].

27 * Sec. 4. AS 42.30.225(b) is amended to read:

28 (b) The annual fee for a certificate of compliance is \$25 [~~\$50~~].
29 The certificate is valid for a period of 12 months following the date

1 of certification. The certificate shall be [DISPLAYED ON THE AIRCRAFT
2 SO THAT IT IS] visible to boarding passengers.

3 * Sec. 5. AS 42.30.225(e) is amended to read:

4 (e) The department may authorize department personnel to conduct
5 investigations and to enforce this section and may adopt procedural
6 regulations necessary to implement this section. Upon finding a
7 violation the department may issue a stop use order.

8 * Sec. 6. AS 42.30.225 is amended by adding a new subsection to read:

9 (f) A person who violates this section is guilty of a class B
10 misdemeanor and is punishable by a fine of not less than \$500 or more
11 than \$1,000.

12 * Sec. 7. AS 42.30.380(3) is amended to read:

13 (3) "aircraft" means a propeller, rotor, or jet-powered
14 device used or designed for flight in the air;

15 * Sec. 8. AS 42.30.225(c) and 42.30.225(d) are repealed.
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Alaska State Legislature

House of Representatives

Committee on Transportation



Rep. Bette Cato, Chairman

Pouch V
State Capitol
Juneau, Alaska 99811
(907) 465-4858

10 April 1986

TO: REPRESENTATIVE AL ADAMS
CHAIRMAN, HOUSE FINANCE

FROM: Representative Bette Cato *BC*

RE: CS for House Bill 611 (TRSP)

In cooperation with the Alaska Air Carriers and the House Judiciary Committee, I would like to request your consideration to the attached committee substitute for House Bill 611 (Finance) which has the following changes:

The first change is to add a new subsection as follows:

"The department may acquire data on passenger enplanements from air carriers."

During the House Transportation committee meeting, we learned that the Commissioner of Transportation needs the authority to obtain enplanement statistics for the purpose of obtaining federal funds. This was done by the Alaska Transportation Commission and the information was passed along to DOT. Failure to acquire this information will result in loss of federal airport funds.

The next changes were done in the spirit of compromise with Representative Gruenberg which he felt was necessary to clarify the enforcement language.

AS 42.30.200(e) A person who violates [(a) OF] this section is guilty of a class A misdemeanor and is further liable for [PUNISHABLE BY] a civil fine of not less than \$1000 [\$500] or more than \$5000 for each day of violation in a civil action brought by the department [\$1000].

Representative Gruenberg felt that if we were going to make this violation a class A misdemeanor, then we should not reduce the punishment under a Class A misdemeanor, but clarify that a civil fine be levied. The addition of "in a civil

action brought by the department" clarifies that the department would be bringing a "civil" action as opposed to a "criminal" action against an offender.

These suggested changes have been submitted to you after various discussions and meetings with the Alaska Air Carriers and Representative Gruenberg. If I can provide anything further, please give me a call.

Concern has been expressed to narrow the title of this bill to prevent this bill becoming an insurance issue. To date I have not seen any proposed amendments to the title.

Thank you for your attention to this bill and for scheduling it in committee in such an expeditious manner.

BC/rc

TESTIMONY TO HOUSE TRANSPORTATION COMMITTEE

HOUSE BILL 611

MARCH 19, 1986

Chairman Cato and members of the House Transportation Committee, my name is Bob Jacobsen and I am here today as President of the Alaska Air Carriers Association. I would like to thank you for your willingness to deal with these small but important technical amendments to House Bill 133 enacted last year.

Very simply, the bill before you today (HB 611) is deemed necessary by the Division of Weights and Measurement Standards to adequately enforce the law which requires commercial air carriers to maintain at least \$150,000 per seat in liability insurance (\$300,000 for scheduled carriers). Statistics provided to you by the Division early this session indicate a less than satisfactory level of compliance based on the initial letters of notice to commercial carriers.

We have submitted as part of your committee packet a sectional rationale for each provision, and if you wish, I will go through each of the proposed changes with you.

As you are aware, the fiscal note for HB 133 last session was not funded, accounting, in part, for low compliance to date.

The Governor has requested about \$100,000 in his FY 87 operating budget for this program, and we urge you to support the request.

I would also like to take this opportunity to briefly mention our industry's serious problem with insurance rates. While we maintain our strong support for the minimum insurance requirements as a condition of business, we are having the same problems with dramatic escalation of rates as most other industries. We have lost several members during the last year due to bankruptcies or failure to obtain insurance at rates which would permit an operating profit. Others are on the verge of collapse.

If you want to help maintain viable air transportation in the future, we strongly urge your support of HB 611 this session.

Thank you for the opportunity to testify, and for your attention to our concerns.

ALASKA AIR CARRIERS ASSOCIATION
TESTIMONY BEFORE
THE HOUSE TRANSPORTATION COMMITTEE
MARCH 19, 1986

CHAIRMAN CATO AND MEMBERS OF THE HOUSE TRANSPORTATION COMMITTEE, MY NAME IS REED STOOPS AND I AM HERE TODAY TO DISCUSS THE IMPLEMENTATION OF HOUSE BILL 133, WHICH WAS PASSED LAST YEAR. WE WOULD LIKE TO THANK YOU FOR YOUR COOPERATION IN WORKING WITH US ON THE LEGISLATION LAST YEAR, AND FOR YOUR CONTINUING INTEREST IN ITS IMPLEMENTATION.

FIRST, I WILL BRIEFLY COMMENT ON THE INTERIM COMMITTEE REPORT WHICH ADDRESSED POINTS RAISED IN THE LETTER OF INTENT WHICH ACCOMPANIED HB 133. AS YOU ARE AWARE, 1985 WAS NOT A VERY GOOD YEAR IN TERMS OF AIR SAFETY. WE HAD A TOTAL OF 43 ACCIDENTS, IN WHICH THERE WERE 17 FATALITIES. WHILE THIS WAS A HIGHER NUMBER OF ACCIDENTS THAN EXPERIENCED DURING THE LAST THREE YEARS, IT IS BELOW THE NUMBER OF ACCIDENTS AND FATALITIES IN 1980-1981.

IN TRYING TO DETERMINE WHETHER ADDITIONAL SAFETY RELATED REQUIREMENTS ARE NECESSARY TO INSURE IMPROVED SAFETY IN THE AIR INDUSTRY, WE HAVE TO CONCUR WITH THE FINDINGS OF THE INTERIM REPORT THAT THERE IS INSUFFICIENT STATISTICAL ANALYSIS AT THIS TIME TO SUPPORT THE NEED FOR NEW REQUIREMENTS. WE DO, HOWEVER, FEEL THAT WE SHOULD TRY TO IMPROVE ACCIDENT DATA IN

1986, AS THERE COULD WELL PROVE TO BE A DEMONSTRABLE NEED FOR HIGHER STANDARDS OF FLIGHT OPERATIONS.

AS TO THE NEED FOR ADDITIONAL PILOT TRAINING, WE FEEL STRONGLY THAT THIS IS VITAL TO IMPROVED SAFETY. THE ALASKA AVIATION SAFETY FOUNDATION HAS VERY RECENTLY COMPLETED A SET OF LESSON PLANS DESIGNED SPECIFICALLY FOR ALASKAN CONDITIONS. THESE ARE NOW BEING PRESENTED TO PILOTS IN COMMUNITIES THROUGHOUT THE STATE. WITH CONTINUED SUPPORT FROM THE STATE FOR THIS TRAINING EFFORT, WE HOPE TO REDUCE AIR ACCIDENTS THROUGH THIS VOLUNTARY PROGRAM.

THE IMPLEMENTATION OF HB 133 THROUGH THE DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT HAS BEEN ACCEPTABLE ADMINISTRATIVELY, BUT SUFFERS FROM LACK OF ENFORCEMENT. SHORTLY AFTER PASSAGE OF THE BILL LAST YEAR, WE FOUND OURSELVES IN DISAGREEMENT WITH THE DEPARTMENT OVER ENFORCEABILITY OF THE PROVISIONS REQUIRING A CERTIFICATE OF COMPLIANCE FOR MINIMUM INSURANCE LEVELS. AN ATTORNEY GENERAL'S OPINION WAS REQUESTED LAST SUMMER, BUT TO OUR KNOWLEDGE NO WRITTEN OPINION HAS YET BEEN COMPLETED. IN THE ABSENCE OF ENFORCEMENT, SOME AIR CARRIERS ARE ABLE TO OPERATE WITHOUT THE MINIMUM INSURANCE LEVELS ADOPTED IN HB 133.

IN ORDER TO CORRECT THIS SITUATION, WE HAVE REVIEWED SUGGESTED AMENDMENTS TO HB 133 PREPARED BY THE DEPARTMENT OF COMMERCE, AND WISH TO ENDORSE SEVERAL OF THEM IN ORDER TO ASSURE THAT

THE BILL WILL BE ENFORCED. I HAVE PREPARED OUR
RECOMMENDATIONS, AND ENCLOSE THEM FOR THE COMMITTEE'S
CONSIDERATION, ALONG WITH JUSTIFICATION FOR EACH.

WE URGE YOU TO PREPARE LEGISLATION WHICH INCORPORATES OUR
SUGGESTIONS, WHICH WE VIEW AS TECHNICAL AMENDMENTS, AND WHICH
LEAVES ALONE THE MORE CONTROVERSIAL PROVISIONS OF HB 133 SUCH
AS THE MINIMUM INSURANCE LEVELS. WE ALSO ENDORSE THE
GOVERNOR'S BUDGET REQUEST FOR ADDITIONAL ADMINISTRATIVE
SUPPORT TO THE DIVISION OF WEIGHTS AND MEASURES TO ENFORCE HB
133.

THANK YOU FOR THE OPPORTUNITY TO APPEAR BEFORE YOU TODAY.

Amendment 1 to Sec. 42.30.200(e) increases the size and severity of a fine to an air carrier who flies passengers for hire without first securing the minimum insurance levels required by HB 133 (\$150,000 per seat). Without a more strict penalty, carriers may find it cheaper to ignore the law than to comply.

Amendment 2 to Sec. 42.30.225(b) allows the insurance "certificate of compliance" to be posted in a visible location other than in the aircraft. This would be particularly helpful to the jet carriers which often interchange planes, thus making it difficult to post certificates in the aircraft. It would also reduce the cost of a certificate from \$50 to \$25.

Amendment 3 to Sec. 42.30.225(c) specifically authorizes the Department of Commerce to stop aircraft from carrying passengers for hire until they comply with HB 133.

Amendment 4 to Sec. 42.30.225(d) provides for a specific penalty for a carrier who fails to obtain a certificate of insurance from the State.

Amendment 5 to Sec. 42.30.380(3) clarifies the definition of aircraft to include rotor devices (helicopters)

Talkeetna Air Taxi, Inc.

CERTIFIED AIR CARRIER

FULLY INSURED AND INSTRUMENT RATED

MAR 18 1986

3/13/86

Honorable Betty Cato
House of Representatives
Juneau, AK.

Dear Rep. Cato:

I am writing in support of your House Bill #611, "An Act Relating to Air Carriers" and as owner/operator of Talkeetna Air Taxi. Its enactment would put meaning into the existing law which strikes me as being a sham.

I know of one air taxi operator who is flying passengers without any liability insurance at all. If caught and fined even the present maximum of \$1,000, he still will be ahead financially for not buying the insurance. In this particular case, and there are many others similar, should there be a claim against him, he has no resources other than an airplane (a bank would have first call on that) and the clothes on his back. The public is left without protection. And the operator has a considerable competitive advantage as regards fares over those operators who are abiding by the law.

I have been told by the Commerce Dept's Section on Weights & Measures that there is neither the staff nor funding to enforce this insurance law. I have suggested to them, and to the Commissioner, that a simple letter to all air carriers reminding them of the requirement, the penalty for non compliance, and the possibility of being shut down, would probably bring most offenders into line.

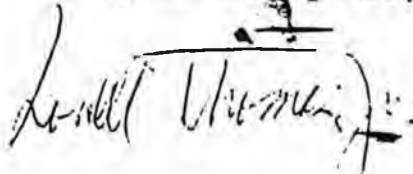
But your bill would put the needed teeth into the law; particularly provision for a fine of from \$1,000 to 5,000 for each day of violation. That and the provision for issuance of a stop use order is what is needed to make this law meaningful.

I have personally been in the air carrier business as owner and pilot for six years. While I am unhappy over the escalating costs of liability insurance and hope that you and your colleagues will do something about that this year, I am even more distressed to see operators defying the law, leaving the flying public holding the bag should there be an accident, and at the same time gaining a price advantage over those of us in legal compliance. The amendments offered in your HB 611 are a must.

Best wishes--

EXPEDITION TRIP
FLIGHT SEEING
AERIAL PHOTOGRAPHY
CUSTOM SKI TRIPS
HIGH ALTITUDE GLACIER LANDINGS
FISHING & HUNTING
AIRCRAFT ON WHEEL/SKIS & FLOATS

~~Sincerely yours,~~



Talkeetna Air Taxi, Inc.

LOWELL THOMAS JR. AND DON LEE
P.O. BOX 73
TALKEETNA, ALASKA 99676
TELEPHONE (907) 733-2218

42.06.630

§ 42.20.030

PUBLIC UTILITIES AND CARRIERS

§ 42.30.200

Effect of amendments. — The 1985 repealed paragraph (6), which defined amendment, effective January 1, 1986. "municipal"

Chapter 07. Alaska Transportation Commission Act.

[Repealed, 1983 Initiative Proposal No. 2, § 6.]

Chapter 10. Alaska Motor Freight Carrier Act.

[Repealed, 1983 Initiative Proposal No. 2, § 6.]

Chapter 20. Telegraph and Telephone Systems and Cable Lines.

Article 2. Offenses.

Sec. 42.20.030. Civil liability for taking utility service and for damages to or interference with a utility line.

NOTES TO DECISIONS

Conviction under paragraph (7) as basis for dismissal of tenured teacher. — See Kenai Peninsula Borough Bd. of Educ. v. Brown, Sup. Ct. Op. No. 2886 (File No. 7763), 691 P.2d 1034 (1984).

Chapter 30. Miscellaneous Regulations Governing Public Utilities and Carriers.

Article

5. Responsibilities of Motor and Air Carriers (§§ 42.30.200, 42.30.225, 42.30.380)

Article 5. Responsibilities of Motor and Air Carriers.

Section

200. Air carrier financial responsibility

225. Certification of compliance of air carriers

Section

380. Definitions

Sec. 42.30.200. Air carrier financial responsibility. (a) A person who carries passengers or freight for commercial purposes intrastate in an aircraft shall procure and maintain security in the following minimum amounts:

(1) \$150,000 per seat for bodily injury or death in a single occurrence; and

(2) \$100,000 for property damage in a single occurrence.

(b) Evidence of security required under (a) of this section shall be filed with the department and must be

- (1) a policy or certificate of insurance issued by an insurer acceptable to the department; or
- (2) a bond of a surety company licensed to write surety bonds in the state; or
- (3) evidence accepted by the department, showing ability to self-insure; or
- (4) other security approved by the department.

(c) The department may authorize department personnel to enforce this section and may adopt procedural regulations necessary to implement this section.

(d) A policy of insurance, surety bond, or other form of security may not be cancelled on less than 30 days' written notice to the department. This requirement must be clearly stated in the policy or endorsement for an insurance policy submitted as proof of financial responsibility under AS 42.30.225(a)(1). The 30-day notice period is measured from the date on which the department receives notice.

(e) A person who violates (a) of this section is guilty of a class B misdemeanor and is punishable by a fine of not less than \$500 or more than \$1,000. (1983 Initiative Proposal No. 2, § 3; am §§ 5, 6 ch 104 SLA 1985)

Effect of amendments. — The 1985 amendment, effective June 13, 1985, rewrote subsection (a), in subsection (c) substituted "department personnel" for "enforcement officers" and added "and may adopt procedural regulations necessary to implement this section" at the end of the subsection, and added subsections (d) and (e).

Sec. 42.30.225. Certification of compliance of air carriers.

(a) A person may not use an aircraft in air commerce before obtaining an annual certificate of compliance for that aircraft from the department. The department shall issue or renew a certificate of compliance upon application and presentation of

- (1) proof of financial responsibility required under AS 42.30.200;
- (2) proof of compliance with Federal Aviation Administration requirements, and, where applicable, federal certification for scheduled airline service.

(b) The annual fee for a certificate of compliance is \$50. The certificate is valid for a period of 12 months following the date of certification. The certificate shall be displayed on the aircraft so that it is visible to boarding passengers.

(c) Use of an aircraft in air commerce before obtaining a certificate of compliance required under (a) of this section may be cause for denial of the certificate.

(d) A person who has obtained a certificate to use an aircraft in air commerce from the Alaska Transportation Commission before June 13, 1985 is not required to obtain a certificate of compliance under (a)

repealed
in bill

§ 42.30.225

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§ 42.30.380

PUBLIC UTILITIES AND CARRIERS

§ 42.30.380

of this section until the date the insurance policy for the aircraft is renewed.

(e) The department may authorize department personnel to enforce this section and may adopt procedural regulations necessary to implement this section. (§ 7 ch 104 SLA 1985)

Effective dates. — Section 9, ch. 104, June 13, 1985, in accordance with AS SLA 1985, makes this section effective 01.10.070(c).

Sec. 42.30.380. Definitions. In AS 42.30.200 — 42.30.380,

(1) "air carrier" means a person undertaking to engage in air commerce, whether directly or indirectly, or by lease, contract, or any other arrangement, and whether over regular or irregular routes;

(2) "air commerce" means carriage by aircraft of persons or freight for commercial purposes or hire in intrastate commerce, including the carriage by aircraft of persons or freight that move partly by aircraft and partly by other forms of transportation;

(3) "aircraft" means a propeller or jet-powered device used or designed for flight in the air;

(4) "commercial purposes" means activities for which the person receives direct monetary compensation and does not include activities incidental to and done in furtherance of the person's primary business;

(5) "department" means the Department of Commerce and Economic Development;

(6) "freight" means commodities, articles, and cargo, of whatever nature or value, excluding garbage and trash. (§ 7 ch 104 SLA 1985)

Effective dates. — Section 9, ch. 104, June 13, 1985, in accordance with AS SLA 1985, makes this section effective 01.10.070(c).

Chapter 40. Alaska Railroad Corporation.

Article

1. Establishment and Organization (§§ 42.40.010 — 42.40.060)
2. Management (§§ 42.40.100 — 42.40.120)
3. Administrative Provisions (§§ 42.40.150 — 42.40.230)
4. Powers and Duties (§§ 42.40.250 — 42.40.310)
5. Corporation Property (§§ 42.40.350 — 42.40.450)
6. Financial Provisions (§§ 42.40.500 — 42.40.540)
7. Bonds (§§ 42.40.600 — 42.40.700)
8. Personnel and Labor Relations (§§ 42.40.705 — 42.40.890)
9. General Provisions (§§ 42.40.900 — 42.40.990)

Cross references. — For legislative findings and purpose in enacting this chapter, see § 1, ch. 153, SLA 1984 in the Temporary and Special Acts; for special reports required, see § 3, ch. 153, SLA 1984 in the Temporary and Special Acts. **Legislative history reports.** — For legislative letter of intent relating to ch.

Offered: 4/15/86
Referred: Rules

Original sponsors: Cato, Szymanski
and Binkley

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