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SENATE COMMITTEE REPORT



FURTHER

3/18/88
Mr. President:

DATE TURNED INTO OFFICE 4/26/88

TRANSPORTATION Committee considered CSHB 485 (L&C) am.
amending a provision regarding offers to sell the Alaska Railroad Corporation; efd

and recommended

- replace with _____ CS _____) same title
- or adopt _____ CS _____) new title
- attached amendment(s) and
- do pass
- do not pass
- no recommendation
- individual recommendations
- further referral to _____
- letter of intent adopted _____
- Committee attached or adopted fiscal note(s)
- new updated or previous
- zero fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

_____	_____
_____	_____
_____	_____

(D. Pass)
Chairman signature and recommendation

Committee Backup attached

STATE OF ALASKA
1988 LEGISLATIVE SESSION

BILL VERSION: CSHB 485 (TRSP)
PUBLISH DATE: HOUSE 2/26/88

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Commerce & Econ. Dev.
 Title: An Act amending provisions relating to a solicitation for offers to purchase or operate the Alaska Railroad Corp.
 BRU: Alaska Railroad Corporation
 Sponsor: Cato Components: _____
 Requester: House Transportation Committee

EXPENDITURES / REVENUES : (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
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REVENUE	-0-	-0-	-0-	-0-	-0-	-0-
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FUNDING: (Thousands of dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULLTIME	-0-	-0-	-0-	-0-	-0-	-0-
PARTTIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary.)

Prepared by: Jim Blasingame, Executive Vice President
 Division: Alaska Railroad Corporation

Phone: 265-2403
 Date: February 24, 1988

Approved by Commissioner: J. Anthony Smith, Commissioner
 Agency: Department of Commerce and Economic Development

Date: February 24, 1988

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

ALASKA RAILROAD CORPORATION



Pouch 7-2111 • Anchorage, Alaska 99510-7069

SENATE TRANSPORTATION COMMITTEE

FACT SHEET HOUSE BILL 485

April 26, 1988

GERALD D. VALINSKE

An Act Amending Provisions Relating to a Solicitation for Offers
To Purchase or Operate the Alaska Railroad;
and Providing for An Effective Date.

1. WHAT THIS BILL DOES.

HB 485 deletes [every five years] the second sentence of AS 42.40.260(b) which is part of the 1984 Alaska Railroad Corporation Act ("ARCA"). Although every year the Alaska Railroad Corporation's ("ARRC") annual report would continue to analyze potential sales arrangements to private owners, it would not be required to document at least three offers to sell its assets during the same period of time. This provision of the current law would be repealed.

2. IS THIS LEGISLATION REALLY NECESSARY?

Yes. When the State purchased the Alaska Railroad in January, 1985, it agreed to many sale terms. Those terms included a provision in the Alaska Railroad Transfer Act ("ARTA") which requires the State to turn over any profits of a subsequent sale to the United States, if the sale occurs within the first five years of State ownership. This period ends on January 5, 1990. Despite this onerous penalty, State law presently requires ARRC to make attempts to sell all or part of its assets during the same period of time! Since it is extremely unlikely that the legislature would approve an early sale under these circumstances, the huge and probably unnecessary cost related to researching, preparing, soliciting, and negotiating meaningful sale arrangements should be avoided by repealing this portion of AS 42.40.2650(b).

3. WILL THIS MODIFICATION PREVENT SALE OF THE RAILROAD OR DISCOURAGE ACTIVE SOLICITATION AND CONSIDERATION OF SALES POSSIBILITIES?

No. ARCA's section 940 will remain unchanged. It permits the Governor to sell or lease the Alaska Railroad under certain conditions

at any time. A sale must be approved by the legislature. In addition, the modification will not eliminate the legislature's original desire that ARRC pursue a disposal of its assets. On an annual basis, the corporation will continue to analyze transfer opportunities for the legislature's consideration.

4. IS THE ORIGINAL INTENT OF ARCA STILL PRESERVED?

Yes. The potential sales arrangements should be initiated by market opportunities and State needs. Sales profits should not be needlessly diminished by huge costs related to premature sales preparations. Additionally, in the interest of economy, efficiency, and fairness to those involved, only those offers which will clearly serve State needs and fulfill its expectations should be solicited. Unless HB 485 is passed, the railroad will be required to mechanically solicit disposal offers before the State has had an opportunity to consider what long-term railroad operations and operational alternatives will best serve its disposal process explaining how the railroad will be operated and under what terms and conditions it will be sold. Much time, money, and effort will be expended in the inventory and evaluation of railroad assets and operations, alternatives and terms, identification of acceptable buyers and their qualifications, and negotiation of operating restraints and conditions.

ALASKA RAILROAD CORPORATION



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SENATE TRANSPORTATION COMMITTEE HEARING

HOUSE BILL 485

April 26, 1988

GERALD D. VALINSKE

An Act Amending Provisions Relating to a Solicitation for Offers
To Purchase or Operate the Alaska Railroad;
and Providing for An Effective Date.

When the State of Alaska purchased the Alaska Railroad in January, 1985, it agreed to many sale terms. One of those terms included a requirement that the State turn over any profits of a subsequent sale of the railroad to the United States, if the sale occurs within the first years of State ownership. That period ends on January 5, 1990.

Despite this penalty, present State law requires the Alaska Railroad Corporation to make three attempts to sell its assets during the same period of time! Since it is extremely unlikely that the legislature would approve an early sale under these circumstances, the State-owned railroad is currently on a tract to unnecessarily spend huge sums of money related to preparing, soliciting, and negotiating sale arrangements to comply with AS 42.40.260(b). House Bill Number 485 was introduced to correct this important oversight in the 1984 Alaska Railroad Corporation Act, which is known as "ARCA."

HB 485 deletes every five years and the second sentence of ARCA's section 260(b). With passage of HB 485, now annually the corporation

would continue to analyze potential sales arrangements to private owners, it would not be required to document at least three attempts to sell its assets during the same period of time. This provision of ARCA would be repealed.

It is extremely important to recognize that this modification will not prevent sale of the railroad or discourage active solicitation or consideration of sales possibilities. The original intent of the 1984 legislation will be preserved. First, ARCA's section 940 will remain unchanged. It permits the Governor to sell or lease the Alaska Railroad under certain conditions at any time so long as any sale is approved by the legislature. Secondly, on an annual basis, the railroad must continue to analyze and report sales opportunities for the legislature's consideration.

It is true that the sales penalty existing in the federal law could be avoided by extending the first deadline for solicitation of offers by the railroad beyond January, 1990. However, repeal of the "three offers each five years" formula is preferable to continuing an artificial and wasteful stimulus to meaningful sales efforts. Those efforts should instead be stimulated by market opportunities and State needs. Sales profits should not be needlessly diminished by huge costs related to premature and unnecessary sales preparations.

In the interest of economy, efficiency, and fairness to those third parties and others who will be involved in the sales process, only those offers which will clearly serve our State's needs and

House Bill No. 485
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fulfill its expectations should be solicited. Ironically, and unless HB 485 is passed, the railroad will be required to mechanically solicit disposal offers before the State has had an opportunity to consider what long-term railroad operations and operational alternatives will best serve its needs. Direction must be given to those involved in the disposal process explaining how the railroad will be operated and under what terms and conditions it will be sold. Until that work is completed, artificially stimulated sales efforts will unnecessarily deplete an important State investment and resource. I ask that House Bill 485 receive your favorable consideration.

Thank you.