

ALASKA STATE LEGISLATURE
SENATE TRANSPORTATION STANDING COMMITTEE

March 16, 2023

1:30 p.m.

MEMBERS PRESENT

Senator James Kaufman, Chair
Senator David Wilson, Vice Chair
Senator Löki Tobin
Senator Jesse Kiehl
Senator Robert Myers

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

PRESENTATION: ALASKA RAILROAD CORPORATION OVERVIEW

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

BILL O'LEARY, President & CEO
Alaska Railroad Corporation
Anchorage, Alaska

POSITION STATEMENT: Provided the Alaska Railroad Corporation Overview.

BRIAN LINDAMOOD, Vice President of Engineering
Alaska Railroad Corporation
Anchorage, Alaska

POSITION STATEMENT: Responded to questions pertaining to the Alaska Railroad Corporation Overview.

CLARK HOPP, Chief Operating Officer
Alaska Railroad Corporation
Anchorage, Alaska

POSITION STATEMENT: Responded to questions pertaining to the Alaska Railroad Corporation Overview.

ACTION NARRATIVE

[1:30:29 PM](#)

CHAIR JAMES KAUFMAN called the Senate Transportation Standing Committee meeting to order at 1:30 p.m. Present at the call to order were Senators Myers, Wilson, and Chair Kaufman. Senators Kiehl and Tobin arrived thereafter.

OVERVIEW: ALASKA RAILROAD CORPORATION

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CHAIR KAUFMAN announced an overview of the Alaska Railroad Corporation.

BILL O'LEARY, President & CEO, Alaska Railroad Corporation, Anchorage, Alaska, presented The Alaska Railroad Corporation Overview. He recognized the senior members of the Alaska Railroad Corporation who were available to contribute to the presentation online. He expressed appreciation for the guidance offered prior to the hearing. The guidance allowed him to prepare a targeted overview for the committee.

CHAIR KAUFMAN announced that Senator Kiehl joined the committee meeting.

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MR. O'LEARY began the presentation with slide 2, "Purpose of presentation." He explained that the presentation was divided into two categories: background and challenges.

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MR. O'LEARY moved to slide 3, "Safety." He explained that safety was a core value of the Alaska Railroad Corporation. He pointed to the pictures on the left side of the slide depicting social media posts with people engaging in dangerous railroad track practices. He noted that the picture on the right depicts an avalanche crossing the railroad tracks. He stated that Alaska provides a beautiful and dangerous environment.

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MR. O'LEARY moved to slide 5, "Quick Facts." He explained that the state purchased the railroad from the federal government in 1985. The federal government completed the construction of the railroad in 1923. The state established the railroad as a unique state-owned corporation. He clarified that the corporation operated independently. The corporation is charged with self-

sustaining practices and must profit each year to maintain the massive infrastructure. He acknowledged that the corporation looks like a private enterprise, while in reality it is government-owned. He stated that the corporation's mission is focused on service to Alaska's economic development.

MR. O'LEARY stressed that state general funds are not used to support the railroad. The corporation is self-sustaining through federal contributions and revenues earned. He added that the railroad employees are corporation employees versus state employees. The corporation debts are not owned by the state. He explained that corporation profits are redirected to infrastructure improvements.

Senator Tobin joined the hearing.

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MR. O'LEARY continued to provide background information about the Alaska Railroad Corporation. He stated that the governor appoints the seven-person board of directors. He remarked that the corporation employes approximately 600 employees year round, increasing in the summer season. He moved to slide 6, "Challenges." He noted that challenges are the focus of the remainder of the presentation.

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MR. O'LEARY moved to slide 7, "Hierarchy of Goals."

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

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SENATOR MYERS asked about real estate services. He interpreted the statute to identify railroad operations as an essential government function. He did not interpret the statute to include real estate as an essential government function.

MR. O'LEARY replied that real estate is a core function of the Alaska Railroad Corporation. He stated that the mission involves real estate because the corporation serves as a steward of 36 thousand acres of land. He argued that real estate services encompass a core component of the Alaska Railroad Corporation.

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MR. O'LEARY moved to slide 8, "2018-2023 Strategic Plan."

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

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MR. O'LEARY stated that items 1 and 2 of the strategic plan relate to slide 9, "Financial."

Expand Business by Growing and Diversifying Revenue

Improve Profitability by Optimizing Cost Structure

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MR. O'LEARY moved to slide 10, "Net Income and Revenue Sources." He explained that the corporation manages accounting with net income similar to private enterprise accounting. He pointed out that the corporation utilizes the calendar versus the fiscal year. He spoke to the graph on the left depicting the corporation's net income over the last 11 years. He pointed to the fiscal strength displayed since the pandemic. He highlighted the unaudited net income of approximately \$40 million in 2022.

MR. O'LEARY turned to the graph on the right of slide 10, "2022 Revenue Sources Unaudited," and highlighted freight revenue as the greatest category of revenue. He noted that passenger and real estate activity follow in revenue earnings. He added that grant revenue contributes to federal formula funds. He stated that the majority of grant funds contribute to capital projects.

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SENATOR WILSON asked about federal Infrastructure Investment and Jobs Act (IIJA) funds. He wondered about additional federal funds to further support the Alaska Railroad Corporation.

MR. O'LEARY replied that the corporation is actively pursuing multiple grants. He explained that federal funds are received through a formula. The corporation is also eligible for competitive grants.

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SENATOR WILSON commented that other entities and communities work with a variety of stakeholders to create a collaborative approach to grant writing. He wondered if the railroad corporation sought such collaboration with local municipalities who might benefit from expansion.

MR. O'LEARY replied yes. He stated that the railroad submitted a collaborative application with the Fairbanks North Star Borough and the Matanuska-Susitna Borough to extend rail alignment to Port MacKenzie. He spoke about a recent joint application submitted with the Municipality of Anchorage for a project in the Port of Alaska. The project will shift some corporation intermodal facilities to the Port of Alaska.

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MR. O'LEARY moved to slide 11, "Passenger Operations." He explained that the gold color represents passengers in cruise and contract railcars. He added that the blue bars represent Alaska Railroad Corporation Ridership. The impacts of the Covid-19 pandemic were notable in 2020 and 2021. He highlighted the strong recovery in 2022.

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MR. O'LEARY moved to slide 12, "What's Next - Passenger Service." He highlighted upcoming plans for passenger service. He added that the Alaska Railroad Corporation sought to improve and increase service.

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MR. O'LEARY moved to slide 13, "Freight Operations." He characterized the graph as "sad" because of the significant decline in railroad activity over the past 10 years. He noted that the refinery in Fairbanks was the largest freight customer in past years. He pointed to the upswing in freight operations in 2022. The corporation predicts another good year as development on the North Slope continues.

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MR. O'LEARY moved to slide 14, "What's Next - Freight Service."

- Unaudited 2022 freight revenue was 42.1 percent over 2021
- LNG Opportunities
 - Reapplied for FRA approval
 - High oil prices could be catalyst
 - Need anchor tenant

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SENATOR MYERS asked about the liquefied natural gas (LNG) shortage in the Anchorage Area. He wondered why the corporation viewed LNG as a growth potential.

MR. O'LEARY replied that recent LNG developments on the North Slope may impact the growth potential. He spoke about "groups out there" who propose northbound LNG transport. He opined that the arrangement could provide the Interior with lower cost and environmentally friendly fuel.

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MR. O'LEARY continued to describe the bullets on slide 14.

- Interline barge service
 - Seattle to Whittier-extra barges above schedule
 - Willow and Pikka development could cause higher growth in supply demand
- Military opportunities
 - F-35 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

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SENATOR WILSON asked about railcars that arrive full of cargo from the Lower 48. He wondered how ARRC inspects the railcars arriving by barge from other railroads.

MR. O'LEARY responded that the cars arriving from the Lower 48 are termed backhaul. He explained that the corporation attempts to coordinate backhaul for reuse or return.

SENATOR WILSON asked if the cars return empty. He wondered who covers the cost of the transport.

MR. O'LEARY responded that the Alaska Railroad Corporation does not own backhaul cars. The cars travel north from the Lower 48 on the railroad's barge. He added that ARRC performs safety inspections on backhaul cars.

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MR. O'LEARY moved to slide 15, "Real Estate Revenue." He stated that the vast majority of real estate revenue is driven by leases and permits. He explained that governmental entities, the private sector and others lease land from the corporation. He added that real estate revenue provides a key piece of the financial puzzle. Real estate revenue provides a consistent source of income for the railroad. Land use is a preferred method for economic development.

MR. O'LEARY displayed slide 16, "What's Next - Real Estate."

- Recent Land Trades/Sales
 - 2021 Eklutna land trade supports residential & industrial developments

- Ship Creek Development
 - Residential & industrial opportunities
 - The Edge Development
 - 49th State Brewing

- Wetlands Mitigation Bank

- South-end Land and Facilities
 - Seward Passenger Dock Replacement
 - Seward Freight Dock Expansion and Transportation Corridor upgrades
 - Whittier Terminal Master Plan

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SENATOR TOBIN asked about the Downtown Edge housing development. She wondered whether the corporation planned to build additional housing developments in Anchorage.

MR. O'LEARY replied that Downtown Edge is one of the first new housing developments built in downtown Anchorage in several years. The development was built on leased ARRC property and the

housing units are selling well. He remarked that the corporation intends to develop its land holdings.

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MR. O'LEARY transitioned to the third item on the strategic plan relating to capital investments. The intention is to balance the Capital Program to optimize safety, revenue, and efficiency.

MR. O'LEARY moved to slide 18, "ARRC Capital Budget Process - an Overview."

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 and Telecommunications and Financial Planning and 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 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.

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MR. O'LEARY moved to slide 19, "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 five 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 table do not include Seward investments (previously approved)

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MR. O'LEARY moved to slide 20, "Major Focus on Bridge."

- 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 Alaska Railroad Corporation (ARRC)

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CHAIR KAUFMAN asked whether the corporation utilizes drones for bridge inspections.

MR. O'LEARY replied that ARRC has a drone program that hasn't reached its full potential. He predicted that drones will be used for emergency events.

CHAIR KAUFMAN offered to provide a connection to the University of Alaska Fairbanks drone program managers.

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SENATOR WILSON asked about employment at ARRC following the Covid-19 pandemic.

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MR. O'LEARY replied that the railroad made the decision to retain employees through the pandemic. He remarked that the decision provided advantages for the corporation's workforce. He expressed difficulty hiring seasonal staff and ARRC is working to establish incentives such as hiring bonuses.

SENATOR WILSON asked whether ARRC was considering the use of autonomous trains.

MR. O'LEARY denied support of autonomous trains in the complex Alaskan environment.

SENATOR WILSON stated he asked because of the increased popularity in unmanned vehicles. He understood that rural areas provide testing and training advantages.

MR. O'LEARY agreed that the interest in unmanned vehicles exists; however, the unique geographical situation in Alaska makes the new technology less appealing.

CHAIR KAUFMAN stated that autonomous train technology is primarily utilized on light rail trains.

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SENATOR MYERS pointed to the railroad's employment contracts. He asked whether ARRC offers a defined benefit or a defined contribution retirement plan.

MR. O'LEARY replied that ARRC offers a defined benefit plan with two tiers and a 401K program.

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MR. O'LEARY skipped to slide 22, "ARRC Whittier Terminal Master Planning."

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 percent by MARAD (US DOT-Maritime administration and 20 percent by ARRC

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MR. O'LEARY moved to slide 23, "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.

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MR. O'LEARY moved to slide 24, "ARRC Invests in Seward Infrastructure."

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 percent 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

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MR. O'LEARY moved to slide 25, "ARRC Seward Passenger Dock Project."

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

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MR. O'LEARY moved to slide 26, "Freight Dock and 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 1000 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

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MR. O'LEARY moved to slide 27, "Rail Extensions and Realignments."

Rail Extensions and Realignments

- 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

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SENATOR MYERS recalled conversations over the last two decades related to the Fairbanks rail realignment project. He understood that the project entailed pulling the rail out of Fort Wainwright, Badger Road and portions of the North Pole area. He heard that the project preparation ceased in 2010. He asked the reasons for the change of plans.

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MR. O'LEARY remembered that insufficient funding was the reason for the cancellation. He spoke about rail realignment in Fairbanks and discussions about removing the railyard from downtown Fairbanks. The railyard project is also massive and lacks sufficient funding.

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SENATOR MYERS understood that relocating the railyard would be a massive burden. He wondered about realigning portions of the track to allow the train traveling to North Pole to travel west initially. He understood the issue to be less about insufficient funding and more about ARRC's reluctance to relinquish the land required for the rail realignment plans.

MR. O'LEARY offered to ask his fellow board members.

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BRIAN LINDAMOOD, Vice President, Engineering - Alaska Railroad Corporation, Anchorage, Alaska, stated that he was unfamiliar with the effect of legislation leading to the transfer of ARRC land.

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SENATOR MYERS requested a follow-up response from ARRC about the Fairbanks rail realignment plans.

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MR. O'LEARY moved to slide 28, "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**
 - 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

- The original cost estimate was about \$1 billion. Estimate now \$1.7 billion
- DOD was the main funding source for initial planning, environmental and Phase 1. Public-private partnership explored as future funding option

MR. O'LEARY moved to slide 29, "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)

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CHAIR KAUFMAN asked about a future bridge or port required for the Port MacKenzie Rail Extension.

MR. O'LEARY replied that the well-funded extension project generated commercial interest. With reduced funding, the commercial interest also decreased. He commented that ARRC must generate a business case to justify providing the service, should the capital funding be identified.

MR. O'LEARY transitioned to the fourth item on the strategic plan which is safety. The intention is to build a proactive culture of safety and engagement. Safety is a key element to running a successful railroad.

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MR. O'LEARY moved to slide 31, "2023 Safety Goals and 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)

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MR. O'LEARY moved to slide 32, "Reportable Injuries 10 Year History." He pointed to the graph depicting casualty rates as prescribed by the ARRC regulator. The graph detailed ten years of recorded injuries. He stated that the trend was improving. The railroad corporation strives for continual improvement.

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SENATOR TOBIN asked about the graph. She understood him to say that the graph shows a rate of 8 incidents per 200 hours.

MR. O'LEARY corrected that the graph depicts 200 thousand hours with the number of incidents divided by the number of person-hours worked. The formula creates the casualty rate.

SENATOR TOBIN clarified that the chart depicts 8 incidents per 200 thousand hours over a prescribed time period.

CHAIR KAUFMAN asked whether reportable cases were those requiring first aid.

MR. O'LEARY responded that ARRC follows specific criteria as defined by the regulator.

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SENATOR TOBIN asked how many person hours are typical in a year with ARRC.

MR. O'LEARY deferred the question to the corporation's chief operating officer.

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CLARK HOPP, Chief Operating Officer, Alaska Railroad Corporation, Anchorage, Alaska, responded that 200 thousand man hours roughly equates to 100 employees working an entire season. He reported a reportable injury rate of four over the last few years, equating to four reportable injuries for every hundred railroad employees. He agreed with Senator Kaufman that a reportable injury is one that requires first aid. He added that a small laceration requiring a band-aid is a reportable injury. He stated that the railroad also tracks lost-time incidents, meaning that if a person twists an ankle and is off work for a few days, that is reported as a lost-time injury. The lost-time injury rate is typically half of the casualty rate.

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MR. O'LEARY moved to slide 33, "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

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CHAIR KAUFMAN pointed out the short span of the Alaska railroad. He assumed that the shorter distance allowed for optimal inspection. He asked if ARRC's inspection schedule was compared to other railroads in the Lower 48.

MR. O'LEARY replied that the distance between detectors is better than average for ARRC. He stated that power issues are significant for ARRC, so the use of solar power and generators provide optimal solutions. He stated that the detector study offered robust data to benefit the program.

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CHAIR KAUFMAN remarked that a recent Department of Transportation and Public Facilities (DOTPF) presentation revealed the use of data for greater predictability. He opined that implementing an initiative-taking bridge inspection regimen would reduce the cost of bridge replacement. He encouraged the

leveraging effect of drone technology to fully map the underside of the bridges. He wondered if ARRC used predictive analysis for infrastructure inspections.

MR. O'LEARY relayed that ARRC follows a prescribed inspection schedule for all railroad equipment. He explained that the corporation was striving to inspect efficiently. He stated that ARRC was subject to transit asset management system requirements by virtue of federal funding. The federal funding requirements are tied to the prescribed inspection schedule, which serves as a benefit to ARRC. He added that the inspection data allow for better predictions and better outcomes.

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MR. HOPP provided two examples of predictive analysis. He spoke about the recent installation of a bearing acoustic monitoring system to address the danger of hot bearings. He added that the standard hot bearing detection involves detectors along the wayside that measure heat on the train as it travels by. The detection of higher heat leads to alarms prompting a visual inspection of the bearing. With bearing acoustic monitoring, the system is "listening" for signs of bearing failure. He expressed pride in ARRC's use of predictive technology.

MR. HOPP continued with a second example. He remarked that ARRC is the only short-line railroad with its own geometry car. That is a boxcar with the ability to predict track flaws or deviations before the track falls out of class. He furthered that track structures must remain in a certain class.

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SENATOR KIEHL recalled that the last earthquake revealed evidence of old buried railroad ties and tracks in the soil. He wondered if the legacy problems require a rebuild to modern standards.

MR. HOPP replied that ARRC was down for six days after the earthquake in 2018. He agreed that the event revealed old bad practices which have since been addressed. He added that outdated processes are revealed via these predictive assessments, often before becoming problematic.

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MR. O'LEARY transitioned to the fifth item on the strategic plan which is engagement. The intention is to enhance economic development, stewardship and stakeholder relations.

MR. O'LEARY moved to slide 35, "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

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CHAIR KAUFMAN expressed two concerns related to the railroad. The first concern involves constituent requests for an increased railroad presence. The second concern relates to interface management. He asked how a public or private entity establishes an interface with ARRC. He wondered how an entity might establish proactive engagement with the railroad corporation. He reported that constituents approach him as a legislator and chair of the Senate Transportation Standing Committee asking how to interface more proactively with the railroad corporation.

MR. O'LEARY suggested initiative-taking engagement. He agreed that issues simmered over the years and open discussion was lacking. He encouraged entities with issues to approach senior ARRC management for an appropriate process or answer.

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SENATOR WILSON wondered if the 850 active permit holders might prefer an improved dispute process. An improved dispute process might involve public interaction or third-party involvement. He revealed that his constituents also report seeking better communication with ARRC.

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MR. O'LEARY replied that open communication is the best way to resolve issues. He acknowledged that the railroad is also guilty

of mistakes. He advocated for open discussions. He remarked that the creation of a review committee addresses communication needs. He stated that if a person or entity remains unsatisfied following a discussion with the appropriate ARRC personnel, then a board discussion is the next step.

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CHAIR KAUFMAN referenced his experience with quality management and the concept of "voice of the customer." He recalled committee members discussing the importance of the customer's voice in an organization. He wondered how a concerned person or entity might penetrate the tough exterior of ARRC to air concerns. He looked forward to further conversations with ARRC about these concerns.

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MR. O'LEARY moved to slide 36, "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

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MR. O'LEARY moved to slide 38, "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

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MR. O'LEARY moved to slide 39, "ARRC Centennial - 2023." He declared that the Alaska Railroad is 100 years old and celebrating its centennial on July 15, 2023. He expressed excitement about the celebration of an important institution for Alaskans.

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SENATOR WILSON expressed appreciation for the presentation.

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CHAIR KAUFMAN stressed his advocacy for long-term strategic plans. He hoped to utilize the guidance for all agencies as they develop and execute plans.

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There being no further business to come before the committee, Chair Kaufman adjourned the Senate Transportation Standing Committee meeting at 3:00 p.m.