The Alaska Railroad Corporation (ARRC) requests funding of $21.8 million in the FY2016 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.

Railroad industry estimates for this large research and development project indicate that it will cost more than $150 million to implement. From 1997 through 2015, ARRC will have invested $68.9 million to develop a PTC system. In 2013 and 2014, ARRC received an additional $19.1 million and $15 million respectively from the State of Alaska to continue work on PTC. Between 2016 and 2018, $58.6 million[1] will be required for ARRC to complete the development and installation of PTC. This figure does not include the estimated $5 million to $7 million per year of operating and capital maintenance costs related to the system that ARRC will fund after PTC is installed.

Why state funding is needed

ARRC is requesting $21.8 million in the FY2016 capital budget for PTC expenses in 2016. Future funding requests will be made to meet the more than $150 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 federal funding, it has been necessary to find a different source to fund the capital cost of PTC. However, at the September 25, 2014 ARRC Board Meeting, board members voted unanimously to use an additional $5.1 million in ARRC funds towards completing PTC. These funds reflect an unexpected increase in ARRC revenues due to increased freight shipments on the ARRC Seattle to Whittier barge service, particularly in the area of oil field drilling and production equipment. While overall freight

[1] $26.9 million for 2016, $16.4 million for 2017, and $15.3 million for 2018

revenue for the 12 months ending June 2014 is above budget forecast, ARRC is still experiencing significant downturns in petroleum and coal business lines.

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 additional funding necessary to maintain passenger service from the Alaska Legislature:

> *AS 42.40.100 Management by the board.*
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> *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

- Invest $68.9 million in corporate revenue and federal funds, including $5.1 million of corporate revenue in 2015, toward completion of PTC
- Went through a major corporate restructuring in 2013 to address a difficult financial situation
- Continue working with national railroad associations and our congressional delegation to get Congress to extend the PTC implementation deadline