

ALASKA STATE LEGISLATURE
SENATE TRANSPORTATION STANDING COMMITTEE

February 20, 2007

1:42 p.m.

MEMBERS PRESENT

Senator Albert Kookesh, Chair
Senator John Cowdery, Vice Chair
Senator Donny Olson
Senator Bill Wielechowski
Senator Gary Wilken

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

Overview: Alaska State Railroad

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

Pat Gambell, President and Chief Executive Officer
Alaska Railroad Corporation
PO Box 107500
Anchorage, AK 99510-7500

POSITION STATEMENT: Presented overview

Bill O'Leary, Chief Financial Officer
Alaska Railroad Corporation
PO Box 107500
Anchorage, AK 99510-7500

POSITION STATEMENT: Participated in overview

ACTION NARRATIVE

CHAIR ALBERT KOOKESH called the Senate Transportation Standing Committee meeting to order at [1:42:08 PM](#). Present at the call to order were Senators Wielechowski, Cowdery, Wilken, Olson, and Chair Kookesh.

OVERVIEW: ALASKA STATE RAILROAD

CHAIR KOOKESH announced the committee would hear an overview of the Alaska Railroad.

PAT GAMBELL, President and Chief Executive Officer for the Alaska Railroad Corporation (ARC), introduced himself and Bill O'Leary, Chief Financial Officer for the ARC. He said he would be giving a briefing on the ARC's economic development and the transportation systems, using a PowerPoint packet given to the committee.

He referred to different pages for a written history of the Alaskan Railroad, and an explanation of how the ARC operates as a semi-private, independent organization. The board of directors operates as a management board, and employee retirement pensions are paid through the ARC's earnings, which are kept within the corporation itself. The ARC is the last remaining railroad in the US that offers year-round passenger and freight service.

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SENATOR COWDERY asked if any federal funds are received by the ARC.

BILL O'LEARY said that in 2007 the ARC will receive \$45 million in federal funds.

MR. GAMBELL said that the ARC's yearly operating budget is \$36 million, before upgrades and investments.

SENATOR COWDERY asked if the ARC has retirement issues similar to the State's.

MR. GAMBELL said no. He talked about the ARC's board members, and said that they are compensated \$400 for each full day of work, which is the same fee that was instated in 1985.

He said the ARC emphasizes a balance between passenger and freight traffic, which means a lower margin of profit. There is also a large interface with railroad docks in Whittier, Seward, Anchorage, and Seattle.

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SENATOR COWDERY asked if the percentage of ARC revenue originating from real estate holdings has changed in recent years.

MR. GAMBELL said the percentage has remained the same.

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MR. GAMBELL referenced a page to explain the operational tempo of the ARC, and said that it has received awards for passenger service.

He said that the freight operation uses flat cars, trailers, and containers atop flat cars.

SENATOR COWDERY asked if a profit is made from coal shipping.

MR. GAMBELL said that there is a slight profit.

SENATOR COWDERY asked for the per-ton cost.

MR. GAMBELL said he would rather not say for the record.

He explained that the real estate section of ARC revenue has been growing, including dock development and facilities organization. The ARC has just completed a five-year progress plan, and in 2007 will be creating new five-year plan. The previous plan outlined work on equipment, bridges, and improved technology and facilities. The safety record was also poor but has since been improved.

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SENATOR COWDERY asked if the ARC owns its passenger coaches.

MR. GAMBELL said that it does.

SENATOR OLSON asked if previous ARC issues were due to incompetence.

MR. GAMBELL said that the problems were a leftover issue from days when the railroad was under federal administration.

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SENATOR OLSON said that as a business, the ARC would have been considered incompetent.

MR. GAMBELL agreed that accountability is necessary. He then showed a chart detailing the 2002 assessment findings.

He explained that the ARC uses a balanced plan of operation, funding all needs across the operation, with a particular emphasis on safety. In 2006 the legislature granted the ARC approval to sell tax-free bonds for main-line railroad funding; \$165 million worth of bonds were purchased, and the first increment was sold and the rebuilding program executed with the profits in 2006.

He explained that the ARC pension fund totaled \$66 million in 2006. Currently the funding exceeds its liability by \$9.5 million.

SENATOR WIELECHOWSKI asked if there is a federal pension plan for the ARC.

MR. O'LEARY said that there is no federal pension plan.

SENATOR WIELECHOWSKI asked where the ARC stands in the collective bargaining process.

MR. GAMBELL said that the ARC negotiates with five unions.

SENATOR WIELECHOWSKI said that his constituents were concerned about the negotiating process.

MR. GAMBELL said that the ARC's track laborers are currently in negotiation, and they are happy with their wages but the union leadership is frustrated.

SENATOR COWDERY asked from where the ARC's wooden ties are procured.

MR. GAMBELL replied that the ties came from the lower 48.

SENATOR COWDERY remarked that many countries use curved all-concrete ties and asked if they are used in Alaska.

MR. GAMBELL said that two manufacturers in the lower 48 make such ties, and that concrete ties, with a 100-year lifetime, are used on the turns on ARC tracks. Wooden ties are recycled every 35-40 years.

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SENATOR COWDERY asked if wooden tie attachments are different from concrete tie attachments.

MR. GAMBELL replied they are.

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MR. GAMBELL said that ARC post-retirement medical funding is historically unfunded, and so since 2006 significant money has been put aside for such.

He said that 2006 was historically the best year for the ARC's safety record, and it keeps improving.

SENATOR WIELECHOWSKI asked if there have been any occupational health problems reported.

MR. GAMBELL said that such problems have not been reported, though that doesn't necessarily mean they don't happen. The ARC is pro-active about hearing protection and smoke inhalation prevention.

He said that the ARC is investing in a collision avoidance system utilizing satellite and GPS information, to track vehicles and switch positions and automatically avoid collisions. Operation is expected to begin in 2009.

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SENATOR WILKEN asked how much the system will have cost by 2009.

MR. GAMBELL said it will be around \$20 million.

SENATOR OLSON asked if collisions are a problem for the railroad.

MR. GAMBELL said that many such accidents have happened in the lower 48, and explained how they can have serious consequences. Alaska has had several close calls in recent years.

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SENATOR WILKEN asked how many gallons of fuel are hauled per day from North Pole to Anchorage by the railroad.

MR. GAMBELL said 700 million gallons are hauled per year, or around 1.6 million per day, on one train a day in the winter. Up to a billion gallons a year can be transported.

SENATOR WILKEN said that there is a big liability connected with fuel transport.

MR. GAMBELL said that he agreed, and the collision-avoidance system is important for preventing accidents.

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MR. GAMBELL said that the ARC 2006 season was the best on record for passenger service revenue. There was a new first-class carriage service that year, and the ARC is developing a partnership with Princess Cruises.

He explained that the ARC mission statement encourages partnership in community and economic growth.

SENATOR WIELECHOWSKI asked for the number of yearly moose kills on the rail system.

MR. GAMBELL said that 37 moose have been killed so far this year, far less than on state roads.

SENATOR WIELECHOWSKI asked if the ARC is doing anything to reduce the number.

MR. GAMBELL said that brush and snow clearing are the most effective techniques.

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SENATOR WIELECHOWSKI asked if the ARC has problems with ATVs and snowmachines on the tracks.

MR. GAMBELL said that it does, and the main problem is bridge use. Emergency braking by trains to avoid ATVs on the tracks can cause derailment and other problems.

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MR. GAMBELL explained that Diesel Multiple Units (DMU) are new engines being used by the ARC in a partnership with the Forest Service.

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MR. GAMBELL said that the ARC is interested in starting commuter service, and has ordered a car for wintertime use between the Anchorage airport and depot, with the possibility of ski-train service to Girdwood.

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SENATOR WIELECHOWSKI said that he thinks commuter trains are a great idea, and said that public opinion should be solicited.

SENATOR COWDERY asked if the Anchorage airport facility is profitable.

MR. GAMBELL said that the depot is not a money-making venture. The ARC does do business with smaller leaseholders like restaurants.

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SENATOR COWDERY asked if ARC bridges are sufficient to carry heavy loads like pipes for a gas pipeline.

MR. GAMBELL said that existing bridges are sufficient but that they are being upgraded anyway.

He explained a slide showing the results of a study on ARC economic impact which showed support of 3,000 jobs and \$150 million in payroll across the state beside the ARC's own workers. The ARC is also increasing its capital investment program, which is already at \$350 million. He then showed some slides of ARC projects in progress and development, but said that all of them are not fully funded yet.

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MR. GAMBELL said that the ARC works with the federal government on conveyance transfer, between trucks and trains and barges. He said that the ARC is in talks with Anchorage and Mat-Su governments about a ferry system.

He then showed a slide explaining day-to-day issues faced by the railroad, and explained that the right of eminent domain is a policy upheld by the railroad, but it is very contentious and rarely used.

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MR. GAMBELL said that the railroad is eligible for classification as a historical district, but such designation would mean that every action made on the railroad would have to be approved by the state Historical Preservation Office.

He said that the Transportation Security Administration visited the ARC and gave it high marks for security.

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SENATOR WIELECHOWSKI asked for the ARC's current status on pesticides.

MR. GAMBELL explained that the process for a pesticide permit is a very involved process, including public input and scientific studies, and must be renewed yearly.

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SENATOR WILKEN asked if the ARC participates in the Alaska Land Mobile Radio Program.

MR. GAMBELL said that it does.

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CHAIR KOOKESH asked for the ARC's status in relation to future federal funding.

MR. GAMBELL said that in 2001 the ARC got entitlement to federal formula funds, and that they decided to transfer to the equivalent amount of earmarked formula funds. He said that such earmark days are over, but the ARC is still eligible for Department of Defense fund appropriations.

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CHAIR KOOKESH asked how train cars manufactured in Colorado are delivered to Alaska.

MR. GAMBELL said that the cars are shipped to Seattle by train, and then barged to Whittier where they are put back on the train for further shipping.

CHAIR KOOKESH, seeing no further business to come before the committee, adjourned the meeting at [2:52:47 PM](#).