



COMMUNITY

Alaska Railroad Corporation
4th Quarter, 2007



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Alaska Railroad
Ongoing Projects:

Northern Rail Extension

Ft. Wainwright Realignment

Fairbanks-to-North Pole
Rail Realignment

Nenana Realignment

Collision Avoidance System

Curry Quarry Development

Port MacKenzie Rail Extension

Whistle Noise Reduction

Crossbuck Illumination Test

Ship Creek Intermodal Center

Chugach Forest Whistle Stop

South Wasilla Rail Realignment

Seward Freight Dock Expansion

For updates or comments on
these projects, visit the Alaska
Railroad web site at
www.AlaskaRailroad.com

2007 IN REVIEW: WHAT'S IN A YEAR?

2007 is baseline for developing Railroad's next 5-year plan

The year 2007 was a dynamic year. It was financially sound, markedly productive and introspective. We launched into 2007 having just concluded a successful corporate five-year plan and recognizing that we needed to build a new baseline from which to plan the next five years.

Engaged in this process was our Board of Directors. John Binkley returned to the helm as chair and recently-elected Governor Palin appointed three new members: Transportation Commissioner Leo von Scheben; Commerce, Community & Economic Development Commissioner Emil Notti and Mat-Su Borough Mayor Curtis Menard.

Financially, 2007 was solid with total revenues forecast at \$130.2 million, expense at \$114.4 million and net income estimated at \$15.8 million — one of our best years to date. While freight tonnage was down slightly, activity was vigorous and included two substantial military moves and the addition of one more weekly Anchorage-Fairbanks freight train to better meet growing Interior barge traffic demand.

Passenger services transported more than 562,000 travelers; ridership aboard our three summer service trains alone grew 8%, setting a new record. Due in part to growing interest in *Gold Star* first-class travel, passenger services revenue increased nearly \$2 million over 2006.



Rail Grinder in Broad Pass (by John Holland)

For the third consecutive year, Real Estate continued a steady revenue growth pattern (\$639,086 increase in revenues in 2005, \$735,558 increase in 2006 and forecast \$1.85 million increase in 2007).

To prepare for continuous improvement in the next five years, the Alaska Railroad initiated three in-depth audits to examine key areas of our business for possible updates and upgrades. We studied our vehicle fleet management program, information technology integration, and operating ratio, which produced practical recommendations for new system efficiencies. Such insight is also helping to orient strategic planning efforts.

To follow are highlights of another Great Railroad Year.

(See "2007: What's in a Year?" on page 2)

2007: WHAT'S IN A YEAR? ...

(continued from page 1)

FREIGHT SERVICE

- Hauled 5.7+ million tons.
- Cut costs by serving our three gravel customers with two train sets throughout the summer, as opposed to three.
- Consolidated fuel train traffic by using distributed power, i.e., locomotives positioned throughout the train, instead of stacked at the front, to haul more tonnage via longer trains with the same amount of horsepower.
- ARRC and Lynden shared the *Argus Rail Business* 10th Annual Win-Win Award, a national recognition awarded for reviving the Seattle-to-Whittier rail-barge service.



Military Move in January 2007.

PASSENGER SERVICE

- Tripled the size of the Historic Ship Creek Depot Gift Shop, enhancing the shopping experience and security.
- Developed a new Gift Shop website with expanded product line and shopping cart capability.
- Experienced a 10% increase in incoming reservation calls, dramatically improved call-answering speed, and reduced abandoned calls by 38%.
- Implemented an online-survey system to gain onboard customer feedback and enhance customer service.

EMPLOYEES

- Negotiated new agreements with three labor unions - American Federation of Government Employees (Alaska Railroad Workers); Transportation Communication Union; and the International Association of Machinists. Implemented changes in pay, benefits and other conditions.
- Human Resources offered 40 new programs, from entry-level professional development to college leadership courses.

PHILANTHROPY

- Employees pledged a record \$132,000 to United Way. With a dollar-for-dollar match by the corporation, the Railroad's total donation totals more than a quarter million dollars.
- ARRC teamed with the Rasmuson Foundation to restore a steam-era business rail car for charter rental and charity donations (*see separate story back page*).

SAFETY

- Only one reportable train accident (occurring on a private industry track) ties our record for lowest number of accidents, and reflects outstanding train handling, and track, locomotive and railcar maintenance.
- Developed a Safety Issue Resolution Process (SIRP) to identify, track and eliminate hazards across the workplace.
- Employee injuries remain low. Lifting injuries were reduced to nine, an 18% drop from 2006. Slip-trip-fall injuries fell to just eight, marking a 53% reduction in this category.
- Formed the Fatigue Countermeasures Working Group to research and implement ways for employees to maintain productivity while avoiding becoming overly tired.

ENVIRONMENT

- Applied for recertification of a 1993 Green Star Award and applied for a secondary Green Star Air Quality Award.
- Established a company-sponsored paper recycling program to complement employee volunteer office recycling efforts.
- Donated use of 12 gondola rail cars in 2007 (80 cars since 2003), valued at \$85,000, to support a solid waste/backhaul program aimed at rural Alaska clean up efforts.
- Facilities Department launched an Energy Management & Conservation Initiative: Replaced 480 inefficient florescent light fixtures in the ARRC Headquarters, for up to \$10,000 annual savings. Installed a new computer room cooling system that uses outside air temperature, *Building energy loss repairs.* saving \$5-10,000 in energy costs and improving reliability. Installed set-back thermostats in the Fairbanks freight shed on a trial basis. Performed infrared scans on dozens of ARRC yard buildings to identify energy loss defects, and to repair the defects for expected significant energy savings.



FINANCE

- Issued \$89 million revenue bonds backed by Federal Transit Administration formula funds, completing the \$165 million bond total authorized by the Legislature in 2006. Bond proceeds allow ARRC to accelerate vital rail rehabilitation.

MAINTENANCE OF WAY

- Maintenance of Way (MOW) crews laid 477,000 feet of welded rail and installed more than 65,000 wood ties and 22,000 concrete ties between Anchorage and Fairbanks.

(See "2007: What's in a Year?" on page 3)

ARRC SCHEDULES PROJECT OPEN HOUSES IN JANUARY 08

The Alaska Railroad invites the public to four open house events in January to showcase plans for capital improvements during 2008. These venues provide an opportunity for the public to review and comment on an annual proposed Program of Projects. Each open house will include continuing and proposed capital improvement projects that are in various stages – from conceptual planning to construction. Project managers will be on-hand to explain projects that are located all along the Alaska Railroad system.



- **Seward** – 9:00 a.m. to Noon, Saturday, January 19.
ARRC Passenger Dock Terminal on Port Avenue.

- **Anchorage** – 4:00-7:00 p.m., Wednesday, January 23.
Historic Ship Creek Depot at 411 West First Avenue.
- **Wasilla** – 4:00-7:00 p.m., Thursday, January 24.
Evangelo's Restaurant at 2530 E. Parks Highway.
- **Fairbanks** – 4:00-7:00 p.m., Wednesday, January 30.
ARRC Depot at 1745 Johansen Expressway.

People unable to attend the open house events may visit www.AlaskaRailroad.com for project information. Written comments may be e-mailed to public_comment@akrr.com or mailed to Alaska Railroad Capital Projects, P.O. Box 107500, Anchorage, AK 99510-7500.

For more information, call Public Involvement Officer Stephenie Wheeler at 265-2671 or External Affairs Manager Tim Thompson, 265-2695. ●

2007: WHAT'S IN A YEAR? ...

(continued from page 2)

- Began removing the top of Moody Tunnel (daylighting) in erosion-prone Healy Canyon. Completion expected 2008.

CAPITAL PROJECTS

- Broke ground on Phase One of the Ship Creek Intermodal Transportation Center project. First phase includes additional tracks parallel to the depot, utilities installation, new passenger platform, improved drainage, and a new crossing over North C Street.
- Began ballast and rip-rap production at the Curry Quarry.
- Partnered with the Mat-Su Borough to study a rail link from Port MacKenzie to the existing mainline at some point between Wasilla and Willow. The 2007 alternative analysis and preliminary engineering data will be included in an application to build and operate the rail extension, to be submitted to the Surface Transportation Board in 2008.
- ARRC tested locomotive on-board computers as part of the multi-phased Collision Avoidance System implementation. Testing will continue with FRA oversight in 2008 with revenue service expected in early 2009.
- Converted an aging timber trestle bridge to a modern steel bridge at milepost F5.7 along the Whittier Branch.
- Completed four new siding extensions to accommodate 6,000-foot trains.

- The Chugach Forest Whistle Stop Service, a joint ARRC and U.S. Forest Service venture, saw completion of the first whistle stop site at Spencer Glacier.

EQUIPMENT

- Received four new DOD-funded SD70MAC locomotives and 30 rail flat cars, which increases capacity to support military moves.
- Received one low-level and two bi-level passenger coaches.

REAL ESTATE & FACILITIES

- Formed and staffed a Facilities Department dedicated to maintaining railroad building assets.
- Agreed to transfer 48 acres to Eklutna, Inc., releasing \$2 million in stockpiled rock material for 2007 track projects, and ending a long dispute over the land's use as a quarry.
- Initiated redesign of the historic Ship Creek Freight Shed to meet Leadership in Energy & Environmental Design (LEED) standards — a first in Alaska. The Freight Shed redevelopment supports efforts to link Ship Creek with downtown. Steadily increasing land values equate to higher rent revenue.
- On January 1, 2007, Real Estate & Facilities took over the Seward Coal Loading Facility (SCLF) from Hyundai, the operator for the past 20 years. The SCLF is currently operated by Aurora Energy under an interim agreement, until a long range operating contract is negotiated. ●

ARRC POSTS DENALI CAR PILOT DONATION POLICY

Railroad & Rasmuson Foundation offer guidelines to request vintage railcar donation

The Alaska Railroad recently put the finishing touches on a Pilot Program for donating the *Denali Business Railcar* to non-profit organizations for the next year. The *Denali Car Contribution Policy & Guidelines* are now posted at AlaskaRailroad.com (Click Information, then Community, then Charitable Giving).

Developed jointly between railcar restoration partners ARRC and the Rasmuson Foundation, the pilot program outlines how contributions to 501(c)(3) organizations will be made mainly to augment fund-raising activities. The program is focused on supporting organizations that enhance educational opportunities, improve community quality-of-life or promote economic development. Priority will be given to non-profits that are capable of using the car to raise at least \$10,000 through auctions, raffles, challenge grants, collaborative efforts or other fund-raising measures.

While fund-raising assistance is the foremost objective, the *Denali Car* may be donated for non-profit business use up to three times per year. Such use includes board meetings, team-building, planning retreats and similar functions.



Use of the Denali Business Railcar is available to non-profit organizations, with rental costs ranging from \$0 (donation) to 50% off.

501(c)(3) organizations that are not awarded a donation, as well as non-profits falling into the 501(c)(6) category, are eligible to rent the *Denali Car* for \$5,250, about half the retail value (\$10,000 for one day). Catering is not included.

The *Denali Car* will be scheduled May to September on the daily northbound *Denali Star* and the southbound *Coastal Classic* trains. The pilot program will run through 2008, and will help formulate a final policy that becomes effective in 2009. ●

Contact Corrections

- Please correct the following errors in your newsletter mailing list:
 - Address wrong
 - Receiving more than one copy
 - Contact person changed
 - Name Misspelled
- Yes, I want *Community Times* sent to me by email to the email address below:



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