

**ACTION PAPER**

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**1984**

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**The New  
Alaska  
Railroad**

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THE NEW ALASKA RAILROAD

A Commonwealth North Report

First printing....January 1984

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# **THE NEW ALASKA RAILROAD**

AN ACTION PAPER  
BY THE  
COMMONWEALTH NORTH  
RAILROAD COMMITTEE

January 1984

# CONCLUSIONS AND RECOMMENDATIONS

1. The state should buy the Alaska Railroad.
  - it is vital to our economy;
  - the Alaska Railroad Transfer Act provides prenegotiated arrangements on contract rights, liabilities, land rights, and benefits that may not be achievable again;
  - the Alaska Railroad has the capability of being financially self-sufficient.
2. The railroad can be self-sufficient if it is allowed to be fully competitive; is organized as an independent corporation; and the cost of transferring the railroad is funded by the state rather than the railroad.
3. The potential for "making it on its own" is critical to the mission and future of the new Alaska Railroad.
4. A streamlined public purpose goal of self-sufficiency provides a clear measurement of success and makes it known that the railroad is to be run like a business.
5. The faster the railroad shows itself capable of self-sufficiency, the sooner it will be attractive to a private buyer.
6. Even though state-owned, the railroad should be operated like a private business and be allowed to compete in the marketplace without artificial restraints.
7. Adequate safeguards exist within the Interstate Commerce Commission (ICC) and federal antitrust laws to protect competing private carriers from predatory railroad pricing of unfair advantage.
8. The legislature should refuse special interests that propose to limit the railroad's scope of operations; such limits to competition would act to the detriment of the people of Alaska.

9. The organization of the new railroad must meet the requirements of federal transfer legislation and support the railroad's potential to be self-sustaining.
10. A public corporation provides the best opportunity for success of the new Alaska Railroad, allowing both semi-autonomous management and adequate control by the state.
11. If the state funds the equivalent of the first five years' transfer liabilities in advance -- \$37.7 million -- the railroad will not require further appropriations and can pay remaining transfer liabilities from internally generated funds.
12. The legislature should appropriate \$37.7 million to the Alaska Railroad Corporation for the purpose of meeting transfer-related liabilities and \$22.3 million to the federal government for the purchase of the Alaska Railroad.
13. Transfer-related funding should be made to the Alaska Railroad Corporation immediately upon acceptance of the railroad to give the Corporation a clean start.

# THE QUESTION

## **SHOULD THE STATE BUY THE ALASKA RAILROAD?**

For almost six years Alaskans have been debating the pros and cons of taking over the Alaska Railroad from the federal government. In the beginning of the move to transfer the railroad, the question was simply whether Alaska would accept the railroad -- no price tag attached.

The final question, which the state must decide during the first seven months of 1984, is whether Alaska will accept the price and conditions mandated in the Alaska Railroad Transfer Act of 1982.

The Price: \$22.3 million

Interestingly, public debate over whether or not to accept the purchase price of the railroad has focused on the same two concerns expressed when no purchase price was involved:

- First, will the railroad be a continuing, long-term drain on the state?

- Second, is it appropriate or even possible for the state government to operate a commercial enterprise like the Alaska Railroad?

The particular issues related to the transfer price are:

- Is the valuation fair?

- How much more, over and above the purchase price, will the transfer cost the state?

All of these concerns are debated against a background of conjecture as to what would happen if the state does not accept the railroad.

Commonwealth North first focused on the importance of the railroad transfer when draft legislation was introduced in 1981. We issued an interim report in January 1982 suggesting provisions that should be part of any transfer legislation passed by Congress.

In 1983, it became apparent to the Commonwealth North Board of Directors that further investigation of the railroad issues was required. Besides the immediate question of whether the transfer proposal was fair, the corollary questions of how the railroad should be operated under state control, and to what purpose, became increasingly important.

This report summarizes the conclusions reached after six months of independent work by the Commonwealth North Railroad Committee.

The committee examined the purchase of the Alaska Railroad on an "as is/where is" basis. While many Alaskans believe the only reason to accept the railroad is for purposes of extension, we concluded that today's railroad, with its capabilities and limitations, is what is being offered, and it is today's railroad that must meet the test of purchase.

**The committee  
examined the Alaska  
Railroad on an "as  
is / where is" basis.**

## THE FINDING

### **YES! THE STATE SHOULD BUY THE RAILROAD**

#### **The Alaska Railroad is vital to Alaska's economy.**

The railroad is central to the state's extremely limited land transportation system. It fosters movement of bulk freight that would otherwise be impossible to move long distance; offers an important transportation alternative and balance to the competitive pricing structure in Alaska; and offers the only economical method of moving mineral resources to markets.

#### **The purchase price is reasonable. \***

The committee was intensely involved in monitoring the valuation process. Overall, we are satisfied that the state's interests were accounted for and that there is no "hidden" information.

There was particular concern that the state have a true picture of the physical condition of the railroad. There is a spread between the United States Railway Association (USRA) assessment of condition and the state's engineering experts. Because this area is so critical, we used the state's higher forecasted costs in our analysis.

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\* See Appendix for breakdown of the transfer package.



**The Railroad Transfer Act provides prenegotiated arrangements on contract rights, liabilities, and land rights that may not be achievable again.**

These include statutory protection of the railroad's rights-of-way; tax exempt status, which permits tax-free industrial revenue bond use for capital improvements; exemption from certain federal railway employee-related laws; and a guarantee that the survey of lands to be conveyed to the state will be finished within a five-year time period.

**The Alaska Railroad has the capability of being financially self-sufficient.**

This conclusion is based on published and proprietary financial reports of USRA, the state transfer team, and the railroad. In analyzing future revenue projections, the committee learned it could not rely entirely upon historical perspective.

Since 1980, there have been three critical changes that can make the difference between the railroad's past subsidized performance and the capability for self-sustaining future performance:

- Deregulation of the railroad industry nationwide positions the Alaska Railroad to benefit in the more competitive and less regulated marketplace that is evolving.

- Projected market changes in Alaska, particularly in products like coal, gravel, and pipe which are especially suited to railroad transportation.

- Opportunity for tighter management performance and cost control as a result of the change from federal ownership to state ownership.

# **THE NEW ALASKA RAILROAD**

The most unexpected and encouraging conclusion reached by the committee is that the railroad has the potential of being financially self-sufficient from the time of purchase, and of operating without continuing appropriations from the state.

This will only happen, however, if the legislature is willing to meet three conditions necessary for a self-supporting railroad:

- The railroad must be allowed to be fully competitive.
- It must be organized as an independent corporation.
- The cost of transferring the railroad to the state must be recognized and funded by the state rather than the railroad.



**FULLY  
COMPETITIVE**

**INDEPENDENT  
CORPORATION**

**TRANSEFER  
COST FUNDED**

This potential for "making it on its own" is critical to the mission and future of the new Alaska Railroad.

As to the mission, if the legislature agrees that the railroad has the potential to provide efficient, competitively priced freight and passenger service on a self-sustaining basis, they should direct it to do so.

Too many public corporations in Alaska and elsewhere have weakly worded policy goals in their enabling legislation that satisfy special interests but do not provide any means of measuring their success; or they have conflicting goals that are impossible to meet.

The concept of a streamlined public purpose goal of self-sufficiency provides a clear measurement of success and makes it known that the railroad is to be run like a business.

Under a legislative mandate to operate in a self-sufficient manner, all decisions related to such potentially political issues as level and purpose of capital expenditures, employee wage agreements, and level of debt are the direct function of revenue and the ability to pay.

Under a legislative requirement to operate in a self-sufficient manner, all special interests are on notice that if the railroad is required to undertake a service that is not economically viable, the state will have to fund that service.

As to the future, the committee believes that the faster the Alaska Railroad shows itself capable of self-sufficiency, the sooner it will be attractive to a private buyer. If the railroad is never attractive as a successful business enterprise, the state may own it forever.

**If properly structured, the railroad promises to be financially self-sufficient.**

**A successful railroad will become attractive to private industry.**



## FULLY COMPETITIVE

# THE RAILROAD MUST BE FULLY COMPETITIVE

Railroads are capital intensive and as such, require large volumes of shipments to meet the cost of maintaining track, roadbed, and equipment. Market share and competition are the economic underpinning of any railroad.

Even though state owned, the railroad should be operated like a private business and be allowed to compete in the marketplace without artificial constraints.

Adequate safeguards exist within the Interstate Commerce Commission (ICC) and federal antitrust laws to protect competing private carriers from predatory railroad pricing or unfair advantage.

The legislature should refuse special interests that propose to limit the railroad's scope of operations; such limits to competition would act to the detriment of the people of Alaska.

Pricing and service decisions should be vested with the railroad: questions of private vs. public ownership in rate decision making must be left to experts who deal with these issues on a nationwide basis - the ICC and the courts.

The Staggers Act, passed in 1980 to allow railroads nationwide to become more competitive, requires the same rate-making methods, accounting requirements, and market dominance tests for publicly owned railroads as it does for privately owned railroads. The Act clearly requires all railroads to fix rates that cover at least 100 percent of

variable costs and to define maximum rate levels indicating a carrier is not exercising market dominance.

The Alaska Railroad has been partially subject to the ICC since 1963 and has been fully subject since July, 1983, as it will continue to be after the transfer. In addition, the transfer legislation makes the railroad subject to federal antitrust laws.

Finally, the committee concluded that it is doubtful that a lasting or meaningful compromise between competing carriers and the Alaska Railroad could be fashioned.

The railroad both competes with and cooperates with truck and water carriers; it would be impossible to determine where the railroad should offer special pricing without influencing the competitive advantage of one private carrier over another.

A competitive marketing philosophy has already resulted in the announcement of new private carriers serving Alaska in cooperation with the railroad.

Continued competition will encourage innovative marketing and use of technology to move goods at lower prices. The shipper and the Alaskan consumer will benefit and the revenues generated will strengthen the Alaska Railroad.

**The legislature should  
refuse special  
interests that try to  
limit operations.**

FULLY  
COMPETITIVE

INDEPENDENT  
CORPORATION

TRANSFER  
COST FUNDED

## THE RAILROAD MUST BE AN INDEPENDENT CORPORATION

In examining the form of organization to operate the railroad, the committee was guided by two basic criteria:

1. That the organizational format meet the requirements and restrictions of the federal transfer legislation.
2. That the format support the railroad's potential to be self-sustaining.

The intent is to recommend a format that will isolate railroad management from unreasonable political pressure to provide services that are neither economic nor in the state's best interest, and at the same time protect the public interest.

The dilemma is historic for publicly funded corporations: how to hold such corporations accountable while providing freedom to manage.

Four basic organizational formats were examined: a mixed private/public organization; a separate railroad department; a line agency of a state department; and an independent public corporation/public authority.\*

The committee concludes that a public corporation provides the best opportunity for success for the new Alaska Railroad. It provides for

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\* The term public corporation and public authority are used interchangeably.

semi-autonomous management; allows for adequate control by the state; and clearly falls within the transfer legislation's offer of tax exempt status "to a public corporation, authority, or other agency of the state."

The mixed private/public ownership format was attractive because it allows for the easiest transition to wholly private ownership. Such organization could be either a private corporation formed under Alaska Statute AS 10.05, or a limited partnership.

The mixed private/public format was ultimately rejected because of numerous disadvantages, including the probability that the railroad would be unable to finance capital expenditures with tax-exempt bonds.

It was determined that the disadvantages of line agency status to the railroad--particularly the lack of management flexibility--were so obvious that the railroad would never be self-supporting under this format.

Consideration was also given to the concept of a separate, independent department. Article III, Section 22 of the Alaska Constitution provides for the formulation of up to 20 departments in the executive branch of government.

As there are 17 departments at present, it is possible to place the railroad in its own department, under the direction of a commissioner appointed by the governor and subject to confirmation by the legislature.

This form of organization was rejected principally on the basis that it offers few, if any, advantages over an independent corporation established pursuant to the Constitution.

**Management must be isolated from undue political pressure.**

**A public corporation provides the best opportunity for the success of the railroad.**

## **RECOMMENDATIONS FOR THE ALASKA RAILROAD CORPORATION**

1. The corporation should have full control over the surface and subsurface railroad lands.

The purchase of the Alaska Railroad is often referred to as "a real estate deal" because of the value of land included in the transfer package.

Some private leaseholders and municipal governments with railroad-owned waterfronts or city centers would like to see the land transferred to themselves. The corporation, as a matter of policy, should not sell revenue-producing property because it is in the interest of the entire state that the railroad hold these properties for its own needs.

2. The corporation and its union employees should cooperate in modernizing existing labor agreements during the two-year transitional period mandated in the federal transfer legislation.

Particular attention should be given to any archaic work rules that inhibit efficiency. The goal should be to increase productivity rather than diminish compensation to employees.

Efficient utilization of railroad employees is essential for a self-sufficient operation.

3. The corporation should not be mandated to propose or conduct feasibility studies for cross-country track extensions or sale of the railroad.

Major rail extensions and sale issues are not operating issues. The mission of the railroad corporation should be closely focused on matters that affect economics and service to shippers and passengers on existing routes. Fea-



sibility studies are expensive, require extensive staff time, and could drain the limited funds of the railroad.

Extensions and sale proposals have broad policy implications that can best be considered by the executive and legislative branches of state government or private entities.

4. Passenger operations should be modified to take advantage of revenue opportunities and re-evaluate uneconomic services; a system should be devised to accurately identify passenger service costs.

Just as land leasing by the railroad is projected to be profitable, passenger service will likely remain a loss operation if all related expenses and capital costs are considered. To control these costs, however, it is important to account for them accurately.

Reliable cost information is crucial in considering service levels, pricing issues, and capital expenditure decisions.

5. The Board of Directors of the Alaska Railroad Corporation should consist of five to seven voting members representing the interest of the entire public; no board member should be appointed to represent a special interest.

Directors should be chosen for their professional judgment rather than their representations of special interests or home town. Similarly, non-voting membership is inappropriate.

Board members should be limited to two five-year terms of service and with staggered terms to mix continuity of experience with new ideas.

FULLY  
COMPETITIVE

INDEPENDENT  
CORPORATION

TRANSFER  
COST FUNDED

## **COST OF TRANSFER MUST BE FUNDED BY THE STATE**

The USRA valuation report on the Alaska Railroad describes the railroad's operations as "modest when compared with railroads in the lower 48 where it would be classified as a medium-sized 'short-line' carrier with below average freight traffic density."

Historically, operations of the railroad have ranged from modestly profitable years to periods of substantial losses.

While optimistic for improved performance of the new Alaska Railroad, the committee concludes that the minimal cash margins forecast for the first five years will be insufficient to meet the purchase or transfer-related costs on top of operating and capital expenditures.

Marginal railroads fail historically because of a combination of acquisition cost, rehabilitation cost, and debt service.

The Alaska Railroad comes to the state debt free; however, there are four substantial transfer-related liabilities (in addition to the purchase price) connected with acquisition and rehabilitation that have been identified by the USRA and state transfer teams.

These liabilities primarily result from the manner the federal government operated the railroad and were partially recognized in the appraisal process as deductions from the overall value of the railroad.

1. Under state ownership the railroad will be subject to Occupational Safety and Health Act (OSHA) standards

and from Alaska fire and building-related codes. Substantial funds are needed to correct deficiencies now existing.

2. Maintenance-of-way and capital expenditure needs result from facilities which have been allowed to deteriorate but are necessary for the ongoing use of the system. For example, the condition of cross ties, rail, and structures in certain areas has been allowed to slip behind prudent replacement schedules, according to some independent experts.

3. At the time of transfer there will be a number of legal, administrative and consulting costs to start-up under state control. This is part of the railroad purchase cost and should be funded as such.

4. The final category of start-up costs is adequate working capital to cover cash timing requirements of the railroad corporation.

Until very recently, the transfer liabilities included an extremely high employee retirement figure, generally referred to as the "unfunded pension liability." While this liability was considered in the valuation process, the committee strongly believed that the state should not have to pay for this federal problem. Fortunately, the federal Office of Personnel Management has rendered an opinion relieving the state of responsibility for the unfunded pension cost.

Resolution of this issue was critical to our recommendation to purchase the railroad.

USRA and the state transfer team "worst case" calculations for these four categories of liabilities alone may total \$64.8 million over the next ten years. This amount is in addition to the \$22.3 million purchase price payable to the federal treasury.

If the start-up liabilities were funded annually, the railroad would not

**Resolution of the  
pension liability issue  
was critical to  
purchase.**

show positive cash flow until 1990, according to these projections.

However, the committee's analysis shows that if the state funds the equivalent of the first five years' liabilities in advance -- \$37.7 million -- the railroad can be self-sufficient from the transfer date onward and not require further appropriations. (See Appendix.)

The cash required for funding the purchase and five years' transfer costs is as follows (\$ million):

|  |               |
|--|---------------|
| Code and OSHA compliance                   | \$16.0        |
| Deferred maintenance                       | 15.3          |
| Working capital                            | 4.7           |
| Start-up expense                           | <u>1.7</u>    |
| Cash required by railroad corporation      | \$37.7        |
| Purchase price payable to federal treasury | <u>22.3</u>   |
| Funding required for transfer              | <u>\$60.0</u> |

**The legislature should appropriate \$37.7 million to the railroad corporation for transfer-related costs.**

If the state pays all of these costs at transfer, the railroad projections show the capacity to fund the remaining \$27.0 million of liabilities from internally generated funds.

While \$37.7 million is a substantial cost, it ultimately cannot be avoided. The expenditure would represent approximately 1.1 percent of the proposed \$3.5 billion FY 85 state budget that would be in effect during the railroad transfer period. In consideration of the benefits derived, we believe this choice of funding would be well justified.

It is recommended that the legislature appropriate \$37.7 million dollars to the Alaska Railroad Corporation for the purpose of meeting transfer-related liabilities and \$22.3 million to the federal government.

Transfer-related funding should be made to the Alaska Railroad Corporation this legislative session to give the Corporation a clean start. By separating expenses generated as a result of transfer, the railroad management's success or failure in meeting a goal of self-sufficiency can be clearly measured.

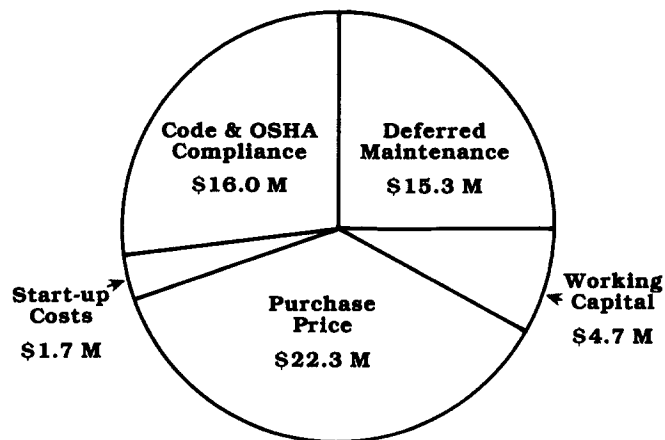
In determining whether a goal of financial self-sufficiency was possible, the committee found that the more conventional financial statement approach in analyzing profit and loss analysis fails in two respects when examining the railroad's financial statements.

Government accounting at the railroad allowed capitalizing certain track maintenance programs that otherwise would have been charged against profits currently. Therefore, in viewing historical performance of the railroad, it is more useful to calculate cash flow including capital expenditure programs, to measure the degree of self-sufficiency over time.

Capital expenditures historically and prospectively exceed depreciation charges, further supporting cash flow as the relevant measure in this analysis.

If the transfer-related liabilities are funded, the railroad will have four sources of revenue: the start-up monies from the legislature; operations; real estate; and borrowing capabilities.

While our cash flow analysis does not rely on debt, the transfer legislation provides for the tax-exempt status of the railroad and the ability to issue tax-exempt debt. However, to the extent possible, this source should only be



**The Alaska Railroad  
Transfer-Related Costs:  
\$60 million**

**The success of the  
railroad may parallel  
the fortunes of  
Alaska.**

used for funding investments in equipment or facilities that will generate new revenues or reduce operating costs.

It is emphasized that the starting point in all of these analyses is revenue projections by current management. As noted in the discussion related to competition, revenues are all-important for economic success. High fixed costs will not drop significantly with reduced traffic. If major sustained shipments fail to materialize as expected, periods of negative cash flow could result. Management believes its base projections to be realistic, and, perhaps, conservative.

The Commonwealth North Railroad Committee is encouraged by the railroad's potential to be of even greater benefit to the State of Alaska. In many respects, the success of the railroad may parallel the future of Alaska's overall economy.

## **THE FUTURE OF THE ALASKA RAILROAD**

The optimistic conclusion that the Alaska Railroad can be self-supporting on its existing system still must meet the test of fact.

But, for the first time in the Alaska Railroad's history, it will be Alaskans writing the legislation and making the decisions that will determine the railroad's future.

What about that future?

Two major policy questions concern extension of the track system and transfer of the railroad to private ownership.

The railroad has always held the potential of reaching out far beyond the "Railbelt" of Alaska. Even after 60 years of operation the railroad system remains short of its original charge to be a frontier development tool.

The problems will remain the same under state ownership: rail extension is expensive; feasibility studies of major route expansions by both public and private interests have not yet been positive.

But, if the problems remain the same, the decision makers will be different and so will the criteria of public need and public good.

Issues of project funding and operating cost coverage can be looked at on an ability-to-pay basis from a state perspective, and while economic returns must be real, they may not need to be so immediate.

Major track extension of the Alaska Railroad may be in the far future, but under state ownership, Alaskans will decide how far.

We will also have control over the question of whether or not it is in the public interest to sell the railroad to a private buyer.

This issue should be carefully explored. However, until a favorable operating record can be demonstrated, it is unlikely that a responsible private buyer would offer to purchase the railroad, unless it were to gain control of its valuable landholdings.

These questions do not need to be solved immediately.

The challenge right now is to set up a successful Alaska Railroad Corporation and build on the future from there.

# **APPENDIX**

## **THE TRANSFER PACKAGE**

THE PURCHASE PRICE OF \$22.3 MILLION BUYS THE STATE OF ALASKA THE FEDERAL ALASKA RAILROAD SYSTEM:

- 520 miles of single main and branch line track between Seward and Fairbanks--via Anchorage, Wasilla, Healy, and Nenana;
- 64 miles of branch track linking Fairbanks to Eielson Air Force Base, Healy to Suntrana, Matanuska Junction to Palmer, Portage to Seward, and an International Airport spur;
- 62 locomotives, 1653 freight cars, 46 passenger cars, and over 200 pieces of maintenance and emergency equipment;
- railroad yards, offices, maintenance buildings, storage, in Anchorage, Seward, Whittier, Healy, Nenana, and Fairbanks;
- 38,000 acres of land: 12,000 of right-of-way; 1,000 acres leased (for approximately \$3 million annual rental income); 11,000 used as actual or future gravel sources; 7,000 acres for terminal and yard areas;
- 539 employees: 455 full time permanent, 84 temporary, 51 special categories.

### THE ALASKA RAILROAD TRANSFER ACT (ARTA):

- requires the state to agree to operate the railroad as a rail carrier in intrastate and interstate commerce;
- requires the state to protect retirement benefits and to negotiate employment arrangements during the first two years of ownership;
- places the state-owned railroad under full and formal regulation by the Interstate Commerce Commission and federal anti-trust laws;
- requires that all revenues generated by the state-owned railroad are to be maintained and managed by the railroad for railroad-related purposes;
- qualifies the railroad "as a public corporation, authority, or other agency of the state" for tax exempt status.
- guarantees that the state will receive nothing less than an exclusive-use easement on railroad rights-of-way for transportation, communication, and utility purposes in all areas (except Denali National Park where the easement is for rail purposes only).



# APPENDIX

## ALASKA RAILROAD

### PRO FORMA CASH FLOW ADJUSTMENTS (1983 \$000)

|   | (1) FY 84      | FY 85         | FY 86         | FY 87         | FY 88          | FY 89       | FY 90       | FY 91       | FY 92       | FY 93       |
|---|----------------|---------------|---------------|---------------|----------------|-------------|-------------|-------------|-------------|-------------|
| Adjusted Transfer Team Cash<br>("Worst Case") | (19267)        | (11315)       | (8830)        | (5366)        | (3048)         | (66)        | 82          | 341         | 245         | 248         |
| Pensions (2)                                  | 3165           | 3044          | 2939          | 2830          | 2740           | 2651        | 2558        | 2468        | 2374        | 2285        |
| Cash Adjusted for Pension Issue               | <u>(16102)</u> | <u>(8271)</u> | <u>(5891)</u> | <u>(2536)</u> | <u>(308)</u>   | <u>2585</u> | <u>2640</u> | <u>2809</u> | <u>2619</u> | <u>2533</u> |
| State Adjustment Reversals:                   |                |               |               |               |                |             |             |             |             |             |
| CODE/OSHA Compliance                          | 1200           | 1200          | 1200          | 1200          | 1200(3)        |             |             |             |             |             |
| MOW/Capital Needs                             | 2500           | 2500          | 2500          | 1500          | 1500           |             |             |             |             |             |
| USRA Adjustment Reversals:                    |                |               |               |               |                |             |             |             |             |             |
| One-Time Startup                              | 1750           |               |               |               |                |             |             |             |             |             |
| Working Capital                               | 4377           | 95            | 168           | 57            | 49             |             |             |             |             |             |
| OSHA  | 500            | 500           | 500           | 500           | 500            |             |             |             |             |             |
| CODE  | 1500           | 1500          | 1500          | 1500          | 1500           |             |             |             |             |             |
| Maintenance-of-Way                            | 1220           | 810           | 850           | 870           | 1010           |             |             |             |             |             |
| Total Adjustments Requiring Funding           | <u>13047</u>   | <u>6605</u>   | <u>6718</u>   | <u>5627</u>   | <u>5759(4)</u> | <u>-</u>    | <u>-</u>    | <u>-</u>    | <u>-</u>    | <u>-</u>    |
| C/N Adjusted Cash                             | <u>(3055)</u>  | <u>(1666)</u> | <u>827</u>    | <u>3091</u>   | <u>5451</u>    | <u>2585</u> | <u>2640</u> | <u>2809</u> | <u>2619</u> | <u>2533</u> |

- Notes: (1) USRA and State used FY 84 as full-year transfer period. It is likely that transfer will occur in FY 85 and all adjustments should be moved one year forward.
- (2) Pension adjustments for 10 years is due to funding requirement change. Includes USRA and State adjustments.
- (3) Commonwealth North proposes adjustments only to fund first five years' costs of transfer.
- (4) Total up-front funding proposed by Commonwealth North totals \$37,756,000.

# **COMMONWEALTH NORTH RAILROAD COMMITTEE**

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Commonwealth North is a non-profit corporation, organized and existing under the laws of the State of Alaska. Non-partisan in nature, its purpose is to bring wider perspectives to public policy issues affecting Alaska.

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