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Railroad Development Corp. wins arbitration case against Guatemalan government

[Railroad Development Corp. \(RDC\)](#) announced that the company has prevailed in a five-year international arbitration case against the Republic of Guatemala involving RDC's Ferrovías Guatemala (FVG) affiliate.

On June 29, a tribunal of the International Centre for Settlement of Investment Disputes (ICSID) unanimously ruled that the Guatemalan government violated the minimum standard of treatment set by the Dominican Republic-Central America Free Trade Agreement by engaging in unfair conduct toward RDC, and awarded RDC full reparations.

In 1997, FVG was awarded a 50-year concession by the Guatemalan government to revive, operate and develop the assets of national railway FEGUA, which was closed by the government in 1996. In 2006, the government issued a presidential decree stating FVG's rolling stock contract was "harmful to the interests of the state" after RDC refused "to give into the government's extortionate demands" to renegotiate and surrender key economic rights under the concession contracts, RDC officials said in a prepared statement.

The decree caused FVG's business to collapse due to the "environment of commercial uncertainty and political maneuvering," they said. RDC was forced to shut down FVG's operations in Guatemala in September 2007, company officials said.

The tribunal awarded RDC more than \$14 million in damages and compound interest, and ordered Guatemala to pay about \$200,000 for certain tribunal administrative expenses. The tribunal also determined that, upon full payment of the award by Guatemala, RDC must surrender its entire 82 percent interest in FVG to the Guatemalan government or its nominee, "thereby relinquishing any rights RDC might have under the railway concession," RDC officials said.

"The tribunal's ruling is a victory for both the rule of law in Guatemala and recovery of RDC's investment," said RDC and FVG Chairman Henry Posner III. "But this victory has come at a heavy cost, ranging from the cost to FVG and RDC of prosecuting the case before ICSID, to the cost to Guatemala of losing its railway for the second time."

RDC also owns [Iowa Interstate Railroad Ltd.](#) and interests in railroads in Argentina and Peru.

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