

**SB**

**123**

SFIN

FILE

# SENATE FINANCE COMMITTEE REPORT

REPORTED OUT

APR 12 2001

SENATE FINANCE  
COMMITTEE

DATE: 3/23/01

FURTHER:

DATE TURNED  
IN TO OFFICE: 12 April 2001

Finance Committee considered SENATE BILL NO. 123

LEGISLATIVE APPROVAL: RAILROAD FACILITIES

"An Act relating to legislative approval for the design and construction of facilities of the Alaska Railroad Corporation."

and recommends:

- be replaced with CS SB 123 ( FIN )
- adopt previous CS CS forthcoming (          )
- attached amendment(s)
- adopt Letter of Intent by    Committee
- further referral to    Committee

- Senate Bill:**  
 same title  
 new title
- House Bill:**  
 same title  
 technical title  
 new: SCR #

**NEW FISCAL NOTE(S):**

Department	Date	Fiscal	Zero	FN#

**PREVIOUS FISCAL NOTE(S):**

Department	Date	Fiscal	Zero	FN#
D CED	3/21/01		✓	1

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	Do PASS	Do NOT PASS	No REC	AMEND
<i>[Signature]</i>			✓	
<i>[Signature]</i>	✓			
<i>[Signature]</i>			✓	
<i>[Signature]</i>	✓			
<i>[Signature]</i>			✓	
<i>[Signature]</i>			✓	
COCHAIR: <i>[Signature]</i>				
COCHAIR: <i>[Signature]</i>	✓			

APR 12 2001

SENATE FINANCE  
COMMITTEE

# FISCAL NOTE

STATE OF ALASKA  
2001 LEGISLATIVE SESSION

Fiscal Note Number: \_\_\_\_\_  
Bill Version: SB 123  
(S) Publish Date: 3/23/01

Revision Date/Time (Note if correction): 03/21/2001 5:00p.m. Dept. Affected: DCED  
Title: An Act relating to legislative approval for the BRU: ARRC  
design and construction of facilities of the ARRC. Component: Alaska Railroad  
Sponsor: Senator Pearce Corporation  
Requester: Senate Transportation Component Number: \_\_\_\_\_

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ( )						
------------------------	--	--	--	--	--	--

**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (F 2001) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2002 budget proposal:

**POSITIONS**

Full-time					
Part-time					
Temporary					

**ANALYSIS:** (Attach a separate page if necessary)

Senate Bill 123 would have no fiscal impact on the state's budget but would have an impact on the Alaska Railroad's budget. Expenses resulting from SB 123 would stem from efforts directly related to seeking legislative approval for the design or construction of capital projects costing more than \$5 million. These costs would include airfare, lodging and expenses for railroad representatives other than the railroad's legislative liaison to work in Juneau.

An increase in long term maintenance and operating costs could be associated with the delay or cancellation of projects as a result of SB 123. For example, if the legislature did not support building a new car shop to house and maintain the Alaska Railroad's growing passenger fleet, the cost to the railroad would be significant. The ARRC plans to build facilities to accommodate and support its passenger business. This construction is necessary to protect equipment from the harsh environment and minimize winterization costs and will result in a significant cost avoidance. It is difficult to recoup these type costs through increased fares.

Prepared by: Wendy Lindskoog, Director Phone 907-265-2498  
Division: Alaska Railroad Corporation Date/Time: 03/21/2001 5:00p.m.  
Approved by: Commissioner Deborah B. Sedwick Date: 3/21/2001  
Agency: Department of Community and Economic Development

For distribution information, call the Governor's Legislative Office

22-LS0522\P  
Utermohle  
4/10/01

*Pearce*

CS FOR SENATE BILL NO. 123( )  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
TWENTY-SECOND LEGISLATURE - FIRST SESSION

BY

Offered:  
Referred:

Sponsor(s): SENATOR PEARCE

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the program of federally funded construction projects of the Alaska  
2 Railroad Corporation."

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

4 \* Section 1. AS 42.40.290 is amended by adding a new subsection to read:

5 (c) On or before the first legislative day of each regular session, the board  
6 shall submit the corporation's program of federally funded construction projects to the  
7 legislature. The presiding officer of each house of the legislature shall refer the  
8 program of federally funded construction projects to the standing finance committee of  
9 the respective house for review and other action as the committee considers  
10 appropriate. If the legislature fails to disapprove by law the expenditure of federal  
11 funds for construction of a project included in the plan of federally funded  
12 construction projects during the first 60 days of the regular session in which the  
13 program of federally funded construction projects is submitted, expenditure of the  
14 federal funds is approved. If a project included in the program of federally funded

1 construction projects is substantially changed after receiving approval for construction  
2 under this subsection, the project is subject to approval under this subsection as if the  
3 project were a new project. This subsection does not apply to the following projects:

4 (1) projects for which final design had been completed on or before the  
5 effective date of this subsection;

6 (2) track realignment projects having an estimated construction cost of  
7 less than \$10,000,000;

8 (3) facility construction projects having an estimated construction cost  
9 of less than \$5,000,000;

10 (4) projects located outside of an existing community or located  
11 entirely on federal land, including military bases and Denali National Park and  
12 Preserve;

13 (5) repair, maintenance, and rehabilitation of existing track, roadbed,  
14 and facilities;

15 (6) emergency repairs of existing track, roadbed, and facilities;

16 (7) bridge replacement and maintenance projects;

17 (8) train control projects and signalization projects;

18 (9) purchase of rolling stock and other railroad-related equipment;

19 (10) construction of industrial, team, switching, or side track;

20 (11) construction of facilities exclusively devoted to railroad  
21 maintenance.

22-LS0522\O  
Utermohle  
4/4/01

**CS FOR SENATE BILL NO. 123( )**  
**IN THE LEGISLATURE OF THE STATE OF ALASKA**  
**TWENTY-SECOND LEGISLATURE - FIRST SESSION**

**BY**

**Offered:**  
**Referred:**

**Sponsor(s): SENATOR PEARCE**

**A BILL**  
**FOR AN ACT ENTITLED**

1 **"An Act relating to the program of projects of the Alaska Railroad Corporation."**

2 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

3 **\* Section 1.** AS 42.40.290 is amended by adding a new subsection to read:

4 (c) The corporation may not proceed with the preliminary engineering or  
5 construction of a project that is included in the corporation's program of projects and  
6 that is funded in whole or in part with federal funds unless and until the legislature  
7 approves the expenditure of the federal funds. On or before the first legislative day of  
8 each regular session, the board shall submit the corporation's program of projects to  
9 the legislature. The presiding officer of each house of the legislature shall refer the  
10 program of projects to the standing finance committee of the respective house for  
11 review and other action as the committee considers appropriate. If the legislature fails  
12 to disapprove by law the expenditure of federal funds for preliminary engineering or  
13 construction for a project included in the plan of projects during the first 60 days of  
14 the regular session in which the program of projects was submitted, expenditure of the  
15 federal funds is approved. If a federally funded project included in the program of

1  
2  
3  
4  
5

projects is substantially changed after receiving approval for preliminary engineering or construction under this section, the project is subject to approval under this subsection as if the project were a new project. This subsection applies to all federally funded projects included in the program of projects that are not under construction on the effective date of this subsection.

Subject: railroad  
Date: Sat, 24 Mar 2001 12:18:23 -0900  
From: Tim and Fil <feli@gci.net>  
To: Senator\_Drue\_Pearce@legis.state.ak.us  
CC: braked@akrr.com

Dear Senator:

I read with interest the article in the Daily News on 3/23/01 regarding the railroad extension to the airport and the subsequent realignment through certain neighborhoods. The railroad currently goes right by my house and I was wanting to know more specifically about what neighborhoods for which the realignment is proposed. Needless to say, if it affects any neighborhood at all, I think the public should have a right to speak about the issue in an informed manner.

I am rarely in favor of government intervention but I think this time the Senate is correct in its SB123.

Thank you,  
Fil Spiegel  
I Vote!  
feli@gci.net

Subject: Alaska Railroad bill  
Date: Sat, 24 Mar 2001 12:05:49 -0900  
From: Ann Rittal <ann@timrittal.com>  
Organization: the Tim Rittal team and Lakeside B&B  
To: Senator\_Drue\_Pearce@legis.state.ak.us

Thank you for introducing this bill. I think what they have decided to do with the airport is a travesty, unnecessary, and a total boondoggle for the builders. I also think it is a hidden agenda by the big out-of-state tour companies to get their clients around town without having to pay for it. Please continue to see this bill through.

Thank you. Ann Rittal, constituent

--  
Tim and Ann Rittal

the Tim Rittal team  
Lakeside Bed & Breakfast  
at RE/MAX Properties, Anchorage, AK  
on the shores of Sand Lake

---

Subject: Senate Bill 123  
Date: Wed, 28 Mar 2001 08:08:58 -0900  
From: Paul Jendryk <nl7pj@gci.net>  
To: Senator\_Drue\_Pearce@legis.state.ak.us

I support this bill. It is important to have some legislative oversight of the ARR.

Paul Jendryk  
6320 Lost Cir  
Anchorage AK 99502  
248-5312

# Alaska State Legislature

*During Interim: (June - Dec.)*  
716 West 4th Avenue, Suite 500  
Anchorage, Alaska 99501-2133  
(907) 269-0200  
Fax (907) 269-0204



*During Session: (Jan. - May)*  
State Capitol  
Juneau, Alaska 99801-1182  
(907) 465-4993  
Fax (907) 465-3872

**Senator Drue Pearce**

## SPONSOR STATEMENT

### SB 123: Legislative Approval For Railroad Facilities

Senate Bill 123 requires the Alaska Railroad Corporation to obtain legislative approval before the design and construction of major projects impacting communities. The bill will require the ARRC to obtain legislative approval for facilities having an estimated cost greater than \$5,000,000, and for major railroad realignment projects through communities having an estimated cost greater than \$10,000,000.

SB 123 has been introduced in response to the Alaska Railroad Corporation's multimillion dollar rail station project at the Ted Stevens International Airport. The ARRC received direct federal appropriations for the project. There was no input or coordination with the Alaska State Legislature prior to the design of this project. More importantly, there was no public review process prior to the appropriation.

The rail station project will impact a large number of Anchorage residents. Many Anchorage residents are opposed to the depot because the ARRC will need to realign and elevate the railroad tracks near their neighborhoods. They will be greatly impacted by the increase of train traffic and noise. There are also serious concerns about the feasibility and economic practicality of the project. Lastly, federal highway funding may well be necessary to finish the project and realign the tracks to access the airport which may necessitate that the legislature to set back other road projects.

Because of the concerns with the Anchorage rail station project, requiring the ARRC to obtain legislative approval for future projects will better ensure that those Alaskan residents affected will be informed and have the opportunity for a review process in a timely manner.

RESOLUTION 01-03  
SAND LAKE COMMUNITY COUNCIL

SUBJECT: RESOLUTION IN FAVOR OF SENATE BILL NO. 123

Whereas, we, the Sand Lake Community Council Executive Board support the orderly development of the Sand Lake area:

Whereas there needs to be a public process on large capital improvement projects by the Alaska Railroad that impact neighborhoods and roads:

Whereas the Alaska Railroad needs to be accountable to the citizens for the money it spends on capitol improvement projects:

**NOW THEREFORE BE IT RESOLVED THAT:** The Sand Lake Community Council Executive Board whole-heartedly supports Senator Drue Pearce in the eventual passing of Senate Bill No. 123.

Adopted on the 20<sup>th</sup> day of March, 2001, at Anchorage, Alaska, by the Sand Lake Community council Executive Board.

President  
Sherri Jackson

Secretary  
Becky Roth

---

Subject: Bill 123 dealing with the Alaska Railroad  
Date: Wed, 14 Mar 2001 21:40:22 -0900  
From: "Mike Miller" <biggame@alaska.net>

To: <Senator\_Drue\_Pearce@legis.state.ak.us>

We support bill 123. The railroad owned by the State of Alaska should have to go through the process of legislation before approving any projects over 5 million dollars. These railroad projects must have public input and acceptance; it must be for the better of all and not just for the better of the railroad.

Mike Miller, President  
Portage Valley Community Council  
783-2025 phone  
783-2370 fax

March 20, 2001

TO: Representative Andrew Halcro

FROM: Michael and Rose Marie Citti  
4641 Edinburgh Drive  
Anchorage, Alaska 99515

Good Morning Representative:

It was good to hear Senator Pearce and you on KENI RADIO this AM. We are writing in support of SB 123. We feel that it is important that oversight of the Alaska Railroad take place.

Sincerely:


THE  
FOLLOWING  
DOCUMENT(S)  
ARE  
POOR  
ORIGINAL  
COPIES

# Airport station is runaway idea

by REP. ANDREW HALCRO

The Alaska Railroad Corp.'s plan to build a \$28 million train depot at the Ted Stevens Anchorage International Airport raises serious concerns about ridership and the financial projections.

The railroad's project analysis references a recent article in the *Railway Gazette* that notes there are dozens of rail links operating in other cities and more planned for the future. What is not mentioned is the overall disappointment of the rail-link experience. In a *Wall Street Journal* story entitled 'Airport Rail Links Misconnect With Fliers,' a recurring fact was how in many cities



alcro

the thought of racing to the airport in a speeding train has become only a dream. It says that problems from: slow trains, too many stops, not enough stops, the need for bus connections, poor baggage space and infrequent service have made most of the links unattractive to travelers. Philadelphia, a city with a population 15 times that of Anchorage, has service only once every 11-hour, which makes waiting for the train longer than the drive from downtown.

The ARRC assumes that the main supporter of the \$28 million project will be cruise ship passengers. However, cruise companies will tell you that motor coach transfers are the cheapest and most efficient way to transport passengers due to their volume and varying flight times. A letter from one company states, 'the existing ARRC depot at Ship Creek is not adequate for collecting cruise passengers and

## Compass Points of view from the community



their baggage," which means in addition to the \$28 million for the airport spur, the ARRC will have to invest millions more in improvements to handle cruise passengers. All of this for a market that exists for only five months of the year.

The report further states that by the year 2004, a total of 80,000 residents will be using the rail to get to the airport annually. It is assumed that these passengers would buffer the winter months to make up for the absence of summer cruise ship or charter traffic. This number represents approximately 6,600 residents per month utilizing this service. The report fails to identify how and why these 80,000 local residents are going to use airport rail service. In fact, the report goes so far as to mention that although 8,200 people work at the airport, "it appears that the schedules of workers and the locations where they live are not conducive to mass transit."

The problem lies in the fact that not all of the 8,200 people work at the terminal. Most of these employees would have to find some way to get from the depot at the airport to the front door of their businesses; some of which are located a considerable distance from the terminal.

So if not employees then whom? How about the family of four heading off for a week vacation? Once again the analysis raises questions.

The Origin and Destination Study men-

tions that residents make an estimated 36,000 one-way trips to the airport each week. It goes on to state, "However, a vast majority of these trips originate from neighborhoods or districts that are distant from rail lines and depots (existing or planned)."

The analysis concludes by stating, "airport employees travel to and from the airport at different times and live in many different areas, suggesting that ridership on any commuter line would be low at any given point in time." If you inserted the words "local residents" in place of "airport employees," the conclusion remains the same.

Additionally, the \$28 million price tag pays for only the rail station at the airport. Area tracks and roads would still need to be re-aligned for rail traffic accessing the airport. At a recent public hearing, the railroad laid out options for the track running down International Airport Road to the airport. This portion alone will require another \$18 million in improvements.

This is not the time to be building speculative projects. This rail station is not economically practical and will actually inconvenience travelers. The construction of the airport depot will result in a loss of valuable short-term parking spaces that will cause travelers to park at greater distances from the terminal. Unfortunately, all of the evidence in the world that casts serious questions on the practicality and profitability of this proposed project is probably not enough to stop the poor use of \$28 million in taxpayer dollars.

■ Andrew Halcro is a member of the state House of Representatives for the Sand Lake and Dimond High areas in Anchorage.

# Airport Rail Links Misconnect With Fliers

By DANIEL MACHALARA

Staff Reporter of THE WALL STREET JOURNAL  
Like many travelers, Tom Hoen, of Baltimore dreams of racing to the airport aboard a fast train.

His reality: crawling to the airport aboard a slow trolley. Extended to Baltimore-Washington International Airport a couple of years ago, Baltimore's airport trolley lumbers through city streets, mixes with traffic and waits at sections of single track for trains traveling in the opposite direction to pass. Mr. Hoen, a vice president of BT Alex. Brown, could drive from his house to the airport in half an hour but prefers public transportation, which can take almost twice as long. "It's hardly a bullet train," he says.

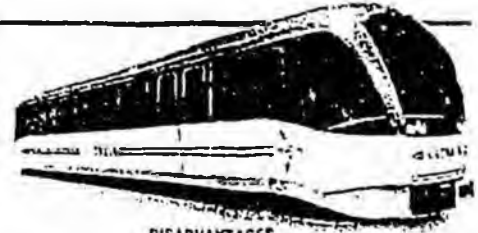
Mr. Hoen's frustration is common among passengers of the nation's airport rail links. "Compared to the potential, the American experience with air-rail links has often been quite disappointing," says Matthew Coogan, a transportation consultant in White River Junction, Vt., and a former undersecretary of transportation in Massachusetts. "Many of the systems have been cobbled together and fail to deal with the unique needs of air travelers."

Most airports were built in remote areas far from downtown and were easily reached by new highways. But the surge in air travel, airport expansions and urban sprawl changed all that, resulting in clogged roads to, from and within the airports and putting airport parking at a premium. "People are forced to leave their cars at distant satellite lots and board shuttle buses to the terminals.

The rail links were envisioned as an antidote for all that, but that hasn't been the

## The Trains to the Planes

New York's planned Airtrain to Kennedy Airport, shown at right, is being heralded as cheap and quick, but critics have emerged



CITY	ADVANTAGES	DISADVANTAGES
Allanta	Fast, frequent rides to downtown	Rail doesn't reach some suburbs
Baltimore	Direct links to downtown; new trolleys	Slow trip downtown
Boston	Station near airport, frequent service	Bus connection required
Chicago	Centralized station location at airport	Frequent local stops
Cleveland	Direct airport-rail link	Limited rail network downtown
Philadelphia	Three stations at airport	Infrequent service
St. Louis	New trains	No rail links to suburbs
Washington D. C.	Fast frequent service	No special provisions for luggage

case very often. Many of the systems follow indirect routes, share tracks with local trains or require a switch to another train or bus. In Boston, for example, travelers have to board a bus between the subway station and airport terminals.

Few of the systems make special provisions for luggage. What's more, some airports that derive revenue from their parking lots do little to encourage the links. As a result, the trains often tap less than 5% of the market of travelers going to or from airports.

"I think a rail link to the airport is a great idea," says David Gunn, who heads Toronto's transit system and ran transit systems in Philadelphia, New York and Washington. "But it's very

difficult to make it work."

Proponents insist that airport trains are often faster than autos and cabs, especially during commuting times when highways are jammed. And the trains are economical, with fares ranging from \$1.50 to \$5 a ride, compared with \$25 or more for a taxi. To demonstrate the potential of air rail links, transit planners point to successful systems in London and Hong Kong, which include features like airline counters at downtown train stations, nonstop service and luggage racks on the trains.

Among U.S. systems, the one linking Washington, D.C., and Ronald Reagan Washington National Airport is considered among the most effective. Travelers used

Please Turn to Page B4, Column 5

# Few Fliers Use Airport Rail Links

Continued From Page B1

to complain about having to walk through parking lots from the terminal to the train station—a distance of more than 1,000 feet. But in 1997, a new airline terminal serving most carriers was completed adjacent to the station, making the connection between plane and train among the most convenient in the country.

The Washington system also boasts frequent trains and an extensive rail network to downtown locations. "It has them all beat," Ken Bird, a manager at an industrial-controls company in Illinois, says of Washington's airport trains. "You can walk right from the plane to the train and get a clean, quiet and fast ride downtown."

The system linking Chicago with O'Hare International Airport also wins praise for its convenience, although it travels along a line used mainly by local riders, with frequent stops and crowded cars.

More typical is Philadelphia, where commuter trains were extended to the airport in 1985 but haven't made much headway with the traveling public. For budgetary reasons, service is confined to one train every half hour. The result: Travelers often wait longer for a train than the time it takes to drive downtown.

The Philadelphia system carries about 2,500 people a day to or from the airport—about a fifth of its capacity. "Airline travelers are accustomed to stepping out to the curb and flagging a cab," says Stephan Rosenfeld, a spokesman for Philadelphia's transit system. "We haven't been able to break that habit."

That may change. Philadelphia Airport officials, who manage the transit system, say they haven't promoted the trains in the past. A separate authority operates the trains and collects fares. But airport officials say they are now encouraging more travelers to use the train in an effort to ease airport traffic congestion. The airport has added bigger signs directing travelers to the trains and is spending \$5.5 million to build new passageways from the baggage-claim area to train platforms.

Despite the problems many cities have encountered with airport rail systems, New York, San Francisco and Portland, Ore., are developing new links. The Port Authority of New York and New Jersey's plans to spend \$1.5 billion to build "Airtrain" to Kennedy International Airport are already drawing fire, because they require passengers to change trains.

The Airtrain plan has also stirred opposition from airlines, which object to the

Port Authority's use of a \$3-per-passenger airport departure tax. To qualify for the funds, which are designed for on-airport improvements, the Port Authority plans to annex Airtrain's track right of way and make it part of the airport.

The drawback: Airtrain will take passengers to nearby rail stations, where travelers transfer to other trains. "They are building a second-rate system that dumps you at a remote transit hub only 20% of the way to the center city," contends George Haikalis, a transportation consultant in New York.

Port Authority officials say the system will be cheaper, faster and more reliable than and from Manhattan than cabs. They dismiss concerns about the inconvenience of changing trains. "How are you going to make something perfect for eight million people who don't live in one place?" says Port Authority spokesman Mark Haffner. "We are trying to create the best system that serves the most people."

Meanwhile, improvements to other systems are on the way. Atlanta wants to install a baggage drop-off counter at the airport train station. And in Baltimore, transit officials say they are addressing the problem of delays and plan to install special signals to give trolleys priority over cars and buses.

Baltimore has also considered making space available on its trolleys for luggage. But Wayne Jubb, a deputy director of Baltimore's transit system, says there is no rush: Trolleys to and from the airport are 70% empty. "There's plenty of room on those vehicles, even if people set the luggage behind them," Mr. Jubb says.

## GLAXO WELLCOME PLC

### Unsuccessful Partner Search Leads to Phaseout of Unit

Glaxo Wellcome PLC said it will discontinue funding for HealthMatics Inc. after an unsuccessful search for a venture partner. HealthMatics is a Cary, N.C., health-care information systems and services company. Glaxo, a British drug maker, said HealthMatics will begin phasing out operations immediately under a plan that continues to support existing customers through 1999. The decision will affect 100 employees, according to Glaxo. HealthMatics was created in 1994 as a joint venture by Glaxo and Physician Computer Network Inc. Glaxo acquired Physician Computer Network in December 1997 and said at the time it would seek a partner.



## Fairbanks Bypass Reconnaissance Study

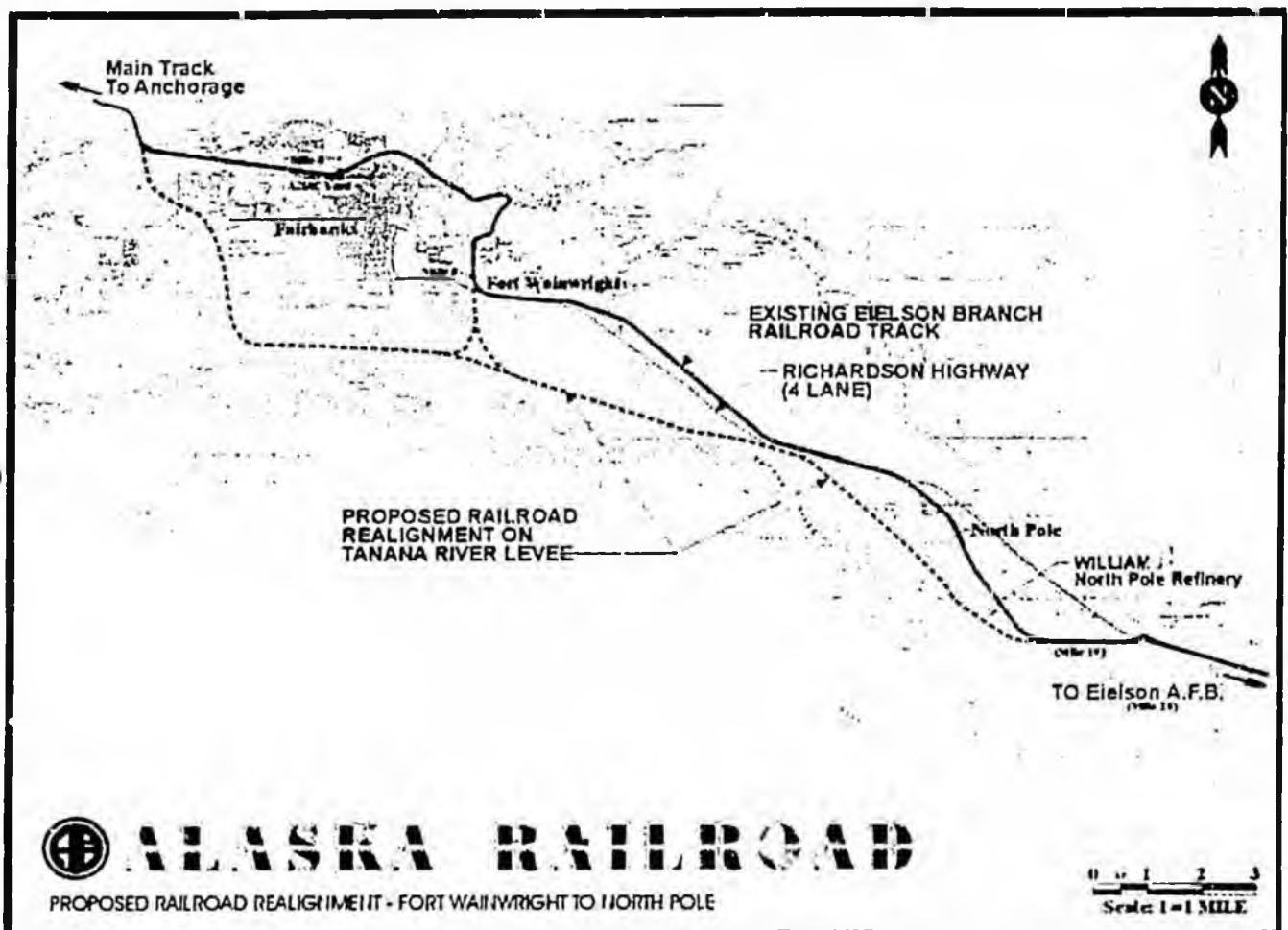
AKRR

Corp

Plan H

### Proposed Project:

The Alaska Railroad Corporation (ARRC) proposes to re-locate its mainline from Sheep Creek Road to the median of the Parks Highway and continue down the median until just East of the University Avenue/Parks Highway Interchange. The new alignment will move onto the Tanana River Dike and stay on the dike to Moose Pass Road Interchange.



### Purpose and Need:

This project will eliminate 48 at-grade road/rail crossings. The current track alignment parallels the four lane Richardson Highway and crosses this major highway twice. It also includes many other road crossings constructed over the past several decades. Road crossings include one of the main gates to Ft. Wainwright (one of the two military bases this track serves), a main downtown road in the City of North Pole, and the primary access to North Pole High School.

### Benefits:

- Closure of 48 road/rail crossings
  - Safety
  - Easier maintenance of the dike. A railroad will allow fill materials and rip rap to be moved inexpensively to maintain the dike.
  - Improvement to the North Pole community. Removing the railroad from downtown resolves conflicts with noise, pedestrian and school foot traffic, and emergency response vehicles.
  - Improved efficiency and speed of service to Ft Wainwright and Eielson Air Force Base

**Status:**

- Reconnaissance study awarded September 6.
- Work completed by local Fairbanks firm in December, 2000.
- Project concept cost estimated between \$80 to \$95 million

[Send Alaska Railroad your Public Comments - public\\_comment@akrr.com](mailto:public_comment@akrr.com)

updated 03/05/00

## Executive Summary

The *Market Analysis for ARRC Anchorage International Airport Rail Station* presents the results of a study of potential benefits of the new rail station at the Anchorage International Airport (AIA), the various markets that could support the station, and the marketing requirements necessary to take full advantage of the station. Appendixes to the report contain detailed information on equipment options and copies of a commuter rail survey conducted as part of the study.

The number of available markets and potential size of each market suggest that the Alaska Railroad Corporation (ARRC) can determine the amount of airport-station-related ridership by developing the necessary infrastructure, providing adequate levels of service, and marketing the service. Marketing efforts would include negotiations with primary customers such as cruise lines and tour companies, and efforts to attract independent travelers and area residents. The user groups exhibit differences in terms of frequency of service and destination. Necessary infrastructure includes port improvements and facilities to serve commuters and tour groups. The ARRC is already addressing many of these items.

Total airport-station-related ridership could exceed 200,000 passengers per year by 2004 and grow to more than 500,000 by 2024. The market with the most immediate potential is the cruise market, in which passengers require transportation between cruise ships and the airport. Rail ridership for cruise-related services could be more than 60,000 passengers per year in 2004 and exceed 75,000 per year by 2024 (assuming that 3 train sets with a capacity of 250 passengers per train are dedicated to this service). Other markets such as providing related services to tour-and-charter visitors and serving area residents traveling to the airport offer even greater potential, but marketing efforts and additional infrastructure are needed before this potential can be realized.

Airport station related ridership could exceed 100,000 travelers in the independent tourists, to group, and charter categories in 2004. In addition, the demand for rail service to the airport by area residents could exceed the expected use by cruise passengers if the necessary infrastructure and adequate levels of service were in place.

Revenues generated by transporting cruise passengers between the airport and cruise ships could exceed \$750,000 in 2004 and \$1 million in 2024. Revenues generated by other markets cannot be estimated until critical decisions related to facilities, equipment, and levels of service have been made and more is known about the markets.

The new AIA rail station should be viewed as a vital part of the transportation infrastructure in Southcentral Alaska and could be a catalyst for increased and improved tourist activity in the area. However, not all of the benefits associated with improved infrastructure can be assigned to the AIA station. Shorter travel times between cruise ships (or other places) and the airport, improved travel experiences, and other benefits are associated as much with track changes and other rail system improvements as with the AIA station itself.

The AIA station would help to promote a variety of benefits such as reduced roadway congestion, improved air quality, and postponement of the date when future roadway improvements are needed. Once the ARRC makes decisions regarding new equipment and various system improvements, revenues and other benefits can be compared with the estimated annual cost of \$300,000 for maintaining and operating the new station. In the meantime, the station can be viewed in the context of the broad tourist industry. Anchorage Convention and Visitors Bureau (ACVB) statistics show that in 1998 the travel trade brought roughly \$72 million to the Anchorage area, and conventions resulted in a positive economic impact of \$59 million. To the extent that the new rail station adds incrementally

to these values or helps increase retention of travel-related money in the Anchorage area, the value of the station could be quite significant.

In summary, ARRC decisions regarding level of service, marketing effort, and the rate at which new infrastructure is put in place are the critical factors in generating significant use of the AIA rail station. If the ARRC is sensitive to the demands of the various market segments and aggressive in meeting those demands, then passenger volumes and related revenues should be sufficient to support the new station.

# 1 Introduction

The Alaska Railroad Corporation (ARRC) is evaluating the construction of a \$28-million intermodal rail station at the Anchorage International Airport (AIA). This report is a first step in understanding the potential benefits and marketing requirements necessary to take full advantage of the new station. The State of Alaska's \$230-million AIA Redevelopment Plan and accompanying road improvements offer ARRC the chance to combine construction of the new rail station with other physical changes at the airport and to locate the station next to the main airport terminal.

The intermodal station is one of numerous projects that are being undertaken to dramatically improve the Southcentral Alaska transportation system. Concurrently, long-range plans are being initiated for expanding commuter options into Anchorage from Girdwood and the Matanuska-Susitna Valley, and market opportunities for linking rail to other modes are emerging. The new station is expected to give cruise ship passengers "port-to-airport" service, provide future commuter rail services a direct link from the main Anchorage rail terminal to the airport, and generate new opportunities for tour-and-charter companies.

Such changes would create a transportation system in Anchorage similar to systems being planned in cities around the world. A recent article in *Railway Gazette International* (June 1998) noted that there are approximately 62 airport rail links currently operating around the world, and at least 116 being built, planned, or considered. Currently there are airport rail links in London, Hong Kong, and Brussels. Links under construction include new stations in New York; San Francisco; and Sydney, Australia. These links represent a growing business in the air travel industry and reflect the growing need to connect different transportation modes.

The *Railway Gazette* article also stated that airports around the world are struggling to meet the growing demand for space and improved services. As airports become more congested, there is incentive to expand. However, the cost of expansion can be prohibitive, and airport authorities have begun to consider new ways to accommodate passengers. One alternative is remote check-in for passengers and baggage. For example, remote check-in at rail stations can reduce the demand for space at airports and reduce waiting times at ticket counters. Airport rail links also offer air travelers an attractive transportation option. Certain passengers arriving at AIA may be more accustomed to rail travel than to auto or bus. Passengers from other countries may prefer to purchase a rail ticket at a multilingual kiosk rather than exchange currencies and rent a car.

In short, the new AIA rail station is the result of market opportunities, the timing of other Southcentral Alaska transportation projects, and the need to improve the transportation system in Alaska. The station will benefit ARRC, Anchorage, AIA, and business all along the rail corridor, as well as the visitors and residents who will use it.

## 1.1 Purpose and Organization

This report presents the results of a market identification study for the new intermodal rail station and preliminary observations regarding the extent to which the markets can support the station. ARRC contracted with Northern Economics, Inc., in November 1998 to conduct the necessary research and analysis. The consultant team includes HDR Alaska, Inc.; and Kluherz & Associates. The purpose of the report is to provide information that will be useful to ARRC in its decisions for marketing priorities and related equipment needs for the new station. The report includes analyses of potential markets, a preliminary benefit-cost analysis for the station, observations on the station's financial feasibility, a discussion of issues that ARRC may wish to consider in its near-term marketing strategy, and an appendix containing information on equipment options for serving these markets. Available data was

supplemented by interviews with visitor industry representatives, and a survey was conducted to allow commuter rail forecasts.

The consulting team considered markets that would be available in the near term—by working with the cruise industry—and markets that could be developed in the future—for example, by offering a rail shuttle between AIA and downtown Anchorage and by offering connections with commuter rail lines.

The major market categories are the cruise industry, tour-and-charter opportunities, and commuter services. The report includes a separate analysis for each of these categories, with forecasts of potential ridership for the years 2000 through 2024.

Specific markets are identified and evaluated within each market category. For example, within the cruise industry category, there are potential markets for service between AIA and Seward or Whittier (direct connections between cruise ships and the airport), between cruise ships at Seward or Whittier and downtown Anchorage, and involving both cruise operators and smaller, established tour companies.

The following paragraphs briefly outline the report organization.

### **Cruise Industry Markets**

The cruise industry is the first market category discussed because of the primary role it will have in supporting the AIA rail station in the near future (Section 2). When a large cruise ship docks in Seward, more than 1,500 people may need to be transported directly from the ship to AIA. Cruise lines currently use motorcoaches to transport these passengers and have expressed interest in working with ARRC. Other markets will take more time to develop and do not offer a comparable volume of potential ridership originating or ending at the AIA station.

### **Tour-and-Charter Industry Markets**

The analysis of tour-and-charter opportunities focuses on opportunities that might have a relationship to the new AIA rail station in the near term (Section 3). Numerous opportunities exist for ARRC to work with existing tour-and-charter groups, and opportunities may exist for ARRC to design its own tour packages. In time, group tour vendors may work the AIA rail station into different tour package options.

Opportunities that do not have a clear connection (now or in the near future) to the AIA rail station are not included in this section. It may be important to note the distinction between the cruise industry and tour-and-charter opportunities. While there is some overlap between the cruise market and tour-and-charter market, there are enough differences in terms of how reservations are made, the number of passengers involved, transportation requirements for passengers, and other factors to view these markets as separate.

### **Commuter Rail Markets**

The discussion of potential commuter rail markets in Section 4 incorporates a broader perspective than the analysis of more immediate markets. It is easy to envision a day when residents of the Matanuska-Susitna Valley, Girdwood, and Seward consider the train a viable or attractive option for getting to and from the airport, but it is difficult to know when that day might come.

A regional commuter rail network needs to be established before residential demand for rail service to the airport can be considered a dependable market. Without an established commuter rail system, it is virtually impossible to analyze potential ridership or willingness to pay for rail service to the airport.

For this reason, the discussion of commuter rail markets begins with an analysis of commuter rail potential in general and then focuses on subsets of the commuter market that would relate to the AIA rail station. For example, one subset includes easy access to AIA for military base personnel and commuter services from area communities to Fort Richardson and Elmendorf Air Force Base.

### **Equipment Options**

Equipment options are summarized and detailed technical information about these options is provided in Appendix A. The discussion shows the service items ARRC could offer on different routes with different equipment, explains how running times on different routes would vary with different equipment, and identifies other strengths and weaknesses of different options. This information is designed to help ARRC in future decisions regarding equipment purchases.

### **Benefit-Cost Analysis**

The benefit-cost analysis takes a broad perspective to include all parts of the ARRC mission. The primary mission of ARRC is "to provide high-quality, cost-effective freight, passenger and real estate services" for its customers.<sup>1</sup> As a state agency, ARRC is also given the responsibility of fostering and promoting "the long-term economic growth and development of the state," and developing and implementing "plans for a transportation network."<sup>2</sup> The information available at this time does not support a detailed benefit-cost analysis. However, there are sufficient data to support an outline of major issues and identification of critical factors. These issues and factors are discussed in Section 5.

### **Marketing Issues**

Section 6 outlines the major marketing issues related to the visitor industry markets discussed in this report. In particular, it highlights marketing strategies ARRC might consider as it moves into new market areas and expands services in existing markets. The commuter rail market is not addressed in the marketing plan outline suggested because it would not be a marketing target until a commuter rail system is implemented, and is therefore not viewed as a near-term market.

## **1.2 Modeling Issues and Underlying Assumptions**

The forecasts for rail ridership presented in this report are based on assumptions about growth in the cruise industry and the tour-and-charter industry, acceptance of rail for regular commuting between Anchorage and the neighboring communities, and other factors. Forecasts for rail ridership in the cruise market are based on illustrative scenarios. The scenarios take into consideration a wide range of factors, including the considerable uncertainty associated with looking 25 years into the future. The scenarios were designed to show the impact on rail ridership of different potential ARRC policy decisions as well as factors beyond ARRC control. Forecasts of commuter rail passenger volumes are based on survey results.

It should be emphasized that in all cases forecasts are based on assumptions that can be considered plausible rather than simply conceivable.

Cruise market forecasts are based on scenarios that account for high, medium (base-case), and low growth rates in the Alaska cruise industry, different train set sizes, and different train utilization rates. The consultant team developed these scenarios to facilitate discussion regarding ARRC equipment

---

<sup>1</sup> From ARRC Mission Statement, as presented in ARRC RFP 98-17078.

<sup>2</sup> Alaska Statutes 42.40, Section 1, Legislative Findings and Purpose, as cited in ARRC RFP 98-17078.

purchases, ARRC operations decisions, and future cruise industry decisions. Rail ridership forecasts are presented in 5-year increments for the 25-year planning period. Multiple forecasts of rail ridership can be cumbersome when discussing the implications of different passenger volumes, because the forecast associated with each scenario must be discussed separately. Still, this burden is necessary given the degree of uncertainty associated with a 25-year planning horizon.

The approach used in this report may have resulted in conservative estimates—higher forecasts could be supported with particular assumptions and alternative scenarios. However, it should be emphasized that a goal of this report is to describe what ARRC is most likely to encounter and not just what might happen. The following items discuss reasons for this approach.

- Recent trends may not be valid over the 25-year planning period. For example, the growth rate in the number of independent travelers to Alaska has been more than 5 percent per year in the recent past. Forecasts in this report call for a growth rate of 2 to 3 percent over the next 25 years. This average allows for higher growth in the short term, but slower growth in the future because growth can be expected to slow as the market matures. In addition, on the national level the last 8 years have been unique in terms of economic history. The U.S. economy has grown steadily, inflation has not been significant, and many markets have seen unprecedented growth. Forecasts based on trends from this period should not be considered likely because the economic conditions of the last 8 years are not expected to continue. In fact, because of the length of the planning period used in this study, a recession should be considered likely sometime during the 25 years, and the effects of a recession on tourist activity taken into account.
- Forecasts for commuter rail ridership in this report are based on survey responses and estimated population growth rates. It is possible that people may be more likely or willing to use a mass transit system once they have seen the system in operation, understand how the system works, and gain confidence that they can use the system to fit their needs. No attempt has been made in this report to account for these possible behavioral changes.

The markets discussed in this report are related directly to the new AIA rail station or are part of the larger rail system and can be viewed as complementary to the new station. Where possible, the links between the markets and the new station have been explained and passenger use of the new station estimated. It should be emphasized that in all cases passenger forecasts are based on the best evidence available and are intended to provide ARRC with numbers for planning purposes—numbers that ARRC can view as dependable and other researchers should be able to duplicate.

### 1.3 Market Analysis Summary Table

Table 1 provides a brief encapsulation of the rail ridership forecasts developed in sections 2, 3, and 4 of this report. The table focuses on potential ridership using the AIA rail station.

The cruise market estimates are based on an assumption of two train trips per vessel call. If the ARRC were to purchase additional equipment to provide more trips, the cruise market ridership estimates would be higher. The tour and charter market is composed of several segments including cruise-and-tour, other package and inde-package, and independents. Interviews with industry representatives provide widely varying opinions on the potential use of rail by the tour and charter market. The range of estimates for the other package and inde-package market segments suggests that the ARRC might be able to capture 10 to 30 percent of these visitors for rides on the rail system. Industry representatives anticipate that the ARRC could capture 10 to 20 percent of the independent travelers to Southcentral Alaska on travel to and from Seward or otherwise using the AIA rail station. Approximately 5 to 10 percent of the conventions and meetings held in Anchorage could result in bookings destined to or from the rail station. The cruise-and-tour market can provide additional

ridership between the AIA and Seward or Whittier, but train capacity may not be adequate to transport the cruise passengers that are likely to use the rail, so the potential ridership associated with the cruise-and-tour market segment is not included in Table 1. If additional capacity were available, the cruise-tour segment could account for about 10,000 passengers in 2004, ranging to almost 70,000 passengers in 2024.

There is a considerable amount of uncertainty associated with the estimated number of residents that might travel to the airport from the Matanuska-Susitna Valley and Girdwood. Residents of those areas provided information on the number of trips they make to the airport, but information was not sought on the price they were willing to pay for rail service or the preferred time of travel. Table 1 assumes that rail service could capture 25 percent of trips to the airport that respondents make. The total number of passengers using the AIA rail station is anticipated to range between approximately 240,000 and 370,000 in the early years of operation and increase over time.

The commuter estimates reflect a regional rail commuter system between the Matanuska-Susitna Valley, Girdwood, and the rail depot near Ship Creek in Anchorage. The estimates reflect ridership levels with a one-way trip fare of \$5.00. Commuter passengers represent the largest portion of future rail ridership.

**Table 1. Base-Case Rail Ridership Summary by Major Market Category**

Market	Rail Ridership by Year (Number of Passengers in Thousands)				
	2004	2009	2014	2019	2024
Cruise	62	72	77	77	76
Tour-and-Charter	100-230	120-280	140-330	160-380	170-440
Resident Travel to AIA	80	90	100	120	130
Total AIA Related Ridership	242-372	282-442	317-507	357-577	376-646
Commuter	1,200	1,350	1,550	1,770	2,010

Note: The cruise estimates are based on a train capacity of 250 passengers.



**SENATE COMMITTEE REPORT  
First Committee of Referral**

DATE: 3/1/01

FURTHER: Finance

Date of 5-Day Notice: 3/14/01  
(in accordance with Uniform Rule 23)

DATE TURNED  
IN TO OFFICE: 3/23/01

Transportation Committee considered SENATE BILL NO. 123

*LEGISLATIVE APPROVAL:RAILROAD FACILITIES*

"An Act relating to legislative approval for the design and construction of facilities of the Alaska Railroad Corporation."

and recommends:

- be replaced with CS SB 123 (TRA)
- adopt previous CS (      )
- attached amendment(s)
- adopt Letter of Intent by        Committee
- further referral to        Committee

- Senate Bill:**  
 same title  
 new title
- House Bill:**  
 same title  
 technical title  
 new: SCR #

**NEW FISCAL NOTE(S):**

Department	Date	Fiscal	Zero	FN#
DCED	3/21/01	0		1

**PREVIOUS FISCAL NOTE(S):**

Department	Date	Fiscal	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>Adrian Taylor</i>			✓	
<i>SK</i>			✓	
CHAIR: <i>John J. Courtney</i>	✓			

SB 123

Subject: railroad  
Date: Sat, 24 Mar 2001 12:18:23 -0900  
From: Tim and Fil <feli@gci.net>  
To: Senator\_Drue\_Pearce@legis.state.ak.us  
CC: braked@akrr.com

Dear Senator:

I read with interest the article in the Daily News on 3/23/01 regarding the railroad extension to the airport and the subsequent realignment through certain neighborhoods. The railroad currently goes right by my house and I was wanting to know more specifically about what neighborhoods for which the realignment is proposed. Needless to say, if it affects any neighborhood at all, I think the public should have a right to speak about the issue in an informed manner.

I am rarely in favor of government intervention but I think this time the Senate is correct in its SB123.

Thank you,  
Fil Spiegel  
I Vote!  
feli@gci.net

SB 123

Subject: Alaska Railroad bill  
Date: Sat, 24 Mar 2001 12:05:49 -0900  
From: Ann Rittal <ann@tim:ittal.com>  
Organization: the Tim Rittal team and Lakeside B&B  
To: Senator\_Drue\_Pearce@legis.state.ak.us

Thank you for introducing this bill. I think what they have decided to do with the airport is a travesty, unnecessary, and a total boondoggle for the builders. I also think it is a hidden agenda by the big out-of-state tour companies to get their clients around town without having to pay for it. Please continue to see this bill through.

Thank you. Ann Rittal, constituent

--

Tim and Ann Rittal

the Tim Rittal team  
Lakeside Bed & Breakfast  
at RE/MAX Properties, Anchorage, AK  
on the shores of Sand Lake

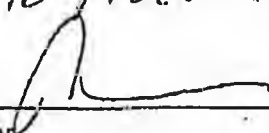


# ALASKA STATE LEGISLATURE

Please enter into the record my testimony to the S FINANCE  
 Committee on SB123 Committee Name Dated 3/28/01  
Bill / Subject

As a North Pole City Councilman AND PRIVATE CITIZEN, I URGE THE COMMITTEE TO REJECT THE "LINDA ANDERSON" AMENDMENT REQUIRING LEGISLATIVE APPROVAL FOR AKRR PROJECTS OF \$5/MIO MILLION. APPARENTLY THE MOTIVATION FOR SUCH UNNECESSARY LEGISLATIVE OVERSIGHT IS A DESIRE TO MAINTAIN AN "AESTHETIC" QUALITY TO WHAT IS ALREADY A MAJOR TRANSPORTATION CORRIDOR BUT AT THE EXPENSE OF REAL LIFE-AND-LIMB SAFETY ISSUES <sup>EVERYWHERE ELSE IN THE COMMUNITY,</sup> I DO NOT SUPPORT DOING ONE PART OF THE PROJECT WHILE LEAVING ANOTHER SECTION IN LIMBO AS THAT MAY JEOPARDIZE THE AKRR'S ABILITY TO OBTAIN FUNDING FOR ANY OF THE PROJECT. I DO SUPPORT STRIKING THE AMENDMENT AND ALLOWING THE EIS PROCESS TO DETERMINE ANY CORRECTIVE ACTIONS OR REMEDIES AND ALLOWING THE PUBLIC PROCESS TO WEIGH IN DURING THE PROCESS. PLEASE REMOVE THIS UNNECESSARY LEGISLATIVE STRUCTURE AND PERMIT AKRR TO PROCEED ON SCHEDULE. THANK YOU.

SIGNED:

 DOUG TRAASON  
 Testifier

Self  
 Representing

1003 Shirley Turnaround North Pole 488-7810  
 Address / Phone Number

