



September 28, 2007

Watco Team:

Many of us are perfectionists who expect everything to go right all the time and when things go astray we sometimes get uptight and anxious. I remember one time sitting at the kitchen table telling my dad about frustration in my life at the time. After I finished rambling he said "It's that damn apple". I asked, "What does an apple have to do with it?" He said, "Well, if Adam and Eve would not have eaten that apple, the world would be perfect and we'd never have to worry about things like that". The moral of the story is that humanity and our world is imperfect by its very nature.

For us to expect things will always be perfect or that we can be perfect is unrealistic. What I've noticed about successful people over my career is that they don't get discouraged by problems, but instead take them on as a challenge. They tend to relish the opportunity to solve the problems in a singular drive to achieve a bigger goal. In other words, they tend to be good problem solvers. They also understand that mistakes are part of the process. They learn from mistakes and rarely make the same one twice because they realize mistakes are usually an opportunity to find a better solution or improve. Successful people also try to find long term solutions to issues. In the beginning, they may implement a short-term solution, but only as a way of taking action while trying to develop a more sustainable long-term solution.

Many times we may think it is just easier to solve problems ourselves. Telling others what to do or doing it ourselves over and over again seems to be the easiest way to deal with the situation, when in fact we never teach others nor help them understand the reasons for the issues. It is important to let our Team learn how to problem-solve on their own by working with them to develop a process that enables us to consistently produce the right actions and outcomes. If you feel overwhelmed by the number of issues you face everyday, you need to sit back and ask yourself how many of these things are the same issues you solve over and over again? And if you develop people and processes to solve the issues how much would that improve your day? The reason we feel overwhelmed at times, fail in our efforts to deliver quality service or to be safe and efficient, is that smaller issues go unsolved and compound until they accumulate into failure. Often times none of the smaller issues alone would cause failure, but letting them pile up leads to failure. If we would develop systems and people to solve the smaller issues as they occur, it would be easier to sustain quality service, safety and efficiency over time.

How many times do we implement a short-term solution rather than a real solution that is long term? Short-term solutions usually result in a cycle of battling the same problem repeatedly. The first step in recovering from this cycle is to change our mind, and we can only do this individually. Rather than get discouraged and down about problems, we must change our own

perspectives to accept that things are imperfect; but it is simply a progression to improvement and achievement of a goal that is worth the effort. We must vow to ourselves that we are committed everyday to do the best job possible for that day and that today will be better than yesterday.

The second step to recovering from this cycle is learning to develop people, processes and systems to produce consistent and sustainable results. We must recognize that teaching others how to solve problems by understanding root cause and developing processes to solve the problem is a valuable investment for our future. Once we've done this we should empower the local people to make the decisions, rather than requiring them to call us every minute of the day to take orders. The process of empowering our people will also take time and patience, as they will probably seek assurances that they are making the right decisions. What we must avoid is making the decision for them. We must ask them how they think we should solve the issue. It has been my experience that the people doing the work everyday know how to solve problems. We've just never allowed them to become part of that process.

As we ask their opinions and let them solve the problems they will build confidence in their abilities to do so. Then after they have had a couple of successes, we need to start encouraging them to take flight on their own. "See you have the answer, why do you keep asking me?" Great managers understand the imperfections of life and also understand the value of people and resources and use them to the maximum to produce value for the Company. Take the time to solve issues by teaching people the reasons for the issue and engage them in the solution. They will be more engaged and motivated by learning and making decisions rather than simply being told what to do. It will make your life easier and your leadership role more enjoyable.

We have the best team in the railroad industry with many, many talented people. As leaders and managers it is our responsibility to maximize the value of this precious resource. Let's take the opportunity to do just that by engaging the minds and not just the bodies of all our people. By doing this we can drive our whole Company from being good to great!

Thanks for being a part of the Watco team and for everything you do everyday.

A handwritten signature in black ink, appearing to read "J. D. [unclear]". The signature is written in a cursive style with a horizontal line above the first few letters.