

Commentary

Adams: Time for railroad sale

by Senator Adams

At the time our state purchased the Alaska State Railroad and accompanying land from the federal government, about a decade ago, state legislation mandated that private ownership of the railroad be pursued. Since that time, the various political appointees entrusted with management of the rail system have resisted that worthwhile and sensible goal.

Recent reports of an \$8 million operating profit for the railroad and associated properties in 1996 should be taken with a whole shaker of salt. Not a dime of that "profit" reported by current Railroad Chairman, former Governor Bill Sheffield, has been returned to the Alaskan people, who spent \$23 million in general fund dollars to purchase the railroad and another \$11 million in start up/improvement costs. At no time in its state-operated history has the Alaska Railroad provided any cash return on our investment. Beyond the state "contribution," the railroad has received another \$20 million in federal grants over the last two years.

While my purpose in writing is to convey the desirability of marketing the railroad as soon as possible, I first would like to voice objection to Sheffield's contention that the railroad operates without subsidy from the state. Unlike other businesses in Alaska, the Alaska Railroad pays no municipal or state

taxes. That is a huge subsidy. It pays limited fuel taxes. Again, a substantial gift. The railroad corporation collects revenue from land that was part of the federal transfer but not necessary to railroad operations - revenue in the millions of dollars that the state COULD be collecting. Still another subsidy. And, finally, the absence of debt service on the capitalization of over \$50 million that the state and federal government have poured into the railroad is the largest subsidy of all.

My guess is that if Governor Sheffield had received his former chain of hotels at no cost, with no debt responsibility, received state and federal grants for remodeling and repairs, paid no taxes on them, AND received millions in tax-free lease income from other property he never paid for, he could have shown a profit there as well. However, his less fortunate competitors would have appreciated that as little as the freight and other businesses that currently compete with the railroad.

Sale of the railroad to a private entity would accomplish the following:

1. fulfill original legislative intent;
2. create a much needed additional tax base for the state and affected municipalities;
3. eliminate unfair competition with other related industries;
4. provide as cash return on our original investment;
5. pave the way for expansion and im-

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provement of the railroad by a private entity; and

6. squash the financial plum that the railroad corporation has become for political appointees.

And consider this: sale of the railroad could be the beginning of our education endowment fund.

The process for selling the railroad should be relatively simple. We should get an appraisal and list of all assets and decide which

to sell and which to keep. We should set reasonable conditions for the sale, including provisions requiring continuing operation as a railroad with certain minimum standards. Those could include required service to certain communities, limitations on resale of assets, and treatment of existing union contracts and its employees. And, most importantly, bids for the railroad should be reviewed and decided upon by someone other than the Alaska Railroad Board, which has an obvious conflict of interest in any sale decision.