



5-year Strategic Plan Update

2018 - 2023

Strategy #1: Expand Business by Growing and Diversifying Revenue

- Update business marketing / sales plans annually, reflecting new strategies and economic changes.
- Continuously monitor and improve customer service/performance
 - Institute / maintain a proactive, consultative customer approach
 - Use regular business reviews with all major accounts to continually improve service and uncover new revenue opportunities
 - Implement technology solutions (customer-facing and back-end) to better measure customer service, collect feedback and enhance customer communication.
- Develop and implement new business lines that leverage core railroad competencies.
- Freight (baseline year 2017)
 - Increase revenue by 18% by 2023
 - Increase market share through positioning as low-cost, sustainable provider to not only grow from existing customer base, but diversify revenue streams through new customer engagements.
- Passenger (baseline year 2017)
 - Increase revenue by 29% by 2023
 - Develop and implement passenger strategic plan, addressing marketing approach, equipment needs, route strategy, pricing, gift shop opportunities, and service levels.
- Real Estate (baseline year 2017)
 - Increase revenue by 15% by 2023

- o Using proceeds from land sales and other sources, invest in ARRC real estate through infrastructure upgrades and/or acquisitions with a goal of increasing the value and desirability of developed / underdeveloped ARRC property.
- o Leverage land holdings / development as a means to increase rail traffic.

Strategy #2: Improve Profitability by Optimizing Cost Structure

- Drive corporate operating efficiency by implementing initiative team recommendations.
- Derive and implement revised key performance indicators to appropriately measure performance, provide leading indications, and calculate progress toward goals.
- Appropriately size workforce for business need, taking into account safety, seasonality, regulatory requirements, and necessary profitability.
- Achieve operating ratio of .98 by 2023.
- Grow company-wide cash flow (EBITDA) to \$41 million by 2023.

Strategy #3: Balance Capital Program to Optimize Safety, Revenue, and Efficiency

- Adopt a lifecycle management approach for key asset classes through development of master plans, an investment roadmap, and implementation / funding strategies.
 - o Complete the 4-year Transit Asset Management (TAM) plan by the October 2018 deadline.
 - o Accomplish all goals identified in the TAM plan within the 4-year period
- Enhance productivity through technology modernization investments
 - o Drive informed, real-time decision making
 - o Enhance operational efficiency
 - o Improve customer service through accessible feedback and response
 - o Reduce risk with tools and methods proven to work in the railroad industry
 - o Enhance employee connectivity and engagement through proactive, consistent and robust employee communications that maximizes outreach.

- Achieve system-wide Positive Train Control (PTC) implementation and certification on time by 2020 in the most cost-effective manner.
 - Complete and execute the PTC post-implementation plan to minimize financial and operational impact and assure system reliability.
- Appropriately address aging Seward Passenger Dock
 - In conjunction with stakeholders, develop and execute capital activities to replace existing asset functionality.
- Invest capital in support of a growing and sustainable business model.
 - Mandate appropriate return on investment for non-capital maintenance projects.

Strategy #4: Build a Proactive Culture of Safety and Engagement

- Continue “ARRC Safety Journey” as outlined.
 - Develop and implement the Incident Free Culture (IFC) program
 - Develop and implement a Hazard Recognition Program (HRP)
 - Develop and implement a Workplace Inspection program
- Revise safety key performance indicators to appropriately measure performance, provide leading indications, and calculate progress toward goals.
 - Reduce employee injuries by at least 5% year-over-year by 2023 (baseline 2017).
- Continue development and implementation of a robust training program to support corporate regulatory, safety and employee development needs.
- Maintain regulatory compliance.
- Sustain public safety/awareness campaign to reduce incidents.

Strategy #5: Enhance Economic Development, Stewardship and Stakeholder Relations

- Promote and advance regional economic development priorities through strategic partnerships
 - Strengthen and expand relationships with local and statewide economic development and tourism partners.

- Demonstrate environmental stewardship of our land, facilities and the communities in which we operate.
- Increase the public and other stakeholders' understanding about the Railroad and enhance our community standing.
 - Strengthen relationships with civic and elected leaders in communities affected by the Railroad's activities.
- Demonstrate corporate citizenship with respectful dialog, public involvement opportunities, and timely response to community concerns.
- Maintain a strong philanthropic program that supports non-profit civic and charitable organizations through in-kind contributions.