

# Managing the Mega in 2014: Expansion, Expense and Economic Fallout

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

# Alaska Railroad Quick Facts

## Organization (following State purchase)

- Independent corporation owned by State
- Managed by a seven-member board of directors appointed by Governor
- Mandated to be self-sustaining, responsible for financial and legal obligations

## Operating Data

- 656 Total miles of track
- 1,381 Freight cars (owned & leased)
- 45 Passenger cars
- 51 Locomotives

## Operating Statistics (Jan - Dec 2013)

- 489,620 passengers
- 5.11 million tons of freight

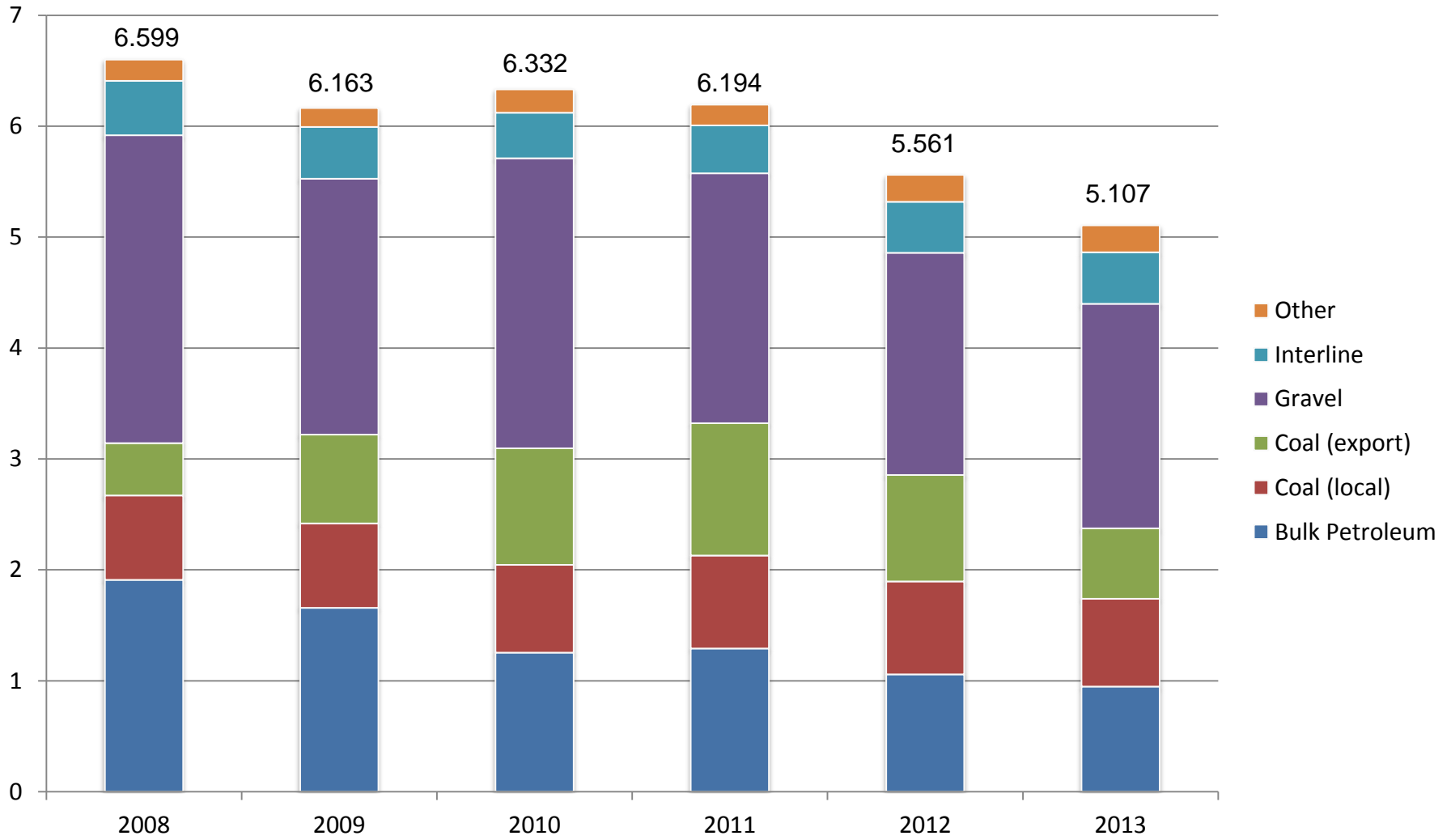
## Employees (January 2014)

- 586 year-round employees
- 429 members of 5 unions

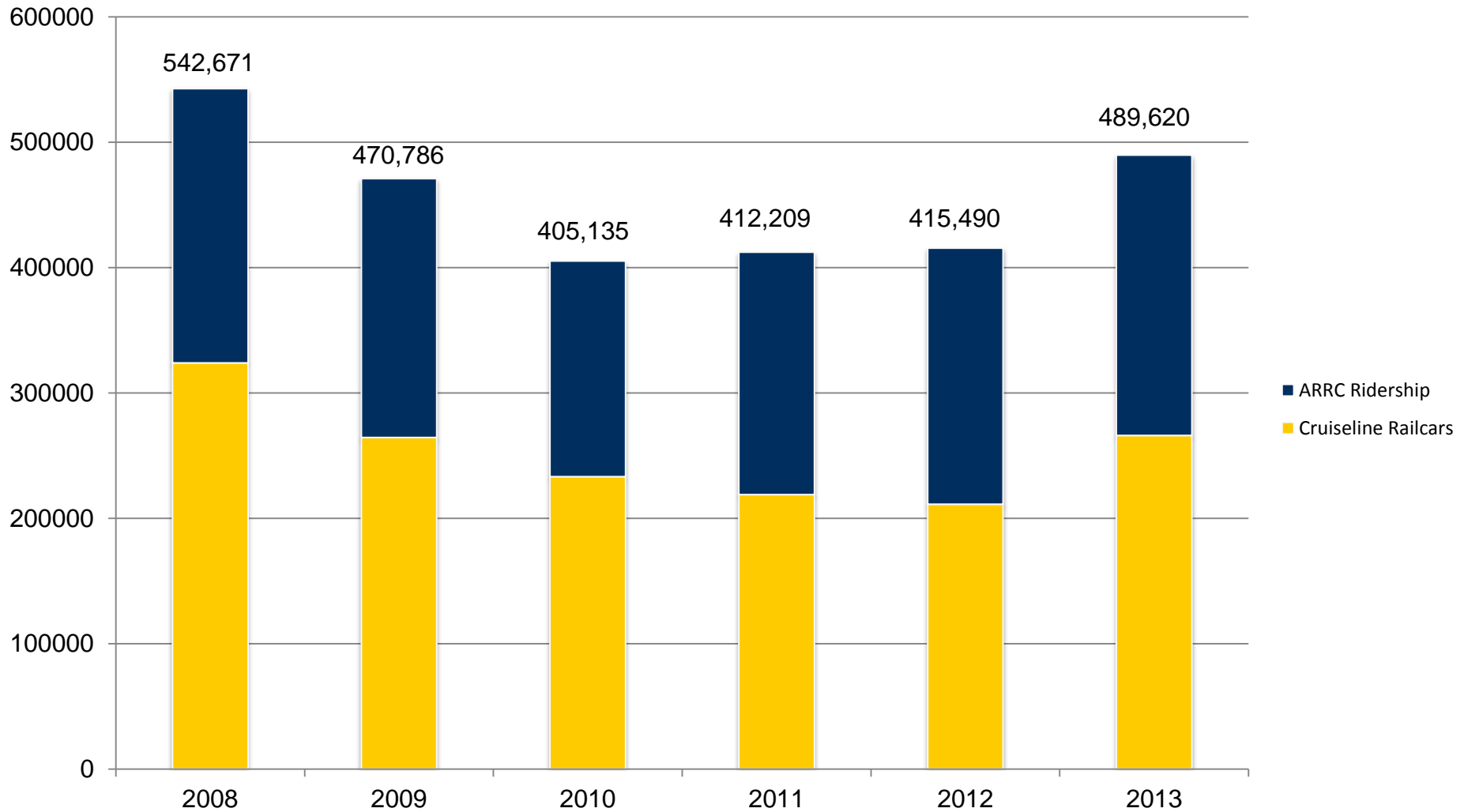


# ARRC Freight

(in million tons)



# ARRC Passenger Service



# Alaska Railroad Real Estate

- Property Development
- Leases and Permits
- Dockage and Wharfage
- Facilities Maintenance and Management
- Revenue from Real Estate activities allow ARRC to weather financial cycles.
  - 2013: 76% of corporate net income derived from real estate. (Unaudited)



**Top: Ship Creek basin includes highly valuable leasable land. Bottom: Seward freight dock viewed from waterside catwalk.**

# FTA Formula Funds



- ARRC receives Federal Transit Administration (FTA ) funds because we offer “**year-round regularly-scheduled passenger service**”
- MAP-21 resulted in significant reduction from \$36 million down to \$28 million, match increased to 20%
- Results in \$12+ million reduced cash flow
- MAP-21 could be up for reauthorization again in 2014 and ARRC still a target

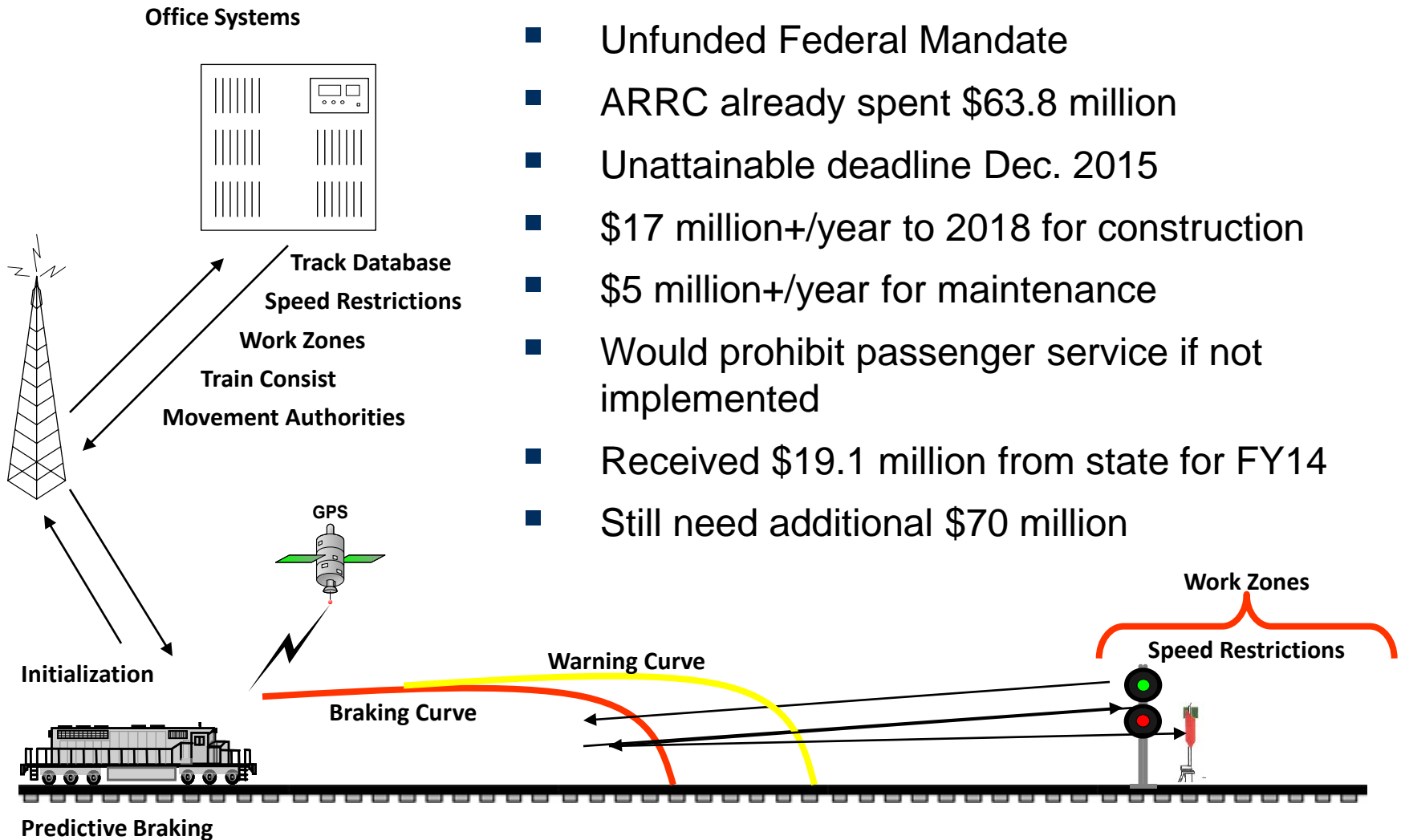


# Positive Train Control (PTC)



ARRC is mandated by federal law to install PTC because we offer passenger service

# What is Positive Train Control



- Unfunded Federal Mandate
- ARRC already spent \$63.8 million
- Unattainable deadline Dec. 2015
- \$17 million+/year to 2018 for construction
- \$5 million+/year for maintenance
- Would prohibit passenger service if not implemented
- Received \$19.1 million from state for FY14
- Still need additional \$70 million



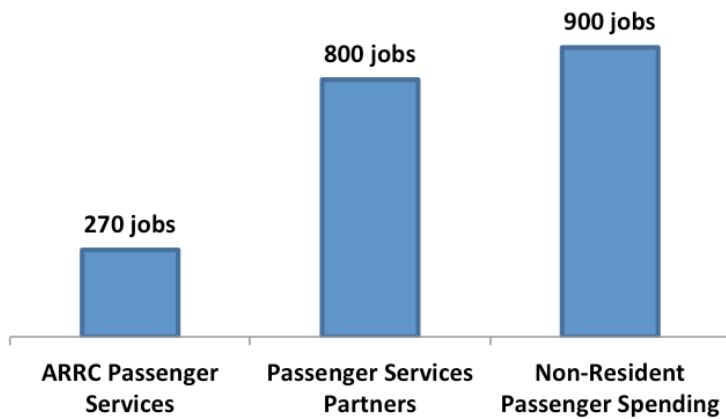
# What if ARRC Does Not Comply?

Federal law provides penalties for non-compliance:

- FRA authority to fine 61 different PTC-related violations
- Maximum FRA fine is \$16,000 per day per violation and \$25,000 per day for each “willful” violation.
- FRA rail safety law compliance pertains to “persons” so both the corporation and individuals are on the hook.
- Prohibit passenger service

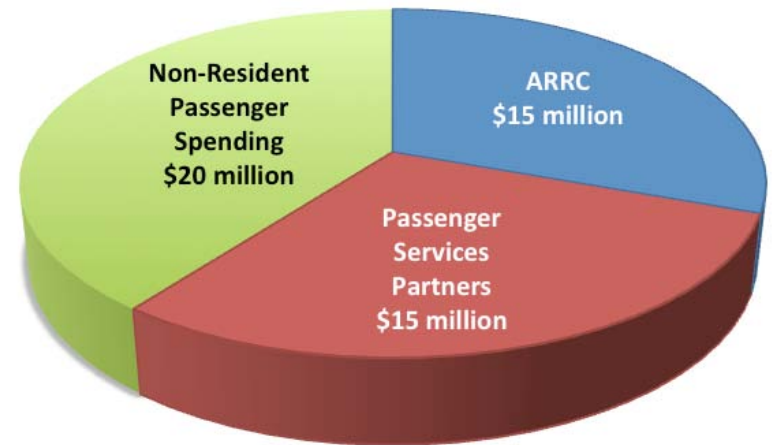
# Loss of Passenger Service

A total of just under 2,000 jobs are connected in some way to Alaska Railroad's passenger services.



ARRC Passenger Services-Related Employment, 2012

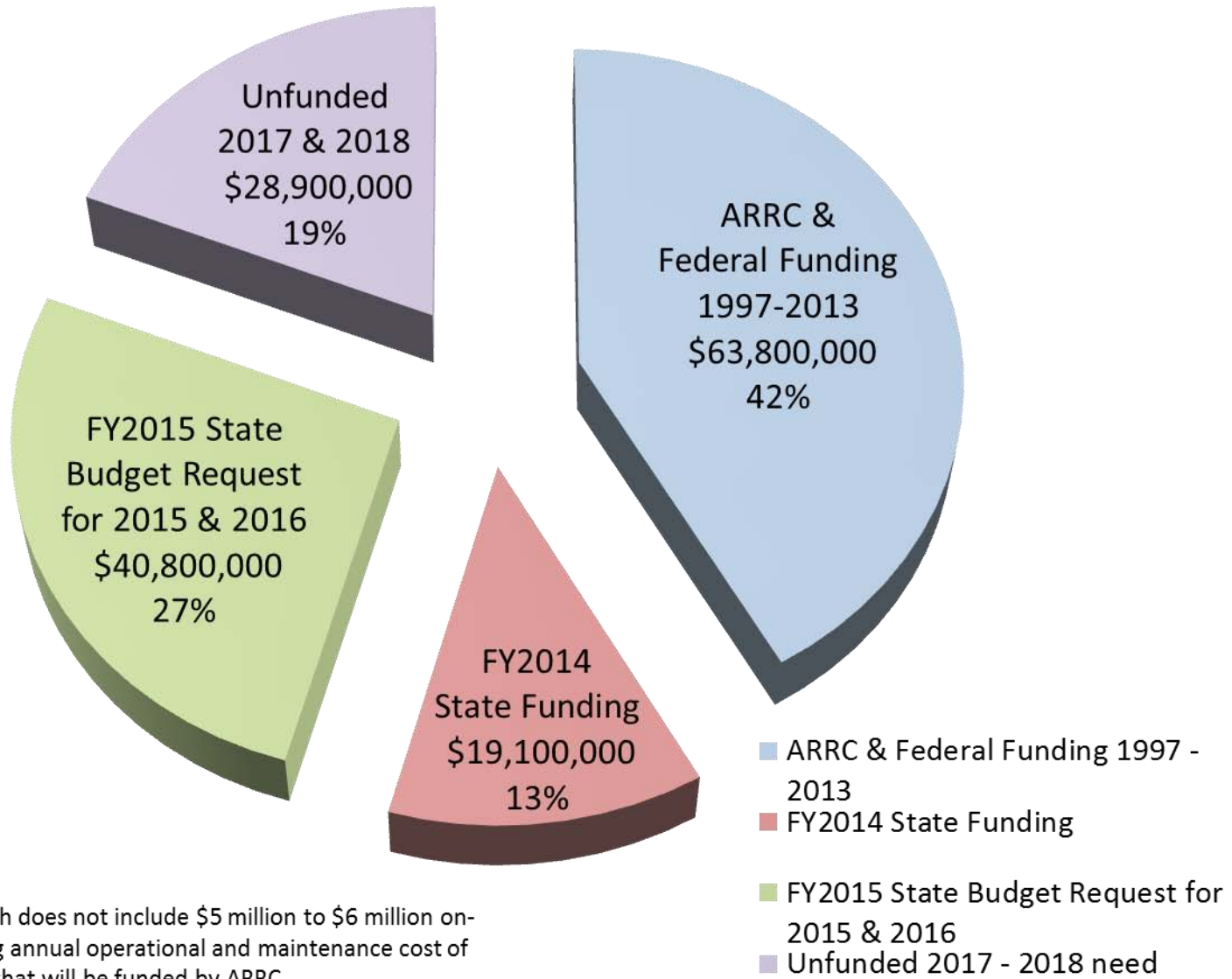
Approximately \$50 million in labor income is related to Alaska Railroad's passenger services.



ARRC Passenger Services-Related Labor Income, 2012



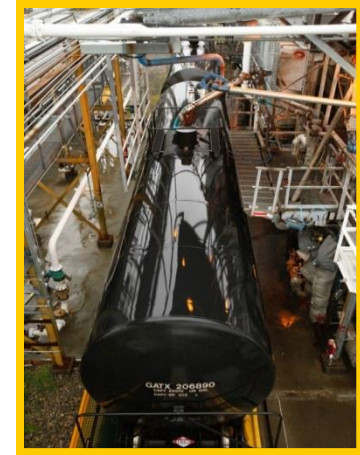
# Positive Train Control Funding 1997 - 2018



# Response

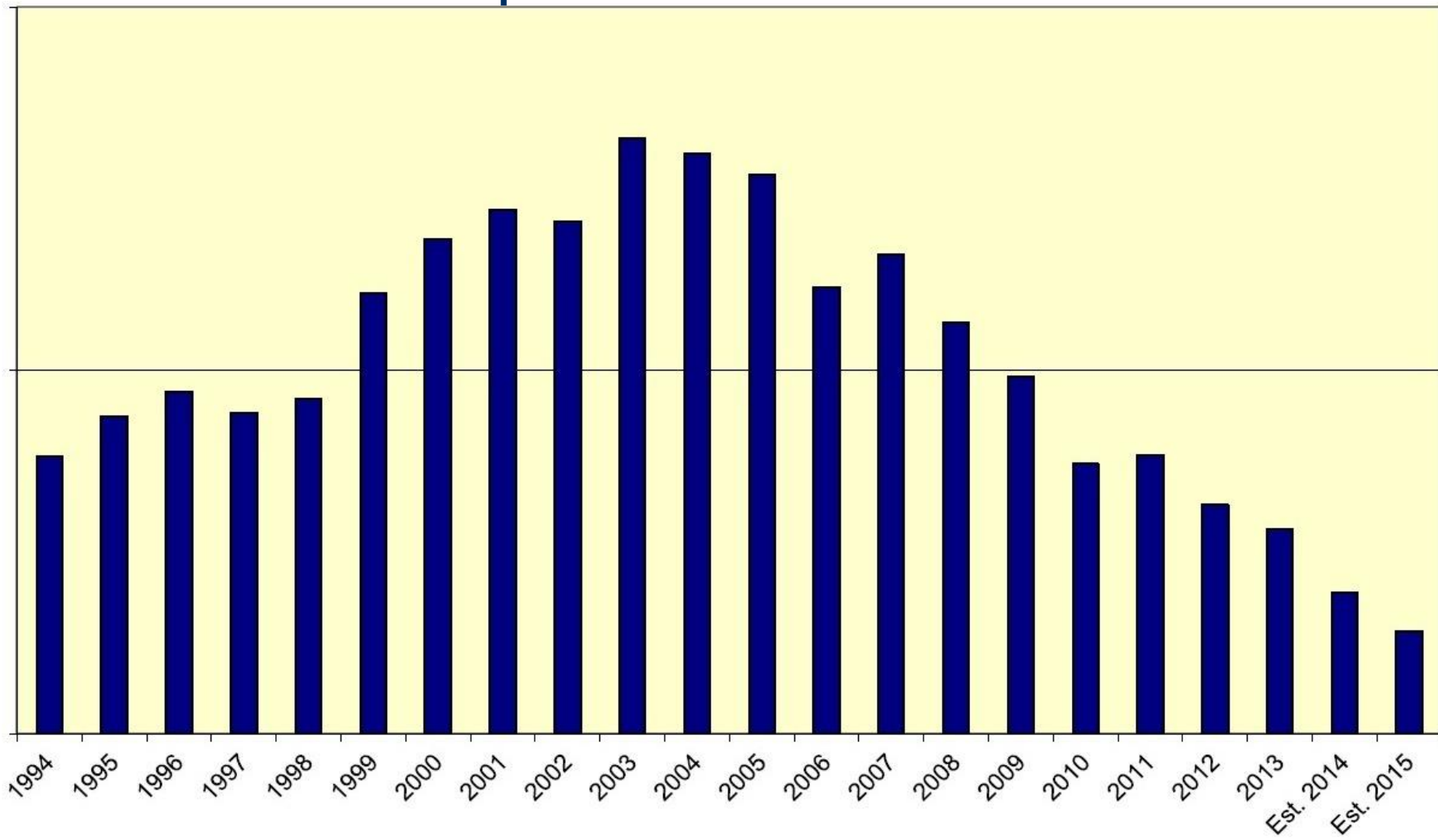
- ARRC has eliminated 300 positions since 2008, streamlined operations, and implemented other cost-cutting measures
- Strong focus on revenue generation – new and existing customers
- Early Feb: Flint Hills decision announced – lean organization is faced with yet another, significant challenge

Pre- Flint Hills  
announcement



# Historical Petroleum Volumes

Mapco – Williams – Flint Hills



# Flint Hills Impact

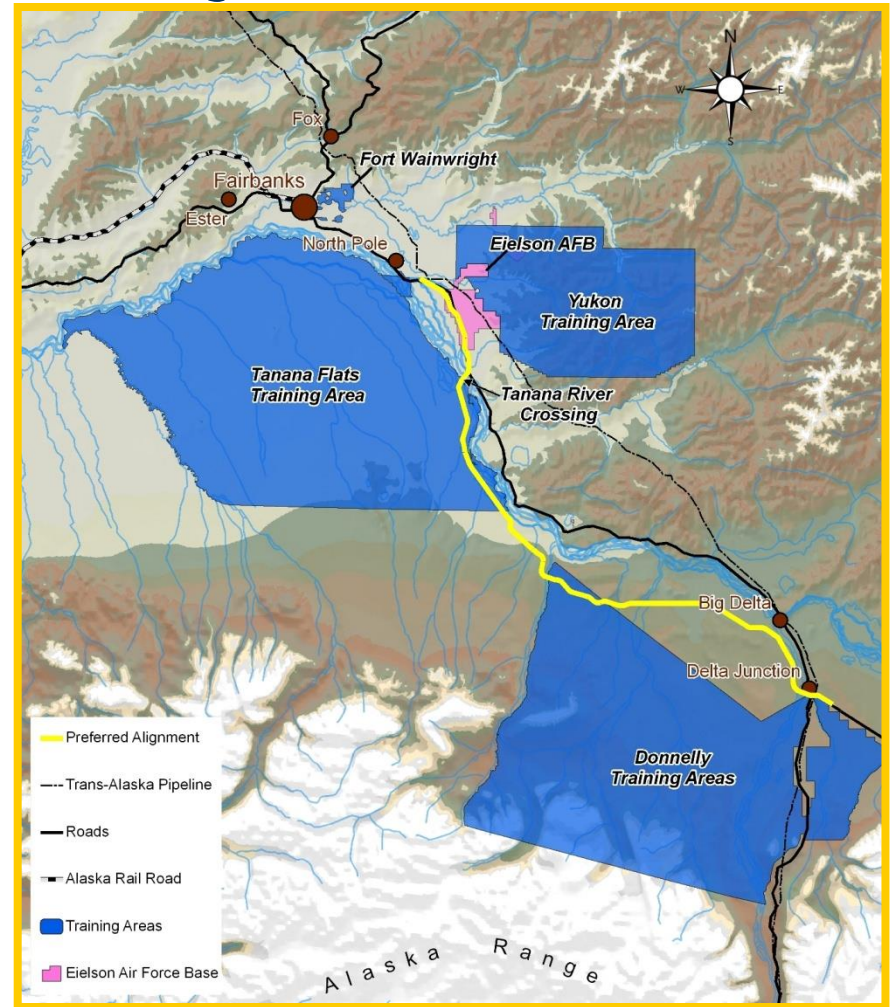
- \$11 million revenue loss – volume down by half from already reduced 2013
- No more southbound fuels trains; increased northbound fuel volumes
- Conversations with “other” customers about level of train service
- Fuel market is in flux
- Immediate cost-containment measures in place as the market reorganizes to meeting Interior/state fuel needs
  - How much will ARRC be a part of solution(s)?

# Northern Rail Extension



# Northern Rail Extension 4 Phase Project

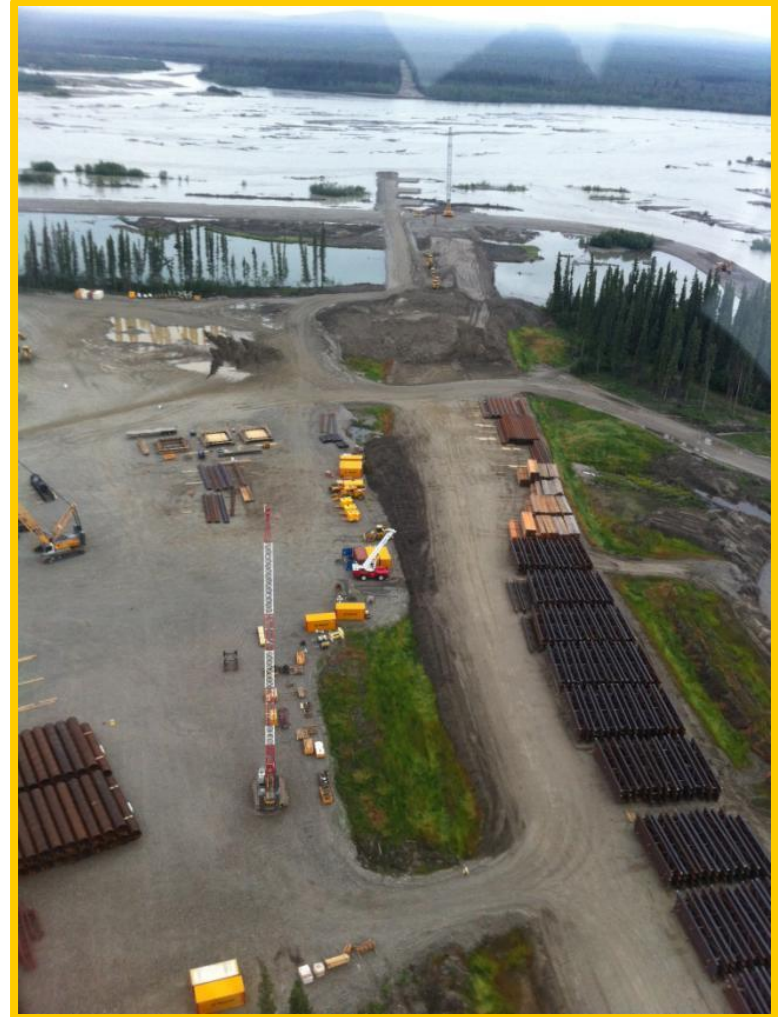
- 80+ miles of rail from North Pole to Delta Junction
  - **Phase 1 : Bridge over Tanana River, approach road and levee near Salcha**
  - Phase 2 : 13 miles of rail from Moose Creek / Eielson AFB to Tanana River Crossing
  - Phase 3 : 30 miles of rail from Tanana River Crossing to Donnelly Training Area
  - Phase 4 : 38 miles of rail from Donnelly Training Area to Delta Junction





# Northern Rail Extension Project Benefits

- Commercial freight and passenger service supporting communities
- Transportation alternative to Richardson Highway
- Connects military at JBER, Wainwright, Eielson, Clear and Delta Junction by rail to each other and to 3 Alaska ports
- Support regional tourism
- Economic and Resource Development Potential
- Future Canadian Connection?

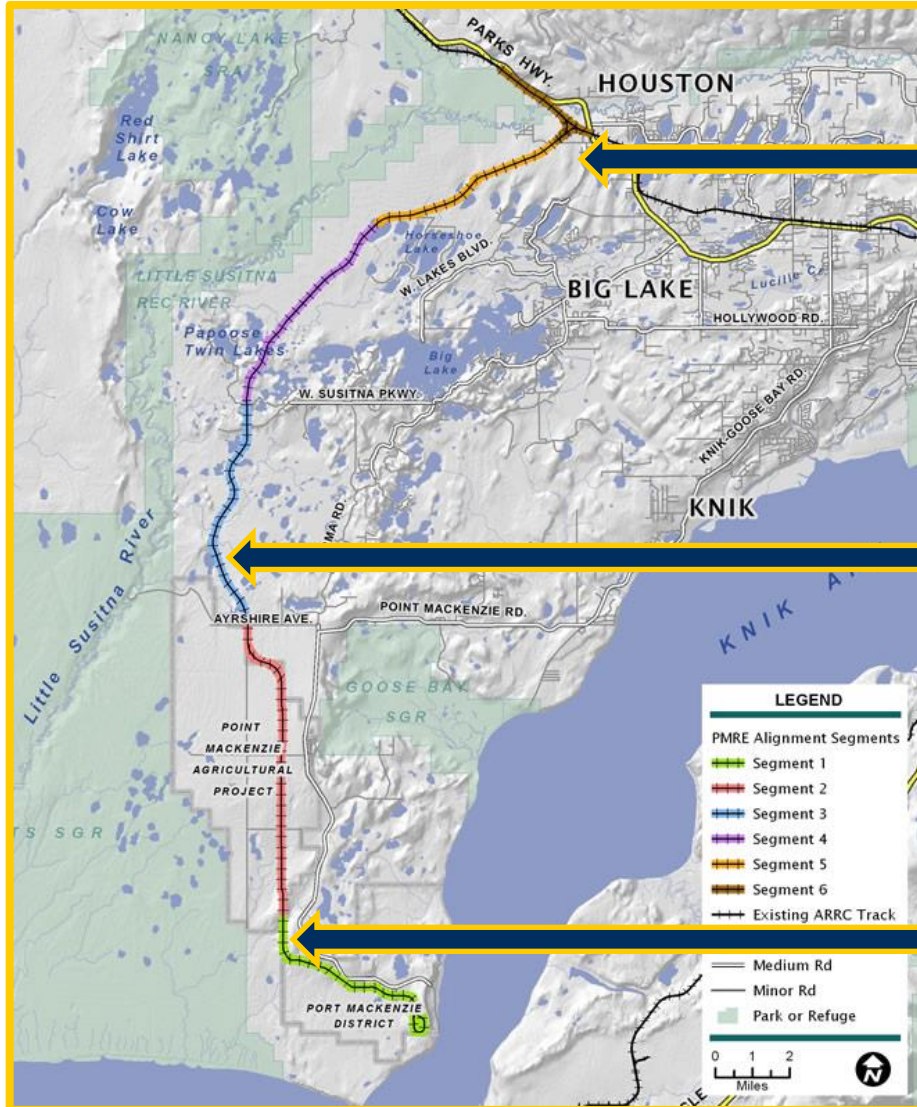


# Phase 1 – Tanana River Crossing

- Longest bridge in Alaska
  - 3300 Feet
- Levee to direct river flow
- \$188.2 million total cost
  - \$84.0 million State of Alaska
  - \$104.2 million Department of Defense
- Provide US Military with year round vehicle access to Joint Pacific Area Range Complex



# Port MacKenzie Rail Extension



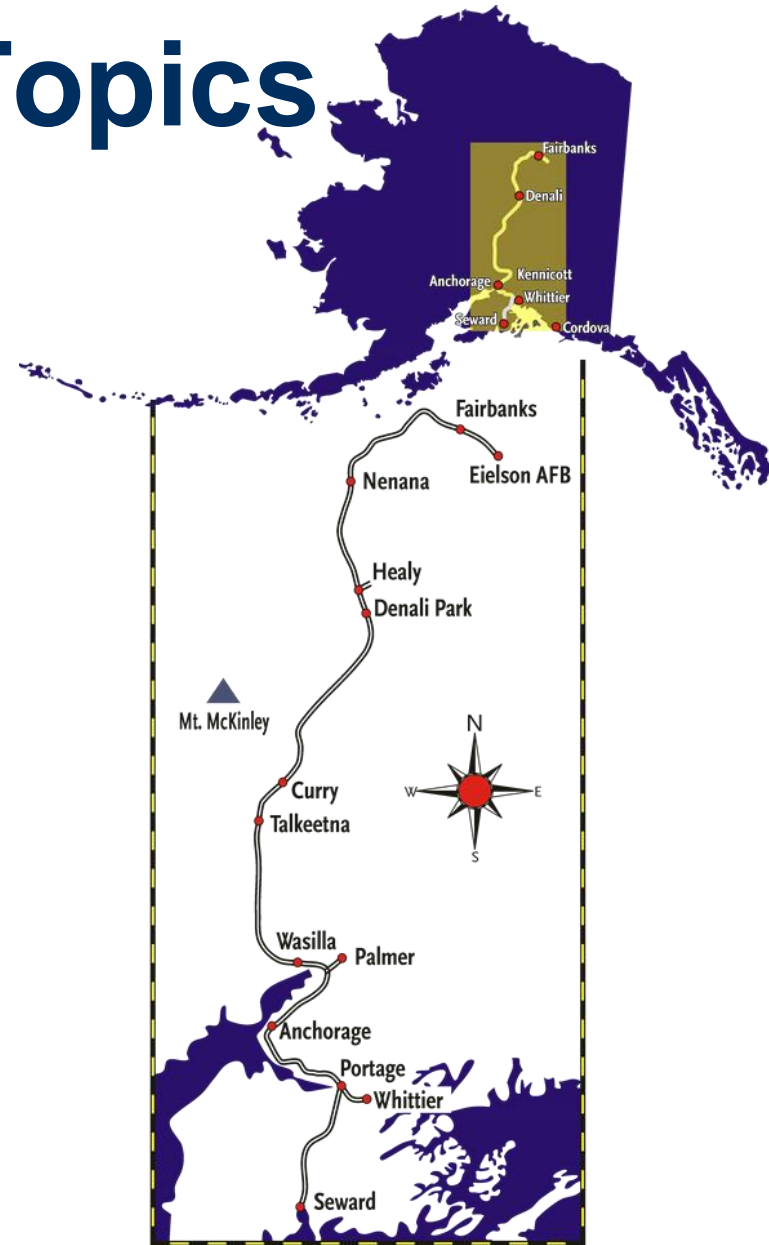
# PMRE Economic Development

- Growing commercial interest
- Actively engaged with MSB to develop customers and we are jointly pursuing several opportunities.
- Prime example of ARRC's charter responsibility to foster and support economic development for the State of Alaska.



# Other Hot Topics

- G7G
- HB 271: Feasibility study on rail to north slope
- Commuter Rail
- State Rail Plan



# On the Horizon

## Pipeline on Rails

- ARRC could be an interim energy solution
- Experience handling bulk commodities
- Already provide-year round freight service from Healy to Seward, Whittier to Fairbanks
- Could have equipment in 12-18 months
  - ISO container
  - LNG railcar



# On the Horizon

## Pipeline on Rails



- Location, Location, Location
  - Anchorage: Central, Full service maintenance facility
  - Birchwood: Industrial park, potential LNG facility
  - Port Mac: 100 car loop, Fairbanks Natural Gas facility
  - Seward: Ice free port, laydown yard
  - Whittier: Ice free port, roll-on roll-off operation

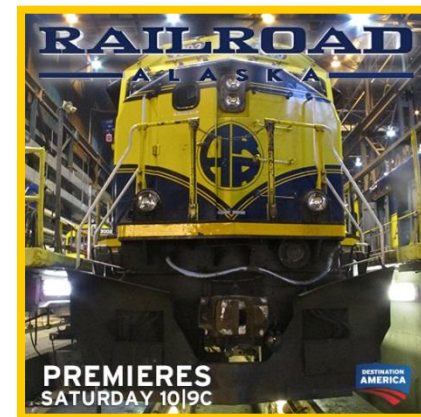
# The Future

- Despite challenges, the Railroad will continue moving forward
  - Critical piece of transportation infrastructure in a state woefully lacking in such infrastructure
- Almost all large development projects in Alaska will need the Railroad
  - Susitna hydro
  - Gasline variations
  - Mining
- Alaska needs a strong Alaska Railroad
  - Externally sound
  - Internally sound





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