Railroad Development Corp. isn't the only American company that invests in and manages railroads that have been ruined, bankrupted or put up for sale by the governments of impoverished countries.

But Lou Thompson, the railway adviser to the World Bank, says that CEO Henry Posner III and Railroad Development have played a major role in the wave of railway privatizations and "concessioning" agreements that swept the developing world in the 1990s.

Ten years ago, Thompson said, every railroad in the Americas was government owned and operated. Now, he says, every significant railway is in private hands, "except for Cuba — and Amtrak."

Railroad Development became the first to privatize a South American railroad in 1993, when it won a 40-year concession, or lease, to manage two run-down, employee-bloated, money-losing government-owned freight lines in Argentina.

At the time, Railroad Development's only railroad was the Iowa Interstate, which is still its largest and mostly hauls grain between Omaha and Chicago. Railroad Development also manages railroads in Peru, Guatemala, Malawi, Mozambique and Estonia.

Railroad Development is increasingly involved in managing port facilities and developing alternative uses for transportation corridors (like pipelines and fiber optics) in Guatemala and Malawi, poorer, less stable countries in which Railroad Development is having trouble finding investors for some of its projects.

Also, a subsidiary of the Iowa Interstate, Rail Traffic Control, provides a computerized railroad dispatching and transportation consulting service whose 15 clients around the world include Ferrocarril Central Andino.
But Posner says Railroad Development's main activity remains setting up joint ventures with local investors to acquire railway concessions in developing countries and run the railroads as profit-making enterprises.

Guatemala is Railroad Development's most challenging investment, Posner says. In 1997, Railroad Development was awarded a 50-year concession to restore and operate the railroads, which had ceased to function under government management. Third World poverty, politics and devastation from Hurricane Mitch in 1998 have made progress slow, Posner says, but he is hopeful for the long run.

Posner considers Peru, where his company has a 16.7 percent ownership stake, to be Railroad Development's most successful venture so far. But when Railroad Development and a consortium of private investors from Britain, Japan and Peru took over the Ferrocarril Central Andino in 1999, the 367-mile freight railroad was in sad shape.

It wasn't just losing millions a year for Peru's federal government. Its track was deteriorating. Its rolling stock was obsolete. Its dispatching system was dangerous. It spilled lead dust and fuel oil all over the place. Its work force - padded by political patronage - was poorly managed and had few benefits.

Today, Posner says, cargo volume and revenues are up. Derailments and accidents are down. The Central Andino's long-term plans include operating a tourist train and a suburban commuter line in Lima.

Thanks to strong local partners, the leaner, more efficient railroad, which Posner says gets no government subsidies or privileges and doesn't seek any, is showing a modest profit. He says it has paid Peru's government about $2 million in concession fees since Railroad Development took over in 1999.

Thompson of the World Bank says the bank generally welcomes railroad investors like Posner because they lower transportation costs in developing companies by providing real competition to trucks. Railroad privatizations and "concessioning" in Third World countries have been "extremely successful," he says.

Posner doesn't consider what he does to be social work; it's a business. But he calls himself "a capitalist with a conscience," and believes if Railroad Development does what it promised the Peruvian government it would — run a sound railroad — Peru's economy and people will benefit.

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