

Fast Track

New Intermodal Hub a ‘Game Changer’

Ever been stuck in a traffic jam in Chicago? Your frustration was likely as palpable as being a Cubs fan in October.

But imagine if that delay was costing you not just time, but money. That has been the logistical reality for many Hoosier companies that have used Chicago’s railroads and steamship lines for importing or exporting. Citing numerous challenges, delays have plagued businesses that rely on efficient shipments.

Some key players hope that will change this summer as a new intermodal (movement of freight in containers by a combination of transportation methods without reloading) rail hub is set to open in downtown Indianapolis. The facility stems from a unique partnership between Canadian National Railway (CN) and The Indiana Rail Road Company (INRD) – expanding the railroad’s existing terminal on Senate Avenue (near Lucas Oil Stadium).

Time is money

As a whole, Indiana’s logistics industry moves nearly a billion tons of freight to and from the state every year, according to Conexus Indiana, which endorsed and facilitated the project and has been working toward its development for a number of years.

“It’s all about customer service – and anything dealing with customer service today is all about speed,” contends Chip Edgington, chairman of the Conexus Indiana Logistics Council and executive vice president of operations for OSP Group (formerly Redcats USA). “We’ll take any opportunity

to get product into distribution centers since logistics is a big part of our economy – it’s about cutting down days.”

He projects that circumventing Chicago will help some Indiana importers and exporters shave three to five days – perhaps more – off of travel time.

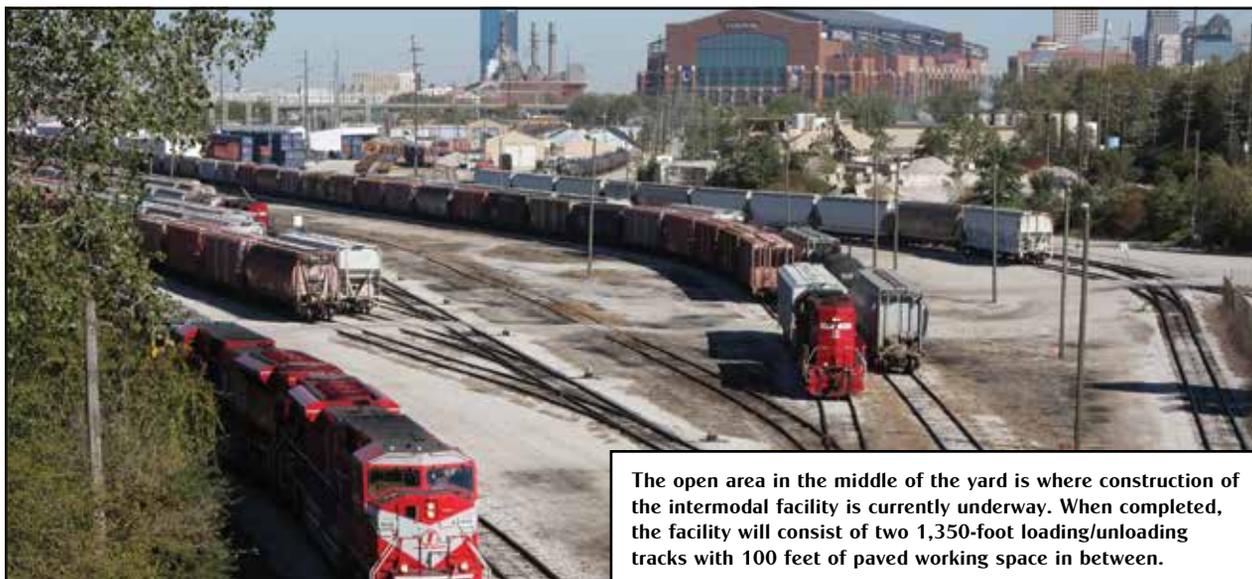
The route will now include shipments into and out of Canada, with INRD and CN providing the rail connections. Previously, many shipments arrived at Long Beach on the West Coast and were transported through the Chicago bottleneck before coming to Indiana.

Eric Powell, intermodal and economic development manager for INRD, describes the enhancement as a “game changer” for the state.

“I’ve had industrial real estate folks tell me that in previous years they’ve lost deals to cities with a more robust intermodal presence,” he reflects. “Indianapolis has great highway access and a great airport, but didn’t have intermodal access – particularly from the West Coast. This will make the region more marketable to other logistics-minded companies that are considering moving here.”

He believes the partnership enhances INRD’s presence and has the small railroad poised for big things.

“We felt it was a good opportunity for another market for our services,” Powell asserts. “We have a 500-mile network that we operate on, so obviously we’re a relatively small railroad. This wouldn’t have worked without a partner – one of the big Class I’s (the Surface Transportation Board assigns Class I status to the largest railroads based on operating revenue) – and the one that made the most sense was (CN).



The open area in the middle of the yard is where construction of the intermodal facility is currently underway. When completed, the facility will consist of two 1,350-foot loading/unloading tracks with 100 feet of paved working space in between.

“Once we had the buy-in from them and they saw the potential in this, that’s when we went out and started talking to companies out there. For a lot of people, it was one of those ‘we’ll believe it when we see it’ things, and they wanted us to get back to them when we had a product.”

When asked how this will stack Indianapolis up against other cities of similar size in the intermodal realm, Edgington contends the city could now be the lead car.

“This (new hub) will make Indianapolis comparable to these other cities, which also gives us a competitive advantage to bring more business to our city,” he notes. “Our location allows us to be a distribution hub. Other than Columbus (Ohio) and Memphis, there really isn’t anybody we can think of (that is in a stronger position). Cities like Louisville or Cincinnati outside of Indianapolis could also even benefit from this.”

Chicago blues

Powell, like other proponents, explains the hub was necessary to alleviate stresses on Indiana businesses and agricultural interests.

“The main thing companies would tell us is there are a lot of delays (in Chicago), especially during peak season,” he relays. “But you get more challenging weather in Chicago and a lot of congestion on the highways up there. Another big issue is that with all the new hours and service rules in trucking, it’s harder to find drivers. Even though Indianapolis to Chicago is a short haul, trucking costs are an issue.”

Ramon Loucks, president of IOM Grain in Portland, supports the new terminal because he needs reliable service to ship soybeans to a number of customers in Asia.

“It’s going to save freight costs,” he states. “Freight costs 10 years ago were a much smaller percentage of our business. Then oil went through the roof – whether it be diesel fuel or bunker oil for ships. We ship internationally,

and the increase in costs has just killed our customers.

“If at all possible, we’ll drop everything that goes through Chicago,” he projects. “And also almost everything that runs through Columbus and Detroit, and run it through Indianapolis.”

Loucks also laments the various hold-ups in the Windy City.

“If you book something in Chicago, there are traffic tie-ups, snow, the distance they are away,” Loucks asserts. “If the truckers leave Chicago during the day, it could be a five-hour drive – but if they have any kind of delay or a flat tire, they’re on their log book and have to park for four to six hours. Traffic delays can cause additional costs just because of the distance and time.”

As an advocate for the cause, he helped rally support for the hub from other users and agricultural companies.

“Indianapolis has a lot of importers and large volumes of containers come down I-65 every day from Chicago,” he says. “Depending on where you are, that freight rate for that container from Chicago could be anywhere from \$600 to \$1,200 per 20- or 40-foot container.”

Loucks calculates that those savings are substantial, figuring larger users could bring in 20 cars per week or more. He adds that when multiplied by \$600 per container and 52 weeks per year, the total is significant.

“It’s really easy to see what the savings are – not to mention the jobs it will create for (INRD),” he surmises. “It will put them in a market they aren’t today, which is going to do nothing but strengthen a local rail company that is very important to the Central Indiana economy.”

When asked if this type of partnership is unique in the industry, one logistics pro noted it is somewhat rare.

“It’s not uncommon for larger national railroads to partner together, but is uncommon for larger ones to partner with smaller railroads,” qualifies Amy McFadyen, Edgington’s colleague and director of inbound transportation for OSP Group. “We’re fortunate that (INRD) is located here and wanted to be involved. This will be a benefit for everyone.”

Any bumps on the tracks?

The hub is set to begin receiving containers in June. Though it stems from collaboration between two private railroads, transportation and infrastructure questions remain prevalent across the country – especially with government cutbacks following the sequestration legislation that took effect in March.

“I don’t see an impact from sequestration,” Edgington

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– Eric Powell

The Indiana Rail Road Company



When the intermodal facility launches, it will feature three import and three export trains per week, providing handling capacity for up to 24,000 containers per year.

Intermodal

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predicts. “Everyone is much more concerned about customs and other government agencies and any exams they may have. But it should have little impact on direct rail in Indianapolis.”

Powell explains challenges persist in any business development, though projections are positive with this new hub.

“We’re excited to bring this to Indianapolis, but we’re still a private company and need to make money – so working through the cost models (took diligence). Being able to sustain this is something that took a while to work out,” he shares. “We’re not under any illusion that we’ll make a lot of money right away; we’ll need to get out there and hustle and get some business, but we’re confident this will be good for us in the long term, as it will be for the city.”

He bluntly adds, “Intermodal is a volume business. No matter your size, if you’re just moving a few containers a

week, you won’t make any money at it.”

All parties interviewed report receiving a great deal of positive feedback from Indiana businesses that plan to use the hub to transform their shipment methods and enhance their bottom lines.

“This is a big economic deal for the state,” Loucks concludes.

INFORMATION LINK

Resources: Eric Powell, The Indiana Rail Road Company, at www.inrd.com

Chip Edgington and Amy McFadyen, Conexus Indiana Logistics Council and OSP Group, at www.redcatsusa.com

Ramon Loucks, IOM Grain, LLC, at www.iomgrain.com