

# Reduction of Subsidies on Airlines

## By CAB Could Make Villages Suffer

Air service to the bush areas of Alaska is only one of many issues at question in an investigation currently being conducted in the State by the Civil Aeronautics Board (CAB).

However, to the many villages whose lifeline is the small plane that comes once or twice a week bringing mail, supplies, and passengers that issue is of utmost importance.

At stake is a reduction of federal subsidies now being paid those airlines certified by the CAB to serve the bush.

If the subsidies are cut, village life stands to suffer. Mail deliveries would probably come less frequently and an increase in passenger and freight rates would be almost certain.

The CAB instituted an investigation of air service in Alaska over a year ago. This past summer it held hearings in various cities in Alaska and in Washington, D.C. Interested parties have submitted briefs outlining their positions.

They include: the Bureau of Operating Rights, the Alaska Transportation Commission, the Post Office Department, Alaska Airlines, Wien Consolidated Airlines, Fairbanks Parties, Juneau, and Ketchikan.

All of these briefs are currently under consideration by the CAB examiner F. Merritt Ruhlen and all are to be weighed equally by him. His decision is expected sometime in the next few months and will probably be appealed by one of the interested parties to the CAB.

The board will then examine the briefs and exhibits and make a decision maybe by late summer or early fall of 1971.

A brief look at the positions stated by some of the parties in their briefs as they relate to the bush routes might best explain some of the questions being raised.

**BUREAU OF OPERATING RIGHTS**—An agency of the CAB, the stand of the BOR has drawn strong opposition from most of the other parties.

The bureau has proposed that the bush operations of Alaska Airlines and Wien be closed out within two years to be replaced by air taxi operators.

The bush routes of the federally-subsidized Alaska and Wien Consolidated Airlines are currently certified by the CAB.

As intrastate carriers, the air taxi operators would not require federal certification to serve the bush but could be regulated by the State. The effect of the proposal would be to leave the bush routes without the benefit of a CAB subsidy.

According to the BOR, the bush points can be better served by air taxi operators regulated

by the State and will receive a quality of service adapted to the local needs from these locally-based operators.

The BOR also recommended that the 25-mile rule allowed airlines in Alaska be dropped. This authority allows the airlines to serve any point within 25 miles of their routes.

**ALASKA TRANSPORTATION COMMISSION**—Contrary to the BOR, the State proposes that Alaska Airlines continue to have the bush service responsibilities for the old Cordova Airlines and Alaska Coastal Systems with which Alaska merged in 1968.

Wien Consolidated would continue to be responsible for the bush routes which it presently serves.

**POST OFFICE DEPARTMENT**—The Post Office Department has taken issue with the BOR's contention that State air taxi operators can adequately handle the bush routes now held by Wien and Alaska Airlines.

The postmaster general questioned why millions of dollars should be spent to subsidize scheduled air service at small communities in other states which have good bus service and expressways while there would be no consideration for needs for residents of remote parts of Alaska who have no alternative to air transportation.

If the subsidy is reduced as BOR proposes, the cost of air transportation for passenger, freight shipments, and the Postal Service would be increased and the capacity and frequency of schedules decreased, the department said.

It also opposed the elimination of the 25-mile rule.

"This privilege has been of inestimable value to the Postal Service and others, since fishing camps, Indian villages and logging camps do change location from time to time."

**WIEN**—Wien has proposed that none of its existing bush services be suspended or terminated. Also, the airlines has contended that the 25-mile rule should be retained and expanded with more flexibility in order to enable it to meet rapidly

changing needs of the area it serves.

Wien asked that its more profitable routes be extended so as to support the less profitable bush services and to reduce its reliance upon subsidy.

**ALASKA AIRLINES**—Alaska Airlines has proposed that some of its bush routes be recertified.

**FAIRBANKS PARTIES**—The Fairbanks parties (the Fairbanks North Star Borough, City of Fairbanks, and Fairbanks Chamber of Commerce) contend: "The Bureau of Operating Rights has suggested a remedy for Alaskan 'bush' routes that could easily kill the patient."... "Bureau Counsel's proposals tamper with the lifelines of Alaska's rural areas, and must be rejected."

The parties have proposed that no federally certificated carriers be decertified as to any "bush" points.

"Very few small operators," the Fairbanks parties said, "can afford to provide reliable service to most of the small bush points. They have always been carried as a loss by the federally-certified carriers, who are in much better financial position to absorb losses because of the profitability of other routes and because of CAB subsidy."

Eventually the Alaska Transportation Commission may be able to carry the burden of assuring proper service to Alaska's bush.... "But now is not the time." The commission, the parties explained, has been poorly funded by the legislature and does not now have enough staff to do the job.

And "certainly no subsidy is likely to come from the State of Alaska" when the commission has been so poorly funded in the past.

Also in opposition to the BOR's proposal, the Fairbanks parties called for a continuation of the 25-mile rule. "Population shifts occur frequently within the bush, depending upon where the game is, or where construction projects happen to be."

Flexible air authority, available with the 25-mile rule is needed to provide adequate air service, Fairbanks said.