

Iowa Interstate parent pulls out of Guatemala

Railroad Development Corp. files \$65 million claim against Central American government

Trying to shut down a railroad is never easy, especially when Henry Posner III's team is in charge of running it. The Guatemalan government wants to call it quits on the only active operation there, the 3-foot-gauge Ferrovias Guatemala, and pull the plug on Posner and his 50-year concession.

Posner, chairman of Iowa Interstate and an international railroad entrepreneur, is being forced to comply, but he's fighting the eviction every inch of the way. On the last revenue freight train out of Puerto Barrios on Sept. 4, he and his management team wore symbolic black armbands for all to see. If Posner, the chairman of the Railroad Development Corp. headquartered in Pittsburgh, has nothing else, it's flair.

But why shut down a railroad that Posner took from moribund to a potentially integral part of the Guatemalan economy? "It's clear that the value of the right-of-way, like most railroads, far exceeds the value of the railroad as a going concern," Posner said, "and private interests want the right-of-way."

"But it is a major loss for the country. The railroad could have made a contribution to the gross national product, the environment, and highway safety. Even more importantly, from the international investment community's view of Guatemala, the



Big crews are needed on FVG to inspect and fix track ahead of trains, as thieves often steal track material; the final crew poses Sept. 7. Henry Posner III/Railroad Development Corp.

country now looks even riskier."

The entire railroad system in Guatemala totaled 550 miles and was abandoned in 1996. Posner put about 200 miles of it back in operation to the Atlantic Ocean in 1999 [see August 2002 TRAINS]. Traffic, at its peak in 2005, totaled about 170,000 tons, mostly steel, containers, and other business.

"We were supposed to be able to get financing from various sources that never materialized," said Posner, "and we were supposed to be able to develop the right-of-way for alternative uses. But after a Presidential decree last year to the effect that our concession was 'against the interests of the state,' any such prospects disappeared overnight.... There is no interest by the government in looking for alternatives or even running the railroad themselves. They see it the same that they saw it in 1996, as hopeless scrap."

Will he eventually be able to return to railroading in Guatemala? Posner said the possibility of restoring service exists; never-

theless, he said, "The system will not change, because there are interests, within both the private and public sectors, that will make sure that we are not successful."

To that end, in June, RDC filed the first-ever claim for binding arbitration against a government under the Central America Free Trade Agreement for \$65 million, a claim Posner is confident he'll win. Originally, the free trade agreement — legally a treaty under international law — encompassed the United States and many Central American countries. The government of Guatemala, on the other hand, claimed that the company did not comply with its contract as it failed to rehabilitate all of the railroad routes.

"We invested \$15 million, more or less," said Posner in the newspaper interview. "The possibility existed of investing more, but at this moment, there is no environment to support investment. We need to have confidence in the system.... This is as much about principle as it is about business." — David Lustig



>> ABANDONMENTS & ACQUISITIONS

8/22: Georgia Southwestern Railroad filed to abandon its operations to Alie, Ga., a total of 43 miles of railroad and 10 miles of track-age rights. Georgia Southwestern bought its Columbus-Alie line from **Norfolk Southern Railway** subsidiary **Central of Georgia Railroad** in 2005, who'd built the line and has owned it ever since.

8/24: Kansas City Southern filed to aban-

don the Redwood Branch, a 4.25-mile line in the city limits of Vicksburg, Miss. The line was built by **Illinois Central** predecessor **Yazoo & Mississippi Valley**, and stretched from Vicksburg to Baton Rouge, La. By the time **Illinois Central Gulf** spun the line off to **MidSouth** in 1986, it was already stubbed. KCS got the line when it bought MidSouth in 1994.

9/12: The city of Boise, Idaho, filed to op-

erate the abandoned former **Union Pacific** "Boise Cutoff" between Boise and Orchard, Idaho. UP abandoned the line in 1999, and has since used exclusively a branch to Boise from Nampa, Idaho, to serve the city. However, the city bought the abandoned Boise-Orchard line in 2000, and now proposes to reopen the line and operate freight traffic on it. The line was built by UP predecessor **Oregon Short Line**.