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February 1, 2017

Governor Bill Walker
PO Box 110001
Juneau, AK 99811

Dear Governor Walker:

UPS appreciates our long-standing working relationship with Alaska, and we're proud to employ more than 1,100 UPSers in the state, including 489 of our pilots who are domiciled there. No matter where we operate, we strive to play our part in the local economy as a responsible corporate citizen. UPS currently pays \$6 million in taxes each year and more than \$7 million in landing fees annually to cover airport costs incurred at Ted Stevens International Airport.

Two components of Alaska's proposed motor fuel tax bill, however, stand to directly impact UPS. While we support a motor fuel tax increase to fund infrastructure building and repair, we strongly oppose the jet fuel tax increase contained in the same bill.

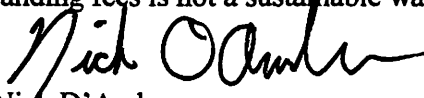
As we see it, the motor fuel tax portion is purely a user fee. UPS uses all the roads in Alaska and absolutely believes that we should pay our fair share for infrastructure. Alaska also currently has one of the lowest motor fuel tax rates in the nation. It is obviously difficult to fund 2017 transportation needs with 1970s funding; for this reason, UPS is supportive of the motor fuel tax increase.

The jet fuel tax increase, though, is not a user fee. In fact, it would effectively tax UPS twice.

UPS already pays more than \$7 million dollars annually in aviation user fees in the form of landing fees incurred at Ted Stevens International Airport. These fees go directly into the aviation infrastructure where we operate (Anchorage). In fact, the Alaska International Airport System is self-sustaining due to the landing fees paid by its users. This means the current fuel tax generated is paying for smaller airports, which UPS doesn't utilize, and which do not charge landing fees to sustain their airport. The proposal to triple the jet fuel tax is asking UPS and other carriers to subsidize airports we do not use.

We also believe increasing the jet fuel tax could impact Alaska's role in the cargo industry. Currently, it is situated perfectly as UPS's gateway to and from Asia. We have a good relationship with the airport, and Alaska has always had a fair cost of doing business. As aircraft continue to evolve, flying longer ranges with better payload capacity, it is safe to assume those in the cargo industry will continue to evaluate the most efficient options for each carrier's network.

We understand the difficult situation you and other lawmakers are facing and we appreciate the work you are doing for your constituents, including our own UPSers. While we support the motor fuel tax increase, I hope you understand our concerns to increase the jet fuel tax. We aren't opposed to paying user fees for infrastructure we use, but subsidizing other airports we don't use and who do not levy landing fees is not a sustainable way to fund Alaska's aviation infrastructure.

A handwritten signature in black ink, appearing to read "Nick D'Andrea". The signature is fluid and cursive, with a long horizontal stroke at the end.

Nick D'Andrea
Vice President, UPS Public Affairs