

Re-nationalization of Estonian Railways Completed

Pittsburgh, Pennsylvania, USA / January 9, 2007 – With the sale of the 66% of the shares of Eesti Raudtee (Estonian Railways) (“EVR”) owned by investor group Baltic Rail Services (“BRS”), the re-nationalization of the company by the Estonian State has been completed. Thus ends over five years of private sector management of EVR that saw safety, traffic levels and overall efficiency improved by every measure. It also ends years of bitter disputes between BRS and the Estonian State over regulations that were imposed subsequent to its privatization in August of 2001.

BRS’ shareholders consist of Ganiger Invest (Estonia), international fund Emerging Europe Infrastructure Fund, Rail World Inc. (USA) and RDC.

RDC Chairman and EVR Supervisory Board Member Henry Posner III commented, “Faced with regulation that in economic terms represented confiscation of most of the value in EVR, we made the best deal that we could under the circumstances. The alternative would have been worse for all concerned.”

Posner added, “BRS’ legacy is reflected not only in EVR’s operating results—by the numbers, EVR’s safety, traffic and financial performance since privatization—but also investment in rolling stock, infrastructure and Best Practices. The company is now well-positioned to maintain Estonia’s role in the increasingly-competitive Russian transit business. In fact, recent years have seen EVR take a leadership role in helping to diversify the transit business in not only new types of Russian traffic such as containers but other business such as grain from Kazakhstan.”

Reflecting on the reasons for Estonia’s change of policies, Posner commented, “This is a classic example of how regulation can be abused under the guise of economic policy. While the Estonian State has used EU Accession as the reason for the Railways Act of 2003, there are no similar regulatory regimes anywhere else in Europe. The fundamental force at work was instead that some customers found it cheaper to pay for legislation than for track access fees. This was not a ‘failed privatization’ in the UK mold, but rather a triumph of market forces—in this case, the marketplace for legislation.”

Posner concluded, “Not only do we leave behind a railway that is in substantially better condition than before our investment, but we also leave a cultural legacy. A safety culture has evolved at EVR, manifesting itself in not only a 75% reduction in the personal injury rate, but EVR-sponsored Operation Lifesaver Estonia has facilitated a reduction in level-crossing incidents despite increased train traffic and increased vehicle ownership. An additional cultural legacy will be the establishment of the BRS Foundation, which will continue to support railway safety, railway history and railway employees in Estonia.”

RDC is a privately held Pittsburgh-based railway management and investment company, focusing on “Emerging Corridors in Emerging Markets.” For more information about RDC and its joint ventures in the USA, Argentina, Guatemala, Peru, Malawi and Mozambique, please visit www.RRDC.com.