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September 14, 2015

The Honorable John Thune
Chairman, Committee on Commerce, Science, and Transportation
United States Senate
Washington, DC 20510-6125

Dear Chairman Thune:

The Alaska Railroad received your September 4, 2015 letter requesting information concerning the issues and challenges that could arise if Congress does not extend the fast approaching deadline for implementation of a Positive Train Control (PTC) system. We appreciate the opportunity to respond.

As background, please know the Alaska Railroad, the only sizeable railroad in the United States that provides both freight and passenger service, has long been a frontrunner in the implementation of PTC. We began our efforts to build a PTC safety overlay system in 1997 and believe in the safety benefits this system will eventually offer to the railroad industry, our crews, customers, and communities. Despite our early adoption, ongoing good faith efforts, and secured PTC funding, our company will not make the December 31, 2015 deadline. This is because PTC is an extraordinarily complex new system that involves the integration of several different technologies which have yet to be fully developed and/or tested for safety and reliability. We will continue our good faith efforts to deploy this system and hope to succeed in full implementation by the end of 2018.

A failure by the Congress to extend the December 31, 2015 PTC deadline will create several serious legal, financial and ethical issues for our railroad as well as the rest of the industry. A brief description of these issues follows:

1. Federal Railroad Administration (FRA) Fines: The FRA has publicly stated that it intends to fine railroads that don't meet the PTC deadline and possibly impose other sanctions as well. Pursuant to existing FRA regulations, these fines could be up to \$100,000 per day for any violation where circumstances warrant. These fines are a tremendous concern. If assessed, they would destroy our bottom line and eventually lead to bankruptcy. Even a few days exposure to these fines would erode our capital spending for other important safety-related maintenance projects.

2. Employee Safety Culture: Safety is a top priority at the Alaska Railroad. Our employees are trained in and required to comply with ALL applicable safety laws, regulations and rules in order to prevent harm to themselves, our passengers and the communities in which we operate. They are not allowed to pick and choose which safety laws they want to follow. If we continue to offer passenger service after the deadline passes and thereby break the law, we will be sending a mixed safety message to our employees, i.e. that it is okay to violate some safety laws but not others. Asking our employees to knowingly break the law not only erodes our safety culture, it creates serious moral or ethical questions. Is this really the right thing for a responsible employer to do?

3. Employee Refusal to Operate Trains. Pursuant to the Federal Railroad Safety Act (49 U.S.C. 20109), our employees have the legal right to refuse to violate or assist in the violation of any federal law, rule or regulation relating to railroad safety or security. If we decide to continue to offer passenger service after the deadline passes, our employees could effectively veto this decision by refusing to work and there is little we could do about it. We would be subject to damage claims, including punitive damages, if we took any action to compel the employees to do their jobs or if we disciplined or discharged them for failing to operate trains in violation of the federal PTC mandate.

4. Liability/Legal Risk: If we decide to continue to offer passenger service after the deadline passes and, God forbid, have a PTC preventable accident that results in serious injuries and/or fatalities, we would be held to be negligent as a matter of law because we violated the federal statute that requires PTC. This creates a significant financial risk because we would be exposed to a multitude of legal claims, which could possibly include claims for punitive damages for operating in violation of a federal safety law.

5. Risk to Federal Transit Administration (FTA) Funding: Like most passenger and commuter railroads, the Alaska Railroad receives FTA funds to help meet its passenger transportation capital needs. If we suspend our passenger service temporarily to eliminate our exposure to the legal risks and fines addressed above, we then risk losing our FTA grant funding. We are currently using the FTA grant funding to help finance our PTC implementation project.

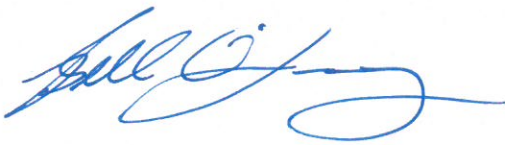
The Alaska Railroad is hopeful Congress will extend the deadline well before December 31, 2015. However, because time is running out, we have been forced to look seriously

at suspending our passenger service if the deadline is not extended or an alternative waiver is not provided. While a final decision has not yet been made, we are currently working through several scenarios and contingency plans on how we will address our risk should the deadline not be extended. A decision to suspend service brings with it huge negative ripple effects to our small and large customer businesses that rely on the Alaska Railroad for passenger transportation and for connections to their services, as well as the loss of a significant amount of critically important revenue for our company. The Alaska Railroad transports about 500,000 passengers per year and serves as a critical transportation link to the most populated communities in the State of Alaska. A suspension of passenger service will:

1. affect hundreds of small and large businesses that rely on passengers visiting their locations via train;
2. impact safety on our already congested highways that are not built to accommodate the added vehicle load during the busy summer season, as well as force the acquisition of numerous motor coaches which could not be obtained in time to meet the incremental highway traffic demands; and
3. eliminate access to vast roadless areas of the state where residents and visitors rely on the Alaska Railroad as their only means of access.

In conclusion, I hope that the above information is helpful to you. We sincerely appreciate all of your efforts to date to obtain congressional approval of the PTC deadline extension legislation.

Sincerely,



Bill O'Leary
President and Chief Executive Officer
Alaska Railroad Corporation