

**ALASKA STATE LEGISLATURE**  
**HOUSE TRANSPORTATION STANDING COMMITTEE**

February 27, 2025

1:07 p.m.

**MEMBERS PRESENT**

Representative Ashley Carrick, Co-Chair  
Representative Ted Eischeid, Co-Chair  
Representative Genevieve Mina  
Representative Louise Stutes  
Representative Elexie Moore

**MEMBERS ABSENT**

Representative Kevin McCabe  
Representative Cathy Tilton

**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:** Co-presented a PowerPoint on the Alaska Railroad Corporation.

MEGHAN CLEMENS, Director  
External Affairs  
Alaska Railroad Corporation  
Anchorage, Alaska

**POSITION STATEMENT:** Co-presented a PowerPoint on the Alaska Railroad Corporation.

**ACTION NARRATIVE**

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CO-CHAIR CARRICK called the House Transportation Standing Committee meeting to order at 1:07 p.m. Representatives Moore, Mina, Eischeid, and Carrick were present at the call to order. Representative Stutes arrived as the meeting was in progress.

**PRESENTATION: Alaska Railroad Corporation Overview**

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CO-CHAIR CARRICK announced that the only order of business would be a presentation by the Alaska Railroad Corporation.

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BILL O'LEARY, President, CEO, Alaska Railroad Corporation (ARRC), co-presented the PowerPoint on the Alaska Railroad Corporation [hard copy included in the committee file]. On slide 2, he pointed out the agenda for the presentation. He noted ARRC's mission statement, as seen on slide 3, which read as follows [original punctuation provided]:

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.

MR. O'LEARY overviewed important facts about the Alaska Railroad, as seen on slide 4. He stated that the federal government had originally owned the railroad, but in 1984, it was sold to the state. He expressed the understanding that this sale happened because the railroad was in disrepair, and the federal government "was looking to unload the asset." He stated that after the sell, the railroad was set up as an independent state corporation. He explained that this is unique because the employees would be managed independently, while the governor would appoint ARRC's seven-member board of directors. He continued that ARRC is a self-sustaining corporation that does not rely on the state for funding and legal obligations. He pointed out that profits would be used in its capital budget to sustain the railroad. He discussed the railroad's infrastructure and employees, as seen on the slide.

MR. O'LEARY listed ARRC's strategic goals, as seen on slide 5, which read as follows [original punctuation provided]:

1. Build a Proactive Culture of Safety and Excellence

2. Enhance Stewardship and Stakeholder Relations
3. Grow Revenue by Sustaining and Expanding Business Opportunities
4. Improve Profitability through Operational and Administrative Efficiencies
5. Optimize Capital Program Investment and Management
6. Enhance Economic Growth through Rail and Real Estate Development

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MEGHAN CLEMENS, Director, External Affairs, Alaska Railroad Corporation, co-presented the PowerPoint on the Alaska Railroad Corporation. She explained several of the strategic goals, beginning with safety, as seen on slide 7 and slide 8. She explained that safety is the railroad's top priority, and ARRC looks at this from several different angles. She discussed ARRC's employee safety program, its public safety awareness campaign, and its emergency training program that is coordinated with local agencies. She moved to slide 9 and stated that the Alaska Railroad is working to be a "good neighbor" by engaging with the public. She listed different events, partnerships, and projects concerning ARRC's efforts toward community engagement.

MS. CLEMENS moved to slide 10 and discussed ARRC's financial plan, which is to grow revenue by sustaining and expanding business opportunities and improving profitability through efficiencies. She did a breakdown of this plan into ARRC's different business and service lines, as seen on slide 11 through slide 17. She began by addressing freight services, stating that this creates the majority of ARRC's revenue. For moving heavy freight and bulk commodities in the state, she asserted that using the railroad would be the most cost-efficient method. She noted that ARRC owns freight docks in Seward and Whittier, and it has tracks to the port in Anchorage. She discussed the rail-barge service, which connects Alaska with the Lower 48.

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MR. O'LEARY, in response to a question from Co-Chair Eischeid, said that ARRC has not analyzed any potential financial impacts from trade tariffs, as the tariffs have not yet been realized.

MS. CLEMENS, in response to a question from Representative Moore, stated that ARRC owns three docks in Seward. She stated that the export coal dock still exists, but the conveyor belt is

being removed. She noted that the Usibelli Coal Mine had been this dock's anchor tenant when it was in operation. In response to a follow-up question, she stated that an upcoming slide would address the railroad's revenue from its freight operations.

MS. CLEMENS continued discussing the railroad's freight operations. She moved to slide 12, which graphed the volume of the cargo hauled by the railway by year. She moved to slide 13 and slide 14, pointing out that the Alaska Railroad is best known for its passenger services. She stated that ARRC operates year-round regular passenger service, and it also partners with the tourist industry, providing access across the state to visitors. She added that the railroad connects visitors between the airport in Anchorage and cruise ship ports. She pointed out that the railroad offers flag stop service, which is the last type of this service in the country. She explained that this provides service to Alaskans living off the road system.

MS. CLEMENS, in response to a question from Representative Mina, noted that ARRC has done a commuter rail study for the Matanuska-Susitna Valley. She discussed the financial aspect of providing this service, pointing out that it would need to be heavily subsidized because it would be expensive.

MS. CLEMENS, in response to a question from Co-Chair Carrick, clarified that the train flag stops would be north of Talkeetna to Hurricane Gulch. She pointed out that in this area the highway and the rail tracks have diverged, and individuals with properties off the road are able to flag down a train.

MS. CLEMENS, in response to a question from Representative Moore, stated that there has been no breakdown of the different cargo revenues into percentages; however, an upcoming slide would show the overall freight revenue.

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MS. CLEMENS pointed out the railroad's passenger ridership graphed by year on slide 14. She explained that the bars in the graph have been divided between Alaska Railroad ridership and cruise and contract ridership. She pointed out on the graph the effect of the COVID-19 pandemic in 2020, noting that ridership has since rebounded. On slide 15 and slide 16, she spoke to ARRC's real estate element of its revenue. She explained that when the federal government sold the Alaska Railroad to the state, the ownership of 36,000 acres of land came with the sell. She stated that around half of this acreage is available for

leasing. She noted that while this is a small portion of the railroad's revenue, it is one of the most consistent. She displayed the graph on slide 16 of real estate revenue by year.

MS. CLEMENS moved to slide 17 and reviewed ARRC's net income and revenue sources. She stated that the graph shows a yearly breakdown of each source. She noted that the dip in revenue in 2024 had been the result of a delay in awarded federal funds. She pointed out that the pie chart shows a breakdown by business line of the railroad's revenue sources. She indicated that freight would make up just under half of ARRC's total revenue. She added that all income would be invested in the railroad's capital program to maintain and improve infrastructure and operations.

MR. O'LEARY, in response to a question from Representative Moore, explained that the "other" category on the pie chart is variable, as it represents things such as interest earnings and gains from sold assets.

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MS. CLEMENS discussed ARRC's capital investment plan, which was covered on slide 18 to slide 23. She pointed out that for 2025, the railroad's capital budget would be just over \$160 million, as seen on slide 19. She added that federal grant awards have funded \$90 million of this. She projected that over the next five years over \$600 million would be invested in railroad infrastructure and equipment.

MS. CLEMENS, in response to a question from Co-Chair Carrick, stated that an Alaska to Alberta rail line would require a large investment from both the U.S. and Canada. She stated that the Northern Rail Extension would be discussed on a future slide.

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MS. CLEMENS moved to slide 20 and pointed out the chart of competitive federal grants received by AARC, and the match rates AARC paid. Concerning the projects associated with the grants, she noted that many are infrastructure grants, such as the \$25 million grant to rehabilitate the Hurricane Gulch Bridge. On slide 21, she further discussed the railroad's capital investments. She stated that its biggest line items are bridges and tracks, and the plan is to replace 60 bridges over the next decade. She stated that a significant portion of the railroad's infrastructure is over 100 years old. She added that the goal

is to replace around 50,000 railroad ties every summer. She noted that federal funding would go towards these infrastructure projects. On slide 22, she stated that the board has authorized just under \$10 million to buy new locomotives and flat cars, as both the passenger and freight businesses are growing. She noted that the freight business supports the North Slope. On slide 23, she discussed the Whittier Terminal Master Plan. She stated that this would update and redevelop the terminal, with a projected completion date in the summer of 2025.

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MR. O'LEARY discussed ARRC's economic development plans, as seen on slide 25 to slide 33. He noted that expanding the railway's existing infrastructure would be seen as economic development. He said ensuring that the rail system is safe would also be seen as economic development. Concerning infrastructure investments, he pointed out the plan to expand the freight dock and build a new cruise ship dock in Seward. On slide 26, he gave the details on the freight dock expansion project in Seward, noting that this expansion would accommodate growth. On slide 27 to slide 29, he spoke about the Seward cruise ship dock rebuild, as the current dock is aging and failing. He noted the current high cost of maintaining the dock for safety. He stated that the plan would create accessibility for the largest cruise ships serving the state. He discussed the funding and revenue bonds for this project, noting that the Royal Caribbean Group would secure these bonds, as it would be the anchor tenant with a 30-year contract. He noted that this is one of the key gateways for passengers coming to Southcentral Alaska.

MR. O'LEARY discussed the Port MacKenzie Rail Extension project, as seen on slide 28 to slide 32. He explained that this is a Matanuska-Susitna Borough project, with the railroad acting as the project manager. He pointed out that state appropriations had been obtained to build the 32-mile link from the port to Houston; however, after infrastructure work began, costs have increased, and now additional funding is needed for the completion of the project. He added that ARRC is working on a funding packet; however, he said, "There's not going to be one silver bullet that gets this done." On behalf of ARRC, he expressed support for the rail extension project. He noted the work ARRC is doing with partners for economic development. These partners include private industry, the state government, and the federal government. He noted that ARRC would submit a Consolidated Rail Infrastructure and Safety Improvements (CRISI)

grant application in the summer of 2025. He discussed the future funding that would be needed for this expansion project.

MR. O'LEARY moved to slide 31 and discussed the Northern Rail Extension project. He noted that this project has had some funding over the last two decades; however, it also has not been completed. He noted that this rail extension would take passengers within 200 miles of the Canadian border. He stated that this project had coincided with a private project to develop a rail extension from Alaska to Alberta; however, this project has also stalled. He explained the current investment and construction for the Northern Rail Extension project, noting that around \$184 million has already been invested. He noted that this funding came from both the state and the U.S. Department of Defense, as the railway would provide transportation to military training grounds. He stated that this project has also stalled because of the rise in construction costs. He noted that there are several phases remaining for this project; however, ARRC has not worked through the estimate for completion. He suggested that \$1.7 billion would be needed to reach the goal of a railway to Delta Junction.

MR. O'LEARY discussed economic development through partnerships, explaining that the Alaska Railroad would not be able to accomplish the rail extension projects on its own. He noted its partnerships include the Alaska Congressional Delegation, the state government, the U.S. Department of Transportation, the Alaska Industrial Development and Export Authority (AIDEA), private industry, the military, Canada, and others.

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MR. O'LEARY, in response to a question from Co-Chair Eischeid, stated that ARRC has a "solid working relationship" with AIDEA, and they have ongoing conversations on intersecting developmental projects. He noted that the Port Mackenzie project would be a "great" example; however, nothing has been agreed upon.

REPRESENTATIVE STUTES pointed out the conflict concerning easements between the Alaska Railroad and its neighbors. She questioned whether there has been a resolution.

MR. O'LEARY, in response, stated that the railroad bisects the state with 700 miles of track; therefore, neighbors could be impacted. Concerning the Flying Crown Subdivision, he stated

that this group has been vocal about land ownership issues, which were created when the ownership of the railroad was transferred from the federal government to the state. He discussed the details of the conflict, expressing the opinion that the situation had been ongoing and difficult; therefore, ARRC went to the courts to obtain clarity. He stated that a quiet title action was filed in federal court, which resulted in a ruling in favor of ARRC. He noted that the decision had been appealed, and it eventually went to the Supreme Court of the United States, where the original court decision was upheld. He explained that this was not a punitive action by ARRC, and it was renegotiated so that the Flying Crown Subdivision would have a no-fee renewable permit. He expressed the opinion that a level of understanding has been reached.

REPRESENTATIVE STUTES expressed appreciation that there has been some resolution.

CO-CHAIR CARRICK questioned whether AARC's challenges with pre-statehood homesteaders have been resolved.

MR. O'LEARY, in response, stated that there have been issues with homesteaders on the rail line from Fairbanks to North Pole. He stated that he understands their position; however, he asserted that the railroad's position is valid, and there has been no revenue sharing in result. In response to a follow-up question, he stated that the rail lines around the homesteaders have not changed since before statehood ownership.

MR. O'LEARY concluded the presentation on slide 34. He expressed the opinion that Alaska has been "fortunate" to have purchased the railroad, as it is an asset beneficial to the residents of the state. He noted that the railroad does not receive funding from the general fund. He indicated that there have been challenges, but the railroad has proven to be resilient. He asserted that the employees of the railroad are committed to the organization and its mission. He expressed appreciation to Representative Stutes for her work on the Seward bond bill. He encouraged outreach concerning any issues with ARRC.

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CO-CHAIR CARRICK pointed out that the resident passenger rate is the same as the tourist passenger rate for the railroad. She questioned why this could not be changed.

MR. O'LEARY, in response, stated that a resident rate was offered in the past; however, now the railroad receives federal funding, and this funding does not allow for a geographical cost differential for the same services. He pointed out that the Alaska Railroad has some trains geared towards residents.

REPRESENTATIVE MOORE questioned the percentage of freight that goes northbound, and she questioned how this would take away from projects in Seward and Whittier.

MR. O'LEARY, in response, referred to slide 12. He stated that most of the freight volume goes between Anchorage and Fairbanks. He asserted that ARRC is working to make Port MacKenzie a viable option.

MS. CLEMENS added the opinion that the Seward passenger dock model should be replicated, as this model has an anchor tenant with a 30-year contract to support the infrastructure. She stated that ARRC has been working with representatives from the Matanuska-Susitna Borough, and other stakeholders, to determine which businesses could benefit from the rail extensions. She expressed the understanding that businesses would be interested, but only after tracks are laid. She noted that these potential businesses would only represent half of the business volume needed to support the rail extensions. She added that problems include timing and regulatory issues. For these large projects with large price tags, she stated that businesses would need to know their potential benefits, and they would need to know that ARRC has been able to secure federal competitive grants in the past.

MS. CLEMENS, in response to a follow-up question concerning the CRISI Program, stated that AIDEA has provided a support letter for this grant. She explained that part of the outreach on the rail extension projects would involve requesting businesses to submit letters of support for the grant. She expressed the understanding that many businesses have shown interest in submitting a letter. She stated that these letters would represent a "strong case" of support for transportation infrastructure in Alaska.

REPRESENTATIVE STUTES expressed appreciation that the Seward project is going forward. She added that this would accommodate the Alaska Marine Highway System, which is "good for the whole state."

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CO-CHAIR CARRICK thanked the presenters and made closing comments.

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**ADJOURNMENT**

There being no further business before the committee, the House Transportation Standing Committee meeting was adjourned at 2:26 p.m.