

Green Tree-based rail investor RDC turns its sights to Europe

May 6, 2014

By Kim Lyons / Pittsburgh Post-Gazette

What is an American company doing investing in passenger trains in Germany?

Green Tree-based Railroad Development Corp. isn't entirely sure either, but it isn't shying away from the challenge. "It's still not clear how successful we'll be, but we're persistent," said RDC Chairman Henry Posner III.

That persistence helped RDC win a 2012 battle against the Guatemalan government, which had declared that a railroad run in that country by Railroad Development Corp. was harmful to the country's interests. RDC took the case to a tribunal of the International Centre for Settlement of Investment Disputes and was awarded a \$14 million settlement from Guatemala.

The railroad company maintains a relatively low profile locally with a decentralized workforce, said President Robert Pietrandrea, but it has been involved in many high-profile international investments, including rail projects in Peru, Malawi, Mozambique and Estonia.

"Our successes have paid for our failures," Mr. Posner said, noting RDC is usually the "investor of last resort for unusual railroad deals."

In Germany, RDC is the major shareholder of Hamburg-Koln-Express (HKX), a private passenger railway company. Late last month, the company appointed Hans Leister as its managing director of passenger services in Europe, a new position it hopes will strengthen its business in Europe and help develop new business opportunities. The company describes HKX as a startup "value" long-distance rail service, which has been in operation since 2009.

The deal in Germany is unusual, since state-run railroads are the order of the day in most European countries. But RDC has tried risky ventures before, including the much-celebrated but ill-fated Steel City Flyer, a luxury coach bus that shuttled passengers from Pittsburgh to Harrisburg.

The flyer was discontinued in 2009 after less than a year in service because it failed to catch on with riders. Mr. Posner attributes its failure to a lack of understanding about its target audience.

RDC doesn't expect to make the same mistakes in Germany. Mr. Posner said the private company has a good grasp of who the rail commuter in Europe is: someone who is thinking about productivity in a sophisticated way and who doesn't want to waste time driving.

But the challenge in competing with state agencies is formidable and difficult to navigate, he said. He compared the situation RDC finds itself part of in Germany to the current struggle in Pennsylvania over ride-share companies, where the Pennsylvania Public Utility Commission and taxi companies are resisting new entries into the marketplace such as Lyft and Uber.

The challenge in Germany will be "coming up with something to target that market" that isn't available from state-run rail systems, Mr. Posner said.

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