

# COMMUNITY

## t i e s

Alaska Railroad Corporation  
1st Quarter, 2006

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## THE FIFTY MILLION DOLLAR QUESTION

### The Railroad clarifies its role in ALCAN Rail Link project

By Pat Gamble, President & CEO

What is this \$50 million for a rail extension to Canada all about? I get this question all the time. Let's see if I can help clarify the nature of this funding request and the Alaska Railroad's role in the ALCAN Rail Link project.

First, Governor Murkowski appointed the Alaska Department of Transportation and Public Facilities (DOT/PF) as the lead agency for his funding request. Over the years, the Governor has been a steadfast proponent of a rail link to the Lower 48. It has been a campaign conviction; a plank in his economic development platform. And, an inter-national rail link is consistent with the Governor's vision to provide access to

natural resources. Given the Legislature's enduring support for studying an ALCAN rail link over the last 30 years, it is completely understandable that Governor Murkowski would pursue opportunities to advance this project. Enter the 50 million dollar question.

The Governor has asked the Legislature to set aside \$50 million to fund the environmental phase (phase 2) of the ALCAN Rail Link project. Such advance funding would mean no time or momentum is lost if a feasibility study currently underway determines that the project is worth pursuing. If the study shows the project is not feasible, the legislature can re-appropriate the funds. However, if the next step is deemed

*(see "\$50 million Question" on page 2)*



The first train leaves Anchorage, headed for Fairbanks, in 1922. This is one of the remarkable historical photos that will be on display in an Alaska Railroad museum exhibit. See back page.

Alaska Railroad  
Ongoing Projects:

Eielson Branch Realignment

Northern Rail Extension

Track Integrity System

Collision Avoidance System

Fish Passage Improvements

Anchorage-to-Wasilla  
Track Realignment

Anchorage Rail Capacity Study

Whistle Noise Reduction System

Crossbuck Illumination Test

Ship Creek Intermodal Center

Chugach Forest Whistle Stop

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Seward Coal Loading Facility

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## \$50 MILLION QUESTION...

(continued from page 1)

reasonable, work can begin immediately instead of waiting an entire year for another budget cycle. The Alaska Railroad fully supports the advance funding initiative.

So what is this feasibility study? The State of Alaska, Yukon Government, British Columbia, Canadian Federal Government (through Transport Canada), First Nations (Canada), Alaska Natives, University of Alaska Fairbanks, Alaska Railroad and Canadian National Railroad are working together to determine if there is a “business case” for the ALCAN Rail Link project. The study will help answer basic questions like: How will the railroad pay for operations and maintenance? What kind of freight will be transported? Which route is the most economically viable?

I serve on the Policy Advisory Committee for the study. Additionally, the Railroad’s Director of Strategic Planning, Bruce Carr, serves on the Technical Advisory Committee. The feasibility study is not far enough along to know whether there is a business case for the project, but we expect to complete the effort this summer.

What the railroad knows now is that the \$50 million request is consistent with the Governor’s vision. It also underscores the Legislature’s instruction for the Alaska

Railroad to support rail extension to the Lower 48, as expressed in Senate Bill 327. Our involvement with the ALCAN Rail Link feasibility study is one way of fulfilling this legislative mandate.

We also know that in addition to clear support from state policymakers, the public has also spoken in favor of extending the Alaska Railroad’s reach; at least four out of five Alaskans indicate rail extension is a viable and valuable course of action. A statewide poll in December 2005 shows support for rail expansion has risen sharply since January 2003. Half of all registered voters now consider expansion to Delta Junction and beyond to be very important. This compares to about a third who said the same two years ago.

In answer to the poll question “how important is it to provide rail service to Delta Junction/Fort Greely to support military and resource development activities?” half (50.8%) said “very important” and another third (33.3%) said “somewhat important.” When asked how important it is to extend the rail link through Canada to the Lower 48, more than half (53.7%) said “very important” and another quarter (25.6%) said “somewhat important.”

By the end of June, we should know whether collective support for rail expansion makes good business sense for Alaskans. If so, the answer to the \$50 million question will be “An investment in a continental connection.” ●

## BINKLEY CHAIRS LAST MEETING; SHEFFIELD IS SUCCESSOR

Veteran Alaska Railroad Chairman John Binkley (right) presided over his last ARRC board meeting on Feb. 9, 2006, just two months shy of marking 11 years of service on the board. Binkley was appointed to the board in April 1995, and became the chair in July 1997, a position he held for nine consecutive years.

As Binkley resigned to pursue other ventures, an equally seasoned veteran of railroad leadership — former Governor Bill Sheffield (left) — assumes the chair’s position. Like Binkley, Sheffield was appointed to the ARRC board in April 1995. Two years later, he resigned from the board to become the Railroad’s CEO, which he held until July 2001. Sheffield was reappointed to the ARRC board in 2004, serving as vice chair.

ARRC board member Joe Ralston has been named as the vice chair.





*The month of January was a busy time for Alaska Railroad capital project managers (PMs), who attended one or more of ARRC's four Project Open House events. The PMs were on-hand to inform the public on the status and progress of nearly 30 federally-funded projects. A record 228 people attended the open house in Fairbanks, about 100 attended in Seward, about 90 attended in Anchorage, and another 90 attended in Wasilla. "The excellent turnout shows a high level of interest among the general public regarding ARRC's activities within and around the community," noted Northern Rail Extension PM Brett Flint (pictured). "Such strong community involvement will ultimately result in a project, and a railroad, that better meets the need of the general public, the local businesses and communities, and the State of Alaska."*

## FEBRUARY'S EXTREME WEATHER TESTS TOOLS

### Snow slides send railroad and highway maintenance crews into overdrive

Extreme February weather had Alaska Railroad crews pitted against Mother Nature to keep the mainline open from Girdwood to Seward. From clearing avalanches to dealing with power outages, ARRC crews kept pace with a rapidly changing work environment.

A sizeable avalanche near Moose Pass closed the Seward Highway and the Railroad mainline. ARRC crews worked alongside State Department of Transportation (DOT) counterparts throughout one weekend to clear a debris field measuring 2000 feet long, nearly 30 feet deep and 600 feet across.

"ARRC crews and State officials worked closely together to re-open road and rail. We had excellent coordination with DOT, ensuring that all crews were working in the safest environment possible," said Robby Hughes, ARRC Director of Maintenance.

A few years ago the railroad invested in some of the most advanced avalanche-battling tools of any railroad. These include a remote camera at the Whittier Tunnel, "blaster boxes" at select slide zones and avalanche detectors along Turnagain Arm. The investment paid off

this winter in particular. Weather forecasters estimated that 100 to 120 inches of snow fell in parts of the Chugach range during one week in February, and with a freeze-thaw cycle in effect, conditions were ripe for avalanches.

Last month, ARRC avalanche mitigation crews fired off nearly a hundred, 105 howitzer

rounds to trigger snow slides between Girdwood and Seward. With the snow released and avalanche risk lowered, crews headed in to clean up the debris. The preemptive effort reduced the likelihood of a larger slide, which could render the track impassable for much longer. ●



**Rail and road crews work to clear the debris from a snow slide in February.**

# ANCHORAGE MUSEUM SHOWCASES ARRC

## Summertime exhibit to highlight railroad history, influence, development

The history of the Alaska Railroad Corporation (ARRC) will be on display April 16 through Oct. 1 at the Anchorage Museum of History and Art, located at the corner of 7th Avenue and A Street. The Alaska Railroad exhibition, which will take center stage in the museum's atrium, highlights the construction and development of the railroad and the communities tied to it, revealing its impact across southcentral and interior Alaska during the past century.

The exhibit draws heavily on the Alaska Railroad's collection of 15,000-plus images, which are housed in the museum's archives. "It was very difficult to narrow down the photos for display in the exhibit," said Kathleen Hertel, museum co-curator. Selected photos will be enlarged and showcased on 12 panels arranged by geographic region. In addition to intriguing historical photos, the exhibit will include three-dimensional artifacts, including railroad equipment, facility signs and memorabilia from ARRC and its employees.

"This is the first time in recent history that the museum has made the railroad the focus of a large exhibit," said



Hertel. "It is really an exciting opportunity to showcase the truly wonderful photos that chronical the railroad's tremendous influence on the state's growth."

Hertel noted that the Alaska Railroad is a major exhibit sponsor. "The Railroad people have been great to work with. Certainly, we could not have done this exhibit without ARRC's assistance," said Hertel.

The public is invited to an opening reception, 1:00-3:00 p.m. Sunday, April 23. This is one of several activities planned during the exhibit's tenure, including a model railroad event, and book signing by "Get Mears!" author Katharine Crittenden. ●



Anchorage began as a tent city during construction on the Alaska Railroad from 1915 to 1921.

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2nd Quarter, 2006**

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## RAILROAD SEEKS WEED CONTROL PERMIT

**ARRC to integrate chemicals into vegetation management program**

**A** railroad track should not be covered with weeds. Yet weeds dominate along many stretches of the Alaska Railroad (ARRC). The glint of steely gray rails cannot pierce the tangle of weeds that grow with speed and vigor throughout the spring, summer and early fall. Just days after cutting, burning and pulling, the weeds grow back, again and again and again.



*Weeds overrun the mainline track in many locations.*

The weeds are winning, but this is a battle the Alaska Railroad cannot afford to lose. At stake are the safe transport of nearly half a million passengers per year and the safe transfer of thousands of tons of freight, 40% of which is hazardous material.

The Federal Railroad Administration (FRA) knows how serious uncontrolled vegetation is. That's why the FRA continues to impose fines

on the Alaska Railroad for failing to adequately control vegetation.

In 1983, ARRC stopped using chemical weed control in the face of public controversy. For the past 23 years, we've spent millions of dollars on non-chemical methods and research. We cut brush with machinery and hire people to pull and hack weeds manually.

*(see "Chemical Weed Control" on page 2)*

### PUBLIC HEARING SCHEDULE

The following public hearings have been scheduled. All public hearings will be held from 4:30 to 6:30 p.m. Hearings will start with a brief presentation, followed by public comment.

- ANCHORAGE: Tuesday, July 11 - Marriott Downtown Hotel, 7th Avenue and "I" Street
- NENANA: Wednesday, July 12 - Nenana Civic Center, 723 N. "A" Street
- FAIRBANKS: Thursday, July 13 - City Council Chambers, 800 Cushman Street
- SEWARD: Monday, July 17 - Seward Marine Center/RM Rae Education Bldg, 125 3rd Ave.
- MAT-SU VALLEY: Tuesday, July 18 - Evangelo's Restaurant, 2530 E. Parks Hwy, Wasilla
- TALKEETNA: Wednesday, July 19 - VFW Post 3836, Veterans Way and D Street
- HEALY: Thursday, July 20 - Tri-Valley Community Center, 0.5 Mile Healy Spur Road

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# CHEMICAL WEED CONTROL...

*(continued from page 1)*

In the end, these methods are simply not effective, nor practical, in keeping the weeds at bay between the rails and ends of the ties. along more than 600 miles of main, siding, branch and yard track.

The cumulative effects of inadequate vegetation control are impossible to ignore. Entrenched root systems are collecting water in the ballast, eroding the track bed. Roots cause railroad ties to heave and rail joints to connect unevenly, increasing the risk of derailment. Above ground, overgrown weeds hide holes and hazards, increasing the risk of employee trip, slip and fall injuries. And overhanging bushes and tree branches conceal important warning and operating signs.

A chemical component is critical to effective weed control. Across North America and Europe, chemical weed control plays a significant role in managing vegetation along the railways. The consensus is summed up in one article published in 2001 in the Royal Society of Chemistry journal: "The Swedish National Rail Administration has found that weed removal by chemical means is the only practical and economically realistic method and overall is also the least risky method."

Railroads are typically proud of their distinction as an environmentally sound way to transport large quantities of people and cargo. Trains produce fewer emissions, and less environmental impact per person or pound moved. Add to



*DBI Company is an industry leader in railroad weed control.*

this the fact that the Alaska Railroad has an enviable safety record – 2005 marked an all-time low in terms of employee accidents and train derailments, and our train accident rate is half the national average. Out-of-control weeds threaten to mar our industry hallmark and our company record.

Maintaining the status quo with regard to vegetation control poses an unacceptable level of risk and for this reason, ARRC has applied for an Alaska Department of Environmental Conservation (ADEC) permit to integrate chemical weed

## PUBLIC COMMENT DUE AUGUST 14

Public comment must be received by August 14, 2006, and sent to the Department of Environmental Conservation at the address below:

Department of Environmental Conservation • Pesticide Program  
555 Cordova Street • Anchorage, AK 99501  
Contact: Sandra M. Woods  
Phone: (907) 269-7802 • Fax: (907) 269-7600  
Email: [sandra\\_woods@dec.state.ak.us](mailto:sandra_woods@dec.state.ak.us)

control into our vegetation management program. Our permit application proposes to use three types of weed control products - Razor Pro (glyphosate), 2,4-D and Oust Extra. Razor Pro and 2,4-D listed as General Use herbicides under

federal law and used in products commonly available over-the-counter in home and garden stores under various brand names including Round-Up and Weed-B-Gone. Oust Extra is a restricted use herbicide, meaning only a licensed professional may apply it.

Our vegetation control plan includes hiring the most qualified licensed professionals to apply the weed control products. Leading industry experts in railroad vegetation control will use state-of-the-art equipment with low-volume, low-pressure ground-directed application to target only our track bed and operating yards.

Our goals are to fashion a vegetation control program that is responsible and responsive to local concerns, while protecting our employees, customers and neighbors. ●



*Specialized equipment directs chemical weed control on the track.*

# LEGISLATURE APPROVES TAX-EXEMPT BONDING

## Tax-exempt bond capability to accelerate Railroad track rehabilitation program

**T**his past session, the Alaska Legislature unanimously passed legislation authorizing the Alaska Railroad to issue tax-exempt bonds totaling up to \$165 million.

The bonds would be backed by the Federal Transit Administration (FTA) formula funds. ARRC receives FTA funds annually, offering a predictable cash flow to repay bond debt.

Bond proceeds will be used primarily to accelerate track rehabilitation efforts on mainline track. This includes continuously welded rail (CWR), installing concrete ties on sharper curves, and replacing aging wooden ties.

While mainline track refurbishment is the primary project identified, a portion of the bond proceeds will also be used for technology upgrades and passenger equipment.

Although ARRC has flexibility to issue the bonds in one or several transactions, the current plan is to issue debt in 2006, 2009 and 2012. The Alaska Railroad Board of Directors is required to approve each bond issuance and associated projects.

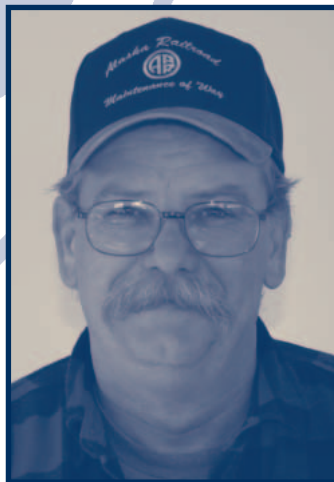
ARRC's unique bonding ability opens the doors for other uses. ARRC supports using its tax-exempt bonding authority to finance projects that benefit the State of Alaska or its railbelt cities — such as the natural gas pipeline project and the Northern Rail Extension from Eielson to Delta Junction. These projects fall in line with the railroad's mission to foster state economic development.

“Up to this point, ARRC has never issued bonds,” noted ARRC President & CEO Pat Gamble. “We believe it's time to move ahead cautiously and use our debit capacity wisely.”

# ARRC EMPLOYEE WINS NATIONAL SAFETY AWARD

## Veteran heavy equipment operator named Safety Person of the Year 2005

**A** 20-year veteran heavy equipment operator employed by the Alaska Railroad recently won a prestigious national railroad safety award. Dwight West was named the 2006 American Short Line and Regional Railroad Association's (ASLRRRA) Safety Person of the Year during the ASLRRRA's national convention in Orlando, Florida, in late April.



*Dwight West*

West began his career with the Alaska Railroad in 1998. His first five years were spent in the Heavy Equipment Division, where he also became a member of the Engineering Safety Team.

In 2003, West accepted the Engineering Safety Coordinator position, serving as a liaison between management and Maintenance-of-Way crews to resolve safety issues and

concerns. He developed an orientation process to educate new employees on work place safety. He also established a corporate-wide campaign – Safe Zone – designed to heighten awareness of personal responsibility for safety.

In 2005, West spearheaded an 18-month overhaul of ARRC's safety rulebook. West is a member of the Alaska Railroad's Central Safety Committee (CSC), comprised of employees and management. As CSC chair, West helped establish a Safety Poster contest for Railbelt elementary school students.

“The least we can do is to accept responsibility and ownership of our personal safety,” said West of his own philosophy on safety. “The best we can do is to accept responsibility for those we come into contact with; to lead and mentor with our skills and experience, and to insure a safe path from the beginning of each day to the end.” ●

# INITIATIVE BOOSTS ALASKA RECYCLING EFFORTS

## Locally recycled glass provides ARRC locomotives with superior traction

The Alaska Railroad has traded imported sand for locally recycled glass grit to provide its fleet of locomotives with traction in slippery conditions or when climbing hills. ARRC locomotives are equipped with delivery systems that spread traction control media — such as sand or glass grit — onto the track.



annually of glass bottles and containers. In operation since the mid 1990s, the glass plant has had difficulty operating at a profit due to high production and maintenance costs and limited markets for the sandblasting media, its mainstay product. The railroad's need for 350 tons of traction media annually will add substantially to the plant's market.

On June 2, ARRC accepted its first load of *Alaska Gold*, which is made from locally recycled waste glass. Previously, ARRC used high silica content sand shipped from Wisconsin.

The glass-for-sand replacement initiative got the green light this spring, after the glass grit passed a variety of chemical and physical tests. Jay Boggess, ARRC Senior Manager of Motive Power, said, "So far, the glass is performing well on the track. It is also superior to the sand in that the glass flow easily and does not cake as it feeds through the locomotive's applicators."

The move also heralds a much-needed boost for Anchorage's glass recycling plant currently owned and operated by Anchorage-based Polar Supply Company. Anchorage residents and businesses currently recycle over 1200 tons

The recycled glass option is expected to yield a number of benefits for the Railroad. The non-toxic glass grit does not produce potentially harmful silica dust and contains no metals. Glass is cost competitive when considering the shipping expense associated with the imported sand. The glass is readily available as needed; and Polar Supply has helped the Railroad to configure a new delivery system that will save crane costs and minimize the need for employees to climb the traction sand silo.

Mayor Mark Begich, along with Anchorage and Alaskans for Litter Prevention and Recycling (ALPAR) has been working on ways to improve Anchorage's recycling system. "This is a win-win for Anchorage's recycling system and the for Railroad," said Mayor Mark Begich, "It's a significant new use for an environmentally-friendly, locally-manufactured product that will have help retain local jobs and reduce waste." ●

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## SPILL DRILL TESTS "SECRET WEAPON"

**Alyeska Pipeline/SERVS offers swift water guidance**

**A**s rain blew sideways, Railroad spill responders gathered on a muddy shore of the Placer River just south of Portage, preparing to deploy 15 responders and never-before-tested equipment designed for swift water situations. Ideal for the test, the river was high and moving fast after an overnight downpour.

The Alaska Railroad's annual mid-summer spill drill was similar to previous drills, except for the added evaluation of a "secret weapon." During the 2005 drill near Talkeetna, ARRC responders discovered they needed a better system to deploy oil recovery equipment in fast water situations. After the 2005 drill, ARRC sought the counsel of Alyeska Pipeline/SERVS response organization, a leader in fast water response.

Alyeska jumped in to help, first organizing a clinic in January to demonstrate how swift water spill response is done. Secondly, Alyeska/SERVS suggested that ARRC buy a simple device that Alyeska/SERVS deploys when attacking swift water spill situations. This secret weapon is called a BoomVane. Resembling a multi-tiered kite, the BoomVane is a cascade of vertical wings mounted in a rectangular frame. Powered by the river's current, the BoomVane rapidly deploys an oil boom in fast water, providing spill control and



*Responders assemble the BoomVane apparatus.*

recovery without using boats, mid-stream anchors or fixed installations.

ARRC purchased four BoomVanes and at this year's drill, Alyeska Pipeline /SERVS team members were on hand to show how to assemble and deploy the device. Once the boom was ready for deployment, the BoomVane was pushed into the swift current. Sure enough, it worked as advertised, moving smoothly and effortlessly through the water, towing boom behind. "With the transfer of knowledge that occurred today from our friends at Alyeska Pipeline, we know that in a swift water spill situation we now have the tools to make an efficient and successful recovery," said Marc Peterson, ARRC Manager of Environmental Services and Response. ●

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# CEO UPDATE ON WEED CONTROL PUBLIC OUTREACH

by Patrick Gamble, ARRC President & CEO

In the last eight years, the Alaska Railroad has gone from one of the weakest performers on safety to one of the best in the nation's rail industry. Why? Management and union employee commitment to safety is the key. The other factor is an operating philosophy that prescribes we identify risk and drive it to the lowest possible levels.

The latter compels our dogged pursuit of chemical weed control. The risk is clear: plants, roots and stumps will continue to impede drainage and weaken the track structure, pose slip-trip-fall hazards to employees, and obscure critical clues for track inspectors. The risk is identified not only by the Alaska Railroad, but also by federal regulators who continue to push ARRC to rid the track of vegetation. We have tried alternative methods and they simply don't work where it counts... between the rails, from tie-end to tie-end.

Under the permit plan, which is being reviewed by the state Department of Environmental Conservation (ADEC), a special truck, operated by a licensed and experienced contractor, would apply commercially available weed killers to an area roughly eight feet from the centerline of the track, far from the border of the right of way, and away from adjacent land users. There would be a clearly defined no-application buffer around waterbodies. Other restrictions would apply as placed by ADEC, all designed to keep the spray only where it is supposed to be.

In a mailing to 24,000 adjacent landowners, we've received just over 130 total responses. Most of them are giving us helpful information that will assist in developing restrictions;

Some are asking for more information. A series of public hearings on the proposal was sparsely attended, with the exception of the hearing in Talkeetna. Despite a lack of outpouring of opposition from most constituents (again, except in one small community), local governments are unexplainably responding to only the loudest voices.

So far, comments opposing the permit fall into one of three major categories. They are against it... :

- "...because it will harm humans, fish or wildlife."
- "...because there isn't really a problem."
- "...because the railroad has other effective alternatives to controlling weeds."

In each case, we have solid answers.

First, the products we intend to use have been researched, tested and approved by the U.S. Environmental Protection Agency (USEPA); in fact, two of the three products are available right now, at any hardware or garden store. (The third doesn't really have a home-and-garden market, but it's widely used in industrial or large agricultural settings.) They're not experimental, and they're often mixed together. The USEPA and the State of Alaska — as well as all other 50 states and Canada — have determined that when used properly, the products pose no threat to human health or the environment. When mixed and applied right, they don't accumulate in animals, they break down quickly upon contact with soil, they don't migrate to groundwater, and they don't persist in the environment. That's what the regulators

*(see "Safety Drives Weed Control Permit" on next page)*

## ARTRAIN IN ALASKA

*Pulled by ARRC, Artrain USA is rolling through Alaska during September and October, stopping in Seward, Palmer, Nenana, Fairbanks and Anchorage. Artrain USA is an art museum, housed in vintage rail cars, which brings world-class exhibits and education programs across the nation via rail. The current exhibition is "Native Views: Influences of Modern Culture." Renowned Alaska Native artist Anna Brown Ehlers (Tlingit Northern Chilkat, pictured) is serving as onboard Artist Fellow during Artrain's first-ever tour in Alaska.*



# SAFETY DRIVES WEED CONTROL PERMIT APPLICATION ...

*(continued from previous page)*

have determined, that's not just an opinion of the railroad, and it is based on many years experience.

Next, is vegetation a real problem? Indeed it is. Although the weed problem is not uniform from one end of the railroad to the other, weeds, small alders, conifers and grasses — along with their root systems — are a problem railbelt wide. Some folks wonder how we've gotten along without using herbicides for more than 20 years. It's because in the last decade, much of the railroad has been completely rebuilt — new rail, new ties, new ballast rock, and in some areas, brand new track on brand new alignments. Plant growth was eliminated in the process. Now we are seeing broad reemergence of our old problem.

And as far as alternative go, sad to say, there are not effective alternatives available to our railroad, or any railroad. Virtually every major U.S. and Canadian railroad — along with Norway, Germany, Sweden, to name a few other northern countries — use some measure of chemical weed control. Steam, hot water, ultraviolet, burning, and other non-chemical methods have been tested, tried, and rejected. They do not get to the root of the problem and they are certainly not able to keep up with 500 miles of track during our accelerated growing season.

Yet in the face of all this evidence, local governments, responding to requests by a few individual constituents or from small activist organizations, have passed resolutions opposing the railroad's proposal, citing the arguments listed above, but not data supporting them. We have been invited by only one local government — Seward — to actually make a presentation. We can only conclude here that the facts don't count.

I understand citizen concerns about science that is unfamiliar to them, and I certainly respect their right to disagree. However, I hope that local governments and other organizations will take time to consider the facts as they apply to the issue at hand, and will trust the verifiable science. I hope they respect the fact that the Alaska Railroad is attempting to deal with a significant state safety and maintenance issue by resorting to a regulated, tested, and universally approved weed control method that has passed muster with the experts that we, as citizens, have hired in our state government to protect human health and the environment.

Simply saying no, and suggesting that the railroad think harder about how to do vegetation control different than the rest of the industry does nothing to constructively address the problem. And it directly condones ignoring a threat to the safety of our state rail transportation system, which the Alaska Railroad management strongly advises against. ●

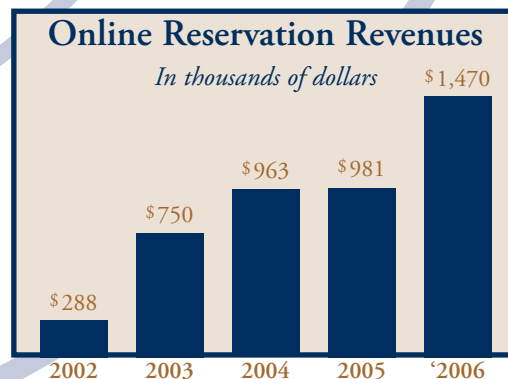
## ONLINE TOUR AND TRAVEL RESERVATIONS SOAR

### Railroad sees 500% increase in passenger revenues booked via the Internet

The Alaska Railroad has experienced a 500% increase in passenger revenues that are generated via the Internet. In the past five years, income from online reservations grew from \$288,000 in 2002 to \$1.47 million in 2006.

As ARRC entered the millennium, it was clear the Internet was fast becoming an integral part of conducting business and arranging leisure time for millions of people worldwide. The public in general has come to expect instant access to product information and purchases. Travelers in particular want to investigate transportation and tour possibilities on their own. The Alaska

Railroad responded to this evolution in travel planning with an increasingly Internet-friendly direction in customer service.



In 2002, ARRC installed a new reservation system with the ability to accept online reservations for rail transportation only. Subsequently, ARRC added online booking for rail packages that include accommodations, tours and other activities offered by visitor industry partners. With the arrival of two double-decker luxury coaches in 2005, ARRC began providing GoldStar first-class service, and in 2006 ARRC modified the reservation system to accept online booking for this new offering. This latest move spurred another significant jump in online sales revenue. ●

# SNEAK PEAK: 2007 ALASKA RAILROAD POSTER

ARRC commemorative poster available during pre-Christmas artist signing events

The Alaska Railroad's annual commemorative poster will be available just in time for Christmas gift giving. Poster kick-off sales events are scheduled for December 9 at the new depot in Fairbanks and on December 16 at the Historic Ship Creek Depot in Anchorage. The artist will be on hand at both events to sign posters and prints.

The 2007 poster's creator is North Pole resident Art Chase, an avid rail fan who routinely braves 30- to 50-below temperatures to capture Alaska Railroad trains on film during the Interior's ultra cold winters. With railroad enthusiasm that extends well beyond art and photography, Chase single-handedly built a one-mile, 7-1/2 gauge, 1-1/2 scale riding railroad track around the Santa Claus House in North Pole — no easy feat for a well-equipped railroad crew, much less one man fueled by the love of all things railroad. Chase also dabbles with model trains and helps to rebuild authentic steam locomotives. In fact, he helped to restore the old Tanana Valley #1 engine in Fairbanks.

Fittingly, Chase's poster design incorporates a graphic salute to the steam engines of yesteryear. His preliminary sketch (pictured) includes an old steam locomotive signifying the past, a new locomotive signifying movement toward the future, and the rock solid constant that makes Alaska — Mount McKinley.

Preferring the mediums of oil painting, pencil drawing and airbrushing, Chase has a tight, detailed style that has appealed to many who have purchased his aviation prints over the years. ●



*Left: Art Chase takes on the role of engineer, operating the old steam locomotive, No. 618, in Utah.*

*Below: Art Chase's sketch outlining his preliminary design for the 2007 Alaska Railroad commemorative poster. Chase is currently painting the design, and is on track to finish in time for pre-Christmas printing and subsequent sales deadlines.*



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4th Quarter, 2006**

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## RECORD-BREAKING YEAR REFLECTIONS

**Bests in safety and contributions; firsts in financials and facilities**

**T**he year 2006 goes down in history as one of the Railroad's best in terms of safety (*separate story page 2*), financial activities, capital investments and community contributions (*story page 4*). Remarkable milestones were realized in all four arenas, with record-setting safety statistics, a pioneering revenue bond sale, prototype facility and technology assets, and community contribution benchmarks.

### FINANCIALS

Passenger services moved more than a half million (523,057 forecast) passengers during 2006, generating record-level revenues that broke the \$20 million mark. It helped that revenue from Internet reservations nearly doubled over last year, due in part to the ability to book Gold Star first-class upgrades online.

2006 saw a dip in fuel transport because Flint Hills stopped producing naphtha, yet overall freight revenue maintained solid levels. A rally came from BP's pipeline replacement efforts, which called for three additional rail-barge sailings. Gravel volume was the third-highest, and the addition of 26 flat cars increased trailer and container capacity.

In 2006 ARRC received legislative approval to sell \$165 million in tax free revenue bonds, primarily to accelerate track and bridge rehabilitation programs. \$76.4 million was



issued in 2006 for the first phase. Bonds will be repaid with an annual allocation of Federal Transit Administration formula funds.

Company assets rose 25% over last year to a \$720 million forecast value, due in large part to \$90.1 million invested in rail equipment, infrastructure and facilities in 2006.

### CAPITAL PROJECTS - EQUIPMENT

ARRC put two new single-level dome passenger coaches into service in 2006, increasing capacity by 136 seats. An additional single-level and two bi-level coaches were ordered in 2006 for arrival in 2007, adding 212 seats.

With funding from the Forest Service, ARRC ordered a DMU self-propelled "commuter"

(see "Reflections on 2006" on page 2)

Alaska Railroad  
Ongoing Projects:

Northern Rail Extension

Ft. Wainwright Realignment

Fairbanks Area Realignment

Nenana Realignment

Collision Avoidance System

Anchorage-to-Wasilla  
Track Realignment

Anchorage Rail Capacity EA

Whistle Noise Reduction System

Crossbuck Illumination Test

Ship Creek Intermodal Center

Chugach Forest Whistle Stop

South Wasilla Rail Realignment

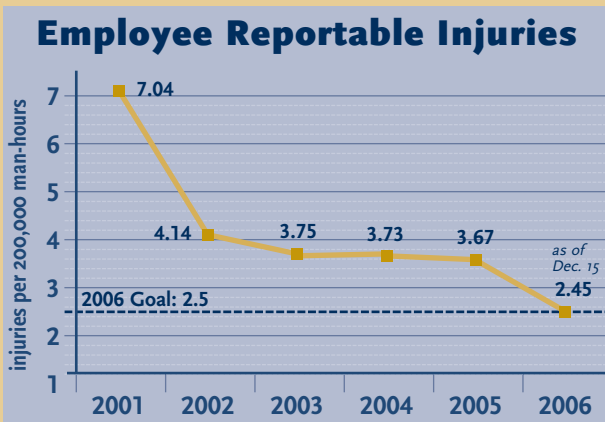
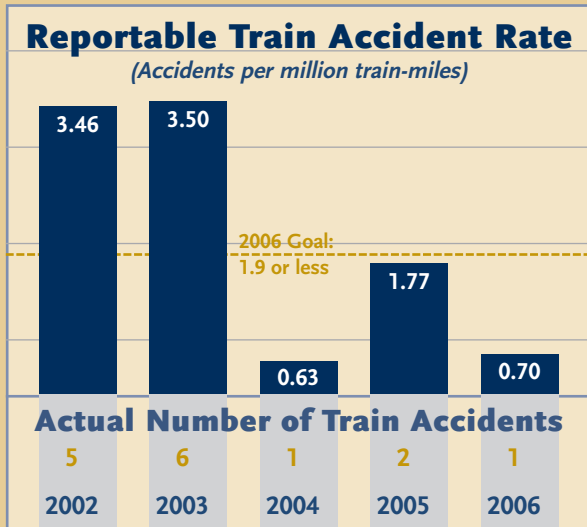
Seward Freight Dock Expansion

For updates or comments on  
these projects, visit the Alaska  
Railroad web site at  
[www.AlaskaRailroad.com](http://www.AlaskaRailroad.com)

# EMPLOYEE CARE = SAFETY †

The Alaska Railroad is on track to have the safest year in company history. The year 2006 began with news that ARRC was awarded the American Short Line and Regional Railroad Association's (ASLRRA) "Jake Award" for exceeding the industry standard in safety performance for 2005. Weeks later, ASLRRA named an ARRC Maintenance-of-Way employee as the Safety Employee of the Year.

In November, our Telecommunications Section celebrated 10+ years without an injury. With just two weeks to go in 2006, the employee injury frequency rate (injuries per 200,000 man-hours) of 2.45 is our lowest ever, and is a 65% drop from five years ago. During this same five-year period, lost work days due to accidents decreased by 60% and the number of derailments plunged by 74%. As of December 15, ARRC had cut vehicle accidents by over 50% over last year. Our current train accident rate (train accidents per million train-miles) is 0.70 — a fifth of the national railroad average of 3.52! ●



# REFLECTIONS ON 2006...

(continued from page 1)



A self-propelled DMU railcar, similar to the one pictured, is on order to support the new Chugach Forest Whistle Stop Service.

railcar. The DMU will be the conduit for a new whistle stop service between sites that are interconnected by popular trails within Chugach National Forest.

## CAPITAL PROJECTS - RAIL EXTENSIONS AND REALIGNMENTS

- **Northern Rail Extension:** Funding from the Department of Defense (DOD) is being used for environmental and engineering to extend the rail line from Eielson AFB, 80 miles southeast to Fort Greely/Delta Junction area to support the Stryker Brigade and Air Force training. As lead agency, the Surface Transportation Board (STB) initiated Environmental Impact Statement (EIS) efforts in 2006; a preferred alignment is expected in spring of 2007.
- **South Wasilla Rail Realignment:** Project eliminates four at-grade crossings and reduces curves along four miles of track in south Wasilla. This is part of a larger effort to straighten track and improve safety between Girdwood and Wasilla, a likely future commuter rail corridor. In 2006, ARRC progressed with right-of-way (ROW) acquisition and continued to seek construction funding.
- **Nenana Rail Realignment:** Project straightens significant curves, eliminates two miles of rail, and grade separates major highway crossings. In 2006, ARRC pursued ROW acquisition and sought construction funding.
- **Fort Wainwright Rail Realignment:** Funded by DOD, the realignment project on Fort Wainwright removes virtually all collision, hazardous materials, noise and safety risks from the main base area. The project focused efforts on an Environmental Assessment (EA) in 2006, which should be available for public comment in early 2007. Construction may begin as early as late summer 2007.
- **Fairbanks / North Pole Area Rail Realignment:** In 2006 ARRC continued investigating alignment alternatives stretching from the south of Fairbanks to North Pole. The overriding goal is to eliminate as many of the 45 at-grade highway/railroad crossings as is feasible while reducing freight and hazardous cargo activity in more urban, populated neighborhoods. ●

# DENALI CAR OFFERS AN EXCEPTIONAL EXPERIENCE

1920s railcar restored to Victorian-era glory and ready for use by charities and businesses

**O**mnate. Opulent. Over-the-top. However it's described, one thing is certain — the ARRC *Denali* railcar is sure to be a pleaser for any group looking for something very special to offer its members and supporters.

Built in the 1920s, the aging *Denali* car was slated for the railcar graveyard, until the Rasmuson Foundation and Ed Rasmuson came to the rescue. Rasmuson provided a sizeable portion of the funding, and the Railroad ponied matching funds, so that instead of being retired, the *Denali* car was meticulously restored to its 1920s Victorian-style glory.



Its three sleeping rooms-and-office configuration has been converted into a luxurious dining room and plush sitting area, one sleeping room, a



decorative restroom complete with shower, well-appointed stainless steel kitchen and observation deck. It is the consummate host's ultimate facility. Up to 12 people can

comfortably relax in the car's plush couches and stuffed chairs. And when dinner is served, the same guests can be seated in ultra-comfortable red chairs pulled up to the long beautifully finished table.

In keeping with the Foundation's vision of charitable use, ARRC will donate the car to a handful of charitable organizations each year to be used in fund-raising or other activities that benefit the charity. The remaining time, the Alaska Railroad will offer the car for charter to groups and organizations looking for an extraordinary experience. Donation policy and retail pricing are currently being developed. ●

## OPEN HOUSES SHOWCASE CAPITAL PROJECTS

Four events scheduled in January — Fairbanks, Seward, Anchorage, Wasilla/Palmer

**T**he Alaska Railroad has scheduled four open house events in January to showcase plans for capital improvements during 2007. These venues provide an opportunity for the public to review and comment on an annual proposed Program of Projects (POP). 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 Railroad system from Seward to Fairbanks. The schedule for the POP Open Houses are as follows:

- **FAIRBANKS** — 4:00 - 6:30 p.m. Wednesday, January 17, at the ARRC Depot, 1745 Johansen Expressway. Emphasis on projects located in Interior Alaska.
- **SEWARD** — 9:00 a.m. to 2:00 p.m. Saturday, January 20, at ARRC's Passenger Dock Terminal on Port Avenue. Emphasis on projects located in Seward and along the mainline leading from Anchorage to Seward.
- **ANCHORAGE** — 4:00 - 6:30 p.m. Wednesday, January 24, at the ARRC Ship Creek Historic Rail Depot, 411 West First Avenue. Emphasis on projects located in and around Anchorage and Southcentral Alaska.
- **WASILLA/PALMER** — 4:00 - 6:30 p.m. Thursday, January 25 at Evangelo's Restaurant, 2530 E. Parks Highway. Emphasis on projects located in and around the Mat-Su Valley.

For more information, call Public Involvement Officer Stephenie Wheeler at 265-2671. ●

# EMPLOYEE GENEROSITY, ARRC CITIZENSHIP IN 2006

## ARRC offers train experience to hundreds, employees donate dollars by the thousands

Every year, the Railroad contributes nearly a million dollars to Alaskan communities through in-kind and cash contributions to charitable and civic organizations, and through low-cost land leases to local governments with uses aimed at improving resident quality of life. The year 2006 was no exception, as Alaskans benefited from railroaders' significant generosity and ARRC's citizenship.



*Holiday Train reveler.*

Notably in 2006, a number of special-event trains offered professional and personal enrichment. In April, emergency first responders in communities along the Railbelt were offered hands-on safety and emergency preparedness training from railroad and state safety and public health professionals. Through onboard class instruction and realistic drills, front-line participants learned what to expect and how to respond in case of a train accident, hazardous material incident, and bird flu pandemic.

Artrain USA, a traveling national art museum, visited five Alaskan communities early this fall, courtesy of the Alaska Railroad. With doors open to the public and to school tours, the special train offered Alaskans a look at world-class art

exhibitions and exposure to art education programs.

ARRC's "Sea Train" propelled 4,000+ Anchorage School District fifth-graders on an educational journey to Seward via a rolling classroom and science lab. Nine Sea Trains ran during October.

During the Alaska Federation of Natives Convention in October, ARRC operated a free train shuttle between the airport depot and the Ship Creek depot, offering a taste of commuter-like service to AFN delegates and the public at large. About 1,200 took advantage.

The Railroad moved 450+ Government Hill Elementary students — the entire school — through a winter wonderland of snow in early December via an annual Holiday Train, as part of our school business partnership.

ARRC's employees broke records for giving during the 2006 United Way Campaign. Individual railroaders pledged a total of \$103,500 — about \$5,000 more than in 2005. After covering campaign costs, the Alaska Railroad paid a dollar-for-dollar match, bringing total Alaska Railroad cash contributions to nearly \$200,000. ●

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