

COMMITTEE

MEETING:

OVERVIEW OF

AK. RAILROAD with

FRANK TURPIN

2-18-87

STATE OF ALASKA
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY
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POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

May, 1988

Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS database CMPR. In order to save space copies of minutes have not been left in the files.

Mary Van Nimwegen

House Transportation:

1/28/87

ALASKA RAILROAD CORPORATION
GOALS & OBJECTIVES

1. DEVELOP THE ALASKA RAILROAD CORPORATION INTO AN EFFECTIVE AND EFFICIENT CORPORATION SERVING THE TRANSPORTATION NEEDS OF ALASKA.
2. IMPROVE, OPERATE, AND MAINTAIN THE RAILROAD ON A SELF-SUSTAINING BASIS.
3. ENHANCE AND UPGRADE THE RAILROAD'S FACILITIES, PROPERTY AND EQUIPMENT TO AN ATTRACTIVE AND WELL-MAINTAINED CONDITION.
4. DEVELOP A HIGHLY MOTIVATED, PRODUCTIVE WORK FORCE.
5. BE RESPONSIVE TO MARKET OPPORTUNITIES AND CUSTOMER NEEDS.

ALASKA RAILROAD CORPORATION
1986 EXTRAORDINARY EVENTS
(Thousands of Dollars)

<u>Event</u>	<u>Amount</u>
• Coal Train Derailment	350
• Crown Point	1,200
• Loss of SeaWay	200
• Flood	<u>175</u>
TOTAL	<u>1,925</u>

2-9-87

PRELIMINARY UNAUDITED

ALASKA RAILROAD CORPORATION

Income/Expense Comparison
1986 vs 1985
(\$000's)

	<u>1986</u>	<u>1985</u>	<u>Variance</u>	
			<u>Amount</u>	<u>Percent</u>
Revenue	57,355	67,234	(9,879)	(14.7)
Expense	<u>55,260</u>	<u>58,085</u> **	<u>2,825</u>	<u>(4.9)</u>
Operating Surplus	2,095	9,149	(7,054)	(77.2)
Interest Expense	(736)	(561)	(175)	(31.1)
Depreciation	<u>(2,556)</u>	<u>(1,455)</u>	<u>(1,101)</u>	<u>(75.7)</u>
NET INCOME (Loss)	<u>(1,197)*</u>	<u>7,133</u>	<u>(8,330)</u>	

* Excludes flood-related activity.

** 1985 was not a full calendar year. Actual comparable expense is \$60.1 million.

2-10-87

MAY GO AS
low AS 1,037 on
985

PRELIMINARY UNAUDITED

PRELIMINARY UNAUDITED

Handout #3, Page 2 of 4

ALASKA RAILROAD CORPORATION
 Revenues by Commodity
 1986 vs 1985
 (In Thousands of Dollars)

COMMODITY	1986	1985	Variance	
			Amount	Percent
Pipe	2,237	3,253	(1,016)	(31.2)
Coal	10,445	9,434	1,011	10.7
197 AAS Petroleum	10,615	11,833	(1,218)	(10.3)
Gravel	4,054	7,819	(3,765)	(48.2)
TOFC/COFC	6,057	7,008	(951)	(13.6)
227 AAS Interline	7,006	10,530	(3,524)	(33.5)
Miscellaneous Local	958	2,101	(1,143)	(54.4)
Total Freight	41,372	51,978	(10,606)	(20.4)
Passengers	4,574	4,344	230	5.3
Real Estate	5,271	4,322	949	22.0
All Other	6,138	6,590	(452)	(6.9)
TOTAL	57,355	67,234	(9,879)	(14.7)

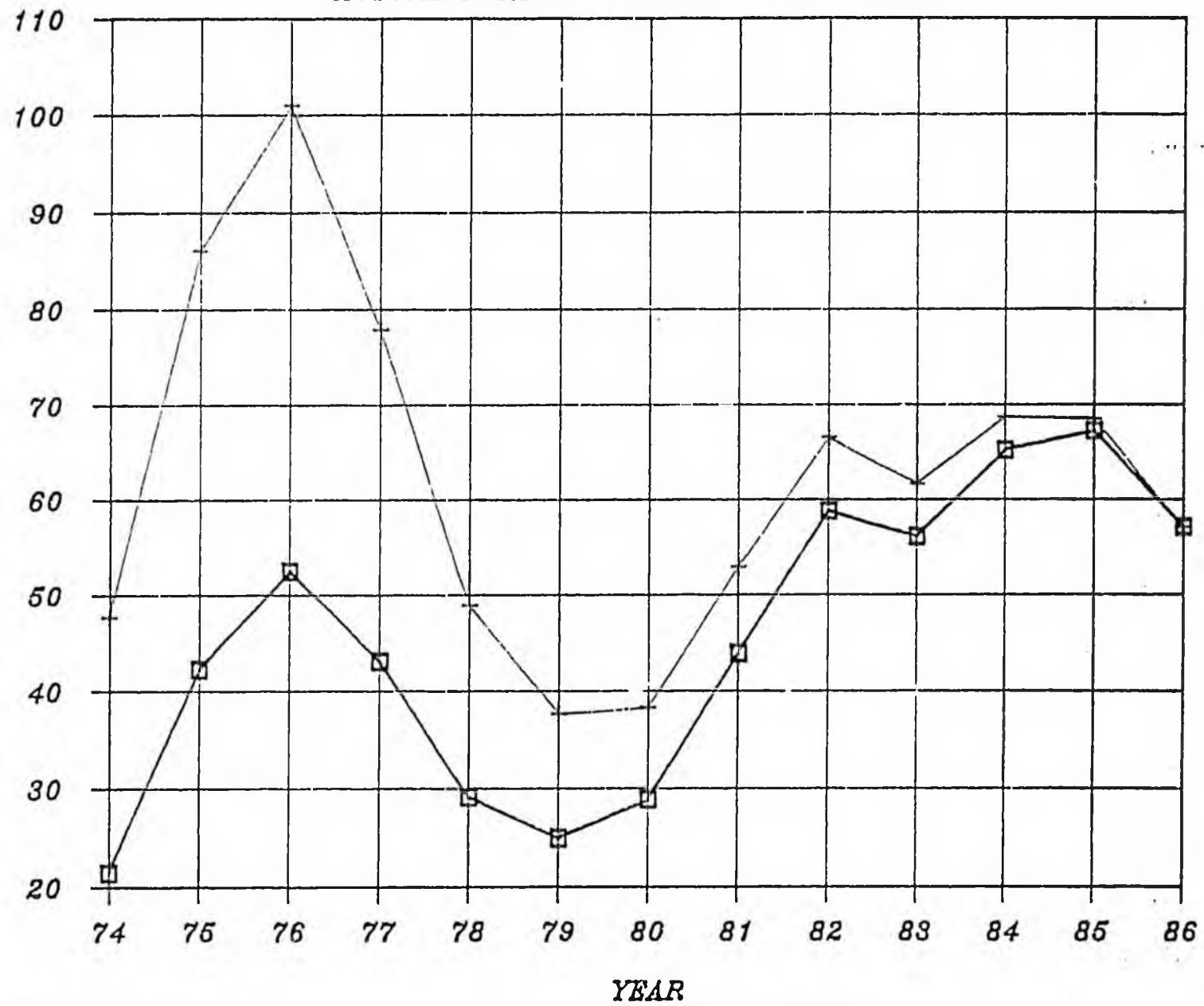
2-9-87

PRELIMINARY UNAUDITED

ALASKA RAILROAD CORPORATION

ACTUAL TOTAL REVENUE IN 1986 DOLLARS

TOTAL REVENUE
(Millions)

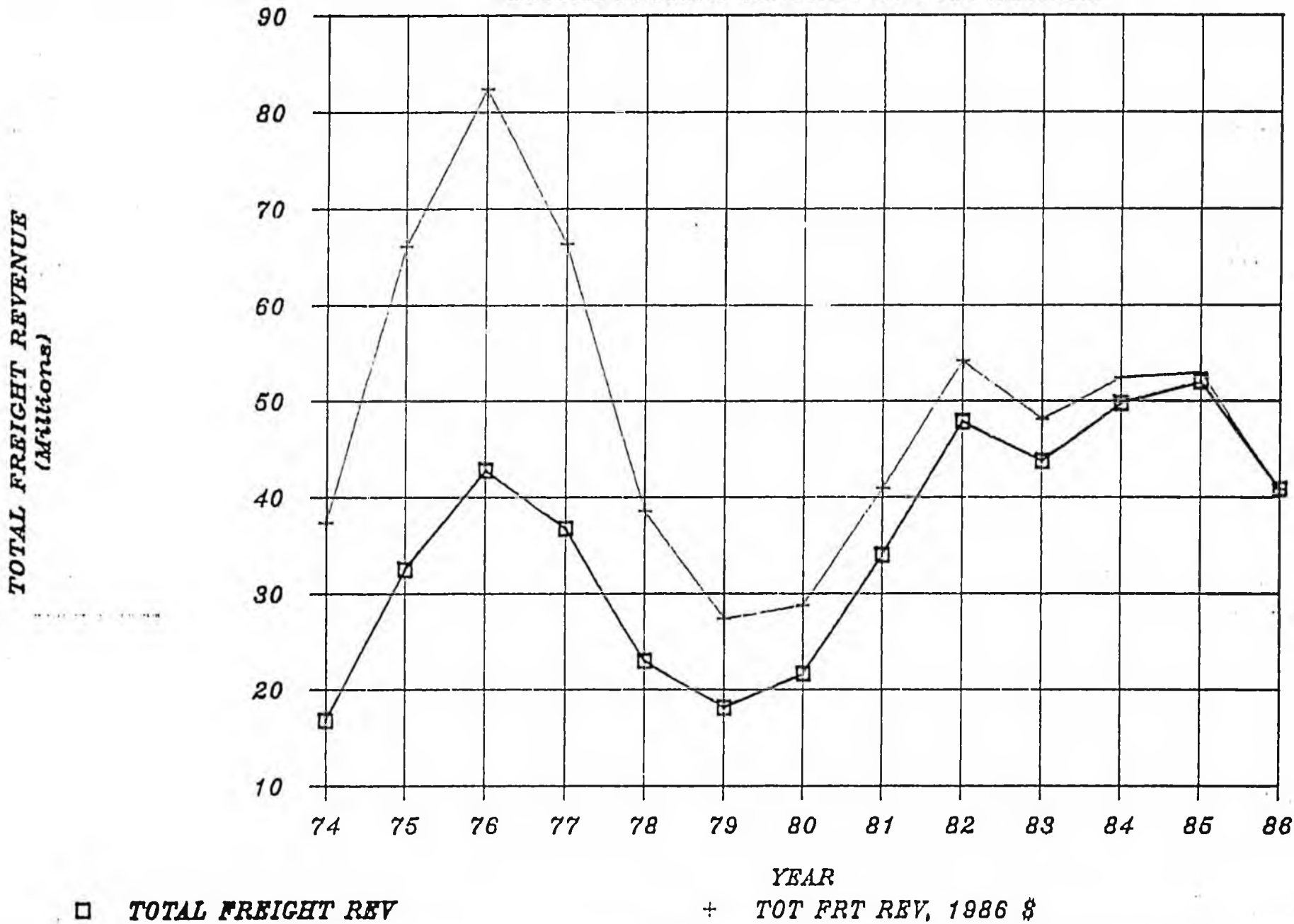


□ TOTAL REVENUE

+ TOT REV - 1986 \$

ALASKA RAILROAD CORPORATION

ACTUAL FREIGHT REVENUE IN 1986 DOLLARS



ALASKA RAILROAD CORPORATION
1987 OPERATING AND CAPITAL BUDGET SUMMARY

(\$ 000's)

REVENUE	\$ 56,760
EXPENSE	56,406
<u>NET INCOME (LOSS) FROM OPERATIONS</u>	<u>354</u>
ADD BACK NON-CASH ITEMS	<u>4,620</u>
CASH GENERATED FROM OPERATIONS	4,974
CAPITAL BUDGET CASH REQUIREMENTS	<u>4,620</u>
<u>CASH SURPLUS/DEFICIT, 1987</u>	<u>354</u>

ALASKA RAILROAD CORPORATION

1987 - REVENUE BUDGET BY CATEGORY

TOT. REVENUE
56.8

All Other (3.6%) - sales surplus, rail & tie replacement, sold at auction.

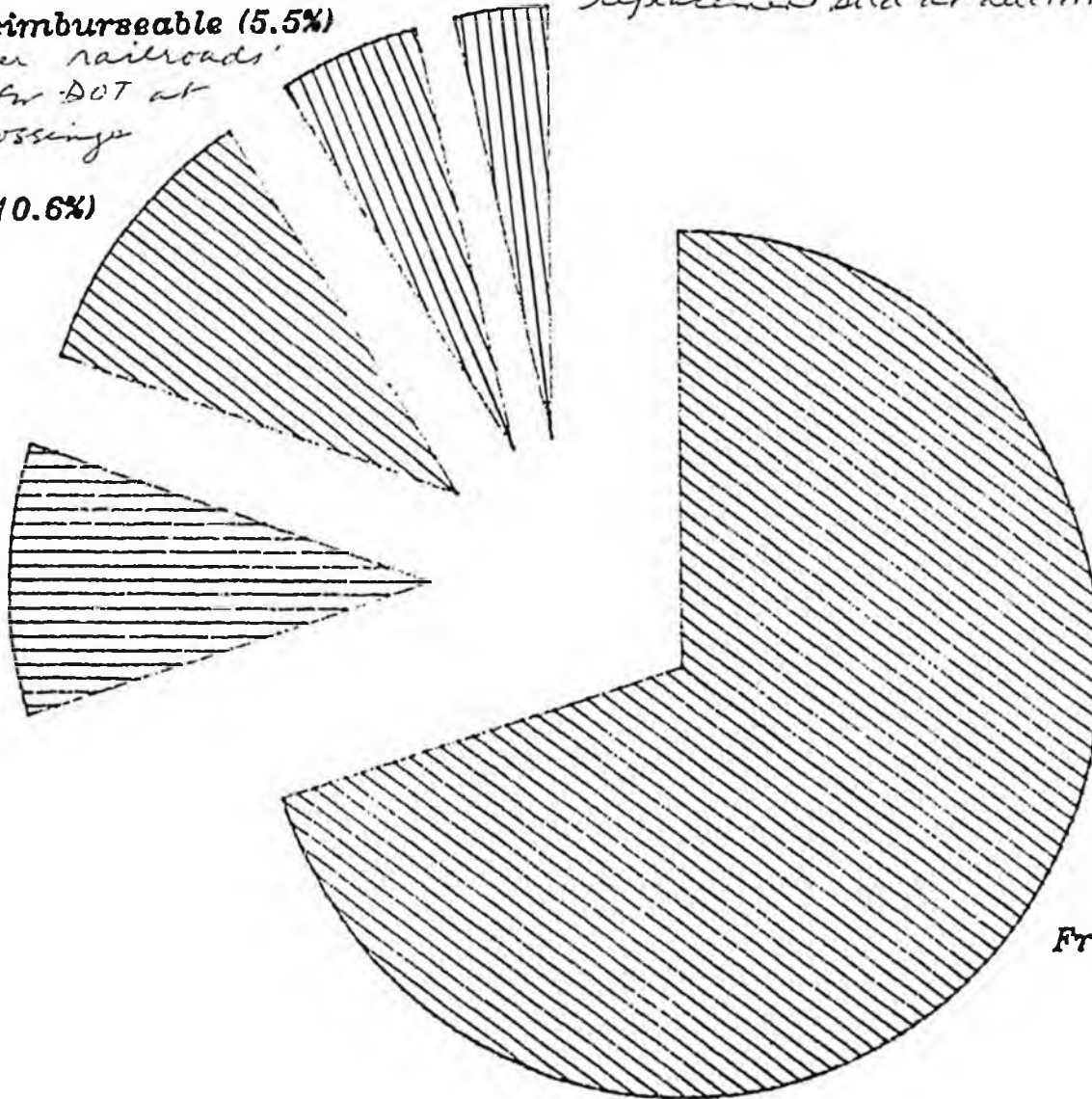
Reimbursable (5.5%)

work on other railroads' cars, work for DOT at highway crossings

Real Estate (10.6%)

Passenger (10.0%)

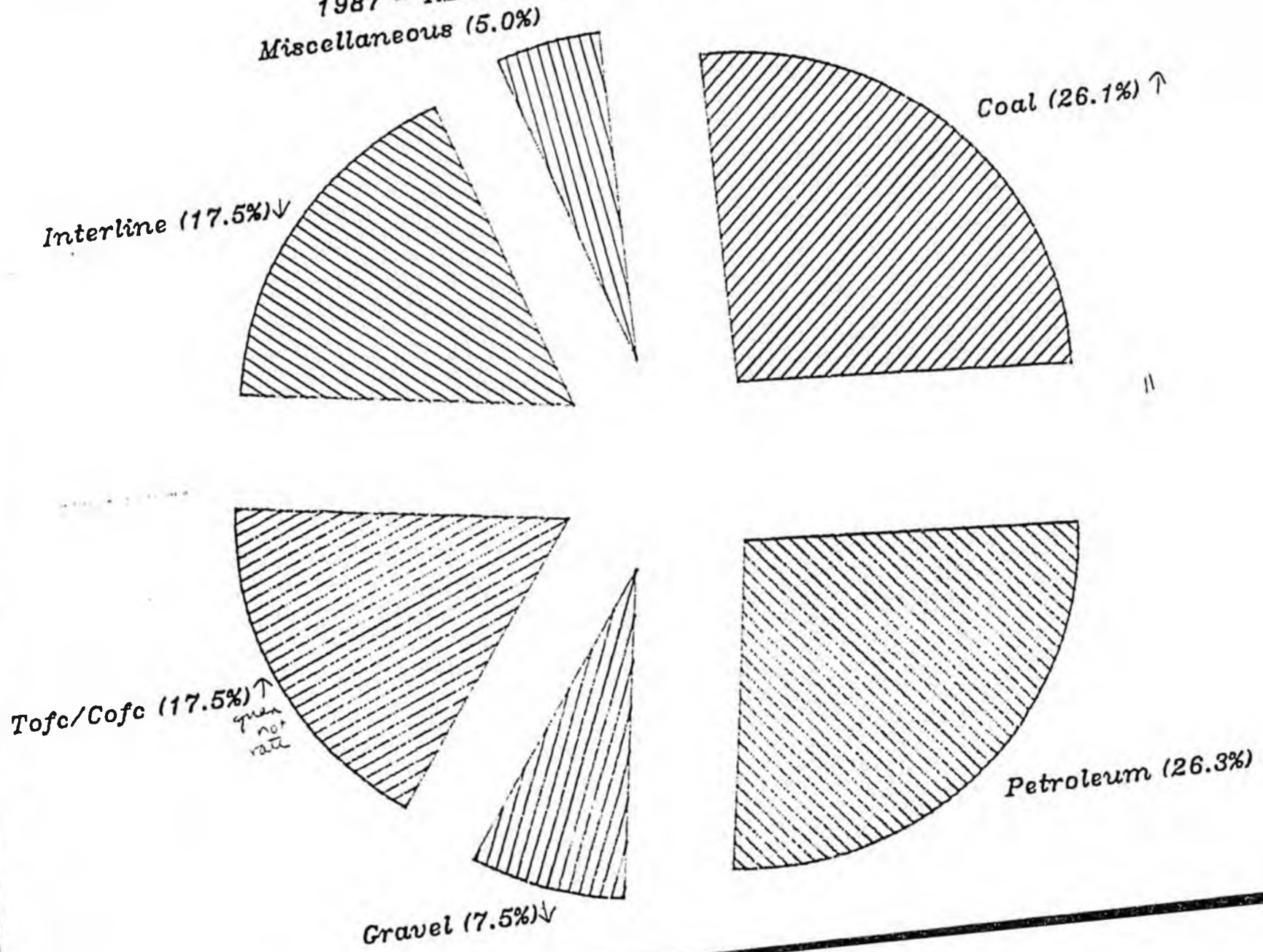
Freight (70.3%)



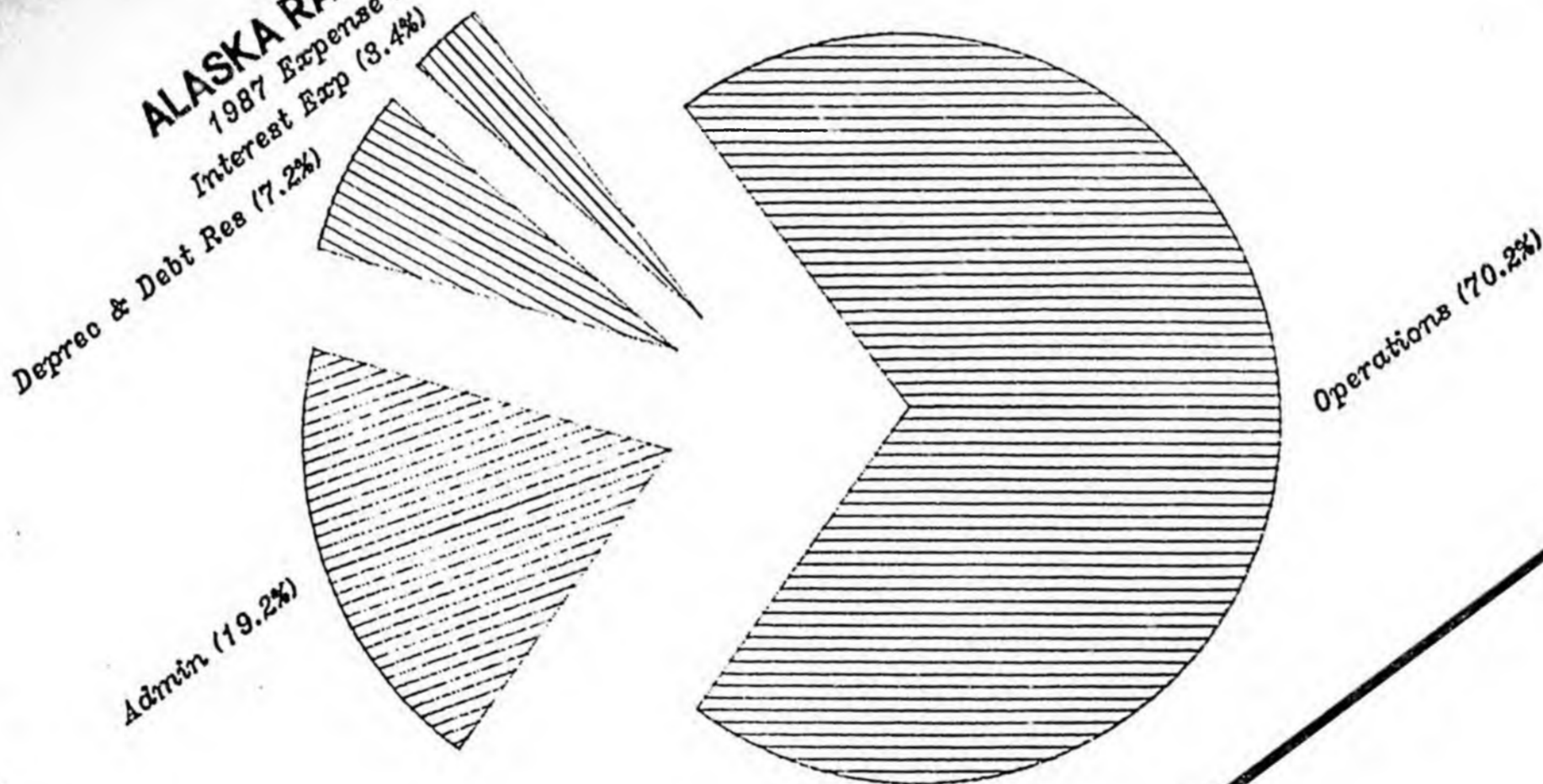
ALASKA RAILROAD CORPORATION

1987 - REVENUE BUDGET BY COMMODITY

Freight Revenue
39.9 m

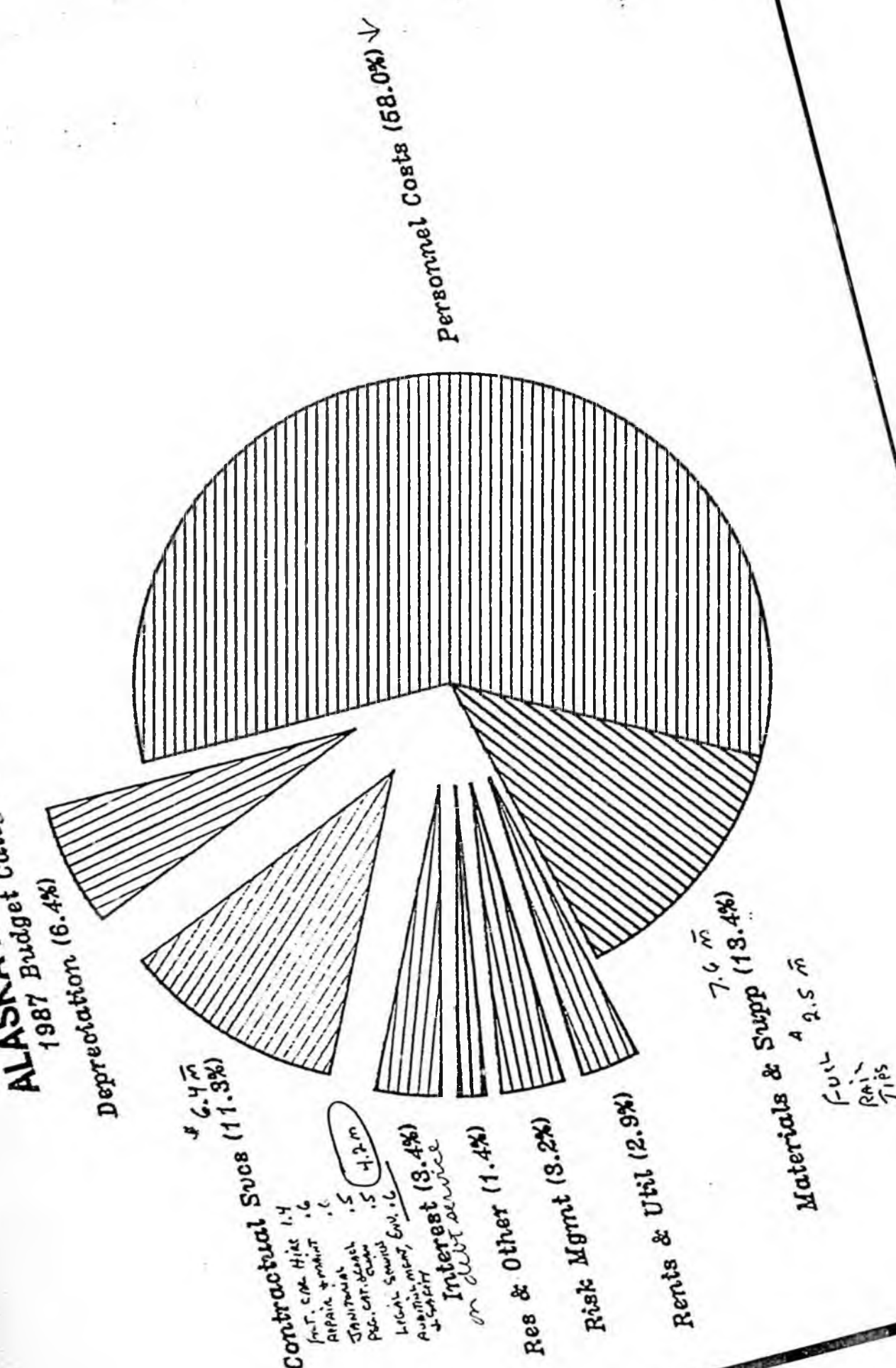


ALASKA RAILROAD CORPORATION
1987 Expense Budget - \$56.4 Million



ALASKA RAILROAD CORPORATION

1987 Budget Categories - \$56.4 Million



Contractual Svcs (11.3%)
\$6.4m

Int. CM Hire 1.4
 Repair & Maint .6
 Sanitation .5
 Pkg. Cont. Svcs .5
 Local Svcs, Env. .6
 Audit, Maint, Env. .6
 Interest (3.4%)
 on debt service

Res & Other (1.4%)

Risk Mgmt (3.2%)

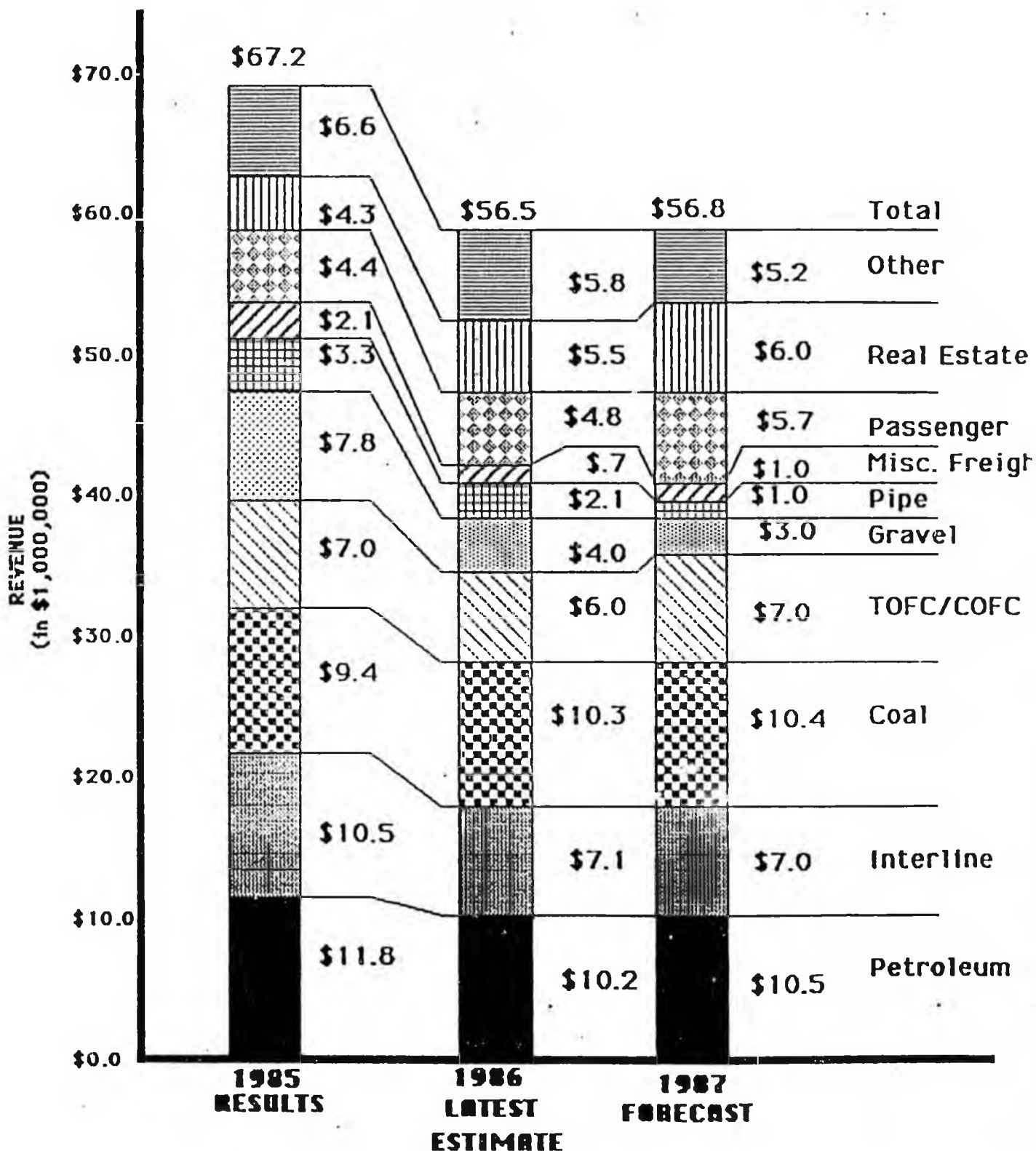
Rents & Util (2.9%)

Materials & Supp (13.4%)
7.6m
A 2.5m

FUEL
RAIL
TIPS

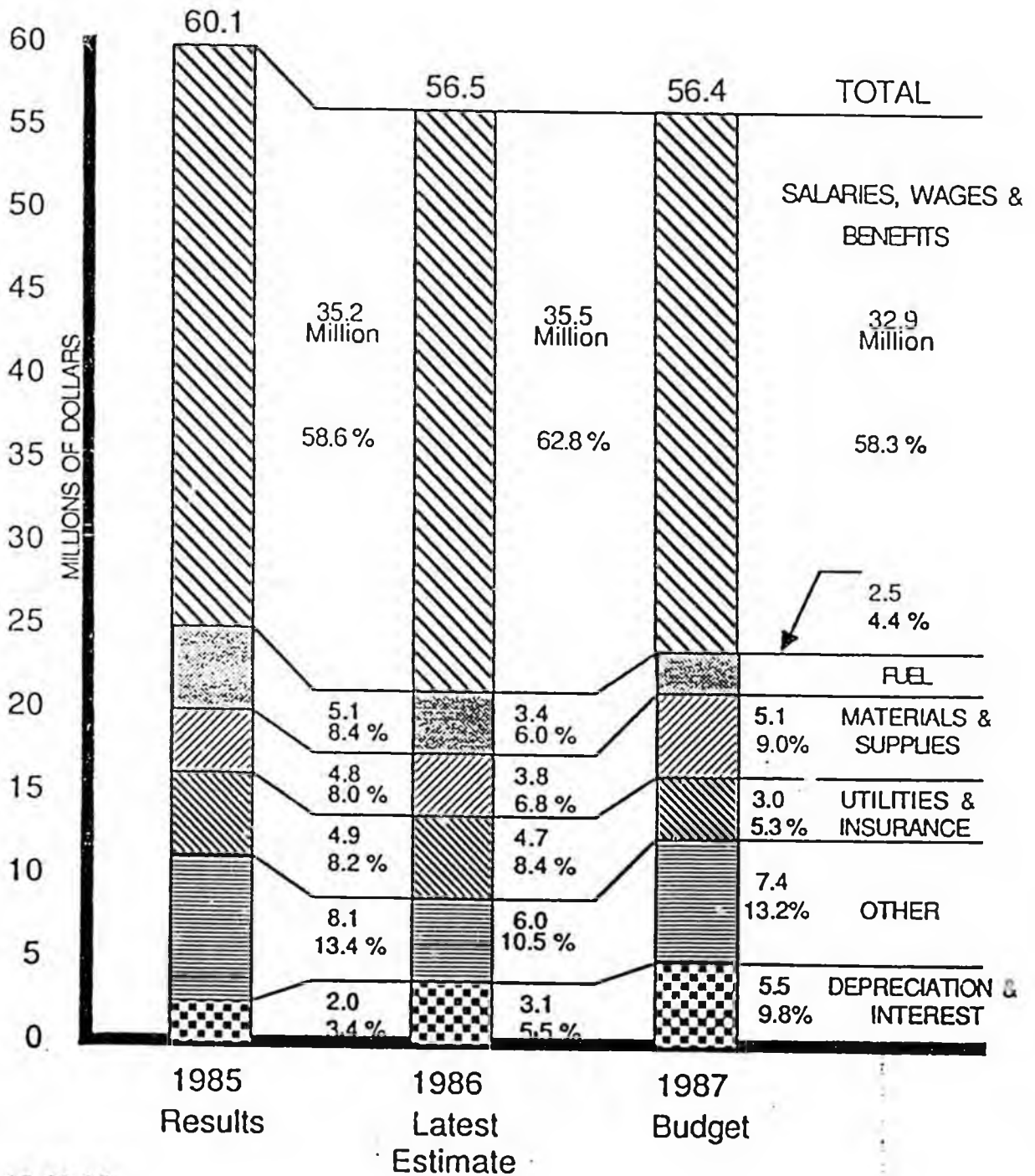
Personnel Costs (58.0%) ↓

ALASKA RAILROAD CORPORATION REVENUE SOURCES



DECEMBER 16, 1986

ALASKA RAILROAD CORPORATION EXPENSE CATEGORIES



ALASKA RAILROAD CORPORATION
1987 Expense Budget Performance Analysis
(\$ 000's)

<u>DEPARTMENT</u>	<u>1987 BUDGET</u>	<u>1986 Latest Estimate</u>	<u>Dollar Variance</u>	<u>Percentage</u>
<u>Railroad</u>				
Transportation	13,990	15,200	(1,210)	(8.0)
Motive Power & Equipment	10,890	12,500	(1,610)	(12.9)
Engineering	11,999	12,050	(51)	(0.4)
Operations Staff	2,701	2,774	(73)	(2.6)
TOTAL RAILROAD	<u>39,580</u>	<u>42,524</u>	<u>(2,944)</u>	<u>(6.5)</u>
<u>General & Administrative</u>				
Corporate Office	525	625	(100)	(16.0)
Finance	4,599	5,120	(521)	(10.2)
Marketing	2,704	3,000	(296)	(10.0)
Administration	625	586	(61)	(8.9)
Human Resources	1,203	1,500	(297)	(19.8)
General Counsel	855	919	(64)	(7.0)
TOTAL G & A	<u>10,511</u>	<u>11,850</u>	<u>(1,339)</u>	<u>(11.3)</u>
<u>Corporate Overhead</u>				
Bad Debt Reserve	480	600	(120)	(20.0)
Interest Expense	1,920	726	1,194	164.5
Depreciation	3,600	2,400	1,200	50.0
Miscellaneous	315	(1,600)	1,915	N/A
TOTAL OVERHEAD	<u>6,315</u>	<u>2,126</u>	<u>4,189</u>	<u>197.0</u>
<u>TOTAL</u>	<u>56,406</u>	<u>56,500</u>	<u>(94)</u>	<u>(0.1)</u>

December 18, 1986

ALASKA RAILROAD CORPORATION
 MANNING VARIANCE ANALYSIS
 1984 - 1987

<u>Division</u>	<u>1984 Average Manning</u>	<u>1985 Average Manning</u>	<u>1986 Average Manning</u>	<u>1987 Average Manning</u>
President & CEO	9	6	4	2
Chief Counsel	4	3	7	6
Operations	586	606	564	483
Administration	7	8	8	8
Human Resources	11	12	19	15
Finance	69	67	64	62
Marketing	14	18	30	34
	—	—	—	—
TOTAL	<u>700</u>	<u>720</u>	<u>696</u>	<u>610</u>

12-2-86

*Winn, Finance Div
 1987 = 600 - 100 - 100 = 400
 1988 = 1100 - 1100 = 0*

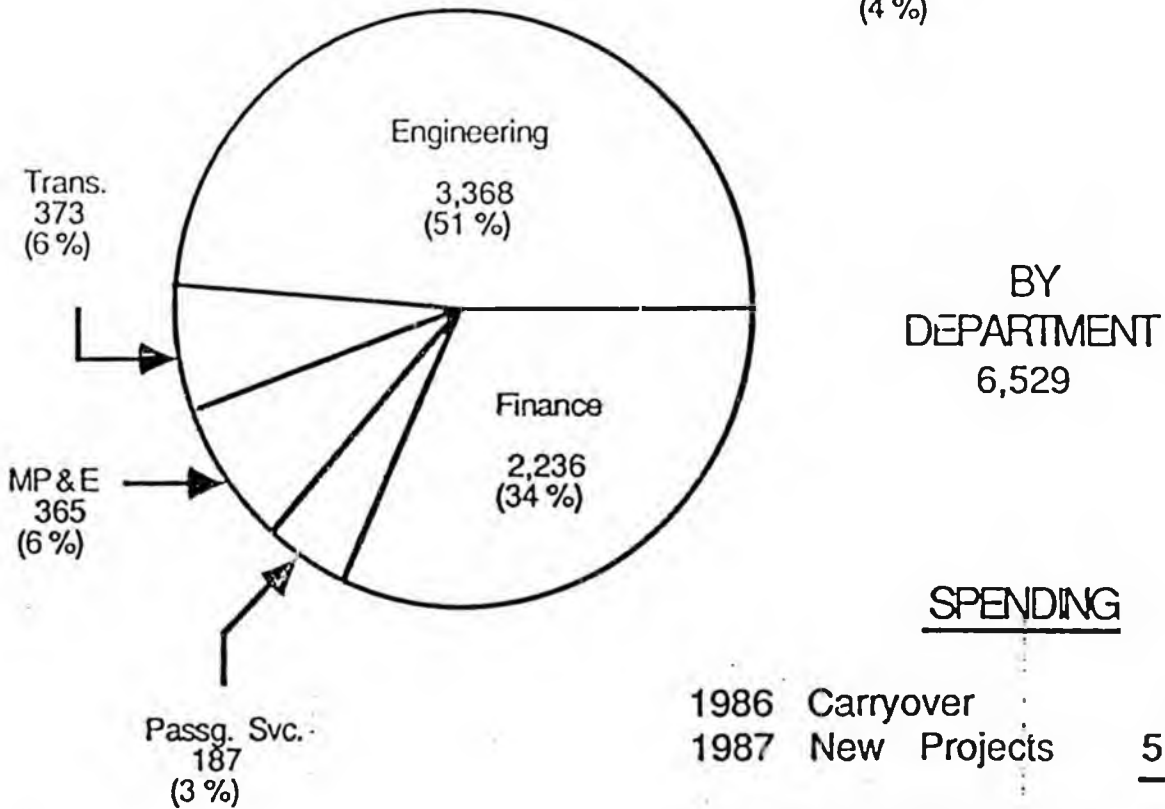
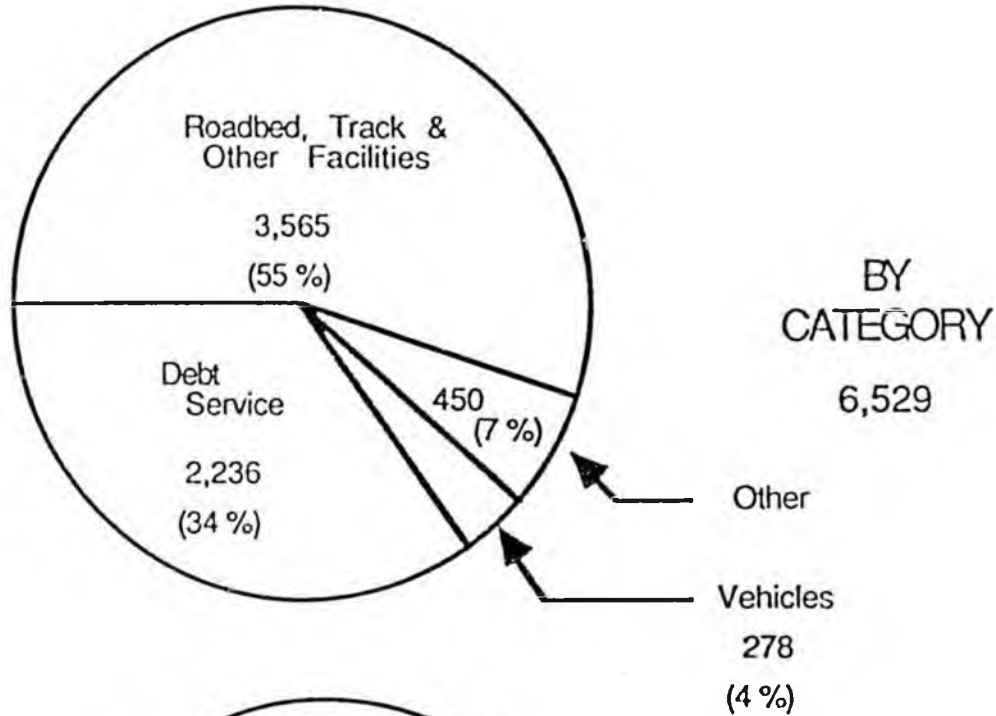
ALASKA RAILROAD CORPORATION
CAPITAL BUDGET SUMMARY
1987

DEBT SERVICE	\$2,236
OPERATIONS PROJECTS	4,106
PASSENGER SERVICES UPGRADE	187
	<hr/>
TOTAL	6,529
LESS NON-CASH/REIMBURSEABLE AMOUNT	<u>(1,909)</u>
<u>TOTAL CASH FLOW IMPACT</u>	<u>4,620</u>

December 18, 1986

ALASKA RAILROAD CORPORATION 1987 CAPITAL PROGRAM

Thousands of Dollars



SPENDING

1986 Carryover	548
1987 New Projects	<u>5,981</u>
Total 1987 Spending	<u>6,529</u>

ALASKA RAILROAD CORPORATION
 1987 OPERATING AND CAPITAL CASH REQUIREMENTS SUMMARY
 (\$ 000's)

	<u>LE</u>	<u>BUDGET</u>
REVENUE	\$ 50,000	\$ 56,760
EXPENSE	<u>56,406</u>	<u>56,406</u>
NET INCOME (LOSS) FROM OPERATIONS	(6,406)	354
ADD BACK NON-CASH ITEMS	<u>4,620</u>	<u>4,620</u>
CASH GENERATED FROM OPERATIONS	(1,786)	4,974
CAPITAL BUDGET CASH REQUIREMENTS	<u>4,620</u>	<u>4,620</u>
CASH SURPLUS (DEFICIT)	<u><u>(6,406)</u></u>	<u><u>354</u></u>

FUNDING OF CASH SHORTAGE

● REDUCE AVERAGE MANNING BY 60 POSITIONS	\$ 3,600
● REDUCTION OF CAPITAL OUTLAYS	1,000
● 10% "ACROSS THE BOARD" PAY CUT (5/1/87)	1,500
● OTHER MISCELLANEOUS EXPENSE CUTS	<u>500</u>
TOTAL CASH GENERATED	<u><u>\$ 6,600</u></u>

ALASKA RAILROAD CORPORATION

SALE/TRANSFER OF RAILROAD

Points to Consider

- If sold within five years of transfer (January 5, 1990), proceeds in excess of State's investment will go to the Federal Government.
- If sold within ten years of transfer (January 5, 1995) and any Railroad property is converted to a use preventing railroad operations, that property and improvements revert back to the Federal Government.
- If use of Railroad right-of-way is discontinued, ownership of land will revert to the Federal Government and then to adjoining land owners.
- Sale of ARRC is a very complex and complicated project which will entail a great deal of planning and major expense for such things as:
 - Sale alternatives
 - Asset valuation
 - Identifying buyers/qualifications
 - Profitability
 - Financing decisions
 - Review of prior line sales
 - Evaluation of labor agreements
 - Row and title issues
 - Risk management issues
 - Develop prospectus
- Consultants and investment bankers must be employed to assist in the above issues to lend credibility.

PASSENGER SERVICES

NORTHWINTER LOCAL

- Monthly, September 29, 1986 - May 17, 1987
- 1st and 3rd Saturdays - Anchorage to Fairbanks
- 1st & 3rd Sundays - Fairbanks to Anchorage
- 2nd, 4th and 5th Saturday and Sunday
Round-trip Anchorage to Hurricane
- RDC Equipment to be utilized on all runs

SUMMER EXPRESS - ANCHORAGE VIA DENALI TO FAIRBANKS

- Daily Service, May 23, 1987 - September 13, 1987
- 180 seats available in each direction daily with the steam equipment used during peak season only.
- Tour Alaska will probably attach two railcars and Westours will attach three railcars in each direction or 300 seats.

WHITTIER SHUTTLEWINTER

- September 19, 1986 - May 13, 1987
- Service on Wednesday, Friday, Saturday and Sunday Weekly
- On Saturday a RDC will run from November 1, 1986 to March 28, 1987
 - This is an additional service on the Whittier Shuttle
- Buses have replaced passenger coaches on the Shuttle

SUMMER

- May 15, 1987 - September 16, 1987 Daily Service
- Exploring the use of buses or leased rail passenger coaches for equipment this summer
 - Daily RDC Service between Anchorage and Whittier is under review to replace bus service between Anchorage and Portage
 - A substantial increase cruise ship traffic movement must also be considered. 33 Dockings 1986, 57 in 1987

SEWARDWINTER

- Exploring the financial feasibility of a round-trip RDC service to Seward from Anchorage on Saturdays during the Winter of 1986/87

SUMMER

- Round-trip RDC service from Anchorage to Seward
- Service on Fridays, Saturdays and Sundays from June 5, 1987 - August 23, 1987
- Expansion of the successful once a week service in 1986

ALASKA RAILROAD CORPORATION
MOOSE-TRAIN CONTACTS 1986/87

	<u>KILLED</u>	<u>SALVAGED</u>	<u>MIA</u>
NOVEMBER	4	3	0
DECEMBER	22	14	1
JANUARY	51	31	8
FEB. (2-16)	19	15	2
	<u>96</u>	<u>63</u>	<u>11</u>
PERCENT SALVAGED		65%	

ALASKA RAILROAD CORPORATION

Equipment Purchases

	-----Millions of Dollars-----				
	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>
Major Maintenance Equipment	1.15	.33	.59	2.52	2.00
Major Rolling Stock	<u>5.35</u>	<u>.06</u>	<u>9.41</u>	<u>4.09</u>	<u>1.03</u>
TOTAL	6.50	.39	10.00	6.61	3.03

2 BUDD CARS (pointing to 9.41)

 2 BUDD CARS (pointing to 1.03)

