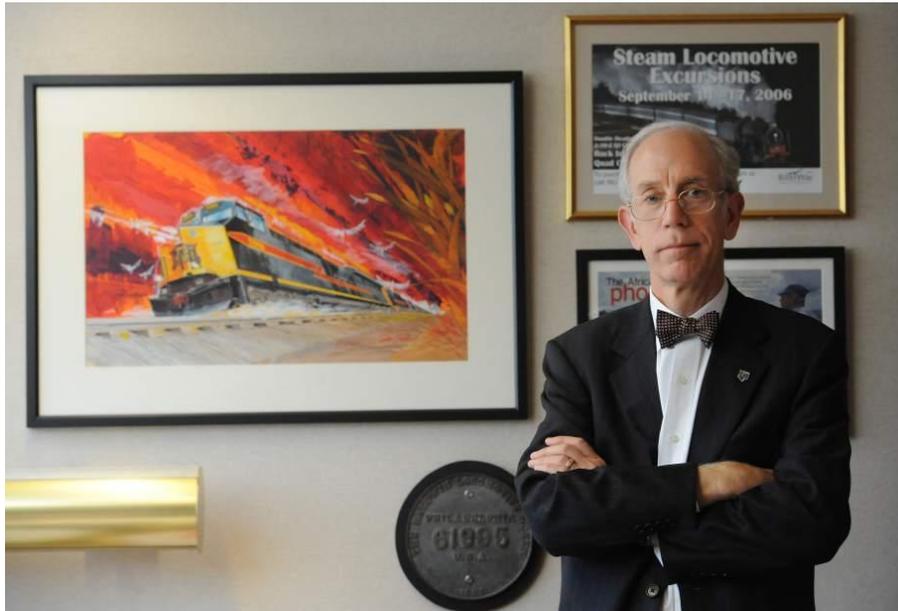


Rail investor based in Green Tree keeps company on track home and abroad

By John D. Oravec • Tuesday, Dec. 9, 2014



Philip G. Pavely | Trib Total Media

Railroad Development Corp. chairman Henry Posner III pauses for a photo in his Green Tree office Tuesday, Nov. 24, 2014.

short-line rail companies in the United States, Europe and South America — Posner has become an expert on the politics of operating in foreign countries, and how it differs from the American railroads, which are booming. Rail stocks, as measured by the Dow Jones Railroads Index, are up 25 percent this year, after a 36 percent gain in 2013.

Railroad Development made money in Guatemala and Estonia, Posner said. It invested in Iowa Interstate Railroad, a 592-mile regional carrier with routes between Chicago and Omaha — its profitable flagship.

The Tribune-Review recently talked with Posner, 59, in his office. Here are edited excerpts:

Trib: Your business card is printed in English and Russian. How important is it to speak a foreign language in the rail industry?

It opened the door for us in Latin America. If I wasn't a Spanish speaker, we would not have gotten into the international scene because that started us in Latin America and Argentina. The former Soviet Union has a unified and highly standardized rail network. If you want to be actively involved in railroad management in that part of the world, it's a very good idea to speak Russian, which I studied for 10 years.

In September, you met with Russian Railways President Vladimir Yakunin at the big InnoTrans 2014 trade fair in Berlin. Yakunin is part of Putin's inner circle and on the U.S. sanctions list. What did you accomplish?

I make it my business to know people in the rail industry in many countries, especially Russia, because they've got one of the world's most important rail networks. And we were members of the Russian rail community from 2001 to 2007 in Estonia. I find it personally interesting, and it's our business. Politics don't really enter into the equation.

Henry Posner III's railroads were thrown out of Guatemala and Estonia by those countries' governments.

His company, Railroad Development Corp. in Green Tree, started in 1991 with the idea of saving the Pittsburgh & Lake Erie Railroad, an effort that also failed.

Still, those situations provided opportunities for success.

After spending 33 years in the rail industry — 10 years at Conrail before becoming an investor in

Did you uncover any new investment opportunities as a result?

We have no business prospects in Russia. In fact, what you are seeing is Russia casting its net around Europe. They are a big investor in rail freight in France, and I think you're going to see more Russian influence in Europe than in the past.

What has been your biggest success?

Iowa Interstate. It's turned out to be a great business for us. It was not such a great business in 1991, when we made our investment, but we've been very lucky in terms of the territory it serves. Railroads are only as good as the country they operate in, and in the USA, railroads are only as good as the territory they serve. We serve an area of the country that has been undergoing a transformation, thanks to ethanol production and other changes in the economy.

What economic changes have worked to your advantage?

The rail network in the United States is becoming very busy, with tank cars filled with crude oil and cars filled with sand for drilling that didn't exist five or 10 years ago. While it's true the rail industry has seen declining coal shipments, that's been offset. Who would've thought North Dakota would be exporting oil?

A year ago, you were paid \$14.6 million after an arbitrator ruled that Guatemala violated a trade agreement when it threw you out in 2007. How has that affected your company and that nation?

It is a cautionary tale on how a country lost its infrastructure, based on a fundamental economic reality. That is, for the most part, railroads are always worth more dead than alive. You can usually sell the track for scrap, sell the land for real estate development and make more money than running as a railroad. But you lose the benefits of increased mobility for economic development. That part of it has been lost to Guatemala. Its railroad physically disappeared.

What happened in Estonia?

Politics forced us to sell the company back to the government in 2007 after five years. The reason that Estonia came after us was supposedly because we were a monopoly and the previous government that had sold the interest to us failed to serve the Estonian people by failing to recognize we were a monopoly and not having a punitive enough regulator. They made it very clear we were no longer welcome, so we settled. We made a substantial profit, tripling our investment in five years.

As a rail investor, what is your long-term plan? Do you have an exit strategy?

First of all, this is an extremely long-term investment. We describe ourselves as patient investors and impatient managers. You can work with something a long, long time and go through plan A, B, C and D until you get something going. So by having a long-term horizon, you're less likely to talk yourself into cutting your losses, just when an alternative might be waiting around the corner.

John D. Oravec is a staff writer for Trib Total Media.

Copyright © 2014 — Trib Total Media

<http://triblive.com/business/headlines/7289637-74/rail-posner-trib#axzz3LVn4iQMt>