

S B

240

ALASKA RAILROAD CORPORATION



P.O. Box 7-2111 • Anchorage, Alaska 99510-7069
VIA TELECOPIER

February 19, 1988

Cheryl Fracas, Legislative Aide
Office of Senator Rick Halford
Pouch V, Room 516
Juneau, Alaska 99811

Re: SB No. 240 and HB No. 485

Dear Cheryl,

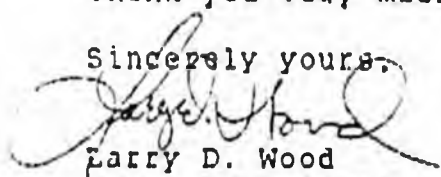
Thank you for your telephone call earlier today regarding SB 240. As you know, that bill proposes to delay a reporting requirement presently stated in the Alaska Railroad Corporation Act. Like its companion, HB 221, SB 240 would give the Alaska Railroad Corporation ("ARRC") additional time to analyze and document railroad sale proposals. You indicated that Senator Halford would like an update on last year's fiscal note because SB 240 is scheduled for hearing before the Senate Finance Committee on Monday. We regret that we have not previously informed you that a different approach to this problem has been proposed this session.

I've attached a copy of HB 485 which was filed recently. Although this legislation also extends the reporting requirement, it goes farther than SB 240 and is intended to replace HB 221 and its SB 240 companion. As you will note, HB 485 offers the added benefit of requiring consultation with state leaders and enhanced legislative action in the railroad disposal process. Although some Senate leaders such as Senator Faiks are aware of this new approach, I do not believe that Senator Halford has been briefed. In light of this recent development, please request Senator Halford to remove SB No. 240 from the hearing schedule. If he desires, we can provide the Senator with a much more detailed explanation of the new legislation immediately.

Unfortunately, Frank Turpin is out of town and unable to express his personal regards.

Thank you very much.

Sincerely yours,


Larry D. Wood
General Counsel

cc: F. G. Turpin, President & CEO
Rick Urion, ARRC Legislative Liaison

Attachment

6038L

Introduced: 4/8
Referred: Transportation
& Finance

5-0792A

1 IN THE SENATE BY THE TRANSPORTATION COMMITTEE

2 SENATE BILL NO. 240

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act suspending requirements for reports on ar-
7 rangements and offers to sell the Alaska Railroad;
8 and providing for an effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 " Section 1. Notwithstanding AS 42.40.260(b), the Alaska Railroad
11 Corporation shall include the first analysis and documentation required
12 under AS 42.40.260(b) in its annual report for fiscal year 1994.

13 " Sec. 2. This Act takes effect immediately under AS 01.10.070(c).

1 IN THE HOUSE

2 HOUSE BILL NO. 485

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act amending provisions relating to a sollicita-
7 tion for offers to purchase or operate the Alaska
8 Railroad; and providing for an effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. AS 42.40.260(b) is repealed and reenacted to read:

11 (b) By January 3, 1992, the corporation, in consultation with
12 the governor and the legislature, shall request proposals from the
13 private sector for the acquisition or operation of all or part of the
14 assets of the Alaska Railroad Corporation. Prior to solicitation of
15 proposals by the corporation, the legislature shall provide by law
16 specific terms and conditions to be met before the corporation pro-
17 ceeds with a proposal under this section. Any disposal under this
18 section shall be made in accordance with AS 42.40.940.

19 * Sec. 2. This Act takes effect immediately under AS 01.10.070(c).

**STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE**

Bill Version: SB 240
Publish Date: 4-8-87

REQUEST: _____

Revision Date: _____
Title: An Act Suspending Requirements for Reports on Arrangements and Offers to Sell the Alaska Railroad

Agency Affected: Alaska Railroad Corporation
BRU: _____

Sponsor: Transportation Committee
Requestor: Transportation Committee

Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANT CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-					

CAPITAL	-0-					
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REVENUE	*					
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FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

*As the position paper submitted by the Alaska Railroad Corporation explains, delaying efforts to sell the railroad beyond January 5, 1990, will mean that the State of Alaska, not the United States, will enjoy sale profits. Although delayed beyond this first five year period, costs related to efforts to sell the railroad should remain relatively unchanged.

Prepared by: Larry D. Wood, General Counsel *[Signature]* Phone: 265-2461
Division: Alaska Railroad Corporation Date: 4-23-87

Approved by Commissioner: *[Signature]* Date: 4-23-87
Agency: F. G. Turpin, President and CEO

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Manager

THE ALASKA RAILROAD REVERSAL COMMITTEE
POSITION ON THE ATTEMPT TO SELL THE ALASKA RAILROAD

We are opposed to any legislation designed to delay the attempted sale of the Alaska Railroad. We hope you will give serious consideration to our reasons outlined below before passing legislation to delay attempted sale.

Alaska Railroad Transfer Act 1209 Reversion Subsection B, virtually eliminates the sale of 'right-of-way land' as reversion is automatic if it ceases to operate as a railroad. It is anticipated that all lands not contiguous to the railroad would be withheld from a sale (Juneau, Kodiak, Valdez and Glenn Allen). It would further be assumed the industrial lands in the railbelt not essential to rail operation would be withheld. Thus the rolling stock, buildings and 500 to 600 acres of land would be put up for sale. If the sale price did not exceed sixty million dollars 1209 E would not be violated. This would be a small portion of the total assets of the Alaska Railroad.

One reason given for the delay of sale is the cost of an appraisal of the land. There have been estimates from 50 million to 1 billion as the value of the industrial land. An appraisal is necessary to determine the value of the land not needed for the operation of the railroad. The value of land needed for railroad operation must be determined. It is good business to have up-to-date appraisals of real property and equipment. Most lending institutes require appraisals if money is to be borrowed.

The sale does not have to be all or nothing and an attempt to sell the railroad would involve various plans and proposals. Some of the obvious has been outlined above. With these options a sale could be made that meets Federal Requirements or at the least lay the ground work for future sales.

We doubt any sale will be consummated on the first try regardless of the timing of attempted sale.

FOR THESE REASONS AND ATTEMPTED SALE SHOULD BE MADE AND IF A SATISFACTORY PROPOSAL IS ADVANCED, MAKE THE SALE.

ALASKA STATE LEGISLATURE

Sen. Lloyd Jones, Chairman
Sen. John B. "Jack" Coghill, Vice Chairman
Sen. Mitch Abood
Sen. Bettye Fahrenkamp
Sen. Tim Kelly

P.O. Box V
Juneau, AK 99811

907-465-4921

Senate Transportation Committee

MEMORANDUM

TO: The Senate Transportation Committee

FROM: Senate Transportation Committee Staff

DATE: April 23, 1987

SUBJECT: Senate Bill 240, suspending requirements for reports on arrangements and offers to sell the Alaska Railroad.

This bill is the result of the Senate Transportation Committee's expressed interest in delaying the requirement that the first analysis and documentation of potential railroad sale arrangements appear in the corporation's annual report for fiscal year 1994.

The bill extends the due date for the first analysis of potential sale arrangements to fiscal year 1994 which is outside the federal protection period. This action will guarantee that the State will receive the entire proceeds of any sale or transfer of the line. This modification of ARCA will serve the State's best interests. In addition, the Alaska Railroad will be allowed sufficient time following the end of this first five-year period to meaningfully research, prepare, and negotiate sale offers and terms. The growing number of recent disposals of short lines Outside emphasizes that such transactions are extremely complex and require a substantial investment of time and money.

Finally, although out-of-pocket expenses associated with any sale of the railroad may be deducted from sale proceeds which must be paid to the United States, there is less certainty about the deductibility of sale costs directly attributed to hundreds of hours of State and Railroad staff time. In light of that uncertainty, it seems most prudent to delay such activities until all costs associated with the State's disposal of the railroad can be fully realized by its sale.

SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

Date of April 16, 1987 5-DAY NOTICE
IN ACCORDANCE WITH UNIFORM RULE 23

FURTHER: FINANCE

**FISCAL NOTE(S) ATTACHED _____ **
IN ACCORDANCE WITH AS 24.08.035
(see below)

4/8/87

DATE TURNED INTO OFFICE April 23, 1987

Mr. President:

TRANSPORTATION Committee considered SB 240

suspending requirements for reports on arrangements and offers to
sell the Alaska Railroad; efd

and recommended:

replace with CS _____ same title
 attached amendment(s) and new title

do pass

do not pass

no recommendation

individual recommendations

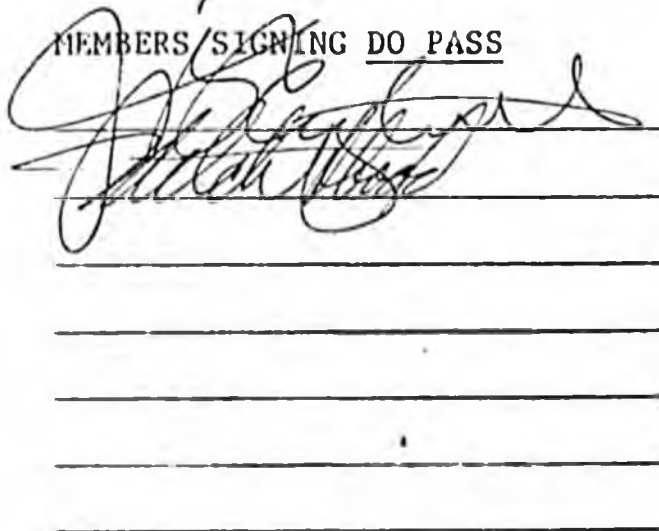
further referral to _____

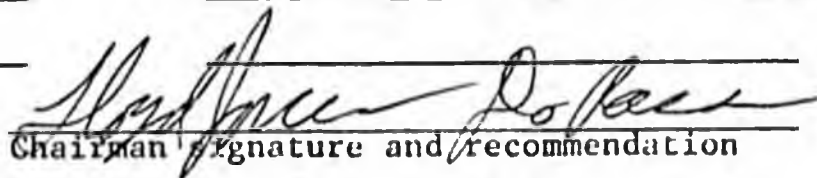
letter of intent adopted and attached

** Committee attached or adopted fiscal note(s)
 zero fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS




Chairman's signature and recommendation

Committee Backup Attached

ALASKA RAILROAD CORPORATION



P.O. Box 7-2111 • Anchorage, Alaska 99510-7069

VIA TELECOPIER

April 23, 1987

APR 27 1987

Honorable Lloyd Jones, Chairman
Senate Transportation Committee
P.O. Box V, Room 15
Juneau, Alaska 99811

Re: SB No. 240, An Act Suspending Requirements for Reports
on Arrangements and Offers to Sell the Alaska Railroad

Dear Senator Jones,

Thank you for providing this opportunity for the Alaska Railroad Corporation ("ARRC") to comment on SB No. 240. As you know, the bill proposes to amend the Alaska Railroad Corporation Act and will require that the first analysis and documentation of potential railroad sale arrangements appear in the corporation's annual report for fiscal year 1994.

For the reasons stated in enclosed position paper, we strongly support this legislation. Should the railroad be sold, delay of mandatory sale arrangements beyond 1990 will avoid federal legal requirements that sale profits be paid to the United States. This action will clearly serve the State's best interests.

Unfortunately, Frank Turpin is on the line this week meeting with employees to discuss various aspects of new labor agreements. However, I know that he would want me to extend his personal greetings and to thank you for your active consideration of this important legislation.

Sincerely,

Larry D. Wood
General Counsel

cc: F. G. Turpin
President and Chief Executive Officer

4112L

SENATE BILL NO. 240

AN ACT SUSPENDING REQUIREMENTS FOR REPORTS
ON ARRANGEMENTS AND OFFERS TO SELL THE
ALASKA RAILROAD

I. INTRODUCTION

SB No. 240 proposes that the first analysis and documentation required under AS 42.40.260(b) (part of the Alaska Railroad Corporation Act ("ARCA")) be included in the corporation's annual report for fiscal year 1994.

The Alaska Railroad Corporation ("ARRC") strongly supports this legislation.

II. DISCUSSION

When the State of Alaska purchased the Alaska Railroad in January, 1985, it agreed to many sale terms. These terms include a provision in the federal Alaska Railroad Transfer Act ("ARTA") which requires the State to turn over any profits of a subsequent sale or transfer of the railroad to the United States, if the sale occurs within the first five years of state ownership. 45 USC § 1209(e). This period expires on January 5, 1990.

In the face of this restriction, ARCA presently requires ARRC to include in its annual report an analysis of potential arrangements to sell the railroad every five years, including documentation of at least three offers to sell the railroad. These offers must be bona fide attempts by the state-owned railroad to sell all or part of its assets and operations.

The combination of ARTA's requirement that the State turn over any profits to the federal government if the railroad is sold before January 5, 1990, and the great cost of researching, preparing, soliciting, and negotiating meaningful sale offers does justify delay of ARCA's mandate that sale offers be solicited by ARRC before 1990. This will be simply accomplished by SB No. 240.

The bill extends the due date for the first analysis of potential sale arrangements to fiscal year 1994 which is outside the federal protection period. This action will guarantee that the State will properly enjoy the entire

proceeds of any sale or transfer of the line. This modification of ARCA will clearly serve the State's best interests. In addition, the State-owned railroad will be allowed sufficient time following the end of this first five-year period to meaningfully research, prepare, and negotiate sale offers and terms. The growing number of recent disposals of short lines Outside emphasizes that such transactions are extremely complex and require a substantial investment of time and money.

Finally, although out-of-pocket expenses associated with any sale of the railroad may be deducted from sale proceeds which must be paid to the United States, there is less certainty about the deductibility of sale costs directly attributed to hundreds of hours of State and Railroad staff time. In light of that uncertainty, it is most prudent to delay such activities until all costs associated with the State's disposal of the railroad can be fully realized by its sale.

III. CONCLUSION

ARRC views SB 240 as an important modification of the Alaska Railroad Corporation Act and urges that it be favorably considered.

4114L

Anchorage, Alaska
April 23, 1987

Memorandum to File

To: SB 240 File

From: Larry D. Wood
General Counsel
Alaska Railroad Corporation

Re: Testimony before Senate Transportation Committee
4-23-87

Although I did not have prepared comments other than the ARRC position paper, the following notes reflect my recollection of my statements at today's hearing.

I explained that one of the important terms of the sale of the Alaska Railroad to the State of Alaska included a provision directing that all proceeds of any sale of the railroad occurring within the first five years of state ownership be turned over to the United States. Despite this agreement, the Alaska Railroad Corporation Act requires that every five years the corporation's annual report must include an analysis of potential sale arrangements. Documentation of at least three offers to sell the corporation must be included. Hence, this mandate would require that the corporation attempt to sell all or part of the railroad during the very period of time when the State would not enjoy the benefits of its sale.

SB 240 proposed to delay the three offers to sell requirement beyond the federal protection period and this action clearly served the State's best interests.

Responding to a comment by a trucking interest speaker, I also explained that the bill would not prevent a sale before 1994, it would simply not require bona fide sale efforts during a very inopportune period. In fact, the enabling legislation provides for sale or lease of the railroad at any time if certain conditions are met. AS 42.40.940.