



February 11, 2020

The Honorable Lee Beyer, Co-Chair
Joint Committee on Transportation
Oregon State Capitol
900 Court St. NE, S-411
Salem, OR 97301

The Honorable Caddy McKeown, Co-Chair
Joint Committee on Transportation
Oregon State Capitol
900 Court St. NE, H-476
Salem, OR 97301

Subject: Alaska Airlines Opposition to HB 4036 Jet Fuel Tax Increase

Dear Senator Beyer, Representative McKeown, and members of the Joint Committee on Transportation,

On behalf of Alaska Airlines and Horizon Air, I write to express our opposition to HB 4036 as drafted. While Alaska Airlines supports lifting the sunset on the 2015 jet fuel tax increase, thereby retaining and making permanent the current tax of 3 cents per gallon, we oppose any additional increase to the state jet fuel tax.

Alaska Airlines and Horizon Air have a long and proud history of serving travelers in Oregon. Today, we serve more than 45% of all domestic travelers at Portland International Airport, and have daily flights serving the Eugene, Medford and Redmond-Bend 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 for domestic travel. By comparison, Alaska Airlines accounts for just 6% of the domestic market. Maintaining low costs is essential to our ability to compete with much larger airlines and offer great service at low prices to destinations around the country and globe.

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 and Horizon Air. 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 in Oregon 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 of the investments we've made in Oregon 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 urge the committee to oppose any increase to the state jet fuel tax in HB 4036.

Sincerely,

A handwritten signature in black ink, appearing to be "Steve", written in a cursive style.

Manager, State & Local Government Affairs
Alaska Airlines