



663 North Access Road
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NCA Americas
CHICAGO

February 24, 2017

Governor Bill Walker
Alaska State Capitol Building
P.O. BOX 110001
Juneau, AK 99811-0001

Dear Governor Walker:

We are writing to voice concerns over certain provisions of the proposed motor fuels tax that would potentially increase the tax on domestic aviation fuel and introduce a tax on international aviation fuel.

ANC generates over 15,000 jobs and over \$1 billion in earnings for the Anchorage economy¹.

FAI international all-cargo landings peaked at 1,574 in 2008. There were 4 in 2015².

ANC transit passengers peaked at 782,000 in 1997. There were 42,000 in 2015³.

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. The introduction of increased aviation fuel taxes will increase the costs of operating at ANC and FAI and will drive traffic to other airports and reduce economic activity.

We want to thank you for your efforts to maintain the exemption on international fuel and provide you with additional information. 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

¹ Economic Impact of the Ted Stevens Anchorage International Airport, McDowell Group, February 2012

² Fairbanks International Airport Certified Activity Reports, various years.

³ Ted Stevens Anchorage International Airport Certified Activity Reports, various years.



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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)⁴

	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.

⁴ Airport comparison and text and information in table from ANC staff report entitled Alaska State Jet Fuel Tax Exemption for International Flights



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Finally, we 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.⁵

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

Thank you for your consideration,

A handwritten signature in black ink, appearing to read "Shawn McWhorter". The signature is fluid and cursive.

Shawn McWhorter
President – Americas Region
Nippon Cargo Airlines, Inc.

⁵ 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