

3/25/99

Overview:

Alaska

Railroad

Corp.

HFIN

FILE

HOUSE FINANCE COMMITTEE
LOG NOTES

March 25, 1999

GENERAL SUBJECT(S): **Overview ALASKA RAILROAD CORPORATION**

The following overview was taken in log note format. Tapes and handouts will be on file with the House Finance Committee through the 21st Legislative Session, contact 465-2156. After the 21st Legislative Session they will be available through the Legislative Library at 465-3808.

Time Meeting Convened: 1:40 p.m.

Tape HFC 99-53, Side 1.

Tape HFC 99-53, Side 2.

	PRESENT:	x	Representative G. Davis
x	Co-Chair Therriault	x	Representative Foster
x	Co-Chair Mulder	x	Representative Grussendorf
	Representative Austerman	x	Representative Kohring
x	Representative Bunde	x	Representative Moses
x	Representative J. Davies	X	Representative Williams

ALSO PRESENT:

GOVERNOR WILLIAM SHEFFIELD, CEO, ALASKA RAILROAD, ANCHORAGE; JIM KUBITZ, VICE PRESIDENT, ALASKA RAILROAD, ANCHORAGE.

LOG	SPEAKER	DISCUSSION
000	Co-Chair Therriault	Convened the HFC meeting at 1:40 P.M. for the purpose to discuss the Alaska Railroad Corporation.
	Co-Chair Therriault	Stated that HB 69 would be reported out to the Chief Clerks office and that the bill title had been tightened. Amendments will be offered on the floor.
191	Representative J. Davies	Asked about the tobacco bill. That language is ambiguous. Memo has been included in the packet clarifying HB 67.
274	Co-Chair Mulder	Took assumed the gavel. He stated that Subcommittee reports will need to be turned in before members leave for Easter break. A statewide teleconference on the operating budget will happen during the weekday following Easter; not the weekend. He suggested that it could be difficult to have that hearing on Tuesday because the LIO's might not have access to the draft.
	Co-Chair Mulder	He introduced guests from the Alaska Railroad to speak about long range plans

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		and intentional use of reserved monies.
433	GOVERNOR BILL SHEFFIELD, CEO, PRESIDENT, ALASKA RAILROAD, ANCHORAGE	Expressed his gratitude for being invited to testify before the Committee. He provided Committee members a handout prepared by the Railroad.
	Governor Sheffield	He provided a step by step overview of the handout.
	Governor Sheffield	Pointed out that the railroad is self supporting and self sufficient. He emphasized that the railroad is professionally run.
	Governor Sheffield	Spoke to the missions and values of that system: and that Safety is the most important aspect of railroad work.
615	Governor Sheffield	The railroad has worked hard at lowering the injury rate.
	Governor Sheffield	Service is critical; additionally, there are yearly audits. The LBA Committee audits the Railroad at least once a year.
698	Governor Sheffield	He noted that the state economy and the railroad follow hand in hand. There has been a downturn in the oil industry. The oil traffic has historically used the railroad extensively but with less oil, the economy goes down.
759	Governor Sheffield	The railroad is in good financial shape; they have paid down the debt and have revamped business contracts with a major restructuring since 1990.
810	Governor Sheffield	Governor Sheffield spoke to the 1998 highlights: 23% reduction in employee injuries; Replaced 100,000 more ties; Installed 350,000 tie anchors; and Increased passenger useage, freight and revenues.
900	Governor Sheffield	Estimated railroad net earnings of \$9 million dollars.
995	Governor Sheffield	Spoke to the 1999 Goals.
	Governor Sheffield	Anticipate another 25% down in injuries; Cut expenses to meet potential drop in freight volume; 600,000 tons of export coal moved.
1060	Governor Sheffield	Also, develop a real estate master plan; Better use real estate to stabilize revenues over the long-term; Increase revenue in base freight business through efficiency, to customer service; Manage capital program successful.
1303	Governor Sheffield	He stated that Governor Knowles vision plan of transportaiton is a fifth of the

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		national economy with more in Alaska. The Railroad revenues supply match for rail improvements.
1370	Governor Sheffield	Port of Seward: The railroad will build a freight dock and a true passenger, state ferry dock. Will be hauling crew ship passengers from Seward to Anchorage which is the key of the entire development.
1435	Governor Sheffield	Whittier Overpass: Is a safety measure being undertaken by the Ak. Railroad. This will be a safety measure. That road will be rebuilt from the port to the harbor. It will be open Spring 2000.
1496	Governor Sheffield	Denali Depot: It will be an enclosed, full-service facility at the park entrance. The railroad is working with the Park Service for completion by 2001.
1550	Governor Sheffield	Fairbanks Intermodal: This will be built soon for bus, rail, taxi facilities. It will require that a study also be done in Anchorage in order that the facilities will join safely. It will be computer dispatched, which will result in positive train control and will cost \$12.5 million dollars.
1700	Governor Sheffield	Motive power: For new locomotives for more power, and less operating cost. There are only 32 locomotives. With six engines on a coal train, that would equal 3 new. This will eventually equate to much savings down the road, however, they cost \$2 million dollars each. The railroad has been saving money and has money to place down on the purchase.
1750	Governor Sheffield	Anchorage International Airport; Is planing a \$28 million rail facility. This will happen during the airport remodel. The train will load right up at the airport and there will be a moving tunnel and sidewalk. He emphasized that this will be very handy and will help to deliver more people by rail.
1858	Governor Sheffield	Line Changes: Cut running time from Wasilla by 40 minutes which will help frieght, and passenger service; sets stage for communter rail; Girdwood will be on track as well.
2000	Governor Sheffield	Summarized how it all fits together with basic line changes improving train speed and traffic capability, safety; New depots and intermodal facilities serve growing

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		visitor industry; and Faster trains, good facilities make better commuter service possible.
	Governor Sheffield	There is money in the federal budget for Department of Transportation and Public Facilities to connect to the best coal in the world. The railroad wants to have a right a way and then build the line. There is also interest for the trains to go to Canada.
2075	Governor Sheffield	Mentioned that the railroad had been built to serve Interior Alaska.
2085	Co-Chair Therriault	Questioned what was meant by line changes?
2094	Governor Sheffield	Cutting out curves, straightening them which involves straightening out track.
2116	Co-Chair Therriault	Asked if the entire complex of Denali would be gone?
2141	Governor Sheffield	Did not know the entire plan and that currently, the Ak Railroad was consulting with an arcitect firm. He envisioned a depot with greater and larger facilities.
2171	JIM KUBITZ, VICE PRESIDENT, ALASKA RAILROAD, ANCHORAGE	There are many restrictions but there is cooperation between the Park Center and the Railroad. More land is being given to help the project.
2224	Co-Chair Therriault	Asked about the sewage treatment plant.
2234	Mr. Kubitz	Replied that it would not be only a hotel.
2242	Co-Chair Therriault	In Fairbanks, considering moving the rail yard so that land could be used for additional purposes.
2265	Governor Sheffield	Plan to build it on Johnanson Road and the railroad is working with Fairbanks now. Department of Transportation and Public Facilities could do an interchange so that cars and trucks could easily access the area and reroute traffic from Illinois Street.
2307	Co-Chair Therriault	Switching yards.
2317	Governor Sheffield	
2323	Co-Chair Therriault	How does the Railroad interact with the Department of Transportation and Public Facilities in right-of-way aquisition
2345	Mr. Kubitz	Usually is a permit.
2365	Representative J. Davies	Question about the Denali access?
2372	Mr. Kubitz	Plan to add an additional visitor center for bigger tourist functions and adding a foot path.

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	TAPE CHANGE	HFC 99-53, SIDE 2.
000	Mr. Kubitz	Plan to move the road for better access.
053	Representative J. Davies	How many passengers per year in Denali.
077	Governor Sheffield	700,000 passengers hauled per year on various segments of the rail carriers. Almost everyone who rides the train gets to Denali eventually.
138	Representative J. Davies	Asked if a large part of the ties were fabricated in AK.
156	Governor Sheffield	30% are coming from Alaska. Hemlock is used because it is the best of the soft woods. Across the country, hardwoods are used. Softwood can be used on the straight surfaces. The problem rests in treating them.
260	Governor Sheffield	There are people considering building a treatment plant for this purpose. Each year, the railroad is cutting down costs a little with tie rotation.
340	Co-Chair Mulder	Where are the ties coming from in AK?
356	Governor Sheffield	Coming from Wrangell.
387	Co-Chair Mulder	What is the cost comparison of having it made in Ak and shpping them out for treating.
421	Governor Sheffield	The same or a little more. \$40 per tie when finished. He pointed out that 2/3 of that cost is shipping and treatment.
470	Co-Chair Mulder	Asked if the Railroad had considered using concrete ties
480	Governor Sheffield	Replied that the concrete ties can only be used at the beginning and the end. The best tie in general cases is a wood tie. Concrete can crack. It depends on weather conditions and the difference in temperature between night and day in Alaska is dramatic.
559	Vice-Chair Bunde	60 mph mile track
593	Governor Sheffield	Track speed is mostly 45-50 mph track.
622	Vice-Chair Bunde	Plans for moose at 60 mph
636	Governor Sheffield	Replied that this was a good year for not hitting a lot of moose. A total of 80 moose were hit this year. Crews are running trails off the track, and the trains are slowing down; there is more help. Less snow the last few years has helped.
716	Vice-Chair Bunde	Pointed out that there are still some times of year that are not good.
736	Governor Sheffield	Signalization will be built into the track itself.

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758	Representative Williams	How far along is railroad in using Rodeo-herbicide.
787	Governor Sheffield	Have applied for a permit and put it on hold. Need more data and will reschedule public hearings in six weeks. Only applied for permit for Anchorage, Fairbanks and outside of Palmer yard for a ten mile stretch.
877	Governor Sheffield	Added that this is a safety issue, Have not used Round-up since 1983. Weeds in the road bed, are bad and dangerous for the train hauling freight & passengers. This is a process that the Alaska Railroad is trying to explain to the Alaskan people. The Railroad can not afford to spend \$2 million dollars per year to get rid of the weeds using other means.
998	Governor Sheffield	Engineers need to see where they are going. 600 employees want better control of the vegetation.
1039	Representative Williams	Spoke in support in the use of chemicals. Asked why the Railroad was waiting to use it while it was costing the State \$2 million dollars a year. He pointed out that in 1993, Governor Hickel was trying to use it along the highways. There was talk about communities adopting a piece of highway and being responsible for keeping it weed free. He understood that no one had "adopted a mile" as originally suggested. He encouraged to continue using Rodeo.
1149	Governor Sheffield	There is a lot of information available on herbicides and Round-Up. He acknowledged that he was trying to accumulate that info in order to make a determination.
1219	Representative Grussendorf	Appreciated that he is investigating the data. He asked about the \$2.2 million dollars in betting money. He questioned the amount of federal funds that are received for the railroad.
1261	Governor Sheffield	Have received \$10 million dollars per year for road bed rehab. That funding is not reliable. Senator Stevens has been influential in having that appropriated. And his term ends in 2 years.
1327	Representative Grussendorf	Asked how reliable the other funding was.
1343	Governor Sheffield	The ISTEA bill included funding and then the formula was changed and the State Railroad received \$4.8 million dollars per

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		year for 6 years. He stated that was a good formula and the State now receives \$30 million for over six years which is match money. \$7 million dollars will go toward the GPS system. The last of this money will be received this year. There has been money received for the line changes. Track was welded
1437	Governor Sheffield	Everything the railroad is doing is to make it safer and more efficient. That makes the railroad more reliable and to increase the earnings while serving the customer better. Then earnings shall be sufficient to maintain itself.
1510	Representative J. Davies	Questioned future possibilities such as Denali?
1531	Governor Sheffield	\$1 million dollar study of that line. He stated that he favored rail transportation into the park. It could carry masses of people. The park service has not supported that. There is money available to provide a study which will happen soon.
1611	Representative J. Davies	Emphasis is clearly on safety.
1624	Governor Sheffield	Going to have a new grade separation at "C" street in Anchorage. Encouraged the Municipality to figure out a way for separation. There were 2 derailments last year. It cost over \$1 million dollars and much time spent because of those. One had a machinery malfunction and the other was a track separation.
1725	Governor Sheffield	He added that there has been a number of derailments in Whittier because of the weather mess.
1758	Co-Chair Mulder	Asked the appraised value of railroad?
1768	Governor Sheffield	\$200 million dollars in assets on the balance sheet. The State paid \$22 million for the railroad.
1797	Co-Chair Mulder	Asked if the holdings have increased?
1809	Governor Sheffield	Tremendous asset for the State. The actual cash in the bank separating the federal funds is \$15 million dollars or more. Federal funds amount to \$20-\$30 million dollars for spending for construction projects; and there is \$28 million dollars from the sale of a railroad station. That is a federal grant.
1874	Co-Chair Mulder	He informed Committee members that "All funds" have not included AHFC, AIDEA and

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		the Railroad. This is an effort to show all funds in working with the Administration.
1906	Governor Sheffield	None of that money came from the State.
1918	Co-Chair Mulder	Agreed, that revenue was lost from slow down.
1925	Governor Sheffield	Will loose some from oil industry but will be picking up some by tariff adjustment, \$1 million dollars. Last year shipped 290 tons of coal. Lost money from budget, however, this year will reestablish.
1998	Co-Chair Mulder	Spoke to the real estate holdings. He asked for a listing of all holdings.
2025	Mr. Kubitz	Replied that the Railroad owns 36,000 acres of land. 1/3 is operational property; 1/3 is leased property or which 1/2 of that is leased; the remaining is tracks of land are not big money land generators. He offered to provide that info to the Committee.
2080	Co-Chair Mulder	Asked when would the master plan be finished?
2099	Mr. Kubitz	Replied that it is in the process except for the completed portion of Ship Creek.
2118	Governor Sheffield	Also, the plan in the system has been completed for Whittier; with a small plan for the Chena landing area.
2138	Co-Chair Mulder	Road bed money requires 20% match
2148	Mr. Kubitz	Explained all the work that requires the 20% match required by the feds for the railroad.
2165	Co-Chair Mulder	Asked how much debt currently?
2172	Governor Sheffield	\$2 million dollars this year. Will rise to \$20 million dollars the end of this year with the purchase of the new locomotives.
2196	Governor Sheffield	Vegetation control is done by inmates through an arrangement with Department of Corrections. This has been done in the past and the public usually does not know it.
2254	Representative G. Davis	Asked if Whittier was involved in the Master Plan.
2268	Governor Sheffield	Whittier was involved with the plan and was happy with it. After 5 years, the railraod will share revenues with the City. There is no tax base there.
2301	Representative G. Davis	Asked if there was anyone interested in buying the railroad at this time.
2323	Governor Sheffield	Has not received a letter for 2 years.
2335	Co-Chair Mulder	Voiced appreciation of the Alaska Railroad

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		for joining the Committee for the overview.
2354	ADJOURNED	3:15 P.M.

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Alaska Railroad

The Alaska Railroad

Looking down the tracks

The 21st Alaska Legislature
March 25, 1999

Alaska Railroad Corporation

The Alaska Railroad

A public corporation owned by the State of Alaska

- Self-supporting through revenues earned
- More than 600 employees
- Professionally run
- 525 miles mainline track

Alaska Railroad Corporation

Our mission and values


- Safety
- Service
- Self-sufficiency
- Accountability
- Not just a carrier, but a catalyst for Alaska's growth

Alaska Railroad Corporation

The economy and the Railroad

- Freight is three quarters of our \$87 million gross revenues.
- We serve the Alaska economy.
- Our business mirrors what's happening with our customers
- '99 will be tougher than the last few years

Alaska Railroad Corporation



We're in good shape


- Positioned to deal with contingencies
- Paid down debt over last few years
- Major restructuring in '90-'93 reduced management and operating costs
- Aggressive maintenance program helping us stay safe and efficient

Alaska Railroad Corporation



1998 highlights

- 23% reduction in employee injuries
- Replaced 100,000 more ties
- Installed 350,000 rail anchors
- Increases in passengers, freight revenues
- Estimated net earnings of \$9 million



Goals for 1999

- Another 25 percent drop in injuries
- Cut expenses to meet potential drops in freight volume
- 600,000 tons of export coal moved
- Increase and diversify passenger business

Alaska Railroad Corporation



Goals for 1999

- Develop real estate master plan
- Better use real estate to stabilize revenues over the long term
- Increase revenue in base freight business through efficiency, customer service
- Manage capital program successfully

Alaska Railroad Corporation



Gov. Knowles vision, plan

- Transportation is a fifth of national economy, probably more in Alaska
- Maximize Alaska's access to federal funds for roads, bridges, ports, airports
 - Motor fuels tax supplies match for roads
 - Railroad revenues supply match for rail improvements


Alaska Railroad Corporation




1999-2000 capital plan

- \$75 million in Railroad revenues and federal funds (*no state funds or taxes*)
- Includes:
 - New locomotives
 - New depots
 - Track straightening
 - Airport terminal design
 - Roadbed maintenance

Alaska Railroad Corporation



Port of Seward



Build true passenger, state ferry dock

Alaska Railroad Corporation




Whittier overpass




Safety measure

Alaska Railroad Corporation




Denali depot




Enclosed, full-service facility at park entrance

Alaska Railroad Corporation




Fairbanks Intermodal




Bus, rail, taxi facility

Alaska Railroad Corporation

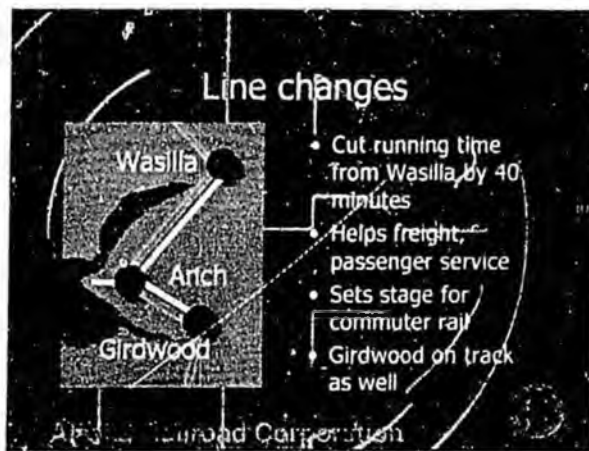


Motive power



New locomotives for more power, less operating cost



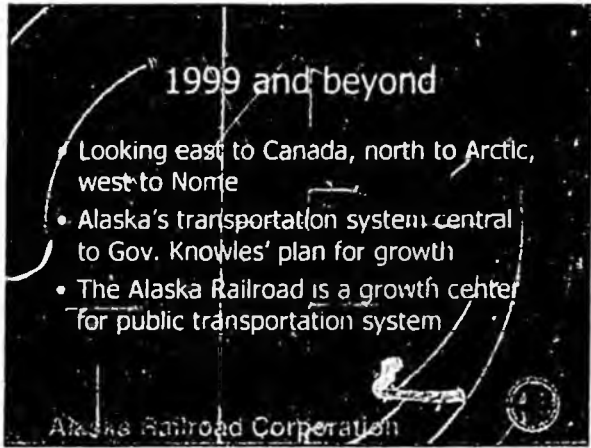




1999 and beyond

- Looking east to Canada, north to Arctic, west to Nome
- Alaska's transportation system central to Gov. Knowles' plan for growth
- The Alaska Railroad is a growth center for public transportation system

Alaska Railroad Corporation



The Alaska Railroad

A catalyst for growth

Alaska Railroad Corporation

