

Message from the President



As we celebrated our 21st Anniversary in October, I couldn't help but think of all of our accomplishments over our short history. It seems like only yesterday that the railroad was born, and without a little reflection, it's hard to imagine how many things have changed over the 21 years. In

October 1987, we were 500 or so people strong and represented over 30 different railroad backgrounds. Of those people first employed in 1987, there are nearly 300 of us still plugging away each day. We have a workforce that is passionate about our Company and our industry – and for that, I am most proud.

Some of you probably don't remember that we operated cabooses on trains that first year, or that we inherited a track structure with over 100 miles of jointed main line, or that we had several railroad agents manning stations across the system. The cabooses are mostly gone, along with the agents; and in 2006, we replaced our last jointed-mainline rail with continuous-welded rail. During the last ten years, we added remote control locomotives and switches in Laurel and Missoula. In 2005, we purchased 16 highly energy-efficient low-emission locomotives. Over our 21 years, we have invested nearly \$500 million in equipment, track, tunnels, bridges, technology, and other improvements. I think you would agree that the many changes and improvements that we have seen have helped to attract new business and have given us all a better place to work. Sometimes change is difficult; however, years later, we usually recognize that change is necessary, so we can continue providing great service for a reasonable price and help our customers grow and prosper.

We have all witnessed the increase in traffic levels over the years in nearly all categories. The bright spot lately has been coal. In the early days of our Company, we hauled a few carloads of coal; then in the late 1990's, we landed a contract with BNSF to participate in a haul of coal from the Powder River Basin to Boardman, Oregon. We initially hauled roughly 10,000 carloads under that contract. Our coal carloads have increased ever since. In 2007, we negotiated a new contract and expect to haul up to 80,000 carloads this year. Coal is expected to continue the growth pattern – what started as a few loads is expected to be nearly 40% of our overall bridge business in 2009.

We are fortunate to work in an industry that is able to keep its head above water in times when others are struggling. Now, more than ever, is the time to work on innovation and efficiency – I know we can do it, because we have nearly 1,000 great employees to carry out the mission. Let's strive to be the *Best of the Best* in safety, customer satisfaction and innovation in 2009.

Have a wonderful Thanksgiving and a Merry Christmas!

Tom Walsh

DEPARTMENT HIGHLIGHT HUMAN RESOURCE

Scott Trent, Chief Human Resource Officer

In the past, companies with access to the most capital or the latest technology enjoyed the best competitive advantage. More recently, companies offering the highest quality products and services were the ones with a leg up on their competition. Today, the only thing sustaining a company's advantage into the future is the caliber of its people. People truly have become the best strategic long-term advantage for any company, including Montana Rail Link.

The mission of MRL's Human Resource Department is to enrich the work life in our organization by understanding and meeting the needs of both employees and management in all things concerning the people side of our business. Partnering with other departments, the Human Resource Department strives to create a work environment where initiative, teamwork, cooperation, and creativity are encouraged, valued and rewarded.

Scott Trent, Pam Schneider and Susan Twiford work as a team of human resource professionals dedicated to ensuring our workplace is the *Best of the Best*, and that MRL remains the employer of

choice in our communities. Areas of focus for the HR department include; strategic planning and organizational design, recruitment and selection, people training and development, compensation and benefits design, employee and labor relations, and continuous professional research.

Our dedicated staff of HR professionals are available to serve each and every MRL employee. Please feel free to contact any of your human resource staff with questions or concerns you may have.



Above L-R: Susan Twiford, Scott Trent and Pam Schneider

New Dispatching System

Erin Best, Administrative Assistant/Executive Department

Earlier this year, Montana Rail Link was notified by Digicon, the provider of the system used for tracking train movement and providing protection to men and equipment, that they would no longer be in business in December. In June, MRL made the decision to purchase a Wabtec System called 'Train Management Dispatching System' (TMDS). Wabtec is also the same company MRL chose to purchase on board locomotive cameras.

Preparations for the switch to TMDS have been extensive. Wabtec representatives have spent



Above: Rollie Johnson dispatches between Helena-Missoula and Laurel-Huntley Monday through Friday each week.

many hours with the MRL Dispatch Department staff to prepare and train personnel. Rollie Johnson, MRL Dispatcher, completed the Wabtec TMDS training program and, in turn, has been training other MRL dispatchers to use this new system. A new Train Dispatchers' Manual was needed to provide instructions for the new system. Jim Johnson, Lee Kohlman, Don Smith, and Rollie stepped in to accomplish this task. In mid-October, Steve Griffin and Dan Johnson, Signal and Communications, began running TMDS side-by-side with the Digicon system to ensure a seamless transition by running countless tests and confirming the new system would function with field equipment.

TMDS is expected to run as well or better than Digicon with some added features which will help dispatchers work more efficiently. Also, TMDS will interface with the AS400 crew calling system for crew lineups and, in early 2009, will have a weather interface, TSS interface and a General Track Bulletin System. TMDS is scheduled to go live on November 12th at 5:00p.m. During the following few days, two Wabtec representatives, along with Don and Rollie, will be on-hand to provide 24-hour assistance for dispatchers, as they begin to use the new system. Everyone involved expects the switch to run smoothly.

Keeping Track

On the Move

Dennis Meyer • Was Manager Customer Service,
Now **Manager Car Distribution, Missoula**

Ryan Wake • Was Management Trainee,
Now **Manager Marketing, Missoula**

Curt Witham • Was Track Laborer,
Now **Assistant Roadmaster, Helena**

Look Who's New

Electrician

Cory Bowman, Missoula
Paul Wilson, Laurel

Clerk

Joe MacDougall, Helena

Retirements

Dennis Besel, Mechanical
Rick Zimmer, Car Distribution

Did you know

THE WASHINGTON COMPANIES
EMPLOYEE FAMILY
SCHOLARSHIP PROGRAM



that the Washington Companies Employee Family Scholarship Program may be able to provide up

to \$4,000 in lifetime financial assistance to each member of your family that is attending an accredited academic institution? For details visit www.montanarail.com and click "Educational Grants" at the bottom of the home page.

Zero Injuries - Zero Accidents

Pete Lawrenson, Chief of Security

While attending the October MRL General Staff Management Meeting, which is held twice yearly, President Tom Walsh reiterated that the top priority of MRL is safety. He emphasized that nothing we do is more important than personal and operational safety. We already knew that, but it is good to hear it again from our president.

We have always set an annual goal for reportable injuries and accidents – how many of each is acceptable in a given year? To coincide with Mr. Walsh's emphasis on safety and MRL's F.I.R.S.T. values, the Senior Safety Council has rethought the philosophy on annual injury and accident goals.

No injury or accident is acceptable in our workplace – therefore, our annual goal is to have ZERO injuries and ZERO accidents. Your first instinct might be to think DOUBLE ZEROS are not realistic; but think it

through, and you will agree that this goal is attainable. You would not willingly accept

NO INJURY
OR ACCIDENT IS ACCEPTABLE
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INJURIES AND ZERO ACCIDENTS.

injuries or accidents at home, and the same needs to be said about our workplace!

Every now and then, you see a football player with DOUBLE ZEROS as his jersey number. Grab and hold on to that image as MRL's safety and accident annual goal, No Injuries and No Accidents.



Locomotive Fleet Milestone Reached

Brent Mueller, Manager Cost & Finance

For the first time in almost 21 years of operation, MRL's entire locomotive fleet now wears the Company's blue and black paint scheme with the white Washington Corporation "W" logo. Until now, there have always been some MRL locomotives still painted in their previous owners' colors. However, this changed in

October, 2008 when locomotive MRL 318 was released from the CEECO shops in Tacoma, Washington.

The MRL 318 began life as a Southern Pacific SD45 back in May 1967, rolling off the shop floor as SP 8906. In 1985 after many years toiling on the SP's transcontinental line, it was upgraded with modern electrical equipment and converted to a SD45-2 and renumbered to SP 7544. After the Southern Pacific/Union Pacific merger in 1996, MRL acquired 18 ex-SP SD45-2 locomotives to replace units leased to new sister railroad, I&M Rail Link in the Midwest. These units were given MRL's initials and sent to work without repainting. Thus, old SP 7544 became MRL 7544 and spent the last 11 years serving the power needs of MRL in various capacities. Thanks to the efforts of the Mechanical Department, MRL 318 and its sister locomotives now wear a unified paint scheme and will continue to serve MRL for many years to come.



OSHA Recognizes Coors Brewing for Excellence in Occupational Safety

Submitted by *Cathy Wilson, Marketing Manager*

OSHA has recognized the management and employees of Coors Brewing Co. in Huntley for special achievement in their employee safety and health program. The facility, which processes, stores and distributes barley, earned membership in the prestigious Voluntary Protection Programs (VPP) as a star site, the highest level of recognition that OSHA awards. A VPP star site meets or exceeds

all the safety and health program elements for the VPP program, which far exceed minimum OSHA standards. Noteworthy aspects of the site's safety and health program include engineered fall protection systems for employees, accessing rolling stock and extremely effective dust control systems.

Requirements for application to VPP, which has more than 2,000

sites in the country, include a high degree of management support and employee involvement, a high quality worksite hazard analysis, hazard prevention and control programs, and comprehensive safety and health training for all employees. Each of these elements must be effective and in operation for at least one year before applying to join the program.



DATES to Remember

December 5th

Laurel Christmas Party

December 6th

Livingston Christmas Party
Missoula Santa Train

December 12th

Helena Christmas Party

December 13th

Missoula Christmas Party

N-ViroMotive Genset Locomotive to be Tested on MRL

Anne Marvin, Manager Mechanical Administration

MRL will be testing a new energy efficient engine from National Railway Equipment to evaluate its effectiveness in our work environment. In mid-November, you should see a NREC 167 locomotive in our yard switching operations or moving our local traffic along our line.

The manufacturer of the 3GS21BDE – which stands for 3GS (three generator sets), 21 (2100 hp), B (four-axle), DE (Dynamic braking) – claims to have many operational advantages, including a significant fuel saving capability, 50-60% improved tractive effort adhesion efficiency service, an anti-wheel slip system, and an engine restart feature when the temperature drops to 10° F. It meets Tier 2 environmental requirements, plus is a very quiet locomotive. Under the existing EPA program, locomotives have been certified under three tiers of standards: Tier 0 for units built between 1973 to 2001, Tier 1 for units built between 2002 to 2004, Tier 2 for units built in or after 2005. (FYI - the majority of our locomotives are pre-1973 and do not fall under these standards).

MRL will be testing these advantages to see if they work with our operation.