

## MESSAGE

*from the  
President*



Like so many times over the past 26 years, traffic seems to ramp up and slow down without much notice – and 2013 has magnified that point. We expected high traffic levels earlier in the year –

and they did not materialize. Many in the Company were talking about the potential of a furlough situation, but thankfully, we re-deployed our forces to other tasks with the idea of keeping everyone working while waiting for the traffic to arrive. Thank goodness we did – traffic lit up in October with the pent up grain harvest. Now, we are finding ourselves in the untenable situation of not having enough people to move the harvest along with coal and regular merchandise traffic.

As is evident these many past weeks, grain is moving at previously unseen volumes across our railroad. Based on all the forecast information available, we expect these record levels to continue through March 2014. Additionally, the general economy continues to improve, resulting in more merchandise and intermodal traffic than was anticipated. All in all, we expect that traffic will decline somewhat during the coming spring, but traffic in general will likely tick up again next year. We have been hiring new employees at a relatively fast pace and, to date, are still short. We have hired many qualified engineers this year and expect to continue that trend into 2014. Also, we continue to hire switchmen with the most recent class begun this month and expect to start another class in mid-January.

We also continue working on solutions to increase resources and capacity across the system in an effort to streamline the operation and provide the excellent service that we are so well known for. This year, we added three new tracks near the mechanical facility in Laurel and extended Laurel's westbound 14 to accommodate more unit trains in addition to other capacity-related projects. We purchased two new locomotives in August and will take delivery of two additional units in late December to provide the most highly fuel- and emission-efficient power for our daily ML and LM trains. We have plans for 2014; including acquiring additional new power for our helper districts, lengthening the Townsend siding, reconfiguring Helena yard, and adding crossovers near Livingston and in Laurel. These initiatives are often the result of your suggestions. Please keep thinking about how we can get better, and pass that information on to me or to your supervisor.

We pride ourselves on excellent customer service. Unfortunately, we have not always been living up to our reputation these many past weeks due mostly to our crew shortage situation. On a positive note, on-line traffic continues to grow, and during this busy time, we have done an outstanding job of providing safe and reliable service to our on-line customers with very few service interruptions. Your efforts are appreciated, as we work through these trying times.

We will fully recover, and I am convinced we will be a better Company when we do. As we work through these challenging conditions, please keep your eye squarely on safety. It remains the most important thing we think about and do each day.

We have a great Company. I hope you are as proud of MRL as I am. I look forward to working with you in 2014 while making MRL an even better place to work.

Merry Christmas!

*Tom Welch*

## MRL Wins Prestigious Awards

*Lynda Frost, Assistant to the President*

2013 has been a big year for Montana Rail Link. In March, MRL was named Regional Railroad of the Year by *Railway Age* magazine. This award is presented to railroads that excel in setting standards in technology, operations, strategic planning, marketing, and other services and is the only award of its kind that recognizes excellence in the Rail Industry.

Then last month, MRL was selected as the BNSF Railway Shortline of the Year; based on our long history of service excellence, business growth and, most recently, our commitment to *The Best Way* program. MRL is recognized as an important business partner of BNSF, committed to enhancing service to customers with a primary focus on network and velocity initiatives; responding to changes in traffic volume; and investing in infrastructure while continually emphasizing that the safety of employees is of utmost importance.

It is through the hard work and dedication of our employees that we continue to rise to the top, as we strive to be the *Best of the Best* in our industry.



## Hiring at an Unprecedented Pace!

*Scott Trent, Chief Human Resources Officer*

Hiring has been on the rise over the last two years; outpacing our average annual hiring levels significantly. A perfect storm of circumstances has contributed to an increase in labor needs. After 26 years of operation, a number of our team members are rushing toward retirement eligibility – in fact, over 20 percent of our workforce is 55 years of age or older! Additionally, MRL is experiencing an upswing in traffic levels driving the need to expand our workforce to meet these new demands.

Looking back, MRL averaged 55 newly-hired employees over the three-year period from 2009 to 2011. However, in 2012 the hiring pace reached new levels with 203 newcomers joining our ranks. Anticipating the hiring pace slowing slightly in 2013, MRL's Human Resources team was looking forward to a brief reprieve from the rigors of the preceding year. We are currently on pace to hire nearly 150 team members by year's end for 2013. Even with the hiring pace slowing a little, we are still at triple the normal annual hiring levels this year.

Going into 2014, several leading indicators provide insight into forecasting MRL's labor needs for the coming year. For example, Montana's unemployment rate has been tracking at 5.3% comparative to national levels hovering just above or below 8%. Montana has out-performed the national unemployment rate by these levels for more than a decade – all the way back to 2002. Labor forecasting data also shows private-sector employment growth in Montana is at 4.2% and among the highest in the country. On this basis, we expect hiring in 2014 to be similar to this current year's levels.

MRL's ability to attract people interested in employment opportunities goes back to our fundamental approach in recruiting; building a strong employment brand. We've purposefully built and continue to reinforce our position as an "employer of choice" in communities across Montana. Annual presentations at local high schools on Career Day, participation in Career Fairs, the philanthropy of Dennis and Phyllis Washington, MRL's total compensation package, and other factors have a positive and beneficial impact on MRL's employment brand.

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## Lightning Creek Bridge

*Mike Rahl, Director Structures*

For the last two years, B&B Crew 1805 has been in the process of replacing Bridge 94.1 at Clark Fork, Idaho. The project was completed in September and is the largest total bridge replacement ever completed by MRL.

The original bridge was constructed in 1909 and consisted of three-100 foot through plate girder spans with an open deck. Bridge inspections over the past five years had shown that the spans were approaching replacement status. In 2010, it was decided to start exploring rehab or replacement options.

HDR Engineering of Missoula was hired to research options and create a design that would meet our needs. Because Lightning Creek is listed as a critical habitat for bull trout, proper permitting for the project was essential in making the project go smoothly. After exploring several different options, it was determined that replacing the bridge with basically the same configuration that existed in the same location was going to be the best and most economical option. The new bridge consists of three-100' through plate girder spans. However, it is nearly four-feet wider and one-foot taller from the bottom of the bridge to the stream bed and has a ballast deck. The original piers were encased in new concrete, and steel piling was added to accommodate the new bridge. Temporary supports were erected on both sides of the old bridge that allowed the old spans to be rolled out and new spans rolled in. Track windows were provided for the span replacements – each span took an average of over six hours to replace and become operational!

The new bridge is designed to be capable of full service for the next 100 years and beyond.



*Above: B&B Crew 1805 (L-R); Jake Sept, Brian Furman, Pete Mead, Andy Rosenbaum, Don Darnall, Steve Smith, Mike Cavanaugh, Cody Smith, Rich Esterby, Brad Jensen, and Craig Hardy*

## Training at MRL

*Casey Calkins, Director Training Rules & Safety*

Early in 2012, MRL began hiring new employees at a rate this railroad hasn't experienced since its inception in 1987. With the end of 2013 just around the corner and looking into next year, we are continuing to bring new employees on board. As you can imagine with all of these new employees joining our team, our training schedule is in high gear.

All departments across our system have some new faces, but none more than our Operating Department. Within the past two years, Operating has hired over 150 new employees, which equates to a sizeable percentage of their entire workforce in 2011. Those positions cover the spectrum in the Operating Department; clerks, dispatchers, previously certified engineers, and switchmen to name a few. Initial safety and rules training requirements for these employees varies widely. Whether it is two weeks of initial classroom and field training for a new switchman or a five-day recertification class for a new carded engineer, there is no shortage of opportunities to conduct high quality training.

With that in mind, there have been some substantial changes to our training programs in the past year. Scheduled employees and managers have brainstormed many options in roundtable discussions, and we have jointly arrived at several beneficial alterations to our training programs of the past. In addition, mentoring programs have been implemented; with seasoned employees coaching our new hires through on-the-job training in the field to ensure the highest standards of safety and work quality are met.

Of course, training does not end once we reach a qualified status in our positions. Continuing education occurs in all departments on a tight schedule. To assist in conducting the various training sessions, we will be expanding TRS to include a position in Laurel. This position will have a primary role of training Operating personnel but will also be a direct conduit to the rest of us here at TRS. The Laurel TRS Manager will be a local resource for all departments on the eastern reaches of our system and a valuable asset to our team.



*Jack Gabrian - Safety Slogan*

## New Building Numbers, Names and 911 Addresses

*Nick Bailey, Field Engineer*

Did you know that the several of our buildings historically called Roundhouses aren't actually round? Imagine the confusion our new employees must have if they were tasked with delivering materials to the "Roundhouse."

A list of all the buildings on the railroad has been developed with new building numbers, names and 911 addresses (for those which are occupied). The new building names will reflect usage, and the building numbers will be listed numerically from east to west by Subdivision. The 911 addresses (which are assigned by local government emergency response groups) *may be different* than the current address for some buildings. New, consistent signage will be attached to each building across our railroad, and the new building list will be available on the MRL Extranet soon!

We will also be updating our Terminal Hazardous Materials Emergency Response maps at the yards to reflect these new addresses and building numbers.

As a future project, advance signage showing directional arrows to buildings will be placed at railroad driveway / public street intersections in order to aid emergency responders.



## MRL Mechanical Tool Committee

Jeff Lair, Foreman 1 Mechanical Laurel

One of the Mechanical Department's missions is to provide the best possible tools for our employees to help enhance the quality of their efforts and, most importantly, their safety while using those tools. The Mechanical Tool Committee has spent much time and consideration in the development of our first tool catalog (expecting delivery first quarter 2014). We are eagerly anticipating input and feedback on the tools in the catalog to include those we might not be aware of.

Some of the tools and equipment that we use on a daily basis are easy to use and need no further training. Yet, other tools and equipment require additional training, so employees know the parameters for proper and safe operation of each such tool or piece of equipment. When all tools and equipment are basically the same, this reduces the risk of being used improperly, thus providing for a more confident and safer work force as they perform their duties.

Slogans can be catchy and many are goal-oriented in motivating a group, work crew or company towards a specific goal or achievement. Our president, **Tom Walsh**, has presented us with such a vision – the *Best of the Best*. Railroad employees have long been noted for their exceptional work ethic and extreme passion, as they go about their daily duties and handle the unexpected situations that arise from day to day.

We look forward to your continued cooperation and involvement, as this is just another step your Mechanical Department has taken in striving to be the *Best of the Best*.

## Employee-Driven Safety Culture

Pete Lawrenson, Chief Security & Safety

Each of us have a favorite thing to do – a hobby, camping, reading, fishing, gardening, golfing, watching sports – the list is as diverse as we are unique to our own personality. What makes your favorite thing to do enjoyable is that you are fulfilling a vision and passion that leads to a successful endeavor. At Montana Rail Link, we 1,000+ employees, have a vision and passion for successful careers. To be personally and corporately successful, the foundation of our vision and passion for success must be centered on a strong, visible, vocal, and employee-driven safety culture.

MRL has enjoyed three consecutive years of excellence in accident and injury prevention. Coupled with our core F.I.R.S.T. values, our goal is to be the *Best of the Best* in safety, customer service and ingenuity. As we celebrate the end of 2013 and look to the future of 2014, let's do so with a renewed vision and passion of that goal – starting with safety. We are all part of the MRL safety team, and your contributions make a difference at all levels of company performance. As **Jack Gabrian**, General Foreman Mechanical Laurel stated, "Let's Make the *Best of the Best* Better!"

## Online Business Partners

Mike McKay, Manager Sales & Marketing

2013 began as a year of intrigue. Eastern Montana markets started to rebound while the western Montana business climate was still adrift from the recession. Market forecasting led the Sales & Marketing team to set a fairly aggressive budget for 2013, but would it really materialize? While some customers continue to face some economic headwinds, collectively our year is ending on the high side of expectations as MRL is seeing strong business from several of our on-line business partners.

- **Tricon Timber** has seen a 52% increase in rail traffic over 2012. Inbound local logs from Helena, Huntley and Livingston have been a big driver; but Tricon's outbound shipments have also seen their second biggest year since 2000.
- **Willis Enterprises'** temporary chipping operation located in Bonner began in early 2012 and kicked into full throttle in 2013 when the whole log chipper fired up. Shipments have more than doubled with six weeks left in the year.
- **Graymont's West Townsend** rail infrastructure project can handle expanded traffic and has improved efficiencies. The MRL 840 Local has now reduced switching time, and 20,000 yards of excavated material was relocated to the Townsend siding, which will facilitate extending the siding (likely in 2014).
- **Ash Grove** experienced their best shipping month since 2004 in October. Powered by a new traffic lane to the Bakken (Ridgellawn, MT), Ash Grove is having their best year since the pre-recession 2008.
- **Oxbow Carbon & Minerals** and MRL successfully connected CHS and Phillips 66 to help facilitate marketing Unit Trains of petroleum coke through West Coast Terminal's - Robert's Bank export facility.
- **Pacific Steel** opened their new Lockwood facility. MRL Engineering designed a layout to serve the new \$28M automobile shredder, as Pacific continues to turn scrap into gold. This regional facility is a huge investment in the Billings area and for MRL, as we will enjoy expanded business for years to come.

One great thing about our MRL-based customers is the diversity of commodities. What makes for a really good year is when you see strong growth from a variety of customers even while our Gallatin Valley grain growers were devastated by a wicked hailstorm just prior to harvest. Our complex customer base is just another reason to be thankful this holiday season.



The MRL area safety committees combined their November safety activity with a "Salute to Veterans" and a chili feed on Veteran's Day, November 11. Montana Rail Link currently has 110 employees with military service and eight employees still active in the Military Reserves or National Guard units. Posters of the MRL veterans are displayed throughout work places, so if you know of a veteran not listed on the roster of veterans, please submit their name to a safety committee member or Pete Lawrenson at (406) 523-1575.

# 2013

## Keeping Track

### On the Move

**Jeff Adams** • Was Trainmaster,  
Now Terminal Superintendent – Laurel

**Nathan Bailey** • Was Yardmaster,  
Now Trainmaster – Laurel

**Annette Baker** • Was Dispatcher,  
Now Assistant Director of Transportation

**Van Blakely** • Was Director of Procurement  
and Real Estate, Now Chief Procurement  
and Real Estate Officer

**Julie Cowan** • Was Clerk,  
Now Manager Terminal Support

**Ryan Grady, Troy Hoffner, Cody Lamey,  
Kyle Pronovost** • Were Track Laborers,  
Now Switchman Trainees

**J.P. Higgins** • Was Electrician,  
Now Mechanical Foreman – Laurel

**Jared Knaub** • Was Carman,  
Now Mechanical Foreman – Laurel

**Jeremy Langendorff** • Was Switchman,  
Now Yardmaster – Laurel

**Jim Lewis** • Was Director Sales & Marketing,  
Now Chief Sales & Marketing Officer

**Heather Pope** • Was Clerk,  
Now Yardmaster – Missoula

**Jason Smith** • Was Machinist,  
Now Switchman Trainee

**Bryan Tieszen** • Was Locomotive Engineer,  
Now Trainmaster – Laurel

### Look Who's New

**Carman Apprentice**  
Chris Beaulieu, John Mueller

**Certified Locomotive Engineer**  
Seth Curtis, Thomas Gustin, Robert  
Hunt, Scott Jacobson, Scott Kunkel, Steve  
Kzaley, John Miles, Greg Ness, James  
Onorio, Blake Page, Daniel Peterson, Chris  
Sundberg, Leighton Rieger, Scott Van  
Tassel, Justin Vick

**Clerk**  
Melinda Anderson, Jason Drake, Kathryn  
Franklin, Emily Johnson

**Dispatcher**  
Steven Assad, James House

**Electrician - Journeyman**  
Shaun Anderson

**Mechanical Foreman**  
Robert Montoya

**Signal Laborer**  
Craig Gregie, Randy Johnson, Jesse Mercer

**Switchman Trainee**  
Jayson Bear Crane, Matthew Gilbertson,  
Kristopher Guymon, Cody Hensel, Alex  
Hilde, Scott Parrow, Jody Powell, Brady  
Sullivan, Matthew Valentine, Justin Ziegler

## Hiring...

(Continued from Page 1)

Evidence of our solid position as a preferred employer is confirmed by the numbers. We currently have a position open for a Signal Apprentice. We have received 57 applications for this one entry-level opportunity. Similarly, we had over 250 applications for our recently-hired Switchmen class of 15 candidates.

Larry Bossidy, former CEO of General Electric Credit Corporation, perhaps summed up the importance of hiring the best people possible when he stated, "I am convinced that nothing we do is more important than hiring and developing people. At the end of the day you bet on people, not on strategies." Nothing seems more apparent. At MRL, we bet on people to execute our strategy to provide transportation services resulting in long-term growth and prosperity for our company, customers and employees.

## Washington Companies Employee Family Scholarship

In partnership with the Dennis & Phyllis Washington Foundation, Montana Rail Link offers the Employee Family Scholarship. The scholarship program was established to help the families of our employees broaden their access to higher education and offers \$1,000 per semester and up to \$8,000 maximum lifetime benefit toward education costs. Applicants must:

- Be a child or spouse of an employee
- Be a full-time student
- Be attending an accredited university, college, vocational technical school, college of technology, community college, or trade school
- Establish and maintain a minimum of a 2.0 cumulative GPA

*Students must submit their application no later than 30 days after the school term has begun.*

The application can be located on the MRL Extranet website or at [dpwfoundation.org](http://dpwfoundation.org). If you have any questions concerning the Employee Family Scholarship Program, please contact Ellen Harne at Washington Corporations (523-1371).

## Retirements

**John Alfson**, Operating Missoula  
**David Amsk**, Mechanical Livingston  
**Allen Baese**, Mechanical Missoula  
**James Coleman**, Operating Missoula  
**Gregory Dibble**, Operating Laurel  
**David Franz**, Operating Missoula  
**Kevin Gallagher**, Engineering Laurel  
**David Guptill**, Engineering Belgrade  
**Harley Hettinger**, Mechanical Laurel  
**Ray Hoff**, Operating Missoula  
**Jonathan Klasna**, Engineering Laurel  
**Richard Labbe**, Mechanical Helena  
**Don LaDuke**, Mechanical Livingston  
**Mark McGrath**, Operating Missoula

**Michael McKibben**, Engineering Missoula  
**Tom Miller**, Engineering Helena  
**Larry Minch**, Mechanical Laurel  
**David Nelson**, Mechanical Laurel  
**David O'Rear**, Operating Laurel  
**Richard Payne**, Mechanical Livingston  
**Lawrence Pfau**, Operating Missoula  
**Greg Roberts**, Mechanical Livingston  
**Mitchell Royce**, Operating Missoula  
**Curt Schoening**, Engineering Missoula  
**Thomas Sparano**, Operating Missoula  
**David Van Buren**, Mechanical Laurel  
**Jeff Weaks**, Operating Missoula  
**Edward Zimdars**, Engineering Laurel



### BROKEN WHEEL CLUB

Any MRL employee who finds a cracked or broken wheel or missing tread on a train can qualify for the Broken Wheel Club and a \$100 reward. Please report to your supervisor. Congratulations and thank you to:

*Tom Burden, Mechanical*  
*Dan Burns, Mechanical*  
*Eric Eileraas, Mechanical*  
*Mike Firehammer, Operating*  
*Dave Hahn, Mechanical (3)*  
*Aaron Hanify, Mechanical*  
*Sam Langve, Mechanical*  
*Cole Leady, Mechanical*  
*Jason O'Rear, Mechanical*  
*Mike Padrotti, Mechanical*  
*Faron Stevens, Mechanical (2)*



### THE WASHINGTON COMPANIES EMPLOYEE FAMILY SCHOLARSHIP PROGRAM

## DATES to Remember

**December 6**  
Laurel Christmas Party

**December 7**  
Livingston Christmas Party

**December 13**  
Helena Christmas Party

**December 14**  
Missoula Christmas Party