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FISCAL NOTE

REQUEST:

Revision Date: _____
Title: An Act Mandating the Sale of the Alaska Railroad
Sponsor: Rep. Taylor
Requestor: _____

Agency Affected: Alaska Railroad Corp.
BRU: _____
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING						

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

The potential cost to the Corporation is unknown at this time. However, the U.S. Government spent \$1.5 million in 1984 for just the property appraisal.

Prepared by: J. Blasingame Phone: 265-2680
Division: Alaska Railroad Corporation Date: 05/04/92

Approved by Commissioner: Robert S. Hatfield Date: 05/04/92
Agency: President & CEO

Distribution (by preparer):
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House of Representatives

ROBIN L. TAYLOR
MINORITY LEADER

SPONSOR STATEMENT

HOUSE BILL 462

"AN ACT MANDATING THE SALE OF THE ALASKA RAILROAD"

In 1984, when the Legislature adopted the enabling legislation establishing the Alaska Railroad Corporation, the intent could not have been more clear. Section 1, "Legislative Findings and Purposes", states in part: "It is the purpose of this Act to (1) create a viable economic entity with the powers and duties necessary to operate and manage the Alaska Railroad pending eventual transfer of the railroad to the private sector for its ownership or operation or both...."

The Act required that every five years the corporation, as part of its annual report, include an analysis of arrangements "whereby the corporation may be transferred to private ownership". That provision was later modified to require an annual report. The corporation has not complied with the requirement to analyze a sale in their annual report since it was established.

Chapter 153 SLA 84 also contains a section reading "The Governor shall contract with a private consultant for the preparation of a report on the long-term operations of the Alaska Railroad that are in the best interest of the state. The report shall be submitted to the governor and the legislature by February 1, 1987. It shall contain specific recommendations on operational alternatives and the transfer of all or part of the railroad operation to the private sector".

Ownership of the Alaska Railroad was transferred to the state on January 6, 1985

SPONSOR STATEMENT

HB 462

2/21/92

House Bill 462 was introduced to mandate the sale of the Alaska Railroad to the private sector. The railroad was never intended to remain in state ownership and the time has come to mandate action.

AS 42.40.260(b) provided all of the guidelines available for the corporation to meet the offer-to-sell requirement. A state attorney general, at the time of the transfer, cautioned restraint based on interpretations of the federal Alaska Railroad Transfer Act and its reversion provisions. The attorney general concluded that sale within five years of transfer would return any profit to the federal government. The attorney general went on to say that the reversion provisions made retaining the railroad until after 1990 more beneficial to the state.

It is now 1992! The Division of Legal Services (not the Department of Law) now cautions restraint, expressing concern over the "ambiguity" of the reversion provision of the federal Act. That provision expires on January 7, 1995, the effective date of HB 462.

I have serious doubts as to the need to wait until 1995 to sell the Alaska Railroad. I have no doubt as to the intent of the Legislature when it established the corporation. It is time to get the railroad moving into the private sector, as the Legislature intended in 1984! I ask your support for HB 462.

HB - 462

This bill proposes to sell the Alaska Railroad and mandates the Governor to offer the Railroad for sale and enter into an agreement with the most responsive offerer by January 6, 1996. A request for proposals must be issued by July 1, 1995.

First, the bill proposes something that is similar to language in the present statute which established the Alaska Railroad Corporation (ARRC) (AS 42.40.940). That provision provides authority to the Governor to sell or lease the Railroad if it can be demonstrated that (1) it can be assured that the Railroad will continue to operate after the sale or lease; and (2) under the terms of the sale or lease, the State will receive the amount of money it has spent in connection with the Alaska Railroad.

Second, this sort of legislation has significant impact on our ability to enter into long term contracts for future business. With ownership in doubt, major customers will be reluctant to enter into long term arrangements. Long term financing will suffer similar impediments.

Third, because of the time frame specified and lack of specificity as to what is being offered for sale, it essentially places the Railroad on the auction block to be sold to the lowest bidder instead of negotiating the highest and best price for a valuable state asset.

Fourth, the bill is also disruptive to Corporation employees because it impacts their future. A major segment of existing Corporation employees transferred to the state-owned Railroad from the federally-owned Alaska Railroad in 1985. Those employees would be subjected to displacement to another entity that does not provide for any of the protections written into the Federal transfer bill.

In summary, where an existing authority is already in place which provides for the same intent as HB-462 and because of the foregoing issues detailed in this position paper, this legislation is unnecessary and, in fact, harmful to the State's best interests.

B4 Thursday, February 6, 1992, The Anchorage Times

The Anchorage Times

"Putting Alaska first"

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COMRADES, GO WEST

Leave railroad be

WITH A NUMBER of legislators already giving themselves travel and personal expense allowances that would make members of the royal family envious, it may sound ludicrous that we would suggest they make yet another trip. Nevertheless, that's what we'd like to see.

We suggest a trip west over the Bering Sea for Reps. Kay Brown, Dave Donley and other cosponsors of legislation to exert greater government control over the Alaska Railroad Corp.

Our legislators need to witness first hand the results of the grand experiment in socialism. They should see for themselves what happens when a political party attempts to manage the production and distribution of goods and services. Talk with the people of Russia and see what they think about business decisions made by politicians who use government-run businesses to further their own careers.

In fact, our legislators might take a ride on the Russian railroad and contrast what they find with the railroad operation here.

MS. BROWN AND the rest would undoubtedly learn that government-run operations don't work so well. The people of the former Soviet Union are loudly rejecting socialism. In its place, they are searching for a way to institute the inherent advantages of a free market, competitive system.

That's the way the state's railroad is supposed to be operated — as a private business. It was set up in 1985 as a for-profit corporation, overseen by a board of directors appointed by the governor. The mission of the Alaska Railroad is to operate as a self-sustaining, fully integrated, quality and service-oriented transportation company.

That mission, apparently, is not good enough for the politicians who want to have final say in decisions made by railroad administrators. Certain members of the Anchorage Assembly and the Legislature prefer to reserve for themselves the authority for running the railroad.

THAT WOULD be a mistake — a serious one.

As the politicians bicker and second guess the railroad's plans to develop Ship Creek, individual Alaskans are seeing what individual Russians have seen over the past decades. Decisions made not on good business sense, but instead on political cronyism and posturing for power. No good can come of local or state control of businesses that are better run in the private sector.

Rather than increasing government controls over the railroad, we would prefer to see the Legislature move to fully privatize the operation. Sell it, in other words. That was the original plan seven years ago when the state acquired the transportation system from the federal government. Now, as we see lawmakers move to manipulate the railroad for their own devices, it becomes all the more urgent to further remove the railroad from their reach. Selling it is the answer.

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

Mary Van Nimwegen

House Transportation

5-5-92