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A message from Bill Brodsky

Congratulations to all Montana Rail Link employees on another outstanding year for your company. Having had an opportunity to visit with many of you at our Christmas parties, I was especially pleased to learn that 1993 had been such a good year personally for many of you. As we said in the beginning, our plan was to create a strong company focused on growth and opportunity that would reverse many of the trends our industry has suffered during the course of the past fifty years; things such as layoffs, abandonments, plant closures and bankruptcies. Unquestionably, we've been successful with our initial effort and I'm extremely excited about prospects for the future.

Thanks to your work we have confronted many challenges in 1993, and have emerged from each with success and an improved bottom line. You will recall the year started with record traffic levels on our system including strong movements of coal and grain. A highly disciplined operating program called "Precision

(turn to Message on page 2)

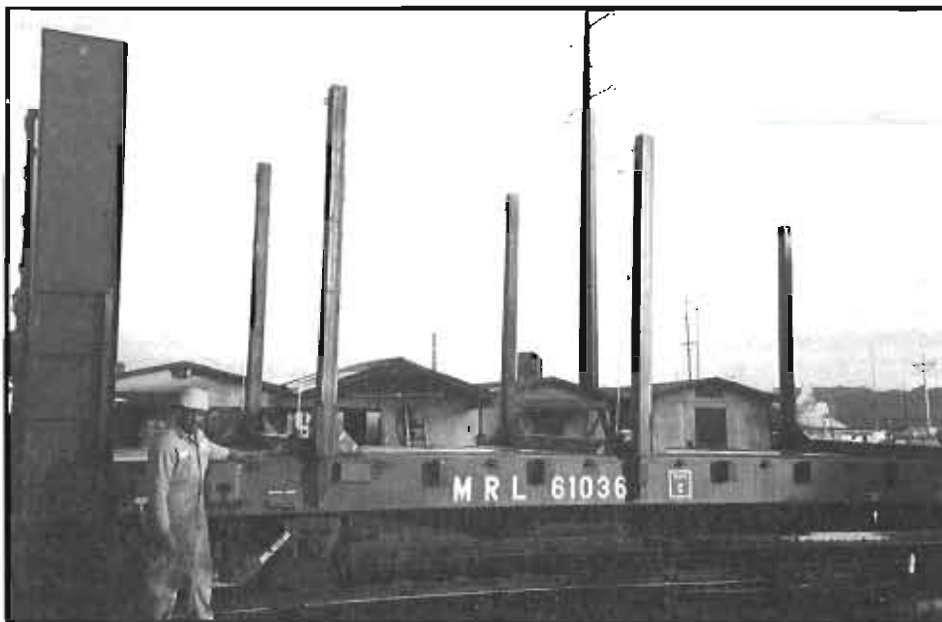
Newsbriefs

■ **We welcome our new customers:** ■ Northwest Building Supply in Polson, owned by Mike and Pam Mower, is receiving building materials by rail.
■ Cornelius Cattle Co. of Ronan recently began receiving cotton seed by rail. This fuzzy looking stuff is great cow feed. ■ Montana Hideaways of Belgrade is moving logs from Thompson Falls. ■ William M. Kronmiller & Company, a steel fabricator, recently located in the Billings Industrial Park, and is receiving by rail.
■ Drywall Supply of Missoula, owned by Frank Bishop, began receiving wall-board by rail in November (see picture on page 4).

■ **Mechanical Department puts safety first:** Livingston Mechanical forces recently passed the 583 day mark without a reportable injury. Helena has 338, Missoula 331, and Laurel 150 days. A great effort!

■ **Some news – good and bad!** We're getting a profit sharing check soon. The bad news is that recent tax law changes require that employers withhold Federal Income Tax at 28%. This applies on all wages that are considered supplemental such as bonuses, profit sharing or other lump-sum payments. The bottom line is that considering the state income tax and railroad retirement, deductions before any 401(k) contributions, deductions will take 47.55% of your amount. More information will be distributed with the check.

(turn to Newsbriefs on page 3)



One of our 53 recently acquired 52'6" 70-ton, bulkhead flats being retrofitted with log bunks at Coast Engine & Equipment in Tacoma. The cars were built in 1978. Larry Huff, marketing manager, anticipates we will handle more than 1,200 carloads of logs in 1994 (see Newsbriefs for more equipment information).

Message (continued from page 1)

Execution" was implemented early in the year. You responded to the challenge in exceptional fashion, setting a standard of excellence in train performance that saw intermodal operations consistently in the upper 90% (on-time) range with many days in which all intermodal trains operated on schedule.

Nothing better demonstrates the essence of teamwork than the success you enjoyed with Precision Execution. Only with optimal coordination and cooperation from all of the railroad's personnel in all departments can results like

yours be achieved on a consistent basis. With considerable emphasis on educating our transportation, engineering, mechanical and clerical personnel, we were able to plan, react and deliver a package of transportation

services that should make each and every employee at MRL very proud.

In the middle of all this activity, our engineering people undertook the Mullan Tunnel project, one of the largest reconstruction/rehabilitation projects in our company's history. In the course of operating in excess of twenty trains per day plus numerous light helper movements, the complete track structure was removed from the tunnel, the floor excavated to bed rock and the track replaced.

Most of you recall the floods of '93 which severely impacted many of the railroads throughout the midwestern United States including our service partner, Burlington Northern. As a result of the flooding, traffic across MRL was disrupted and in many cases rerouted to the only serviceable line segments that existed. MRL lost considerable bridge traffic during this period; however, with effective cost

control and increased focus on local customers, we were able to offset in part the rerouted traffic and therefore achieve solid financial performance throughout the flood period.

Partly as a result of rerouted traffic associated with the floods and in response to greatly increased intermodal traffic throughout the railroad industry, severe locomotive shortages began to occur during the summer months and are continuing today. In response to the locomotive shortages our company leased locomotive power to Southern Pacific and Burlington Northern. These units

are supplied from MRL's working fleet of locomotive power and are maintained at Livingston, Montana, by MRL forces. Thanks to your efforts we have continually maintained a total out-of-service ratio of seven to ten percent with

our "young" locomotive fleet that averages a mere 31 years of age. Congratulations to our locomotive maintenance forces and our dispatchers for doing a great job of optimizing the utilization of these important assets for MRL's benefit and for the benefit of our service partners, Burlington Northern and Southern Pacific.

All in all, 1993 was an outstanding year highlighted by great team work; teamwork involving our customers, our railroad service partners, our fellow employees; teamwork that has resulted in a high level of excellence on the part of each and every MRL employee; and teamwork that has resulted in a six percent growth in sales in spite of the adverse impact of the '93 floods.

I mentioned earlier my excitement for the future. Your efforts have resulted in MRL's business growing by (turn to Message on page 8)

"1993 has been an outstanding year highlighted by great team work; teamwork involving our customers, our railroad service partners, our fellow employees."

announcing

1994

MONTANA RAIL LINK EMPLOYEE PHOTO CONTEST

Wanted
new photographers with fresh ideas

- New rules and categories
- Cash prizes

Entry forms will be stuffed with payroll checks and distributed to all work locations.



BlueCross BlueShield
of Montana

Health Insurance Claim Questions?

Call Blue Cross/Blue Shield of
Montana

in Helena, toll free at

1-800-447-7828

or for preauthorization of treatments,
call

Managed Care Montana

1-800-635-5271

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Readers are invited to submit news items and comments.

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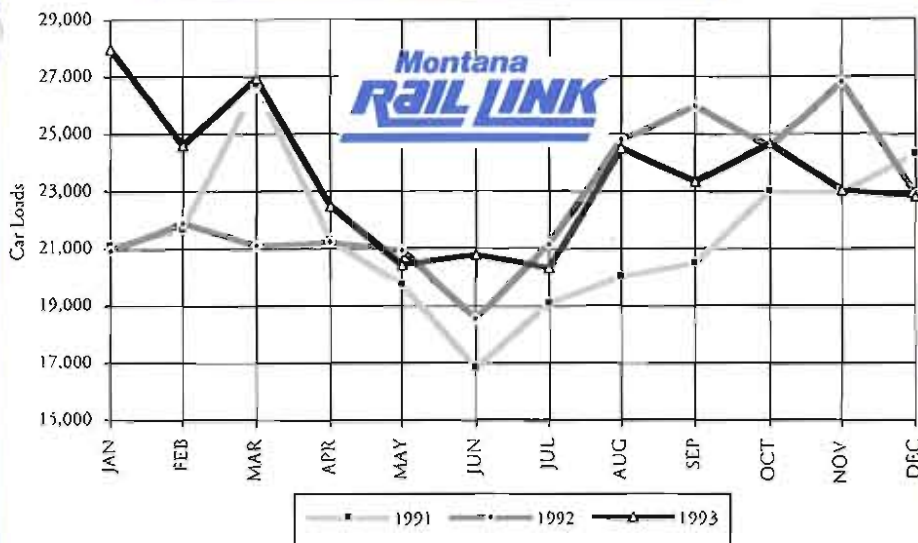


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February 15, 1994



PRINTED ON RECYCLED PAPER

How we're doing: CAR LOADS HANDLED



A good year: Car loads for the year ending December 31, 1993, totaled 282,050, an increase of 11,013 or 4.1% compared to 1992. Driven by strong movements of grain and coal, bridge traffic accounted for 195,304 car loads, up 10,501 or 5.7%. Traffic which MRL originates or terminates held steady at 71,244 increasing by 332 or 0.5% for the year.

Newsbriefs (continued from page 1)

■ **One that got away!** We do our best to keep traffic on the rails, but this load went right down the highway. In late October, French Construction moved the old Townsend depot, measuring 35 x 100 feet, some 30 miles to Helena where they are using it for storage. It took two days, and a little help from Montana Power lifting power lines, but they got the job done.

■ **Health Plan Update:** In conjunction with the Employee Attitude Survey, employees are also being provided with an opportunity to find out more about the health care plan. **Sharon Hagemo**, director human resources and liaison between MRL and Blue Cross/Blue Shield, is conducting health care information sessions. Sharon is available to answer any questions concerning the benefits of Preferred Provider Network and Managed Care. Call her on ext. 436 if you have questions and were not able to attend the sessions.

■ **Left out in the coal-d!** Burlington Northern and Montana Rail Link are no longer participating in the coal shipments to Boardman, Oregon; (Union Pacific out bid the BN for this business). This means a loss of approximately 168 trains per year and more than \$5 million in revenue. In response, we are redoubling our efforts to make sure we provide the best value and service to our customers, and that the BN/MRL system has the capacity to handle new business opportunities as they appear.

■ **Protection plus:** Two of our strategic bridges, one over the Yellowstone River near Reed Point and the other over the Clark Fork River near Trout Creek, are now protected by electronic wide load detectors. Located beside the track,
(turn to Newsbriefs on page 4)

Financial assistance for families of deceased railway employees

Did you know that grants are available to families of railroad employees who die while in railroad service? The John Edgar Thomson Foundation has provided financial assistance to a substantial number of families.

The foundation, established in 1882 and endowed by the will of J. E. Thomson, third President of the Pennsylvania Railroad, offers limited financial aid to daughters of railroad employees who die while in the employ of any railroad in the United States. The cause need not be work-related.

The monthly allowance made under the grant may cover the period from infancy to age 18 and, under certain circumstances, to age 22, to assist daughters who pursue higher educational goals. The foundation offers certain health care benefits to grantees.

Funding for the work of the Foundation is completely independent of any railroad, and the foundation does not solicit or receive funds from the public.

If your family would like more information or a grant application, contact:

Sheila Cohen, Director
The John Edgar Thomson Foundation
201 S. 18th Street, Suite 318
Philadelphia, PA 19103
(215) 545-6083

Newsbriefs (continued from page 3)

the devices detect loads that exceed preset standards (caused by shifted loads, etc.) as trains pass through them. Passing train crews are advised by radio with informative messages such as "detector Mile Post 53.0 working," or "detector Mile Post 53.0 - stop your train, stop your train - defect on north/south side," allowing them to take appropriate action.

■ **Easy money!** Each employee will receive a \$300 bonus if we achieve a 25% reduction from the six year average costs of accidents. (This includes derailments, switching accidents, loss and damage claims, and crossing accidents). This discretionary payment will be available for employees who have worked at least 1,000 hours in 1994 and are employed by MRL at December 31, 1994.

■ **Changes enhance functions of purchasing, marketing, human resources and claims.**

Jacque Duhamel has been appointed to the position of claims/human resources specialist. She will assist **Sharon Hagemo**, director of human resources, and **Mark Bjorlie**, manager of injury prevention and claims, with case management, scheduling and office procedures. Previously Jacque had divided her time between human resources, the central file system and executive support. Her new assignment allows her to focus exclusively on personnel matters. Also, the Purchasing and Marketing functions have been separated to allow **Howard Nash**, director of marketing, and the marketing group, to devote full time to our growing customer base that has increased by over 100 customers since start-up. In addition, Howard will take on strategic planning for marketing and will lead MRL's efforts to expand BN/MRL intermodal business. **Carol Stevens** has assumed full responsibility for purchasing and material management, including installation of a new computer assisted purchasing system and purchasing for our South American and Central American locomotive and parts programs. Under the new purchasing alignment, **Marj Dinius** and **Bruce Graham**, materials managers at Missoula and Livingston, report to Carol. Bruce is playing a major role in designing and working the bugs out of the new computer software.

■ **An ounce of prevention is worth a pound of cure.**

With this premise, Montana Rail Link is sponsoring Health Fairs across the system. Employees are being provided with an opportunity to have their blood pressure screened, take vision and glaucoma tests and get a health risk appraisal - all free of charge. For a modest cost, a variety of blood tests are available, as well as body composition evaluation and tetanus booster shots. Watch for Health Fair notices in your area and stay healthy.



New and different: Drywall Supply of Missoula began receiving wallboard from Hymes, Wyo. by rail. Different describes the unloading. The lightly-used Bitterroot Branch, that goes right by Drywall's front door, is being used for the unloading spot. Cathy Richardson, manager customer service, checks out the first load on November 24.

■ **You can bank on this!**

Employees can have their payroll wages deposited automatically in their accounts at any bank or credit union. Convenience and no chance of loss are the positive points of the program. Deposits are available bi-weekly by 3:00 PM Wednesday (one day earlier than if you get a check). This is very beneficial for those employees who travel or are not available during paycheck distribution. An earnings statement is provided in the same format as on a payroll check at either the home station or via mail. Since its inception back in

April, about 43% have signed up for direct deposit service. There are savings for the company in this, but best of all, you have your money available to you on a consistent basis. Sign up now by calling the Payroll Department, ext. 413.

■ **Live, from Missoula, it's... J. D. Edwards!**

On January 27, new computer software came on stream to aid in the management of our all-important purchasing and inventory control efforts. For purchasing, the program eliminates the need to manually prepare purchase orders, a very time-consuming process. It will also save time, improve accuracy, provide a means to check on purchase order status, improve information accessibility and report flexibility as well as provide a history of transactions and pricing. "In short, we'll be able to purchase smarter," says **Carol Stevens**, director of purchasing. J. D. Edwards Company (JDE) developed the integrated purchasing and inventory program. For inventory and accounting, transactions are directed to the general ledger upon entry through JDE's automatic accounting instructions which reduce updating, posting and reconciling time. **Carol**, **John Earll** and **Pennie Mobley** from MRL, **Brian Zwang** of the Washington Companies corporate accounting, and (turn to Newsbriefs on page 5,

Attitude is everything

How's yours? "A state of mind or feeling with regard to some matter, disposition," is the meaning of the word *attitude*. You are what you think you are. What you think about this company or the industry in which you work – your attitude – is important and that is why Montana Rail Link devotes a great deal of time and resources to the effort.

Over the last four weeks employees have had an opportunity to participate in an Employee Attitude Survey, the third such survey conducted since we began operations. The survey not only enables us to measure employee satisfaction, but equally important, it is an indicator of the improvement we have made as a result of past surveys. Meetings were held around the clock with the various work groups at all locations to complete a questionnaire. The forms are coded by work group so results can be tabulated by individual group and department. CVR, a Dallas-based consulting firm, tabulates the results that should be available by late April. Feed back sessions will follow, at which time participants will have the opportunity to further discuss problems relating to their work area and develop group solutions.

Lynda Frost, assistant to the president, who is coordinating the survey, said: "The intent of the survey is to give all employees an opportunity to participate in the change and

(turn to Attitude on page 7)

Newsbriefs (continued from page 4)

data processing staff members Lou Morris, Vern Pearson, Rita Tate and Jean Taylor, served on the Project Team to implement the program.

■ **Injuries down in '93!** The cumulative casualty rate dropped to 6.89 at the year's end, a significant improvement over the 9.93 result recorded for 1992. There were 98 reportable injuries in 1992 and only 69 in 1993. These figures are reported to the FRA and Association of American Railroads and represent the number of reportable injuries per 200,000 man-hours worked. Great work, everybody!

■ **Our fleet of freight equipment continues to grow!** ■ On the way are 24, 56 foot, 8 inch, 100-ton bulkhead flat cars purchased from NorRail, a Minneapolis-based equipment and leasing company. They will carry the number series 62001 through 62024 and used to transport particleboard and lumber. ■ We added 53, 52 foot, 6 inch, bulkhead flats in December. All have been converted to logs flats by CEECO in Tacoma. See picture on page 1. ■ MRL 21176, the 247th car of the RBOX rebuild project, rolled off the line at LRC in Livingston on February 7. We are currently looking for three additional cars to complete the 250-car project.

■ **We're pulling for you!** Seven of the nine used locomotives purchased from Naparano Rail Service in November are in operation. Eight are EMD model SD45's and one is an F45 (all 3,600 hp). Mechanical Department programs for 1994 include upgrading of our GP9 fleet. The low voltage wiring will be replaced and they will receive 26L brake equipment which replaces older 6 BLC and 24RL brakes. To improve visibility from the cab, units with high noses will receive low noses.

■ **A class act!** One hundred of our 25,000 and 30,000 series 70-ton box cars are slated for upgrading this year with remanufactured trucks, body bolster (turn to Newsbriefs on page 6)



The Montana Operation Lifesaver, Inc. board of directors: standing, left to right, Carla Allen, general manager of Central Montana Rail, Jeff Wright, Montana Division superintendent Burlington Northern, Bob Worthington, programs administrator for the Montana Municipal Insurance Authority and Keith Clingingsmith, Burlington Northern, Glendive, Montana. Seated, left to right are: Tom Ricci, MRL switchman at Laurel; Robert Fox, OLI president and MRL switchman at Laurel, and Curt Laingen, secretary-treasurer and safety officer, Montana Motor Carriers Association. Not pictured is Brian Heikkila, MRL director training, rules and safety.

getting out the grade crossing safety message



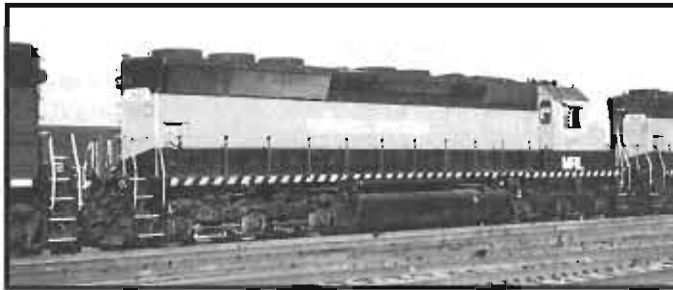
1993 MRL stats
presentations: 273
audience: 21,470

Newsbriefs (continued from page 5)

wear plates, doors, and inside lining to bring them up to Class A paper grade.

■ **Getting a new lease on life!** The locomotive leasing market has been strong. We currently have 24 high horsepower units leased to Burlington Northern. The Idaho, Northern & Pacific, a new short line in southern Idaho, is leasing six GP9's. We also have a unit at Western Energy in Colstrip, Montana, and another at Scouler Grain in Silver Bow, Montana.

■ **Senor Smith sez:** Our Denver-based project engineer, **Dan Smith**, has spent a lot of time working with our friends in South and Central America to develop railroad parts markets for us. Negotiations are in progress with railroads in Guatemala and Honduras for locomotive remanufacturing that will be handled by CEECO in Tacoma.



One of the new SD45's on a grain train at Helena. The units last saw service on the New York, Susquehanna & Western, hence the black and yellow livery. Some refer to them as the "bumble bees." See Newsbriefs for more information.

■ **The rain in Spain stays mainly in the plain!** We'll have a new General Code of Operating Rules (GCOR) and Maintenance of Way Operating Rules effective April 10. A number of changes are incorporated in the new editions, but perhaps most important, the rules have been rewritten in a simple, common English style, that will make them easier to understand. The Training, Rules & Safety Department plans classes to help affected employees with the transition. Six Class 1 railroads, including our service partner Burlington Northern, have representatives on the GCOR committee. Several regional and short line railroads are a party to it. The GCOR is the basis for all rules governing train movement. A new time table, No. 6, goes into effect on April 10, also. **Jon Gjersing** is producing the timetable on a PC using desk top publishing.

■ **Help, the United Way!** Missoula area employees contributed \$3,727 to the 1993 campaign, an 18% improvement over the 1992 results. **Tom Coston**, marketing manager, and **Carter Meyer**, carman, headed the drive.

■ **Skool daze!** Training seminars for Maintenance of Way track foremen are slated to begin March 7 in Missoula. The class will cover safety, foremen responsibility, main track authority, track structure, Federal Railroad Administration track standards and inspections during the five day sessions. Another seminar will start in Laurel on March 14. Eventually, all foremen will have the opportunity to attend this valuable training session. **Marty Rau**, manager train movement and a former MOW foreman, will lead the conferences. ●

focus on safety

Personnel Changes • Retirements

Keeping Track

Jeffrey K. Shell and **Raymond M. Hoff** to managers train movement effective April 19, 1993. Jeff came from the crew management office and Ray from maintenance of way. Both received six weeks of training at the Burlington Northern Dispatcher's Training Center in Overland Park, Kan., followed by nine weeks of on the job training before assuming their duties.

John W. Maxson to trainmaster at Laurel, Mont., from terminal services manager effective October 1, 1993.

Jacque Duhamel to claims/human resources specialist, a new position, at Missoula from administrative assistant effective November 25, 1993.

Carol Stevens to director of purchasing from manager of purchasing effective December 2.

Lynda M. Frost to assistant to the president from administrative assistant effective January 1.

Brent Erickson to assistant trainmaster at Missoula Yard effective January 24 from switchman and relief assistant trainmaster.

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Sugar (continued from page 7)

The Western Sugar Billings Factory employs 113 full time and 255 seasonal workers with a payroll exceeding \$5 million annually and produces 2 million 100 pound bags of sugar. Area growers received more than \$31 million in payments for their production during the 1992-93 season.

Beet sugar plays a significant role in the Billings area economy and Western Sugar is important to Montana Rail Link. How sweet it is! ●

Attitude (continued from page 5) growth of our company." The survey is a part of our MRL culture. "It encourages responsibility, acknowledgment and creativity so that our employees can feel ownership in our company," she continued.

Enthusiastic about the changes made to this year's survey, Lynda sees this as being a participative effort that must be a process rather than an event to achieve the level of success that we expect. Experience is lending us a helping hand in implementing the continued improvements in the follow-through of the survey. Each supervisor will be trained to assist the work group in identifying and prioritizing their problems, and will involve the group as an integral part of the solution.

Montana Rail Link is committed to the Attitude Survey as part of our philosophy in employee relations. It is a tool which will help us improve the overall quality of our operations as a transportation service; quality that will carry through and affect the way we do business. We will all grow and prosper from this partnership. Our jobs should be more satisfying and our business better. Put your attitude to work in a positive way. ●

Retirements...

Lyle R. Erickson, a locomotive engineer at Laurel, on October 29. Mr. Erickson started his railroad career with the Northern Pacific in 1949 as a roundhouse laborer advancing to fireman and locomotive engineer with the Burlington Northern. He joined MRL on November 16, 1987.

Bruce J. Worden, a locomotive engineer at Missoula, on December 31. Mr. Worden started with the Northern Pacific as a fireman in Missoula in 1959 and was promoted to locomotive engineer in 1966. He joined MRL on November 21, 1987.

Our best wishes for a happy retirement! ●

Customer Profile:



Western Sugar

No. 22 in a series of articles designed to acquaint us with our customers

The sugar beet is a form of common beet, *beta vulgaris*, having white roots from which sugar is obtained. An excellent cash crop for area farmers, sugar beets provide a lucrative alternative to the uncertainties associated with growing wheat and barley, or raising livestock. Where there are sugar beets, there's a facility to process them. In Billings that facility has been a fixture on the Magic City's south side since its construction in 1905.

Sugar beet production in the Billings area was made possible by irrigating farm lands. It started through the efforts of I. D. O'Donnell who came to Montana in the 1880's and worked on a ranch near Livingston. Later he relocated to Billings where he supervised the construction of irrigation ditches for the Montana and Minnesota Land and Improvement Company. (Today there are more than 200 sugar beet growers with 30,000 acres under contract in the Billings area. Production exceeds 700,000 tons annually.) O'Donnell played an instrumental part in the building of the sugar factory in Billings that was bought by The Great Western Sugar Company in 1916.

Great Western Sugar went bankrupt in the 1980's, but in 1985, Tate & Lyle, a British based, multinational corporation and the world's largest producer of sweeteners, organized The Western Sugar Company. They acquired the Billings factory as well as six others in Wyoming, Colorado and Nebraska. Headquarters offices are in Denver. Since taking over, Western Sugar has invested more than \$9 million to

upgrade the Billings factory, including \$4 million in environmental projects to improve air and water quality.

The sugar production season or campaign, as the sugar industry terms it, runs from September through February. Harvested in the fall, the growers deliver the beets to receiving stations strategically located throughout the area for storage. The beets are moved to the factory as needed.

Extracting sugar from the beets is an interesting and complicated process requiring steam and electric power. Much heavy equipment is needed such as boilers, pumps, a lime kiln and centrifugals. The beets are washed then sliced into long noodle-like pieces called cossettes. To remove the sugar, the cossettes are dissolved in hot water. The raw juice from this process moves through various stages of purification and filtration including exposure to carbon dioxide gas (produced by heating limestone) to remove impurities and other non-sugars. Finally, after evaporation, crystallization and separation, the sugar is dried, sifted and ready for shipment in bulk or packaged in bags. Beet pulp pellets and molasses, used for animal feed, are important by-products of the sugar making process.

Montana Rail Link and Burlington Northern play an important part in providing for the transportation needs of Western Sugar. The factory receives coal, coke and limestone and ships bulk and packaged sugar, beet pulp pellets and molasses, all by rail.

(turn to Sugar on page 6)

FIRST CLASS

LOOKING AHEAD

DATES TO REMEMBER

Mid-May thru Mid-October

Rails Across the Rockies

a historic exhibition about railroading in the
Pacific Northwest

Livingston Depot Center

May 15 - 21

National Transportation Week

May 18

Operation Lifesaver Observance Day

May 30

Memorial Day Holiday

June 25

7th Annual Missoula Area

Golf Outing

Polson Country Club

August 26

Laurel Area Golf Outing



A 1929, 600 hp Ingersoll-Rand diesel locomotive was moved from Billings, where it had been used by Foley Brothers, to the Feather River Rail Society museum at Portola, Calif., in October. Pictured here, MRL mechanical department employees Dan Sokolowski, left, and Ron Wegh, center, discuss loading of the 100-ton unit on a rail car with one of the crane service personnel. Kyle Brehm photo.

Message (continued from page 2)

38 percent over the past six years. Ten new customers honored our company by becoming regular users of our services in 1993. Many other rail shippers significantly expanded their use of our services this past year. We are diligently preparing to handle their business even better in the future as evidenced by the capital expenditures planned for 1994.

Improvements in our service capability have been ongoing since start up. In 1994 we will install 12 miles of new 136 pound continuous welded rail, 90,000 cross ties and surface 300 miles of track. Many of

our older locomotives will be rewired and have their brake systems upgraded. The older box cars in our fleet will receive extensive refurbishing of trucks and brake gear. Our capital investments are all to better prepare us to serve our customers.

Please join me in congratulating your fellow employees on an outstanding performance in 1993. With your continual commitment 1994 will be even better. Most importantly, lets make it a safe year for all those we work to serve and those we serve with. ●

William H. Bredy