

ALASKA LEGISLATURE COMMITTEE FILES 1987-1988 8672

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Interior Alaska resulted in reduced consumption by the five power plants in the Fairbanks area and the nearby military bases that use coal for fuel. About 562,000 tons were shipped locally in 1985.

Gravel and sand shipments, which move in unit trains between the Matanuska Valley and Anchorage, were the fifth largest revenue producers among all commodities shipped by rail. These shipments are tied to the cyclical rise and fall of the Anchorage area construction industry, which began to decline in 1985. Although lower activity in highway and building construction is anticipated again in 1986, a high volume of gravel is expected to move via the Alaska Railroad.

The Alaska Railroad connects with a number of water carriers providing a variety of excellent services from the Lower 48 to Alaska ports of Whittier, Seward, and Anchorage. Major rail carriers and truck lines connect with these water carriers at Seattle, Tacoma, and Prince Rupert, British Columbia. The water carriers provide frequent rail car barge, trailer, and container service.

Among the extensive railroad properties are the modern facilities at the ice-free ports of Whittier and Seward. Bulk and container cargos are unloaded at these ports for further transportation via rail and truck.

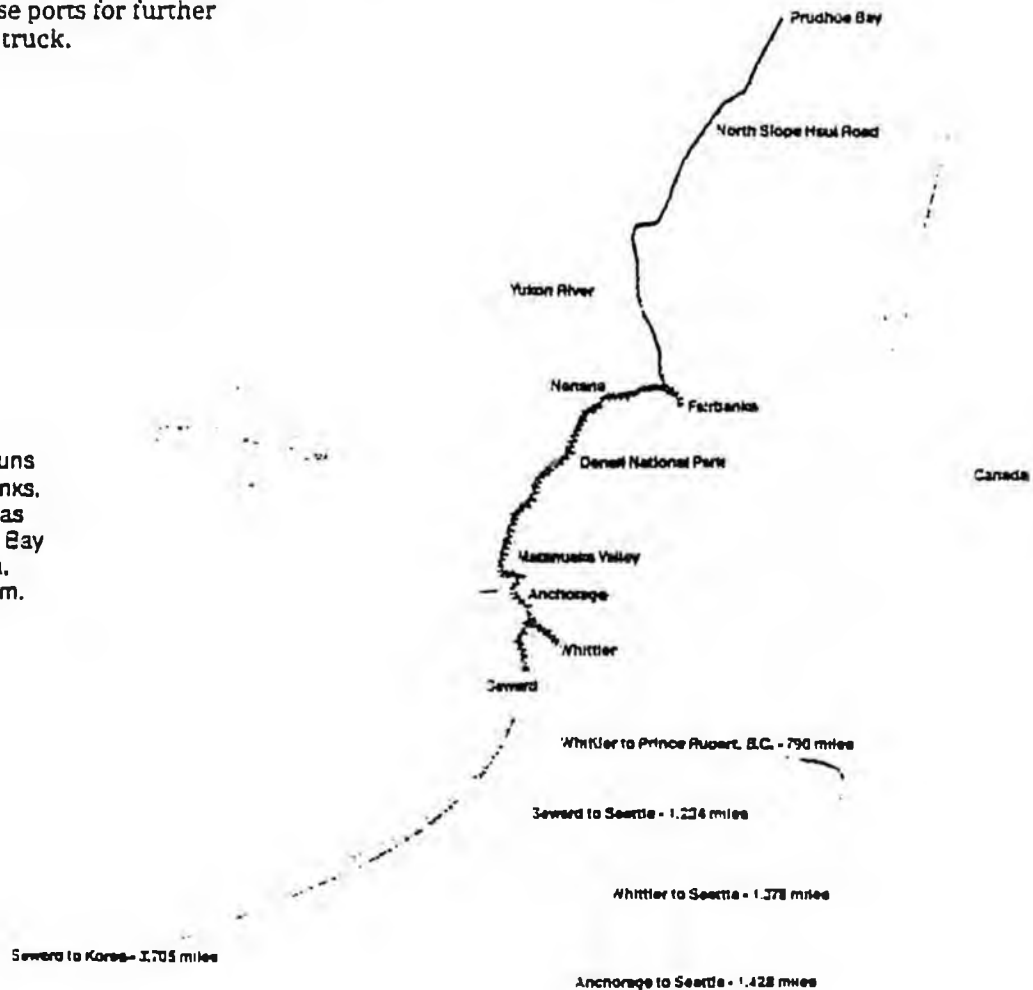
Interior Alaska covers thousands of square miles, much of it primitive wilderness; and, its towns and settlements are often isolated by distance and terrain. But, although the Alaska Railroad goes no farther than Fairbanks, it uses a combination of transportation modes, including motor carriers, river boats, and aircraft, to carry freight to the remote corners of the state.

Freight is transferred at Nenana to river barges which provide through routes and rates in connection with the railroad. This river freight service extends along the Tanana and Yukon rivers to Fort Yukon, and even to Marshall, just 150 miles from the Bering Sea. The railroad has for decades provided this essential service to the Bush, and is continuing to upgrade transportation facilities and services.

The railroad competes actively for the transportation of imported steel pipe products, which move into Alaska principally through the ports of Seward,

Anchorage, and Valdez. The railroad moved 74,000 tons of pipe in 1985.

The "railbelt" region of Alaska runs 470 miles from Seward to Fairbanks, connecting southcentral Alaska as well as the interior and Prudhoe Bay with water carriers from Canada, the Lower 48, and the Pacific Rim.



An aggressive marketing effort and improved service by rail led to a strong recovery in this business in December. Ship traffic through Seward resumed late in the year, discharging pipe for movement to the North Slope oil fields through the railroad's terminal in Fairbanks.

The Alaska Railroad Corporation is a major supplier of transportation services for the petroleum industry. Steel pipe, drilling compounds, machinery, and supplies routinely move over the railroad to Fairbanks for further movement by motor carrier to the North Slope. Massive drilling rigs are fabricated by an Anchorage firm then disassembled for transportation to the oil fields.

PASSENGER SERVICE

The majority of the 257,000 passengers who chose the Alaska Railroad for travel in 1985 arrived on cruise ships through the railroad's port of Whittier, rode the Portage-Whittier shuttle, or rode the express trains serving Denali National Park. Ridership rose by almost 10 percent over 1984, making the year a record for the railroad's passenger train service.

The purchase of two specially rebuilt rail diesel cars (RDCs) received in late 1985 is expected to reduce

significantly the cost of wintertime rail service to rural areas, where the greater part of passenger service losses are incurred. These self-propelled passenger cars are available for charter and excursion trains and to supplement other passenger services where necessary.

The Alaska Railroad offers several types of passenger services, depending on season and destination. These services include the Denali express, the rural local service, Whittier shuttle, Seward excursion, and winter service.

The Denali express is the summer service on the Anchorage - Denali Park - Fairbanks route. Trains leave Anchorage and Fairbanks daily from late May to mid-September and serve Denali National Park each way. The Denali express is the last traditional intercity passenger train in the United States and provides spectacular views of Mt. McKinley, the tallest mountain in North America.

The rural, or Bush, service which moves people and their belongings (such as animals, supplies, and food) to remote areas not served by highway or air, is a major public service of the railroad. Bush passengers flag the train at almost any point for personalized service. Wintertime essential Bush and shuttle services during the eight-month season result in about 7 percent of the railroad's annual passenger business. The railroad also provides weekly small freight shipment service to these remote homesites.

The 12-mile trip from Portage to the community of Whittier is traveled by what is familiarly known as the Whittier shuttle. The shuttle provides the only land access to this small but major seaport town. Passengers may ride the train or in their vehicles that are loaded onto flat cars at Portage. Much of the trip is through tunnels because of the many rugged mountains encountered between Portage and Whittier. The train makes several round trips daily between the two stops in the summer. Connections and reservations are available with the Alaska Marine Highway ferry service from Whittier to Valdez.

Cruise ship service to Whittier and significant increases in recreational use of the Prince William Sound region, coupled with a banner tourist year on the Valdez to Whittier state ferry route, boosted the number of passengers on the Whittier shuttle by over 20 percent. Ridership in 1986 promises to exceed 1985.



This 20,000-gallon tank car is part of the OWL (Oil Worker Limited), a new, daily unit train that brings jet fuel from North Pole to Anchorage, and returns to Fairbanks with gasoline and other petroleum products.



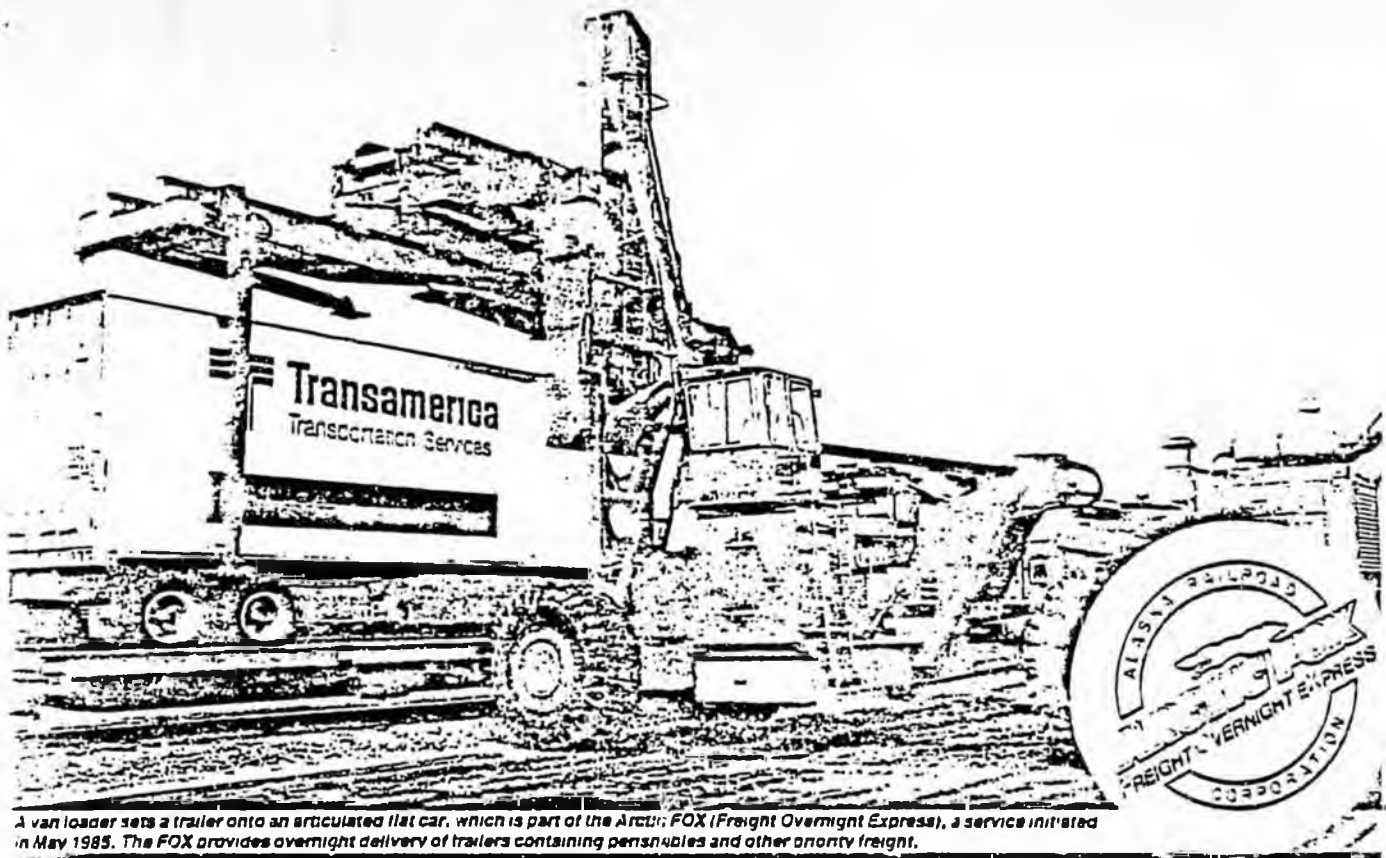
Phil Hibdon, left, and Dennis Smith, railroad marketing representatives, provide pricing information for freight service.



Coal is loaded at the Usibelli coal mine near Healy for shipment to Seward and then Korea. Twenty percent of freight revenue comes from local and export coal.



Bob Smith is a freight salesman in the railroad's Seattle office. His duties include selling freight services, making customer contacts and servicing existing contracts between the Lower 48 and Alaska.



A van loader sets a trailer onto an articulated flat car, which is part of the Arctic FOX (Freight Overnight Express), a service initiated in May 1985. The FOX provides overnight delivery of trailers containing perishables and other priority freight.

Passenger trains to Seward will begin regular service in 1986 after a 30-year absence. The Railroad was the original link between Anchorage and Seward but service was discontinued when highway travel became more popular. During the summer the railroad will offer a weekly day-long excursion from Anchorage to Seward. Passengers will see glistening glaciers, experience the view from high rocky ledges and wind along canyon streams on this 230-mile round trip through some of Alaska's most beautiful mountain territory.

Winter passenger service is provided on a reduced scale during the shoulder season of September to May. Passenger trains travel between Anchorage and Fairbanks twice each month and to Hurricane twice each weekend.

REAL ESTATE

The Alaska Railroad Corporation controls approximately 38,000 acres of land from the ports of Seward, Whittier and Anchorage to the interior city of Fairbanks. Approximately 40 percent of the land is a transportation corridor or railroad rights-of-way. The remaining real estate includes operational and nonoperational parcels within railbelt communities.

Since transfer of the railroad to state ownership, the scope and duties of the Real Estate Department have expanded to include a greater involvement in land-use planning. Coordinated efforts between Operations and Real Estate departments have been initiated to identify surplus lands available for long term lease. This would

result in a more efficient use of undeveloped railroad properties. Leasing policies and practices have been written and implemented to create a more equitable and consistent approach to land management. Innovative ground lease techniques such as rent credits for certain non-depreciable lessee improvements and rent caps that create predictable and financially attractive lease documents will be made available under this new policy. Real estate revenues for 1985 were approximately \$4.3 million.

During 1985, a study was initiated to analyze and recommend for the department an office automation system to catalog and create a database to store some 1,200 real estate lease and permit contracts. The recommendation will be implemented in 1986.

Positive steps are being taken to develop a closer working relationship within railbelt communities. The Real Estate Department recognizes the need for a more cooperative approach between the Alaska Railroad Corporation and its host municipalities and boroughs.

THE FUTURE

To implement the Marketing Department's diverse role within the railroad, a formal marketing plan was developed by the department and in late 1985 was approved by the Alaska Railroad Corporation Board of Directors. A key element of the plan calls for new, aggressive marketing programs to establish the identity of the Alaska Railroad throughout the Northwest as well as in the Alaska shipping community.

CHIEF COUNSEL'S OFFICE

The Chief Counsel and his staff were kept very busy in 1985 with the myriad legal issues facing the new railroad corporation.

Topics reviewed during the year by the legal staff included real estate, regulatory review of the rail industry and the railroad's rate structure, personnel and labor relations, commercial financing, and risk management.

The State Transfer Team, which was created prior to transfer of ownership of the railroad to coordinate that process, passed responsibility for many legal tasks to the Chief Counsel in the first quarter of 1985. Foremost among these assignments was continuing oversight of the conveyancing of 38,000 acres of railroad parcels and right-of-way from the federal government to the corporation. Survey, description, and procedural issues continue to be overshadowed by Native corporation claims to valuable railroad parcels. The railroad was involved in negotiations with Ahtna, Eklutna and Toghethetele native corporations. An agreement was reached with Ahtna Inc. in 1985. Negotiations will continue in 1986 to resolve the remaining claims.

The interpretation and application of both old and new railroad leases required considerable legal support. Corporate attorneys assisted in development of a new leasing policy and new master lease. The legal office also participated in the development of corporate relations with many state, federal, and military agencies regarding mutual land ownership and management concerns.

The legal staff was instrumental in the financing of millions of dollars in new equipment purchases in 1985 by preparing and negotiating necessary commercial documents. Procurement of equipment and materials also required legal review of solicitation packages and legal assistance in the resolution of bid disputes.

Competitor challenges to the corporation's pricing of piggyback traffic (truck trailers on flat cars) led the Chief Counsel to retain transportation and ac-

Terry T. specializ



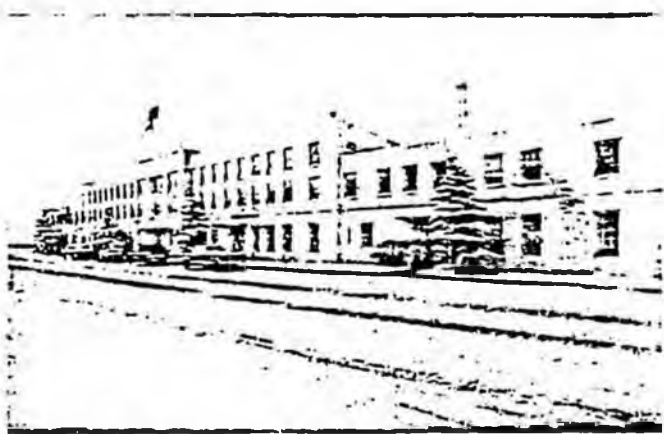
Cathie McLeod is a clerk-typist in the Fairbanks freight house.

counting experts to review the corporation's rate costing practice. The studies confirmed that the corporation's pricing was appropriate.

Competing water carriers fought unsuccessfully to deny the corporation any participation in the Interstate Commerce Commission's exemption of boxcar traffic from regulation. The exemption will permit more freedom in the marketing of transportation services.

Through the first year of state ownership, the corporation received relatively few claims for personal injury and property damage related to railroad operations. Corporate counsel participated in resolution of several of the claims and in review of the corporation's risk management procedures.

Given the breadth of 1985 corporate legal affairs, the Office of the Chief Counsel will be challenged by these and new assignments in 1986.



The Alaska Railroad General Office building in Anchorage was constructed in 1942. It houses most of the corporation's administrative employees.

EMPLOYEES

and Tim Reed, foreground, are bearing Anchorage bearing rebuild shop.



An administrative assistant, Shirley Tobin is employed in the railroad's Seattle office.



Chns Muniz, a truck driver for the railroad, assists in loading and unloading trailers on flat cars in the Anchorage yard.



Betty Elge is the dock agent, and Beverly Clauson, foreground, a clerk-typist, in Seward.

As a federal agency, the Alaska Railroad had adhered to federal hiring practices and personnel procedures. With transfer of ownership to the state, the railroad began to develop and implement policies and procedures that more closely responded to the needs of the new Alaska Railroad Corporation.

In the process, several personnel and employee relations functions were consolidated into one department. The Human Resources Department was created from the old Personnel Office. Added to it were Organization, Compensation and Benefits, Labor Relations, and Health, Safety and Environment. This reorganized department provides a full range of employee relations services for both management and employees. Affirmative action and the streamlining of recruiting and hiring practices are a top priority in better utilization of the work force.

Among the major Human Resources projects in 1985 was conversion of all personnel and payroll records to a fully automated, computerized system. Complete conversion to the new records system was expected by February 1986. This change will allow ready access to employee data and will insure an accurate employee record system.

Human Resources played a significant role in labor negotiations in 1985. According to both the federal transfer and state corporation acts, union contracts in existence at the time of transfer to state ownership are to be renegotiated by the corporation

within the first two years of state operation. Beginning in August 1985, for the first time in the history of the Alaska Railroad, representatives from all seven bargaining units and management met at the bargaining table. This unique process called for bargaining with all the unions at once on items common to all the units. By year's end significant steps had been made toward reaching a mutually agreeable master contract.

Negotiations will continue in 1986 to finalize the master agreement after which each bargaining unit will have an opportunity to negotiate an addendum specifically for each union.

UNIONS REPRESENTING RAILROAD EMPLOYEES

(As of December 31, 1985)

Union	Employees
United Transportation Union	128
Brotherhood of Railway Carmen	10
International Association of Machinists and Aerospace Workers	89
American Federation of Government Employees	288
American Train Dispatchers Association	13
American Train Dispatchers Association	5
Train Dispatchers Union	
Blue collar and white collar units	

Administration of all benefits programs for railroad employees is managed by the Organization, Compensation and Benefits Department in Human Resources. This department administers the new life insurance and medical care programs for employees, including vision, hearing and dental care. This new program is designed to cover new employees and transferred employees and was implemented in February 1985.

This department also implemented a pension plan and a tax-deferred savings plan for non-represented employees. These plans allow employees to contribute a portion of their pre-tax earnings to a retirement and investment program. The deferred savings plan allows employees to build funds for their retirement while reducing their current taxes. Employees who participated in the Civil Service Retirement program prior to transfer remain in that system.

A safe workplace and working conditions have always been a priority at the Alaska Railroad. Corporation-wide training programs in first aid and cardiopulmonary resuscitation were provided several times throughout the year by the Safety Office. Safety meetings were held throughout the railroad on a regular basis to keep safety in the forefront of employees' minds while at work and at home.

The result was a reduction in accidents and serious on-the-job injuries. At the close of the year the Alaska Railroad Corporation was in contention with other railroads of similar size for a second place Harriman Award. The Harriman is a national safety award presented by the Federal Railroad Administration. The railroad received a fourth place Harriman in 1984 and a third place in 1983.

BENEFIT PROGRAMS
(As of December 31, 1985)

PENSION PLAN	Federal Retirement System*	Corporation Program	Total
Employee Contributions	\$1,338,311.58	\$41,834.28	\$1,379,945.84
Employer Contributions	\$1,338,311.58	\$35,389.00**	\$1,373,700.58
TOTAL	\$2,578,823.12	\$77,023.28	\$2,753,648.40

* Employees who participated prior to transfer remained in this program after state ownership.

** Employer contributions are based on projected cash payouts, reflecting information received from the trust administrator.

TAX DEFERRED SAVINGS

Employee Contributions*** \$232,897.29

***The present plan covers permanent, non-union employees. Union employees may become eligible depending upon the outcome of contract negotiations.

CORPORATION PAID LEAVES
(In hours)

	Earned	Used
Annual Leave	91,533	71,975
Sick Leave	58,547	35,247
Administrative Leave**	—	6,209
Jury Duty	—	457
Military Leave	—	312

**Paid leave is granted for such activities as voter registration and voting, representing employee organizations, and attending conferences or conventions that would benefit the corporation.

NUMBER OF EMPLOYEES BY DEPARTMENT

CEO Staff	10
Operations	532
Administration/Human Resources	25
Finance	65
Marketing	27
TOTAL	659

EMPLOYEE YEARS OF SERVICE

Years	Employees	Years	Employees
32	1	14	26
30	3	13	18
29	2	12	13
28	2	11	63
27	2	10	46
25	1	9	19
24	3	8	9
23	5	7	12
22	4	6	32
21	4	5	29
20	8	4	24
19	8	3	33
18	8	2	25
17	10	1	65
16	10	Less than 1	184
15	14		

When the Alaska Railroad changed hands from federal to state government, the Finance Department was a primary recipient for dramatic alterations. The changes were part of a corporate three-year plan generated in early 1985. The Finance Department as well as the corporation met or exceeded its goals for the first year.

The financial reorganization began with a management-oriented focus on the department. Accordingly, the position of Vice President of Finance was created, with all finance, information systems, procurement and supply departments reporting to this position. Formerly, under federal administration, those departments reported to the Department of Administration.

An important objective outlined in the three-year plan was the purchase of new equipment. Under federal administration all major purchases were paid by cash appropriated by Congress as part of the federal Department of Transportation budget. The new Finance Department was able to prepare a financial package that emphasized lease-purchase agreements for equipment and also established a credit line for the new corporation. The package resulted in the purchase of approximately \$12 million in new equipment such as flat cars, locomotives, rail diesel cars and computers. The corporation spent an additional \$10 million for improvements to the mainline track, tunnels and other areas.

Installation of an on-line accounting and financial system was another giant step taken by Finance. A new IBM 4361 computer was added which handles accounts payable/receivable, general ledger, inventory, purchasing, payroll and personnel management. The new system uses modern on-line capabilities as the standard for its operations, which prior to transfer had depended on a manual accounting system. In addition to updating the railroad's finance and record keeping capabilities, the Finance Department was responsible for expanding the use of personal computers in several work areas. The new PCs generate a huge time and cost savings in every department in which they are used.

A major activity of the new corporation in 1985 was wrapping up all accounts receivables and payables left behind by the federal government. The Federal Railroad Administration (FRA) contracted with the Alaska Railroad Corporation to collect outstanding accounts receivable and make payments for outstanding federal debts. Over \$12 million of federal accounts receivable was collected by the corporation, much of which was more than six months past due. The corporation received a collection fee based on its contract with the FRA.

Another major activity specifically involved the corporation's surplus inventories. The Finance Department streamlined the warehouse and supply operations by eliminating excess inventories through public auctions held throughout 1985, generating approximately \$1 million in revenue. A more efficient supply operation has resulted from the reductions.



New computers help Dave Brazell, computer operator, to streamline the financial and record keeping process for the railroad.



The accounting department in Anchorage was substantially updated with the addition of a new computer which handles accounts payable and receivable, general ledger, inventory, purchasing, payroll and personnel management.

The corporation began divesting itself of the gift shop business in 1985. Though not finalized at the close of the year, sale of the Passenger Depot gift shops to the private sector is in progress.

BOARD OF DIRECTORS

When reflecting on 1985 I consider the major accomplishment of the Alaska Railroad Board of Directors was effectively setting the stage under state ownership for the future successful management of the Alaska Railroad.

As directors we fully realize that our first responsibility is to the citizens of Alaska. We also see a need to establish an arena of cooperation and accountability with the Governor and the state legislature. Thanks to the positive response of Governor Bill Sheffield and the oversight committees of the legislature, we were able to establish this bond of trust and were given the latitude to function in a free enterprise environment. This certainly contributed to our success in 1985 and provided a platform on which those who follow in our footsteps may build.

At our regular board meetings in order to be more responsive to the needs of the communities we serve, as well as our customers, an opportunity is provided at each forum for public comment. It is this exchange that has given the board of directors an opportunity to receive input on such issues as leasing policies, bidding procedures, needs of our employees, and the public response to our services.



This ability to communicate on a local level with management, as well as the board of directors, has provided a vehicle for public communication that was practically nonexistent under federal ownership. I am sure this was the intent of Senator Ted Stevens and the many others who worked so long and hard for state ownership of the Alaska Railroad.

In 1985 we were able to benefit from the momentum of the prior year's economy, a stable work force and some creative management innovations by the railroad management. The result was increased earnings and a profit at the bottom line. However, 1986 will present new concerns. The Alaska Railroad, like any other business in Alaska, is not exempt from the predicted slowdown in the economy. It will take a concerted effort on the part of each of us to continue our first year's success.

The board of directors would be remiss if each member did not thank you for your patience and support during this first year. We are making history with this railroad and it is exciting.

James O. Campbell
Chairman of the Board of Directors

Prior to the transfer of the Alaska Railroad to state ownership in January 1985, a seven-member board of directors for the Alaska Railroad Corporation was appointed by Governor Bill Sheffield. Appointment of the board fulfilled a requirement outlined in the 1983 Alaska Railroad Corporation Act, which established the corporation.

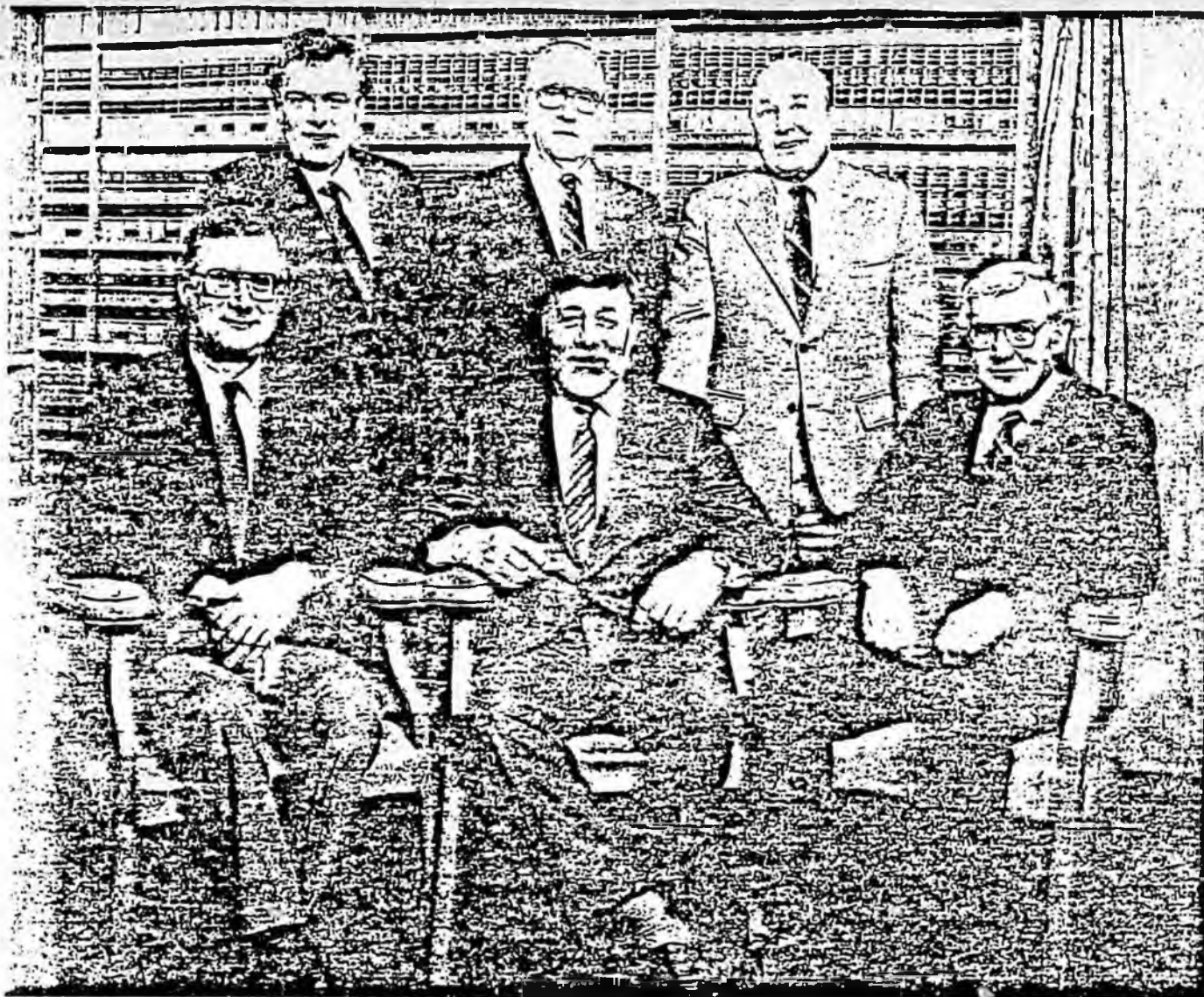
The Alaska Railroad Corporation board is responsible for the management of the corporation but has delegated certain powers and duties to the Chief Executive Officer, Railroad President Frank Turpin.

James O. Campbell is chairman of the board of directors. He was president and general manager of Spenard Builders Supply when his retirement was announced in late 1985. Campbell has worked and served on numerous special committees and community service projects. A resident of Alaska since 1959 he has been an Anchorage assemblyman and president of the Anchorage Chamber of Commerce.

Board vice chairman is Frank X. Chapados of Fairbanks. He has been an Alaska resident since his birth in Juneau in 1914, and has worked most of his life in southeastern and interior Alaska. Currently, he is president and general manager of H & S Forwarders, Inc., in Fairbanks. Chapados was elected to the state House of Representatives in 1958, re-elected in 1961, and served as chairman of the Joint House & Senate Finance Committee. He has been active in many civic and community programs including being past president of the Fairbanks Chamber of Commerce. He has worked as an enforcement agent for the U.S. Fish and Wildlife Service and was also a U.S. Marshal in Fairbanks.



Myron M. Christy is the railroad board member from out of state. He resides in San Francisco and fulfills the directive of the legislature that one board member have at least 10 years of management experience in the railroad industry outside Alaska. Christy worked with the Western Pacific Railroad Company from 1950 to 1973 in many positions including president and CEO. Currently he is consultant and director for U.S. Leasing International, Inc.



The Board of Directors, seated from left: Commissioner Loren H. Lounsbury; Board Chairman James O. Campbell; and Lewis E. Dickinson. Standing from left are Gerald D. Valinske; Board Vice Chairman Frances X. Chapedos; and Commissioner Richard J. Knapp. Shown separately below left is Myron M. Christy.

Lewis E. Dickinson is a founding partner of DOWL Engineers, a professional engineer and a registered land surveyor. As a railroad board member, he brings with him over 30 years of engineering experience and almost 25 years of business management experience. Prior to founding DOWL Engineers, he worked for the City of Anchorage in the city engineer's office.

Richard J. Knapp is one of the two state commissioners who serve on the railroad board. As commissioner for the Department of Transportation and Public Facilities, Knapp represents the transportation interests of the state. Knapp is a retired rear admiral of the U.S. Coast Guard, one of six appointed by President Carter in 1978. A graduate of the U.S. Coast Guard Academy, he served as district commander of the Coast Guard in Alaska from 1980 to 1984, and has a master's degree in business administration from George Washington University in Washington, D.C.

The second commissioner representing the state of Alaska is Loren H. Lounsbury, Commissioner of Commerce and Economic Development. Lounsbury is a 40-year Alaska resident, and graduated from Anchorage High School in 1952. He is a professional engineer and a registered land surveyor. Until his appointment as commissioner in January 1985, he was president of Lounsbury and Associates, Inc. Lounsbury has served on numerous community service boards and is the former Honorary Consul of the Republic of Korea for Anchorage.

Gerald D. Valinske serves on the railroad board as a member of the United Transportation Union, Local 1626. He has been a conductor with the Alaska Railroad since 1975. A 12-year Alaska resident, Valinske worked with the Milwaukee Railroad as a brakeman prior to moving to Alaska. In 1984, he was a lobbyist for the United Transportation Union, American Federation of Government Employees, and the Brotherhood of Railway Carmen.

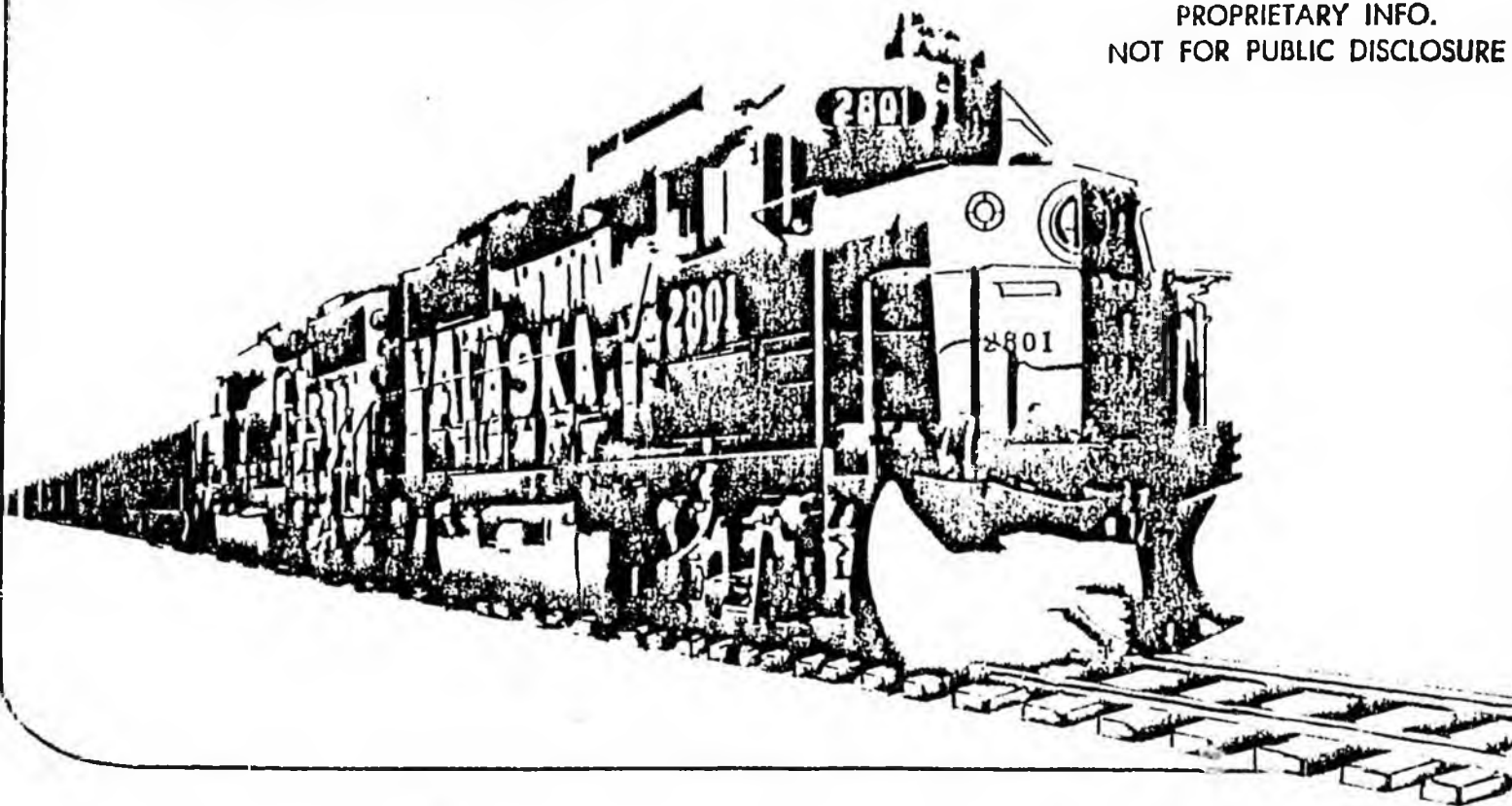
ALASKA RAILROAD CORPORATION



Financial Statements

December, 1985

PROPRIETARY INFO.
NOT FOR PUBLIC DISCLOSURE



ALASKA RAILROAD CORPORATION
Financial Statements
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ALASKA RAILROAD CORPORATION
Summary Balance Sheet
Through the Period Ending December 31, 1985
(in Thousands of Dollars)

	<u>Dec. 31, 1985</u>
<u>Assets</u>	
Current Assets	16,022
Properties	28,510
Land	13,850
Other	<u>820</u>
Total Assets	<u>59,202</u>
<u>Liabilities and Owners Equity</u>	
Liabilities	
Current Liabilities	11,228
Capital Lease Obligations	<u>6,992</u>
Total Liabilities	18,220
Owners Equity	
Investment by State of Alaska	33,849
Retained Earnings	<u>7,133</u>
Total Owners Equity	40,982
Total Liabilities and Owners Equity	<u>59,202</u>
Annualized Return on Investment	21.1%

ALASKA RAILROAD CORPORATION
 1985 OPERATING PERFORMANCE ANALYSIS
 Through the Period Ending December 31, 1985
 (In Thousands of Dollars)

	<u>December*</u>			<u>Year-to-Date</u>			<u>Latest Annual Estimate</u>		
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>Estimate</u>	<u>Budget</u>	<u>Variance</u>
<u>Revenues</u>									
Railroad	3,210	4,154	(944)	56,322	64,191	(7,869)	56,322	64,191	(7,869)
Other	<u>521</u>	<u>750</u>	<u>(229)</u>	<u>10,912</u>	<u>9,000</u>	<u>1,912</u>	<u>10,912</u>	<u>9,000</u>	<u>1,912</u>
TOTAL	3,731	4,904	(1,173)	67,234	73,191	(5,957)	67,234	73,191	(5,957)
<u>Cost and Expenses</u>									
Railroad	3,570	3,452	118	45,437	50,334	(4,897)	45,437	50,334	(4,897)
Other	(1,447)	1,308	(2,835)	13,209	15,145	(1,936)	13,209	15,145	(1,936)
Depreciation	<u>267</u>	<u>400</u>	<u>(133)</u>	<u>1,455</u>	<u>4,800</u>	<u>(3,345)</u>	<u>1,455</u>	<u>4,800</u>	<u>(3,345)</u>
TOTAL	2,390	5,240	(2,850)	60,101	70,279	(10,178)	60,101	70,279	(10,178)
NET INCOME (LOSS)	<u>1,340</u>	<u>(336)</u>	<u>1,676</u>	<u>7,133</u>	<u>2,912</u>	<u>4,221</u>	<u>7,133</u>	<u>2,912</u>	<u>4,221</u>
CASH FLOW	1,607	64	1,543	8,588	7,712	876	8,588	7,712	876

EXPLANATION OF VARIANCES - YEAR-TO-DATE

- Revenues are lower due primarily to reduced coal shipments, gravel, TOFC/COFC, and miscellaneous shipments; Increased revenues have been obtained in petroleum products, real estate, and reimbursable work for State road crossing projects, etc.
- Expenses are down primarily due to early reduction in summer work force, reduced car hire costs, better fleet utilization, and accounting adjustments for inventories/depreciation due to Purchase Accounting Allocation Method, and reclassification of Summer Track Improvement Program from expense to capital in accordance with unit of property definition.

* Minor difference due to rounding

** The month of December, 1985, reflects adjustments to accruals/estimates for both revenue and expense.

ALASKA RAILROAD CORPORATION
 PROJECT-TO-DATE CAPITAL PERFORMANCE SUMMARY
 Budget vs Actual
 Through the Period Ending December 31, 1985
 (In Thousands of Dollars)

	<u>Approved Budget</u>	<u>Amount Approp.</u>	<u>Latest Estimate</u>	<u>1985 YTD Expend.</u>	<u>1986</u>
1984 Carryover	2,063	2,063	1,928	1,877	76
1985 Projects	13,187	8,207	14,203	7,170	8,128
TOTAL	<u>15,250</u>	<u>10,270</u>	<u>16,131</u>	<u>9,047</u>	<u>8,204</u>
State Funded (Cap. & Exp.)					
Transfer Funds	268	268	268	268	0
Shuttle Equipment - 526	925	0	925	0	925
Records Management - 529	<u>15</u>	<u>15</u>	<u>15</u>	<u>5</u>	<u>10</u>
Total State Funded	<u>1,208</u>	<u>283</u>	<u>1,208</u>	<u>273</u>	<u>935</u>

ALASKA RAILROAD CORPORATION
Balance Sheet
Through the Period Ending December 31, 1985
(In Thousands of Dollars)

	Jan. 6 <u>1985</u>	March 31 <u>1985</u>	June 30 <u>1985</u>	Sept. 30 <u>1985</u>	Dec. 31* <u>1985</u>
ASSETS					
Current Assets					
Cash and Short-Term Investments	10,978	7,717	8,756	3,932	1,911
Accounts Receivable	710	10,187	13,920	16,756	11,275
Materials and Supplies	<u>4,067</u>	<u>5,040</u>	<u>7,200</u>	<u>4,367</u>	<u>5,618</u>
Total	15,755	22,944	29,876	25,055	18,804
Properties					
Transportation					
Road and Roadway Structures	0	0	91	91	10,623
Equipment	1,375	3,869	8,948	12,173	12,765
Non-Transportation	<u>3,187</u>	<u>3,324</u>	<u>3,187</u>	<u>3,187</u>	<u>3,133</u>
Total	4,562	7,193	12,226	15,451	26,521
Accumulated Depreciation and Amortization (Note A)					
Properties - Net	<u>0</u>	<u>(230)</u>	<u>(560)</u>	<u>(940)</u>	<u>(1,455)</u>
Land	15,414	15,414	15,414	15,414	13,850
Other Assets	<u>1,443</u>	<u>2,850</u>	<u>2,100</u>	<u>6,214</u>	<u>1,482</u>
TOTAL ASSETS	<u>37,174</u>	<u>48,171</u>	<u>59,128</u>	<u>61,194</u>	<u>59,202</u>
LIABILITIES AND OWNERS EQUITY					
Liabilities					
Current Liabilities					
Accounts and Wages Payable	0	4,797	8,025	9,087	7,124
Notes Payable	0	0	0	0	1,000
Other Current Liabilities	1,263	1,942	2,222	1,382	1,126
Current Portion of Long-Term Leases (Note B)	<u>237</u>	<u>424</u>	<u>750</u>	<u>384</u>	<u>1,978</u>
Total	1,500	7,163	10,997	10,853	11,228
Long-Term Leases (Note B)	272	2,409	7,128	8,770	6,992
Other Liabilities and Deferred Credits	<u>2,153</u>	<u>3,973</u>	<u>3,642</u>	<u>2,923</u>	<u>0</u>
Total Liabilities	<u>3,925</u>	<u>13,625</u>	<u>21,767</u>	<u>22,546</u>	<u>18,220</u>
Owners Equity					
Investment by State of Alaska (Note C)	33,249	33,249	33,849	34,131	33,849
Retained Earnings	0	1,297	3,512	4,517	7,133
Total Owners Equity	<u>33,429</u>	<u>34,546</u>	<u>37,361</u>	<u>38,648</u>	<u>40,982</u>
TOTAL LIABILITIES AND OWNERS EQUITY	<u>37,174</u>	<u>48,171</u>	<u>59,128</u>	<u>61,194</u>	<u>59,202</u>
RETURN ON EQUITY (ANNUALIZED)		15.6%	20.7%	17.6%	21.1%

* Certain balance sheet items have been reclassified to conform with auditors YE 1985 financial statements.

ALASKA RAILROAD CORPORATION
Notes
To
Financial Statements

SEE AUDITOR'S YEAR END AUDITED FINANCIAL STATEMENTS

ALASKA RAILROAD CORPORATION
NOTE B
LEASE DISCLOSURE SCHEDULE

December 31, 1985

SEE AUDITOR'S YEAR END AUDITED FINANCIAL STATEMENTS

ALASKA RAILROAD CORPORATION
Statement of Income
Through the Period Ending December 31, 1985
(In Thousands of Dollars)

	<u>December</u>			<u>Year-To-Date</u>		
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
<u>Revenues</u>						
Railroad	3,210	4,154	(944)	56,322	64,191	(7,869)
Other	<u>521</u>	<u>750</u>	<u>(229)</u>	<u>10,912</u>	<u>9,000</u>	<u>1,912</u>
Total	3,731	4,904	(1,173)	67,234	73,191	(5,957)
<u>Cost and Expenses</u>						
Railroad						
Transportation	1,471	1,066	(195)	20,556	25,566	(5,010)
Ways and Structures	1,114	861	253	12,310	12,810	(500)
Equipment	1,703	925	778	12,571	11,958	613
General and Administrative*	<u>(2,199)</u>	<u>1,220</u>	<u>(3,419)</u>	<u>10,418</u>	<u>13,293</u>	<u>(2,875)</u>
Total	2,089	4,672	(2,583)	55,855	63,627	(7,772)
Operating Surplus	1,642	232	1,410	11,379	9,564	(1,815)
Interest Expense	154	0	154	561	0	561
Corporate Expense	<u>(119)</u>	<u>168</u>	<u>(287)</u>	<u>2,230</u>	<u>1,852</u>	<u>378</u>
Net Surplus	1,607	64	1,543	8,588	7,712	876
Depreciation	<u>267</u>	<u>400</u>	<u>(133)</u>	<u>1,455</u>	<u>4,800</u>	<u>(3,345)</u>
Net Income (Loss)	<u>1,340</u>	<u>(336)</u>	<u>1,676</u>	<u>7,133</u>	<u>2,912</u>	<u>4,221</u>

* Adjustments due to inventory re evaluation in accordance with purchase accounting allocation method.

ALASKA RAILROAD CORPORATION
Revenues by Commodity
Through the Period Ending December 31, 1985
(In Thousands of Dollars)

Commodity	December*			Year To Date			Latest Annual Estimate		
	Actual	Budget	Variance	Actual	Budget	Variance	Estimate	Budget	Variance
Pipe	269	310	(41)	3,253	3,780	(527)	3,253	3,780	(527)
Coal: Local	356	630	(274)	4,255	6,170	(1,915)	4,255	6,170	(1,915)
Export	402	551	(149)	5,179	6,612	(1,433)	5,179	6,612	(1,433)
Petroleum	1,030	687	343	11,833	9,681	2,152	11,833	9,681	2,152
Gravel	0	0	0	7,819	8,930	(1,111)	7,819	8,930	(1,111)
TOFC/COFC	358	814	(456)	7,008	10,548	(3,540)	7,008	10,548	(3,540)
Interline	574	861	(287)	10,530	10,513	17	10,530	10,513	17
Miscellaneous local	(168)	241	(409)	2,101	3,437	(1,336)	2,101	3,437	(1,336)
Total Freight	2,821	4,094	(1,273)	51,978	59,671	(7,693)	51,978	59,671	(7,693)
Passenger: North	239	10	229	2,959	3,300	(341)	2,959	3,300	(341)
South	81	30	51	1,102	645	457	1,102	645	457
Other	69	20	49	283	575	(292)	283	575	(292)
Total Passenger	389	60	329	4,344	4,520	(176)	4,344	4,520	(176)
Real Estate	(141)	340	(481)	4,322	4,080	242	4,322	4,080	242
All Other	662	410	252	6,590	4,920	1,670	6,590	4,920	1,670
Total Other	521	750	(229)	10,912	9,000	1,912	10,912	9,000	1,912
TOTAL	3,731	4,904	(1,173)	67,234	73,191	(5,957)	67,234	73,191	(5,957)

* The month of December, 1985, reflects accrual adjustments to conform with the audited year-end financial statements.

ALASKA RAILROAD CORPORATION
EXPENSE PERFORMANCE ANALYSIS
Through the Period Ending December 31, 1985

Department	Month			Year To Date		
	Actual*	Budget	Variance	Actual	Budget	Variance
Transportation ¹	1,471	1,666	(195)	20,556	25,566	(5,010)
Motive Power & Equipment	1,703	925	778	12,571	11,958	613
Ways & Structures ²	1,114	861	253	12,310	12,810	(500)
Marketing	90	182	(92)	1,229	1,921	(692)
Overheads ³	(2,255)	1,206	(3,461)	11,900	13,224	(1,244)
Depreciation ⁴	267	400	(133)	1,455	4,800	(3,345)
Total	2,390	5,240	(2,850)	60,101	70,279	(10,178)

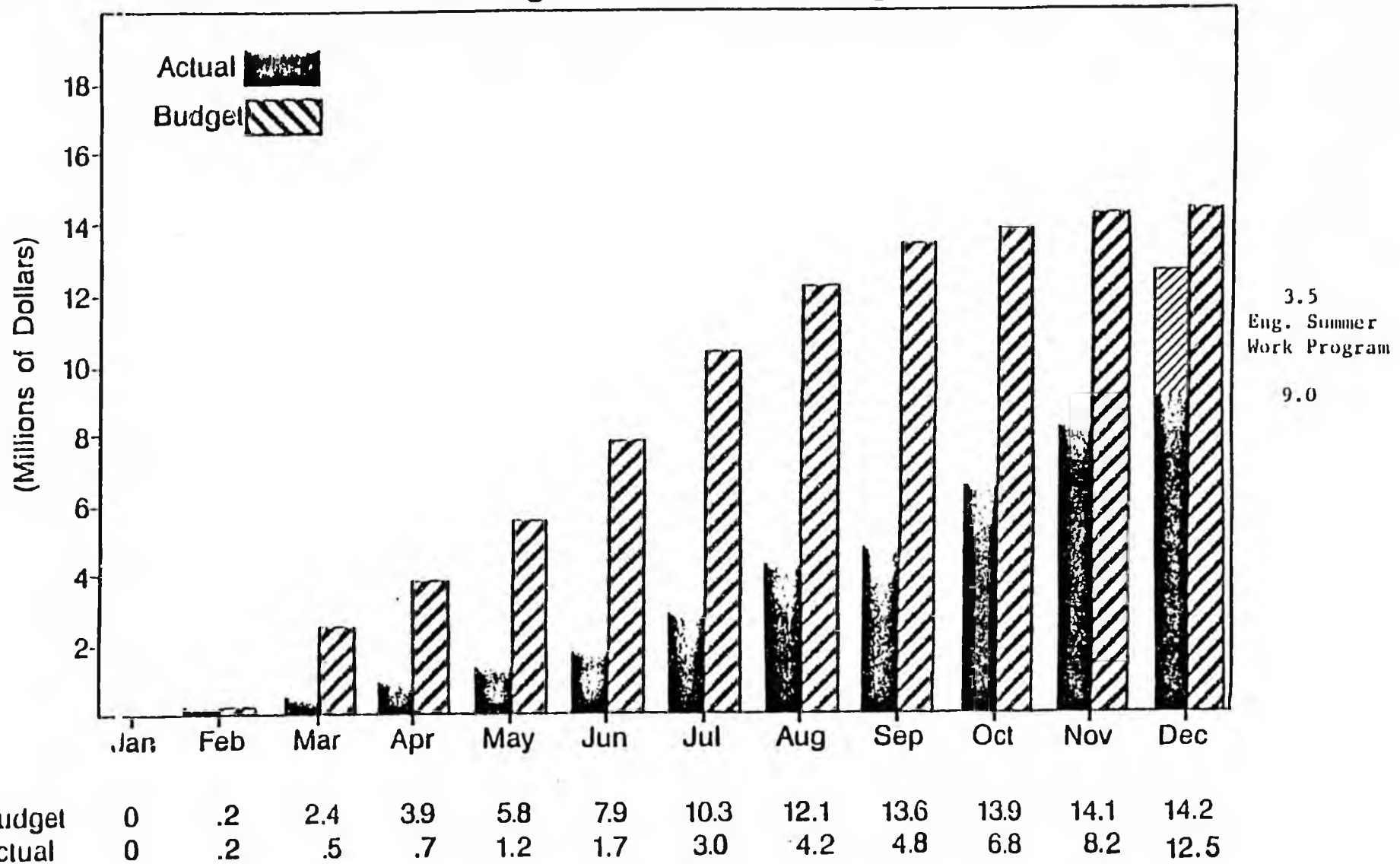
Explanation of Variances - Year-to-Date

- (1) Decrease due to freight movements, primarily TOFC/COFC, gravel, and reduced coal traffic.
- (2) Reduction results from accounting adjustment for Summer Track Improvement Program from expense to capital in accordance with ICC unit of property definitions offset by higher than budgeted personnel costs.
- (3) Underrun due to inventory re-evaluation partially offset by increased insurance costs, reorganization costs and other miscellaneous costs.
- (4) Depreciation lower due to restatement of assets according to purchase accounting allocation method.

* December, 1985, reflects accrual adjustments to conform with audited year end financial statements.

Alaska Railroad Corporation

1985 Capital Expenditures Through the Period Ending



ALASKA RAILROAD CORPORATION
 PROJECT-TO-DATE CAPITAL PERFORMANCE SUMMARY
 Budget vs Actual
 Through the Period Ending December 31, 1985
 (In Thousands of Dollars)

	<u>Approved Budget</u>	<u>Amount Approp.</u>	<u>Latest Estimate</u>	<u>1985 YTD Expend.</u>	<u>1986</u>
1984 Carryover	2,063	2,063	1,928	1,877	76
1985 Projects	13,187	8,207	14,203	7,170	8,128
	-----	-----	-----	-----	-----
TOTAL	<u>15,250</u>	<u>10,270</u>	<u>16,131</u>	<u>9,047</u>	<u>8,204</u>
 State Funded (Cap. & Exp.)					
Transfer Funds	266	268	268	268	0
Shuttle Equipment - 528	925	0	925	0	925
Records Management - 529	<u>15</u>	<u>15</u>	<u>15</u>	<u>5</u>	<u>10</u>
Total State Funded	<u>1,206</u>	<u>283</u>	<u>1,208</u>	<u>273</u>	<u>935</u>

ALASKA MILK CORPORATION
 PROJECT-TO-DATE CAPITAL PERFORMANCE ANALYSIS
 Budget vs Actual
 Through the period ending December 31, 1985
 In Thousands of Dollars

Projects	AFE No.	Approved Budget	Amount Appropriated	Latest Estimate	1985 YTD Expend.	Remainder of 1985	1986	Performance			
								Physical Completion %	Start Date	End Date	Status
<u>1984 CARRYOVER:</u>											
Seward TOFC yard	606/107	31	31	21	21	-0-		100	9-85	10-85	C
Weigh-in-motion Scale	632/106	250	250	201	201	-0-	25	90	12-84	6-86	To Certify
Potter Hill Drainage	636	20	20	6	6	-0-		100	7-85	8-85	C
Auto Couplers	633	26	26	20	20	-0-		100		7-85	C
Loco. Plow Pilots	634/151	51	51	51	-0-	-0-	51	20	8-84	3-86	
TOFC Term. Imp. - Anch.	600	37	37	37	37	-0-		100		4-85	C See 85
Anch. Eng. Supply - (Ph. III)	501	871	871	871	871	-0-					C See 85
1984 Tunnel Program	511	431	431	431	431	-0-					C See 85
1984 Track Program	---	89	89	75	75	-0-		100		3-85	C
Other Misc. Projects	999	257	257	215	215	-0-					
TOTAL 1984		2,063	2,063	1,928	1,877	-0-	76				
<u>1985 PROJECTS:</u>											
Energy Conservation-(Ph IV)	501/101	1,250	1,250	1,250	514	-0-	746	80	6-85	5-86	
Warehouse Improvements	502/102	110	110	160	135	-0-	25	85	9-85	6-86	
Fencing - Security	503/102	65	65	-0-	-0-	-0-		-0-			Merged
Computer Air Conditioning	504/104	65	65	61	2	-0-	59	-0-			Rebid 86
Bank Widening	505/105	300	300	108	108	-0-		100	6-85	8-85	C
Rail Lubricators	506/141	60	24	25	25	-0-		100	8-85	11-85	C
Palmer Branch Rehab.	507	100	-0-	-0-	-0-	-0-					Deleted
Rail/Tie Fasteners	508/131	300	-0-	157	157	-0-		100	7-85	12-85	C
Microwave Radio (Ph I)	509	425	-0-	206	-0-	-0-	286	-0-	2-86	12-86	
Bridges	510/110	800	580	561	561	-0-		100	3-85	9-85	C
Tunnels (Ph II)	511/111	1,500	1,300	4,250	2,286	-0-	1,964	55	7-85	9-86	

Status Codes

A - AFE Preparation	D - Design	M - Materials Ordered
B - Bid Process	E - Evaluation	R - Received
C - Complete	H - On Hold	L - Lease/Purchase

AL/ RAIL COR ION
 PROJECT--(NO-DATE CAP) - PERFORMANCE ANALYSIS
 Budget vs Actual
 Through the period ending December 31, 1985
 In Thousands of Dollars

Projects	AFE No.	Approved Budget	Amount Appropriated	Latest Estimate	1985 YTD Expend.	Remainder of 1985	1986	Performance			
								Physical Completion %	Start Date	End Date	Status
1985 PROJECTS:											
Utility Systems	512/112	650	291	550	24	-0-	536	-0-	8-85	10-86	D (20%)
Fuel Station Add.-Anch.	513/113	250	250	186	57	-0-	129	35	7-85	6-86	D (85%)
Mittler Ramp & TOFC Fac.	514/114	475	100	476	356	-0-	120	75	7-85	6-86	
Elelson Branch Rehab.	515/115	2,100	-0-	2,060	595	-0-	1,475	25	7-85	10-86	
Barge Slip #2-Mittler	516/116	300	158	175	-0-	-0-	175	-0-	5-86	7-86	D (10%)
Locomotives (5)	517/117	600	600	339	339	-0-	439	100		5-85	C,I
TOFC Cars (10)	518/118	422	400	473	473	-0-	214	100		5-85	C,I
Covered Cement Hoppers (5)	519	125	-0-	-0-	-0-	-0-					H
Passenger Car Upgrade (17)	520/120	300	42	48	48	-0-		100	6-85	10-85	C
Engineer Const. Equip. (021)	521/121	950	642	692	593	-0-	99	95	3-85	4-86	
Snow Removal Equipment	-	450	Deleted	Deleted	-0-	-0-					
Locomotive Crane	523	800	-0-	460	-0-	-0-	460				L
Material Handling Equip.	524/108	85	24	24	24	-0-		80	8-85	1-86	
Telecom. Test Equip.	525/012	125	125	125	56	-0-	69	-0-	9-85	5-86	M
Upgrade Railios	526	200	-0-	300	-0-	-0-	300	-0-	4-86	12-86	
Passenger Services	527	380	-0-	380	-0-	-0-		-0-			H
NPR Projects - See page 3	999	-0-	334	323	269	-0-	54				See page 3
Flat Cars (15)	119	-0-	255	235	235	-0-	116	100	7-85	8-85	C,I
Const. Work Equip./Snow Rem.	531	-0-	-0-	-0-	-0-	-0-	300	-0-	1-86	3-86	B,I
TOFC Term. Imp. - Anch.	600	-0-	35	49	49	-0-		100	1-85	7-85	C
RDC Car Upgrade	144	-0-	-0-	-0-	-0-	-0-	150	75	9-85	1-86	L
32V Electric 4 Cabooses	153	-0-	100	100	46	-0-	54	35	9-85	11-86	
Electrify 15 TOFC	140	-0-	265	247	125	-0-	122	40	10-85	8-86	
MSA Term Dev.	006	-0-	172	18	18	-0-	10	100	9-85	10-85	C,L
PC Terminals	007	-0-	71	7	7	-0-	22	100	8-85	9-85	C,L
IBM Remotes	008	-0-	350	64	64	-0-	111	100	8-85	9-85	C,L
IBM Line Printer	016	-0-	24	1	1	-0-	7	100	10-85	11-85	C,L
Wang Equipment	027	-0-	275	13	13	-0-	86	100	12-85	12-85	C,L
TOTAL 1985		13,187	11,217	14,203	7,170	-0-	8,128				
GRAND TOTAL-ALL PROJECTS		15,250	10,270	16,131	9,047	-0-	8,204				

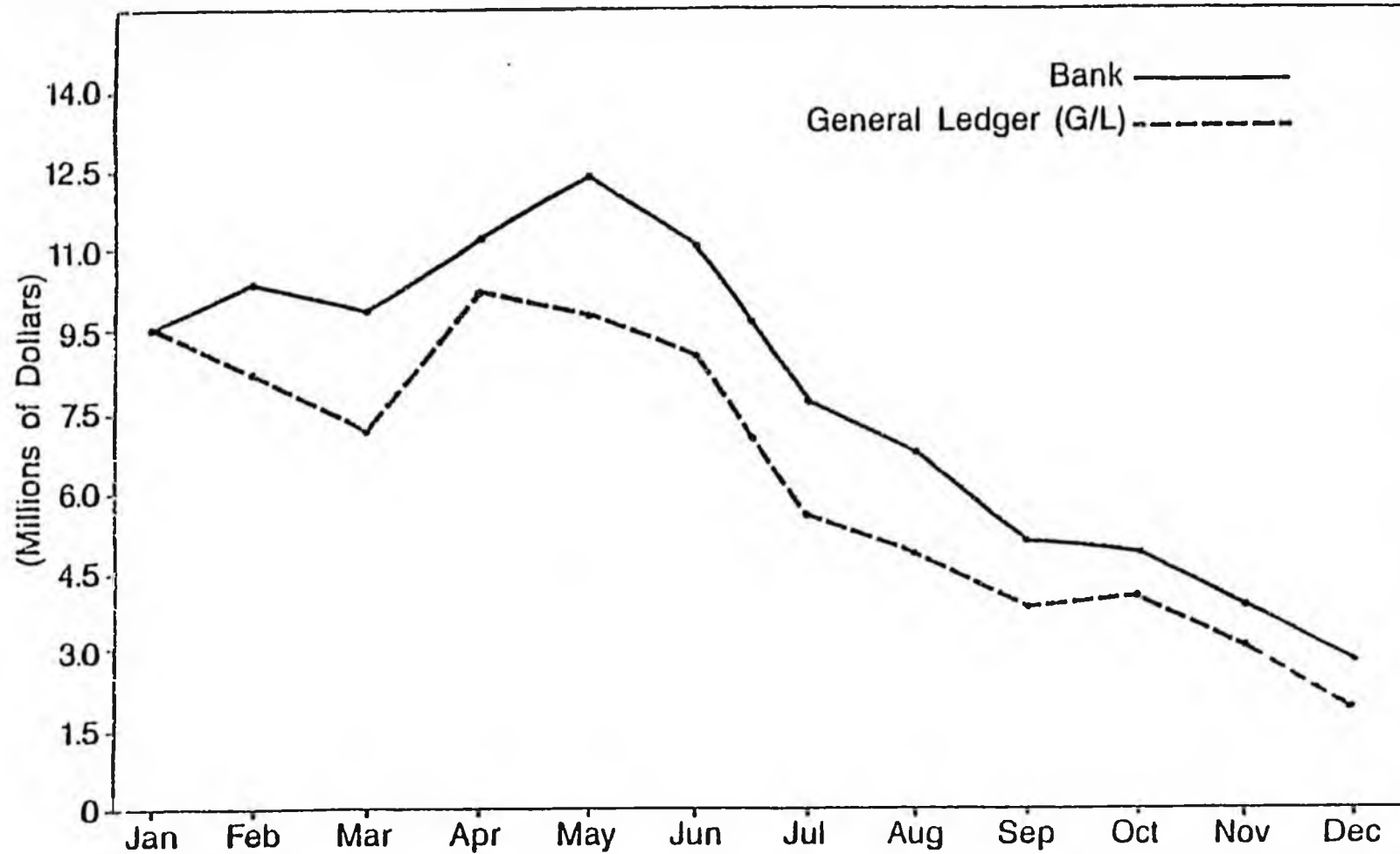
AL RAI) CO .TION
 PROJECT-TO-DATE CAPITAL PERFORMANCE ANALYSIS
 Budget vs Actual
 Through the period ending December 31, 1985
 In Thousands of Dollars

Projects	A/E No.	Approved Budget	Amount Appropriated	Latest Estimate	1985 YTD Expend.	Remainder of 1985	1986	Performance			
								Physical Completion	Start Date	End Date	Status
<u>1985 Non Proj. Res. (NPR)</u>											
Rerailing Bridge	25001		12	12	12	-0-		100	10-84	4-85	C
Telex	75001		2	2	2	-0-		100	10-84	1-85	C
Dock Boards	65001		4	4	4	-0-		100	12-84	2-85	C
Computer, Mac	75003		5	5		-0-		100	12-84	2-85	C
Dishwasher	45001		3	2	2	-0-		100	1-85	2-85	C
Word Proc w/Printer (4)	65050		11	11	11	-0-		100	1-85	3-85	C
Plow on 5 3P 49's	150		51	51	16	-0-	35	40	11-85	3-86	
Radius (5)	25004		6	6	6	-0-		100	3-85	7-85	C
Chart Recorder	25006		2	2	2	-0-		100	5-85	6-85	C
Computer & Telex	75005		3	3	3	-0-		100	5-85	7-85	C
Copier - BM	75006		2	2	2	-0-		100	5-85	5-85	C
Computer - Mac	75008		3	3	3	-0-		100	4-85	4-85	C
Telephone Sys.	75009		13	12	12	-0-		100	4-85	7-85	C
Vans, Pass. (2)	15025		29	29	29	-0-		100	6-85	6-85	C
Budd-RDC(?)	142		60	60	41	-0-	19	90	6-85	1-86	Accept.
Mobile Radio	25010		2	2	2	-0-		100	6-85	12-85	C
Copier, Xerox	75010		10	10	10	-0-		100	6-85	6-85	C
Computer - Mac	75012		9	10	10	-0-		100	8-85	8-85	C
Camera & Accessories	75013		1	1	1	-0-		100	8-85	8-85	C
Logging Recorder	013		27	20	20	-0-		50	10-85	1-86	M
Renodel Procurement Office	143		6	8	8	-0-		100	12-85	12-85	C
Rad.-Tele. (Trans-2)	010		5	5	5	-0-		50	11-85	2-86	M
Rad.-Tele. (Safety)	011		1	1	1	-0-		50	11-85	2-86	M
Comp. Mac (NIKI)	015		4	3	3	-0-		100	11-85	12-85	C
Furniture (Legal)	017		5	4	4	-0-		100	10-85	12-85	C
Computer - IBM (Oldham)	022		13	13	13	-0-		100	11-85	12-85	C
Rapicon Facsimile (3)	023		17	17	17	-0-		100	12-85	12-85	C
Furniture (Procurement)	024		4	4	4	-0-		100	12-85	12-85	C
Furniture (Marketing)	025		10	10	10	-0-		100	11-85	12-85	C
Telephones (Marketing)	026		11	11	11	-0-		100	11-85	12-85	C
Total 1985 NPR		-0-	334	323	269	-0-	54				

Alaska Railroad Corporation

Monthly Bank Balance

1985

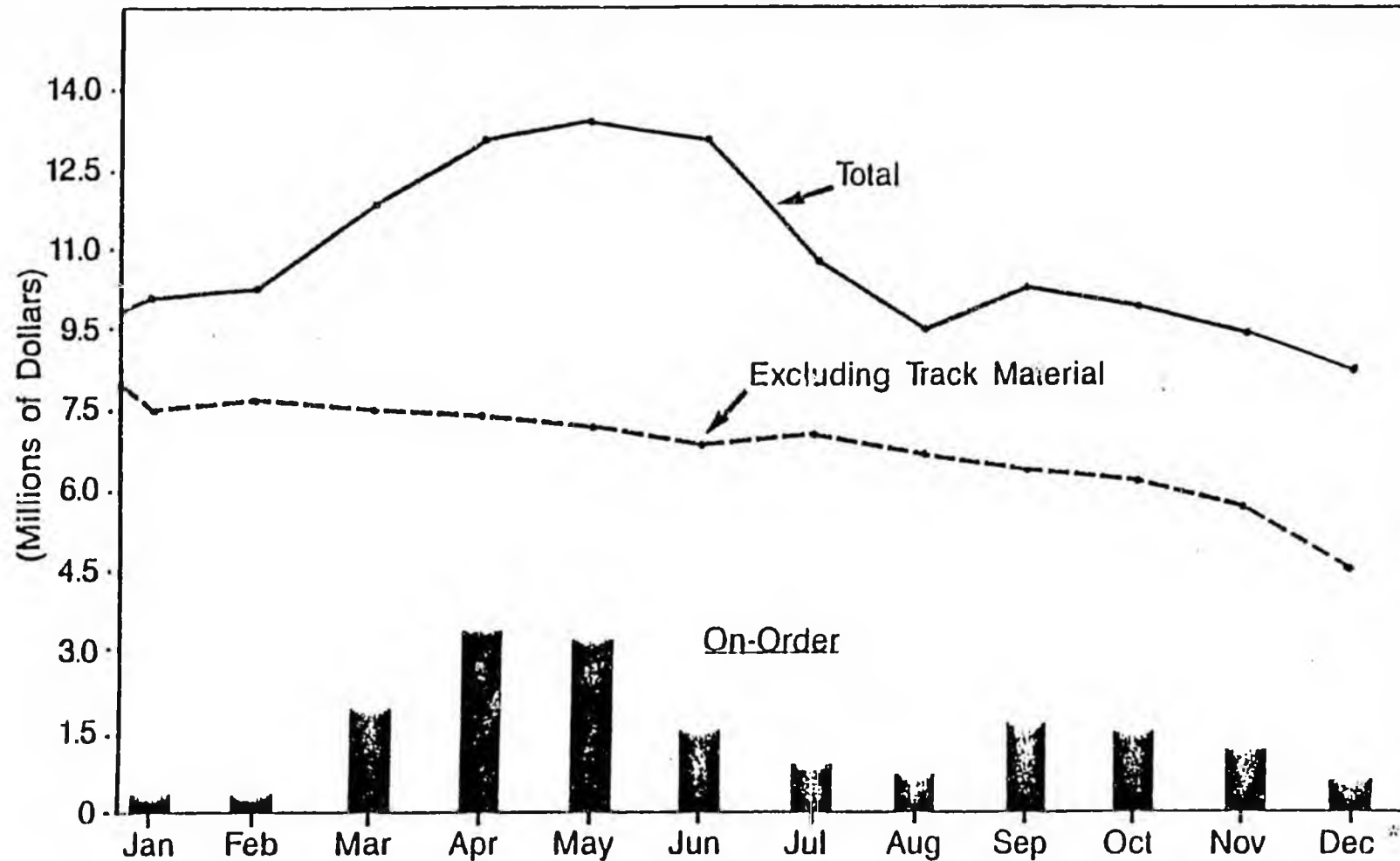


Bank	9.5	10.5	9.9	11.1	12.2	11.0	7.6	7.0	5.2	4.9	4.1	2.9
G/L	9.5	8.1	7.1	10.1	9.7	8.8	5.6	4.7	3.9	4.0	3.0	1.9

Alaska Railroad Corporation

Inventory Level

1985



Total	10.0	10.2	11.9	12.8	13.2	12.8	10.5	9.5	10.1	9.8	9.4	8.2
On-Order	.4	.4	2.2	3.2	3.1	1.4	1.0	.6		1.4	1.2	.6
Exclud. Track Material	7.5	7.6	7.5	7.3	7.1	6.8	6.9	6.5	6.2	5.9	5.7	4.6

* INVENTORY VALUE AT YEAR END 1985 WAS REVALUED DOWNWARD TO \$5.6 MILLION TO CONFORM WITH THE APPRAISAL METHOD USED TO COMPLY WITH THE PURCHASE ALLOCATION ACCOUNTING METHOD.

ALASKA RAILROAD CORPORATION
 Accounts Receivable Status
 Through the Period Ending December 31, 1985

Type	Balance	AGING (DAYS)				
		0-15	16-30	31-45	46-60	over 60
Trade	8,002	2,437	1,339	1,496	627	2,103
%	100	30	17	19	8	26
Reimbursable	377	269	4	0	0	104
%	100	71	1	0	0	28
Real Estate	1,200	471	13	147	0	569
%	100	39	1	12	0	48
Estimated	1,696	1,696	0	0	0	
%	100	100	0	0	0	
Total	<u>11,275</u>	<u>4,873</u>	<u>1,356</u>	<u>1,643</u>	<u>627</u>	<u>2,776</u>
%	100	43	12	14	6	25

ALASKA RAILROAD CORPORATION
 Current Investment Report
 As of December 31, 1985

<u>Principal Amount</u>	<u>Maturity Date</u>	<u>Length of Investment</u>	<u>Type of Investment</u>	<u>Interest Rate</u>	<u>Estimate Int. Income</u>
515,343	Open	Open	Money Mkt	9.80%	2,104
100,000	01/21/86	182 day	CD	8.50%	4,061
100,000	01/21/86	182 day	CD	8.50%	4,061
<u>100,000</u>	05/09/87	540 day	CD	8.50%	<u>1,275</u>
<u>815,343</u>					<u>11,501</u>

ALASKA RAILROAD CORPORATION
 1986 EXPENSE BUDGET ANALYSIS
 (THOUSANDS OF DOLLARS)

DEPARTMENT	1986 BUDGET	1985		
		BUDGET	YTD THRU OCT	LATEST ESTIMATE
TRANSPORTATION	16,359	25,560	17,921	20,800
ENGINEERING	16,140	12,810	12,801	10,870
MP&E	15,076	11,960	10,265	12,000
SPECIAL AGENTS	2,869	500	356	440
ADMINISTRATION	670	900	635	760
PERSONNEL	2,050	800	473	580
FINANCE	5,873	5,620	4,613	6,000
MARKETING	3,007	1,920	1,077	1,580
LEGAL	856	500	462	562
OTHER	<u>515</u>	<u>4,910</u>	<u>3,668</u>	<u>5,228</u>
SUB TOTAL	63,415	65,480	52,271	58,820
INTEREST EXPENSE	1,018	0	379	480
DEPRECIATION	<u>1,800</u>	<u>4,800</u>	<u>1,064</u>	<u>1,300</u>
SUB TOTAL	2,818	4,800	1,443	1,780
TOTAL EXPENSE	66,233	70,280	53,714	60,600

ALASKA RAILROAD CORPORATION
 REVENUES BY COMMODITY
 1986 BUDGET ANALYSIS
 (IN THOUSANDS OF DOLLARS)

COMMODITY	1986 BUDGET	1985 STATUS		LATEST ESTIMATE
		BUDGET	YTD THRU OCT	
PIPE	3,044	3,780	2,619	3,000
COAL: LOCAL	5,763	6,170	3,557	4,100
EXPORT	5,113	6,612	4,521	5,340
PETROLEUM	11,311	9,681	9,605	11,500
TOFC/COFC	8,239	10,548	5,998	7,000
INTERLINE	12,786	10,514	9,194	10,800
MISCELLANEOUS LOCAL	9,291	12,366	10,028	11,630
TOTAL FREIGHT	55,547	59,671	45,522	53,370
PASSENGER: NORTH	2,890	3,300	2,693	2,900
SOUTH	84	645	979	1,030
OTHER	1,436	575	213	300
TOTAL PASSENGER	4,410	4,520	3,885	4,230
REAL ESTATE	5,100	4,080	4,071	4,971
ALL OTHER	6,000	4,920	5,708	6,429
TOTAL OTHER	11,100	9,000	9,779	11,400
TOTAL REVENUE	71,057	73,191	59,186	69,000

ALASKA RAILROAD CORPORATION
1986 BUDGET HEADCOUNT SUMMARY

DEPARTMENT	<u>FIRST QTR</u>		<u>SECOND QTR</u>		<u>THIRD QTR</u>		<u>FOURTH QTR</u>	
	1986	1985	1986	1985	1986	1985	1986	1985
(1) CORPORATE OFFICE	11	6	11	8	11	12	11	9
OPERATIONS	510	532	657	711	586	635	499	509
(2) HUMAN RESOURCES	29	19	29	19	29	18	29	21
(3) FINANCE	69	59	69	59	71	63	69	69
(4) MARKETING & SALES	<u>37</u>	<u>18</u>	<u>50</u>	<u>17</u>	<u>50</u>	<u>27</u>	<u>37</u>	<u>26</u>
TOTAL	<u>656</u>	<u>634</u>	<u>816</u>	<u>814</u>	<u>747</u>	<u>755</u>	<u>645</u>	<u>634</u>

(1) INCLUDES CHIEF COUNSEL AND STAFF

(2) INCLUDES DIRECTOR, ADMINISTRATION AND STAFF

(3) 1985 DOES NOT INCLUDE 6 CONTRACT COMPUTER OPERATORS WHICH HAS BEEN CONVERTED TO ARRC STAFF

(4) DOES NOT INCLUDE SUMMER HOST/HOUSTESS PROGRAM OF 45 STUDENTS DURING SUMMER PASSENGER SEASON

ALASKA RAILROAD CORPORATION
1986 BUDGET HEADCOUNT SUMMARY

DEPARTMENT	<u>FIRST QTR</u>		<u>SECOND QTR</u>		<u>THIRD QTR</u>		<u>FOURTH QTR</u>	
	1986	1985	1986	1985	1986	1985	1986	1985
(1) CHIEF EXECUTIVE OFFICE	11	6	11	8	11	12	11	9
OPERATIONS	515	532	650	711	629	635	504	509
(2) HUMAN RESOURCES	29	19	29	19	29	18	29	21
(3) FINANCE	69	59	69	59	71	63	69	69
(4) MARKETING & SALES	<u>37</u>	<u>18</u>	<u>50</u>	<u>17</u>	<u>50</u>	<u>27</u>	<u>37</u>	<u>26</u>
TOTAL	<u>661</u>	<u>634</u>	<u>809</u>	<u>814</u>	<u>790</u>	<u>755</u>	<u>650</u>	<u>634</u>

(1) INCLUDES CHIEF COUNSEL AND STAFF

(2) INCLUDES DIRECTOR, ADMINISTRATION AND STAFF

(3) 1985 DOES NOT INCLUDE 6 CONTRACT COMPUTER OPERATORS WHICH HAS BEEN CONVERTED TO ARRC STAFF

(4) DOES NOT INCLUDE SUMMER HOST/HOUSTESS PROGRAM OF 45 STUDENTS DURING SUMMER PASSENGER SEASON

ALASKA RAILROAD CORPORATION
1986 BIDDING PLAN
ACCOUNT ANALYSIS

SUMMARY

	1986 BUDGET	LATEST ESTIMATE	1985	
			VARIANCE	%
SALARIES, WAGES, AND OTHER PERSONNEL EXPENSES	39,984	36,827	3,157	8
CONTRACTUAL SERVICES	5,936	4,670	1,266	27
MATERIALS & SUPPLIES	10,095	11,321	(1,226)	(11)
RENTALS, UTILITIES	2,763	3,703	(940)	(25)
INSURANCE, CASUALTY, TAXES	2,271	1,117	1,154	103
OTHER	<u>1,017</u>	<u>364</u>	<u>653</u>	<u>179</u>
TOTAL	62,066	58,002	4,064	7
DEBT SERVICE	<u>1,100</u>	<u>415</u>	<u>685</u>	<u>165</u>
GRAND TOTAL	<u>63,166</u>	<u>58,417</u>	<u>4,749</u>	<u>8</u>

EXPLANATION OF MAJOR VARIANCES:

- PERSONNEL COSTS REFLECT FULL STAFF LEVELS FOR YEAR, INCREASED SALES STAFF, SMALL INCREASE IN ADMINISTRATIVE WORK FORCE, INCREASED HEALTH BENEFIT COST AND PROVISION FOR MINIMAL WAGE ADJUSTMENT.
- CONTRACTUAL SERVICES INCREASE REFLECTS COST OF MARKETING PLAN, RELOCATION FOR TRANSFERRED EMPLOYEES, INCREASED TRAINING.
- MATERIALS AND SUPPLIES DECREASE REFLECTS REVALUATION OF INVENTORY.
- RENTALS AND UTILITIES DECREASE REFLECTS SAVINGS FROM KAPP ENERGY PROJECT, CLOSURE OF UNNECESSARY WAREHOUSES, ETC.
- INSURANCE INCREASE IS FOR A FULL YEAR EFFECT OF OUR RISK MANAGEMENT PROGRAM AT NEW RATES AND PROVISION FOR CASUALTY CLAIMS.
- OTHER INCREASE REFLECTS CONSOLIDATION OF FREIGHT EXPENSE FOR DIRECT, NON-STOCK PURCHASES TO THE PROCUREMENT DIVISION.
- DEBT SERVICE INCREASE REFLECTS FULL YEAR OF INTEREST EXPENSE ON LOCOMOTIVES, FLAT CARS, AND PLANNED 1986 CAPITAL ADDITIONS.

ALASKA RAILROAD CORPORATION
 1986 BUDGETING PLAN
 DEPARTMENT ANALYSIS

SUMMARY

	1986 BUDGET	1985		
		LATEST ESTIMATE	VARIANCE	%
CORPORATE OFFICE	1,579	1,191	388	33
OPERATIONS	48,516	47,170	1,346	3
FINANCE	6,815	6,000	815	14
MARKETING	3,417	2,509	908	36
HUMAN RESOURCES	2,074	807	1,267	157
ADMINISTRATION	<u>765</u>	<u>740</u>	<u>25</u>	<u>3</u>
GRAND TOTAL	<u>63,166</u>	<u>58,417</u>	<u>4,749</u>	<u>8</u>

EXPLANATION OF MAJOR VARIANCES:

- ° CORPORATE OFFICE INCREASE REFLECTS ADDITIONAL COST FOR LITIGATION AND INCREASE IN LEGAL WORKFORCE.
- ° FINANCE INCREASE REFLECTS LARGER DEBT SERVICE AND REALIGNMENT OF CONTRACTUAL WORKFORCE.
- ° MARKETING INCREASE REFLECTS NEW MARKETING PLAN (500K), ADDITIONAL SALES FORCE AND RELOCATION TO UPTOWN OFFICE SPACE.
- ° HUMAN RESOURCES INCREASE REFLECTS NEW ORGANIZATION STRUCTURE, INCREASED RESPONSIBILITIES, COST FOR NEW ADMINISTRATIVE PROGRAMS AND SOME ADDITIONAL STAFF.

ALASKA RAIL AD CORPORATION
 1986 SPENDING PLAN
 ACCOUNT ANALYSIS
 SUMMARY

<u>CONTRACTUAL SERVICES</u>	<u>1986 BUDGET</u>	<u>1985</u>	
		<u>LATEST ESTIMATE</u>	<u>VARIANCE</u>
CORPORATE OFFICE	757	672	85
OPERATIONS	2,625	2,555	70
FINANCE	753	934	(181)
MARKETING	920	433	487
HUMAN RESOURCES	805	50	755
ADMINISTRATION	<u>76</u>	<u>26</u>	<u>50</u>
TOTAL	<u>5,936</u>	<u>4,670</u>	<u>1,266</u>

EXPLANATION OF MAJOR VARIANCES:

- ° CORPORATE OFFICER INCREASE FOR ESTIMATED CORPORATE DONATIONS.
- ° MARKETING INCREASE REFLECTS IMPLEMENTATION OF NEW CORPORATE MARKETING PLAN.
- ° HUMAN RESOURCES REFLECTS REALIGNMENT OF ORGANIZATION, RELOCATION EXPENSES, SALARY ADMINISTRATION PROGRAM, AND INCREASED TRAINING.

ALASKA RAILROAD CORPORATION
 1986 SPENDING PLAN
 ACCOUNT ANALYSIS
 SUMMARY

<u>MATERIALS & SUPPLIES</u>	<u>1986 BUDGET</u>	<u>1985</u>	
		<u>LATEST ESTIMATE</u>	<u>VARIANCE</u>
CORPORATE OFFICE	16	33	(17)
OPERATIONS	9,611	10,480	(869)
FINANCE	214	408	(194)
MARKETING	145	285	(140)
HUMAN RESOURCES	54	29	25
ADMINISTRATION	<u>55</u>	<u>86</u>	<u>(31)</u>
TOTAL	<u>10,095</u>	<u>11,321</u>	<u>(1,226)</u>

EXPLANATION OF MAJOR VARIANCES:

- ° DECREASES ARE A RESULT OF REVALUATION OF INVENTORY.

ALASKA RAILROAD CORPORATION
 1986 SPENDING PLAN
 ACCOUNT ANALYSIS
 SUMMARY

<u>RENTALS & UTILITIES</u>	<u>1986 BUDGET</u>	<u>1985</u>	
		<u>LATEST ESTIMATE</u>	<u>VARIANCE</u>
CORPORATE OFFICE	4	2	2
OPERATIONS	1,941	2,685	(744)
FINANCE	495	751	(256)
MARKETING	140	19	121
HUMAN RESOURCES	9	3	6
ADMINISTRATION	<u>174</u>	<u>243</u>	<u>(69)</u>
TOTAL	<u>2,763</u>	<u>3,703</u>	<u>(940)</u>

EXPLANATION OF MAJOR VARIANCES:

- ° DECREASES ARE GENERAL RESULTING FROM SAVINGS FROM NEW ENERGY SYSTEMS.
- ° INCREASE IN MARKETING REFLECTS RELOCATION OF OFFICE.

ALASKA RAILROAD CORPORATION
 1986 SPENDING PLAN
 ACCOUNT ANALYSIS
 SUMMARY

<u>INSURANCE, CASUALTY EXPENSES</u>	<u>1986 BUDGET</u>	<u>1985</u>	
		<u>LATEST ESTIMATE</u>	<u>VARIANCE</u>
CORPORATE OFFICE	0	0	0
OPERATIONS	2,266	1,117	1,149
FINANCE	0	0	0
MARKETING	5	0	5
HUMAN RESOURCES	0	0	0
ADMINISTRATION	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	<u>2,271</u>	<u>1,117</u>	<u>1,154</u>

EXPLANATION OF MAJOR VARIANCES:

- ° OPERATIONS IS RESPONSIBLE FOR INSURANCE AND RISK PROGRAMS. INCREASE REFLECTS FULL YEAR PREMIUMS AT HIGHER RATES PLUS ADDITIONAL SMALL INCREASE TOWARDS END OF YEAR. ADDITIONALLY, REFLECTS ANTICIPATED LOSSES AND CLAIMS DUE TO FREIGHT DAMAGE, ROLLING STOCK DAMAGE, ETC.

ALASKA RAILROAD CORPORATION
 1986 SPENDING PLAN
 ACCOUNT ANALYSIS
 SUMMARY

<u>OTHER</u>	<u>1986 BUDGET</u>	<u>1985</u>	
		<u>LATEST ESTIMATE</u>	<u>VARIANCE</u>
CORPORATE OFFICE	50	0	50
OPERATIONS	0	0	0
FINANCE	1,899	779	1,120
MARKETING	149	0	149
HUMAN RESOURCES	19	0	19
ADMINISTRATION	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	<u>2,117</u>	<u>779</u>	<u>1,338</u>

EXPLANATION OF MAJOR VARIANCES:

- ° FINANCE INCREASE REFLECTS LARGER DEBT SERVICE AND FREIGHT CHARGES NOW RESPONSIBILITY OF PROCUREMENT (DIRECT PURCHASE AND NON-STOCK ITEMS).
- ° MARKETING INCREASE REFLECTS RELOCATION TO NEW UPTOWN OFFICE SPACE.

ALASKA RAILROAD CORPORATION
1986 SPENDING PLAN
ACCOUNT ANALYSIS
SUMMARY

SALARIES, WAGES, AND OTHER PERSONNEL EXPENSES	1986		1985 LATEST ESTIMATE	
	DOLLARS	PERSONNEL*	DOLLARS	PERSONNEL*
CORPORATE OFFICE	751	11	484	9
OPERATIONS	32,073	575	30,333	596
FINANCE	3,454	69	3,128	63
MARKETING	2,060	43	1,772	22
HUMAN RESOURCES	1,186	21	725	16
ADMINISTRATION	460	8	385	7
TOTAL	<u>39,984</u>	<u>727</u>	<u>36,827</u>	<u>713</u>

EXPLANATION OF MAJOR VARIANCES:

- ° CORPORATE OFFICE INCREASE REFLECTS ADDITIONAL LEGAL ASSISTANCE.
- ° OPERATIONS DECREASE REFLECTS A 3-MONTH SUMMER WORK PROGRAM RATHER THAN A 5-MONTH PROGRAM AND TRANSFER OF PASSENGER AGENT POSITIONS TO MARKETING.
- ° FINANCE INCREASE REFLECTS TAKEOVER OF CONTRACTUAL SERVICES IN SYSTEMS.
- ° MARKETING REFLECTS TRANSFER OF PASSENGER AGENTS FROM OPERATIONS DEPARTMENT AND ADDITIONAL SALES STAFF.

* AVERAGE QUARTERLY TOTAL

ALASKA RAILROAD CORPORATION
 1986 SPENDING PLAN
 CORPORATE OFFICE
 SUMMARY

	<u>1986 BUDGET</u>	<u>1985</u>	
		<u>LATEST ESTIMATE</u>	<u>VARIANCE</u>
SALARIES, WAGES, AND OTHER PERSONNEL EXPENSES	752	484	274
CONTRACTUAL SERVICES	757	672	85
MATERIALS & SUPPLIES	16	33	(17)
RENTALS, UTILITIES	4	2	2
INSURANCE, CASUALTY, TAXES	0	0	0
OTHER	<u>50</u>	<u>0</u>	<u>50</u>
TOTAL	1,579	1,191	394
DEBT SERVICE	<u>0</u>	<u>0</u>	<u>0</u>
GRAND TOTAL	<u>1,579</u>	<u>1,191</u>	<u>394</u>

EXPLANATION OF MAJOR VARIANCES:

- ° PERSONNEL COSTS UP DUE TO INCREASED STAFFING IN CHIEF COUNSEL'S OFFICE INCLUDING ADDITIONAL SENIOR ATTORNEY, CLERICAL HELP AND PARALEGAL ASSISTANCE.
- ° CONTRACTUAL SERVICES UP AS A RESULT OF ANTICIPATED INCREASED LITIGATION.

ALASKA RAILROAD CORPORATION
1986 SPENDING PLAN
ADMINISTRATION
SUMMARY

	<u>1986 BUDGET</u>	<u>1985</u> <u>LATEST ESTIMATE</u>	<u>VARIANCE</u>
SALARIES, WAGES, AND OTHER PERSONNEL EXPENSES	460	385	75
CONTRACTUAL SERVICES	76	26	50
MATERIALS & SUPPLIES	55	86	(31)
RENTALS, UTILITIES	174	243	(69)
INSURANCE, CASUALTY, TAXES	0	0	0
OTHER	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	765	740	25
DEBT SERVICE	<u>0</u>	<u>0</u>	<u>0</u>
GRAND TOTAL	<u>765</u>	<u>740</u>	<u>25</u>

EXPLANATION OF MAJOR VARIANCES:

- ° PERSONNEL EXPENSES REFLECTS INCREASE FOR FULL YEAR MANNING LEVELS AND ONE ADDITIONAL STAFF PERSON.
- ° CONTRACTUAL SERVICES INCREASE REFLECTS CONSOLIDATION OF OFFICE MACHINE EXPENSES IN ADMINISTRATIVE SERVICES DIVISION AND DEVELOPMENT OF RECORDS MANAGEMENT SYSTEM FOR CORPORATION.

ALASKA RAILROAD CORPORATION
 1986 SPENDING PLAN
 HUMAN RESOURCES
 SUMMARY

		<u>1985</u>	
	<u>1986 BUDGET</u>	<u>LATEST ESTIMATE</u>	<u>VARIANCE</u>
SALARIES, WAGES, AND OTHER PERSONNEL EXPENSES	1,186	725	461
CONTRACTUAL SERVICES	805	50	755
MATERIALS & SUPPLIES	54	29	25
RENTALS, UTILITIES	9	3	6
INSURANCE, CASUALTY, TAXES	0	0	0
OTHER	<u>19</u>	<u>0</u>	<u>19</u>
TOTAL	2,074	807	1,267
DEBT SERVICE	<u>0</u>	<u>0</u>	<u>0</u>
GRAND TOTAL	<u>2,074</u>	<u>807</u>	<u>1,267</u>

EXPLANATION OF MAJOR VARIANCES:

- " PERSONNEL COSTS REFLECT FULL YEAR EFFECT OF NEW ORGANIZATIONAL STRUCTURE TO INCLUDE INCREASE OF 3 NEW POSITIONS FOR APRIL-JUNE TIME FRAME.
- " CONTRACTUAL SERVICES INCREASE DUE TO ACQUIRING RESPONSIBILITY FOR ALL TRAINING REQUIREMENTS, SAFETY EQUIPMENT PROGRAM, RELOCATION EXPENSES, AND SALARY ADMINISTRATION PROGRAM.

CORRECTION

**THIS DOCUMENT
HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY**

ALASKA RAILROAD CORPORATION
1986 SPENDING PLAN
HUMAN RESOURCES
SUMMARY

	<u>1986 BUDGET</u>	<u>1985 LATEST ESTIMATE</u>	<u>VARIANCE</u>
SALARIES, WAGES, AND OTHER PERSONNEL EXPENSES	1,186	725	461
CONTRACTUAL SERVICES	805	50	755
MATERIALS & SUPPLIES	54	29	25
RENTALS, UTILITIES	9	3	6
INSURANCE, CASUALTY, TAXES	0	0	0
OTHER	<u>19</u>	<u>0</u>	<u>19</u>
TOTAL	2,074	807	1,267
DEBT SERVICE	<u>0</u>	<u>0</u>	<u>0</u>
GRAND TOTAL	<u>2,074</u>	<u>807</u>	<u>1,267</u>

EXPLANATION OF MAJOR VARIANCES:

- " PERSONNEL COSTS REFLECT FULL YEAR EFFECT OF NEW ORGANIZATIONAL STRUCTURE TO INCLUDE INCREASE OF 3 NEW POSITIONS FOR APRIL-JUNE TIME FRAME.
- " CONTRACTUAL SERVICES INCREASE DUE TO ACQUIRING RESPONSIBILITY FOR ALL TRAINING REQUIREMENTS, SAFETY EQUIPMENT PROGRAM, RELOCATION EXPENSES, AND SALARY ADMINISTRATION PROGRAM.

ALASKA RAILROAD CORPORATION
1986 SPENDING PLAN
OPERATIONS
SUMMARY

	1986 BUDGET	1985 LATEST ESTIMATE	VARIANCE
SALARIES, WAGES, AND OTHER PERSONNEL EXPENSES	32,073	30,333	1,740
CONTRACTUAL SERVICES	2,625	2,555	70
MATERIALS & SUPPLIES	9,611	10,480	(869)
RENTALS, UTILITIES	1,941	2,685	(744)
INSURANCE, CASUALTY, TAXES	2,266	1,117	1,149
OTHER	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	48,516	47,170	1,346
DEBT SERVICE	<u>0</u>	<u>0</u>	<u>0</u>
GRAND TOTAL	<u>48,516</u>	<u>47,170</u>	<u>1,346</u>

EXPLANATION OF MAJOR VARIANCES:

- ° PERSONNEL INCREASE REFLECTS FULL YEAR MANNING LEVELS IN ALL DEPARTMENTS.
- ° MATERIALS AND SUPPLIES REDUCTION BASED ON INVENTORY REVALUATIONS.
- ° RENTALS AND UTILITIES PROJECTED SAVINGS RESULTING FROM NEW HEATING SYSTEMS.
- ° INSURANCE, CASUALTY, TAXES INCREASE DUE TO INSURANCE PREMIUMS AND CASUALTY LOSS CLAIMS.

ALASKA RAILROAD CORPORATION
1986 BIDDING PLAN
MARKETING
SUMMARY

	<u>1986 BUDGET</u>	<u>1985</u> <u>LATEST ESTIMATE</u>	<u>VARIANCE</u>
SALARIES, WAGES, AND OTHER PERSONNEL EXPENSES	2,060	1,772	288
CONTRACTUAL SERVICES	920	433	587
MATERIALS & SUPPLIES	145	285	(140)
RENTALS, UTILITIES	140	19	121
INSURANCE, CASUALTY, TAXES	5	0	5
OTHER	<u>149</u>	<u>0</u>	<u>149</u>
TOTAL	3,417	2,509	908
DEBT SERVICE	<u>0</u>	<u>0</u>	<u>0</u>
GRAND TOTAL	<u>3,417</u>	<u>2,509</u>	<u>908</u>

EXPLANATION OF MAJOR VARIANCES:

- ° PERSONNEL COSTS UP DUE TO INCREASED SALES FORCE IN ANCHORAGE AND SEATTLE, PASSENGER SERVICES EXPANSION AND TRANSFER FROM TRANSPORTATION DEPARTMENT.
- ° CONTRACTUAL SERVICES UP 117% FOR FULL-SCALE MARKETING/ADVERTISING PROGRAM.
- ° UTILITIES INCREASE DUE TO MARKETING DEPARTMENT RELOCATING TO NEW UPTOWN OFFICE SPACE.

ALASKA RAILROAD CORPORATION
 1986 BUDGETING PLAN
 CORPORATE COMMUNICATIONS
 SUMMARY

	1986 BUDGET	1985	
		LATEST ESTIMATE	VARIANCE
SALARIES, WAGES, AND OTHER PERSONNEL EXPENSES	84	64	20
CONTRACTUAL SERVICES	148	55	93
MATERIALS & SUPPLIES	5	3	2
RENTALS, UTILITIES	0	0	0
INSURANCE, CASUALTY, TAXES	0	0	0
OTHER	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	237	122	115
DEBT SERVICE	<u>0</u>	<u>0</u>	<u>0</u>
GRAND TOTAL	<u>237</u>	<u>122</u>	<u>115</u>

EXPLANATION OF MAJOR VARIANCES:

- ° PERSONNEL USAGES INCREASE DUE TO FULL YEAR OPERATIONS OF DIVISION.
- ° CONTRACTUAL SERVICES INCREASE DUE TO NEW PROGRAMS FOR SAFETY, RAILROAD POSTERS, ANNUAL REPORTS.

ALASKA RAILROAD CORPORATION
 1986 SPENDING PLAN
 CHIEF COUNSEL
 SUMMARY

	<u>1986 BUDGET</u>	<u>1985</u>	
		<u>LATEST ESTIMATE</u>	<u>VARIANCE</u>
SALARIES, WAGES, AND OTHER PERSONNEL EXPENSES	490	242	248
CONTRACTUAL SERVICES	514	567	(53)
MATERIALS & SUPPLIES	9	26	(17)
RENTALS, UTILITIES	4	2	2
INSURANCE, CASUALTY, TAXES	0	0	0
OTHER	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	1,017	837	180
DEBT SERVICE	<u>0</u>	<u>0</u>	<u>0</u>
GRAND TOTAL	<u>1,017</u>	<u>837</u>	<u>180</u>

EXPLANATION OF MAJOR VARIANCES:

- ° PERSONNEL COSTS UP 102% DUE TO INCREASED STAFF TO INCLUDE ADDITIONAL ATTORNEYS FOR FULL YEAR, PARALEGAL ASSISTANCE, AND CLERICAL ASSISTANCE.

ALASKA RAILROAD CORPORATION
1986 FUNDING PLAN
DETAIL ACCOUNT ANALYSIS

SALARIES, WAGES, AND OTHER PERSONNEL EXPENSES

1986 BUDGET	39,984
1985 ESTIMATE	<u>36,827</u>
VARIANCE	3,157

EXPLANATION OF VARIANCE:

		<u>%</u>
° WAGE ADJUSTMENT	\$1,000	32
° CURRENT WORK FORCE FULL YEAR MANNING	875	28
° ADDITIONAL STAFF*	750	23
° PENSION PLAN CONTRIBUTION	125	4
° ANTICIPATED HEALTH BENEFIT INCREASE	200	7
° STATE OF ALASKA UNEMPLOYMENT COMPENSATION	<u>200</u>	<u>6</u>
TOTAL	<u>\$3,150</u>	<u>100</u>

* ADDITIONAL STAFFING IS REQUIRED IN LEGAL AND ADMINISTRATION TO SUPPORT ACTIVITIES AND PROGRAMS THAT WERE PREVIOUSLY HANDLED IN THE FEDERAL SYSTEM BUT NOT BY THE RAILROAD. ADDITIONALLY, OUR ENHANCED MARKETING PROGRAM REQUIRES A LARGER SALES FORCE TO MAINTAIN CURRENT REVENUE AS WELL AS OBTAIN NEW BUSINESS.

ALASKA RAILROAD CORPORATION
 1986 BUDGETING PLAN
 DEPARTMENT ANALYSIS

SUMMARY

	1986 BUDGET	1985		
		LATEST ESTIMATE	VARIANCE	%
CORPORATE OFFICE	1,579	1,191	388	33
OPERATIONS	48,516	47,170	1,346	3
FINANCE	6,815	6,000	815	14
MARKETING	3,417	2,509	908	36
HUMAN RESOURCES	2,074	807	1,267	157
ADMINISTRATION	<u>765</u>	<u>740</u>	<u>25</u>	<u>3</u>
GRAND TOTAL	<u>63,166</u>	<u>58,417</u>	<u>4,749</u>	<u>8</u>

EXPLANATION OF MAJOR VARIANCES:

- ° CORPORATE OFFICE INCREASE REFLECTS ADDITIONAL COST FOR LITIGATION AND INCREASE IN LEGAL WORKFORCE.
- ° FINANCE INCREASE REFLECTS LARGER DEBT SERVICE AND REALIGNMENT OF CONTRACTUAL WORKFORCE.
- ° MARKETING INCREASE REFLECTS NEW MARKETING PLAN (500K), ADDITIONAL SALES FORCE AND RELOCATION TO UPTOWN OFFICE SPACE.
- ° HUMAN RESOURCES INCREASE REFLECTS NEW ORGANIZATION STRUCTURE, INCREASED RESPONSIBILITIES, COST FOR NEW ADMINISTRATIVE PROGRAMS AND SOME ADDITIONAL STAFF.

ALASKA RAILROAD CORPORATION
1986 BIDDING PLAN
ACCOUNT ANALYSIS

SUMMARY

	1986 BUDGET	1985		
		LATEST ESTIMATE	VARIANCE	%
SALARIES, WAGES, AND OTHER PERSONNEL EXPENSES	39,984	36,827	3,157	8
CONTRACTUAL SERVICES	5,936	4,670	1,266	27
MATERIALS & SUPPLIES	10,095	11,321	(1,226)	(11)
RENTALS, UTILITIES	2,763	3,703	(940)	(25)
INSURANCE, CASUALTY, TAXES	2,271	1,117	1,154	103
OTHER	<u>1,017</u>	<u>364</u>	<u>653</u>	<u>179</u>
TOTAL	62,066	58,002	4,064	7
DEBT SERVICE	<u>1,100</u>	<u>415</u>	<u>685</u>	<u>165</u>
GRAND TOTAL	<u>63,166</u>	<u>58,417</u>	<u>4,749</u>	<u>8</u>

EXPLANATION OF MAJOR VARIANCES:

- ° PERSONNEL COSTS REFLECT FULL STAFF LEVELS FOR YEAR, INCREASED SALES STAFF, SMALL INCREASE IN ADMINISTRATIVE WORK FORCE, INCREASED HEALTH BENEFIT COST AND PROVISION FOR MINIMAL WAGE ADJUSTMENT.
- ° CONTRACTUAL SERVICES INCREASE REFLECTS COST OF MARKETING PLAN, RELOCATION FOR TRANSFERRED EMPLOYEES, INCREASED TRAINING.
- ° MATERIALS AND SUPPLIES DECREASE REFLECTS REVALUATION OF INVENTORY.
- ° RENTALS AND UTILITIES DECREASE REFLECTS SAVINGS FROM KAPP ENERGY PROJECT, CLOSURE OF UNNECESSARY WAREHOUSES, ETC.
- ° INSURANCE INCREASE IS FOR A FULL YEAR EFFECT OF OUR RISK MANAGEMENT PROGRAM AT NEW RATES AND PROVISION FOR CASUALTY CLAIMS.
- ° OTHER INCREASE REFLECTS CONSOLIDATION OF FREIGHT EXPENSE FOR DIRECT, NON-STOCK PURCHASES TO THE PROCUREMENT DIVISION.
- ° DEBT SERVICE INCREASE REFLECTS FULL YEAR OF INTEREST EXPENSE ON LOCOMOTIVES, FLAT CARS, AND PLANNED 1986 CAPITAL ADDITIONS.

ALASKA RAILROAD CORPORATION
 1986 SPENDING PLAN
 DETAIL ACCOUNT ANALYSIS

SALARIES, WAGES, AND OTHER PERSONNEL EXPENSES

1986 BUDGET	39,984
1985 ESTIMATE	<u>36,827</u>
VARIANCE	3,157

EXPLANATION OF VARIANCE:

		<u>%</u>
° WAGE ADJUSTMENT	\$1,000	32
° CURRENT WORK FORCE FULL YEAR MANNING	875	28
° ADDITIONAL STAFF*	750	23
° PENSION PLAN CONTRIBUTION	125	4
° ANTICIPATED HEALTH BENEFIT INCREASE	200	7
° STATE OF ALASKA UNEMPLOYMENT COMPENSATION	<u>200</u>	<u>6</u>
TOTAL	\$ <u>3,150</u>	<u>100</u>

* ADDITIONAL STAFFING IS REQUIRED IN LEGAL AND ADMINISTRATION TO SUPPORT ACTIVITIES AND PROGRAMS THAT WERE PREVIOUSLY HANDLED IN THE FEDERAL SYSTEM BUT NOT BY THE RAILROAD. ADDITIONALLY, OUR ENHANCED MARKETING PROGRAM REQUIRES A LARGER SALES FORCE TO MAINTAIN CURRENT REVENUE AS WELL AS OBTAIN NEW BUSINESS.

ALASKA RAILROAD CORPORATION
 1986 SPENDING PLAN
 DETAIL ACCOUNT ANALYSIS

CONTRACTUAL SERVICES

1986 BUDGET	5,936
1985 ESTIMATE	<u>4,670</u>
VARIANCE	1,266

EXPLANATION OF VARIANCE:

		<u>%</u>
◦ MARKETING PLAN	\$ 500	40
◦ RELOCATION EXPENSES	150	12
◦ HOME SALES ASSISTANCE	100	8
◦ SALARY ADMINISTRATION PROGRAM	60	5
◦ DONATION	50	5
◦ TRAINING BUDGET	250	20
◦ MISCELLANEOUS	<u>150</u>	<u>10</u>
TOTAL	<u>\$1,260</u>	<u>100</u>

ALASKA RAILROAD CORPORATION
1986 SPENDING PLAN
DETAIL ACCOUNT ANALYSIS

INSURANCE, CASUALTY, TAXES

1986 BUDGET	2,271
1985 ESTIMATE	<u>1,117</u>
VARIANCE	1,154

EXPLANATION OF VARIANCE:

		<u>%</u>
° CASUALTY, PROPERTY, BOILER, ETC.	\$ 850	74
° LOSS & DAMAGE CLAIMS	200	17
° WORKERS COMPENSATION	<u>100</u>	<u>9</u>
TOTAL	<u>\$1,150</u>	<u>100</u>

ALASKA RAILROAD CORPORATION
 1986 BUDGETING PLAN
 CORPORATE OFFICE
 SUMMARY

	<u>1986 BUDGET</u>	<u>1985</u>	
		<u>LATEST ESTIMATE</u>	<u>VARIANCE</u>
SALARIES, WAGES, AND OTHER PERSONNEL EXPENSES	752	484	274
CONTRACTUAL SERVICES	757	672	85
MATERIALS & SUPPLIES	16	33	(17)
RENTALS, UTILITIES	4	2	2
INSURANCE, CASUALTY, TAXES	0	0	0
OTHER	<u>50</u>	<u>0</u>	<u>50</u>
TOTAL	1,579	1,191	394
DEBT SERVICE	<u>0</u>	<u>0</u>	<u>0</u>
GRAND TOTAL	<u>1,579</u>	<u>1,191</u>	<u>394</u>

EXPLANATION OF MAJOR VARIANCES:

- ° PERSONNEL COSTS UP DUE TO INCREASED STAFFING IN CHIEF COUNSEL'S OFFICE INCLUDING ADDITIONAL SENIOR ATTORNEY, CLERICAL HELP AND PARALEGAL ASSISTANCE.
- ° CONTRACTUAL SERVICES UP AS A RESULT OF ANTICIPATED INCREASED LITIGATION.

ALASKA RAILROAD CORPORATION
1986 BUDGETING PLAN
FINANCE
SUMMARY

	1986 BUDGET	1985	
		LATEST ESTIMATE	VARIANCE
SALARIES, WAGES, AND OTHER PERSONNEL EXPENSES	3,454	3,128	326
CONTRACTUAL SERVICES	753	934	(181)
MATERIALS & SUPPLIES	214	408	(194)
RENTALS, UTILITIES	495	751	(256)
INSURANCE, CASUALTY, TAXES	0	0	0
OTHER	<u>799</u>	<u>364</u>	<u>435</u>
TOTAL	5,715	5,585	130
DEBT SERVICE	<u>1,100</u>	<u>415</u>	<u>685</u>
GRAND TOTAL	<u>6,815</u>	<u>6,000</u>	<u>815</u>

EXPLANATION OF MAJOR VARIANCES:

- ° PERSONNEL INCREASE DUE TO FULL MANNING LEVELS FOR 12 MONTHS AS A RESULT OF REORGANIZATION, FILLING VACANT POSITION, TAKEOVER OF CONTRACT WORK IN SYSTEMS.
- ° OTHER REFLECTS CONSOLIDATION OF FREIGHT EXPENDITURES UNDER THE PROCUREMENT AND SUPPLY DIVISIONS.
- ° DEBT SERVICE IS THE FULL YEAR EFFECT OF OUR 1985 LEVERAGED FINANCING PLUS 1985 PLANNED CAPITAL ADDITIONS.

ALASKA RAILROAD CORPORATION
1986 SPENDING PLAN
ADMINISTRATION
SUMMARY

	<u>1986 BUDGET</u>	<u>1985</u>	
		<u>LATEST ESTIMATE</u>	<u>VARIANCE</u>
SALARIES, WAGES, AND OTHER PERSONNEL EXPENSES	460	385	75
CONTRACTUAL SERVICES	76	26	50
MATERIALS & SUPPLIES	55	86	(31)
RENTALS, UTILITIES	174	243	(69)
INSURANCE, CASUALTY, TAXES	0	0	0
OTHER	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	765	740	25
DEBT SERVICE	<u>0</u>	<u>0</u>	<u>0</u>
GRAND TOTAL	<u>765</u>	<u>740</u>	<u>25</u>

EXPLANATION OF MAJOR VARIANCES:

- ° PERSONNEL EXPENSES REFLECTS INCREASE FOR FULL YEAR MANNING LEVELS AND ONE ADDITIONAL STAFF PERSON.
- ° CONTRACTUAL SERVICES INCREASE REFLECTS CONSOLIDATION OF OFFICE MACHINE EXPENSES IN ADMINISTRATIVE SERVICES DIVISION AND DEVELOPMENT OF RECORDS MANAGEMENT SYSTEM FOR CORPORATION.

ALASKA RAILROAD CORPORATION
 1986 OPERATING BUDGET SUMMARY
 (THOUSANDS OF DOLLARS)

	<u>1986 BUDGET</u>	<u>1985 LATEST ESTIMATE</u>	<u>VARIANCE</u>	
			<u>DOLLARS</u>	<u>%</u>
REVENUE	71,057	69,000	2,057	3
EXPENSE	<u>63,166</u>	<u>60,600</u>	(2,566)	(4)
SURPLUS (DEFICIT)	7,891	8,400	(509)	(6)
DEPRECIATION	<u>1,800</u>	<u>1,300</u>	<u>500</u>	38
NET INCOME (LOSS)	<u>6,091</u>	<u>7,100</u>	<u>(1,009)</u>	(14)

ALASKA RAILROAD CORPORATION
1986 BUDGET HEADCOUNT SUMMARY

DEPARTMENT	<u>FIRST QTR</u>		<u>SECOND QTR</u>		<u>THIRD QTR</u>		<u>FOURTH QTR</u>	
	1986	1985	1986	1985	1986	1985	1986	1985
(1) CORPORATE OFFICE	11	6	11	8	11	12	11	9
OPERATIONS	510	532	657	711	586	635	499	509
(2) HUMAN RESOURCES	29	19	29	19	29	18	29	21
(3) FINANCE	69	59	69	59	71	63	69	69
(4) MARKETING & SALES	<u>37</u>	<u>18</u>	<u>50</u>	<u>17</u>	<u>50</u>	<u>27</u>	<u>37</u>	<u>26</u>
TOTAL	<u>656</u>	<u>634</u>	<u>816</u>	<u>814</u>	<u>747</u>	<u>755</u>	<u>645</u>	<u>634</u>

(1) INCLUDES CHIEF COUNSEL AND STAFF

(2) INCLUDES DIRECTOR, ADMINISTRATION AND STAFF

(3) 1985 DOES NOT INCLUDE 6 CONTRACT COMPUTER OPERATORS WHICH HAS BEEN CONVERTED TO ARRC STAFF

(4) DOES NOT INCLUDE SUMMER HOST/HOUSTESS PROGRAM OF 45 STUDENTS DURING SUMMER PASSENGER SEASON

ALASKA RAILROAD CORPORATION
1986 SPENDING PLAN
ACCOUNT ANALYSIS
SUMMARY

SALARIES, WAGES, AND OTHER PERSONNEL EXPENSES	1986		1985 LATEST ESTIMATE	
	DOLLARS	PERSONNEL*	DOLLARS	PERSONNEL*
CORPORATE OFFICE	751	11	484	9
OPERATIONS	32,073	575	30,333	596
FINANCE	3,454	69	3,128	63
MARKETING	2,060	43	1,772	22
HUMAN RESOURCES	1,186	21	725	16
ADMINISTRATION	<u>460</u>	<u>8</u>	<u>385</u>	<u>7</u>
TOTAL	<u>39,984</u>	<u>727</u>	<u>36,827</u>	<u>713</u>

EXPLANATION OF MAJOR VARIANCES:

- ° CORPORATE OFFICE INCREASE REFLECTS ADDITIONAL LEGAL ASSISTANCE.
- ° OPERATIONS DECREASE REFLECTS A 3-MONTH SUMMER WORK PROGRAM RATHER THAN A 5-MONTH PROGRAM AND TRANSFER OF PASSENGER AGENT POSITIONS TO MARKETING.
- ° FINANCE INCREASE REFLECTS TAKEOVER OF CONTRACTUAL SERVICES IN SYSTEMS.
- ° MARKETING REFLECTS TRANSFER OF PASSENGER AGENTS FROM OPERATIONS DEPARTMENT AND ADDITIONAL SALES STAFF.

* AVERAGE QUARTERLY TOTAL

ALASKA RAILROAD CORPORATION
 1986 SPENDING PLAN
 ACCOUNT ANALYSIS
 SUMMARY

<u>CONTRACTUAL SERVICES</u>	<u>1986 BUDGET</u>	<u>1985</u>	
		<u>ATEST ESTIMATE</u>	<u>VARIANCE</u>
CORPORATE OFFICE	757	672	85
OPERATIONS	2,625	2,555	70
FINANCE	753	934	(181)
MARKETING	920	433	487
HUMAN RESOURCES	805	50	755
ADMINISTRATION	<u>76</u>	<u>26</u>	<u>50</u>
TOTAL	<u>5,936</u>	<u>4,670</u>	<u>1,266</u>

EXPLANATION OF MAJOR VARIANCES:

- ° CORPORATE OFFICER INCREASE FOR ESTIMATED CORPORATE DONATIONS.
- ° MARKETING INCREASE REFLECTS IMPLEMENTATION OF NEW CORPORATE MARKETING PLAN.
- ° HUMAN RESOURCES REFLECTS REALIGNMENT OF ORGANIZATION, RELOCATION EXPENSES, SALARY ADMINISTRATION PROGRAM, AND INCREASED TRAINING.

ALASKA RAILROAD CORPORATION
 1986 SPENDING PLAN
 ACCOUNT ANALYSIS
 SUMMARY

<u>MATERIALS & SUPPLIES</u>	1986 BUDGET	1985	
		<u>LATEST ESTIMATE</u>	<u>VARIANCE</u>
CORPORATE OFFICE	16	33	(17)
OPERATIONS	9,611	10,480	(869)
FINANCE	214	408	(194)
MARKETING	145	285	(140)
HUMAN RESOURCES	54	29	25
ADMINISTRATION	<u>55</u>	<u>86</u>	<u>(31)</u>
TOTAL	<u>10,095</u>	<u>11,321</u>	<u>(1,226)</u>

EXPLANATION OF MAJOR VARIANCES:

° DECREASES ARE A RESULT OF REVALUATION OF INVENTORY.

ALASKA RAILROAD CORPORATION
 1986 SPENDING PLAN
 ACCOUNT ANALYSIS
 SUMMARY

<u>RENTALS & UTILITIES</u>	1986 BUDGET	1985	
		LATEST ESTIMATE	VARIANCE
CORPORATE OFFICE	4	2	2
OPERATIONS	1,941	2,685	(744)
FINANCE	495	751	(256)
MARKETING	140	19	121
HUMAN RESOURCES	9	3	6
ADMINISTRATION	<u>174</u>	<u>243</u>	<u>(69)</u>
TOTAL	<u>2,763</u>	<u>3,703</u>	<u>(940)</u>

EXPLANATION OF MAJOR VARIANCES:

- ° DECREASES ARE GENERAL RESULTING FROM SAVINGS FROM NEW ENERGY SYSTEMS.
- ° INCREASE IN MARKETING REFLECTS RELOCATION OF OFFICE.

ALASKA RAILROAD CORPORATION
 1986 SPENDING PLAN
 ACCOUNT ANALYSIS
 SUMMARY

<u>INSURANCE, CASUALTY EXPENSES</u>	<u>1986 BUDGET</u>	<u>1985</u>	
		<u>LATEST ESTIMATE</u>	<u>VARIANCE</u>
CORPORATE OFFICE	0	0	0
OPERATIONS	2,266	1,117	1,149
FINANCE	0	0	0
MARKETING	5	0	5
HUMAN RESOURCES	0	0	0
ADMINISTRATION	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	<u>2,271</u>	<u>1,117</u>	<u>1,154</u>

EXPLANATION OF MAJOR VARIANCES:

- ° OPERATIONS IS RESPONSIBLE FOR INSURANCE AND RISK PROGRAMS. INCREASE REFLECTS FULL YEAR PREMIUMS AT HIGHER RATES PLUS ADDITIONAL SMALL INCREASE TOWARDS END OF YEAR. ADDITIONALLY, REFLECTS ANTICIPATED LOSSES AND CLAIMS DUE TO FREIGHT DAMAGE, ROLLING STOCK DAMAGE, ETC.

ALASKA RAILROAD CORPORATION
 1986 SPENDING PLAN
 ACCOUNT ANALYSIS
 SUMMARY

<u>OTHER</u>	<u>1986 BUDGET</u>	<u>1985 LATEST ESTIMATE</u>	<u>VARIANCE</u>
CORPORATE OFFICE	50	0	50
OPERATIONS	0	0	0
FINANCE	1,899	779	1,120
MARKETING	149	0	149
HUMAN RESOURCES	19	0	19
ADMINISTRATION	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	<u>2,117</u>	<u>779</u>	<u>1,338</u>

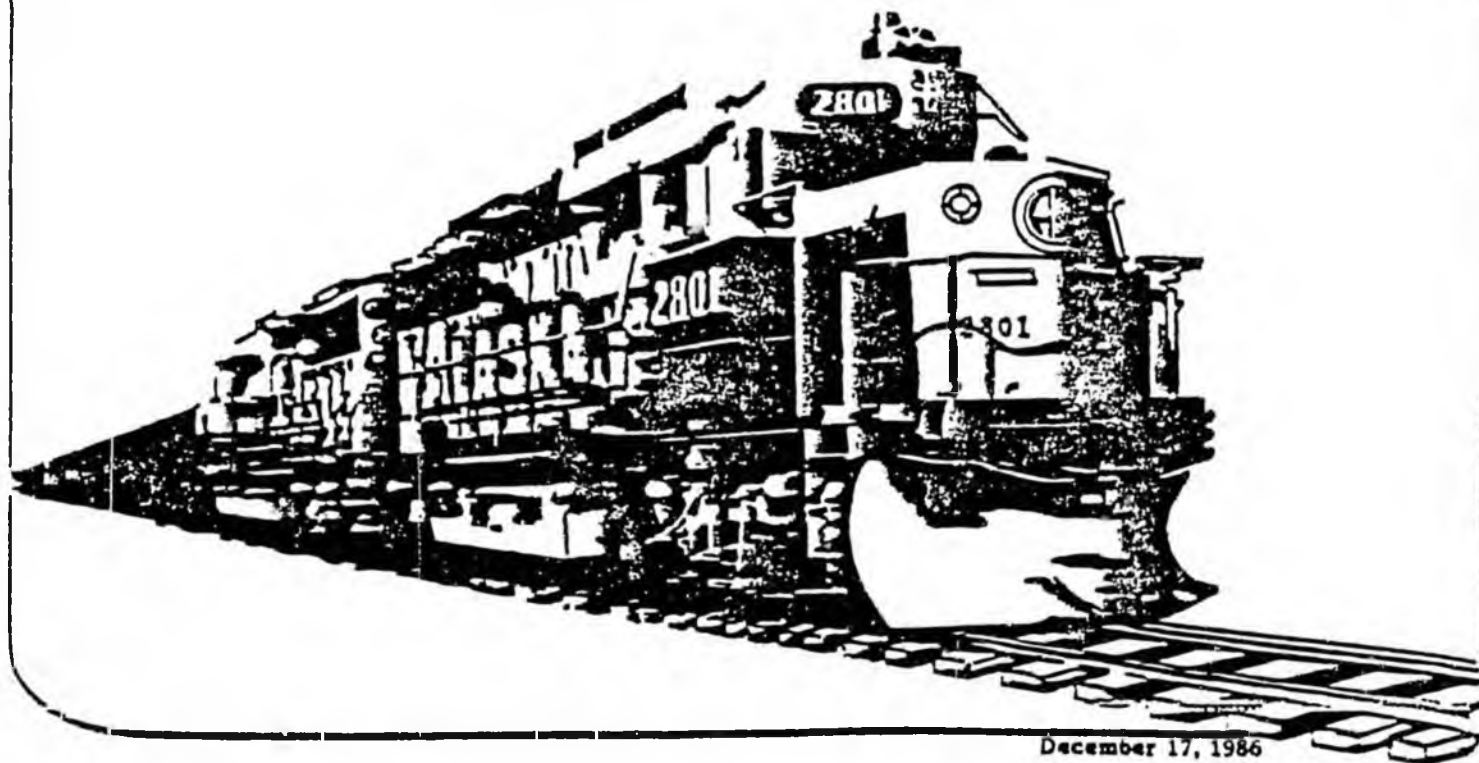
EXPLANATION OF MAJOR VARIANCES:

- ° FINANCE INCREASE REFLECTS LARGER DEBT SERVICE AND FREIGHT CHARGES NOW RESPONSIBILITY OF PROCUREMENT (DIRECT PURCHASE AND NON-STOCK ITEMS).
- ° MARKETING INCREASE REFLECTS RELOCATION TO NEW UPTOWN OFFICE SPACE.

ALASKA RAILROAD CORPORATION



**1987
APPROVED
OPERATING
AND
CAPITAL BUDGET**



December 17, 1986

EXHIBIT J

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OPERATING AND CAPITAL BUDGET SUMMARY

ALASKA RAILROAD CORPORATION
1987 OPERATING AND CAPITAL BUDGET SUMMARY
(\$ 000's)

REVENUE	\$ 56,760
EXPENSE	56,406
<u>NET INCOME (LOSS) FROM OPERATIONS</u>	<u>354</u>
ADD BACK NON-CASH ITEMS	<u>4,620</u>
CASH GENERATED FROM OPERATIONS	4,974
CAPITAL BUDGET CASH REQUIREMENTS	<u>4,620</u>
<u>CASH SURPLUS/DEFICIT, 1987</u>	<u>354</u>

ALASKA RAILROAD CORPORATION
 1987 Projected Income Statement
 (\$ 000 's)

	1987 Budget	1986 Latest Estimate	Variance	
			Dollars	Percentage
<u>REVENUES</u>				
Railroad	45,600	45,200	400	0.9
Other	11,160	11,300	(140)	(1.2)
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TOTAL	56,760	56,500	260	0.4
<u>COST AND EXPENSES</u>				
Railroad	39,580	42,524	(2,944)	(6.9)
Other	12,746	10,976	1,770	16.1
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TOTAL	52,326	53,500	(1,174)	(2.1)
Bad Debt Reserve	480	600	(120)	(20.0)
Depreciation	3,600	2,400	1,200	50.0
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL EXPENSE	56,406	56,500	(94)	(0.1)
<u>NET INCOME (LOSS)</u>	<u>354</u>	<u>0</u>	<u>354</u>	N/A

December 19, 1986