

# ARRC MILESTONES 2009

**E**ach year the Alaska Railroad takes stock of both its accomplishments and unmet challenges. From this annual analysis, the management team establishes a new baseline of goals and objectives for both the short and long terms.

## ARRC Five Year Objectives

- Reduce employee incidents to no more than 48 per year.
- Transition to the Objective Railroad organizational structure.
- Achieve and sustain an operating ratio of at least .95 by 2011.
- Generate and sustain company-wide cash flow, measured as net earnings plus depreciation of \$39M per year by 2011.
- Generate and sustain cash flow from real estate activities of \$9M per year by 2010.
- Fully implement Collision Avoidance System technology in 2009.
- Reduce average running time for freight trains between Anchorage and Fairbanks to ten (10) hours (Does not include slow orders due to natural occurrences).
- Complete the entire Reliability Excellence transition plan by 2009.
- Do not add any more at-grade highway/railroad crossings.
- Set up an annual programmatic investment plan for ARRC facility infrastructure and improvements (including yards and marine facilities) to meet business, growth, employee, and community requirements, as well as energy efficiency goals.
- Ensure ARRC attracts and retains excellent employees by being a premier Alaskan employer and by continuously improving our employee training work environment, remuneration, and benefits.
- Maximize return from existing business relationships and seek out new business development without sacrificing world class customer service.
- Build the bridge across the Tanana River.
- Extend the rail line to Delta Junction.
- Complete the accelerated Track Rehabilitation Program (TRP) plan by 2012.
- Begin local DMU transit demonstration service of some kind in or around Anchorage.
- Continue to enhance environmental stewardship through wise business decisions, to include maintaining Green Star standards.

**Businesses all over the United States are making swift and sometimes drastic decisions to reduce expenses as in order to mitigate the effects of recession. Here at the Alaska Railroad we had already been in that mode for over a year.**

# 2009 Corporate Goals

## Safety & Environmental

- Reduce switching incidents by 50% to no more than seven (7).
- Reduce knee / shoulder / back strains by 50% to no more than thirteen (13).
- Eliminate authority violations caused by human error.
- Eliminate runaway car incidents caused by human error.
- Limit minor derailments caused by human error to no more than fourteen (14).
- Limit on-track reportable train accidents to no more than one (1).
- Limit vehicle incidents to no more than ten (10).
- Limit facility energy use to 2008 levels.

## Security

- Halt keys routinely being left in company vehicles and equipment.
- Halt property theft and vandalism occurring due to unsecured facilities.

## Financial

- Generate \$5.0M in new business development.
- Generate \$35.1M in cash flow company-wide with Real Estate income contributing \$9.2M to that total.
- Generate an average return on RealEstate investment of at least 10 percent.
- Resolve the Flint Hills North Pole Refinery issue in the Railroad's favor.
- Generate an Operating Ratio of at least .97.

## General

- Return no "Stimulus Package" dollars for lack of compliance with the timing rules.
- Begin implementation of the Supply Chain Audit recommendations.
- Begin construction of the river access crossing to the Joint Tanana Training Complex.
- Source funding for the Environmental Assessment (EA) for Phase I, Fairbanks - North Pole Rail Realignment, and initiate the EA for completion and ROW acquisition in 2010.
- Run revenue trains Anchorage to Fairbanks within 12 hours 75% of the time, on average (not counting slow orders).
- Complete the main line safety rail assessment and repair of weak or poorly-welded contractor rail, and gain compensation for poor contractor track welding repair expenses.
- No coal dust incidents in Seward.
- Successfully complete the Collision Avoidance System site testing and develop the Product Safety EMR Plan review by the Federal Railroad Administration, with implementation in 2010.

We must all  
work together  
effectively  
through these  
tough times  
until a better  
economic  
climate  
brightens  
our revenue  
prospects.  
That is  
probably a  
two-year  
challenge.



# 2008 Corporate Goals: How Did We Do?

## Safety Goals

- Reduce lifting and walking injuries by 10 percent.  
*(i.e., 11 or fewer walking/STF injuries; 13 or fewer lifting injuries)*
- Sever-+ity ratio of 50 days lost or less per 200,000 man-hours.
- Reduce workers compensation expense by 10 percent compared to 2007.
- Train accident rate of no more than one (1) per one million train-miles  
*(i.e., no more than 1 reportable train accident)*
- No more than 14 minor derailments.
- Reduction of vehicle-related incidents by 10 percent.  
*(i.e., 14 or fewer vehicle accidents)*

## Security

- Conduct physical security assessments of every building and individual office systemwide.

## Financial

- Generate \$31.1M in cash flow company-wide with net Real Estate income contributing \$9.0M to that total.
- Continue implementation of the Real Estate acquisition strategy with an average return on investment of at least 10 percent.
- Generate an Operating Ratio of at least .97.
- Implement vehicle/fleet financial management audit recommendations.

## General

- Complete 2008 Capital Work Plan with less than \$1.5M project carryover at year-end.
- Implement CMMS utilization and Reliability Excellence into Signals and MOW/Engineering.
- Implementation of the IT Audit recommendations.
- Conclude the Ship Creek basin EPA consent decree; engage FRA for reimbursement.
- Complete the STB license approval process for Northern Rail Extension.
- Begin construction of the river access crossing to the Joint Tanana Training Complex.
- Phase I, Fairbanks-North Pole Rail Realignment: secure Independent Utility and Environmental Assessment funding.
- Consolidate vehicle and equipment maintenance.
- Run Anchorage to Fairbanks 75% of the time within 12 hours.
- Complete at least one major Ship Creek development project or initiative.
- Raise track speeds, where appropriate, following main-line rehabilitation work.
- Expand recycling initiatives, including company-supported office recycling, electronics recycling and on-board passenger train recycling programs. Reduce plastic bottle use.
- No coal dust incidents in Seward.

2008 can be characterized as highly challenging, considering production from our largest revenue customer was markedly down and the cost of doing business significantly higher than estimated.

- Goal Not Accomplished
- Close To Completion But Not Quite
- Goal Accomplished

# ARRC MILESTONES 2008

## HOW DID WE DO?

**E**ach year the Alaska Railroad takes stock of both its accomplishments and unmet challenges. From this annual analysis, the management team establishes a new baseline of goals and objectives for both the short and long terms.

### ARRC Five Year Objectives

- Reduce employee injuries to no more than 2.0 per 200,000 man-hours.
- Transition to the Objective Railroad organizational structure.
- Achieve and sustain a corporate operating ratio of at least .95 by 2011.
- Generate and sustain company-wide cash flow, measured as net earnings plus depreciation of \$39M per year by 2011.
- Generate and sustain cash flow from real estate activities of \$9M per year by 2010.
- Fully implement Collision Avoidance System technology in 2009.
- Reduce average running time for freight trains between Anchorage and Fairbanks to ten (10) hours.
- Complete the entire Reliability Excellence transition plan by the end of 2009.
- Eliminate 25 percent of at-grade highway/railroad crossings.
- Set up an annual programmatic investment plan for ARRC facility infrastructure and improvements (including yards and marine facilities) to meet business, growth, employee, and community requirements, as well as energy efficiency goals.
- Ensure ARRC attracts and retains excellent employees by being a premier Alaskan employer and by continuously improving our employee training work environment, remuneration, and benefits.
- Maximize return from existing business relationships and seek out new profitable opportunities without sacrificing world class customer service.
- Build the bridge across the Tanana River.
- Extend the rail line to Delta Junction.
- Complete the accelerated Track Rehabilitation Program (TRP) plan by 2012.
- Start up a Regional Transit Authority in South Central.
- Continue to enhance environmental stewardship through wise business decisions, to include achieving and maintaining Green Star standards.

Alaska needs a safe, reliable, flexible railroad with which the communities and rail customers can better partner to meet today's requirements, while planning confidently for tomorrow.

- Goal Not Accomplished or Unsatisfactory Progress
- Nearing First Time Goal Completion or Making Good Sustainable Progress
- Goal Sustainment Accomplished or Will Likely Be Accomplished Soon.