KEEP ALASKA COMPETITIVE

Representative Neal Foster
Co-Chair House Finance Committee
Pouch V
Juneau, Alaska 99801

Dear Representative Foster and Members of the House Finance Committee:

KEEP Alaska Competitive is an organization comprised primarily of Alaskan owned businesses interested in maintaining competitive resource industries in Alaska. KEEP does not accept oil company donations.

It will come as no surprise that KEEP opposes HB 411.

Without going into the mechanics of the bill, with which you are all familiar, the critical point is that it makes fundamental changes to the SB 21 tax structure and takes an estimated $750 million additional tax dollars from the oil industry, with the greatest impact coming in the $40 - $70 price range.

At the end of the last session, the legislature appointed its own task force and agreed to hire consultants for a review of the oil tax structure. With the exception of a general briefing by one of your consultants this session, there has been no activity. Nonetheless, the House Resources Committee and the House Finance Committee have both introduced tax increase bills without first using the process they had agreed to propose and evaluate such legislation.

We agree with Revenue Commissioner Fisher that HB 411 should not be enacted this year and instead the Finance Committee should be focusing on the Governor's tax credit bond bill (HB 331) which has the twin objectives of paying off the State's indebtedness on tax credits while reducing the cost to the State in doing so. Further, that legislation would do a lot to encourage continued development of the new fields discovered as a result of the tax credit program while it existed.

The argument that we need another change in the tax structure to prevent yet more changes in the future does not fly. No matter what tax structure the Legislature has put in place since the discovery of Prudhoe Bay, some members always find a reason to try to modify it. A few of the many tax changes have resulted in increased production. More often, they have been a detriment to production. Continuing change makes Alaska look unpredictable and weakens our competitive advantage with other oil producing regions, including the Lower 48.

As the argument persists that Alaska is not receiving it's "fair share" of oil revenues, KEEP again notes that the State receives more revenue than the producers, which take all the risk, at all oil prices.

In our view, the best course for now is to let the industry continue produce new oil, enhance production in existing fields, develop new infrastructure to expand the footprint of economic fields, and continue to benefit from our royalty income while we hope for gradually increasing oil prices. Retain at least some stability until it is proven that the current system is not producing an acceptable result for the State, your consultants agree that change is structurally sound, that it will result in increased production, and places Alaska appropriately within the competitive mix of world systems.

Sincerely,

The KEEP Alaska Competitive Board of Directors:

Jim Jansen, Chairman of the Lynden Companies
Marc Langland, retired Founder and Chairman and CEO of Northrim Bank
Gail Phillips, former Speaker of the Alaska House of Representatives
Bill Corbus, former Alaska Commissioner of Revenue
Carl Brady, Jr., Brady & Company
Harry McDonald, Managing Director, Alaska, Saltchuk Resources, former owner of Carlile