

From: [Sen. Anna MacKinnon](#)
To: [Senate Finance Committee](#)
Cc: [Juli Lucky](#)
Subject: FW: Atlas Air - International Fuel Tax Exemption
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From: Fleenor, Camille [mailto:Camille.Fleenor@AtlasAir.com]
Sent: Wednesday, April 12, 2017 5:56 AM
To: Sen. Anna MacKinnon <Sen.Anna.MacKinnon@akleg.gov>
Subject: Atlas Air - International Fuel Tax Exemption

April 12, 2017

State Senator Anna MacKinnon
Alaskan State Capitol
Juneau AK, 99801

Atlas Air Worldwide is a global air cargo company with a significant presence at Ted Stevens International Airport in Anchorage (ANC). The company operates three airlines that fly to and from Alaska: Atlas Air, Polar Air Cargo and Southern Air. In total, Atlas has 120 employees in residence in Alaska.

In 2016, Atlas Air Worldwide uploaded approximately 60 million gallons of fuel at ANC. Our flights to ANC are predominately technical stops where we upload fuel, refresh the crew and continue to or from international destinations. In addition, as a crew rest location, the company generates significant hotel and restaurant usage in downtown Anchorage.

I understand that consideration is being given to a proposal that, if passed, could add significant costs to Atlas' Alaskan operations. I am writing to voice concerns over the proposed motor fuels tax and more importantly the potential repeal of the international fuel tax exemption.

Activity at ANC and FAI is highly dependent on market conditions and costs. This activity, which is so valuable to the State of Alaska, can quickly disappear. Other airports outside of Alaska could become attractive alternatives if our costs of operating at ANC increases significantly.

The maintaining the exemption on international fuel is very important to Atlas and makes Alaska consistent with other west coast states. The tax exemption for jet fuel used in foreign commerce provides ANC and FAI a competitive advantage in attracting and retaining international cargo flights. Other airports are competing for Alaska's business in the trans-pacific air cargo market. Should the tax exemption for fuel used in foreign flights be lifted, Alaska's competing airports would gain significant ground. The typical refueling of a Boeing 747-8 at ANC is 26,414 gallons of jet fuel; taxed at a rate of \$0.064 that amounts to \$1,690.50 per aircraft. That would be the equivalent of raising the fees for a technical refueling stop by over 50%. The fees at ANC are already higher than other west coast competitors as shown in the table below. Previous landing fee increases of as little as 10% have created significant

concern from air carriers. A fee increase of this magnitude will surely drive traffic and jobs out of the State.

Cost per Landing B747-8 (CY2017)[1]

	Anchorage	Seattle	Portland	Vancouver
Fuel Flowage Charge (US\$):	\$713	N/A	N/A	N/A
Landing Charge (US\$):	\$2,487	\$2,409	\$2,268	\$1,696
2 Hour Parking Charge (US\$):	\$164	\$100	\$0	\$0
Total:	\$3,364	\$2,509	\$2,268	\$1,696

Air traffic is very sensitive to market pressures. There was a 22% drop in Landed Weight at ANC and FAI after the economic crisis of 2008. We are very concerned that an increase in aviation fuel taxes will trigger another decline in traffic. This will slow the local economy, cost jobs, and as traffic leaves the market, it will increase the fees for those that remain – driving even more traffic from the market. We believe that air transportation is a critical part of the Alaskan economy and we are very concerned about a proposed tax increase on aviation fuels that could jeopardize this air service.

Finally, I encourage you to look into possible restrictions on imposing international fuel taxes. The International Civil Aviation Organization (ICAO), a United Nations Specialized Agency, has established international rules that prohibit taxes on jet fuel for international activity.[2]

We are available at any time to answer any questions you may have.

Thank you for your consideration,

Camille Fleenor

Vice President, Government Relations and Public Policy

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[1] Airport comparison and text and information in table from ANC staff report entitled Alaska State Jet Fuel Tax Exemption for International Flights

[2] See Section I of ICAO DOC 8632, Second Edition, January 1994. COUNCIL RESOLUTION OF 14 DECEMBER 1993 ON TAXATION OF FUEL, LUBRICANTS AND OTHER CONSUMABLE TECHNICAL SUPPLIES WHEN AN AIRCRAFT REGISTERED IN ONE STATE OR LEASED OR CHARTERED BY AN OPERATOR OF THAT STATE ARRIVES IN OR DEPARTS FROM A CUSTOMS TERRITORY OF ANOTHER STATE