

**2/3/10  
PRESENTATIONS:  
ALASKA RAILROAD  
CORPORATION,  
DEPARTMENT OF  
TRANSPORTATION,  
ALASKA INTER-  
NATIONAL  
AIRPORT SYSTEM**

<target><bill></bill><subject>2-3-10 PRESENTATIONS ALASKA  
RAILROAD CORPORATION, DEPARTMENT OF TRANSPORTATION, ALASKA  
INTER- NATIONAL AIRPORT  
SYSTEM</subject><comm>SFIN26</comm></target>

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# About the Alaska Railroad

A Presentation to the Alaska Senate Finance Committee

February 3, 2010



# ARRC Guiding Principles

**Alaska Railroad Mission**  
Safety... 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 by 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.

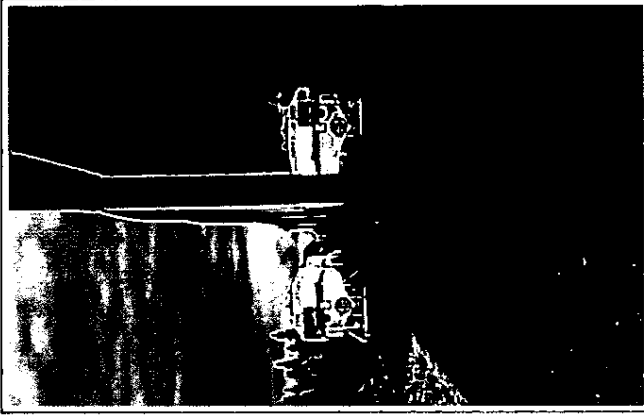
## ARRC Core Values

- Integrity
- Service
- Excellence

## ARRC Operating Style

- Safe
- Secure
- Customer responsive
- Financially solid
- 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,"*  
*Pat Gamble, President and CEO.*



# 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\* (Jan. 1 - Dec. 31, 2009)

Total Assets	\$ 863 million
Total 2009 revenues	\$ 169.5 million
Total 2009 expenses	\$ 155.9 million
2009 net income	\$ 13.6 million
2010 net income forecast	\$ 8.4 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)	1,160
Passenger cars	47
Locomotives	51

## Operating Statistics (Jan. 1 - Dec. 31, 2009)

Passenger ridership	470,180 passengers
Freight tonnage	5.36 million tons

## Employees (as of January 2009)

Number of year-round employees	657
Average years of service	12.3
Average age	46
Male	541
Female	116

## Unions (as of January 2009)

Most ARRC employees are members in 1 of 5 unions:

United Transportation Union	125
Transportation Communication Union	41
International Association of Machinists	63
American Federation of Govt. Employees	254
American Train Dispatchers Association	8

## Benefits

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

\* Financial Statistics are unaudited.  
ARRC audits are normally completed by March 31



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# Different from Other State Agencies

The Alaska Railroad Corporation Act of 1984 established an independent state-owned corporation that is governed by a seven-member board of directors appointed by the Governor. The President and CEO of the corporation reports to the board. Although ARRC is not covered under the State's Executive Budget Act, the state government ensures oversight of ARRC's operation and management practices through the following controls:

- The ARRC Board of Directors is responsible for initiating both a financial and a performance audit each year conducted by independent auditors and management companies. The annual performance audit is conducted by a recognized railroad management expert to ensure that ARRC is being managed and operated effectively and efficiently.
  - The Legislative Budget and Audit Committee can review ARRC's operation, management and financial practices.
  - ARRC must file an oversight report with the Legislature and Governor before it undertakes certain expansion, reduction, or diversification of services.
  - Legislative approval is required for certain corporate actions, such as sale or transfer of the Railroad's entire interest in land, or leasing land for longer than 55 years.
- 
- ARRC's procurement procedures are required to be substantially equivalent to state procurement requirements.
  - ARRC employees and directors are subject to the Executive Branch Code of Ethics.
  - ARRC's spill prevention and response plans are filed and regulated by the State and ARRC is required by state law to show sufficient financial responsibility to respond to spills.
  - Bond authorizations must be approved by the Legislature.
  - ARRC is required by law to submit an annual report with audited financial statements
  - ARRC is required by law to adopt a long-range capital improvement plan each year and shall share that plan with the Governor and Legislature.
  - ARRC is defined as an interstate commerce carrier by the Federal Alaska Railroad Transfer Act of 1982 (ARTA).



# Alaska's Railroad

- Contributes to health care, business services, and retail payrolls
- Principal transport for heavy and/or bulk interior commodities down to tidewater
- Major mover of hazardous, heavy and/or bulk materials from tidewater headed for the North Slope
- Major mover of jet fuel to Anchorage International Airport.
- Viable passenger alternative to long-distance driving
- Supports the U.S. military with the transport of equipment to and from the "DOD Strategic Port" of Anchorage
- Potential to reduce pressure on State road system ... commuting
- Potential to significantly contribute to the Alaska Natural Gas Pipeline

**Creates 3,000 jobs and \$150 million in payroll across the State**

Source: "Economic Significance of Alaska Railroad", December 2004, ISEER report, University of Alaska



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# Safety

- All time record low number of injuries
- 22% reduction in lost days over 2008
- 48% reduction in medical claim dollars
- Completed first full year of new hearing conservation program
- Upgraded shop fall protection equipment

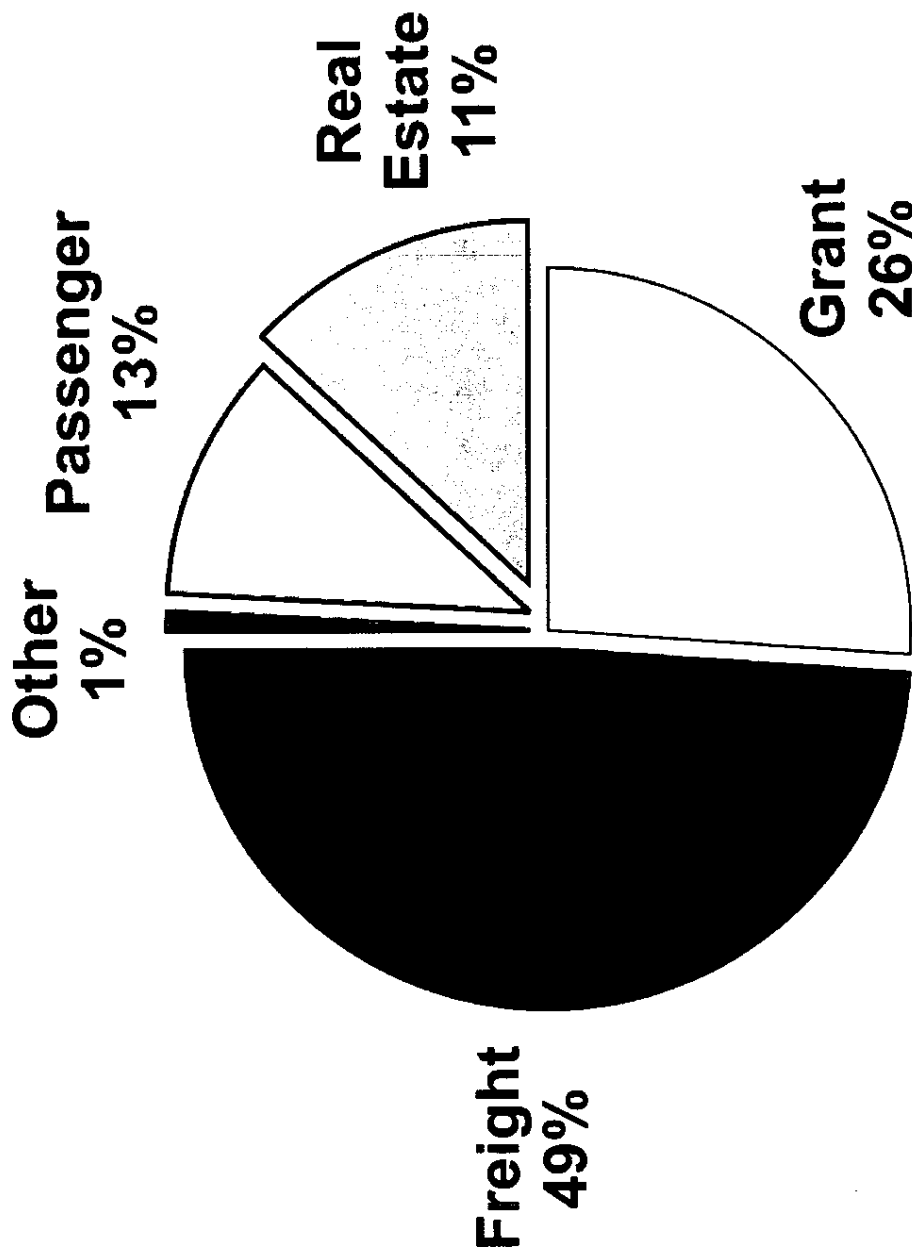


# Security

- **Funding:** \$700,000 + from FTA and Coast Guard
  - Special Agents
  - Fencing
  - Explosives Detection
  
- **Enhancements:**
  - More than 44 cameras installed between Seward and Fairbanks
  
- **Inspections / Exercises:**
  - Seward cruise ship, coal, freight docks – no write-ups
  - Whittier barge dock – no write-ups
  - ARRC, TSA, USCG joint exercises during passenger season, Northern Edge (ALCOM)



# 2009 Sources of Revenue



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# Freight and Passenger Service

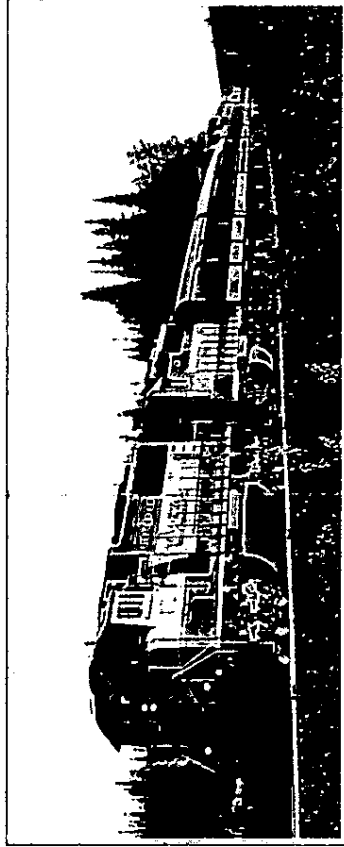
## Freight Service in 2009:

- 5.36 million tons moved

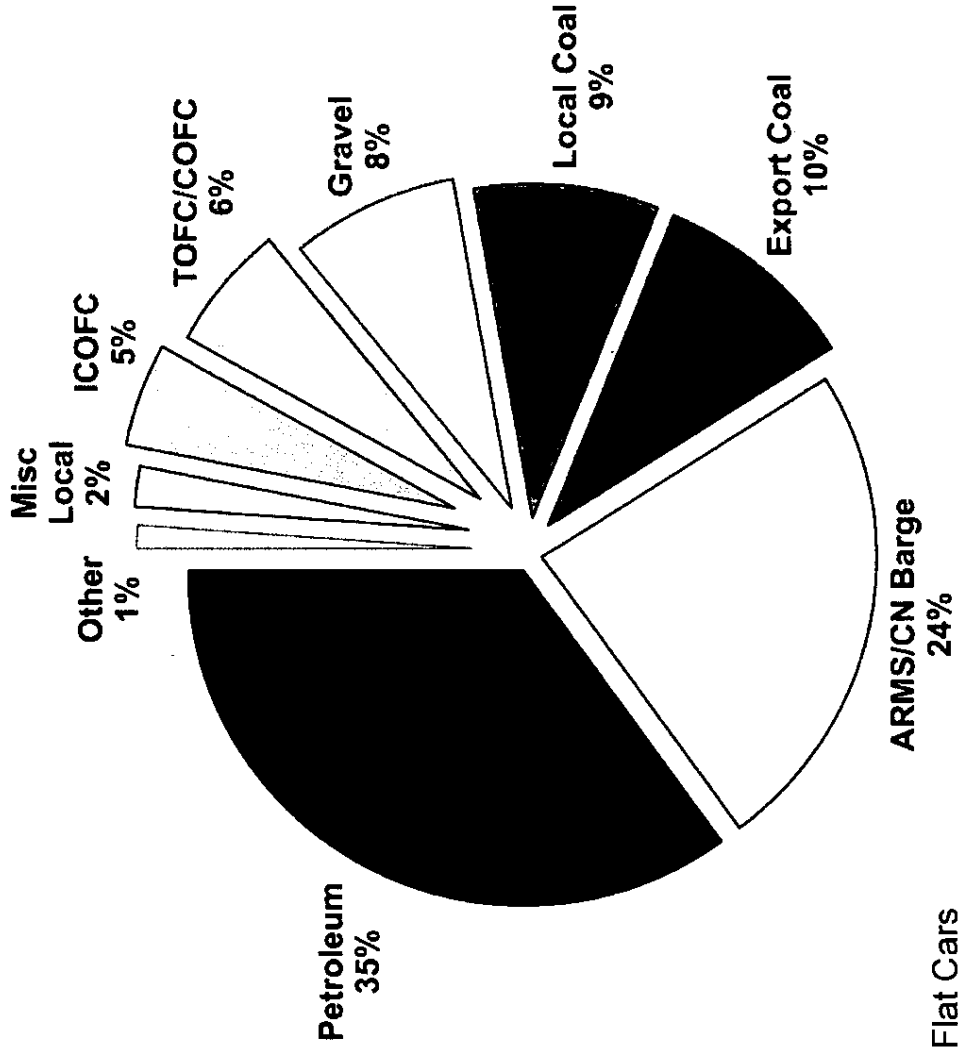


## Passenger Service in 2009:

- 470,180 passengers moved
- Award Winning Service



# 2009 Freight Revenue Mix



TOFC: Trailers on Flat Cars

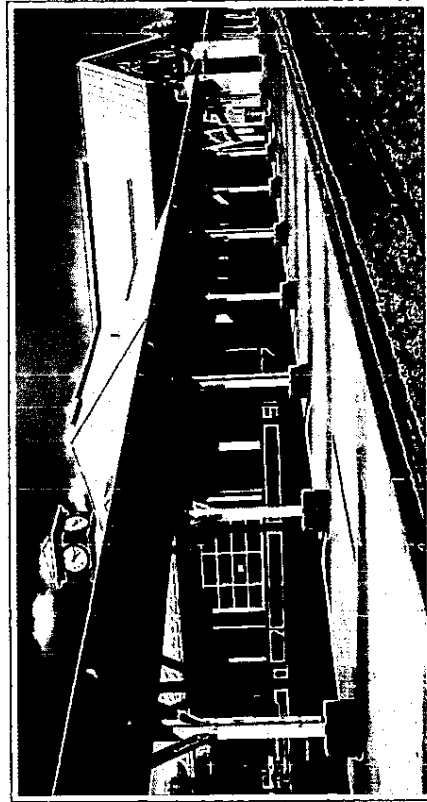
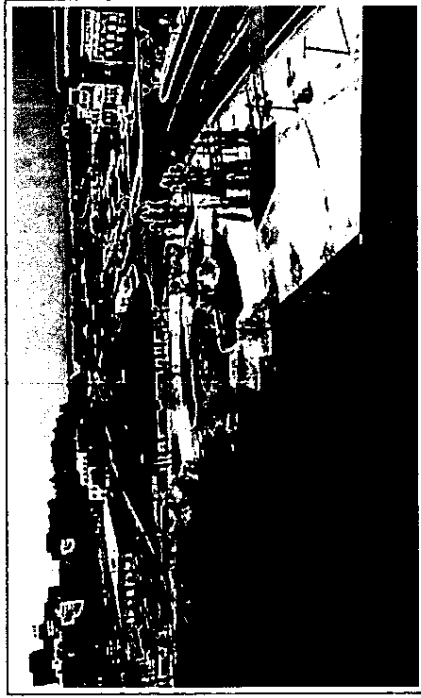
COFC: Containers on Flat Cars



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# Real Estate

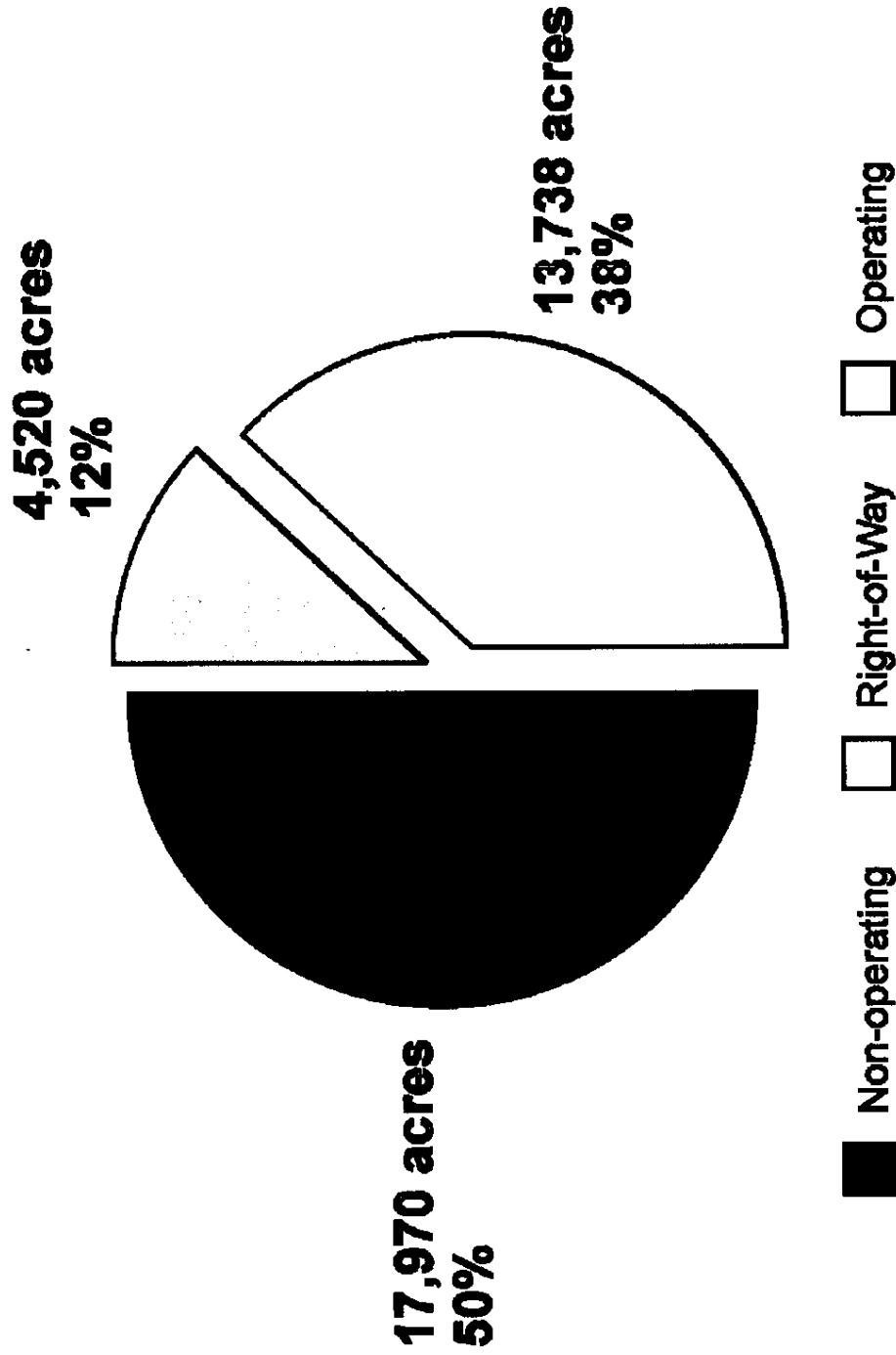
- Property Development
- Leases and Permits
- Dockage and Wharfage
- Facilities Maintenance and Management



Clockwise from bottom left: New depot in Fairbanks; Ship Creek basin includes highly valuable leasable land; upland from the Seward freight dock is being developed



# Distribution of Land By Category



# 2009 Budget Background

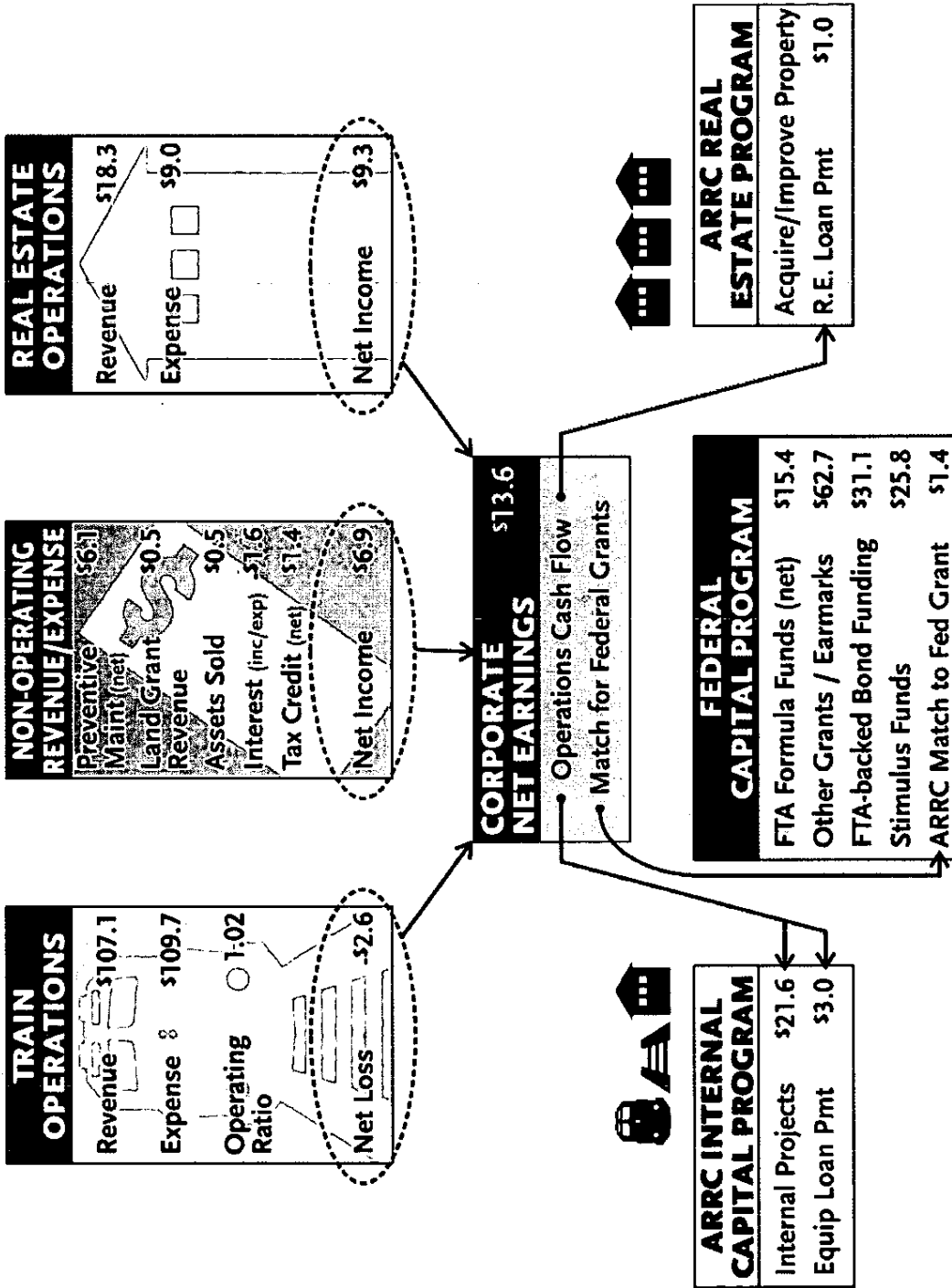
- Unsettled environment coming off of 2008
  - Record high fuel costs experienced in 2008
  - Volume drop by largest customer (Flint Hills Resources)
- Expectation: 2009 corporate net earnings budgeted at \$16.8 million
  - Flint Hills seen as stabilizing
  - Continued passenger growth – new bi-level dome cars available for service
  - Moderation of diesel prices
  - Impact of position eliminations / expense reductions in place



# Personnel Impacts

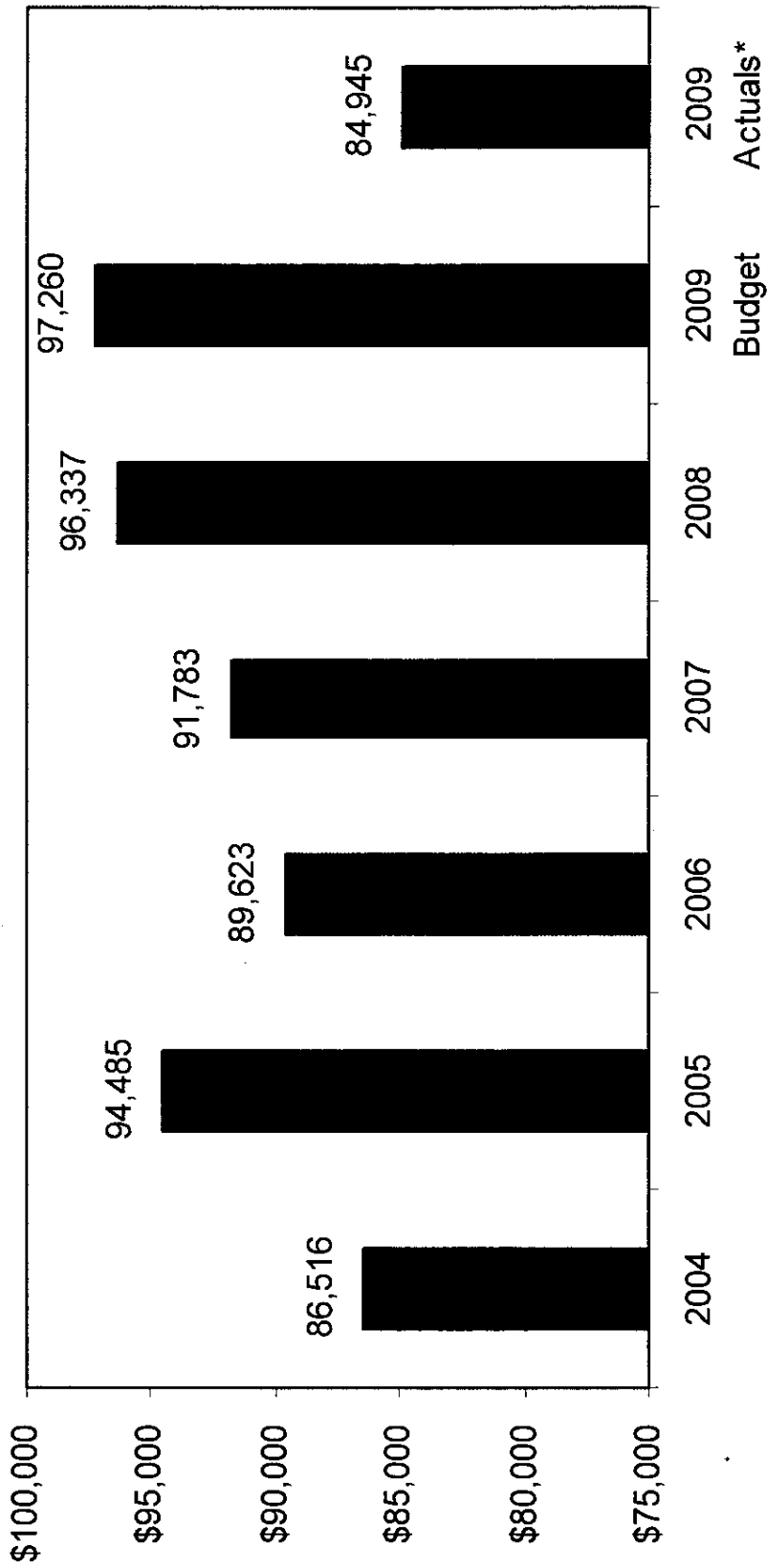
- Total position reductions 2007-2009 reached nearly 200
  - 41 % full time managers
  - 35% full time labor
  - 24% seasonal
- Pink Slips - 56
- Management: 8 positions were AVPs or Directors
- Management Pay Freeze: extended into 2010
- Major departmental reorganization

# ARRC Fund Flow Model: 2009 Data



# Freight Revenue

(in thousands)



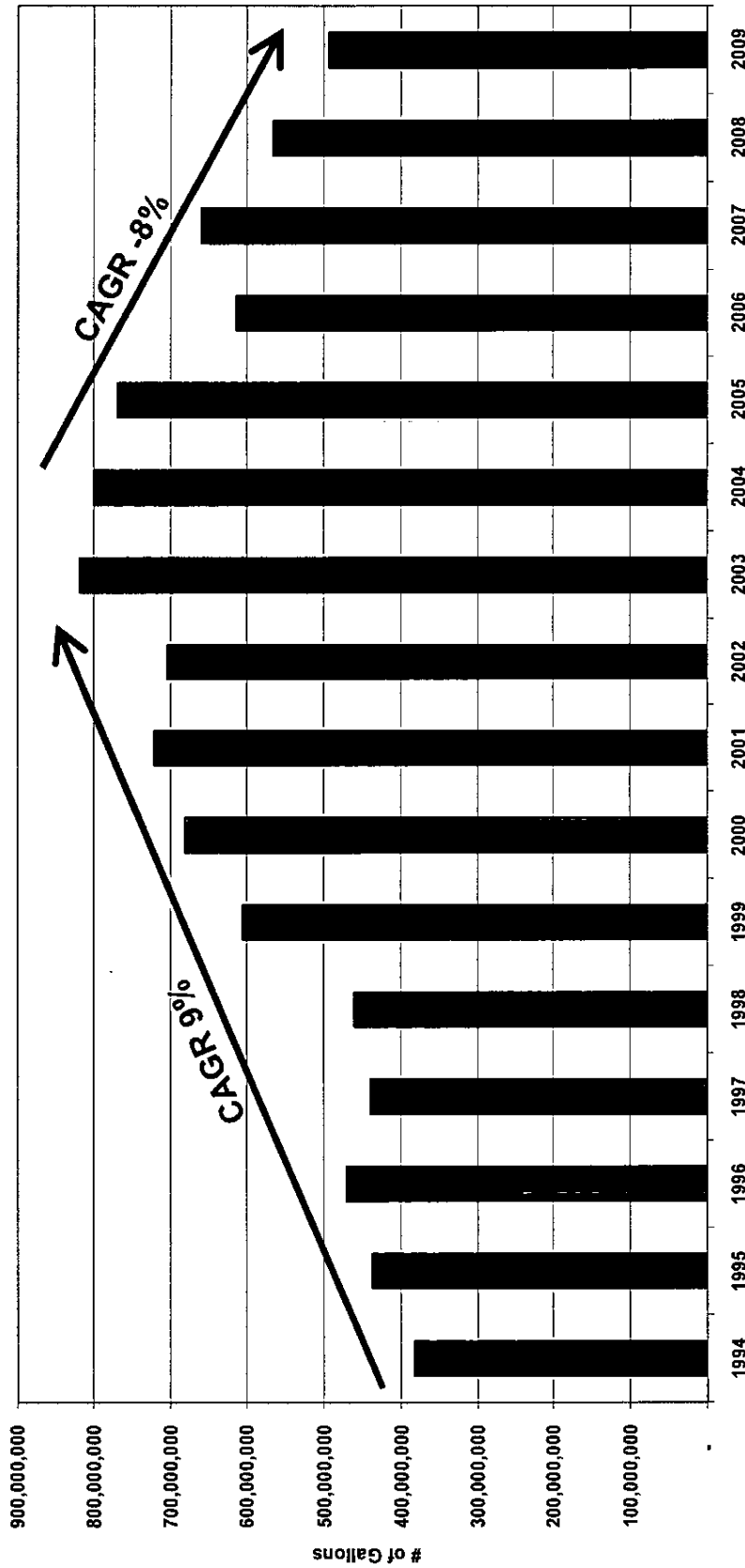
\*Unaudited.



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# Fuel Shipment History

Gallons Shipped by Mapco, Williams Petroleum and Flint Hills Resources  
1994-2008, forecast 2009



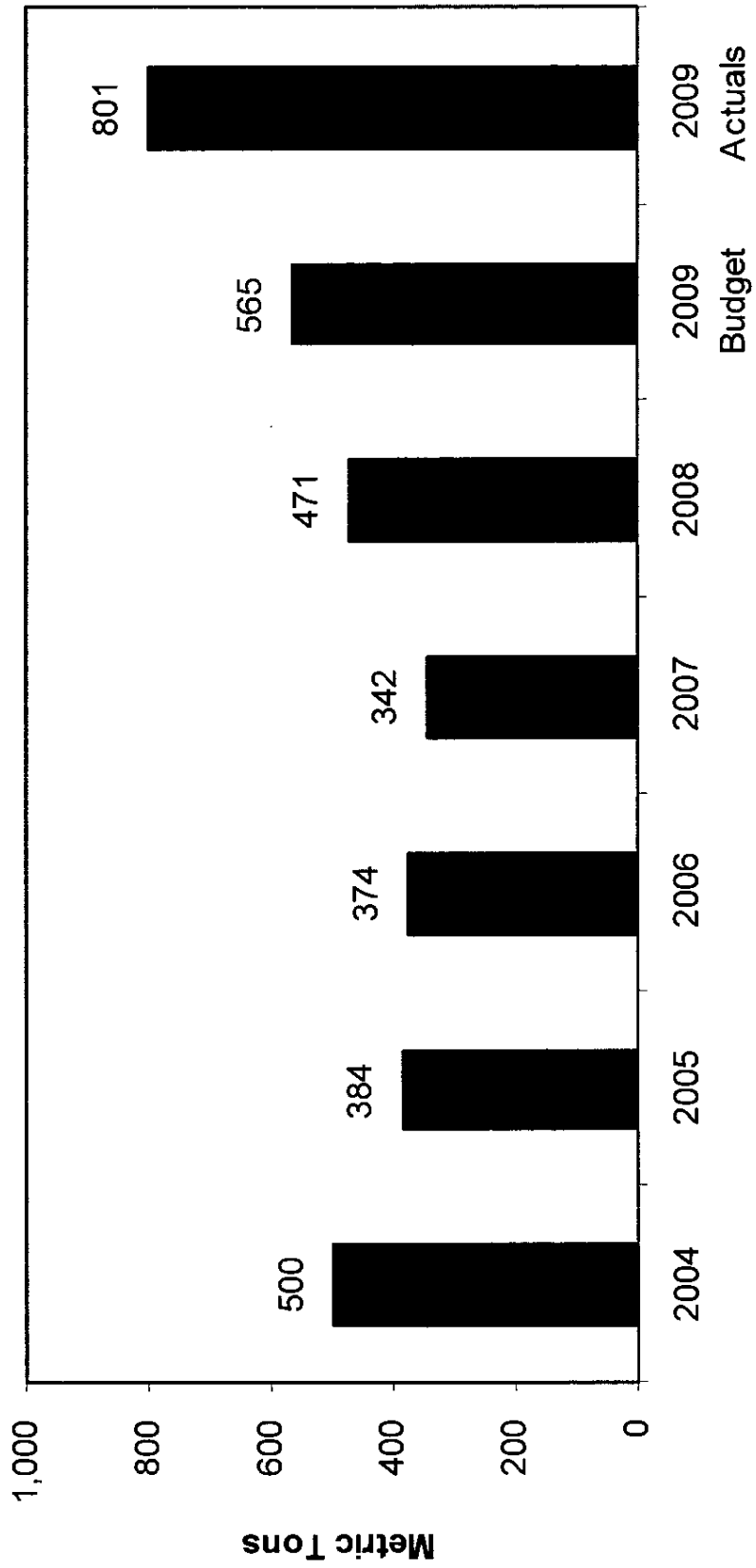
CAGR = Compounded annual growth rate



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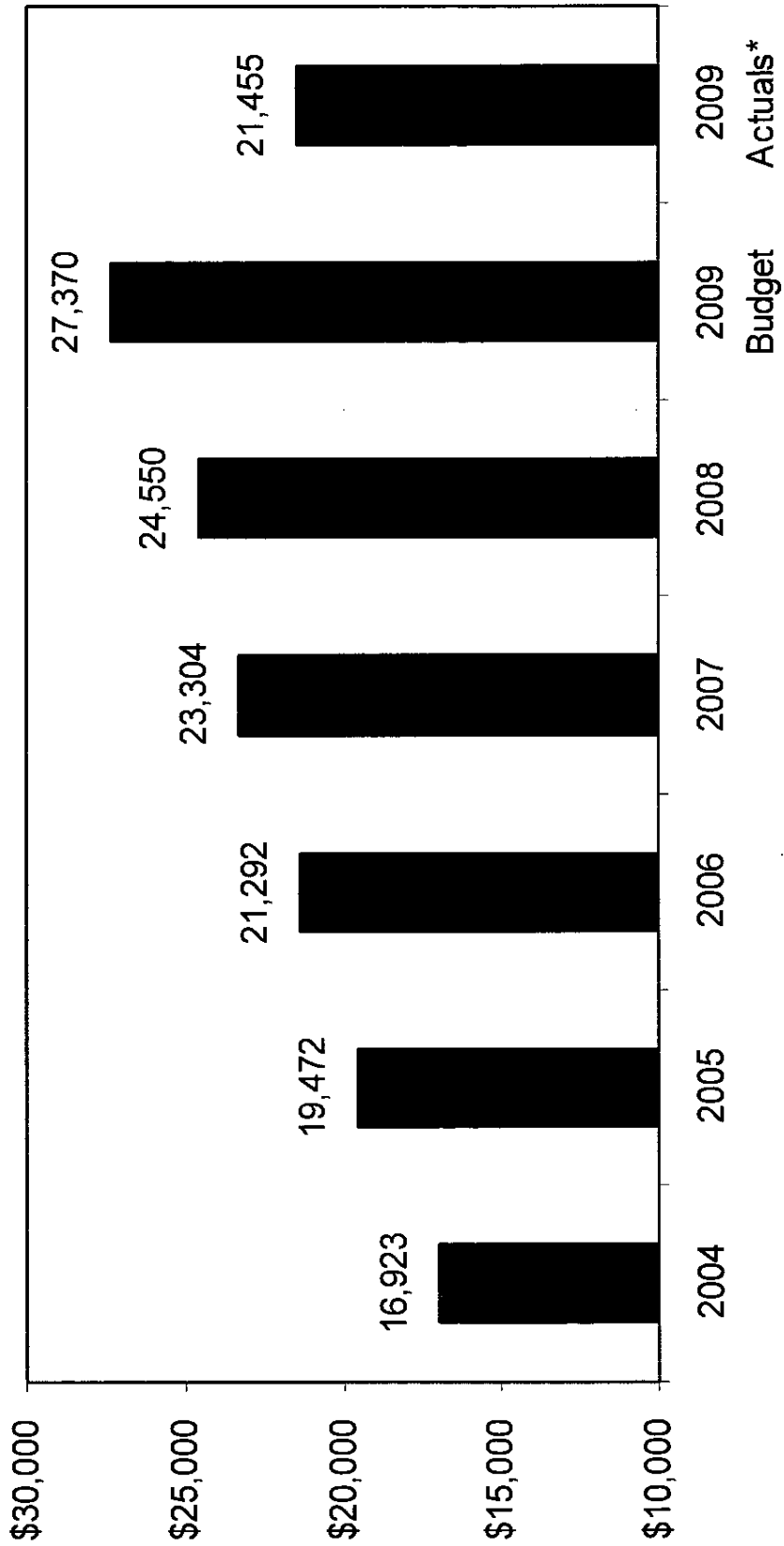
# Export Coal

(in thousands)



# Passenger Revenue

(in thousands)



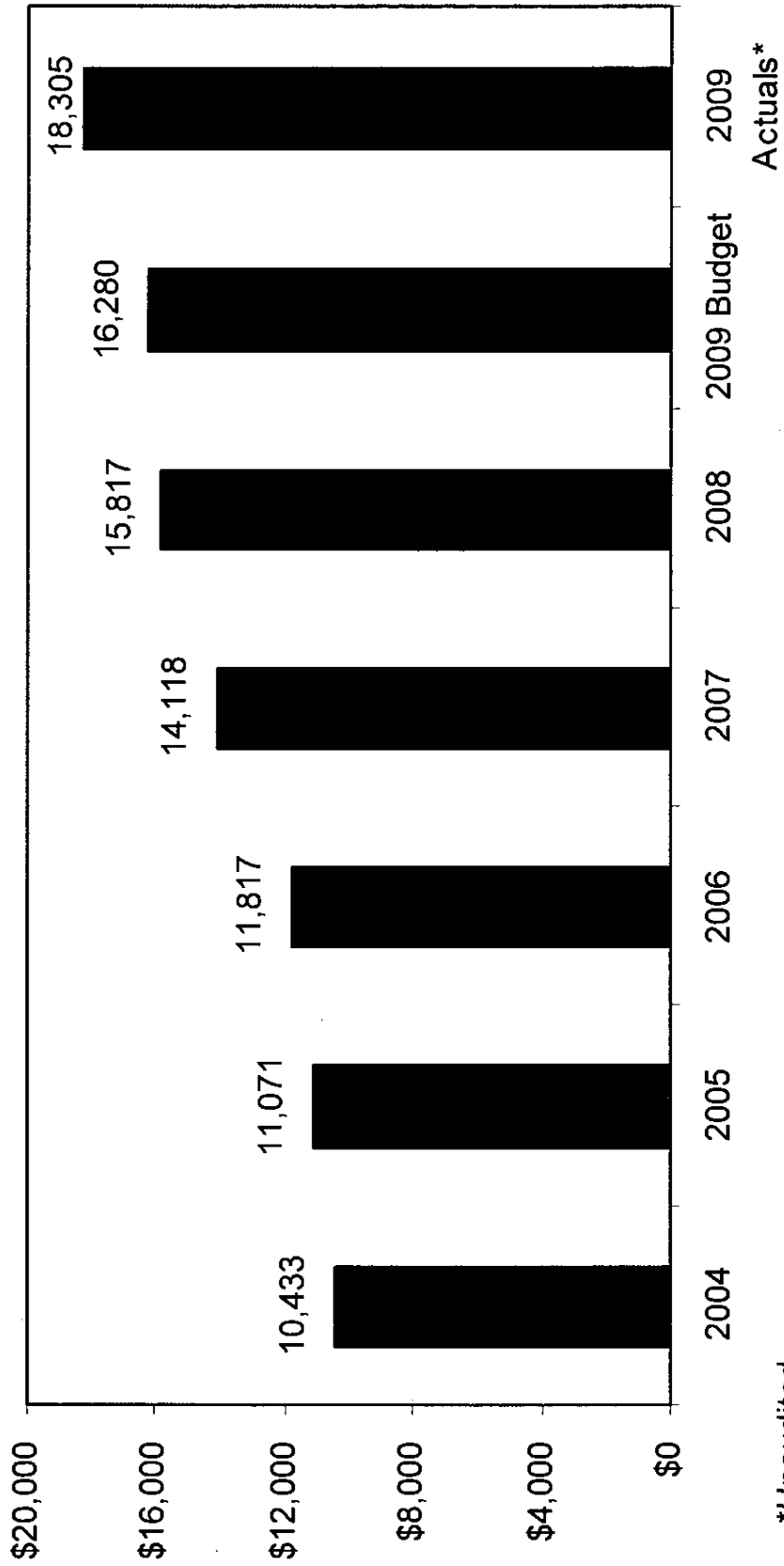
\*Unaudited.



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# Real Estate Revenue

(in thousands)



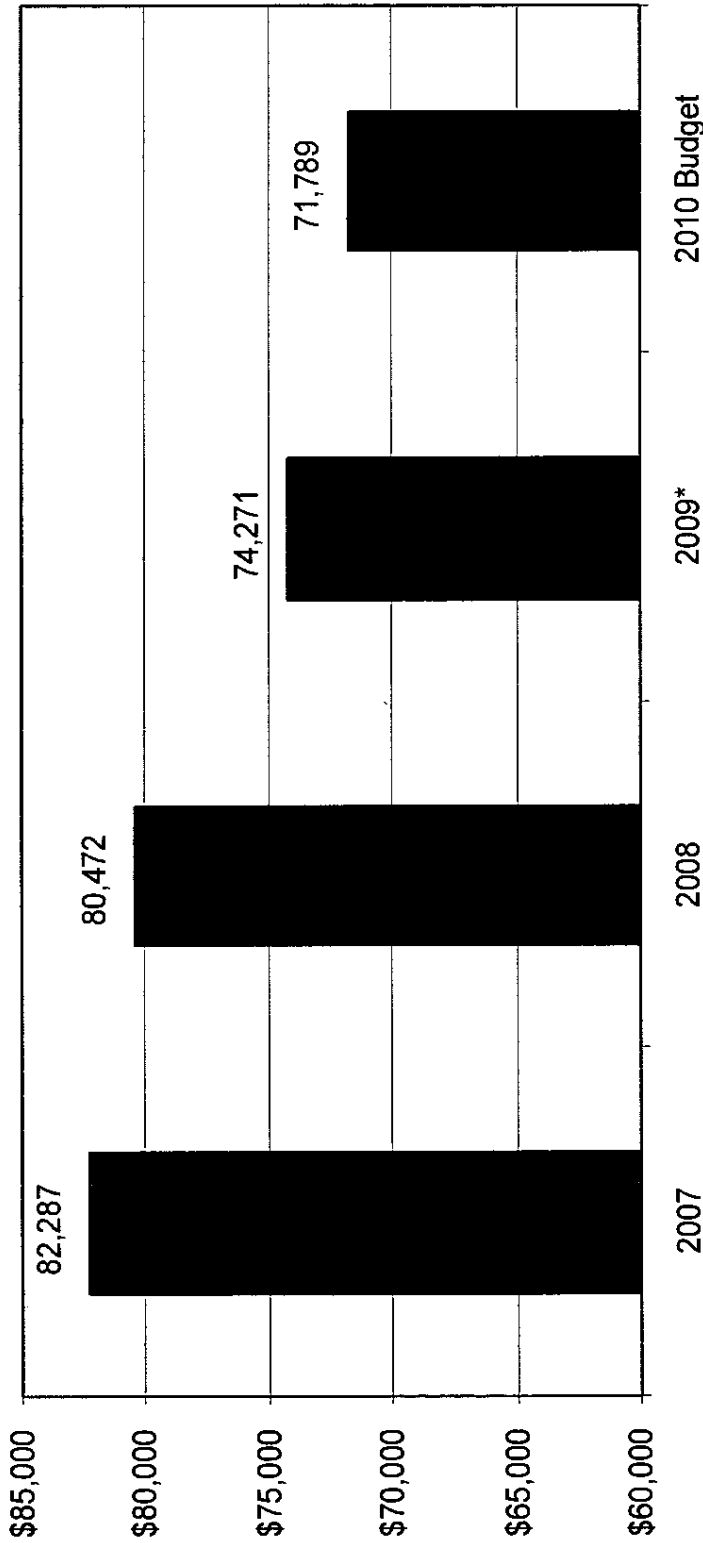
\*Unaudited.



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# Controllable Expenses: Reduced by \$8 million over last two years

(in thousands)



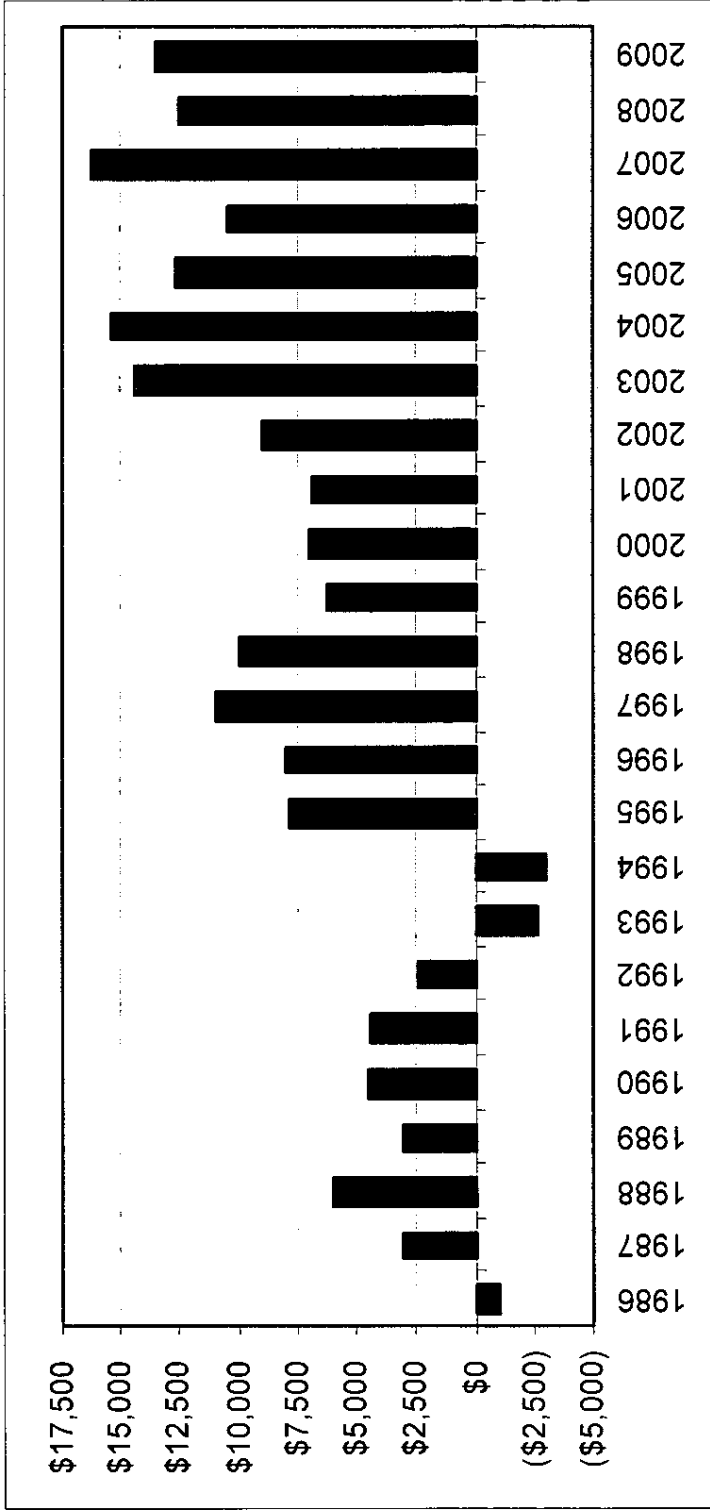
\* Unaudited.

Expenses included in this graph include those over which management has an ability in the short run to impact expense levels. Examples of items excluded are fuel, barge expense, benefit costs, depreciation, etc.



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# Net Income

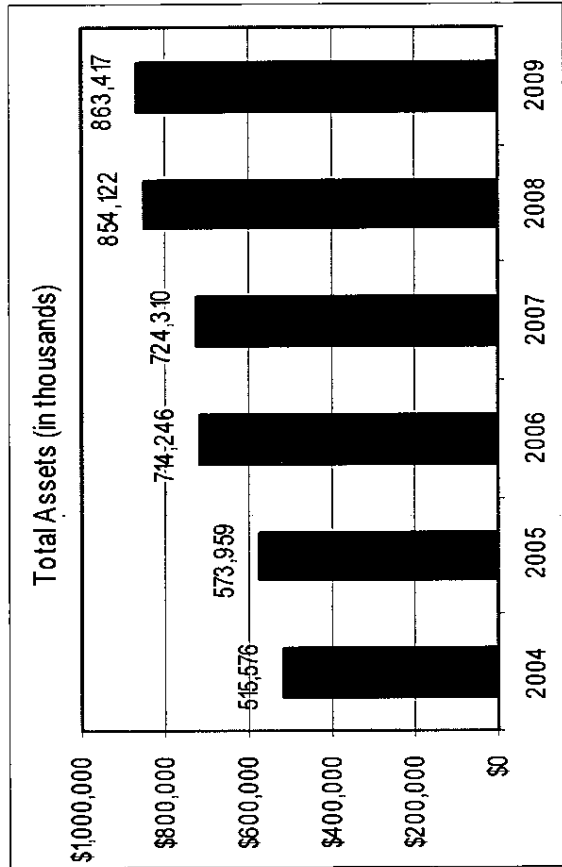
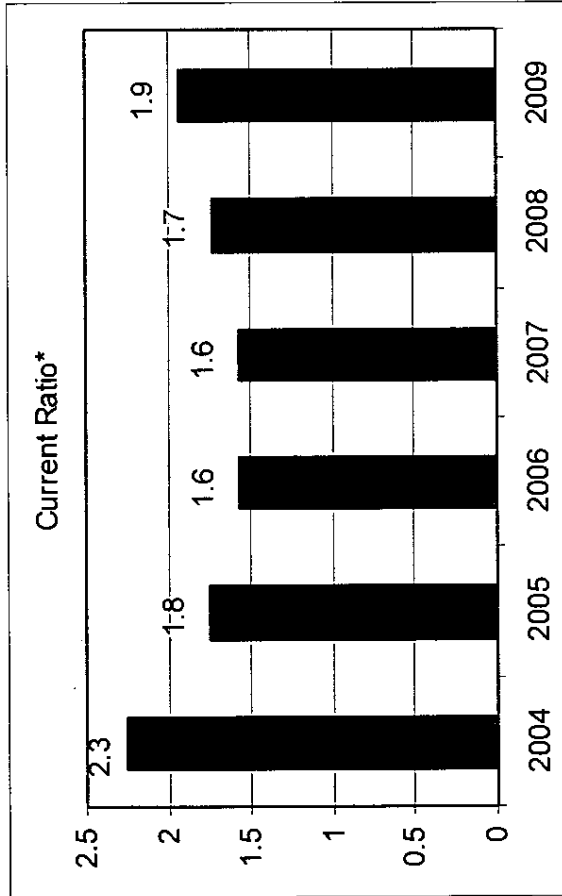


- 1999 & 2000 net income was adjusted by grant revenue/expense recovery related to a Winter Storm disaster
- Unaudited 2009 net income of \$13.6 million



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# Balance Sheet Highlights



Current ratio is calculated by dividing current assets by current liabilities. The ratio is a measurement of an entity's liquidity and ability to meet current obligations.

*Conservative capital structure:* At year-end 2009, ARRC's recourse debt is \$27 million, with a debt to capital ratio of 23%, reflecting relatively modest use of debt instruments.

*Significant cash flow generated:* ARRC generated \$31.2 million in cash flow from activities. Uses of funds include ARRC internal capital projects, debt repayment, grant match requirements, and funding the post-retirement medical trust fund.



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# 2010 Preview

- Tough year on the horizon
- Uncertainty abounds in freight
  - Flint Hills continues decline
    - Planning to move less than half of 2003 volume
  - Lawsuit threatening viability of export coal
- Passenger planned to drop again
  - Decrease in cruise ships, continued soft national economy
- Continued expense reductions in effort to offset revenue declines
- **Operating:** Net Income budget of **\$8.4 million**
- **Capital:** All funding sources total **\$43.1 million**



# Building a Great Railroad

## Capital Investment (2010-2014) Five-Year Plan

- Total Federal Grants Expenditure  
\$167 million
- Total ARRC Capital Expenditure  
\$109 million

*Note: Federal Funds appropriated to the Alaska Railroad do not affect federal funding for other state transportation projects. ARRC matches federal dollars from corporate net earnings.*

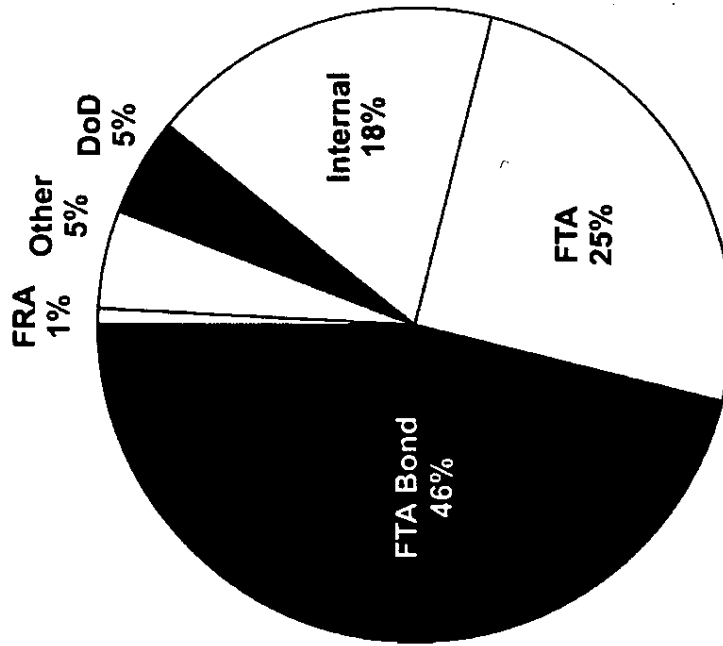


[AlaskaRailroad.com](http://AlaskaRailroad.com)

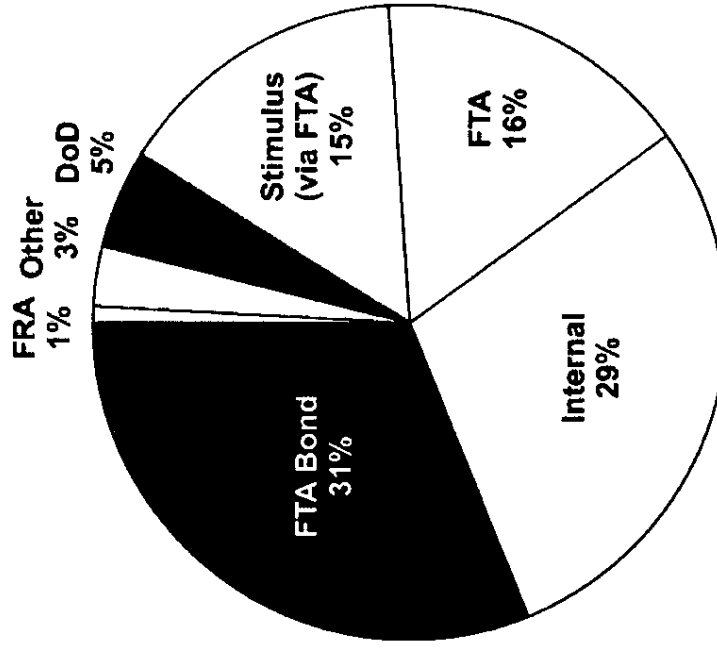
# Capital Spending by Fund Source

2008

2009



2008 Total: \$92.1 million



2009 Total: \$77.3 million



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# Capital Funding Sources

- ARRC Internal Funding
- DOT/Federal Railroad Administration
  - Alaska Railroad Track Rehabilitation funds
  - Department of Defense Allocations
- DOT/Federal Transit Administration
  - Formula Funds; Grants
  - 9-20% ARRC Match Required
- DOT/FHWA
- Federal funds allocated to ARRC do not routinely affect federal funding for other state transportation projects
- ARRC federal match is *not* from State of Alaska general fund or gas tax...match is solely from ARRC earnings.
- ARRC does not receive operating funds or reimbursements from the State Budget.



### Five-Year Capital Project Plan-Internal Funding

	2010 Budget	2011 Plan	2012 Plan	2013 Plan	2014 Plan	5-YEAR TOTAL
Nondiscretionary Projects	\$ 13,762,958	\$ 11,368,378	\$ 10,577,417	\$ 14,029,413	\$ 15,580,477	\$ 65,318,643
Continuing Program Projects	\$ 2,312,950	5,592,009	5,700,000	5,011,500	5,130,500	\$23,746,959
Strategic Business Initiatives	\$ 236,100	1,539,125	2,875,000	275,000	275,000	\$5,200,225
Ranked Projects	\$ —	1,629,489	2,837,981	3,414,998	3,691,273	11,573,741
<b>Total - Internal Funding</b>	<b>\$ 16,312,008</b>	<b>\$ 20,129,001</b>	<b>\$ 21,990,398</b>	<b>\$22,730,911</b>	<b>\$ 24,677,250</b>	<b>\$ 105,839,568</b>

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

	2010	2011	2012	2013	2014	5-YR TOTAL
Acquire Gillman Property - Whittier	800,000	—	—	—	—	800,000
Freight Shed Tenant Improvements	2,000,000	—	—	—	—	2,000,000
<b>Total-Debt Financed Real Estate Projects</b>	<b>2,800,000</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>2,800,000</b>

### Five-Year Capital Project Plan — Federal and Bond Funding

	2010	2011	2012	2013	2014	5-YR TOTAL
<b>Federal Transit Administration</b>						
Passenger Equipment: Rehabilitation	535,558	419,200	500,000	450,000	500,000	2,404,758
Track Projects:						
Depot Improvements	—	400,000	450,000	—	300,000	1,150,000
Track Rehabilitation	7,581,900	9,719,413	11,404,587	13,071,399	13,197,387	54,974,686
Siding Extensions/Shoulder Widening	198,142	—	—	—	—	198,142
<b>Track Project Subtotal</b>	<b>7,780,042</b>	<b>10,119,413</b>	<b>11,854,587</b>	<b>13,071,399</b>	<b>13,497,387</b>	<b>56,322,828</b>
Bridge Replacements/Upgrades:						
Bridge at Mile Post 25.7 Lower Trail Lake	—	—	—	100,000	300,000	400,000
Bridge at Mile Post 29.5 Trail Lake	600,000	378,980	—	—	—	978,980
Bridge at Mile Post 89 Indian	140,000	1,490,000	—	—	—	1,630,000
Bridge at Mile Post 199 Kashwitna River	—	—	—	—	452,000	452,000
Bridge at Mile Post 352.7 Sheep Creek	—	—	—	600,000	—	600,000
Bridge at Mile Post 422.9 Little Goldstream	—	600,000	—	—	—	600,000
Bridge 447.7 Permafrost Bridge	—	—	100,000	600,000	750,000	1,450,000
<b>Bridge Program Subtotal</b>	<b>740,000</b>	<b>2,468,980</b>	<b>100,000</b>	<b>1,300,000</b>	<b>1,502,000</b>	<b>6,110,980</b>

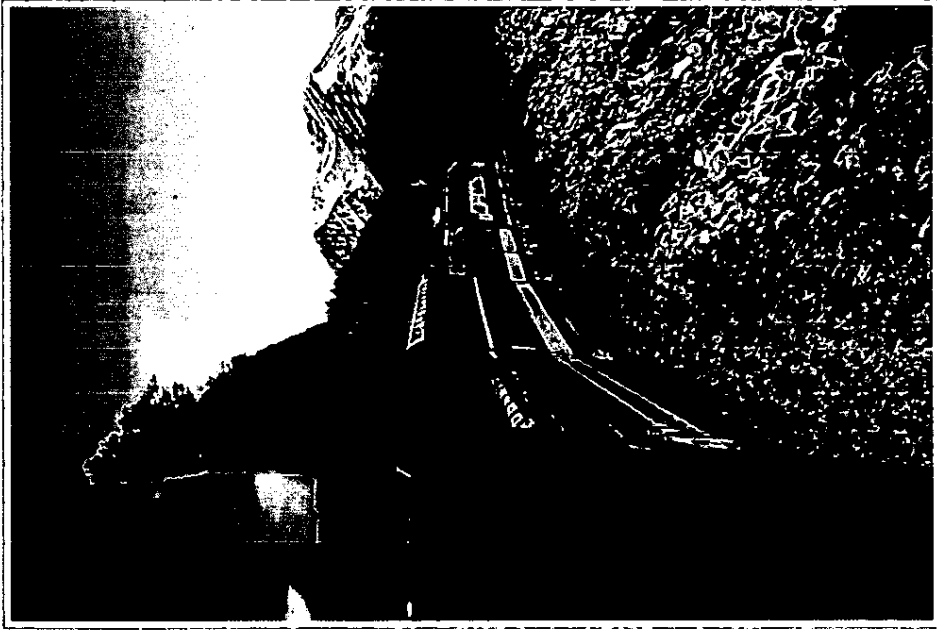
### Five-Year Capital Project Plan — Federal and Bond Funding (continued)

FTA... continued	2010	2011	2012	2013	2014	5-YEAR TOTAL
Debt Service Subtotal:						
2006 Bond Issue Debt Service	7,532,160	7,301,371	7,275,940	7,282,763	7,266,964	36,659,197
2007 Bond Issue Debt Service	9,165,184	8,913,501	8,891,659	8,896,554	8,856,361	44,723,259
Debt Service Subtotal	16,697,344	16,214,872	16,167,599	16,179,317	16,123,325	81,382,456
Preventive / Safety / Security:						
Preventive Maintenance Reimbursement	11,110,275	11,165,826	11,277,484	11,390,259	11,504,162	56,448,006
Slope Stabilization/Healy Canyon	1,500,000	950,000	800,000	300,000	800,000	4,350,000
Collision Avoidance-Phase II Completion	3,275,899	1,550,000	3,475,270	2,809,213	2,938,319	14,048,701
Transit Enhancements	217,581	224,109	230,832	237,757	244,890	1,155,169
Transit Security	217,581	224,109	230,832	237,757	244,890	1,155,169
Preventive/Safety/Security Subtotal	16,321,336	14,114,044	16,014,418	14,974,986	15,732,261	77,157,045
<b>Total Federal Transit Administration</b>	<b>42,074,280</b>	<b>43,336,508</b>	<b>44,636,604</b>	<b>45,975,702</b>	<b>47,354,973</b>	<b>223,378,067</b>
Less: Preventive Maintenance Reimbursement	(11,110,275)	(11,165,826)	(11,027,484)	(11,369,029)	(11,504,162)	(56,448,006)
Less: Debt Service Grants	(16,697,344)	(16,214,872)	(16,167,599)	(16,179,317)	(16,123,325)	(81,382,456)
<b>Total FTA for Federal Capital Projects</b>	<b>14,266,661</b>	<b>15,955,811</b>	<b>17,191,521</b>	<b>18,406,126</b>	<b>19,727,486</b>	<b>85,547,605</b>
<b>FTA Capital Grant Receipts Bonds</b>						<b>43,431,115</b>
Track Rehabilitation Program	9,724,560	21,435,349	12,271,205	—	—	38,000,000
<b>Other Federal Funds</b>						
Tanana River Training-Fund Source Unidentified	—	38,000,000	—	—	—	—

### FIVE-YEAR CAPITAL PROJECT PLAN SUMMARY - TOTALS BY FUNING SOURCE

(in millions)	2010 Budget	2011 Plan	2012 Plan	2013 Plan	2014 Plan	5-YEAR TOTAL
FTA Formula Funds (net of PM/Debt Svc)	\$ 14.27	\$ 15.96	\$ 17.19	\$ 18.413	\$ 19.73	\$ 85.56
FTA Bond Proceeds - 2007 issue	9.72	21.44	12.27	—	—	43.43
Other Federal (FHWA, DoD, FEMA, etc.)	—	38.00	—	—	—	38.00
Internal Funds (ARRC Revenue)	16.31	20.13	21.99	22.73	24.88	105.84
Debt Financed Real Estate Projects	2.80	—	—	—	—	2.80
<b>Total Capital Program</b>	<b>\$ 43.1</b>	<b>\$ 95.53</b>	<b>\$ 51.45</b>	<b>\$ 41.14</b>	<b>\$ 44.41</b>	<b>\$ 275.63</b>

# Employee Retirement Benefits



- Pension Plan
- Post Retirement Medical Program



# ARRC Corporate Pension Plan

Benefit	Provision
Employee Contribution	9% of earnings – Pre-tax
Vesting	Five Years of Vesting Service
Normal Retirement Age	Age 62 – although no reduction for retiring at age 58
Early Retirement	Age 55– benefit reduced by ½% per month or 6% per year for every year less than age 58
Benefit Formula	2% X Final Average Salary (any 3 consecutive years) X Years of Service; 2.5% for years over 10 and after 1/1/06



# ARRC Corporate Pension Plan

Benefit	Provision
Annual Cost of Living Increase	Lesser of 50% of CPI or 6%
Disability Benefits	40% of monthly salary (must be vested to be eligible)
Joint & Survivor Annuity	<p><b>50% Benefit</b> – retiree benefit reduced by 10%; spouse receives 50% of that amount</p> <p><b>100% Benefit</b> – retiree benefit reduced by 20%; spouse receives 100% of that amount</p>



# Plan Funding Employee Contributions

- Employees are required to contribute 9% of earnings (excludes overtime).
- Employee contributions are credited with interest at 4.5% (compounded annually).
- Employees may request a refund of contributions and interest in lieu of a retirement benefit.



# Plan Funding Employer Contributions

- Section 11 of the Plan Document
- Provides that the ARRC will make contributions to the Fund as it determines, with the advice of its actuary, to maintain the Plan on an actuarially sound basis
- The Fund is for the exclusive benefit of Plan Participants. No portion shall be diverted to or become the property of the ARRC prior to paying all liabilities with respect to Participants
- ARRC's funding policy is to contribute an amount each year equal to the Annual Required Contribution (ARC)



# Pension Plan Administration

- ARRC Pension and Represented 401(k) Committee
  - Two Union Members
  - Three Management Representatives
- Retirement Specialist in Human Resources



# Participant Services

- Pre-retirement Planning Seminars
- On-line access to pension fund balances, and estimates of pension benefits
- Summary Plan Description
- Annual Pension Report
- Annual Participant Statements, including projected pension benefits



# Post-Retirement Medical

- ARRC Labor Contracts (5 union contracts) provide that retirees can purchase ARRC medical insurance by paying 60% of the monthly premium.
- Non-represented employees are eligible for retiree medical coverage under ARRC policy
- Eligible retirees must be:
  - 62 or older under the ARRC Pension Plan (represented)
  - 58 or older under the ARRC Pension Plan (non-represented)
  - With the Civil Service Retirement System
  - On disability retirement



# Post-Retirement Medical

- Retirees who don't meet the criteria above can participate by paying 100% of the premium
- Certain surviving annuitants and family members can continue their participation following the death of the retiree on the same cost sharing basis
- Surviving dependent children of an ARRC pension plan participant are eligible to participate on the same cost sharing basis, without the requirement that there be a pension plan recipient



# Post Retirement Medical

- Deductible: \$500
- Co-insurance: \$80/20 up to \$1,500
- Includes prescription drug benefit
- Does not include audio, vision and dental coverage
- Medical Plan for retiree is identical to the plan for active ARRC employees



# ARRC Contributions

- In addition to the premium contributions, ARRC makes annual contributions to the Post Retirement Medical Trust based on the recommendations of the actuary. The 2009 contribution was \$5.2 million.



## 2009 Status of Benefit Trust Funds

- Defined benefit pension trust fund totaled \$75.0 million
  - Up \$14.0 million from year end 2008
- Retiree medical trust fund totaled \$25.8 million
  - Up \$9.0 million from year end 2008
- Considerable recovery from the down-market impact



# 2010 Wild Cards

## Possible Gains

- Gravel
- Coal
- Pipe
- Petroleum

## Possible Losses

- Petroleum
- Environmental
  - + Coal – air quality
  - + Coal – water quality
  - + Weeds - FRA
  - + Ship Creek – EPA
- Legislation
  - + EBA
  - + HB 313





Executive Office  
Telephone: 907-265-2403  
Facsimile: 907-265-2312

February 17, 2010

Senator Bert Stedman  
Senate Finance Co-Chair  
State Capitol, Room 516  
Juneau, AK 99801-1182

Senator Lyman Hoffman  
Senate Finance Co-Chair  
State Capitol, Room 518  
Juneau, AK 99801-1182

Dear Senators Stedman and Hoffman:

Thank you for providing Pat Gamble, Alaska Railroad President and CEO, and Bill O'Leary, Alaska Railroad Vice President Finance, with the opportunity to update the Senate Finance Committee about Railroad finances, business issues any other topics of interest on February 3, 2010.

There were questions relating to fuel transportation and Alaska Railroad fuel use that we promised to get back to committee members on once we gathered the data. Attached are a couple of charts that I hope provides the information requested. If we need to provide further information or clarification on the issues please let me know. My direct line is 265-2498.

Please share this information with other members of the Senate Finance Committee.

Best regards,

Wendy Lindskoog  
Vice President Corporate Affairs

**2003 - 2010 Flint Hills Gallons Shipped on ARRC**

<u>Year</u>	<u>Total Gallons</u>	<u>Jet A Gallons</u>	<u>Jet A Percent of Total Gallons</u>
2003	819,081,795	558,864,051	68.2%
2004	799,135,479	553,911,663	69.3%
2005	769,031,275	549,213,459	71.4%
2006	614,657,062	521,634,687	84.9%
2007	659,605,949	574,763,681	87.1%
2008	565,819,252	492,006,916	87.0%
2009	492,562,861	390,200,581	79.2%
2010 Plan	410,241,174	304,509,240	74.2%

**2005-2009 ARRC Fuel Purchases**  
**Quantities In Gallons**

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>LOCOMOTIVE FUEL</b>					
Flint Hills	6,205,214	5,604,483	5,519,803	5,241,340	5,187,077
Other Vendors	137,393	98,755	201,403	232,340	236,308
	<u>6,342,607</u>	<u>5,703,238</u>	<u>5,721,206</u>	<u>5,473,680</u>	<u>5,423,385</u>
<b>EQUIPMENT FUEL</b>					
All Vendors	193,976	235,403	242,164	264,233	260,613
<b>VEHICLE FUEL</b>					
Automotive Rentals Inc	216,204	332,644	335,488	300,262	316,058
<b>Total</b>	<u>6,752,787</u>	<u>6,271,285</u>	<u>6,298,858</u>	<u>6,038,175</u>	<u>6,000,056</u>



Official Business

# Alaska State Senate

## Senate Finance Committee

9:04 AM

Mail Stop 3100  
State Capitol  
Juneau, Alaska 99801-1182

### AGENDA

*all present*

Wednesday, February 3, 2010

9:00 AM

#### PRESENTATIONS:

##### **Alaska International Airports System**

✓Christine Klein, Deputy Commissioner of Aviation, DOTPF  
✓John Parott, Airport Manager, of the Ted Stevens Anchorage International Airport

##### **Alaska Railroad Corporation**

Patrick Gamble, CEO of the Alaska Railroad Corporation (ARRC)  
*Bill O'Leary, Chief Financial Officer, (ARRC)*

# Alaska Railroad Corporation



## MEMORANDUM

Date: December 31, 2009  
Anchorage, Alaska

To: Deven Mitchell  
State of Alaska  
Department of Revenue  
Staff to State Bond Committee  
Division of Treasury

From: Wendy Richerson, Controller

Subject: Public Debt Book

As requested the following is the Alaska Railroad Corporation's debt as of June 30, 2009.

State and State Agency Debt by Type at 6/30/09				
\$(millions)				
State Agency Debt	Principal Outstanding	Interest to Maturity	Total Debt Service to Maturity	
Alaska Railroad	\$ 196	\$ 64	\$ 260	

### E. Alaska Railroad Corporation

Legislation signed into law during 1984 established the Alaska Railroad Corporation as a public corporation of the State to manage the Alaska Railroad upon its acquisition from the Federal Government until its possible transfer to private ownership. The corporation has the power to issue bonds if such issuance is approved by law. Bonds issued by the corporation would not bear the full faith and credit of the State. The Railroad is not authorized to issue State moral obligation bonds.

By Chapter 77, SLA 1994, the Alaska Railroad is authorized to issue revenue bonds in the principal amount of \$55 million for the construction and acquisition of the Alaska Discovery Center for the Ship Creek Project in Anchorage. To date, no bonds have been issued.

Chapter 71, SLA 2003 authorized Alaska Railroad to issue up to \$17 billion in revenue bonds to finance the construction of a natural gas pipeline and related facilities, subject to an agreement with a third party to pay the debt service and other costs of the bonds. To date, no bonds have been issued.

Chapter 46, SLA 2004 authorized the Alaska Railroad to issue up to \$500 million in revenue bonds, subject to an agreement with a third party to pay the debt service and other related bond costs, to finance the cost of extending its rail line to Fort Greely, Alaska. To date, no bonds have been issued.

Chapter 28, SLA 2006 authorized the Alaska Railroad to issue up to \$165 million in revenue bonds to finance rail transportation projects that qualify for federal financial participation and associated costs. On August 22, 2006, the Alaska Railroad issued \$76.4 million in revenue bonds. On August 29, 2007, the Alaska Railroad issued the remaining \$88.6 million in revenue bonds.

Chapter 65, SLA 2007 authorized the Alaska Railroad to issue up to \$2.9 billion in revenue bonds to finance all or a portion of the Kenai gasification project and Port MacKenzie rail spur project, subject to an agreement with a third party to pay the debt service and other costs of the bonds. To date, no bonds have been issued.

If you have any questions, please contact me at 907-265-2513.

2/3/10



# Alaska International Airports System

## Alaska Dept. of Transportation Senate Finance Legislative Update

February 3, 2010

Christine Klein, AAE  
Deputy Commissioner

John Parrott, AAE  
Anchorage Airport Manager



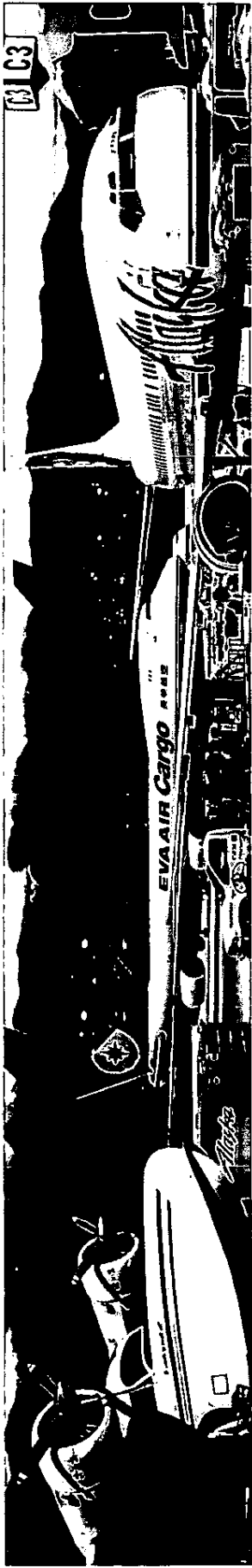
ALASKA INTERNATIONAL AIRPORT SYSTEM



Ted Stevens  
**Anchorage**  
 International Airport



Fairbanks  
 International  
 Airport



## Airport System Advantages

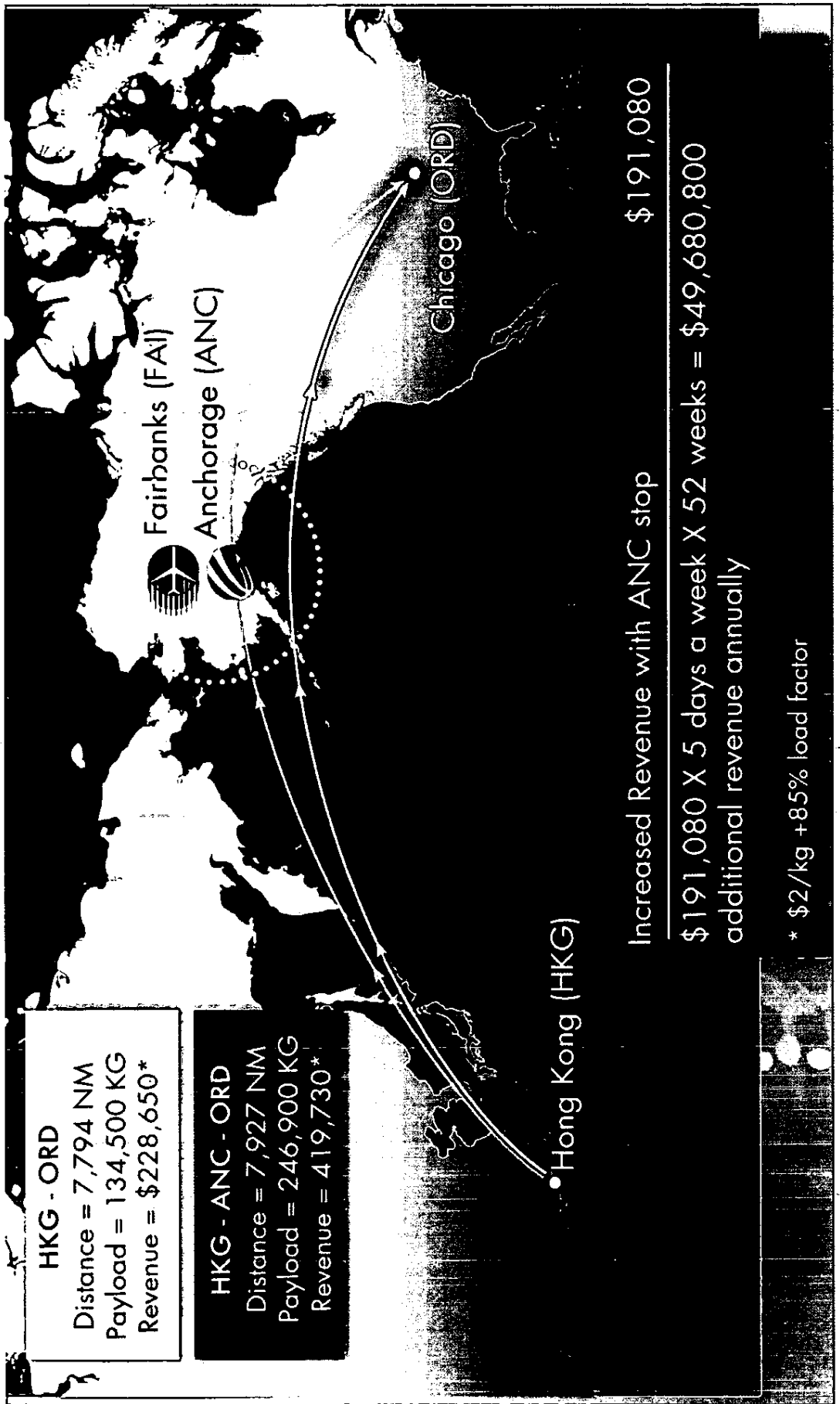
### Regulatory:

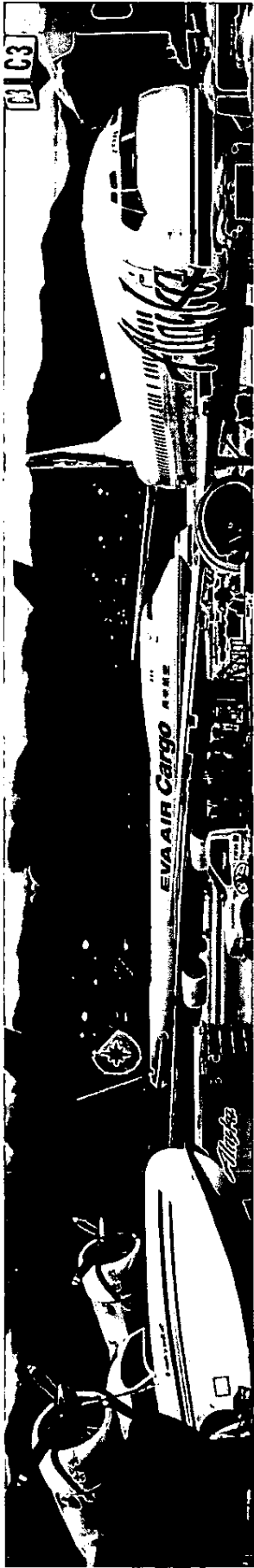
- Progressive Clearance
- Intl to Intl Cargo Transfers
- USDOT awarded Cargo Transfer Flexibility in '96
  - On-line transfers
  - Commingling foreign domestic Foreign-domestic, and foreign-foreign transfers
- Expanded Cargo Transfer '03
  - Expands transfer authority for foreign carriers with revenue relationship w/U.S. carrier

### Location & Cost:

- Air cargo center for Asia
  - Part of the Asia Airport System
  - Growing Asian Market and Base for Chinese Freighters
- One Revenue System
- Diverse revenue sources keep airlines rates competitive
- Long-term commitments
- System capacity for growth
  - Infrastructure
  - Alternatives

# Alaska's Global Advantage Payload vs Range





## Diversity of Cargo Carriers

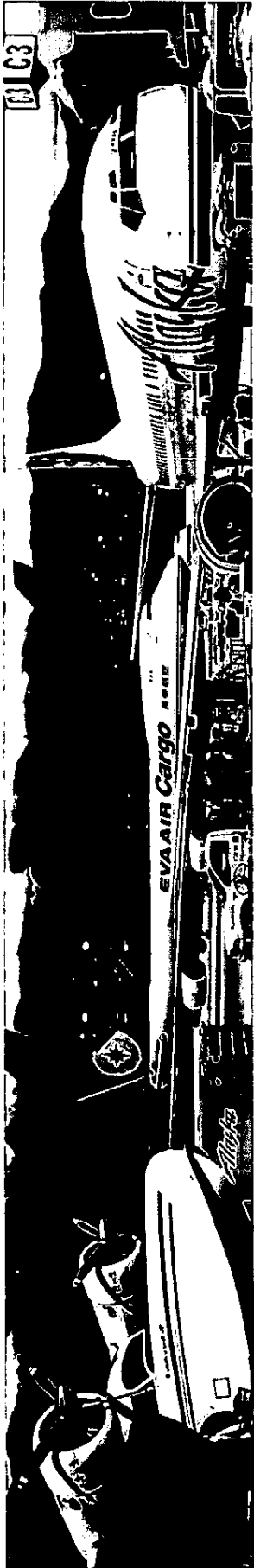
(FY09 Service)

### Cargo Carriers by Home Country:

- USA 17
- China 6
- Japan 3
- Korea 2
- Taiwan 2
- Hong Kong 1
- Singapore 1
- Australia 1
- Canada 1

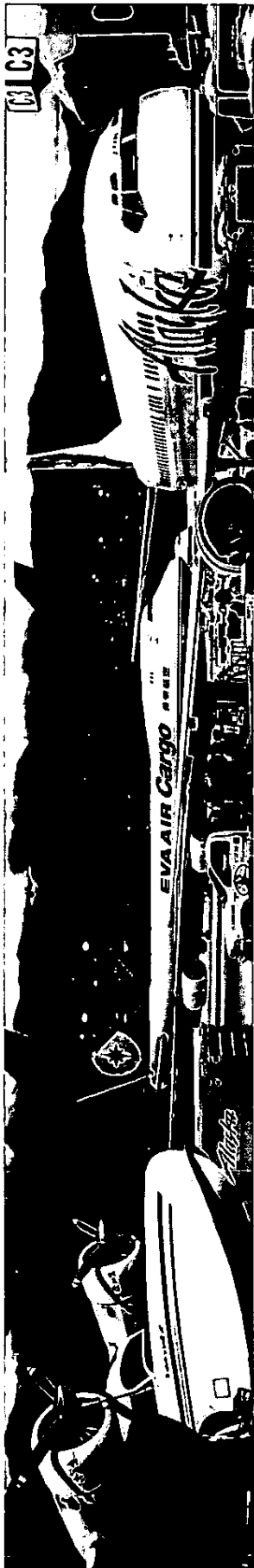
### Current Carriers (34):

- ABX Air Inc.
- ACE Air Cargo
- ANA
- Air Canada
- Air China
- Alaska Airlines
- Asiana Airlines
- Atlas Air
- Cathay Pacific Airways
- China Airlines
- China Cargo Airlines
- China Southern
- Empire Airlines
- Eva Airways
- Evergreen International
- Everts Air Cargo
- Federal Express
- Great Wall Airlines
- Japan Airlines
- Kalitta Air
- Korean Air Cargo
- Lynden Air Cargo
- Nippon Cargo Airlines
- Northern Air Cargo
- Northwest Air Cargo
- Polar Air Cargo
- Qantas
- Shanghai Airlines Cargo
- Singapore Airlines
- Southern Air
- TransNorthern LLC
- United Parcel Service
- World Airways
- Volga Depner Cargo



## Comparison: AIAS Competitive Rates

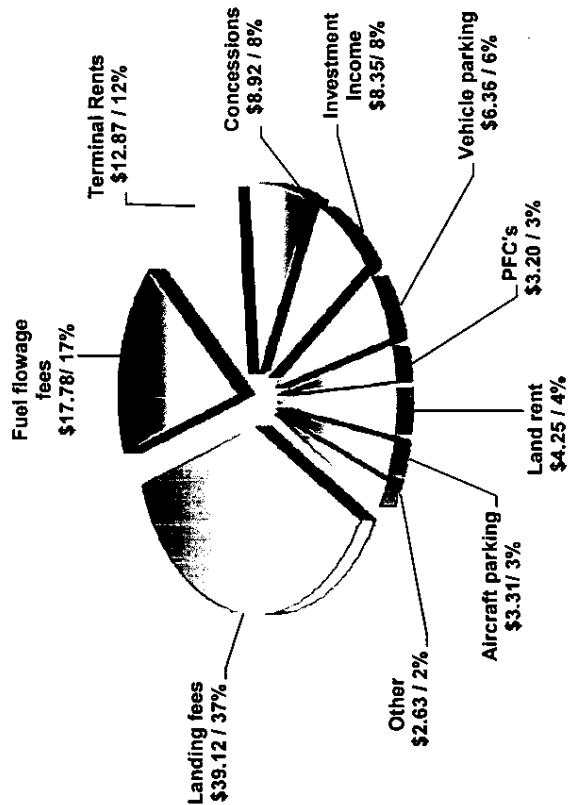
Terminal Rent		Landing Fee	
	<u>Ticket Counter/Gate</u>		<u>Cost 747-400</u>
Seattle	\$396.01/\$237.60	Toronto	\$12,799.08
Portland	\$242.00/\$218.00	Tokyo	\$7,405.37
Ontario	\$139.99/\$139.99	Newark	\$4,789.75
Reno	\$117.04/ \$93.63	New York	\$4,456.55
Boston	\$100.21/\$100.21	Dallas	\$3,349.98
AIAS		Seoul	\$2,982.14
Signatory	\$61.59 / \$61.59	Chicago	\$2,759.24
Non-Signatory	\$76.99 / \$76.99	Seattle	\$1,918.00
		Vancouver	\$1,837.08
		AIAS	
		Signatory	\$1,137.50
		Non-Signatory	\$1,443.75



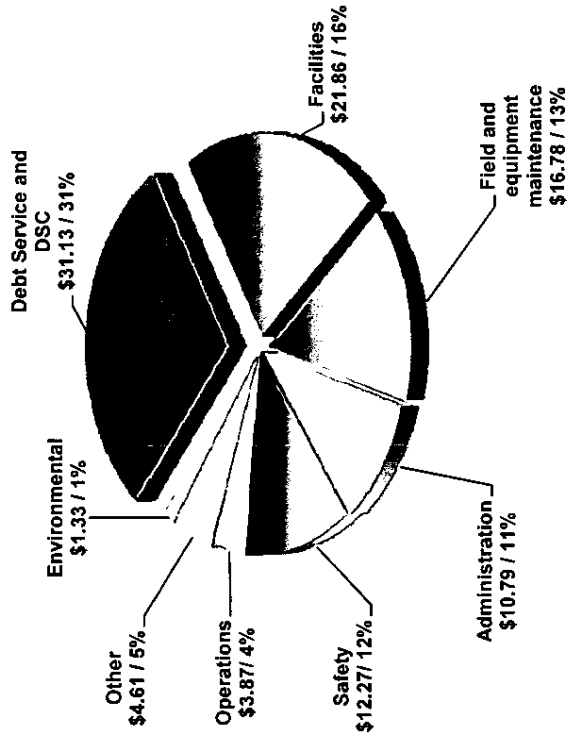
# Strengths: Diverse Business Revenues

## FY 2009 Revenues & Expenses (Millions)

**AIAS 2009 Revenue Sources (\$118.87)**



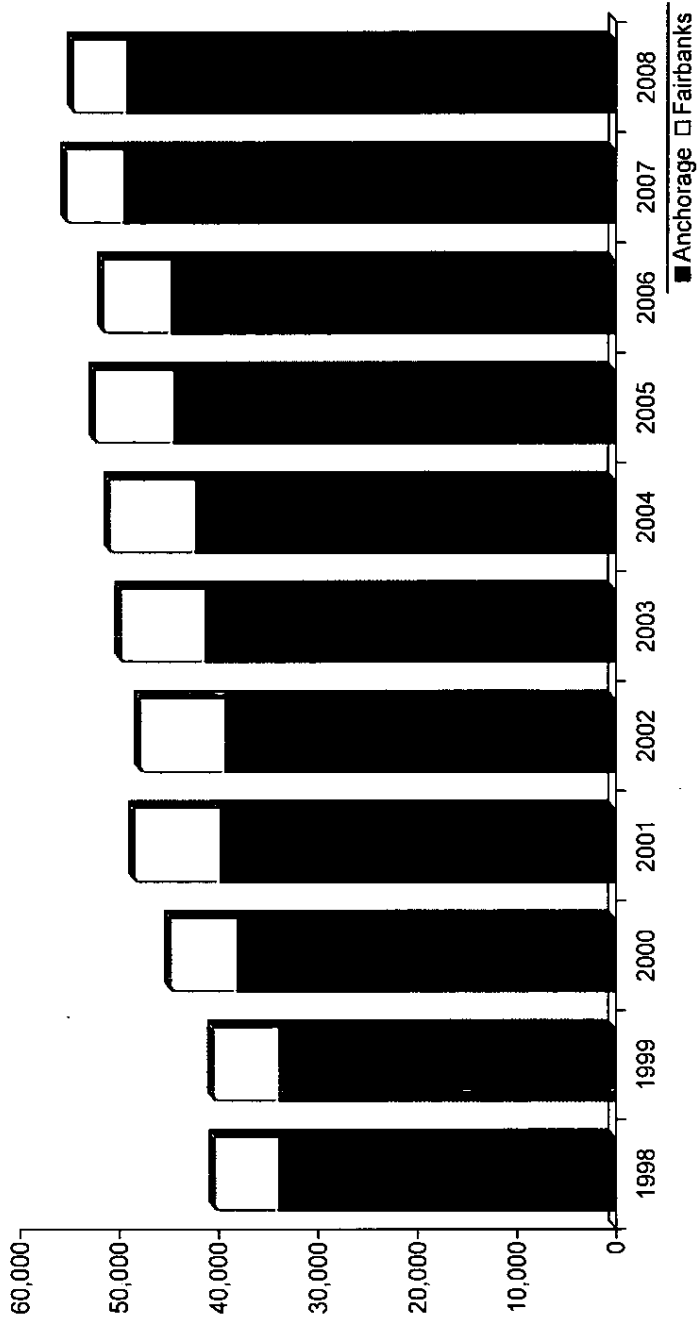
**AIAS 2009 Annual Costs and DSC (\$101.96)**

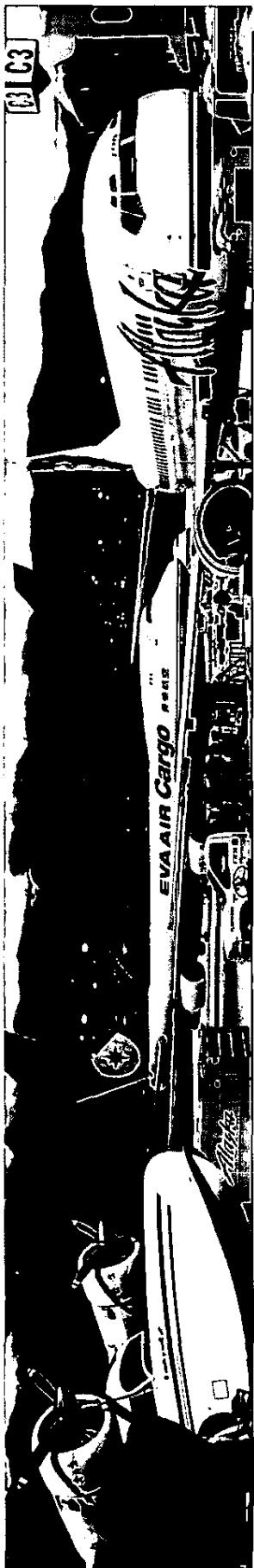




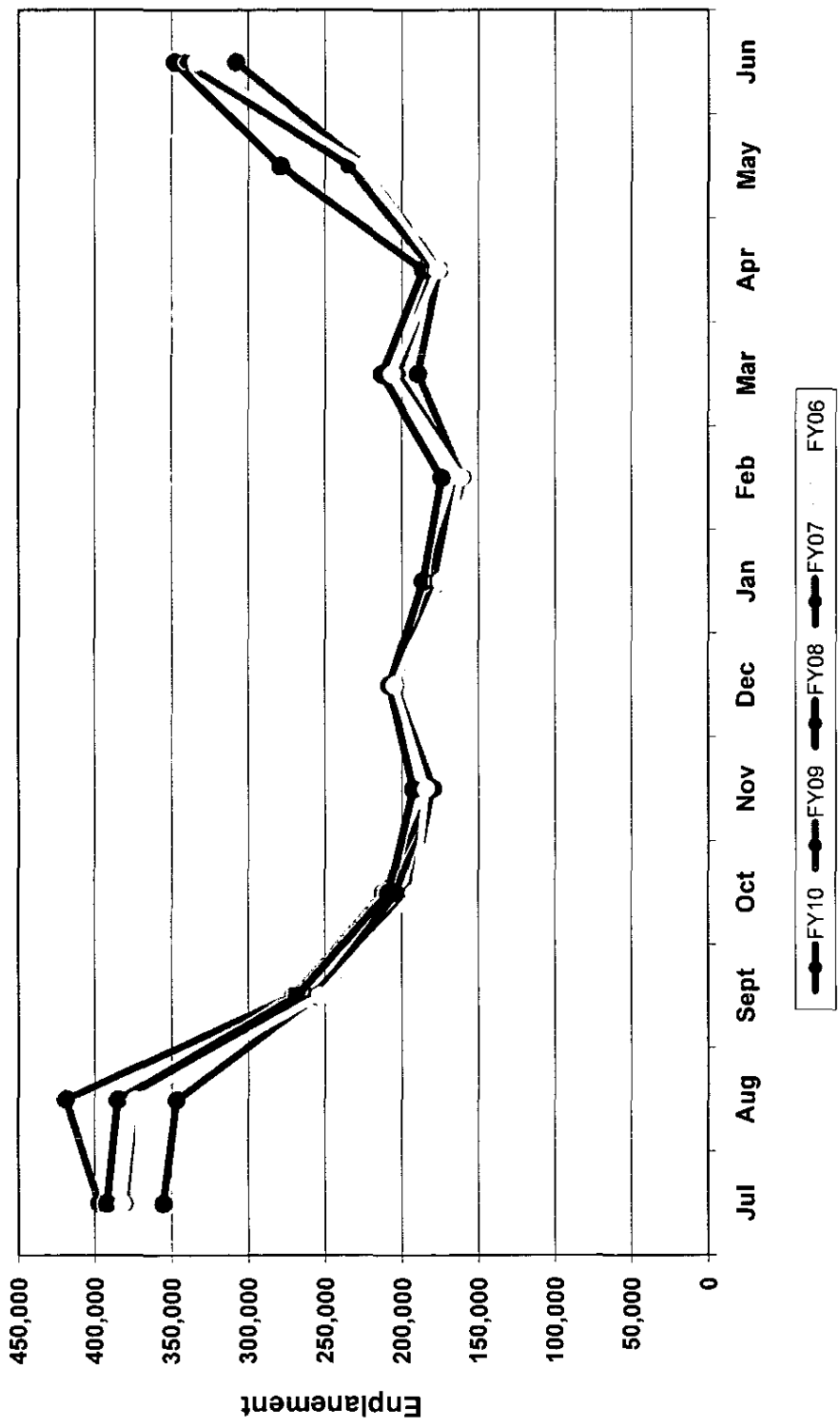
# Strengths: Cargo Operations

Annual All-Cargo Aircraft Landings





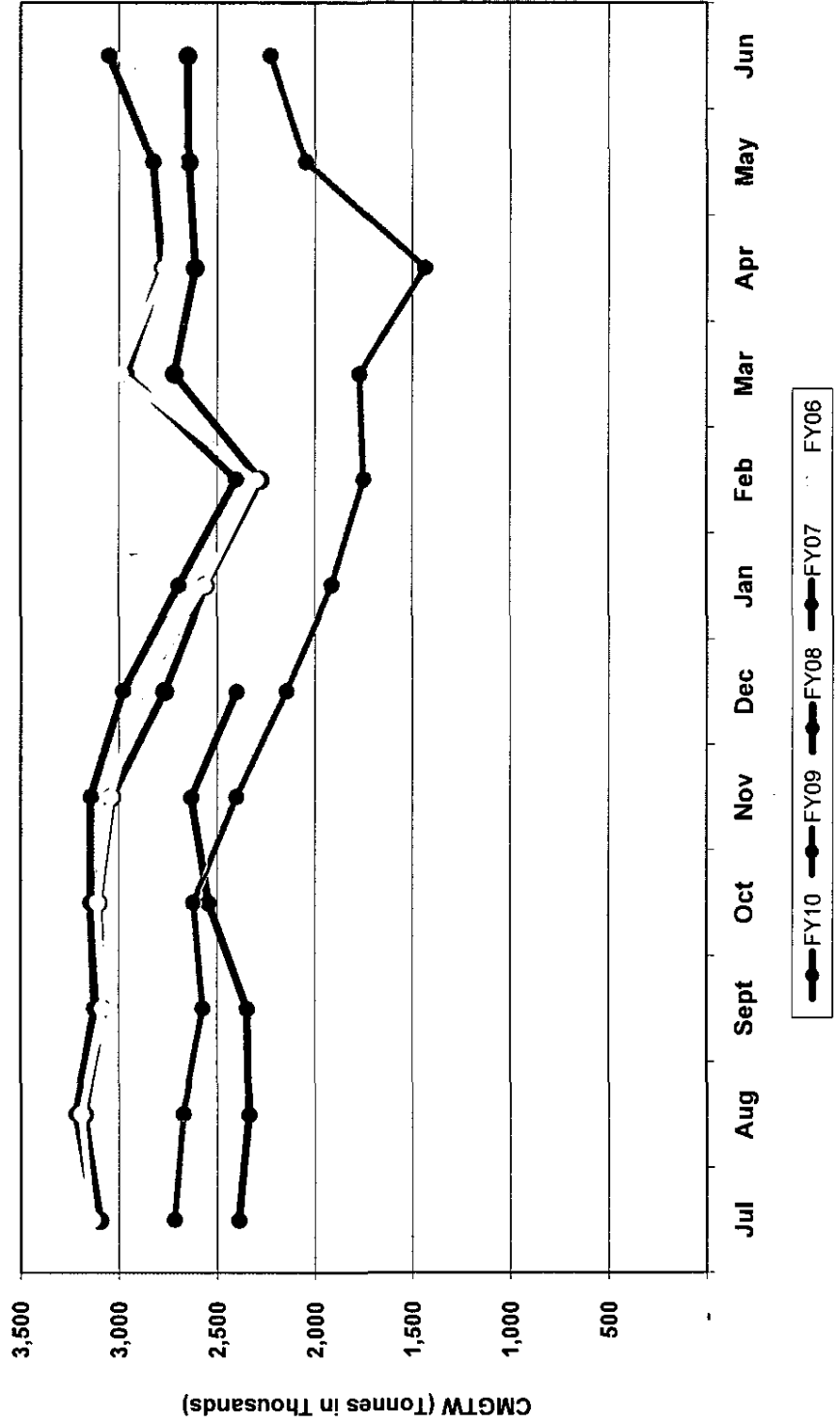
## AIAS FY06 - FY10 MONTHLY ENPLANEMENTS As of December 31, 2009

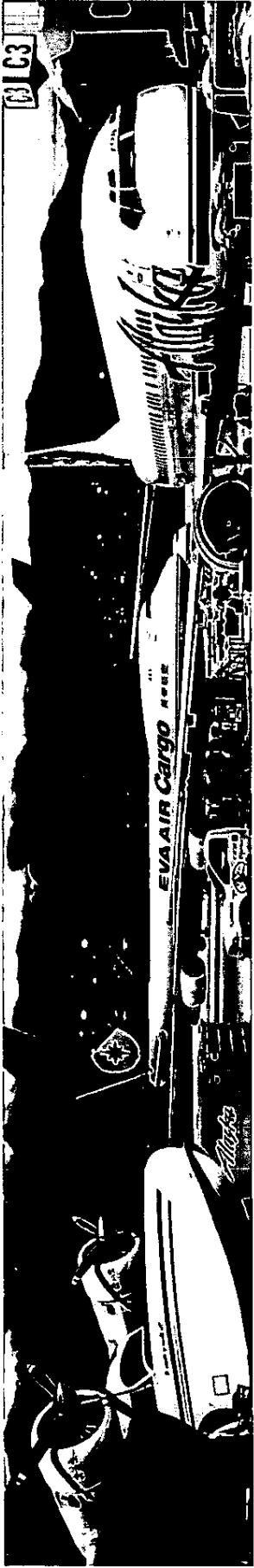


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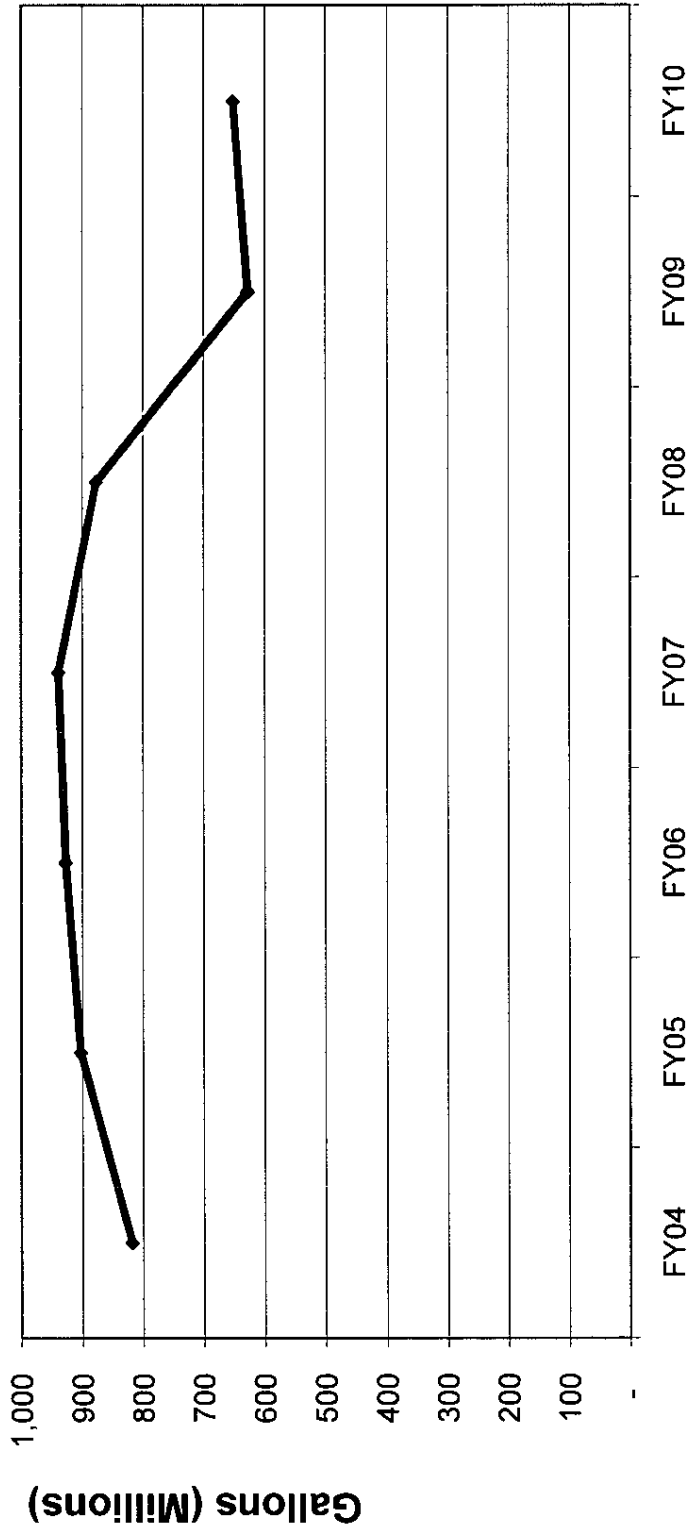


### AIAS FY06 - FY10 YTD Combined Cargo - Pax CMGTW as of December 31, 2009





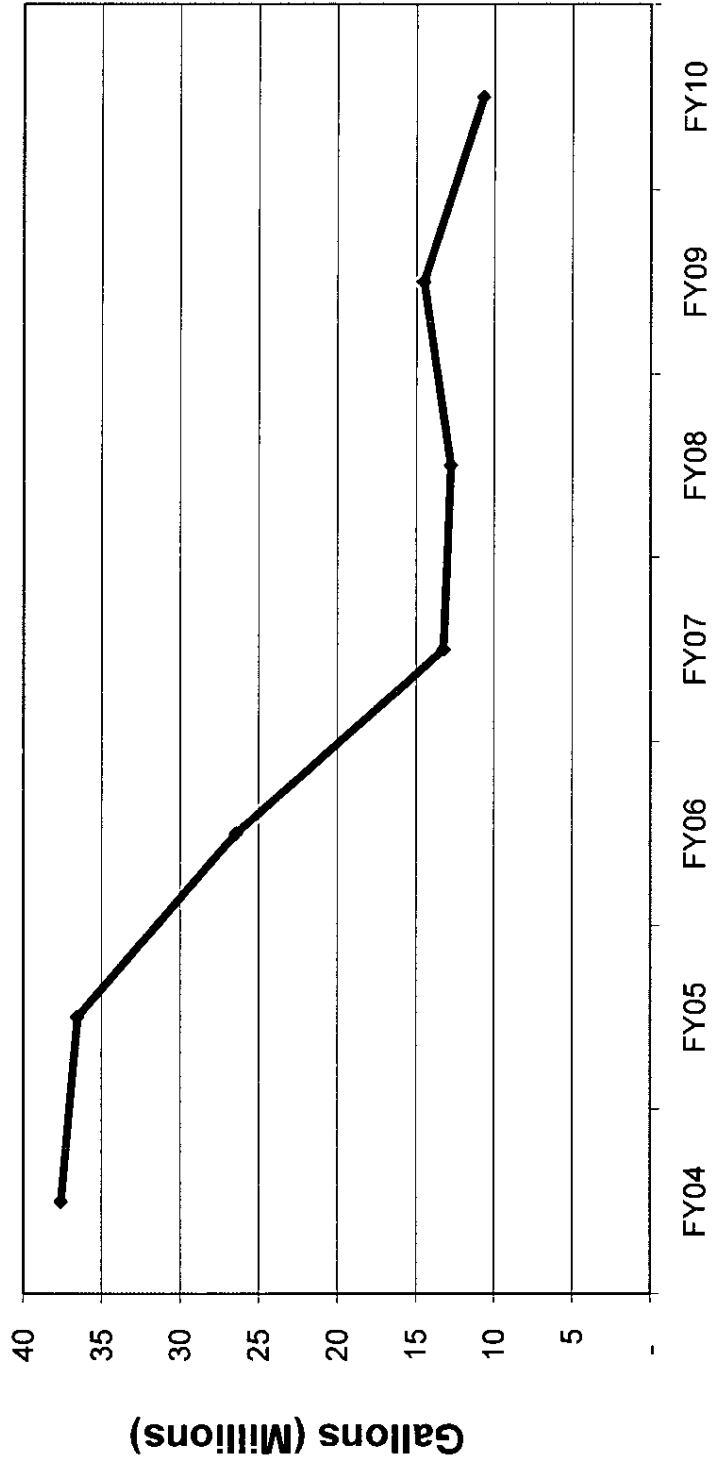
**ANCHORAGE INTERNATIONAL AIRPORT  
ANNUAL FUEL CONSUMPTION  
FY04 -FY10**



\* FY10 Jan-Jun Sales Estimated



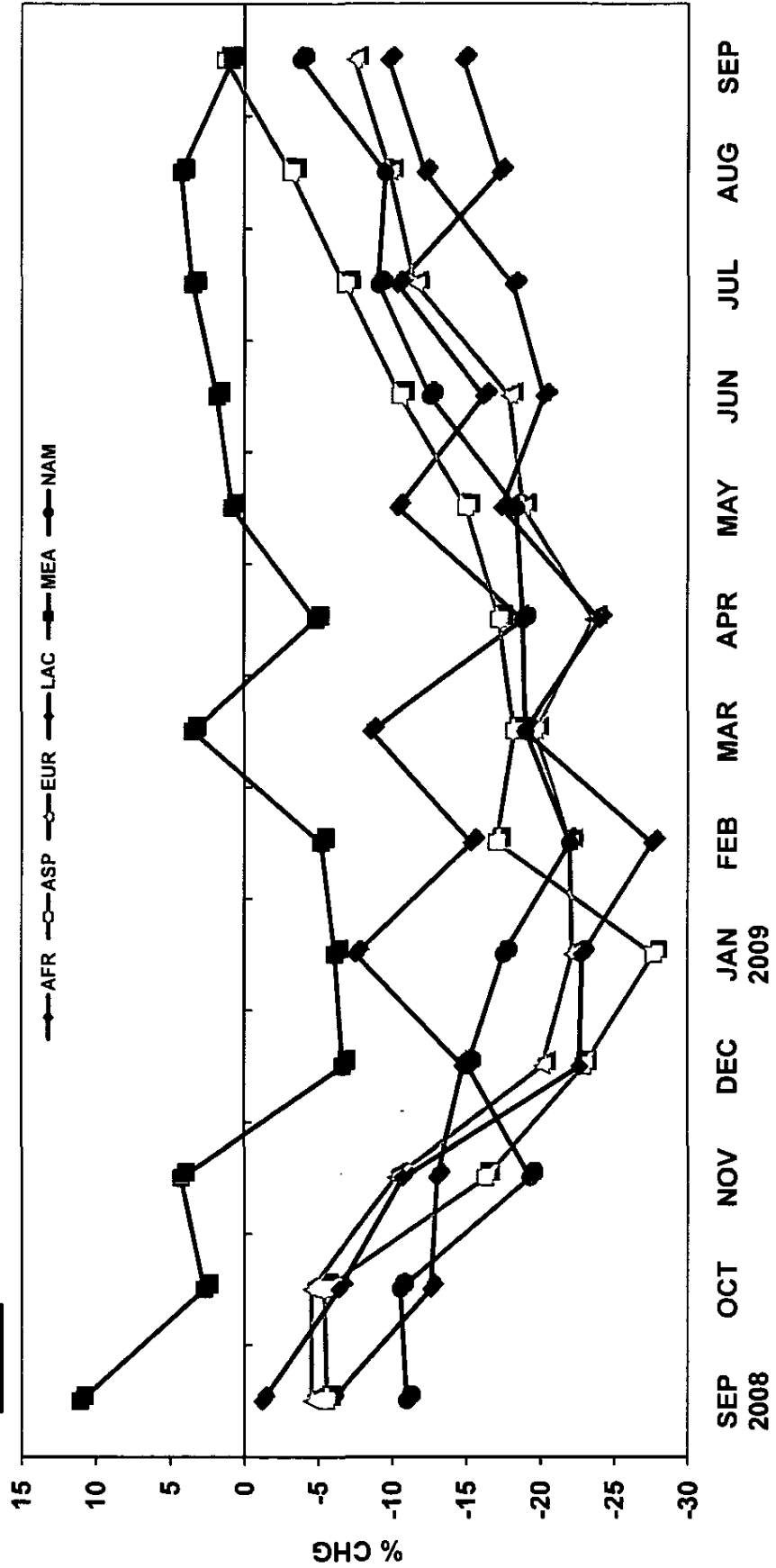
**FAIRBANKS INTERNATIONAL AIRPORT  
ANNUAL FUEL CONSUMPTION  
FY04 - FY10**

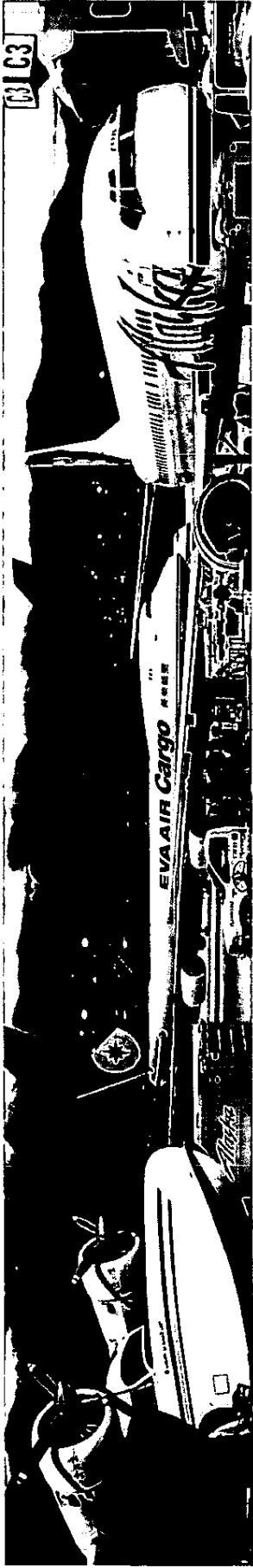


\* FY10 Jan-Jun Sales Estimated



## Total Freight Regional Trends





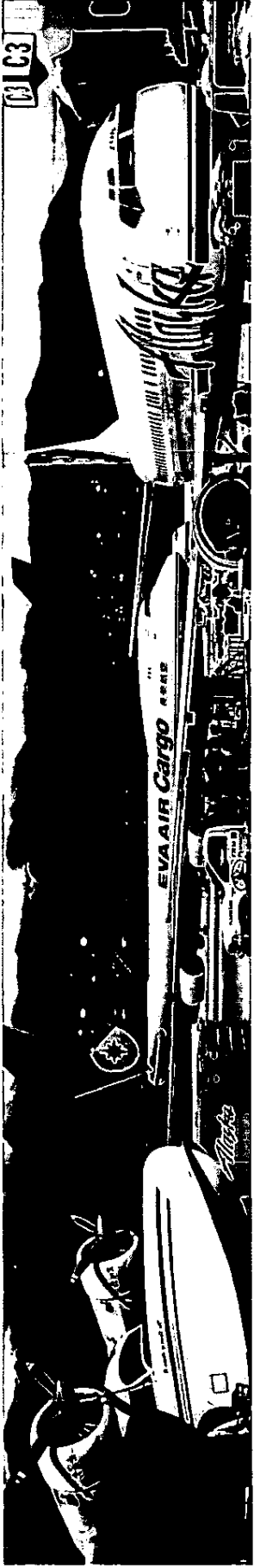
## AIAS Response

### Remain Competitive:

- Proactively Controlled & Reduced Operating Costs Early
- Scaled-back capital projects \$400+ Million
- Reduced Airport Debt and Maintaining Stability
- Reduced Rates & Fees for 2009

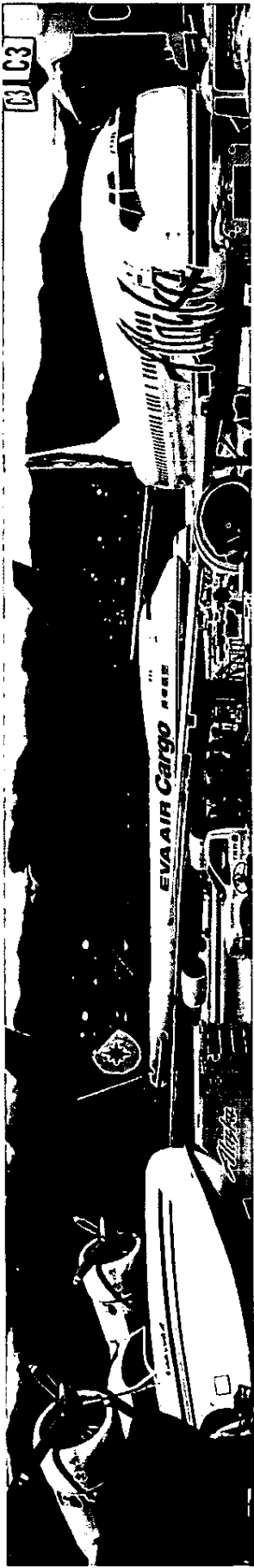
### Assess Competition:

- Conducted 3<sup>rd</sup> Party Cargo Analysis of Asian Market Trends
- Negotiated operating agreement in partnership with airlines
- Utilizing revenue to reduce debt and hold down rates
- Favorable regulations – Cargo Transfer Authority

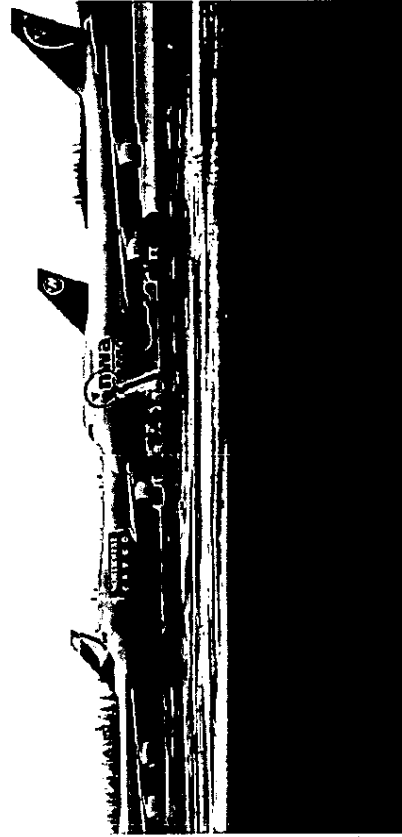
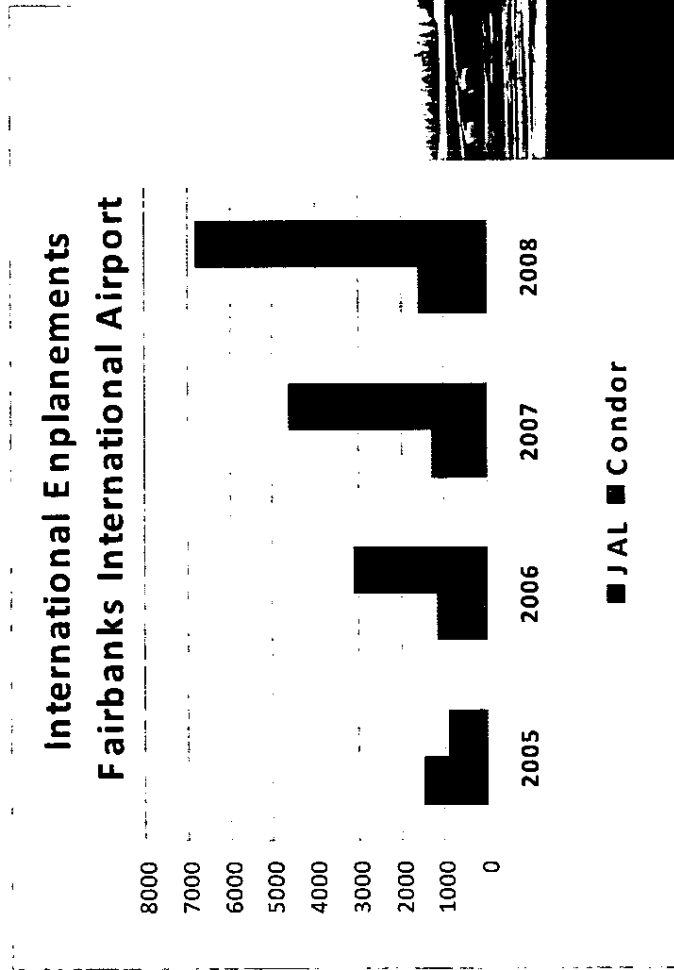


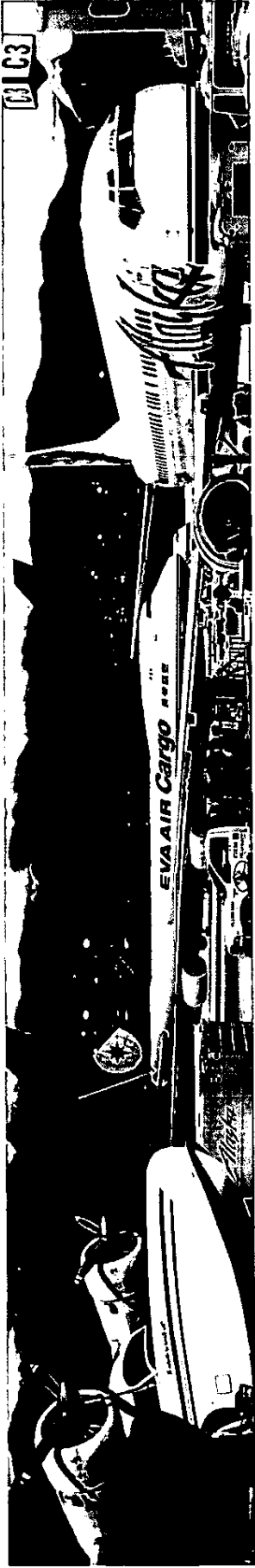
## **Results: Airlines Commit to New Operating Agreement**

- New airport operating agreement last year after 3 year holdover, adding 6 air carriers over past, committed to funding airport costs for next 5 years.
- Business model approach – more equitable pay for what you use, partnership, project accountability, manage as a system, and ensure competitiveness
- Strong show of support for the AIAS



## Fairbanks Airport: Increasing Winter Passengers and Cargo Flights



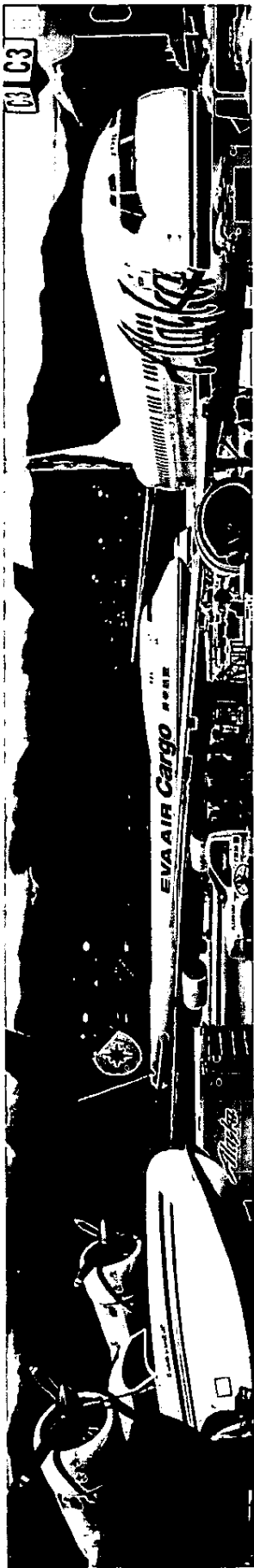


## Fairbanks Terminal & Construction

**On-Schedule  
Under Budget!**

- Opened May 7, 2009
- Public Private Airline Partnership
- Authorized \$96.2M
- Cost \$92.3M



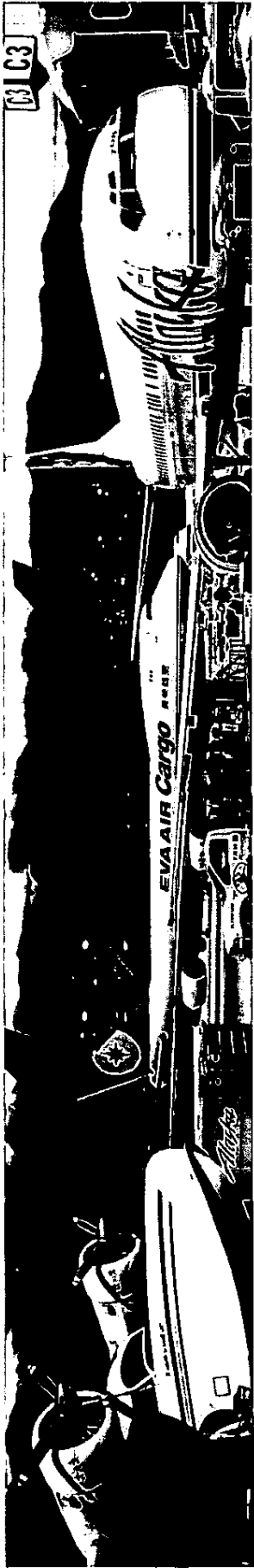


## Anchorage Airport A & B Concourses

### On-Schedule and Under Budget!

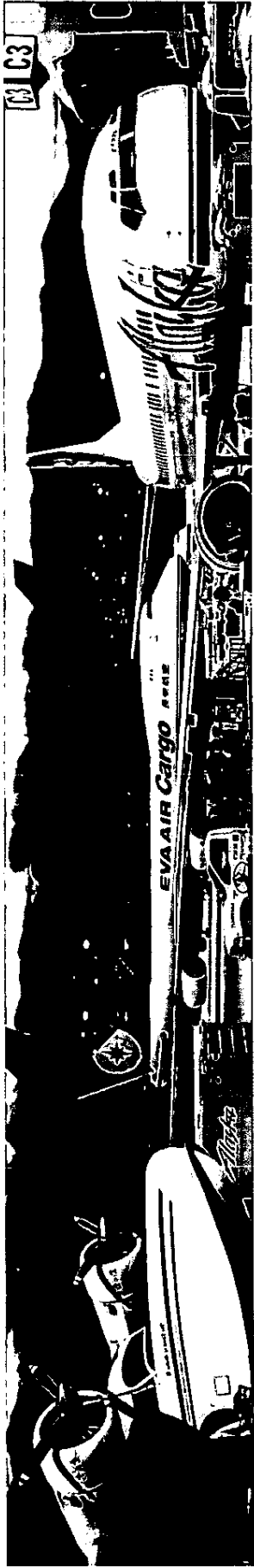
- Opened for Business on November 2, 2009
- Passenger/Baggage screening centralized
- A&B concourses 352,000 ft<sup>2</sup> renovation





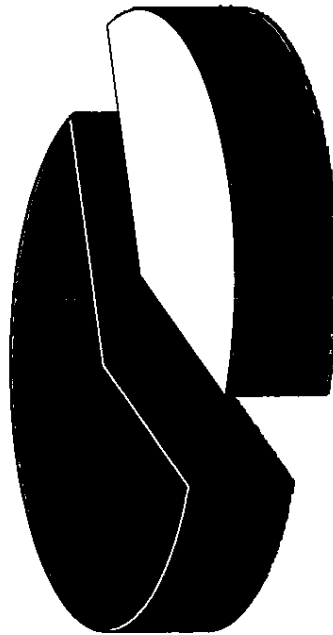
## 2008 ACI Cargo Traffic Stats (Metric Tons)

Rank	Airport	Total Cargo	% Change
1	MEMPHIS (MEM)	3,695,438	(3.8)
2	HONG KONG (HKG)	3,660,901	(3.0)
3	SHANGHAI (PVG)	2,602,916	1.7
4	INCHEON (ICN)	2,423,717	(5.2)
5	ANCHORAGE (ANC)	2,339,831	(17.2)
6	PARIS (CDG)	2,280,050	(0.8)
7	FRANKFURT (FRA)	2,111,031	(2.7)
8	TOKYO (NRT)	2,100,448	(6.8)
9	LOUISVILLE (SDF)	1,947,276	(5.0)
10	Singapore (SIN)	1,883,894	(1.8)



# Anchorage Specific Economic Impact.....18,434 Jobs

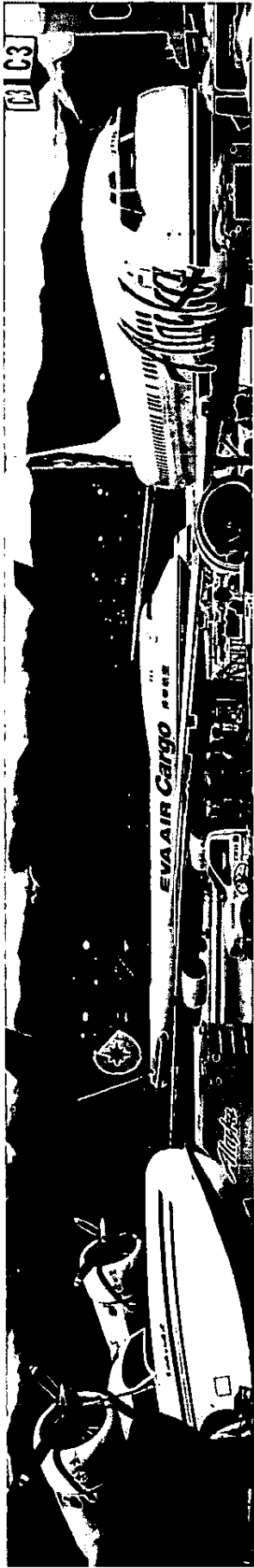
**10,222  
Airport Jobs**



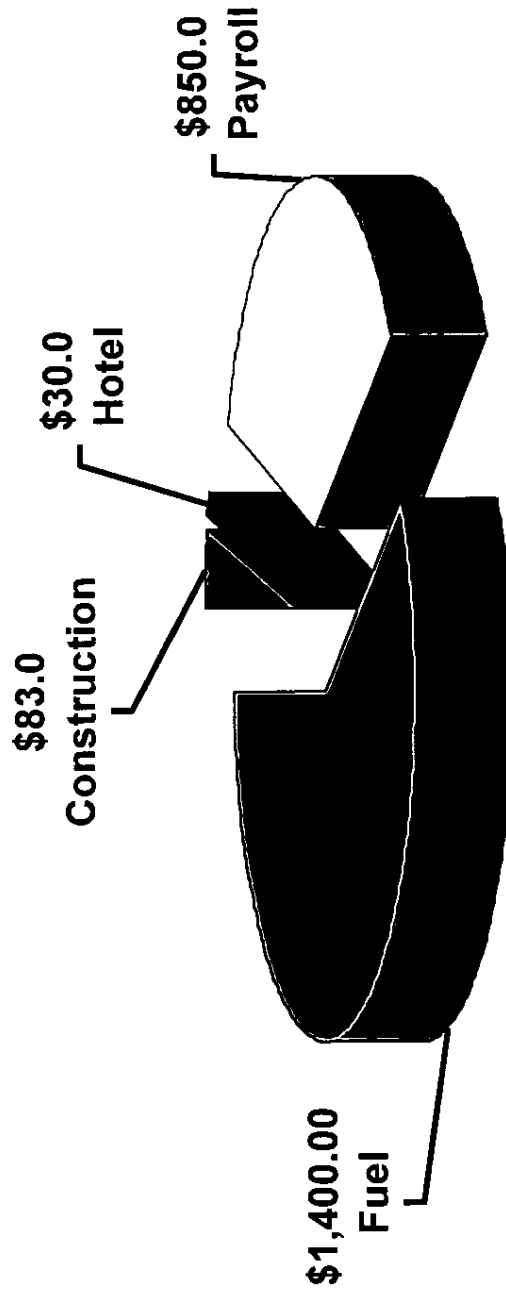
**8,212  
Community Jobs**

- One in eight jobs
- About \$562 million direct annual payroll
- Another \$288 million in annual community jobs payroll

Source: Institute of Social and Economic Research, University of Alaska Anchorage, September 2007



# Annual Anchorage Economic Impact \$2.363 Billion`

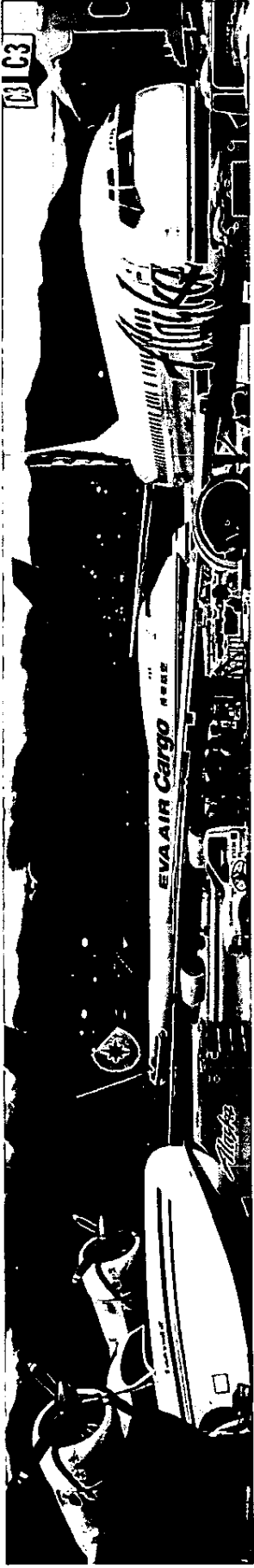


Source: Institute of Social and Economic Research, University of Alaska, Anchorage, September 2007



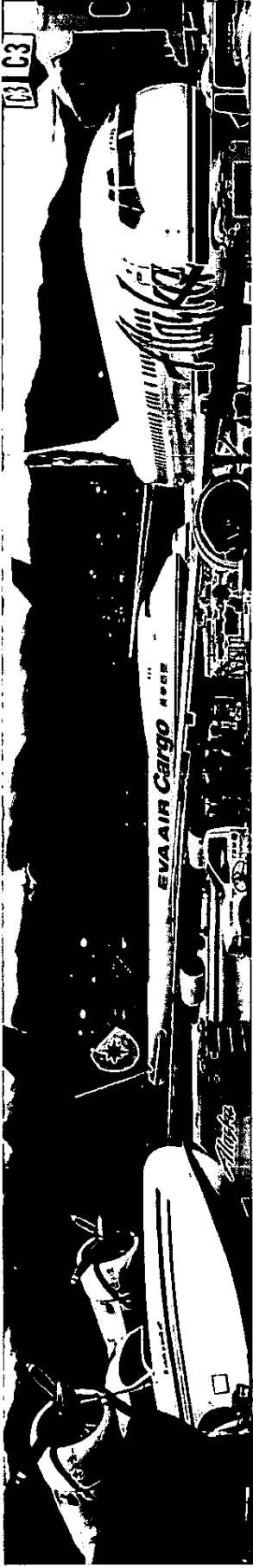
## Economic Impact of International Cargo at Anchorage

Airline	Total lbs. (000's)	Market Share	Carrier	Revenues	Market Share
UNITED PARCEL SERVICE	2,871,206	13.98%	UNITED PARCEL SERVICE	\$6,596,629	13.14%
FEDERAL EXPRESS	2,647,701	12.89%	FEDERAL EXPRESS	6,446,110	12.84%
KOREAN AIR LINES	2,173,360	10.58%	KOREAN AIR LINES	5,850,619	11.66%
CATHAY PACIFIC AIRWAYS	2,061,863	10.04%	CATHAY PACIFIC AIRWAYS	5,335,092	10.63%
CHINA AIRLINES	1,732,170	8.44%	CHINA AIRLINES	5,083,510	10.13%
EVA AIRWAYS CORPORATION	1,470,814	7.16%	EVA AIRWAYS CORPORATION	4,053,107	8.07%
NORTHWEST AIRLINES, INC.	949,247	4.62%	JAPAN AIRLINES INTERNATIONAL	2,084,375	4.15%
POLAR AIR	893,207	4.35%	POLAR AIR CARGO	2,046,503	4.08%
SOUTHERN AIR, INC.	841,709	4.10%	ASIANA AIRLINES	1,590,172	3.17%
JAPAN AIRLINES INTERNATIONAL	742,443	3.62%	SOUTHERN AIR, INC.	1,522,778	3.03%
ASIANA AIRLINES	668,160	3.25%	SHANGHAI AIRLINES CARGO	1,207,316	2.41%
SINGAPORE AIRLINES CARGO	533,566	2.60%	SINGAPORE AIRLINES CARGO	1,191,042	2.37%
NIPPON CARGO AIRLINES	434,875	2.12%	NIPPON CARGO AIRLINES	1,160,289	2.31%
AIR CHINA CARGO COMPANY LTD	275,643	1.34%	NORTHERN AIR CARGO, INC.	989,275	1.97%
CHINA CARGO AIRLINES	261,426	1.27%	AIR CHINA CARGO COMPANY LTD	759,130	1.51%
NORTHERN AIR CARGO	257,672	1.25%	CHINA CARGO AIRLINES	648,671	1.29%
All Others (19 Airlines)	1,718,371	8.39%	All Others (19 Airlines)	3,629,233	7.23%
<b>Total</b>	<b>20,533,433</b>	<b>100.00%</b>	<b>Total</b>	<b>\$50,193,851</b>	<b>100.00%</b>



## Successes & Bright Spots

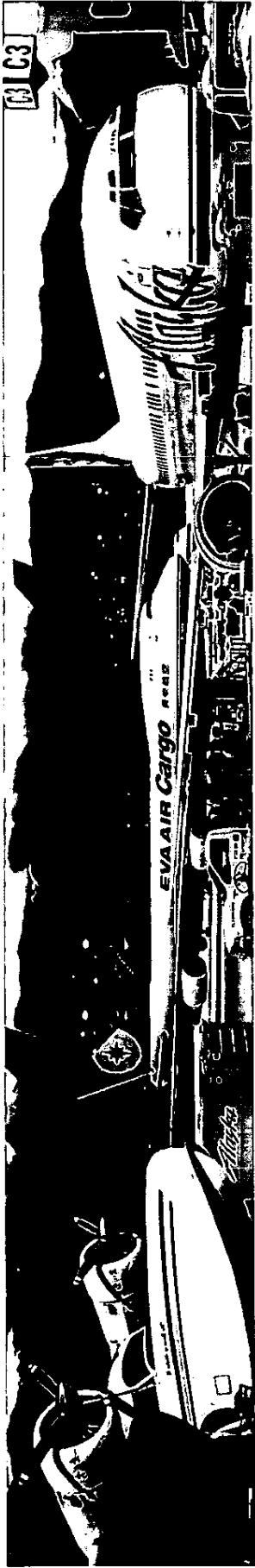
- +3 new International cargo carriers to system recently: World Airlines, Great Wall, and Quantas
- 1<sup>st</sup> Incentive program approved by signatory airlines to increase Asian passenger flights to Alaska. China Airlines now provides 4 wkly flights between Anchorage & Taipei.
- Japan Airlines operated 17 charters from Japan to Alaska this past tourist season (added 3 flights over 2008)
- Recognized as a "Top Performer" in Concession Sales!



## Marketing Team

- In discussion with European Intl. operator for year-round service, and with 3 domestic passenger airlines.
- All new marketing materials, translations, and website
- Partnerships with area Convention & Visitor Bureau's, Economic Development Corporation, tenants and leaseholders.
- Represented at International Cargo Conferences and Trade Shows Hong Kong & Beijing for 1<sup>st</sup> time since 2004

*AIAS Marketing Team: "We believe in partnerships, cooperation, and a team approach"*



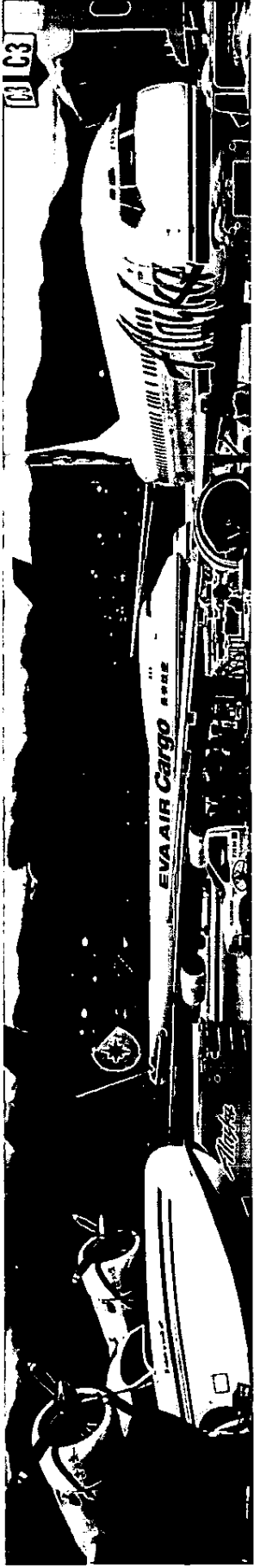
## Summary of FY'09 and FY'10 so far...

**FY'09 from prior year**

- Landings -13%
- Cargo/Pax CMGTW -23%
- Enplanements -4%
- Fuel Uplift -28%

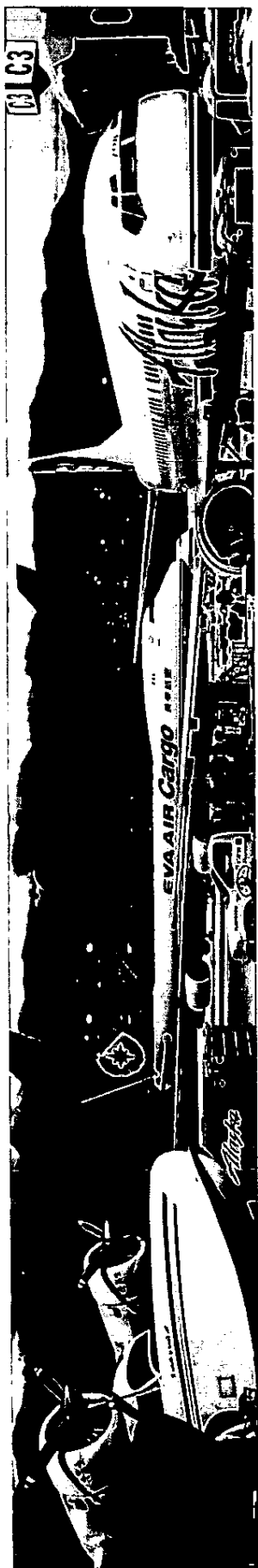
**FY'10 from prior year**

- Landings -10%
- Cargo/Pax CMGTW -11%
- Enplanements -12%
- Fuel Uplift -7%
- *On the road to recovery and major improvements!*



## Our Future Plans

1. Maintain Competitive Rates & Fees
2. Grow and diversify revenue sources
3. Modest CIP growth to meet the current needs
4. Utilize our new Marketing Team approach of working together in partnership: with airlines, tenants, other airports, and businesses to continue our successes
5. Kulis ANG Planning & Utilization
6. Runway 7R Extension



**Thank you!**

**Christine Klein, AAE**

Deputy Commissioner

Airports & Aviation

**John Parrott, AAE**

Anchorage Airport Manager