



COMMUNITY

Alaska Railroad Corporation
1st Quarter, 2008



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Alaska Railroad
Ongoing Projects:

Northern Rail Extension

Ft. Wainwright Realignment

Fairbanks Area
Rail Relocation

Nenana Rail Relocation

Collision Avoidance System

Port MacKenzie Rail Extension

Crossbuck Illumination Test

Ship Creek Intermodal Center

Chugach Forest Whistle Stop

South Wasilla Rail Relocation

Anchorage Capacity
Yard to Airport Spur

Seward Freight Dock
Expansion

For updates or comments on
these projects, visit the Alaska
Railroad web site at
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ARRC ADDS TO FIRE-FIGHTING ARSENAL

Old tank railcars convert into water-filled fire suppression assets

As springtime draws closer, so does the risk of wild land fires. The Alaska Railroad is doing more than ever to address the dangers posed by fires along the track.

On the fire prevention side, ARRC locomotives are outfitted with the latest design in exhaust spark arresters approved by the U.S. Forest Service.

On the response side, the ARRC track crews are equipped with water jugs and sprayers to suppress small fires. However, if a fire grows, they turn to the professionals within the Alaska Department of Natural Resources (ADNR). It is at this juncture where the railroad has made the most progress — boosting professional-led firefighting efforts.

ARRC is close to finalizing a letter of agreement with ADNR's Division of Forestry to provide reciprocal assistance in the event of a fire along the rail line. As part of the agreement, ARRC recently converted nine 20,000-gallon tank railcars to hold water. These will be deployed in pairs to five strategic locations along the rail line.

No longer federally qualified to haul petroleum, these aging tank cars were to be sold to the scrapyard. But after second thought, the cars were thoroughly cleaned, donated for water use only, and clearly marked to underscore their role in fire suppression.

In addition to boosting fire-fighting capability with on-site water sources, the railroad has been collecting information to help gauge the potential severity of future fires. Last summer, ARRC inventoried the track from Anchorage to Fairbanks, taking note of fire-related conditions, mile-by-mile. This summer the inventory will cover Anchorage to Seward.

(See "ARRC Boosts Fire-fighting" on page 2)

Below, a converted tank car awaits deployment along the rail line. Left, a graphic message on the car's use.



ROUND-UP: RAIL REALIGNMENTS AND EXTENSIONS

ARRC pursues track relocation projects in southcentral and interior Alaska

Port MacKenzie Rail Extension: In February, the federal Surface Transportation Board (STB) issued a Notice of Intent (NOI) to prepare an Environmental Impact Statement (EIS), and hired ICF International to prepare the EIS. The month prior, the Mat-Su Borough (MSB) and ARRC joint project team provided the STB with a Preliminary Environmental and Alternatives Report (PEAR), which compiles five months of public involvement, environmental and engineering activities. The report is available at the ARRC/MSB project web site — www.portmacrail.com — or on CD by contacting Stephenie Wheeler, 265-2671. People can participate and stay informed via the STB's EIS web site — www.stbportmacraileis.com.

Northern Rail Extension: The STB is nearly done with reviewing proposals for building an 80-mile rail extension between North Pole and Delta Junction. A draft EIS is expected in 2008. A key component of the project is rail access over the Tanana River. ARRC's preferred alternative includes a river crossing near Salcha. This would also provide the military with year-round access to the Joint Tanana Training Complex, which is currently only available by ice road at unpredictable times in the winter. On March 6, ARRC hosted a public open house to update Salcha residents on the extension project and specific plans for the river crossing and flood mitigation near their community.

Fairbanks Area Rail Line Relocation: ARRC continues an analysis of options to relocate the track outside congested and urban areas of Fairbanks and North Pole. Analysis thus far underscores the need for a phased approach in order to complete the costly and complex realignment. The first phase focuses on the area around North Pole. As part of the project, ARRC also commissioned a study to explore possibilities for

passenger and commuter rail service between communities along the stretch from Denali National Park to North Pole. A draft preliminary report in January indicated that the market is not yet developed enough to support commuter rail between Fairbanks and communities in the direction of the park. However, as the population base grows, these services could become viable.

Nenana Rail Line Relocation: With the Environmental Analysis (EA) completed and approved (2004), and the route chosen and final design accomplished (2005), ARRC began buying land for the right-of-way in 2006. Land acquisition continues and will be completed in 2008, setting the stage for eventual construction. Funding has not yet been identified for construction, estimated to cost \$25 million.

Anchorage-to-Wasilla / South Wasilla Rail Relocation: Straightening some 40 curves between the Anchorage Yard and Wasilla is all but completed, except for the finishing touches on the Knik River Bridge (due in 2008) and the Beach Lake Recreational area curve, which is on-hold indefinitely due to a massive underground ice lens. The four-mile South Wasilla Rail Relocation picks up where community-to-community realignment left off. In 2006, the South Wasilla project moved into land acquisition for Phase One, the big curve between MP 154 and MP 156, and will continue in 2008. Funding is not identified for Phase One final engineering and construction, estimated at \$24 million.

Road/Rail Relocation Around Wasilla: The Department of Transportation continues to take the lead on this effort to identify a viable route for the highway and mainline rail to move outside of downtown Wasilla. ARRC will help keep the community informed on opportunities for public involvement in 2008 and beyond. ●

ARRC BOOSTS FIRE-FIGHTING...

(continued from page 1)

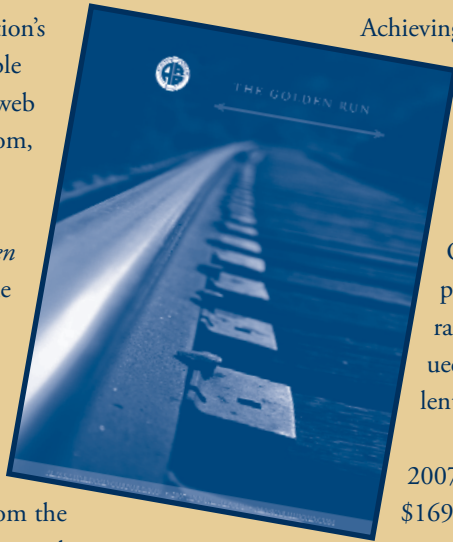
Fire risk is the product of fuel types, fuel density and seasonal conditions. For example, spruce trees are extremely flammable, and a patch of spruce growing closely together might identify an area as high risk for becoming a conduit to spread wildfire. And periods of warm, dry, windy weather can turn a normally low-risk area into a potential tinderbox.

Such fire-related information is being incorporated into ARRC's Track Chart. This booklet illustrates the track structure, milepost locations, and geographical features along the railroad's main line and branch lines. Soon, it will become the latest in the Alaska Railroad's growing arsenal of tools to combat fire along the track. ●

2007 ANNUAL REPORT HIGHLIGHTS "THE GOLDEN RUN"

The Alaska Railroad Corporation's 2007 Annual Report is available for public review on ARRC's web site — www.AlaskaRailroad.com, — beginning in April.

This year's theme is *The Golden Run*, a term used to define the most efficient possible train run between two points. To achieve it, everything has to be near perfect, meaning the entire railroad team has to perform with excellence — from the crew operating the train, to the track gangs maintaining the line, to the accounting technician cutting the payroll checks.



Achieving excellence requires continual effort — taking stock and moving forward. That's what it was all about for the railroad last year. 2007 was a year of re-establishing baselines. We took stock of achievements from our previous five-year plan, and used it to engineer the next five-year plan. Our goals: increased operational flexibility, precise performance tracking, a better expense-to-revenue ratio as reflected by net operating income, continued improvements in safety — overall, a more excellent railroad.

2007 was a solid financial year with total revenues at \$169.3 million, total expense at \$153 million and net income at \$16.3 million. Our assets grew another \$120 million and now total \$835 million. ●

RAILROAD EARNS GREEN STAR AIR QUALITY AWARD

Green Star approves original award recertification and separate air quality honors

During February, the Alaska Railroad received notice that its quest to recertify a Green Star Award and to earn a separate and additional Green Star Air Quality Award were both approved. A formal award presentation is planned for April 21 at the Anchorage Chamber "Make it Monday" forum.

"The standards committee was very impressed with the Alaska Railroad Corporation's efforts, as well as its thorough documentation," said Green Star Membership Director Jean Marie Guzzetti in a memo congratulating ARRC on the award.

Of note, the railroad was recognized for its holistic approach to reducing



locomotive emissions. Significantly fewer emissions have been achieved through the purchase of newer, more efficient locomotives; establishing locomotive operating policies that promote fuel efficiency; installing on-board equipment that reduces engine idling; and a switch to using ultra low sulfur diesel fuel five years before the EPA-mandated deadline.

In addition, ARRC has been a proponent of commuter rail service, having sponsored a southcentral Alaska commuter rail study and operations plan, constructed track and depot infrastructure, and served in an advisory role for local government and public support groups.

ARRC is also a partner in offering the Ship Creek Shuttle, a public transit service connecting lower downtown and upper downtown Anchorage, where there is a public bus system connection.

ARRC's Green Star and Air Quality award submissions and supporting information (appendices) are posted on www.AlaskaRailroad.com. Click the Information tab, then Safety & Environmental, then Green Star. ●

WHISTLE STOP TOUR OFFERS LIFE-SAVING COUNSEL

Biennial effort reaches emergency responders, school children and public at large

The Alaska Railroad is rolling into 10 railbelt communities March 31 through April 12 to offer practical information and instruction aimed at preventing and preparing for a variety of emergency situations. The 2008 Alaska Railroad Emergency Response Whistle Stop Tour begins in Seward, with subsequent stops in Whittier, Palmer, Wasilla, Talkeetna, Healy, Nenana, Clear AFS and Fairbanks, and ending in Anchorage.

The tour trains fire-fighters, medics and other emergency responders what to consider in the event of a train accident through classroom instruction, and hands-on exercises. It also offers potentially life-saving information to the general public through a mobile “fair” with presentations, experts and materials to help plan ahead to avoid or mitigate situations ranging from wildfires and natural disasters, to crime and railroad hazards.

Partners include the Alaska Departments of Environmental Conservation (ADEC) and Health & Social Services (ADHSS). Along with information from sponsors, several nationally-recognized preparedness programs are represented: Community Emergency Response Team (CERT), Citizen Corps (homeland security), Neighborhood Watch (crime prevention), Operation Lifesaver (rail safety), FireWise Alaska and Smokey the Bear (wildfire prevention).

“The Alaska Railroad is required to periodically coordinate with the emergency response community on responding to



Front-line emergency responders, such as fire-fighters, receive vital training (Photo from a simulated exercise during summer 2007).

accidents and incidents involving freight and passenger trains,” said Alaska Railroad Environmental Services & Emergency Response Manager Marc Peterson. “The Whistle Stop Tour program fulfills that mandate, but goes even further. These face-to-face forums allow for a true partnering with local emergency organizations. At the same time, the traveling train provides a venue to reach everyday citizens with tools that can save lives and property.”

A biennial effort, the 2008 Whistle Stop tour is bigger than ever, with an expanded outreach to emergency response organizations, elementary schools and the general public. Additional details are available on the Alaska Railroad web site – www.AlaskaRailroad.com. Click on INFORMATION, then COMMUNITY. On the left, click on Emergency Response Whistle Stop Tour. ●

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ARRC MOVES 1,000 MILITARY VEHICLES

Seven-train mobility supports Fort Wainwright deployment to Iraq



A 40-car train carrying military vehicles pulls into the Port of Anchorage. (Photo by David Blazejewski)

Three hundred railcars stretching 24,000 feet long and hauling 28,000 tons sums up one of the Alaska Railroad's biggest military moves to date. From May 29 to June 10 ARRC hauled nearly 1,000 military vehicles in support of the Fort Wainwright Stryker unit's 3,900-soldier deployment to Iraq. Strong leadership, commendable teamwork, exemplary communication, and an excellent rapport between the railroad and military led to an ultra-efficient operation executed ahead of schedule and with fewer resources.

Seven 40-flatcar trains were used to move nearly 300 Stryker vehicles plus hundreds of support vehicles in all shapes and sizes. On the loading end in Fairbanks, Army personnel guided their vehicles onto the flatcars, while railroad work leaders directed their location on the flatcars.

The expertise of both maximized the number of vehicles that fit onto each flatcar.

On the south end at the Port of Anchorage, teamwork and cooperation translated into rapid turnaround. Even a minor derailment of the fifth train as it entered the port rail spur June 5 offered an opportunity to showcase railroad capabilities. Railroad operations were back online quickly and there were no delays to any part of the mobility schedule.

In the end, the hefty military move demonstrated the railroad's ability to handle additional capacity, due in part to significant capital investments to modernize the rail system over the past decade. "This was a new type of move into the port and we learned from it," said ARRC Assistant VP of Transportation Pat Shake. "We're ready to do it again." ●



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**Healy Canyon Safety and
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Ship Creek Intermodal Center

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ROUND-UP: RAIL REALIGNMENTS AND EXTENSIONS

ARRC pursues track relocation projects in southcentral and interior Alaska

Alaska Railroad Chairman John Binkley was on-hand June 13 to witness Anchorage Mayor Mark Begich and Mat-Su Borough Mayor Curt Menard as they signed a pioneering agreement to endorse formation of a regional transportation authority (RTA). Skyrocketing gas prices and growing commuter traffic between the two communities spurred mayoral promises to improve mass transit opportunities, including the possibility of a commuter rail service.

“The Railroad’s Southcentral Commuter Rail Study in 2002 points to forming a regional transit authority as the first critical step to establishing commuter rail service,” said Binkley. “Local governments and state government coordination is key to this effort, and we are pleased to see the Mat-Su Borough and Anchorage on board.”

Begich and Menard signed the agreement at the railroad’s Ship Creek Historic Depot, the site of a future transportation hub. During the past five years, ARRC has invested millions of dollars to straighten track, build a new rail station at the Anchorage Airport and a rail depot in Palmer, as well as begin



Left-right: ARRC Chair John Binkley, Mat-Su Mayor Curt Menard, and Anchorage Mayor Mark Begich. (Photo by Stephenie Wheeler)

work on the Ship Creek Intermodal Transportation Center. Such infrastructure improvements make commuter rail a more viable option.

More than 14,000 people regularly commute between the Mat-Su and Anchorage, including about 150 ARRC employees. ●

ALASKA RAILROADERS HELP FORGE NEW NATIONAL COLLEGE LEVEL RAILWAY MANAGEMENT CERTIFICATION PROGRAM

The Alaska Railroad had a hand in developing, teaching and experiencing a premier Railway Management Program offered through Michigan State University.

The new certificate program is aimed at upwardly mobile, mid-career railroad managers, according to Alaska Railroad Training Director Paula Donson, Ph.D. She served on the program’s Curriculum Content Advisory Committee, which first met in February 2007 and subsequently during the summer 2007 to identify program goals and hammer out key topics to be taught.

The course includes online participation, along with classroom instruction that is split into four one-week sessions held throughout a six-month period. Week 1 in the classroom introduces railway and transportation fundamentals.

Week 2 covers rail infrastructure, equipment, and command and control. Week 3 reviews customer and financial stakeholder relations. The final week outlines management and leadership development.

ARRC President & CEO Pat Gamble taught a two-hour block in the fourth week. “The students said they really liked the ‘one-liners’ in particular, because these were thoughts or tools that could be implemented on the spot when they return to work,” said Gamble.

The inaugural class began last January and graduated in early June 2008. ARRC Director of Passenger Operations David Greenhalgh was among the first class of 17 students to earn the certificate. For details about the Railway Management Program visit www.RailEducation.com. ●

ALASKA'S FIRST HISTORIC L.E.E.D. BUILDING

Railroad renovation of large timber freight shed provides prime downtown office space

During 1941, the U.S. Department of the Interior designed a long, narrow freight shed adjacent to an industry rail spur along Anchorage's First Avenue, just down the street from the Historic Ship Creek Depot. Today, this World War II-era structure has become the poster child for the promise of Ship Creek revitalization.

ARRC is renovating the Historic Freight Shed as a Leadership in Energy and Environmental Design (LEED)-

to be LEED-certified. ARRC turned to ECI/Hyer, the firm that recently designed the railroad's Ship Creek Intermodal Transportation Center project, which also requires a blend of historic preservation with cutting edge amenities.

"This is a fantastic old building inside and outside," said ECI/Hyer Principal Brian Meissner, who heads the effort to balance historic character, modern code compliance and energy efficiency. That balanced design calls for a raised sidewalk on the street side, which preserves the building's historic

The renovated Freight Shed will offer tenants roughly 32,000 square feet of commercial space in an essentially downtown location. Its unique, historic nature also offers an extraordinary setting with both prestige and convenience.

Kaladi Brothers recognized the potential and inquired about a lease in 2006. ARRC took Kaladi's interest as a positive sign that its long-time pursuit of a revitalized Ship Creek could accelerate as a result of the Freight Shed renovation. ECI/Hyer is so enamored with the project that the firm has expressed interest in becoming a potential inaugural tenant, along with Porcaro Communications / Bernholz & Graham.

Given this strong interest, the railroad plans to proceed with the renovation project this summer to include utility site work, sidewalk, plinth (platform) construction, new roof and wall upgrades. Over the winter, work will focus on indoor mechanical and electrical system upgrades and interior finishes. Construction will conclude in 2009 with paved parking, street upgrades and landscaping.

While ARRC will maintain architectural control, interior design is up to tenants, who will be encouraged to create their interior space based on green and LEED concepts.

For more information about leasing space in the Freight Shed, call the Alaska Railroad Real Estate Department at 265-2670. ●



ECI/Hyer architectural concept rendition for Freight Shed LEED-friendly renovations

certified building, making it the first of its kind in Alaska — a historic LEED building. The Freight Shed is among a handful of historic big timber buildings in Anchorage. Its remarkable large timber truss interior features add to the building's charm and value.

The challenge is to transform the building while meeting two caveats: The building must 1) remain "historic" in nature; and 2) meet strenuous environmental design standards for energy conservation, material reuse, and waste/pollution reduction in order

entryways, while addressing adequate exits. ECI/Hyer has been equally inventive in incorporating requisite energy conservation features. For example, an old-style framer's approach is employed to maintain the distinctive roof lines while accommodating sufficient insulation. LEED also calls for re-use or recycling of all materials possible from the original structure. In this spirit, the interior infrastructure will use large timbers to construct truss-style supports that will blend into the décor.

NO MORE GP49 LOCOMOTIVES IN ARRC FLEET

Railroad's sale of nine GP series locomotives of interest to rail fans and history buffs

As of May 2008, the Alaska Railroad locomotive fleet no longer includes the GP49 series. When ARRC purchased the final four of 28 SD70MAC locomotives in 2006, this move to modernize spurred the sale of ARRC's nine GP49s between 2006 and May 2008.

The first five were sold in 2006-2007 to Helm Financial Corp. After an overhaul by National Railway Equipment Company in Chicago, Locomotives 2801 and 2804 sold to Transap to support timber, mining and general freight industries in southern and central Chile. Locomotives 2803, 2806 and 2807 went to Seattle.

Of the four sold in 2007-2008, Locomotives 2802 and 2809 are used by Frontier Rail Corporation in Walla Walla, WA. The final two — 2805 and 2808 — were ultimately sold to Ferronor to support copper mining in Chile's northern desert region. The trucks (wheel assemblies) on GP49s bound for Chile were replaced or modified to fit broad gauge track in southern Chile and narrow gauge track in northern Chile.



Locomotives 2805 and 2808 are unloaded at the Port of Valparaiso in Santiago, Chile, in early May 2008. (Photo by Anthony King)

The Alaska Railroad originally ordered Locomotives 2801, 2802, 2803 and 2804 for manufacture in 1983 and delivery in 1984, when the railroad was still owned by the federal government. Locomotives 2805 through 2809 were built by May 1985 and delivered after ownership of the railroad transferred from federal hands to the state. ●

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RAILBELT COMMUNITY CONTRIBUTIONS

From Tidewater to Interior: ARRC volunteers, donates, supports



ARRC Executive VP Jim Blasingame offers a hotdog to a student during the August back-to-school picnic.

Alaska Railroad Corporation (ARRC) operations range from a rail-barge service staged at the Port of Seattle, to passenger and freight docks in Seward, to ARRC's terminus in Interior Alaska. All along the way — every day — ARRC enhances the livability, livelihood and security of our business partners and resident neighbors. To follow are a few examples of how railroad employees and the corporation contribute to railbelt communities.

Seattle: In mid-September, railroad employees outlined locomotive emission reduction efforts with U.S. transportation providers hailing from the northwest region. ARRC's presentation was part of an annual *Faster Freight Cleaner Air* conference aimed at sharing best practices and ideas for greater efficiency and environmental

stewardship. Nearly 300 people attended the conference held in Seattle, where ARRC has partnered with Lynden to barge freight from the northwest to Alaska's gateway in Whittier.

Seward: Local business people report a money-making summer despite gloomy predictions for tourism this year. ARRC did its part to spur visitor-related commerce, as ridership on the *Coastal Classic* train between Anchorage and Seward increased slightly over last year, bringing more visitors to the doorsteps of Seward operators. Business also benefited from 65 cruise ships that docked at the ARRC terminal, compared to 45 ships last year. That meant more cruise passengers spent time and money in town. Early rumor has it that next year may be even better, given reports that two cruise ships may come as early as April 2009.

(See "Community Contributions" on page 2)

COMMUNITY CONTRIBUTIONS...

(continued from page 1)

Each fall ARRC's cruise ship passenger terminal becomes available to offer Seward a spacious venue to host a variety of community gatherings and events. In September alone, a regional tribal organization conducted an annual meeting, musical groups organized an annual music festival, and an oil company organized spill response training. Coming up, ARRC has offered complimentary use of the terminal to house a popular children's Halloween extravaganza.

Anchorage: Children were also the focus of railroad employee volunteers who organized the annual Government Hill Elementary back-to-school picnic in mid-August. Hundreds of students, parents and teachers turned out to dine on hot dogs and chips and celebrate the new academic year. ARRC has long engaged in a proactive School Business Partnership with Government Hill by lending corporate resources and promoting employee volunteerism. The partnership includes support of the picnic, spelling bee, science fair and other activities. ARRC was a founding

member of the School Business Partnership program, which was initiated in the early 1990s by the Anchorage School District, Anchorage Chamber and local businesses.

Eklutna / Birchwood: On the heels of last year's successful quarry land return negotiation, Eklutna, Inc. and ARRC are pursuing another win-win land deal. Eklutna is developing residential property near Eagle River, in the Powder Ridge Subdivision. The Alaska Native corporation has expressed interest in expanding this development to include 400 acres owned by ARRC in the middle of the development. As part of the deal, ARRC would like to acquire up to 160 acres of land adjacent to its Birchwood rail operations yard, which includes multiple sidings along the mainline that are used to store railcars and smooth operations into and out of the Anchorage Yard. This property would open up new industrial business land for lease that is served by rail. Land appraisal, ARRC board approval and legislative approval are necessary before a deal can be finalized.

(See "Community Contributions" on page 3)

RAILROADER MARKS 50 YEARS OF SERVICE ON THE JOB

Steve Love is a remarkably dedicated railroader — a half century worth of dedicated, in fact. When Love marked 50 years on the job this August, dozens of community friends and colleagues gathered in Healy to salute this epic milestone.

No one else in Alaska Railroad history can boast such a jaw-dropping tenure. It all started on July 28, 1958 — the year *before* Alaska became the 49th state — when Love joined the federally-owned railroad as a member of a track maintenance gang. He hasn't wandered far from the track ever since, preferring to work in the field as opposed to behind a desk. After 20 years as a track laborer and foreman, Love was promoted in 1978 to his final position as Roadmaster. In this capacity, for the past 30 years, Love has kept the track in good working order along a 125-mile stretch from Gold Creek north through Healy, where Love resides. During the August celebration, ARRC President and CEO



CEO Pat Gamble reveals the Love Siding sign.

Pat Gamble presented Love with a one-of-a-kind service pin and a sign bearing Love's name. The sign is now posted along a siding that was renamed in Love's honor. Accolades also came through an ARRC Board of Directors resolution, a State of Alaska Legislature citation, and a congratulatory letter from Governor Sarah Palin — all commending Love's enduring service.

Yet Love nearly followed another path as a teenager. As a new high school graduate, Love repeatedly checked with the railroad, hoping for a job opening.

Discouraged and jobless by the end of summer 1958, Love flipped a coin to decide whether to check with the railroad one more time (heads), or to talk to an Army recruiter (tails). Heads came up and this time his quest for employment met with success. "If that 50-cent piece had turned up tails and I'd have gone into the Army, who knows how my life would have turned out," he said, whereupon Gamble quipped, "He would probably be Chairman of the Joint Chiefs." ●

COMMUNITY CONTRIBUTIONS...

(continued from page 2)

Mat-Su Borough: The Alaska Railroad teamed up with the Alaska Department of Transportation & Public Facilities, Matanuska-Susitna Borough, City of Wasilla and City of Palmer to present the Mat-Su Transportation Fair in late September. Hundreds of residents attended this one-stop information venue to learn about the latest road, rail and trail projects that are in the works and on the horizon in the Valley. ARRC project managers were on hand to answer questions and offer information on the South Wasilla Track Realignment project. ARRC also supported a joint exhibit on commuter choices including rail service, and a borough exhibit about the Port MacKenzie Rail Extension project.

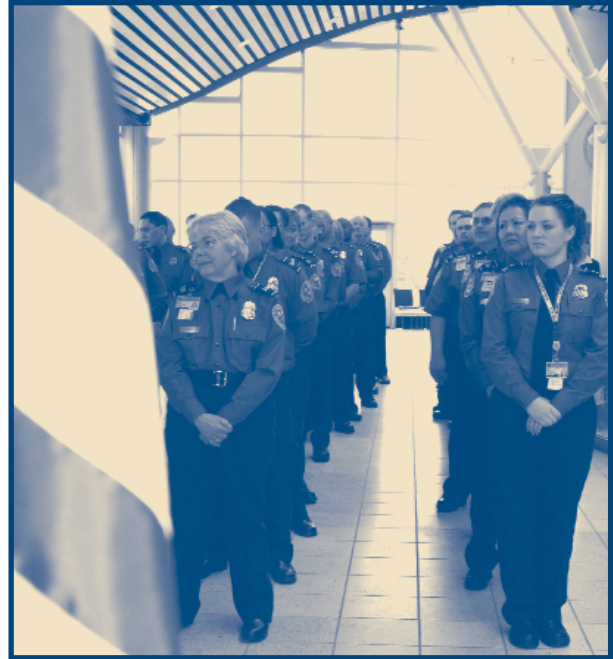
Nenana: Pounding rains soaked Interior Alaska in late summer creating near historic flooding conditions. While the State Emergency Coordination Center activated in response, the Alaska Railroad's Incident Command System ramped up



River flooding puts road and rail under water in Nenana.

to handle the logistical and communications challenges posed by jeopardized rail and road transportation corridors. Railroad crews lent the community a helping hand by getting supplies into Nenana as rising flood waters threatened to cut off regular transportation and supply routes. At its worst, water crested nearly 18 inches above the mainline in downtown Nenana. Once waters subsided, crews had the track back in service, restoring the movement of trains and supplies into and out of Nenana.

Railbelt Security: In early August, ARRC Police & Security special agents joined forces with Transportation Security Administration (TSA) Visible Intermodal Prevention and Response (VIPR) team members for a one-day multiple location training exercise. The VIPR operation focused on Alaska Railroad passenger operations at the Dale R. Lindsey



TSA officers re-affirm their oath in a ceremony held at the Bill Sheffield Depot at Anchorage Airport.

Cruise Ship and Intermodal facility in Seward, the Historic Ship Creek Depot and Bill Sheffield Airport Depot in Anchorage, the Denali Park Depot and the Fairbanks Depot. The event evaluated passenger facility security plans, as well as promoted the visibility of TSA and ARRC resources as a deterrent to terrorism within Alaska.

TSA visibility got another boost on September 11, when TSA officers across the country engaged in a national program rollout. ARRC offered the Bill Sheffield Depot at the Anchorage Airport as a venue for about 300 TSA agents to re-affirm their oath while clad in sharp new TSA uniforms. TSA officers also received a classic burnished metal badge (similar to law enforcement badges), to reflect TSA officer duty and authority.

Railbelt Philanthropy: Alaska Railroad recently kicked off a two-month United Way pledge drive slated to conclude a week before Thanksgiving. A number of stalwart employee volunteers have returned to lead the charge toward a \$95,000 goal for employee pledges. United Way committee members are generating excitement and interest all along the rail line with "Live United" themed activities and pledging opportunities. While the annual campaign is entirely employee driven, the corporation offers substantial support to the tune of a dollar-for-dollar funding match. Last year, railroad employees and matching corporate contributions totaled in excess of \$200,000. ●

RAILROAD NAMES NEW CHIEF OPERATING OFFICER

Alaska Railroad veteran Ernie Piper accepts COO post in July

Ernie Piper was named as the Alaska Railroad's Vice President of Operations and Chief Operating Officer on July 30, 2008. Piper began his career with the Alaska Railroad in 1998 as the Director of Public Affairs. He was later promoted to Assistant Vice President (AVP) Health, Safety and Environment followed by AVP of Mechanical and then AVP Safety and Operations. He left the railroad in late 2007 to serve as a railroad industry consultant, primarily for Amtrak. Piper also has extensive experience in commanding emergency and hazardous materials operations, including a four-year stint as a state on-scene commander during the Exxon Valdez oil spill response.



"We very are pleased Ernie Piper has agreed to rejoin the Alaska Railroad team," said Pat Gamble, President and CEO. "He stood out among a short list of candidates as our top choice and brings a wealth of experience to the position. Piper's long history with the State of Alaska and his broad experience throughout the Alaska Railroad make him an ideal fit for our organization."

Piper replaces Matt Glynn who came to the Alaska Railroad over seven years ago starting as the Assistant Chief Operating Officer and moving quickly into the Chief Operating Officer position. Glynn tendered his resignation on July 28, 2008, indicating his desire to pursue other professional interests at this point in his railroading career. After his successful years of leadership at the Alaska Railroad, we wish him well. ●

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**Alaska Railroad Corporation
4th Quarter, 2008**



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2008 IN REVIEW: MANAGING CHANGE

Railroad responds to evolving environment with internal adjustment

The year 2008 was about managing and embracing change. Forces outside the Alaska Railroad Corporation (ARRC) presented changing economic conditions that demanded equivalent change from within. Impacts from the year's unstable environment was perhaps most evident in our financial results, which changed quarterly, given dramatic and unexpected expense shifts in the markets. A budgeted \$16 million net income dwindled to nearly half in the wake of market nosedives and skyrocketing fuel costs. We ended the year with a respectable \$137.3

million in total revenues, \$128.2 million in total expense and an estimated \$9.0 million net income. The ARRC Board of Directors offered considerable forethought and guidance early on, leading to effective and measured

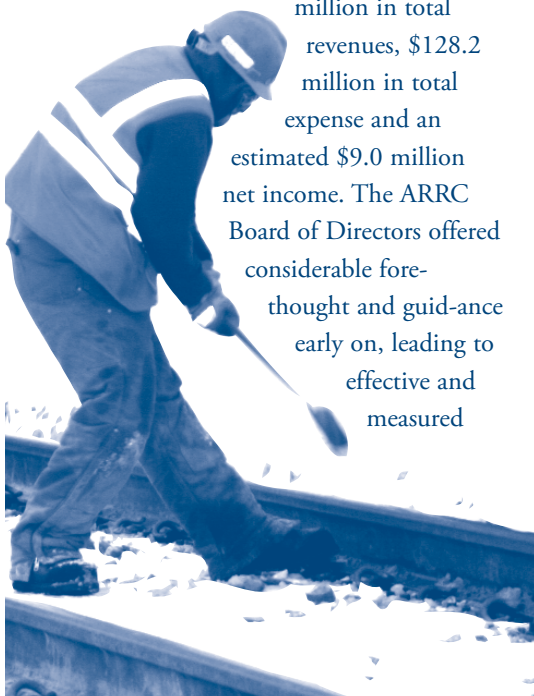
mitigation. ARRC recognized the approaching external change and responded with appropriate internal offsetting adjustments. Here are highlights of railroad actions that directed, affected and reacted to change during 2008.

ORGANIZATIONAL CHANGE

- ARRC responded to flat freight revenues and rising fuel expenses by lowering supply and travel costs, conserving energy and eliminating about four dozen positions through attrition and unfilled vacancies. These year-long efforts limited a final year-end layoff to about a dozen additional positions.

FREIGHT / TRANSPORTATION

- ARRC transported more than 5.825 million tons of freight in 2008 reflecting a decrease for some commodities. Petroleum hauled from the Flint Hills Refinery in North Pole dropped about 14% from 2007. Shipment of trailers and containers dipped 12% and associated barge-rail business declined 16% from 2007.
- 2008 gravel activity rebounded somewhat with 28,309 car loads carrying 2.83 million tons for a 19% increase over 2007.
- On the up side, with more than 550,000 metric tons hauled, 2008 was one of the best years for coal. The export market was buoyed by a rise in Asia coal use and global coal prices. In addition, more available cargo ships lowered ocean freight costs,



Work on capital projects doesn't stop in the winter.

(See "2008 In Review" on page 2)



**Alaska Railroad
Ongoing Projects:**

**Northern Rail Extension
and Tanana River Crossing**

**Fairbanks Area
Rail Line Relocation**

Nenana Rail Relocation

Collision Avoidance System

Port MacKenzie Rail Extension

**Healy Canyon Safety and
Reliability Improvements**

Ship Creek Intermodal Center

Chugach Forest Whistle Stop

South Wasilla Rail Relocation

**Anchorage Capacity
Yard to Airport Spur**

**Track Program:
Rail, Ties and Surfacing**

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

2008 YEAR IN REVIEW...

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dramatically improving the margin of profitability for Alaska coal. While Chile was the largest export customer in 2008, test shipments went to Japan, China and South Korea, raising the possibility of future sales. Domestic coal demand remained similar to 2007.

- In late spring 2008, the railroad conducted one of its largest military mobilization moves to date. About 300 railcars moved nearly 1,000 military vehicles from Fort Wainwright to the Port of Anchorage in support of the 1-25th Stryker Brigade Combat Team's eventual deployment to Iraq.
- ARRC welcomed new customer Eni Petroleum, a global oil company that became a player on the North Slope in 2008. As the start to a hopefully long-term business relationship, ARRC transported 97 railcars of pipe and other materials to support drilling and production activity.

PASSENGER SERVICE

- The railroad carried more than 541,000 passengers in 2008. Total 2008 passengers increased 6% over 2007 and record-breaking summer ticket sales generated \$1.37 million more than 2007. GoldStar first-class service alone grew 36%.

Train Operations

- Trailer On Flat Car (TOFC) operations improved by building a new track and ramp used to load heavy equipment onto flatcars. Relocation next to the Anchorage

Operations Center on Whitney Road is part of a phased effort to move all TOFC activities into the main yard operating area.

- The multi-phase Collision Avoidance System (CAS) was tested and monitored in 2008. The CAS integrates computer-aided dispatch (CAD), on-board locomotive equipment, trackside devices and a dedicated communication network to prevent accidents typically caused by human error. Completion is due in 2010.

RAILCAR EQUIPMENT

- Colorado Railcar Manufacturing (CRM) built and delivered two bi-level dome railcars equipped with full kitchens and dining areas on the lower level, and large window seating on the upper level. They will help satisfy a growing demand for *GoldStar* first-class service in 2009.
- CRM also built the Alaska Railroad's first self-propelled double-deck commuter-style railcar. Sporting ARRC's colors and scheme, the diesel multiple unit (DMU) will be delivered in 2009 and will support the Chugach Forest Whistle Stop Service in the summer and local service in the winter.

TRACK INFRASTRUCTURE

- Maintenance-of-Way (MOW) crews installed more than 417,000 feet of 115-pound welded rail, 60,000 feet of new 141-pound welded rail, 42,000 wood ties, 17,000 concrete ties, and 100,000 tons of track resurfacing ballast.

(See "2008 Year in Review" on page 3)

ARRC SCHEDULES PROJECT OPEN HOUSES IN JANUARY '09

The Alaska Railroad invites the public to three open house events in January to showcase plans for capital improvements during 2009, and to provide an opportunity for public comment on the proposed Program of Projects. Events include continuing and proposed projects in various stages — from conceptual planning to construction. Project managers will be on-hand to answer questions.

- **Anchorage** – 4:00-7:00 p.m., Wednesday, January 21. Historic Ship Creek Depot at 411 West First Avenue.
- **Wasilla** – 4:00-7:00 p.m., Thursday, January 22. Evangelo's Restaurant at 2530 E. Parks Highway.
- **Fairbanks** – 4:00-7:00 p.m., Tuesday, January 27. ARRC Depot at 1745 Johansen Expressway.

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



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

2008 YEAR IN REVIEW...

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- The top of the 265-foot Moody Tunnel in Healy Canyon was removed. “Daylighting” eliminated train height limitations and serious structural concerns, and left room to shift the track 30 feet to more stable ground in 2009.
- As part of the railroad’s extensive bridge program, the timber trestle bridge at Billion Slough near Talkeetna was replaced with a new steel through-plate girder bridge.
- The railroad’s own Curry Quarry process area was completed and quarry operations began in 2008, producing 200,000 tons of ballast rock and 60,000 tons of rip rap rock material.
- The Colorado Siding about 25 miles south of Cantwell was extended from 4,109 feet to just over 10,000 feet. The siding can now accommodate our longest freight trains.
- ARRC helped the Municipality of Anchorage to restore fish passage to a historic in-town salmon stream. ARRC installed a 12-by-12-foot box culvert under the mainline track about two miles south of the Anchorage Yard.

OTHER CAPITAL PROJECTS

- The Surface Transportation Board (STB) released the Northern Rail Extension (NRE) Draft Environmental Impact Statement (EIS) for public review in mid-December. As the project sponsor, the Alaska Railroad has supported the EIS effort with grant funding, information and research.
- Sponsored by the Matanuska-Susitna Borough, the Port MacKenzie Rail Extension project moved into the EIS phase in January 2008, when the railroad submitted an application to the STB. During 2008, the STB’s contractor completed field work in support of the EIS.
- Near Curry Station, the railroad improved visibility along interpretive trails and placed historic rail equipment as static displays. Equipment includes a Rotary 3 track snow blower, an inspector “speeder” car, a 10,000-gallon tank car, an engineering caboose and a domed caboose.
- Some work continued in support of the Chugach Forest Whistle Stop program. A water pump was purchased and a well site prepared to provide potable water at the Spencer Whistle Stop. The Forest Service is seeking funds to complete design and construct the Grandview Whistle Stop site.
- Crews demolished the 67,000 square-foot Whittier Marginal Wharf and installed a new barge winch dolphin. Built in 1958, the wharf had been declared structurally unsafe. Long-term (unfunded) plans call for a new dock operation with a possible rail passenger facility.

POLICE AND SECURITY

- The ARRC Police and Security Department (APSD) assessed and improved physical security of all ARRC facilities, and installed additional video surveillance cameras along the mainline. Both are effective efforts to deter crime, catch criminals and improve overall security.
- In August APSD joined with the Transportation Security Administration (TSA) to assess rail passenger operations at facilities in Seward, Anchorage, Denali and Fairbanks. The joint team-based operation promoted TSA visibility in the rail and cruise environment as a means to actively deter terrorism. It was the first exercise of its type in Alaska.

SAFETY & ENVIRONMENT

- In response to requests from the public and agencies, the railroad commissioned the University of Fairbanks (UAF) to begin a multi-year herbicide research project. Administered by UAF scientists, studies are gathering science and data on the migration and retention of specific herbicide products in the Alaskan soil. In coordination with the Alaska Department of Environmental Conservation, research took place on less than 14 acres of railroad land in South-Central Alaska.
- ARRC and the state Division of Forestry approved an agreement to provide reciprocal assistance for fire-fighting along the rail line. In support, ARRC converted nine old fuel tank railcars to hold water and deployed the cars to along the mainline to help fight wildfires.

REAL ESTATE & FACILITIES

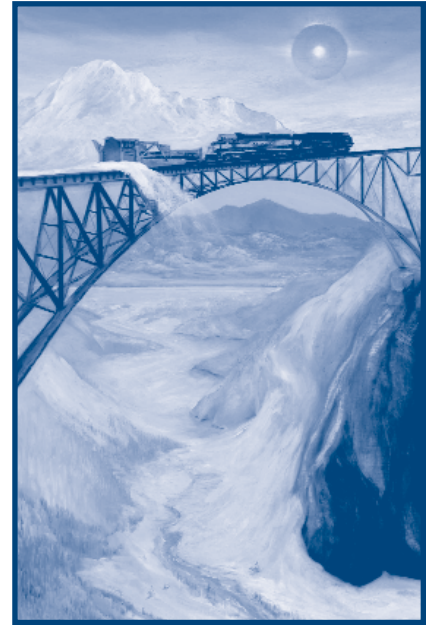
- ARRC began renovating its Historic Freight Shed on First Avenue as a Leadership in Energy and Environmental Design (LEED)-certified building. The 36,000-square-foot facility will be Alaska’s first historic LEED building. Due for completion by late 2009, the Freight Shed will house a coffee shop, café and office spaces. The renovation provides a cornerstone for future commitments in support of the Ship Creek Development Plan.
- Marking its first full year as a separate operating shop, ARRC’s new Facilities Department focused on energy efficiency. Dozens of infrared thermal building scans identified heat loss areas for repair. Other initiatives: Upgraded thermostats to lower nighttime temperatures, light switch motion detectors to keep lights off, inefficient fluorescent lamps and garage doors replaced. ●

2009 COMMEMORATIVE POSTER/PRINT AVAILABLE

Wasilla artist portrays frigid Alaska environment and iconic Hurricane Gulch bridge

The 2009 Alaska Railroad commemorative poster and print are now available at the Historic Ship Creek Depot in Anchorage and the Fairbanks Depot. The poster or print can also be ordered through the Alaska Railroad online Gifts Shop at www.alaskarailroadgiftshop.com.

The 2009 print is entitled *Clearing the Way* by Wasilla artist Taffina Katkus. The print artwork depicts a Jordan spreader crossing the Hurricane Gulch Bridge on a cold Alaskan afternoon. The sundog and frozen Mount McKinley in the background illustrate harsh frigid conditions.



“I wanted to capture the enormous expanse of the gulch and the bridge,” said Katkus. “I imagined the huge challenges that the engineers in that era would have faced to erect this remarkable bridge.”

Born in Colorado, Katkus moved to Alaska 38 years ago. Katkus and her husband own Pioneer Signs, a commercial sign company in Wasilla. For the past 25 years, Katkus has supported the company as a commercial graphic artist. Recently, she began devoting more time to fine art through painting in her home studio ●

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