



Moving the Goods

By Charlee Beasor

You've undoubtedly heard Indiana referred to as the "Crossroads of America." We'll add a few made-up words that also could apply – crossrails, crossskies and crosswaters. The point: All forms of transportation

are important to Indiana businesses.

The people we spoke with – both those involved in the industries and some that rely on them for the success of their companies – who are featured in the next few pages will attest to that.

BY RAIL

Change is Good on the Rails

It's been 25 years since Indiana Rail Road Company (INRD) President Thomas Hoback and a group of investors took over a dilapidated rail line. Hoback points to several ways the industry has changed for the better since 1986.

"We've just seen an enormous increase in interest in the use of rail for a lot of reasons. Railroads have become a lot more efficient," he contends. "Railroads have also invested so many billions of dollars in the last 10 or 15 years on infrastructure improvements."

Hoback also acknowledges the use of increasing technology, as INRD was the first railroad in the country to use remote control switching and the first to incorporate Global Positioning Systems on the locomotives.

It's not all smooth sailing, though.

"Railroads have become a lot more competitive, and that is a challenge going forward. There are some industries that are very unhappy that the railroads are successful, and are pushing very hard on Congress to re-regulate railroads," he worries.

The growing environmental concern about burning coal also could pose a problem, as he says the Environmental Protection Agency is working to "dramatically increase the cost of burning coal by mandating tighter regulations."

Hoback sees positives ahead for the industry, especially as more investors are purchasing railroads.

"It's a testimony that railroads have continued to perform very well ... the fact that we've been able to build business to grow down the road is a pretty terrific story of where they've come (from) and where they're going," he affirms.

INFORMATION LINK

Resource: Thomas Hoback, Indiana Rail Road Company, at www.inrd.com

Intermodal Collaboration Yields Success

Maybe soon it won't take an etymology class to understand that intermodal shipping means moving cargo by more than one mode of transportation – whether it's boat, train, plane or truck. According to Rick LaGore, executive vice president of Integrated Distribution Services (IDS) in Plainfield, one benefit of intermodal shipping is the ability to "green" the supply chain.

"The advantage on the intermodal side is that it uses roughly half the fuel cost than an over-the-road option," LaGore explains. "People are more interested in becoming educated in the intermodal market because the cost of fuel is beginning to rise."

Though the state currently lacks a prime facility, IDS President Mark DeFabis thinks Indiana holds its own in the industry.

"For a state that does not have a major intermodal hub, we stack up quite well. Still ... there is a lot of freight that moves outbound in the state that could move on intermodal that just has not been adopted yet. But there's growing acceptance of that," he observes.

DeFabis also notes that the potential re-regulation of the rail industry could impact the future, though it might not be all negative.

"I think interchange agreements would be easier through regulations; (those agreements) between railroads get to be cumbersome and costly," he adds.

Whatever the future holds, intermodal is already changing the rail landscape.

"It's not your father's railroad," LaGore asserts. "It is a very important service and 2009 was the first year we saw intermodal take a percentage away from the truckload marketplace."

INFORMATION LINK

Resources: Mark DeFabis and Rick LaGore, Integrated Distribution Services, at www.teamidslogistics.com



Rail Facts:

- Indiana's largest volume of freight, originating and terminating in the state, is coal.
- America's freight railroads generate nearly \$265 billion in total annual economic activity and sustain 1.2 million jobs, including around 175,000 well-paying jobs in the freight rail industry itself.
- Railroads account for approximately one-third of all U.S. exports.
- Average U.S. freight rail rates (measured by inflation-adjusted revenue per ton-mile) were 55% lower in 2009 than in 1981.
- Rail intermodal service transports a large variety of consumer goods – from electronics and greeting cards to clothing and furniture – as well as industrial and agricultural products. Around 60% of rail intermodal consists of imports or exports, reflecting the vital role railroads play in international trade.
- Every one dollar of investment in rail infrastructure generates another three dollars in economic activity, according to U.S. Department of Commerce data.
- Each one billion dollars of investment in rail infrastructure to expand capacity creates an estimated 20,000 jobs nationwide.

Source: Association of American Railroads: www.aar.org

By the numbers

41 number of freight railroads in Indiana

4,448 freight railroad miles

6,120 freight railroad employees

\$92,200 average wages and benefits per freight railroad employee

15,576 railroad retirement beneficiaries



Indiana's Port Trio Plays Critical Role

Did you know that more than half of Indiana's border consists of water?

With that in mind, it should come as less of a surprise – if at all – that shipping and the port system are an integral part of the transportation mix. With direct access to Lake Michigan (leading to the St. Lawrence Seaway for international access) and the Ohio, Mississippi and Illinois rivers, Indiana's ports contribute about \$5.4 billion to the state's economy each year, according to the Ports of Indiana, a quasi-governmental organization under the authority of the Indiana Port Commission.

Indiana has three major ports – Burns Harbor on Lake Michigan and Mount Vernon and Jeffersonville, both located on the Ohio River.

"Water transportation is generally the most efficient form of transportation. By having the ability to receive commodities by water, we're able to provide services to companies who can get their product to us in an efficient

(manner)," remarks Dan Frick, COO of Frick Services, located in Burns Harbor.

Don Miller, president of the Mt. Vernon Barge Service, points to Indiana's fortunate location as part of the industry's success.

"Indiana is buttoned up. We're right here in the heartland, connected to 22 states via the Inland Waterway System," he explains. "The key is the seamless movement of cargo from the river to the truck and the interstate. One thing this state has done very well is connecting their major port authorities to the interstate system."

INFORMATION LINK

Resources: Dan Frick, Frick Services, at www.frickservices.com

Don Miller, Mt. Vernon Barge Service, at www.mvbarge.com

Unique Shipping Challenges – No Matter the Location

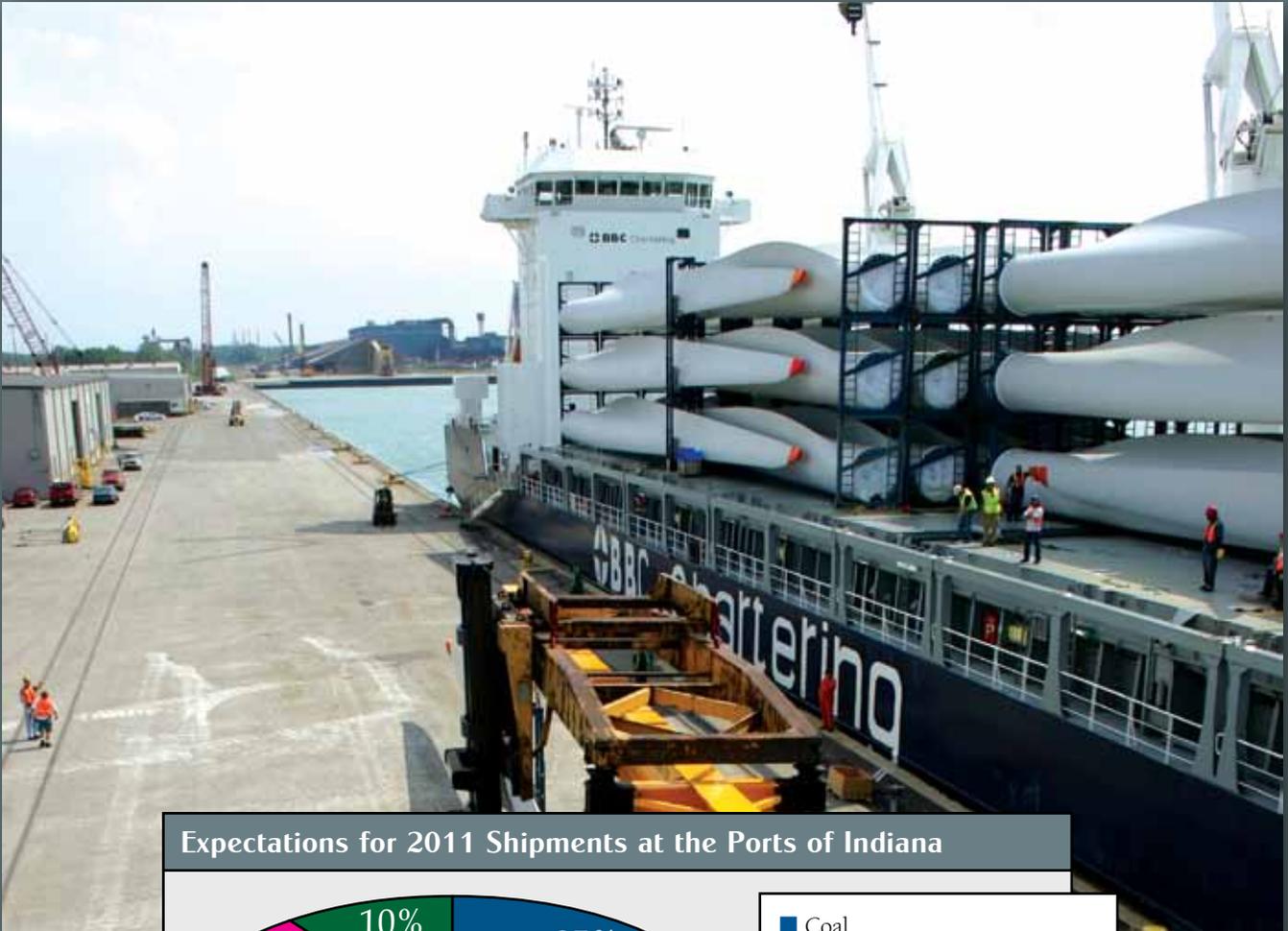
"The largest challenge to the waterway system in particular is the ongoing maintenance and upgrading of the lock and dams on the Ohio River. Most are 60 to 70 years old and in drastic need of upkeep and expansion. People don't think about it every day, don't see the delays associated with the locks and dams being down. What happens when you have delays, it drastically increases the cost of grain and petroleum to the end customer."

– Don Miller, president of Mt. Vernon Barge Service, located in Mount Vernon on the Ohio River

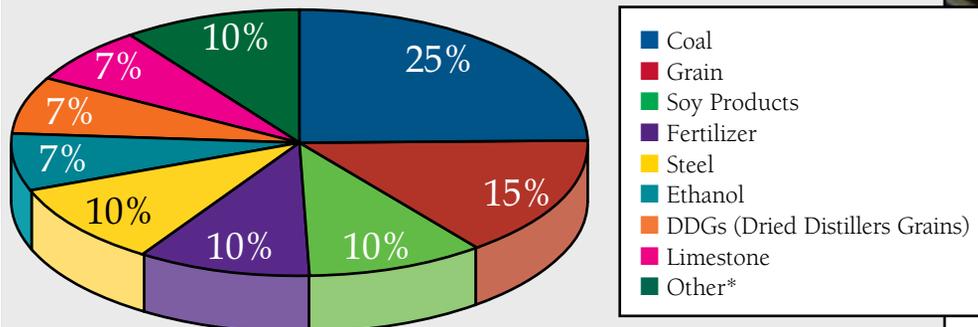


"Currently, we're dealing with this issue that could potentially impact barge traffic coming from the Mississippi and Illinois rivers – the battle over Asian Carp, a fish that is considered to be a predatory fish. It's a concern of the environmental community. ... Their solution is to totally eliminate any barge movement and what they would like to do is reverse the water flow, so that the Asian Carp can't swim into Lake Michigan. That would be a real problem if that happens. It's something we watch very closely."

– Dan Frick, COO of Frick Services, located in Burns Harbor on Lake Michigan



Expectations for 2011 Shipments at the Ports of Indiana



*(Other includes cement, coke and salt, 2% each; minerals, asphalt, project cargo and miscellaneous, 1% each)

Port Facts:

A 2010 study showed that Indiana's ports contribute \$233 million in tax revenue and 43,000 jobs.

Before Indiana became a state, Congress moved the northern boundary 10 miles north into Lake Michigan, opening the option for a future port; this later resulted in the port at Burns Harbor.

Every state dollar used to build the three ports – Burns Harbor, Mount Vernon and Jeffersonville – has generated \$15 in additional investments.

Indiana's three ports cover 2,300 acres and serve as maritime industrial parks that are home to more than 60 commercial tenants.

Source: Ports of Indiana: www.portsofindiana.com

State's Prime Location is Beneficial



When three-quarters of U.S. and Canadian residents live within one day's drive of a state, that location – Indiana – is going to have some strategic advantages in the trucking industry.

“You can serve pretty much two-thirds of the U.S. within 24 hours out of this location; it is definitely what I consider to be a very important logistical point...,” affirms Zachary Scott, president of the UPS Ohio Valley District.

At a regional level, Andy Brooks, president of Brooks Construction in Fort Wayne, adds that the various interstates, Indiana Toll Road and other corridors help increase the flow of commerce throughout the state.

There are challenges, however, as infrastructure upgrades are required in a number of cities.

“... A lot of highways or interstates go through the cities, which leads to congestion, which impedes the flow of traffic from a freight or logistics perspective,” Brooks asserts.

Infrastructure Focus is Key

“Of course, infrastructure is so important to maintaining the roads. It’s something we look at quite frequently; we certainly believe the funding of infrastructure is important for the state and the region; (there’s) lots of work to be done. It’s one of those things where you pay me now or you’re going to pay me big time later. We’re on the side of paying big time later (right now).”

– Zachary Scott, president
UPS Ohio Valley District



Scott adds that upgrading the bridges to neighboring Kentucky and Ohio should be a focus for the state.

“The improvement of those bridges and facilities would enhance our ability to serve customers better ... there’s a lot of business taking place across those bridges,” he states.

One of the hefty questions for the highway transportation industry, however, is the uncertainty of federal funding (see story on page 80 for more).

“It’s detrimental, because our customers can’t develop a firm capital plan because they don’t know what the funding will be. They can’t plan, so therefore we can’t plan,” Brooks explains.

INFORMATION LINK

Resources: Andy Brooks, Brooks Construction, at www.brooks1st.com

Zachary Scott, UPS, at www.ups.com

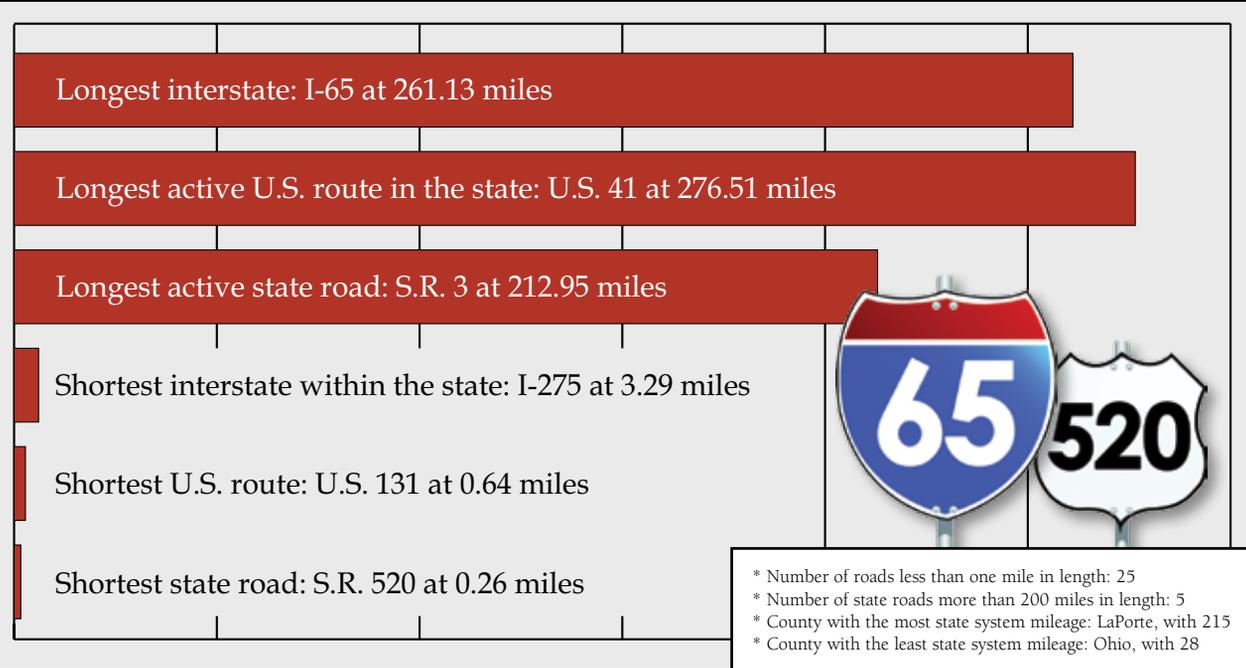
“The biggest thing that is unknown out there for our business (and) infrastructure contractors is where do we go after Major Moves? (The scenario is) always the chicken or the egg: build the infrastructure and they (businesses) come or wait ’til they come and build the infrastructure? In this day and age, you have to build the infrastructure first for a business to consider a location.”

– Andy Brooks, president
Brooks Construction in Fort Wayne



Indiana's 235 State Roads

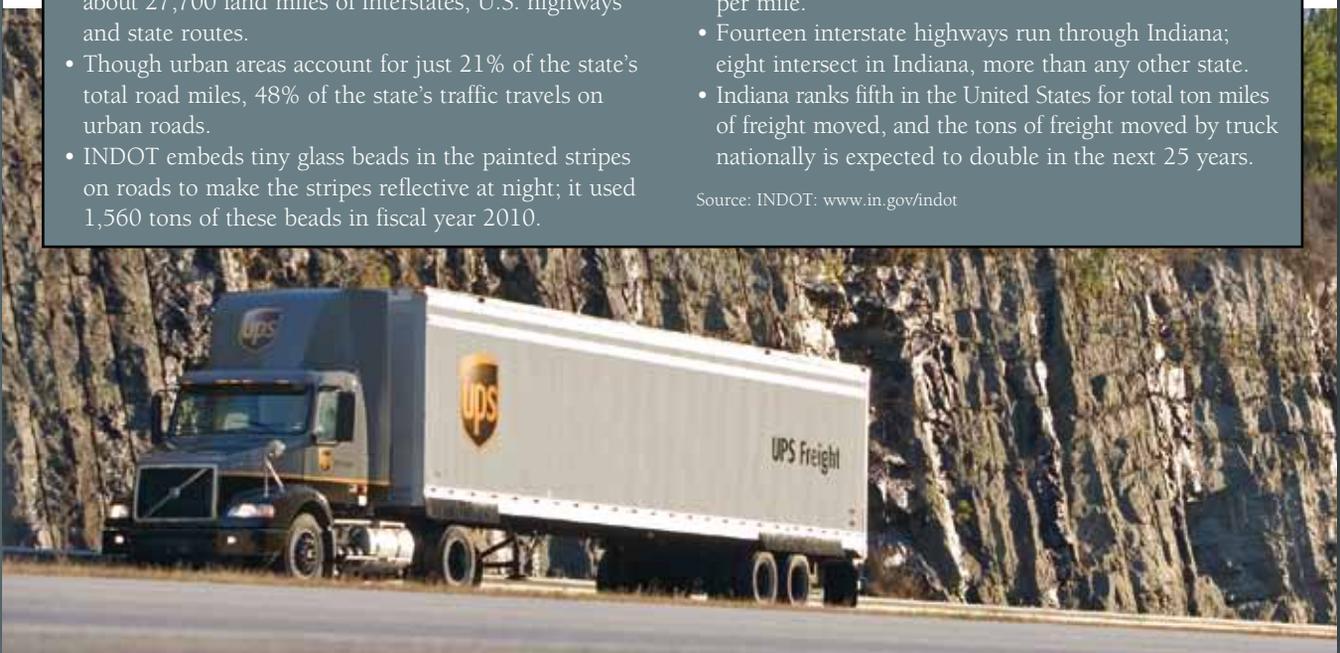
(State, U.S., interstate and old state roads)



Road Facts:

- The Indiana Department of Transportation (INDOT) is funded primarily by two sources: the Federal Highway Trust Fund and the State Highway Fund, which is a dedicated fund separate from the state's general fund. Federal revenue in fiscal year 2010 was \$964.2 million and state revenue was \$1.183 billion. INDOT maintains about 27,700 land miles of interstates, U.S. highways and state routes.
- Though urban areas account for just 21% of the state's total road miles, 48% of the state's traffic travels on urban roads.
- INDOT embeds tiny glass beads in the painted stripes on roads to make the stripes reflective at night; it used 1,560 tons of these beads in fiscal year 2010.
- It is estimated that every dollar invested in pavement preservation to extend the life of a roadway defers \$10 in future construction costs.
- INDOT utilized more than five million tons of asphalt in fiscal year 2010 to pave roads and pedestrian trails.
- Adding lanes to highways can cost more than \$10 million per mile.
- Fourteen interstate highways run through Indiana; eight intersect in Indiana, more than any other state.
- Indiana ranks fifth in the United States for total ton miles of freight moved, and the tons of freight moved by truck nationally is expected to double in the next 25 years.

Source: INDOT: www.in.gov/indot





Despite Challenges, Aviation Remains Major Player

Like any industry that relies on taxpayers and the government for revenue, professionals in Indiana's aviation sector see funding as a top priority.

"The biggest challenge at the state level is the need for dedicated funding. The aviation system puts in money to the state ... it would be nice to have a consistent number we can budget for," asserts Tory Richardson, executive director of airports at Fort Wayne Airport.

Montgomery Aviation, Inc. Vice President of Operations Andi Montgomery worries how federal and local funding – or the lack thereof – will impact the company's general aviation fixed-based operations in Zionsville, Frankfort and Peru.

"There are 17 continuing resolutions for the FAA funding, and that continues to be a concern," she states.

Indiana's aviation sector fared better than most during the economic recession, according to Richardson, but he relates the number of airplanes and seats that were reduced "was about the equivalent of taking a major airline out."

He says the sector is starting to bounce back, but now the biggest challenge is the cost of fuel.

When you have to buy a load of fuel every three or four days, like Montgomery does, the higher cost adds up quickly.

"It's outrageous. There was an over 50-cent increase since the end of January. It goes up so quickly that you can't keep up with it. It's a huge challenge for a fixed-based

operator ... a load of fuel is almost 30,000 dollars," she exclaims.

Education regarding the industry's role in the state's economy is necessary to overcome stigmas associated with aviation. Richardson admits he's amazed when he speaks to the community about the importance of air transportation.

"I remind them that we have millions of pounds of mail and freight that come through; even bringing a client in or expecting someone to come in and do training (utilizes aviation). They may not be on a plane in a seat, but you are relying on it ... (They) take it for granted."

Montgomery agrees. She recalls general aviation – business-based aviation – got a bad rap when car company executives took private jets to ask Congress for a bailout in 2008.

"My job is to educate legislators and the general public about general aviation," she says. "There are some companies and some wealthy people that fly privately, but the majority of people use them (smaller, general aviation planes) for business and are contributing to jobs and economic development."

INFORMATION LINK

Resources: Andi Montgomery, Montgomery Aviation, Inc., at www.montgomeryaviation.net

Tory Richardson, Fort Wayne Airport, at www.fwairport.com



By the numbers:

- Indiana has more than 700 public- and private-use airports and heliports.
- In fiscal year 2010, INDOT's Office of Aviation directed \$62.7 million in federal funds to Indiana airports and provided \$1.4 million in state matching grants to 54 eligible airports.
- The FAA awarded 11 Indiana airports with American Recovery and Reinvestment Act funds totaling \$20.7 million.
- At Indiana airports, 17,163 people are employed. Those jobs represent more than \$640 million in direct wages statewide.
- In 2009, there were 4,008 total active aircraft used for general aviation and air taxi in Indiana and 412,111 hours flown.
- Business aviation contributes \$150 billion to U.S. economic output and employs more than 1.2 million people.
- Few flights carry executives; 74% are time-critical trips by sales, technical and middle management employees.

Sources: 2010 Annual Report, Indiana Department of Transportation, www.in.gov/indot

Aviation Association of Indiana (AAI), <http://aviationindiana.org>

Federal Aviation Administration, www.faa.gov

No Plane No Gain (a joint undertaking of the National Business Aviation Association and General Aviation Manufacturers Association), www.noplanenogain.org

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