

COMMUNITY

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Alaska Railroad Corporation
1st Quarter, 2004

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Photo by Sam Harrel

2003 PERFORMANCE SETS STANDARD

Railroad marks safest, most prosperous year in history

Motivated employees, a good plan executed well, and a more modern infrastructure boosted Alaska Railroad performance to the top of the charts in 2003. Here's how the Railroad stacked up when compared to both its 2003 goals and five-year objectives:

Safety — 2003 goal: Operate a safe railroad • Five-year objective: Reduce employee injuries to average no more than 2.0 injuries per 200,000 man-hours.

2003 was the Alaska Railroad's safest, ever. Perhaps the most important milestone was a reduction in injury severity, expressed as the number of days lost to injury per 200,000 man-hours worked. We finished the year at 3.66 — a 54% reduction over last year. The Railroad also reduced the number of reportable injuries to 26 incidents — the lowest number in company history. These reductions occurred even while Railroad employees worked the second largest

number of man-hours in modern times (1.42 million). Train derailments were also down in 2003. ARRC met its goal to reduce derailments by 20%, and ARRC's "train accident rate" (an industry measure of incidents with more than \$6,700 damage, for every million train miles run) was below the national average at 3.5.

Financial — 2003 goal: Grow overall revenue 2-4% per year.

The 2003 budget process pointed to a marginal, if not below average, year. However, a surprisingly strong Alaska economy and several unplanned business opportunities contributed to revenue growth of 7.5%. On the expense side, employee productivity and efficiency dropped expenses well below estimates. As a result, ARRC earned \$14.0 million (unaudited), surpassing its 2003 net income budget of \$5.5 million. The company's assets grew by 19% and are now valued at \$437.3 million.

(see "Banner Year" on page 2)

Alaska Railroad
Ongoing Projects:

Fairbanks Intermodal Facility

Collision Avoidance System

Fish Passage Improvements

Palmer Park-and-Ride Center

Anchorage-to-Wasilla
Track Realignment

Anchorage Rail Capacity Study

Whistle Noise Reduction System

Anchorage Yard Ops Center

Ship Creek Intermodal Center

Improved Sidings & Signals

Whittier Development Planning

Seward Dock & Port Security

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



1922: A train leaves Anchorage.

MOMENT IN HISTORY

The Railroad was the only foundation of Anchorage in 1923. The small city in the “westward” of Alaska - as distinguished from the Southeast panhandle that was considered the principal region of the territory - was created because of railroad construction. At the time, it was nowhere near on par with the busy mining towns of Nome and Fairbanks, which were well-established and well-known in this period. President Harding said during a 1923 visit to Anchorage, “...here in Anchorage, you have built a city on a foundation which contemplates a great and wonderful future.”

Alaska Railroad 2003 Annual Report will be available in April

The Alaska Railroad’s 2003 Annual Report will be available on-line at the railroad’s web site — www.alaskarailroad.com — after the first of April. Hard copies will also be available upon request by contacting ARRC’s Public Affairs Officer Tim Thompson, 265-2695; or Public Involvement Officer Stephenie Wheeler, 265-2671.

BANNER YEAR...

Customers — 2003 goal: Place more emphasis on customer service and on “the business” of the Railroad.

Freight: Track upgrades and efficiencies from Williams’ new offload loop track in Anchorage led to fuel transport volumes well over budget estimates. High demand from southcentral construction projects made 2003 the second highest year for gravel tonnage in company history. The export coal contract with South Korea resumed last year, adding two coal trains per week. Finally, the Bird Point road project along Turnagain Arm used rail to transport 22,000 cars of bulk rock, adding nicely to unbudgeted revenues.

Passenger: This year, customers were able to book rail packages via the Internet. Alaska Railroad (independent traveler) passenger numbers grew by 9% over last year. Passenger purchases generally continued a 2002 trend toward shorter, less expensive packages. Rail trips to Seward booked at an all time high, growing by 17%. Also popular were day trips out of Anchorage, the new Spencer Glacier and Grandview service in particular.

Real Estate — Five-year objective: Achieve and sustain an annual real estate income of at least \$10 million per year.

This long-term objective was met with real estate earnings of \$10.5 million in 2003, exceeding the \$9.6 million budget figure. With an eye toward development, ARRC focused on Ship Creek in 2003, securing the area’s first retail tenant — the Ulu Factory. The railroad also partnered with the Municipality of Anchorage to plan a link between a downtown E-Street corridor proposal and the Railroad’s future Ship Creek intermodal center.

Operations/Maintenance — Five-year objectives: Achieve and sustain an operating ratio of 0.95 by 2006; Consistently run trains between Anchorage and Fairbanks under 12 hours.

Operations and maintenance personnel produced an operating ratio of 0.92 in 2003, surpassing the Railroad’s five-year objective early on. Operating ratio measures the direct train operational costs over its revenues (excluding real estate and interest). The Railroad also advanced its objective to run trains from Anchorage to Fairbanks in less than 12 hours, achieving a 75% success rate.

Employee Initiatives/Labor — 2003 goal: Improve employee quality of life.
• Five-year objective: Establish a formal recruitment and training program.

The Railroad spent \$1.8 million in 2003 to enhance personnel training and education efforts. We introduced industry-standard training for new hire train service and student engineers. We delivered more than 1,200 hours of locomotive simulator and new computer-based training. And, we rolled out coursework in leadership and management supervisory skills.

Plans and site work were completed for a new centralized train operations center in Anchorage, which will provide many employees with improved working conditions and will provide space for corporate training and crisis response activities. Construction starts in 2004. In Wasilla and Whittier, employees moved from substandard workshops into professional shop

(continued on next page)

(continued from page 2)

workspaces. Systemwide, renovations were made to several employee breakroom and restroom facilities. Finally, a company-wide employee performance recognition program was implemented last year.

Capital Projects — *2003 goal: Continue to shape our future through the beneficial effects of world-class capital improvements • Five-year objectives: Invest an average of 20% of annual revenue in infrastructure maintenance; Successfully complete our federally-funded capital construction program; Fund and apply technology to train dispatching, signals and switching; Redesign/build Anchorage and Fairbanks yard facilities to meet business, growth and community needs.*

2003 was a remarkable year for ARRC depots. May 17th marked an intermodal milestone, as Seward passenger dock and terminal improvements were completed just in time to accommodate the season's first cruise ship. Some of those passengers boarded the first cruise ship train to pull into the new Bill Sheffield Rail Depot at the Ted Stevens Anchorage International Airport. At Denali Park, ARRC constructed new passenger shelters and restrooms as part of our expansion and upgrade to the passenger facilities and surroundings.

Ground broke on the Fairbanks Intermodal Project. The Ship Creek Intermodal Transportation Center project moved from the planning stage into design. In the Mat-Su Valley, ARRC joined a unified Wasilla Intermodal Planning effort that prioritized many city, borough and state transit projects in the area. In Palmer, the Railroad designed a park-and-ride facility, preparing the project for construction in 2004.

ARRC completed the initial phases of a state-of-the-art Collision Avoidance System. The South Anchorage

Double Track Project was completed in the fall, relieving congestion along this busy five-mile corridor. The Railroad made substantial progress on the Anchorage-to-Wasilla track-straightening effort. In Whittier, ARRC completed a new downtown heavy equipment maintenance facility, invested in additional freight dock safety features, and spent \$500,000 to improve the DeLong Dock for use by local businesses and fishermen.

Community Cooperation — *2003 goal: Continue to participate in community planning and development.*

The Railroad continued its active membership in numerous local and statewide civic groups and government transportation planning efforts, including the Fairbanks Rail Task Force, the Anchorage/Mat-Su Regional Transportation Planning Organization, the Whittier Planning Group, as well as both the Anchorage and Fairbanks Metropolitan Transportation Planning Organizations. ARRC also contributed to North Pole's 50-year anniversary and Seward's centennial celebrations.

LOOKING AHEAD

For all the success experienced in 2003, our "To Do" list is still daunting. Future capital improvement plans include rail-relocations, track-straightening, intermodal projects, commuter rail service, high-tech safety systems, and potential rail extensions to Delta Junction and beyond. Estimates run into hundred of millions of dollars to plan, design and construct these projects.

In addition to projects, the Railroad anticipates a busy operational side. Passenger reservations are a very bright spot, with growth expected to be 5-7% in 2004. For freight, ARRC expects only a small reduction in 2004 revenue compared to 2003, which was a record year. ●



ARRC Chairman John Binkley explains several Rail Task Force recommendations at the Open House in Fairbanks.

OPEN HOUSE EVENTS SHOWCASE CAPITAL PROJECTS

The Alaska Railroad recently completed four Program of Projects Open House events to inform the public about the railroad's capital improvement plans in 2004. Several hundred people attended these events, which were held January through February in Anchorage, Fairbanks, Seward and Wasilla.

ARRC's project managers were on-hand to answer questions and explain projects in more detail. Exposure to ARRC plans elicited nearly two dozen comments from Alaskan residents, ranging from support for commuter service to concerns over potential rail bypass routes around Fairbanks and Wasilla. ●

RAILROAD NAMES NEW PUBLIC AFFAIRS OFFICER

Anchorage Channel 2 News assignment editor becomes ARRC spokesperson

Timothy Thompson has joined the Alaska Railroad as the Public Affairs Officer. In this position, he is responsible for the railroad's media relations, employee newsletter, advertising programs, special events and community outreach activities, such as the annual open house, school tours and school business

partnership activities. Thompson will also serve as a corporate spokesperson for media and community inquiries.

"I am really excited about working with the Alaska Railroad Corporation," said Thompson. "The railroad is an important part of Alaska's infrastructure, which is why I am committed to keeping the community informed on its role in the state's economic future and the great strides that are being made to continue its growth."

Thompson comes by way of KTUU Channel 2 News, where he worked as the manager and assignment editor since 1995, and as producer from 1992 to 1995. As



Tim Thompson

assignment editor, he managed all aspects of news gathering for the state's largest broadcast news organization. With more than a decade of experience in public and media communications, Thompson has also served as an adjunct professor for the University of Alaska Anchorage (UAA) Journalism and Public Relations Department.

During his tenure with Channel 2, Thompson's work was recognized with an Emmy award for local newscasts/documentary features, and with an Edward R. Murrow Award for small market national and regional news coverage. In 2001, he was named among the "Top Forty Under 40" by the Alaska Journal of Commerce and Anchorage Chamber of Commerce.

Born in Minnesota and raised in Anchorage, Thompson has been an Alaska resident since 1968. He earned a master of business administration degree in telecommunications management from Alaska Pacific University, and a bachelor's degree in journalism and public communications from UAA. ●


2004 COMMUNITY TIES MAILING LIST UPDATE

We need your help to update our newsletter mailing list. Please let us know if you wish to be removed from our list. Also please make any corrections needed to your contact information. Send changes via fax to (907) 265-2365 or email to wheelers@akrr.com.

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2nd Quarter, 2004

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ARRC GARNERS 2 PRESTIGIOUS AWARDS

Safety improvements and architecture inspire awards

In May, the railroad industry's most prestigious safety organization recognized the Alaska Railroad (ARRC) as one of the most improved railroads in the country for safety performance. ARRC was one of nine U.S. railroads to receive an Edward H. Harriman Memorial special certificate of commendation for continuous improvement in safety performance over at least a two-year period.

The annual Harriman Awards are granted to railroads with the fewest injuries per 200,000 man-hours worked. ARRC's injury rate in 2003 was 3.64, the lowest in the corporation's history and a 70% reduction since 1997. Edward H. Harriman was a pioneer in American railroading. His wife Mary founded the safety awards in his memory in 1913, when railroading was

considered among the most dangerous occupations.

Architecture — In April, the Bill Sheffield Depot at Ted Stevens International Airport won a coveted American Institute of Architects (AIA) Award. Architects from KMD (Kaplan McLaughlin Diaz) drew praise for their northern lights inspired design. Like the Aurora Borealis, the depot captures intriguing patterns of light — from skylights across vaulted ceilings, to towering glass walls that project a warm glow, to fiber optic northern lights décor along the tunnel linking to the airport terminal.

"The rail station brings the intrigue of the sky into a welcoming center to greet and tantalize visitors with the natural splendors of Alaska," said Herb McLaughlin, KMD's design director. ●

THEY'RE HERE!

This spring, the Alaska Railroad took possession of the eight new SD70MAC locomotives being purchased this year. Soon after rolling off a General Motors assembly line, locomotives 4317 through 4324 were distinctively painted before delivery. This fall, these 4300 horsepower locomotives will be equipped with head power (HEP), which will supply electricity to passenger coaches to run air conditioning, lighting, cooking appliances, etc.



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Whittier Passenger Access

Improved Sidings & Signals

Track Integrity Detection

Fish Passage Improvements

Palmer Park-and-Ride Center

Anchorage Rail Capacity Study

Whistle Noise Reduction System

Seward Loading Facility

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1933 Passenger Train brochure.

MOMENT IN HISTORY

The pictured 1933 Alaska Railroad passenger service brochure was distributed by Conoco Travel Bureau, in Denver, Colorado. That year, the passenger season was effective June 9 - September 8. There were no dining cars at the time, so luncheon stops were made in Anchorage and Healy. For the long route between Seward and Fairbanks, passenger trains stopped overnight in Curry, where the Alaska Railroad owned and operated the Curry Hotel.

According to the brochure, visitor connections to the Alaska Railroad could be made:

- at Seward, via the Alaska Steamship Company and Pacific Steamship Company based in Seattle;
- at Nenana, via the American-Yukon Navigation Company steamer river service between the Yukon Territory's Whitehorse and Dawson City, and Nenana. The Alaska Railroad also operated passenger and freight service on the Tanana and Lower Yukon rivers.
- At Fairbanks, via car travel along the Richardson Auto Trail that stretched from Fairbanks to Valdez. ●

ARRC, EPA ASSESS SHIP CREEK

80 years of industrial operation prompts study

The Alaska Railroad and the U. S. Environmental Protection Agency (EPA) recently agreed to environmentally assess about 600 acres of railroad land in the Ship Creek area. Railroad and other industrial uses over the

past 80 years may have resulted in environmental problems at the site. The Railroad will conduct the investigation under EPA guidance. If any significant contamination is discovered during the study period, risks to humans, wildlife or the environment will be assessed, and results will guide development of a cleanup plan where appropriate and feasible. Any cleanup would be shared cooperatively with past owners/operators.

“The potentially complex issue boils down to what occurred, and who was responsible at the time,” President and CEO Pat Gamble said. “But clearly, the bottom line is that we and those affiliated parties will want to address any findings right away.”

The federal government constructed the railroad from 1915 to 1923, and various federal



There is no information indicating that it is unsafe to consume fish from Ship Creek.

agencies owned and operated the railroad until its transfer to the state. In 1985, the State of Alaska took ownership of the railroad and the property in Anchorage, assuming federal leases to industrial and commercial businesses, ranging from small convenience stores to large oil storage operations.

The remedial investigation could take several years to complete. During this process, ARRC and EPA will encourage public involvement through public meetings, fact sheets, project documents to the community, and public comment opportunities. A copy of the agreement, other information and updates are posted at www.alaskarailroad.com. ●



The size of the Ship Creek area being studied is approximately 600 acres.

LEGISLATIVE ACTIONS HOLD EXPANSION PROMISE

Lawmakers embrace potential rail extensions to Fort Greely and Canada

Some legislative actions this session may pave the way for economic expansion. Another will address land use restrictions that could hinder railroad expansion.

Lawmakers in both chambers wholeheartedly embraced several rail extension initiatives. Passed this year, Senate Bill 395 authorizes ARRC to issue up to \$500 million in tax-free revenue bonds to underwrite construction of a rail line from Fairbanks to Delta Junction and Ft. Greely. Bonds would be secured through U.S. Department of Defense funds and could be issued as early as 2005. This bill followed the 2003 initiative, HCR 2, which encourages ARRC to extend rail to

Ft. Greely to support military, agricultural and resource development activities.

Two years in the making, Senate Bill 31 authorizes the Railroad to delineate and survey a 500-foot-wide transportation corridor between Eielson AFB and the Canadian Border. The railroad would own a 200 foot-wide corridor embedded within the transportation corridor. Funding is not yet identified.

Also on the economic development front, Senate Bill 384 was introduced to authorize use of Railroad tax-exempt bonds to fund a gas pipeline down the rail corridor from Fairbanks to Anchorage. While the bill failed to pass, it could

be resurrected in a future session, depending on development of a North Slope gas pipeline.

The Railroad asked the legislature to respond to a recent Alaska Supreme Court decision that questioned the railroad's long-standing exemption from local planning and zoning ordinances. Lawmakers formed a task force to offer recommendations on whether and to what extent municipal planning, platting and land use regulations should apply to interests in land owned by the Alaska Railroad. The task force will be comprised of one senator, one house member, a member from each railbelt municipality, and a railroad representative. The legislature will consider their recommendations in 2005. ●

REGIONAL ROUND-UP

Alaska Railroad activity from Seward to Fairbanks

SEWARD: The railroad is assessing plans to improve capacity of the Seward Loading Facility that was purchased last September. The facility currently handles movement of coal that comes by train from Healy to Seward, where it is loaded onto ships headed for South Korea. An environmental assessment is underway to determine potential impacts.



The facility conveyor discharges coal into a ship's hold.

WHITTIER: The Railroad began greeting Princess Cruises passengers in this deepwater harbor community in late May. Construction of a privately owned dock, and repeal of a passenger tax, prompted Princess to move docking operations from Seward. To accommodate passengers seeking rail transportation from Whittier to Anchorage, ARRC created safe dock-to-train access, including a paved path, signage and shelter.



Whittier: A shelter is constructed over a path to the train.

(continued on back page)

ROUND-UP CONTINUED...

ANCHORAGE: This spring, Alaska Mechanical Inc. (AMI) began construction of the railroad's new Anchorage Operations Center situated off Whitney Road on railroad land. Designed by Architects Alaska, the building will house offices for key operations personnel, crew and train dispatch facilities, training rooms, conference and meeting areas, employee break areas, restroom/ locker rooms, and an Emergency Operations Center. The facility should be substantially complete by the end of 2004, and ready to operate in March 2005.



Anchorage Operations Center architecture compliments ARRC Headquarters building.

WASILLA: Wasilla residents and Mat-Su Valley commuters may notice new train activity between Pittman Road and the Glenn/Parks Interchange this

summer. A gravel train is traveling round-trip through Wasilla in the mornings, 5-6 days per week, to accommodate a new gravel pit located along the Parks Highway, just north of Wasilla. Other gravel trains run between pits in Palmer and processing facilities in Anchorage.

FAIRBANKS: Governor Frank Murkowski joined ARRC Chair John Binkley in late April for a Fairbanks Intermodal Facility ground-breaking ceremony. Designed by Charles Bettisworth & Company, the state-of-the-art passenger terminal is being constructed by AMI. It will begin receiving rail passengers in summer 2005. Covering 32-acres of land, the terminal location and track configuration can support an increased number of trains to meet projected passenger growth over the next 30 years. ●



Governor Murkowski praises Fairbanks Intermodal Facility.


2004 COMMUNITY TIES MAILING LIST UPDATE

We need your help to update our newsletter mailing list. Please let us know if you wish to be removed from our list. Also please make any corrections needed to your contact information. Send changes via fax to (907) 265-2365 or email to wheelers@akrr.com.

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3rd Quarter, 2004

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The Spirit of Palmer locomotive breaks through the ribbon on the track next to the new Alaska State Fair Intermodal Commuter center during a ceremony August 26, the first day of the fair.

ARRC TESTS NEW SAFETY TECHNOLOGY

Alaska Railroad demonstrates system to detect broken rail

The Alaska Railroad (ARRC) is testing a system for detecting broken rail along track that is not equipped with automatic signals. The \$410,000 Track Integrity System test is a Federal Railroad Administration (FRA) technology demonstration project funded 93% by FRA and 7% by ARRC.

Along the railroad's "signalized" territory, a low voltage current runs through the rails so that they function as wires in a signal circuit. In the uncommon event that a rail breaks, the circuit's electrical current is disrupted and the railroad is alerted to the break. However, about 85% of ARRC's track corridor is not equipped with signals. In these "dark" areas, rail defects are discovered by frequent track inspections, as well as ongoing rail and roadbed maintenance.

Once installed, the Track Integrity System will apply electricity to the track to create circuits similar to those in signalized territory. When a train approaches, the locomotive's on-board system activates and checks the track circuits. If there is a problem, the on-board computer console displays a warning. If the crew does not stop the train, the on-board system will.

The track integrity test bed will consist of three five-mile sections of track north and south of Anchorage, and one locomotive equipped with an on-board computer and system software. System installation is taking place this summer and testing will be complete by summer 2005. If all goes well, the Alaska Railroad will have created an industry prototype that will contribute to the safety and cost-effectiveness of railroads across the country. ●

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LOCAL LAND USE JURISDICTION IN QUESTION

Legislature forms task force to mull if, how local zoning applies to Railroad

A group of railbelt municipal officials will help clarify whether, and to what extent, city and borough land use regulations should apply to land owned by the Alaska Railroad (ARRC). The Alaska Railroad Planning, Platting and Land Use Regulation Task Force was established in May by Senate Bill 395. The bill arose from a recent Alaska Supreme Court decision that called into question the Alaska Railroad's long-standing exemption from local planning and zoning ordinances.

The Railroad's mainline track passes through 13 recognized city and borough governments between Seward and North Pole. Representatives from these communities, seated on the task force, will consider planning and zoning issues and make recommendations to the legislature to clarify law during the 2005 session.

When the state purchased the Railroad from the federal government in 1985, the Transfer Act designated ARRC as a rail carrier engaged in interstate and foreign commerce. This subjected ARRC to regulation by the Interstate Commerce Commission (ICC), now known as the Surface Transportation Board. The ICC was formed following an 1886 U.S. Supreme Court ruling that held that states could not regulate interstate railroads through their patchwork of state laws. The court determined

that such local non-uniform and conflicting regulations would greatly impede interstate commerce by hindering the efficient transportation of goods between states and local jurisdictions.

Although the Railroad is now owned by the state, the federal Surface Transportation Board has exclusive jurisdiction over its operations and facilities and the Alaska Railroad shares the same interstate commerce protection from local regulation as every other railroad in the United States (see 49 U.S.C. 10501(b)). In addition to federal protections, ARRC interpreted its state statutes as explicitly exempting the Railroad from local planning and zoning for the 18 years following transfer. However, a March 2004 Alaska Supreme Court opinion held that "the legislature did not clearly express its intent to exempt the railroad from local zoning laws."

To address the ambiguity in the state law, SB 395 was initially drafted with provisions to make clear the statutory language exempting the Railroad from local land use jurisdiction. The exemption would have applied to railroad lands along the rail corridor, unless leased to third-parties. Leaseholders would, and currently do, comply with local planning and zoning laws. However, these provisions in the bill were replaced with a requirement to establish a land use task force to review the issues. ●

MOMENT IN HISTORY

RAILBELT REPO



When AMTRAK took over operation of inter-city passenger train routes by May of 1971, most of the private railroads in the United States had discontinued passenger service. Bucking that trend, the Alaska Railroad began adding passenger equipment to accommodate a growing number of visitors and residents wanting to ride the train. Much of this equipment had become surplus for the freight-only railroads. Pictured at left, in the ARRC Employee newspaper's January-February 1972 edition, is a "new" vistadome coach. This car was purchased, along with 30 other cars of various types, from Union Pacific Railroad in 1971. The passenger coach went into service in May 1972 and remains in service today. ●

REGIONAL ROUND-UP

Alaska Railroad activity from Seward to Fairbanks, and beyond

Seward: The Railroad is nearing completion on an Environmental Assessment (EA) of proposed improvements to the Seward Loading Facility that ARRC purchased last year with a federal grant. The goal is to continue to enhance efficiency so that Alaska coal (and potentially other resources) remains competitive in the global market. The EA is analyzing upgrades that would expedite the transfer of coal to and from the stockpile as well as accelerate loading coal on to ships. Comments from local officials and residents are being incorporated into the EA.

Anchorage: In late August, the Railroad began testing a new Train Whistle Noise Reduction System at the Klatt Road rail crossing in Anchorage. When a train approaches, automated wayside horns installed at the site will direct a whistle warning toward road traffic. This takes the place of the train-mounted horn, which radiates noise over a greater area. The intent of the wayside horn is to focus the noise, so that it impacts a smaller area. A different whistle noise reduction system will be installed at another crossing in Anchorage later this year.

Palmer: The Alaska State Fair Intermodal Commuter Center in Palmer (also known as the South Palmer Station) officially opened with a ribbon-cutting ceremony August 26, the first day of the fair. The new facility offers ample parking, rider drop-off areas and efficient one-way traffic flow, along with a rail passenger shelter and roomy restrooms. Its completion adds another piece of infrastructure to support increased rail service between Anchorage and the Mat-Su Valley. In the meantime, Mat-Su Community Transit (MASCOT) has already established the station as a flag stop, with commuter bus service Monday through Friday. The commuter bus will pick up at 6:18 a.m., arriving at the People Mover Transit Center (6th & H) at 7:20 a.m. The bus will leave Anchorage at 4:18, arriving at the Palmer Station around 5:20 p.m. For details, visit MASCOT's web site at www.matsutransit.com.



A wayside horn is mounted at Klatt Rd. crossing.

Wasilla: An Alternatives Assessment (AA) was recently completed to examine potential intermodal facilities and locations in the Wasilla area. An Alternatives Assessment is a pre-cursor to environmental studies (such as an EA) required for federally-funded projects. Similar assessments are underway for an underpass or overpass at the Knik-Goose Bay crossing and realignment of the track outside of downtown Wasilla. Once all three AA draft documents are complete, the Railroad will conduct a public meeting in fall / winter 2004.

Nenana: The Railroad is nearing completion on another EA initiated in 2003 to investigate a proposal to realign the track around downtown Nenana. The proposed alignment would reduce track length by nearly 2 miles, straighten a large sharp curve, and eliminate or significantly reduce rail traffic at six at-grade crossings. Rail service to Nenana's port would be maintained, and a potential spur could serve the Nenana airport. The document will be available for public review this fall.

Rail Extension to Fort Greely: Military members who commute between Fairbanks and Fort Greely may someday benefit from an idea that is quickly gaining momentum. The Railroad is working with the military to pursue extension of the track from Eielson AFB to Fort Greeley, near Delta Junction. The 80-mile extension could provide passenger and freight services needed in connection with a growing Defense presence in Interior Alaska. The Railroad can help buy down the cost of the project by issuing tax-exempt bonds backed by guaranteed military contracts. ●



ARRC Chairman John Binkley and Governor Frank Murkowski ride the train to a bill-signing event for legislation encouraging rail extensions to Ft. Greely and Canada.

ARRC TO REVAMP CORPORATE WEB SITE

Alaska Railroad requests public feedback on www.alaskarailroad.com

The Alaska Railroad is taking initial steps to revamp its corporate web site to make it more user-friendly and efficient. Please consider completing the survey below and faxing it back to (907) 265-2365 or mailing it back to PO Box 107500, Anchorage, AK 99510-7500 (Attention: Wendy Lindskoog). To thank you for your time, we'll put all survey respondent names into a drawing for four round-trip rail tickets valid for travel on the Alaska Railroad during summer 2005. ●

- 1** How often do you visit our web site? (check only one)
- | | |
|---|---|
| <input type="checkbox"/> Every day | <input type="checkbox"/> Several times a week |
| <input type="checkbox"/> About once a week | <input type="checkbox"/> Several times a month |
| <input type="checkbox"/> About once a month | <input type="checkbox"/> Less than once a month |
| <input type="checkbox"/> This is my first visit | |
- 2** Which sections did / do you visit? (check all that apply)
- | | |
|---|---|
| <input type="checkbox"/> Scenic Rail Tours | <input type="checkbox"/> Freight Services |
| <input type="checkbox"/> Corporate | <input type="checkbox"/> Real Estate |
| <input type="checkbox"/> Projects | <input type="checkbox"/> Community |
| <input type="checkbox"/> Employment | <input type="checkbox"/> Suppliers |
| <input type="checkbox"/> Gift Shop | <input type="checkbox"/> Contact Information Page |
| <input type="checkbox"/> Employee Resources | |

- 3** Did the menu item and navigation make sense to you?
 Yes No
- 4** How likely are you to return to the site? (on a scale of 1-5)
 1 - unlikely 2 3 4 5 - very likely
- 5** How likely are you to recommend this site? (scale of 1-5)
 1 - unlikely 2 3 4 5 - very likely
- 6** What features influence this decision?
- 7** What changes or additional features would you like to see?
- 8** How did you hear about the site? (check only one)
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| <input type="checkbox"/> Word of mouth | <input type="checkbox"/> This survey |
| <input type="checkbox"/> Email | |
| <input type="checkbox"/> Other (please specify): | |

Please fill in your name and phone number, and return with your survey by September 30, so that we can enter you into the prize drawing. Alternatively, you can complete the survey and enter to win a prize online at www.alaskarailroad.com.

Name _____ Phone # _____

We need your help to update our newsletter mailing list. Please let us know if you wish to be removed from our list. Also please make any corrections needed to your contact information. Send changes via fax to (907) 265-2365 or email to wheelers@akrr.com.

Name misspelled Address wrong
 Contact person changed Remove me from the mailing list
 Yes, I want *Community Ties* via email to the email address below:

2004 COMMUNITY TIES MAILING LIST UPDATE

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



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Alaska Railroad Corporation
4th Quarter, 2004

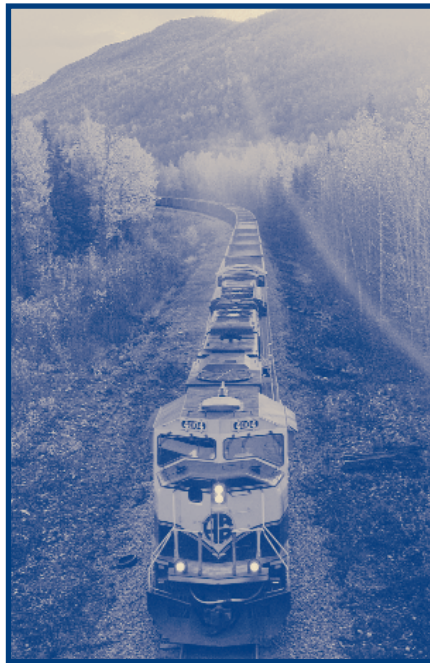
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2004: YEAR IN REVIEW

This year proves to be safe, profitable for Alaska Railroad

The year 2004 has been both a safe and profitable one for the Alaska Railroad.

Passenger services is the big story, with growth in both passenger numbers and revenue. Ridership, north and south, grew by an average of 9%; and average revenue per passenger also increased. We attribute this to better analytical tools, such as yield management, that helped guide our business decision-making process.



Gravel growth was flat over 2003, but the volume was still substantial.

Breaking it down, ridership for the *Coastal Classic* (Anchorage to Seward) jumped 5%. The *Denali Star* (northbound), increased 10%. Surpassing all expectations, the *Glacier Discovery*, including the Spencer Glacier Raft trip or Grandview excursion, grew 15% — a strong finish for a service in only its second year of operation.

Freight totals in 2004 were slightly below our customers' original projections, however, we still moved a substantial amount of goods across the state. Flint Hills, the new owner of the North Pole

refinery, made changes to their product mix and marketing strategy that we believe will be very positive in the long run, but for this year, volume remained similar to 2003. Barged container-on-flatcar services surpassed projections, as did local coal movement.

For export coal, we fulfilled the steady demand driven by a two-year contract with South Korea. With the contract soon expiring, Usibelli Coal and the State of Alaska have been aggressively pursuing

international coal markets in the Pacific Rim and South America this year — a number of negotiations have been initiated in Korea, China and Chile.

When the railroad is profitable, our ability to pursue capital projects improves. Foundations were poured and walls erected on two state-of-the-art facilities that will be completed by spring 2005 — the new Fairbanks Depot and the Anchorage Operations Center. Buildings were not the only focus of infrastructure improvements. We also concentrated on our track.

(see "The Year 2004" on page 2)

Alaska Railroad
Ongoing Projects:

Fairbanks Intermodal Facility

Anchorage Operations Center

Anchorage-to-Wasilla
Track Realignment

Ship Creek Intermodal Center

Whittier Passenger Access

Improved Sidings & Signals

Track Integrity Detection

Fish Passage Improvements

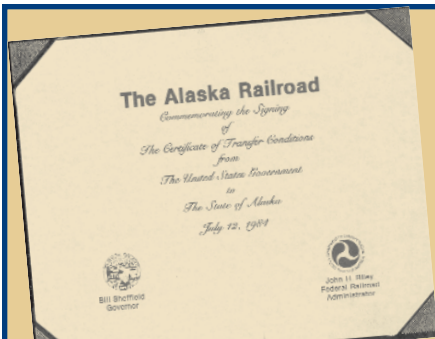
Palmer Park-and-Ride Center

Anchorage Rail Capacity Study

Whistle Noise Reduction System

Seward Loading Facility

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



Certificate of transfer conditions.

MOMENT IN HISTORY

The federal Alaska Railroad Transfer Act of 1982 required that a transfer report be compiled that described the rail properties, assets and liabilities of the Alaska Railroad, and other aspects of the proposed transfer of the railroad to the state. The report was completed July 14, 1983. After the State of Alaska and Federal Railroad Administration (FRA) had reviewed the inch-thick report, the two parties signed off on it on July 12, 1984. The above pictured certificate commemorates the signing by then Governor Bill Sheffield, and John Riley, FRA.



Former Lt. Governor Jack Coghill provides input during an October 26 public meeting in Nenana. The railroad organized the meeting to discuss the Environmental Assessment (EA) of the Nenana Rail Realignment project, which proposes to realign the main track around the downtown area. Residents were given an opportunity to review the EA, ask questions, and make suggestions. About two dozen residents attended the early evening meeting. Attendees came prepared with lively, thoughtful discussion, allowing the railroad to glean information important to future activity on the project.

THE YEAR 2004...

The environmental assessment of a proposed Nenana Rail Realignment project got underway, and we expect design work to commence in 2005. Realignment of the track on military installations near Anchorage was substantially complete in 2004; bringing greater efficiency one step closer to this most heavily used segment between Anchorage and Wasilla. Track rehabilitation, which will eventually lay welded rail across the transportation corridor between Anchorage and Fairbanks, was in full swing all year long.

This past year, Real Estate put a completely fresh face on our facilities improvement program. For example, our Real Estate department leased the old wooden covered bridge over Ship Creek to entrepreneurs who are in the process of renovating the historic structure into a one-of-a-kind restaurant, which is expected to open in 2005. Ship Creek pedestrian amenities, including sidewalks and lighting, were also added in 2004. Such land developments and facility upgrades provide a taste of what's to come via a budgeted five-year facilities plan rolling out across the entire railbelt.

Our safety record was solid again this year. We had a low injury frequency, the lowest injury severity rate, and we are on track to record the lowest number of derailments in recent corporate history.

So, to repeat, 2004 has been a good year for the Alaska Railroad Corporation. We built solid foundations and created momentum through our role as an economic engine for Alaska and the communities we serve. Our success will carry us confidently into 2005. ●

2005 CAPITAL PROJECT OPEN HOUSE EVENTS

Anchorage Open House
4:00 - 7:00 p.m. • January 6
Historic Ship Creek Depot

Fairbanks Open House
4:00 - 7:00 p.m. • January 13
Fairbanks Railroad Depot

Wasilla Open House
4:00 - 7:00 p.m. • January 19
Evangelos Restaurant

Seward Open House
9:00 a.m. to 2:00 p.m.
February 12
Railroad Terminal Building

ARRC FORMALIZES CONTRIBUTION POLICY

Railroad contributes to civic and charitable non-profits all along railbelt

The Railroad Board of Directors recently formalized principles and guidelines for providing corporate cash and in-kind donations. The ARRC Corporate Contribution Policy is available on the railroad web site.

In general, ARRC supports charitable non-profits that enhance educational opportunities, community quality of life, and economic health, as well as civic non-profits that provide community services and business development. The bulk of ARRC's contributions are in-kind. These range from donation of rail tickets and promotional items (posters, pins, etc.); to use of ARRC rail service, rail cars and railroad

facilities. ARRC also leases land to local governments at well below market value in situations where the community residents will derive certain benefit (i.e. parks, recreation, etc.). The railroad has formed school business partnerships through which employees offer hundreds of volunteer hours each year in support of educational programs.

The railroad relies on the counsel of a Citizens Advisory Board (CAB) when making many funding decisions. The CAB is comprised of civic leaders who reside in railbelt communities. They are familiar with community needs and have the experience to recognize who will benefit the most. The CAB meets twice per year, in spring and fall.

One of the most visible contribution programs is the annual United Way campaign. In this case, it is the employees of the Alaska Railroad who give of themselves. The 2004 United Way drive broke all records November 29, when employee donations totaled \$86,057 — that's \$16,000 more than the \$70,000 goal. The corporation matches employee donations dollar-for-dollar, effectively doubling the contribution to United Way.

The ARRC annual contribution budget is directly linked to corporate net income. Last year, cash and in-kind contributions from the corporation and its employees totaled about \$1 million. ●

CABOOSE IS FOCUS OF 2005 POSTER

Poster signing slated for January 8 in Anchorage and January 15 in Fairbanks

The 2005 Alaska Railroad Corporation print is entitled, "The Goodbye Caboose," by Anchorage artist Betty Atkinson. The winter scene depicts a child swinging at a park near Bootleggers Cove (just outside the Anchorage yard), waving at the passing caboose.



2004 Alaska Railroad commemorative poster.

The first Alaska Railroad poster, created by John Van Zyle, was printed in 1979. Since then, the annual poster (except 1984) has become a popular collector's item, with requests coming from all over the world.

Prints, posters and pins go on sale at the Anchorage and Fairbanks depots in early January. The posters sell for \$25 and the prints for \$50. The artist, Betty

Atkinson studied art at the University of Iowa, Banff School of Fine Arts in Alberta, Canada and University of Alaska, Anchorage. She has studied abroad in Europe on an art study tour. Her artwork has earned awards and has been shown in juried exhibitions throughout Alaska, the U.S. and England.

Atkinson, will be on hand at poster signing events scheduled for 10:00 a.m. to 2:00 p.m. Saturday, January 8, at the Anchorage Depot, and 10:00 a.m. to 2:00 p.m., Saturday, January 15, at the Fairbanks Depot. ●

DOT HAS \$5 MILLION FOR INTERIOR CROSSINGS

Upgrades include turnout lanes at 2 crossings; signs and signals at 14 others



At an October 2004 meeting of the Fairbanks Metropolitan Area Transportation Study (FMATS), the Alaska Dept. of Transportation Northern Region announced nearly \$5.2 million in Highway Safety Improvement projects in the region over the next two years.

About \$2.1 million will be used to construct turnout lanes at the busy Peridot and 3-Mile

Gate crossings on the Richardson Highway in Fairbanks. At each crossing 1400-foot lanes, one northbound and one southbound, will allow trucks with hazardous cargo and busses (and other required vehicles) to stop at the crossings without bringing other traffic to a halt. The other \$3 million will be used to upgrade the warning signage, markings and signalization at 14 crossings, including Rex, Broad Pass and Hurricane Gulch on the Parks Highway. ●



Happy Holidays



The 7th Annual Holiday train carried more than 400 passengers bound for Seward. Children were treated to a visit with Santa himself, as Railroad



elves (employees) organized holiday activities. In Seward, guests enjoyed the Seward Holiday Festival, before returning to Anchorage. (Cover photo and holiday train photos by Red Bradley.)

2004 COMMUNITY TIES MAILING LIST UPDATE

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 Address wrong
 Contact person changed
 Remove me from the mailing list
 Yes, I want *Community Ties* via email to the email address below:

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