



ROY BLANCHARD

## South Shore's survival has always been tied to freight

Still busy with passengers but hauling lots of cargo

**Why is the Chicago South Shore & South Bend** around to enjoy its centennial year? The railroad is a successful, privately owned, 65,000 car-a-year freight line while the passenger business thrives as a separate entity under the aegis of the Northern Indiana Commuter Transportation District, abbreviated NICTD and known locally as "Nick-D." Despite its success, it's doubtful the passenger service would exist if it weren't for the freight business.

To use the word "thrives" is an understatement on a line that sees 20 westbound and 21 eastbound passenger trains each weekday on 65 miles between South Bend, Ind., and Kensington, Ill. What this means then is the South Shore freight railroad has to jam unit coal trains, locals serving the giant Arcelor Mittal steel mill at Burns Harbor, and general freight in the midst of all this. How do they do it?

Start with the South Shore motto that's also an apt description of what the railroad is all about: "Connecting Industry, Delivering

Value." The customer list is made up of major American industries, including such names as GAF Materials, the Port of Chicago, and U.S. Aluminate. Freight railroad President Henry Lampe says 100 percent of traffic originates or terminates at points off line.

South Shore interchanges with Norfolk Southern and CSX at five different locations, while connections with the remaining Class I roads and other short lines or regionals (including Iowa Interstate, and Iowa, Chicago & Eastern) are via the Belt Railway of Chicago, the Indiana Harbor Belt, or both.

Having all these connections provides tremendous leverage in offering customers the best combination of rates and service. Moreover, since the South Shore is a switching and terminal carrier, the customer never sees what the South Shore gets paid for its service.

This is an advantage in rate negotiations when transportation buyers negotiate interline rates trying to get each carrier to reduce its rates so the buyer can show his management how he's getting more for less. The switching and terminal charges are baked into whatever rate the interchanging Class I quotes to the customer, so regardless of how the negotiations go, the South Shore gets its due.

The South Shore also differs from the typical short line because it owns most of the eight industrial parks it serves, meaning that every customer in every park has equal access to the North American rail network; no "captive shippers" here. The South Shore provides top-notch access to competitive rail service that, in turn, attracts new industries needing rail service that, in turn, make better use of the railroad. The South Shore leveraged the shortline tax-credit program into more than \$1 million worth of capital expan-

sion to eliminate delays and improve asset utilization.

And so, what Sam Insull started when he bought the ailing Chicago, Lake Shore & South Bend in 1925 has come full circle. The Lake Shore's owners started a freight business in 1916 to support the passenger business, and Insull used the re-named Chicago South Shore & South Bend to move coal to his Midland Utilities Co., the forerunner of today's power station at Burns Harbor. Freight saved the railroad again in the Great Depression. A second power plant came on line in 1962, and shortly thereafter Bethlehem Steel (now Arcelor Mittal) opened its state-of-the-art steel mill.

The freight side continued to expand to the point that, in 1966,

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Chesapeake & Ohio, which had considerable steel and coal traffic, won federal approval to take control of the South Shore. But the passenger business continued to hemorrhage cash, and in 1984 Chessie sold the whole deal to a new shortline operator who at the same time was negotiating for control of the former Gulf, Mobile & Ohio. Five years later, the South Shore was in bankruptcy court.

In 1990 the Anacostia & Pacific shortline operating company (Louisville & Indiana, New York & Atlantic, Northern Lines, and Pacific Harbor Line) took the railroad out of bankruptcy. The new

owners promptly sold the Indiana main track and right-of-way to NICTD, retaining the yards and freight support tracks and paying the district what has turned out to be one of the highest trackage rights fees in North America. That's meant payments of close to \$54 million from 1990 through 1997.

Finally freed of the passenger albatross, today's South Shore Freight can focus on the business that has kept the South Shore going. The railroad has expanded, acquiring the former Nickel Plate Road line to La Porte, Ind., simplifying the NS interchange and adding a new chemicals customer in the bargain.

Steeple-cabs, Little Joes, and R motor electrics, of course, are long gone; 10 rebuilt GP38s lug unit coal trains today. The railroad has a fleet of nearly 500 freight cars, including 100 steel coil cars, built in 2006 with a price tag in the neighborhood of \$8 million, to handle Burns Harbor products. Capital expenditures for track and infrastructure run at about \$1 million a year above what the district puts into the passenger side. That pays for gantlet tracks at high-platform stations and new catenary poles, among other things.

If you're going to go see the South Shore and want to see the last vestiges of the Insull empire, better move fast. The last of the old wood catenary poles and iron lattice interurban-era cross members are coming down this summer because they're in the way and are becoming a safety hazard. They'll be gone, but the freight railroad will continue on, just as it has — time and time again. **I**

*ROY BLANCHARD is a Philadelphia-based shortline and regional railroad consultant. His TRAINS column appears quarterly.*