

COMMUNITY



Alaska Railroad Corporation
4th Quarter, 2002

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2002 YEAR IN REVIEW

ARR operations remain safe, steady in declining economy

by Patrick Gamble, President & CEO

Even as the State economic climate worsened, as expenses increased, and as key revenue sources derailed, the Alaska Railroad Corporation (ARRC) remained steadily on track in terms of safe day-to-day operations, imbedding efficiency and productivity in our train operations, as well as upholding our commitment to investing for the future.

Financial Picture. Similar to the economic landscape across Alaska, many segments of ARRC's business remained flat. The unexpected cancellation of Korean export coal, interruption of fuel from the North Pole Refinery for one month, and the World Net/Alaska Fiberstar bankruptcy dramatically reduced revenue. At the same time, ARRC saw a significant increase in health insurance and employee retirement benefit costs. Unexpected expenses also came in the spring when severe flooding caused track damage and resulted in costly repairs and service delays. ARRC managed to offset a marginal financial year with solid reductions in corporate expenses, while preserving union-negotiated wage and benefit increases.

Safety & Environmental. So far this year, ARRC reduced reportable injuries by 65 percent from 1997, marking our lowest

corporate injury frequency rate to date. In 2002, ARRC's Mechanical and Transportation departments have injury rates that rank them among the safest in the country and ARRC's 2002 derailment record also beat the national average.

During the year, ARRC developed and completed both our oil spill contingency plan (C-Plan) and an environmental management system that goes beyond regulatory requirements. Filed with the Alaska Department of Environmental Conservation, the C-Plan has been tested through a number of spill response drills that have actively engaged state and federal regulatory agencies, as well as the Department of Defense.

With regard to equipment upgrades, the Railroad initiated a program this year to install auxiliary power units and software technology on locomotives, which will reduce diesel emissions and noise. The Railroad worked with petroleum customers to repair fuel tank car wheel assemblies as part of a preemptive program to enhance safety by reducing the risk of derailment.

Customers & Revenues. The year 2002 saw overall freight revenue below last year's level. Helping to offset coal revenue loss, gravel came on strong in the latter part of

(continued inside)

Alaska Railroad
Ongoing Projects:

Seward Intermodal Program

Whittier Equipment

Maintenance Facility

Anchorage-to-Wasilla
Track Realignment

Anchorage Rail Capacity Study

Anchorage Yard Operations
Center and Fueling Facility

Ship Creek Improvements

South Anchorage Double Track

Wasilla Intermodal Planning

Denali Depot Improvements

Nenana Rail Relocation Study

Fairbanks Intermodal Facility

Fairbanks / North Pole
Rail Relocation Study

Improved Sidings & Signals

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

ANCHORAGE AIRPORT RAIL DEPOT GRAND OPENING

Visionary project provides revolutionary road-rail-air-marine link

The Alaska Railroad Corporation (ARRC), in conjunction with Commonwealth North, organized a ceremonial grand opening of the new visionary rail depot at Ted Stevens Anchorage International Airport on Dec. 4, 2002. The event recognized a revolutionary step in the evolving effort to connect road, rail, air, ferry and cruise ship travel in Alaska.

Participants traveled on the inaugural passenger train journey from the downtown depot, located on 1st

Avenue, to the new airport depot, located next to the parking garage. The depot will receive trains in spring 2003.

The depot was named after former ARRC President & CEO Bill Sheffield. The dedication bust, created by Cordova artist Joan Busgby-Johnson, stated: "Dedicated to Governor Bill Sheffield whose vision, dedication and service to the State of Alaska and the Alaska Railroad made this depot possible." Due appreciation was also extended to Senator Ted Stevens for his part in making the airport depot vision a

reality by helping to obtain Federal Railroad Administration funding. The \$28 million project was completed on time and on budget, thanks in large part to ARRC Project Manager Diana Brake.

Thanks also went to now Governor Frank Murkowski, Congressman Don Young; Kumin & Associates, depot design; Unit Company, general contractor; Locher Interests, construction management; Alaska Department of Transportation & Public Facilities and Ted Stevens Anchorage International Airport. ●



1 Depot front doors. 2 Senator Ted Stevens shows his grand children a C-Concourse rendering near the depot tunnel entrance. 3 The depot is dedicated to Gov. Bill Sheffield. ARRC Chair John Binkley and the bust artist's daughter Brooke Johnson are also pictured.

RAILROADER PAINTS ARR 2003 PRINT

Fairbanks-based employee creates original for commemorative poster

Railroad mechanical laborer Sue Dranchak recently competed a painting that will serve as the original for the Alaska Railroad Corporation's 2003 commemorative print and poster. Fairbanks-based Dranchak, who earned her bachelor of fine arts degree from the University of Alaska - Fairbanks, was selected from among a pool of over a dozen Alaskan artists.



Saturday, January 11. About 4,500 posters and 750 prints are made and are on sale at the depot ticket windows in Anchorage and Fairbanks. Posters cost \$25 and prints are \$75.

The painting depicts a view from the vestibule of a passenger train as it passes through Healy Canyon. The scenery is reflected in the side of the passenger coach. This is the first north end scene painted since 1998.

Dranchak will be on hand to sign prints and posters in the Anchorage Depot noon-2 p.m., Saturday, January 4, and in the Fairbanks Depot noon-2 p.m. the following

The first official Alaska Railroad painting was produced in 1979 by John Van Zyle. Since then, the annual rendition (except 1984) has evolved into a popular collector's item, with requests coming from all over the world. ●

2002 YEAR IN REVIEW

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the year, surpassing 2001 levels. Petroleum shipments from Williams' North Pole Refinery came in under the mark.

Relative to our Passenger business, early predictions held that September 11 would have a big impact on tourism activity in Alaska. In fact, rail passenger revenue grew slightly over last year. Passenger purchases did reflect changing economic factors, however, as shorter, less expensive packages were chosen.

The Railroad's Real Estate segment remained an important contributor. It continued to perform well, again producing nearly \$10 million in revenues. Of note, the new Seward freight dock generated promising new business during its first full year of operation.

Capital Improvements. Infrastructure improvements continued at an accelerated pace throughout 2002. A highlight was completion of the Rail Depot at Ted Stevens Anchorage International Airport. The facility was finished in November, on time and on budget, with grand opening ceremonies occurring in December. Ground broke this fall on depot projects in Fairbanks and Denali as well.

Several miles of new track came on-line from the Anchorage yard onto the military installations this year. The environmental process to gain approval for curve-straightening efforts between Eagle River and Knik River was also complete in 2002. To date, about 25% of the 70 curves to be straightened through the Anchorage-to-Wasilla track realignment projects are accomplished.

Construction of a new bridge over Campbell Creek during the winter is the final step to finishing the South Anchorage Double Track and signalization project, which will ease congestion along this busy 5-mile stretch.

In Whittier, the Railroad constructed new side-unloading barge dock platforms that will allow more efficient operations for this growing segment of ARRC's freight business. The Pedestrian Underpass, traversing the rail yard underground, opened this summer to provide safe passage for residents and visitors who want to travel between the harbor and town site. The Railroad also

continued work on the DeLong Dock's electrical system and installed a water line to provide fresh water to ships and fishing boats. These improvements were made at Railroad expense to offset the loss of the Marginal Wharf, which had reached the end of its useful life.

Community Cooperation. As a busy partner in the economic well-being of railbelt communities, ARRC coordinated future transit plans, and facilitated an improved regional transportation planning process. The Railroad became an official member of the Anchorage Metropolitan Area Transportation System (AMATS) technical committee, Fairbanks Metropolitan Area Transportation System (FMATS) technical committee, Fairbanks Rail Task Force Committee, Palmer Urban Revitalization Steering committee, and the Anchorage-Mat-Su Regional Transportation Steering Committee. Additionally, the ARRC sits on the Alaska State Chamber of Commerce Board, the Anchorage Chamber of Commerce Board, and Vision Anchorage, adding to the numerous community-based groups our employees participate in each year.

ARRC continued to support local school business partnership programs and non-profit efforts through a generous corporate giving program. In addition, many parks and public use areas are located on ARRC lands — leased to communities well below market value.

Looking Ahead. Although ARRC significantly improved its personnel safety record, safety will remain a top priority. ARRC will continue to invest heavily in safety training in 2003, having set ambitious goals to achieve a 15% decrease in both lost time and derailments.

ARRC's freight business is expected to remain flat in 2003. The Railroad's focus will be on customer service, velocity, and on-time performance. On the passenger side, ARRC will introduce a new day trip service to Southcentral Alaska's Spencer Glacier and Grandview Pass ... actually a continuation of the *Glacier Express* train currently serving Whittier. Beginning in May 2003, the new airport rail depot will serve cruise ship customers traveling between Anchorage and Seward.

Plans for 2003 underscore the Railroad's commitment to Alaska: "To be profitable by focusing on safe, high quality service to our freight, passenger, and real estate customers. To foster the development of Alaska's economy by integrating Railroad and railbelt community development plans." ●

HAPPY HOLIDAYS TO ALL!!!

Alaska Railroad employees wish everyone in communities statewide a safe and happy holiday season and a prosperous New Year.



ARR SETS UNITED WAY RECORD

\$65,000 employee contribution goal met

The Alaska Railroad United Way fund-raising campaign wrapped up just after Thanksgiving, having reached an ambitious goal of over \$65,000 in donations from railroad workers. ARRC matches employee contributions dollar for dollar, making this year's total campaign fund-raising effort the highest to date.

The annual call for contributions is an employee-led campaign, with volunteers directing fund-raising events and contact with the workforce. One effort included the United Way Express, a special train traveling round-trip between Anchorage and Fairbanks in October, allowing employees

working all along the mainline and at depots, to take part. ARRC donated the train and the United Transportation Union Local #1626 donated the train crew time. Employees whose work prevents them from attending standard presentations, donated more than \$8,300 during workplace lunch meetings.

"Everyone on our United Way team has worked very hard to make this the best year ever, and Railroad employees have once again been among the most generous in the city," said ARRC President & CEO Patrick Gamble in memo of thanks to employees. "We can once again assume our corporate position as a business with a big heart." ●

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