



COMMUNITY

Alaska Railroad Corporation
1st Quarter, 2010



www.AlaskaRailroad.com • (907) 265-2300

ARRC UNVEILS NEW INTERNET PRESENCE

Two web sites serve different needs of travelers and general public

Internet users are invited to check out the Alaska Railroad's revamped web presence featuring two new sites, each serving different public needs. The new Traveler web site facilitates the exploration and purchase of rail tickets and rail vacations. The Corporate web site describes the organization and provides information for freight customers, suppliers/vendors, job-seekers and those looking to lease land.

The separate Traveler site launched in late 2009. Customers will notice a new layout and design with brighter, larger photos and easier navigation. The Travel site also features a new modern and user-friendly reservation system. In March 2010, the new Corporate web site went live.

Like the Travel site, the Corporate site has been updated with the latest information, and re-organized to be more intuitive. It is also re-designed to match the Travel site's modern look and feel. Together, the two sites offer better web-based tools and design to improve information delivery to the public. Both sites can be accessed via the common portal www.AlaskaRailroad.com.



Alaska Railroad Portal to Traveler and Corporate sites.



Alaska Railroad "Corporate" web site



Alaska Railroad "Traveler" web site



Alaska Railroad
Ongoing Projects:

Northern Rail Extension
and Tanana River Crossing

Fairbanks Intermodal
Improvements

Nenana Rail Relocation

Positive Train Control

Port MacKenzie Rail Extension

Healy Canyon Safety and
Reliability Improvements

Ship Creek Intermodal Center

Chugach Forest Whistle Stop

South Wasilla Rail Relocation

Anchorage Capacity
Yard to Airport Spur

Seward and Talkeetna
Depot Restroom Facilities

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

ARRC SELECTS ARTIST TO CREATE 2011 PRINT

Palmer artist plans to depict a freight train crossing the Matanuska River Bridge

The Alaska Railroad selected Palmer artist Douglas Girard to create the artwork for the 2011 ARRC print/poster. Girard was among more than two dozen Alaskan artists who submitted entries. He proposes to depict a freight train crossing the Matanuska River Bridge. "I feel privileged to be a part of Alaska Railroad history, even if only in a small way. I also feel lucky to be able to follow in the footsteps of some of Alaska's best artists," said Girard.



Girard earned a Bachelor of Fine Arts degree with Distinction in Illustration from the Art Center College of Design in California. He has worked as a freelance illustrator, taught art classes and completed numerous private commissions. His artwork is sold through galleries in Anchorage, Wasilla and Palmer. Girard has been featured by local and national news media, and his paintings are included in national and international collections.

Since 1979 the Alaska Railroad has commissioned an artist annually to produce artwork as the basis for limited edition prints, posters, lapel pins and other collectables. The artist is paid \$3,000, and given 10 artist proofs and 20 posters, while ARRC retains all exclusive rights to the artwork.

The annual Alaska Railroad print/poster remains a favorite among rail fans and Alaska art collectors. As in years past, the Railroad will produce 750 signed and numbered prints and 4,000 posters. The 2011 prints/posters will be available for sale in December 2010 through the Anchorage Historic and Fairbanks depots, as well as the online Gift Shop. ●

RAILROAD RELEASES 2009 ANNUAL REPORT

ARRC remains on solid financial footing thanks to 2-year cost cutting efforts

The Alaska Railroad released its 2009 Annual Report showing earnings of \$13.9 million on total revenues of \$169.4 million. "Despite the economic challenges of 2009, the Alaska Railroad has remained financially solid," noted ARRC Board of Directors Chairman John Binkley. "We are poised to weather any further economic downturn or to take advantage of any major Alaska project in the future."



The theme of this year's report is *What We're Made Of*, which recognizes the strength and resiliency of the railroad's people and infrastructure. Continued financial uncertainty spurred a downsized workforce to maximize efficiency and work smarter than ever. As another challenging year unfolded, railroad employees proved what they were made of by making tough decisions and implementing resourceful, innovative solutions. The recession triggered substantial changes that address unsustainable revenue losses in ARRC's core train business. The result is a leaner, more focused organization.

ARRC net income is not a typical corporate "profit" to be used for shareholder dividends, nor is it tucked into an account waiting to be spent. Rather, the 2009 net income was spent throughout the year on capital infrastructure, employment and debt/loan obligations, and other critical business investments.

Railroading is a capital- and maintenance-intensive business. Equipment, facilities and track are in constant use and must be repaired, refurbished and replaced regularly. Some capital funding comes from federal grants, which often require a match. Some projects are not eligible for federal grants and must be funded internally. Without net income, ARRC could not adequately invest in essential safety and efficiency improvements.

Solid financial footing offers stability and security to employees as well. ARRC workers are not part of the State's personnel system. Compensation and retirement benefits are funded entirely by the railroad. Like many retirement funds, the Railroad's retiree pension and medical benefit funds were hard hit by the financial downturn. Net income is also used to fill any shortfall in fully funding these obligations. ●

ICE ALASKA SOLUTION WITHIN REACH

Railroad, Fairbanks North Star Borough negotiate for long-term location

The railroad has been a generous champion of Ice Alaska's success for 15 years. Since 1996, the ARRC has forgiven debt, waived rent, reduced rent, negotiated in good faith and offered extensions to foster opportunity and assist this spectacular event. The good news is that a legal, equitable and permanent resolution is within reach. For the past year, the railroad has worked with Ice Alaska and the Fairbanks North Star Borough on two viable options. One is for the borough to execute a lease on behalf of Ice Alaska. Alternatively, Ice Alaska could spend some of its \$2 million state grant to move to a new location and upgrade existing facilities if needed. While a permanent solution is negotiated, ARRC has agreed to allow the ice championship to continue in 2011 via a one-year land use permit with the borough.

The railroad originally spent more than \$2 million to develop the Chena Landings Subdivision in Fairbanks specifically to attract business leases. Over the years, ARRC has turned away potential high-value tenants because the situation with Ice Alaska leaves the land in limbo. After eliminating nearly 200 jobs over the past two years due to dwindling revenue streams and financial uncertainty, the railroad cannot justify continu-

ing an arrangement by which high-value land is used three months out of the year and the tenant pays just 20% of fair market value (FMV) for its use. By law, ARRC must lease its land at FMV. Concessions were made in exchange for Ice Alaska's promises to make substantial improvements and to pay up in the future. These promises were not realized. As a result of lost lease revenue, ARRC has contributed about \$1 million to Ice Alaska.

As a state-owned corporation, the Alaska Railroad owes it to Alaskans to be good stewards of its land resources. Railroad real estate was always meant to generate income as a means to help ARRC remain self-sufficient. Because train operations typically generate just enough revenue to cover costs, we rely on real estate lease income to provide the means to invest in capital repairs and improvements and to fund employee retirement and benefit accounts. In lean times, such as the last two years, real estate income helps to underwrite some operations expenses.

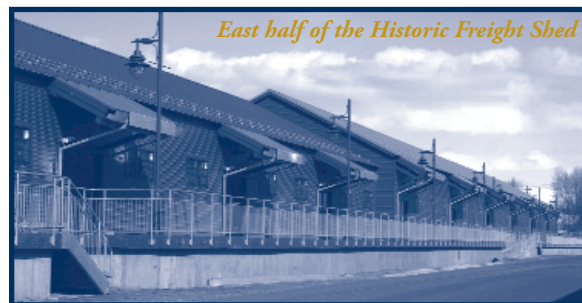
The Alaska Railroad wants to see Ice Alaska succeed. A legal, equitable, workable and permanent solution is essential to that end. ●

FREIGHT SHED READY FOR TENANTS

LEED renovation project uncovers buried debris discoveries

The Anchorage Historic Freight Shed project has brought a few discoveries to light in unexpected ways. Construction crews were surprised to find decades-old debris each time they dug into First Avenue. Debris included numerous old bottles (beverages and medicine, among others), cooking equipment, a boiler, ash from fuel coal and even some old moose bones. Some surmise that the 1964 earthquake could have been a catalyst for such impromptu debris burials.

The underground discoveries set the project timeline back by a few months as debris was stockpiled, tested and removed from the area. However, renovation of the facility's core-and-



shell was not affected and was completed in November 2009. Site work, including two parking lots, will be completed by summer 2010.

In the meantime, the ARRC Real Estate & Facilities Department is prepared to accept tenants. Several organizations have expressed interest in leasing space. Some potential tenants are impressed by the shed's transformation into a modern, green office space. Some value a downtown location with plenty of parking. Others are intrigued by the project's pioneering status as Alaska's first historic building to be renovated with Leadership in Energy and Environmental Design (LEED) standards. ●

BOARD APPOINTS CFO AS ACTING PRESIDENT

Board thanks Gamble and expresses confidence in management team during interim

The Alaska Railroad Board of Directors appointed ARRC Chief Finance Officer (CFO) Bill O'Leary to serve as acting President/CEO, effective April 1, as the search for a new CEO progresses. Pat Gamble, who was ARRC President/CEO for nine years, was recently selected to head the University of Alaska (UA) when current UA President Mark Hamilton retires in May.



Bill O'Leary



Pat Gamble

"We thank Pat Gamble for his service," said ARRC Chairman John Binkley who expressed congratulations on behalf of the ARRC Board. "Pat is deserving of the trust that the university regents have placed in his leadership, management and familiarity with Alaskan issues. He will undoubtedly be an equally excellent asset to the university. We wish him well in his new position as he continues to serve the people of Alaska."

"It's been a great run, and it's been a great privilege," said Gamble of his time with ARRC. "If I leave the Alaska Railroad in better shape than I found it, then I have done my job. I had a lot of help from an amazing workforce team."

The Alaska Railroad Board of Directors met on April 1 to begin developing the executive search process for its next CEO and President. Part of this process involves formulating strategic objectives for where the Board wants to take the corporation in the next five to 10 years. "Fortunately, the Alaska Railroad is in good hands under our current management team. As a result, the Board can take the necessary time to assess what attributes and leadership qualities we need in our next Railroad CEO," said Binkley.

"The board has every confidence that ARRC's strong management team will facilitate a smooth and stable transition," Binkley added. ●

Contact Corrections

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

PRSRT STD
 U.S. POSTAGE PAID
 ANCHORAGE, AK
 PERMIT NO. 500



Alaska Railroad Corporation
 P.O. Box 107500
 Anchorage, AK 99510-7500

