

Project Title: Positive Train Control

TPS Number: 60623

Priority: 1

Agency: Community & Economic Dev

FY2014 State Funding Request: \$35,000,000

Future Funding May Be Requested

Brief Project Description:

Positive Train Control (PTC) is federally mandated technology to stop or slow a train to prevent human-error caused rail accidents.

Funding Plan:

Total Project Cost:	\$153,800,000
Funding Already Secured:	(\$63,800,000)
FY2014 State Funding Request:	(\$35,000,000)
Project Deficit:	\$55,000,000

Explanation of Other Funds:

1997 through 2013

FRA grants \$15,700,000

FTA grants \$42,400,000

ARRC internal funds \$5,700,000

Detailed Project Description and Justification:

The Alaska Railroad Corporation (ARRC) faces a massive unfunded federal mandate to implement a Positive Train Control (PTC) system by the end of 2015.

PTC is technology designed to stop or slow a train before human error causes an accident to occur. In particular, PTC is designed to prevent train-to-train collisions, derailments caused by excessive speed, unauthorized incursions by trains onto sections of track where repairs are being made, and movement of a train through a track switch left in the wrong position.

Federal mandates require certain railroads to have working PTC systems by the end of 2015. ARRC is a member of several national railroad industry organizations that are advocating for the extension of the federal deadline. However, to date, Congress has failed to pass an extension, which means that railroads MUST continue investing in the technology and make significant progress towards deployment of PTC with a 2015 deadline in mind, or else risk significant fines and forced operational changes by the Federal Railroad Administration. The funding requested will permit ARRC to install the office system by 2015, with full required build-out and implementation by 2018, the most likely date of extension, should there be one.

ARRC has invested nearly \$55 million to date in developing this project; however, the current estimate to field an operational PTC system requires additional funding in the \$90 million range. The vast majority of the funds expended to this point by ARRC have come from formula funds from the Federal Transit Administration (FTA). Unfortunately, in the recently completed federal transportation funding reauthorization (MAP-21), Congress reduced the level of these formula funds that ARRC is to receive going forward from \$36 million to \$27 million. Combined with significant contraction by two of ARRC's largest commercial customers, the Alaska Railroad Corporation no longer has the financial means to meet this federal requirement and concurrently run a viable railroad.

If the ARRC cannot deploy a PTC system in a timely manner, ARRC will be forced to divest itself of its world-renowned passenger service which will negatively impact residents, visitors, and Alaska businesses in the tourism trade. The Alaska Railroad would also lose approximately \$27 million annually in Federal Transit Administration formula funding which is money provided to passenger systems like ARRC that provide regularly scheduled year-round passenger service; as these funds serve as the sole security for ARRC's outstanding bonds, this would be highly problematic.

The funding required to complete this system is greatly beyond what is financially feasible for ARRC to provide, given reductions in commercial activity and reduced federal grant funding levels. If ARRC is to comply with this law and remain a viable enterprise, assistance from the State of Alaska is critical.

Project Timeline:

SFY 2014 request is \$35,000,000. Timing of additional funding need will most likely be:

SFY 2016 \$20,000,000

SFY 2017 \$20,000,000

SFY 2018 \$15,000,000

Entity Responsible for the Ongoing Operation and Maintenance of this Project:

Alaska Railroad Corporation

Grant Recipient Contact Information:

Name: Wendy Lindskoog
Address: 327 W Ship Creek Ave
Anchorage, AK 99510
Phone Number: (907)265-2498
Email: LindskoogW@akrr.com

This project has not been through a public review process at the local level and it is not a community priority.

Capital Funding Request by the Alaska Railroad Corporation

The Alaska Railroad Corporation (ARRC) requests funding of \$35.0 million in the FY 14 Capital Budget for the specific purpose of complying with the unfunded federal mandate to install Positive Train Control (PTC).

What is PTC?

Positive Train Control is technology designed to stop or slow a train before human-error causes an accident to occur. In 2008, the federal Rail Safety Improvement Act required certain railroads to install a fully functional PTC system by the end of 2015; by virtue of its passenger service, the Alaska Railroad is subject to this requirement. A failure to implement PTC will force ARRC to severely curtail or eliminate passenger service and/or face severe fines for non-compliance.

Starting in 1997, long before PTC was a Congressional mandate, and through 2013, ARRC will have invested \$62.5 million to develop a PTC system. Railroad industry estimates for this large research and development project indicate that, at a minimum, an additional \$90 million will be required between 2014 and 2018 for ARRC to complete the development and installation of PTC. This does not include the estimated \$5 million to \$6 million per year of operating and capital maintenance costs related to the system.

Why state funding is needed

ARRC is requesting \$35.0 million in the FY14 capital budget. Future funding requests will be made to meet the estimated \$90 million total project budget.

ARRC has used corporate revenues and federal funding to implement PTC since 1997. With severe drops in key lines of ARRC business and significant cuts to its federal funding, ARRC no longer has the financial capacity to continue this effort. It is necessary to find a different source to fund the capital cost of PTC.

A failure to implement PTC would force ARRC to severely curtail or eliminate passenger service. The Alaska Railroad Corporation Act requires ARRC to seek the funding necessary to maintain passenger service from the Alaska Legislature:

AS 42.40.100 Management by the board.

*The board is responsible for the management of the corporation but shall delegate certain powers and duties to the chief executive officer in accordance with AS 42.40.120. In managing the corporation, **the board shall***

(4) apply to the legislature for an appropriation with the concurrence of the governor to be used to provide a particular service that is not otherwise self-sustaining if a subsidy is required to maintain that service;

Steps taken by ARRC

To address its financial situation, ARRC is undertaking a major corporate restructuring at this time; however, such cost reduction efforts cannot provide sufficient savings to permit funding PTC at this time or in the foreseeable future. ARRC continues its efforts working with national railroad associations to get Congress to extend the PTC implementation deadline.