



April 15, 2019

The Honorable Lee Beyer, Co-Chair
Joint Committee on Transportation

The Honorable Caddy McKeown, Co-Chair
Joint Committee on Transportation

Dear Co-Chairs Beyer and McKeown, and members of the Joint Committee on Transportation,

On behalf of Alaska Airlines and Horizon Air and our 2,500 employees in the state of Oregon, I write to express our opposition to an increase in the state jet fuel tax, and ask that the legislature oppose an increase to the tax in House Bill 2402.

Alaska Airlines and Horizon Air have a long and proud history of serving travelers in Oregon. Today, we serve nearly 45% of all domestic travelers at Portland International Airport, and have daily flights serving the Eugene, Medford and Redmond airports. These flights provide important connections for business and leisure travelers both within the state and on to other destinations domestically and internationally with Alaska and our Global Partner airlines.

We operate in a highly competitive business environment. While Alaska and Horizon serve the largest number of passengers, routes and destinations in the state of Oregon, we remain a relatively small airline compared to our competitors. The top four airlines based in the United States serve approximately 85% of the total market share for domestic travel. By comparison, Alaska Airlines accounts for just 6% of the market. This intense competition and our commitment to providing low fares has kept our revenues largely flat in recent years, while costs have continued to rise.

Jet fuel remains one of the highest costs to our operation, and our industry is extremely fuel-sensitive. A 2-cent increase on jet fuel in Oregon will result in an additional \$1.2 million annual impact to Alaska Airlines. If the legislature were to pursue an additional 2 cents on top of the existing tax, it would result in a \$2.4 million annual increase in cost to our operations since 2015. This tax represents a significant and disproportionate impact to us, the airline with the largest presence in the state by far. Importantly, these are funds that we will be unable to invest in our people and business in Oregon and will instead go to fund projects at airports that our customers and airline will likely never use. We agree that airports need funding to operate effectively, but we strongly disagree that those costs should be subsidized by the individuals and families who choose to fly commercially.

We're proud the investments we've made over the years through the active community engagement of our employees, the taxes we pay at the state and local levels, and the investments we make in capital improvements at the airports we serve. Today, we're partnering with the Port of Portland on more than \$1 billion in major projects at Portland International Airport, which will further improve the experience for our guests.

Our airline has increased its commitment to Oregon for more than 30 years, and we want to see that growth continue. Additional costs from taxes on jet fuel significantly inhibit our ability to invest in our people and business and create uncertainty around the future of growth. The best thing Oregon can do to support the future of commercial air service in the state is provide a low-cost environment that allows us to compete and provide our customers with the best product at the best price.

We strongly oppose any additional increase to the jet fuel tax in Oregon and ask that you oppose any increase to the tax in HB 2402.

Sincerely,

Scott Kennedy

Manager, State & Local Government Affairs
Alaska Airlines