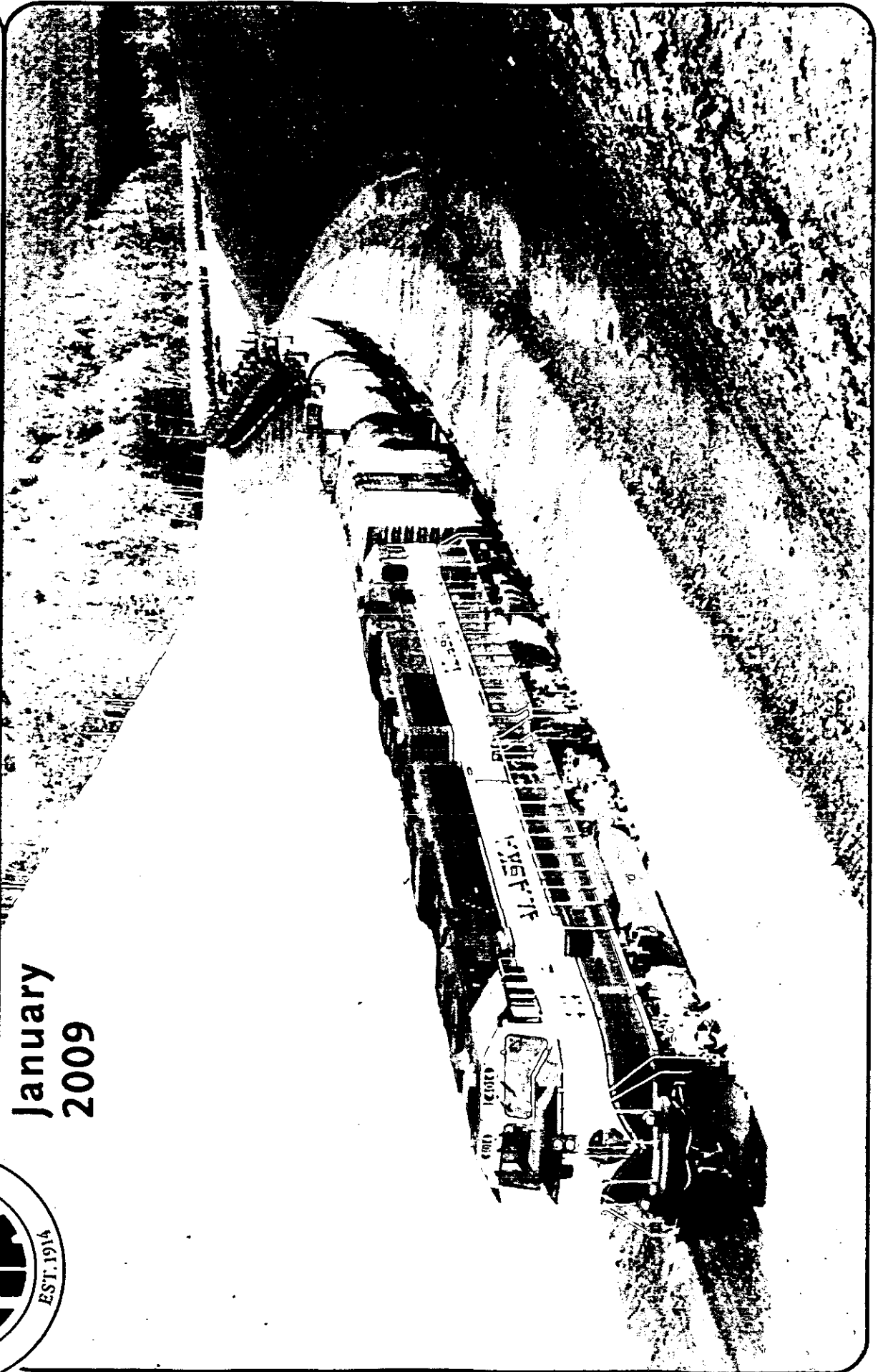
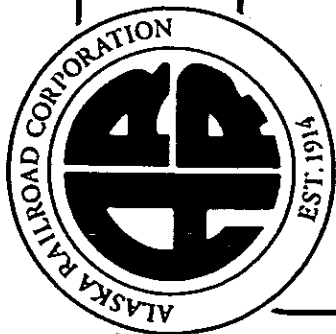


2/3/09
ALASKA
RAILROAD
REPORT
TO STATE
OF AK

Report to the State of Alaska

January
2009





ARRC President: A Look Ahead

As defined in the Alaska Railroad Corporation Act (AS 42.40), the Alaska Railroad Board of Directors shall adopt a long-range capital improvement plan each year and shall share that plan with the governor and legislature. I am pleased to present our plan for the year ahead.

For starters, I would characterize the ARRC's 2008 business year as highly challenging, considering production from our largest revenue customer was markedly down and the cost of doing business significantly higher than estimated. From a financial standpoint, unaudited 2008 results forecast total revenues of \$138 million, total expense at \$125 million, yielding a corporate net income of \$13 million. Audited numbers will true these numbers up by April 1, 2009.

We transported more than 5.8 million tons of freight, which represents a gross tonnage decrease, primarily in fuel. Petroleum volume transported from the Flint Hills refinery in North Pole dropped about 14 percent from 2007. Cargo shipped by trailers and containers dipped 12 percent and associated barge-rail tonnage declined 16 percent from 2007.

On the up side, gravel grossed 2.8 million tons for a 19 percent increase over budget. The export coal market was buoyed by a rise in demand and solid global coal prices. At 550,000 gross metric tons, 2008 turned out to be one of the railroad's better years for export coal. In late spring, the railroad conducted one of the state's largest military deployments to date. About 300 railcars moved nearly 1,000 military vehicles from Fort Wainwright to the Port of Anchorage in support of the 1-25th Stryker Brigade Combat Team's deployment to Iraq.

Alaska Railroad passenger movement increased 6 percent and record-breaking summer ticket sales generated \$1.2 million more than even last year's record sales. Consistent with a consistently positive annual trend line, ARRC Real Estate revenue increased 12 percent over 2007 for a total of nearly \$16 million. We attribute growth in real estate revenue to rising land value, higher property occupancy, and the Seward coal loading facility's revenue share.

2008 was also the first year of our newly published (second) 5-year plan. It was a tough start. A misfiring economy drove corporate belt tightening throughout the year as we began in earnest to react to an uncertain financial future. Confronting flat revenues and rising expenses in 2008, we adjusted on the fly by cutting supply and travel costs, conserving utilities, implementing substantive operational efficiencies and eliminating 10 percent of our manpower positions through attrition and, unfortunately, some unavoidable layoffs. Consequently, these actions spurred the corporation to reorganize and consolidate across departmental areas of responsibility, thereby contributing significantly to reduced operating expenses. Successful cost saving efforts throughout 2008 established the baseline for an even more stringent 2009 expense budget. As a result, we believe we enter 2009 in a stronger corporate position.

For 2009, the Alaska Railroad Corporation will continue a program of strict cost control in view of what has become a persistently unsteady economic outlook. Our capital program, however, will remain relatively robust. We will continue our bond-financed six-year plan to invest in rail, ties, ballast and bridges in order to complete the total refurbishment of our track infrastructure from Anchorage to Fairbanks by 2012.

Safety and efficiency upgrades remain paramount to the programmed capital effort. We will continue straightening the main track in several areas, extending sidings (railroad "passing lanes") to handle our longest trains, adding more automated and heated switches, and bringing on-line the nation's first fully operational collision avoidance system (recently mandated by Congress for all railroads to have in place by 2016.) We are also touting several large "shovel ready" rail infrastructure projects as worthy contenders for a prospective economic stimulus package being worked in Washington D.C.

Clearly, the biggest threat to the Alaska Railroad's viability in 2009 is the possible closure of the Flint Hills refinery in North Pole. We are heavily engaged, work-



Mission, Vision and Values

ing alternatives with the state's Department of Natural Resources and Flint Hills, to preclude that disastrous and hopefully avoidable outcome.

Payment for most of the railroad's larger capital projects program comes from federal funds (often requiring matching dollars from the Alaska Railroad). In-house capital funding uses ARRC net earnings to cover dozens of smaller capital improvements and investments. In 2008 the Alaska Railroad supported a \$115 million capital budget. We plan on a \$138 million capital budget for 2009, on our way to an estimated \$412 million expenditure over the next five years (2009 through 2013).

These dollars go to good jobs in good Alaskan businesses. Details of our program are highlighted in this report and detailed descriptions of all major railroad capital projects are available at the railroad's web site — www.AlaskaRailroad.com.

I hope this budget-based report provides a useful topline picture of the Alaska Railroad's long range plan. We would be happy to provide you or your staff with more project information via a detailed ARRC briefing at anytime during your 2009 legislative session. It is the honor of every Alaska Railroad employee to serve this great state.

Warm regards,

Patrick K. Gamble
President and Chief Executive Officer

Alaska Railroad Mission

- Safety... Customer Service... Profitability

Alaska Railroad Vision

"Building a great Railroad across the Greatland."

An important element in fulfilling this vision is ARRC's success since 1996 in qualifying for federal funding...an entitlement afforded the railroad's public status and its passenger service mission. As a result, ARRC has been able to greatly accelerate long overdue mainline maintenance and upgrades.

In addition, other federal grants have funded facility improvements, such as intermodal facilities and docks; technology improvements, such as the collision avoidance system; and homeland security grants. These have come to the the Alaska Railroad via recent major federal legislation.

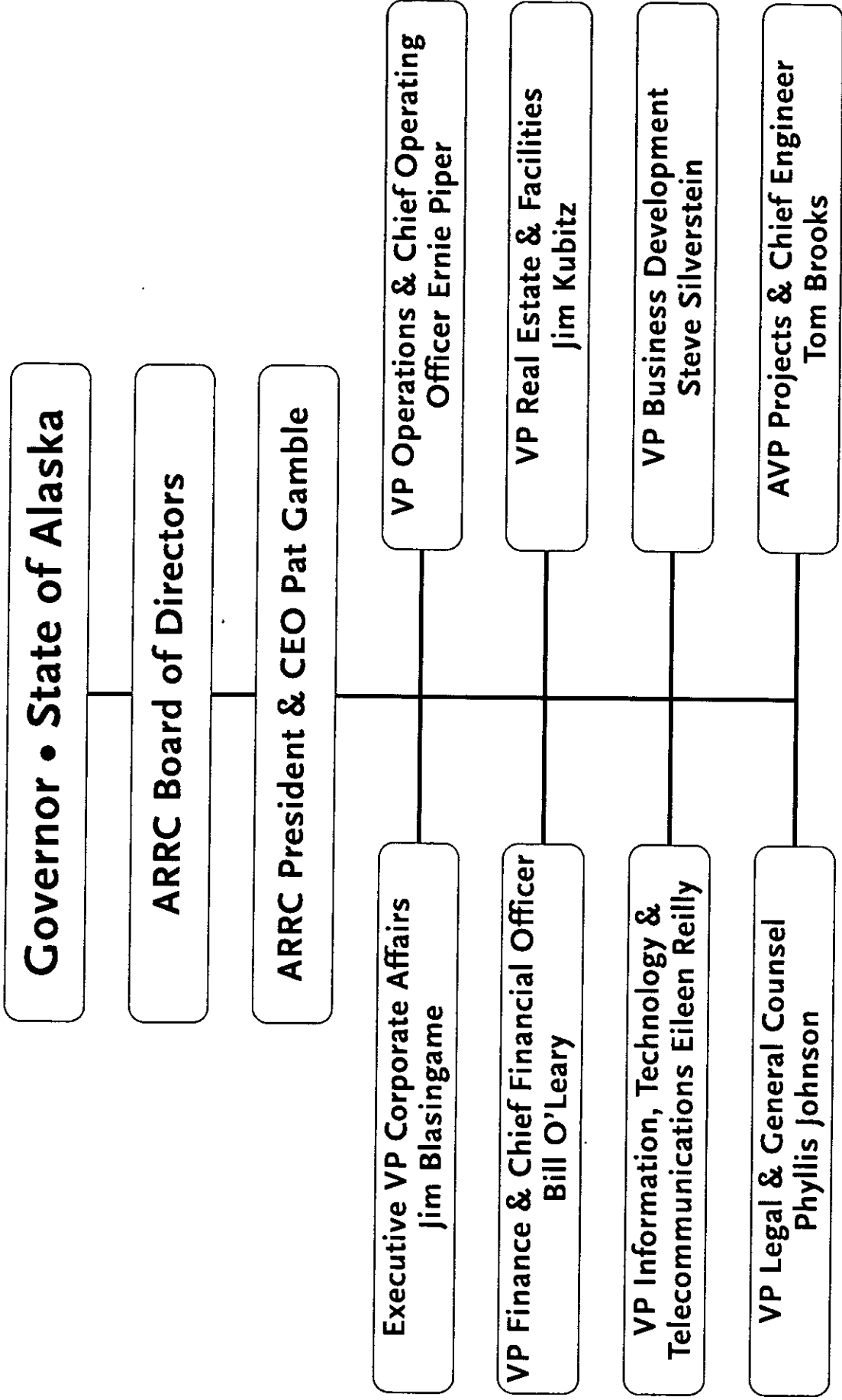
Alaska Railroad Values

We are a values based organization. Values are all about people, not things. We are all about taking care of our people. We believe who you are is as important as what you do. Character counts. Many of our values are embodied in our corporate Code of Conduct. Our fundamental core values consist of integrity, excellence, and service.

As a responsible partner, in order to accomplish the ambitious goals we set out for ourselves in conjunction with those of others along the railbelt, the ARRC must be a safe, secure, customer responsive, financially and environmentally sound, employee friendly corporation. We must provide a stable, reliable foundation that can be counted on to enhance the future economic growth of the state and the municipalities we support. If our corporate foundation is not sound, support for further state growth and development becomes problematic at best. Values and high standards are the building blocks of that foundation.



Alaska Railroad Organizational Chart





Alaska Railroad Quick Facts

Purchase Price (January 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

Organization (following State purchase)

- Independent corporation owned by State
- Managed by a seven-member board of directors. Position qualifications are spelled out in law, members appointed by the Governor.
- Mandated to be self-sustaining, responsible for all its own financial and legal obligations

Financial Statistics

January 1-December 31, 2008* (unaudited)	
Total Assets	\$ 850 million
Total 2008 revenues	\$ 138 million
Total 2008 expenses	\$ 125 million
2008 net income	\$ 13 million
2009 net income budget	\$ 16.8 million

Operating Data

Miles of main line	467
Miles of branch line	54
Miles of yards and sidings	130
Total miles of track	651
Freight cars (owned & leased)	1,381
Passenger cars	51
Locomotives	57

Operating Statistics

January 1-December 31, 2008	
Passenger ridership	541,019 passengers
Freight tonnage	5.82 million tons

Employees (as of January 2009)

Number of year-round employees	715
Average years of service	11.5
Average age	45
Male	585
Female	130

Unions (as of January 2009)

Most of ARRC employees are members in one of five unions:	
United Transportation Union	121
Transportation Communication Union	44
International Association of Machinists	63
American Federation of Govt. Employees	283
American Train Dispatchers Department	10

Benefits

- Corporation provides a defined benefit pension plan
- Corporation provides for health and life insurance
- Corporation provides for retiree medical benefits

* ARRC audits are normally complete by March 31.



Alaska Railroad Mileposts

Each year the Alaska Railroad forecasts its long term objectives and unmet challenges. From this annual analysis, the Alaska Railroad management team establishes an annual rolling 5-year baseline of goals and objectives covering both the short and long terms. At the end of the year, ARRC scores itself against progress made towards meeting these challenges. As objectives are permanently achieved, they are dropped and new ones take their place.

ARRC Five-Year Objectives

- Reduce employee safety incidents to no more than 48 per year.
- Do not add any more at-grade highway/railroad crossings.
- Achieve and sustain an operating ratio of at least .95 by 2011
- Generate and sustain company-wide cash flow, measured as net earnings plus depreciation, of \$39 million per year by 2011.
- Generate and sustain cash flow from real estate activities of \$9 million per year by 2010.
- Maximize return from existing business relationships and seek out new profitable opportunities without sacrificing world class customer service.
- Fully implement Collision Avoidance System technology in 2009.

- Reduce average running time for freight trains between Anchorage and Fairbanks to 10 hours. (Does not include slow orders for natural occurrences)
- Complete the entire Reliability Excellence transition plan by the end of 2009.
- Set up an annual programmatic investment plan for ARRC facility infrastructure, including yards and marine facilities, to meet business, growth, employee, and community requirements, as well as energy efficiency goals.
- Ensure ARRC attracts and retains excellent employees by being known as a premier Alaskan employer and by continuously improving our employee training working environment, remuneration, and benefits.
- Build the bridge across the Tanana River.
- Extend the rail line to Delta Junction.
- Complete the accelerated Track Rehabilitation Program plan by 2012.
- Begin local DMU transit demonstration service of some kind in or around Anchorage-Wasilla-Gridwood.
- Continue to enhance environmental stewardship through wise business decisions, to include maintaining Green Star standards.

Five-Year Forecast — Capital Budget

<i>(in millions)</i>	2009 Budget	2010 Plan	2011 Plan	2012 Plan	2013 Plan	TOTAL
ARRC Internally Generated	\$ 21.6	\$ 23.0	\$ 24.0	\$ 23.6	\$ 21.8	\$ 114.0
Bond Funded	31.1	18.6	20.7	7.6	—	78.0
Federal Transit Administration	42.2	43.4	44.7	46.1	47.5	223.9
less: Preventive Maintenance Reimburse	(10.4)	(10.8)	(11.0)	(11.3)	(11.5)	(55.0)
Less: Debt Service Grants	(16.4)	(16.3)	(16.2)	(16.2)	(16.2)	(81.2)
Federal Highway Administration	0.9	—	—	—	—	0.9
FEMA/DoD/Real Estate Debt	70.4	45.6	5.7	10.0	1.2	132.9
Total Capital Budget	\$ 138.5	\$ 103.4	\$ 67.9	\$ 59.9	\$ 42.8	\$ 412.5

Five-Year Forecast — Operating Budget

<i>(in millions)</i>	2009 Budget	2010 Plan	2011 Plan	2012 Plan	2013 Plan	TOTAL
Net Operating Income	\$ 27.4	\$ 26.2	\$ 25.8	\$ 26.4	\$ 25.9	\$ 131.6
Net Income-Real Estate	\$ 9.2	\$ 8.6	\$ 8.6	\$ 8.7	\$ 9.2	\$ 44.4
Other Income	\$ 0.5	\$ 0.6	\$ 0.6	\$ 0.6	\$ 0.7	\$ 2.9
Net income (before Depreciation & Interest)	\$ 37.2	\$ 35.3	\$ 35.0	\$ 35.8	\$ 35.7	\$ 179.0
Depreciation	\$ (18.3)	\$ (18.1)	\$ (18.5)	\$ (18.3)	\$ (18.0)	\$ (91.2)
Interest Expense	\$ (2.1)	\$ (2.1)	\$ (1.8)	\$ (1.6)	\$ (1.5)	\$ (9.2)
Net Income	\$ 16.8	\$ 15.0	\$ 14.7	\$ 15.9	\$ 16.2	\$ 78.6

Five-Year Capital Project Plan-Internal Funding

	2009 Budget	2010 Plan	2011 Plan	2012 Plan	2013 Plan	TOTAL
Nondiscretionary Projects	\$ 13,848,800	\$ 12,329,794	\$ 13,346,918	\$ 14,065,154	\$ 12,556,249	\$ 66,146,915
Continuing Program Projects	\$ 4,801,000	\$ 6,917,030	\$ 5,980,614	\$ 6,896,862	\$ 6,619,898	\$ 31,215,404
Strategic Business Initiatives	\$ 2,492,650	\$ 3,754,000	\$ 4,659,000	\$ 2,649,113	\$ 2,650,500	\$ 16,205,263
Ranked Projects	\$ 455,000	—	—	—	—	—
Total - Internal Funding	\$ 21,597,450	\$ 23,000,824	\$ 23,986,532	\$ 23,611,129	\$ 21,826,647	\$ 114,022,583

Five-Year Capital Project Plan — Debt Financed Real Estate Projects

	2009	2010	2011	2012	2013	TOTAL
Freight Shed Renovation	7,685,000	—	—	—	—	7,685,000
GSA Building Acquisition	—	2,800,000	—	—	—	2,800,000
Total-Debt Financed Real Estate Projects	7,685,000	2,800,000	—	—	—	10,485,000

Five-Year Capital Project Plan — Federal and Bond Funding

Federal Transit Administration

Passenger Equipment: Rehabilitation	780,000	1,000,000	900,000	900,000	900,000	4,480,000
Track Projects:						
Depot Improvements	—	500,000	500,000	500,000	500,000	2,000,000
Track Rehabilitation	49,593	9,917,150	9,758,912	13,858,957	15,089,899	48,674,511
Siding Extensions/Shoulder Widening	825,000	1,000,000	1,000,000	1,000,000	1,000,000	4,825,000
Track Project Subtotal	874,593	11,417,150	11,258,912	15,358,957	16,589,899	55,499,511
Bridge Replacements/Upgrades:						
Bridge 432.1 Goldstream Creek Bridge	3,635,000	—	—	—	—	3,635,000
Bridge 29.5 Trail Lake	75,000	2,065,000	425,000	—	—	2,565,000
Bridge 284.2 Hurricane Gulch	100,000	—	2,000,000	800,000	450,000	3,350,000
Bridge 148.3 Matanuska River	1,150,000	—	—	—	—	1,150,000
Bridge replacing large culvert at Indian	—	140,000	1,350,000	—	—	1,490,000
Bridge 422.9 Permafrost Bridge	—	—	600,000	—	—	600,000
Bridge 447.7 Permafrost Bridge	—	—	—	600,000	850,000	1,450,000
Bridge Program Subtotal	4,960,000	2,205,000	4,375,000	1,400,000	1,300,000	14,240,000

Five-Year Capital Project Plan — Federal and Bond Funding (continued)

FTA... continued	2009	2010	2011	2012	2013	TOTAL
Debt Service Subtotal:						
2006 Bond Issue Debt Service	7,366,776	7,368,016	7,293,976	7,281,965	7,288,771	36,599,504
2007 Bond Issue Debt Service	8,996,466	8,966,425	8,901,563	8,895,736	8,900,619	44,660,809
Debt Service Subtotal	<u>16,363,242</u>	<u>16,334,441</u>	<u>16,195,539</u>	<u>16,177,701</u>	<u>16,189,390</u>	<u>81,260,313</u>
Preventive / Safety / Security:						
Preventive Maintenance Reimbursement	10,400,096	10,816,100	11,032,422	11,253,071	11,478,132	54,979,821
Slope Stabilization/Hcely Canyon	1,110,000	1,200,000	500,000	500,000	500,000	3,810,000
Collision Avoidance-Phase II Completion	7,216,129	—	—	—	—	7,216,129
Wheelchair Lift Replacements	17,000	—	—	—	—	17,000
Transit Enhancements	221,157	227,792	234,625	241,664	248,914	1,174,152
Transit Security	221,157	227,792	234,625	241,664	248,914	1,174,152
Preventive/Safety/Security Subtotal	<u>19,185,539</u>	<u>12,471,684</u>	<u>12,001,672</u>	<u>12,236,399</u>	<u>12,475,960</u>	<u>68,371,254</u>
Total Federal Transit Administration	42,163,374	43,428,275	44,731,123	46,073,057	47,455,249	223,851,078
Less: Preventive Maintenance Reimbursement	(10,400,096)	(10,816,100)	(11,032,422)	(11,253,071)	(11,478,132)	(54,979,821)
Less: Debt Service Grants	(16,363,242)	(16,334,441)	(16,195,539)	(16,177,701)	(16,189,390)	(81,260,313)
Total FTA for Federal Capital Projects	<u>15,400,036</u>	<u>16,277,734</u>	<u>17,503,162</u>	<u>18,642,285</u>	<u>19,787,727</u>	<u>87,610,944</u>
FTA Capital Grant Receipts Bonds						
Track Rehabilitation Program	30,167,841	18,559,844	20,726,946	7,637,134	—	77,091,765
Hcely Canyon Stabilization-Moody Tunnel	915,000	—	—	—	—	915,000
Total FTA Capital Grant Receipts Bonds	<u>31,082,841</u>	<u>18,559,844</u>	<u>20,726,946</u>	<u>7,637,134</u>	<u>—</u>	<u>78,006,765</u>
Other Federal Funds						
FEMA 2008 Fall Flood Disaster Funds	1,820,000	—	—	—	—	1,820,000
FHWA Rail Realignments	870,617	—	—	—	—	870,614
DoD Tanana River Access	60,000,000	—	—	—	—	60,000,000
Tanana River Training-Fund Source Unidentified	—	38,000,000	—	—	—	38,000,000
Collision Avoidance-Fund Source Unidentified	—	4,758,000	5,700,000	10,000,000	1,225,000	21,683,000
Total Other Federal Funds	<u>62,690,617</u>	<u>42,758,000</u>	<u>5,700,000</u>	<u>10,000,000</u>	<u>1,225,000</u>	<u>122,373,617</u>
Total Federal & Bond Funding	<u>109,173,494</u>	<u>77,595,578</u>	<u>43,930,108</u>	<u>36,279,419</u>	<u>21,012,727</u>	<u>287,991,326</u>

LAST PAGE



Alaska Railroad 2009 Program of Projects

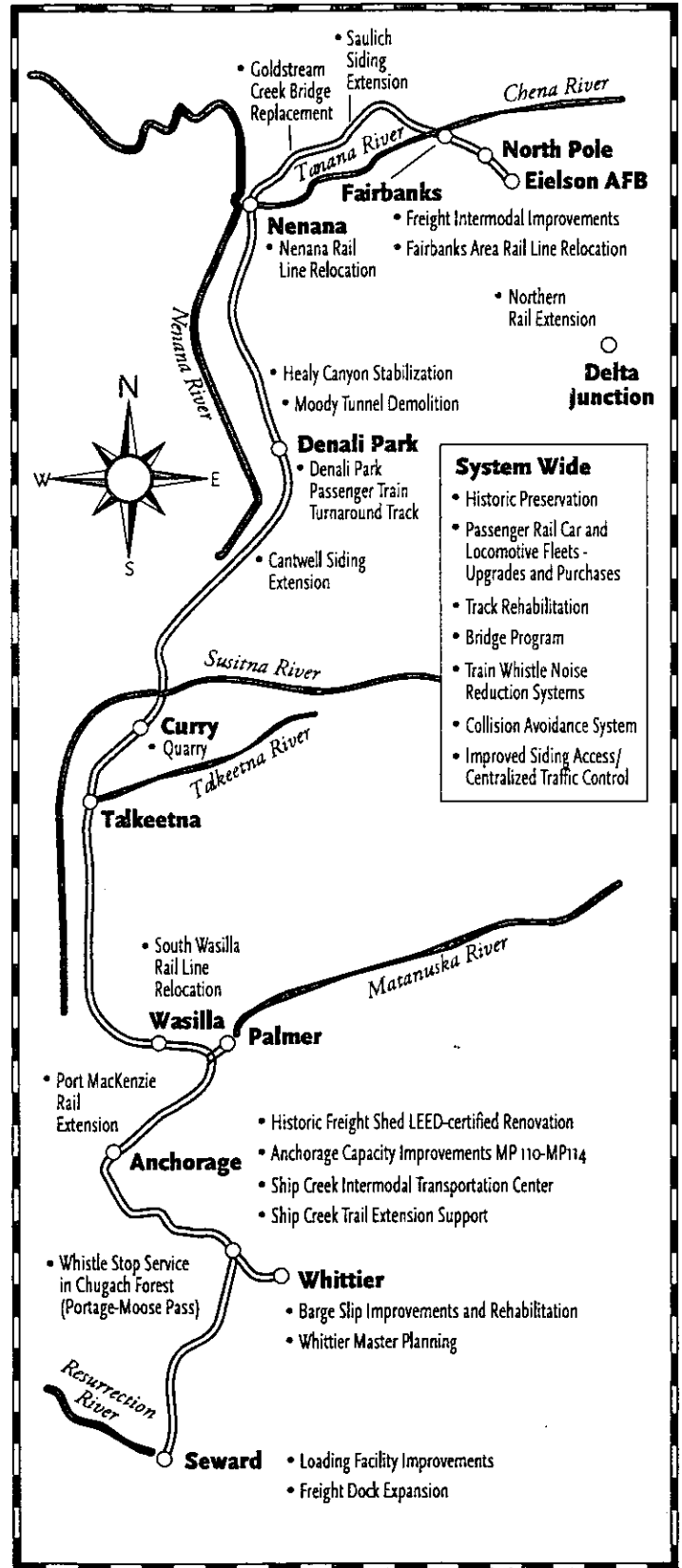
The Alaska Railroad Corporation (ARRC) continues to pursue a comprehensive program of capital improvements. ARRC is investing millions to aggressively improve infrastructure. We've enhanced safety and efficiency by straightening the main track, building longer sidings (railroad "passing lanes"), automated switches, and implementing a collision avoidance system. ARRC has upgraded customer service through new depots and equipment. Project descriptions are available on the ARRC website at, www.AlaskaRailroad.com.

Established in 1923, the Alaska Railroad is the last of the full-service railroads in the United States, offering both freight and passenger service. From tidewater at Whittier and Seward to the heart of Interior Alaska, our route covers more than 500 miles. ARRC is a state-owned corporation, however it does not receive state funding to operate. ARRC relies on passenger, freight and real estate revenues to operate its trains and maintain tracks and facilities.

Capital Project Funding

Sources of capital project funding since 1996:

- **Federal Agencies:** Approximately \$795 million in federal grants received to date, including approximately \$105 million budgeted for 2009.
- **Required Match:** Some federally-funded projects require a funding match of between 9% and 25% from the Alaska Railroad. Since 1996, ARRC has provided \$42 million in matching contributions, including \$4.6 million in 2009.
- **ARRC Internal Fund Investments:** Beyond a match to federal funds, ARRC invests millions of internally-generated dollars each year on many capital projects that are not federally funded. Since 1996, ARRC will have spent an additional \$215 million of its own income on capital improvements, including \$21.6 million in 2009.
- **Revenue Bonds:** The Alaska Railroad sold \$76 million in revenue bonds in 2006 and \$89 million in 2007, primarily to accelerate track rehabilitation efforts. \$31 million of these funds will be spent in 2009. Bonds are repaid with Federal Transit Administration (FTA) formula funds.

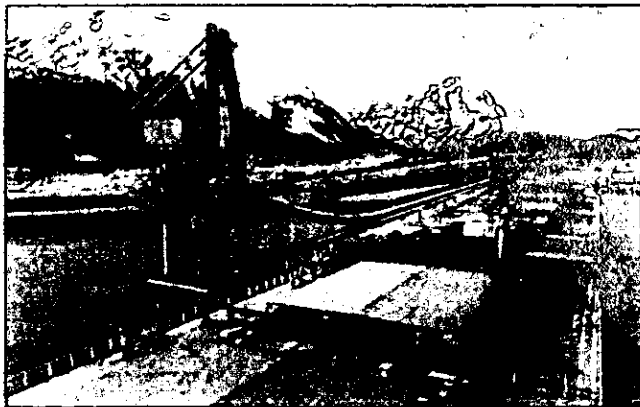


Frequently used acronyms:

- ARRC = Alaska Railroad Corporation
- FTA = Federal Transit Administration
- FRA = Federal Railroad Administration
- FHWA = Federal Highway Administration
- DOD = Department of Defense
- EA = Environmental Assessment
- EIS = Environmental Impact Study
- STB = Surface Transportation Board

Seward Coal Loading Facility

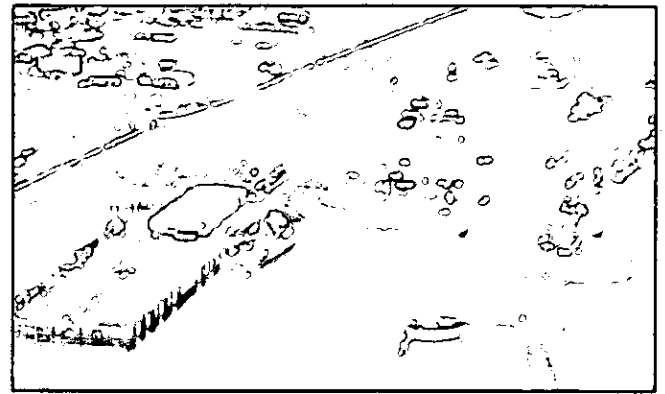
ARRC acquired the Seward Coal Loading Facility in 2003 and made subsequent improvements in order to increase facility efficiency, driving down the cost of operation, thus making Alaska's coal resources more competitive in the global market. ARRC completed an EA of proposed improvements and upgrades in 2004. The first phase of conveyor speed upgrades was completed in 2005. FRA provided the original \$9.54 million grant, with \$8.3 million spent on acquisition and associated studies and \$1.24 million used for inspections, repairs and improvements. With no additional federal funding, ARRC is underwriting ongoing maintenance and capital improvements. In response to community concerns over coal dust problems resulting from unusual dry, windy weather in early 2007, ARRC spent \$150,000 in 2008 to enhance existing dust suppression and safety systems, and also hired industry experts to analyze and recommend future capital improvements as operations warrant and funding allows. \$650,000 is budgeted in 2009 to repair the ship loader.



A coal ship docks at the Seward Coal Loading Facility.

Seward Freight Dock Expansion

ARRC is expanding its freight dock in Seward to improve safety, efficiency and capacity of freight intermodal operations (ship-to-train, ship-to-truck, ship-to-barge). Constructed between 2000 and 2002, the original freight dock was 200 feet wide by 620 feet long. Phase I of the expansion widens a portion of the dock from 200 feet to 320 feet. Later phases will widen the entire dock to 320 feet, essentially doubling the dock's 5.3 acre footprint to 10.6 acres. In 2007, ARRC spent \$220,000 to begin Phase I by placing gravel and rip-rap to

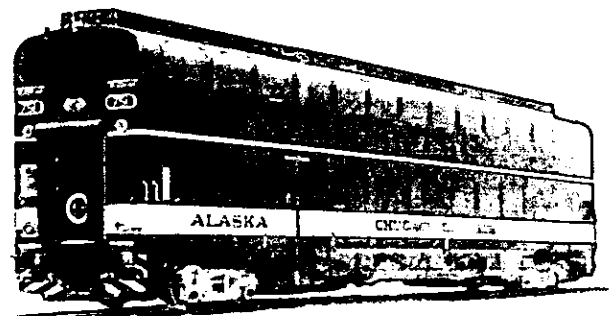


The Seward passenger dock, left, and the freight dock.

fill a two-thirds-acre expansion of the dock. The \$2.2 million budget to complete Phase I will be funded by ARRC. Later phases to widen the entire dock, upgrade electric and water utilities, accomplish track work and other modifications are estimated to cost \$1.6 million; funding is not yet identified.

Chugach National Forest Whistle Stop Service

ARRC and the U.S. Forest Service (USFS) are partners in developing a whistle stop service in the Chugach National Forest, with five recreational sites between Portage and Moose Pass that will be accessible by rail and interconnected by trail. Sites include passenger rail platform, passenger shelter, toilets and interpretive signage. Other features may include picnic, camping and wildlife viewing facilities. The project also calls for purchase of two self-propelled diesel multiple unit (DMU) rail cars. With an EA complete in 2006, construction at the first stop at Spencer began fall 2006 and was completed late summer 2007. Design and engineering on similar facilities at Grandview may begin in 2009. \$1.8 million for Spencer environmental work, planning and site construction, funded by USFS and ARRC. One DMU is scheduled for delivery in 2009, with USFS funding \$4.7 million in 2007 and FTA and ARRC funding an additional \$648,000 in 2008. Estimated \$14 million is needed to finish infrastructure and recreational facilities at all five sites. Funding is not yet identified.



A bi-level self-propelled "DMU" rail car nears completion in 2008.

Whittier Master Planning

ARRC is pursuing a Whittier Master Plan to improve railroad infrastructure. Recent projects: 1) built a pedestrian underpass (2002); 2) built an equipment maintenance facility

(2002); 3) improved Delong Dock (2002); 4) built barge slip side-loading structures (2002); 5) demolished the old transit shed (2003); 6) built a cruiseship passenger spur and platform (2004); 7) improved security with a yard office at the entrance, seasonal yard fence and video cameras (2006/07); and 8) demolished the marginal wharf (2008). Future actions recommended by the Master Plan include: a) construction of improved intermodal passenger and public use facilities; b) railyard reconfiguration and track improvements to separate freight and passenger activity; c) additional security measures including lighting and detection equipment for passenger facilities; and d) freight operational improvements, including barge slip replacement. \$700,000 budget for barge slip rehabilitation 2009 - 2012, which continues 2006-2008 rehab efforts totaling \$1 million, funded by ARRC.



The barge slip and marginal wharf in Whittier.

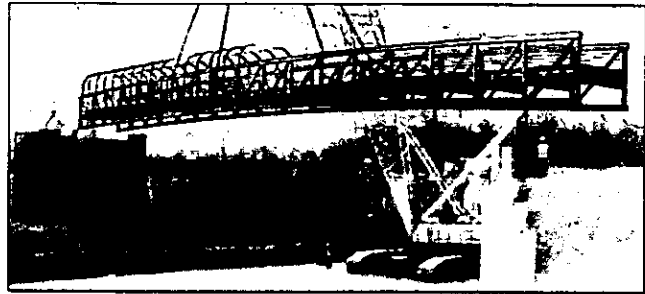
Anchorage Rail Capacity Improvements MP 110-114

ARRC is investigating alternatives to increase capacity along the mainline track from the Anchorage International Airport Spur (near MP 110) to the Anchorage Rail Yard (MP 114), in order to alleviate congestion, enhance safety, increase operational efficiency, and prepare the railroad to better handle future passenger and freight train demands. Alternatives fully analyzed in the EA include: a) no action and b) double track the entire corridor. A siding and double track of part of the corridor (between Westchester Lagoon and the Anchorage Yard) were also originally considered as alternatives, but were later dismissed because they would not accomplish the needed capacity improvements. A draft EA is expected to be sent to the FTA for consideration in 2009. \$1 million budget for the EA and public involvement is funded 80% by FTA and 20% by ARRC. The double track option is estimated to cost \$40 million; funding is not yet identified.

Support of Ship Creek Trail Extension

ARRC is supporting a Municipality of Anchorage (MOA) effort to complete the Ship Creek Trail Extension project. The Railroad became involved in 2001 to help build a trail bridge over the mainline tracks. MOA and the Alaska Railroad be-

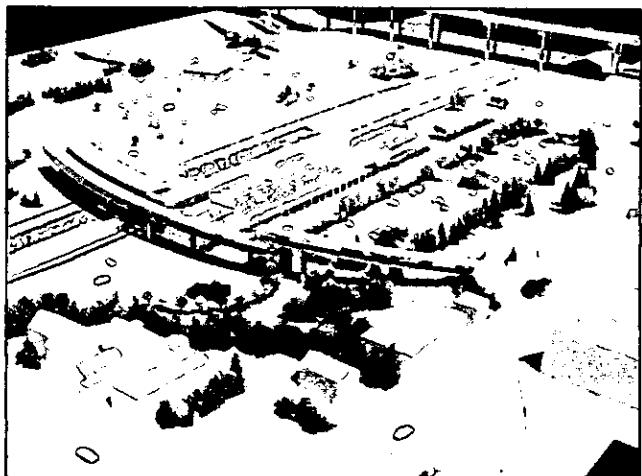
gan design work on the trail bridge in 2004. Bridge construction began in spring 2006 and was completed in 2008. The bridge project also supports MOA's ongoing efforts to connect the Ship Creek and Coastal trails. Cost to build the bridge was \$1.5 million, funded 91% by the FTA and 9% by ARRC.



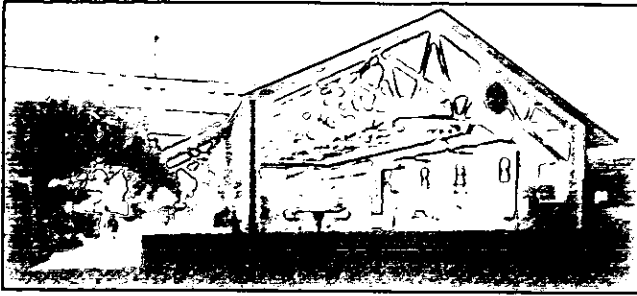
The pedestrian bridge was installed in summer 2008.

Ship Creek Intermodal Transportation Center

ARRC is pursuing an Intermodal Transportation Center (ITC) and associated improvements (pedestrian amenities, transit infrastructure, parking, track modifications, etc.) in the Ship Creek area. The ITC will facilitate connections from one transportation mode to another – rail, public transit, air, marine, bus, taxi, private vehicle, bicycle, and pedestrian – and improve links to Anchorage's downtown business district to meet passenger transit needs over the next 30 years. In 2007, construction began on the first phase, which includes relocation of utilities, construction of two new tracks and rehabilitation of two tracks between the existing depot and Ship Creek Avenue. Future phases will construct a service / office building, rehabilitate the historic depot, and construct a new departure lounge over the tracks and a pedestrian skybridge connecting to downtown. Approximately \$22.2 million for conceptual and environmental work, preliminary design, and Phase I final design and construction is funded 91% by the FTA and 9% by ARRC. Total cost is estimated at \$60 million (2005 dollars).



A model of the Ship Creek Intermodal Center concept.



Architectural cross-cut rendition of the renovated freight shed.

Historic Freight Shed LEED-certified Renovation

The Alaska Railroad (ARRC) is renovating a historic freight shed in Anchorage's Ship Creek District. It will be Alaska's first historic building to be reconstructed with the high environmental standards established by Leadership Energy and Environmental Design (LEED) criteria. Originally built in 1941, the 36,000-square-foot heavy timber facility will offer a "green" commercial office space in lower downtown, featuring a raised heated walkway and ample parking. Space will be ready to lease in August 2009. The \$10.1 million renovation is funded by ARRC.

South Wasilla Rail Line Relocation

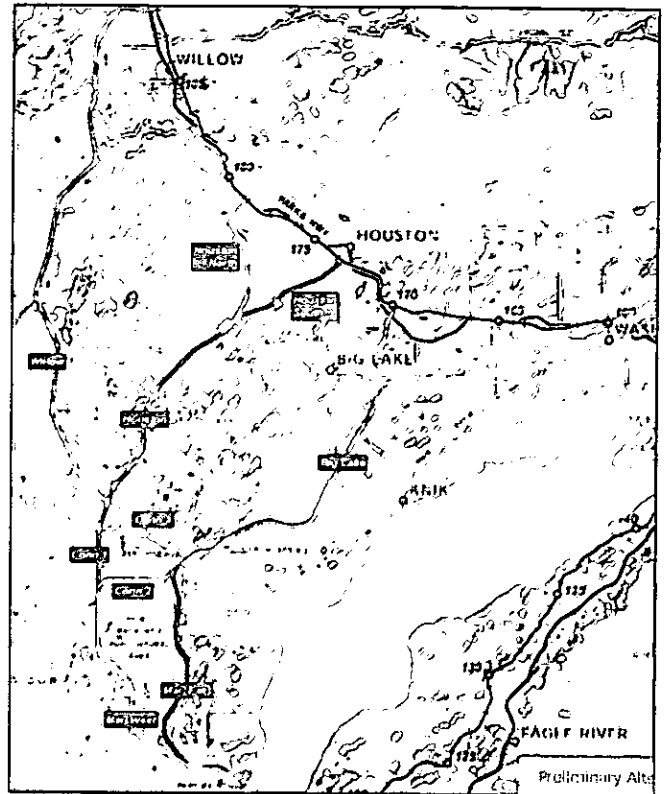
ARRC plans to straighten curves along the mainline track in South Wasilla, between ARRC MP 154 and 158. The track relocation would eliminate five at-grade crossings, reduce derailment risk, reduce operational and maintenance costs, and allow for faster train speeds. An EA of alternative relocation routes was completed in 2005 and land acquisition is in progress. \$246,000 for conceptual engineering and the EA and \$2.72 million for preliminary engineering and land acquisition, funded by FTA with matching funds from ARRC. \$1.9 million to continue right-of-way land acquisition funded 91% by FHWA and 9% by ARRC. Total cost for construction of Phase One (MP 154 to 156) is estimated at \$30 million.



A large curve in the track slows train speeds in south Wasilla.

Port MacKenzie Rail Extension

The Mat-Su Borough and ARRC are partners in proposing a new rail line connecting Port MacKenzie to the existing main track at a point between Meadow Lakes and north of



Potential Port MacKenzie Rail Extension routes.

Willow. Three main routes were developed in 2007, ranging from 30 to 45 miles long, depending on a connection near Big Lake, Houston or Willow. Extensive public involvement activities were conducted in summer and fall 2007 to obtain citizen and agency input. In early 2008, ARRC submitted an application to the STB, the federal agency with authority over rail extensions in the United States. STB is conducting the environmental impact study as required by National Environmental Policy Act (NEPA). STB hired a third party contractor (ICF International) to begin the EIS in early 2008. The State of Alaska has appropriated \$27.5 million to support the NEPA process. Cost of design and construction is estimated at up to approximately \$300 million, depending on route selection. Design and construction funding is not yet identified.



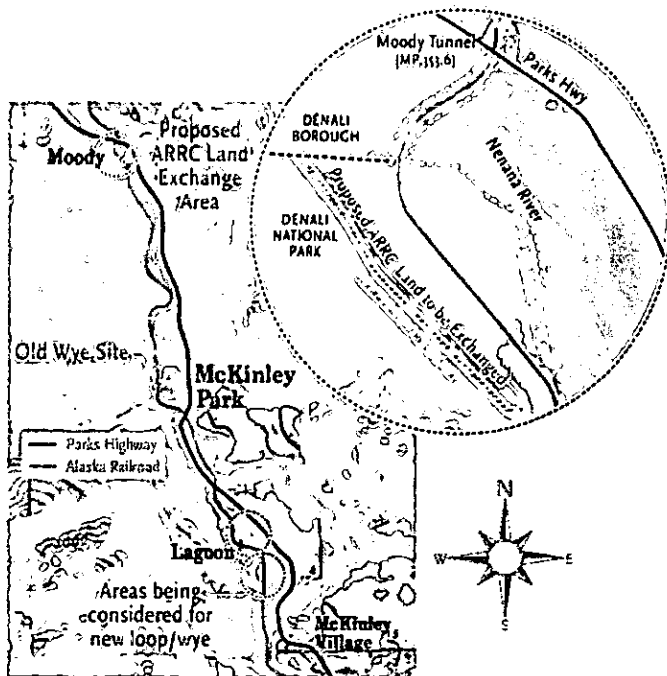
Curry Quarry rock material production in 2008.

Curry Quarry Development

ARRC has developed a 10-acre quarry site located within its Curry Reserve, about 22 miles northeast of Talkeetna. The quarry has begun providing ballast, riprap, armor stone and other rock materials in 2008 for use in construction and maintenance of the railroad's track. The project includes a 1-1/2 mile truck access road constructed in 2005 and 2006. In 2007, new facility tracks were constructed and the site prepared for mining. A two-year ballast and rip-rap production contract was signed in 2007. \$4.2 million budget for geotechnical, engineering and construction, funded by ARRC.

Denali Park Passenger Train Turnaround Track

The ARRC proposes to reestablish track to allow trains to turn around at Denali National Park, which is currently not possible. To make room for a loop or a "wye" track, ARRC seeks to exchange a small parcel of land on the west side of the track for an equal sized parcel of Denali National Park land on the east side of the track. The land swaps require U.S. Congressional and Alaska State Legislative approval. A federal approval bill was passed and signed in 2007/2008. The National Park Service is overseeing an EA on alternative sites and configurations. Once the EA is complete, Alaska legislative approval will be sought. ARRC funded \$58,000 in 2007/2008 for conceptual work and to begin the EA. The cost of surveying, environmental work, design and construction is estimated at \$2 to \$3 million, funded by ARRC.



Healy Canyon Safety & Reliability Program

Healy Canyon lies between Denali Park Station and Healy. The tracks follow the Nenana River gorge on a narrow grade with two tunnels. ARRC proposed a series of projects

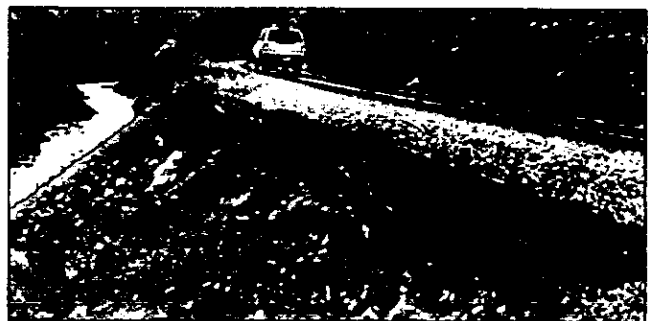


Crews clear debris after a demolition explosion April 17, 2008 to "daylight" Moody Tunnel in Healy Canyon.

to: 1) stabilize the track bed in Healy Canyon; 2) control the rock fall problems; 3) "daylight" Moody Tunnel, i.e. removing the top of the tunnel; 4) realign tracks around Garner Tunnel; and 5) realign the tracks to straighten the corridor. The purpose is to enhance safety by addressing the area's steep slopes and erosion-prone soil; to enhance reliability by decreasing delays; and to reduce operational costs by increasing speeds along straighter track. Total cost is estimated at approximately \$71 million. Garner Tunnel realignment was completed in 2005, and Moody Tunnel daylighting will be complete in 2009. is currently under construction. \$2.9 million in FRA funds have been used on Healy Canyon to date. \$4.3 million in FTA-backed revenue bonds and FTA grant money primarily to daylight Moody Tunnel. In 2009, about \$1 million in Federal Emergency Management Agency (FEMA) grants and \$1.01 million in FTA grants will help to stabilize the track with retaining walls and track realignment.

FEMA Flood Repair and Track Stabilization

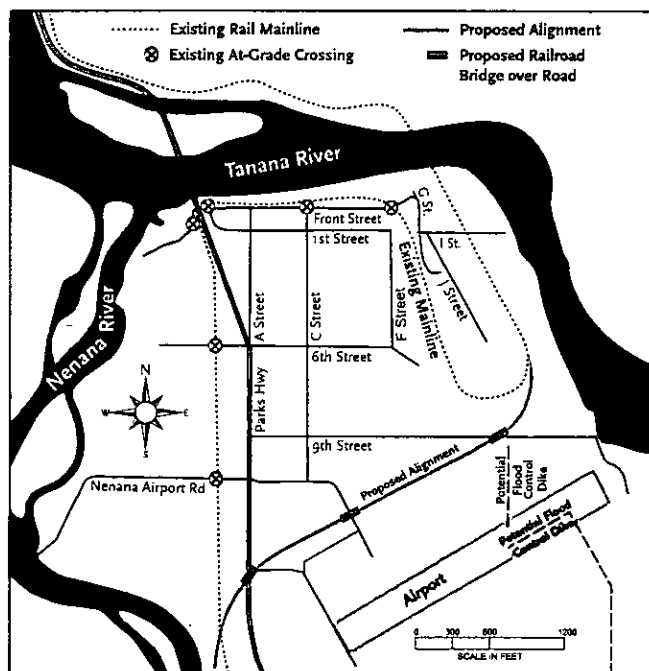
ARRC made extensive repairs on track infrastructure damaged from severe flooding of the Nenana River in July/August 2008. In addition, ARRC plans to stabilize the track bed and shoulder in Healy Canyon, including retaining wall replacement at MP 354.1, a new retaining wall at MP 355.2, and possible track realignment away from the eroding area at MP 357. FEMA and State of Alaska disaster declarations for parts of Interior Alaska made \$1.15 million in FEMA grants available, funded 75% by FEMA and 25% by the State.



The retaining wall at MP 354.1 needs to be replaced.

Nenana Rail Line Relocation

ARRC proposes to realign the railroad mainline track around the downtown area of Nenana, following a route outside of the existing right-of-way, north of the airport and southeast of town, over the Parks Highway. The track structure through Nenana would be maintained to support port activities. The purpose is to improve the safety of rail/highway crossings and railroad operations, reduce transportation time, and reduce operating costs. ARRC completed an EA of three alternative realignment routes and a "no action" alternative in 2004. Right-of-way acquisition began in 2006 and will be complete in 2009. \$1 million budget for the EA funded 91% by the FTA and 9% by ARRC. For 2006-2008, \$947,000 for land acquisition funded by FHWA and administered by FTA, with a 9% match from ARRC. Estimated \$25 million budget for construction and land acquisition. Funding for construction has not yet been identified.



Nenana Rail Relignment preferred alternative.

Fairbanks Freight Intermodal Improvements

ARRC and ADOT/PF are improving the freight intermodal area of ARRC's Fairbanks rail yard to enable faster pick-up and drop-off by truck operators, and enhancing safety and security of train/truck operations. Improvements to Danby Street intersection area include: **a)** moving and improving at-grade crossings; **b)** constructing a centralized trailer parking area near the entrance and adjacent to Danby; **c)** paving Danby Street access; **d)** paving and striping the intermodal unloading area; and **e)** improving drainage. \$2 million budget funded 91% by FHWA, with ARRC providing a 9% match. Future improvements call for 100-foot high mast lighting to be added incrementally and funded annually by ARRC.



Fairbanks freight intermodal improvements will enhance the safety and efficiency of trailer on flat car (TOFC) operations.

Fairbanks Area Rail Line Relocation

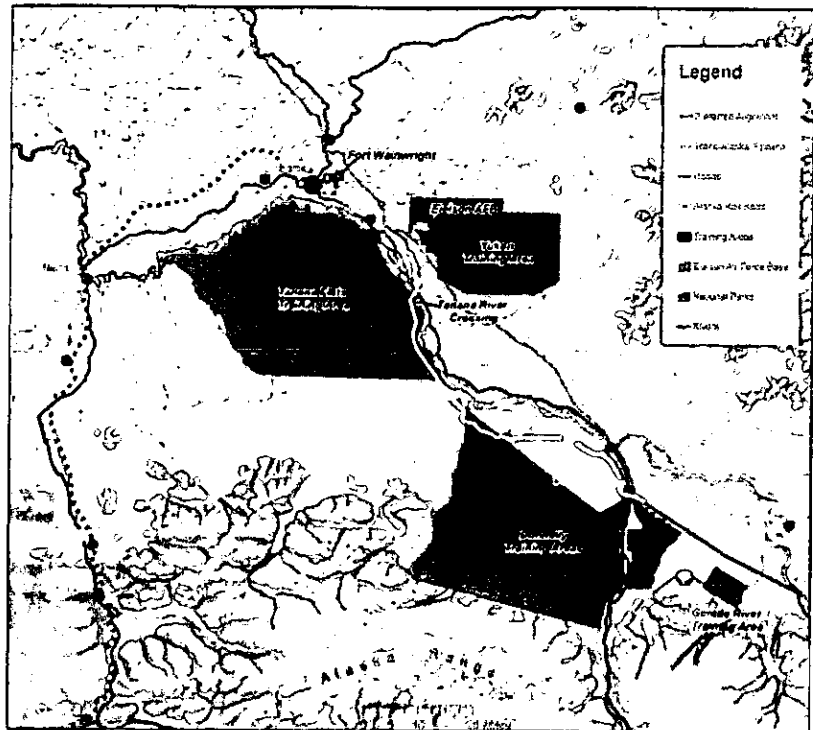
ARRC is analyzing options to: **a)** realign and improve safety of the mainline and branch track, including potential realignments outside the more populated areas of Fairbanks (*previously known as the South Fairbanks Rail Realignment - SFRR*); and **b)** realign and improve the Eielson Branch, from the new Fairbanks depot to the end of the branch near Eielson AFB (*previously known as the Eielson Branch Rail Realignment - EBRR*). In late 2006, the Fort Wainwright segment of the EBRR EA became a separate project, and in 2008, Fort Wainwright was put on hold. The Fairbanks Area Rail Line Relocation project combines the remainder of EBRR with SFRR, and will likely require an EIS. As a pre-cursor to the EIS, ARRC conducted an Alternatives Analysis (AA) in 2007-2008 that capitalizes on the findings of previous reconnaissance and engineering studies. The AA recommends a three-phased approach. \$200,000 was budgeted in 2007, funded 91% by FHWA and 9% ARRC. Funding sources are being sought for the NEPA environmental work, including an EIS.

North End Rail Public Transportation Study and Operation Plan

The ARRC commissioned a study to explore options for passenger rail service on the North End of the Alaska Railroad, between Denali National Park and Fairbanks, and between Fairbanks and North Pole. Started in 2007, the study seeks to identify potential markets, including a traditional commuter rail market between Fairbanks and bedroom communities (North Pole, University of Alaska Fairbanks and Ester), and a regional rail market that could serve intercity travel between Fairbanks and communities along the railroad south to Denali, as well as a tourist market between Denali and Fairbanks. The study/plan could augment the purpose and need of the Fairbanks Area Rail Line Relocation project. A draft report is expected in 2009. Preliminary results indicate a low demand for North Pole-to-Fairbanks commuter rail. Service options between Fairbanks and Denali Park are still under consideration. The \$250,000 budget is funded 91% by FTA and 9% by ARRC.

Northern Rail Extension

ARRC proposes to extend its mainline track from Eielson AFB, about 80 miles southeast to Delta Junction. The project would offer: a) commercial freight service supporting communities and commerce in the corridor; b) a passenger transportation alternative to the Richardson Hwy; c) support of military training; and d) support of regional tourism. ARRC initiated the conceptual development in 2004. The Surface Transportation Board initiated an EIS in 2005. A draft EIS was released for public comment in December 2008, with a deadline to comment by February 2, 2009. The EIS, preliminary engineering and design is funded by \$16.5 million in DOD appropriations, administered by the FRA. Another \$44.2 million was appropriated in 2007 and another \$60 million was appropriated in 2008 for planning, engineering, environmental work, design and to begin construction on the first phase of the project. Rail line construction cost is estimated at \$650 to \$850 million; funding is not yet identified.



Passenger Rail Cars and Locomotives

In 2009 ARRC will have a fleet of 52 passenger-related train vehicles, including 30 coaches, nine diners, six baggage cars, five self-propelled cars, and two business cars (for charter groups). ARRC also has 57 locomotives including the 28 SD70MAC locomotives (12 equipped with head-end-power to supply electricity to passenger equipment), 15 GP40s, eight GP38s, four MP15s and two cab/power cars. Three new passenger rail cars will go into service in 2009. \$9.2 million purchased two additional bi-level dome cars with full kitchens and dining areas on the lower level and large-window seating on the second level. Funded with FTA-backed revenue bonds, these railcars will support growing first-class service. The Forest Service paid \$4.7 million and FTA/ARRC spent another \$648,000 to purchase a bi-level self-propelled "commuter" style rail car to provide rail whistle stop service to recreation sites in the Chugach Forest. For 2009, \$780,000 is budgeted for dining car rehabilitation and \$1.17 million is budgeted for GP40 locomotive overhauls, funded by ARRC.



The new bi-level dome coaches offer first class service.

Improved Siding Access

ARRC is improving signalization and access to sidings (turnout passing lanes) by replacing manual switches with remote controlled switches, heating switch locations, lengthening existing sidings to accommodate longer trains, upgrading rail and ties on existing sidings, building new sidings, and installing Centralized Traffic Control (CTC). These efforts are enhancing efficiency by enabling movement of more and longer trains in meet-and-pass situations. The risk of injury and incidents is reduced with the introduction of a fail-safe system to determine switch status. FRA provided more than \$24 million between 2001 and 2005. The \$2.5 million in 2006, \$3.066 million in 2007, \$3 million in 2008 (some carried over into 2009) is funded 91% by FTA and 9% by ARRC.

Collision Avoidance System

ARRC is developing a multi-phased program to design, develop, and implement a communication-based train control system that uses data radio communications between train dispatchers and train crews, or dispatchers and roadway workers. The Collision Avoidance System (CAS) project is comprised of a Computer Aided Dispatch (CAD) system, an on-board computer system, VHF packet data radio technology, and GPS locator technology. The CAS will provide improved information for decision-making, and will also detect infrastructure failure and potential operations violations quickly, and intervene when necessary. The CAS is being accomplished in phases, each achieving incremental safety benefits. FRA funded \$11.9 million prior to 2006. Subsequent funding has come from FTA-backed revenue bonds (\$4.48 million in 2006) and FTA grants funded 91% by FTA and 9% by ARRC.

(\$1.57 million in 2006, \$9.87 million in 2007, and \$700,000 in 2008); and FRA (\$735,000 in 2008). For 2009, \$7.2 million is budgeted, funded 91% by FTA and 9% by ARRC.

Track Rehabilitation

ARRC continues an aggressive track rehabilitation program in 2009 that calls for replacement of rail, ties and ballast in areas of critical need. Each year, ARRC converts several miles of track into continuously welded rail, which dramatically decreases maintenance costs and improves ride quality. ARRC also replaces a portion of its nearly two million wooden ties (50,000 ties in 2009), and installs concrete ties along curves and other high-use stretches (4,450 concrete ties along curves between Matanuska and Wasilla in 2009). ARRC also plans to resurface many miles of track using 80,000 tons of ballast rock. Finally, crews in 2009 will widen the track shoulder along an 80-mile stretch south of Fairbanks. \$31.2 million budget in 2009, primarily funded through the sale of ARRC revenue bonds backed by FTA formula funds.

Bridge Program

ARRC's 500-plus miles of mainline track includes about 160 bridges that cross barriers ranging from streams to gulches. ARRC's 2009 Bridge Program calls for major maintenance, overhaul and replacement needed to maintain railroad integrity, safety and efficiency. In 2009, ARRC plans to replace one aging

bridge with a culvert, and to replace four other aging bridges with new bridges. Upgrades and rehabilitation are also planned for six other bridges. \$6.3 million budget (\$4.5 million by FTA; \$1.8 million by ARRC).

Historic Preservation

ARRC supports historic preservation efforts that are related to railroad assets and infrastructure. Some ARRC assets are historic properties and are listed on the National Register of Historic Places and more than 50 ARRC properties are eligible for listing on the National Register. ARRC often consults with state and federal historic preservation agencies to mitigate impacts from capital projects that may adversely impact historic assets. Mitigation often takes the form of educational materials, including brochures, interpretive signage, archived photos and documentation.



A Timber Trestle Bridge brochure will help preserve the history of these bridges.

current as of 1/14/2009

Alaska Railroad Corporation 2009 Program of Projects

At the beginning of each calendar year, ARRC conducts project open house events in Anchorage, Fairbanks and the Mat-Su Valley to inform the public about the proposed Program of Projects (POP) for the year. While these events provide a good forum for residents to comment on any or all projects, the public is not limited to commenting at these events. Public input is accepted year-round, and in a variety of formats as outlined at the right. Detailed project descriptions are provided within fact sheets that are created for major federally-funded and internally-funded capital improvement efforts. These are accessible at the Alaska Railroad web site www.AlaskaRailroad.com (click first on "CORPORATION", then on "PROJECTS").

Public Input:

Public comment on any or all of these projects may be submitted via:

- Mail to: Capital Projects
Alaska Railroad Corporation
P.O. Box 107500
Anchorage, AK 99510-7500
- E-mail to public_comment@akrr.com
- Fax to (907) 265-2365
- ARRC's TTY/TTD 265-2620
or voice 265-2494 or Alaska Relay TTY
800-770-8973 or voice 1-800-770-82555