



POWER TO MOVE

CONNECTING INDUSTRY – DELIVERING VALUE

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CHICAGO SOUTH SHORE & SOUTH BEND RAILROAD



A message from **Andrew Fox**

Business is good

South Shore has long enjoyed its reputation as a high-quality service provider in northwest Indiana. We would not be where we are today without our customers' continued confidence in us.

We have faced some challenges over the past few months due to numerous construction projects on the various connecting railroad tracks we share. However, we recognize such projects will make for a longer-lasting and more dependable railway network, which will help us better serve our customers and keep our employees safe.

I'm happy to report business is growing steadily across the board. We thank our customers for their continued faith in South Shore throughout these challenges; we're doing everything we can to overcome them.

We have met the demands of our customers through this growth period through the hard work and dedication of our top-rate employees. They increased their productivity to an even higher level to accommodate the booming business, because they care about the safe and timely delivery of our customers' products. We are privileged to have such an outstanding and talented group of employees.

In order to meet the increasing demand over the coming year and beyond, we have acquired two additional GP38-2 locomotives, increasing our available motive power by 20 percent. We also are hiring four train-crew members, which will increase our crew staffing by 20 percent. These resources will allow us to better serve each and every one of our valued customers.

Going forward, we have two major questions: Will the economy improve? What will happen in the regulatory world?

We continue to be more efficient than our competitors in the trucking industry. However, Congress has proposed new regulations that would increase truck size and weight limits. If passed, these regulations would undercut our growth and jeopardize our ability to serve our customers.

Despite this threat, I'm optimistic about the future.

Looking forward, I see northwest Indiana becoming an increasingly popular place for industries to locate, due to the favorable business climate in Indiana versus Illinois.

In the end, our success is rooted in our loyal customers and dedicated employees. I



thank you all again for the role you've played in South Shore's success.

Sincerely,

New business brings growth

Two customers – one new, one familiar – promise to increase South Shore carload volumes in the coming year.

360 Degree Metal Recycling purchased a South Shore-owned parcel in New Carlisle, IN, where it will process scrap iron and steel. The railroad will handle outbound scrap shipments destined for a four-state region.

Chuck Compton, Vice President of Business Development, expects the new customer to generate about 400 cars per year.

"We hope to help them grow as they reach new markets," Compton said. "Having rail service will allow them to ship to more distant customers and remain competitive."

According to Compton, rail is a more

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New business

efficient method of transport for scrap than trucks, allowing the company to ship to new customers.

The property purchased by the recycler is next to Five Star Sheets on Smilax Road. Track crews will cut into the adjacent siding to provide rail access.

CSS already owns the gondola cars necessary to ship the metal.

“Many times those cars aren’t fully utilized, so this will help keep that fleet busier,” Compton said.

PSC Metals

With the purchase of another South Shore-owned property, a current customer will soon move its operation to Michigan City.

PSC Metals processes iron and steel plate. The company receives secondary plate from the ArcelorMittal Burns Harbor mill and other sources. Employees sort the plate, cut them and ship them to customers.

“There’s a secondary market for plates that aren’t up to spec for the mill,” Compton said. “They can sell them to a company like PSC that has customers who have use for off-spec plate.”

The facility will be located on the east side of town near the airport off of Highway 212, along an existing rail spur.



Chuck Compton, Vice President of Business Development

The new location will allow PSC Metals to accept secondary plate from more sources and allow South Shore to serve the new facility more directly, with more timely and frequent rail switching.

The railroad maintains the right mix of flatcars and gondolas to ship the plate.

Compton expects as many as 500 carloads from PSC per year. He expects to help the company expand its markets.

“They can do more business because they will have better rail service,” he said. “They now can be more competitive at greater distances.”

Compton anticipates PSC Metals to come online in the fourth quarter of 2011. 360 Degree Metal Recycling will begin shipments in the spring of 2012.



Stevan Gropp, Assistant Manager, Maintenance of Way

Three’s a charm

South Shore rehabilitated three grade crossings in Indiana during June and July.

Two of the crossings were completed within one week, and the third was completed a full day ahead of schedule. Renewed crossings were located at Severs Road, Park Street and Boyd Boulevard on the Kingsbury Industrial lead in LaPorte, IN.

Seven employees were assigned to the sizeable undertaking, part of a larger capital improvement project that will change out crossings across the system, according to Stevan Gropp, Assistant Manager, Maintenance of Way.

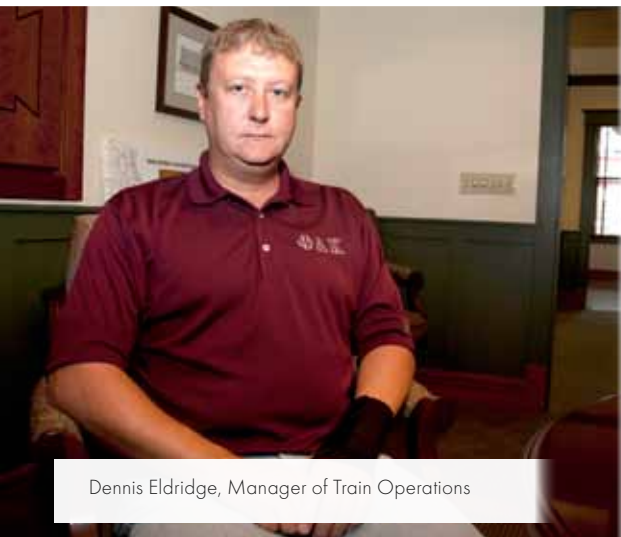
Gropp, who joined the railroad as a brakeman in 1996 and joined the MOW department in 2000, took the rehabilitation project as an opportunity to watch and learn.

“There’s a lot involved in closing down a crossing,” he said.

First responders must be notified, and the closing must be approved by the city and county planners. The railroad hires a third party to place proper barricades and signage.

“Everyone has to work together – we’re all one team,” Gropp said.

HazMat training prepares first responders



Dennis Eldridge, Manager of Train Operations

Chicago South Shore & South Bend Railroad’s commitment to public safety was on display once again during a summer first-responder training course. Approximately 80 participants attended class, held at the Michigan City shops on Carroll Avenue during a three-day period in May.

According to Dennis Eldridge, Manager of Train Operations, the course provided valuable HazMat training to members of the Michigan City Fire Department, several local volunteer fire departments, and the LaPorte County Hazardous Materials Response Team.

Representatives from the FRA, Transportation Security Administration and Bureau of Explosives met with first responders and provided instruction.

Dividing their time between the classroom and the field, participants left the training session with a clear understanding of what to do in the rare event of a HazMat incident on the rails, including how to review the train crew’s paperwork.

Using equipment provided by CSX Transportation, responders climbed on top of tank cars to help familiarize themselves with what to expect in a hazardous situation.

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Next evolution of TMS in works

The Company's TMS or "Train Management System" is currently receiving a significant upgrade, according to Paul Lyles, Manager of Customer Service and Technology.

TMS is the system that facilitates management of all aspects of rail car handling on the railroad. Containing the most accurate and up-to-date information, TMS allows employees to inventory rail cars and billing systems.

The new initiative is to utilize automated functionality within TMS. This development is concentrating on four areas; blocking tables, AEI, m-Crew and Shipper Connect.

Blocking tables will automate applying switching charges, billing codes, notifications, and corrections.

The current AEI or "automated equipment identification" system will be enhanced to automate train movements in TMS.

Currently, inventory is tracked manually in TMS, and conductors communicate with the customer service department using paper.

With the new m-Crew feature, conductors will be able to enter information into a tablet that will instantaneously update the TMS database.

Customers and the Customer Service Department will then have the ability to monitor the process, make requests, respond to issues and communicate with the conductors in real time.

The automation initiative will include Shipper Connect, an

interface specifically designed for customers. The tool will allow them to request and release cars, eliminating the need for calls, faxes or emails.

The system will also help the company deal with the pending retirement of several longtime employees.

Lyles hopes to have the automation completed by 2012. A number of steps must be taken to achieve this goal, including training employees and customers.

Ensuring the system's accuracy also is a must.

"We want to get it to where our customer service team is working on resolving issues rather than performing routine data entry," Lyles said.



Paul Lyles, Manager of Customer Service and Technology

Making it easier

South Shore Freight Carman Mike Stantz works hard to make South Shore train-service workers' jobs easier.

Through the years, Stantz has installed cameras, electric handbrakes and other modern advancements to the railroad's locomotive fleet.

Cameras provide added protection and peace of mind.

"In case there's an accident, the railroad has proof of what happened," Stantz said. "They can show that gates were working and horns were sounding. It's all on camera."



Doug Brasseur, Conductor, operates push-button handbrake.

He added an electric handbrake to the seventh locomotive in August. He has three more locomotives yet to modify.

Given the right set of circumstances, he can complete the modification in just two days. He must drill holes, mount the handbrake and wire it.

He has received positive feed-back from train crews regarding the handbrakes.

"The electric handbrakes make it easier," Stantz said. "Instead of cranking it, you just push a button to set or release the handbrake."

A green light indicates the brake is off, while a blue light means the brakes are applied.

"It's a lot simpler and a lot quicker," said Doug Brasseur, Conductor.

Stantz has worked 31 years with the railroad. He has maintained locomotives the past 20 years.

While it is not free of challenges, the railroad is a good job, according to Stantz.

"I enjoy the job" he said. "When I have a problem to track down, it's interesting. It's not the same thing all the time."

Job tasks range from cleanup to 90-day inspections to major repairs.



Mike Stantz, Carman

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Tillman finds enjoyment on railroad

Working as a security guard 26 years ago, Carman Herbert Tillman never expected to come on board with the railroad.

In fact, Tillman was planning to join the Cook County sheriff's department. That changed when he met railroad owner Clyde Forbes at the Museum of Science & Industry.

The two got to talking, and Forbes requested Tillman's contact information. Tillman didn't think much of the conversation until he received a call from Forbes a few months later.

Before he knew it, Tillman was at CSS, and he never looked back.

As a carman and shop worker, he fills in wherever needed at the South Shore's 10-person freight car and locomotive repair facility.

Of his many responsibilities, Tillman most enjoys inspecting cars. During inspections, he finds and reports defects. Cars are then brought into the shop for repair. In the few instances that the necessary tools or parts are not available in the shop, the cars are sent to their home shop.

The repairs made by him and his fellow carmen result in enhanced safety. He said he and his co-workers follow their supervisor's instructions to make sure the cars are properly repaired and safe to travel.

The responsibility is great, but does not stop employees such as Tillman from enjoying their job.

He sums up railroading with two simple words: "It's fun."



HazMat training

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According to Eldridge, the railroad also holds periodic hazardous training for employees and posts safety bulletins regarding any incidents that occur nationwide.

While the company has yet to experience a HazMat release incident, such precautions are essential to ensuring an appropriate response, should the need ever arise.

From left: Michigan City Firefighters Brad Neulieb and Ron Martin join Julisa Medrano of the Transportation Security Administration and Justin Newcom of the FRA as Paul Draper of the Bureau of Explosives demonstrates the opening and closing of a hatch on a tanker car. Photo courtesy of Deborah Sederberg and the Michigan City News-Dispatch.