



# Alaska Railroad Presentation to the Senate Transportation Committee

*Bill O'Leary, President and CEO, Alaska Railroad Corporation*

*March 16, 2023*



[AlaskaRailroad.com](https://www.alaskarailroad.com)



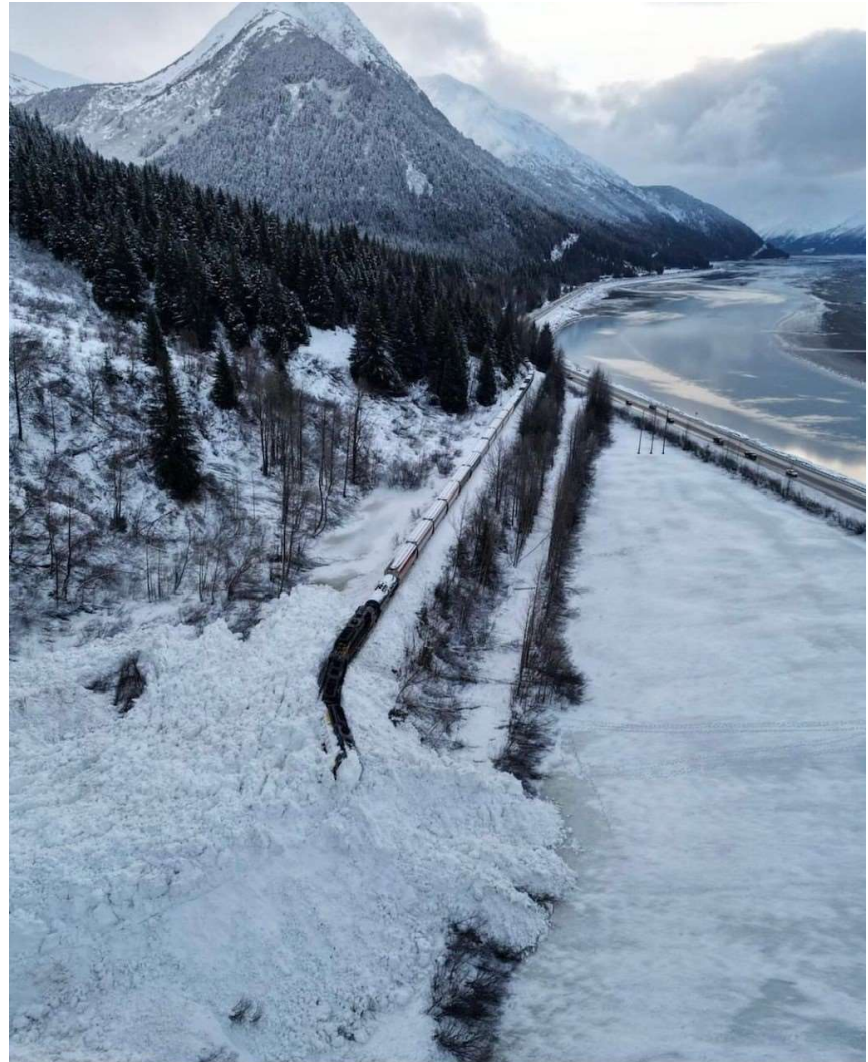
## ➤ Purpose of Presentation

- Background - Who We Are and What We Do
- Challenges - Present and Future



ARRC is the nation's longest regional and short-line railroad

# ➤ Safety



# Who We Are and What We Do





## Quick Facts

### Organization (following State purchase)

- Independent corporation owned by State
- Managed by a seven-member board of directors appointed by Governor
- Mandated to be self-sustaining, responsible for financial and legal obligations

### Operating Data

- 656 Total miles of track
- 748 Freight cars (owned & leased)
- 45 Passenger cars
- 51 Locomotives

### Operating Statistics

- Half a million+ passengers
- 3.7 million tons of freight (2022)

### Employees (January 2023)

- 571 full-time year-round employees
- 15% registered 'Veteran' Status
- 2/3 are members of 5 unions

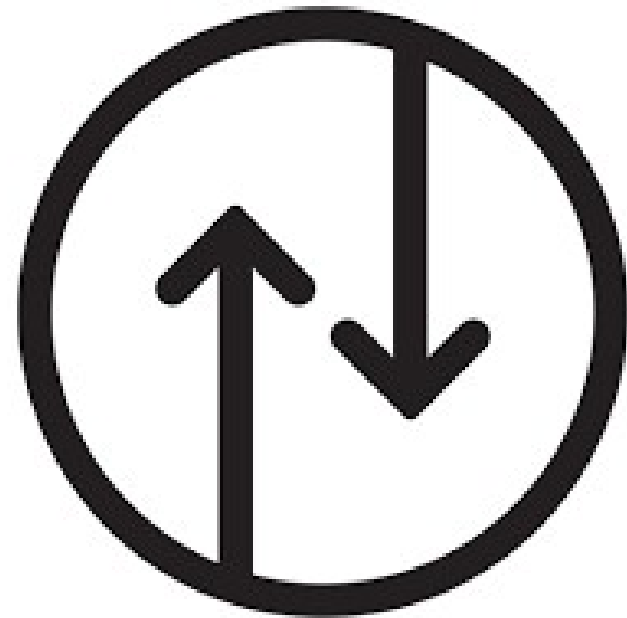


# Challenges



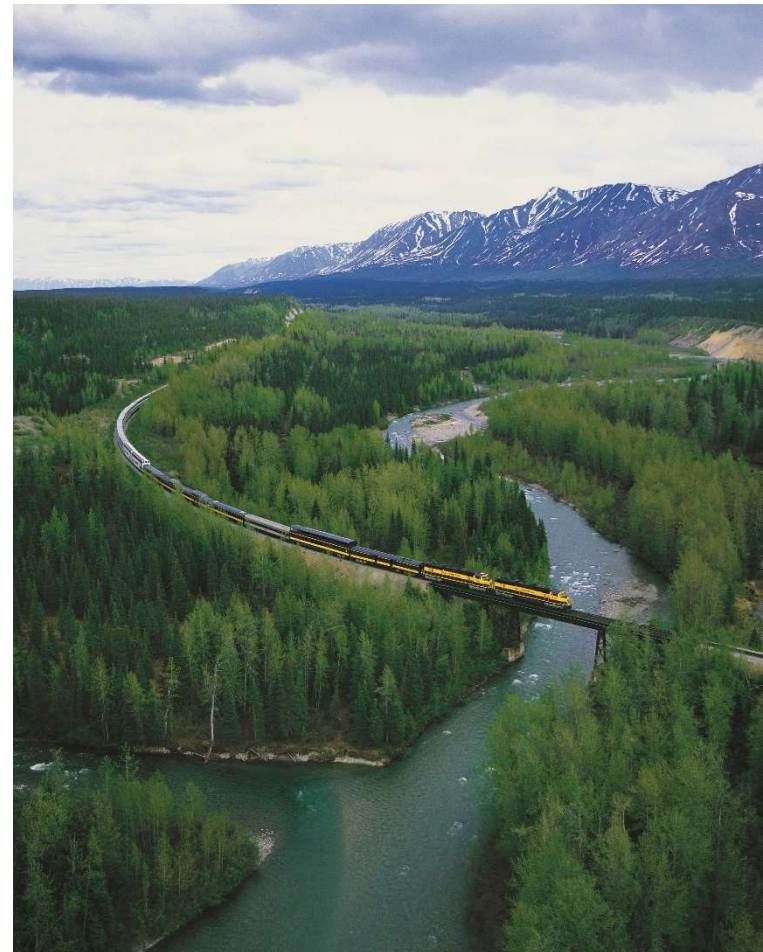
## ➤ Hierarchy of Goals

- Mission Statement- Through excellent customer service and sound business management practices, provide safe, efficient and economical transportation and real estate services that support and grow economic development opportunities for the State of Alaska.
- 2018-2023 Strategic Plan
- 2023 Strategic Goals
- Department Goals
- Individual Goals



## ➤ 2018-2023 Strategic Plan

1. Expand Business by Growing and Diversifying Revenue
2. Improve Profitability by Optimizing Cost Structure
3. Balance Capital Program to Optimize Safety, Revenue, and Efficiency
4. Build a Proactive Culture of Safety and Engagement
5. Enhance Economic Development, Stewardship and Stakeholder Relations





# Financial

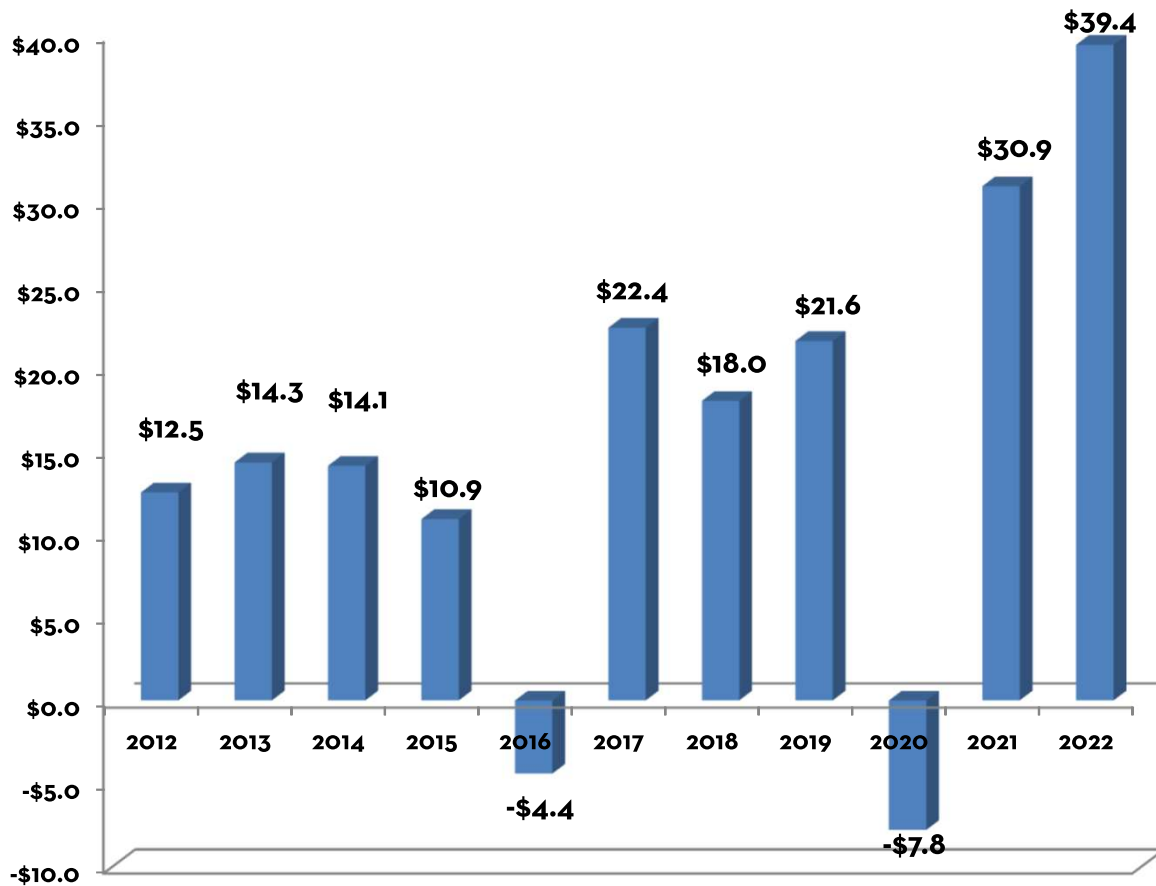
**Expand Business by Growing and Diversifying Revenue**

**Improve Profitability by Optimizing Cost Structure**



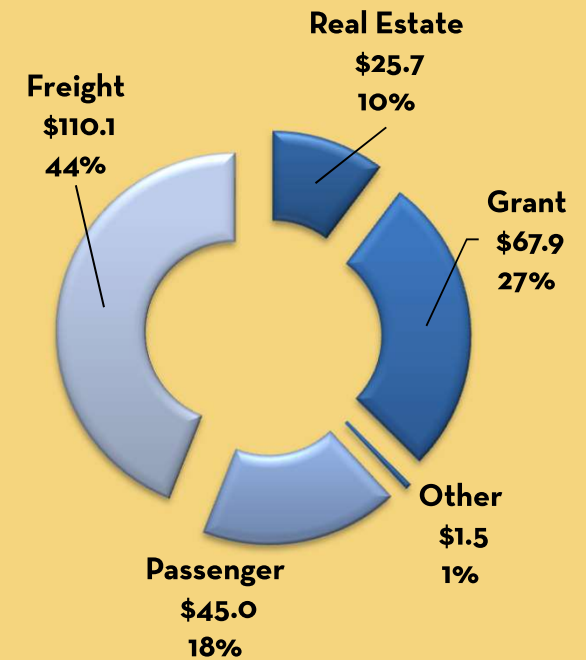
# ➤ Net Income and Revenue Sources

ARRC Net Income  
(2022 Unaudited)

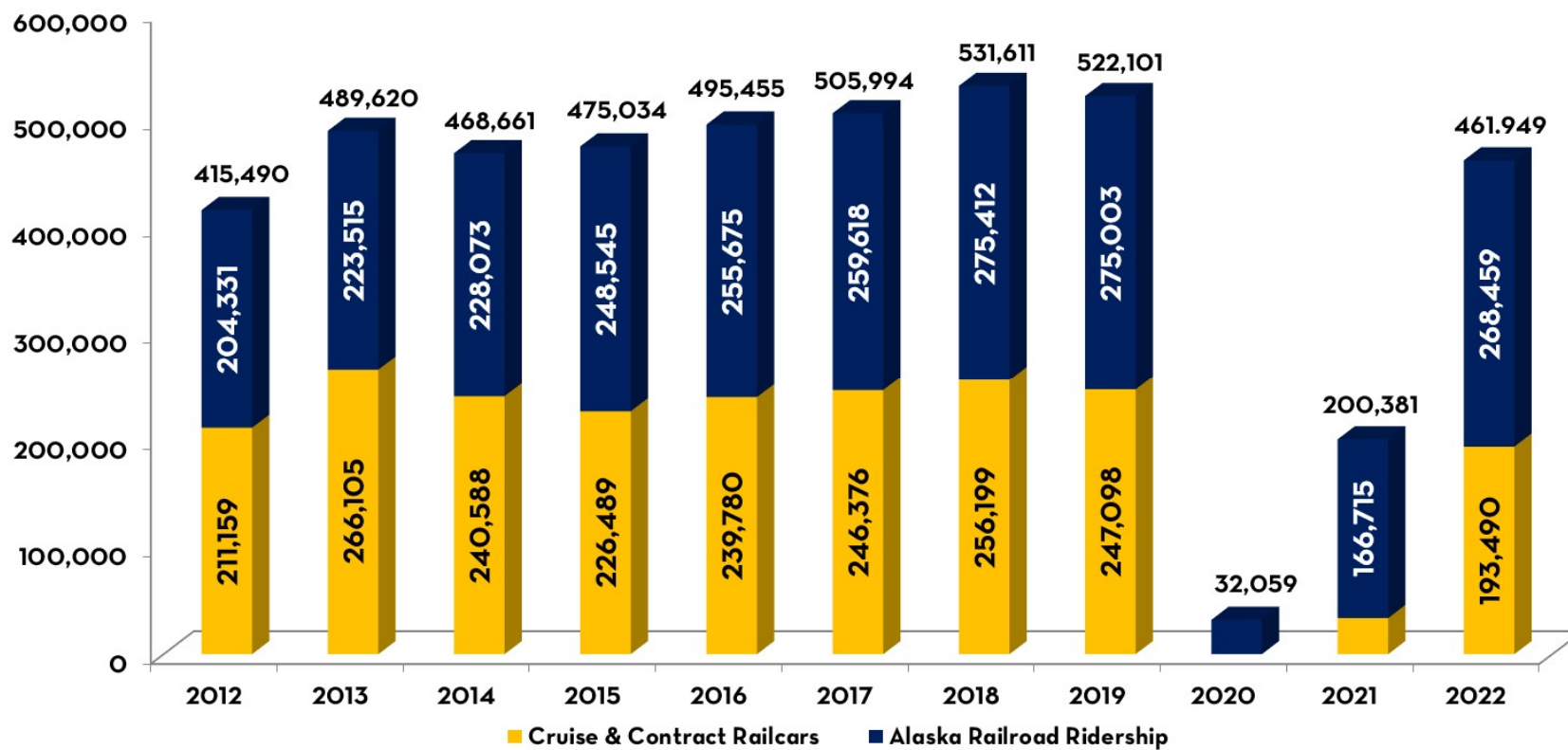


2022 Revenue Sources-  
Unaudited

(in millions of dollars)



## ➤ Passenger Operations



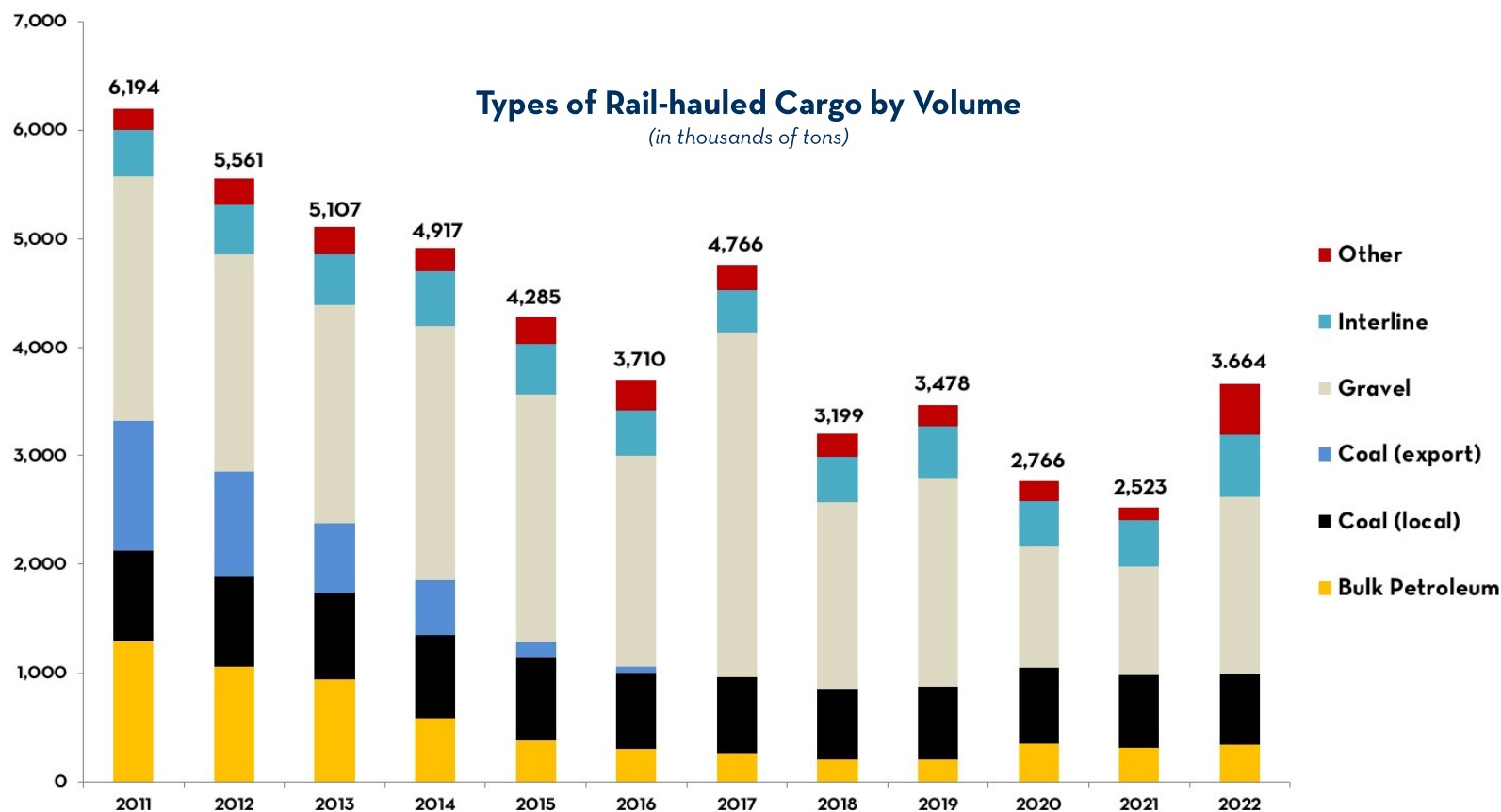


## ➤ What's Next – Passenger Service

- Ridership rebound continues:
  - 2022 received 85-90% of 2019 levels
  - 2023 cruise ships dockings anticipated to return to 2019 levels
- Specialty trains
  - FBX HooDoo Oktoberfest
  - ANC Holiday
  - ANC Ski
- Opportunities:
  - Expanded service to cruise industry
  - Expanded winter and spring service to FBX
  - Expected growth in day-trip trains:
    - *Glacier Discovery* – ANC to Spencer-Grandview
    - *Hurricane Turn* – flagstops from Talkeetna to Hurricane Gulch



## ➤ Freight Operations



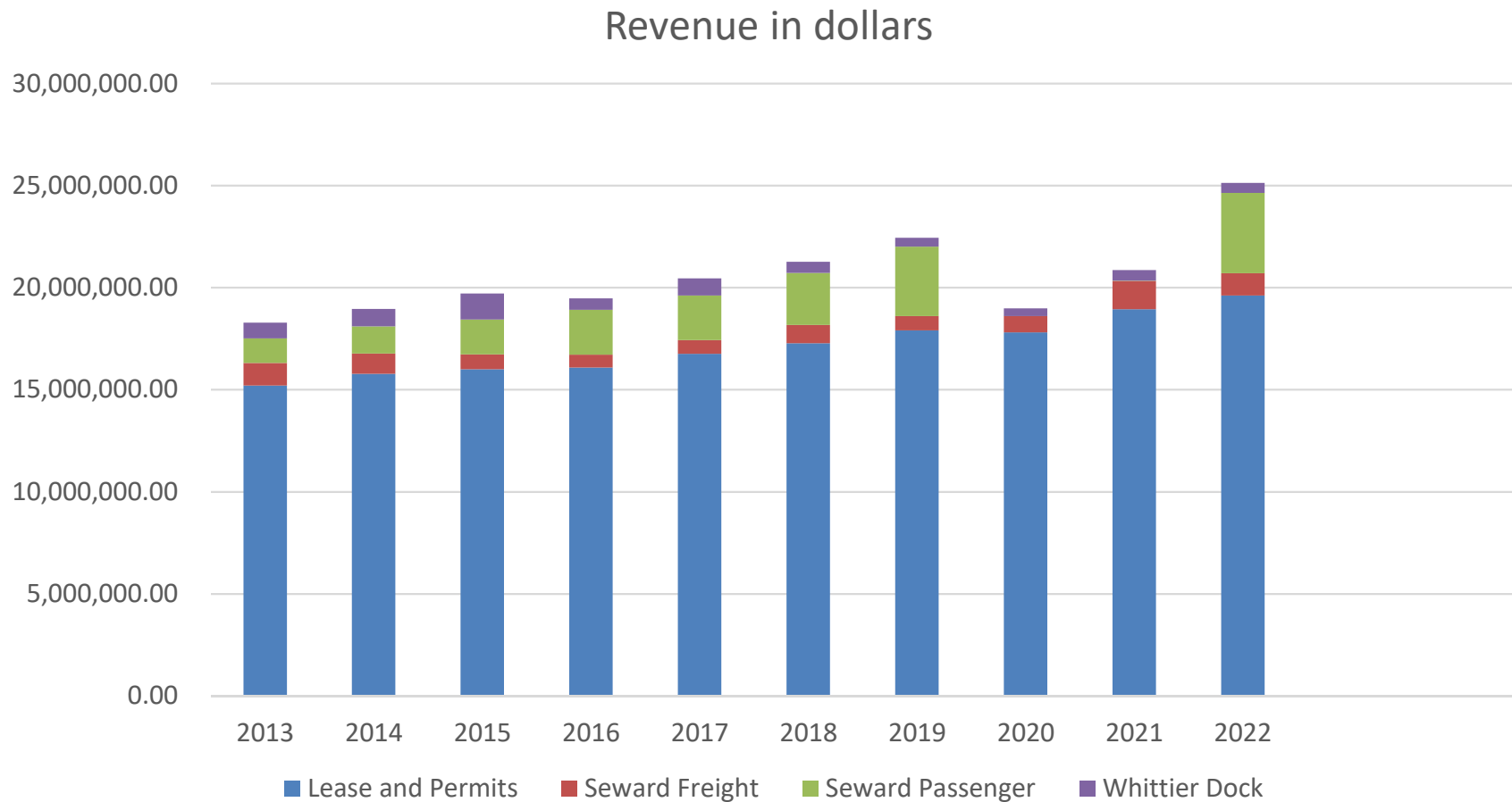
## ➤ What's Next – Freight Service



- Unaudited 2022 freight revenue was 42.1% over 2021
- LNG Opportunities
  - Reapplied for FRA approval
  - High oil prices could be catalyst
  - Need anchor tenant
- Interline barge service
  - Seattle to Whittier – extra barges above schedule
  - Willow & Pikka development could cause higher growth in supply demand
- Military opportunities
  - F-35s Eielson construction mostly done
  - Moving contaminated soils currently
- Natural Resources
  - Gravel haul could grow from federal Infrastructure bill projects over next few years
  - Future prospect: Ambler mine may use rail to move concentrates to Port of Alaska



## ➤ Real Estate Revenue





# Capital Investments

**Balance Capital Program to Optimize Safety, Revenue and Efficiency**







## ➤ ARRC Capital Budget Process – an Overview

- The Capital Projects Evaluation Working Group is charged with evaluating and prioritizing all of the capital requests for the company annually
  - The 6-member team is comprised of department representatives from Facilities/Energy Management, Grant and Asset Management, Passenger Operations, Engineering Services, Signal & Telecommunications and Financial Planning & Analysis
- For 2023, the team evaluated \$221.4 million in capital requests, scored and categorized them, and then reconvened to address the challenge of what to recommend for the funding and in what amount given a preliminary estimate of total federal and internal capital available
- The project list developed was submitted to the CFO and to senior staff for their comments and recommendations, modified/approved by the CEO and presented to the ARRC Board of Directors

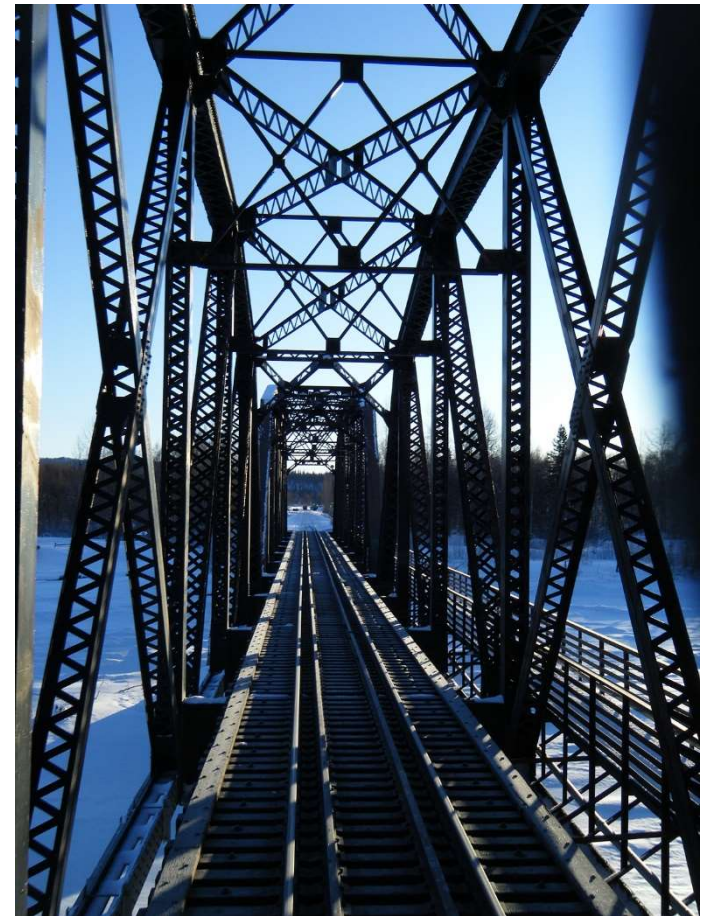
## ➤ Robust 5-Year Capital Investment Plan

- Supports railroad facilities, infrastructure, community developments and interactions
- Will use internal forces, along with contractors and suppliers
- Nearly \$74 million for 2023; half-billion dollars invested over 5 years
  - May add funding sources as competitive federal grants, partnerships, and other financial opportunities become available for large projects
  - May add debt financing for needs such as replacing vehicles, equipment and railcars
  - Numbers in below table do not include Seward investments discussed later (previously approved)

Funding (millions)	2023	2024	2025	2026	2027	5-Year Total
FTA Formula Grants	\$38.70	\$94.06	\$51.67	\$52.78	\$53.91	\$291.13
ARRC Internal Funds	\$30.34	\$37.96	\$40.17	\$42.36	\$45.67	\$196.50
Debt-Funded	\$4.90					\$4.90
<b>Total Capital Budget</b>	<b>\$73.94</b>	<b>\$132.02</b>	<b>\$91.84</b>	<b>\$95.14</b>	<b>\$99.58</b>	<b>\$492.53</b>

## ➤ Major Focus on Bridges

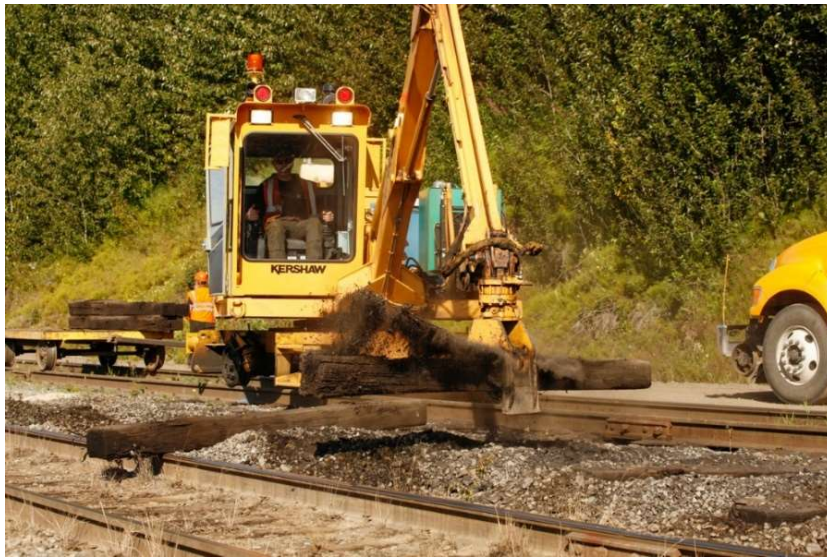
- 175 bridges and large culverts (10+ feet diameter).
- 10-year Program: Replace or rehab 70 bridges
  - Nearly \$11 million budget for 2023
  - Accomplished by internal forces and contractors
- Funding: FTA grants, CARES Act and ARRC





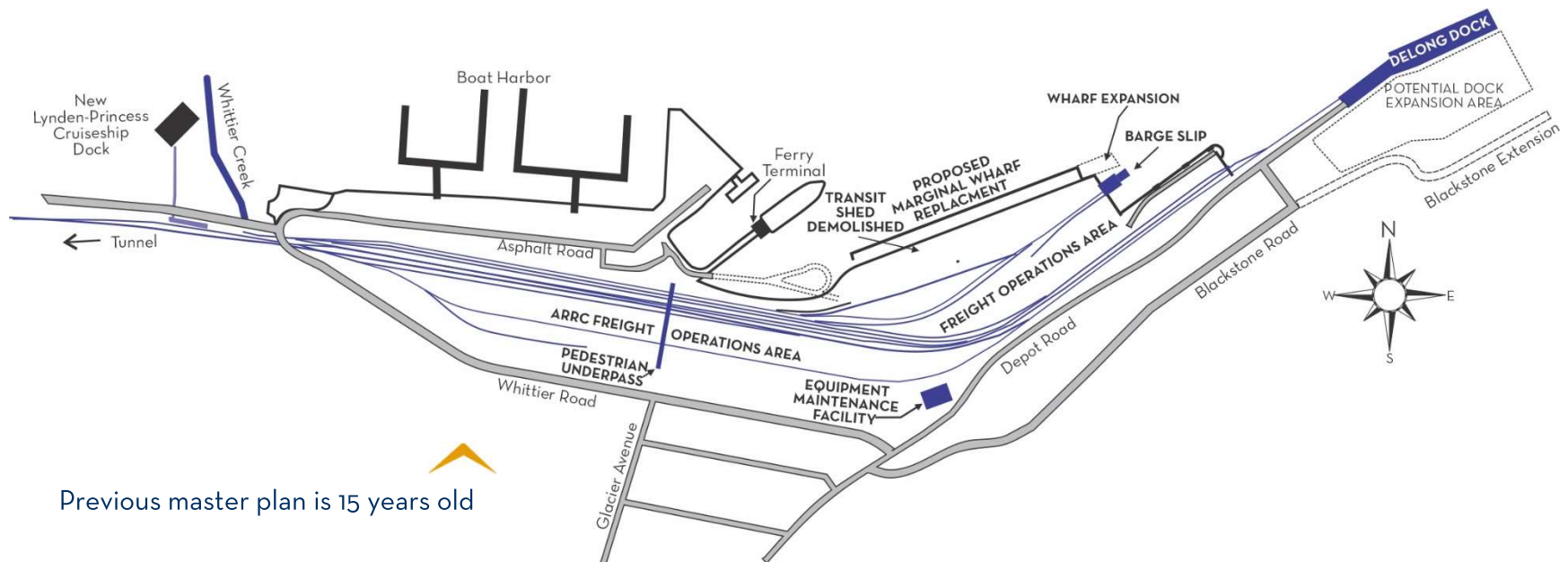
## ➤ Significant Focus on Track Rehab

- Nearly \$20 million budget for 2023
  - Ties, rail, track bed surfacing, rail gauging
  - Fortify embankment with rip-rap
  - Improve drainage, including small culvert replacement
- Project fact sheets include purpose, scope, status, funding  
<https://www.alaskarailroad.com/corporate/projects>
- Anderson WILD Wheel Impact Load Detector



# ➤ ARRC Whittier Terminal Master Planning

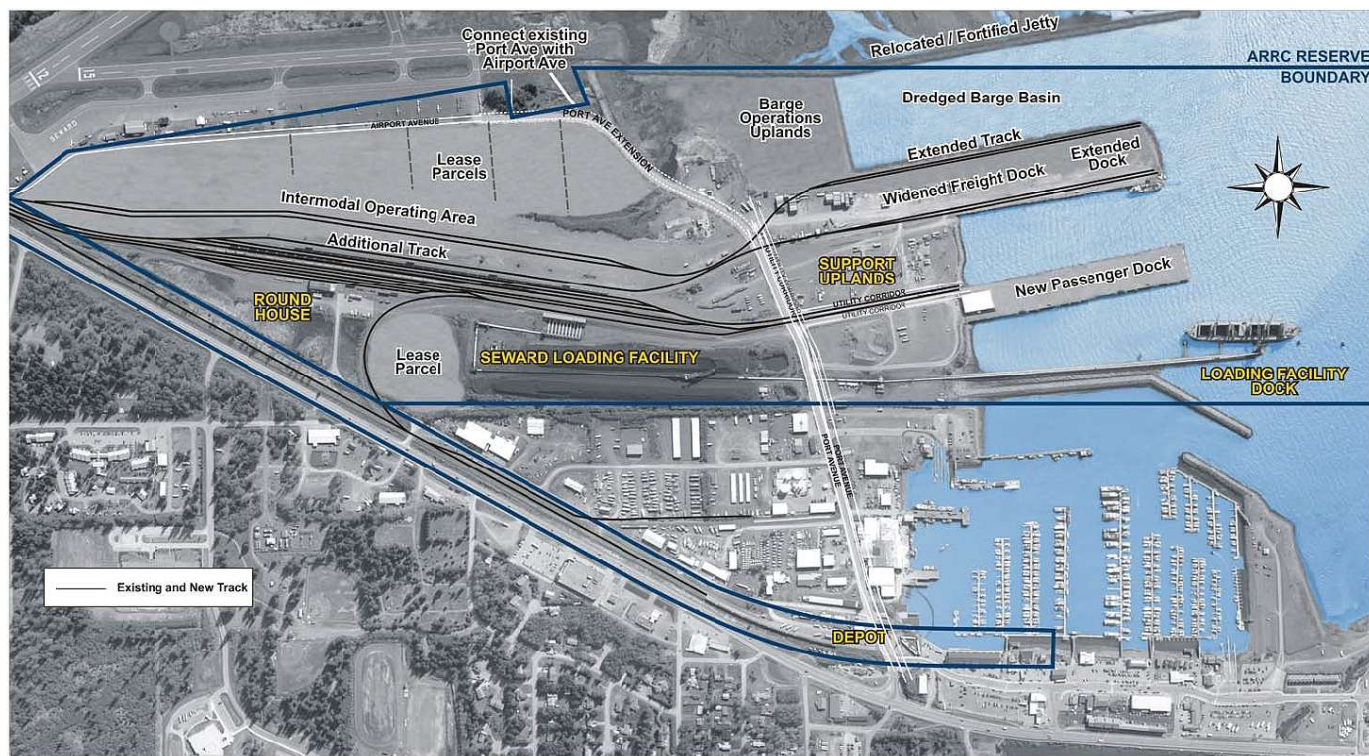
- **Update / re-develop terminal master plan** to prepare for future and ensure state of good repair
- **Purpose:**
  - A) Identify terminal rehab projects
  - B) Configure upland and yard track to support maintenance and ops
  - C) Determine efficiency, reliability, resiliency and sustainability improvements terminal-wide
- **Funding:** \$1.17 million: 80% by MARAD (US DOT -Maritime Administration) and 20% by ARRC





# ➤ ARRC Invests in Seward Infrastructure

- Seward Master Plan completed in 2017 to guide development
- ARRC pursuing Master Plan recommendations, including passenger pier and terminal replacement, freight dock expansion, upland development, transportation corridor improvements, real estate parcel leasing, etc.



## ➤ ARRC Invests in Seward Infrastructure

- Alaska Railroad investments include near-term, large-scale capital projects in Seward with positive economic impacts statewide
- Freight Terminal projects
  - Estimated \$25+ million investment; 80% funded by Maritime Administration (MARAD) grant
  - Widen and lengthen freight dock by 2027
  - Improve upland transportation corridor by linking Port and Airport avenues
- Passenger Terminal project
  - **Estimated \$150 million investment**
  - Replace passenger dock by 2026
  - Replace terminal building





# ➤ ARRC Seward Passenger Dock Project

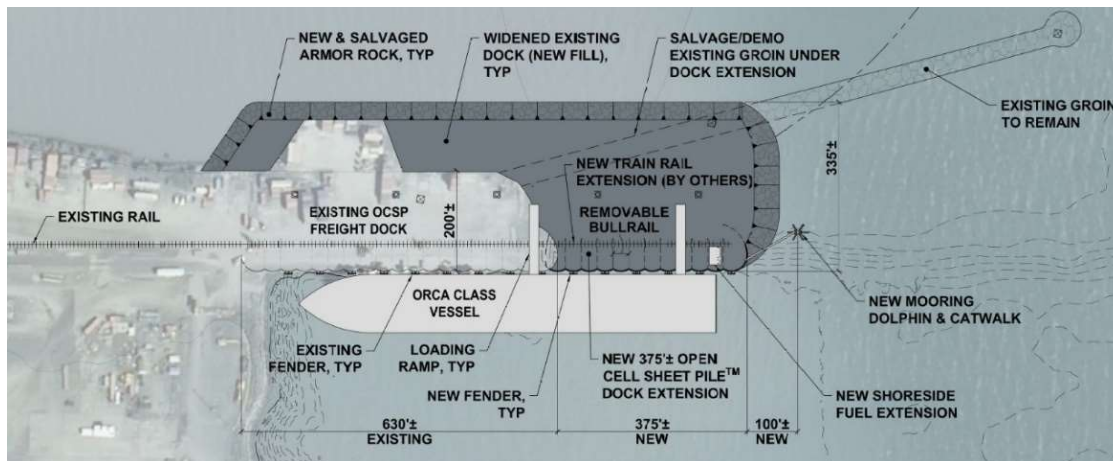
- ARRC project to rebuild pier and passenger terminal building
- Tight timeframe to be ready for 2025 cruise season
- **\$150 million estimate: \$115 million for dock, \$35 million for building**
- Funding sources: ARRC revenue bonds (no recourse to state) plus ARRC capital
  - Royal Caribbean Group
    - strategic partner; anchor tenant with long-term commitment
  - Updated design for generational project
  - Replacing existing assets and future planning
  - Bonds require legislative authorization
    - \$90 million **additional** needed in 2023
    - \$60 million bond authority in 2022



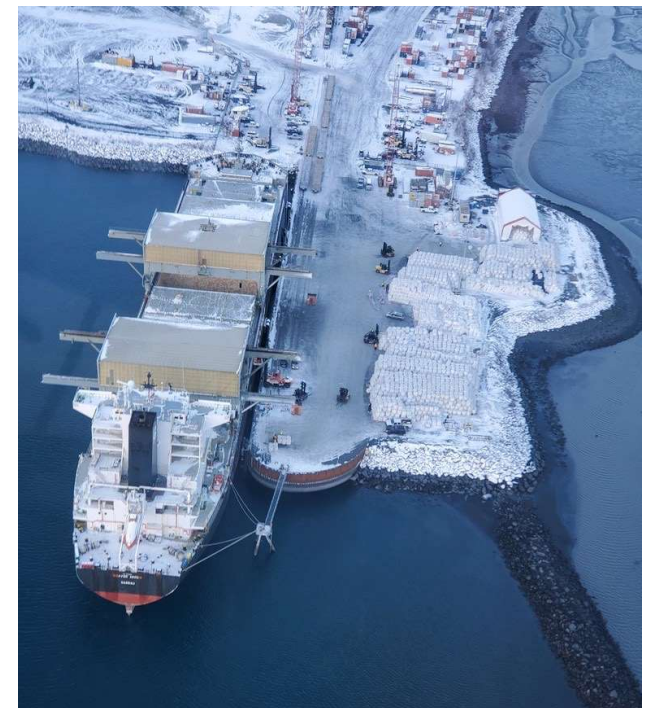
# Freight Dock & Uplands Connectivity

## Freight Dock Expansion

- **Dock History:** 620-by-200 foot dock built in 2002  
A section was widened in 2007
- **Freight Dock Expansion Project Scope:** Extend to 1,000 feet and widen to 300 feet along entire length
- **Purpose:** **A)** accommodate cargo growth; **B)** promote region's key industries; **C)** serve rural communities



**2017 Seward Terminal Master Plan:**  
recommends freight dock expansion  
and transportation corridor  
connectivity



Seward Freight Dock extension plan

## ➤ Rail Extensions and Realignment

- Rail Extensions
  - Receive guidance from state and federal policy makers regarding rail extension initiatives
    - ARRC supports extending or building new railroad lines in Alaska and believes this falls under its mission to foster state and community economic development
    - Provide planning, technical, engineering and operational expertise should funding be identified
    - Expect to generate sufficient revenues to pay the operating expenses of any rail extensions
- Rail Realignments
  - Supports realigning main line track out of Alaska communities that have grown up along the route.
    - Enhances safety and efficiency, as well as local quality of life by eliminating numerous dangerous at-grade crossings as well as reduce the running time on our interior train routes
    - Ongoing efforts to integrate our recommendations with community and DOT&PF planning efforts
    - Ready with plans when federal funding becomes available

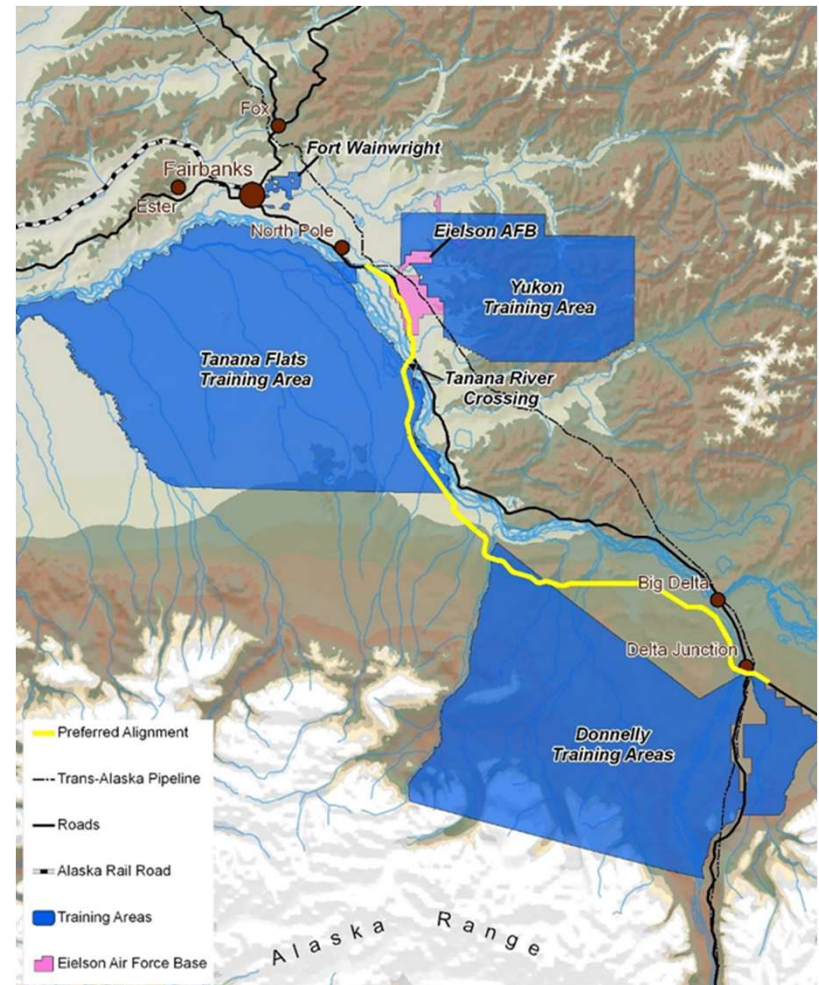




## ➤ Capital Potential Outside of 5-year plan

### Northern Rail Extension (NRE)

- 80+ miles North Pole to Delta Junction
- 4-phase project
  - **Phase 1: completed in 2014 : Bridge over Tanana River, road and levee near Salcha (pictured)**
  - Phase 2: 13 miles of rail, from Moose Creek / Eielson AFB to Tanana River Crossing
  - Phase 3: 30 miles of rail from Tanana River Crossing to Donnelly Training Area
  - Phase 4: 38 miles of rail, Donnelly to Delta Junction
- NRE Cost and Funding:
  - Original cost estimate was about \$1 billion. Estimate now \$1.7 billion
  - DOD was main funding source for initial planning, environmental and Phase 1. Public-private partnership explored as future funding option

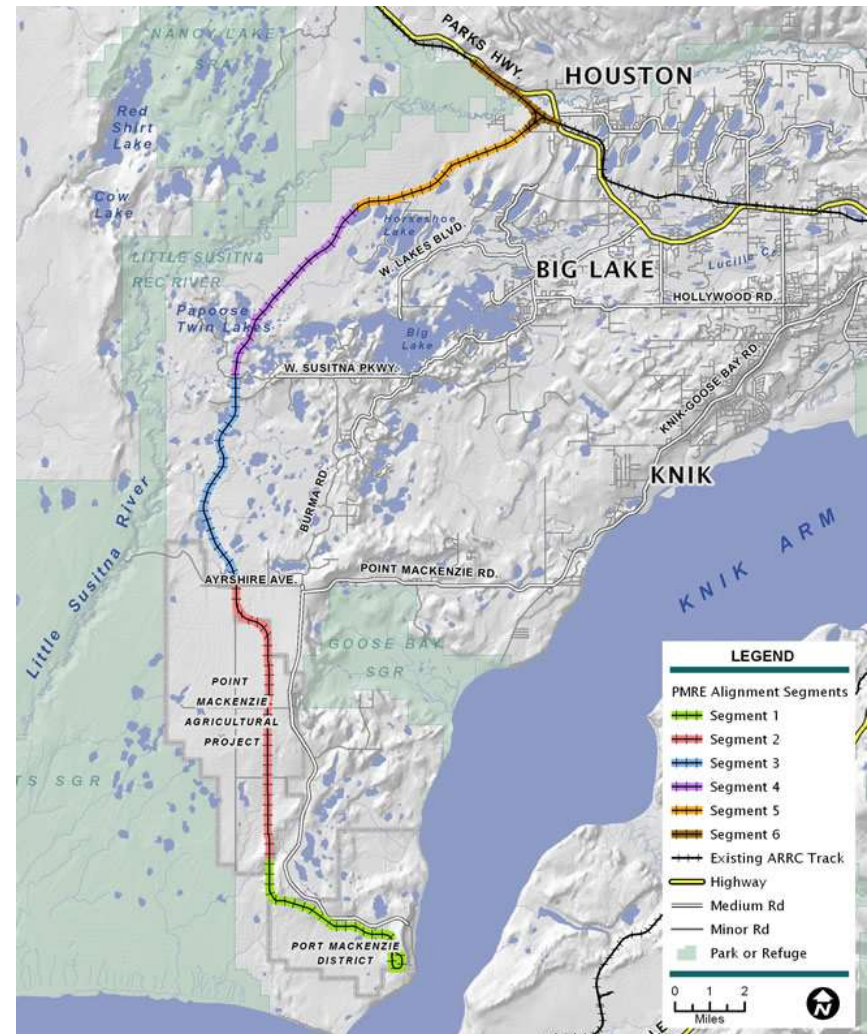




## ➤ Capital Potential Outside of 5-year plan

### Port MacKenzie Rail Extension (PMRE)

- 32 miles - Houston to Port MacKenzie
- Phased project
  - Environmental work complete
  - Mat-Su Borough is project sponsor
  - Much of the foundational infrastructure (track bed and bridges) are complete
- Cost and Funding:
  - \$314 million total budget (original)
  - \$184 million in state grants so far;
  - Estimated \$190 million more needed to finish (with inflation)



# Safety

**Build a Proactive Culture of Safety and Engagement**



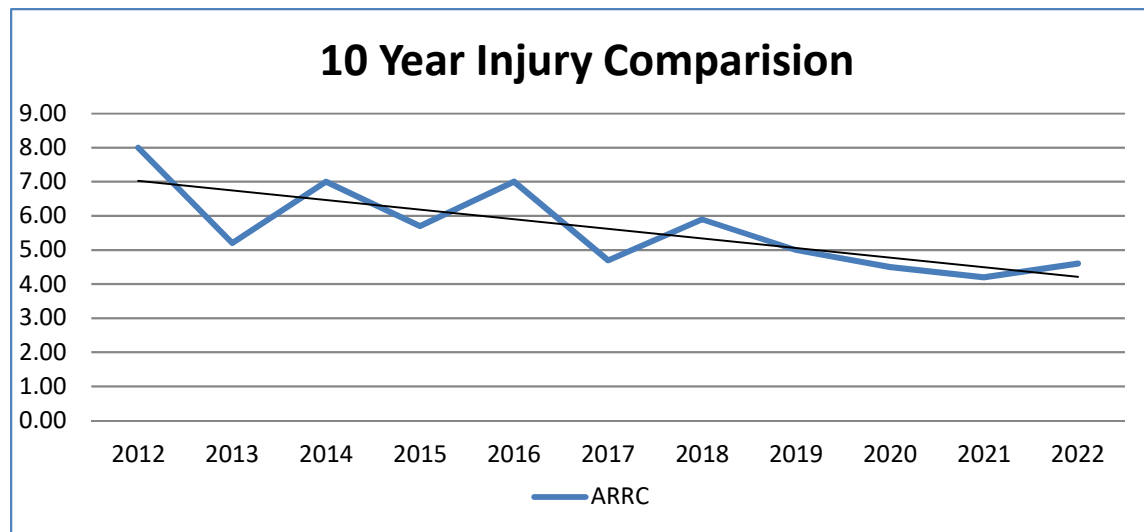
## ➤ 2023 Safety Goals & Initiatives



- Improved Overall Safety Performance
  - Achieve a FRA Casualty Rate no greater than 4.2
  - Achieve a Lost Time Incident Rate no greater than 2.5
  - FRA Trespasser Fatalities: 0
  - Passenger Casualties (train handling): 0
  - FRA Reportable Derailments: 0
- Continued Implementation of Incident Free Culture (IFC)
  - Train the Trainer Course
  - Manager Refresher Course
  - Monthly IFC Workshop
- Quarterly Incident Review
- Safety Operational Monitoring Program (targeted)
- Operational Deep Dive (UAF Coal Facility)



## ➤ Reportable Injuries 10 Year History





## ➤ Derailment Concerns

- What do we haul
  - Commodities: petroleum, coal and gravel
  - Interline services: ARMS, CNR, ICOFC
  - TOFC/COFC
  - Other freight including hazardous materials
- What happened in Ohio
  - Overheated wheel bearing caused derailment (preliminary findings)
  - Chemical spill
- Current safety measures and response
- Future regulations



# Engagement

**Enhance Economic Development,  
Stewardship and Stakeholder Relations**



## ➤ Public Engagement

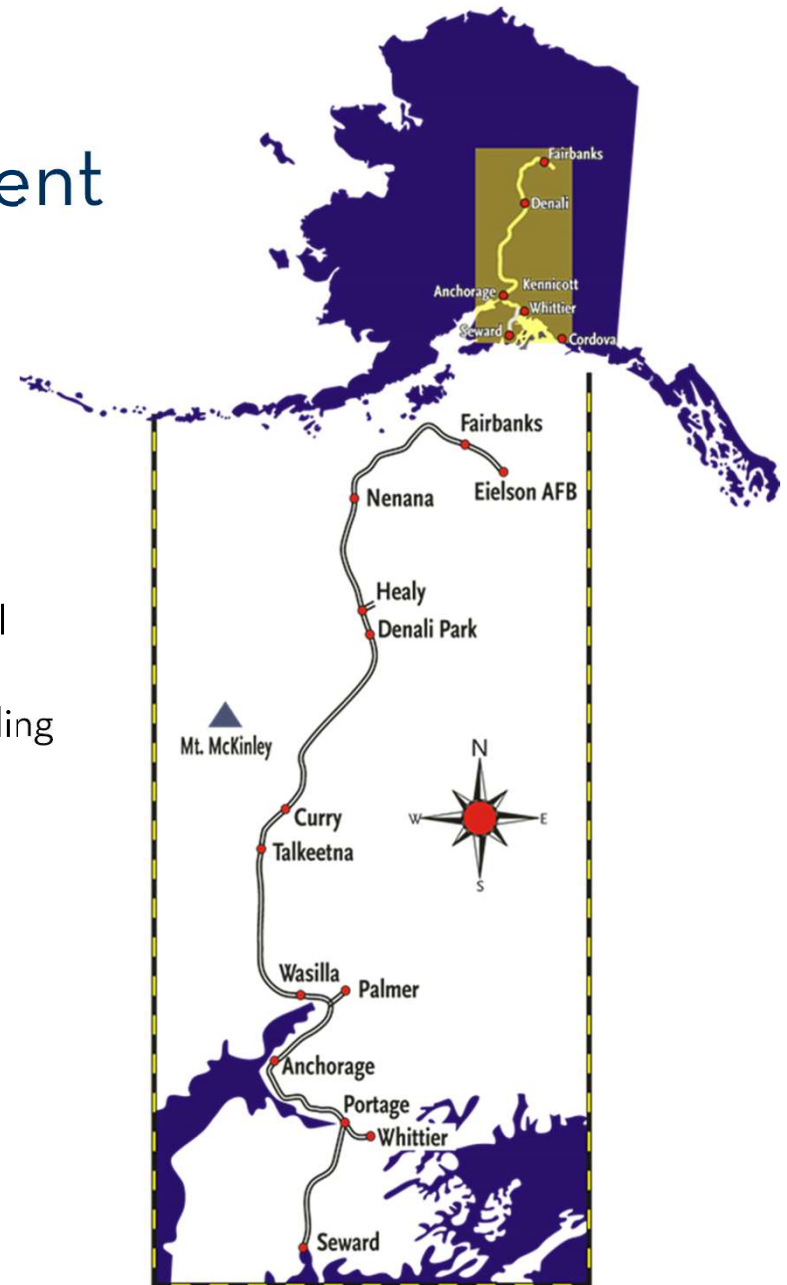
- Strive to be a good neighbor to our railbelt communities
  - Attend local Council and Assembly meetings
  - Meetings with Mayors
  - School partnership program
  - Community Open Houses
  - Customer events
  - Participate in Transportation Fairs
  - Charitable donations
  - Economic development projects
- ARRC Board of Director's External Issues Review Committee

In 1985, the State of Alaska bought the Alaska Railroad for \$22 million, becoming the railroad's official owner, and remaining so to this day.



## ➤ Railroad Corridor Management

- Real estate holdings consist of ~36,000 acres
  - 14,000 acres (38%) row
  - 8,000 additional acres (22%) operations
  - 14,000+ acres (40%) available for lease
- Permits
  - 850 active permits, 500 in ROW
  - Types - utilities (gas, electric, water, sewer), cell towers, public and private roads and crossings, trails, land use permits, track use and transloading agreements
  - ROW 2022 permit revenue = ~\$3.8 million
- Application Process
  - Easy online permitting quiz
  - Real Estate and Engineering Right of Way departments provide assistance
- Fee Structure
  - Application
    - Cost based and varies for type of permit
  - Land use
    - Fair market value





## ➤ Real Estate Leases

- The Alaska Railroad is a steward of some of Alaska's most visited and visible lands
- Some prime ARRC lands have significant untapped potential, which the corporation seeks to demonstrate to developers and the public
- Areas with exciting mixed development opportunities at present include: Anchorage's Ship Creek; Fairbanks Chena Landing's; the Seward waterfront; and land adjacent to the Seward Airport
- As Alaska grows, the Alaska Railroad seeks to attract the kind of developers and business partners that will continue to improve our economy, our visitor industry and our communities' quality of life

## ➤ Looking Back and Looking Forward...



- Addressing challenges, the Railroad will continue moving forward
- The railroad is a critical piece of transportation infrastructure in a state woefully lacking in such infrastructure
- Almost all large development projects in Alaska will need the Railroad
- Alaska has long needed a strong Alaska Railroad, and that's still true

## ➤ ARRC Centennial – 2023







THANK YOU

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