American railway tycoon Henry Posner III is sorry that the private owners of Estonian Railways were forced to return the company to the state – as he claims it is the most efficient of its kind anywhere in Europe.

Posner sports a bowtie and wears a bright red sweater emblazoned with the white Estonian Railways logo. He boarded a train to Moscow this Wednesday at Tallinn’s Baltic station, never – in his own words – to return.

Meeting Ekspress before the ink has barely dried on the paperwork that will see the railway sold back to the state, he pulls a hand from his pocket that holds a business card he does not immediately proffer. First he takes a pen and makes two heavy strokes on the card, with a thick line appearing where previously had been written in Cyrillic script “Henry Posner III, Member of the Board, Estonian Railways.”

Do you feel as though Estonia has done wrong by you?

With the Railways Act that was adopted in 2003 the state basically confiscated the majority of our company’s value, for which we paid.

We bought Estonian Railways under certain economic conditions. Once the government got our money, the terms of our operations were changed completely. We weighed up whether we should make the deal or go without the business completely. Our negotiating position was very poor. We can take consolation from the fact that in the prevailing circumstances we reached the best agreement we could. And we'll be leaving Estonia with a much better railway company than the one we bought.

Isn’t 2.35 billion kroons compensation enough for Estonian Railways?

No, it’s not. But it was the best we could get for it as things stand. If we had invested our money in 2001 in real estate in Tallinn, we would have made much more than we have.

How much, in your opinion, is Estonian Railways worth?

The right price would have become clear through equitable negotiations. I didn’t come to Estonia to sell the railway five years down the line. The railway business is long-term.
I am the only board member of Estonian Railways ever to have travelled the full length of every railway in this country. This December just gone I went on the last bit I hadn’t been on, from Klooga to Kloogarand. It’s three kilometers long and difficult to get through. I did it because I had set myself the target of travelling along every last kilometer of railway there is in Estonia.

Now I have done it and I’m happy I did it.

But what then is the right price for Estonian Railways?

The right price is the price that is dictated by the market. Our plan was to put Estonian Railways on the stock exchange, so that the share price would be formed on the open market. Unfortunately that wasn’t possible because of the steps the government took.

Have you made money or lost it in Estonia?

Of course we made money, but clearly less than we would have if we’d bought land somewhere in Tallinn.

What do you think of Estonians?

Estonia has lost face on international money markets. Its power to attract foreign investment is waning too, even more so when the story about the railway makes it into the international press.

Nothing much has been written about it so far?

It hasn’t been a major story in the international media, partly because the back story is very complicated and no one has immersed themselves in the details. But I think that will change, given time.

Are you aware that this is the second time in Estonia that a major infrastructure deal with an American company has come to nothing? Talks about the sale of power stations were held for years, but no deal was made in the end and the buyer, NRG Energy, went bankrupt.

I would say that on that first occasion the US investors let Estonia down. If it turned out to be insolvent, such a company should never have come here in the first place. The difference is, our deal with the Estonian government was good. We put in the money. Under normal economic circumstances it would have been a sound investment. But the Estonian government let the foreign investors down.

Estonian Railways’ volume of transport increased after privatization, which means that our clients were voting for us. I’m proud too that we managed to reduce the number of accidents. In our first year we had accidents with 24 casualties. In the last couple of years there have only been six. At the same time, the volume of both railway and car traffic in Estonia has grown.

Is this bad break you’ve had in Estonia the only one you’ve experienced, or has it happened to you elsewhere as well?

The same thing happened recently in Guatemala too. Clearly what we are seeing, at least in part, is a global trend, because railways are simply being valued more than before.

Fuel prices are rising and railway transport is more efficient than road transport. And with that there’s the temptation to slap on more regulations – something we’re seeing in America as well.
Who exactly was it coercing you here in Estonia?

I would prefer not to name names. The group of politicians who attacked the railway was limited. But there was sufficient consensus among the government in terms of renationalizing, so the responsibility for it is collective.

What particularly disappointed me was the constant repetition that privatizing the railway was a mistake. That claim has poisoned the climate and will do a lot of damage to Estonia in the longer term.

What would you say was Estonian Railways’ greatest achievement during your time with the company?

Most important is transport safety, then the growth in transport and the modernization of the railway, including checking, fixing and adapting the sleepers for the new fleet of locomotives, which was renewed just after privatization.

Estonian Railways is currently one of the most efficient railway companies in Europe, if not the most efficient.

How do you justify that claim? What makes you think that Estonian Railways is the most efficient in Europe?

We transport more than 40 million tons of goods in a year and only about 2000 people are involved in that. In the other Baltic States they shake their heads and have no idea how that’s possible.

What will happen now with the American locomotives?

People will soon find that these “problematic” American engines, which were criticized so sharply and unfairly, are perfectly OK. I doubt that the Soviet engines will be brought back now. The company is too smart for that, regardless even of the political press.

What do you think of Estonian Railway’s management?

Estonian Railways has strong managers, led by Kaido Simmermann. I have a lot of respect for him. One of my colleagues said: “He’s the sharpest knife in the drawer.” Promoting him to CEO was definitely a positive step by the government.

If they make any more changes in management, keep a close eye on it. We’ll see what happens, but Kaido is definitely a professional.

Are Russian interests in Estonian railways growing?

I don’t see that they will grow now, as the Russian influence has always been huge.

What should the railways do next?

Access charges have to be raised to a level which will allow the infrastructure to be maintained. I would be very surprised if they don’t soon shoot up. The Prime Minister has already hinted at it. The only question I have is: why couldn’t that have been done to begin with? We would never have had this dispute and Estonia’s international reputation would never have been tarnished. And the Estonian people would have saved themselves 2.35 billion kroons.
Do you ever plan to come back here?

No.

You’re hopping on the train to Moscow and that’s it?

We’re leaving behind a certain legacy. We’re putting a certain amount of the money from the sale into capital, which we are initially calling the BRS Fund. We are at the setting-up stage at the moment.

The fund will support the values that were important to us in Estonia. We will support safe driving training for engineers and the preservation of railway history in different parts of Estonia.

An example is the steam locomotive at the Tapa railway station. Every time I’ve gone past it I’ve noticed that someone has made off with yet another detail. That engine will be put in a safer place in Tapa and repaired. It shouldn’t cost more than 10,000 dollars.

There’s also a plan to support railway workers who have family difficulties.

Is there a future for railway in Estonia?

I personally am a fan of passenger trains and travel by them all the time. You see I’m leaving here on the train for Moscow, which is the same way I came to Estonia for the first time in October 2000. There is definitely a future for this line. I like the Tartu line too. A speed of 110 km per hour for an ordinary train is a good achievement.

Passenger trains normally need the support of the state. But bus transport and highways get support too, both in America and in other parts of the world.

If the public sector supports passenger trains, maintaining them is plausible. Every country has to decide for itself whether it wants to do it.

In the last five years the Estonian government’s policies have fluctuated a lot. It’s difficult to expect anything more than campaign promises in terms of how a lot of railway services will turn out to be. Afterwards though they’ll discover that they would be too expensive and wouldn’t justify themselves.