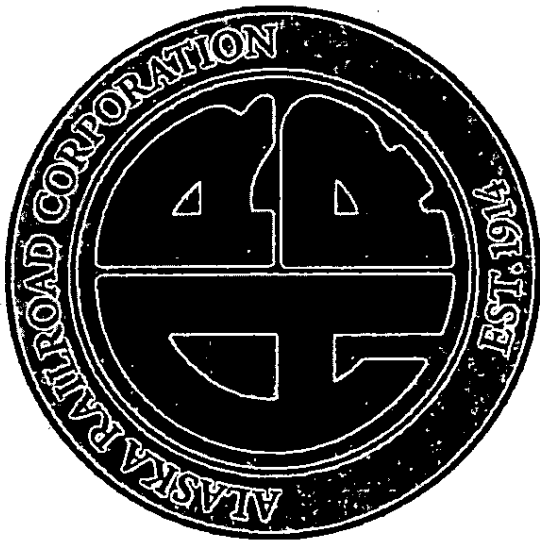


**3/17/09  
PRESENTA-  
TION:  
ALASKA  
RAILROAD  
CORPORATION**

<target><bill></bill><subject>3-17-09 PRESENTATION ALASKA  
RAILROAD CORPORATION</subject><comm>SFIN26</comm></target>



# About the Alaska Railroad

March 2009

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

# 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, 2008)

Total Assets	\$ 856 million
Total 2008 revenues	\$ 138 million
Total 2008 expenses	\$ 125.4 million
2008 net income	\$ 12.6 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	135
Total miles of track	656
Freight cars (owned & leased)	1,381
Passenger cars	51
Locomotives	57

## Operating Statistics (Jan. 1 - Dec. 31, 2008)

Passenger ridership	541,019 passengers
Freight tonnage	5.82 million tons

## Employees (as of January 2008)

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

## Unions (as of January 2008)

Most ARRC employees are members in 1 of 5 unions:	
United Transportation Union	121
Transportation Communication Union	44
International Association of Machinists	63
American Federation of Govt. Employees	283
American Train Dispatchers Association	10

## Benefits

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



AlaskaRailroad.com

# ARRC Guiding Principles

## Alaska Railroad Mission

Safety... Service... Profitability

## Alaska Railroad Vision

Building a great Railroad across the Greatland.

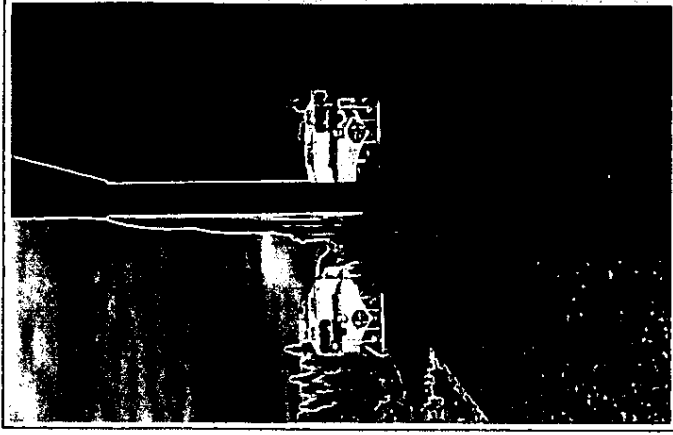
An important element in fulfilling this vision is ARRC's success since 1996 in qualifying for federal funding...an entitlement afforded by the railroad's public status and its passenger service mission. As a result, ARRC has been able to greatly accelerate long overdue mainline maintenance and upgrades.

## 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.



AlaskaRailroad.com

# 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).



AlaskaRailroad.com

# Alaska's Railroad

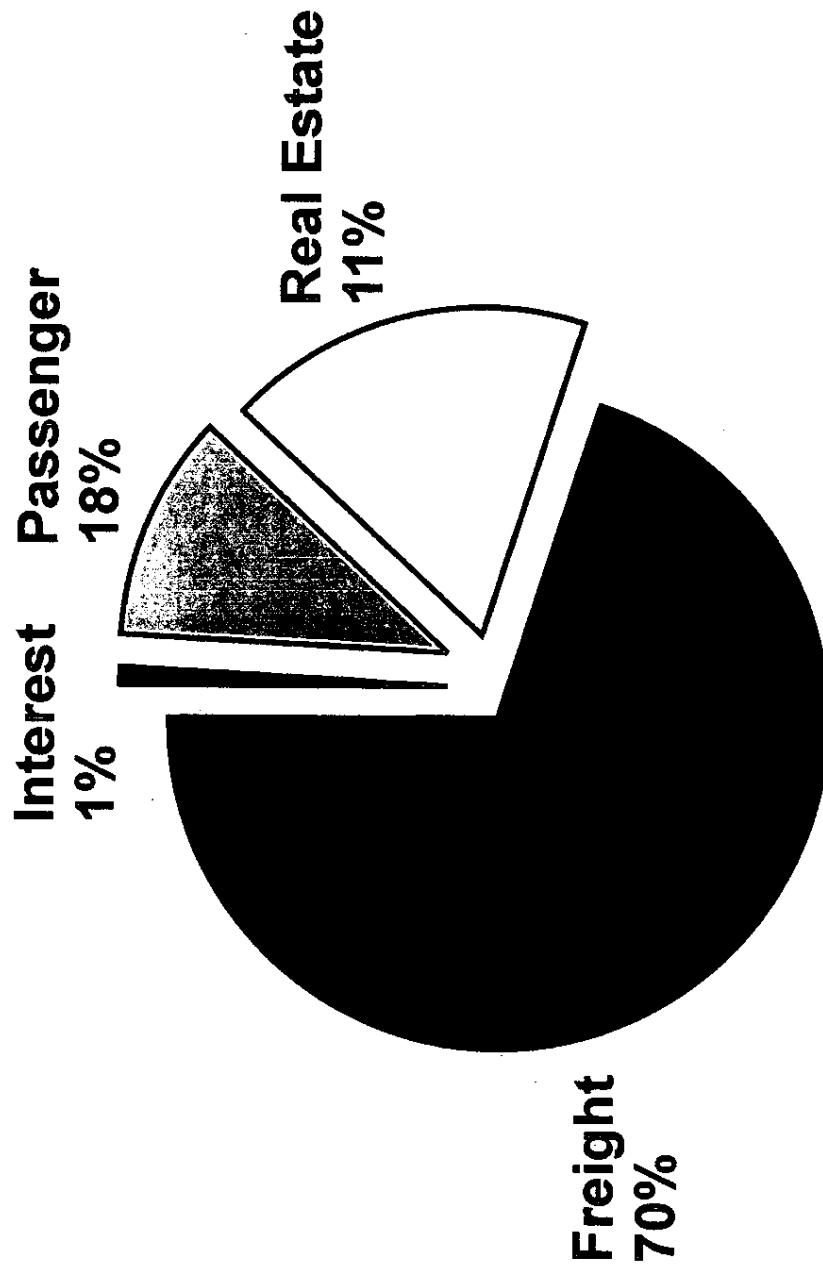
- Contributes to health care, business services, and retail payrolls
- Principal transport for heavy and/or bulk commodities to tidewater
- Major mover of jet fuel to Anchorage International Airport.
- Viable passenger alternative to long-distance driving
- Supports the U.S. military with the transport 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, ISER report, University of Alaska



# 2008 Sources of Revenue

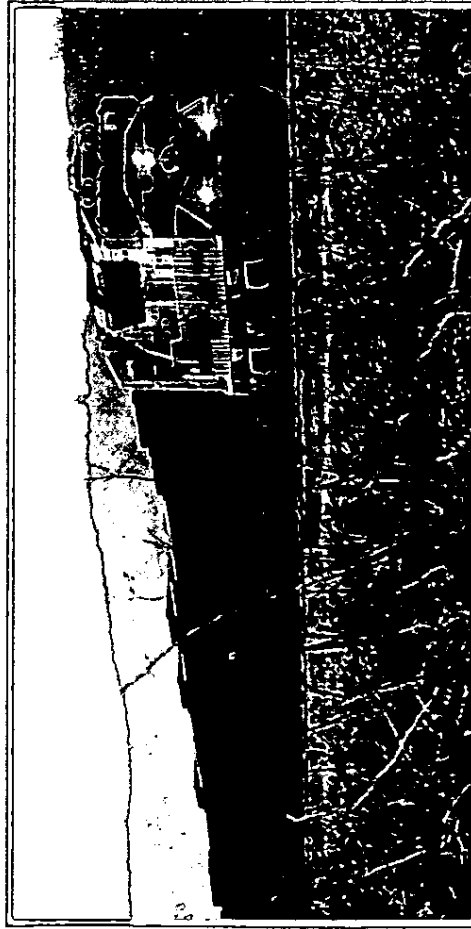


[AlaskaRailroad.com](http://AlaskaRailroad.com)

# Freight and Passenger Service

## Freight Service in 2008:

- 5.82 million tons moved

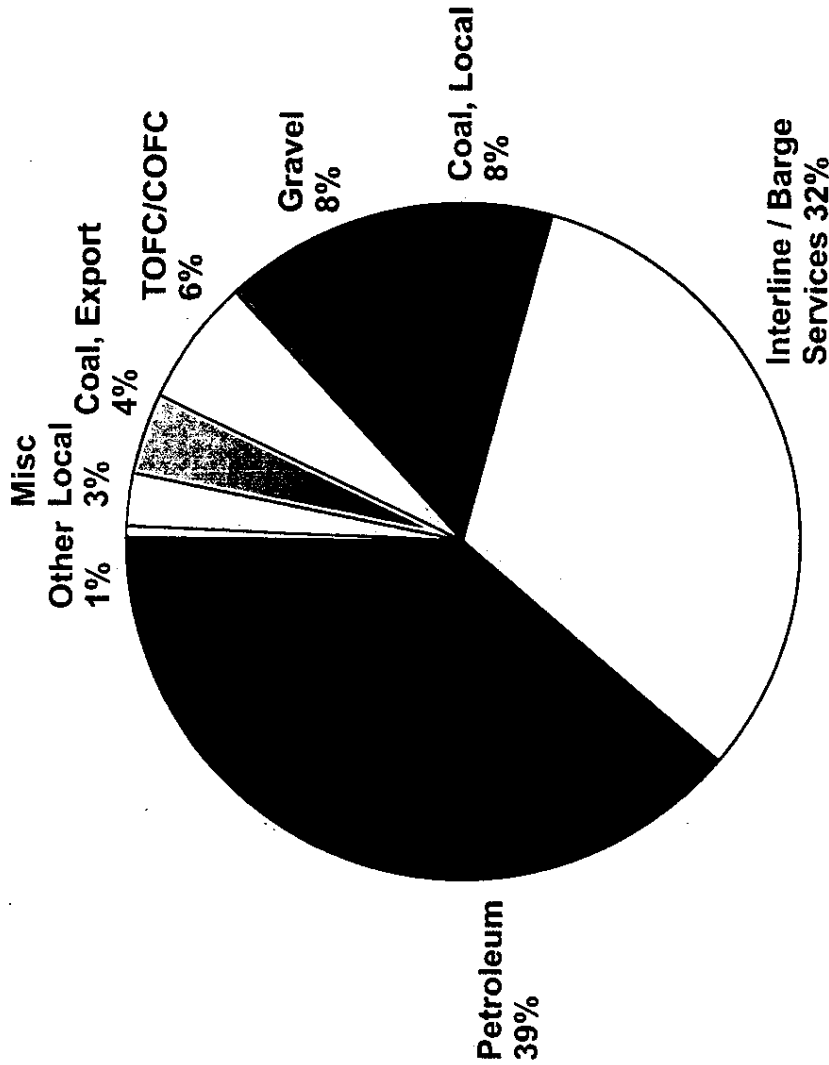


## Passenger Service in 2008:

- 541,019 passengers moved
- Award Winning Service
- Homegrown high school tour guide hosts and hostesses



# 2008 Freight Revenue Mix

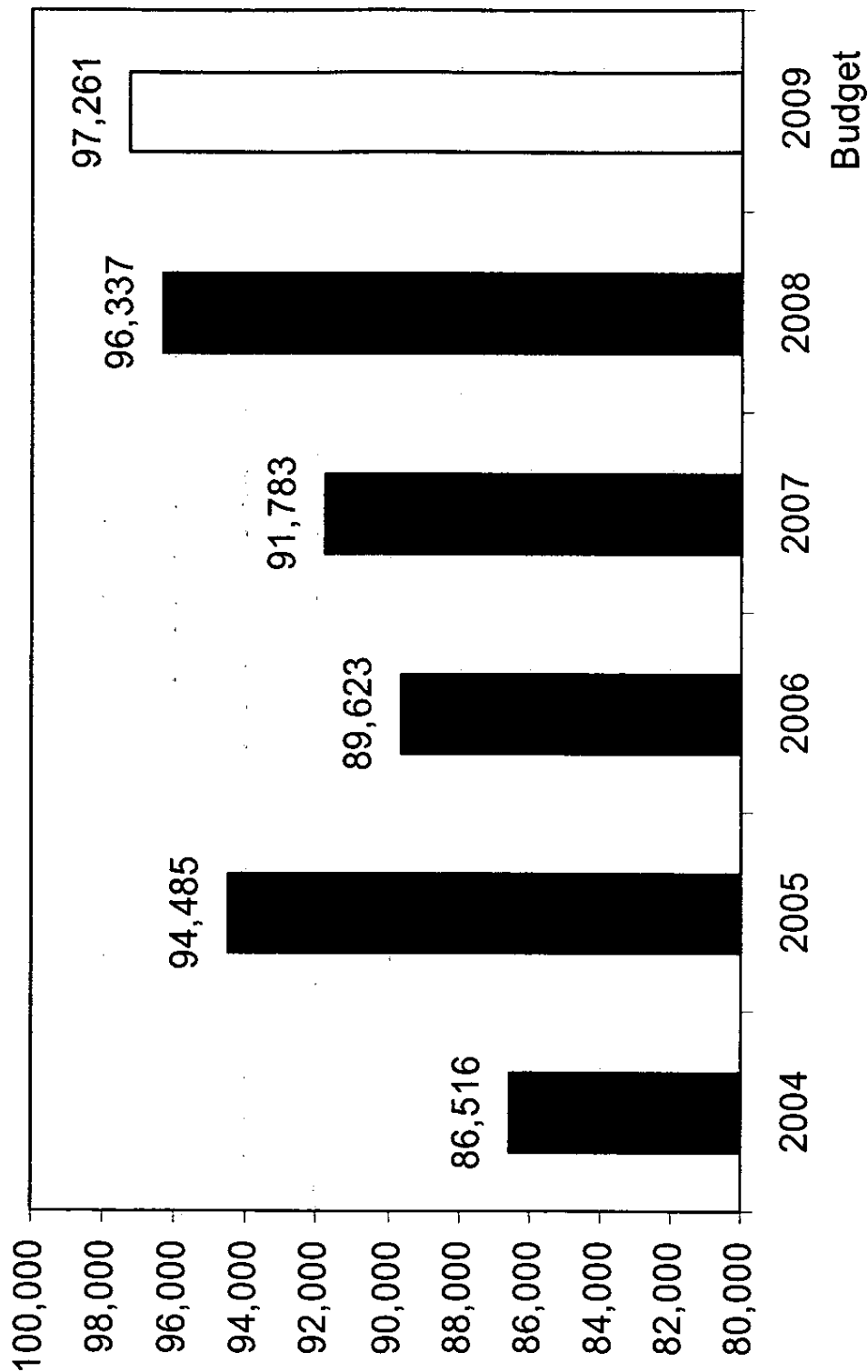


TOFC: Trailers on Flat Cars  
COFC: Containers on Flat Cars

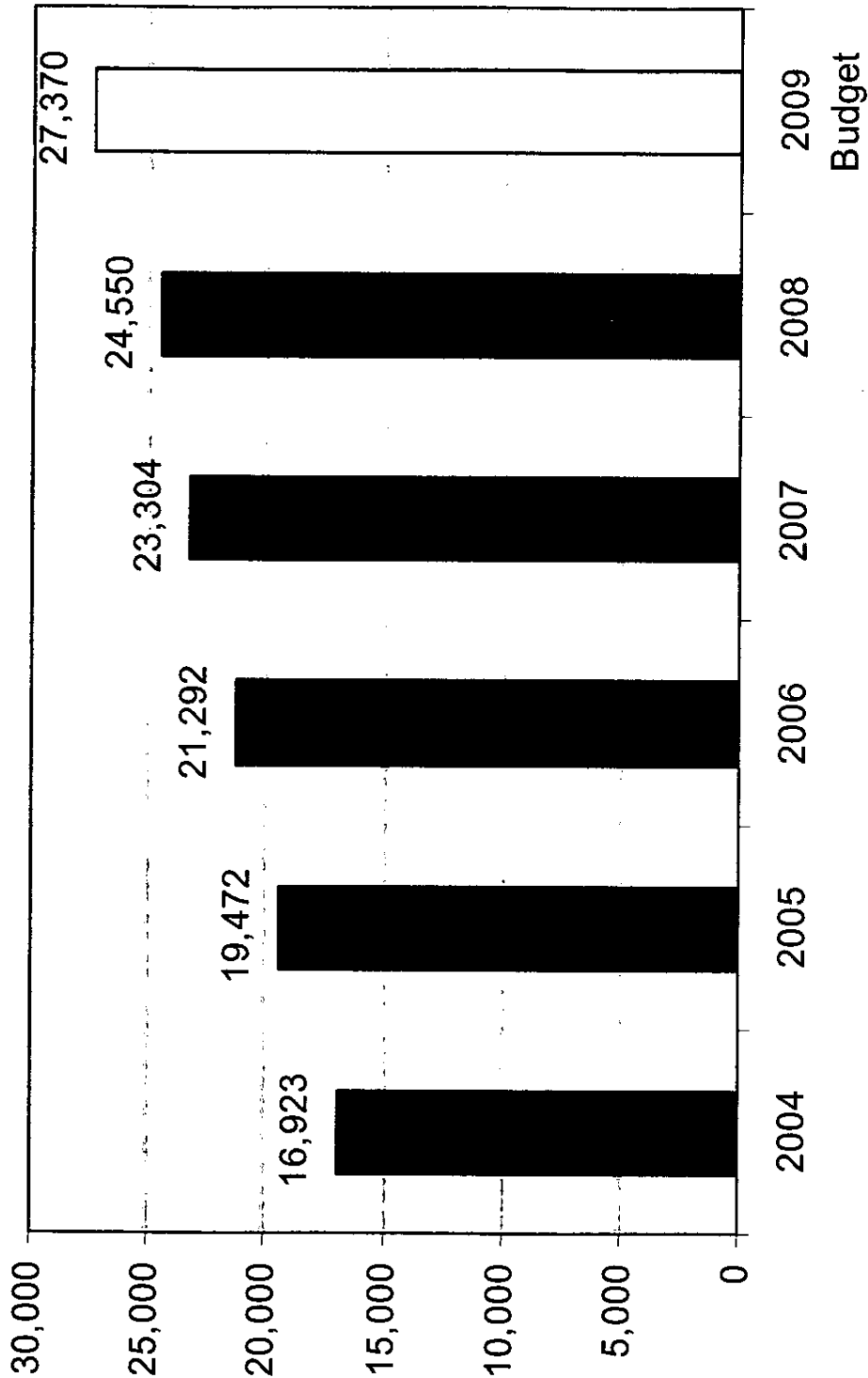


[AlaskaRailroad.com](http://AlaskaRailroad.com)

# Freight Revenue



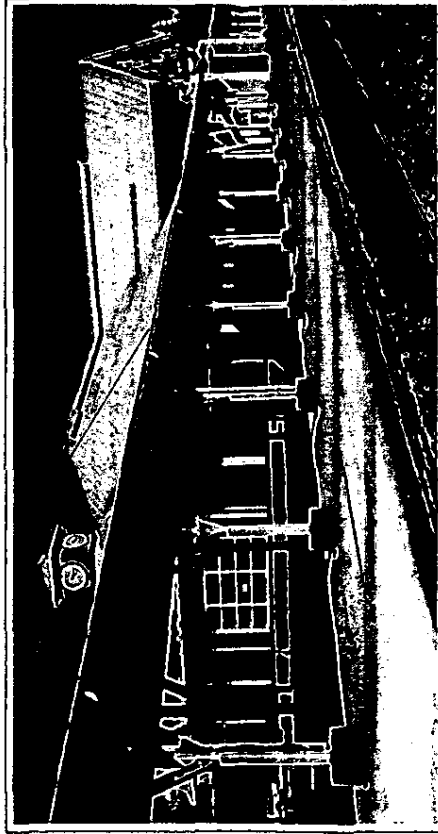
# Passenger Revenue



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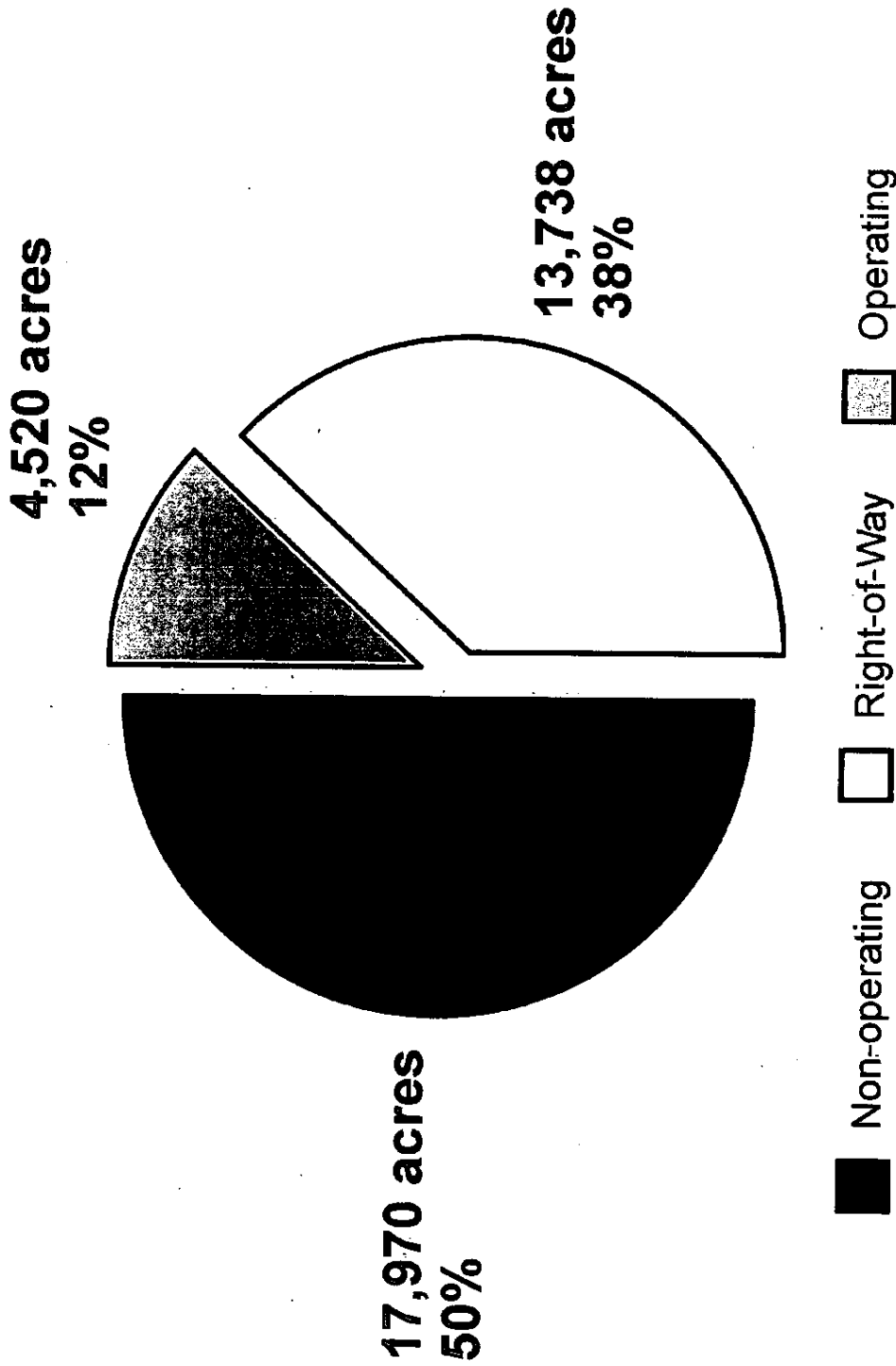
# Real Estate

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



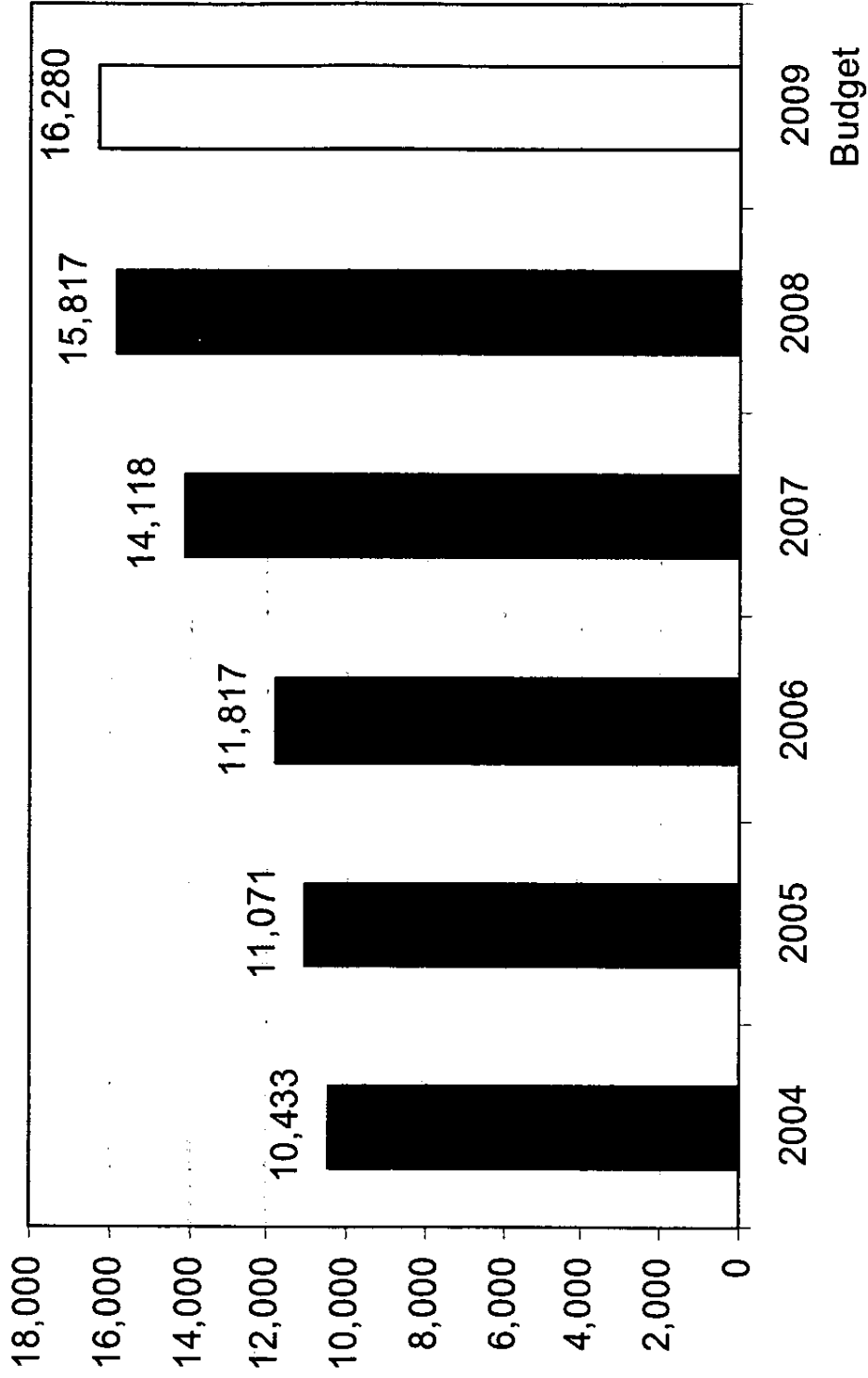
Clockwise from bottom left: New depot in Fairbanks; Ship Creek basin includes highly valuable leasable land; upland from the Seward freight dock is being developed

# Distribution of Land By Category



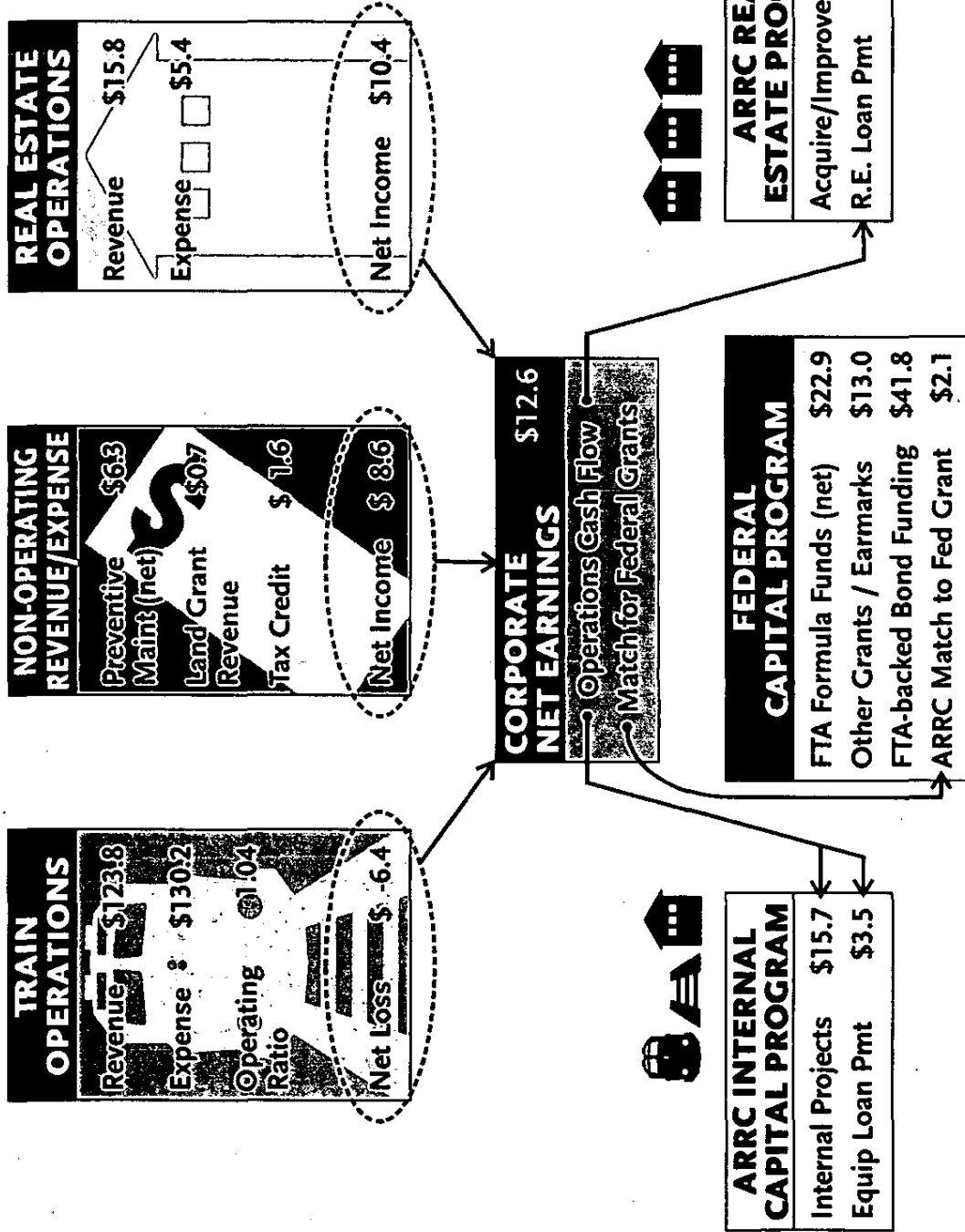
AlaskaRailroad.com

# Real Estate Revenue



AlaskaRailroad.com

# ARRC Fund Flow Model: 2008 Data



# Overall Growth Pattern

	2001	2008	% difference
Total Assets	\$ 306.0 M	\$856 M	180%
Total Earnings	\$ 6.6 M	\$ 12.6 M	91%
Total Revenue	\$ 105.0 M	\$ 138 M	31%
Passenger Train Starts	771	839	9%
Freight Train Starts	3,386	2,524	-25%
Freight Cars and Intermodal Units Moved	96,453	92,190	-4%
Capital Investments	\$ 67 M	\$ 135 M	101%
Employees (FTE*)	788	897	14%

\* FTE: Full Time Equivalent. Accounts for seasonal and capital project jobs; includes overtime.

Passenger Bi-level Dome Cars (4 to 6) 50%



# Capital Projects

## 2009 Program Major Projects



# 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.



# 2009 Capital Budget

- \$785 million+ in federal grant money received since 1996, including \$109 million budgeted for 2009:
  - \$60 million Department of Defense (administered through FRA)
  - \$15 million Federal Transit Administration (FTA)
  - \$31 million from Bond sales (repaid by FTA formula funds)
  - \$1 million Federal Highway Administration
  - \$2 million Federal Emergency Management Administration
- ARRC has provided \$42 million in federal grant matching funds since 1996, including \$1.3 million budgeted for 2009.
- Additional \$214 million ARRC funds spent on non-federally-funded projects since 1996, including \$29 million budgeted for 2009.
- **Total capital budget for 2009 is \$138 million**
- **Stimulus likely to add \$26 million**



# Stimulus Package Funding

## American Recovery and Reinvestment Act of 2009 Final Bill (as of February 17, 2009) Estimated Funding for ARRC

Funding Pot	Program Amount	Alaska Railroad
Sec 5307 Urbanized Area Formula	\$ 5,399,200,000	\$ 25,825,000
Energy Program	\$ 100,000,000	TBD
Multimodal Discretionary Funds*	\$ 1,500,000,000	TBD
<b>Total estimated increased funding from the Economic Stimulus Package</b>		<b>\$ 25,825,000</b>

\* This program is very competitive, with many criteria. Grant minimum \$20 million to maximum \$300 million.

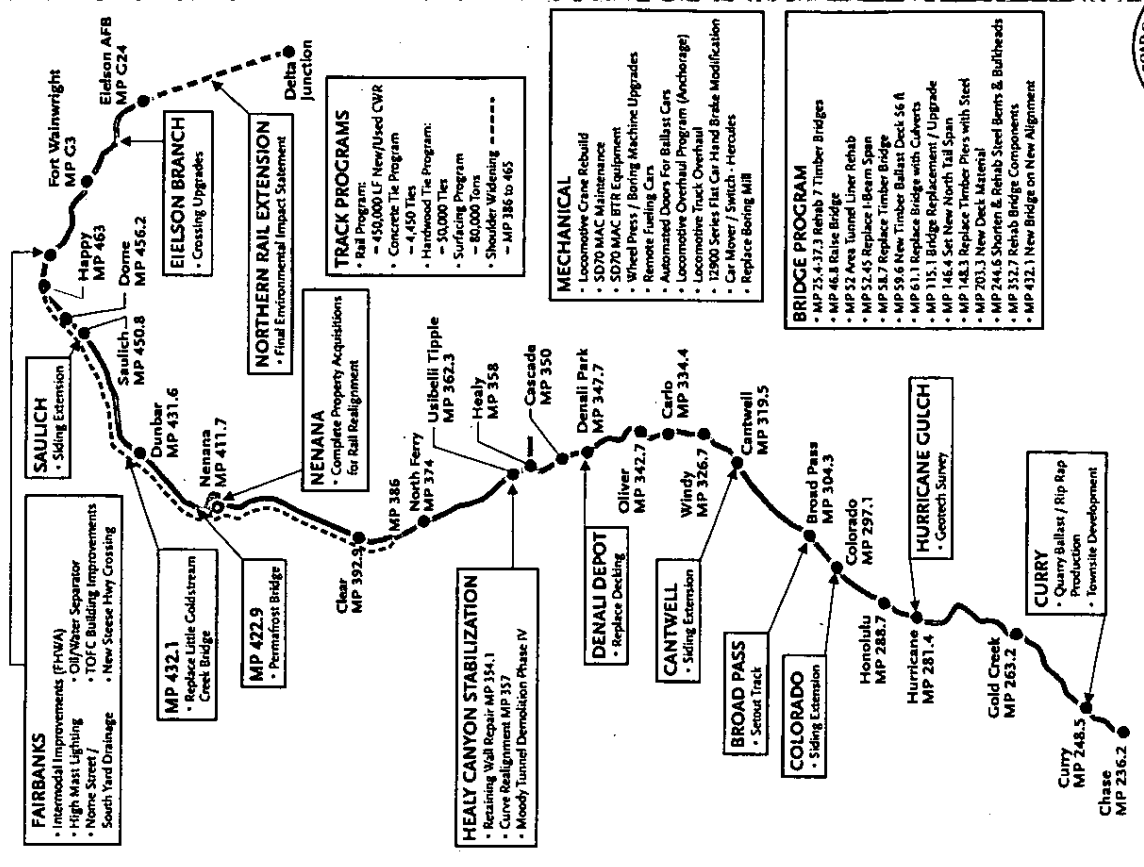
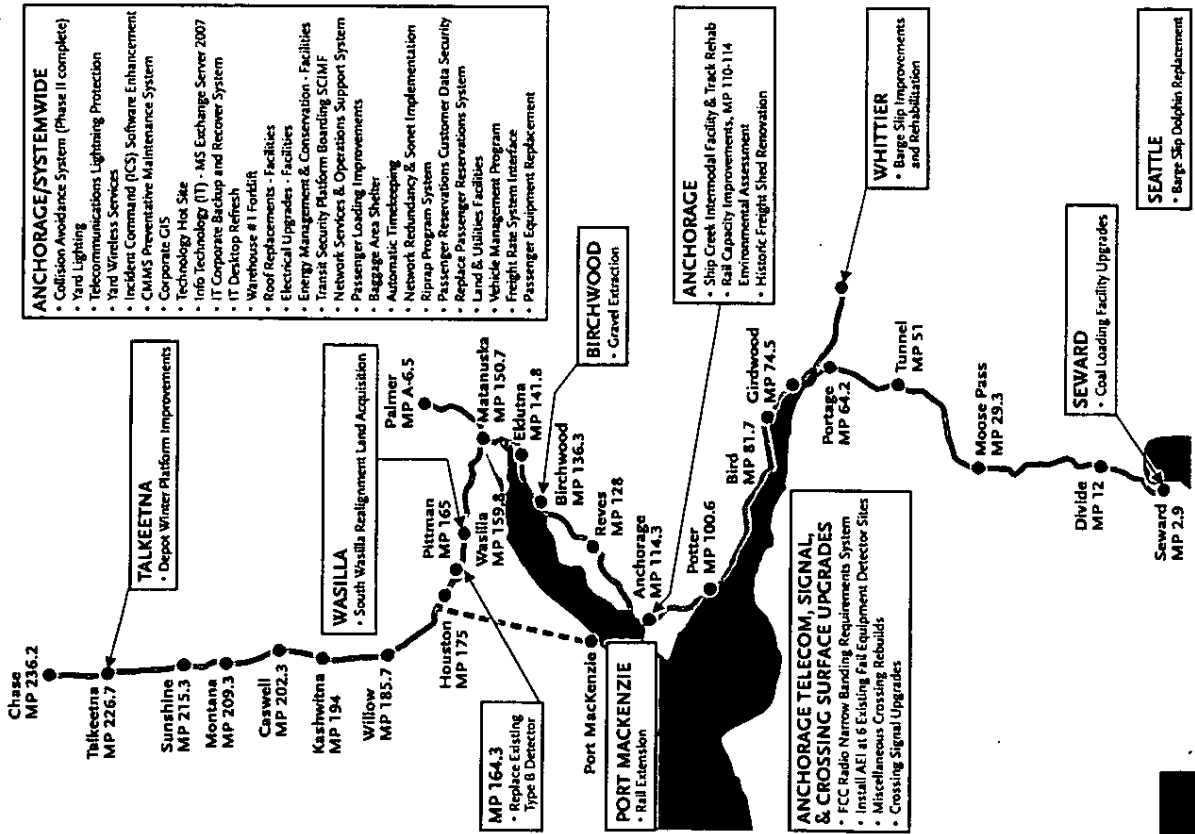


# Major Capital Categories

▪ Rail	\$	18.7 M
▪ Ties	\$	7.5 M
▪ Ballast/Surfacing/Widening	\$	3.9 M
▪ Bridges / Docks	\$	6.9 M
▪ Slope Stabilization	\$	2.0 M
▪ Track Realignment/Extension	\$	60.9 M
▪ Technology / Signal / Collision Avoidance System	\$	10.8 M
▪ Equipment/Vehicle Purchase	\$	2.7 M
▪ Rip Rap / Gravel	\$	0.8 M
▪ Mechanical / Equip Maint.	\$	3.1 M
▪ Facilities	\$	4.4 M



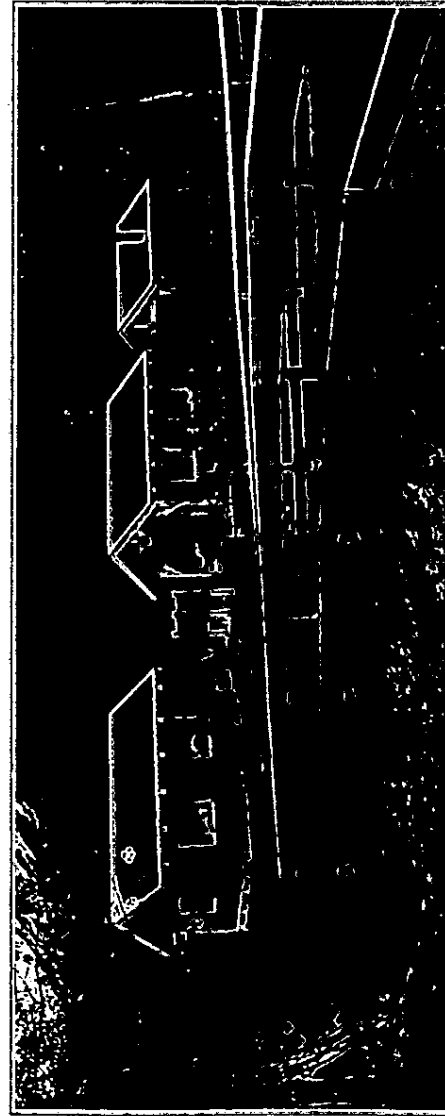
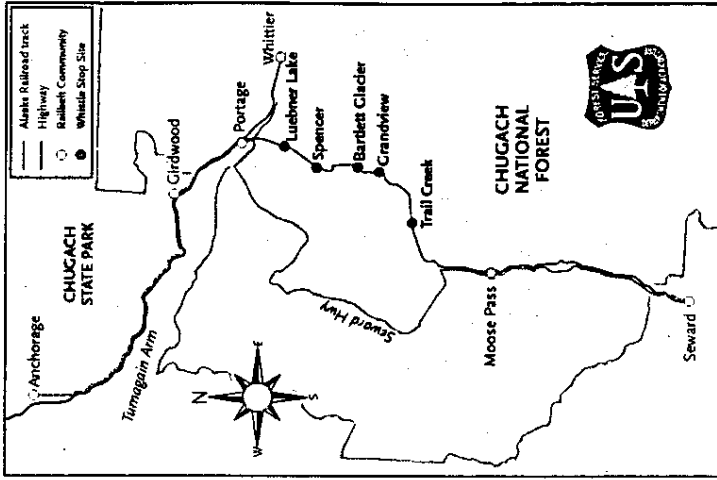
# Capital projects started, continued or completed in 2009 are all along the railroad.



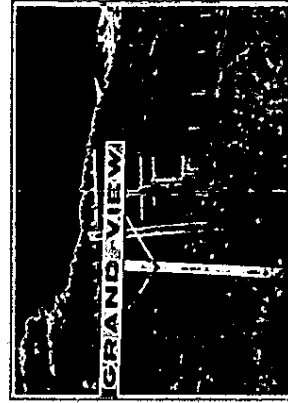
AlaskaRailroad.com

# Chugach Forest Whistle Stop

- Joint venture with Forest Service to develop camping and viewing facilities at 5 whistle stop sites, interconnected by a system of trails, along the track between Portage and Moose Pass.
- Spencer built 2007-08, with a water well to be installed in 2009. Grandview site is conceptual.
- Self-propelled railcar to be delivered early 2009.



Spencer construction in 2007



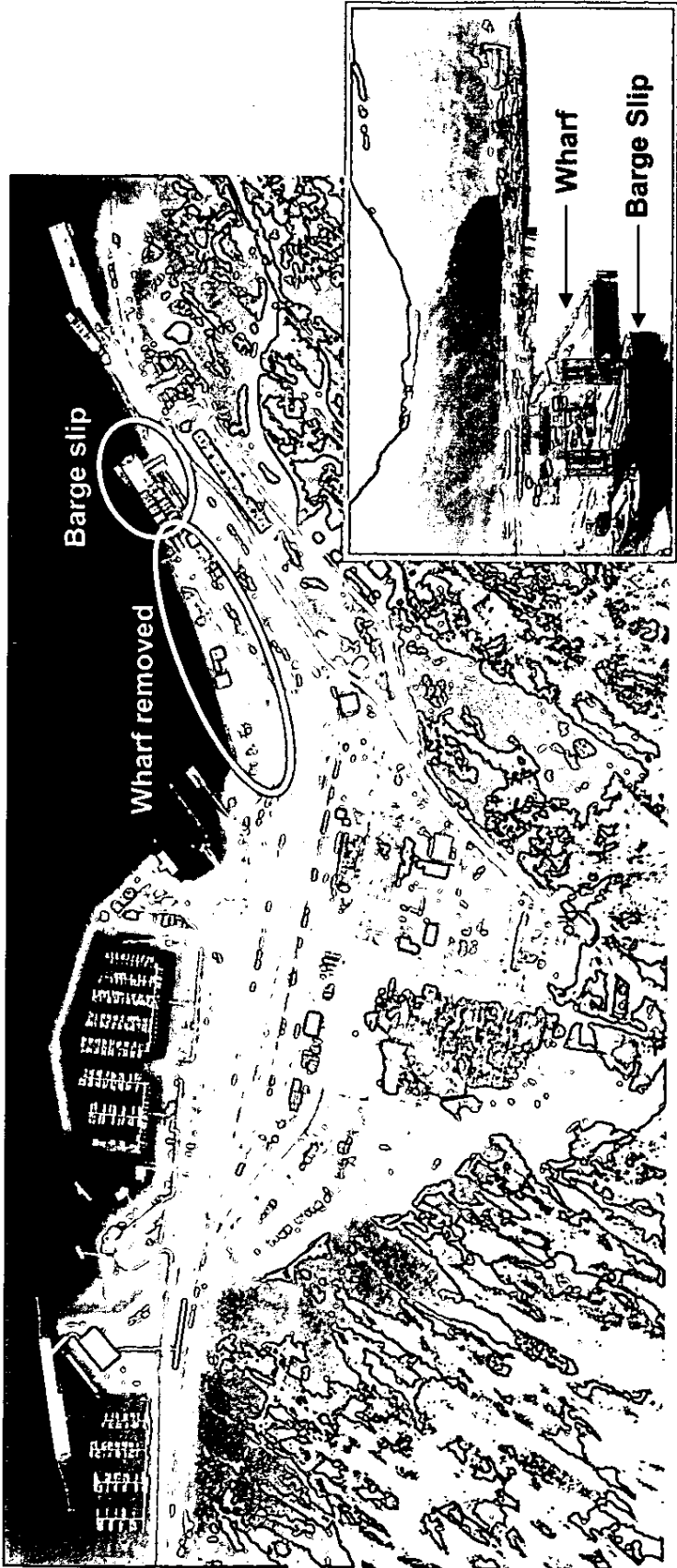
Grandview is next.



AlaskaRailroad.com

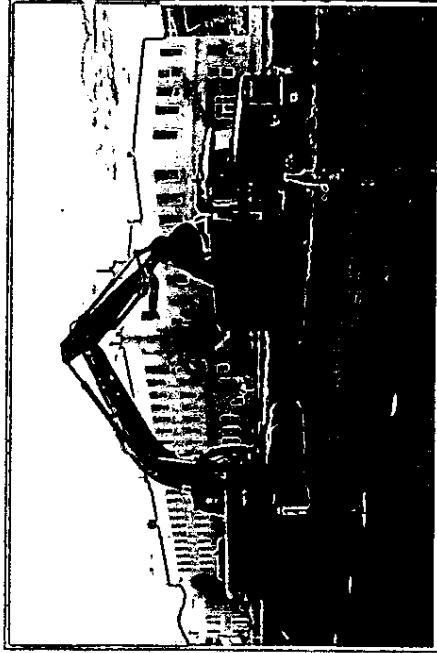
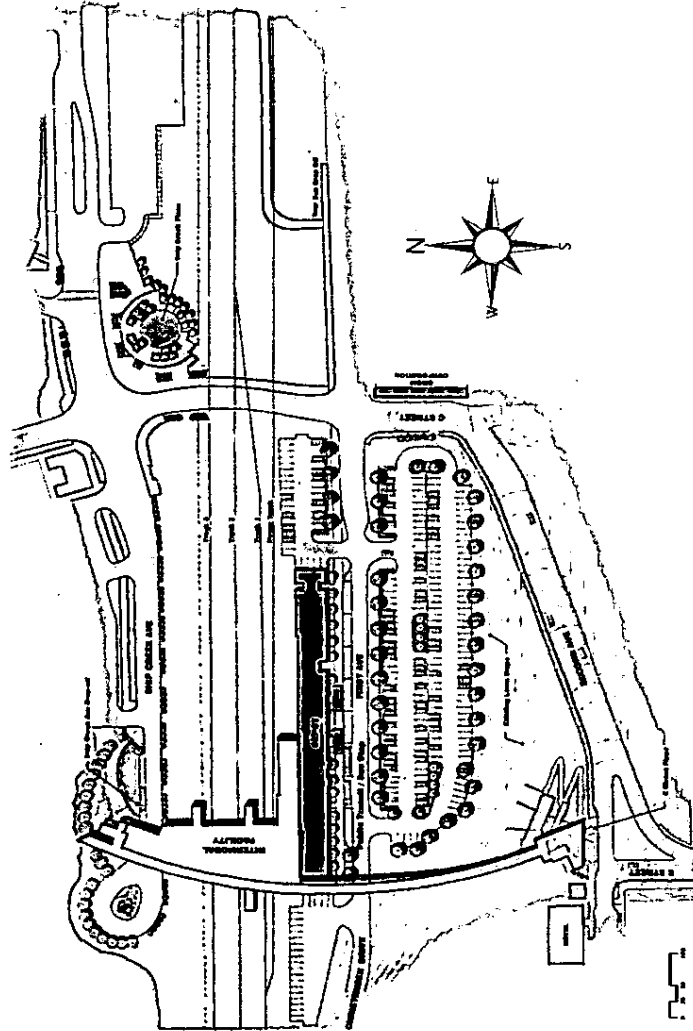
# Whittier Infrastructure

- Marginal Wharf demolished and new winch installed in 2008; Long-term plans for a passenger dock and intermodal facility.
- Freight Barge Slip repairs budgeted for 2009.

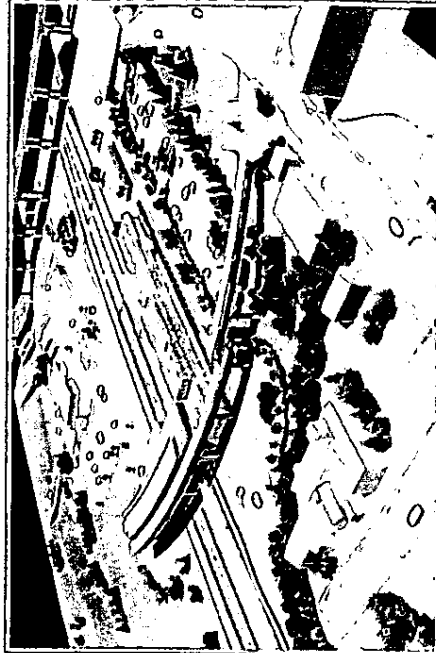


# Ship Creek Intermodal Center

- Multi-phased project to build an intermodal hub that incorporates the Historic Depot.
- Phase 1 utility and track work 2007-09.



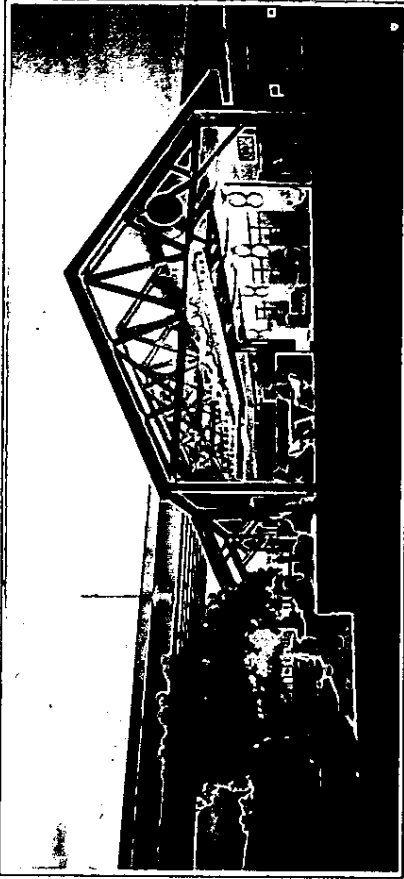
Utility and track construction



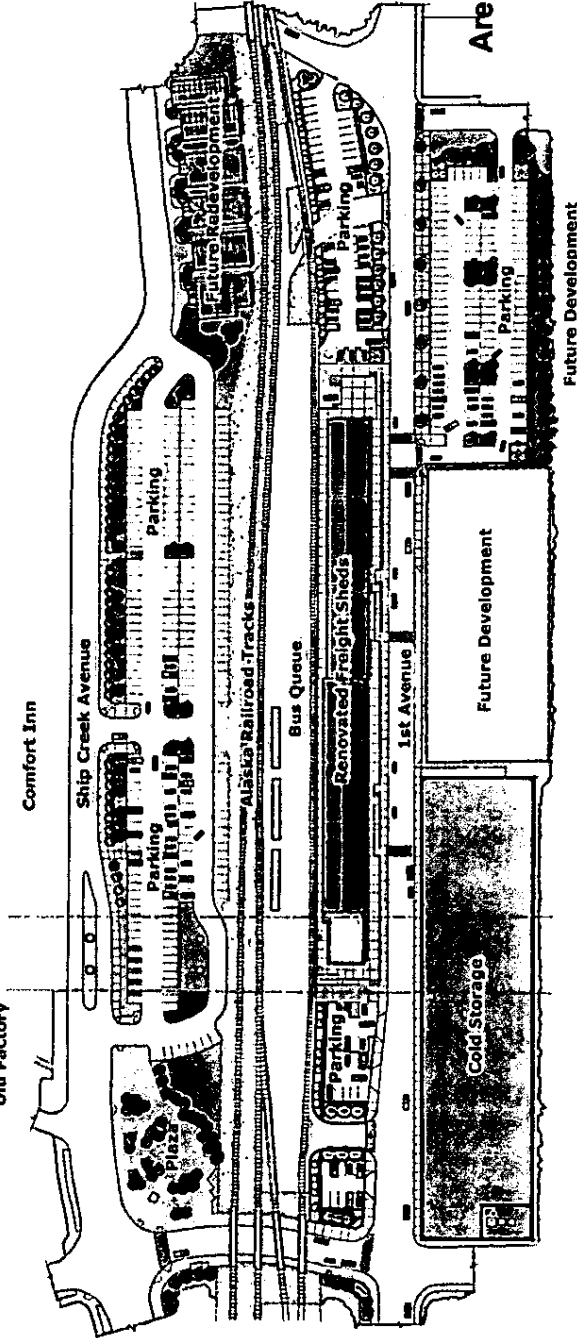
Design model

# Historic Freight Shed

- Renovate a 36,000 sf historic large timber freight shed into a LEED-certified office building.
- Green design, ample parking, raised sidewalk, downtown location. Complete in 2009.



Architect's rendition.



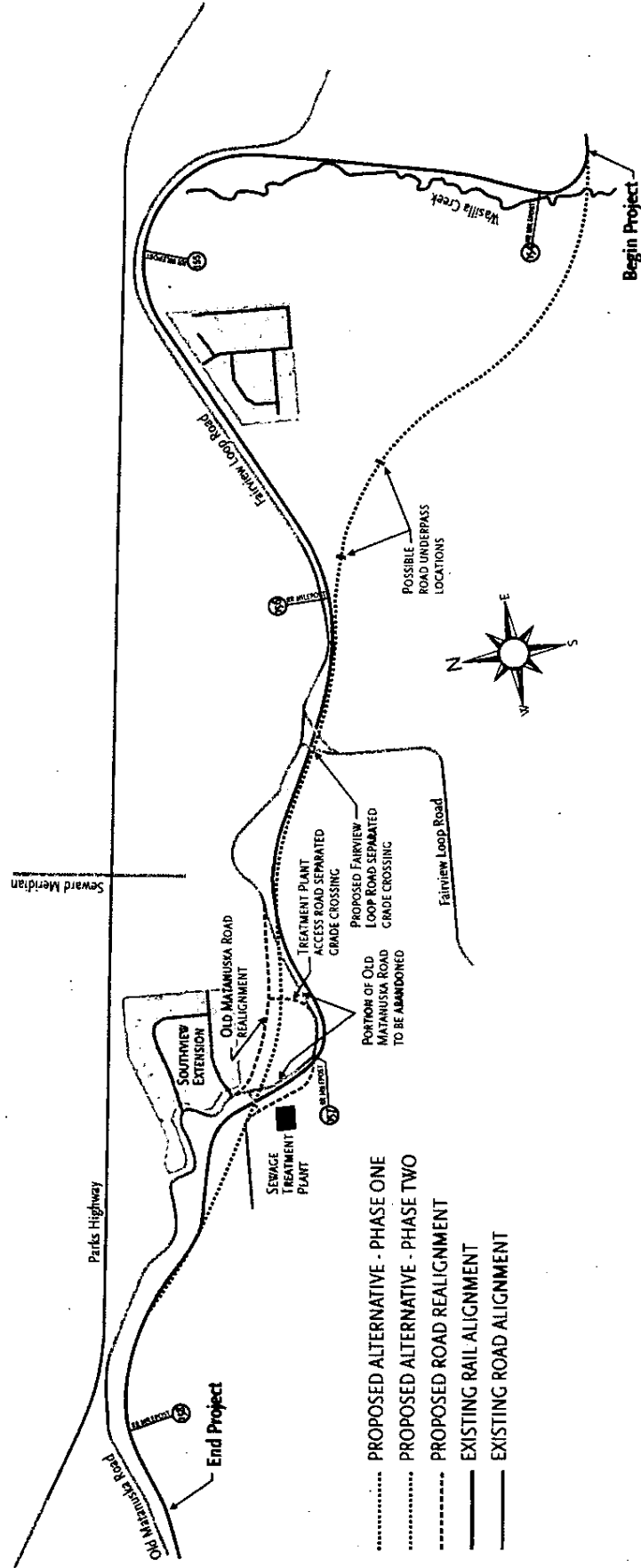
Area Site Plan



AlaskaRailroad.com

# South Wasilla Rail Relocation

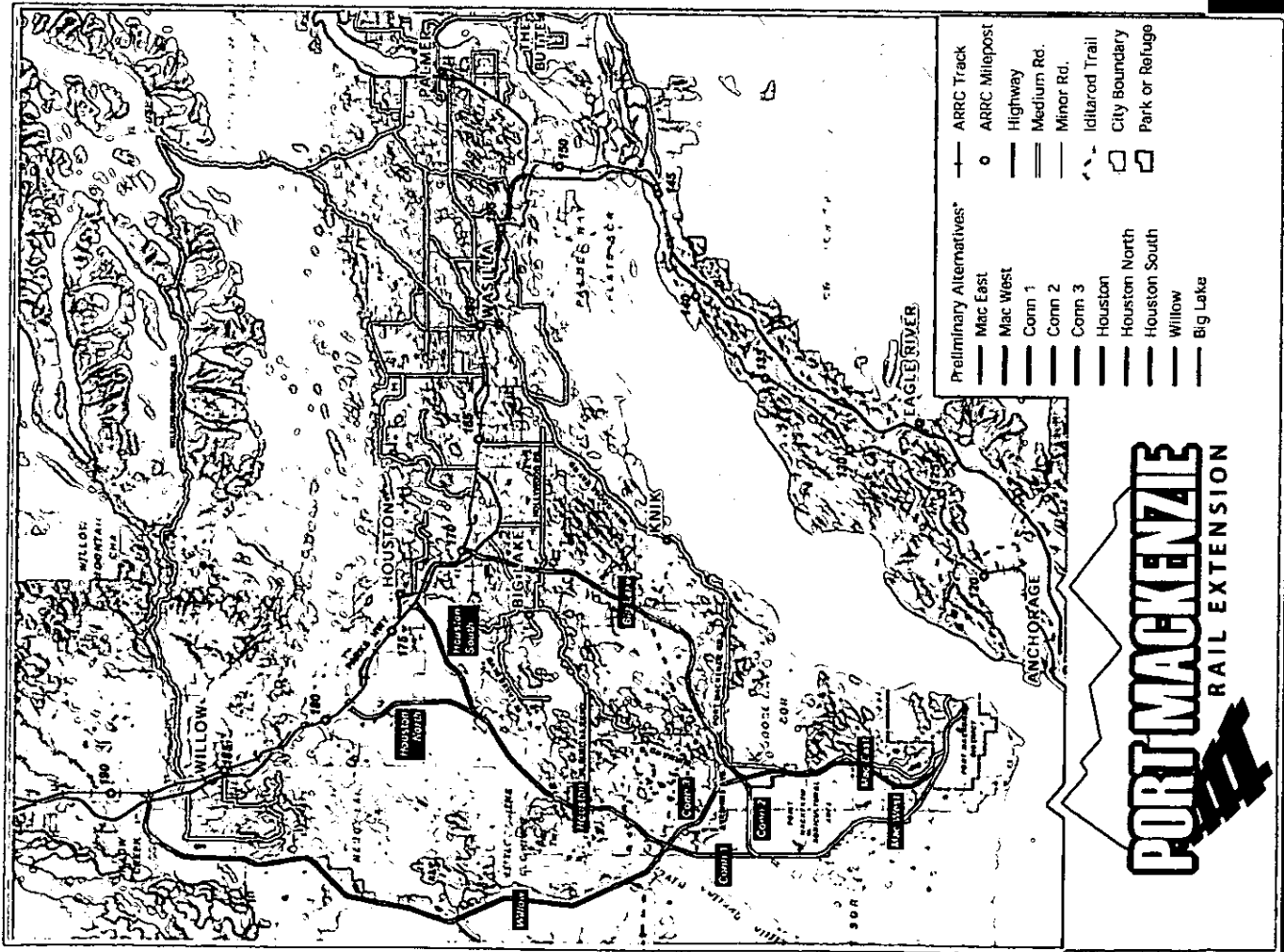
- Straighten curves along a 4-mile stretch in south Wasilla to eliminate at-grade crossings and increase track speed.
- EA complete, and new ROW land acquisition is underway. Construction cost of \$30 million is not yet funded.



AlaskaRailroad.com

# Port Mackenzie Rail Extension

- Construct a 30- to 45-mile rail line to connect the port to the main line.
- Sponsored by the Mat-Su Borough, with \$27.5 funds allocated to date by the State Legislature to fund an EIS.
- Surface Transportation Board (STB) is overseeing EIS.

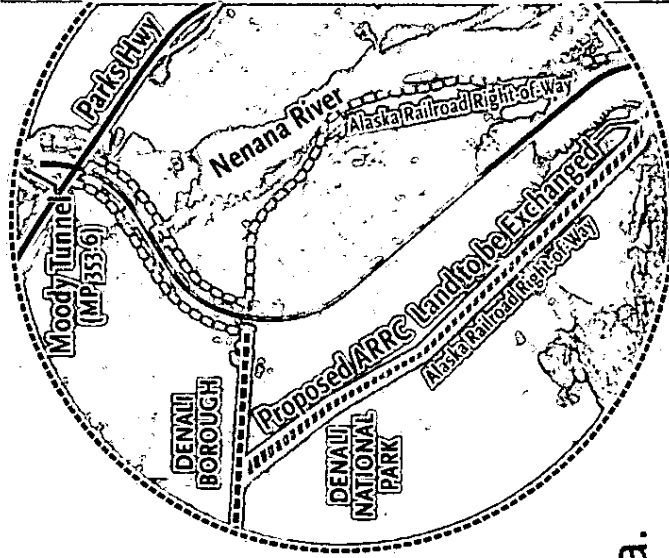


**PORT MACKENZIE**  
RAIL EXTENSION

AlaskaRailroad.com

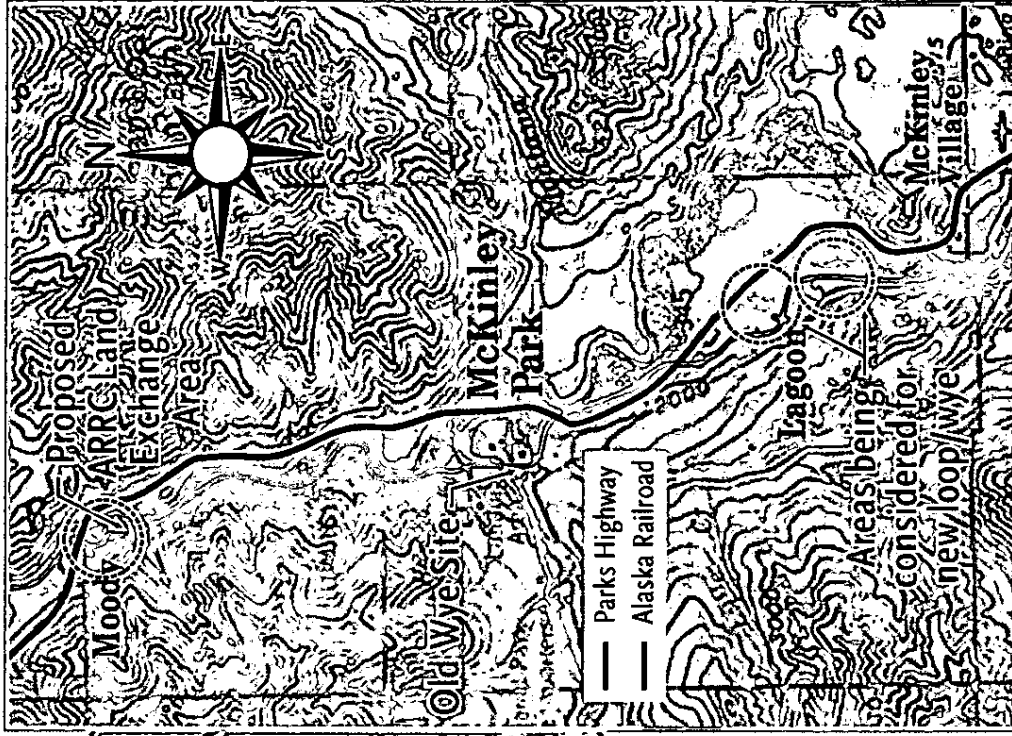


# Denali Park Turnaround Track



Re-establish a loop or wye track to allow passenger trains to turn around in the Denali Park area.

Conceptual engineering recommends a small land exchange, which requires Congressional and Alaska Legislative approval. The National Park Service is preparing the environmental document.



AlaskaRailroad.com

# Healy Canyon Stabilization

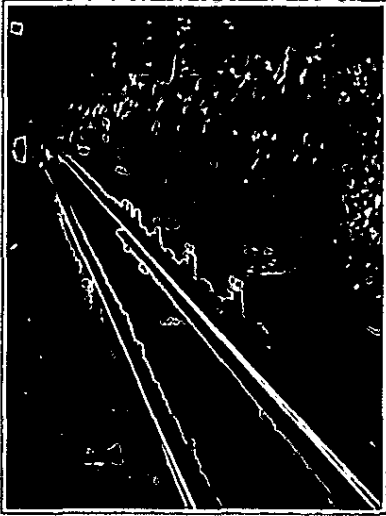
- Series of projects to stabilize track bed, control rock falls, reinforce tunnels and realign the track.
- 2009 Program: **\$900,000**. Moody Tunnel Phase 4



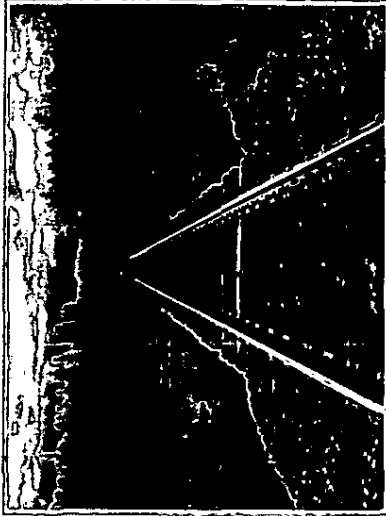
Moody Tunnel before and after a final blast to remove the top in April 2008.

# FEMA: Track Flood Repair

- In August 2008, three Alaska rivers overflowed, flooding several communities, such as Nenana, where road and rail were submerged.



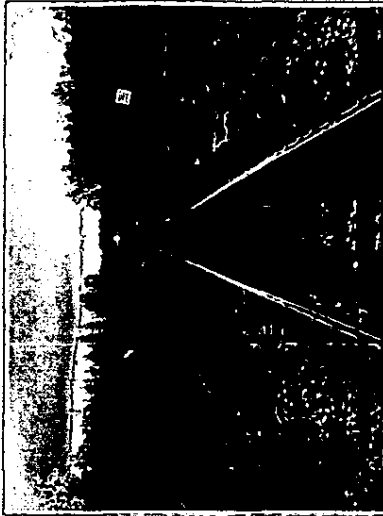
Flood waters flow over the track.



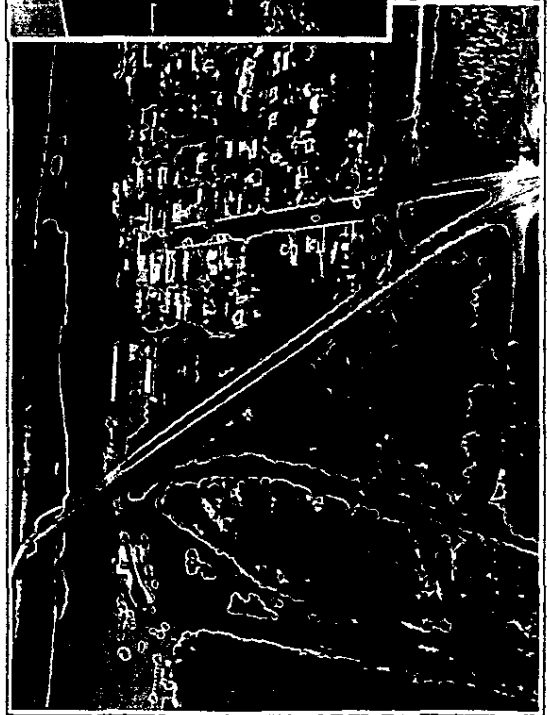
Track bed and ballast washout.



Left: Aerial view show road and rail submerged near the bank of the Nenana River.  
Above: Submerged rail.



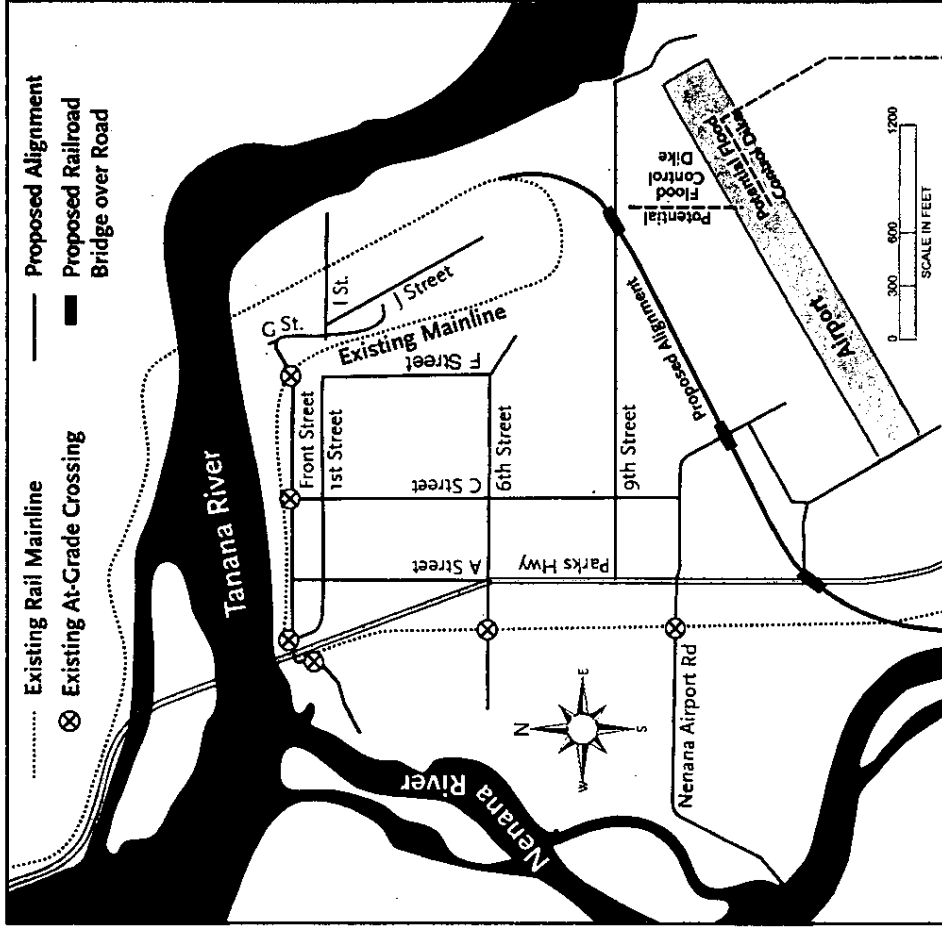
Work trains respond immediately to repair the washouts and other serious track damage.



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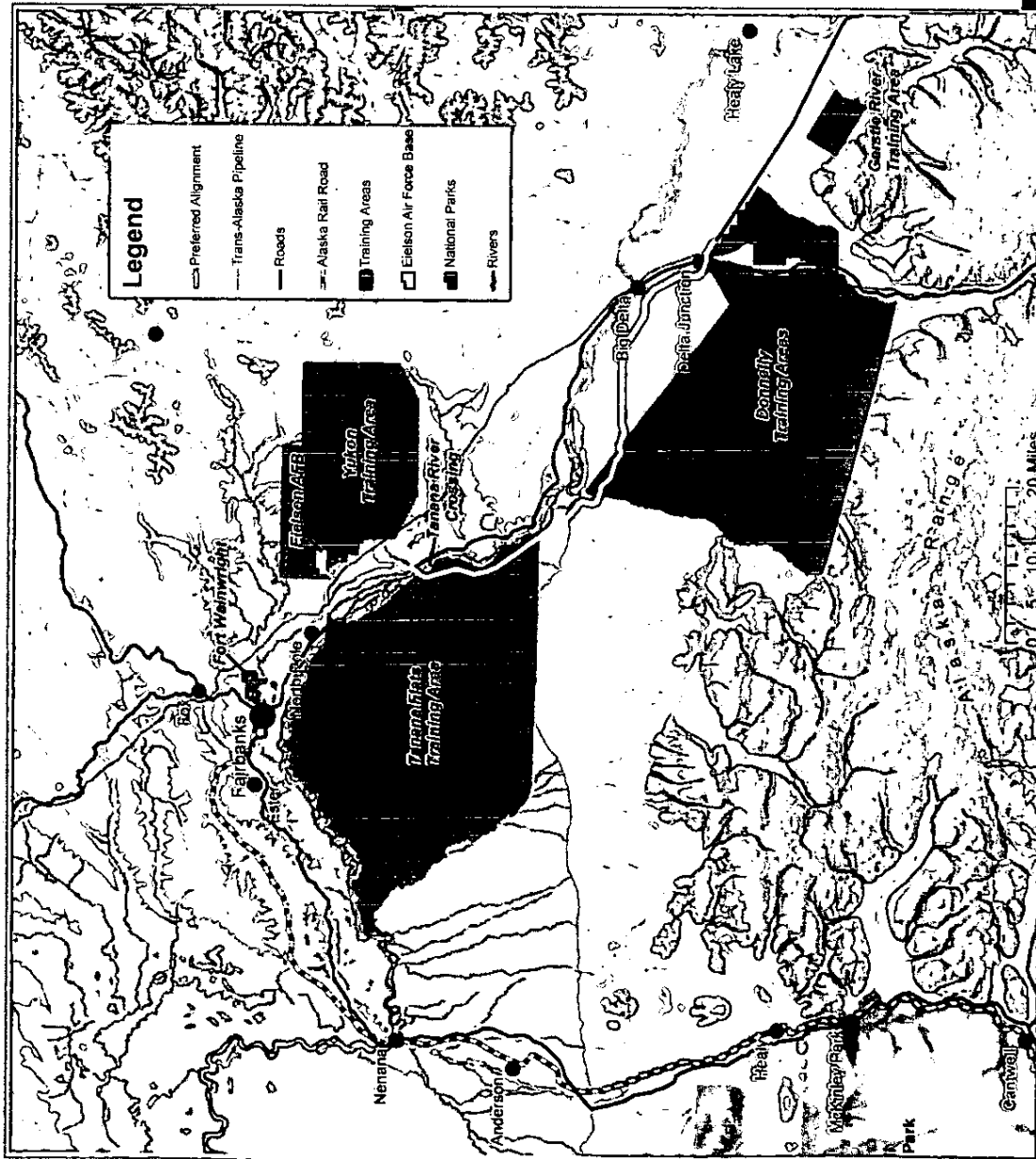
# Nenana Rail Realignment

Started in 2008 the project seeks to relocate the tracks around downtown Nenana. The EA was complete in 2004. Right-of-way land acquisition will be complete in 2009. Construction estimate of \$25M is not funded.



# Northern Rail Extension

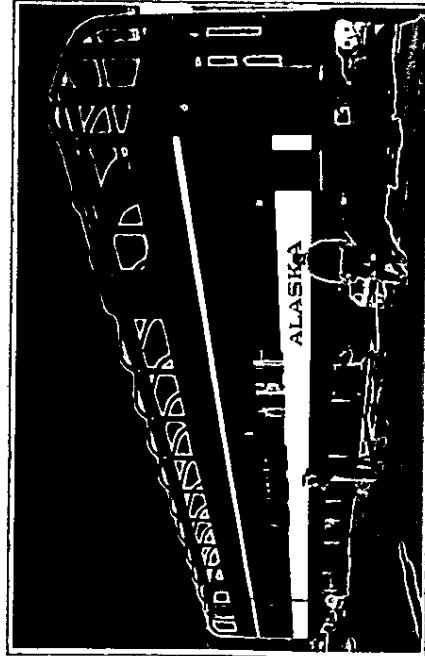
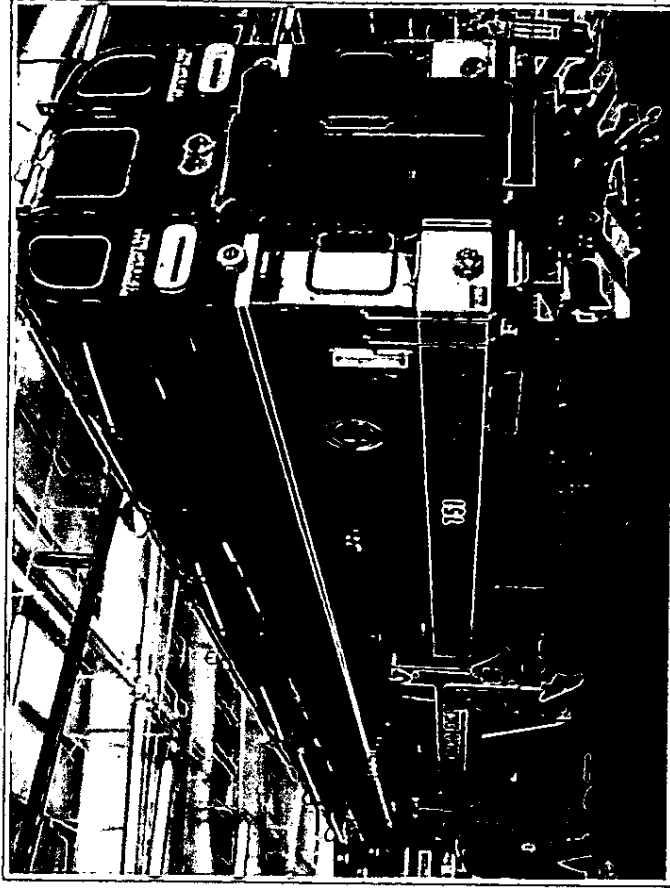
- Construct an 80-mile rail line between North Pole and Delta Junction
- Surface Transportation Board (STB) released draft EA for public comment in December 2008
- STB decision expected in 2009



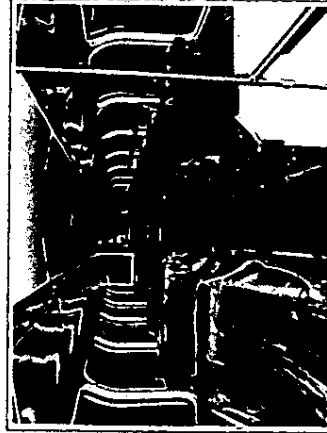
AlaskaRailroad.com

# Passenger Rolling Stock

- Colorado Rail Car built one self-propelled DMU and two bi-level railcars for 2009 service.
- Additional Passenger Equipment rehabilitation scheduled for 2009.



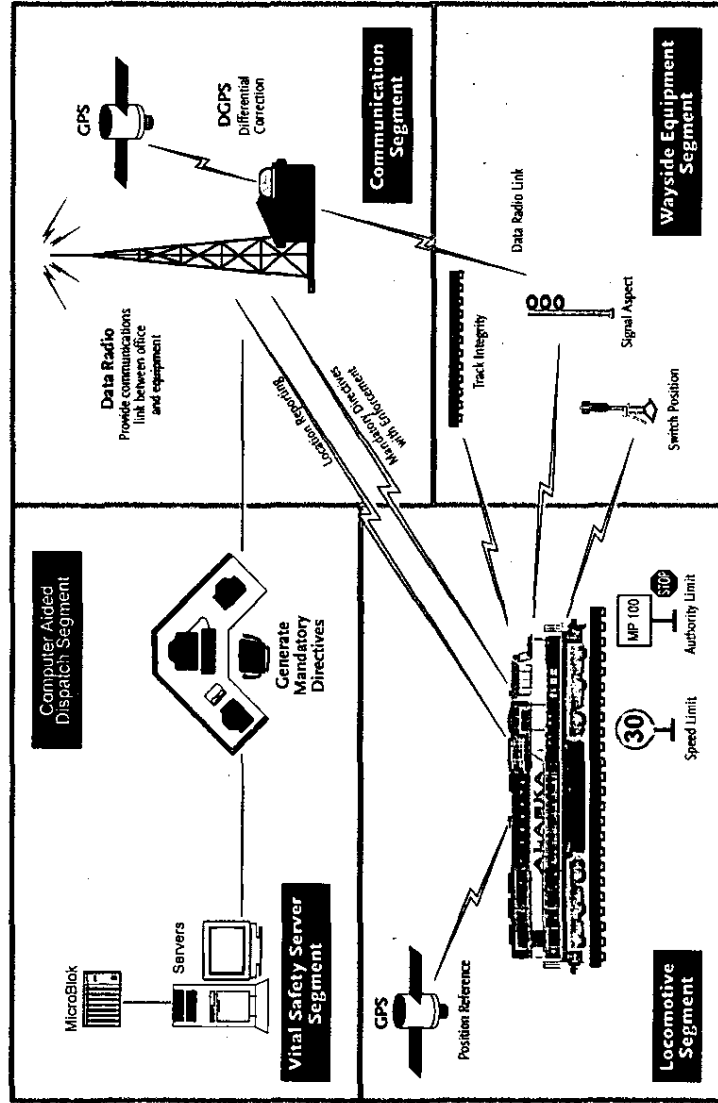
Two bi-level dome cars were delivered for GoldStar first-class service in 2009.



Delivery of the new DMU for service in 2009.

# Collision Avoidance System

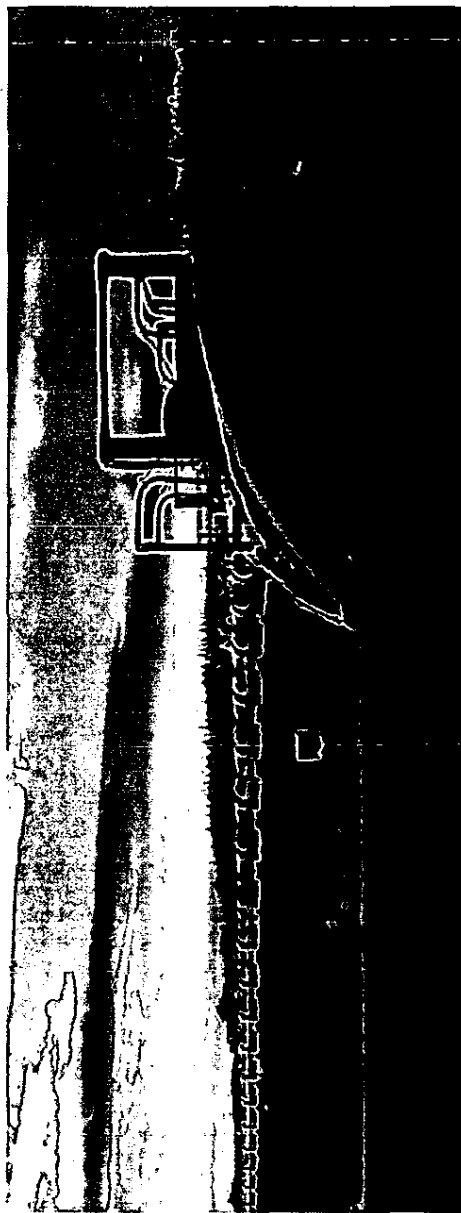
- Multi-phased project to develop and implement a train control system that greatly reduces the risk of human error.
- Integrates a computer aided dispatch system, locomotive on-board computer system, GPS locator, track-side detection devices and a dedicated communications network.



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# 1st Five Year Plan



2002 - 2006



# Here Is What Guides Us



**ALASKA RAILROAD COMPANY**  
**EST. 1906**

## STRATEGIC PLAN

**MAY 2007**

<b>2</b>	<b>PRESIDENT'S OVERVIEW</b> Setting the tone for this working document	<b>5</b>	<b>FOUNDATION</b> History, early vision & current competencies	<b>7</b>	<b>ARRC TODAY</b> Assessing where we've been, what we're doing now	<b>11</b>	<b>MILESTONES</b> Operational benchmarks and forecasts	<b>15</b>	<b>LANDSCAPE</b> Factors impacting the railroad environment	<b>20</b>	<b>5-YEAR STRATEGIC PROGRAM</b> Key components and supporting initiatives
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# The Methodology: Effects Based Thinking

- A way to help stay focused on the strategic level
- What is the high order effect we are trying to achieve?
- Formulate the desired outcome first, freeze it, then consider only the timely, affordable, relevant paths that can get you there



# Components of ARRC Planning

- **Strategic Level – “Forest”**
  - Describing the desired corporate outcome ... effects
- **Operational Level – “Trees”**
  - Major independent elements which jointly compromise the desired outcome.
- **Tactical Level – “Weeds”**
  - Bits and pieces that compromise each operational element.
  - ARRC project list goes here.



# Desired Strategic Effects

- Continue to improve safety
- Recruit, train, and retain quality employees
- Establish effective railroad security
- Improve financial soundness
- Improve productivity
- Build constructive community relationships
- Position for growth and sustainability



# Productivity

- **A product of:**
  - People x Stuff**
- Both need attention if you are trying to maximize the outcome
- Depends upon the concept of “balance” across the entire company, regardless of job
- The more employees “feel the love”, the more productivity you gain



# Productivity Comes From Satisfied Employees, But We Had ...

- No 401K match
- No retirement health care account
- Unhappiness over profit sharing
- Working conditions/quality of life needs repeatedly deferred ... failing to make the cut in the capital budget
- Extensive wage tiers creating resentment
- Guard/reserve considerations outdated
- Corporate training program lacking
- Sick leave abuse rampant

**Conclusion: We needed to do much more**



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# Tactical Activity: We Began Budgeting to Improve Productivity

- Pay
- Benefits
- Workplace tool modernization
- Break/Rest Areas
- Workplace facility improvements
- Recruiting
- Schedules
- Rewards
- Training
- Mentoring



**First Five-Year  
Plan  
Achievements**

**2002 - 2006**



# Safety

- Incident Command Center created
- Response plan, training, field exercises
- Employees create a user friendly Safety Manual
- National Safety Employee of the Year
- Harriman Award

Four record years out of last six

2006 Best Ever !!



# Safety (continued)

- 65% reduction in FRA reportable injuries
- 72% reduction in derailments
- ARRC FRA reportable train accidents 82% below US Railroad average
- Employee lost time down 60%

Wholesale Change in Safety Culture



AlaskaRailroad.com

## External Affairs

63% → 85%

- ARRC public opinion poll approval:
- Six favorable bills passed in Juneau
- Employee Recognition Program started
- Corporate Branding Program started
- Moose Salvage Program started
- Rebuilt Corporate “Charitable” Giving program, ARRC external website, All Aboard, Community Ties newsletters
- Created Dispatch, Tenant Ties newsletter
- Community outreach visits increased to over 1,000/year
- Sea Train ... All Anchorage 5<sup>th</sup> graders to Sea Life Center
- Conducted 3 employee cultural surveys (2002, 2004, 2008)



# Corporate Recognition

## Corporate Awards

- 2004: Public Relation Society of America (PRSA):
  - Award of Excellence for 2004 Annual Report
- 2005: International Silver Davey Awards:
  - Consumer Magazine Advertisement – Industrial Strength
  - Print Collateral Annual Report – Alaska Railroad Annual Report
  - Print Collateral (safety advertisement) – Planes, Trains



# Corporate Recognition

## Marketing Sales & Service Awards

- 2003: Seven awards given from *Onboard Services*. Overall best Railroad; 1st place in safety, Equipment, entertainment, uniforms, and food services; 2nd for onboard services.
- 2004: Rob Halpin receives Distinguished Service Award from National Defense Transportation Association



# Corporate Recognition

## Operations Awards

- 2005: Dwight West for Safety Person of the Year, American Short Line and Regional Railroad Association (ASLRRRA).
- 2004, 2005: “Jake” Award from the ASLRRRA for exceeding the industry safety average.
- 2006: Wasilla Chamber “Gold Award” for significant contributions to the visitor industry



# Real Estate

- New facilities brought on line
  - Airport, Denali and Fairbanks Depots
  - Anchorage Operation Center
  - Consolidated Projects and Signals Building
  - Facilities Maintenance Shop
  - Seward Intermodal Facility upgrades
  - Railroad Police / Security Building
  
- Ship Creek property development continues
  - The Bridge
  - C-Street Park
  - Paved parking lots, curbs, landscaping
  - Purchased Railroad HQ building
  - Trail improvements
  
- Fairbanks Terminal/Yard Heat Conversion Project completed...coal fired boiler plant shut down



# Real Estate

- Facilities department created
  - Cradle to grave comprehensive property management and maintenance
  - Owner-user concept applied
  - Standards developed for design, architecture, energy efficiency
  - \$11M account
- Real estate facilities acquisition strategy developed
  - “Bundling” for better market response, using debt



# Passenger Service

- 2008 sets another passenger revenue record
- GoldStar... first class upgraded service a big winner
- 2009: 2 New luxury bi-level coaches and a new self-propelled DMU to fit growing demand
- New charters:
  - 2007: Cruise Train and Princess “Straight to the Wilderness”
- New Services
  - 2008: U.S. Forest Service Whistle Stop – first site completed at Spencer



# Track Rehabilitation Program

2006 - 2012

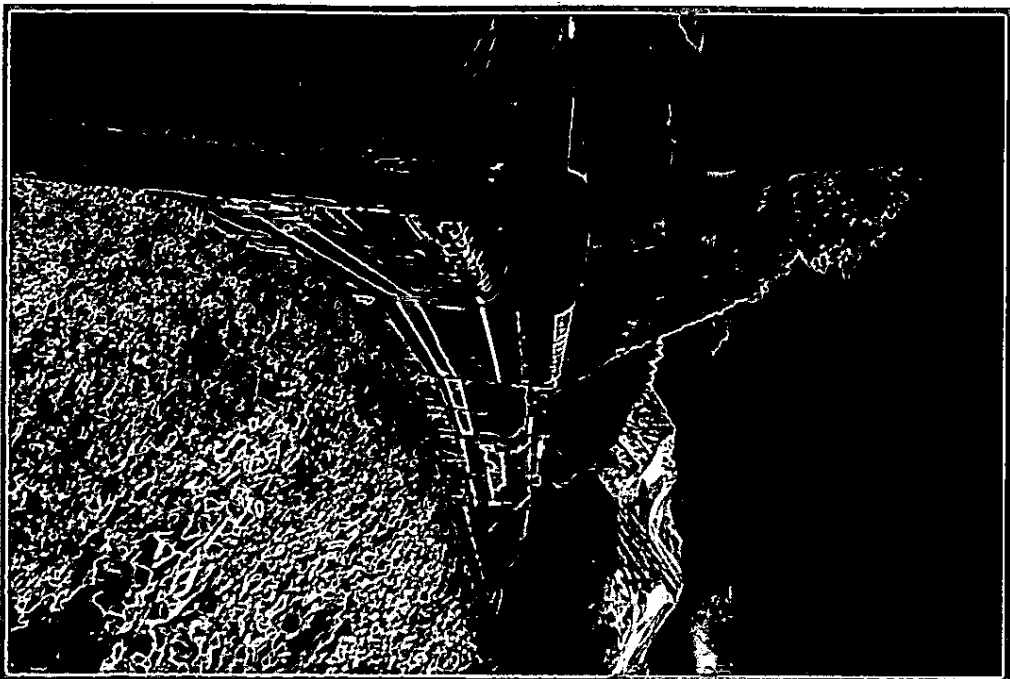
Project	2007 Actual	2001 Actual
Wooden Ties	61,052	30,600
Concrete ties	22,224	0
Welded Rail	45.72 miles	7.6 miles
Surfacing	319.38 miles	242 miles
Rail Grinding	500 miles	0
Rail Detection	2,000 miles	0
Bridge Replace/Rehab	10	6
Siding Upgrades	0	3

***Productivity!***



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# What's in Our Future?



## Second Five Year Plan

2008 – 2012

55

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# 2009 Budget: Challenges

- Core Business... train income from operations ... should be profitable
- Financial security ... betting the farm on Federal Entitlements is too risky
- Must reverse Operating Ratio trend line
- Railroad must create a culture of thrift throughout
- Railroad must improve ability to control costs despite a tough environment of seasonal demands



# Directions from the ARRC Board

- Improve Net Income from Operations and Operating Ratio in the 2009 Budget
- Look at ALL railroad areas for possible cost savings, including manpower



# Personnel Impacts, So Far

- 79 positions eliminated (attrition)
  - 39 Management (8 received layoff notices)
  - 26 Represented (attrition)
  - 14 Special Services
- 3 more management reclassified from expense to all capital
- 1 Assistant Vice President position downgraded
- 1 Assistant Vice President position eliminated
- 4 Director-level positions eliminated



# 2009 Revenue Wild Cards

## Possible Gains

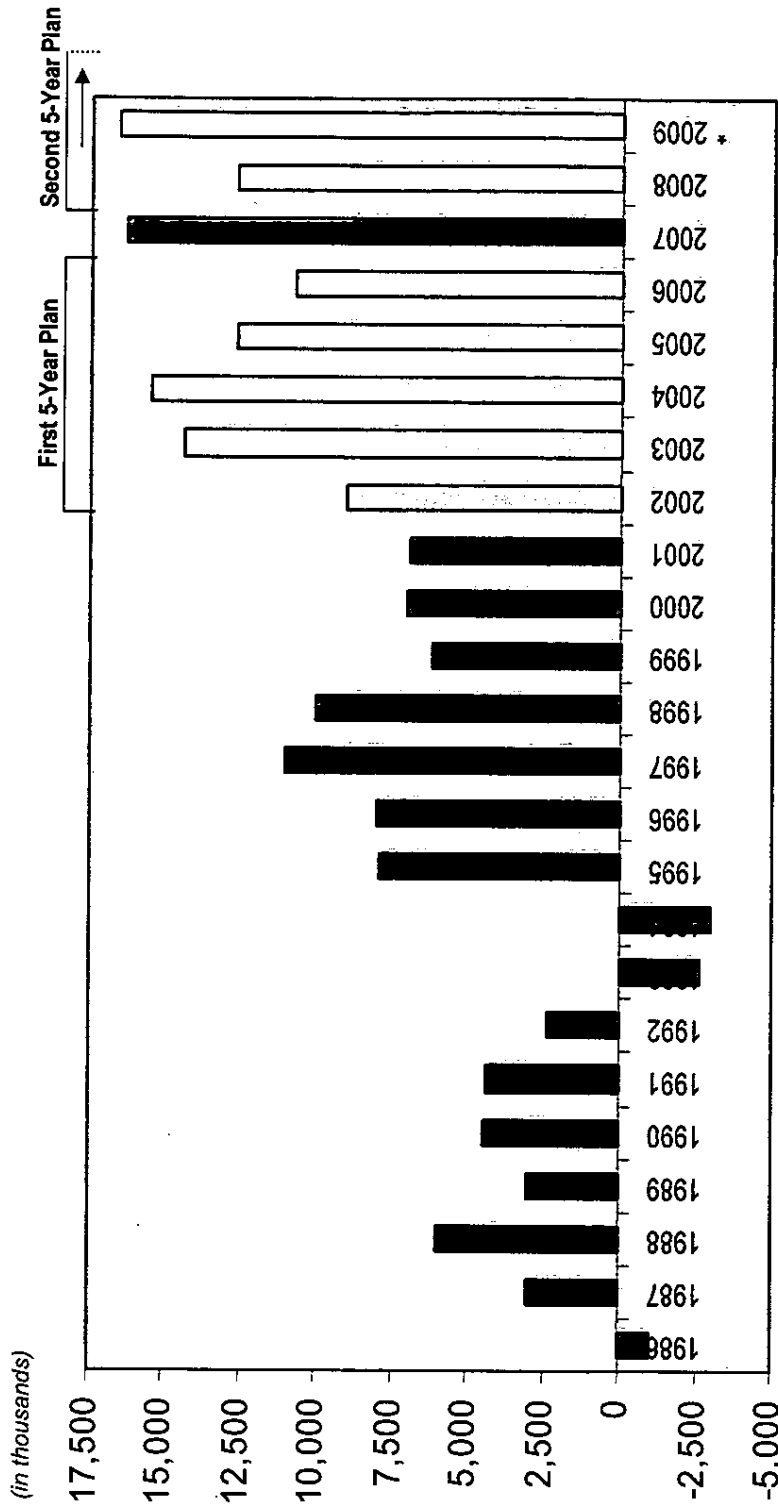
- Gravel
- Coal
- Pipe

## Probable Losses

- Petroleum



# Forecast Impact on ARRC Corporate Net Income



\* 09 - Budget



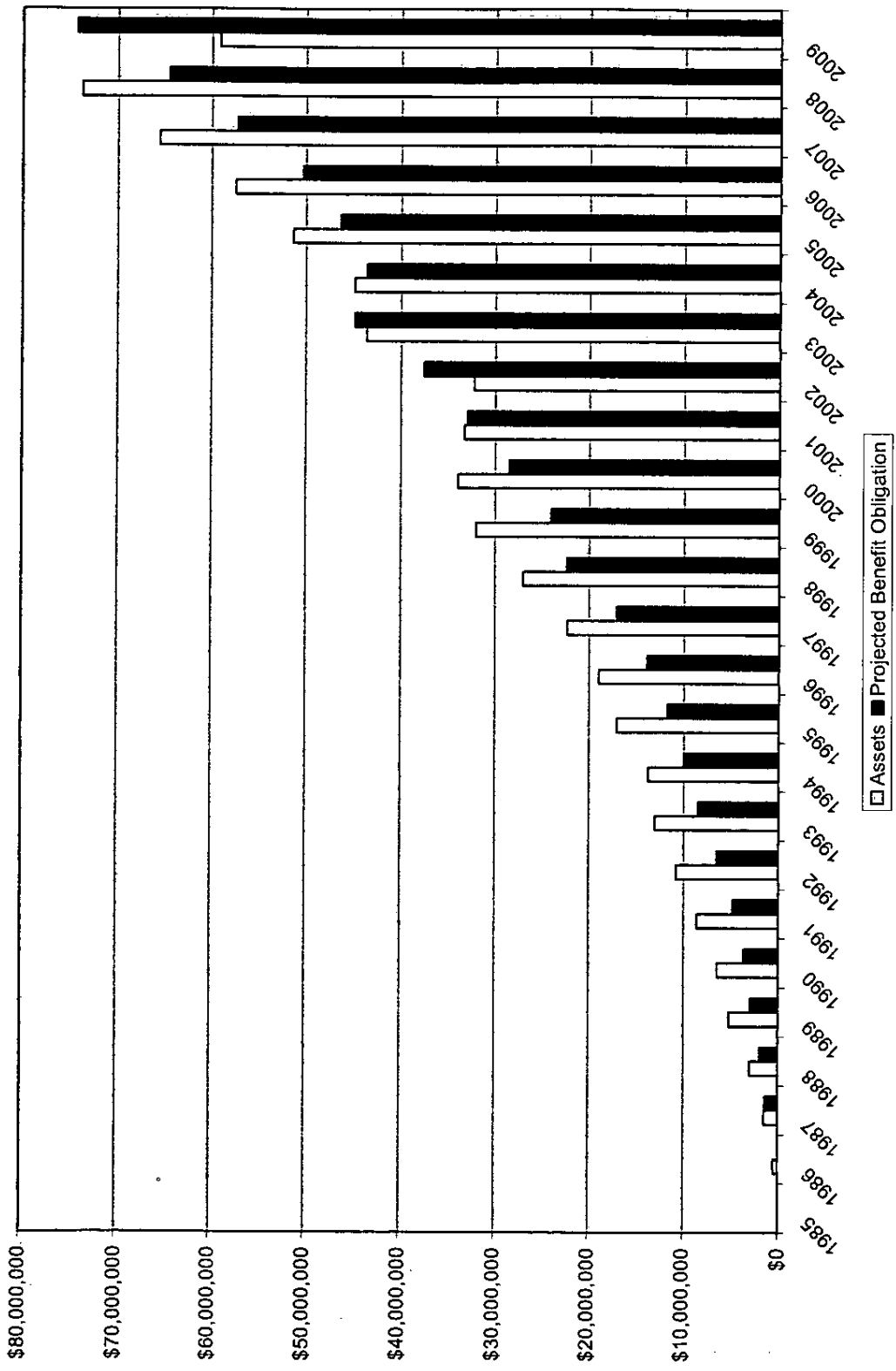
AlaskaRailroad.com

# 2009 Status of Benefit Trust Funds

- Defined benefit pension trust fund totaled \$59.8 million
  - Down \$13.8.1 million from year end 2007
  - Liability exceeds funding by \$15.1 million (79.6% funding ratio)
- Retiree medical trust fund totaled \$19.0 million
  - Down \$2.6 million from year end 2007
- Considerable down-market impact



# Funded Status of the Pension Plan



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# Pension Plan Administration

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



# How Does It Work?



## Alaska Railroad Post Retirement Medical Program



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

# 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

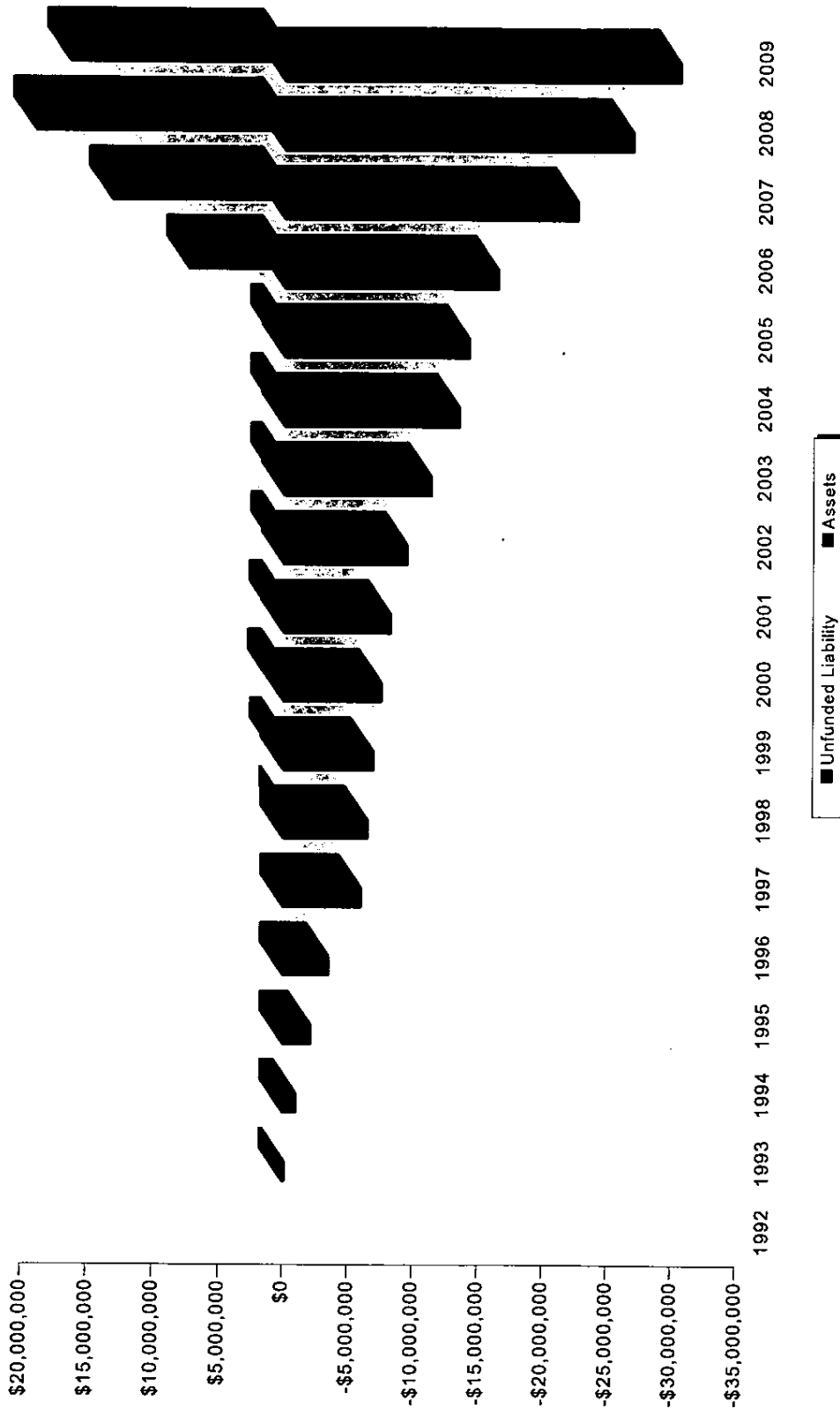


# ARRC Contributions

- In addition to the premium contributions, ARRC makes annual contributions to the Post Retirement Medical Trust based on the recommendations of the actuary. The 2008 contribution was \$2.8 million.



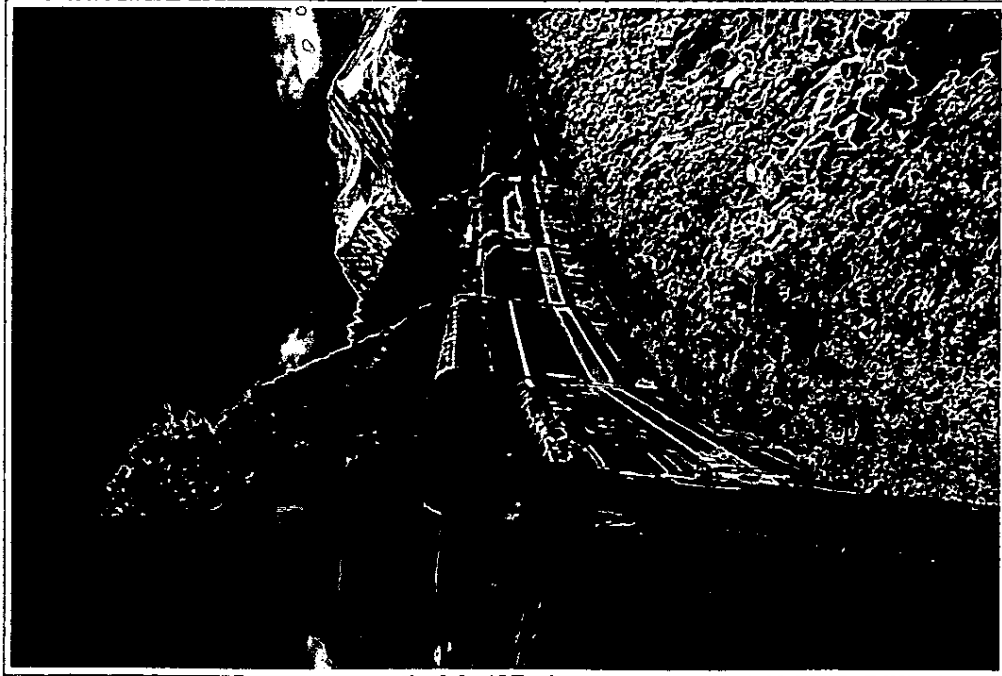
# Post Retirement Medical Expense/Accrued Liabilities/Assets



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# Hot Topics

## Issues impacting the rail belt

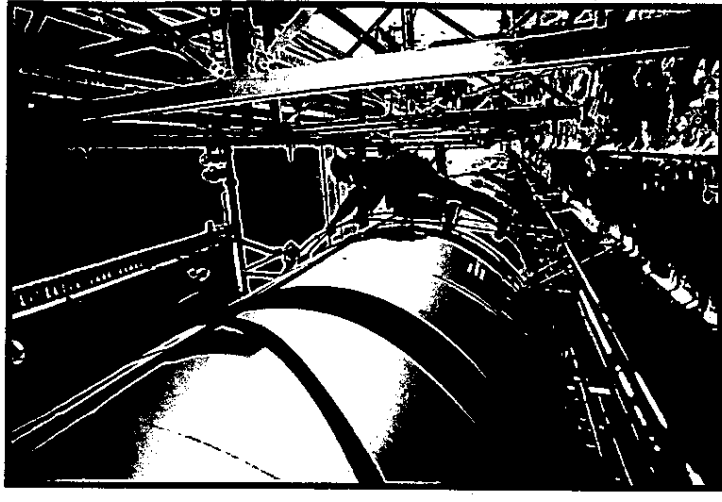


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# Importance of Flint Hills to ARRC

## ■ By far, ARRC's largest and most important customer

- 2007 Freight Revenue from Flint Hills Resources (FHR) - \$43.6M
  - 45% of total freight revenue
- Year-round, high-margin business line buffers highly seasonal passenger/gravel revenue fluctuations
- Land lease revenue >\$1.2 million/yr
- ARRC contracts to maintain FHR leased fleet of ~400 tank cars at > \$1 million/yr



## ■ Partnership that heralded great potential when Flint Hills purchased the North Pole Refinery in 2004... but,

- While the petroleum compound annual growth rate (CAGR) between 1998 – 2003 = 11.5%...  
...the Flint Hills CAGR 2004 – 2008 = 1.2%
- We have already experienced a 25% volume reduction (200 million gal/yr) between 2004-2008



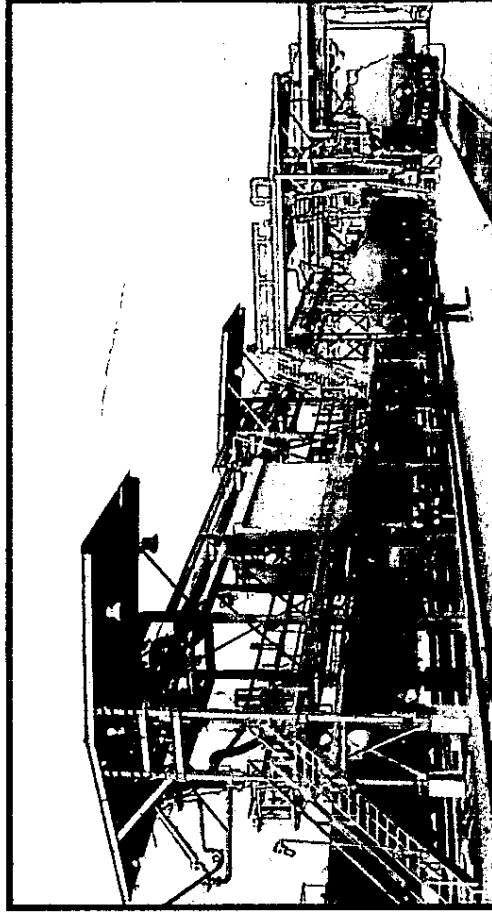
# Flint Hills Resources at Crossroads

■ FHR had originally indicated it was considering 3 alternatives, with a decision to be made by end of 2008:

1. [REDACTED]  
Major capital investment into North Pole Refinery, significantly increasing production capabilities to Alaska, Pacific Rim.

2. **Practical Option:**  
Give up on Alaska... sell North Pole Refinery.

3. **Last Resort:**  
Convert to "terminal operation." Minor amount of refined fuel is shipped north to Fairbanks and there distributed by truck. Refinery closed.  
Flint Hills jobs lost ~165.



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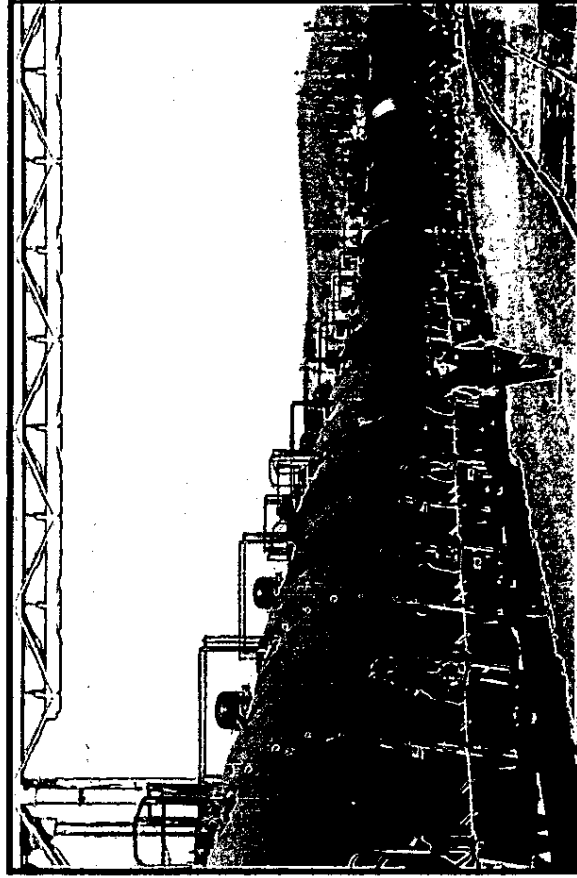
# Impact of Terminal Scenario

- Option #3 would devastate ARRC's economic contribution to the State of Alaska
- To fulfill statutory mandate of self-sufficiency, massive restructuring of ARRC would be required
  - Roughly \$25-30 million/yr in expense reductions would need to be offset
  - **200+ high-paying railroad position eliminations**, divestiture of locomotives/track equipment, draconian reductions in rail service and railbelt capital programs necessary
  - Precipitous drop in winter cash flow would necessitate a close look at the ability to provide year-round interior train service.



# Railroad Bottom Line

Almost overnight, the Alaska Railroad would cease to be one of the State's most successful and well-recognized annual economic contributors.



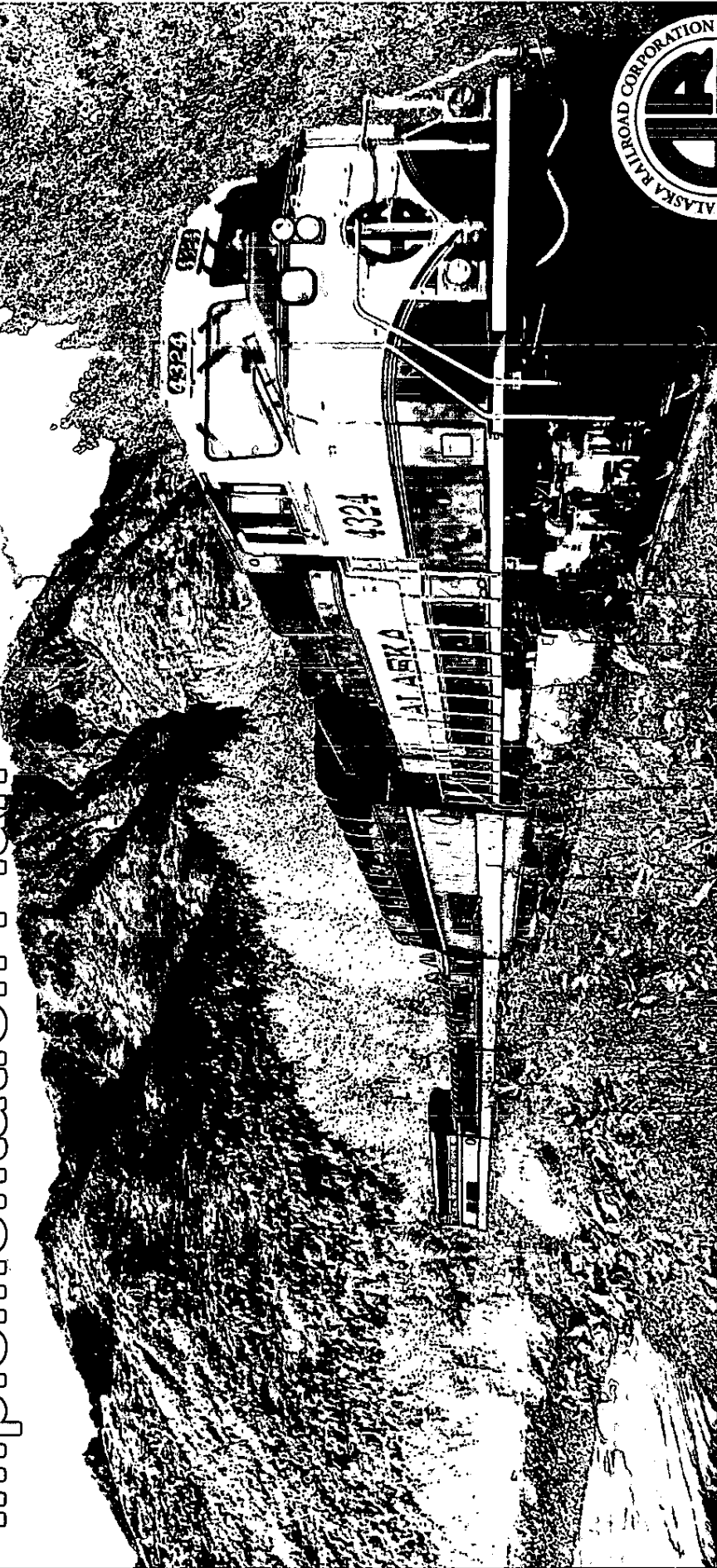
# Impact of Terminal Scenario

## ■ Economic Impact to Alaskan communities significant

- ISER quantified impact of ARRC reductions on Alaskan communities
  - 250 non-ARRC jobs lost due to ARRC reductions
  - Another \$21 million/yr in non-ARRC payroll lost
- Many, many more Alaskan jobs at serious risk from economic shockwave
  - Fairbanks, North Pole, Municipality of Anchorage, Anchorage International Airport, Port of Anchorage
- Loss of annual capital expenditures in the tens of millions/yr. Significant annual railbelt work that typically uses Alaskan-owned businesses, labor and material purchases, dries up.
- Anchorage International Airport left with a single source of jet fuel.
- Alaska would need to import POL products and ship them north.



# American Recovery and Reinvestment Act of 2009 Alaska Railroad Implementation Plan



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# \$26 million

American Recovery and Reinvestment Act – 2009 (ARRA-09)



# Anchorage UZA Fund Allocation

## FEDERAL TRANSIT ADMINISTRATION

Breakdown of ARRA Section 5307 Apportionment for the Anchorage, AK UZA

FTA Program/Formula	UZA Total	Bus Non-incentive Tier	Bus Incentive Tier	Rail Non-incentive Tier	* Rail Incentive Tier
Section 5307 Urbanized Area Formula	\$31,508,087	\$5,368,329	\$314,491	\$25,823,761	\$1,507
Section 5340 Growing States Formula	\$277,491				
<b>Total</b>	<b>\$31,785,578</b>	<b>\$5,368,329</b>	<b>\$314,491</b>	<b>\$25,823,761</b>	<b>\$1,507</b>

\$5,960,310

Amount Attributable to  
People Mover for Anchorage  
bus service only

\$25,825,268

Amount Attributable to  
Alaska Railroad for  
passenger operations from  
Seward to Fairbanks



# ARRA-2009 Federal Rules

- ✓ **Passenger related projects only:** Federal Transit Administration (FTA) Section 5307 funding mandate
- ✓ **Project in federal planning document:** Must be included in a federally approved plan, such as:
  - Statewide Transportation Improvement Program (STIP)
  - Transportation Improvement Program (TIP) in Anchorage and Fairbanks
- **Project meets standard regulations and guidelines:**
  - Environmental, air quality conformity, Disadvantaged Business Enterprises, Buy America, Department of Labor, etc.
- **Meet time certain deadlines:** If obligating fund deadlines are not met, *funds will be withdrawn*
- **First report deadline: April 4, 2009.** Includes project list, certifications, jobs created, jobs sustained, etc.



# New Reporting Requirements

## *Requirement Drivers: “Transparency and Accountability”*

- ✓ **CEO Certification:** Chief Executive Officer must certify investments made under ARRA-2009
- ✓ **Quarterly Reporting:** Reports required no later than 10 days after end of each quarter
- ✓ **Jobs Report:** Indicate jobs created and jobs sustained
- ✓ **Website Posting:** requires posting to *local and federal websites*
- ✓ **Purpose and Rationale:** Define and outline for each investment
- ✓ **Subcontract Details:** Complete information on subcontracts

FTA developing *more* reporting requirements





# Congressional Oversight

- ✓ **Congressional reports:** Reporting mandates *in addition* to FTA required reports
- ✓ **Committee reports:** Direct reporting to Congressional committee(s)
- ✓ **Same info, shorter deadlines:** Congress wants similar reporting information, but *sooner*.
  - Congress information deadline - April 4
  - Agency information deadline - April 10



# ARRC Implementation Plan

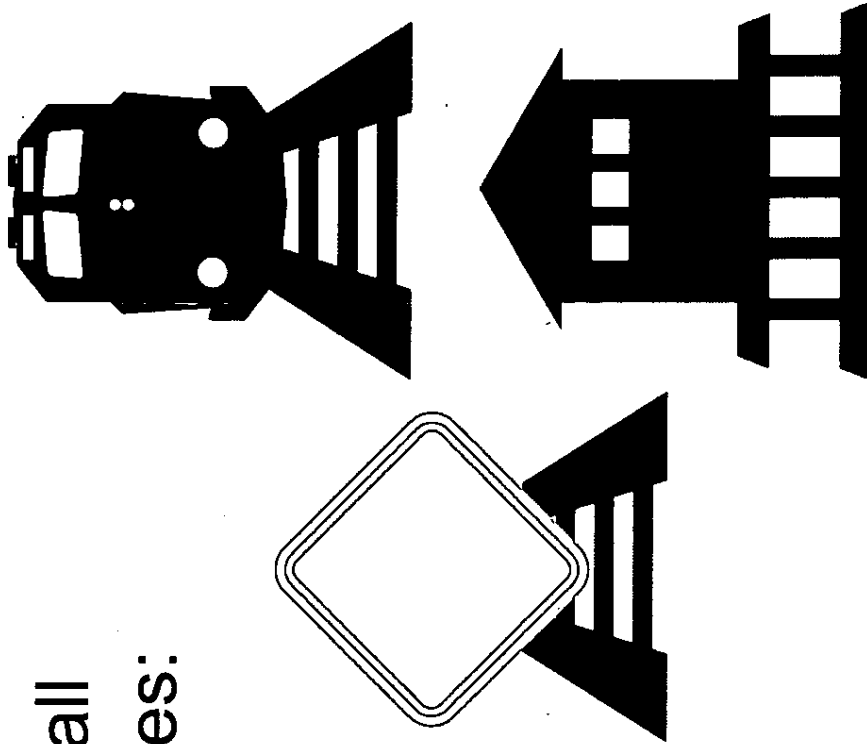
- ✓ **Identify eligible projects:** Meet eligibility requirements and contained in current federal planning documents
- ✓ **Confirm “shovel ready” status:** Ensure projects are ready to implement and can meet obligation deadlines
- ✓ **Verify other requirements:** Able to meet security mandates, enhancement rules, buy-America rules and other criteria
- ✓ **Submit grants ASAP:** FTA processing takes up to three months; ensure prompt qualified applications.



# Project Candidate Categories

Proposed eligible projects fall primarily into three categories:

- Infrastructure
- Safety
- Passenger facilities





Official Business

# Alaska State Senate

## Senate Finance Committee

Mail Stop 3100  
State Capitol  
Juneau, Alaska 99801-1182

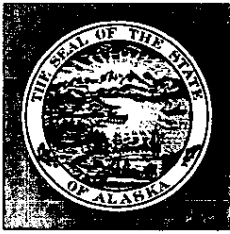
## AGENDA

Tuesday, March 17, 2009

9:00 AM

Presentation on the Alaska Railroad Corporation by Patrick Gamble, CEO

SB 75-BUDGET: CAPITAL, SUPP. & OTHER APPROPS  
Department of Commerce, Community and Economic Development



## Alaska Gas Pipeline Alaska Railroad Corporation Transportation Infrastructure Enabler Projects



Capital Project	Cost and Spending	*Jobs Impact	Status
Fairbanks Airport Branch & Eielson Branch Staging Areas	\$ 12 million	40	
Seward Freight Dock Extension and Uplands Staging Area	\$ 23 million	75	✓
Fairbanks Freight Intermodal Terminal Rail/Truck Staging Area	\$ 18 million	60	
Valdez Staging Area Rehabilitation	\$ 6 million	20	
Whittier Wharf Replacement and Staging Areas	\$ 60 million	200	✓
Port of Anchorage Track Improvements	\$ 8 million	26	✓✓
Fairbanks Area Rail Line Relocation - Phase One (North Pole to Milepost 9 on Richardson Hwy)	\$ 50 million	165	
<b>Total Infrastructure Enabler Projects</b>	<b>\$ 177 million</b>	<b>586</b>	

\* Source: Institute of Social & Economic Research (University of Alaska Anchorage) study, March 2005 "Alaska Railroad Pulls Jobs & Income into State Economy," Research Summary #63. (As a measure of conservatism, only 25% of estimated jobs created or sustained is used for the purposes of this presentation.)

\*\* Double check (✓✓) indicates the project is "shovel ready" within 90 days. Single check (✓) indicates the project is "shovel ready" within six to 12 months.

- These projects are not eligible for Federal Transit Administration (FTA) formula funds because they are freight-related, not passenger-related.
- For additional information, please contact:  
Bruce Carr, Director, Strategic Planning • Alaska Railroad Corporation • (907) 265-2468 • carrb@akrr.com

FEB. 03, 2009

**State of Alaska • Alaska Railroad • Enabler Project Details**

✓✓ = Economic Stimulus Project "shovel ready" within 90 days. ✓ = Economic Stimulus Project "shovel ready" within 6-12 months.

**Fairbanks Airport Branch and Eielson Branch Staging Areas**    ○\$ 12M    ○40 jobs

The branch track to Fairbanks Airport and Eielson Branch skirt large undeveloped areas that could be utilized as major staging areas for pipe and gas pipeline construction materials. Upon completion of the short-term construction phase, the land at the Fairbanks Airport is designated by the Airport Master Plan for expansion. Both areas include excellent highway access. Undeveloped land near Eielson Air Force Base is comprised of old gravel pits easily developed into a gas pipeline and construction material staging area.

**Seward Freight Dock Extension & Uplands Staging Area**    ○\$ 23M    ○75 jobs    ✓

Expansion of 200-by-620-foot freight dock by widening 120 feet and extending 500 feet to handle additional freight ships carrying gas pipeline construction and re-supply materials. Includes track rehabilitation in the yard, and uplands development for pipe and construction material storage and staging.

**Fairbanks Freight Intermodal Terminal Rail/Truck Staging**    ○\$ 18M    ○60 jobs

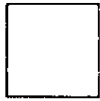
Fairbanks space is tight for handling containers- and trailers-on-flat-car traffic, creating a bottleneck for this service. Containers and trailers carrying gas pipeline construction and supply materials from Anchorage, Whittier and Seward can move by rail to this terminal. This cargo will then travel onto the Johansen Expressway headed to the North Slope and along the proposed Alaska Gas Pipeline Corridor.

**Valdez Staging Area Rehabilitation**    ○\$ 6M    ○20 jobs

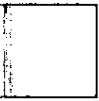
ARRC owns ~86 acres of land in Valdez that was used extensively during construction of the TransAlaska Pipeline. We anticipate similar use of this area for staging gas pipeline construction and supply materials for the Alaska Gas Pipeline. Project will rehabilitate land that is strategically located at water's edge with barge capacity, near the airport for air cargo transport, and has access to the Richardson Highway for rubber tire distribution of gas pipeline materials.

**Whittier Wharf Replacement and Staging Areas**    ○\$ 60M    ○200 jobs    ✓

Construction of a replacement wharf to serve freight ships carrying gas pipeline construction and supply materials for the Alaska Gas Pipeline. Also build additional track from Whittier port to the rail tunnel leading to Anchorage and Fairbanks terminals.



## State of Alaska • Alaska Railroad • Enabler Project Details



✓✓ = Economic Stimulus Project "shovel ready" within 90 days. ✓ = Economic Stimulus Project "shovel ready" within 6-12 months.

### Port of Anchorage Track Improvements

○\$ 8M    ○26 jobs    ✓✓

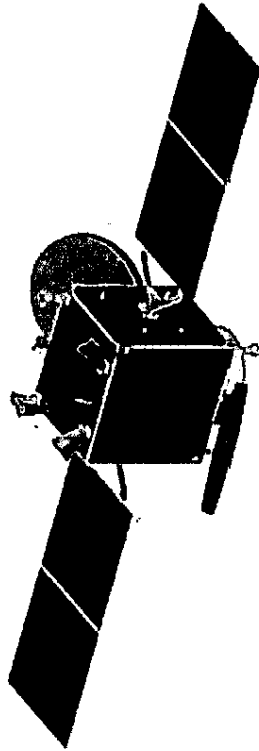
Request two additional tracks be extended to the port's new north end barge facility, in anticipation of extensive port use for unloading break bulk equipment, containers, trailers and other pipeline support material best moved on barges. Includes construction of a new 6,000-foot receiving / departing track within the Anchorage yard to expedite movement of train traffic between Anchorage, Whittier, Seward and Fairbanks.

### Fairbanks Area Rail Line Relocation: Phase One

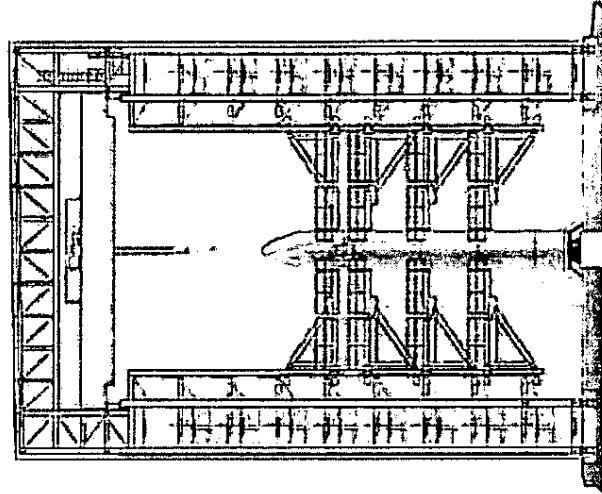
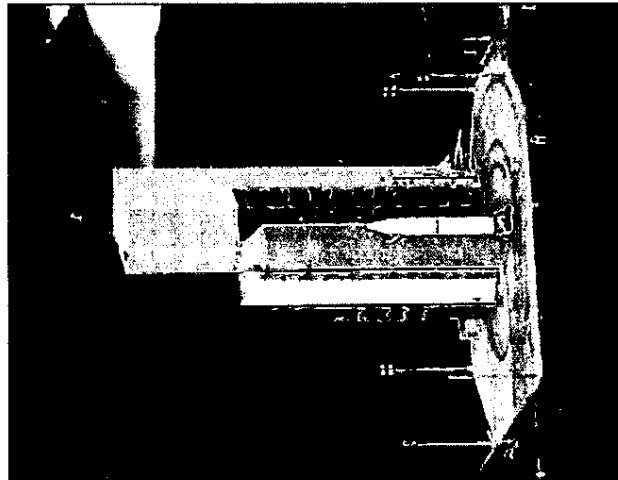
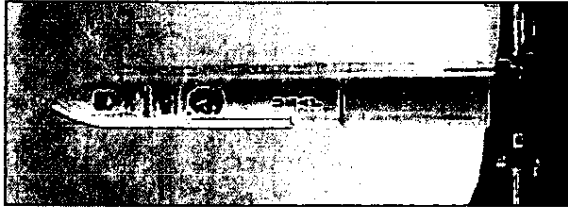
○\$ 50M    ○165 jobs

ARRC anticipates development of a gas pipeline construction and supply material staging area near Eielson Air Force Base. This staging area will create a corresponding increase in train traffic through North Pole. Phase One would realign the mainline track outside the community's downtown and residential areas.

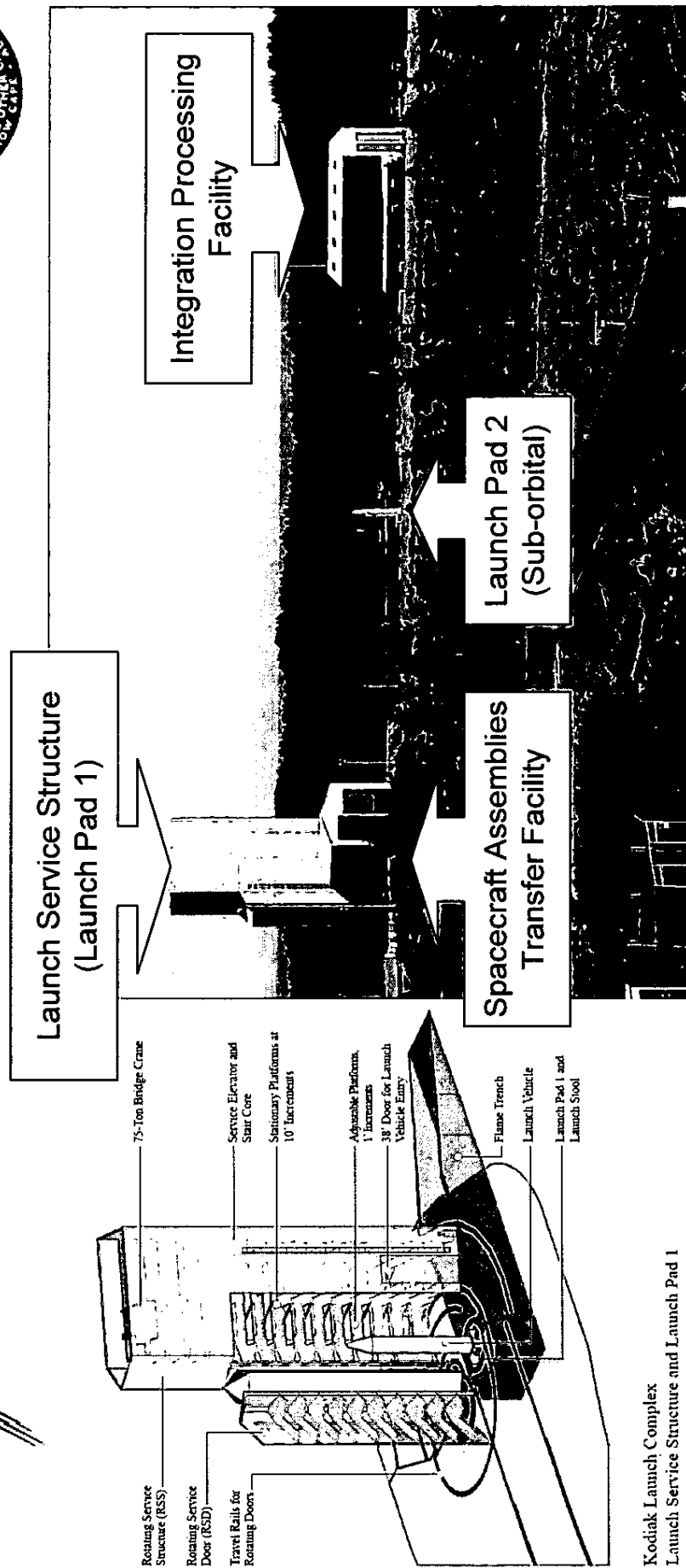
# Alaska Aerospace Development Corporation briefing to the Senate Finance – Capital Budget



Dale Nash, CEO  
Tom Case, LtGen (Ret), Pres/COO  
17 March 2009



# Current Launch Complex

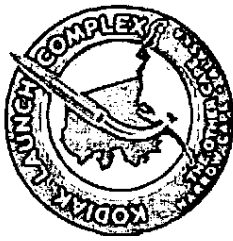


Kodiak Launch Complex  
Launch Service Structure and Launch Pad 1

The current launch complex includes three buildings and two launch pads. The Launch Service Structure (LSS) houses Launch Pad 1 which is capable of supporting up to Castor 120 boosted (Minotaur, SLV, Athena, & Taurus), Trident C-4 Class vehicles and Minuteman derivatives.



# Launch Pad 3 Rocket Motor Storage Facility



# Launch Activity



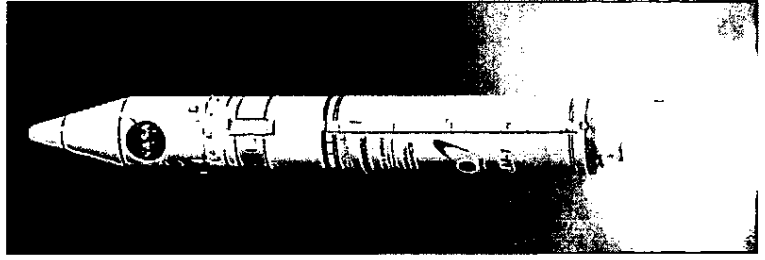
## Successful Launches

Year	Date	Launch
1998	5 Nov	AIT-1, USAF
1999	15 Sep	AIT-2, USAF
2001	22 Mar	QRLV-1, USAF-Northern Edge
2001	29 Sep	Lockheed/NASA Kodiak Star
2001	9 Nov	SMDC STARS, U.S. Army
2002	24 Apr	QRLV-2, USAF-Northern Edge
2004	14 Dec	IFT-13C, MDA-Target Missile
2005	13 Feb	IFT-14, MDA-Target Missile
2006	23 Feb	FT04-1, MDA-Target Missile
2006	1 Sep	FTG-02, MDA-Target Missile
2007	25 May	FTG-03, MDA-Target Missile
2007	28 Sep	FTG-03a, MDA-Target Missile
2008	18 Jul	FTX-03, MDA-Target Missile
2008	5 Dec	FTG-05, MDA-Target Missile

## Planned Launches

Year	Date	Launch
2009	Sep	TacSat-4, USAF-Orbital Sat
2009	Dec	STP-S26, USAF-Orbital Sat.
2010	Mar	FTG-07, MDA-Target Missile

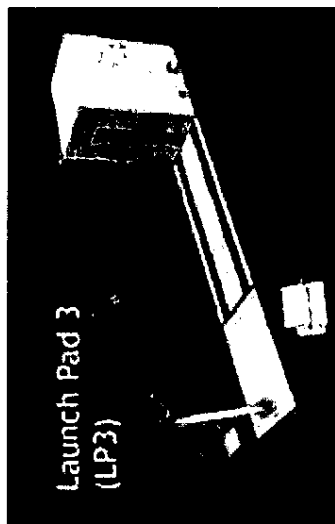
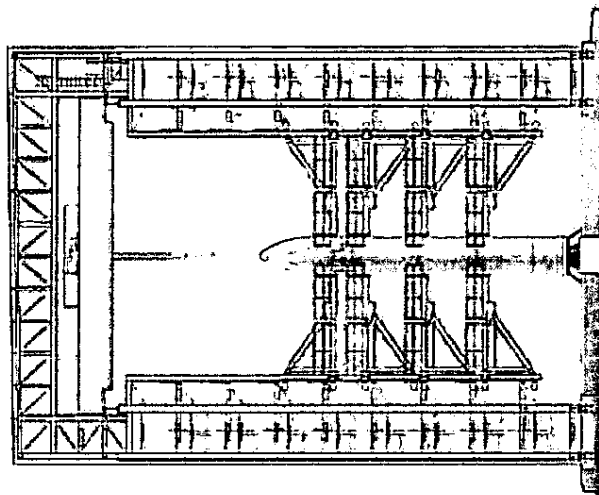
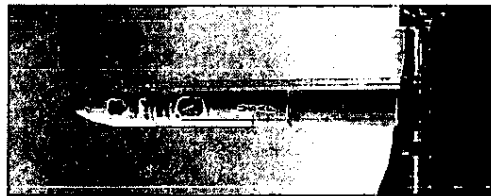
- 14 Successful launches to date
- 3 future launches on contract
- AADC is conducting proactive business development to win launches in the growing small and medium satellite industry.
- Several major telecommunication companies and rocket providers are expressing active interest in using KLC





# Rapid Launch

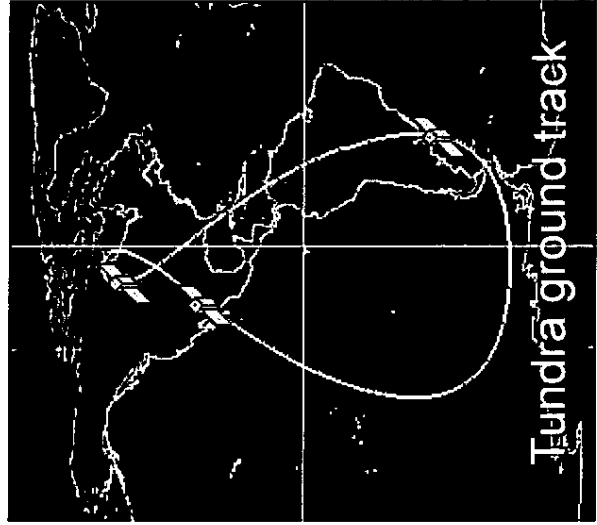
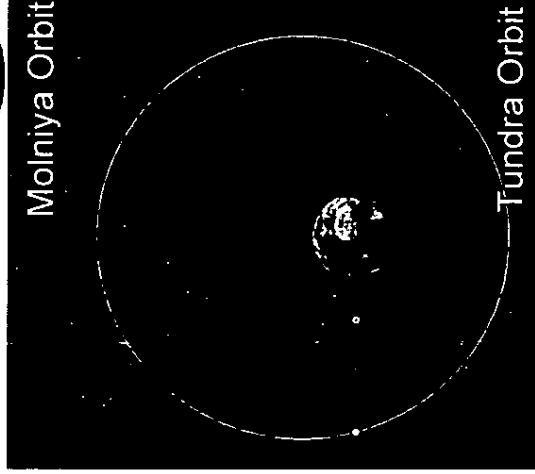
- Rapid launch is a proposal to build a new Launch Pad and Rocket Motor Storage Facility that to allow payload launch into orbit 24 hours after notification.
- Rapid launch has many unique applications
  - Replace damaged or aging satellites in days, not years.
  - Provide responsive satellite communications to areas damaged by natural disasters
  - Increase satellite communications for peacekeeping forces.
- No other launch facility in the US has rapid launch capabilities.



# Unique Orbits from KLC Tundra and Molniya

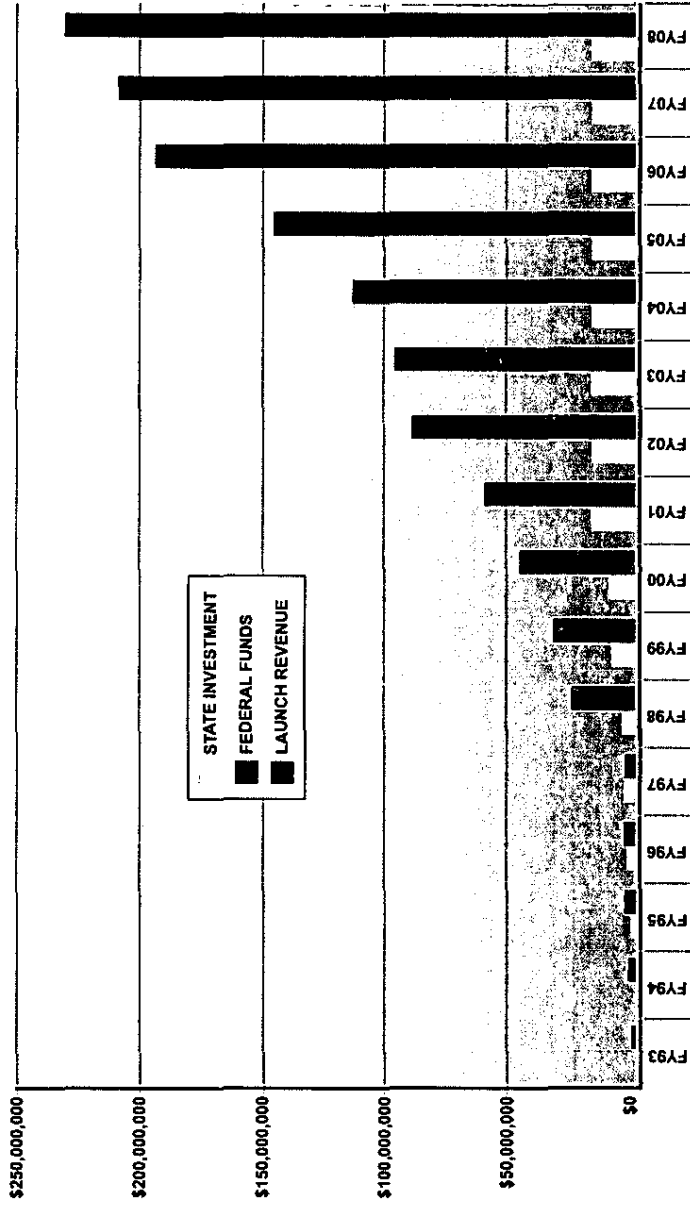


- Near polar (high inclination-63.4 degrees) elliptical orbits
  - Tundra orbit allows geosynchronous coverage because orbital period is timed with the earth's rotation.
  - Molniya has a long dwell time over two geographic areas
- Developed by the Russians because they do not have a launch complex close enough to the equator to allow equatorial geostationary orbits.
- **Advantages**
  - **2 to 3 satellites can provide continuous coverage over a single area**
  - High "look angle" for northern latitudes, not low on the horizon
  - **Good for communication and earth-monitoring**
  - Avoid crowding of equatorial geosynch orbits and their associated regulations
  - **Ideal for northern launch complexes (less horizontal velocity from the Earth's rotation)**
- US has not used these orbits because there has not been a major northern launch facility until KLC.
- Sirius Satellite Radio uses three satellites in Tundra orbit to cover the entire US.
- **KLC's latitude and launch azimuths make it the best launch facility in the U.S. for these orbits.**





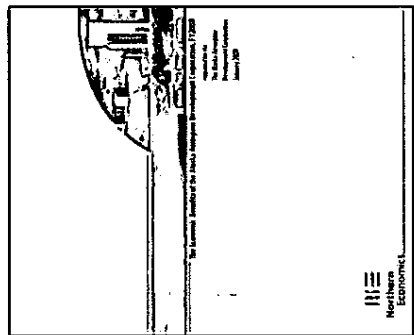
# Leverage of Initial State of Alaska Investment



- Every Alaska dollar invested has been leveraged
- Initial financial investment of \$15.6 million provided by State of Alaska
  - Alaska Science and Technology Foundation (ASTF)
  - \$9 million for capital expenditures; \$6.6 million for operations
- The initial State of Alaska investment has returned a total of \$232.5 million
  - \$93.5 million in launch revenues (MDA, Air Force, Lockheed Martin)
  - \$139 million in capital investments (NASA, US Air Force and US Army)



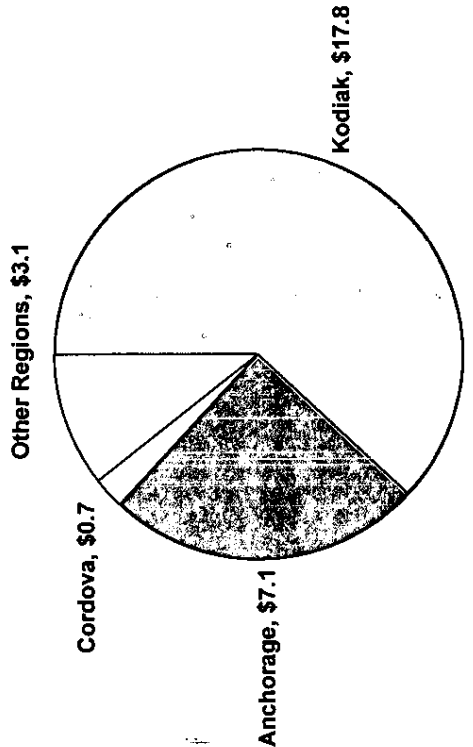
# Economic Benefits



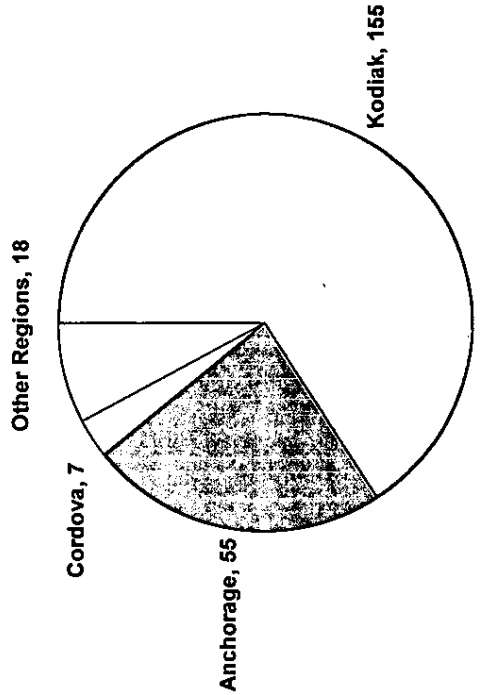
## 2008 Economic Impact Report

- 2008 Economic Impact Report prepared by Northern Economics, an independent economic consulting firm.
- AADC activities contributed \$17,800,000 to the Kodiak economy.
- AADC activities generated 155 jobs in Kodiak.

FY08 Total Economic Contribution (\$millions)  
Total Impact: \$28.7 million



FY08 Total Jobs Generated





# Summary

- Launch Pad 3 and the Rocket Motor Storage Facility upgrade at KLC
  - More than Doubles the Launch Capacity
  - Rapid Launch Capability (Only US Spaceport)
    - Meets National Strategic Need
  - Concurrent Customers and Launches
    - Reduces OH Costs per Launch
    - Will help attract more Customers/Launches
  - Construction can begin this Spring
    - RMSF can complete Fall 2009
    - Launch Pad 3 with Vehicle Processing Facility can be fully operational Summer 2011
  - Continuing to Pursue Federal Funding
    - Congressional Delegation, Governor, Key Customers