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By Christian von Schlesiger

"I'm a patient investor"

INTERVIEW: Henry Posner III, HKX Chairman

Henry Posner III, owner of Railroad Development Corporation and investor in the private railway HKX, has achieved successful turnarounds, and thinks that a good deal is not always the best deal.

Business Week: Mr. Posner, five years ago you decided to enter the long-distance German railway market, but the market is not too good to HKX. Do you regret your decision?

Henry Posner III: No, absolutely not. The railroad business is complex, politically-driven and risky. It seldom runs as you would imagine. Of course, some decisions we made back then, we would do differently today.

Like what?

In 2009 we bought trains and the goal was to start operating them a year later. We were hoping to get our operation approved by then. Unfortunately, this process has been delayed until recently. When we finally began running long-distance trains in 2012, we had to lease cars from other railway companies.

Is the German long-distance railway traffic at all attractive?

In every country the railroad business has its dramas, crises and opportunities. Much depends on the political environment. But the German market is a special territory: if you can be successful in the long-distance rail business in this country, you can make it anywhere in the world.

That sounds pretty disillusioning. What was the drama for HKX?

The approval of the trains in Germany is a lengthy process. Although our trains, which have been used for decades by the Austrian Federal Railways, were already used on part of the German rail network, we had to repeat the approval process. We underestimated this approach. Meanwhile, the legal situation has fortunately improved. Parts of the registration may take external service providers such as the TÜV. Last week the Federal Railway Authority approved our trains. We are happy that this dramatic chapter is over.

You are still far away from success and you have invested many millions of euros. How long can you last?

I don't have a time forecast, but of course our investment must pay off eventually. If you look at our experience, all of our investments have been through ups and downs. What matters is what comes out at the end. With our freight railroad in the United States, the Iowa Interstate Railroad (IAIS), it has taken ten years to get the business running successfully. Today, IAIS is extremely profitable. These gains allow us to take risks abroad. In addition, our persistence pays off slowly at HKX.

In what way?

First, after five years we finally got our trains approved. This is a milestone. Second, our paths are classified for future transport. And hopefully soon Deutsch Bahn will recognize HKX tickets, even selling our tickets on their website bahn.de and at travel agencies. Then HKX will be more visible to the passengers which will pay off economically. The company is developing positively, so we are sticking to it.



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Founder and chairman of investment company Railroad Development Corp. (RDC), Henry Posner III, in an interview with *Business Week*.

If you compare rail markets worldwide, what is the difference with the German market?

Technically, there are many differences, but institutionally is more important. This applies to all of Europe. Note the high number of state railways and the lack of willingness to cooperate. In the US, the transport of goods by rail is so successful because the individual freight railways have formed a network to provide customers with quality service.

And that is lacking in Europe?

Yes. Its main competitor is the road. The railway companies in Europe must cooperate more closely. That has not happened. The State Railways have a large market share in their home countries, but at the European level does not play as much a role of freight transporter. This is similar with passenger transport. Therefore, we are now looking at ways for HKX to cooperate more closely with other railway companies. And there are still cultural differences between the US and Europe.

Such as?

The North American rail industry has an optimism that is unprecedented. The European companies, however, are marked by a sense of hopelessness. I have used this condition description often before industry representatives and rarely is it contradicted.

Railroad Development Corporation invests in rail projects in Estonia, France and Guatemala. Without a clear strategy, how do you proceed?

We have no geographical emphasis. With our investment decisions we are guided by four test questions: Is the country serious? Are there good partners? Is the competition rational? And if these circumstances are favorable, is there a business model that promises success? The entry into Germany was also an opportunity for RDC to build a European business.

That sounds like that you have planned much. What is your vision?

We have no vision because visions that are too broad only distract from the essentials. We build our business from the existing model and gradually eliminate the obstacles. It requires not only perseverance to work in the railway industry, but also passion. This is not a job but a vocation.

How are you different from other entrepreneurs?

I'm a patient investor, but an impatient manager. Our decisions do not always lead to success, but also to failure. If every decision was right, then something is wrong. Failure is one of them. Also my father, who was an entrepreneur, has given me some wisdom along the way.

Like what?

It is better to be in a bad business with a good partner than a good business with a bad partner, because only with a good partner can the business succeed over the long term and be sustainable. Even so, I am confident in long term success in Germany.

Do you have an example?

Never make a deal where you make too much money, because then your partner gets the idea that he possibly lost money and he will try to get the money back. A fair deal is the best deal.

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