



Information for employees

News

MESSAGE FROM THE PRESIDENT

October 31 marks our 15th anniversary.

It's been a very successful 15 years filled with great accomplishments. We've handled close to 4 million carloads of freight, laid 290 miles of rail, put in 1,350,000 ties, repaired 500,000 cars — all the while earning \$56 million in profit sharing. Your dedication to working safely resulted in winning the Harriman award in 1998, and you have been an industry leader in injury prevention with a cumulative rate of 2.33 since 1997, compared to the cumulative rate of 2.89 for all railroads over the same period — nearly 20% better. Your efficiency has resulted in operating ratios ranging from the high 50's to the middle 60's with a cumulative operating ratio of 63.1. These numbers are the envy of the industry. Simply stated, operating ratio is an expression of the direct operating costs in cents to generate \$1 in operating revenue. You should all be very proud of these accomplishments.

Looking toward the next 15 years, our challenge is to maintain an operating ratio in the middle 60's or less. This is accomplished in two ways: growing the revenue and maintaining or reducing expenses.

Our success going forward will be dependent upon our ability to execute our strategic initiatives of revenue growth, control of expenses and prevention of injuries and accidents. And there's one more, perhaps the most important, providing transportation service that meets and exceeds the needs of our customers.

Revenue growth since 1999 has been virtually flat. BNSF continues to adhere to their strategy of shipping at the contract minimum. We continue the quest to resolve our differences with them, searching for a solution that results in mutual growth and prosperity. But the real challenge lies with growing, and in some cases, maintaining our Local and Originating and Terminating traffic sector.

Expense control is everyone's job at MRL. We must all be vigilant in our daily work activities toward eliminating wasteful processes and wasteful

asset management. We've done an outstanding job in this area so far this year, and must remember that we cannot be complacent in this aspect of our business.

Injury and accident prevention is an area where zero is our goal — zero injuries and zero accidents. Over the previous five years we have averaged over \$4.5 million in accident damage and are well on our way to the same numbers again this year. That's \$4,500,000 right off the bottom line. This is such a needless waste.

The importance of customer service is the single initiative we absolutely cannot under estimate. It has such far-reaching effects on our overall success. For example, I talked earlier about maintaining and growing the revenue from our local and O&T customers. In many cases, it's the service we provide that may be the determining factor in a customer's decision to choose rail over truck! Therefore, we must be very prudent in daily decisions that may adversely effect the service we provide a customer. Accidents oftentimes adversely impact our service offering. We think of accidents in terms of dollar damage, which is certainly an important consideration, but we can't lose sight of the service impact to our customers whenever we have a derailment.

So these are our challenges: Grow the revenue, control expenses, avoid injuries and accidents, and above all, don't lose sight of the importance of providing the service our customers expect and deserve. By everyone understanding the significance of our challenges and integrating that sense of urgency into all of our daily activities, I'm confident that we are up to the task and we will be successful. After all, **this is the best team of railroaders in the business.**

This anniversary celebration will be special. Plans are in place to run employee appreciation trains the end of October to give you and your families an opportunity to see and enjoy our railroad. More information will be forthcoming. I look forward to seeing you on the train!

Dan Watts



It took over 500 hours on the part of Missoula clerk Suzanne Bonner and her mother, Connie Johnson, to make this unique quilt for the Operation Lifesaver's 30th Symposium held in Jacksonville, FL, July 14-17. It was raffled off generating \$2,500 for the organization. The quilt features the OL logos of 49 states cut from tee shirts. Okay, which state is missing? (Answer on page 2)



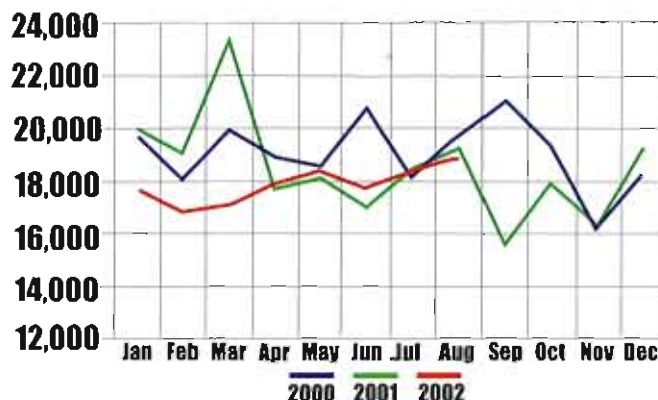
**IT'S HEAVIER
THAN YOU
THINK!**

**PLAN YOUR MOVES.
LIFT PROPERLY.**



Carloadings or revenue units handled by MRL for seven months ending August 31, 2002, totaled 142,368, a decrease of 10,273 cars or 6.73% compared to the same period in 2001. Most of this decrease is attributable to BNSF Bridge traffic that declined by 9,995 cars or 7.22% compared to the same period in 2001. As this goes to press, Bridge is off the pace by 3,879 units to meet the target of 115,000. Traffic that MRL originates and terminates, including local held steady, increasing by 164 units or 0.33% to 49,295 compared to 2001. Reduced shipments of linerboard by Smurfit-Stone Container Corp. and less than anticipated shipments of wheat have had a significant impact. These losses are partially offset by strong shipments of asphalt and forest products.

Revenue Units



WHEAT

We welcome Lake's Glacier View Farm that began shipping wheat from Pablo, MT, to Vancouver, WA, marketed through Cenex Harvest States/United Harvests. We have originated six cars to date. Annual volume is dependent on wheat markets and crops.



LUMBER

Lumber Yard Supply, a Great Falls, Montana-based distributor of lumber and building materials, acquired the former Billings Brick Yard property at East Billings developing the 12 acre parcel with a new track connecting to the Brick Yard Spur. Pictured here, the first car of lumber, BN 625175, arrives on July 24. On hand for the occasion are, left to right, Bob Turbes, LYS manager, Owen Robinson, LYS president & CEO, Dan Watts, MRL president, switchman Larry Karls, Larry Huff, marketing manager, switchman Jim Lakel, and Tim Van Orden, trainmaster. At full operation they expect to employ 50 and operate from 6 am to 7 pm daily. Their shop produces custom-made doors and windows.

HOUSE LOGS

Frontier Log Homes has started shipping house logs to Montrose, CO, via MRL BNSF UP via Denver.

SAWLOGS

L-P Belgrade began receiving sawlogs from Sheridan, WY, in July, a new source.

CEDAR MULCH

Eyeing the Midwest as fertile ground for market expansion, Mountain West Bark at Cedars (Superior, MT) made a test shipment of cedar mulch in a wood chip gon, MRL 35004, to a landscaping firm in Kansas City in July.

RENOVATION

Peavey's elevator at Billings reopened in May following renovation to convert it from a 52-car facility to one capable of loading a 110-car Shuttle Train in 15 hours.

NEWSBRIEFS

Flag falls... I & M Rail Link, LLC, based in Davenport, Iowa, joined the ranks of so-called "fallen flag" roads passing into history at 12:01am on July 30, 2002, with its acquisition by Cedar American Holdings, a subsidiary of the Dakota, Minnesota & Eastern (www.dme.com). DME is a regional railroad serving Minnesota, Iowa, South Dakota and Wyoming. The new company operating the former I&M is Iowa Chicago & Eastern (ICE) and is based in Bettendorf, IA. Many former IMRL people at Davenport and Missoula have accepted positions with ICE and are relocating to Sioux Falls, South Dakota, where the train dispatching is done.

15 candles... Montana Rail Link marks its fifteenth year of operation on October 31.

MRL safety record... Through June 2002, our casualty rate stood at 2.79 per 200,000 man-hours worked placing Montana Rail Link 10th in a field of 20 railroads categorized as Group "C" (railroads under 4 million annual man-hours worked, but more than 250,000). At this same point in 2001, we were in 9th place with a rate of 4.00. As of September 9th, we have had 17 reportable injuries or illnesses this year and 10 reportable derailments compared to 25 and 17 for the same period in 2001.

The 2002 Safety Incentive Awards and Bonuses are in jeopardy. All employees must focus on their surroundings and correct any unsafe work practices of their fellow employees. Safety must be first and foremost on everyone's mind, not only to reduce injuries, but also to enhance our pocketbooks.

Coming soon to a supervisor near you...

A new Policy & Procedure Manual containing information on employee/employer relations, time off, purchasing and much more. Distribution is expected to take place by the end of October.

Remote control... MRL 1105, the fifth remote control unit recently emerged from Livingston Shop and will be assigned to Laurel Yard joining three other units in service there. For those who keep track of such things, work cabooses MRL 100751 and 100776 were converted to 1101 and 1102, Ex-Soo line cabooses 1010, 1009 and 1001 became MRL 1103, 1104 and 1105. Use of remote control for switching began at Laurel on December 29, 2001. Since then we have trained more than 193 operating employees for remote control service and logged more than 91,000 hours of actual use.

Keeping Track

PROMOTIONS/TRANSFERS

Matt Cooley · now **carman apprentice** at Laurel, transferred from track department · effective May 20, 2002

Brian Curry · now **switchman** transferred from track department · effective August 20, 2002

Eric Forseth · now **mechanical foreman** at Laurel, promoted from machinist · effective May 20, 2002

Terry Fuller · now **with track department** transferred from CSR clerk · effective April 29, 2002

Nathan Lemieux · now **switchman** transferred from CSR clerk · effective August 20, 2002

Monte Thomas · now **signal laborer** transferred from track department · effective July 15, 2002

MONTANA RAIL LINK NEW EMPLOYEES

ADMINISTRATION

• **Shellie Nelson** · claims specialist

ENGINEERING

• **Eric Banks** · track department
• **Brian Curry** · track department
• **Cal Dickman** · track department
• **Ken Doty** · track department
• **Lee Estell** · track department
• **Richard Fazzina** · track department
• **Nathan Fowler** · track department
• **Clay Gohr** · track department
• **Rick Grimm** · signal laborer
• **Chad Hines** · track department
• **Dan Johnson** · signal laborer
• **Tim Leishman** · track department
• **Forrest Norby** · track department
• **Tobin Sinclair** · track department
• **Steven Smith** · track department
• **Josh Starkel** · track department
• **Monte Thomas** · track department
• **Russ Young** · track department

MECHANICAL

• **Dale Litten, II** · laborer/hostler at Laurel
• **Dean Ziegler** · system electrician

OPERATIONS

• **Brandon Aurthur** · switchman
• **Krystal Frank** · switchman
• **Clifton Greuter** · switchman
• **Russell Hitchens** · switchman
• **Ryan Lavachek** · switchman
• **Dogan Lea** · switchman
• **Jeremiah Michael** · switchman
• **Daryl Pugh** · switchman
• **David Reda** · switchman
• **Josh Sharp** · switchman



Tough as nails—Ladies from MRL and IMRL joined 2002 Women Build project, a division of Habitat for Humanity International, in the construction of a new home at 714 DeFoe Street in Missoula on May 18. The day went so well they returned for another session on July 20. The new owner, pictured front center, took possession in August. Thanks to **Wanda Russell**, revenue accounting, for coordinating this effort. The home was built entirely by women.

Habitat for Humanity's mission is to partner with eligible families in building or renovating houses, providing simple, decent, affordable homes for families.



Pictured here, Bob Fox, left, is presented with a going away memento by superintendent Mike Lemm.

BOB FOX RETIRES

Laurel switch foreman Bob Fox retired August 5, 2002, completing 14 years of service. Bob was late getting off the farm and into the railroad business with MRL on November 20, 1987. He became very active in the Operation Lifesaver Program starting in 1989, as a trainer and then serving as MRL coordinator in 1991. He later served two terms as board chairman for Montana Operation Lifesaver and received the John Lewis Memorial Award in 2000, when he was recognized for putting in the extra effort and commitment to saving lives at highway-rail grade crossings in Montana. Bob is returning to the farm with his wife Roberta to continue gardening and spending more time with his children and grandchildren.

Dates to Remember

OCT	MONDAY-FRIDAY 7-11	• United Way Campaign Missoula area
	SATURDAY-SUNDAY 26-27	• Employee Trains
	THURSDAY 31	• 15th Anniversary
NOV	SATURDAY 2	• Griz Tailgate/UM vs. N Arizona Lumberjacks
	SATURDAY-SUNDAY 2-3	• Employee Trains
	TUESDAY-WEDNESDAY 12-13	• United Way Campaign Billings-Laurel area
DECEMBER	FRIDAY 6	• Laurel Christmas Party
	SATURDAY 7	• Southgate Mall Santa Train
	7	• Livingston Christmas Party
	SATURDAY 14	• Bitterroot Santa Express
	14	• Helena Christmas Party
	SATURDAY 21	• Missoula Christmas Party

Answer to page 1 quilt question: Hawaii



For Your Information

AN ANSWER TO YOUR TURNABLE QUESTION

In response to an inquiry of spraying vs. plowing the right-of-way fireguards along MRL, the Engineering Department has provided the following information:

In 2002, our average cost for plowing fireguards will be approximately \$160 per mile of trail. The cost of spraying herbicides on existing trails could be as low as \$150 per mile of trail, but this would require using a large tandem truck with a water tank of more than 3,000-gallon capacity. This is the type of truck used for MRL's on-track spraying of the ballast zone; however, the usefulness of these types of trucks off-rail is limited to surfaced roads. On most of our fireguards, trucks would be limited in size to four wheel drive pickups or even ATV-type vehicles carrying tanks with less than a 500-gallon capacity. Our best results for spraying would be obtained using 60 to 70 gallons of mix per mile of trail, thus requiring frequent mixing and refilling. The extra cost in continually searching for water, filling the tank and mixing herbicides drives the cost of small tank spraying to over \$200 per mile of trail.

It was suggested that there are herbicides available

that provide wide range suppression of vegetation for more than one growing season. While such chemicals may exist, none are licensed for use on railroad right-of-way. Full suppression of vegetation with a single application of herbicide for a full year, as would be required for a fireguard trail, is the exception rather than the common outcome given the herbicides currently approved by the Federal Environmental Protection Agency.

We do plan to experiment with spraying fireguards next year in certain, very select locations where rocky soil conditions limit our ability to turn the soil and disturb the root zone. At these locations the added cost of spraying may be justified to gain effective control of vegetation. In the future you may also notice areas of disking and tilling replacing the current method of plowing by motor patrol and bulldozer. Disking and tilling hold some promise of being very inexpensive in certain types of soil.

While relatively small amounts of spraying and disking may be used at very specific locations in the near future, the current method of plowing fireguard trails appears to be the most efficient and cost effective way of providing fire protection along the railroad for the foreseeable future.



Work is in progress on rebuilding Bridge 225 at Billings. Pictured here, Dale Bennett, B&B supervisor, and B&B Crew 101806 (Howard Wilkinson, Nick Kish, Mike McKibben and Brian Curry) guide a section of concrete flooring in place. Andy Rosenbaum is operating Locomotive Crane 100411. Bridge 225 spans 21st Street and carries four tracks.

Access to information via our *Turntable* venue has been enhanced with the addition of an e-mail address. Anyone can now direct questions using this address: Turntable@montanarail.com or call toll-free 888-888-6092. Like rails, ideas go both ways. Employees are encouraged to use *Turntable* to get questions answered or for suggestions and feedback on events and activities. *Turntable* is a "hotline" connecting you directly with the general offices and executive staff.

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www.montanarail.com
R. Milton Clark, Editor
Member
Association of Railway Communicators



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