

ALASKA LEGISLATURE SPECIAL COMMITTEE/SUBJECT FILES 8672

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**ARR (HB 136) EVALUATION NOTES
LEGISLATIVE BUDGET AND AUDIT COMMITTEE**

ANCHORAGE, ALASKA

**REVISED
AUGUST 29, 1996**

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Introduction

A potential transfer¹ of any or all of the Alaska Railroad's assets triggers a variety of socio-economic issues. More than the determination of value is required for prudent decision making.

In conjunction with performing the evaluation called for in Section 1(d) of House Bill No. 136, there are major strategic issues which must be considered to determine whether a sale of the Alaska Railroad is in the state's best interest. They include, but are not limited to, possible advantages or disadvantages to the:

- Residents of Alaska
- Employees of the railroad
- Shippers
- Alaska's economy
- Relationship between the railroad and the state
- Continuation of passenger service
- Continuation of freight service
- Environment

There is a need to identify potential purchasers of the railroad and to ascertain the assets available for transfer. This includes consideration of:

- Covenants and restrictions placed on a sale
- The disposition of non-operating real estate
- Joint ownership possibilities

¹The definition of transfer includes, but is not limited to:

- Outright Sale
- Concession
- Long Term Lease
- License
- Operating Agreement
- Joint Venture

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OPTIONS

Options For Transferring The Rail Operations Of The Alaska Railroad Corporation

1. Status Quo - The rail operations of the Alaska Railroad Corporation would not transfer.
2. Transfer all rail operations of the Alaska Railroad Corporation to a single private sector operator.
3. Transfer the freight rail operations of the Alaska Railroad Corporation to a private sector operator with the state retaining the passenger operations.
4. Transfer the freight rail operations of the Alaska Railroad Corporation to a private sector operator and transfer the passenger rail operations to a different private sector operator.

Options For Transferring The Real Property Of The Alaska Railroad Corporation

1. Status Quo - The real property of the Alaska Railroad Corporation would not transfer.
2. All or some of the real property of the Alaska Railroad would transfer to a single transferee.
3. All or some of the real property of the Alaska Railroad would transfer to multiple transferees.
4. Real property decisions would be determined by rail and non-rail use orientations.
5. Yard properties, rights of way non-rail uses, and existing leases should be strategically packaged for maximum real property use returns.²

²This approach is advisable regardless of any legislative decision affecting the continued ownership and/or control of the ARRC.

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ARR DISPOSITION PLANNING PROCEDURES

Two issues must be resolved as soon as possible. No meaningful strategy can be developed before:

- There is a market value conclusion for each asset category, if transferred to the private sector, and;
- There is a quantified determination of the benefits/liabilities to Alaska of state versus private ownership.

Along with the above, procedures should be designed to:

1. Develop an inventory of operating, non-operating real property, "off-railroad" real property and other assets of the corporation.
2. Determine which assets, if any, would be retained by the corporation.
3. Determine the fair market value of the corporation's assets.
4. Develop a timetable for performing the necessary studies and concluding the transfer process.
5. Determine what conditions would be attached to the transfer of all or part of the assets of the corporation. For example, who would be responsible for maintaining passenger service? Will the state have the right of first refusal if the new owner wants to dispose of the railroad? Would there be a rail use restriction?
6. Develop a strategy for possible transfer.
 - Identify potential purchasers,
 - Determine whether certain of the assets would be transferred through sealed bid or through direct negotiations with the state.
 - Determine whether the assets would be transferred as a package or separately.

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- Determine who should manage the negotiations on behalf of the state.
- Determine negotiating strategy including participants and level of confidentiality.
- Determine conditions that will mitigate any negative effects on the seller.

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**Additional Topics For Discussion At The Legislative Budget And Audit Committee
August 29, 1996**

Management

1. How does the state deal with other land that it holds?
2. Should there be a public-private partnership to manage this real estate?

Rail vs. Non-Rail Use

1. How is it determined?
2. What about Anchorage?

Reservation Properties

1. What is the state's philosophy regarding ownership?
2. What are the highest and best uses for this land?

Observations and Recommendations

1. It is vital to articulate the state's position regarding involvement with, or control of, the railroad.
2. It is important to know the value/price impact of legislation or contractual constraints on any transfer.
3. Agreement is needed on the level of detail required for prudent decision making.

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SUGGESTED VALUATION PROCEDURES FOR THE ALASKA RAILROAD

GOING CONCERN VALUE

The purpose of a Going Concern Valuation (GCV) is to determine value in continued rail service.

Two Going Concern Values are important: Scenario 1 - the GCV of the lines given the current operating environment, and Scenario 2 - the GCV of the lines as these lines would be operated by the acquiring entity. While the methodology used to derive the GCV would be the same in both scenarios, the conceptual approaches are quite different. The first scenario indicates what price the Alaska Railroad (ARR) should be expected to accept using this valuation methodology, while the second indicates what price a buyer should be willing to pay.

The valuation methodology used in deriving the GCV is the discounted cash flow methodology. This methodology requires a projection of cash flows generated by the railroad discounted to present value at a rate that is appropriate for the given scenario. In addition, a capitalized value of the cash flows generated after the projection period must be developed and incorporated into the valuation.

The principal components of a Going Concern Valuation are:

- The stream of revenues generated by the traffic moving on the Alaska Railroad during the forecast period.
- The costs associated with operating the lines being valued. The cost estimates must include the amounts spent for labor, fuel, maintenance-of-way, maintenance-of-equipment, and general administration and overhead.
- The pro forma income statements which are derived from the revenues and costs.
- The pro forma cash flow statements which are derived from the income statement and any capital expenditures to be made during the forecast period.

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- The discount rate to be applied to the net cash flows to produce the net present value. The derivation of a discount rate must consider the underlying cost of capital, opportunity costs, and the level of risk involved.

NET LIQUIDATION VALUE

The Net Liquidation Value (NLV) of the ARR is relevant in developing a negotiating strategy even where there is no possibility of discontinuing rail service over the line. This approach is frequently thought of as establishing the minimum value to be placed on the assets.

The NLV of the ARR is established by determining the value of the assets as if they were sold for their highest and best non-rail use. In most instances this equates to the scrap or salvage value of the physical assets plus the real estate, less the cost of holding and disposition. Essential to this approach is a realistic assessment of the time required for the disposition and the selection of a discount rate.

Valuation of the Track, Infrastructure and Buildings

To determine the NLV of the ARR rail assets, excluding real estate, the following must be done:

- Inventory the rail assets (rail, cross-ties, ballast, switches, communications and signaling devices, and other related rail hardware) and evaluate their condition.
- Determine the market for the assets.
- Estimate the manpower and other costs associated with the disposition process.
- Assess timing and impact of any regulatory delay.
- Deduct disposition costs from proceeds from the sale of assets and apply the appropriate discount rate to determine the NLV of the non-real estate assets.

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Valuation of Real Estate

Operating and Non-Operating Real Estate Valuation When Sold in an Orderly Piecemeal Liquidation

When value is to be determined through a hypothetical, orderly, piecemeal liquidation, the subject is viewed as comprising developable parcels (independently useful and marketable to the general market) and abutter property (useful and marketable only to adjacent owners).

The methodology outlined below forms the basis for a market value conclusion.

- Designate valuation units. All of the subject property is classified as either a developable parcel or an abutter property.
- Analyze sales comparable to the property adjacent to each valuation unit.
- Determine the value for typical property adjacent to the subject based on analysis of the comparable sales.
- Determine across-the-fence (ATF) values.
- Adjust the ATF value for the relevant physical attributes of the subject.
- Determine a reasonable marketing period and pace of disposition.
- Determine the rate at which unsold assets will appreciate in value.
- Calculate yearly gross sales proceeds and interim income.
- Establish the cost of holding property and offering it for sale.
- Determine the cost of completing each year's sales.
- Identify the future net proceeds of track liquidation.

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- Compute each year's cash flow.
- Determine the appropriate discount rate and market values.

Right-of-way valuation under an orderly corridor liquidation

Those portions of the ARR which comprise corridors may have values exceeding that which is available through piecemeal orderly liquidation. This valuation requires direct sales comparisons and/or the employment of a corridor factor.

The major steps include valuing the subject property at a level reflecting unit values (per square foot) identical with those indicated by properties adjacent to or very near the right of way. Then, based on numerous other considerations, the appraiser determines an appropriate factor for multiplication by the ATF resulting in an amount which is often called a gross corridor price. When value and price are synonymous, it is reasonable to assume that such an indicated price is realizable without delay and cost. It is often expected that the marketing of such property, including finding a buyer and attaining STB approval, will take some time. As a result, holding costs, sales costs, and the economic consequences of delay also are considered. The following steps are employed in determining the market value of the ARR if sold as a corridor.

- Designate valuation units.
- Analyze sales comparable to the property adjacent to the valuation unit and/or use corridor sales.
- Determine the value for typical property adjacent to the subject based on analysis of the comparable sales.
- Determine ATF values.
- Adjust the ATF for the relevant attributes of the subject.
- Establish the cost of holding the corridor and offering it for sale.
- Determine the cost of completing the corridor sale.

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- Identify annual amounts of net interim income to be derived from existing corridor leases and fair market rental of the property to be sold.
- Compute each year's cash flow.
- Make direct comparisons with corridor sales.
- Determine the appropriate discount rate and market value.

Alaska Railroad Q's & A's

 Q. What do HB 55 and SB 42 propose to do?

A. As introduced, the bills do only two things—bring the railroad under the Executive Budget Act, so the governor and legislature have greater oversight. Second, the bill directs that the 36,000 acres of land that are to be transferred with the railroad from the federal government will be transferred to the department of natural resources rather than to the ARRC. The bills assume the railroad will be operated as a state corporation and not privatized.

 Q. Why put the ARRC under the Executive Budget Act?

A. As a state corporation controlling hundreds of millions of dollars worth of state assets, the ARRC should have the oversight of the governor and legislature, as required under the state constitution, Article IX, Sections 3, 5, 7, 8, 13, and 14. Currently, the ARRC is the only state corporation not under the EBA. It was not the intent of the 1983-84 legislature to allow the temporary corporation to be excluded from oversight for 14 or more years. We are now on very weak footing, to allow the neglect of our constitutional responsibilities to continue. When we have tried to exercise our oversight, such as when the legislative auditor last summer investigated the ARRC's contracting procedures for gravel, he was met with monumental stonewalling.

 Q. How will being under the Executive Budget Act affect the railroad?

A. Currently, the ARRC draws up and approves its own budget each year, determining without state oversight how its revenues and expenditures will be used. Under the EBA, railroad management would be required to submit its proposed budget to the governor's office of management and budget each year, which would then submit it to the legislature for appropriation. This open, public process allows for ample debate and opportunity for affected third parties to give their views on programs and actions the ARRC proposes for the coming year. This is the process used for every other state agency, whether it's a line agency like DNR or a state corporation like the Alaska Housing Finance Corporation, the Alaska Permanent Fund Corporation, or the Alaska Industrial Development Corporation.

 Q. Why would the legislature want to transfer the land to DNR?

A. We have completed our obligations under the agreement with the federal government to keep the railroad running for 10 years, and so should put the land to its highest and best uses. The authority for DNR's land management programs is found in the state constitution, at Article VIII, sec. 10, which requires that state land cannot be disposed of or leased without proper public notice and other safeguards of the public interest. The state's interest in mineral rights is spelled out in Article VIII, sec. 11. Under DNR's purview, the public's interest in the land and the mineral rights would be

better protected.

Of the approximately 36,000 acres of land to be transferred from the federal government, industry experts estimate the railroad needs only between 18,000 and 22,000 acres for rail operations and maintenance. As a quasi-public corporation, the ARRC would not need to hold title to the land, but would be charged with managing and controlling the 18,000 - 20,000 acres it needs. The remainder could be made available for selection by the municipalities, or by the university, or could even be sold to some leaseholders. Perhaps a land management authority patterned after that of the university lands could be established.

Q. Why is this an issue at this particular time?

A. Under the federal transfer act of 1982, the state was required to operate the railroad for a minimum of 10 years before the lands could be transferred to a third party. And under the 1984 state law putting the transfer into effect, the ARRC was to report to the legislature every five years on its efforts to sell the line, including documentation of at least three offers to sell initiated by the ARRC. Also in the transfer act was a requirement that the governor contract for a report to the legislature in 1987 on steps taken toward privatization. Instead of taking steps to initiate a sale of the line, the railroad in 1988 persuaded the legislature to pass a statute repealing its responsibility to seek privatization. ARRC President and CEO at the time, Robert Hatfield, strongly supported this change in law.

Again, we have fulfilled our obligation to the federal government and are ready to receive the remainder of the 36,000 acres. In fact, the state is losing millions of dollars each year that goes by that the land continues in federal ownership. Another reason the issue has come to the fore at this time is because senior management at the railroad has been highly uncooperative with state officials whose duty it is to audit, inspect and report on the financial and contractual transactions of public entities such as the ARRC.

Q. Why can't the ARRC continue as it is?

A. The ARRC is a unique, and probably unconstitutional, quasi-public corporation that sometimes fancies itself a state agency providing a valuable service to the public, and other times a private corporation with proprietary information to protect. We can't have it both ways. The legislature made a mistake in 1984 when it passed the law establishing the ARRC by not clearly defining what kind of agency it was, and by giving away state oversight. Now is the time to take corrective action.

Q. Couldn't the ARRC be run like a private corporation?

A. At the time of the purchase of the railroad, it was the intent of the legislature and the people of Alaska that the railroad eventually be owned and/or operated by private industry. In setting up the current ARRC scheme, the legislature attempted to make the ARRC as nearly like a private railroad corporation as possible, even to the extent of deliberately keeping an arms-length, distant role for itself. The reason for this may have

been to make an easier transition to private operation; however, it has not worked for long-term management as a quasi-public corporation. In fact, there are significant questions to be answered regarding the constitutionality of managing state assets in a way the assets have been managed by ARRC over the last 12 years.

Q. What about railroad employees? Won't they be hurt by privatization?

A. If the state opts to privatize the railroad or its operations, we can put conditions on the new owner, just as the federal government put conditions on the state 12 years ago. These included a continuity of employment for the union workers, protection of their pension funds, and a requirement that the state had to operate the line for 10 years before the land would be transferred, among others. Railroad employees and their families should not fear privatization.

Q. Isn't the railroad prohibited from competing with private business in non-railroad related ventures?

A. In 1984, the Senate finance committee adopted a letter of intent that said, in pertinent part: "...although the railroad may use public resources or the benefits of its public status to extend its lines or to provide passenger service, it should not use direct subsidies to compete unfairly with privately-owned carriers."

Perhaps this legislative directive should have said it should not compete unfairly with privately-owned carriers *and other non-railroad related businesses*. Despite the legislature's wishes and growing criticism from other businesses, the ARRC has entered into competition with private enterprise ventures, most notably by owning 40 percent of a hotel at Ship Creek, wholly-owning and operating an RV park in Anchorage, leasing land for another RV park in Fairbanks, and is now embarked on a joint venture to operate barge service between Anchorage and the Puget Sound. The railroad is even putting a restaurant in the ARRC headquarters building, further eroding any incentive for rail passengers to visit downtown businesses.

ALASKA RAILROAD CORPORATION

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FAX 258-1456

Kathryn Thomas
PO Box 3005
Kenai, AK

December 27, 1996

Dear Kathryn,

As you may be aware, the chamber recently adopted a resolution concerning the Alaska Railroad submitted by the lobbyist representing Montana Rail Link. As chairman of the board of directors for the Alaska Railroad Corporation, I would like you to keep in mind three important points as we come into this Legislative session:

- The Alaska Railroad is not a state agency;
- The Alaska Railroad does not take a subsidy from the state;
- The Alaska Railroad makes money.

In 1995, the Railroad earned an \$8 million profit. In 1996, I expect the line will earn more than \$7 million. We have been able to do that by providing good service, using professional railroad management, and aggressively using our assets to increase revenues. We accomplished all this without taking a nickel – not for operating, not for capital, not for labor contracts or benefits – not a single nickel from the state treasury since the purchase 12 years ago. Our employees are not state workers and are not part of the state retirement system. Our labor contracts are in place, long-term, and independent of the state employee unions.

The Alaska Railroad is managed by a board of Alaskans. The operators are professional railroaders. The money the railroad makes is earned in Alaska, and stays in Alaska. Our balance sheet is rock-solid, and we have excellent access to capital for expansion. The bottom line is that the railroad is safe, profitable, professional, and Alaskan.

Very truly yours,



Bill Sheffield
Chairman of the Board
Alaska Railroad Corporation

REPRESENTATIVE
TERRY MARTIN
VICE-CHAIRMAN
BUDGET & AUDIT COMMITTEE
MEMBER
HOUSE FINANCE COMMITTEE

Alaska State Legislature



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January 20, 1997

Kathryn Thomas, Chair
Alaska State Chamber of Commerce
ArcTech Services, Inc.
PO Box 3005
Kenai, Alaska 99611

Dear Ms. Thomas:

I am writing to tell you how much I appreciate your interest and the State Chamber's interest in the Alaska Railroad. As the railroad is an asset of the Alaska public, I believe that a broad-ranging debate over its disposition is appropriate at this time.

I would like to thank the State Chamber for its recently-adopted resolution urging the Governor and the Legislature to go forward with the process of investigating the privatization of the railroad. This is the kind of direction we as state officials need as we seek the proper relationship between the Alaska Railroad and the public it serves.

I think it would be appropriate to comment on the letter sent to you on December 27, 1996, by Bill Sheffield, the Chairman of the Board (and now acting CEO) of the Alaska Railroad Corporation. In my view, his letter is laced with disinformation intended to diminish support for the State Chamber resolution on the Alaska Railroad.

Mr. Sheffield states that the railroad is not a "state agency." This depends on how one defines what a state agency is. It is true that the ARRC is not a line agency of the state, with a commissioner sitting on the Governor's cabinet, such as is the Department of Fish and Game. It is, however, a public corporation of the state, wholly-owned by the people of Alaska, and for which the people of the state are ultimately liable. This means that if a trainload of Mapco fuels derails and spills its contents into the Nenana River, the liability for the clean-up does not stop at the ARRC, but will come back on the state treasury.



Kathryn Thomas
January 20, 1997
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Mr. Sheffield asserts that the railroad "does not take a subsidy from the state... not a single nickel from the state treasury since the purchase 12 years ago." Again, on the surface this statement seems to be true; however, last year, Senator Stevens was successful in obtaining \$10 million in federal money for the railroad. In addition, the railroad is sitting on a 1990 appropriation of \$9 million (now \$12.8 million with accrued interest) for rail cars for the Wishbone Hill coal project. At some future date, the railroad may be authorized to use this money; it would have to be considered a state subsidy. Additionally, the railroad, as a state entity, is exempt from the taxation a private company in its place would have to pay, including corporate income taxes and local property taxes. If this doesn't amount to a subsidy, what would it be?

Mr. Sheffield states that the railroad makes money. Even ARRC officials acknowledge that the land management side of the railroad is where the money is made, subsidizing the railroad operations. One has to question how much greater subsidy would be required if the railroad was addressing all deferred maintenance and replacement of aging facilities.

Finally, I would like to briefly review for you the legislation the Legislative Budget and Audit Committee has introduced. House Bill 55 and Senate Bill 42 (copies enclosed). These bills are identical as introduced and seek to accomplish two things: First, to bring ARRC under the Executive Budget Act (AS 37.07), so that the Governor and the Legislature will have a greater hand in determining the annual budget of the railroad. I recognize that at the time of the state's acquisition of the railroad it was the recommendation of the transfer commission that legislative or state management and oversight be kept to a minimum and at a distance. Unfortunately, distant oversight has not worked, as the Legislative Auditor and the State Ombudsman have found out as they have conducted audits and investigations of the railroad over the past several years.

The second goal of the legislation is to have the title to the railroad lands, about 36,000 acres, transferred to the Department of Natural Resources, rather than to ARRC. It would then be our intention that ARRC continue to control those lands (between 18,000 and 22,000 acres) necessary for right-of-way and operation and maintenance of the railroad. However, excess acreage, if it is not needed for railroad operations, should be made available to the municipalities in which it is located.

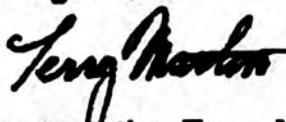
Kathryn Thomas
January 20, 1997
Page 3

I hope this letter has helped to make clear my views on the Alaska Railroad. As you are probably aware, I have been a longtime proponent of privatization of the railroad, as was the sentiment expressed by the majority of Alaskans who spoke out on the issue prior to the state's acquisition of the railroad in 1985. At this time, however, I think it is our responsibility, as public servants, to get a handle on the railroad, which will allow us to understand what we have and what we can do with it. And if privatization becomes a viable option later, that will be fine, too.

Please feel free to share this letter with any of your members whom you choose. Also enclosed you will find a copy of the four-page executive summary and transmittal letter of the interim report of the 1983 Alaska Railroad Transfer Advisory Commission, the first recommendation of which is in favor of privatization, and a copy of the evaluation notes submitted to the Legislative Budget and Audit Committee by Evan Allen and Arnold Tesh last August, which lay out today's alternatives for the railroad.

If you have any questions regarding this issue, please contact me in Juneau at 465-3783.

Best regards,



Representative Terry Martin

enclosures

To: Kathryn Thomas, Chair, State Chamber
ArcTech Services - Kenai FAX 776-5132

From: Rep. Terry Martin - Juneau 465-3783

Date: January 9, 1997

A few comments on Bill Sheffield's letter of 12/27/96:

"• The Alaska Railroad is not a state agency;"

This depends on how one defines a state agency. True, it is not a line agency of the state, such as is the Department of Fish and Game; however, it is a public corporation of the state, wholly-owned by the people of Alaska, and for which the people of Alaska are ultimately liable.

"• The Alaska Railroad does not take a subsidy from the state;"

There has been no on-going subsidy of the railroad; however, at the time of its purchase by the state, the legislature appropriated \$10 million to take care of deferred maintenance. Most recently, last year, Senator Stevens was successful in appropriating another \$10 million in federal dollars for maintenance on the railroad.

"• The Alaska Railroad makes money."

Our investigations have shown that the land management side of the railroad makes money that subsidizes the railroad operations. The railroad itself is a money-loser, especially when one considers the substantial amount of deferred maintenance that has been allowed to pile up along the line.

Also included with this fax:

- Transmittal letter, executive summary and recommendations
Alaska Railroad Transfer Advisory Commission - 4/14/83
- Op-ed by Rep. Martin

We will send more information tomorrow a.m.

Governor Bill Sheffield
Pouch A
Juneau, AK. 99811

Senator Jalmar Kerttula
President, Alaska State Senate
Pouch V
Juneau, AK. 99811

Representative Joe Hayes
Speaker, Alaska House of Representatives
Pouch V
Juneau, AK. 99811

Gentlemen:

Enclosed herewith is the Interim Report of the Alaska Railroad Transfer Advisory Commission. This report is the product of ten months of public hearing, deliberation, and intensive analysis of the alternatives for management and operation of the Alaska Railroad after transfer from the federal government has been accomplished.

The Commission met a total of nine times in Anchorage, Fairbanks and Juneau. The Commission listened to over fifty hours of public testimony from individuals and groups from literally every corner of the State of Alaska. In addition, we have analyzed almost 1,000 pages of documents and submissions from interested individuals and groups.

In fulfillment of our legislatively mandated duties, we hereby formally tender this report to you for your consideration during the coming months as the transfer of the Alaska Railroad approaches. We hope you will find it helpful not only for the specific recommendation it contains but as a source of information about the wishes, desires and hopes of the people of the State of Alaska.

It should be mentioned that not all Commission members share each and every view expressed within this document. The combination of the change in State Administrations and the convening of the State Legislature made it difficult for the public officials on the Commission to attend all sessions. In many cases, the views expressed in the Interim Report represent an attempt by the Commission to summarize for your consideration consensus opinions heard again and again during public testimony. We feel this provides you with the full benefit of this information as it was expressed to us.

On behalf of the entire commission, I would like to thank you for the opportunity of serving the people of the State in this most important and worthwhile endeavor.

Very truly yours,


A.C. Swalling, Chairman
Alaska Railroad Transfer Advisory Commission

EXECUTIVE SUMMARY

The Alaska Railroad Transfer Advisory Commission met a total of nine times in Anchorage, Fairbanks and Juneau. The Commission listened to over fifty hours of public testimony and heard from over fifty individuals and groups regarding all aspects of the transfer of the Alaska Railroad from federal to state control. This Executive Summary is a compilation of the major policy recommendations of the Commission and a list of specific changes pending state legislation which the Commission feels are most important.

I--POLICY RECOMMENDATIONS OF THE COMMISSION

1. The railroad should eventually be owned and/or operated by private industry. Almost unanimously those testifying before the Commission felt strongly that it was in the best interests of the people of the State of Alaska and the best interests of the railroad to plan for the eventual transfer of the ownership and/or operation of the railroad to private industry.
2. Plans for expansion of the railroad should begin immediately. The Commission recommends the immediate preparation and filing of five right-of-way applications: (1) to Delta, (2) to Canada, (3) to Kenai, (4) to Beluga, (5) to Tanana and Kobuk/Amhler.
3. The railroad should cooperate with local governments. The Commission urges the State not to compete with local governments in the operation of railroad-related facilities, such as ports, which are historically operated by local governments.
4. The railroad should expand into connecting services by contracting with private enterprise. The Commission urges that the policy of the Alaska Railroad should be that, to the maximum extent possible, expansion should occur by contracting private enterprise and by not competing in a service area previously provided by private industry.
5. The interim operation of the railroad should be conducted by an independent authority under a separate department on a temporary basis. The Commission feels that the short term management of the railroad is critical to the overall future of the railroad and the state. Therefore, the Commission recommends the creation of an independent authority under a separate department of state government on a temporary basis as provided for in Article III, Section 22 of the Alaska Constitution.

6. State oversight of the railroad should be kept at a minimum. The Commission recommends that only the bare minimum of oversight consistent with good public policy be provided for in the legislation and that the legislation specifically provide for a public process so that policy determinations made by the board are based upon adequate public input.

7. Alaska railroad mineral rights should be preserved. The Commission recommends that any authority or private operator of the railroad should be able to utilize all subsurface resources and railroad land for railroad purposes without any restriction as to ownership or use of those resources which might otherwise be applicable under existing state law.

8. Additional appropriation for the Commission. The Commission feels that to adequately fulfill its legislative mandate between the date of this interim report and the final transfer of the Alaska Railroad to the State, an appropriation in the amount of \$75,000.00 is essential. This amount will provide the Commission with the ability to hire the necessary staff and incur necessary operational expenses so that a final report can be prepared.

II--SPECIFIC RECOMMENDATIONS FOR CHANGES IN PENDING STATE LEGISLATION

In the body of the report, the Commission makes numerous recommendations for specific changes in SB10, pending state legislation accepting transfer of the railroad. However, in this Executive Summary the Commission would like to call attention to a few specific matters which it considers to be critical.

1. The Commission urges that a seven-member board of commissioners be established for the railroad authority. Balanced geographic distribution for the board is critical and the Commission recommends that at least two members be from areas served by the railroad north of Windy Pass and at least two from south of Windy Pass.

2. If consistent with law, the Commission recommends that the Commissioner of Transportation and Public Facilities be a non-voting member of the authority.

3. The Commission recommends that a representative from the employee bargaining units and the general manager of the Alaska Railroad be non-voting members of the board of Commissioners.

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4. Consistent with federal legislation, all bargaining agreements should be honored and maintained for a period of time until renegotiation can be accomplished smoothly and without disruption of rail service.

We're Working On The Railroad

By Representative Terry Martin

Alaskans have a great asset in their Alaska Railroad. It has served us well in the 73 years since President Warren G. Harding drove the ceremonial golden spike at Nenana in 1923. It has since become an integral part of life throughout its route—the "Railbelt."

And it is because the railroad is a valuable asset, belonging to the people of Alaska, that it is important for the legislature to bring it under its careful scrutiny at this time. It is incumbent upon us to see the full picture of what we bought with our \$22.3 million investment 13 years ago.

In 1983, after negotiations were finalized to transfer the railroad from the federal government to the State of Alaska, President Reagan signed the bill. In January 1985, state legislation had been consummated to complete the transfer. At that time, former Governor Bill Sheffield said, at ceremonies in Nenana, "Alaskans will decide the future of this line, whether that means expansion, or whether that means sale to a private corporation."

Certain expectations that were part of the transfer have now ripened and demand attention. First, there are more than 36,000 acres of land at stake, land that can now be transferred from federal ownership to the State of Alaska, because we have faithfully operated the railroad for the 10 years required by the Transfer Act.

It has been difficult obtaining information on this exceptionally valuable land, mainly because the Alaska Railroad Corporation has operated like a private business, and has been reluctant to open all its books to elected officials (which begs one of the fundamental questions to answer: how open should the management of the railroad be?)

Half of this land may be essential to railroad operations, but not all of it. Some of it is leased to other entities, government and business, but whether the leases generate a realistic return or not, we don't know.

In my view, we must establish the procedures needed to complete the transfer of the land to the State itself, not to ARRC. We are already two years behind in transferring the land, and losing millions of dollars each year that goes by.

A second concern is that of privatization. During the debates in 1981-82 over whether the state should purchase the railroad, much concern was expressed about the state's continuing role, and whether it was appropriate for the state to run the railroad. After all, the federal government had been losing millions of dollars on it every year. That's why they wanted to sell it. Even after the purchase, the state government has poured millions of dollars into the railroad and its assets.

With this in mind, the Legislative Budget and Audit Committee has embarked on an extensive review of the railroad, its operations and its assets. We find ourselves at a crossroads, and in order for legislators to make informed decisions, it is imperative that we have the most accurate picture of the railroad that we can get.

Some interest groups are currently asking political candidates where they stand on "selling" the railroad. This terminology limits the options of other choices we should consider for maximizing all the assets and potentials of this vital link for economic growth.

As the public debate unfolds, we have to ask: Do we keep the railroad as it is, with a corporation of the state running it and managing its land assets? Do we allow the ARRC to continue to run the rail business, but transfer the land to state, to be managed by ARRC if it is related to their operations, and by the Department of Natural Resources if it is not essential to the railroad?

*why not
private hands?*

Do we seek to privatize the railroad, through lease or sale? It was clear in 1982 that the public expected the state only to be a conduit to receive the railroad from the federal government and then seek privatization. Can this be accomplished by forming some kind of joint operating arrangement with a private business, such as a concession?

It has become obvious to me that the Alaskan public is wary of snake-oil salesmen, and would balk at handing over such an asset as the railroad too cheaply. There is no need for a fire sale. As a legislator, I second that position. And that is why the Budget and Audit Committee has set in motion the audits, appraisals and investigations needed to obtain the information we need. We would be remiss in our duties not to proceed, however carefully, to a conclusion on the railroad question.

Commentary

Adams: Time for railroad sale

by Senator Adams

At the time our state purchased the Alaska Super Railroad and accompanying land from the federal government, about a decade ago, state legislation mandated that private ownership of the railroad be pursued. Since that time, the various political appointees entrusted with management of the rail system have rendered that worthwhile and sensible goal.

Recent reports of an \$8 million operating profit for the railroad and associated properties in 1996 should be taken with a whole shaker of salt. Not a dime of that "profit" reported by current Railroad Chairman, former Governor Bill Sheffield, has been returned to the Alaskan people, who spent \$23 million to guarantee dollars to purchase the railroad and another \$11 million in state infrastructure costs. At no time in its state-owned history has the Alaska Railroad provided any cash return on our investment. Beyond the state "contribution," the railroad has received another \$20 million in federal grants over the last two years.

While my purpose in writing is to convey the desirability of sanctioning the railroad as soon as possible, I first would like to voice objection to Sheffield's contention that the railroad operates without subsidy from the state. Unlike other businesses in Alaska, the Alaska Railroad pays no municipal or state

taxes. That is a huge subsidy. It pays limited fuel taxes. Again, a substantial gift. The railroad corporation collects revenue from land that was part of the federal transfer but not necessary to railroad operations. Revenue in the millions of dollars that the state COULD be collecting. Sell another subsidy. And, finally, the absence of debt service on the capitalization of over \$90 million that the state and federal governments have poured into the railroad is the biggest subsidy of all.

My guess is that Governor Sheffield had received his former claim of profits at no cost, with no debt responsibility, received state and federal grants for remodeling and repairs, paid no taxes on them, AND received millions in tax-free lease income from other property he never paid for. He could have shown a profit there as well. However, his less fortunate competitors would have appreciated that as little as the freight and other businesses that currently compete with the railroad.

Sale of the railroad to a private entity would accomplish the following:

1. fulfill original legislative intent;
2. create a much needed additional tax base for the state and affected municipalities;
3. eliminate unfair competition with other railroad industries;
4. provide as cash return on our original investment;
5. pave the way for expansion and im-

Page 4, please

Adams: Time for railroad sale

Continued from page 2

provement of the railroad by a private entity; and

6. squash the financial plan that the railroad corporation has become for political appointees.

And consider this: sale of the railroad could be the beginning of our education endowment fund.

The process for selling the railroad should be relatively simple. We should get an appraisal and list of all assets and decide which

to sell and which to keep. We should set reasonable conditions for the sale, including provisions requiring continuing operation as a railroad with certain minimum standards. Those could include required service to certain communities, limitations on resale of assets, and treatment of existing union contracts and its employees. And, most importantly, bids for the railroad should be reviewed and decided upon by someone other than the Alaska Railroad Board, which has an obvious conflict of interest in any sale decision.

ALASKA RAIL ROAD CORPORATION Subcommittee

Wareham	Lee	International Path Finder
Cottrell, cpa	David	Mikunda Cottrell & Co.
Furman	Gene	CPA
Haxby	John	Wausheka Alaska Corporation
Sanders	Jim	ASEA
Schroer	Don	
Thomas	Kathryn	Alaska State Chamber of Commerce
Wilson	Samantha	

Attn: Wendy L.

AK RR

265-2312

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of pages 5

SMALL PROCUR PART B - PF

To: Marco	From: Jim Kubit
Co.	Co. ARRC
Dept.	Phone #
Fax # 269-0223	Fax #

THIS COMPLETED FORM MUST BE THE FIRST PAGE. NO OTHER COVER SHALL BE USED.

Project Title: **State Rail Plan Update**

PROPOSAL REQUIREMENTS

Proposals shall demonstrate comprehension of the objectives and services for the proposed contract; include a brief overview of what will be done; and show a sequence and schedule for each important task. Assumptions made in formulation of the proposal and the support expected from the Contracting Agency shall be defined. The key individuals who will perform services shall be named (including all who would be "in responsible charge" (Ref: AS 01.48) for Architecture, Engineering and/or

Land Surveying with their Alaska registration number). Include a brief -- about one paragraph -- statement for each person named which describes *experience directly related* to the service(s) they will perform. Proposed subcontracts, if any, shall be explained. Resources -- support personnel, facilities, equipment, etc. -- current and projected workload could be summarized. Any *unique* qualifications or knowledge of the project, project area, or services to be provided, should be identified.

ALASKA STATUTORY PREFERENCES		☐ are	☒ are not applicable to this contract.
If applicable, check those preferences that you (Offeror) claim.			
☐ Alaska Bidder (Offeror)	AND >>>	☐ Employment Program	OR ☐ Disabled Persons
2 AAC 12.260(d)	If applicable	AS 36.30.170(c)	AS 36.30.170 (e & f)
Invalid claim(s) will result in the Offeror's disqualification for contract award.			

PROPOSAL

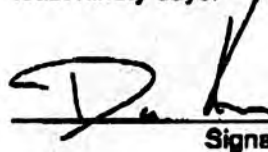
The undersigned has reviewed Part A - RFP of these documents, understands the instructions, terms, conditions, and requirements contained therein and in the Standard Provisions Booklet, and proposes to provide the required services described in Part A in accordance with the attached letter which constitutes our proposal to complete the project.

By my initials below, I certify that the Offeror and all Subcontractors identified in the Proposal shall comply with all requirements for the following items as explained in the Standard Provisions Booklet:

- [X] Alaska Licenses and Registrations.
 [X] Insurance, including Workers' Compensation, Comprehensive or Commercial General Liability, and Comprehensive Automobile Liability.
 [X] Professional Liability Insurance as follows:
☒ As available.
☐ Minimum of \$300,000.

I further certify that I am a duly authorized representative of the Offeror; that this Proposal accurately represents capabilities of the Offeror and Subcontractors identified for providing the services indicated. I understand that these Certifications are material representations of fact upon which reliance will be placed if this contract is awarded and that

failure to comply with these Certifications is a fraudulent act. The Contracting Agency is hereby authorized to request any entity identified in this proposal to furnish information deemed necessary to verify the reputation and capabilities of the Offeror and Subcontractors. This proposal is valid for at least ninety days.



11/15/99

Signature and Date

Name..... **Duane A. Hippe, P.E.**
 Title..... **Senior Vice President**
 Offeror (Firm)..... **HDR Alaska, Inc.**
 Street or PO Box..... **2525 C Street, Suite 305**
 City, State, Zip..... **Anchorage, AK 99503-2639**
 Telephone - Voice..... **907-274-2000**
 Telephone - Fax..... **907-274-2022**

AK Business License Number..... **BL 216873**
 Federal Tax Identification No. **47-0794061**

Type of Firm (Check one of the following):

- ☐ Individual ☐ Partnership
☒ Corporation in state of..... **Alaska**
☐ Other (specify).....

END OF PART B

*State Rail Plan Update***1. Demonstrated Comprehension of Required Services and Proposed Strategy for Performance**

The overall approach the HDR team will use for the rail plan update is to build upon our background in the preparation of the existing rail plan and our overall knowledge of and/or involvement in other state and regional planning studies. Our team, composed of staff from HDR Alaska and Wilbur Smith Associates (WSA), has a long history of working together and with the Alaska Department of Transportation and Public Facilities (DOT&PF), the Alaska Railroad Corporation (ARRC), and rail systems around the country. This background gives us an understanding of the processes and the key players involved in the analysis of railroads in Alaska. We propose the following work plan to update the current State Rail Plan.

Task 1 - Conduct Public Participation.

The HDR team will conduct a successful public involvement effort to ensure that concerns important to the state constituencies and issues that arise from the project are incorporated, as appropriate, into the State Rail Plan. This task will be in conformance with the procedures developed in the Statewide Transportation Plan. Our public involvement plan (PIP) includes both formal and informal public involvement in this task. The key to our approach in the PIP is to involve the public, communicate effectively; and strive to reach consensus. Our first public involvement task is to develop a project mailing list of stakeholders through informing and polling the municipalities and regional planning agencies served by the state's railroads (or located on a possible line extension). Response to these communication efforts will be evaluated and incorporated in the draft plan, as appropriate. After a draft plan is produced, it is our intention to hold public meetings at representative cities such as Anchorage and Fairbanks. These meetings will both inform the public and provide the opportunity for comment.

Task 2 - Describe Policy Revisions.

We will work closely with DOT&PF planners, officials, regulatory agencies, and other interest groups to ensure that proposed policies are consistent with goals of economic development and service to the people of Alaska. HDR's involvement in the Alaska Intermodal Transportation Study, transportation plans around the state, and municipal planning studies in Railbelt towns such as Anchorage, Wasilla, Palmer, and Whittier and throughout rural portions of the state, gives us an understanding of those communities and familiarity with the state's statutes and regulations. Our dealings with the ARRC's intermodal service and line extension studies have given us insight into the goals of the railroad as well as an understanding as to what can be accomplished.

WSA has partnered with HDR in rail studies across the country. WSA's involvement in numerous state rail plans and statewide transportation plans will allow us to benchmark Alaska's rail plan against other states as well as identify possible federal funding sources that might otherwise be overlooked. As national consulting leaders in rail engineering, HDR and WSA have the experience to review the Alaskan rail statistics to project the future of rail in terms of profitability, ownership, transportation alternatives, and assistance. Our involvement in Alaska as well as the Lower 48 gives our team the ability to quickly identify the unique characteristics of Alaska's railroads and form a policy consistent with the other Alaskan state transportation plans.

Task 3 - Update Plan Information.

We will evaluate the existing proposal, section by section, to update the statistical elements of the plan. To control costs, it is our intent to adopt the 1985 State Rail Plan format and update the data, descriptions, mapping, and other information to reflected changed conditions as necessary. To obtain the needed data, we will work closely with ARRC managers such as Jim Blasingame and Bruce Carr, and White Pass and Yukon Route Railroad (WP&YR) president Fred McCorriston, and also use annual reports. The

State Rail Plan Update

feasibility of the proposed rail extensions will be briefly reviewed from both an engineering and economic feasibility standpoint. We will also identify the "boosters" of various extensions in both the private and public sectors. Since the rail extensions were covered fairly extensively in the last report, we will forecast more on the changing mix of rail services rather than line extensions. There have been significant changes in the mix of freight and passenger transport since the last State Rail Plan update.

Task 4 - Identify Potential Title 23 Rail/Highway Crossing Projects.

We will update the lists of potential crossings with both state railroads and update them, as needed. The second part of this task will be to benchmark the existing Alaska Policy to inventory and assign accident prediction values. We will then recommend disposition of that policy. Intelligent Transportation System (ITS) strategies to increase safety include intelligence detection of vehicles, advance grade crossing messages, and other warning devices.

Task 5 - Identify Potential TEA-21/Federal Intermodal Projects.

Funding for railroads under TEA-21 is limited to grade crossings, historic station preservation (under the enhancement provision), and the Rail Rehabilitation and Improvement Financing (RRIF) program (a loan/loan guarantee program that requires payment of a risk premium up front). The final rules for use of the program are yet to be promulgated. The Light Density Line Pilot Program, a replacement for the long unfunded LRFA program, is in the TEA-21 legislation, but is not funded. Rail efforts advanced as part of intermodal projects could be funded through the state transportation/MPO planning process.

State programs will provide another source of funding. A review will be made of Alaska funding programs, and those with the potential for rail use will be identified. The best candidates will most likely be those associated with economic development programs. Incorporated in this effort will be identification of state funding previously used by the railroad.

Task 6 - Analyze the Role Rail Plays in Passenger Movement.

Existing passenger service provided by ARRC and the WP&YR will be described. Data will be gathered from each carrier directly or through secondary sources, such as annual reports. Passenger services, other than the intercity and tourist operations of the ARRC, have been proposed and will also be identified and discussed.

Historic ridership will be documented with available data and will be related to population and tourism over time. Forecasts of future ridership and potential services will be related to available forecasts of population, tourism, and other influences, such as highway and other modal expenditures and policies, residential-workplace relationships, etc., as may be appropriate. Our team has vast experience in all forms of rail passenger patronage forecasting.

The potential for equipment and operating efficiencies, given the seasonal demand for the different services, will be considered in any feasibility analyses. Conflicts with freight service will also be considered as appropriate.

Task 7 - Review the Concurrent Alaska ITS Strategic Plan.

ITS strategies are becoming the wave of the future in many transportation and rail applications. We will examine the state plan that is underway and evaluate how it can be utilized in controlling trains both to utilize efficiencies of operation as well as provide a safer environment for the public. The ARRC's transition to utilizing satellite transmission in its train dispatching as well as the ITS elements of the Whittier Access Tunnel project will be examined.

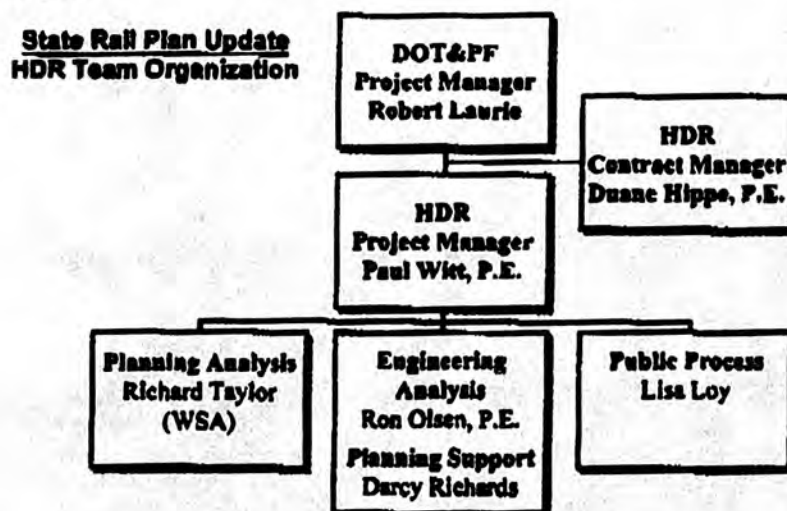
State Rail Plan Update**Task 8 - Draft the Updated State Rail Plan.**

This will be accomplished using the existing Corel Word Perfect database and will add graphics and charts, as needed. If the formatting can be accomplished without extensive retyping, our goal is to translate the final report to the latest version of Microsoft Word currently in use at the DOT&PF. A copy of both the draft and final versions will be made available on the state's Internet server. The Task 9 graphics will be provided both for the report and public participation.

Both final and draft products will be produced in four formats: electronic versions compatible with DOT&PF Statewide Planning software; an electronic version from the authoring software; an Adobe Acrobat version for dissemination via the Internet; and a version suitable for dissemination via the electronic FTP mode. Digital maps delivered to DOT&PF will be in ArcInfo or ArcView format, and ARRC will receive digital maps in AutoCad Version 2000.

2. Relevant Experience and Credentials of Proposed Personnel

The HDR team offers DOT&PF the best rail planning experience in Alaska and nationwide. HDR is one of Alaska's most experienced transportation planning firms. Our long and successful history of projects for DOT&PF ranges from the 1995 Alaska Intermodal Transportation Study to successful environmental impact statements (EISs) like the Whittier Access Project EIS and more than 20 aviation master plans. We have also gained an extensive understanding of rail infrastructure and issues around the state through the DOT&PF-sponsored Whittier Access Project, which began with the Whittier EIS and now includes the tunnel management design/build contract. We have also worked closely with ARRC in a number of planning and engineering studies. Wilbur Smith and Associates (WSA) is one of the nation's leading transportation planning firms. WSA has conducted many rail/transportation projects around the country, such as the current Alaska Rail Plan (being updated by this project), and 24 other state rail plans. WSA and HDR have partnered on many projects, including the recent Washington State Rail Plan. The combined strengths of HDR and WSA ensure DOT&PF of accurate, cost-effective and timely performance of this planning project. Our team members and their respective roles are highlighted in the organization chart below.



Paul Witt, P.E., a senior rail engineer with HDR, will serve as project manager. He has more than 20 years of rail experience in Alaska and around the country. Having managed HDR's engineering contract for the Whittier Access Project for the past two years, Paul has gained detailed knowledge of the state's rail infrastructure and issues surrounding rail expansion. He has also been project engineer for the Girdwood Rail Corridor Feasibility Analysis, and has been a task leader in HDR's planning study of

State Rail Plan Update

construction and operation of a rail connection to Cordova. Prior to joining HDR, Paul worked as a manager for Consolidated Rail Corporation (Conrail), handling positions in planning, design, construction, and maintenance. He was responsible for securing reimbursement for over 40 FHWA Title 23 funded projects every year. For DOT&PF and Conrail, Paul has successfully completed many rail planning assignments driven by tight schedules. His knowledge of railway operations and infrastructure, both in Alaska and nationwide, will accomplish this project's goals on time and within budget.

Duane Hippe, P.E., a senior engineer with HDR, will serve as contract manager, acting as DOT&PF's contact on a day-to-day basis for all contractual matters pertaining to this contract. His 20 years of transportation planning and design experience in Alaska includes managing several DOT&PF projects.

Richard Taylor, a project manager for WSA, will conduct rail planning analysis. He has 14 years experience with the former Southern Railway System (now Norfolk Southern) in engineering and planning positions, and 20 years with WSA in rail planning. Richard has worked extensively in the Pacific Northwest on freight rail issues, line analyses and state rail plans. He has a thorough knowledge of the state rail plan process through working on such relevant projects as WSDOT state rail plan updates in 1991, 1993 and 1998, the 1993 freight rail plan amendment, and the statewide rail passenger program. He has lead the effort in state rail plans or plan updates in over 12 states for the various DOTs, including those in Idaho, Florida, Montana, Connecticut, Wyoming, Iowa, North Dakota, Oregon, Ohio, Georgia, and Nebraska.

Ronald Ohlsen, P.E., a railway engineer with HDR, will conduct engineering analyses. He has more than 10 years experience in the design and management of railroad projects. His background includes managing the current on-call rail engineering contracts for the Washington State Department of Transportation (WSDOT) including the Washington State Rail Plan, alignment design, modeling analysis, and speed studies. Ron's additional rail experience includes working on the Pacific Northwest Rail Corridor Study EIS, the BNSF Stampede Pass and Tacoma Tidelands Circulation Study. He is a professional engineer registered in Washington State.

Lisa Loy, an environmental planner with HDR, will lead the public participation effort. She has more than a decade of experience in Alaska conducting public involvement, planning, and permitting for infrastructure projects around the state.

Darcy Richards, a senior planner with HDR, will provide planning support, as needed. She has more than 20 years of planning experience in Alaska working with communities, non-profit agencies, and state and local governments. Based in HDR's Juneau office, Darcy can coordinate the work of the HDR team with DOT&PF staff.

3. Reasonableness of Proposed Schedule for Performance

DOT&PF has requested that this project be completed in a relatively short timeframe—the Draft Rail Plan by April 15, 1999 with the Final Rail Plan due by July 15, 1999. Reaching the April 15 goal will require a focused and concentrated effort and dedication of staff to the project. Tasks will need to occur concurrently, and decisions and reviews will have to occur in a timely manner. Excellent communication among HDR, WSA and DOT&PF will be necessary. We will follow up with ARRC after the scoping meeting to encourage its staff to comment on the project schedule.

It is anticipated that the public meetings will be held shortly after April 15, and that all comments and suggestions can be received prior to May 20. This should leave ample time to produce the final document. Tasks 1 and 2 will begin immediately following notice to proceed. Tasks 4 through 6 will begin approximately one month later and continue through to completion of a draft report. Tasks 7, 8, and 9 will be accomplished, as required, to meet the requirements of the other sections.

ALASKA RAIL ROAD CORPORATION Subcommittee Membership

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John BINKLEY
Bill Sheffield

Robert A. Evans
Attorney at Law

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November 26, 1998

RE: Alaska Railroad Privatization

Dear State Chamber Members:

The purpose of this letter is to briefly introduce myself and more fully introduce Montana Rail Link, Inc. of Missoula, Montana. I represent Montana Rail Link in its efforts to acquire the Alaska Railroad Corporation (ARRC). As their consultant, I have met with many business leaders around the state as well as our government leaders. The response has been very positive; however, the ARRC is very important to this state and people have many questions about what privatization of the ARRC means.

Montana Rail Link operates the rail line from Spokane, Washington to Laurel, Montana (east of Butte). It is one of the Washington Corporations owned by Dennis Washington. Washington Corporations have interests in construction, mining, environmental management and heavy equipment sales, as well as transportation. In August, Mr. Washington acquired Morrison-Knudsen Construction Company. Most recently, Mr. Washington and Canadian Pacific Railway announced they have reached agreement leading to the sale of a portion of the CPR network in the Midwestern United States to the Washington organization. The Washington Corporations were valued, prior to the two above-mentioned acquisitions, at 2.3 billion dollars.

Montana Rail Link and the Washington Corporations are ready and able to do business in Alaska. They bring capital and expertise in areas that are at the base of Alaska's economy. Montana Rail Link does business in the Pacific Northwest. They are involved in construction, transportation, mining and environmental management. The similarity to Alaska in terms of climate and dealing with the long distances that their customers have to the ultimate market is great. Montana Rail Link can bring this experience to benefit Alaska.

The ARRC has been important in the development of Alaska since it was completed in 1923. It is central to the growth of Alaska's future. It has done a good job. However, it can do more -- much more as a private railroad.

What is the future of the ARRC? As a corporation owned by the state, that future is most likely limited to the status quo. The ARRC does not presently have the capital to fund an aggressive development agenda. Nor is it likely to. First, the state continues to face declining revenues and will be unable to sustain an aggressive development agenda. Furthermore, because the Board of Directors is subject to change with each administration, even if the funding were available, it is uncertain an aggressive development agenda would survive a change of Directors.

Page 2

November 26, 1996

Privatization of the ARRC will lead to the establishment of long-term goals and objectives. Montana Rail Link will have the capital and expertise to fund an aggressive development agenda. It must, in order to enhance profitability. As an example, Alaska is currently enjoying expansion in its mining sector. Think of the growth that would occur if the railroad could expand to areas not accessible to road or rail. The railroad should be privatized.

The private railroads in the Lower 48 are at full capacity. They are growing at unprecedented rates since the end of World War II. Montana Rail Link is one of the most aggressive lines in the contiguous United States. Montana Rail Link has doubled its union labor force since 1987. Privatization of ARRC would be consistent with what is happening in Australia, New Zealand, Argentina, Mexico, Great Britain and Canada. Privatization is the goal of the Resource Development Council, State Chamber of Commerce, The Alliance and many in state government. Virtually every plan dealing with Alaska's budget gap recommends privatization. If we cannot privatize the Alaska Railroad, what can we realistically hope to privatize?

Beyond upgrading and expanding the Alaska Railroad, there are numerous other advantages to privatization. They are:

- 1) management performs better with profit responsibility;
- 2) private railroads capitalize on entrepreneurial opportunities;
- 3) once a railroad is profitable, governmental participation is unnecessary. Indeed, once a railroad is profitable, isn't it better to have it paying taxes to state and local governments?

The proponents of the status quo are well-meaning. The opportunities of change (privatization) are great. In order to have change, the collective voice of Alaska's business community must be heard. Please contact the Governor and the Legislature and urge them to begin immediately the privatization of the Alaska Railroad. Again, Montana Rail Link is ready and able to do business in Alaska. However, Montana Rail Link needs to know that Alaska is ready and interested in doing business with it.

If you have any questions, please contact me.

Sincerely,


Robert A. Evans



and Delivery of Government Services

www.privatizealaska.org

NOTICE OF SUBCOMMITTEE MEETING

Subcommittee Name: **Alaska Rail Road Corporation**

Committee Members:

John Binkley	Don Schroer
David Cotterell	Kathryn Thomas
Gene Furman	Lee Wareham
John Haxby	Samantha Wilson
Jim Sanders	

Date:

Wednesday, November 17, 1:30 PM

Place:

Legislative Information Office
716 W. 4th Avenue
Second Floor Conference Room
Ketchikan, Mat-Su LIO Teleconference Available

If you have any questions please call Representative John Cowdery's office at 269-0222.

The web site that has a current list of members and schedule of meetings
posted daily!

www.privatizealaska.org

11/12/99

[illegible]

ALASKA RAIL ROAD CORPORATION
Subcommittee
Contact Information Sheet

Name: *Samantha DeLay - Wilson*

Work Phone: *277 1127*
Fax 277 1138

Home Phone: *278 2535*

Fax: *278 2538 Home Fax*

Company: *Money Sources*

Email: *SDWmoney@alaska.net*

Address: *308 G St. Ste 311*
Anchorage, AK 99501

email = Mercer Rept.

Mark Lindley the FRC
Chief Council

- 1 The legis shall ~~cause~~ ^{parallel regarding the ARK to issue} an RFP to be ~~submitted~~ for the sale of ^{all} the ARK -
- 2 RR shall pay costs of RFP.
- 3 The RFP shall be advertised for 60 days.
- 4 ~~Mandatory criteria for accepting proposal~~
~~would go in the bill~~ shall be...
- 4 The RR shall make all financial and operating data available to ~~the~~ potential proposers
- 5 Evaluation team shall consist of
Decision shall be ratified by legis -

Describe what is for sale:

Equipment, rolling stock, ROW, track and appurtenances
necessary for ops of the RR, land, utilities
railway ops ROW

- properties must be used for RR.

(If existing cond for on ROW at time of transfer must
be dedicated to transport & utility purposes or risk
to revert

ARR shall implement a vegetation
control program including use of herbicides

These lands shall be offered for sale
to landholders at ~~FAV~~ not more than FAV.

Offer for sale all land that is
not essential to RR ops.

Why privatize

- We can't tell if we're optimizing
the potential of the ARR because
market forces aren't at work
~~at present~~

Legislative Research Report 99.082

March 25, 1999

Alaska Railroad Appropriations

Legislative Research Services
Division of Legal and Research Services
Legislative Affairs Agency
Alaska State Legislature

Prepared by Mary E. Miller, Legislative Analyst



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ALASKA RAILROAD APPROPRIATIONS

You requested information about legislative appropriations for the purchase and operation of the Alaska Railroad. As far as we can determine, Alaska lawmakers appropriated at least \$42 million to purchase and operate the Alaska Railroad.

- ◆ On May 18, 1984, Governor Bill Sheffield signed SB 370 (ch 54 SLA 84) authorizing the purchase of the Alaska Railroad from the federal government at a cost of approximately \$22.3 million from the general fund. On January 5, 1985, ownership of the Alaska Railroad transferred from the federal government to the state of Alaska.
- ◆ At the time of transfer, lawmakers allocated an additional \$10.9 million to the railroad corporation to purchase equipment and pay operating costs until additional revenues were generated to cover these expenses (ch 171 SLA 84).¹
- ◆ The Department of Commerce and Economic Development 1988 summary report on the Alaska Railroad indicates that the state paid another million dollars to the railroad at the time of purchase. However, we have been unable to locate any other documentation describing the purpose or transfer of these funds.
- ◆ In 1990, the Alaska legislature appropriated \$9 million from the Railbelt Energy fund to the Alaska Railroad to purchase railcars to transport coal from the Wishbone Hill coal mine (sec 145 ch 208 SLA 90). The development has not occurred and the railroad actively invests these funds in an interest-bearing account. The current amount in the Wishbone Hill account is approximately \$14.6 million.²
- ◆ In 1990, the Alaska Department of Natural Resources (DNR) transferred ownership of twenty grain cars to the Alaska Railroad. Through an agreement between the DNR and the Alaska Railroad, the railroad sold eighteen of the grain cars, generating \$598,500 in gross revenues. After deducting expenses for the cost of selling the rail cars and other agreed upon deductions such as back due rental payments, the remaining funds were designated for "mutually agreeable" projects between the railroad and the DNR. To date, funds have paid for projects such as a public access trail alongside the railroad tracks in the Mat-Su Valley and Mt. McKinley areas, and an improved crossing at Standard Creek. As of December 31, 1998, the account balance, including interest, was \$238,488. Approximately \$100,000

¹ "The Alaska Railroad Update, 1988," Alaska Department of Commerce and Economic Development, Division of Business Development, February 1988, p. 5.

² Ernie Piper, director of public affairs at the Alaska Railroad Corporation, indicated these funds currently earn approximately \$15,000 per week. Mr. Piper is not aware of any current plan for development of the Wishbone coal mine. Idemitsu Kosan, the Japanese company originally interested in developing the Wishbone Hill coal mine has sold their interest to Usibelli Coal company. For additional information, Mr. Piper may be reached at (907) 265-2410.

of these funds have been earmarked for a pedestrian underpass near
Talkeetna in the summer of 1999.³

We have not been able to identify any other appropriations by the state to the railroad. A
bibliography of materials regarding the Alaska Railroad is included as Attachment A.

I hope you find this information useful. Please do not hesitate to contact us if you have questions
or need additional information.

³ For more information, Jim Blasingame, vice president of corporate affairs for the Alaska Railroad Corporation, may
be reached at (907) 265-2680.

Attachment A

Bibliography of Alaska Railroad Libraries

THE ALASKA RAILROAD UPDATE

1988

A report to the Legislature
regarding the status of railroad privatization
and potential for use of the railroad as a tool for economic development;
including a bibliography of publications pertaining to the railroad (1914—1987).

State of Alaska
Department of Commerce and Economic Development
Division of Business Development
P.O. Box D
Juneau, Alaska 99811

February 1988

J. Anthony Smith, Commissioner
W.G. Paulick, Development Specialist

SECTION IV

BIBLIOGRAPHY OF ALASKA RAILROAD LIBRARIES Major Works

This bibliography includes 172 works relating to the Alaska Railroad Corporation, Transfer to the State, and use of the Railroad as an Economic Development Tool. Listed in order of publishing or release date, these works represent the contents of the following libraries:

- (1) Alaska Department of Commerce and Economic Development
- (2) Alaska Department of Transportation and Public Facilities
- (3) Alaska Legislative Library

Additional works are included from the library of the Alaska Railroad Corporation (4), however, the majority of materials from that library are presently stored in boxes in various inaccessible locations, including Seattle. By the end of the decade materials in libraries (1), (2) and (4) will be consolidated at the ARRC headquarters in Anchorage and will include all materials from 1914 to present. The legislative library will receive a copy of the listing of the ARRC library upon completion.

Finally, library (5) represents those works available through the Alaska State library system (Juneau branches only).

The following annotated listings conclude with the library location, indicated in parentheses.

1914 - 1975

The Alaska Railroad Time Tables; Shorey Book Store, Seattle, WA;
facsimile of original, 1 sheet: map 28 x 22 cm 7/22. (5)

Submission of the State of Alaska re: Adjudication of Lands of the Alaska Railroad, Multivolume set from 1949 to current listings: material reports, copies of ARRC stock cards, complaints and resolution correspondence, inventory information, geographical plan and profile data, native claims on dispute lands. Set is not complete, however offers good background data. (2)

Alaska's New Railway, Alaska Railroad, 1961. (5)

History of the Army's Assistance & Operation of the Alaska Railroad During World War II; 1 pg, 2/63. (1, 4)

Winter Operating Conditions on the Alaska Railroad, Alaska Railroad Traffic Division; 6 pg., 2/63. (1,4)

Construction and Maintenance Problems Encountered on the Alaska Railroad, A. Anderson; 12 pg., 2/64. (1,4)

Railroad Engineering Under Sub-Arctic Conditions, A. Anderson; 9 pg., 2/64. (1, 4)

The Alaska Railroad: in Pictures, B. L. Prince; two-volume pictorial history from 1914-1964. (4, 5)

The Alaska Railroad, E. M. Fitch; History from 1914-1967, (4, 5)

Report & Recommendations for Engineering Service Requirements: Transportation Corridor - Nenana/Dunbar Area to Kobuk River Valley, Tryck, Nyman and Hayes, 3/68. (4)

Surface Transportation for Northern Alaska, North Commission; Baseline Information, 5/68. (4)

Alaska Railroad Bridges, Modjeski & Masters; complete listing with specifications, 12/68. (2, 4)

The Canadian NW Transportation Study, Vol. III, Stechiskin, Pritchard; a consideration of transportation factors, 10/69. (3, 4)

Report of the North Commission, done under the administration of Governor Hickel; How to realize the promise and potential of Northern Alaska, 6/70. (1, 4, 5)

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Railroad Consolidation and Relocation in Urban Areas; A report of the Secretary of the United States Department of Transportation to the Congress, 3/76. (2)

An Experiment in Freight Modal Choice, final report by the United States Department of Transportation; Delineates the rail-truck interface, 5/76. (2)

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State Organizational Issues Involved in the Proposed Transfer of the Alaska Railroad from the U.S. to the State of Alaska; Draft, 1/82. (1)

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1983

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Appraisal: Alaska Railroad Real Estate to be Transferred Under the Alaska Railroad Transfer Act of 1982, Jackson-Cross Appraisal Co.; Property description, valuation data, property improvement and lease data, vol. I=Introduction and Anchorage, Part 1, vol. II=Anchorage, Part 2, vol. III=Fairbanks and Seward, vol. IV=Whittier, Valdez and Other, 1982-83. (I= (vol. IV only), 2, 4)

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Survey of State Involvement and Unique Approaches to the Funding of State Railroad Programs, American Association of State & Local Highway Officials; 9/83. (2)

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Valuation of the Alaska Railroad, U. S. Railroad Association; in two volumes, an evaluation of fixed facilities and equipment of the Alaska Railroad, 9/83. (1, 2, 3, 4, 5)

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1984

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1987

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Legislative Research Services

***Alaska State Legislature
Legislative Affairs Agency
Division of Legal and Research Services***

***130 Seward Street, Suite 218
Juneau, AK 99801
Phone: 907-465-3991
Fax: 907-463-3351***

July 20, 1999

Memorandum

TO:

FROM: Mary E. Miller
Legislative Analyst

RE: **Alaska Railroad Corporation Information**
(Research Report 99.082 Supplemental)

You requested information about the initial legislative appropriation for the purchase of the Alaska Railroad and subsequent appropriations thereafter. You also requested any other information about Alaska's purchase of the Alaska Railroad from the federal government.

In the course of my research on the subject, the following previous legislative research report was identified and may be of interest to you.

"Legislative History of Alaska Railroad Ownership," Research Report #89-100065 (also referred to as 90.000061)

I will continue to research the questions pertaining to legislative appropriations and will send additional information, as it becomes available.

LEGISLATIVE RESEARCH REPORT

OCTOBER 19, 1999



REPORT NUMBER 00.008

POTENTIAL STATE TAX LIABILITY OF THE ALASKA RAILROAD

PREPARED FOR REPRESENTATIVE JOHN COWDERY

PREPARED BY KATHLEEN L. WAKEFIELD, LEGISLATIVE ANALYST

You asked us to estimate what the state tax liability of the Alaska Railroad would have been for the last five years had the corporation been subject to state taxes. As you know, Alaska Statute 42.40.010 exempts the Alaska Railroad Corporation "from all taxes and special assessments of the state or a political subdivision of the state." Without such an exemption, according to officials with the Alaska Department of Revenue, the corporation would be required to pay the state corporate income tax and the motor fuel tax. We estimate that the corporation would have paid approximately four million dollars in taxes over the last five years (1994-1998): over three million dollars in state corporate income tax, and about \$600,000 in state motor fuel tax. (The corporation is also exempt from federal income tax).¹

The following table provides estimated tax liability for the corporate income tax for 1994, 1995, 1996, 1997, and 1998, based on the corporation's "net income" as reported on the balance sheets in the annual reports for those years. The corporate tax rate for businesses earning taxable income of over \$90,000 per year is 9.4 percent.² These figures do not take into account any deductions that the corporation may be eligible to claim (for example, depreciation of buildings and equipment).

¹ "Alaska Railroad Corporation 1998 Annual Report," p. 18.

² Personal communication with Mark Graber, Income & Excise Audit, Alaska Department of Revenue, October 13, 1999.

**Estimated Corporate Income Tax Liability for the Alaska Railroad,
1994-1998 (In thousands)**

	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>Five Year Total</u>
Net Income ¹	(\$3,210.0)	\$7,871.0	\$8,009.0	\$10,590.0	\$9,936.0	\$33,196.0
Potential Tax Liability ²	\$0.0	\$739.9	\$752.8	\$995.5	\$934.0	\$3,422.2

¹ "Net Income" is taken from ARC annual report balance sheets for these years.

² "Potential Tax Liability" is based on the Alaska corporate income tax rate of 9.4% for corporations with taxable income of over \$90,000 per year. In 1994, the corporation experienced a net loss, so no tax would have been assessed.

According to the Corporate Communications office, the railroad purchases approximately six million gallons of motor fuel per year for locomotives, and corporate vehicles and equipment.³ A net motor fuel tax rate of two cents per gallon would have applied to most of the fuel purchased by the railroad had it been subject to state taxes, since the bulk of the fuel is used for the locomotives.⁴ At that rate, the railroad would have paid at least \$120,000 per year in state motor fuel tax—a total of about \$600,000 over the past five years (1994-1998).

I hope you find this information useful. Please do not hesitate to contact us if you have questions or need additional information.

³ Personal communication with Scott Banks, Corporate Communications, Alaska Railroad Corporation, October 15, 1999.

⁴ According to the Department of Revenue, the state motor fuel tax is eight cents per gallon, which is included in the purchase price of the fuel. But users are entitled to a refund of six cents per gallon for fuel used in vehicles that are not licensed for highway use (off-road vehicles, locomotives, etc.).

Alaska State Legislature

Legislative Research Agency



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May 4, 1992

MEMORANDUM

TO: Senator Drue Pearce
FROM: Paul Engelman *PE*
Legislative Analyst
RE: Property Tax Exemptions
Research Request 92.166

You asked us to review the effect of property tax exemptions enjoyed by the electric cooperatives and the Alaska Railroad Corporation¹. This memorandum discusses the effect of these exemptions on the boroughs and businesses (electric cooperatives and railroad). A section is included to discuss the assumptions used for making the tax estimates.

The Effects on Boroughs

Removing the property tax exemptions for the electric cooperatives and the Alaska Railroad would add \$875 million to the rolls of taxable property of local governments and increase annual tax revenue by approximately \$13 million.² The impact of the property tax exemption on the boroughs is shown in Table 1.² The borough most affected is the Kenai Peninsula Borough. The additional yearly revenue to the borough if the tax exemptions were removed is estimated at over \$5 million, or 26 percent of the 1991 property tax collected by the borough. The large number of power-producing facilities located within the Kenai borough is the reason for the large impact.

The Matanuska-Susitna and Fairbanks North Star Boroughs and the Municipality of Anchorage would gain between \$2 and \$3 million each if the tax exemptions were repealed. The electric utilities account for most of the hypothetical revenue gain for the Matanuska-Susitna and Fairbanks boroughs, with lesser amounts from taxes on the Alaska Railroad. For the Municipality of Anchorage,

¹ Alaska Statutes 42.40.910 and 10.25.540.

²The table lists the boroughs which are primarily affected. However, the North Slope Borough would also gain some revenue from cessation of the exemption. The amount is likely to be small, since the only communities affected would be members of the Alaska Village Electric Cooperative which has facilities in some of the villages within the boundaries of the North Slope Borough.

the sources are more evenly split between the railroad and Chugach Electric. As a percent of the 1991 property taxes collected by the boroughs, the smallest effect would be in Anchorage (1.8 percent) with larger effects in the Matanuska-Susitna Borough (11.4 percent) and Fairbanks North Star Borough (9.8 percent).

The impact on the Kodiak Borough would be relatively small (under \$273,520), however as a percent of the property tax currently collected the potential revenue amounts to 10.8 percent. This is the third highest impact in terms of percentage of the 1991 property tax.

The Effect on Electric Cooperatives and the Railroad

As shown in Table 2, if the property tax exemptions are repealed Chugach Electric Association and the Alaska Railroad would be most affected by the changes. In both cases the operating income (a measure of profitability) is reduced from about 7 percent of corporate revenue to less than 3 percent of corporate revenue. However, all of the business studied would be impacted by the property tax, and it is likely that they would attempt to raise rates in order to bring the net operating income back to the levels experienced before the tax was implemented.

The Alaska Public Utilities Commission must approve all rate increases by the electric cooperatives. The railroad indicated it would pass along property taxes to local governments. A spokesperson said before the legislature that "If the railroad is to continue as the eighth largest employer in the state and unsubsidized by the state, then it cannot pay taxes without charging FMV [full market value] for its services to government entities".³ The services referred to are the lease of Railroad land to local governments. Thus, the railroad might attempt to recoup tax payments by increasing the fees it charges for the land and buildings leased to the local governments at less than the market rate.

Limitations and Assumptions of this Analysis

The estimates in Tables 1 and 2 are built around several assumptions which are discussed below.

Property Value

For the electric cooperatives we used the depreciated asset value of the plant as an estimate of the appraised value of all property owned. This approach

³Testimony before the Community and Regional Affairs Committee on personal and real property taxes in HB 294 on May 2, 1989.

will miss some property that would be taxable; however this amount should be small. The value of land could be understated. However, the cooperatives are limited in the amount of land they can hold that is not used for either the production and distribution of power and administrative functions. We estimate that these omissions may account for between 1 and 3 percent of the total property value. An area of possibly greater concern is whether depreciated capital is an accurate reflection of the actual market value of the property. Municipal assessors advise us that there is no other basis short of actual appraisal on which to value the property. Therefore, depreciated asset value is the only potential figure to use for this analysis.

Several of the electric cooperatives are located in more than one taxing jurisdiction. In the case of the Chugach Electric Association, it is assumed that the current geographic distribution of plant has not changed significantly since 1987, the last year we were able to obtain information on location and value for their many facilities. For the Golden Valley Electric Cooperative, it is assumed that all but 15 percent (the approximate value of the Healy power plant) of the depreciated value of the plant was located in the Fairbanks North Star Borough.

For an estimate of the taxable property of the Alaska Railroad, we updated an estimate made by the assessors from Anchorage and the Kenai Peninsulas. The estimate by the assessors of \$148,450,800 was determined using the following sources and assumptions⁴:

"The land values were computed using information from each jurisdiction."

"Equipment and rolling stock values were derived using acquisition costs and depreciating 50 percent."

"Railbed value was derived by using an estimated depreciated value of \$150,000 per mile (including R.O.W.) for 525 miles."

The estimate was then increased to reflect 1991 property values using information from Steve VanSant. The estimate used is \$170,775,000. This number was allocated to the boroughs based on the estimated miles of rail, amount of land, and the number of maintenance and administrative facilities located within each borough.

Mr. VanSant informs us that land in these situations is usually not valued at the regular market rate because the land consists of a narrow corridor, designed for single purpose use and often there is no access to it except through the corridor. After discussions with other appraisers, however, it is

⁴ Information provided by Steve VanSant, assessor for the Municipality of Anchorage from notes of a meeting with the Alaska Railroad Commission May 3, 1989.

Senator Pearce
May 4, 1992
Page 4

apparent that valuing the land is a potentially contentious issue. One of the appraisers suggested using a uniform appraisal (in which a single appraiser would value the whole railroad) to avoid possible legal problems associated with widely disparate appraisals over similar sections of the line.

Millage Rates⁵

The millage rates within each borough vary from service area to service area. It was impossible to identify the amount of property within each of the service areas. We devised a borough wide millage average that was heavily weighted for commercial service areas, based on the assumption that the utilities will locate as much as possible in the commercial areas to avoid zoning conflicts and for public relations purposes. In some cases, the millage rate from a single service area was utilized. The average millage rates applied to determine the amount of taxes are shown in Table 1.

We hope this information is useful to you. If you have any questions or would like additional information, please contact this agency.

Attachments

⁵Millage rates are taken from *Alaska Taxable 1991*, Department of Community and Regional Affairs.

Table 1

**Revenue Impact on Boroughs of Removing Property
Tax Exemptions for Cooperative Electric Utilities and
The Alaska Railroad**

<u>Taxing Jurisdiction</u>	<u>Effective Tax Rate (Mills)</u>	<u>Estimated Property Value (000's)</u>	<u>Estimated Increased Property Tax</u>	<u>1991 Property Tax</u>	<u>Increased Property Tax as a % of 1991 tax</u>
Kenai Borough	12.80	\$377,772	\$5,091,742	\$19,602,466	26.0%
Mat-Su Borough	17.28	\$139,950	\$2,418,335	\$21,245,223	11.4%
Anchorage Municipality	15.89	\$179,276	\$2,847,803	\$161,023,083	1.8%
North Star Borough	15.90	\$156,696	\$2,491,460	\$25,302,780	9.8%
Kodiak Island Borough	6.50	\$42,080	\$273,520	\$2,536,771	10.8%
Total*		\$895,774	\$13,122,860	\$229,710,323	5.7%

*Totals may not add due to rounding

Source: Alaska Taxable 1991
Annual Reports of the Utilities
Information provided by the Anchorage Assessors Office.

Prepared by the Legislative Research Agency, May, 1992 (92.186)

Table 2

**Revenue Impact on Cooperative Electric Utilities and the
Alaska Railroad of Removing Property Tax Exemptions**

	Annual Revenue	Operating Income Before tax	Operating Income as a Percent of Revenue	Estimated Property Tax	Operating Income After Property Tax	After Tax Operating Income as a Percent Revenue
Chugach Electric Association	\$107,005,082	\$7,483,937	7.0%	\$5,297,982	\$2,185,955	2.0%
Golden Valley Electric Association	\$47,575,563	\$4,921,458	10.3%	\$1,788,751	\$3,132,707	6.6%
Homer Electric Association	\$32,558,312	\$2,727,594	8.4%	\$1,349,620	\$1,377,974	4.2%
Matanuska Electric Association	\$40,246,445	\$4,861,478	12.1%	\$1,711,083	\$3,150,395	7.8%
Kodiak Electric Association	\$16,037,039	\$1,685,511	10.5%	\$273,520	\$1,411,991	8.8%
Alaska Railroad Corporation	\$64,028,000	\$4,442,000	6.9%	\$2,701,905	\$1,740,095	2.7%

Source: Annual Financial Reports of the Utilities

Prepared by the Legislative Research Agency, May, 1992 (92.166)

MISC. INFO

MEMORANDUM

**TO: Senator
Alaska State Senate**

**FROM: Becky S. Penrose
Researcher**

DATE: August 16, 1989

**SUBJECT: Legislative History of Alaska Railroad Ownership;
Research Request #89-100065 LRA 90.000061**

You phoned on August 7, 1989 requesting the Senate Advisory Council to provide Alaska Railroad legislation, and specifically the legislation which changed the ownership from the Federal Government to the State of Alaska. You also requested a response to the following questions:

What bills were introduced and their status?
Who were the sponsors and co-sponsors of the legislation?
Who were the members of the committee that was formed to support the sale of the railroad to the private sector (both Legislature & public)?

The Anchorage Chamber of Commerce Transportation Committee was formed in 1981 to support the sale. The following were members of the committee:

Frank Turpin
Jan Faiks
Dick Lyon

Elaine Atwood
Al Fleetwood

Jim Hurley
Al Parrish

The following is a complete list of bills regarding the Alaska Railroad. It includes the sponsors, co-sponsors, bill title and the actions taken on them:

Senator
August 17, 1989
Page 2

HOUSE JOINT RESOLUTION NO. 18

December 4, 1983

HOUSE JOINT RESOLUTION NO. 18 by Lindauer: Relating to the provision of right-of-way corridors for the Alaska Railroad and oil and gas pipelines. was read the first time and referred to the Resources, Transportation and Finance Committees.

Senator
August 17, 1989
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HOUSE JOINT RESOLUTION NO. 49

May 27, 1983

**HOUSE JOINT RESOLUTION NO. 49 by Uehling, Ward, Syzmanski and Pestinger:
Relating to travel by senior citizens on the Alaska Railroad. was read the
first time and referred to the Transportation Committee.**

Senator
August 17, 1989
Page 4

HOUSE JOINT RESOLUTION NO. 72

March 16, 1984

HOUSE JOINT RESOLUTION NO. 72 by the Transportation Committee: Proposing an amendment to the Constitution of the State of Alaska relating to the Alaska Railroad. was read the first time and referred to the Transportation and Judiciary Committees.

March 20, 1984

Representative Cato moved and asked unanimous consent that the 5-day rule (Rule 23 of the Uniform Rules) be waived so that the Transportation Committee can hold hearings on HOUSE JOINT RESOLUTION NO. 72 (amendment to the Constitution of the State of Alaska relating to the Alaska Railroad) on March 21, 1984. Representative Clocksin objected and withdrew his objection. There being no further objection, Rule 23 was waived.

March 21, 1984

The Transportation Committee has had HOUSE JOINT RESOLUTION NO. 72 (proposing an amendment to the Constitution of the State of Alaska relating to the Alaska Railroad) under consideration and reports it back as follows: Cato (Chairman), Abood, Herrmann, Davis, Flood and M. W. Miller recommend do pass; McBride and Szymanski have no recommendation. HJR 72 was referred to the Judiciary Committee.

April 25, 1984

The Judiciary Committee has had HOUSE JOINT RESOLUTION NO. 72 (proposing an amendment to the Constitution of the State of Alaska relating to the Alaska Railroad) under consideration and reports it back as follows: Barnes, Liska and Hayes recommend do pass; Bussell (Chairman) and Clocksin have no recommendation; Malone recommends do not pass. HJR 72 was referred to the Rules Committee for placement on the calendar.

May 3, 1984

HOUSE JOINT RESOLUTION NO. 72 (proposing an amendment to the Constitution of the State of Alaska relating to the Alaska Railroad) was read the second time with the Transportation Committee report (page 2991 of the journal) and the Judiciary Committee report (page 3454 of the journal). Amendment No. 1 by Bettisworth:

HOUSE JOINT RESOLUTION NO. 72 (cont.)

Page 2, line 2: After "law." insert "This section is repealed 10 years after its effective date or on the date the Alaska Railroad is transferred by the state, whichever comes first."

Representative Bettisworth moved and asked unanimous consent that Amendment No. 1 be adopted. Representative Malone objected and withdrew his objection. There being no further objection, Amendment No. 1 was adopted. Representative Barnes moved and asked unanimous consent that HJR 72am be considered engrossed, advanced to third reading and placed on final passage. There being no objection, it was so ordered. HJR 72am was read the third time.

The question being: "Shall HJR 72am pass the House?" The roll was taken with the following result:

HJR 72am		
Yeas:	22	Abood, Adams, Barnes, Bettisworth, Bussell, Cato, Cowdery, Fritz, Fuller, Furnace, Hayes, Hurlbert, Lindauer, Liska, Martin, Pestinger, Ringstad, Shultz, Szymanski, Tischer, Uehling, Ward
Nays:	17	Clocks in, Davis, Duncan, Flood, Goll, Grussendorf, Herrmann, Koponen, Lacher, Larson, Malone, Miller, M.M., Phillips, Sund, Vaska, Wendte, Zharoff
Excused:	0	
Absent:	1	Miller, M.W.

And so, lacking the necessary 27 votes, HJR 72am failed to pass the House. Representative Barnes gave notice of reconsideration of her vote on HJR 72am(failed H).

May 4, 1984

The reconsideration of HOUSE JOINT RESOLUTION NO. 72 amended (failed House) (proposing an amendment to the Constitution of the State of Alaska relating to the Alaska Railroad) was not taken up. HJR 72am(failed H) was referred to the Chief Clerk for permanent filing.

Senator
August 17, 1989
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SENATE JOINT RESOLUTION NO. 43

February 27, 1984

SENATE JOINT RESOLUTION NO. 43 by the Transportation Committee, Proposing an amendment to the Constitution of the State of Alaska relating to the Alaska Railroad, was read the first time and referred to the Transportation Committee and the Judiciary Committee.

March 2, 1984

The Transportation Committee considered SENATE JOINT RESOLUTION NO. 43 (amendment to the Constitution of the State of Alaska relating to the Alaska Railroad) and recommended it be replaced with CS FOR SENATE JOINT RESOLUTION NO. 43 (TRSP) with a majority do pass. The report was signed by Senator Moss, Chairman and concurred in by Senators Gilman and Faiks. SENATE JOINT RESOLUTION NO. 43 was referred to the Judiciary Committee.

March 8 1984

The Judiciary Committee considered SENATE JOINT RESOLUTION NO. 43 (proposing an amendment to the Constitution of the State of Alaska relating to the Alaska Railroad) and a majority of the committee recommended that the Transportation Committee Substitute do pass with the following amendment:

Page 2, line 2: after "law" insert "who shall be subject to confirmation by a majority of the members of each house of the legislature in joint session" The report was signed by Senator Ray, Chairman and concurred in by Senators Pettyjohn and Eliason. Senators Ziegler and Josephson signed "no recommendation". SENATE JOINT RESOLUTION NO. 43 was referred to the Rules Committee.

March 15, 1984

The Rules Committee considered SENATE JOINT RESOLUTION NO. 43 (proposing an amendment to the Constitution of the State of Alaska relating to the Alaska Railroad) and a majority of the committee recommended calendar March 15 and the Transportation Committee Substitute be adopted. The report was signed by Senator Faiks, Chairman and concurred in by Senators Bennett and Ray. Senator Ferguson signed "leave the Constitution alone". SENATE JOINT RESOLUTION NO. 43 appears on the calendar. Senator Ray moved and asked unanimous consent that SENATE JOINT RESOLUTION NO. 43 (amendment to the Constitution of the State of Alaska relating to the Alaska Railroad) be returned to the Rules Committee. Without objection, it was so ordered.

Senator
August 17, 1989
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SENATE BILL NO. 10

November 8, 1983

SENATE BILL NO. 10 by Senator Kerttula, entitled: "An Act relating to the Alaska Railroad; and providing for an effective date." was read the first time and referred to the Transportation Committee and the Finance Committee.

SENATE BILL NO. 99

January 31, 1983

SENATE BILL NO. 99 by Senator Kerttula by request, entitled: "An Act making special appropriation to the Office of the Governor for operational expenses of the Alaska Railroad Transfer Advisory Commission; and providing for an effective date." was read the first time and referred to the Finance Committee.

April 26, 1983

The Finance Committee considered SENATE BILL NO. 99 (special appropriation to the Office of the Governor for operational expenses of the Alaska Railroad Transfer Advisory Commission) and recommended it be replaced with CS FOR SENATE BILL NO. 99 (FIN), entitled: "An Act making a supplemental appropriation to the Office of the Governor, division of elections; and providing for an effective date." and do pass. The report was signed by Senator Sackett, Co-Chairman and concurred in by Senators Josephson, Mulcahy, Faiks, Vic Fischer, Ferguson and Bennett. SENATE BILL NO. 99 was referred to the Rules Committee.

April 28, 1983

The Rules Committee considered SENATE BILL NO. 99 (special appropriation to the Office of the Governor for operational expenses of the Alaska Railroad Transfer Advisory Commission) and a majority of the committee recommended it be placed on the April 28 calendar and the Finance Committee Substitute be adopted. The report was signed by Senator Faiks, Chairman and concurred in by Senators Ferguson, Kelly and Ray. SENATE BILL NO. 99 appears on today's calendar.

SENATE BILL NO. 99 (special appropriation to the Office of the Governor for operational expenses of the Alaska Railroad Transfer Advisory Commission) was read the second time. Senator Sackett moved and asked unanimous consent for the adoption of the Finance Committee Substitute offered on page 809. Without objection, <CS FOR SENATE BILL NO. 99 (FIN)> (supplemental appropriation to the Office of the Governor, division of elections) was adopted. CS FOR SENATE BILL NO. 99 (FIN) was read the second time. Senator Ray moved and asked unanimous consent that CS FOR SENATE BILL NO. 99 (FIN), with the title change, be considered engrossed, advanced to third reading and placed on final passage. Without objection, it was so ordered. CS FOR SENATE BILL NO. 99 (FIN) was read the third time.

Senator
August 17, 1989
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SENATE BILL NO. 99 (cont.)

The question being: "Shall CS FOR SENATE BILL NO. 99 (FIN)(supplemental appropriation to the Office of the Governor, division of elections) pass the Senate?" The roll was taken with the following result:

CSSB 99 (FIN)

Yeas: 20

Bennett, Eliason, Fahrenkamp, Faiks, Ferguson, Fischer Paul, Fischer Vic, Gilman, Halford, Josephson, Kelly, Kerttula, Moss, Mulcahy, Pettyjohn, Ray, Rodey, Sackett, Sturgulewski, Ziegler

Nays: 0

And so, CS FOR SENATE BILL NO. 99 (FIN) passed the Senate. Senator Ray moved and asked unanimous consent that the roll call on the passage of CS FOR SENATE BILL NO. 99 (FIN) be considered the roll call on the effective date clause. Without objection, it was so ordered. CS FOR SENATE BILL NO. 99 (FIN) was engrossed, signed by the President and Secretary and transmitted to the House for consideration.

April 29, 1983

COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 99 (Finance) by the Finance Committee, entitled: "An Act making a supplemental appropriation to the Office of the Governor, division of elections; and providing for an effective date." was read the first time and referred to the Finance Committee.

May 3, 1983

The Finance Committee has had COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 99 (Finance) (supplemental appropriation to the Office of the Governor, division of elections; effective date) under consideration and reports it back as follows: Bettisworth (Vice-Chairman), Pestinger, Flood, Hurlbert, Ward, Zharoff, Duncan, Grussendorf, Lindauer and Martin recommend do pass. CSSB 99(Fin) was referred to the Rules Committee for placement on the calendar.

May 4, 1983

COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 99 (Finance) (supplemental appropriation to the Office of the Governor, division of elections; effective date) was read the second time with the Finance Committee report (page 1160 of the journal). Representative Barnes moved and asked unanimous consent that CSSB 99(Fin) be considered engrossed, advanced to third reading and placed on final passage. There being no objection, it was so ordered. CSSB 99(Fin) was read the third time.

SENATE BILL NO. 99 (cont.)

The question being: "Shall CSSB 99 (FIN) pass the House?" The roll was taken with the following result:

CSSB 99 (FIN) 3RD

Yeas: 38 Abood, Adams, Barnes, Bettisworth, Bussell, Cato, Clocksin, Cowdery, Davis, Duncan, Flood, Fritz, Fuller, Furnace, Goll, Grussendorf, Hayes, Herrmann, Hurlbert, Koponen, Lacher, Larson, Lindauer, Liska, Malone, Martin, McBride, Miller, M.M., Miller, M.W., Phillips, Ringstad, Shultz, Szymanski, Tischer, Uehling, Vaska, Ward, Zharoff

Nays: 0

Excused: 2

Absent: 0

Pestinger, Wendte

And so, CSSB 99 (FIN) passed the House. Representative Barnes moved and asked unanimous consent that the roll call on the passage of the bill be considered the roll call on the effective date clause. There being no objection, it was so ordered.

May 4, 1983

CSSB 99 (FIN) was signed by the Speaker and the Chief Clerk and returned to the Senate.

May 5, 1983

Message dated May 4 was read, stating the House passed: CS FOR SENATE BILL NO. 99 (FIN) (supplemental appropriation to the Office of the Governor, division of elections; efd) CS FOR SENATE BILL NO. 99 (FIN) was referred to the Secretary for enrollment. <CS FOR SENATE BILL NO. 99 (FIN)> (supplemental appropriation to the Office of the Governor, division of elections) was enrolled, signed by the President and Secretary, Speaker and Chief Clerk, and the engrossed and enrolled copies transmitted to the Office of the Governor at 11:15 a.m., May 5, 1983. Message dated May 9 was read, stating the Governor signed the following bill and transmitted the engrossed and enrolled copies to the Lieutenant Governor's Office for permanent filing: -CS FOR SENATE BILL NO. 99 (FIN) An Act making a supplemental appropriation to the Office of the Governor, division of elections; and providing for an Effective date Chapter 16, SLA 1983

**Senator
August 17, 1989
Page 11**

SENATE BILL NO. 99 (cont.)

May 9, 1983

A message dated May 9, 1983, was read stating the Governor has signed the following bill and is transmitting the engrossed and enrolled copies to the Lieutenant Governor's office for permanent filing: COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 99 (Finance) (making a supplemental appropriation to the Office of the Governor, division of elections; effective date). Chapter 16, SLA 1983

SENATE BILL NO. 303

April 29, 1985

SENATE BILL NO. 303 by Senator Coghill, entitled: "An Act removing the limitation on the power of the Alaska Railroad to apply for a right-of-way or exercise eminent domain." was read the first time and referred to the Transportation Committee.

May 28, 1985

The Transportation Committee considered SENATE BILL NO. 303 (removing a limitation on the power of the Alaska Railroad to apply for a right-of-way or exercise eminent domain) and a majority of the committee recommended do pass. The report was signed by Senator Coghill, Chairman and concurred in by Senators Josephson, Paul Fischer and Abood. SENATE BILL NO. 303 was referred to the Rules Committee.

May 4, 1985

The Rules Committee considered SENATE BILL NO. 303 (removing a limitation on the power of the Alaska Railroad to apply for a right-of-way or exercise eminent domain) and a majority of the committee recommended calendar May 4. The report was signed by Senator Kelly, Chairman and concurred in by Senators Coghill, Bennett and Faiks. SENATE BILL NO. 303 appears on the calendar. SENATE BILL NO. 303 (removing a limitation on the power of the Alaska Railroad to apply for a right-of-way or exercise eminent domain) was read the second time. Senator Ferguson offered Amendment No. 1:

Page 1, line 11: Add new Section 2: AS 42.40.370(a)(2) and (a)(3) are repealed Senator Ferguson moved Amendment No. 1. Senator Coghill objected.

The question being: "Shall Amendment No. 1 be adopted?" The roll was taken with the following result:

SB 303	AM 1	
Yeas:	10	Bennett, Fahrenkamp, Faiks, Ferguson, Halford, Kerttula, Ray, Sackett, Zharoff, Ziegler
Nays:	8	Abood, Coghill, Eliason, Fischer Paul, Josephson, Kelly, Rodey, Sturgulewski
Excused:	1	Fischer Vic
Absent:	1	DeVries

SENATE BILL NO. 303 (cont.)

And so, Amendment No. 1 was adopted. Senator Halford moved and asked unanimous consent that <SENATE> <BILL NO. 303 am> be considered engrossed, advanced to third reading and placed on final passage. Without objection, it was so ordered. SENATE BILL NO. 303 am was read the third time.

The question being: "Shall SENATE BILL NO. 303 am (removing a limitation on the power of the Alaska Railroad to apply for a right-of-way or exercise eminent domain) pass the Senate?" The roll was taken with the following result:

SB 303 AM 3RD

Yeas: 15	Abood, Bennett, Coghill, Eliason, Fahrenkamp, Faiks, Ferguson, Fischer Paul, Halford, Kelly, Kerttula, Ray, Sackett, Zharoff, Ziegler
Nays: 3	Josephson, Rodey, Sturgulewski
Excused: 1	Fischer Vic
Absent: 1	DeVries

And so, SENATE BILL NO. 303 am passed the Senate. Senator Josephson gave notice of reconsideration on SENATE BILL NO. 303 am.

May 6, 1985

Senator Ferguson requested that the reconsideration on <SENATE> <BILL NO. 303 am> (removing a limitation on the power of the Alaska Railroad to apply for a right-of-way or exercise eminent domain) be taken up.

The question to be reconsidered is: "Shall SENATE BILL NO. 303 (removing a limitation on the power of the Alaska Railroad to apply for a right-of-way or exercise eminent domain) pass the Senate?" The roll was taken with the following result:

SB 303 3RD

Yeas: 19	Abood, Bennett, Coghill, DeVries, Eliason, Fahrenkamp, Faiks, Ferguson, Fischer Paul, Fischer Vic, Halford, Josephson, Kelly, Kerttula, Ray, Sackett, Sturgulewski, Zharoff, Ziegler
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Nays: 1	Rodey
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And so, SENATE BILL NO. 303 passed the Senate on reconsideration and was referred to the Secretary for engrossment. SENATE BILL NO. 303 was engrossed, signed by the President and Secretary and transmitted to the House for consideration.