



# Resilience, Recovery and Reclaiming Prosperity

*Presented by Bill O'Leary, President & CEO*

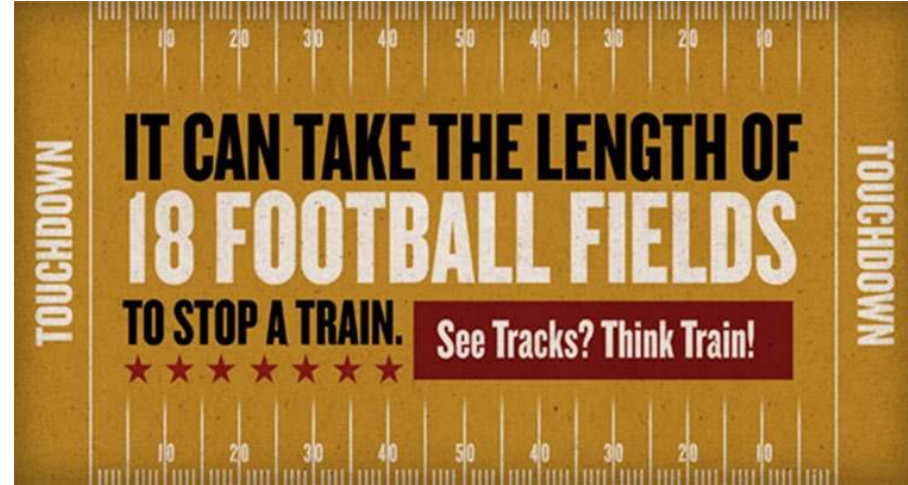
*to the Associated General Contractors of Alaska - April 2022*



[AlaskaRailroad.com](http://AlaskaRailroad.com)



# ➤ Safety Minute



# Quick Facts

## Organization (following State purchase)

- Independent corporation owned by State
- Managed by a seven-member board of directors appointed by Governor
- Mandated to be self-sustaining, responsible for financial and legal obligations

## Operating Data

- 656 Total miles of track
- 748 Freight cars (owned & leased)
- 45 Passenger cars
- 51 Locomotives

## 2021 Operating Statistics

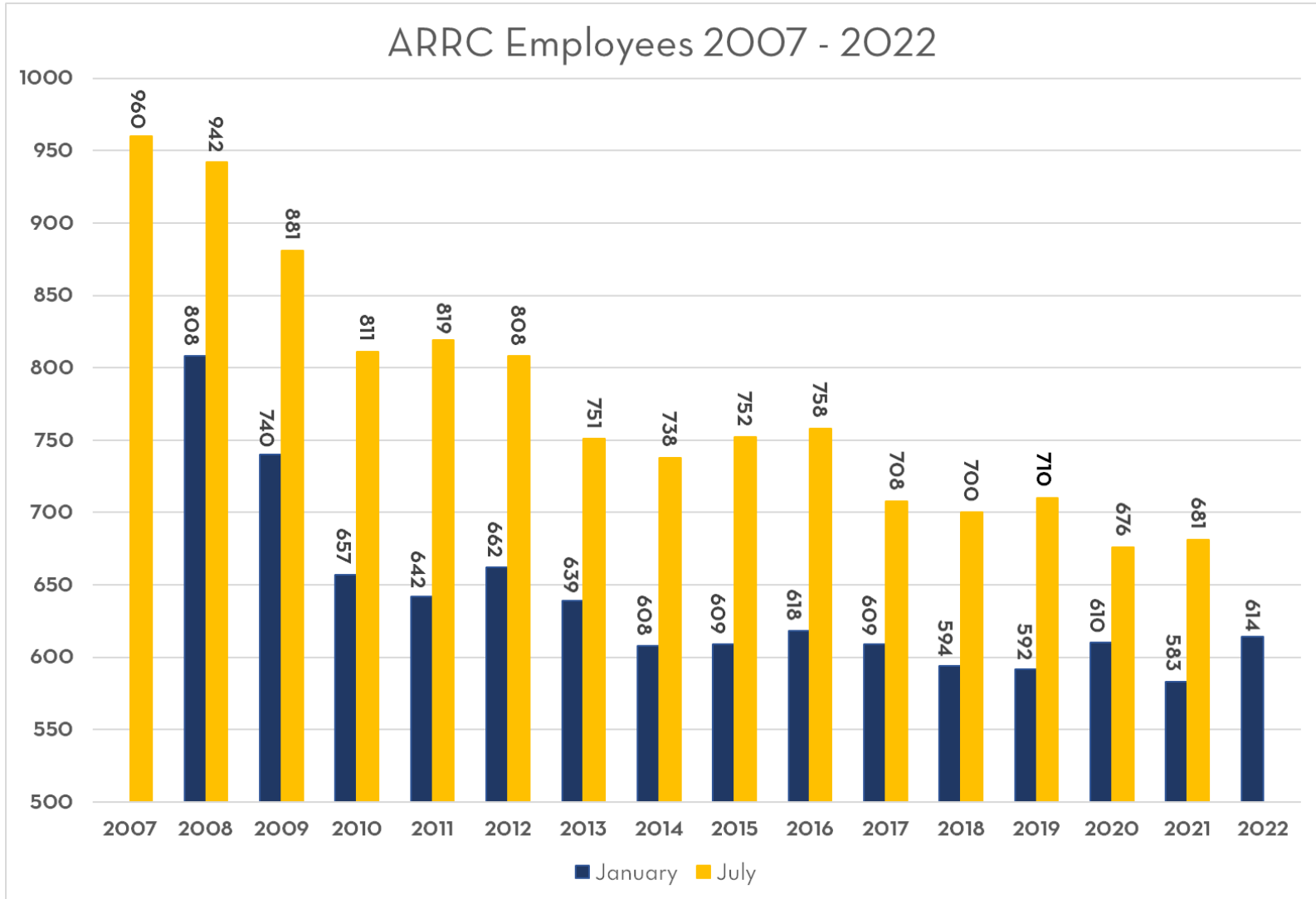
- 200,381 passengers
- 2.5 million tons of freight

## Employees (January 2022)

- ~600 full-time year-round employees
- 2/3 are members of 5 unions



# Workforce: Lean and Experienced



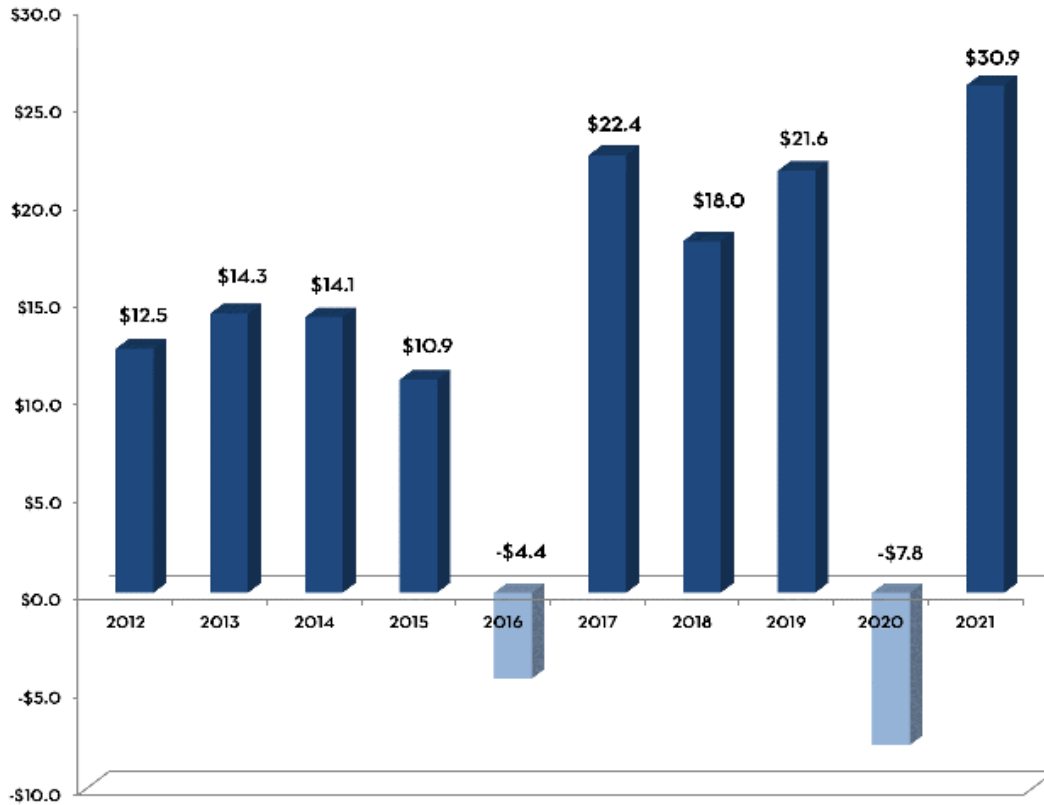
# How's Business?



# ➤ Net Income and Revenue Sources

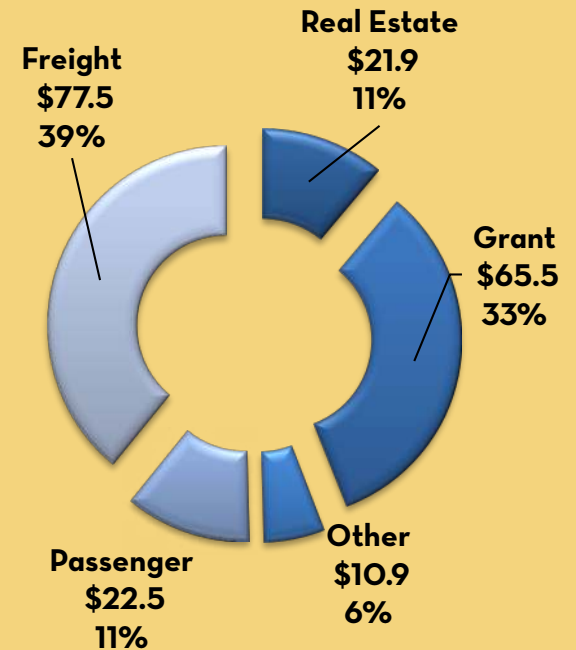
## ARRC Net Income Over Past Decade

(in millions of dollars)



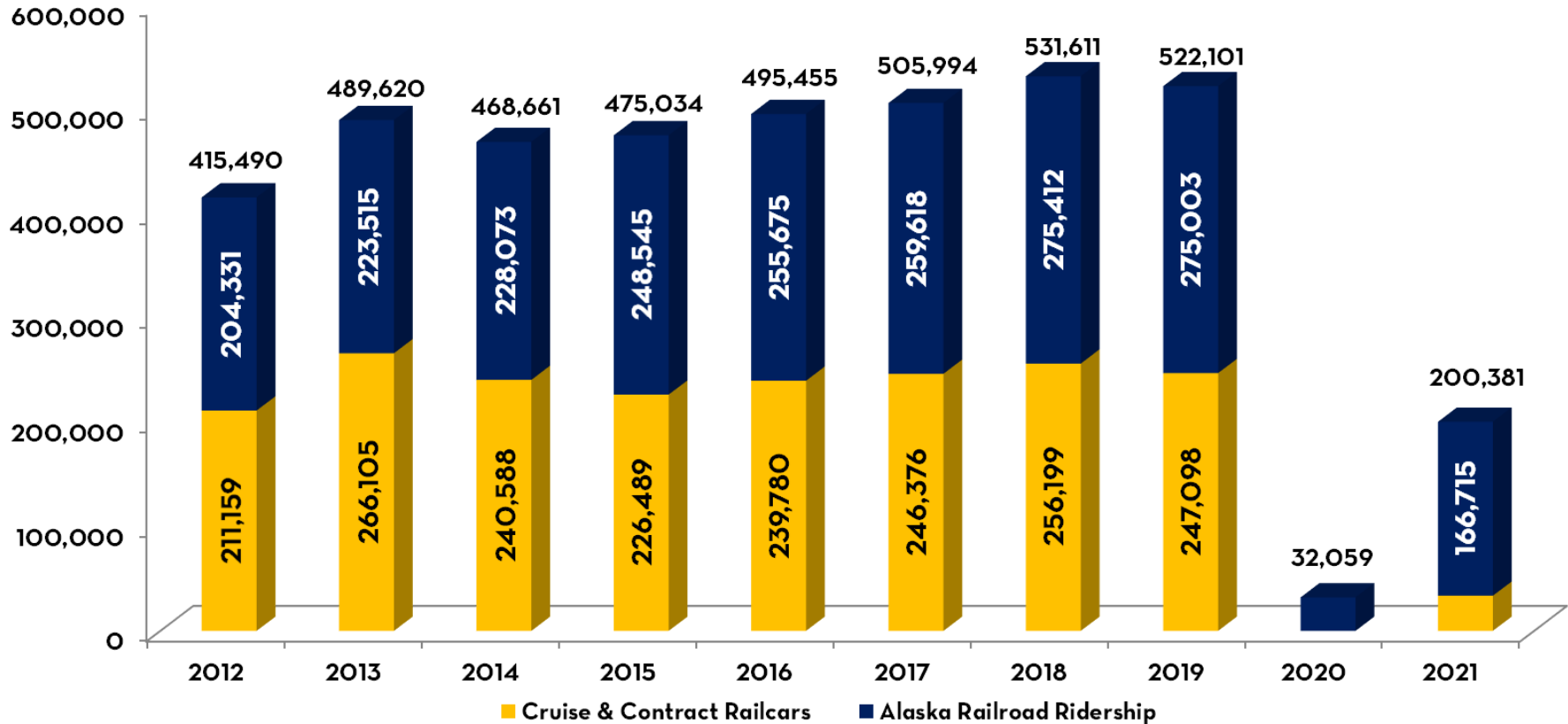
## 2021 Revenue Sources

(in millions of dollars)





# Passenger Operations



# ➤ What's Next – Passenger Service

- Ridership rebound continues in 2022:  
expect 85-90% of 2019 levels
  - Cruise ships may exceed 2019 dockings
- Specialty trains
  - Fall specialty trains in ANC and FBX  
(adult Beer and kids' Halloween)
  - May return. Final decision pending.
- Opportunities:
  - Expand winter and spring service to FBX
  - Expect growth in day-trip trains:
    - *Glacier Discovery* - ANC to Spencer-Grandview
    - *Hurricane Turn* - flagstops from Talkeetna to Hurricane Gulch

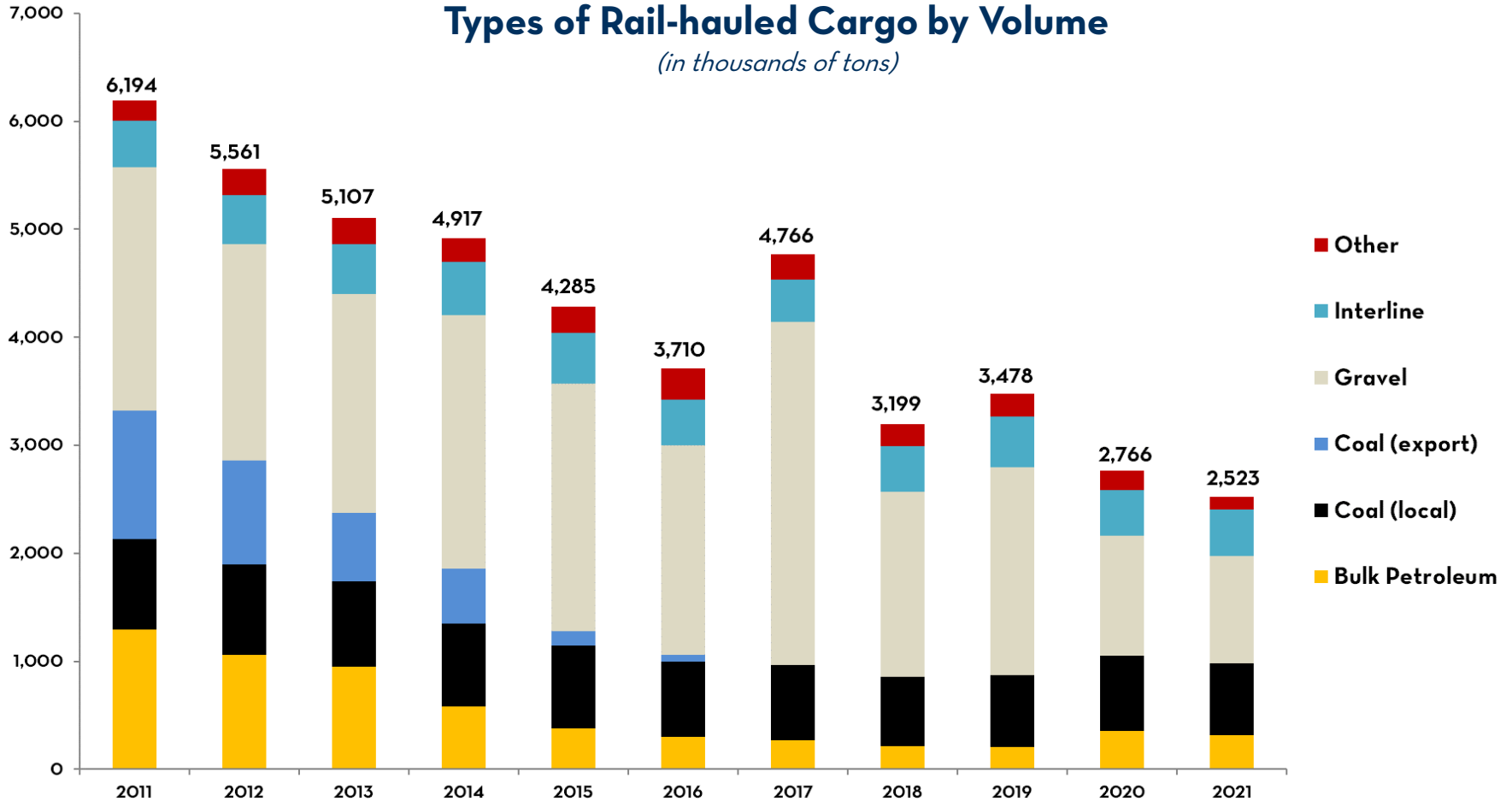




# Freight Operations

## Types of Rail-hauled Cargo by Volume

(in thousands of tons)

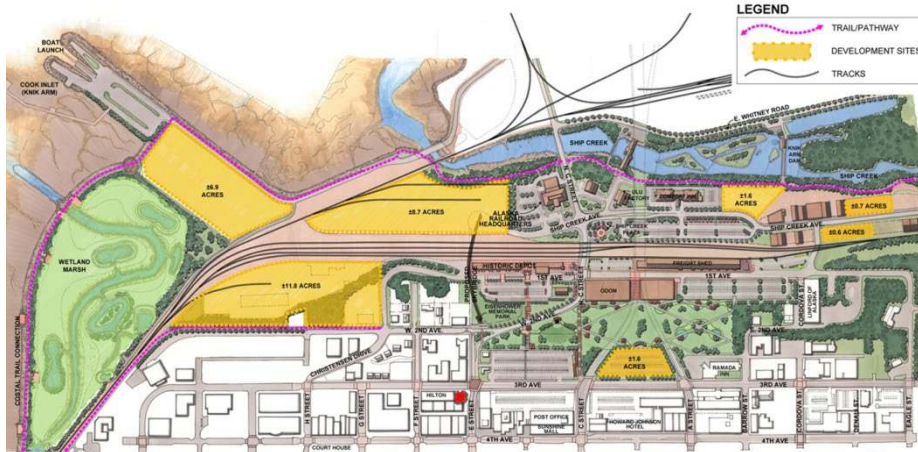


# ➤ What's Next - Freight Service



- 2022 freight volume expected to meet or exceed 2019 volume (3.5 tons)
- LNG Opportunities
  - FRA approval thru December 2022
  - High oil prices could be catalyst
- Interline barge service
  - Seattle to Whittier - slow, steady growth
  - Willow & Pikka development could cause higher growth in supply demand
- Military opportunities
  - F-35s Eielson construction mostly done.
  - Moving contaminated soils for 2 years
- Natural Resources
  - Gravel could grow from federal Infrastructure Bill money to fund projects over next few years
  - Future prospect: Ambler mine may use rail to move concentrates to Port of Alaska

# What's Next - Real Estate

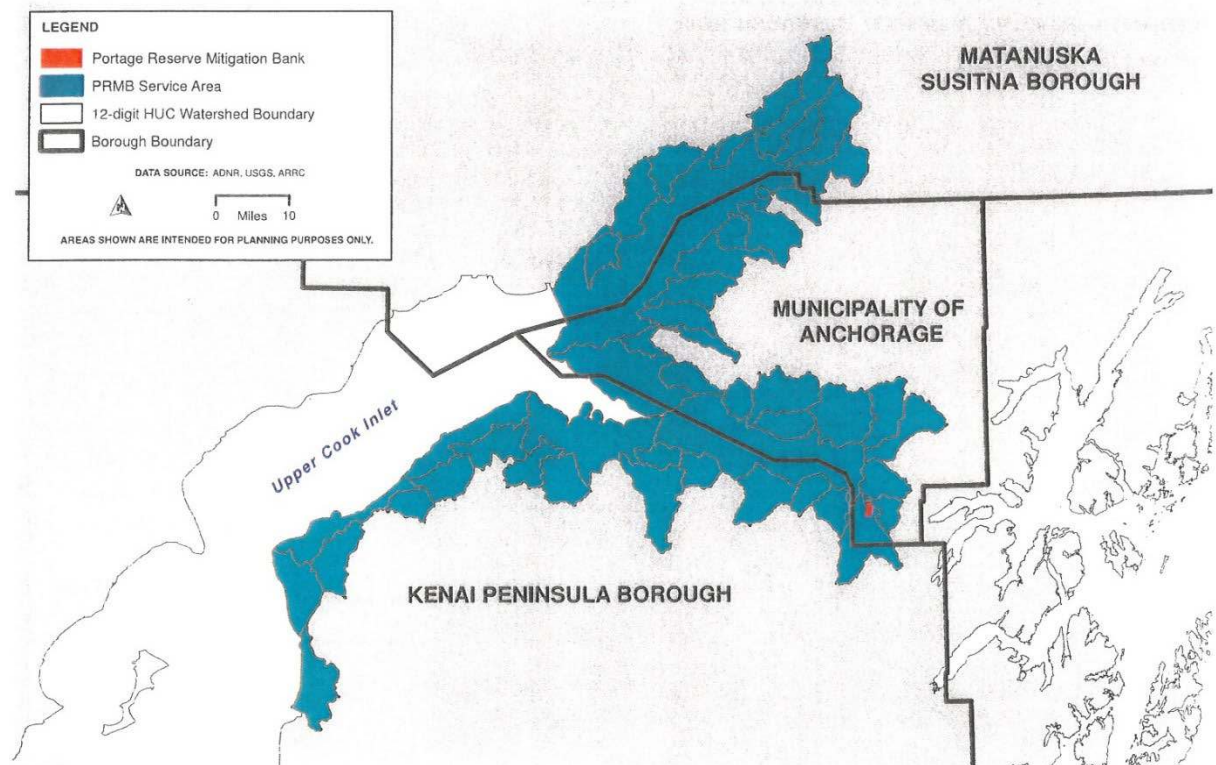


- Recent Land Trades/Sales
  - 2021 Eklutna land trade supports residential & industrial developments
- Ship Creek Development
  - Residential & industrial opportunities
- Wetlands Mitigation Bank
- ROW and Exclusive Use Easement
- South-end Land and Facilities
  - Seward Passenger Dock Replacement
  - Seward Freight Dock Expansion and Transportation Corridor upgrades
  - Whittier Terminal Master Plan



# Wetlands Mitigation Bank

- 250 Acres of Wetlands in Portage
- 149 Credits
- Reduce construction expenses for ARRC and other agencies such as DOT
- 3 years to develop



# Capital Investments



# ARRC Seward Passenger Dock

- 1 of 3 ARRC docks in Seward
- Passenger Dock Status
  - Built in 1966
  - 736' x 200'
  - Terminal building on dock
  - Nearing end of useful life
- Passenger Info
  - 220,000+ visitors 2019
  - 95 Ship Calls
  - Important to ARRC rail service but also to visitor industry as a whole
  - 2/3 to 3/4 of cruise passengers to Southcentral Alaska come through Seward





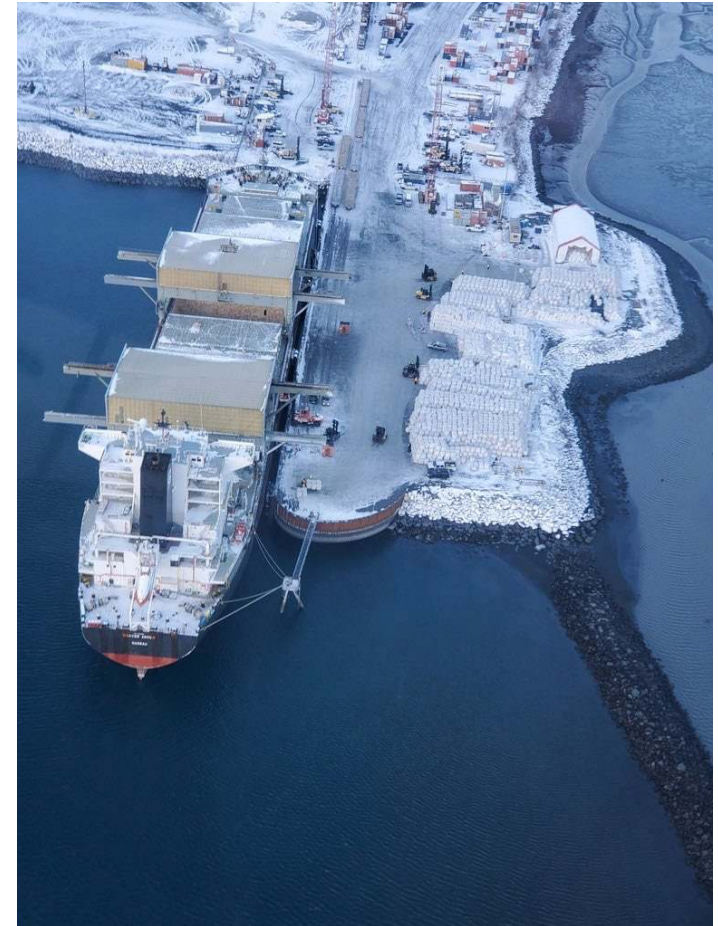
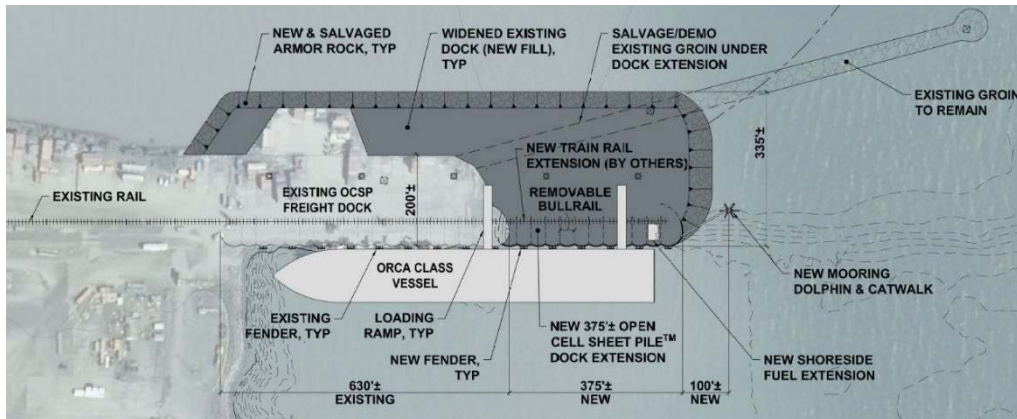
# ARRC Seward Passenger Dock

- ARRC project to rebuild pier and building
- Tight timeframe to be ready for 2024 cruise season
- \$79 million estimate: \$62 million for dock, \$17 million for building
- Funding sources: \$60 million ARRC revenue bonds (no recourse to state), \$19 million ARRC cash
  - Royal Caribbean Group
    - strategic partner;  
anchor tenant with  
long-term commitment
  - Bonds require legislative approval. Need bills to pass this session.
  - Seeking additional options to optimize financing, including federal grants, etc.



# ARRC Seward Freight Dock & Connectivity

- Constructed 620 x 200 foot freight dock in 2002, Widened a section in 2007
- **2017 Seward Terminal Master Plan:** expand freight dock and improve uplands connectivity
- **Freight Dock Project Scope:** Extend to 1,000 feet and widen to 300 feet along entire length
- **Purpose: A)** accommodate cargo growth; **B)** promote region's key industries; **C)** serve rural communities



Seward Freight Dock extension plan

# ARRC Seward Freight Dock & Connectivity

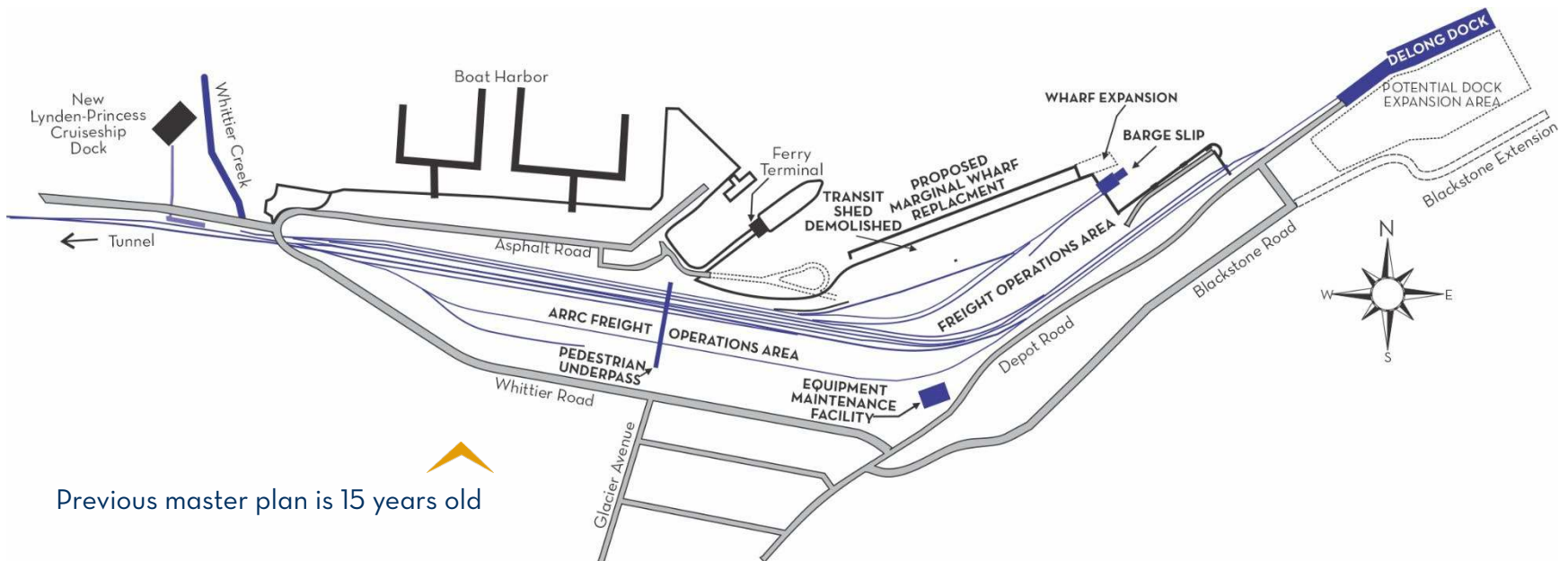
- **Uplands Connectivity:** Extend Port Avenue to link with Airport Avenue
- **Purpose:**
  - A) improve traffic circulation
  - B) resolve conflicts and hazards
  - C) Enhance Seward Highway access
- **Funding:** \$19.8 million MARAD; \$4.8 million ARRC; and \$657,360 in Seward city gravel





# ARRC Whittier Terminal Master Planning

- **Update / re-develop terminal master plan** to prepare for future and ensure state of good repair
- **Purpose:**
  - A) Identify terminal rehab projects
  - B) Configure upland and yard track to support maintenance and ops
  - C) Determine efficiency, reliability, resiliency and sustainability improvements terminal-wide
- **Funding:** \$1.17 million: 80% by MARAD and 20% by ARRC



# ➤ Robust 5-Year Capital Investment Plan

- Supports railroad facilities, infrastructure, community developments and interactions
- Will use internal forces, along with contractors and suppliers
- Nearly \$90 million for 2022; nearly \$380 million over 5 years
  - May add sources of funds the plan if they become available for large projects
  - May add debt financing for needs such as replacing vehicles, equipment and railcars
- See 2022 Report to State - [Alaskarailroad.com/corporate/leadership/reports](https://alaskarailroad.com/corporate/leadership/reports)

Funding	2022	2023	2024	2025	2026	5-Year Total
FTA Formula Grants	\$28.28	\$61.25	\$39.52	\$40.39	\$41.28	\$210.72
CARES Act	\$35.75					\$35.75
Other Federal Grants	\$0.81	\$1.96				\$2.77
ARRC Internal Funds	\$17.04	\$25.57	\$22.89	\$26.57	\$30.44	\$122.52
Debt-Funded	\$7.85					\$7.85
<b>Total Capital Budget</b>	<b>\$89.73</b>	<b>\$88.78</b>	<b>\$62.42</b>	<b>\$66.96</b>	<b>\$71.71</b>	<b>\$379.61</b>

## ➤ Major focus on Bridges

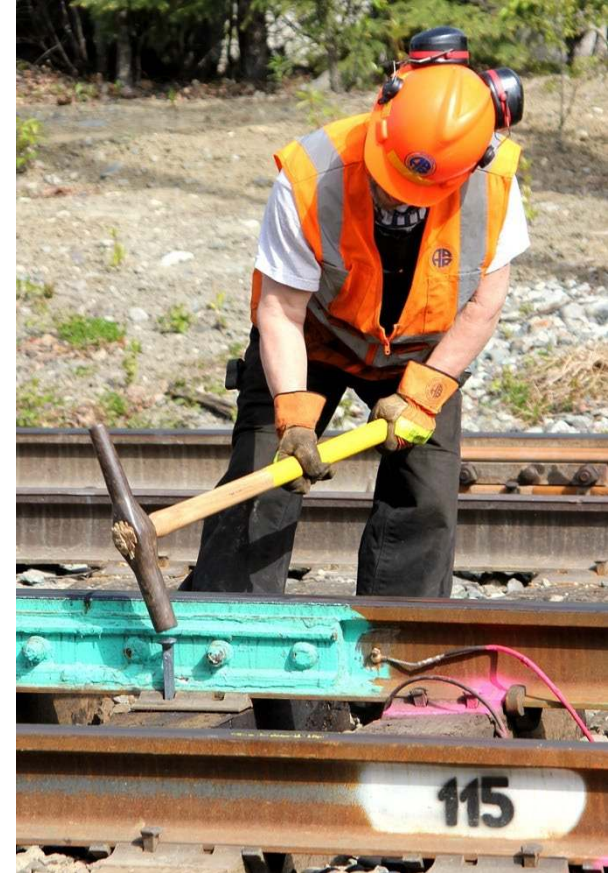
- 175 bridges and large culverts (10+ feet diameter).
- 5-year Program: Replace or rehab 30 bridges
  - Nearly \$40 million budget for 2022
  - Accomplished by internal forces and contractors
- Funding: FTA grants, CARES Act and ARRC





# ➤ Significant focus on Track Rehab

- Nearly \$20 million budget for 2022
  - Ties, rail, track bed surfacing, rail gauging
  - Fortify embankment with rip-rap
  - Improve drainage, including small culvert replacement
- Project fact sheets include purpose, scope, status, funding  
<https://www.alaskarailroad.com/corporate/projects>



# ➤ Capital potential outside of 5-year plan

## Northern Rail Extension (NRE)

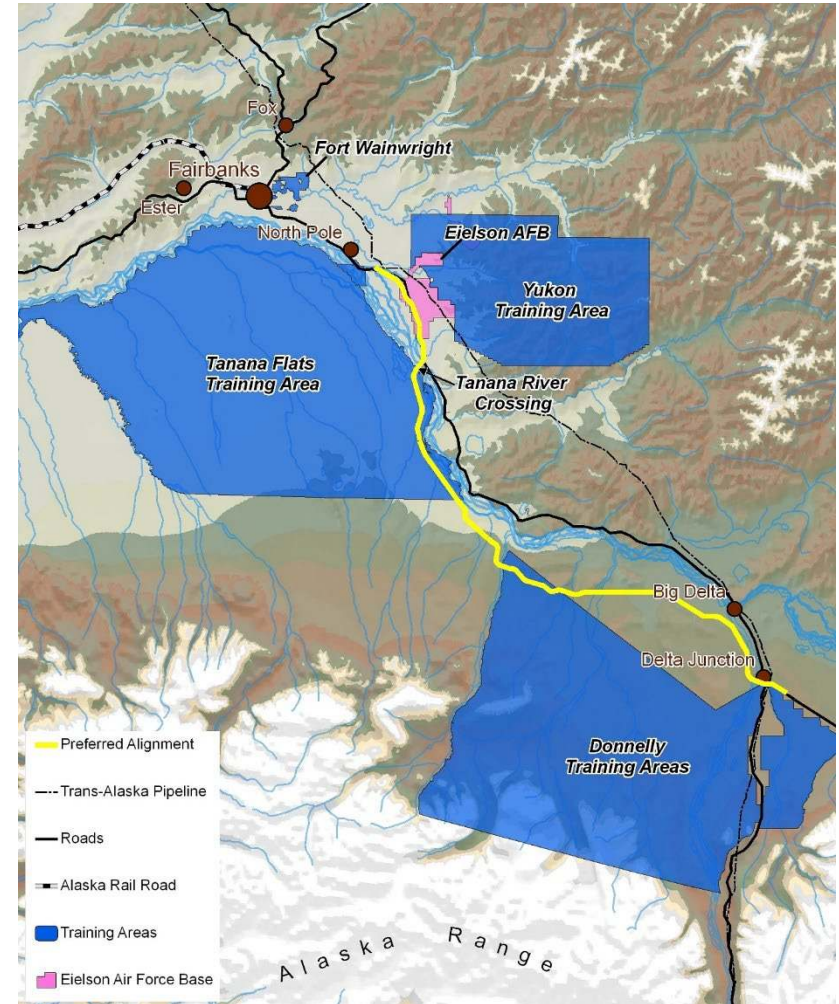
- 80+ miles North Pole to Delta Junction
- 4-phase project
  - Phase 1: completed in 2014 : Bridge over Tanana River, road and levee near Salcha (pictured)
  - Phase 2: 13 miles of rail, from Moose Creek / Eielson AFB to Tanana River Crossing
  - Phase 3: 30 miles of rail from Tanana River Crossing to Donnelly Training Area
  - Phase 4: 38 miles of rail, Donnelly to Delta Junction
- NRE renewed interest:
  - A2A connection to Canada (on hold)
  - Fort Knox mine operator Kinross plans to truck ore when developing gold mine near Tok. Rail may provide less impactful option if constructed.





# Capital potential outside of 5-year plan

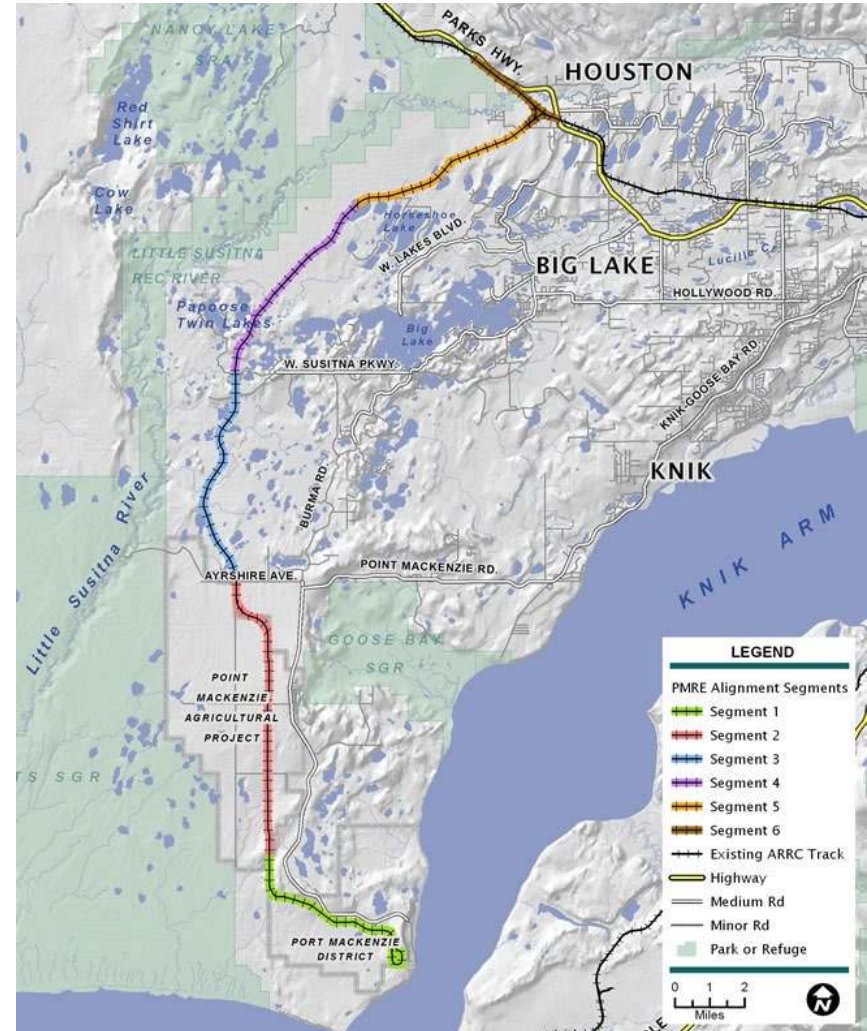
- NRE Cost and Funding:
  - Original cost estimate was about \$1 billion. Estimate now \$1.7 billion.
  - DOD was main funding source for initial planning, environmental and Phase 1. Public-private partnership explored as future funding option.



# ➤ Capital potential outside of 5-year plan

## Port MacKenzie Rail Extension (PMRE)

- 32 miles - Houston to Port MacKenzie
- Phased project
  - Environmental work complete
  - Mat-Su Borough is project sponsor
  - Much of the foundational infrastructure (track bed and bridges) are complete
- Cost and Funding:
  - \$314 million total budget
  - \$184 million in state grants so far;
  - \$125-\$130 million more needed to finish





## ➤ Looking back and looking forward...



- The railroad is a critical piece of transportation infrastructure in a state woefully lacking in such infrastructure
- Almost all large development projects in Alaska will need the Railroad
- Alaska has long needed a strong Alaska Railroad, and that's still true.

# ➤ ARRC Centennial - 2023



**WATCH THIS SPACE**





# THANK YOU

