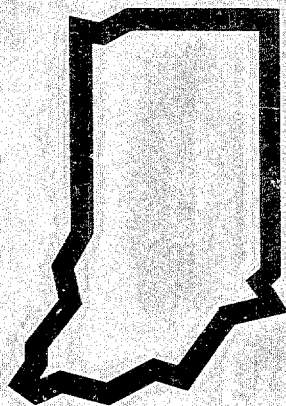
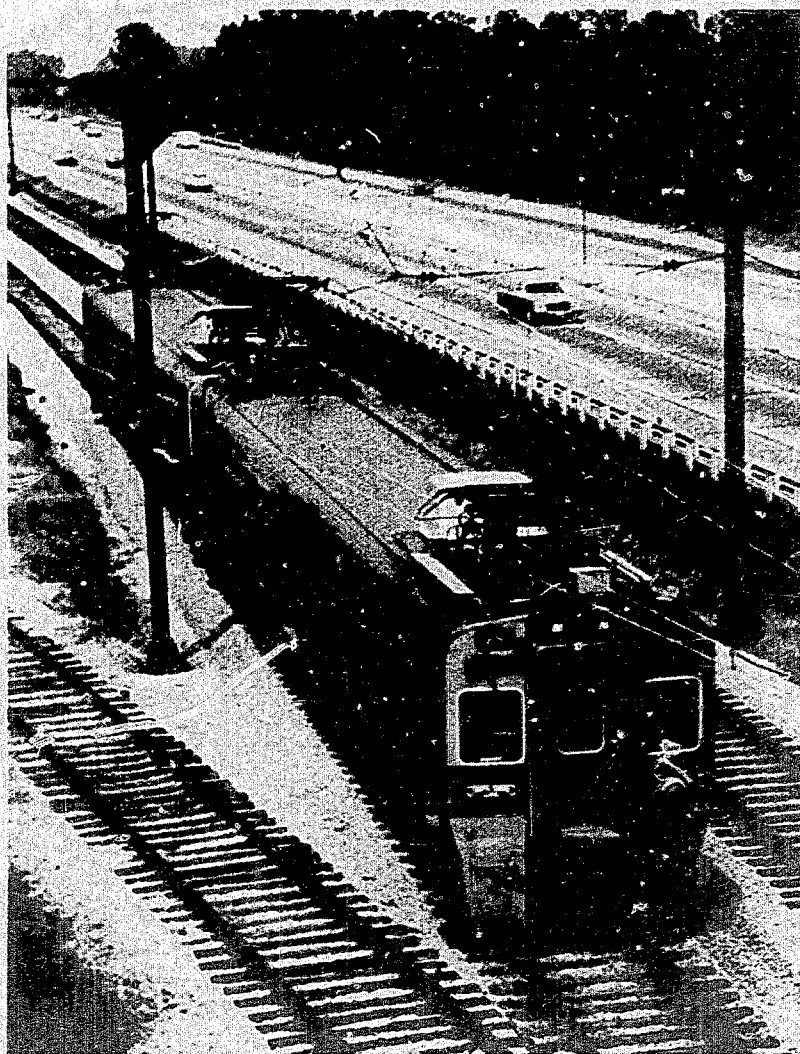


12160-1A



# Indiana

## Business Review



**The Electric Interstate:  
An Update on the South Shore Railroad**

**A publication of the  
Indiana Business  
Research Center,  
Indiana University  
School of Business**

**May 1990**

# Contents

**Indiana Business Review**  
Volume 65, Number 1  
May 1990

Published six times each year by the Indiana Business Research Center, Graduate School of Business, Indiana University.

Jack R. Wentworth, Dean;  
Morton J. Marcus, Director and Editor; Brian K. Burton, Managing Editor; Melanie Kearns, Senior Editorial Assistant; Melva Needham, Dorothy Fraker, Circulation; Jo Browning, Office Manager.  
Printed by Indiana University Printing Services.

Unless otherwise noted, information appearing in the *Indiana Business Review* is derived from material obtained by the Indiana Business Research Center for instruction in the School of Business and for studies published by the Center. Subscriptions to the *Indiana Business Review* are available to Indiana residents without charge.

The *Indiana Business Review* is available on microform from University Microfilms International, Ann Arbor, Michigan.

**1** George M. Smerk  
**The Electric Interstate**

**9** Richard Michels  
**Indiana and Federal Highway Dollars**

# The Electric Interstate



At 7 a.m. on December 30, 1989, a dispatcher employed by the Northern Indiana Commuter Transportation District (NICTD) entered the dispatcher's office of the Chicago South Shore & South Bend Railroad at Michigan City, Indiana, and took control of the operation of all freight and passenger trains. With that symbolic act the future of both the South Shore Railroad and NICTD changed dramatically. After years of merely supporting the service by providing public funds under contract with the railroad, NICTD became the operator of the South Shore. If all goes according to plan, NICTD hopes soon to become the owner of the railroad. At present, the South Shore is owned by the Anacostia & Pacific Corporation, which operates the freight service.

The NICTD takeover of operations was the culmination of years of uncertainty for the electric commuter rail service that links South Bend with the Chicago Loop at Randolph Street Station. Stability of the rail service and control of costs were the animating forces behind NICTD's action. It was also following a pattern that evolved during the last several decades in the provision of commuter rail services in the United States. At one time, commuter rail service was operated and supported—and subsidized—by private railroad companies. As the service deteriorated and discontinuation was threatened, the privately owned services operated under contract with public agencies, usually beginning in the 1960s and early 1970s. Finally, these services were taken over by public agencies through ownership of the rail commuter lines. At the beginning of 1990, NICTD did not yet own the South Shore Railroad but was moving steadily in that direction.

The 1980s saw substantial increases in ridership on the South Shore, from about 1.6 million riders per year in 1980 to about 3.5 million in 1989. There was even better news for the economy of northwest Indiana served by NICTD's South Shore trains. Studies by NICTD show that the South Shore trains helped Hoosier commuters bring \$120 million a year in wages and salaries (in 1987 dollars) back into Indiana from jobs in Chicago. The future promises to enlarge that role, thanks to stabilization of South Shore service and the opportunity for NICTD to make increasingly positive changes in the service.

## History of the South Shore

The South Shore line was constructed in the heyday of interurban electric railways in the Midwest. In 1906 the Chicago, Lake Shore & South Bend Railroad was projected to operate between South Bend and Hammond with the eventual goal of extending its service to Chicago. With the assistance of Cleveland financiers, service between South Bend and Hammond commenced on June 30, 1908, when the first electric

car ran between the Michigan City shops and South Bend. The hope of the CLS&SB was that the Illinois Central Railroad would build a connection between Hammond and its main line tracks near Pullman, Illinois. This hope was realized when the Illinois Central built the Kensington & Eastern Railway between 115th Street at Kensington, just south of Pullman, and the Indiana/Illinois state line at Hammond.

Regular passenger service between South Bend and Hammond began on September 6, 1908. At that time passengers bound for Chicago transferred to the Lake Shore & Michigan Southern Railroad to complete their trips. When the Kensington & Eastern was completed, service on the CLS&SB was extended to Pullman, Illinois on April 4, 1909. At Pullman passengers changed to Illinois Central suburban trains for the remainder of the trip into the Chicago Loop.

One of the most important factors for the future of the South Shore in the original construction of the CLS&SB was that it was built to steam railroad standards, with modest curvature and grades. Rather than curling around every courthouse along the way was a common practice of Midwest interurban electric railways, the CLS&SB was relatively straight, avoiding all sharp curves in its street running in South Bend, Michigan City, and East Chicago.

## Samuel Insull

The CLS&SB did not do well financially; despite much patronage and high revenues during World War I, it was in tattered financial and physical shape by the early 1920s. After soldiering on for a while, the railroad entered receivership on February 28, 1925.

Public utilities tycoon Samuel Insull became interested in the potential of the South Shore, both as an operating railroad and as a right-of-way to use in connecting parts of his electric utility holdings in the northwest part of Indiana. Insull incorporated a new railroad named the Chicago South Shore & South Bend on June 23, 1925. A few days later the Chicago, Lake Shore & South Bend was sold to the CSS&SB for \$6,470,000. Samuel Insull took charge on July 15, 1925, and immediately began to make major capital improvements to the railroad that would stand it in good stead for more than 50 years. Heavy investments were made to the track and the electric power supply. All-steel cars replaced the wooden interurban cars that had been the original equipment of the railroad. As the physical improvements were completed, service was refined to attract more passengers. Dining-car service was offered on the South Shore, and a vigorous campaign of marketing and promotion was undertaken as the railroad blossomed under Insull dollars and the Insull touch of first-rate management.

A major enhancement was direct service by the South Shore into downtown Chicago. At the same

## George M. Smerk

Professor of Transportation and Director, Institute for Urban Transportation, Indiana University, Bloomington.

Photos (including cover photo) by Donald R. Kaplan.

time that Insull made improvements to the South Shore, the Illinois Central Railroad elevated its tracks along the west shore of Lake Michigan and electrified its commuter service. Both the ICRR and the South Shore used 1500-volt direct current to power their electric cars. Insull management moved aggressively into the freight business—which was to be critical in the South Shore's survival—and purchased a fleet of electric locomotives. The South Shore bought land for a bypass around the heart of East Chicago to eliminate extensive street running there. But that improvement was delayed by events beyond Insull's control.

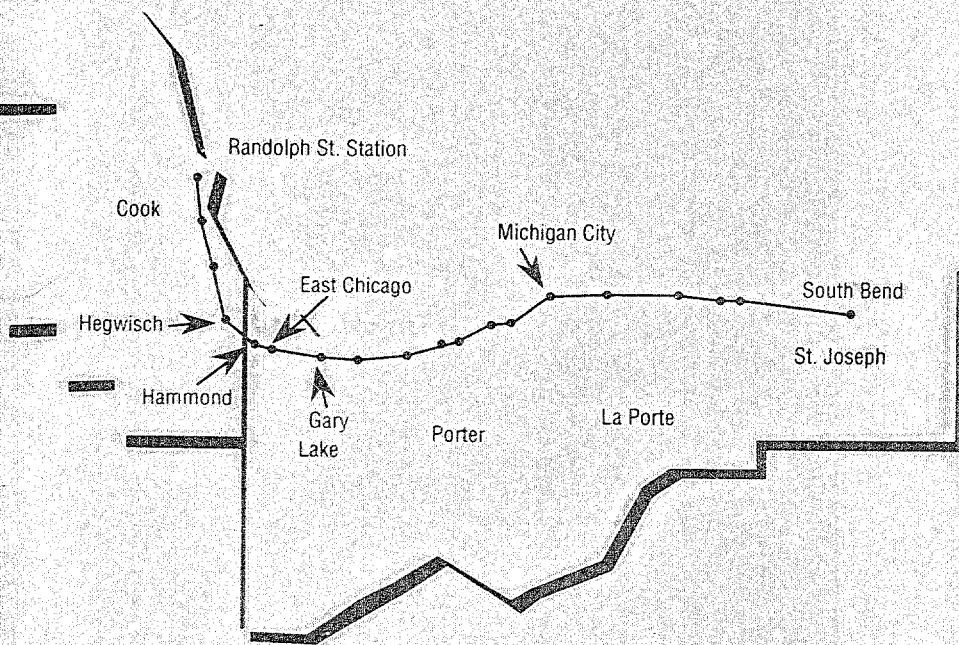
The Great Depression struck the South Shore very sharply, and the railroad declared bankruptcy at the end of September in 1933. Reorganized by 1938 as prosperity began to return to the country, the South Shore, as an independent company, moved ahead, buoyed by a profitable freight service. During the war years both freight and passenger service boomed, with a high of six million passengers carried by the South Shore during 1945. So great was the demand for service that a number of the 1920s-vintage 60-foot-long steel cars were cut in half and a 17-1/2-foot section spliced in the middle to provide more room for patrons.

After the Second World War, the South Shore continued to operate with a successful freight service. Passenger service began to lose a little more money each year as ridership slowly but certainly dwindled, wooed away by the blandishments of the automobile. Nevertheless, the construction of the Indiana Toll Road presented the South Shore with a major opportunity for long-sought improvements. The railroad land around East Chicago was purchased by the Toll Road Commission. The commission constructed an elevated right-of-way for the joint use of the highway and the railroad. When the bypass was opened for rail service on September 16, 1956, the South Shore was able to cut ten minutes from its schedules.

#### The Chessie Era

In the 1960s, predominantly interested in the freight potential of the South Shore resulting from construction of new steel mills, the Chesapeake & Ohio Railway—the Chessie System—purchased the South Shore. In the proceedings before the Interstate Commerce Commission, the Chessie noted its interest in freight but promised that it would continue the passenger service. There was support for the Chessie takeover from communities along the line; the hope

The Route of the South Shore Line

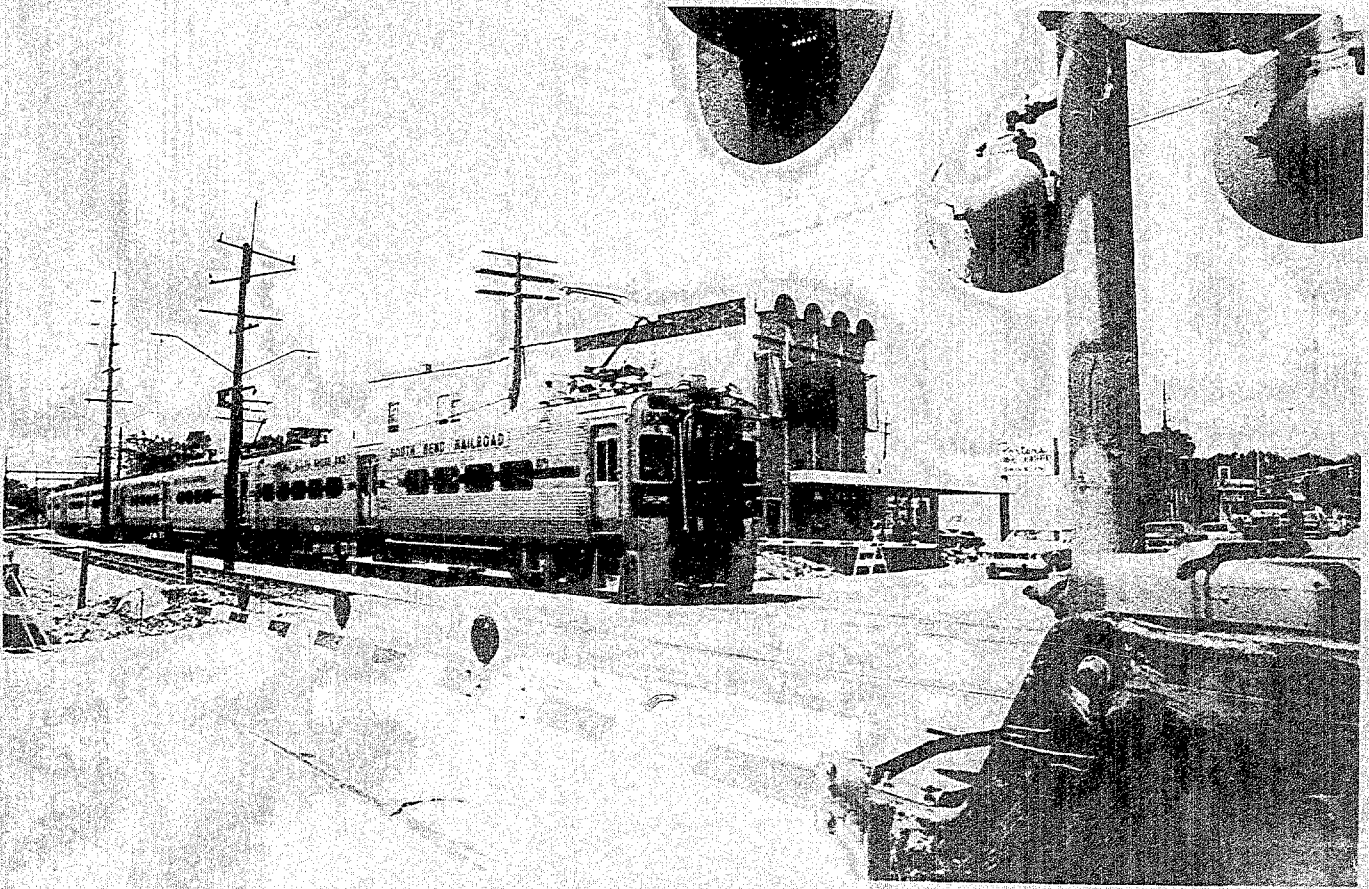


was that the prosperous Chessie would continue to improve the passenger service.

As a small independent railroad, the South Shore was unable to make the investments needed to maintain and improve its service. The passenger equipment in service when the Chessie took over was 40 years old and showing definite signs of its age. There was also deterioration of fixed facilities. The Chessie purchase was authorized by the Interstate Commerce Commission on November 10, 1966. The Chessie took over the South Shore on January 3, 1967. The passenger operating deficit, which had been relatively modest (ranging from \$300,000 to \$600,000 per year), began to increase during the inflation spurred by the Vietnam War. Pleading financial problems, the South Shore successfully petitioned for a fare hike and a substantial reduction in passenger service in 1971. Regular weekday train service was cut back from 72 trains to 36. Hourly service to South Bend was reduced to only a few round trips a day. Despite

the savings from the cutbacks, South Shore management continued to talk openly of eliminating the passenger service.

In 1975 the State of Indiana began to provide funds to help match federal grants of capital and operating aid from the Urban Mass Transportation Administration. The Institute for Urban Transportation (IUT) at Indiana University worked under contract to the office of Governor Otis R. Bowen to manage the state's program, there being no state agency to handle that task at the time. Hearing noises from the South Shore that passenger service would be discontinued shortly, IUT questioned the wisdom of providing scarce state funds to a service that was about to quit. Officials in the governor's office also pondered the value of the service to the state. In the summer of 1976, IUT secured federal and state funds and commenced a cost/benefit study of the transportation corridor in northwest Indiana to determine if preserving the South Shore service was worthwhile. The find-



*At a street crossing in Hammond*

