



April 9, 2011

Watco Team:

The NCAA March Madness has ended, and for Watco the buzzer has sounded signifying the first quarter of our 2011 game has ended as well. As we begin a new quarter, let's look at the SAFETY scoreboard to see how we are doing. SAFETY is vital to achieving improved Customer Satisfaction and improved Profitability. The Watco Team has and will always pride ourselves on providing the best Customer service experience possible and bring as much value back to Watco over the Long Term. So let's take a look during this timeout to see how our Watco Teams are doing.

It is clear from the scores on the board at the end of March that the Watco Teams are doing well and setting a nice pace of improvement compared to last year. Our Watco consolidated RPI Ratio for the first Quarter 2011 is down from 2.80, in the first Quarter of 2010 to 1.99. That represents a 29% improvement over last year and shows the effects of our tremendous effort to improve our SAFETY performance. All Watco services are performing at a pace where we can improve our performance for the remainder of 2011.

The Watco Railroads are in a good position to finish the next three Quarters strong and help the overall Watco Team win the SAFETY game, even though our SAFETY performance is 21% worse than the first Quarter of last year. The Watco Mechanical Team is performing at a much improved pace by showing a 30% improvement in SAFETY performance year over year. The Watco Transload - Intermodal Team is putting up some blistering statistics by improving their SAFETY performance by 52%. But not to be out done by anyone, the Watco Switching Team is leading the way by showing all services that all accidents are preventable and putting up a no injuries score for the first Quarter of 2011. That is what we all are shooting for so great job, Watco Switching Team.

We are very proud and thankful for our improvements, but we still have three more Quarters to go so let's do everything we can to ensure all Watco services continue this positive trend. To the Switching, Mechanical and Transload Teams, congratulations and keep up the great work. To the Railroad Team, focus each day on doing your job SAFELY and you will end the year on a positive note.

It is impossible to talk about SAFETY too much because SAFETY is what not only makes us successful in being the best transportation service provider, but what allows us all to go home to our families at the end of the day. Under the leadership of Gary Vaughn and the Watco SAFETY team, we have made huge strides over the years. All of us have learned from our SAFETY team and become SAFETY leaders within our own areas, sharing knowledge and experiences for improvement. Just as a good basketball team works together, all of us on the Watco Team must also work together by always doing our jobs SAFELY and making sure all those around us do that as well, until the next buzzer sounds. Then we get to come back the next day in good condition to do our jobs SAFELY.

Thank you for being SAFE in all you do and keep making great things happen.

*Rick*