



January 30, 2017

Senator Bert Stedman
Chair, Senate Transportation Committee
State Capitol
Juneau, Alaska 99801

RE: Taxation of Motor Fuels

Dear Senator Stedman:

Alaska Airlines has provided critical air service to Alaskans for 85 years, serving 19 communities across the entire state, with only three connected to the road system. We are the largest commercial carrier in the state, and the only one providing statewide jet service for both passengers and cargo. Due to the reasons explained below specific to Alaska Airlines, we must oppose the Governor's proposed legislation to double the state tax on jet fuel effective July 1, 2017, and then triple the current tax, effective July 1, 2018.

We recognize the fiscal challenges facing the state of Alaska, and fully understand that businesses and residents, including our 1,825 employees that call Alaska home, have to be involved in the necessary solutions. This fuel tax increase, though, would impact much needed commerce as well as basic and vital needs in the state. In many cases, we are the primary means to transport essential commodities into a town, and for residents to access larger urban areas for critical needs such as medical care.

Based on the 2016 taxable jet fuel figures from the Alaska Department of Transportation, our calculations suggest that Alaska Airlines would pay a disproportionately high amount, approximately 45%, of the total of new taxes collected. At the same time, with the proposed increases, by fiscal year 2019 airlines doing business in the state of Alaska will pay more for jet fuel than in 35 other states.*

Alaska Airlines' unique relationship with the state of Alaska extends to actual aviation infrastructure. For decades, we have owned and maintained 11 passenger terminal facilities in rural Alaska communities. In virtually any other location, such facilities would be provided by municipal or state government entities. As a result, the State of Alaska has never incurred any expense related to these essential terminals in these 11 air transportation-dependent communities.

Even in the face of troubling state economic challenges, Alaska Airlines has made a commitment to invest \$100 million in the next few years throughout Alaska in our 2020 Great Land Investment Plan. Upgrades to the 11-owned terminals previously referenced has begun, work on a new maintenance and engineering facility in Anchorage will begin this summer, and

4750 Old International Airport Road, Anchorage, AK 99502
P 907.266.7230





we will introduce three modern 737 dedicated freighters to our fleet in 2017 for use throughout Alaska.

We appreciate that the work ahead of you will be challenging and the decisions difficult. While new revenue may be needed to close the fiscal gap, we respectfully ask that you consider the unintended consequences of a doubling, then tripling of the jet fuel tax, impacting a single, critical component of the state's infrastructure. Alaska Airlines opposes this latest proposal and welcomes the opportunity to discuss the impacts with you further.

Sincerely,

A handwritten signature in black ink that reads "Marilyn Romano".

Marilyn Romano
Regional Vice-President, Alaska

*Tax Foundation, 2014 Data

