



March 28, 2017

Senator Anna MacKinnon
Senator Lyman Hoffman
Alaska Senate Finance Committee Co-Chairs
State Capitol Room 516
Juneau, AK 99801

Dear Senator MacKinnon and Senator Hoffman:

The Cargo Airline Association is the nationwide trade organization representing the interests of United States all-cargo air carriers.¹ On behalf of our members, we appreciate the opportunity to submit a letter on the proposed increase in the tax on jet fuel as well as the Alaska jet fuel tax exemption for international flights. As detailed below, all-cargo airlines depend on the State of Alaska as a critical piece of our international cargo network. Our members have made significant investments in the state. Therefore, we have serious concerns for any proposal that would repeal the jet fuel tax exemption for international flights. And, as we continue to grow our operations in Alaska we cannot support a bill that proposes to triple our jet fuel tax burden.

The State of Alaska plays a vital role in the movement of cargo throughout our global network. Our members have consistently had good working relationships with the State of Alaska and the airports throughout the region. All-cargo airlines have made significant investments in Alaska, including moving hub operations to Anchorage. Additionally, one of our members has testified to employing over 1,110 people in Alaska, including 489 pilots who are domiciled there. The city of Anchorage is an especially important gateway to the Asia-Pacific region and service to the area will only continue to grow as international cargo operations expands. Our dependence on this vital region and long-standing relationships here has allowed our members to bring products into and out of even the most remote regions in the state.

Any cost increase – in the form of a fuel tax or exemption repeal - may severely weaken the business case to fly to Alaska. With the cost per landing steadily increasing at Anchorage, there is a very real concern for our all-cargo members. As you may know, other airports in neighboring states compete for the cargo business in Alaska and may become more attractive options if the existing tax exemption is lifted. Additionally, tripling the aviation fuel tax would move Alaska to within the top 20 of the most burdensome aviation-related tax states. The Cargo Airline Association certainly appreciates the need for the legislatures to continue to invest in the infrastructure in Alaska, but we feel that this goal can

¹ Airline members are: ABX Air, Atlas Air, Inc., FedEx Express, Kalitta Air and UPS Airlines.

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be accomplished through the taxes and fees we currently pay. We respectfully request that the Senate reject any proposal to repeal the Alaska jet fuel tax exemption for international flights or increase the existing fuel tax. Thank you for the opportunity to provide our comments.

Respectfully submitted,

A handwritten signature in black ink that reads "Steph A. Alterman". The signature is written in a cursive style with a long horizontal flourish at the end.

Stephen A. Alterman
President