



1016 W. Sixth Avenue, Suite 303
Anchorage, AK 99501

October 22, 2007

Dear Governor Palin & Legislators:

The Anchorage Chamber of Commerce appreciates the Administration's desire to revisit the Petroleum Production Tax to ensure that the most vital component of our state's tax regimen was the result of sound public policy. Still, we have some significant concerns regarding this review.

First, we are concerned that there has been a headlong rush to prejudge the PPT as "unfair" to Alaskans. The illegal actions of some legislators and special interests have understandably cast a cloud of suspicion on this legislation. It should be kept in mind, however, that many supported the PPT who had no involvement in any improper activities. A large number of upstanding legislators and organizations, including the Anchorage Chamber, supported the passage of PPT as a sensible balance between increased state revenues and incentives for investment; therefore, we respectfully ask that you not start your analysis from the standpoint that the current law of the land is wrong or in any manner "unfair." Review the PPT thoroughly, for all our sakes, but have an open mind to the possibility that the PPT, in fact, is the best option for Alaska despite the unfortunate circumstances surrounding its original passage.

Second, we are concerned that there is insufficient evidence concerning the actual impact of the PPT. It is our understanding that the original PPT legislation contained a provision whereby it would be thoroughly reviewed at the end of five years. Thus, with less than a full-year's worth of data to analyze, a declaration that the PPT is not working would appear hasty and not fully informed. It should also be noted that during the past year the taxation landscape was significantly altered by the temporary shut-down of a significant component of the North Slope fields; therefore, the available data cannot be said to represent a typical year. From all review, the PPT brought in significantly more revenues to the State than the previous ELF system.

Third, we are very concerned about creating an impression that Alaska's tax platform is volatile and undependable. The Anchorage Chamber is not advocating that we need 30 years of certainty in our tax structure but we are concerned that we are faced with the possibility of three distinct methods of taxing petroleum within three years. Even though you will be debating a tax that directly deals only with a certain segment of the economy, it nonetheless, creates an unmistakable reputation that Alaska is a location that is more interested in *taxing* industry than in *growing* industry. Such a reputation is harmful to all business sectors and ultimately, to all Alaskans.

Fourth, we are concerned about the emphasis placed on increased revenues for the state. Without the political will to create a sensible economic plan for the State of Alaska, the Anchorage Chamber is concerned that we are behaving as if we are communally addicted to “oil money.” As North Slope production invariably declines, we seem overly zealous to prop up our standard of living by simply increasing our take. What was a fair take 10 years ago is no longer “fair.” What was fair last year now appears to be no longer “fair.” History is devoid of instances in which a thriving economy has been built on the model of maximizing the government take. In contrast, history teaches us the important lesson that vibrant and flourishing economies spring from environments where the government encourages investment and entrepreneurship. It is ultimately self-defeating for Alaska to increase its short-term revenues at the expense of chilling long-term investment.

Finally, despite these significant concerns the Anchorage Chamber remains optimistic. As a State, we can prosper and we have the ability to make Alaska’s future bright. The only question is whether we have the courage, the discipline and the will to resist the path of least resistance and instead focus our efforts on the hard, yet ultimately rewarding work of building a sound economic future. Toward this end, we respectfully ask that during this special session you do these four things:

- 1. Review the PPT to ensure it is sound public policy but do not discard it simply because of the circumstances surrounding its passage; and**
- 2. If there is legitimate doubt concerning the effect of the PPT, do not be afraid to allow the PPT to exist for sufficient time to allow reliable data to be generated, which is consistent with the original legislation that provided for a review at the conclusion of five years; and**
- 3. Take all appropriate cautions to protect Alaska’s reputation as a stable tax environment that encourages and promotes business opportunities and investment; and**
- 4. Consider any revenue enhancements only in conjunction with actually developing a fiscal plan – a spending and savings plan - for the State of Alaska.**

Thank you for your service to our State and we wish you a very successful special session.

Sincerely,



Kathleen Porterfield
Anchorage Chamber Board Chair



Stacy Schubert, IOM
President

CC: Anchorage Chamber Board of Directors