

ALASKA STATE LEGISLATURE
SENATE TRANSPORTATION STANDING COMMITTEE

March 27, 2008

1:04 p.m.

MEMBERS PRESENT

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

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

Alaska Railroad Overview

PREVIOUS COMMITTEE ACTION

No previous action to report

WITNESS REGISTER

PAT GAMBEL, President and CEO
Alaska Railroad Corporation (ARRC)
Anchorage, AK

POSITION STATEMENT: Presented an overview of the Alaska Railroad.

WENDY LINDSKOOG, Assistant Vice President
Corporate Affairs
ARRC

Anchorage, AK

POSITION STATEMENT: Answered question on the Alaska Railroad.

PHYLLIS JOHNSON, Vice President
Legal and General Counsel
Alaska Railroad Corporation
Anchorage, AK

POSITION STATEMENT: Answered question on the Alaska Railroad.

ACTION NARRATIVE

CHAIR ALBERT KOOKESH called the Senate Transportation Standing Committee meeting to order at [1:04:29 PM](#). Present at the call to order were Senators Cowdery, Olson, Wilken, Wielechowski and Kookesh.

ALASKA RAILROAD OVERVIEW

CHAIR KOOKESH announced an overview of the Alaska Railroad.

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PATRICK GAMBEL President and CEO, Alaska Railroad Corporation (ARRC), said the ARRC was spun off as a quasi-independent corporation through the Alaska Railroad Transfer Act (ARTA) and its employees get their pay and benefits from the earnings of the railroad, not the general fund. It has dock facilities in Seward, Whittier, Anchorage and Seattle.

MR. GAMBEL said the mission of the railroad is economic development on a sustainable basis. Page 6 of his handout illustrated the ways the railroad contributes to the state's economy; page 7 covered the sources of revenue; and page 8 indicated train movements and tonnage. He said that passenger service was up to over 500,000 in 2007. Page 9 shows the freight revenue mix. The ARMS/CNR segment is the railroad's ocean-going barge service between Seattle and Whittier and Prince Rupert, Canada. The export of coal as a revenue source has fluctuated.

Mr. GAMBEL said page 11 showed how the railroad's approximately 36,000 acres is distributed. Approximately half of the acreage could be leased to generate revenue although some of it is pretty remote. An entire department is responsible for the use of that property. Pages 12 and 13 demonstrated the flow of money and how it works for the railroad.

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He said that federal funds appropriated to the Alaska Railroad do not affect federal funding for other state transportation projects and that ARRC matches federal dollars with its corporate earnings. The railroad is not part of the Department of Transportation and Public Facilities (DOTPF) or the state transportation plan. The total federal grant expenditure over the last five years is approaching \$0.5 billion.

MR. GAMBEL said pages 14-15 show trends and patterns from 2002 to 2007 and that the railroad's capital investments are robust at about \$1 billion. The number of employees has not increased, but they are working overtime, so figures look like more were

added. The fleet has 50 percent new locomotives and an increasing number of passenger coaches.

Being a state railroad and moving passengers makes ARRC eligible for a variety of funds, he said. It does not rely on one single source, such as earmarks. In the last transportation authorization bill (Telecommunications Industry Liaison Unit), the railroad worked hard to reduce its match from 20 down to 9 percent. It then got the Federal Transit Administration to recognize that the ARRC passenger miles were much higher than the railroad was given credit for. This gave the railroad millions of dollars more per year. He reported that the earmarks were lost exactly the year predicted and the railroad had already transferred over to the federal formula system of entitlements given to every railroad that moves passengers on a regular basis.

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MR. GAMBEL said pages 17-18 showed more use of railroad funds including real estate development, renovations and upgrades of WWII buildings, parking lots, and trail improvements. Page 19-20 showed the state of the benefit trusts funds as of the end of 2007; the pension fund is more than fully funded at about \$9 million and the retired medical trust that was empty three years ago is now 71 percent funded. Pages 21-22 demonstrated the safety of the railroad - the best year being 2006. A lot of energy and dollars go into maintaining safety. Part of that is maintaining a healthy work force that goes home every night to their families.

MR. GAMBEL said security in the railroad before 9/11 was essentially the railroad police looking for vandals. After 9/11 security became a federal mandate and the ARRC hired a full-time security officer. It must have tested and approved plans for all places where the Coast Guard has jurisdiction, but it doesn't yet have sniffing dogs or technology that can detect molecules that may indicate problems. The railroad received \$1 million in federal grants to improve security with things like smart cameras, a track watch program, and cipher locks.

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Page 24 indicated the second five-year plan. An audit of the railroad indicated that costs should be controlled so the board looked at every effort. Page 26 shows adjusted net income from operations. Corporate net income was good and the operating ratio was lower than the year before. But what needs to be improved is the core business of operating trains. Pages 28-29

had a re-forecast the railroad's budget. In the process of creating a good budget, the railroad found out what kind of effort was needed to go after improved numbers. As a result, the adjusted net income from operations took a positive swing (\$6.9 million) as did the adjusted operating ratio. The expense side went down \$4.3 million and included positions eliminated by attrition. Three management positions were reclassified from expense to capital as well and were being paid out of federal project funds. One assistant vice presidential position was downgraded to director and another will be deleted when the holder leaves.

MR. GAMBEL said page 31 showed management's cost cutting for 2008.

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Page 34 shows the 2008 capital budget; the first two months of it are in and shows that the railroad is significantly ahead of it. The track rebuilding program is designed to go from Anchorage to Fairbanks and to be completed in 2012. It is already ahead of schedule in its third year.

Page 35 had the five-year capital budget. Projects include a Seward freight dock expansion and passenger dock rebuild, improved air quality at the coal loading facility and a rebuilt wharf at Whittier's intermodal passenger facility that can handle any ocean-going ship. The Chugach Forest Whistle Stop Service will share new self-propelled Diesel Multiple Unit (DMU) cars with the Forest Service. The railroad will have summer service to the glacier and other stops for people who want to get out to the backcountry and winter service through the Anchorage and Valley areas all the way to Girdwood. The DMU cars will be used in the winter when the Forest Service doesn't need them and run to places like Diamond Center Airport, Girdwood, and Palmer for State fair days.

Page 38 showed Anchorage projects including refurbishing the depot and the track and utility work which is already done. Page 39 showed MatSu projects with the rail extension out of Port Mackenzie at the top of the list. The railroad is a contractor on that project, but the borough is the owner and has its own project manager. Legally the railroad deals with the Surface Transportation Board that has to approve the extension.

MR. GAMBEL said page 40 listed Fairbanks projects and that included blasting around tunnels because it was becoming difficult to get the taller and wider trains through their

clearances. One tunnel partially collapsed and an employee was injured.

The railroad received \$44 million for the Tanana Bridge project south of Fairbanks. It will be Alaska's biggest bridge and the state has not had to use any state funds. The railroad is working hard to get the initial funds for the first phase of the Fairbanks Freight Rail Realignment. The Healy Canyon repair and line rebuilding has been mostly accomplished, a challenging project with its loose rock.

MR. GAMBLE said page 42 began the delineation of the benefits package.

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SENATOR WIELECHOWSKI said he's heard concerns about being able to cross tracks to get to fishing streams and hunting grounds.

MR. GAMBEL replied that it is a tough issue. As people began buying property outside of towns, in order to get to the road they needed to cross the railroad tracks. Developers have told buyers that it's not a problem because the railroad will build them a crossing, but the railroad never had any intention of building even one.

Years ago a committee was established to look at every request on a case-by-case basis. Nationally, he said, railroads are trying to close crossing; for instance, the Burlington Northern closed over 400 crossings in 2007 because of accidents and risk. A crossing needs to belong to an entity that will take responsibility for it rather than having an "orphan crossing" where a road has appeared and crossed the tracks as happened many years ago. It costs about \$3,000 a year to maintain a normal crossing and if an entity like a town takes responsibility for a crossing and funds the maintenance, the railroad will permit it.

SENATOR OLSON asked how many crossings have been closed in the recent past.

WENDY LINDSKOOG, Assistant Vice President, Corporate Affairs, ARRC, replied that maybe two or three crossings have been closed. She said she would get back with an exact number.

SENATOR OLSON asked when they were closed.

MR. GAMBEL replied that one closed in Fairbanks last year.

MS. LINDSKOOG said one was in North Pole.

SENATOR OLSON asked what provisions are in place for people who own property or have an interest on the other side of the tracks.

MR. GAMBEL replied the railroad tries to work with development people, but it is a tough problem because they want their crossing locations changed.

SENATOR OLSON asked about the Ruby crossing. He said he was sure that people have some type of investment on the other side and asked what provisions are in place if that's the case.

MR. GAMBEL replied that the Ruby crossing was an orphan crossing and was access to an industrial area for one particular company. The railroad made a provision to open it if someone needed to bring a bulk item across, but for the rest of the time it needed to be closed.

SENATOR OLSON said that having been in business himself, if he were fabricating something he would expect to have access.

MR. GAMBEL responded that the company only moves things through there two or three times a year, and the railroad has made accommodations to allow for that.

SENATOR OLSON asked what the difference was between a spur line and a main line.

MR. GAMBEL replied that the railroad doesn't own spur lines; the customer owns the spur line and usually contracts with the railroad to either maintain it or even build it. The railroad does own the mainline.

SENATOR OLSON asked if the real estate is owned by the customer, including the right-of-way.

MR. GAMBEL replied that's correct. It's their property and their responsibility to maintain the track according to federal standards provided by the railroad.

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SENATOR WILKEN asked in reference to page 20 how ARRC reached the decision in 2005 to contribute to retirement and if that would always be a line item in the budget.

MR. GAMBEL replied that the obligation was very small in 1985 and in the early days the railroad just "cash-flowed" anyone who retired or became ill. By 2005 the cash flow began to add up. The railroad made one contribution of \$600,000 or \$700,000 for this purpose specifically between 1985 and 2005. It was not to a federally-recognized account, just a bank account. By 2005 the railroad was making money and felt it had an obligation to keep its promise to its employees so it began putting money in this account on a regular basis in order to fully fund it. It is currently at 71 percent and will hopefully be fully funded in the next three years.

SENATOR WILKEN asked for confirmation that this would continue to be a cost of doing business.

MR. GAMBEL replied that the railroad would be able to pull back a little once it is fully funded.

SENATOR WILKEN asked who is going to build and pay for the MatSu spur line.

MR. GAMBEL replied the railroad would build it and the borough would identify sources to pay for it. He said there was some talk that the state might want to invest in it.

SENATOR WILKEN asked if the product to be hauled had been identified.

MR. GAMBEL replied that it's a project with a lot of potential. The oil companies have talked with the railroad about the possibility of using rail at Port Mackenzie but in very preliminary ways. UAF (University of Alaska, Fairbanks) published a study of Interior development projects that might make use of it.

SENATOR WILKEN asked if the railroad had decided what products it is going to haul or revenue stream it will use to support any debt. He also mentioned a presentation on the Knik Arm Bridge. According to the presentation, the railroad had no interest in participating because of the cost. He asked if it was true.

MR. GAMBEL replied that the railroad had been very interested in the Knik Arm Bridge when it was talked about as a concept, but when TILU was in its final stages U.S. Representative Don Young called and said the cost of attaching rail to it was too much

and would have to be cut from the project. That ended the railroad's interest.

SENATOR WILKEN went to page 41 and said he has been told that the state would have to contribute around \$20 million to \$50 million to the Tanana Bridge.

MR. GAMBEL replied that the Tanana Bridge was a component of the original line extension to Delta Junction that has been in the works for five years. The railroad got preapproval for \$500 million in tax free bonds to finance the project if the Army budget could pay the debt service. Then a lot of things happened. After 9/11 the Army decided it could no longer afford it. The railroad decided that the most important thing about the project was the ability to cross the river year round on a predictable basis. The railroad had already received Environmental Impact Statement (EIS) money for the entire line extension. So it looked good and once the Army declared the bridge a requirement, the first installment of the Department of Defense (DOD) funding, approximately \$44 million, was put forth.

In the meantime the railroad had been designing the bridge. Everybody agreed this was going to be Alaska's bridge from Canada to Fairbanks and wherever. In order to do that the 3,600 ft. bridge design had to retain the complexity for the grades, the approaches, as well as the strength to accommodate it all.

So they had the first increment and about that time our Washington delegation started picking up on the drumbeat that if the state contributed to some of these projects it would be a whole lot easier for it to get some federal money.

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MR. GAMBEL speculated if the state did kick in for the bridge, it still would require a lot of DOD money and the rail line ends up at Moose Creek leaving 18 or 20 miles to get to the bridge. The state's contribution could link the end of the rail to the bridge and then DOD could buy the bridge portion. The DOD could then use the train to cross the river and deposit troops on the other side - it would be a complete project. So it may be worthy of a contribution from the state.

SENATOR WILKEN said this bridge is more like an elevated road.

MR. GAMBEL added to keep the bridge secure in a river that tries to wander every year on its own, the engineers do what is called "training the river." An Army Corps of Engineers-approved sheet

pile project would be installed on both sides of the river to freeze the sides and protect against erosion and changing course. It would also benefit the people on the Salcha side in terms of flood control.

SENATOR COWDERY asked how much revenue the airport rail facility produces.

MR. GAMBEL replied that it's in the hole a lot with the utilities kept on all winter.

SENATOR COWDERY said that has caused a bit of contention since it was built. He asked how many vehicles use the railroad's roads.

MR. GAMBEL replied about 200.

SENATOR COWDERY asked if the railroad pays taxes.

MR. GAMBEL replied the railroad does not pay tax because it was exempted as a state enterprise.

SENATOR COWDERY asked how many are on the railroad board and who they are.

MR. GAMBEL replied there are seven board members. The chair is John Binkley and the vice-chair is Governor Sheffield. The others are Mayor Menard from MatSu, Commissioner Von Shaven of DOTPF, Commissioner Noti from the Department of Commerce, Community & Economic Development, Jack Burton, and Ori Williams, former president of Doyon.

SENATOR COWDERY asked if the railroad is set up to carry pipe for the potential gas pipeline.

MR. GAMBEL replied that the route is set up, but the railroad may need more equipment. It has already straightened track, completed resurfacing and rebuilt a lot of its 160 railroad bridges. The principle focus is to be ready for a gas pipeline.

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SENATOR COWDERY asked why the railroad isn't on the executive budget.

MR. GAMBEL replied that there were probably many reasons in the beginning, but from his perspective the spin-off from the state that was done to make this a business enterprise has worked well

since 1985. The legacy of not being taxed ensured the railroad's ability to sustain itself as well as having usable real estate and the wherewithal to be market responsive and flexible. The idea was that the railroad would make a profit that would be rolled back into it and the state coffers - as well as the communities along the rail belt.

SENATOR COWDERY asked if the public is aware of all the railroad's transactions and the salaries of its employees. He asked if it was available online.

MR. GAMBEL replied that only his salary was available online. Railroad employees are not state employees. As a self-sufficient business enterprise of the state, the privacy of employees is respected.

SENATOR COWDERY asked if Mr. Gambel negotiated contracts.

MR. GAMBEL replied that the railroad was directed to follow the state procurement and ethics rules and put out an RFP (Request for Proposal) when seeking contractors.

SENATOR WIELECHOWSKI asked if Mr. Gambel had an opinion on using the railroad's right-of-way to build a bullet line from the North Slope to South Central.

MR. GAMBEL replied that the railroad has a history of talking to corporations about it. The railroad is an instrument of the state in terms of development and this is right down its alley if it can offer a right-of-way in a productive and safe way.

SENATOR WIELECHOWSKI asked the status of the land that no longer has railroad tracks on it.

MR. GAMBEL replied that the railroad works out an agreement about moving track and an exchange of land if property of a specific entity is involved. The situation becomes more difficult where track has not been used for a long time and the right of way is eroded and has fallen into the river. This happened in Palmer with the Matanuska River. Another problem is presented by Phase 1 of the bypass in Fairbanks which goes right through the center of the North Pole. Since the town was homesteaded even before the railroad in 1914, there were former landowners. When the federal government gave the railroad its exclusive right-of-way, it could use it as a landowner, but once it was vacated, a provision in the ARTA provides for that land to be reverted.

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He explained that provision was repealed because giving the land back caused some real problems. Many people claimed they owned the land and fighting in court could have gone on for years. For instance, the borough wanted to put a recreational trail up through the old right-of-way. The railroad tried to create a means whereby the railroad could give the land back to the state and then the state could adjudicate who the former adjacent landowners were and revert the land back to them. That process is currently underway. It is the railroad's intention to return unused property; it just needed to find a way to do it.

SENATOR OLSON asked if it's now standard practice to request 200 feet of easement, 100 feet on either side of the railroad.

MR. GAMBEL replied that it is the standard right-of-way.

SENATOR OLSON asked how long it has been 200 feet.

MR. GAMBEL replied it has been that way since it was deeded over to the railroad.

SENATOR OLSON asked if there were areas that did not have 200 feet.

MR. GAMBEL replied yes.

SENATOR OLSON asked where.

MR. GAMBEL called on Phyllis Johnson to answer.

PHYLLIS JOHNSON, Vice President, Legal and General Counsel, Alaska Railroad Corporation (ARRC), replied that one of the military bases up north didn't have a 200-foot right-of-way, part of the Anchorage International Airport and a stretch on the outskirts of downtown Anchorage. She said there may be a few others areas.

SENATOR OLSON asked if all land given to the railroad was deeded over from ARTA. He really wanted to know if ARRC owns the two or three railroads ran out of Nome over 100 years ago and he wanted to know if ARRC still owned that land.

MR. GAMBEL replied no.

SENATOR OLSON went back to the reversionary clause that was repealed and asked if that meant the governor could redesignate who it belonged to or after a period of time it would go back to the adjacent owners or whoever owned it before.

MR. GAMBLE responded the period of time before reversion was 18 years.

SENATOR OLSON asked why that was repealed.

MR. GAMBEL explained what brought it to a head was that the City of Palmer wanted to build a recreational trail starting downtown on a median park strip that was railroad right-of-way - but trees were growing up where the tracks used to be. The right-of-way used to access a coal field. ARRC asked the City if it really wanted 80-car coal trains running through the middle of the town like the old days and they said it would never happen. This is a good example of the railroad never needing to use a right-of-way again and it had to decide the best way to dispose of that state land. The ARTA gave the railroad specific authority to deal it and to have fiduciary responsibility - much like Department of Natural Resources (DNR).

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The 18-year mark was approaching and the adjacent landowners were all lined up to fight it out; it was clear the borough and the city would never get that property. The reversion act was the problem and repealing it created time to deal with this property and other similar situations. The railroad got the federal language changed to delete reversion after 18 years. Subsequently the property was turned over to the city and it has become a recreational route.

SENATOR OLSON said that sounds like the government has taken private property and used it for a railroad initially and then didn't want to give it back to the people that originally owned it and he had a problem with that. It sounds like there's collusion between the governments against the landowners that used to own that area. He asked if the railroad would be opposed to putting the reversionary clause back in.

MR. GAMBEL replied the federal language would have to be changed to do that.

SENATOR OLSON remarked that he thought things could be done on the state level to address some of the problems, but he didn't see a mechanism to give property back to private landowners.

MR. GAMBLE responded the good news is that the percentage of land being discussed is very small and clustered in the Fairbanks area. The railroad is trying to live up to the spirit and intent of what the state had intended with regard to reversion. If the railroad doesn't need the property, it must be disposed returned to the state or the landowners. The railroad didn't know what the state's position would be in North Pole. The best they could figure is to revert the property to the state and then it's the state's responsibility to figure out which landowner it eventually reverts to.

SENATOR OLSON said he could see problems with people not having access to land because of no crossings, but a bigger problem exists when the railroad doesn't provide access to its outside land.

MR. GAMBEL replied, "We owe a crossing in that case" and the extension in MatSu is a good example. If that rail line was run 40 miles north without any crossings, it would create the situation Senator Olson was talking about. In that plan, the railroad would have to pay for those crossings. They would be either "split-grade" or "at-grade" depending on what the traffic would bear and what's affordable. The railroad has a responsibility to allow people access to their property. The problem arises when the railroad was there first and the people came in later, bought the property on the other side and want their own crossing but don't want to pay for it.

SENATOR OLSON asked how often that has happened compared to when people owned the land before the railroad.

MR. GAMBEL replied that most of the cases they deal with are people wanting access after the railroad has been built.

SENATOR OLSON asked for an overview of safety and the health benefits plan, and when the last accident was that resulted in death or a serious problem.

MR. GAMBLE replied the last injury in the past seven years since he's been with the railroad was a crushing injury in Whittier when rail cars were being moved on and off the barge and in the mid-90s, an employee was fatally injured on a cat by being pushed into Turnagain Arm by a snow slide. He was not aware of any before that.

SENATOR OLSON asked what the railroad has done to make sure this doesn't happen again.

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MR. GAMBEL replied the railroad spends a lot of time on risk mitigation and close-call analysis. The whole safety culture of the railroad is built around prevention. It has cancelled trains because the snowfall was unstable and has an avalanche expert on staff. It uses acoustical and laser sensors and tries to determine here the next big problem might arise. Whittier, for example, is a tough and dangerous place to operate and the only alternative to sometimes stopping operations entirely is to reduce the risk to the greatest extent possible. The railroad has basically eliminated all serious injuries over the past several years.

SENATOR OLSON commended the railroad and said he assumed the man involved in the crushing accident and the family of the man who was killed were taken care of.

MR. GAMBEL replied the state did the best it could and followed the law, but the crushed victim would never be the same. He didn't know the man's insurance situation.

CHAIR KOOKESH asked what happened to the train master who was not entirely truthful in his statement after the Whittier accident.

MR. GAMBEL replied that it was difficult to determine if he was truthful or not. It was a panic situation with a lot of people talking on the radio and yelling and trying to untangle who was saying what was difficult.

CHAIR KOOKESH asked Mr. Gambel what his conclusion was since he had been there.

MR. GAMBEL replied the supervisor was disciplined.

CHAIR KOOKESH asked in what way.

MR. GAMBEL replied that the man was not a state employee and Mr. Gambel would rather not get into the privacy of how management acted.

CHAIR KOOKESH said he was not talking about a name, just an incident.

SENATOR OLSON said the last thing he wanted was to have someone significantly injured, and judging from what Mr. Gambel said, the injured man is not satisfied with what he got. He asked if all the supervisor got as a result was a reprimand.

MR. GAMBEL said the situation was quite complicated. The supervisor was not reprimanded for the crushing incident. He was reprimanded because the employee committed an unsafe act five minutes before the accident and had he been disciplined at that moment, the accident would have been avoided. The manager did not call the employee on his error and the employee committed the unsafe act a second time, which is when the accident occurred. The employee had stepped between two cars, a totally unacceptable action. He continued:

The manger instead said, I thought I saw him do that, I wasn't real sure so I'm going to watch him more closely. He watched him. They got into the second piece of this thing. The incident happened. The manager was yelling. There was a guy on the barge yelling. They were talking over the radio. It was all happening like that and nobody knows who said what to who and whether or not it would have happened. So it's impossible to untangle a momentary situation like that. But it was clear that five minutes before we could have prevented that accident. That is what the manager was disciplined for.

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SENATOR WILKEN mentioned that Ms. Walstead who has reversionary issues with the railroad was present at the meeting. He said she supplied 10 questions to the committee. He asked Chair Kookesh if the committee could request the answers to those questions in writing.

CHAIR KOOKESH agreed to do that.

SENATOR WILKEN said he thought the answers to the questions might facilitate understanding of this issue.

MR. GAMBEL said the railroad has had a long dialogue with Ms. Walstead. He said she's a good example of what the railroad is trying to do in terms of reverting property back and he is hopeful her family will receive the satisfaction they desire regarding this issue. He said he'd be happy to answer the questions she has provided.

CHAIR KOOKESH asked Mr. Gamble to describe the percentage of Alaska hire on the railroad. He had read that one of the requirements for railroad employment is having worked for another railroad before applying to AARC and since there is only one railroad in Alaska, he asked how one gets experience if they don't come from out of state.

MR. GAMBEL replied that Alaska hire for the past five to seven years has been at about 90 percent overall. Fifteen managers and 86 union employees were hired in 2006; 2 in each category were from out of state. In 2007, 8 of 16 managers and 7 of 70 union members were hired from out of state.

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One issue that drives hiring from out of state is the quest for individuals who have specific expertise that is unavailable in Alaska. For example, the railroad needed expertise in a piece of technology that will go into all the railroad's locomotives to help make them safer. The railroad's locomotives are used all over the country and sometimes it requires an engineer or technologist who is exceptional in his knowledge of it.

However, Mr. Gamble said most hirings are from within Alaska. Employees are brought in and trained at what he calls "Choo Choo U". There are over 50 classes including leadership and management training available to over 2000 employees. When the railroad hires employees who don't have previous skills in the railroad business they are taught the new skills or sometimes the railroad may send them out of state to community colleges. These colleges have been contracted by other railroads to teach specific courses like how to become a brakeman, a conductor or a dispatcher.

CHAIR KOOKESH asked what the railroad's relationship is with the union.

MR. GAMBEL replied that it's a pretty good relationship. He said he's been involved in 11 negotiations with the union and 11 agreements have been ratified without having to go to impasse. His personal philosophy supports the idea that continued dialogue facilitates a successful relationship between the railroad and the unions. A halt in dialogue becomes a problem. He said that is the position the railroad is in now. It has received claims of unfair labor practices. The issue is now with the lawyers, but he thinks the best thing to do is get back to the table.

CHAIR KOOKESH asked if there are currently any unfair labor practices filed against the railroad.

MR. GAMBEL replied there are currently two on file. One has been filed against the railroad and the railroad has filed one against the union for a statement it made in a letter to its rank and file.

CHAIR KOOKESH asked what the status of the claims is.

MR. GAMBEL replied they are being adjudicated. Unfortunately, the union and railroad have stopped talking to each other. He has hopes they will both agree to get back to dialoguing.

SENATOR OLSON asked if the 15 managers hired in 2006 were new positions and how many managers the railroad has in total.

MR. GAMBEL replied that if an employee is not in the union, he is a manager. The railroad has 625 union members and 220 managers. Ninety-one managers manage a project, 57 manage managers, and 72 directly supervise laborers.

SENATOR OLSON said it seemed odd there would be that many managers in an operation with less than 1000 people.

MR. GAMBEL replied that management is a broad encompassing term as used by the railroad, and that many who come under that category aren't supervising anyone. Often they are budget analysts or schedulers for the maintenance computer system. The overall ratio of those who directly manage someone in the labor force is about 1 supervisor for 9 employees.

SENATOR COWDERY asked what percentage of the railroad's income comes from freight.

MR. GAMBEL replied 70 percent and that figure appeared on page 7; real estate provides 11 percent. He said the overall percentages have changed slightly. Passenger service has picked up a lot and freight is slightly down about 5 percent.

SENATOR OLSON asked if anyone outside the railroad reviews the budget.

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MR. GAMBEL replied the budget goes through the railroad's board first and then it must be submitted annually to the legislature. No one has ever commented on it.

SENATOR OLSON asked if anyone approves it.

MR. GAMBEL replied that no one approves it except the board.

CHAIR KOOKESH said he tried to get an overall picture of the railroad because he's from Southeast Alaska. He wanted to invite unions and employees to the committee to get a broad overview so he contacted the other unions (that weren't currently negotiating with the railroad), but while they didn't say anything, he felt there was an intimidation factor or fear of being retaliated against. He asked if Mr. Gambel had any opinion about that.

MR. GAMBEL replied that if he found out that someone in his organization was doing that, it would be a pass/fail item with him. As much as he has tried to put his employees at ease, he said that when he came on with the railroad seven years ago, he heard that story a lot. He said his success and his training in the past has been dependent on taking care of the people that are doing the job they have been asked to do. If anyone in the supervisory chain tries to stifle that, he has encouraged his employees to tell him. The only limit is if Mr. Gambel is in negotiation with a union he's not able to talk about the negotiation at that particular time. However, if it's other than union business, his door is always open.

CHAIR KOOKESH said he appreciated having that on the record. He'd like to be able to invite unions and employees to any future hearings.

MR. GAMBEL said he would encourage the union to be as forthright as he has been.

CHAIR KOOKESH thanked everyone for their comments and there being no further business to come before the committee, he adjourned the meeting at [2:50:36 PM](#).