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March 19, 2010

Senator Bert Stedman  
Alaska State Senate  
State Capitol Room 516  
Juneau, AK 99801

RE: CS for SB 117 Price of Cigarettes

Dear Senator Stedman,

The purpose of this letter is to urge your support of the above referenced bill. This bill is a technical correction of the Un-Fair Cigarette Sales Act, which was passed in 2005. The bill is strictly defined and deals with just one topic – The Minimum Price of Cigarettes. While the bill may not have much sex appeal it is an important legislation for the following reasons:

1. Price is a significant determinant to youth access to cigarettes. Studies ad nauseam have linked the price to cigarettes to youth smoking rates. The higher the price of cigarettes the lower youth smoking rates.
2. Article 7 of AS 43 50 700 was intended to end the predatory pricing practice of selling cigarettes at below cost. This legislation closes a loophole in the original measure (AS 43 50 800(c)) which allows large mega distributors to sell cigarettes for less than presumptive costs if they can show that their "Cost of Doing Business" is less than 4.50% at the wholesale level. By eliminating this loophole, using a percentage that all parties collaborated on, the legislation is promoting competition and leveling the playing field for wholesalers and retailers.
3. This legislation will save the Department of Revenue time and money contrary to the fiscal note because the department would no longer need to perform time consuming audits on a distributor's "Cost of Doing Business." Instead the department could redeploy their auditors to conduct audits on actual tax returns – a much more beneficial use of their time.

The concept of ending predatory pricing practices and restricting youth access to cigarettes has been vetted among all of the vested constituency groups; Tobacco Alliance Groups (Mark Hickey et al), Large Wholesale/Retailer's (Costco); Big Tobacco (Philip Morris – Bob Evans) and the Department of Revenue. There is no opposition to the measure. The negotiations and discussions that have taken place among these diverse groups is nothing short of amazing. The fact that all of these interest groups are on the same page mandates that the legislature take a serious look and support the efforts that have manifested themselves in the form of SB 117.

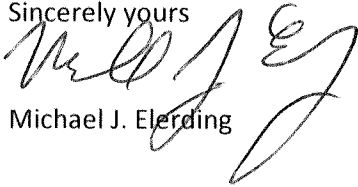
As with many measures that arrive on your door step there has been a lot of blood, sweat and tears that have gone into the crafting of SB 117. Senator McGuire and her staff have done a yeoman's job of carrying this measure thus far. Now we need your support and your leadership in getting a hearing for SB 117 before your Senate Finance Committee. Because this legislation is narrowly defined and only deals with a technical correction regarding the price of cigarettes there is no controversy or any danger of unintended consequences. Finally, there is no opposition to this legislation.

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As you know this legislation is important to Northern Sales Company and their eighty two (82) plus employees who live and work in SE Alaska. Your support and leadership in marshalling this legislation through your Senate Finance Committee will not go unnoticed by your constituents who work for Northern Sales.

If you have any questions or if you require additional information please feel free to give me a call at 907-617-5412. If you think my testimony would assist with the passage of this legislation I would be happy to arrange my schedule to accommodate the hearing schedule of your Senate Committee. Thank you in advance for your leadership and support of this legislation.

Sincerely yours

A handwritten signature in black ink, appearing to read 'Michael J. Elerding', written over the typed name.

Michael J. Elerding