

3/05/02

PRESENT.

BY

AK

RAILROAD

SFIN

FILE

**Presentation to the Senate Finance Committee
March 6, 2002**

The Alaska Railroad spent 2001 demonstrating the kind of partnership the State, communities, and businesses can depend on to support growth and development across Alaska.

We enhanced safety, responsiveness, capacity, and fiscal stewardship. We brought new services online. We improved environmental protection measures, coordinated community planning, and commenced construction on many capital projects. In light of September 11, the Railroad also took steps to assess and address security risks along the Railbelt.

Customers and revenue. With total revenues of \$104.6 million and total expenses of \$97.5 million, the Alaska Railroad netted \$7.1 million in 2001. This was 9% better than forecast. Real estate once again proved to be a strong performer with gross revenues reaching \$10.5 million – up from \$9.28 million last year. Freight revenue also set a record, reaching nearly \$80 million. Gravel was up and oil field freight exceeded expectations. A record number of fuel cars were hauled from North Pole, exceeding several daily, weekly and even monthly thresholds. Passenger revenue was up. Collectively, these revenue streams continue to provide the cash flow for our work force and our Railroad services.

Environmental measures. The Railroad significantly enhanced emergency and spill response through the purchase of new equipment, extensive employee training, and an overhaul of our spill response plan. Crafted to meet new state regulations, the plan has been filed with the Department of Environmental Conservation and is available for public review. ARRC also joined Alaska Chadux Corporation, a primary spill response co-op whose considerable experience in Alaska will contribute significantly to our spill response capability.

Community involvement and planning. Our people have worked hard this year to better coordinate railroad planning efforts with the communities we serve. ARRC was named as a participant in the Anchorage Metropolitan Area Transportation Study (AMATS) Technical Advisory Committee (TAC) and member of the Fairbanks Metropolitan Area Transportation Study (FMATS) TAC. We are working with several other groups, including the Anchorage and Fairbanks Chambers of Commerce, Anchorage Economic Development Corporation, Seward Centennial Committee, Resource Development Council, and the Alaska 20/20 effort to ensure the Railroad's vision complements and supports the overall plans and strategies developed by our State, municipalities and community groups

The Alaska Railroad's continued commitment to safety paid further dividends in 2001.

Low Train Accident Rate - For the second consecutive year train accident rates fell well below the national average of 3.8 accidents per million train miles. ARRC's 1.5 accidents per million train miles in 2001 compares with 2000's 1.49 average. Both were well below our historical average of over 4 accidents per million train miles. Success can be attributed to significant investments in infrastructure and employee dedication.

Spill Contingency Plan - The Alaska Railroad submitted a revised, improved Spill Contingency Plan to the Alaska Department of Environmental Conservation in the fall of 2001. After an extensive public comment and review process, we hope to have the plan finalized by mid-2002.

Track Improvement - The Maintenance of Way (MOW) department focused on track repair to improve safety. MOW replaced 30,600 crossties, 350 switch ties and 58,000 feet of worn rail. They built nearly 40,000 feet of new track, and resurfaced another 242 track miles. Surfacing is the equivalent of grading a road, accomplished by equipment that lifts the rails and redistributes ballast to smooth out the rail. About 1,800 cars of ballast rock were unloaded in the effort.

Traffic Flow - Other track improvements included major new sidings at Bear Creek (about 15 miles north of Healy) and Pittman (just north of Wasilla) which, along with improvements at existing sidings, helped smooth traffic flow along the track. This improved efficiency played an important part in increasing the number of units moved by 23% - to over 96,000 units - and increasing tonnage by 26%.

Reliability - During 2001, the mechanical department enhanced reliability of the Railroad's locomotive fleet. Their preventative maintenance efforts have resulted in an incredible jump from 65% reliability to 97% reliability, translating into better, safer customer service.

In 2001 transportation of commodities generated freight revenues of \$79.5 million, an average sustained growth of about nine percent per year over the past six years. Products moved by the Railroad include petroleum products, coal, gravel, oilfield and mining supplies, chemicals and some consumer goods.

Coal shipments, which move south from Usibelli Coal Mine in Healy to Seward for export to Korea and north to Fairbanks, were steady until December, when the Koreans began renegotiating their contract.

The Passenger Services and Marketing & Logistics departments merged in July 2001 to enhance coordination of marketing, transportation services, and sales efforts.

The new division saw passenger travel levels on the Alaska Railroad remain comparable to 2000. Passenger revenues were up slightly. Given the fact that tourism dropped across the state in 2001, that the Railroad did not experience a significant passenger reduction was an accomplishment.

The Real Estate department continued as a strong performer exceeding 2001 projected revenue by \$300,000, generating \$10.5 million – thus breaking the \$10 million revenue mark for the first time. A number of activities along the railbelt have contributed to the continuing growth of real estate income.

In order to more accurately reflect the scope of work conducted by the Capital Projects division, it was renamed Projects, Engineering, Technology & Signals (PETS) in July 2001.

The year 2001 was full of accomplishments. On the projects front, the Seward Dock, Whittier Underpass, South Anchorage Double Track, Anchorage Airport Rail Depot, Anchorage-Wasilla line changes, Southcentral Commuter Rail study, and Fairbanks-North Pole reconnaissance study all saw significant progress or completion. (Descriptions of the 2001 Program of Projects follow in the next section). The 2002 construction season promises to be at least as busy as we continue to invest in infrastructure in order to provide safer, more reliable service to customers.

The engineering staff managed many challenges this year posed by everything from meeting complex federal grant regulations to the rigors posed by Alaska's extreme weather. Our engineers are taking lead roles in working directly with communities to resolve road-rail, trail-rail, and rail-river conflicts.

The technology staff made significant progress on upgrading infrastructure. They commenced upon a three-year plan to upgrade Railroad computer systems, and they tapped new technology to move trains more efficiently through use of a computer aided dispatch system.

More sophisticated signalization was installed during the second of a five-year effort by the Railroad to more clearly mark road-rail crossings, and to install numerous powered switches. Both efforts, which will continue in 2002, improve safety and increase efficiency.

2001 Capital Improvements Program Review

Seward

Freight Dock - In 2001, the Railroad finished constructing a new freight dock located just east of the existing dock. The 640-by-200-foot bulkhead fill dock features a low maintenance ship fendering system, a mooring dolphin, and catwalk at the seaward end. The \$7.7 million project was funded by FRA, FHWA and the Railroad.

Passenger Dock - In conjunction with the freight dock project in 2001, the Railroad began overhauling the existing dock to serve as a passenger-only facility. This will greatly improve safety and efficiency, and bring the existing facility into compliance with State and Federal regulations. Funded by FRA, FHWA and the Railroad, the project included \$2.7 million spent to improve the passenger dock, including connection to the city sewer service. Another \$3.5 million (80% FTA funds, 20% ARRC funds) is budgeted to complete the renovation in 2002-2004.

Roundhouse - The Seward roundhouse (engine house) was upgraded to accommodate maintenance and custodial services for cruise trains operating between Seward and Anchorage. The project included installation of potable water stations, upgrade of electrical systems, a new office facility, and a train-washing apparatus with wash water collection, cleaning and recirculation. Completed in 2001, the project was funded 80% by FTA and 20% by the Railroad.

Whittier

Whittier Intermodal Planning Study - The Railroad commissioned an Intermodal Planning Study on improving passenger-related amenities to facilitate tourism growth in Whittier. Goals include better passenger and pedestrian safety, increased passenger service, segregated passenger and freight operations and construction of new passenger and maintenance facilities. Due for completion in 2002, the \$282,500 study and conceptual design is funded 80% by FTA and 20% by the Railroad.

Pedestrian Underpass - Part of the Whittier master plan called for a pedestrian underpass that would provide safe passage across the rail yard, which lies between the town and the waterfront. Construction on the 300-foot-long, 10-foot-diameter underpass began in spring 2001. Funded 80% by FTA and 20% by the Railroad, the \$2.285 million project will be completed in spring 2002.

Equipment Maintenance Facility - Design was accomplished on a new equipment maintenance building in Whittier to be located in the southeast corner of the railyard. The 4,793-square-foot building will store and maintain heavy equipment, such as graders and bulldozers. Funded 80% by the FTA and 20% by the Railroad, the \$2.225 million project will be constructed in 2002.

Barge Dock - Design was also completed on a project to accommodate unloading from the side of the Railroad's existing barge dock. Construction of two 34-by-60-foot elevated platforms is scheduled to begin in spring 2002. Funded 100% by the Railroad, the \$1.6 million project will significantly improve safety and efficiency of barge operations.

Anchorage

Anchorage Airport Rail Station - Construction is well underway on a new rail terminal at the Ted Stevens Anchorage International Airport. The \$28 million project includes construction of an elevated track leading to a 17,300-square-foot depot building. Funded 100% by FRA, the project is scheduled for completion by October 2002.

Anchorage Airport Spur / South Leg of the Wye - Construction began on a new "south leg of the wye," at the Airport Spur junction, which will allow southbound travel from the new airport rail station. The project improves the spur leading from Minnesota Drive to the airport. Funded by FRA, the \$970,000 project will be complete by summer 2002.

South Anchorage Double Track - Construction began on a project to add about five miles of new mainline track between 120th Avenue (near Klatt Road) and the Minnesota Drive overpass, within the Railroad's right-of-way. The second track will improve efficiency and safety along the currently congested mainline through Anchorage. Funded 80% by FTA and 20% by the Railroad the \$11.5 million project, which includes signalization, will be complete in winter 2003.

North Ship Creek Rail Yard Expansion - The Railroad began excavating about 770,000 cubic yards from the North Ship Creek bluff to make room for new and realigned Anchorage Yard tracks. Much of the material was used to fill about 8.5 acres of Railroad-owned tideland at the Port of Anchorage to permit construction of the Williams fuel facility loop track. Funded by the Railroad, phase one of the yard expansion project will be complete in 2003.

Anchorage Yard Passenger Car Shop - Preliminary design began on a new passenger car shop in the Anchorage Yard. The facility will accommodate the Railroad's expanded fleet of passenger trains. Funded 80% by FTA and 20% by the Railroad, the \$2.32 million design and engineering effort will be complete in 2002.

Ship Creek Intermodal

Planning got underway to conceptualize a Ship Creek area intermodal transportation hub that provides bus and rail facilities, pedestrian improvements, new rail platforms, bus/van stops, retail development, airport accommodations and visitor information. In 2002, the Railroad plans to pursue preliminary concept work, organize public and agency scoping meetings, and conduct pre-NEPA studies and documentation. The \$4.5 million budget for the concept stage is funded 80% by FTA and 20% by the Railroad.

Anchorage Ship Creek Pedestrian Amenities - Design was complete and construction began on a pedestrian plaza at the corner of Ship Creek Avenue and C Streets. Funded by the Municipality of Anchorage and the Railroad, the \$254,000 plaza project will be complete in spring 2002.

Anchorage to the Mat-Su Valley

Anchorage to Wasilla Track Realignment - Efforts to straighten the track from Anchorage to Wasilla got underway in 2001, with the stretch from the Anchorage Yard through Elmendorf completed. When the entire project is done, the project will increase train speed, and improve efficiency and safety along this stretch. Funded by FRA, the \$54 million Anchorage to Eagle River phase started construction in 2001 and should be complete in 2004. Funded 80% by

FTA and 20% by the Railroad, the \$23.8 million Eagle River to Wasilla phase should enter construction in 2002, with completion in 2004.

Commuter Study - The Railroad commissioned the *Southcentral Rail Network Commuter Study and Operation Plan* in 2000. Completed in 2001, the study creates a blueprint for potential further actions by local and state officials to establish a viable and operational commuter rail system. The \$200,000 project was 80% funded by the FTA and 20% by ARRC. The plan, along with public comments, has been forwarded to FTA.

Interior Alaska

Denali National Park Rail Station - Design and engineering are underway to improve the passenger depot and surrounding facilities at Denali National Park. Construction of the \$4.5 million project begins in spring 2002, with completion expected in 2004. Funding is 80% FTA and 20% Railroad.

Fairbanks Intermodal Facility and Depot - Preliminary design and engineering was completed on an intermodal facility and depot in Fairbanks. Proposed plans are to locate the new facility on a 32-acre site adjacent to the Railroad operations yard, near the intersection of Johansen Expressway and Danby Road. Funded 80% by FTA and 20% by the Railroad, the \$11.5 million project will begin construction in 2002, with completion in 2003.

Fairbanks / North Pole Rail Relocation Study - The Railroad commissioned a reconnaissance study on relocating the track in Fairbanks and North Pole to eliminate up to 48 rail/road crossings within the two communities. Public meetings to discuss proposed phased options are ongoing in 2002. Funded by FRA, the \$250,000 conceptual study will be complete in 2002. Project construction will depend on the options selected and funding availability.

Systemwide Service & Equipment

Passenger Locomotives and Car Upgrades - Major upgrades to passenger locomotives and cars began in 1999 and continue as funding becomes available. Typical upgrade projects include the repainting and interior restoration of coaches, refurbishment of power generation cars, rehabilitation of railcar trucks, and a \$2.325 million effort in 2001 to rebuild three passenger locomotives. About \$800,000 is budgeted in 2002, funded 80% by FTA and 20% by the Railroad.

Passenger Reservation System - In 2001, the Alaska Railroad acquired and installed a computer-based passenger reservations management system that provides integrated, flexible, cost-effective, and automated means of supporting and managing passenger travel. Funded 80% by FTA and 20% by the Railroad, the \$820,000 project can accommodate current and projected needs, and capitalizes on consumer demand for Internet information and transactions. System modifications and personnel training will continue in 2002.

Avalanche Program - In 2001, the Railroad initiated a three-year program to improve existing avalanche risk management tools and create new control systems. The \$2.5 million project involves integrated capital projects to upgrade: (a) state-of-the-art detection and data acquisition and management systems, (b) explosive delivery systems, (c) equipment, and (d) joint

operations with the Alaska Department of Transportation & Public Facilities. The Avalanche Program is funded in part by a congressional earmark through the U.S. Forest Service.

Yard and Terminal Plans - During 2001, the Railroad commissioned TransSystems and California-based Woodside Consulting Group to update the yard and terminal plans. This built on a 1999 Woodside comprehensive plan to improve efficiency, capacity and safety within Anchorage and Fairbanks yards, as well as the main track between the two terminals. Out of this analysis came a prioritized list of capital projects to be undertaken through the year 2005. The plan update is funded by the Railroad and is expected to be complete in 2002.

Systemwide Infrastructure

Siding Improvements - In 2001, the Railroad continued a five-year Siding Access Plan to place remote control power switches and heaters at about 40 sidings between Seward and Fairbanks, to extend 13 existing sidings and to build seven new sidings. In 2001, FRA grant funds were used to build two new sidings. One was at Pittman - MP 166, just north of Wasilla. The other was at Bear Creek, MP 274, about 15 miles north of Healy.

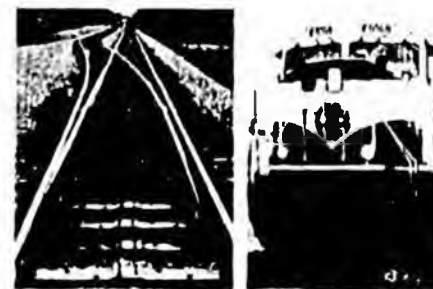
Bridge Program - The Alaska Railroad's 500-plus miles of mainline track includes 169 bridges that cross barriers ranging from trickling streams to plunging gulches. Funded by FRA, the Railroad's 2001 Bridge Program included major maintenance, overhaul and replacement projects needed to maintain Railroad integrity, safety and efficiency.



Alaska Railroad Corporation

Special Report to the Legislature and Administration State of Alaska

January 2002





Introduction

January 2002

For the Alaska Railroad, 2001 was marked by solid progress in safety, community relations, revenue growth, environmental response readiness, and modernization.

In 2002, our aim is to continue steady, measurable improvement. To accomplish this goal, our 700-plus employees will continue their focus on safety and excellence on the job. The Railroad is also deeply committed to partnering. Our support to important community and borough initiatives can enhance prosperity along the railbelt, and create conditions for success that enable a more prosperous Alaska.

Essential to our endeavor is the condition of the basic rail infrastructure, and the serviceability of operating and support equipment. To that end, the ARRC Board of Directors approved a five-year capital improvement plan that leverages our modernization priorities. We hope you find the information in this report to be a useful reference throughout the legislative session.

Respectfully,

Patrick K. Gamble

President & CEO





Table of Contents

	<u>Page</u>
About the Railroad	
Vision and Mission Statement.....	1
Fact Sheet	2
Corporate Organization	3
Looking Back	
2001 Year in Review.....	4
2001 Safety and Environment Report.....	7
Looking Ahead	
Five-Year Objectives.....	8
2002 Budget Graphs - Revenue and Expenses.....	9
5-Year Forecast - Revenues.....	10
5-Year Forecast - Summary.....	11
5-Year Forecast - Capital Expenditures.....	12
5-Year Forecast - Capital Investment Program.....	13
5-Year Internally Funded Capital Plan.....	14
5-Year Federally Funded Capital Plan.....	19
2002 Program of Projects	23
Project Timelines	28
2002 Legislative Requests	30



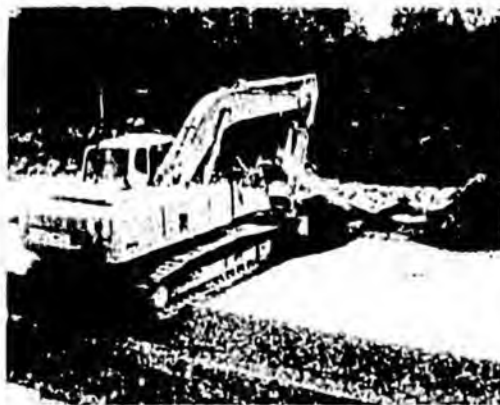
Guiding Statements

Vision:

Building a great railroad across the Greatland

Mission:

To be profitable by focusing on safe, high quality service to our freight, passenger, and real estate customers. To foster the development of Alaska's economy by integrating railroad and railbelt community development plans.





Alaska Railroad Facts

PURCHASE PRICE: (Jan. 5, 1985)

Paid to federal government\$22.3 million
 Start-up costs & contributed capital\$11.9 million
 Total Investment-State of Alaska.....\$34.2 million

TOTAL ASSETS: (Dec. 31, 2001) \$304 million

FINANCIAL STATISTICS (Preliminary):

(Jan. 1-Dec. 31, 2001)

Total revenues.....\$104.6 million
 Total expenses\$97.9 million
 Net earnings \$6.7 million

OPERATING STATISTICS:

(Jan. 1-Dec. 31, 2001)

Passenger ridership472,275
 Freight tonnage7,784,418
 Revenue car loads96,488

OPERATING DATA:

Miles of main line466
 Miles of branch line59
 Miles of yards and sidings86
 Total miles of track611
 Freight cars (owned & leased).....1,672
 Passenger equipment.....43
 Locomotives52

EMPLOYEES: (December 31, 2001)

Total number of employees.....688
 Average years of service..... 10
 Average age 42
 Male588
 Female 100

UNION MEMBERSHIP: (Dec. 31, 2001)

United Transportation Union 156
 Transportation Communication Union 44
 International Association of Machinists 62
 American Federation of Government Employees... 270
 American Train Dispatchers Department 11



Corporate Organization

BOARD OF DIRECTORS

Chairman John Binkley

Jacob Adams • Ed Bauer • Jack Burton • Carl Marrs • Commissioner Joe Perkins (DOT) • Commissioner Deborah Sedwick (DCEd)

EXECUTIVE OFFICE

President and Chief Executive Officer, Patrick K. Gamble

External Affairs	Labor Relations	Security	Equal Opportunity
Director Wendy Lindskoog	Director Donald Smith	Chief of Security Dan Frerich	Manager Ouida Morrison

DEPARTMENTS

Operations	P.E.T.S.	Corporate Affairs	Markets, Sales & Services	Real Estate	Finance	Legal
VP & Chief Operating Officer Matt Glynn <i>Transportation Maintenance Mechanical Safety</i>	VP Eileen Reilly <i>Projects Engineering Technology Signals</i>	VP Jim Blasingame <i>Board Corporate Analysis Historical Corporate Giving</i>	VP Steve Silverstein <i>Passenger Freight</i>	VP Jim Kubitz <i>Leasing Permitting</i>	VP and Chief Financial Officer Bill O'Leary <i>Accounting Human Resources Procurement</i>	VP & General Counsel Phyllis Johnson <i>Contractual Legal</i>



2001 Year in Review

ARRC prepares to answer the call in state's economic development

by Patrick Gamble, President & CEO

Reflecting back on 2001, the Alaska Railroad Corporation (ARRC) focused time and resources toward bolstering its role as a vital artery for Alaska's economic development. We energetically pursued increasing safe, responsive, and financially sound operations in order to position ourselves as the kind of partner the State, communities and businesses can depend on to support growth and development across Alaska.

While ARRC is making an effort to increase revenues, we are working to increase overall capacity as well. We brought new services online. We enhanced environmental protection measures, coordinated community planning, and took many capital projects from the planning stage into construction. We took important steps to assess and redress security weaknesses across the railroad complex.

Customers & revenue. Real estate proved to be a star performer. Gross revenues topped \$10 million for the first time — up from \$9.28 million last year. Freight revenue also set a record surpassing \$81 million. Gravel was up and oil field freight exceeded expectations. A record number of fuel cars were hauled from North Pole, exceeding several daily, weekly and even monthly thresholds. Passenger revenue was up. Collectively, these revenue streams provide the cash flow for our work force and our railroad services.

-more-

New services. Part of our freight business success is due to a flourishing business relationship established last year with Alaska Railbelt Marine, LLC, a subsidiary of Lynden Transport Inc., to provide barge service between the Lower 48 and our dock in Whittier. On the passenger side, we established the Grandview train to deliver direct Seward-Anchorage service for cruise ship customers. A new web-based passenger reservation system has gone on-line and will soon provide Internet convenience for customers, and global exposure for the Alaska Railroad.

Environmental measures. The Railroad significantly enhanced emergency and spill response through the purchase of new equipment, extensive employee training, and an overhaul of our spill response plan. Crafted to meet new state regulations, the plan has been filed with the Department of Environmental Conservation and is available for public review. ARRC also joined Alaska Chadux Corporation, a primary spill response co-op whose considerable experience in Alaska will contribute significantly to our railroad spill response capability.

Community involvement and planning. Our people have worked hard this year to better coordinate railroad planning efforts with the communities we serve. We have attended over a dozen municipality meetings. ARRC will soon be named an official member of the Anchorage Metropolitan Area Transportation Study (AMATS) Technical Advisory Committee (TAC), and has also been included in the Fairbanks Metropolitan Area Transportation Study (FMATS) TAC. We are working with several other groups, including the Anchorage and Fairbanks Chambers of Commerce, Anchorage Economic Development Corporation, Seward Centennial Committee, Resource Development Council and the Alaska 20/20 effort, to ensure the Railroad's vision complements and supports the overall plans and strategies developed by our state, municipalities and community groups.

-more-

Capital Improvements. Since 1996, federal funding has been laying the financial groundwork for transforming the Alaska Railroad into a safer, more reliable enterprise. In 2001, we saw years of planning materialize as construction began on several capital projects. Some are already completed. The new freight dock in Seward is up and running, track was straightened on Elmendorf Air Force Base, double track is nearly complete in south Anchorage, new sidings were constructed at key locations along the rail line, and a state of the art avalanche detection and prevention system was installed south of Anchorage in slide zones.

Looking Ahead. Expect the Railroad to maintain the momentum. New intermodal depots at Denali, Fairbanks and the Anchorage airport will greatly enhance passenger service, security and safety. Ongoing efforts to straighten track and automate train traffic control systems will further increase our efficiency and our speed. We are also continually working on innovative ways to produce better earnings from our real estate holdings. This year we are seeking legislative approval to lease certain railroad real estate lands for up to fifty-five years, going well beyond our current thirty-five year limit. The longer lease is much more attractive to potential customers and their financiers.

As we mature our program to modernize infrastructure and sharpen operations, and as we increase our capacity to take on more business challenges, the Alaska Railroad will grow more valuable as a partner Alaska can depend on.





2001 Recap: Health, Safety and Environment

Recap of major events in health, safety and environment

1. *Reductions in derailment risk*

- a. Overhaul of entire GATX tank car fleet of over two hundred cars
Based on the 2000-2001 Derailment Risk Assessment & Safety Audit, ~150 GATX tank cars had major truck overhauls to eliminate high wedge rise, a condition that often leads to derailment.
- b. Increased targeted track inspection in high risk corridors
For example, targeted track inspection based on the risk assessment was implemented in the heavily traveled Anchorage to Matanuska corridor
- c. ARRC and federal investment in rail, ties, and ballast is paying dividends – in 2001, for the first time in recent memory, no derailments were caused by a failure in the track structure.



2. *Second consecutive year with less than a 2.0 train accident rate*

- a. For the second year in a row, the ARRC showed a rate of less than 2.0 train accidents per million train miles. The 2000 rate was 1.49, and 2001 finished at 1.5. The national average is 3.8 train accidents per million train miles. A train accident, according to the Federal Railroad Administration, is one with more than \$6,600 (\$6,700 as of Jan. 1, 2002) in total damage and repair costs.
- b. The ARRC safely moved 31,000 carloads of refined product from North Pole to Anchorage, a record number of carloads for Williams and the ARRC.

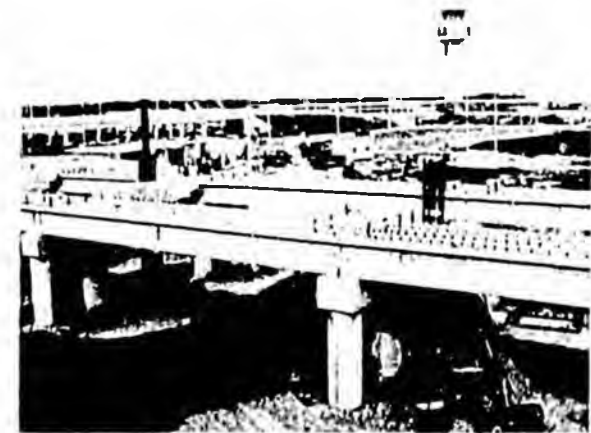
3. *New oil spill contingency plan*

- a. The ARRC submitted to the State of Alaska on Oct. 1, 2001, a revised and improved Oil Spill Prevention and Response Plan meeting the requirements of AS 46.040. It is in public review status and expected to be approved on or before May 1, 2002.
- b. The ARRC successfully completed a major tabletop spill response drill with the state and federal governments on Nov. 7, 2001, and a deployment drill on Dec. 18, 2001. More are planned for 2002.



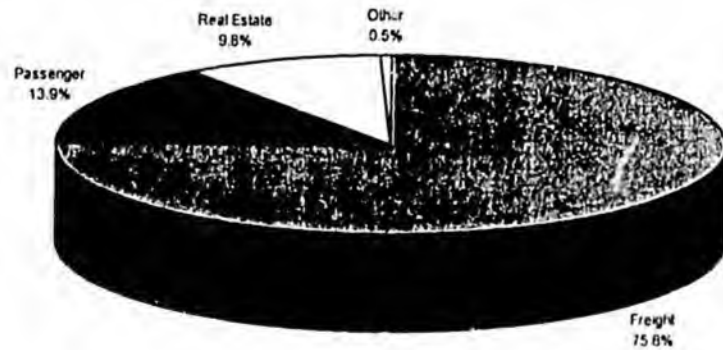
ARRC Five-Year Objectives

- Reduce employee injuries to achieve an average of no more than 2.0 injuries per 200,000 man hours
- Invest an average of twenty percent of annual revenue in infrastructure maintenance
- Grow overall revenue three to four percent per year
- Successfully complete our federally-funded capital construction program
- Redesign and build Anchorage and Fairbanks yard facilities to meet business, growth, and community requirements
- Consistently reduce running time between Anchorage and Fairbanks to under twelve hours
- Achieve and sustain an annual real estate income of at least \$11 million per year
- Establish a formal railroad recruitment and training program
- Eliminate twenty-five percent of at-grade highway/railroad crossings in Alaska
- Fund and apply technology to train dispatching, signals and switching
- Achieve and sustain a net income, before depreciation and interest expense, of \$20 million

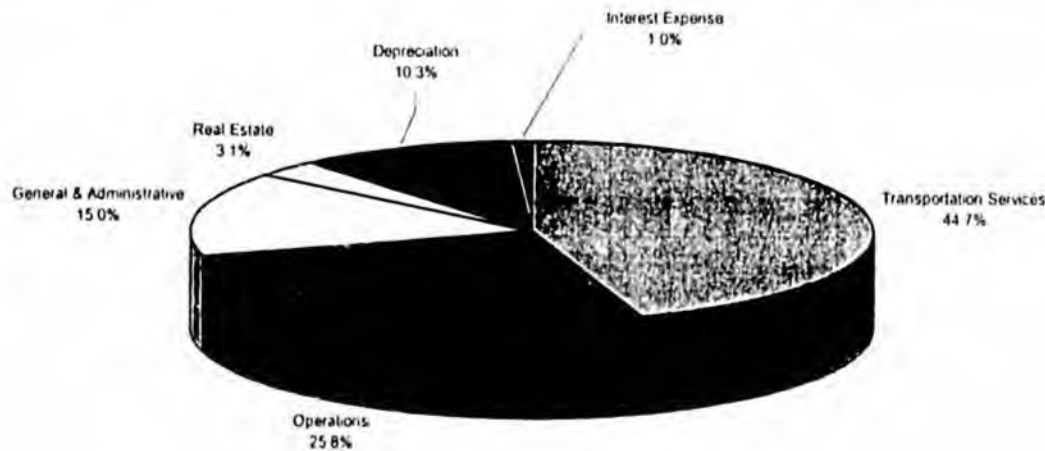




2002 Budgeted Revenue and Expenses



Budgeted Revenue
\$106.9 million



Budgeted Expenses
\$102.7 million



5-Year Forecast – Revenue

<i>(in millions)</i>	2002 Forecast	2003 Forecast	2004 Forecast	2005 Forecast	2006 Forecast
Freight	\$ 81.0	\$ 76.9	\$ 80.4	\$ 83.4	\$ 84.8
Passenger	14.9	15.6	16.3	17.1	\$ 18.2
Real Estate	10.5	11.0	11.3	11.6	\$ 11.9
Other	0.5	0.5	0.4	0.3	\$ 0.3
Total	\$ 106.9	\$ 104.0	\$ 108.4	\$ 112.4	\$ 115.2



5-Year Forecast – Summary

<i>(in millions)</i>	2002 Forecast	2003 Forecast	2004 Forecast	2005 Forecast	2006 Forecast
Operating Revenues	\$ 96.1	\$ 92.7	\$ 96.8	\$ 100.5	\$ 102.9
Operating Expenses	87.9	83.7	87.1	90.3	\$ 92.9
Net Income – Operations	8.2	9.0	9.7	10.2	\$ 10.0
Net Income – Real Estate	7.3	7.8	7.9	8.1	\$ 8.4
Other Income	0.4	0.3	0.3	0.3	\$ 0.3
Net Income (before depreciation and interest)	15.9	17.1	17.9	18.6	\$ 18.7
Depreciation	10.6	10.6	10.6	10.6	\$ 10.6
Interest Expense	1.1	1.1	1.1	1.1	\$ 1.1
Net Income	\$ 4.2	\$ 5.4	\$ 6.2	\$ 6.9	\$ 7.0



5-Year Forecast – Planned Capital Expenditures

<i>(in millions)</i>	2002 Budget	2003 Budget	2004 Budget	2005 Budget	2006 Budget	TOTAL
ARRC Internally Generated	\$ 12.9	\$ 37.1	\$ 36.2	\$ 34.3	\$ 34.9	\$ 155.4
Federal Railroad Administration	* 32.0	32.0	30.0	20.0	20.0	\$ 134.0
Federal Transit Administration	33.0	24.0	43.7	40.1	7.9	\$ 148.7
Total	\$ 77.9	\$ 93.1	\$ 109.9	\$ 94.4	\$ 62.8	\$ 438.1

* Actual FY02 appropriation received totaled \$30.2 million



5-Year Forecast – Capital Investment Program

<i>(in millions)</i>	2002 Budget	2003 Forecast	2004 Forecast	2005 Forecast	2006 Forecast	TOTAL
Vehicle / Equipment Program	\$ 1.5	\$ 3.8	\$ 2.3	\$ 1.9	\$ 9.3	\$ 18.8
Maintenance Program	3.7	14.5	15.5	18.7	19.1	\$ 71.5
Mechanical Program	1.8	6.4	10.5	8.8	2.4	\$ 29.8
Transportation Program	1.7	4.5	2.5	0.0	0.0	\$ 8.8
Marketing, Sales & Service	1.7	3.5	3.1	2.8	2.4	\$ 13.5
Information Services	1.2	1.3	0.8	0.8	0.4	\$ 4.4
Communications	0.2	0.3	0.5	0.4	0.5	\$ 1.9
Operations	0.1	0.0	0.0	0.1	0.0	\$ 0.2
Real Estate	0.5	2.3	0.7	0.7	0.7	\$ 4.9
Health, Safety & Environmental	0.6	0.6	0.2	0.2	0.2	\$ 1.8
Federal Railroad Administration	* 32.0	32.0	30.0	20.0	20.0	\$ 134.0
Federal Transit Administration	33.0	24.0	43.7	40.1	7.9	\$ 148.7
TOTAL	\$ 77.9	\$ 93.1	\$ 109.9	\$ 94.4	\$ 62.8	\$ 438.1
* Actual FY02 appropriation received totaled \$30.2 million						

ALASKA RAILROAD CORPORATION
Five-Year Federal Funding Capital Plan

Project ID		2002	2003	2004	2005	2006	Total
Vehicle/Equipment Program							
<u>1</u>	Vehicle purchase	867,000				867,000	1,734,000
<u>23</u>	H.E. Lease Equipment Buyout	133,000	120,000	120,000	120,000	493,000	986,000
<u>24</u>	Certified Rebuild 988 Loader (2)	520,000				520,000	1,040,000
<u>44</u>	Grader		250,000	250,000		500,000	1,000,000
<u>45</u>	D-6 Cat		300,000	300,000	300,000	900,000	1,800,000
<u>46</u>	Snow blower		350,000			350,000	700,000
<u>47</u>	Speed Swing		200,000	200,000		400,000	800,000
<u>48</u>	Front End Loaders (5 yd)		300,000		300,000	600,000	1,200,000
<u>49</u>	Hi Rail Boom Truck (Tundra type)		250,000		250,000	500,000	1,000,000
<u>50</u>	Locomotive Crane Rebuilds		500,000	500,000		1,000,000	2,000,000
<u>51</u>	Hydraulic Track Equipment Trailer		200,000			200,000	400,000
<u>52</u>	Jet Blower		200,000			200,000	400,000
<u>53</u>	15 Passenger Hy-Rail Bus		90,000			90,000	180,000
<u>54</u>	Grove Crane (80 Ton)				500,000	500,000	1,000,000
<u>58</u>	Strengthen Cat Cabs		50,000	50,000		100,000	200,000
<u>59</u>	Snowcat				50,000	50,000	100,000
<u>37</u>	Tampers			450,000		450,000	900,000
<u>42</u>	Pile Driver Assembly		225,000			225,000	450,000
<u>20</u>	Ballast Regulator		300,000	300,000	300,000	900,000	1,800,000
<u>142</u>	Hostler/Yard Tractors			60,000	60,000	120,000	240,000
<u>154</u>	Car mover for U.A.F. - used			75,000		75,000	150,000
<u>31</u>	Rail Profile/Geometry Vehicle		225,000			225,000	450,000
<u>215</u>	Snow machine: remote site access (Signal/Telecom)		20,000	20,000			40,000
<u>219</u>	Signal Maintainers Truck		35,000				35,000
<u>212</u>	Hyrail boom truck w/man lift (Signal/Telecom)		175,000				175,000
	Subtotal	1,520,000	3,790,000	2,325,000	1,880,000	9,265,000	16,780,000
Maintenance							
<u>220</u>	Light Plant @ Hurricane		60,000				60,000
<u>2</u>	MOW Lodging Facilities & Section Improvements	200,000	300,000	300,000	300,000	300,000	1,400,000
<u>3</u>	Equipment Shed at Tunnel	50,000					50,000
<u>5</u>	Equipment Shed @ Hurricane	50,000					50,000
<u>6</u>	Equipment Shed to FBX Roundhouse		200,000				200,000
<u>7</u>	Electric System Rehabilitation - Anch & Fbks shops	600,000	750,000	750,000	750,000	750,000	3,600,000
<u>8</u>	Premium rail for worn curves		1,125,000	1,020,000	1,020,000	1,020,000	4,185,000
<u>10</u>	Bridge - Renewal, upgrade or elimination	500,000	1,250,000	1,250,000	1,250,000	1,250,000	5,500,000
<u>11</u>	Ballasted Surfacing		1,800,000	1,800,000	1,800,000	1,800,000	7,200,000
<u>12</u>	Crossties	385,000					385,000
<u>13</u>	Switches & Curve Ties - System-wide		322,500	322,500	322,500	322,500	1,290,000
<u>14</u>	Brush cutter Purchase			375,000			375,000

ALASKA RAILROAD CORPORATION
Five-Year Federal Funding Capital Plan

Project ID		2002	2003	2004	2005	2006	Total
	Maintenance - continued						
15	Rip Rap Placement	100,000	150,000	150,000	150,000	150,000	700,000
16	Build shoulders		62,500				62,500
17	Hydraulic Tools for MOW Sections	80,000	80,000	80,000	80,000	80,000	400,000
18	Roofs - Anch Shops	400,000	500,000	500,000	250,000	250,000	1,900,000
19	Loco Fueling Facility		1,000,000	1,000,000			2,000,000
21	Switch Rehabilitation - Anch & Fbks Yards		150,000	150,000	150,000	150,000	600,000
204	Anch Yard 6,000' track	1,000,000					1,000,000
287	Portage Door #4 gas installation	20,000					20,000
22	Yard Tracks Relays Upgrades		750,000	750,000	750,000	750,000	3,000,000
27	Anchoring						
28	Install pre-built switches @ Nenana						
29	Ballast Cleaning		450,000	450,000	450,000	450,000	1,800,000
30	Drainage Improvements		750,000	750,000	750,000	750,000	3,000,000
32	Yard Paving - Anch/Fbks	100,000	100,000	100,000	100,000	100,000	500,000
280	Utility relo & demo of Warehouse 3	150,000	680,000				830,000
33	Slide Zone Detection/Mitigation				250,000	250,000	500,000
34	Install Larger Tie Plates		400,000	400,000	400,000	400,000	1,600,000
35	Lap Top w/Track Database Programs		10,000	20,000	20,000		50,000
36	MOW Work Tracks			200,000	100,000	100,000	400,000
38	Purchase Ballast Cars			700,000	700,000	700,000	2,100,000
39	Crossings			75,000	75,000	75,000	225,000
40	Eielson Branch Upgrade			250,000	250,000	250,000	750,000
41	Switch & Crossing Grinder			2,500,000			2,500,000
43	HE Repair Shop Tools/EQ - Continued purchase of shop tools	30,000	30,000	30,000	30,000	30,000	150,000
55	Heavy Equipment Shop Relocation				7,000,000		7,000,000
56	Locomotive Heavy Repair Rehabilitation/Relocation					7,000,000	7,000,000
60	Geographical Information System				60,000		60,000
61	Bridges & Tunnels						
62	Tunnels		100,000	110,000	110,000	110,000	430,000
63	Steel Bridges - Foundation Rehabilitation		200,000	540,000	625,000	585,000	2,250,000
64	Resurrection River Bridge Extension		2,300,000				2,300,000
65	Facilities North						
66	Fbx Mechanical Shops Electrical Upgrade		75,000	75,000	50,000	25,000	225,000
67	Fbx Freight House Doors		20,000				20,000
68	Automatic Static Scale Track-Remote Display		10,000				10,000
69	Fbx Yard Heat System Conversion				350,000	850,000	1,200,000
70	Fbx Scale Rehab			25,000			25,000
71	Section - Cantwell Garage			40,000			40,000
72	Facilities South						
73	Anchorage Shop Sprinklers		75,000	175,000	75,000	75,000	400,000

ALASKA RAILROAD CORPORATION
Five-Year Federal Funding Capital Plan

Project ID		2002	2003	2004	2005	2006	Total
Maintenance - continued							
74	Diesel Repair Shop - Roof drains, windows etc		50,000	75,000	50,000	150,000	325,000
75	General Repair Shop - Roof drains, windows, etc		50,000	75,000	50,000	150,000	325,000
76	Fencing		50,000	50,000	50,000	50,000	200,000
77	Car and Coach Shop - Roof drains, windows, heat etc		25,000	25,000	75,000	25,000	150,000
78	Yard Lighting - Fixture Upgrade/Replacement - Anch		10,000	10,000	10,000	10,000	40,000
79	Whittier - Electrical Distribution and Lighting		40,000	135,000	120,000	40,000	335,000
80	Sanitary Sewer - trunk extensions - Anchorage		50,000	50,000	50,000	50,000	200,000
81	Storm Drains - Rehabilitation and extensions - Anchorage		50,000	50,000	50,000	50,000	200,000
82	Anchorage Shop Water systems upgrade/meters		50,000				50,000
83	Boiler Plant - Stack Monitoring System		75,000				75,000
84	Mechanical Offices - Siding Replacement		25,000				25,000
85	Nose Stall Shed, Foundation Rehabilitation - Anchorage		15,000	15,000			30,000
86	Wheel Shop - Heating Improvements			40,000			40,000
87	Water Tower Fencing			15,000			15,000
88	Warehouse #3 - Freeze Protection			60,000			60,000
	Subtotal	3,665,000	14,490,000	15,487,500	18,672,500	19,097,500	71,412,500
Mechanical							
89	P-30 Overhaul	122,000					122,000
90	Wheel garden			300,000			300,000
91	Wheel shop work flow (carryover 2001)	161,000		327,000			488,000
93	FBX 5 ton overhead crane (carryover 2001)	89,500					89,500
95	Armature Oven (carryover 2001)	25,000					25,000
96	Fall Protection (carryover 2001)	20,000					20,000
282	Psgr car bearing conversion (carryover 2001)	30,000					30,000
97	Overhaul Trucks for 6 locomotives	138,000	140,000	140,000	140,000	140,000	698,000
98	General Locomotive Overhauls	722,500	1,000,000	800,000	800,000	800,000	4,122,500
208	Reposition derails and blue light equip						
99	Install 8 digital fuel gauge systems/year	32,500	32,500	32,500	16,250		113,750
100	Install toilets, insulation, and heat in 8 locomotives	87,500	175,000	175,000	175,000	175,000	787,500
101	Send 8 locomotives outside for repainting	122,000	245,000	245,000	245,000	245,000	1,102,000
102	Modify / Purchase wheel boring machine	60,000		550,000			610,000
209	Modernize electrical systems in diesel shop/gen repair		600,000				600,000
104	Small power tool replacement	20,000	20,000	20,000	20,000	20,000	100,000
105	Purchase floor cleaning machine	25,000					25,000
106	Purchase/install Timken rail friction management system		25,000	25,000	25,000	25,000	100,000
107	Construct pole barn w/lights FBX wheel garden	30,000					30,000
103	Design/install paved locomotive power testing pad			140,000			140,000
108	Purchase 6 pair HOT/EOT devices	60,000	60,000	60,000	60,000	60,000	300,000
109	Purchase/apply pass.car trucks for bag cars 110 & 111		150,000				150,000
210	Install Psgr Train and Locomotive Wash Facility		1,300,000				1,300,000

ALASKA RAILROAD CORPORATION
Five-Year Federal Funding Capital Plan

Project ID		2002	2003	2004	2005	2006	Total
Mechanical - continued							
110	Purchase/install air dryers for locomotives and RDCs		136,000	136,000	136,000	136,000	544,000
111	Convert 38 MOW friction bearing cars to roller bearing trks		200,000	200,000	200,000	778,000	1,378,000
114	Purchase replacement boom for 290 Hoesch truck						
113	Improve overhead lighting in all Mechanical Dept shops						800,000
116	Install locomotive shutdown heating/starting system						1,120,000
112	Convert aux generators on 8 locomotives from DC to AC						572,000
115	Pave employee parking/roads by bldgs 26,27, & 63						50,000
117	Install one lateral load detection and reporting system						500,000
119	Purchase replacement band saw for Boiler Shop		40,000				40,000
120	Equip 4 SD70 MACs for distributive power operation			450,000			450,000
118	Rebuild/remodel offices in General Repair Shop		200,000				200,000
122	Anchorage Locomotive Service Facility Design		200,000				200,000
127	Construct new Anchorage locomotive service facility			5,500,000			5,500,000
128	Locomotive Inspection and Repair Facility Design			200,000			200,000
129	Locomotive Inspection and Repair Facility				7,000,000		7,000,000
	Subtotal	1,745,000	4,523,500	9,300,500	8,817,250	2,379,000	29,807,250
Transportation Projects							
131	Head in Williams Loop	1,316,106					1,316,106
132	New Yard Office/Operations Center Upgrade	200,000	1,000,000	2,000,000			3,200,000
133	Automatic Low Banner Switch	20,000	20,000	20,000	20,000	20,000	100,000
221	Seward End Ramp Off Track 1	20,000					20,000
217	Teaming Area with Track	150,000					150,000
155	Whittier yard improvements		500,000	500,000			1,000,000
134	Distributed Power		1,000,000				1,000,000
135	Coal Interchange		2,000,000				2,000,000
	Subtotal	1,706,106	4,520,000	2,520,000	20,000	20,000	8,786,106
Markets, Sales & Services							
136	Wheelchair lifts	15,000	15,000				30,000
137	Whittier freight dock improvements	1,600,000					1,600,000
146	Container cars		600,000	400,000	400,000	400,000	1,800,000
145	Baggage bins	10,000		20,000		10,000	30,000
148	Finish electrification of TOFC cars		25,000				25,000
150	Spreader bar for Fairbanks	30,000					30,000
149	Electrify container cars		25,000	25,000	25,000	25,000	100,000
147	Chain tie-down cars		150,000	150,000			300,000
141	Restroom Upgrade to 6 DHI cars		60,000	60,000			120,000
156	Seward Freight Dock Crossover		400,000				400,000
261	Fbks Pipe Yard Track			170,000			170,000

ALASKA RAILROAD CORPORATION
Five-Year Federal Funding Capital Plan

Project ID		2002	2003	2004	2005	2006	Total
Markets, Sales & Services - continued							
138	Low level dome sealing			150,000	150,000		300,000
139	Seat Replacement DHI cars			160,000	160,000		320,000
140	Steel Hopper Acquisition - Leased and retired car replacement		1,800,000	1,800,000	1,800,000	1,800,000	7,200,000
151	Magnet controls for 2nd forklift		20,000				20,000
152	New (used) general service flats		150,000	150,000	150,000	150,000	600,000
153	New Scale for Anchorage & Fairbanks		130,000		130,000		260,000
211	Dining car kitchen upgrades		150,000				150,000
	Subtotal	1,655,000	3,525,000	3,075,000	2,815,000	2,385,000	13,455,000
Information Services							
Infrastructure							
157	Network Server Upgrades	130,000	125,000	50,000	100,000	100,000	505,000
158	Wide Area Network	95,000	120,000	30,000	70,000	100,000	415,000
159	Tape Library System	270,000	83,200	50,000	25,000	15,000	443,200
160	Disaster Recovery		50,000	10,000	50,000	100,000	210,000
161	Network Printer Upgrade Program	8,000	8,000	8,000	8,000	8,000	40,000
Corporate Applications							
162	Grant Application - NEPA/Permit Tracking	12,000	10,000	6,000	6,000	6,000	40,000
163	Preventative Maintenance System	500,000	500,000	250,000	200,000		1,450,000
164	Plotter replacement - REO		7,000				7,000
165	Wireless handheld development - Transp	60,000	70,000	30,000	30,000	30,000	220,000
166	Signal Reporting DB		8,000		20,000		28,000
167	GIS Track and Watershed DB		16,000	100,000	20,000	20,000	156,000
260	GIS Strategic Plan and Implementation	75,000					75,000
168	Locomotive Fuel Tracking	20,000	10,000				30,000
169	Online Freight Quotes		20,000	5,000			25,000
170	Financial System HW Upgrade			20,000	200,000		220,000
281	Automated Time & Attendance		250,000	80,000	50,000		380,000
171	OIS System HW Upgrade			200,000			200,000
	Subtotal	1,170,000	1,277,200	839,000	779,000	379,000	4,444,200
Telecom and Signaling							
172	Replace Yard & Radio Telephones	31,000	30,000	30,000	30,000	30,000	151,000
173	Type "D" dragging equip detectors	38,500	77,700	66,600	38,500		221,300
175	Battery Plant Replacement	20,000	20,000	20,000	20,000	20,000	100,000
176	Hot Wheel/Hot Bearing/Clearance/Dragging Detector	31,571	31,571	31,571			94,713
177	Test Equipment		40,000	20,000	20,000	20,000	100,000
178	Type "C" hot bearing detectors	18,000	18,000	18,000	106,000	106,000	266,000
179	Type "A" dragging equip detectors			22,200	22,200	22,200	66,600
213	Crossing signal batter replacement		50,000	50,000	50,000	50,000	200,000

ALASKA RAILROAD CORPORATION
Five-Year Federal Funding Capital Plan

Project ID		2002	2003	2004	2005	2006	Total
Telecom and Signaling - continued							
214	Crossing signal electronic upgrades			20,000	20,000		40,000
218	Replace Battery in Crossing Signal	50,000	50,000	50,000	50,000	50,000	250,000
180	Telephone Switch			200,000		200,000	400,000
	Subtotal	189,071	317,271	528,371	356,700	498,200	1,889,613
Operations Division							
181	Print Shop Copier	80,000			50,000		130,000
182	Records Retention Program	30,000	10,000	10,000			50,000
	Subtotal	110,000	10,000	10,000	50,000		180,000
Real Estate							
183	Delong Dock	150,000					150,000
187	Plaza Project - gate mode, fence ext, (carryover 2001)	34,000					34,000
190	Utility Projects	200,000	200,000	200,000	200,000	200,000	1,000,000
191	Freight House - Ph 1 Improvements	100,000	1,500,000				1,600,000
192	Depot - sidewalk/landscape/GOB improvements						
193	Street Lights. N side of Ship Creek Ave.						
195	Leasehold Improvements		500,000	500,000	500,000	500,000	2,000,000
196	Ship Creek sidewalk/landscape/depot improvements						
205	Chena Pond	50,000					50,000
286	GOB/Depot Building		50,000				50,000
	Subtotal	534,000	2,250,000	700,000	700,000	700,000	4,884,000
Health, Safety and Environmental							
285	Emergency Response (carryover 2001)	30,000					30,000
197	Safety Committee Funding	150,000	200,000	200,000	200,000	200,000	950,000
198	HSE Database Overhaul	25,000	10,000		10,000		45,000
199	POL Soil Decanter	15,000					15,000
201	Anchorage Terminal Fuel Facility Compliance	200,000	140,000				340,000
202	Fairbanks Terminal Fuel Facility Compliance	100,000	100,000				200,000
203	Remote Fuel Facility Compliance Upgrades	50,000	70,000				120,000
200	Fuel Storage Best Practice Upgrades		50,000				50,000
	Subtotal	570,000	570,000	200,000	210,000	200,000	1,750,000
	Total	12,864,177	35,272,971	34,985,371	34,300,450	34,923,700	155,388,669

ALASKA RAILROAD CORPORATION
Five-Year Federal Funding Capital Plan

Project ID		Prior Year Capital Amount	2002	2003	2004	2005	2006	Total
FRA Track Program								
<u>R-01</u>	Base Line Changes							
	Appropriations Received	20,000,000						20,000,000
	*** 2002 Appropriation		12,000,000					12,000,000
	Future Funding Requests			12,000,000	10,000,000			22,000,000
	Subtotal	20,000,000	12,000,000	12,000,000	10,000,000			54,000,000
Siding								
	Siding Access Program:							
<u>R-02</u>	Susitna - New		1,850,000					1,850,000
<u>R-04</u>	Eklutna - extend		114,900					114,900
<u>R-07</u>	Summit - extend/relay		650,000					650,000
<u>R-08</u>	Hunter - relay		139,000					139,000
<u>R-09</u>	Houston - relay		85,000					85,000
<u>R-15</u>	Manley - relay		135,000					135,000
Track								
	Track Rehab Program:							
<u>R-20</u>	GEHH Signal Equipment		2,000,000					2,000,000
<u>R-21</u>	Signal Install		3,363,875					3,363,875
<u>R-22</u>	Gold Creek - heat		332,000					332,000
<u>R-39</u>	Indian - relay		150,000					150,000
<u>R-26</u>	Rail		2,537,000					2,537,000
<u>R-27</u>	Ties		2,913,000					2,913,000
<u>R-28</u>	Bridge		2,325,000					2,325,000
<u>R-29</u>	Drainage Improvements		250,000					250,000
<u>R-32</u>	Healy Canyon Stabilization/Realignments		500,000					500,000
<u>R-38</u>	Ballast/ Surfacing South End		868,125					868,125
<u>R-38</u>	Ballast/ Surfacing		1,787,100					1,787,100
	Siding Access and Track Rehab Program:							
	Future Funding Request			20,000,000	20,000,000	20,000,000	20,000,000	80,000,000
	Subtotal		20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	100,000,000
FTA 5309 Earmark Projects								
	Fairbanks Intermodal							
<u>I-01</u>	Fairbanks Intermodal/Depo:	8,771,458						8,771,458
<u>I-02</u>	Fairbanks Loop Track : Pending 2002 Appropriation		1,293,750					1,293,750
<u>I-03</u>	Fairbanks Passing Track : Pending 2002 Appropriation		737,500					737,500
<u>I-04</u>	Fairbanks Maint Inspection Pit : Pending 2002 Appropriation		718,750					718,750
<u>I-08</u>	Whittier Underpass	2,284,894						2,284,894
<u>I-09</u>	Wasilla Intermodal Facility	1,250,000						1,250,000
<u>I-10</u>	Denali Depot	3,713,681						3,713,681

ALASKA RAILROAD CORPORATION
Five-Year Federal Funding Capital Plan

Project ID		Prior Year Capital Amount	2002	2003	2004	2005	2006	Total
<u>T-11</u>	Ship Creek Intermodal							
	Appropriations To Date	5,334,688	6,189,467					11,524,155
	Future Funding Request			4,300,000	6,218,696	15,000,000	7,957,149	33,475,845
<u>T-32</u>	Seward Passenger Transit Improvements:							
	2002 Appropriation		3,500,000					3,500,000
	Subtotal	21,354,721	12,439,467	4,300,000	6,218,696	15,000,000	7,957,149	67,270,033
	FTA 5309 New Start							
	Track Program - Wasilla to Girdwood							
<u>T-05</u>		11,305,180						11,305,180
<u>T-06</u>	Eagle River - Knik	12,505,563						12,505,563
<u>T-07</u>	So Anchorage Double Track	7,027,300						7,027,300
<u>T-12</u>	Wasilla Rail Realignment							
	2002 Appropriation		3,250,000					3,250,000
	**** Future Funding Request			30,000,000	30,000,000			60,000,000
	Subtotal	30,838,043	3,250,000	30,000,000	30,000,000			94,088,043
	FTA 5309 Fixed Guideway Modernization Projects							
<u>T-13</u>	DMU Acquisition		5,495,628					5,495,628
	Future Funding Request			2,000,000	2,000,000	2,000,000	2,000,000	8,000,000
<u>T-14</u>	NEPA OVL to N leg wye AIA : Pending 2002 Appropriation		1,000,000	500,000	500,000	500,000	500,000	3,000,000
<u>T-15</u>	Campbell Creek Bridge and CTC So Anch:							
	2002 Appropriation		4,800,000					4,800,000
	Subtotal		11,295,628	2,500,000	2,500,000	2,500,000	2,500,000	21,295,628
	FTA 5307 Projects							
	Planning							
<u>T-16</u>	• Chester Creek: NEPA	144,453						144,453
<u>T-41</u>	• NEPA / Planning		126,295					126,295
<u>T-17</u>	• Transit Security	144,850	48,151	48,151				241,152
	Construction							
<u>T-19</u>	Anch Car Shop Design and Eng	730,740	986,440	3,983,974				5,701,154
	Standby Electric / Potable Water	525,000	20,000					545,000
<u>T-10</u>	Denali Depot	763,967						763,967
<u>T-31</u>	Ship Creek Trail Construction			1,500,000				1,500,000
<u>T-23</u>	Whittier Transit Shed Demolition	975,000						975,000
<u>T-24</u>	• Whittier Maintenance Shed Replacement	1,225,000	1,000,000					2,225,000
<u>T-40</u>	Whittier: Multimodal planning	512,500						512,500
<u>T-33</u>	Talkeetna Access		510,000					510,000
<u>T-34</u>	Anchorage Depot & Annex Improvements							
	Anc Depot -sidewalk/landscape/GOB Improvements		50,000					50,000

ALASKA RAILROAD CORPORATION
Five-Year Federal Funding Capital Plan

Project ID		Prior Year Capital Amount	2002	2003	2004	2005	2006	Total
	Transit Security Construction - continued							
<u>T-35</u>	Street Lights - N side of Ship Creek Ave		50,000					50,000
<u>T-36</u>	Ship Creek Sidewalk/landscape/depot improvements		400,000					400,000
	Equipment							
<u>T-37</u>	Restroom upgrade 6 DHI		60,000					60,000
<u>T-25</u>	Overhaul RDC 712 & 701	1,370,000						1,370,000
<u>T-27</u>	Remodel 3 ARRC passenger cars	500,000	500,000	500,000				1,500,000
<u>T-29</u>	** FT 40s - Includes In Kind Match	1,216,371	2,206,239					3,422,610
<u>T-38</u>	RDC - Phase 2 rebuild engine and gallery 600 generator		75,000					75,000
	Amlrack Domes/Diners	3,949,590						
	Completed Section 5307 Projects	16,018,054						16,018,054
	Future Funding Request				6,032,125	6,032,125	6,032,125	18,096,375
	Subtotal	24,125,935	6,032,125	6,032,125	6,032,125	6,032,125	6,032,125	54,286,560
	Total	96,318,699	65,017,220	74,832,125	74,750,821	43,532,125	36,489,274	390,940,264

Notes:

- * Reconciliation of prior year capital budget
- ** Change funding source
- *** Actual appropriation received totaled \$30.2 million
- **** See Page 29



Program of New (2002) Capital Projects

The Alaska Railroad continues to pursue a comprehensive program of capital improvements. The railroad is investing heavily in rail, ties, bridges and ballast to completely renovate its infrastructure. Safety and efficiency upgrades include projects to straighten the main track between Anchorage and Wasilla, build longer sidings (railroad "passing" lanes) and add automated and heated switches. The railroad is also capitalizing on opportunities to better serve Alaskans through new depots, passenger services and equipment. Detailed descriptions of these projects are available on the Railroad's website: www.alaskarailroad.com.

Funding for much of the capital projects program comes from more than \$246 million in federal grants received since 1996. Funds have come from the Federal Railroad Administration (FTA), Federal Transit Administration (FTA), Federal Highway Administration (FHWA) and Congressional earmarks through various agencies, such as the U.S. Forest Service. FTA-funded projects require 20% - 40% matching funds, which are drawn from railroad net earnings. In addition to the local funding match, ARRC is investing an additional \$12 million of internally generated capital funds in numerous other projects.

Projects Under Construction/Design in 2002

137 Whittier Barge Slip Side Unloading Facility

Design is complete on a project to accommodate unloading from the side of the Railroad's existing barge dock. Construction on two 34-by-60-foot elevated platforms and associated trackage is scheduled to begin in spring 2002. Funded 100% by the Railroad, the \$1.6 million project will significantly improve safety and efficiency of barge operations.

R-28 Bridge Program

The Alaska Railroad's 500-plus miles of mainline track includes 169 bridges that cross barriers ranging from trickling streams to plunging gulches. The Railroad's 2002 Bridge Program of \$2.325 million in major maintenance, overhaul and replacement projects needed to maintain Railroad integrity, safety and efficiency. The program is funded with \$1.825 million from the FRA and \$500,000 from the ARRC.

Siding Siding Improvements

In 2000, the Railroad developed a five-year Siding Access Plan to place remote control power switches and heaters at about 40 sidings between Seward and Fairbanks, to extend 13 existing sidings and to build seven new sidings. The FRA has earmarked \$10 million to fund 2002 siding projects.

T-01 Fairbanks Intermodal Facility and Depot

Preliminary design and engineering is complete on an intermodal facility and depot in Fairbanks. Proposed plans are to locate the new Fairbanks Intermodal Facility on a 32-acre site adjacent to the Alaska Railroad (ARR) operations yard, near the intersection of Johansen Expressway and Danby Road. Funded 80% by FTA and 20% by the Railroad, the \$11.5 million project will begin construction in 2002, with completion in 2003.

T-05 Anchorage to Wasilla Track Realignment

Efforts to straighten the track from Anchorage to Wasilla are underway, which will increase train speeds, increase efficiency and improve safety along this stretch. Funded by FRA, the \$54 million Anchorage to Eagle River phase started construction in 2001 and should be complete in 2004. Funded 80% by FTA and 20% by the Railroad, the \$23.8 million Eagle River to Wasilla phase should enter construction in 2002, with completion in 2004.

T-07 South Anchorage Double Track

Construction is underway on a project to add about five miles of new mainline and signalized main track between 120th Avenue (Near Klatt Road) and the Minnesota Drive overpass, within the Railroad's right of way. The second track will improve efficiency and safety along the currently congested mainline through Anchorage. Funded 80% by FTA and 20% by the Railroad, the \$11.8 million double track project will be complete in Winter 2003.

T-08 Whittier Pedestrian Underpass

Construction is nearly complete on a 300-foot-long, 10-foot-in-diameter pedestrian underpass traversing the rail yard, which lies between the town of Whittier and the waterfront. Funded 80% by FTA and 20% by the Railroad, the \$2.285 million project will be completed by Summer 2002.

T-10 Denali National Park Rail Station

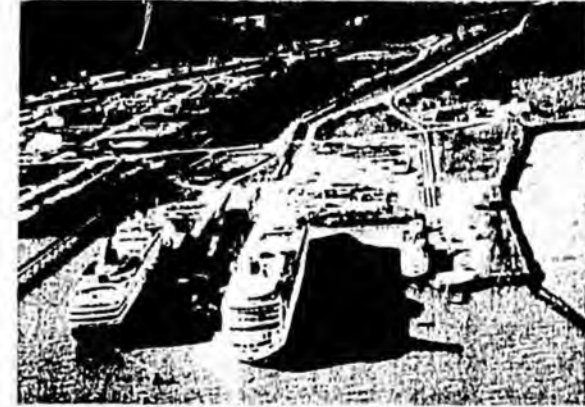
Design and engineering got underway in 2001 to improve the passenger depot and surrounding facilities at Denali National Park. Construction on the \$5.0 million project begins in spring 2002, with completion expected in 2003. Funding comes 80% from FTA and 20% by the Railroad.

T-24 Whittier Maintenance Facility

Design is complete on a new equipment maintenance building in Whittier. Located in the southeast corner of the rail yard, the 4,793-square-foot building will store and maintain heavy equipment, such as graders and bulldozers. Funded 80% by the FTA and 20% by the Railroad, the \$2.225 million project will be constructed in 2002.

T-32 Seward Passenger Dock

In conjunction with the freight dock project in 2001, the Railroad overhauled the existing dock to serve as a passenger-only facility. This greatly improves safety and efficiency, and brings the existing facility into compliance with State and Federal regulations. Funded by FRA, FHWA and the Railroad, the project included \$2.7 million spent to improve the passenger dock, including connection to the city sewer service. Another \$3.5 million is budgeted to complete the renovation in 2002-2004.



T-33 Talkeetna Access / Depot Improvements

The Railroad has allocated funding from its Sec 5307 FTA program to pursue a Talkeetna passenger facility improvements including: a) extending the existing platform 200 feet to accommodate load/unload of longer passenger trains; b) widening and paving the platform; c) adding a small, gravel long term parking area; and d) constructing a two-way, paved driveway to connect to the Talkeetna Spur Road. The proposed budget is \$510,000.

Track Track Rehabilitation

The 2002 track rehabilitation program calls for replacement of rail, ties and ballast in areas of critical need. The Railroad's \$9.415 million 2002 budget for rail, tie and ballast is funded primarily by the FRA, with additional funds from the Railroad:

- o \$2,537,000 (FRA) + \$300,000 (ARR) for rail and joint elimination
- \$2,913,000 (FRA) + \$1,010,000 (ARR) for cross ties and switch ties
- \$2,655,225 (FRA) for ballast and surfacing

Projects in the Planning Phase

R-32 Healy Canyon Safety & Reliability Study

The Railroad has requested federal funding to execute a \$74 million program to completely redress numerous safety and structural conditions through Healy Canyon. The 10-mile stretch lies between Denali Park (MP 348) and Healy (MP 358).

T-09 Wasilla Intermodal Transit Facility

The Railroad is considering an intermodal transportation facility in the Wasilla area. The bulk of environmental research and documentation, and public involvement activities, are projected for 2003, with construction to take place in 2004. The \$1.2 million budget is funded 80% by FTA and 20% by the Railroad.

T-11 Ship Creek Intermodal

Planning is underway to conceptualize a Ship Creek area transportation hub that provides bus and rail facilities, pedestrian improvements, new rail platforms, bus/van stops, retail development, airport accommodations and visitor information. In 2002, the Railroad plans to pursue preliminary concept work, organize public and agency scoping meetings, and conduct pre-NEPA studies and documentation. The \$4.5 million budget for these initial steps is funded 80% by FTA and 20% by the Railroad. The intermodal design could be significantly influenced by a decision to place the Anchorage Convention Center down in Ship Creek.

T-12 Wasilla Rail Relocation

In September 2000, the City of Wasilla commissioned a study to develop alternatives and estimate costs for relocating the Alaska Railroad around the community. The City of Wasilla commissioned LCMF Incorporated to perform the reconnaissance study. Entitled *Wasilla Alaska Railroad Relocation Reconnaissance Study*, the draft document reviews six options, including a "no build" option and five different rail relocation routes. Congress appropriated \$2.5 (requiring at least a 20% local match by ARRC) to pursue track upgrades, relocations and signalization including an environmental impact study and further planning in the Wasilla area. However, due to the costs identified in the reconnaissance study and a recent change in funding match language for larger projects like this one from twenty percent to forty percent, Wasilla and the ARRC mutually agreed the relocation project was unaffordable. Both organizations, along with ADOTPF, are working together to identify alternative rail safety improvements in the Wasilla area.

T-14 Anchorage Yard-to-Airport Capacity

The Railroad is investigating alternatives to increase capacity along the mainline track from the Anchorage Rail Yard to the Anchorage International Airport Spur. Alternative analysis in 2002 will entail preliminary engineering, various environmental studies required for National Environmental Policy Act (NEPA) documentation, and public involvement activities. Funded 80% by FTA, the \$1 million project will set the stage for future design and construction.

T-19 Anchorage Yard Passenger Car Shop

Preliminary design got underway in 2001 for a new passenger car shop in the Anchorage Yard. The facility is needed to accommodate the Railroad's expanded fleet of passenger trains. Funded 80% by FTA and 20% by the Railroad, the \$2.32 million design and engineering effort will be complete in 2002. Construction timing and cost will depend on the design selected and funding availability.

T-40 Whittier Intermodal Planning Study

The Railroad contracted an Intermodal Planning Study focused on improving passenger-related amenities to facilitate tourism growth in Whittier. Goals include better passenger and pedestrian safety, increased passenger service, segregated passenger and freight operations and construction of new passenger and maintenance facilities. Due for completion in 2002, the \$282,500 study and conceptual design is funded 80% by FTA and 20% by the Railroad.



Program of New (2002) Capital Projects Project Timeline

Project ID	Legend	2001				2002				2003				2004	2005
		1 ^o	2 ^o	3 ^o	4 ^o	1 ^o	2 ^o	3 ^o	4 ^o	1 ^o	2 ^o	3 ^o	4 ^o		
xx	ARRC Internal														
R-xx	Federal Railroad Administration														
T-xx	Federal Transit Administration														
	Concept Engineering														
	C = Completed Work														
137	Whittier Barge Slip Unloading Facility									C					
R-28/10	Bridge Program														
Siding	Siding Improvements														
T-01	Fairbanks Intermodal Facility and Depot												C		
T-05/06	Anchorage to Wasilla Track Realignment														C
T-07	South Anchorage Double Track													C	
T-08	Whittier Pedestrian Safety Access							C							
T-10	Denali National Park Rail Station												C		
T-24	Whittier Maintenance Facility									C					
T-32	Seward Passenger Dock													C	
T-33	Talkeetna Access											C			
Track	Track Rehabilitation														

Projects in the Planning Phase

		2001				2002				2003				2004	2005
		1 ^u	2 ^u	3 ^u	4 ^u	1 ^u	2 ^u	3 ^u	4 ^u	1 ^u	2 ^u	3 ^u	4 ^u		
R-32	Healy Canyon Safety & Reliability Program Study				C										
T-09	Wasilla Intermodal Transit Facility														
T-11	Ship Creek Intermodal														
T-12	Wasilla Rail Realignment														
T-14	Anchorage Yard to Airport Capacity												C		
T-19	Anchorage Yard Passenger Car Shop														
T-40	Whittier Intermodal Planning Study								C						



2002 Legislative Requests

Lease Term Lengths for Certain Railroad Lands

An Act Relating to legislative approval of certain land leases by the Alaska Railroad Corporation.

Companion Bills

SB 209 by Senator Loren Leman • HB 298 by Representative Lisa Murkowski

Purpose of Legislation

SB 209 and HB 298 extends the length of time the Alaska Railroad Corporation (ARRC) can lease lands within its Anchorage, Fairbanks, Seward and Healy Terminal Reserves from the current 35 years to 55 years.

Background

Under federal ownership, the Alaska Railroad could lease land for up to 55 years (similar to the Department of Natural Resources and the University of Alaska). When the State of Alaska purchased the Railroad, a decision was made to limit the Railroad's lease lengths to 35 years. In addition, ARRC was given the ability to extend leases beyond 35 years subject to a termination clause that states ARRC can terminate any lease with a term in excess of 35 years in the event the land is needed for railroad purposes after the initial 35 years.

The Problem

While the 35-year lease limit is adequate for most of ARRC's tenants, it is an obstacle in leasing lands to large commercial and residential developers who need to secure long-term financing for their investments. Financial lenders are reluctant to invest in large-scale projects requiring substantial equity participation when there is no guarantee land will be available beyond 35 years.

For example, Anchorage Neighborhood Housing, Inc. is working on the development of a 20-unit senior housing complex on ARRC property located in the Government Hill area. Housing for this project would be developed using Housing and Urban Development (HUD) 202 senior housing funds. However, HUD requires a 50-year lease period.

Benefits of Legislation

Changing the statute to allow for 55-year lease lengths increases financing options and, therefore, investor interest. It is an important step toward promoting economic development in railbelt communities where certain high value Railroad lands are currently underdeveloped.