

Lifelong love for railroads grows into global company

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By Jim McKay, Pittsburgh Post-Gazette

The fascination that became Henry Posner III's career began when he was a teenager photographing passing trains and trolleys from the Smithfield Street bridge with a Rolleiflex camera borrowed from his father.

Some 30 years after those Saturday excursions, Posner still photographs trains -- now as a railroad executive. Posner is chairman of [Railroad Development Corp.](#), in Green Tree, a small rail management and investment company that privatizes former state-run railroads in Latin America, Africa and Eastern Europe.

"I am an almost lifetime train fan," Posner, 49, said in a joint interview last week with his business partner, Robert Pietrandrea, 52, a third-generation railroader who is RDC's president.



John Beale, Post-Gazette

Henry Posner III is chairman of Railroad Development Corp., which has privatized former state-run railroads in Latin America, Africa and Eastern Europe. The train station sign in Posner's office, above, bears the name of Posner's wife.

RDC's flagship investment is a 500-mile U.S. freight railroad, the Iowa Interstate Railroad, that runs between Chicago and Omaha, Neb.

But it has branched out around the world.

With local and international investment partners, the five-employee RDC has helped to privatize railroads in Argentina, Guatemala and Peru in Latin America; Mozambique and Malawi in Africa;

and Estonia in Eastern Europe. It has varying financial interests in each, but in most cases it's a minority partner.

It's a business and a vocation that has its travel benefits, Posner said, as well as providing satisfaction that comes with helping to make a smaller country's economy more competitive.

About two weeks ago, Posner said he was riding on the cow catcher of a steam locomotive in a mountainous region of Guatemala pouring sand on wet rails so a train carrying customers and enthusiasts could get enough traction to move uphill. Once the train's speed picked up, he had no choice but to hang on until the next scheduled stop.

"I like to get out of the office," he said with a smile.

Posner has perfected the proper technique for jumping onto a moving train -- leading foot forward, bag in a safe position -- and is known by train crews in Estonia for his surprise visits to their cabs and the ability to speak with them in Russian. He speaks Estonian, Portuguese and Spanish, and his Russian came in handy in Mozambique, where the privatized railroad's chief locomotive officer had studied engineering as an exchange student in Ukraine years earlier.

Posner's affinity for riding trains, Pietrandrea said, is an example of the open style RDC employs when it comes to operating former state railroads where the management had been structured on a military model. Pietrandrea, also board chairman of the Central East African Railways, asks employees to call him Bob.

In each case where it oversees the transition from public to private ownership, RDC enters into joint ventures or partnerships with local businesspeople who bring knowledge of the country's culture and local business customs.

As it downsizes to make an organization more efficient, RDC usually finds a core group of employees who can assume responsibility for operations.

"The idea is that within five years, you should have a local management team that has evolved into all the responsible jobs," Posner said.

RDC's executives say it's critical to teach employees in newly privatized companies that the goal is to service customers, not just move a train from one station to another.

"They've never been empowered in the past to make decisions. Somebody told them what to do. They did that, and they did nothing else," Pietrandrea said. "We tell them don't wait. When the customer needs something, the way we're going to differentiate ourselves is to provide it quickly. ... The worst thing you can do is to do nothing."

A Princeton University civil engineering graduate with a master's in business administration -- in finance -- from the Wharton School at Penn, Posner teamed with former principals of L.B. Foster Co.'s regional railroad group to start RDC in 1987 after he had worked 10 years for Conrail in operations, marketing and sales.

Pietrandrea came to RDC from L.B. Foster, but he began his career in 1972 at the Pittsburgh & Lake Erie Railroad right out of college laying track. His grandfather, father and uncles worked for P&LE before him.

The plan for RDC's founders was to invest in American railroads that were restructuring and spinning off short-line routes. RDC started in association with the Hawthorne Group, a private investment and management firm chaired by Posner's father, Henry Posner Jr., and it since has become its most far-flung business.

In 1990, RDC attempted to buy and operate the troubled P&LE, whose trains Posner photographed as a high school student. The sale fell through, however, and most of the P&LE's tracks were later sold to a CSX Corp. subsidiary.

But RDC's strategy eventually led to a 1991 investment in the Iowa Interstate Railroad, along with the Heartland Rail Corp., a consortium that bought assets of the bankrupt Rock Island Lines. Since last year, the Iowa Interstate has been a wholly owned subsidiary of RDC.

Pietrandrea expects the Iowa Interstate to grow because it transports agricultural and forest products, chemicals, steel and intermodal containers and trailers, along a busy rail corridor.

RDC's first international opportunity was in Argentina, when in 1993 it became an operator and shareholder of two freight railways there in partnership with IMPSA International Inc., an Argentine company. Those lines have since been restructured through an initial public offering.

The poster child of what RDC can do as a railroad management company, though, is the Ferrovias Guatemala, a 200-mile railway in Guatemala that Posner and Pietrandrea helped raise from the dead.

Guatemala had closed its government-owned railway in 1996, and by the time RDC got involved a few years later, washouts had severed a main line, track and bridges needed rebuilding and squatters had to be removed from rights of way. There was no guarantee customers would return.

Service resumed on a portion of the railroad in 1999, and today, despite ongoing troubles, the railway in Guatemala has become an option for some industries, carrying steel, sugar and containers on its cars.

RDC got involved with a consortium in Peru in the late 1990s. That railway, the highest in the world, has been profitable since its 1999 privatization. Around that same time RDC began to invest in Africa.

In 2000, RDC began working with former Wisconsin Central Chairman Ed Burkhardt's company, Rail World, and in 2001 they and other partners took on the privatization of a former Soviet railway in Estonia.

The Estonian Railways is a big operation that moves about 40 million tons of traffic annually, compared with 6 million tons moved every year on the Iowa Interstate. Most of its customers are Russian, and its main business is moving Russian traffic to and from the Baltic ports.

In January, a consortium led by RDC took over operations of Mozambique's Nacala Port and Railway, and created a new company to rehabilitate the railway and upgrade port facilities.

What's next for the company?

Posner said competition was becoming fierce in the international arena with national railways from France, India, China and other large countries going after the same type of business.

"The key is, I think, going to be managing and consolidating our positions in what we have got going right now," Posner said. "In particular, we have some very challenging projects in Guatemala and Africa, where there is a substantial amount of capital growth and work that needs to be accomplished. That is going to keep us quite busy for a long time."

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