The year that Indiana Rail Road’s bridge over the White River near Elnora, Ind., was constructed, the following happened: The U.S.S. Maine mysteriously exploded in Havana (Cuba) Harbor, a catalyst for the Spanish-American War; jockey Willie Simms won the 24th(!) Kentucky Derby aboard Plaudit; and on December 18, in France, the world’s first automobile land speed record – 39 mph – was recorded.

That was 1898, and back at Elnora, crews built a 450-foot Pratt-style pin-connected steel truss bridge to carry the Southern Indiana Railway across the White River, eventually reaching Terre Haute. Through more than a century and thousands of train movements carrying millions of tons of Indiana commerce, this rail line changed hands several times until 2006, when Canadian Pacific Railway sold the line to Indiana Rail Road.

Known today as INRD’s Chicago Subdivision, the line runs from NSA (Naval Support Activity) Crane to Terre Haute, where INRD provides its customers with the all-important connection to Chicago and the North American rail network.

Indiana Southern, an Indianapolis-Evansville shortline railroad, also utilizes INRD trackage rights over the White River bridge to link the north and south ends of its system.

The current bridge is safe and inspected regularly, but replacing steel forged in the Gilded Age (along with the wood-pile approach bridges) became a priority in recent years. Due to its age, INRD engineers placed a 10 mph speed restriction on the White River bridge and limited per-car maximum weight to 263,000 pounds. Since the rail industry standard maximum weight is 286,000 pounds, the bridge puts southern Indiana businesses at a competitive disadvantage.

In July, a new 450-foot steel plate girder bridge will start to take shape, with service over the line continuing throughout construction aside from several short work curfews.

The existing bridge piers in the river will remain, albeit with each receiving a major rehabilitation and a reinforced concrete casing before new bridge sections are put in place. The wood pile approaches will get replaced with modern precast concrete and steel decks.

When work is completed in October 2015, the Indiana Rail Road, Indiana Southern and southwest Indiana customers will have a new span capable of carrying the heaviest loads at the posted track speed of 40 mph.

Replacing the White River bridge is no small capital project; at $14 million, the bridge alone
Ever buy a locomotive? How about 2,000 tons of precision-rolled steel? Or an entire bridge? These kinds of capital investments are routine for the railroad industry. It takes this level of commitment to keep a railroad running, and the numbers aren’t for the faint of heart. That locomotive fresh off of the factory floor, for example, could set you back as much as $2 million.

Everything about railroading is big, including the investments necessary to make it work. Ours is one of a number of industries notable for its intensive capital demands. Mining, power generation, refining, telecommunication, and other transports are classic examples of industries that require major investments. (Think assets such as earth-orbiting satellites, electric generating plants, oceangoing vessels and the like.)

The measure of these capital requirements, referred to by economists as capital intensity, is often expressed as a ratio of investment per employee, the idea being that capital investments provide equipment and tools that allow employees to be more productive. This year, the U.S. railroad industry is projected to make $15 billion in capital expenditures—more than $80,000 per employee!

In recent years, Indiana Rail Road has even exceeded this ratio, being in the midst of a five-year period of elevated capital investment to upgrade and strengthen our infrastructure for heavy-haul operations.

As a whole, American railroads devote six times the average amount of other industries to capital investment—roughly 18 percent of total revenue, or 40 cents out of every dollar of net earnings. Things weren’t always this robust, however.

**...in less than 30 years, we have reinvested from earnings nearly 35 times the initial purchase price of our railroad.**

In the two decades leading up to 1976, the year the railroad industry bottomed out in a deep financial crisis, railroads weren’t earning enough revenue to meet their intensive capital demands. As one analyst with the Illinois Central Railroad once observed during the late 1960s, his company could only afford to replace one percent of its rail every year, meaning that every new piece of rail installed needed to last 100 years!

After the sweeping regulatory reform enacted nearly 35 years ago, our industry entered a sustained renaissance and has emerged from crisis. Today U.S. railroads operate and maintain the most productive freight network in the world, thanks to the regained ability to make necessary capital investment. This transformation arguably reached its fruition when, in 2009, Warren Buffett’s investment firm, Bershire Hathaway Inc., purchased BNSF Railway outright, in a strategy that he himself described as an “all-in bet on the future of America.” Buffett’s move stunned Wall Street and created a major milestone in the history of American railroading.

This year, Indiana Rail Road will mark a milestone in our own investment history, when our cumulative capital expenditure surpasses the $180 million mark. To put that in perspective, in less than 30 years, we have reinvested from earnings nearly 35 times the initial purchase price of our railroad.

This sustained commitment to reinvestment has paid valuable dividends to our customers, who benefit from transportation service that is among the industry’s safest, most attentive and reliable.

And we’re going to continue to reinvest in the creation of the world’s finest regional railroad. It has been my life’s work, and yet it feels like we’re just getting started.

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**Ballast, Continued**

in early August, INRD’s 155-mile Indianapolis Subdivision – which runs from Indianapolis to the CN Rail connection at Newton, Ill. – will be in better condition than at any point in its 108-year history. Heavier rail, better-quality crossties and a better limestone ballast base (delivered from Rogers Group’s Bloomington, Ind., quarry) will allow for a faster and smoother ride for commerce.

The air-actuated dump system is light years ahead of the way INRD personnel had to dump cars in the past, either using a steel bar to pry open the cars or using steel-wire pulley systems to manually crank open each car, while coordinating with the ballast train’s engineer to start the train rolling at the right time, then stop the train and close the doors manually.

“It’s a big improvement on safety because with the old cars, you had to carry a 10-pound bar with you, and you were either pushing down on the bar or pulling on it to open the (ballast) car doors,” said Mark Hiatt, of INRD Engineering. “The ballast would get stuck and we’d have to beat and bang on the cars to get it moving. Your arms felt like jello at the end of the day, and you can imagine what it did to your back. Now, it’s just the push of a button. You’re talking three or four hours (before), what you can do in one hour now.”

Beasley’s Railcar Repair Corp., privately-owned and located next to INRD’s Indianapolis Sub near Bloomfield, Ind., added the air system and new dump doors to the old cars, and painted the entire fleet in the striking yellow scheme.

It’s another step forward for this growing regional railroad.
Gray Enlightens INRD Employees on AAR Membership, Rail Trends

The Indiana Rail Road staff welcomed John Gray, Association of American Railroads Senior Vice President, Policy & Economics, to INRD’s quarterly employee breakfast on May 16, and Gray delivered an insightful look into the AAR and economic trends affecting rail.

The Indiana Rail Road announced it had become a member of the AAR in January, joining the seven North American Class I railroads and several regional-railroad brethren in the most influential and prestigious rail industry trade group.

The AAR’s mission is to provide a collaborative platform among railroads, suppliers and contractors to set industry standards, research and evaluate new technologies, provide and distribute information technology and statistical data, and represent the industry in public affairs matters and issues before Congress and regulatory bodies.

For the Indiana Rail Road, AAR membership provides access to best-practices and insight via working committees dedicated to technology, safety, security, risk management and other key issues and opportunities.

The AAR also operates one of the world’s foremost transportation research and development centers – the Transportation Technology Center, Inc., located on the high desert plains east of Pueblo, Colo. The TTCI is home to engineering and test studies that continue to make railroads around the world ever-more the safest and most efficient transportation mode available.

In his INRD presentation, Gray highlighted some intriguing trends shaping U.S. railroading’s future. Arguably the most notable is that for the first time in history intermodal in 2013 became the largest source of gross revenue (21 percent) for U.S. railroads, barely eclipsing coal (20 percent).

Thanks in large part to INRD’s excellent relationship with Peabody Energy and multi-billion dollar emissions-mitigation investments by utility customers Indianapolis Power & Light, Duke Energy and Hoosier Energy, coal is and will remain an important part of INRD’s traffic mix for years to come, and INRD’s growing trans-Pacific intermodal franchise with CN Rail also holds great potential.

Gray also told the story of the slow but steady rise of U.S. carload and intermodal originations in the wake of the depths of the “Great Recession” in 2009. From 2006 (the biggest year ever for railroads, from a volume standpoint) to 2009, originations of intermodal units and carloads dropped on average by 100,000 – per month.

As markets and technology evolve, some markets such as paper products, automobiles and coal may never see a resurgence nationally to their pre-recession numbers, but so far 2014 holds promise to deliver better results for the rail industry, and its customers, than has been seen in more than a half-decade.

Bridge, Continued

exceeds INRD’s average annual capital investment budget, so the Indiana Department of Transportation provided invaluable support by sponsoring an application for a federal TIGER grant (“Transportation Investment Generating Economic Recovery”) to help offset the cost.

INDOT was successful in acquiring $8 million for the project; additional support came from Indiana Congressmen Larry Buschon and Todd Young, Senators Dan Coats and Joe Donnelly, and Duke Energy, IPL, Indiana Southern parent company Genesee & Wyoming, and other state and local officials.

The importance of the White River crossing cannot be understated, given not only INRD and ISRR’s lists of existing customers, but the immense potential for economic development in southwest Indiana.

In addition to NSA Crane, INRD counts Berry Plastics in Odon and several agricultural concerns as customers, and Indiana Southern moves millions of tons of Indiana coal through here, destined for Duke Energy and Indianapolis Power & Light generating stations providing much of southern and central Indiana with reliable, affordable baseload power.

A key driver for future economic development is INRD’s Odon Transload Facility, opened in 2013 along State Road 58 less than three miles from the new Interstate 69.

As over-the-road trucking costs escalate and Indiana companies look for more efficient and cost-saving transportation options, Indiana Rail Road’s Odon Transload offers a strategically-located rail-to-truck/truck-to-rail transfer connecting a large swath of the southwest Indiana economy with the North American rail network, adding value for the region’s companies and presenting an outstanding marketing tool for economic development.

“Our vision is that with Indiana Rail Road’s connections to the North American rail network, the nearby presence of Crane, Interstate 69 and large tracts of available land, the Odon-El-nora area will gradually gain economic development traction,” said Tom Hoback, INRD President and Chief Executive Officer.

Over the course of its 28-year history, Indiana Rail Road has invested $180 million in private capital in its infrastructure. The acute need for a new White River bridge has brought about a strong public-private partnership that will foster additional millions in private rail investment and economic development for years to come.

An example of the type of steel-girder bridge that will soon take shape over the White River.
Photo Brief

Old rail (upper left) is getting replaced with brand new "ribbon" rail (upper center) at Senate Avenue. INRD employees (upper right) Jeff Callaway and Mike Skora (black ball caps, left to right) conduct a safety briefing with employees of maintenance of way contractor R.J. Corman in Indianapolis on May 21. The briefing was part of the President’s Safety Committee Safety Blitz, conducted with the various contractors participating in a multi-million dollar upgrade of INRD’s tracks. The focus of the blitz was heat safety awareness. Welcome, China Shipping (lower left), to our group of INRD-CN trans-Pacific intermodal customers! We’ll keep your freight moving, and continue to build momentum for Indiana global trade.