

ALASKA LEGISLATIVE COMMITTEE FILES 1905-1900 00/2

3812 HTRA HJR 14 - HJR 16

688

with the nation's westward expansion, made that rule wholly unsuitable here. (See, e.g., Shively v. Bowlby, 152 U.S. 1, 31 et seq. (1893).)

Similar considerations exist in the present case. The importance of the public rights involved mandates a flexible and expansive interpretation of navigability. As one state court noted:

"We must at this point examine the ultimate fact of navigability under the 'public purposes' test. That we may do so should be unquestioned." (In re Martiny Lakes Product, 381 Mich. 180, 212, 160 N.W.2d 909, 925 (1968); emphasis in original.)

The Supreme Court recognized well over a century ago that sovereign lands represent a most fundamental incident of state sovereignty:

"To give to the United States the right to transfer to a citizen the title to the shores and the soils under navigable waters, would be placing in their hands a weapon which might be wielded greatly to the injury of state sovereignty and deprive the states of the power to exercise a numerous and important class of police power."

(Pollard's Lessee v. Hagan, 44 U.S. (3 How.) 212, 229 (1845).)

The point was similarly made in a California decision handed down earlier in this century:

"To hand over all these lakes to private ownership, under any old or narrow test of navigability, would be a great wrong upon the extent of which cannot, perhaps, be now even anticipated." (Bohn v. Albertson, 107 Cal.App.2d 738 (1951), quoting Lamprey v. State, 52 Minn. 181, 53 N.W. 1139, 1143 (1892).)

For these reasons, the district court's opinion in this case represents unsound policy as well as erroneous legal analysis.

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CONCLUSION

This case has important implications for all states seeking to perfect sovereign title to the navigable waterways within their jurisdictions. Amici respectfully submit that longstanding precedents, together with most cogent public policy considerations, require that floatplane use be considered as relevant evidence in determining navigability for title purposes. The decision of the district court is erroneous as a matter of law and should therefore be reversed.

DATED: July 24, 1984.

Respectfully submitted,

JOHN K. VAN DE KAMP  
Attorney General of the  
State of California

N. GREGORY TAYLOR  
Assistant Attorney General

By

\_\_\_\_\_  
RICHARD M. FRANK  
Deputy Attorney General

Attorneys for Amicus Curiae  
State of California ex rel.  
State Lands Commission

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FIRST READING AND REFERENCE OF SENATE BILLSSB 52

SENATE BILL NO. 52 by Faiks and Kerttula, entitled:

"An Act making a special appropriation for the 1985 Iditarod sled dog race; and providing for an effective date."

was read the first time and referred to the Finance Committee.

REPORTS OF STANDING COMMITTEESCSSB 94(HESS)am

The Health, Education & Social Services Committee has considered COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 94 (HESS)amended (increasing the excise tax on cigarettes; effective date), recommends it be replaced with HOUSE COMMITTEE SUBSTITUTE FOR COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 94 (HESS) (same title) and reports it back as follows: Koponen and Gruenberg (Co-Chairs), Hanley, Thompson and Hurley recommend do pass; Pettyjohn recommends do not pass.

CSSB 94(HESS), was referred to the Finance Committee.

HJR 14

The Transportation Committee has considered HOUSE JOINT RESOLUTION NO. 14 (navigability of Alaska's rivers and lakes), recommends it be replaced with COMMITTEE SUBSTITUTE FOR HOUSE JOINT RESOLUTION NO. 14 (Transportation) (same title) and reports it back as follows: Cato (Chairman), Shultz, Herrmann, Davis, Furnace and Pignalberi recommend do pass.

HJR 14 was referred to the Resources Committee.

HB 19

The Finance Committee has considered HOUSE BILL NO. 19 (relating to runaway minors), recommends it be replaced with COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 19 (Judiciary) (page 638) and reports it back as follows: Adams (Chairman), Ringstad, Szymanski, Duncan, Larson, Pourchot, Rieger, Frank, Binkley and Cotten recommend do pass; Uehling has no recommendation. A zero fiscal note was attached.

HB 19 appears on today's calendar.

HB 37

The Finance Committee has considered HOUSE BILL NO. 37 (making a special appropriation for payment as a grant to the City of Palmer for the 50th Colony Anniversary Celebration of the Alaska Rural Rehabilitation Corporation; effective date), recommends it be replaced with COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 37 (Finance) (same title) and reports it back as follows: Adams (Chairman), Ringstad, Duncan, Larson, Frank, Binkley and Cotten recommend do pass; Szymanski, Pourchot, Uehling and Rieger have no recommendation.

HB 37 was referred to the Rules Committee for placement on the calendar.

HB 74

The Finance Committee has considered HOUSE BILL NO. 74 (participation of former BIA administrators in the Teachers' Retirement System), recommends it be replaced with COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 74 (State Affairs) (page 290) and reports it back as follows: Adams (Chairman), Duncan, Larson, Pourchot, Uehling, Frank and Binkley recommend do pass; Szymanski, Ringstad, Rieger and Cotten have no recommendation. A fiscal note with a new analysis was attached.

HB 74 was referred to the Rules Committee for placement on the calendar.

The fiscal note with new analysis appears in House Journal Supplement No. 37.

HB 92

The Judiciary Committee submitted the following corrected letter of intent to replace the letter of intent on page 717 of the journal:

CORRECTED LETTER OF INTENT  
FOR CSHB 92 (Jud)

"It is the intent of the House Judiciary Committee, in amending AS 09.65.132(h) in sec. 1 of CSHB 92 (JUD), that either party in an income withholding proceeding may be ordered by the court to pay all court costs and that payment of attorney's fees will continue to fall under Civil Rule 82, Alaska Rules of Civil Procedure.

It is the further intent of the Committee that the term "alimony", as used in a number of other states, is included in the meaning of the term "spousal support".

It is also the recommendation of the Committee that the Revisor of Statutes consider placing all of the statutes relating to child and spousal support, presently found in

# STATE OF ALASKA

BILL SHEFFIELD, GOVERNOR

## DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

POUCH M  
JUNEAU, ALASKA 99811  
PHONE:

March 26, 1985

The Honorable Bette Cato  
Chair, Transportation Committee  
Alaska House of Representatives  
Pouch V  
Juneau, Alaska 99811

Dear Representative Cato:

Thank you for inviting this department's views with regard to HJR 14 (relating to navigability and designation of Wild and Scenic Rivers). The department earlier provided several suggested wording changes which are being incorporated into the Committee Substitute. Those changes provide consistency with terms as they are being used to present the state's position in certain litigation on navigation.

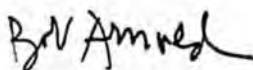
With the passage of ANILCA in December, 1980, Congress designated 26 Alaskan rivers to the list of National Wild and Scenic Rivers. At the same time 12 other rivers were withdrawn from the public domain, subject to valid existing rights, to complete studies on their suitability for inclusion in the system. These studies were to be complete and submitted to the Secretary of the Interior last fall.

Only these 12 rivers would be addressed by this resolution, and three have been administratively determined to be navigable. Thus, its impact may be somewhat limited. Inasmuch as wild and scenic river designation may have consequences upon the uses of the river and its bed, it is desirable to settle the issue of ownership ahead of such designation.

One other suggested change to HJR 14 would be to delete the reference to float planes in the fourth whereas. On February 28, 1985, the Ninth Circuit Court of Appeals found in the Slopbucket Lake case that "... float planes and related incidental watercraft is insufficient as a matter of law to render the lake navigable for purposes of title."

Mike Vediner from our Division of Land and Water Management will be available at the committee hearing to answer questions.

Sincerely,



Robert D. Arnold  
Deputy Commissioner

## BACKGROUND ON HJR 14

The purpose of this resolution is to request the President and Congress to suspend any further classifications of Alaskan waterbodies as wild or scenic until such time as a final decision is reached on the issue of navigability. This would allow traditional activities to continue on any waterbodies in dispute.

Traditional activities would include subsistence, recreation, trade and commercial use.

Bradley  
3/26/85 ✓

Original sponsor: Shultz

1 IN THE HOUSE BY THE TRANSPORTATION COMMITTEE  
 2 CS FOR HOUSE JOINT RESOLUTION NO. 14 (Transportation)  
 3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
 4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 Relating to the navigability of Alaska's  
 6 rivers and lakes.

7 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

8 WHEREAS Alaska's rivers and lakes have always been a primary means of  
 9 transportation and access for the people of the state; and

10 WHEREAS a great many of these same waterbodies have traditionally and  
 11 historically served as routes for commerce and trade; and

12 WHEREAS the geographic features of the State of Alaska necessitate the  
 13 continued use of these rivers and lakes for traditional travel purposes;  
 14 and

15 WHEREAS the federal government is not considering several traditional  
 16 means of transportation used in Alaska, such as float plane, jet unit and  
 17 aluminum river boat, inflatable boats, air boats, and winter use, when  
 18 determining whether bodies of water in Alaska are navigable; and

19 WHEREAS all other states have had the opportunity to demonstrate  
 20 navigability of waterbodies within their boundaries on a much less restric-  
 21 tive basis; and

22 WHEREAS the State of Alaska has several test cases now in litigation  
 23 that will help establish a basis for claiming navigability of its water-  
 24 bodies; and

25 WHEREAS trade, travel, commerce, subsistence, and recreational activi-  
 26 ties should continue on a traditional basis on Alaska's navigable rivers  
 27 and lakes; and

28 WHEREAS the federal government may propose waterbodies in Alaska for  
 29 classification as wild and scenic rivers without knowing whether or not

1 they will be determined navigable; and

2 WHEREAS such classification may prevent the citizens of this state  
3 from continuing their historical and traditional uses of Alaskan water-  
4 bodies;

5 BE IT RESOLVED that the Alaska State Legislature respectfully requests  
6 the President of the United States and the Congress to direct the Secretary  
7 of the Interior to suspend further classification of Alaskan waterbodies as  
8 wild and scenic rivers until such time that a final decision is reached on  
9 the issue of navigability, thus allowing historical and traditional activ-  
10 ities to continue on the Alaskan waterbodies in dispute or in litigation.

11 COPIES of this resolution shall be sent to the Honorable Ronald  
12 Reagan, President of the United States, the Honorable George Bush, Vice-  
13 President of the United States and President of the U.S. Senate; the Honor-  
14 able Thomas P. O'Neill, Jr., Speaker of the U.S. House of Representatives;  
15 the Honorable Donald Hodel, Secretary of the Interior; and to the Honorable  
16 Ted Stevens and the Honorable Frank Murkowski, U.S. Senators, and the  
17 Honorable Don Young, U.S. Representative, members of the Alaska delegation  
18 in Congress.

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HR 8

The Labor & Commerce Committee has considered HOUSE RESOLUTION NO. 8 (establishment of a sister state relationship with Taiwan) and reports it back as follows: Navarre (Chairman), Koponen, Hanley, Pearce and Boucher recommend do pass. Davis has no recommendation.

HR 8 was referred to the Rules Committee for placement on the calendar.

HJR 14

The Resources Committee has considered HOUSE JOINT RESOLUTION NO. 14 (navigability of Alaska's rivers and lakes), recommends it be replaced with COMMITTEE SUBSTITUTE FOR HOUSE JOINT RESOLUTION NO. 14 (Transportation) (page 739) and reports it back as follows: Shultz (Co-Chairman), Herrmann, Cato, Jenkins and Pearce recommend do pass. Sund, Thompson and Wallis have no recommendation.

HJR 14 was referred to the Rules Committee for placement on the calendar.

HB 31

The Judiciary Committee has considered HOUSE BILL NO. 31 (obstruction or hindrance of lawful hunting, fishing, or trapping) and reports it back as follows: M.M. Miller (Chairman) and Gruenberg have no recommendation. Pettyjohn, Phillips and Taylor recommend do pass. Clocksin recommends do not pass.

Two zero fiscal notes were attached.

HB 31 was referred to the Resources Committee.

HB 147

The Finance Committee has considered HOUSE BILL NO. 147 (creating a division of equal employment opportunity in the Department of Administration), recommends it be replaced with COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 147 (Finance):

"An Act establishing an equal employment opportunity program for the executive branch of state government and creating an office of equal employment opportunity in the Office of the Governor."

HB 147

and reports it back as follows: Adams (Chairman), Szymanski, Duncan, Pourchot, Larson, Binkley, Cotten, Frank and Rieger recommend do pass.

A fiscal note was attached and appears in House Journal Supplement No. 53.

HB 147 was referred to the Rules Committee for placement on the calendar.

HB 191

The Health, Education & Social Services Committee has considered HOUSE BILL NO. 191 (State aid for school construction; effective date), recommends it be replaced with COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 191 (HESS) (same title) and reports it back as follows: Koponen and Gruenberg (Co-Chairs), Hanley, Thompson, Pettyjohn, Taylor and Hurley recommend do pass.

A fiscal note was attached and appears in House Journal Supplement No. 53.

HB 191 was referred to the Finance Committee.

HB 218

The Judiciary Committee has considered HOUSE BILL NO. 218 (standards of conduct of legislators and legislative employees and to the Select Committee on Legislative Ethics; effective date), recommends it be replaced with COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 218 (Judiciary) (same title) and reports it back as follows: M.M. Miller (Chairman), Sund, Gruenberg, Phillips, Pettyjohn, Clocksin and Taylor recommend do pass.

The Speaker added a Finance referral to this bill. HB 218 was referred to the Finance Committee.

HB 231

The Finance Committee has considered HOUSE BILL NO. 231 (relating to amount of general and temporary relief assistance) and reports it back as follows: Adams (Chairman), Binkley, Duncan and Pourchot recommend do pass. Szymanski, Larson, Cotten, Rieger and Frank have no recommendation.

HB 231 was referred to the Rules Committee for placement on the calendar.



# RECORDS CERTIFICATION

I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

  
Signature of Camera Operator

  
Date

H J R

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**STOOPS ASSOCIATES**

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Lee M. Stoops

*No. 2 Marine Way**Consulting, Government**Juneau, Alaska 99801**Relations, Management**907-586-3561**Services*

February 22, 1985

The Honorable Frank Murkowski  
United States Senate  
317 Hart Building  
Washington, D.C. 20510

HJR 16

Dear Senator Murkowski:

On behalf of the Alaska Air Carriers Association, I recently contacted Mr. Arthur Barnes, Office of Essential Air Services, Services Analysis Division I, Department of Transportation, 400 7th Street S.W., Washington, D.C. 20590, to inquire as to the status of the study required by Section 16 of the C.A.B. Sunset Act. The study is intended to look at the feasibility of providing alternative air service to Southeast Alaska communities now receiving subsidies under Section 419 of the Federal Aviation Act (see enclosure). The study is supposed to be completed and submitted to Congress by January 1, 1986.

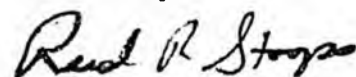
I learned from Mr. Barnes that no work has been done to date, nor is there a plan for how the study will be conducted. The reasons given for the lack of progress include the recent transfer of the Division to D.O.T., and uncertainty regarding future funding for the Division beyond the current fiscal year.

As the Air Carriers have a significant interest in the future of essential air service, we appreciate your assistance in attempting to reinstate funding for essential air service in the FY 86 federal

budget. We would further like to request your assistance in contacting the Office of Essential Air Services for the purpose of encouraging them to complete the study required by Congress, and to let us know how we might be involved in providing information to the Department during the study. We are certain that there will be substantial interest by the communities - Wrangell, Petersburg, Gustavus, Cordova, and Yakutat - which are affected by the study.

Thank you for your continuing interest and support for the aviation industry in Alaska.

Sincerely,



Reed R. Stoops

Stoops Associates, Inc.

*cc. Rep. Cato*

*Falls Church, Virginia, station of the Washington, D.C. metrorail system and Dulles International Airport in Virginia. The study shall include, but need not be limited to, a study of the feasibility of heavy rail, light rail, monorail, magnetic levitation systems, and any other appropriate transportation systems. The Secretary shall study the feasibility of each such system with and without intermediate stops.*

*(b) The Secretary shall complete the study required by subsection (a) and transmit the results thereof to Congress not later than one year after the date of enactment of this Act.*

**AIR SERVICE IN THE STATE OF ALASKA**

*SEC. 16. (a)(1) Notwithstanding any other provision of law, with respect to air transportation to each of the points in Alaska listed in paragraph (4), essential air transportation for purposes of section 419 of the Federal Aviation Act of 1958 shall neither be specified at a level of service nor operated with aircraft of lesser seating and cargo capacity than provided for in CAB Order 80-1-167 and its Appendices unless otherwise specified under an agreement between the Department of Transportation and the State of Alaska, after consultation with the community affected. This paragraph shall cease to be in effect on January 1, 1987.*

*(2) Notwithstanding any other provision of law, the total amount of compensation which may be paid under section 419 of the Federal Aviation Act of 1958 with respect to the points in Alaska listed in paragraph (4) shall not exceed \$3,572,778 for each of the fiscal years 1985 and 1986 and shall not exceed \$893,195 for service provided during the period beginning October 1, 1986, and ending at the close of December 31, 1986.*

*(3) The Secretary of Transportation shall study the feasibility of providing essential air transportation to each of the points in Alaska listed in paragraph (4) with aircraft having a smaller capacity than that required by paragraph (1), the level of compensation which would be required under section 419 of the Federal Aviation Act of 1958 for such transportation, and the impact of using such aircraft on the air transportation system in Alaska. The Secretary shall complete such study and submit a report of the results of such study to Congress not later than January 1, 1986.*

*(4) The points in Alaska referred to in paragraphs (1), (2), and (3) are Cordova, Yakutat, Gustavus, Petersburg, and Wrangell.*

*(b) Notwithstanding any other provision of law, no part of the order of the Civil Aeronautics Board in CAB docket number 38961 (CAB Order 84-6-77) shall enter into effect until after December 31, 1984.*

And the Senate agree to the same.

NORMAN Y. MINETA,  
GLENN M. ANDERSON,  
ROBERT A. ROE,  
GENE SNYDER,  
JOHN PAUL HAMMERSCHMIDT,  
Managers on the Part of the House.

SCS FOR CS FOR HOUSE JOINT RESOLUTION NO. 16 (Transportation)  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
FOURTEENTH LEGISLATURE - FIRST SESSION

Relating to essential air service.

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

WHEREAS Alaskan air carriers are recipients of federal funding under the U.S. Department of Transportation Essential Air Service program; and

WHEREAS the President of the United States has proposed a budget for fiscal year 1986 that would eliminate the Essential Air Service program; and

WHEREAS under the Airline Deregulation Act of 1978 (P.L. 95-504) Congress provided that the program would continue until 1988; and

WHEREAS more than 38 Alaskan communities would be directly and adversely impacted, and dozens of others would be indirectly impacted [ALASKA HAS 38 COMMUNITIES THAT WOULD BE ADVERSELY AFFECTED] by elimination of the funding; and

WHEREAS the Essential Air Service program provides communities with necessary passenger, mail, and cargo service; and

WHEREAS a lack of a state highway system forces Alaskans to be dependent on air travel; and

WHEREAS Alaskan air operators have been developing free market alternatives consistent with the deregulation of air transportation and the scheduled termination of the subsidy in 1988; and

WHEREAS a reduction or elimination of funds for the Essential Air Service program at this time will almost certainly cause a reduction or elimination of air service to those communities where it is not economically feasible to maintain present service without this program;

BE IT RESOLVED by the Alaska State Legislature that Congress fully fund the Essential Air Service program and that the U.S. Department of Transportation adhere to the scheduled 1988 timetable for elimination of the program.

COPIES of this resolution shall be sent to the Honorable Ronald Reagan, President of the United States; the Honorable George Bush, Vice-President of the United States and President of the U.S. Senate; the Honorable Robert Dole, Majority Leader of the Senate; the Honorable Thomas P. "Tip" O'Neill, Speaker of the U.S. House of Representatives; the Honorable Elizabeth Dole, Secretary of Transportation; and to the Honorable Ted Stevens and the Honorable Frank Murkowski, U.S. Senators, and the Honorable Don Young, U.S. Representative, members of the Alaska delegation in Congress.



## Dept. of Transportation & Public Facilities

# Position Paper

**BILL NO:** House Joint Resolution No. 16  
**TITLE:** Essential Air Service

**APPROVED:** *W. J. Knapp*  
R. J. Knapp  
Commissioner  
**DATE:** 2-15-85

The Department of Transportation and Public Facilities supports full funding by the federal government of the Essential Air Service (EAS) program. House Joint Resolution No. 16 resolves that the Federal DOT continue funding for EAS through the scheduled 1988 elimination of Essential Air Service subsidies. However, the Department has yet to take a position on the scheduled 1988 timetable for elimination of the program and would like to refrain from any position for or against the 1988 elimination of EAS subsidies. During this interim period (1985-1988) the Department will continue to monitor the effects on air service in Alaska due to changes made by the federal government as a result of airline deregulation. From the Department's perspective, the gradual reductions in federal EAS subsidies have not created unmanageable detrimental effects on air service to Alaska's communities.

The transition over the last two years from Section 406 to Section 419 passenger service subsidies has eliminated all locations from the subsidy program that can be served without federal support. It is important to note, however, that one reason that many points are now served without subsidy is that payments for federal mail contracts have allowed cross-utilization of aviation traffic. In some cases, we suspect that the mail subsidy is paying for some of the costs of passenger service.

The 38 communities still remaining in the Essential Air Service program are dependent on federal support to enable them to receive the minimum service considered necessary. It is imperative that the federal program be funded through at least 1988.

FEB 20 1985

# Alaska State Legislature



## House of Representatives

DISTRICT 27:  
AKHIOK  
CHIGNIK  
CHIGNIK LAGOON  
CHIGNIK LAKE  
CHINIAK  
IVANOF BAY  
KARLUK  
KODIAK  
LARSEN BAY  
OLD HARBOR  
OUZINKIE  
PERRYVILLE  
PORT LIONS  
WOMEN'S BAY

REPRESENTATIVE  
DAVE THOMPSON  
WHILE IN JUNEAU  
POUCH V  
JUNEAU, ALASKA 99811  
(907) 465-2487  
(907) 465-2498  
P.O. BOX 75  
KODIAK, ALASKA 99615  
(H)(907) 486-4899  
(LIO)(907) 486-8115

### MEMORANDUM

2/20/85

TO: Representative Bette Cato

FROM: Representative Dave Thompson *DW*

SUBJECT: Essential Air Service

The following information on current and proposed Essential Air Service subsidies to Alaska air carriers and communities served is provided at your request.

The communities currently served with Essential Air Service subsidies, the air carriers providing that service and the amounts those air carriers are receiving, according to U.S. Dept. of Transp., Anchorage, are:

1. Southeast communities; Cordova, Gustavus, Petersburg, Wrangle, and Yakutat  
Served by; Alaska Airlines  
Subsidy; \$3,572,778  
  
Southeast communities; Boswell Bay, Cape Yagataga, Chitna, and Icy Bay  
Served by; Chitna Air  
Subsidy; \$112,986
2. Kodiak communities; Akhiok, Amhok Bay, Karluk, Kitoi Bay, Larson Bay, Lazy Bay, Moser Bay, Old Harbor, Olga Bay, Ouzinkie, Parks, Port Bailey, Port Lions, Port Williams, Uganik, Terror Bay, West Point, and Zachar Bay  
Served by; Sea Air  
Subsidy; \$488,735
3. Aleutian Chain communities; Akutat, Atka, and St. George  
Served by; Peninsula Airways  
Subsidy; \$298,330

4. Chitina River Area; Chisana, McCarthy, and May Creek  
Served by; Elias Air Taxi  
Subsidy; \$56,333

Other communities being considered for service via Essential Air Service subsidies include:

1. Seward - approximate subsidy; \$50,000
2. Captovic- no proposals
3. Wiseman - approximate subsidy; \$11,000
4. Central and Circle - approximate subsidy; \$4,000
5. Cape Romanzoff and Cape Newenham - approximate subsidy;  
\$173,000
6. Nome Area: Council - no proposals

Total essential air service subsidy available for the State of Alaska appears to be between \$4.5 and \$5 million dollars.

# Rural residents would be left stranded by program is cut

Continued from page C-1

residents \$8 million and those on St. Paul got \$12 million.

"We have a commitment now to get out on our own but we need regular air service to accomplish our goals," Wilson said.

St. George Mayor Max Malavansky said the air service also is essential in helping islanders build a tourist industry. Every summer more and more tourists visit St. George's 1,872-acre bird refuge.

"When you start comparing our needs to other areas, you really get mad," Wilson said.

Because many of the areas served by the Essential Air Service Program are one-industry towns, many

community leaders claim that entire economies could collapse.

**Bruce Vonada**, city manager of Yakutat, said the Southeast community of 750 residents would be dead in the water without the air service. Yakutat, located 220 air miles from Juneau, currently is served by Alaska Airlines with two flights a day.

Ray Vecci, vice president of planning for Alaska Airlines, said it was too early to tell what the airline would do if subsidies are cut.

"We know the people need the service," he said. "We don't just haul passengers. We also carry freight to these communities."

While most carriers are waiting for official confirmation of the proposed subsidy cuts,

some commuter air carriers hope they can get enough work from the the U.S. Postal Service to continue flying into remote Alaskan communities.

The postal service pays more than \$30 million a year in subsidies to haul mail throughout the state. In years past, the postal service contracted with one carrier for mail deliveries to a particular town. Later, contracts were split equally among all federally-certificated carriers, which, in effect, gave the smaller commuters a chance of survival.

**Teresa Foode of Chitina Air Service** said she's not going to worry about the proposed cuts until next year.

Although 15 to 20 percent of the Chitina Air budget comes

from federal subsidies, Foode believes the postal service will pick up where the federal government left off and keep commuters flying to rural areas. Chitina Air serves the sparsely populated communities of Boswell Bay, Cape Yakataga, Chitina and Icy Bay.

"I know the folks would miss us out there," Foode said. "I don't think some people realize how difficult travel is here in Alaska."

But officials at the Essential Air Service office in Washington, D.C., said they realize the importance of transportation subsidy to rural communities.

"Our phones have been ringing off the hooks about the issue," said John Coleman, director of the Office of Essential Air Service.

Coleman said he was just as surprised as everyone else about the proposal to dismantle his office. "We're simply waiting like everyone else to hear what's going to happen."

The Essential Air Service Program was supposed to run to 1988, Coleman said. But governmental red ink may force an early retirement for the program administered by 41 people.

Coleman was quick to say that he thinks there will be loud protest about it. "We expect a flurry of debate," he said.

Most Alaskan communities and commuter air services directly impacted by the subsidy cuts are banking on the Alaska congressional delegation to solve the problem.

As one Alaskan pilot observed: "Our congressional delegation will deal with this problem like heavyweight contenders training in seclusion. We don't have to panic yet."

Members of the Alaska congressional delegation say they will fight the cuts, but they will not take any action until the actual budget is revealed, said a spokesperson from Sen. Ted Stevens office in Washington, D.C.

Last September, Stevens introduced an amendment to assure continuation of subsidies to five Southeast Alaskan communities served by the Essential Air Service program, the spokesman said.

## Alaska business

### Commission seeking public comment

For those who find it difficult finding advertised grocery items, the Federal Trade Commission is seeking public comment on the Advertising Item Availability Rule.

The rule requires grocery stores to have unlimited stock of an advertised item or at least a quantity sufficient to provide the item to the last customer on the last day of the sale, at the advertised price. This rule does not apply to retail outlets such as department stores, variety stores or hardware stores, or food items sold by these retailers. For information call the Better Business Bureau of Alaska at 276-5901.

### Johnson joins as member relations specialist

Lana Johnson, former managing editor of The Anchorage Times, has joined Chugach Electric Association Inc. as member relations specialist.

Johnson's duties include individual consumer activities, public outreach and the production of various newsletters, press releases, brochures and the annual report. A 13-year Anchorage resident, Johnson joined The Times in 1971 as oil and gas reporter and held a variety of positions at The Times, including copy desk chief and Sunday/Lifestyles editor. In 1982 she was chosen managing editor and was responsible for the day-to-day operations at the state's largest newspaper. Johnson has a bachelor's degree from the University of Wyoming and was the first woman to receive a graduate assistantship in political science at the university. A member of the Alaska Press Club, Johnson is a former president of the Alaska Newspaper Association and has served on the steering committee for Alaska Journalism Week.



Lana Johnson

### Stores to officially change names

Army/Navy Stores will officially change names to Big Ray's All Weather Outfitters, Feb. 14 with the opening of a new retail store in the Town and Country Square mall on Benson Boulevard.

The store will feature the complete line of industrial workwear, camping and sport equipment and leisure clothing that Army/Navy stores have carried for years. Also opening the same day in the same location is Big Ray's Luggage Locker, which will offer a variety of luggage lines. The Fourth Avenue store will be referred to as Big Ray's Army/Navy and the stores in Kenai and Fairbanks will be called Big Ray's All Weather Outfitters.

### Sayer appointed regional manager

CIE Systems Inc. has appointed Michael Sayer Northwest regional manager.

Sayer will be based in CIE's regional sales office in Santa Clara, Calif. He will help direct CIE's sales efforts in Alaska, Western Canada, Northern California, Oregon, Washington, Wyoming, Montana and Idaho. Before joining CIE, Sayer spent seven years with Rair Computer Corp. in London, England and Cologne, West Germany and eventually was appointed vice president of sales. He has a bachelor's degree from Hatfield Polytechnic in Hertfordshire, England and is a member of the British Institute of Management.



Michael Sayer

### Three merchants join Northway Mall

Three new merchants have joined Northway Mall. They are: The Mad Hatter, Pier 49 Imports and Joanne Fabrics.

The Mad Hatter sells a large selection of formal and informal headgear including such brands as Stetson and Borshalino. The store also carries sheepskin jackets, gloves and other leather goods. Pier 49 Imports carries a variety of furniture, rugs, baskets, clothing and gift items imported from around the world. Joanne Fabrics features a wide range of fabrics in many colors, textures and patterns. The fabric store also offers a mailing service to rural communities.

### Seatronics adds Turk to Anchorage staff

Seatronics Inc. has added James Turk to its Anchorage office's sales engineering department.

Turk will be responsible for the application and sales engineering of building automation, temperature control and energy management systems. Turk recently left a similar position with Honeywell Commercial Controls Division in Seattle. Seatonics is a 30-year-old company and is known for its engineering, installation



# Drug firm rebound could pay speculators

Key Pharmaceuticals (KPH, ASE, 10 3/8, 12-month range 8-20 1/4) has seen its earnings falter," says Fred Gordon's The Plain Talk Investor from Northbrook, Ill. "But, there appears to be a buy-bias here after the stock's dizzying fall from over 20 to a bottom of 8. Further out, strong earnings and sales could put this manufacturer of over-the-counter and prescription drugs (mainly controlled-dosage angina and respiratory drugs) on the upswing. This issue is for speculators only."

"To say that 1985 is off to an auspicious start drastically understates the case," says Market Logic from Fort Lauderdale, Fla. "The market's upward momentum is impressive and is fully supported by our indicators. On the negative side, some short-term indicators are not yet bullish, and



Dick Davis

the widespread optimism by market pundits is a source of concern. However, our forecasting models, which optimally weigh all relevant factors, point to stocks being 25 to 43 percent higher a year hence. This suggests that record highs for all averages is only a matter of time."

According to Consensus of Insiders, also from Fort Lauderdale, the most undervalued industry, which has most underperformed the market during the last six months, is electronic-equipment

manufacturing. The advisory service cites such examples as BMC Industries (BMC, NYSE, 13 1/8) and Silicon General (SILN, OTC, 9). The most overvalued industry, which has most outperformed the market during the last six months, is electric and gas companies. Some examples offered by the service are New York Electric & Gas (NKG, NYSE, 22 5/8), Philadelphia Electric (PE, NYSE, 15 3/4) and Washington Water Power (WWP, NYSE, 20).

"Technical measure of the market's internal strength has moved to new all-time highs," says Andrew Addison's The Addison Report from Quincy, Mass. "The weekly advance-decline line of the NYSE has just pierced a 19-year triple top. This tremendous technical accomplishment demonstrates that the market's internal strength is spectacular, and will

pull all the averages to significantly higher all-time highs. The bullish action of foreign stock markets, the reduced supply of stock due to corporate takeovers and buybacks, and the record short interest ratio add to this bullish view. Our monetary indicators are also powerfully bullish with two cuts in the discount rate, an extremely positive spread between short-term and long-term interest rates, and the Fed funds rate having broken a 2-year downtrend. With these technical and monetary indicators so bullish, any downside risk is limited. Long-term investors should remain 100 percent invested."

Dick Davis is an employee of a member firm of the New York Stock Exchange and publishes his own market letter.

# Deregulation may hurt remote service

Continued from page C-1

carriers, moved people around the rest of the state.

Then came deregulation. Deregulation struck the fancy of many of the nation's travelers, who heralded an end to the old monopoly structure and the "we don't care, because we don't have to" attitude of some airlines.

But it also struck fear in rural and remote townspeople, who envisioned themselves stuck on the ground.

To sell deregulation to Congressmen who also feared the larger airlines would fly away from constituents, a new subsidy program emerged.

The new Essential Air Service

program is aimed at providing a period of transition for small towns deserted by the large airlines. The subsidies are based on an established minimum level of service in each eligible community as of July 1976 or two flights per week, whichever was greater.

Unlike the old subsidy system which was based on the carriers' systemwide operations, the new program limited federal funds to expenses of operating in the designated routes.

The program is set to expire in 1988. But President Reagan plans to ask Congress to end the program two years early to save money.

The old subsidy program was to remain in effect until 1986, but

Congress stop funding the program in 1982. Alaska's air carriers then were forced to formally withdraw from the old system before getting into the new program.

But under the new program, another new carrier could step in and, if it could guarantee similar or better service without a need for federal money, the CAB withdrew the subsidy for that town. The airline that previously operated in the town with a subsidy was out of the money.

At that point, Wien warned it might pull out of the Bush. Wien president James Flood, who bought the airline a year later, said the company could not justify flying on money-losing Bush routes.

During the refiling process, "most points were picked up on a

non-subsidized basis," Steinman said.

Alaska Airlines gradually pulled out of most Bush communities, concentrating its state operations in the larger communities. In 1984, Wien had withdrawn from most Bush routes. By the end of the year, the company had filed for reorganization under federal bankruptcy laws.

Steinman said he could recall only a handful of the new carriers that closed shop or merged with other airlines. Among those are Kodiak Western, which folded, and Munz, which merged with Ryan Air.

"It can't be good out there and we keep thinking the shake out will come each winter," he said. "But so far, most carriers are hanging in."

**Quality Endures**

That's their motto and their bank's

# Business

- Mutual funds
- Money management
- Money market funds
- Dick Davis



## Rural Alaskans may lose vital air service

by **Chriss Swaney**  
Times Business Writer

**A**tka and St. George residents, who have no roads and no regularly-scheduled barge or passenger marine service, will have difficulty getting off their islands if the Reagan Administration kills a federal subsidy program that now guarantees air transportation to remote and rural areas throughout the country.

The plan for ending the Essential Air Service Program will be included in the administration's proposed fiscal 1986 budget for the Department of

Transportation.

If the program is halted, government and industry officials estimate that 100 of the 135 communities nationwide now being served by subsidized carriers will lose all air transportation. Of the 230 cities in Alaska eligible for the subsidy, only 37 are now receiving it.

Residents of Atka, located near the end of the Aleutian Chain, said they would be isolated without subsidized air carrier service. The community of 100 people has no barge service or privately-owned aircraft to replace the loss of its subsidized carrier —

Peninsula Airways — if Congress decides to sever subsidies.

Orin Seybert, owner of Peninsula Airways, said it would be impossible to serve Atka without federal subsidies.

To serve Atka, Seybert stations a plane and pilot at Adak, about 100 miles east of Atka. The air carrier, which receives \$18,000 a month in federal subsidies to fly from Adak to Atka two weeks out of every month.

"Without subsidies, a person could pay as much as \$2,500 to fly from Atka to Adak," Seybert said. In Adak, passengers board Reeve Aleutian planes to the Alaska mainland.

Navy tugs used to haul people and

freight to Atka until 1977, Seybert said. When the service stopped, Atka residents went four months without supplies or communication with the outside world.

"It was a frightening experience," said Julie Dirks, village council administrator. "I think the thing that saved us was the people's subsistence lifestyle."

Dirks said the village council will lobby against the proposed cut in federal transportation subsidies.

At St. George in the Pribilofs, about 358 miles northeast of Atka, islanders share a similar plight. Without service

by Peninsula Airways, which receives \$7,000 a month in subsidies for St. George, the island's embryonic bottomfishing industry could collapse.

Rich Wilson, St. George city manager, said air service is essential in completing a new \$13 million harbor.

"The airline flies in all the technicians and engineers we need to help us complete a commercial fishing harbor," Wilson said.

Until Oct. 14, 1983, the economic mainstay of the islands was the annual harvest of fur seals. When the government pulled out two years ago, Congress gave the St. George

See Rural, page C-7



## Air cuts would leave 37 towns grounded

by **Annette Taylor**  
Times Business Writer

Cozy, select down bedding. Nothing can replace it.

Art & Robin Foster  
Proprietors  
Scandia Down

The Anchorage Chamber of Commerce will feature Peter Scanlon, chairman of Coopers and Lybrand, as its guest speaker for the chamber's weekly luncheon forum at noon Monday at the Anchorage Westward Hilton Hotel.

Scanlon will address the chamber of the topic of "Turbulent Times for Corporate Management." He will also examine how technology could affect small, medium and large businesses in the coming years and how business leaders must learn to develop self-regulation. The doors open at 11:30 a.m. and lunch is \$11, deli is \$9 and coffee and program is \$3. Information: 272-2401.

Business calendar

CSHB 157 (Judiam)

The reconsideration of COMMITTEE SUBSTITUTE OF HOUSE BILL NO. 157 (Judiciary) amended (making corrective amendments to the Alaska Statutes as recommended by the revisor of statutes; effective date) was not taken up. It was engrossed, signed by the Speaker and Chief Clerk and transmitted to the Senate for consideration.

ANNOUNCEMENTS

Jt. Session Chief Justice Rabinowitz	House Chamber	2:00 p.m.	2/26
Eagle Raven Dancers Spaghetti feed Tickets \$5. Available from M.M.Miller	Harborview Elementary Gym	5:00 p.m.	3/1
Duck Stamp 33 Oil painting Exhibit	Fish & Game Bldg	All Day	2/25

ADJOURNMENT

Representative Clocksin moved and asked unanimous consent that the House adjourn until 1:50 p.m. February 26, 1985. There being no objection, the House adjourned at 12:59 p.m.

Irene Cashen  
Chief Clerk

Following his address, Senator Stevens received a standing ovation and was escorted from the chamber by Representative Gruenberg and Senator Coghill.

Senator Halford moved and asked unanimous consent that the joint session adjourn. There being no objection, it was so ordered and President Bennett adjourned the joint session at 12:57 p.m.

The Speaker ordered the House at ease to allow members of the Senate and other guests to leave the chamber.

#### IN THE HOUSE

The House was called back to order at 12:58 p.m.

#### UNFINISHED BUSINESS

##### HJR 4

Representative Taylor added his name as co-sponsor to HOUSE JOINT RESOLUTION NO. 4 (reapportionment of the Legislature).

##### CSHB 168 (L&C)

Representative Boucher added his name as co-sponsor to COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 168 (construction contractors; effective date).

##### HB 222

Representative Taylor added his name as co-sponsor to HOUSE BILL NO. 222 (amending the longevity bonus program and the permanent fund dividend program; establishing an annuity program; and providing for an effective date).

#### ENGROSSMENT

##### CSHJR 16 (Trsp)am

CSHJR 16 (Trsp)am was engrossed, signed by the Speaker and Chief Clerk and transmitted to the Senate for consideration.

CIVIL AERONAUTICS BOARD SUNSET ACT OF 1984

SEPTEMBER 14, 1984.—Ordered to be printed

Mr. MINETA, from the committee of conference,  
submitted the following

CONFERENCE REPORT

[To accompany H.R. 5297]

The committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 5297) to amend the Federal Aviation Act of 1958 to terminate certain functions of the Civil Aeronautics Board, to transfer certain functions of the Board to the Secretary of Transportation, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

*SHORT TITLE*

*SECTION 1. This Act may be cited as the "Civil Aeronautics Board Sunset Act of 1984".*

*AMENDMENT OF FEDERAL AVIATION ACT OF 1958*

*SEC. 2. Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Federal Aviation Act of 1958 (49 U.S.C. 1301 et seq.).*

Falls Church, Virginia, station of the Washington, D.C. metrorail system and Dulles International Airport in Virginia. The study shall include, but need not be limited to, a study of the feasibility of heavy rail, light rail, monorail, magnetic levitation systems, and any other appropriate transportation systems. The Secretary shall study the feasibility of each such system with and without intermediate stops.

(b) The Secretary shall complete the study required by subsection (a) and transmit the results thereof to Congress not later than one year after the date of enactment of this Act.

AIR SERVICE IN THE STATE OF ALASKA

SEC. 16. (a)(1) Notwithstanding any other provision of law, with respect to air transportation to each of the points in Alaska listed in paragraph (4), essential air transportation for purposes of section 419 of the Federal Aviation Act of 1958 shall neither be specified at a level of service nor operated with aircraft of lesser seating and cargo capacity than provided for in CAB Order 80-1-167 and its Appendices unless otherwise specified under an agreement between the Department of Transportation and the State of Alaska, after consultation with the community affected. This paragraph shall cease to be in effect on January 1, 1987.

(2) Notwithstanding any other provision of law, the total amount of compensation which may be paid under section 419 of the Federal Aviation Act of 1958 with respect to the points in Alaska listed in paragraph (4) shall not exceed \$3,572,778 for each of the fiscal years 1985 and 1986 and shall not exceed \$893,195 for service provided during the period beginning October 1, 1986, and ending at the close of December 31, 1986.

(3) The Secretary of Transportation shall study the feasibility of providing essential air transportation to each of the points in Alaska listed in paragraph (4) with aircraft having a smaller capacity than that required by paragraph (1), the level of compensation which would be required under section 419 of the Federal Aviation Act of 1958 for such transportation, and the impact of using such aircraft on the air transportation system in Alaska. The Secretary shall complete such study and submit a report of the results of such study to Congress not later than January 1, 1986.

(4) The points in Alaska referred to in paragraphs (1), (2), and (3) are Cordova, Yakutat, Gustavus, Petersburg, and Wrangell.

(b) Notwithstanding any other provision of law, no part of the order of the Civil Aeronautics Board in CAB docket number 38961 (CAB Order 84-6-77) shall enter into effect until after December 31, 1984.

And the Senate agree to the same.

NORMAN Y. MINETA,  
GLENN M. ANDERSON,  
ROBERT A. ROE,  
GENE SNYDER,  
JOHN PAUL HAMMERSCHMIDT,  
Managers on the Part of the House.

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cargo air service between any pair of points both of which are within the State of Alaska or the State of Hawaii.

(4) If any all-cargo air service authorized by a certificate issued under this subsection is not performed to the minimum extent prescribed by the Board, it may by order, entered after notice and opportunity for a hearing, direct that such certificate shall, thereafter, cease to be effective to the extent of such service.

#### EXEMPTIONS

(c) Any applicant who is issued a certificate under this section shall, with respect to any all-cargo air service provided in accordance with such certificate, be exempt from the requirements of section 401(a) of this Act, and any other section of this Act which the Board by rule determines appropriate, and any rule, regulation, or procedure issued pursuant to any such section.

#### AIR CARRIER STATUS

(d) Any applicant who is issued a certificate under this section shall be an air carrier for the purposes of this Act, except to the extent such carrier is exempt from any requirement of the Act pursuant to this section.

#### SMALL COMMUNITY AIR SERVICE

##### GUARANTEED ESSENTIAL AIR TRANSPORTATION

SEC. 419. (a)(1) For purposes of this subsection, the term "eligible point" means any point in the United States to which, on the date of enactment of this section, any air carrier—

(A) is providing service pursuant to a certificate issued to such carrier under section 401 of this title; or

(B) is authorized pursuant to such certificate to provide such service, but such service is suspended on such date of enactment.

(2)(A) With respect to each eligible point which on the date of enactment of this section is served by not more than one air carrier holding a certificate issued under section 401 of this title, not later than the last day of the one-year period beginning on such date of enactment, the Board, after considering the views of any interested community and the State agency of the State in which such community is located, shall determine what is essential air transportation for such point.

(B) With respect to any eligible point which on the date of enactment of this section is served by more than one air carrier holding a certificate issued under section 401 of this title and which thereafter receives service by not more than one such air carrier, not later than the last day of the six-month period beginning on the date on which the Board receives notice that service to such point will be provided by not more than one such air carrier, the Board, after considering the views of any interested community and the State agency of the State in which such community is located, shall determine what is essential air transportation to such point.

(C) The Board shall periodically review the determination of what is essential air transportation to each eligible point, and may,

based upon such review, community and the State agency is located, make any order for air transportation to such point.

(3) No air carrier shall be required to provide air transportation to any eligible point if such transportation to such point is not established by the Board as essential air transportation to such point.

(A) if such air carrier—  
(i) holds a certificate under this title, or

(ii) does not hold a certificate under this title, and the compensation payable for such service to such point is not less than the compensation payable for such service to such point as determined by the Board.

has given the Board notice of its intention to terminate such transportation.

(B) if such air carrier is not receiving compensation for such service from the Board, the appropriate State agencies affected by such determination, suspension, or termination, shall be notified.

(4) Whenever the Board determines that such transportation will not be provided to such point—

(A) the Board shall, upon the request of any air carrier submitting by any date a certificate under this subsection, if such air carrier is authorized to provide such air transportation to such point, shall, among other things—

(i) the design of such system of air transportation is not adequately maintained in such communities involved;

(ii) the expense of such air transportation is not justified by the essential air transportation provided; and

(iii) notwithstanding any experience of an air carrier or significant interest in such point under this title, in Alaska.

(B) the Board shall, upon the request of any air carrier, lines promulgated by the Board, shall be required to provide such compensation to be provided to such point.

(5) The Board shall, upon the request of any air carrier, shall, at times and from time to time, make such order as may be appropriate. The Board shall, upon the request of any air carrier to provide such transportation to such point.

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#### RVICE

#### SPORTATION

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based upon such review and consultations with any interested community and the State agency of the State in which such community is located, make appropriate adjustments as to what is essential air transportation to such point.

(3) No air carrier shall terminate, suspend, or reduce air transportation to any eligible point below the level of essential air transportation established by the Board under paragraph (2) unless such air carrier—

(A) if such air carrier—

(i) holds a certificate issued under section 401 of this title, or

(ii) does not hold such a certificate, but is receiving compensation pursuant to paragraph (5) of this subsection for service to such eligible point,

has given the Board, the appropriate State agency or agencies, and the communities affected at least ninety days notice prior to such termination, suspension, or reduction; and

(B) if such air carrier does not hold such a certificate and is not receiving compensation pursuant to paragraph (5) of this subsection for service to such eligible point, has given the Board, the appropriate State agency or agencies, and the communities affected at least thirty days notice prior to such termination, suspension, or reduction.

(4) Whenever the Board determines that essential air transportation will not be provided to any eligible point without compensation—

(A) the Board shall provide notice that applications may be submitted by any air carrier which is willing to provide essential air transportation to such point for compensation under this subsection. In selecting an applicant to provide essential air transportation to such point for compensation the Board shall, among other factors, specifically consider—

(i) the desirability of developing an integrated linear system of air transportation whenever such a system most adequately meets the air transportation needs of the communities involved;

(ii) the experience of the applicant in providing scheduled air service in the vicinity of the communities for which essential air transportation is proposed to be provided; and

(iii) notwithstanding the provisions of clause (ii), with respect to any eligible point in the State of Alaska, the experience of an applicant in providing scheduled air service, or significant patterns of nonscheduled air service pursuant to an exemption granted pursuant to section 416 of this title, in Alaska; and

(B) the Board shall establish, in accordance with the guidelines promulgated under subsection (d) of this section, a rate of compensation to be paid for providing such essential air transportation.

(5) The Board shall make payments of compensation under this subsection at times and in a manner determined by the Board to be appropriate. The Board shall continue to pay compensation to any air carrier to provide essential air transportation to any eligible



beyond the 30-day notice period after which, but for paragraph (6) of this subsection, such air carrier would be able to suspend, terminate, or reduce service to such point below essential air transportation for such point, then the Board shall compensate such air carrier for any losses that such air carrier incurs in complying with this paragraph after the last day of such 30-day period.

(9) During any period for which the Board requires any air carrier to continue providing air transportation to an eligible point which such air carrier has proposed to terminate, reduce, or suspend, the Board shall continue to make every effort to secure an air carrier to provide at least essential air transportation to such eligible point, on a continuing basis.

(10) Unless the Board has determined what is essential air transportation for any eligible point pursuant to paragraph (2) of this subsection, the Board shall, upon petition of any appropriate representative of such point, prohibit any termination, suspension, or reduction of air transportation which reasonably appears to deprive such point of essential air transportation, until the Board has completed such determination.

(11)(A) After January 1, 1983, any air carrier may file an application with the Board seeking to have any compensation provided under section 406 of this title to the air carrier then serving an eligible point terminated in order to allow the applicant air carrier to provide air transportation to that eligible point for compensation under this section. The Board shall grant such application, after notice and a hearing if requested by the air carrier receiving subsidy under section 406, taking into consideration the objectives specified in subparagraphs (A) (i) and (ii) of paragraph (5) of this subsection, if the applicant can show that termination of the compensation being paid under section 406, and that the provision of service by such applicant with compensation under this section, will result in a substantial—

(i) improvement in the air service being provided such eligible point; and

(ii) decrease in the amount of compensation that will be required to continue essential air transportation to such eligible point.

(B) After January 1, 1983, any air carrier may file an application with the Board seeking to have the compensation provided under this section to the air carrier then serving an eligible point, and which has been serving such eligible point for at least two years preceding the date on which such application is filed, terminated in order to allow the applicant air carrier to provide essential air transportation to such eligible point for compensation under this section. The Board shall grant such application, after notice and a hearing if requested by an air carrier receiving compensation under this section, taking into consideration the objectives specified in subparagraphs (A) (i) and (ii) of paragraph (4) of this subsection, if the applicant air carrier can show that termination of the compensation being provided to the air carrier then serving such eligible point, and the provision of essential air transportation for compensation under this section by the applicant air carrier will result in a substantial—

(i) improvement in the air transportation being provided such eligible point with no increase in the amount of compensation then being paid; or

(ii) decrease in the amount of compensation that will be required to continue essential air transportation to that eligible point.

(C) In disposing of each application filed under this subsection, the Board shall, in addition to considering the objectives specified in subparagraphs (A) (i) and (ii) of paragraph (4), solicit and give great weight to the opinions of the communities affected by the proposed replacement of an air carrier under this subsection.

#### OTHER AIR SERVICE

(b)(1) For purposes of this subsection, the term "eligible point" means—

(A) any point in the United States which has been deleted from a certificate issued under section 401 of this title between July 1, 1968, and the date of enactment of this section, both dates inclusive, and which the Board designates pursuant to paragraph 2 of this subsection; and

(B) any other point in the State of Alaska or Hawaii designated by the Board under paragraph 2 of this subsection.

(2)(A) Not later than January 1, 1980, after considering the views of State agencies and other interested parties, the Board shall, by rule, establish objective criteria for designating points as eligible points. In establishing or modifying such criteria, the Board shall consider, among other factors, the level of traffic generated by the point concerned, its future traffic generating potential, the cost to the Federal Government of providing essential air transportation to such point, the alternative means of transportation available to the residents of such point for access to the national transportation system and its principal communities of interest, and the degree of isolation of such point from the national air transportation system. The Board may, from time to time, by rule, modify the criteria established by it under this subparagraph.

(B) Not later than January 1, 1980, the Board shall begin to review each point described in paragraph (1)(A) of this subsection to determine whether such point shall be designated as an eligible point under the criteria established under subparagraph (B) of this paragraph. The review and designation of each such point shall be completed before January 1, 1982.

(C) On or after January 1, 1982, the Board, upon application by any interested party, may designate any point an eligible point under the criteria established under subparagraph (B) of this paragraph (i) if such point is in the State of Alaska or the State of Hawaii, and (ii) if such designation would not increase the total number of points receiving a subsidy under this section and section 406 of this title above the total number of points receiving a subsidy under such section 406 on July 1, 1968.

(3) The designation of any point by the Board under paragraph (2) of this subsection as an eligible point may be withdrawn if the point no longer meets the criteria for designation as an eligible point.

(4)(A) With respect to an eligible point pursuant to this subsection, if the Board determines that the date on which the Board shall determine what is essential air transportation to such point is later than the last date on which the Board shall determine what is essential air transportation to such point, the Board shall, in determining what is essential air transportation to such point, consider the views of the community of the State in which the point is located, and the views of the agency of the State in which the point is located, and shall determine what is essential air transportation to such point.

(B) The Board shall, in determining what is essential air transportation to such point, consider the views of the community of the State in which the point is located, and the views of the agency of the State in which the point is located, and shall determine what is essential air transportation to such point.

(5) Whenever the Board determines that the date on which the Board shall determine what is essential air transportation to such point is later than the last date on which the Board shall determine what is essential air transportation to such point, the Board shall, in determining what is essential air transportation to such point, consider the views of the community of the State in which the point is located, and the views of the agency of the State in which the point is located, and shall determine what is essential air transportation to such point.

(A) the Board shall, in determining what is essential air transportation to such point, consider the views of the community of the State in which the point is located, and the views of the agency of the State in which the point is located, and shall determine what is essential air transportation to such point.

(i) the design of the system of air transportation to such point shall be such as to provide for an adequate number of flights to such point, and

(ii) the expense of such air transportation shall be such as to be reasonable in view of the essential nature of such air transportation; and

(iii) notwithstanding anything to the contrary in this title, in determining what is essential air transportation to such point, the Board shall consider the views of the community of the State in which the point is located, and the views of the agency of the State in which the point is located, and shall determine what is essential air transportation to such point.

(B) the Board shall, in determining what is essential air transportation to such point, consider the views of the community of the State in which the point is located, and the views of the agency of the State in which the point is located, and shall determine what is essential air transportation to such point.

(6) The Board shall, in determining what is essential air transportation to such point, consider the views of the community of the State in which the point is located, and the views of the agency of the State in which the point is located, and shall determine what is essential air transportation to such point.

(7) Prior to terminating the air transportation to any point, the Board shall, in determining what is essential air transportation to such point, consider the views of the community of the State in which the point is located, and the views of the agency of the State in which the point is located, and shall determine what is essential air transportation to such point.

(A) if such air carrier

(i) holds a certificate of public convenience and necessity, or

(ii) does not hold a certificate of public convenience and necessity, the Board shall, in determining what is essential air transportation to such point, consider the views of the community of the State in which the point is located, and the views of the agency of the State in which the point is located, and shall determine what is essential air transportation to such point.

(4)(A) With respect to any point which the Board designates as an eligible point pursuant to paragraph (2) of this subsection, not later than the last day of the six-month period beginning on the date on which the Board makes such designation, the Board, after considering the views of any interested community and the State agency of the State in which such community is located, shall determine what is essential air transportation to such point.

(B) The Board shall periodically review the determination of what is essential air transportation to each eligible point, and may, based upon such review and consultations with any interested community and any State agency of the State in which such community is located, make appropriate adjustments as to what is essential air transportation to such point.

(5) Whenever the Board determines that essential air transportation will not be provided to any eligible point without compensation—

(A) the Board shall provide notice that applications may be submitted by any air carrier which is willing to provide essential air transportation to such point for compensation under this subsection. In selecting an applicant to provide essential air transportation to such point for compensation, the Board shall, among other factors, specifically consider—

(i) the desirability of developing an integrated linear system of air transportation whenever such a system most adequately meets the air transportation needs of the communities involved;

(ii) the experience of the applicant in providing scheduled air service in the vicinity of the communities for which essential air transportation is proposed to be provided; and

(iii) notwithstanding the provisions of clause (ii), with respect to any eligible point in the State of Alaska, the experience of an applicant in providing scheduled air service, or significant patterns of nonscheduled air service pursuant to an exemption granted pursuant to section 416 of this title, in Alaska; and

(B) the Board shall establish, in accordance with the guidelines promulgated under subsection (d) of this section, a rate of compensation to be paid for providing such essential air transportation.

(6) The Board shall make payments of compensation under this subsection at times and in a manner determined by the Board to be appropriate. The Board shall continue to pay compensation to any air carrier to provide essential air transportation to any eligible point only for so long as the Board determines it is necessary in order to maintain essential air transportation to such eligible point.

(7) Prior to terminating, suspending, or reducing essential air transportation to any eligible point, an air carrier—

(A) if such air carrier—

(i) holds a certificate issued under section 401 of this title, or

(ii) does not hold such a certificate, but is receiving compensation pursuant to paragraph (6) of this subsection for



(3) Not later than the one-hundred-eightieth day after the date of enactment of the paragraph, the Administrator, by regulation, shall establish safety standards (A) for aircraft being used by commuter air carriers to provide any service described in paragraph (2) of this subsection, and (B) for all operations relating to such service. Such safety standards shall become effective not later than the last day of the eighteenth month which begins after such date of enactment and shall impose requirements upon such commuter air carriers to assure that the level of safety provided to persons traveling on such commuter air carriers is, to the maximum feasible extent, equivalent to the level of safety provided to persons traveling on air carriers which provide service pursuant to certificates issued under section 401 of this title.

#### GUIDELINES FOR COMPENSATION

(d) The Board shall, by rule, establish guidelines to be used by the Board in computing the fair and reasonable amount of compensation required to insure the continuation of essential air transportation to any eligible point. Such guidelines shall include expense elements based upon representative costs of air carriers providing scheduled air transportation of persons, property, and mail, using aircraft of the type determined by the Board to be appropriate for providing essential air transportation to the eligible point.

#### INSURANCE

(e) No air carrier shall receive any compensation under this section unless such air carrier complies with regulations or orders issued by the Board governing the filing and approval of policies of insurance or plans for self-insurance in the amount prescribed by the Board which are conditioned to pay, within the amount of such insurance, amounts for which such air carrier may become liable for bodily injuries to or the death of any person, or for loss of or damage to property of others, resulting from the operation or maintenance of aircraft.

#### DEFINITION

(f) For purposes of this section, the term "essential air transportation" means scheduled air transportation of persons to a point provided under such criteria as the Board determines satisfies the needs of the community concerned for air transportation to one or more communities of interest and insures access to the Nation's air transportation system, at rates, fares, and charges which are not unjust, unreasonable, unjustly discriminatory, unduly preferential, or unduly prejudicial, and—

(1) with respect to air transportation to any point (other than in the State of Alaska), in no case shall essential air transportation be specified as fewer than two daily round trips, 5 days per week, or the level of service provided by air carriers to such point based on the schedules of such air carriers in effect for calendar year 1977, whichever is less; and

(2) with respect to air transportation to any point in Alaska, essential air transportation shall not be specified at a level of

service less than that which existed for such point during calendar year 1976, or two round trips per week, whichever is greater, unless otherwise specified under an agreement between the Board and the State agency of the State of Alaska, after consultation with the community affected.

#### DURATION OF PROGRAM

(g) This section shall cease to be in effect after the last day of the ten-year period which begins on the date of enactment of this section.

### TITLE V—NATIONALITY AND OWNERSHIP OF AIRCRAFT

#### REGISTRATION OF AIRCRAFT NATIONALITY

##### REGISTRATION REQUIRED

SEC. 501. (a) It shall be unlawful for any person to operate or navigate any aircraft eligible for registration if such aircraft is not registered by its owner as provided in this section, or (except as provided in section 1108 of this Act) to operate or navigate within the United States any aircraft not eligible for registration: *Provided*, That aircraft of the national-defense forces of the United States may be operated and navigated without being so registered if such aircraft are identified, by the agency having jurisdiction over them, in a manner satisfactory to the Administrator. The Administrator may, by regulation, permit the operation and navigation of aircraft without registration by the owner for such reasonable periods after transfer of ownership thereof as the Administrator may prescribe.

##### ELIGIBILITY FOR REGISTRATION

(b) An aircraft shall be eligible for registration if, but only if—

(1)(A) it is—

(i) owned by a citizen of the United States or by an individual citizen of a foreign country who has lawfully been admitted for permanent residence in the United States; or

(ii) owned by a corporation (other than a corporation which is a citizen of the United States) lawfully organized and doing business under the laws of the United States or any State thereof so long as such aircraft is based and primarily used in the United States; and

(B) it is not registered under the laws of any foreign country;

or

(2) it is an aircraft of the Federal Government, or of a State, territory, or possession of the United States or the District of Columbia or a political subdivision thereof.

For purposes of this subsection, the Secretary of Transportation shall, by regulation, define the term "based and primarily used in the United States".

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**U.S. Department of  
Transportation**

Office of the Secretary  
of Transportation

Office of Community and Consumer Affairs  
Alaska Field Office

400 Seventh St., S.W.  
Washington, D.C. 20590

701 C Street Box 27  
Anchorage, Alaska  
99513

February 8, 1985

Mr. Bob Thomas  
c/o Representative David Thompson  
Alaska State Legislature  
Pouch V  
Juneau, Alaska 99811

Dear Mr. Thomas:

Pursuant to our recent telephone conversation, please find enclosed a copy of CAB Order 80-1-167. This order sets forth the essential air service levels for eligible communities within the state of Alaska.

If, after reviewing the order, you should have any additional questions, please do not hesitate to contact us.

Sincerely,

A handwritten signature in cursive script, appearing to read "Dianna J. Strain".

Dianna J. Strain  
Transportation Industry Analyst

Enclosure

UNITED STATES OF AMERICA  
 CIVIL AERONAUTICS BOARD  
 WASHINGTON, D.C.



Issued Under Delegated Authority  
 January 25, 1980

*Amended February 8, 1980*

Essential Air Transportation :  
 Determination of :  
 :  
 Eligible Points in ALASKA :  
 :  
 under to section 419(a)(2)(A) of the :  
 Federal Aviation Act of 1958, as amended :  
 by the Airline Deregulation Act of 1978. :  
 :

EFFECTIVE: APRIL 8, 1980

Dockets EAS-105  
 thru EAS-333 and  
 EAS-347

ESSENTIAL AIR TRANSPORTATION DETERMINATION

Under section 419(a)(2)(A) of the Federal Aviation Act, as amended by the Airline Deregulation Act, the Board must determine by October 24, 1979, what constitutes essential air transportation for each certificated point which received service from one or no certificated carriers on October 24, 1978. Section 419(f)(2) of the Act states that "with respect to air transportation to any point in Alaska, essential air transportation shall not be specified at a level of service less than that which existed for such point during calendar year 1976, or two round trips per week, whichever is greater, unless otherwise specified under an agreement between the Board and the State agency of the State of Alaska, after consultation with the community affected." Congress asked us to confer with the communities and with state aviation officials to get their views on their essential air service, prior to making these determinations. To accomplish this for Alaska, we held a series of seven regional meetings throughout the state earlier this year to listen as state and community representatives gave their views on all aspects of the essential service program. 1/ Building on the input which we received at these meetings, we proposed guidelines for the essential air service determinations, and we requested comments on these guidelines from all interested parties. We then requested specific views from each community concerning its essential service in a questionnaire which was sent to the civic official of each community for which a determination was to be made.

1/ We held meetings in Anchorage, Bethel, Fairbanks, Juneau, Ketchikan, Kodiak and Nome. In addition we visited several Bush communities where we held at least 20 informal meetings with individuals and community representatives.

With the adoption on August 31 of the final guidelines for essential air service determinations, 2/ we are now going forward with the determinations mandated by the Airline Deregulation Act.

The essential air service program provides, for the first time, assurance to a community that it will not lose its air service. Prior to the introduction of this program, communities received no guarantee that they would receive a particular level of service from the carriers serving them, nor a guarantee of the destination to which that service would be provided. They now have such a guarantee. Additionally, carriers in the past could, in some cases, drop their service at a point even when no other carrier was serving the point, without a replacement carrier entering the market. This often meant that the community disappeared from the air service map. In all, 129 communities lost their certificated air service in the 1968-1978 period. The essential service program guarantees that communities are no longer faced with such a bleak possibility.

In Alaska, we are required to make a determination for two hundred and thirty communities. In making our determination for each community we have considered the views of the communities 3/ and the communities' ability to generate air traffic based on historic traffic totals for both certificated and commuter carriers. 4/ Based on this information, we have made an analysis to determine each point's primary community of interest, and to determine which hub or regional center would assure the community access to the national air transportation system. Our essential air service determinations are set forth in Appendix A. Appendix B presents a description of the communities' present service, population and any appropriate notes. Appendix C contains the historic service for 1976 and 1978, the communities' requests for essential air service and our general comments on either their requests or our essential air service determinations. Appendix D sets forth the historic traffic data.

#### GENERAL APPROACH

A few remarks are in order here regarding our general approach and guidelines which we used in determining essential air service for Alaska communities. Particularly, it is important to reiterate our observations and conclusions which formed our guidelines in PR-213.

2/ PS-87 and PR-213; Parts 325 and 398 of the Board's rules.

3/ Community views were sought in a questionnaire which was sent to the civic official of each community.

4/ We have used commuter traffic data for communities where commuter airlines carry a significant amount of traffic, or provide service in key markets. Statistics submitted by commuter carriers are confidential for a one year period, but under section 298.66 of the Board's Economic Regulations, we find that it is in the public interest to disclose 1973 commuter traffic information in this order and all others defining essential air service.

The overall transportation needs of the state, the level of development and type of air transportation industry, and the logistical considerations in Alaska are substantially different from the rest of the country and require different essential air transportation findings. One of the major factors affecting air service in Alaska, particularly at the smaller communities, is the airport facilities. In many cases, airports consist of unpaved runways without any navigational equipment. During periods of bad weather, which are frequent, aircraft are unable to operate at these communities, and scheduled service becomes undependable because of frequent flight cancellations and delays. Consequently, the reliability of scheduled air service in Alaska is greatly reduced because of the absence of airports that can be served during adverse weather conditions. We are concerned about the importance of improved airport facilities to the development of air service in Alaska and to our statutory responsibility to ensure essential air transportation. Although we are not able to fund airport facilities under the essential air service program, we are prepared, where airport improvements are important to the availability and maintenance of essential air service, to relate these needs to the Department of Transportation which has jurisdiction in this area and to urge that it take steps to effect the necessary improvements.

The isolation of communities is also a major factor to be considered in essential air service determinations. The state highway system and the availability of surface modes of transportation are practically non-existent in a large portion of the state. Consequently, the typical Alaskan bush community relies almost exclusively on air transportation for its commercial and social ties with other communities. In many instances long distances separate the points. Even in cases where the distances are short, the terrain may not permit the operation of convenient and reliable surface transportation between communities.

As a result of these logistical circumstances and the relatively small populations of many Alaskan communities, a significant air taxi industry has developed in the state. The air taxis provide reliable, on-demand service, affording maximum flexibility in the timing of flights to meet individuals' needs. This system of service being provided in response to a specific demand for transportation is very practical, especially in the low density traffic areas prevalent in Alaska. In fact, as a result of the reliability and widespread availability of this type of service as compared to the usually infrequent operation of scheduled service at smaller communities in Alaska, the air taxi carriers are handling a sizable portion of the traffic, particularly passengers, in Alaska. Furthermore, judging by their success, air taxis have demonstrated that they can operate at fares that attract passengers and yet achieve sufficient profits to remain viable.

Severe weather is another factor that has an impact on the reliability and utility of air service. Adverse weather conditions frequently prohibit the operation of flights in Alaska. In addition, during certain parts of the year airport landing strips at many communities are not usable because of the effects of weather. Because of these conditions, scheduled flights are frequently disrupted, and the benefits of scheduled service are reduced. Although representatives at our meetings indicated that there is very little that can be done to overcome the problems of weather, they claim that these circumstances must be taken into account if the essential air service program is to be effective and viable.

The importance of mail and cargo needs was cited almost unanimously by spokespersons at our meetings. Alaskan communities are heavily dependent on air transportation to provide this service. We therefore have defined cargo and mail service as falling within the essential air service guarantee for Alaska. Frequent complaints were voiced about the irregularity of mail delivery and cargo service, the backlog of mail at the hubs, and the problems with the current system of postal contracting to federally certificated carriers. <sup>5/</sup> Under current contracting policy the Postal Service tenders mail only to certificated carriers and subcontract carriers even if other carriers, usually air taxis, are also operating to the certificated community. We were told that there are frequent instances where communities do not receive mail for extended periods because the contracted carrier has not operated a flight to the point even though during this time other carriers not allowed to transport the mail, particularly air taxis, have been operating to the point. Often, items being sent by post that require prompt delivery, such as perishable foods, are unnecessarily delayed at a distribution point because of this system. We favor a policy of allowing any air carrier--certificated, commuter or air taxi--to contract for mail delivery, and we have indicated this position to the Postal Service. We feel that this approach would alleviate some of the delays in mail delivery and improve this important part of air service to the communities in Alaska. It is our understanding that the Postal Service is now considering such an approach. With respect to backlogs under the existing subcontracting system, the certificated carrier is required by Part 293 of our regulations to provide for extra sections either with the subcontractor, through another air taxi, or with its own equipment. Until any changes take place in the postal contracting system, we will attempt to monitor the existing subcontract system to insure that the certificated carriers incur no undue backlogs.

#### SPECIFIC DETERMINATIONS

Our determinations rely on a system of regional service centers in addition to the FAA hubs. We believe that this system will best meet the needs of the Alaska communities for service to their major communities of interest and for access to the national air transportation system. In addition to the FAA hubs and regional centers listed in our guidelines in

<sup>5/</sup> Outside of the federally certificated system in Alaska, the Postal Service has its own contracts with air taxi operators for mail delivery to noncertificated points.

Part 398, our determinations in this order include Seattle and several other regional centers. The complete list of hubs and regional centers we relied on include the FAA hubs of Anchorage, Fairbanks, Juneau, and Seattle, and the regional centers of Aniak, Barrow, Bethel, Bettles, Cordova, Cold Bay, Dillingham, Ft. Yukon, Galena, Ketchikan, King Salmon, Kodiak, Kotzebue, McGrath, Nome, Petersburg and St. Mary's. Because of the status of these regional centers as separate eligible points as well as "feeder" centers for outlying points in their areas, we have required that there be adequate service between the regional service centers and the FAA hubs to handle both the regional centers' essential air service needs and the traffic seeking access to the national air system from the other eligible points served through the regional centers.

As for aircraft requirements, we have considered various views and have concluded that for practical reasons we should not impose any overall minimum size for aircraft in Alaska. As attested to by most spokespersons in Alaska, small aircraft are operated at almost all communities in the state. In addition, operations with small aircraft, especially by air taxis, provide useful and high quality service and are reasonably reliable given the weather constraints. Under these circumstances, it is clear that service with small equipment will afford the best means of meeting the air service needs of many eligible points. However, where operational requirements, distances and duration of flights between eligible points and their designated hubs or regional centers require the operation of larger aircraft to provide usable service, we have included such a requirement in our determinations. Between some regional service centers and the FAA hubs we have required service with large aircraft because of the distances and the level of traffic from the surrounding communities at the regional center.

In general, we have required sufficient frequencies to accommodate both the number of passengers and accompanying baggage as well as normal cargo requirements of the communities. We recognize the critical importance of cargo air service for the communities in Alaska and therefore included cargo as a factor in determining the numbers of flights and capacity of service we guarantee. We have not specified actual freight capacity or aircraft to be operated for cargo purposes. Instead, we have required frequencies based on the overall passenger and cargo needs of the point. In considering cargo, we recognize that in Alaska cargo is frequently transported in the passenger compartment of aircraft and that the carriage of large cargo items can preclude the accommodation of passengers on a particular flight or alternatively the carriage of passengers may result in delays in transporting cargo. Thus, it is difficult to establish required service levels based on the separate capacity needs for passengers and cargo. We examined the combined need for passenger and cargo service in determining the level of service required, and we expect that with the level we have set, both transportation needs, passenger and cargo, will be afforded service that meets the communities' essential air service needs.

In making our determinations, we have designated a specific level of essential service for each community based primarily on historic patterns of service. Should alternative patterns develop or different size aircraft be employed we will allow variations in the number of flights depending on the size of aircraft operated and the number of intermediate stops or points beyond the eligible point that share available capacity on the flights with the eligible point. As for maximum capacity, our rationale for imposing a ceiling of 80 seats per day in each direction for each eligible point in the rest of the country is that above the 80-seat level we are confident that the marketplace will satisfy the needs of the community for air service. Where we are confident that the marketplace in Alaska can respond to the needs of the community, we take a similar approach. In general, we guarantee service to accommodate up to 40 passengers per day in each direction and the community's cargo needs. We recognize though that the circumstances and the marketplace in Alaska are different than in the rest of the country, and therefore we have examined the individual situations and determined whether a level above this ceiling is required. As noted above, between the regional centers and the FAA hubs higher capacity levels are required in some cases to handle both the regional point's traffic and the traffic from the outlying eligible points being served through the regional center.

Our essential air service determinations for most points require scheduled service, and we anticipate relying on service by certificated carriers, state certificated carriers, commuter carriers operating under subcontract to the certificated carriers, and other commuter air carriers to meet this requirement. Even though our essential air service determination may only specify scheduled air service at a point, we fully expect that air taxi operators will be available and that they will play an important role in the overall air service of the communities. Alternatively, at a few points in Alaska we will rely for the most part on unscheduled service by air taxi operators for essential air transportation. We are convinced that at these points unscheduled on-demand service will provide better, more responsive service than scheduled service. The quality, reliability and public acceptance of air taxi operations in Alaska is high, and we are confident that where we rely on air taxis this type of service will meet the essential air service requirements of the community. At yet other points, we require as our essential air service determination that both air taxi and scheduled service be available if it is felt that the on-demand service should be guaranteed as a supplement to the scheduled service. A final variety of service we will rely on at certain communities is flag stop service by scheduled carriers.

We have generally imposed a maximum of two stops between the eligible point and the regional point or the FAA hub. The purpose of this provision is to assure communities that under normal circumstances convenient access to the national air transportation system will be permitted. However, in several cases we have determined that the historic pattern of more than two stops is required to insure that the carrier will continue to provide the community with its past number of frequencies. Regardless of the number of stops, we expect that the community will continue to receive available capacity equivalent to our definition and any change in the historic pattern of service either in frequencies, stops or aircraft size will result in an equitable adjustment in available capacity. The Act established 1976 as a reference for the level of essential air service in Alaska, and our determinations are, for the most part based on a community's present service or its 1976 level of service. The essential level was set at the greater of the two levels except in cases where the data indicated that available traffic and/or circumstances warranted the lower level. In only a few cases did we determine that essential service was less than the present service. One case involved three points (Haines, Skagway and Valdez) which receive high quality, competitive commuter service. Here we are confident that the marketplace will insure sufficient frequencies to accommodate all the traffic. Therefore, we guaranteed sufficient seats at a 50 percent load factor to accommodate the present traffic level. This is considerably less than the actual frequencies provided. Another case involved Prudhoe Bay, Homer and Kenai, none of which are regional points, yet the guarantee of seats sufficient to accommodate traffic at a 50 percent load factor exceeded our maximum capacity guarantee guideline of 80 seats in each direction per day. Therefore, we guaranteed only up to our ceiling of 80 seats.

We have had the benefit of close cooperation by the Alaska Transportation Commission in developing our essential air service determinations for Alaska. The Commission's help was especially important with regard to thirty-one of the points for which we found that less than the statutory minimum two round trips per week is required, simply because the available traffic does not warrant a higher level. We are authorized to drop below this two round trip minimum when the State of Alaska concurs, and they have done so for these very small points. <sup>6/</sup> As shown in the appendices to this document, many of the communities are very tiny or are characterized by seasonal industry such as a fish cannery. Another fourteen points involved essential service determinations of zero because it appeared that they have no population at all and 21 points involved essential air service determinations less than the 1976 level. In most cases the difference is insignificant such as one less trip per week in the peak or off-peak season. Here again, the State has concurred.

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<sup>6/</sup> See Appendix F.

We note that several of our determinations require frequencies which exceed the guideline of at least two daily round trips applicable to points in the lower 48 states. For instance, we determined that 58 weekly frequencies were essential at Valdez. However, we would emphasize that this was based on a small aircraft capacity of 8 seats. Should the aircraft size change in the future, then our determinations would also change accordingly.

Another point we should make about our determinations is that a number of markets now receive competitive service from state certificated carriers that was not in existence during our base traffic periods of 1976 and 1978. We are reluctant in most cases to determine all or part of this new service as essential since we are uncertain of its future development. In such cases we have set the definition at the highest level of past or present federally certificated service. We will be receptive, however, to any substantiated evidence which would warrant our setting a different level of essential air service.

Two final aspects of our determinations which we should elaborate on are their seasonal variations and aircraft specifications. Generally, we have set peak and off-peak levels of essential service. We do not intend to establish exact dates on these seasons since frequently they are more a function of natural phenomena such as "break-up" than the calendar. Carriers historically have adjusted their own schedules to coincide with seasonal shifts, and there is no reason to expect they will not continue to respond with service changes that are in the mutual best interests of the communities and themselves.

As for aircraft specification, we have defined each community's essential service on the basis of operations with certain sizes of aircraft. We did this for the convenience of all parties concerned with this program so they can readily comprehend the type of service we contemplate for each community. Normally, each community will continue to be served with one general size of aircraft because of traffic and airport considerations. Nevertheless, should a carrier contemplate a change in size of equipment we would expect that frequency would be adjusted to provide at least the capacity equivalent to our definition.

## DATA PROBLEMS

In applying our guidelines to specific points we encountered several problems. First, a definitive analysis of certain communities' service needs was difficult because of the poor quality of available data. Unlike the 48 continental United States, there are no origin and destination data among the points within the state of Alaska. To the extent possible we utilized other data sources: service segment data, Forms 41, commuter reports (Part 298C) and subcontractor's reports (Part 293). Unfortunately, each of these sources also has limitations. 6/

6/ Service segment data. Three of the five Alaskan certificated carriers are not required to file service segment data (Kodiak-Western Alaska, Reeve Aleutian and Munz Northern). Alaska Airlines files service segment data for its mainline points, but not for its subcontracted bush points. Wien Air Alaska files service segment data for all of its points. However, its filings for bush points are not all inclusive of its subcontractors' activities at each point. For example, many points show no passenger enplanements when in fact a subcontractor carried passengers. Also the points show lower than actual cargo activity.

Form 41. This data source has several shortcomings. Alaska Airlines does not report data for its bush points and Wien's bush point data is not complete. In addition, it is impossible to identify cargo activity at bush points, because the majority of cargo activity is inbound, but only enplaned (outbound) cargo at each point is reported.

Commuter Reports (Part 298C). Many Alaskan commuters ignore the requirement to file these reports. Those that do report are not required to file aircraft departure data. Consequently, this data source is of limited value.

Subcontractor Reports (Part 293). Here again, many of the carriers do not send in reports. Certain carriers file their reports but the data are in such form that activity at a single point is impossible to identify. For instance, Bush Air files data by total flight rather than at each individual point. Moreover, we were relatively certain that Bush Air's reports are unreliable. For example, for seven consecutive quarters it reported identical departures, enplaned passengers and deplaned cargo on specific flights. It also appears that some carriers report all their activity at a particular point, while others report only activity related to its subcontract.

Finally, a significant portion of activity at bush points is conducted by air taxi charter operations which are not contained or required in any of the Board's data sources.

Another problem is that it is difficult to determine from our data sources the number of seats or cargo capacity provided at each bush point, either currently or historically. In the small aircraft category reported by many of the subcontract carriers, there are a variety of aircraft types ranging from four to ten seats and 500 to 1500 pounds cargo capacity, and the reports do not identify the type used at each point. Furthermore, the aircraft type used at a particular point probably varies from day to day.

Finally, as we stated earlier, we sent out questionnaires asking the communities to provide us with specific details about the service they have received and require. Only twenty five percent of the communities responded.

As a consequence of these deficiencies, our data base has limited utility as a tool for pinpointing a community's service requirements. Nevertheless, we are confident our determinations have been made on the basis of the most comprehensive and accurate data available on Alaskan air service, and we note again that we have consulted closely with our Alaska Field Representative and with the Alaska Transportation Commission to develop information and to reinforce the validity of our observations as fully as possible. Should better information be brought to our attention, we are prepared to amend our determinations.<sup>7/</sup>

#### CURRENT SERVICE

The vast majority of the points in Alaska receive essential service as defined in this order. Nevertheless, some of the current service does not fulfill the essential air service requirement specified in this order. In most cases the service available may be able to meet the communities' essential needs with only minor adjustments, and without the need for seeking proposals. Rather than embark on the process of seeking proposals to provide essential air service, we believe that through informal consultations with the communities and air carriers we may be able to work out agreements by which service patterns can be adjusted to meet the communities' essential air service requirements. However, we will not begin this process until after the 60-day appeal period or after the appeal procedure has been concluded. Following that we intend to convene a series of informal meetings between members of our staff, the state, the affected communities and the carriers to see that essential service is provided. Should we determine that Section 419 subsidy funds are required, we will not hesitate to authorize such expenditure.

As a final matter, at several Alaskan points the essential air service requirements are being fulfilled by commuter carriers. We will soon conduct inquiries and evaluations to determine their fitness to provide essential air service. We will audit all aspects of each carrier's operations including its

<sup>7/</sup> We just recently received a 205-page report prepared by Parker Associates for the Alaska State Legislature concerning air service to rural Alaska. At the time we received the report we had already completed our analysis. Because of the statutory deadline for the essential air service determinations, we are not able to fully reflect its findings at this time. However, we will carefully review it in the near future and if the report reveals any inadequacies in our determinations we will amend this order accordingly.

safety record, compliance with FAA regulations, reliability, and other aspects of its operations which affect its fitness, willingness and ability to provide essential air service. When we have finalized our proposed rulemaking on commuter fitness 2/ and completed our investigations we will issue an order with our findings.

ACCORDINGLY, based on the above discussion and evaluation, we make the following essential air service determinations:

1. We determine that essential air transportation at all Alaskan eligible communities would consist of at least the service outlined in Appendix A;

2. These determinations shall become effective on the service date of this order;

3. We establish a 60-day period following the service date of this order for interested persons to submit an appeal of this decision containing specific objections supported with relevant economic data, stating how the determination departs from our guidelines for essential air service determinations, and stating the level of essential service that should be designated;

4. We will serve a copy of this order upon the civic officials and airport managers at the communities listed in Appendix A; The Governor of Alaska; the Alaska Transportation Commission; the air carriers, commuter airlines and air taxis listed in Appendix E; and the Board's Alaskan regional office; and

5. We will review this determination within 24 months of the date of service of this order unless circumstances justify an earlier review, or a petition for modification of this finding is filed and granted.

By Barbara A. Clark  
Director  
Bureau of Domestic Aviation

PHYLLIS T. KAYLOR

Secretary

(SEAL)

ESSENTIAL AIR SERVICE DETERMINATIONS FOR ALASKAN COMMUNITIES

COMMUNITY	AVERAGE DEPARTURES PER WEEK		SERVICE HUB OR REGIONAL POINT	MAXIMUM NUMBER OF STOPS	AIRCRAFT TYPE 1/	BASIS FOR DETERMINATION
	PEAK SEASON	OFF-PEAK SEASON				
AK ISLAND	5	4	Anchorage	2	Large	1976/1978/Present level
KHIOK	3 (F)	2 (F)	Kodiak	2	Small	Present level
KIAGHAK	2	2	Bethel	2	Small	1978/Present level
KIAK	3	2	Bethel	2	Small	1976 level
KUTAN	2	2	Cold Bay	2	Small	Statutory minimum
LAKANUK	14	12	St. Mary's	2	Small	1978/Present level
LEKNAGIK	2	2	Dillingham	2	Small	Statutory minimum
LLAKAKET	5	3	Bettles	2	Small	1978/Present level
MBLER	7	6	Kotzebue	2	Small	1978/Present level
<del>NGHITKA</del>	<del>0</del>	<del>0</del>				<del>1976/1978/Present level</del>
OOK BAY	1	2/Mo.	Kodiak	2	Small	1978/Present level
IAKTUVUK PASS	5	4	Bettles or Barrow	2	Small	1976/Present level
IIAK	3	2	Anchorage	2	Large/Inter- mediate	1978/Present level
IGOON	5	5	Juneau	2	Small	1978/Present level

See discussion in order for details on this requirement:

Small Aircraft - up to 10 seats

Medium Aircraft - 11-30 seats

Intermediate Aircraft - 30-60 seats

Large Aircraft - over 60 seats.

ESSENTIAL AIR SERVICE DETERMINATIONS FOR ALASKAN COMMUNITIES

COMMUNITY	AVERAGE DEPARTURES PER WEEK		SERVICE HUBS OR REGIONAL POINT	MAXIMUM NUMBER OF STOPS	AIRCRAFT TYPE	BASIS FOR DETERMINATION
	PEAK SEASON	OFF-PEAK SEASON				
ANNETTE IS. (HETLAKATLA)	35	28	Ketchikan	2	Small	1978/Present level
ANVIK	4 +5(F)	4 +5(F)	Aniak or McGrath	2	Small	1978/Present level
ARCTIC VILLAGE	6	6	Ft. Yukon	2	Small	1976 level
ATKA ISLAND <u>2/</u>	0	5 RT/MO	—	—	—	1976/1978/Present level
ATMAUTLUAK	3	3	Bethel	3	Small	1976/1978/Present level
ATTU ISLAND	1	1	Anchorage	3	Large	1978/Present level
BARROW/PT. BARROW	14	7	Fairbanks	2	Large	1976/1978/Present level
BARTER ISLAND	2	2	Fairbanks	2	Intermediate	1976 level
BEAVER	4	4	Fairbanks or Ft. Yukon	2	Small	1976 level
BETHEL	16	14	Anchorage	2	Large	Present level
BETTLES	10	4	Fairbanks	2	Small	Present level
<del>BIG LAKE</del>	<del>0</del>	<del>0</del>				<del>1976/1978/Present level</del>
BIRCH CREEK	3	3	Ft. Yukon	2	Small	Community request
BOSWELL BAY A/K/A KENNY COVE	3(F)	3(F)	Cordova	2	Small	1976/1978/Present level
BREVIG MISSION	3	3	Nome	2	Small	Present level
BUCKLAND	6	6	Kotzebue/Nome	2	Small	Present level

(F) means flag stop

2/ Department of Interior provides demand service of approximately five round trips per week every other week.

ESSENTIAL AIR SERVICE DETERMINATIONS FOR ALASKAN COMMUNITIES

COMMUNITY	AVERAGE DEPARTURES PER WEEK		SERVICE HUB OR REGIONAL POINT	MAXIMUM NUMBER OF STOPS	AIRCRAFT TYPE	BASIS FOR DETERMINATION
	PEAK SEASON	OFF-PEAK SEASON				
CANDLE	6 (F)	6 (F)	Kotzebue/Nome	2	Small	Present level
CAPE LISBURNE	3	3	Kotzebue or Barrow	2	Small	1976/Present level
CAPE NEWENHAM	3	3	Bethel	2	Small	1976/1978 Present level
CAPE ROMANZOF	3	3	Bethel	2	Small	1976/1978 Present level
CAPE YAKATAGA	4	3	Cordova	2	Small	1978/Present level
CENTRAL	4	3	Fairbanks	2	Small	1976 level
CHALKYITSIK	6	3	Ft. Yukon	2	Small	1976 level
<del>CHANDALAR 84-10:30</del>	<del>1RT/Month</del>	<del>1RT/Month</del>	<del>Bettles</del>	<del>2</del>	<del>Small</del>	<del>1976/1978 Present level</del>
CHATHAM	1RT/Month	1RT/Month	Juneau	3	Small	1978/Present level
CHERNOFSKI	2 (F)	1 (F)	Dutch Harbor	2	Small	Uncertain demand
CHEVAK	6	6	Bethel	2	Small	Community request
CHICKEN	1	1	Tok	2	Small	Present level
CHIFORNAK	5	5	Bethel	2	Small	1978/Present level
CHIGNIK	2 (F)	2 (F)	Port Heiden	2	Small	1976/1978 Present level
CHIGNIK LAKE	2 (F)	2 (F)	Port Heiden	2	Small	1976/1978 Present level
CHIGNIK LAGOON	2 (F)	2 (F)	Port Heiden	2	Small	1976/1978 Present level
CHISANA	1	1	Cordova	3	Small	Present level plus community request

(F) means flag stop

ESSENTIAL AIR SERVICE DETERMINATIONS FOR ALASKAN COMMUNITIES

COMMUNITY	AVERAGE DEPARTURES PER WEEK		SERVICE HUB OR REGIONAL POINT	MAXIMUM NUMBER OF STOPS	AIRCRAFT TYPE	BASIS FOR DETERMINATION
	PEAK SEASON	OFF-PEAK SEASON				
CHITINA	1	1	Cordova	2	Small	1976/1978/Present level
CIRCLE	4	3	Fairbanks	2	Small	1976 level plus community request
CIRCLE HOT SPRINGS	4	3	Fairbanks	2	Small	1976 level
CLARK'S POINT	2+3(F)	2+1(F)	Dillingham	2	Small	Present level
COLD BAY	8	7	Anchorage	2	Large/Inter- mediate	Present level
CORDOVA	7	7	Anchorage	2	Large	1976/1978/Present level
COUNCIL	2RT/MO	2RT/MO	Nome	2	Small	Latest effective level
CRAIG	28	21	Ketchikan	2	Small	Present level
CROOKED CREEK	3	3	Aniak	2	Small	1976/1978/Present level
DEERING	8 <sup>6</sup>	8 <sup>5</sup>	Kotzebue/Nome	2	Small	Present level
DUTCH HARBOR	6	5	Anchorage	3	Intermediate	1978/Present level
EAGLE	4	3	Fairbanks	2	Small	1976 level
EEK	3	3	Bethel	2	Small	1976/1978/Present level
EGEGIK	6	6	King Salmon	2	Small	1976/1978 level
EKUK	2+3(F)	2+1(F)	Dillingham	2	Small	Present level

(F) means flag stop

ESSENTIAL AIR SERVICE DETERMINATIONS FOR ALASKAN COMMUNITIES

COMMUNITY	AVERAGE DEPARTURES PER WEEK		SERVICE HUB OR REGIONAL POINT	MAXIMUM NUMBER OF STOPS	AIRCRAFT TYPE	BASIS FOR DETERMINATION
	PEAK SEASON	OFF-PEAK SEASON				
BEKOWOK	9	9	Dillingham	2	Small	Present level
BLFIN COVE	1 +5(F)	5(F)	Juneau	2	Small	1978/Present level
BLIM	3	3	Nome	2	Small	1976/1978/Present level
BXCURSION INLET	3	1	Juneau	2	Small	1976 level
WALSE PASS	2	2	Cold Bay	2	Small	Statutory Minimum
WAREWELL	1	1	McGrath	2	Small	1976/1978/Present level
WLAT	1	1	McGrath	2	Small	1978/Present level
WORT YUKON	6	6	Fairbanks	2	Small	1976 level
WUNTER BAY	1	1	Juneau	2	Small	1978/Present level
WALENA	3	2	Anchorage or Fairbanks	2	Large/Inter- mediate	1976/1978/Present level
WAMBELL	15	12	Nome	2	Small	Present level
WOLDEN HORN		ON-DEMAND		2	Small	1976/1978/Present level
WLOVIN	3	3	Nome	2	Small	1976/1978/Present level
WJODNEWS BAY	3	3	Bethel	2	Small	1976/1978/Present level
WYAYLING	4 +5(F)	4 +5(F)	Aniak or McGrath	2	Small	Present level

(F). means flag stop.

ESSENTIAL AIR SERVICE DETERMINATIONS FOR ALASKAN COMMUNITIES

COMMUNITY	AVERAGE DEPARTURES PER WEEK		SERVICE HUBS OR REGIONAL POINT	MAXIMUM NUMBER OF STOPS	AIRCRAFT TYPE	BASIS FOR DETERMINATION
	PEAK SEASON	OFF-PEAK SEASON				
GULKANA	1	1	Cordova or Anchorage	2	Small	Present level
GUSTAVUS	7	2	Juneau	2	Small/ Large	1976/1978/Present level
HAINES	20	8	Juneau	2	Small	Guaranteed sufficient seats to yield a 50% load factor
HAWK INLET	1RT/MO	1RT/MO	Juneau	2	Small	1978/Present level
HAYCOCK	1RT/MO	1RT/MO	Nome	2	Small	1976 level
HOGATZA (Hog River)	2	2	Fairbanks	2	Small	Statutory minimum
HOLY CROSS	4 +5(F)	4 +5(F)	Aniak or McGrath Anchorage	2	Small	Present level
HOMER	32	32	Anchorage	2	Medium	Maximum seat guarantee
HOONAH	35	21	Juneau	2	Small	Present level
HOOPER BAY	6	6	Bethel	2	Small	1978/Present level
HUGHES	2	2	Galena or Fairbanks	2	Small	1978/Present level
HUSLIA	5	5	Galena	2	Small	1976/1978/Present level
HYDABURG	34	34	Ketchikan	2	Small	Present level
ICY BAY	4(F)	4(F)	Cordova	2	Small	Present level

(F) means flag stop.

ESSENTIAL AIR SERVICE DETERMINATIONS FOR ALASKAN COMMUNITIES

COMMUNITY	AVERAGE DEPARTURES PER WEEK		SERVICE HUB OR REGIONAL POINT	MAXIMUM NUMBER OF STOPS	AIRCRAFT TYPE	BASIS FOR DETERMINATION
	PEAK SEASON	OFF-PEAK SEASON				
IGIUGIG	2	2	King Salmon	2	Small	Statutory minimum
ILIAMNA	7	4	Anchorage	2	Intermediate	Present level
IVANOFF BAY	2(F)	2(F)	Port Heiden	3	Small	1976/1978/Present level
KAKE	6	3	Petersburg or Juneau	2	Small	1978/Present level
<del>KALAKAKET</del>	<del>0</del>	<del>0</del>				<del>Present level</del>
KALSKAG	10	10	Aniak	2	Small	Present level
KALTAG	10	5	Galena	2	Small	1978/Present level
KARLUK	5	3	Kodiak	2	Small	1976/1978/Present level
KENAI	32	32	Anchorage	2	Medium	Maximum Seat Guarantee
KETCHIKAN	21	21	Seattle	2	Large	1978 Northbound level
KIANA	8	8	Kotzebue	2	Small	Present level
KING COVE	3	3	Cold Bay	2	Small	1976/1978/Present level
KIPNUK	5	5	Bethel	2	Small	1978/Present level
KITOI BAY	1	1	Kodiak	2	Small	1978/Present level

(F) means flagstop.

ESSENTIAL AIR SERVICE DETERMINATIONS FOR ALASKAN COMMUNITIES

COMMUNITY	AVERAGE DEPARTURES PER WEEK		SERVICE HUB OR REGIONAL POINT	MAXIMUM NUMBER OF STOPS	AIRCRAFT TYPE	BASIS FOR DETERMINATION
	PEAK SEASON	OFF-PEAK SEASON				
KIVALINA	12	9	Kotzebue or Barrow	2	Small	Present level
KLAWOCK	34	28	Ketchikan	2	Small	1978/Present level
KOBUK	3	3	Kotzebue	2	Small	1978/Present level
KOLIGANEK	6 +3(F)	6 +3(F)	Dillingham	2	Small	Present level
KONGIGANAK	4	4	Bethel	2	Small	1978/Present level
KOTLIK	9	9	St. Mary's	2	Small	Present level
KOYUK	6	6	Nome or Unalakleet	2	Small	1976/1978/Present level
KOYUKUK	5	5	Galena	2	Small	1976/1978/Present level
KWETHLUK	2	2	Bethel	2	Small	1978/Present level
KWIGILLINGOK	4	4	Bethel	2	Small	1978/Present level
KWIGUK (EMMONAK)	19	19	St. Mary's	2	Small	Present level
KWINHAGAK	6	6	Bethel	2	Small	1976/1978/Present level
LAKE MINCHUMINA	1	1	Fairbanks	2	Small	1978/Present level
LARSEN BAY	3	3	Kodiak	2	Small	1976/1978/Present level

(F) means flagstop.

ESSENTIAL AIR SERVICE DETERMINATIONS FOR ALASKAN COMMUNITIES

COMMUNITY	AVERAGE DEPARTURES PER WEEK		SERVICE HUB OR REGIONAL POINT	MAXIMUM NUMBER OF STOPS	AIRCRAFT TYPE	BASIS FOR DETERMINATION
	PEAK SEASON	OFF-PEAK SEASON				
LAZY BAY/ALITAK	6	3 (F)	Kodiak	2	Small	Present level
LEVELOCK	3 +9(F)	3 +9(F)	King Salmon	2	Small	Present level
MANLEY HOT SPRINGS	2	2	Fairbanks	2	Small	1976/1978/Present level
MANOKOTAK	5	5	Dillingham	2	Small	Present level
MARSHALL/FORTUNA LEDGE	5	5	Bethel or St. Mary's	2	Small	1978/Present level
MAY CREEK	1(F)	1(F)	Cordova	2	Small	1976/1978/Present level
MCCARTHY	1	1	Cordova	2	Small	1976/1978/Present level
MCGRATH	3	3	Anchorage	2	Large/Inter- mediate	1978/Present level
<del>MEDFRA 84-3-11</del>	<del>1</del>	<del>1</del>	<del>McGrath</del>	<del>2</del>	<del>Small</del>	<del>1976/1978/Present level</del>
MEKORYUK	3	3	Bethel	2	Small	1976/1978/Present level
<del>MIDDLETON ISLAND 81-3-3</del>	<del>IRT/NO</del>	<del>IRT/NO</del>	<del>Anchorage</del>	<del>2</del>	<del>Small</del>	<del>1976/1978/Present level</del>
MIINTO	2	2	Fairbanks	2	Small	1976/1978/Present level
MOUSER BAY	3	1	Kodiak	2	Small	1976/1978/Present level
MOUNTAIN VILLAGE	13	12	St. Mary's or Bethel	2	Small	Present level

F) means flagstop.

ESSENTIAL AIR SERVICE DETERMINATIONS FOR ALASKAN COMMUNITIES

COMMUNITY	AVERAGE DEPARTURES PER WEEK		SERVICE HUB OR REGIONAL POINT	MAXIMUM NUMBER OF STOPS	AIRCRAFT TYPE	BASIS FOR DETERMINATION
	PEAK SEASON	OFF-PEAK SEASON				
<del>NAKEEN</del>	<del>0</del>	<del>0</del>				<del>1976/1978/Present level</del>
NAKNEK	6(F)	6(F)	King Salmon	2	Small	Present level
NAPAKIAK	2	2	Bethel	2	Small	1976/1978/Present level
NAPASKIAK	2	2	Bethel	2	Small	1976/1978/Present level
<del>NERKA LAKE</del>	<del>0</del>	<del>0</del>				<del>1976/1978/Present level</del>
NEW STUYAHOK	9	9	Dillingham	2	Small	Present level
NEWTOK	2	2	Bethel	2	Small	Statutory minimum and community request
NOATAK	6	6	Kotzebue	2	Small	Present level
NOORVIK	18	15	Kotzebue or Barrow	2	Small	1978/Present level
<del>NORTH DUTCH ISLAND</del>	<del>0</del>	<del>0</del>				<del>1976/1978/Present level</del>
<del>NORTHEAST CAPE</del>	<del>0</del>	<del>0</del>				<del>1976/1978/Present level</del>
NULATO	10	5	Galena	2	Small	Present level
NUNAPITCHUK	3	3	Bethel	2	Small	1976/1978/Present level
NYAC	2RT/MO	2RT/MO	Aniak	2	Small	Present level

(F) means flagstop.

ESSENTIAL AIR SERVICE DETERMINATIONS FOR ALASKAN COMMUNITIES

COMMUNITY	AVERAGE DEPARTURES PER WEEK		SERVICE HUB OR REGIONAL POINT	MAXIMUM NUMBER OF STOPS	AIRCRAFT TYPE	BASIS FOR DETERMINATION
	PEAK SEASON	OFF-PEAK SEASON				
OLD HARBOR	11 +6(F)	8 +2(F)	Kodiak	2	Small	Present level
OLGA BAY	2	2	Kodiak	3	Small	1978/Present level
OUZINKIE	12	12	Kodiak	2	Small	1976/Present level
PARKS	3	2RT/MO	Kodiak	2	Small	Present level
<del>PEDERSON POINT</del>	<del>0</del>	<del>0</del>				<del>1976/1978/Present level</del>
PELICAN CITY	6	6	Juneau	2	Small	1978/Present level
PERRYVILLE <u>1/</u>	2(F)	2(F)	Port Heiden	3	Small	1976/1978/Present level
PETERSBURG	7	7	Juneau or Ketchikan	2	Large	1976/1978/Present level
PILOT POINT	5	5	King Salmon	2	Small	Present level
PILOT STATION	7	7(F)	St. Mary's	2	Small	Present level
PLATINUM	3	3	Bethel	2	Small	1976/1978/Present level
POINT HOPE	9	9	Kotzebue or Barrow	2	Small	Present level
POINT LAY	2(F)	2(F)	Barrow	2	Small	Present state certifica- tion service.
PORCUPINE CREEK	1(F)	1(F)	Bettles	2	Small	1976/1978/Present level
PORTAGE CREEK (UGSONOKLE)	2 +6(F)	2 +6(F)	Dillingham	3	Small	Present level

1/ Added to our list of eligible points because it appears on Reeve's schedules.

(F) means flagstop.

ESSENTIAL AIR SERVICE DETERMINATIONS FOR ALASKAN COMMUNITIES

COMMUNITY	AVERAGE DEPARTURES PER WEEK		SERVICE HUB OR REGIONAL POINT	MAXIMUM NUMBER OF STOPS	AIRCRAFT TYPE	BASIS FOR DETERMINATION
	PEAK SEASON	OFF-PEAK SEASON				
PORT BAILEY	6+6(F)	1 +5(F)	Kodiak	2	Small	Present level
PORT HEIDEN	2	2	Anchorage	2	Intermediate	Present level
PORT LIONS	12	10	Kodiak	2	Small	1978/Present level
<del>PORT MOLLER</del>	<del>0</del>	<del>0</del>				<del>Present level</del>
PORT WILLIAMS	1	1	Kodiak	2	Small	1978/Present level
PRUDHOE BAY (DEADHORSE)	7	7	Fairbanks or Anchorage	2	Large	Maximum guarantee
QUEEN	5(F)	3(F)	Dillingham	2	Small	1976 level
RAMPART	7	6	Ft. Yukon or Fairbanks	2	Small	1976 level
RED DEVIL	3	3	Aniak	2	Small	1976/1978/Present level
RUBY	2	2	Galena or Fairbanks	2	Small	1976/1978/Present level
RUSSIAN MISSION	5	5	Bethel	2	Small	1978/Present level
<del>SAGINAW BAY</del> <i>81-5-84</i>	<del>1</del>	<del>1RT/MO</del>	<del>Petersburg</del>	<del>2</del>	<del>Small</del>	<del>1978/Present level</del>
ST. GEORGE	<i>1</i> <del>2RT/MO</del>	<i>1</i> <del>2RT/MO</del>	<i>Cold Bay</i> <del>King Salmon</del>	2	Small	Present level
ST. MARY'S	3	2	Anchorage	2	Large/Inter- mediate	1976/Present level

(F) means flagstop.

ESSENTIAL AIR SERVICE DETERMINATIONS FOR ALASKAN COMMUNITIES

COMMUNITY	AVERAGE DEPARTURES PER WEEK		SERVICE HUB OR REGIONAL POINT	MAXIMUM NUMBER OF STOPS	AIRCRAFT TYPE	BASIS FOR DETERMINATION
	PEAK SEASON	OFF-PEAK SEASON				
ST. MICHAEL	3	3	Unalakleet	2	Small	1976/1978/Present level
ST. PAUL ISLAND	3	1	Anchorage	2	Large	1976/1978/Present level
SAND POINT	4	4	Anchorage	2	Intermediate	1978/Present level
SAN JUAN/UGANIK	3 +6(F)	1	Kodiak	2	Small	1978/Present level
SARICHEF/SCOTCH CAP (CAPE SARICHEF)	1	1	Cold Bay	2	Small	1976/1978/Present level
SAVOONGA	12	12	Nome	2	Small	1978/Present level
SCAMMON BAY	4	4	Bethel	2	Small	1978/Present level
SELAWIK	18	15	Kotzebue	2	Small	Present level
* SHAGELUK	4 +5(F)	4 +5(F)	Aniak or McGrath	2	Small	Present level
SHAKTOOLIK	5	3	Nome or Unalakleet	2	Small	1976/1978/Present level and community request
SHELDON POINT	2	2	Emmonak	2	Small	1976/1978/Present level
SHEMYA ISLAND	2	2	Anchorage	2	Large	1976/1978/Present level
SHISHNAREF	9	9	Nome	2	Small	Present level
SHUNGNAK	8	8	Kotzebue or Fairbanks	2	Small	Present level

(F) means flagstop.

\* SEWARD  
ADDED BY ORDER 81-8-45

ESSENTIAL AIR SERVICE DETERMINATIONS FOR ALASKAN COMMUNITIES

COMMUNITY	AVERAGE DEPARTURES PER WEEK		SERVICE HUB OR REGIONAL POINT	MAXIMUM NUMBER OF STOPS	AIRCRAFT TYPE	BASIS FOR DETERMINATION
	PEAK SEASON	OFF-PEAK SEASON				
SITKA	14	10	Juneau	2	Large	Present level
<del>SITKINAK</del>	<del>0</del>	<del>0</del>				<del>1978/Present level</del>
SKAGWAY	32	10	Juneau	2	Small	Guaranteed sufficient seats to yield a 50% load factor
SKWENTNA	2	1	Anchorage	2	Small	Community request
SLEETMUTE	3	3	Aniak	2	Small	1976/1978/Present level
<del>SOLOMON</del>	<del>1(F)</del>	<del>1(F)</del>	<del>None</del>	<del>2</del>	<del>Small</del>	<del>Community request</del>
SOUTH NAKNEK	5 +5(F)	5 +5(F)	King Salmon	2	Small	Present level
STEBBINS	3	3	Unalakleet	2	Small	1976/1978/Present level
STEVENS VILLAGE	7	6	Fairbanks	2	Small	1976 level
STONY RIVER	3	3	Aniak	2	Small	1976/1978/Present level
TAKOTNA	2	2	McGrath	2	Small	1976/1978/Present level
TANANA	12	12	Fairbanks	2	Small	1976/1978 level
TATALINA	4	4	McGrath	2	Small	Present level
TATITLEK	1	<del>1(F)</del>	Cordova	2	Small	1976/1978/Present level

81-8-79

(F) means flagstop.

ESSENTIAL AIR SERVICE DETERMINATIONS FOR ALASKAN COMMUNITIES

COMMUNITY	AVERAGE DEPARTURES PER WEEK		SERVICE HUB OR REGIONAL POINT	MAXIMUM NUMBER OF STOPS	AIRCRAFT TYPE	BASIS FOR DETERMINATION
	PEAK SEASON	OFF-PEAK SEASON				
TAYLOR	0	0				1976/1978/Present level
TELLER	6	3 +3(F)	Nome	2	Small	Present level
TENAKEE(TENAKEE SPRINGS)	3	3	Juneau	2	Small	1976/1978/Present level
TERROR BAY	1	1	Kodiak	5	Small	1976/Present level
TIKCHIK LAKE		ON-DEMAND	Dillingham	2	Small	1976/1978/Present level
TIN CITY	3	3	Nome	2	Small	1976/1978/Present level
TOGIAK	6	6	Dillingham	2	Small	Present level
TOKSOOK	5	4	Bethel	2	Small	1976 level
TULUKSAK	3	2	Bethel	2	Small	1976 level and community request
TUNTATULIAK	3	3	Bethel	2	Small	1976/1978/Present level
TUNUNAK	5	4	Bethel	2	Small	1976 level
TWIN HILLS	6(F)	6(F)	Dillingham	2	Small	Present level
UGANIK		SEE SAN JUAN				
UGASHIK	2	2	King Salmon	2	Small	Statutory minimum

(F) means flagstop.

ESSENTIAL AIR SERVICE DETERMINATIONS FOR ALASKAN COMMUNITIES

COMMUNITY	AVERAGE DEPARTURES PER WEEK		SERVICE HUB OR REGIONAL POINT	MAXIMUM NUMBER OF STOPS	AIRCRAFT TYPE	BASIS FOR DETERMINATION
	PEAK SEASON	OFF-PEAK SEASON				
UMIAT	IRT/MO	IRT/MO	Fairbanks	2	Small	Present level
UMNAK ISLAND (NIKOLSKI)	2	2	Cold Bay or Dutch Harbor	2	Small	Statutory minimum
UNALAKLEET	3	3	Anchorage	2	Large	1976 level
UTOPIA	2	2	Galena or Fairbanks	2	Small	1976/1978/Present level
VALDEZ	58	44	Anchorage	2	Small	Guaranteed sufficient seats to yield a 50% load factor
VENETIE	8	3 +6(F)	Ft. Yukon	2	Small	1976 level
WAINWRIGHT	2	2	Barrow	2	Small	1976/1978/Present level
WALES	6	6	Nome	2	Small	1978/Present level
WEST POINT	1	1	Kodiak	4	Small	1976/1978/Present level
WHITE MOUNTAIN	5	3	Nome	2	Small	1976/1978/Present level
WISEMAN	2RT/MO	2RT/MO	Bettles	2	Small	1976/1978/Present level
WOOD RIVER		ON-DEMAND	Dillingham	2	Small	1976/1978/Present level
WRANGELL	7	7	Ketchikan or Juneau	2	Large	1976/1978/Present level
YAKUTAT	7	7	Anchorage or Juneau	2	Large	1976/1978/Present level
ZACHAR BAY	1	1	Kodiak	2	Small	1976/1978/Present level

(F) means flagstop.

HB 238

The bill requires the commissioner of administration to inform retirement system participants of the changes accomplished by this bill.

Sincerely,

/s/

Bill Sheffield,  
Governor"

HB 239

HOUSE BILL NO. 239 by the Finance Committee, entitled:

"An Act relating to the longevity bonus program; and providing for an effective date."

was read the first time and referred to the State Affairs and Finance Committees.

CONSIDERATION OF THE DAILY CALENDARCSHB 3(Jud)am

Representative Hanley brought up the reconsideration of COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 3 (Judiciary) amended (open containers of alcoholic beverages in motor vehicles) at this time.

THIRD READING OF HOUSE BILLS

CSHB 3(Jud)am was read the third time.

Representative Hanley moved and asked unanimous consent that CSHB 3(Jud)am be returned to second reading for the purpose of specific amendment.

Representative Clocksin objected.

Amendment No. 3 by Hanley:

Page 1, line 9 through line 3 on page 2 delete all material and insert:

CSHB 3(Jud)am

\*Section 1. AS 28.35.031(b) is amended by adding a new paragraph to read:

"(3) ; or was driving a motor vehicle that contained an open bottle, can, or receptacle containing an alcoholic beverage in the passenger compartment."

Representative Clocksin moved and asked unanimous consent that CSHB 3(Jud)am be held in third reading for the calendar February 27, 1985, with the motion to return to second reading pending. There being no objection, it was so ordered.

SECOND READING OF HOUSE RESOLUTIONSEJR 16

HOUSE JOINT RESOLUTION NO. 16 (relating to essential air service) was read the second time with the Transportation Committee report (page 389).

Representative Clocksin moved and asked unanimous consent that COMMITTEE SUBSTITUTE FOR HOUSE JOINT RESOLUTION NO. 16 (Transportation) (same title) be adopted in lieu of the original resolution. There being no objection, it was so ordered.

CSHJR 16(Trsp)

Amendment No. 1 by Martin:

Page 1, line 25:

After "U.S. Senate;" add "the Honorable Robert Dole, Majority Leader of the Senate;"

Representative Martin moved and asked unanimous consent that Amendment No. 1 be adopted.

Representative Pignalberi objected then withdrew his objection. There being no further objection, Amendment No. 1 was adopted.

CSHJR 16(Trsp)am

Representative Clocksin moved and asked unanimous consent that CSHJR 16(Trsp)am be considered engrossed, advanced to

CSHJR 16(Trsp)am

third reading and placed on final passage. There being no objection, it was so ordered.

CSHJR 16(Trsp)am was read the third time.

The question being: "Shall CSHJR 16(Trsp)am pass the House"? The roll was taken with the following result:

## CSHJR 16(TRSP) AM

Yeas:	32	Adams, Binkley, Boucher, Cato, Clocksin, Collins, Cotten, Davis, Duncan, Frank, Fuller, Gruenberg, Grussendorf, Hanley, Herrmann, Jenkins, Larson, Miller, M.M., Miller, M.W., Navarre, Pettyjohn, Phillips, Pignalberi, Pourchot, Rieger, Ringstad, Sund, Szymanski, Taylor, Thompson, Uehling, Wallis
Nays:	3	Furnace, Marrou, Martin
Excused:	2	Hurley, Pearce
Absent:	3	Goll, Koponen, Shultz

And so, CSHJR 16(Trsp)am passed the House and was referred to the Chief Clerk for engrossment.

LEGISLATIVE CITATIONS

Representative Phillips moved and asked unanimous consent that the citation Honoring Student Leadership Project be sponsored by all members of the House. There being no objection it was so ordered.

Representative Clocksin moved and asked unanimous consent that the House approve the citations on the calendar. There being no objection, the House approved the following citations:

Honoring - Nora Guinn

In Memoriam - Stanley Taff

which were referred to the Chief Clerk for transmittal to the Senate; and

Honoring - Kathy Frost

Honoring - Bristol Bay Boys Basketball Team

Honoring - Bristol Bay Girls Basketball Team

Honoring - Student Leadership Project

In Memoriam - Ray Scoby

In Memoriam - Gary Young

which were referred to the Chief Clerk for enrollment.

Representative Clocksin moved and asked unanimous consent that the House recess until 12 noon. There being no objection, the House recessed at 11:52 a.m.

#### JOINT SESSION IN THE HOUSE

Speaker Grussendorf called the House to order and, in accordance with the Uniform Rules, turned the gavel over to President Bennett, who call the joint session to order at 12:10 p.m.

The purpose of the joint session was to receive an address by the Honorable Ted Stevens, U.S. Senator.

Senator Halford moved and asked unanimous consent that the roll call of the Senate be waived and all members be shown as present. There being no objection, it was so ordered.

Representative Clocksin moved and asked unanimous consent that the roll call of the House be waived and all members be shown present. There being no objection, it was so ordered.

President Bennett appointed Representative Gruenberg and Senator Coghill to escort Senator Stevens to and from the Joint Session.

Senator Stevens was escorted to the rostrum and introduced by President Bennett.

Senator Steven's remarks appear in House and Senate Joint Journal Supplement No. 5. A question and answer period followed the conclusion of the Senator's remarks.

Alc Airlines - CONCORDIA  
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GUSTAVUS

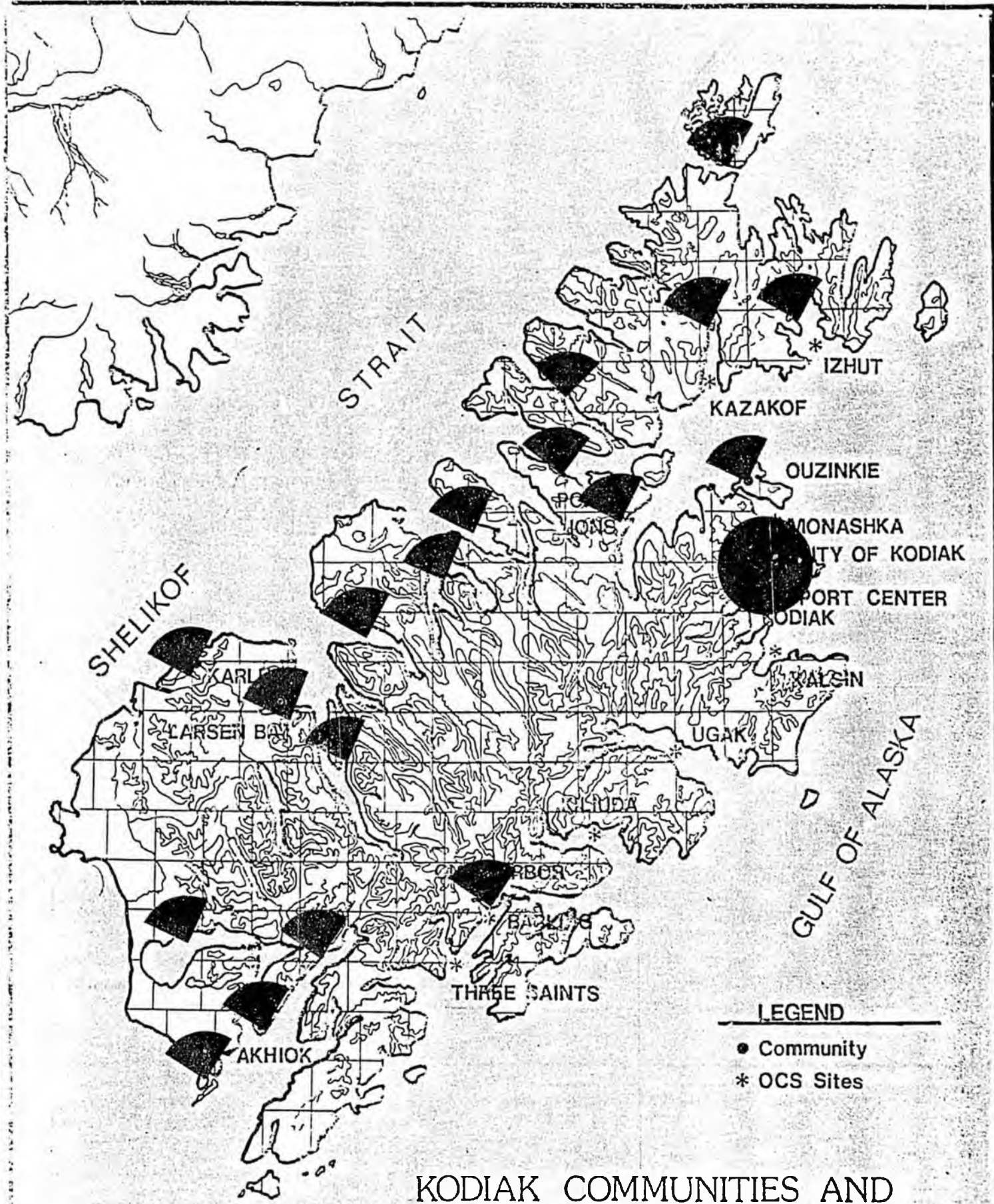
ESSENTIAL Air Service

Current Recipients

	<u>Community</u>	<u>CHARTER Service</u>	<u>SUBSIDY</u>
From CONCORDIA:	Boswell Bay Cape YAKUTATCA CHITINA ICY BAY	CHITINA Air	\$ 112,986
From GULKANA:	CHISANA MAY CRUIK MC CARTHY	ELLIS Air	\$ 56,333
DITLINCHANA :	ATIKKA ST. GEORGE	Peninsula Air	\$ 208,088 \$ 77,239
KODIAK :	16 Communities	SEA Air	\$ 488,735
FAIRBANKS	CENTRAL CIRCLE	HAROLD'S Air	\$ 34,320
	WISEMAN	FRONTIER Air	

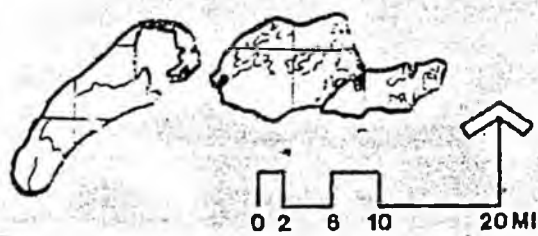
Applicants

None : Council  
 Bethel : Cape Newenham  
 Cape Royden  
 Barrow : BARTON Island



## KODIAK COMMUNITIES AND POTENTIAL O.C.S. SITES

kodiak island borough regional plan and development strategy



Base prepared by AEIDC from USGS maps

# opinion

2/1

## Anchorage Daily News



Winner, 1976 Pulitzer Prize Gold Medal for Public Service

Gerald E. Grilly  
Publisher

Howard Weaver  
Managing Editor

Steve Lindbeck  
Editorial Page Editor

Katherine Fanning, Editor and Publisher 1971 to 1983

Lawrence Fanning, Editor and Publisher 1967 to 1971

Alaska's Only Morning Newspaper • Founded In 1946 by Norman C. Brown

## Bush air service cuts irresponsible

"Penny wise and pound foolish" is the best way to describe the Reagan administration's plan to stop subsidizing air service to 135 communities. Administration spokesmen say the government could save \$45 million by eliminating the Essential Air Service program. That's a \$45 million deduction from the federal budget — and a kick in the pants for Old Man Deficit.

That sounds great until you look at the consequences for the towns and villages that receive subsidized air service. Here in Alaska several dozen communities would face serious increases in their freight rates and a sudden spurt in the cost of living. Other communities, including Cordova, Gustavus, Petersburg, Wrangell and Yakutat, could face a loss of air service if the subsidy is eliminated.

Aviation rapidly transformed Alaska when it was introduced in the 20s, and Alaskans remain uniquely dependent on the airplane. Those officials in Washington who would cut aviation subsidies for the Last Frontier must be terribly misinformed. If they understood Alaska, it would be clear to them that their proposal will have massive negative consequences for those Alaskans who do not live on the state's limited highway system.

No one can argue with the Reagan administration's ambition to make federal spending responsible. But crippling air service to many Alaska communities is decidedly irresponsible. The president should have a chat with Secretary of Defense Caspar Weinberger whose Pentagon costs \$32 million a hour to operate. There must be something the Pentagon does for an hour and a half every year that could be sacrificed in favor of Alaska aviation.

Original sponsors: Cato, Thompson,  
Adams, et al

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IN THE HOUSE

BY THE TRANSPORTATION COMMITTEE

CS FOR HOUSE JOINT RESOLUTION NO. 16 (Transportation)

IN THE LEGISLATURE OF THE STATE OF ALASKA

FOURTEENTH LEGISLATURE - FIRST SESSION

Relating to essential air service.

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

WHEREAS Alaskan air carriers are recipients of federal funding under the U.S. Department of Transportation Essential Air Service program; and

WHEREAS the President of the United States has proposed a budget for fiscal year 1986 that would eliminate the Essential Air Service program; and

WHEREAS under the Airline Deregulation Act of 1978 (P.L. 95-504) Congress provided that the program would continue until 1988; and

WHEREAS Alaska has 38 communities that would be adversely affected by elimination of the funding; and

WHEREAS Alaskan air operators have been developing free market alternatives consistent with the deregulation of air transportation and the scheduled termination of the subsidy in 1988;

BE IT RESOLVED by the Alaska State Legislature that Congress fully fund the Essential Air Service program and that the U.S. Department of Transportation adhere to the scheduled 1988 timetable for elimination of the program.

COPIES of this resolution shall be sent to the Honorable Ronald Reagan, President of the United States; the Honorable George Bush, Vice-President of the United States and President of the U.S. Senate; the Honorable Thomas P. "Tip" O'Neill, Speaker of the U.S. House of Representatives; the Honorable Elizabeth Dole, Secretary of Transportation; and to the Honorable Ted Stevens and the Honorable Frank Murkowski, U.S. Senators, and the Honorable Don Young, U.S. Representative, members of the Alaska

delegation in Congress.

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# Editorials

## Bush airline subsidies

AS EXPECTED, President Reagan in his budget proposal for FY '86 eliminated airline subsidies across the nation, including Alaska, that have been doled out since 1978 under the Essential Air Services program.

Were Congress to buy the president's package, Alaska's smaller communities would suffer substantially. Those who live in remote and far-flung villages would be hard pressed to survive without the freight shipments the \$5 million in annual subsidies make possible.

The airline subsidies were easy targets because the president's budget experts found a great deal of waste in the program in other states. A spokesman in the office of Sen. Ted Stevens assures us none was found in Alaska.

**THIS GIVES** Alaska's delegation in Washington, D.C., more ammunition to fight the cuts.

They already had plenty of reasons to argue for retaining the subsidies. Thirty-seven Alaska communities would lose guaranteed air service, which is a great deal more than mere convenience of people getting in and out of the villages. Passenger service is important, but it's the freight — the foodstuffs, the building sup-

plies, the generators and the pipe for water systems — that would make the big difference.

We admire President Reagan for his efforts to reduce the national budget. We admire congressmen who are willing to absorb some heat from constituents and agree to cuts.

**WE HAVE SYMPATHY** for those who have built lifestyles around federal aid and must now make drastic personal changes because Uncle Sam's contributions to their health and welfare will be curtailed.

We realize how easy it is to approve cuts in federal funds for others but at the same time beg that our own be left intact.

In the case of the subsidies, however, Alaska is different. For many of the rural communities, there is no other form of transportation. They aren't situated on highways or navigable rivers. Though conditions are improving in many of the villages, others are still struggling to come into the 20th century.

No one anticipates that Mr. Reagan's budget will emerge intact. Many forces, not the least of which is politics, will be at play as it works its way through Congress. We hope reason also will play a role.



Washington — Pamela Harriman, former Ambassador Averell Harriman's Democratic fund-raiser, unintentionally drew the biggest laugh of the day at the Democratic National Committee meeting that elected its new chairman.

Mrs. Harriman, giving the assembly a pep talk, told them that "we need to move forward into the 20th century." It was a slip of the lip. But the manner in which

**Birding,  
California st...**



ALASKA STATE LEGISLATURE  
HOUSE OF REPRESENTATIVES  
RESEARCH AGENCY

Pouch Y, State Capitol  
Juneau, Alaska 99811  
(907) 465-3991

August 10, 1981

MEMORANDUM

TO: Senator Brad Bradley

FROM: Jack Kreinheder *JK*  
Research Staff

RE: Airline Deregulation  
Research Request No. 81-126

Frank Lee requested on your behalf that we provide information on the effects of airline deregulation on rates for passenger and air cargo transportation in Alaska. You also asked if the State has any statutory authority for the control of cargo rates and passenger fares for intra- or interstate air transportation.

It is important to stress at the beginning of this memorandum that the deregulation process is a complex subject which can only be briefly summarized in the time available for this report. In particular, the authority of the State relative to that of the federal government for regulation of air transportation is still being defined and may change significantly in the near future.

The current trend in the deregulation of air transportation began in early 1977, when the Civil Aeronautics Board (CAB) was directed by the Carter administration to ease controls on airline fares and routings. In October, 1978, the Congress enacted the Airline Deregulation Act of 1978.<sup>1</sup> The Act included a phased schedule for progressive airline deregulation between 1978 and 1985, when deregulation would be virtually complete and the Civil Aeronautics Board (CAB) would be terminated. Any remaining regulatory authority would be transferred under the Act from the CAB, now the primary agency for regulation of air transportation, to the Department of Transportation or other federal agencies. Two of the main areas in which federal regulation will continue are international air transportation and the assurance of air service to small communities, as discussed below.

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<sup>1</sup> The full text of this Act can be found in 49 USC 1305.

Senator Brad Bradley  
August 10, 1981  
Page 2

### Impact of Deregulation on Alaska to Date

Alaska was given special treatment under the Deregulation Act of 1978, because the Congress recognized the greater importance of air travel in Alaska and the different structure of its airline industry. Probably the most important exception for Alaska is that the State was not totally preempted from the regulation of air transportation, as were all the other states in the country.<sup>2</sup> As mentioned earlier, the division of authority between the State of Alaska and the federal government is not entirely clear at this point, but the State does retain a significant role in the regulation of air transportation.

The Deregulation Act relaxed the regulations for both routing and fare changes for major carriers in Alaska. In addition, the requirements for the entry of new carriers were substantially reduced. The latter change has resulted in the establishment of four new regional carriers in Alaska: Air North, Peninsula Airways, SeaAirmotive, and Western Yukon Air. The relaxed regulations for route changes have allowed Alaska Airlines to extend its service to Nome, Kotzebue, Portland, San Francisco, and other cities. Wien Air Alaska, which before deregulation flew only in the Arctic and Southcentral Alaska, has added routes to Southeast Alaska, Seattle, and Portland. Under the Act, airline routing will be fully deregulated on January 1, 1982. At this time, any carrier will be able to fly to any cities it chooses.

The deregulation process in most cases has not had a major impact on air fares and freight rates in Alaska, with the exception of special introductory fares when carriers entered new routes. These low introductory fares were often matched by the existing carrier(s), providing substantial savings to travelers on these routes, but generally these lower fares were limited to a few weeks or months in duration. On the whole, air fares and freight rates have increased substantially in Alaska since 1978, but primarily these increases have resulted from the rapidly increasing cost of jet fuel and aviation gasoline, and inflation in general, rather than deregulation.

Under the Deregulation Act, air carriers under the authority of the CAB must still get CAB approval for major fare increases. The Act established a "zone of reasonableness", which provides that fares may be reduced up to about 50 percent, or raised up to about 10 percent, without CAB approval. This procedure has allowed carriers to offer low introductory rates and obtain small fare increases more readily. The Deregulation Act provides for fare changes to be completely deregulated

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<sup>2</sup> Approximately 12 states exercised some regulatory authority over air travel prior to the enactment of the Airline Deregulation Act of 1978.

Senator Brad Bradley  
August 10, 1981  
Page 3

On January 1, 1983, and carriers will be able to charge whatever they want after this date. Competition among carriers is expected to keep rates at a reasonable level. Legislation has been introduced by the Reagan administration which would accelerate this full deregulation of rates by three months, to September 30, 1982.

On the whole, most air carriers in Alaska have welcomed deregulation for the added flexibility in routing and fares it has provided. However, the increased competition which has resulted on some routes has led to losses and reduced profitability for some of the major carriers, as is true in the contiguous U.S.

#### Long Term Prospects for Deregulation

As noted above, the Deregulation Act established a gradual transition from strict regulation of air transportation to a free market system. Now that the deregulation process has begun, many members of the airline industry have expressed an interest in having deregulation accelerated to take full advantage of its benefits and avoid some of the difficulties associated with the present combination of regulation and free market systems. The Reagan administration bill mentioned above would sunset the CAB on September 30, 1982, a full 27 months in advance of the January 1, 1985 date specified in the Deregulation Act of 1978. In presenting the legislation, Transportation Secretary Drew Lewis stated that early sunset of the CAB would further reduce the regulatory costs on the aviation industry, as well as eliminate the cost of maintaining the CAB longer than necessary.

Although deregulation appears to have won wide acceptance in the air transportation industry, concerns have been raised about the potential long term impacts of deregulation on air service to rural communities in the state. As you know, many of these communities rely solely on air transportation during much of the year, not only for personal travel, but also for the shipment of foodstuffs and other necessary items. The small population and widely dispersed nature of these communities often means that air service is expensive and may provide only a marginal return to carriers serving these areas.

The federal government has for many years provided subsidies to air carriers which serve remote or rural areas of the state. The Deregulation Act ended these subsidies in all states except Alaska, where they are scheduled to be terminated in January, 1983. These federal subsidies total about \$10 million annually, with about \$5.9 million going to Wien Air Alaska, \$3.7 million to Alaska Airlines, and \$0.4 million to Kodiak Western Air Alaska. Proposals have been made to

Senator Brad Bradley  
August 10, 1981  
Page 4

speed up the termination of these subsidies by a year or more. Although such proposals are supported by smaller air carriers which compete with the airlines receiving subsidies, the subsidized airlines have indicated concern about the effect of an earlier termination on their ability to continue service to some areas of the state.

The Deregulation Act recognizes in its Essential Air Service (EAS) program the importance of air service to rural communities and the possible unprofitability of providing such service. Under the EAS program, also known as the Section 419 subsidy program, carriers must provide 90 days notice when discontinuing service to certain cities. If no other carrier is currently serving the city or community, the CAB must attempt to find a substitute carrier for the route. If no substitute carrier can be found, the CAB is authorized to provide subsidies to the existing carrier, or a new carrier, to maintain air service to the community.

The EAS program has been used in a number of cities in the contiguous U.S., but is just being implemented in Alaska now. So far, Atka in the Aleutian Islands is the only community in Alaska to receive subsidized air service under the EAS program. Of the 559 communities in the U.S. determined by the CAB to be eligible for EAS subsidies, 233 or 40 percent of these cities are in Alaska. Additional communities in Alaska may receive EAS subsidies as the program is fully implemented.

The major criticism of the EAS program with regard to Alaska is that the program guarantees only passenger service; freight and mail service are not included in the program. Although most passenger flights include some freight service, the volume of air freight needed by many rural communities often requires flights solely for freight delivery. In the contiguous U.S., even the smallest town usually has road access to a nation-wide transportation network, but in Alaska, many communities have no alternative to air delivery of cargo during the winter months. This drawback in the Deregulation Act raises the possibility of either inadequate freight service to some areas of rural Alaska, or very high rates to ensure that carriers providing such service can make an adequate profit. An additional concern is that the EAS program will only be provided through 1988 under the present law, so that the State may need to assume this responsibility if the free market does not adequately serve some areas of the state.

#### State Authority Over

At the present time, regulation of the air transportation industry in Alaska is shared by the State and the CAB. In general, the State regulates routing and fares for some of the small scheduled air

Senator Brad Bradley  
August 10, 1981  
Page 5

carriers and some of the air taxis operating in the state. The interstate carriers are regulated by the CAB, as are those intrastate carriers and air taxis which hold a certificate of authority for air transportation under Section 401 of the Federal Aviation Act. The Deregulation Act of 1978 preempted the State of Alaska from regulation of any carrier or air taxi holding a Section 401 certificate, but allowed the State to continue regulating carriers or air taxis without such certificates. One result of this distinction has been an increase in applications for Section 401 certificates by Alaska carriers, so that they could avoid State regulation and take advantage of the provisions of the Deregulation Act.

It is unclear what regulatory authority the State will retain after deregulation at the national level is complete. The CAB has introduced legislation which would substantially preempt the State's authority over most aspects of air transportation in Alaska. Other legislation being considered by the Congress would retain most of the State's present authority if enacted. The Alaska Transportation Commission and the State's Congressional delegation are presently taking an active role in the debate over this legislation in an effort to maintain as much of the State's authority as possible. The primary reason for this effort appears to be concern that the free market system may not provide adequate air service for all of Alaska without some regulatory intervention.

If you would like additional information or would like to keep abreast of current developments in the deregulation field, I suggest you contact Mr. Chuck Schmidt with the Alaska Transportation Commission (279-1451) or Mr. Dick Steinman with the Anchorage office of the Civil Aeronautics Board (271-5146). These gentlemen are two of the most knowledgeable persons in the state on this subject.

I hope this information is useful, and I apologize for the delay in providing this information to you. Please let me know if you have any questions.

JK/bf





JERRY FLU INT. ARTIST FOR TIMES

1-30