

# Concession of Montenegro Airports



# General information about Montenegro

Montenegro is located in south –eastern Europe, bordered by Albania, Kosovo, Serbia, Bosnia and Herzegovina, Croatia and the Adriatic Sea.

The length of the coast line is about 300km.

Montenegro has the area of 13.812km<sup>2</sup>. It has three regions; southern, central and northern.

The population of Montenegro is 680,000. There are 21 municipalities, Podgorica is the largest town and Cetinje is the old royal capital.



# Current Status of Airports Of Montenegro – general information

- The current situation at the APM is not satisfactory for citizens, passengers or the economy especially in relation to tourism.
- The Government of Montenegro like 100% owner make a decision to start with procedure which the APM would be given a concession for 30 years.



## Current Status of Airports Of Montenegro



**Podgorica Airport**

**Terminal Area:** 5,500 sq.m

**Runway:** 2,500m x 45m

**Aircraft Parking Stands:** 6 Code-C and 3 General Aviation Stands

**Passenger Capacity:** 1M passengers / annum

**2023 Passenger Traffic:** 343k

**2019 passenger Traffic:** 1,3 million

**Short Term Investment Needs and Estimated Cost:**



**Tivat Airport**

**Terminal Area:** 7,050 sq.m

**Runway:** 2,500m x 45m

**Aircraft Parking Stands:** 6 Code-C, 1 Code-D and 6 General Aviation Stands

**Passenger Capacity:** 1M passengers / annum

**2020 Passenger Traffic:** 190k

**2019 passenger Traffic:** 1,4 million

**Short Term Investment Needs and Estimated Cost:**

**Airports of Montenegro are in need of investment to accommodate the increasing traffic demand to the country.**



# Concession Overview of Airports Of Montenegro

The Tender for Concession of Montenegro Airports consisted of 2 phases

- Pre-Qualification Phase
- Bidding Phase

Pre-Qualification Phase of the Concession Project has been completed in January 2020. Currently, there are 3 companies listed as Qualified Bidders:

- Corporacion America
- Groupe ADP Consortium
- Incheon

**The Bidding Phase of the Tender has not started yet as the project is currently on hold.**

**Concession Term:** 30 years

**Concession Fee**

- **Upfront Fee:** At least 100M EUR
- **Annual Concession Fee:** At least 10% of gross revenues

**Minimum Investment Requirement:** 200M EUR  
(80M EUR in the first 3 years)

## Scope of Concession

The Concessionaire will be responsible for managing Podgorica and Tivat Airports and providing airport services on both landside and the airside.

The Concessionaire will also be responsible to finance all the investments needed to provide enough capacity to handle the passenger and aircraft traffic during the Concession Term.

# Options to Follow for Airports Of Montenegro

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There are 3 options to consider in relation to the future of Airports of Montenegro

**Option 1** - Continuing the current Tender Process

**Option 2** - Cancelling the current Tender Process and launching a new tender

**Option 3** - Cancelling the current Tender Process and keeping the airports under state management



# Option 1 – Continuing the Current Tender Process

Continuing the current Tender Process will very quickly bring many benefits to the State of Montenegro under various topics

## On-Going Process

Having already completed the PQ Phase, Bidding Phase of the Tender can be finalized very quickly. This means the much needed investments can start promptly.

## State Budget

Upfront Payment of a minimum 100M EUR will certainly help the state budget. If the process continues, the upfront payment can be included in the 2024 budget.

## Financing

Contribution to state budget will enable the Government to finance other social sectors or any other urgent matter.

## Attracting Other Investors

Airports are very visible assets. When private companies invest in airports, the country attracts additional FDI and interest for other concession projects easier.

## Construction/Investment

All the investment will be undertaken by the Concessionaire. The state of Montenegro will not bear any investment cost while getting an enhanced infrastructure. Investment risk belongs to Concessionaire.

## Timing of investments

If current process continues, initial investments will be done much quicker and will have much less effect on the airports' traffic and daily operations since the traffic is low due to the pandemic.

## Reputable Qualified Bidders

All Qualified Bidders in the current process are well known airport operators with extensive know-how and industry network.

## Up to Standards Procedure

IFC, having a vast experience in concession projects, is the advisor of this project, ensuring an up to the standards and transparent Tender Process.

## Transfer of Assets

Assets under the management of the concessionaire will be returned to the state at the end of the concession.

## O&M

Transfer the risks related to Operations and Maintenance with clear KPIs, performance incentives alignment on best International practices.

## Service quality

Experience and management systems of operators at the international level will be utilized.

## Know-how Transfer

Operational, administrative and technological know-how transfer, local staff training and development of domestic capital markets.

# Option 2 – Launching a New Tender Process

Cancelling the current Tender and launching a new process would have a few drawbacks compared to Option 1, shown in red below.

## Valuable Time Will be Lost

Restarting the tender would mean delaying the process at least for another year. It will also require additional efforts and budget to re-design the tender.

## Upfront Payment Will be Delayed

Delaying the process will result in the delay of receiving the upfront payment which is of a great value for the state budget. If a new process is started, it is quite impossible to have the upfront payment received within 2024.

## Cancelling the Process Might Create Image Problems

Cancelling an IFC lead project may create some image problems for the state from international investors’ perspective. IFC is well known for up to standards and transparent tender processes around the globe.

## Investment Need is Urgent

Airports play a strategic role for the development of tourism sector of Montenegro, which the Montenegro economy is highly dependent on. To secure the increasing travel demand to Montenegro, airports need to be enhanced rapidly.

## Construction Works Will Have a Greater Effect on Operations

Traffic is recovering from COVID-19 effects. If the investments are delayed, the Concessionaire will have to perform the investment works during a busier traffic period, which might have a greater adverse effect on the daily operations of the already congested airports.

## New Tender terms May not be as Favorable

COVID-19 had strong adverse effects on airport operators world-wide. Many of them suffered great losses during the past year which might have decreased their investment capabilities and appetite. Launching a new tender with as favorable terms as the current one for the State of Montenegro might be hard to achieve.

## O&M

Transfer the risks related to Operations and Maintenance with clear KPIs, performance incentives alignment on best International practices.

## Transfer of Assets

Assets under the management of the concessionaire will be returned to public sector at the end of the concession.

## Service quality

Experience and management systems of operators at the international level will be utilized.

## Financing

Contribution to state budget will enable the Government to finance other social sectors or any other urgent matter.

## Attracting Other Investors

Airports are very visible assets. When private companies invest in airports, the country attracts additional FDI and interest for other concession projects easier.

## Know-how Transfer

Operational, administrative and technological know-how transfer, local staff training and development of domestic capital markets.



## Option 3 – Keeping the Airports Under State Management-the least likely option

Keeping the airports under state management would have strong economic drawbacks compared to Option 1 and Option 2.

Considering the early investment needs, an economic model has to be prepared for this scenario to see the return on investment and to understand if the state management would be economically viable or not.

### State Will Finance Investment

If the tender is continued with the current terms, the Concessionaire is expected to spend a total of 200M EUR to upgrade the airports.

If not, the State will have to finance the investment to enhance the airports. **An in depth analysis should be done to understand the investment need and the return on investment to see if state management is feasible or not.**

### No Upfront Payment

If the airports are managed by the state, no upfront payment will be received. On the contrary, the state will have to bear the investments on short term.

**The financial impact of not receiving the minimum 100M EUR upfront payment and investing several millions must be assessed with a detailed study.**

### Aviation Network

Private operators have an extensive aviation network. They serve hundreds of airline companies around the globe and have much stronger business relations with airlines.

They perform route development and aviation marketing activities and attract new airlines to airports much easier than states do.

### Service Quality

Experience and management systems of operators at the international level won't be utilized as efficiently as it would be under a private operator.

### Risk Remains on the State

Investment, operational and the financial risk remains on the state.

### No Know-How Transfer

Transfer of operational, technological and administrative know-how from a private operator will not happen.

## Recommended Roadmap

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- **Continuing the current Tender Process seems to be the best option for the State of Montenegro's interests due to the following main reasons:**
  - Highest Economic Return: Big financial contribution to State Budget on short term and sustainable annual contribution on long term.
  - Urgent investment need for airports will be covered by private operator instead of the state.
  - Relatively suitable time to complete the initial investments while there is lower passenger traffic.
- **While continuing the current process, Government shall work on the financial return of keeping the airports within state management.**
  - Government of Montenegro has the right to cancel the Tender Process even after collecting the offers.
  - A rational decision would be to continue with the current process, collect the offers from bidders and in the meantime, work on the financial scenario of keeping the airports within the state management.
    - Assess the amount of investment needed and the financing options of the state.
    - Estimate the rate of return of the state investment and build up an economic model.
    - Based on the outcomes, compare the offers with the economic model and decide whether to cancel the Tender, or award the Project to the highest offer.
- **Inviting the Qualified Bidders to Montenegro would be a good move to understand their perspective and assess their appetite for the Project. In addition, amending the tender specifications according to these meetings might be possible.**
  - Organize a meeting with the Prime Minister, Minister of Finance, Minister of Capital Investments and other relevant state bodies for each Qualified Bidder.
  - Let each Qualified Bidder present themselves and their company.
  - See what added-value they can bring.
  - The new government must bring a decision at the shortest possible timeframe.

A low-angle shot of an Air Montenegro aircraft's tail and engine against a bright blue sky with scattered white clouds. The tail is dark blue with a white stylized logo. The engine is a large, metallic, cylindrical unit.

# AIR MONTENEGRO

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#BORNTOFly





## Youngest national airline in Europe

Air Montenegro is one of Europe's newest national airlines, with the goal of making Montenegro a more accessible and important international destination. The large number of new destinations and additional flights during the main tourist season demonstrate the Montenegrin national airline's commitment to strengthening air connections with major emitting markets and improving Montenegro's position as a tourist destination.

It currently operates to 14 destinations from base at Montenegro Airports (Podgorica and Tivat) using both the existing network and seasonal deals. Air Montenegro operates flights to Brno, Belgrade, Banja Luka, Bratislava, Paris, Copenhagen, Frankfurt, Istanbul, Ljubljana, Lyon, Nantes, Zurich, Sarajevo, Prague.

There are also organized charter flights to Yerevan, Tel Aviv, Katowice, Rzeszow, Cairo...

As of August 2023, Air Montenegro is a member of IATA.





## EMBRAER ERJ 190-200 LR (E195)

Lenght	39,67 m (126 ft 10 in)
Wingspan	28,72 m (94 ft 3 in)
Seat capacity	116
No of planes	2
Crusing speed	955 km/h (0,78 mach)
Crusing altitude	12 500 m (41 000 ft)



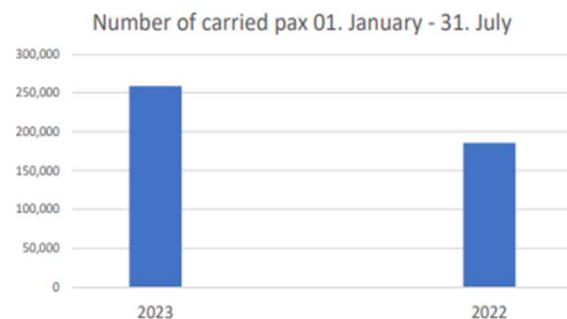
## AIRBUS A320-200 (leased)

Lenght	37.57 m (123 ft 3 in)
Wingspan	34.10 m (111 ft 11 in)
Seat capacity	180
No of planes	1-2
Crusing speed	828 km/h (0.78 mach)
Crusing altitude	11 000 m (36 000 ft)



# ACHIEVED DURING SEVEN MONTHS 2023

## 1. NUMBER OF CARRIED PASSENGERS



**2023** 258,175

**2022** 185,297

## 2. DESTINATIONS (SCHEDULED AND CHARTER FLIGHTS)



## 2.1. SCHEDULED FLIGHTS:

PARIS	FRANCE
NANTES	FRANCE
LYON	FRANCE
ZURICH	SWITZERLAND
PRAGUE	CZECH REPUBLIC
BRNO	CZECH REPUBLIC
BRATISLAVA	SLOVAKIA
COPENHAGEN	DENMARK
ISTANBUL	TURKEY
LJUBLJANA	SLOVENIA
BELGRADE	SERBIA
FRANKFURT	GERMANY
BANJA LUKA	BIH
SARAJEVO	BIH

## 2.2. CHARTER FLIGHTS:

TEL AVIV	ISRAEL
YEREVAN	ARMENIA
CAIRO	EGYPT
RZESZOW	POLAND



The image is a composite. The upper portion shows a white airplane with pink and blue accents flying against a clear blue sky. The lower portion shows a white airplane with green accents on the tail and engines, parked on a tarmac. In the background, there are large, rugged mountains under a sky with soft, white clouds. The text "THANK YOU FOR YOUR ATTENTION" is centered in the middle of the image.

THANK YOU FOR YOUR  
ATTENTION

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