



Government of Montenegro  
Privatisation Council

# Brief information on the Privatisation of:

**MONTE CARGO**

**AD Podgorica**



Privatisation Advisor:

**indecon**  
consulting

## 1. Privatisation of MONTECARGO

### 1.1. Public Announcement

The Government of Montenegro (GoM) decided to sell the entire State owned stake of 87,6358% in the share capital of AD MONTECARGO, the railway freight operator of Montenegro, reflected in 2.927.137 shares. The rest of the shares, i.e. 12,3642%, is owned by diverse private shareholders.

Total registered capital at nominal value is € 17.463.668,09, divided into 3.340.114 of ordinary shares. The nominal value of each share is € 5,228464.

A respective announcement, published by the Privatisation Council, invites foreign and local strategic and financial investors to submit their bids for the acquisition of above mentioned 87,6358% of the share capital in AD MONTECARGO, Podgorica (hereinafter MONTECARGO) until **31 March 2010, 15:00 CET**.

### 1.2. Privatisation Process

The privatisation process for MONTECARGO requires interested investors to:

- fulfil the qualification criteria specified in the public announcement and listed further below;
- purchase the tender documents (€ 20.000,-) and sign a confidentiality statement prior to receiving the tender documentation and obtaining the right to visit the company (due diligence);
- submit their bids prior to 31 March 2010, 15:00 CET (only bidders who have acquired the tender documents will be considered).

Bidders may establish consortia before or after having purchased the tender documents. The tender documents comprise detailed instruction to bidders, an information memorandum and a draft sales and purchase agreement. The purchase of the tender documents provides the right to perform a due diligence at the company's premises.

Interested investors are invited to submit their bids if they fulfil the following qualification criteria:

- a) Having transported per rail not less than 5 million tons of goods per year over the last three years preceding the public invitation;
- b) The last audited fiscal year shows revenues arising from rail transportation of goods in an amount not less than € 25.000.000; and
- c) Submission of an original "Bid Bond" or the evidence of a deposit payment in the amount of € 100.000,00 (explained in details by tender documentation).

At least one of the criteria a) or b) must be fulfilled, qualification criteria c) is compulsory.

For purchasing the tender documents interested bidders shall send a request to the Tender Committee clearly stating «*Request for purchase of Tender documentation MONTECARGO*». The request may be sent by certified mail, e-mail or fax. Interested bidders will in return receive instructions for payment and a confidentiality statement template.

The public invitation was published on 21 October 2009 and can be found on the website of the Privatisation Council of Montenegro on: <http://www.savjetzaprivatizaciju.me/en>.

### 1.3. Privatisation Advisor: indecon consulting

**indecon** consulting (hereinafter: indecon) has been appointed privatisation advisor to the Tender Commission. Further to providing support and advice to the Tender Commission throughout the privatisation process, **indecon** is responsible for the official communication with interested bidders and for providing support to potential investors. The assignment is in line with **indecon**'s wide experience and knowledge in transport related privatisation and policy advice.

To facilitate the performance of these tasks, the privatisation advisor maintains a resident consultant in Podgorica who keeps close contact to the Privatisation Council, the Tender Commission, the management of MONTECARGO and Railway Infrastructure Company (ŽICG). Key advice, support and coordination are provided by our team out of our headquarters in Berlin.

### 1.4. Montenegro: The Country

Montenegro, previously a constituent part of the former Yugoslavia and after 2003 of the Union of States Serbia and Montenegro, gained independence on 21 May 2006. The



country has a population of approximately 650,000 inhabitants and an area of 14,026 km<sup>2</sup>. Montenegro's official currency is the EURO. In recent years, Montenegro has enjoyed strong gross domestic product (GDP) growth (5-8%), combined with low inflation and major inflows of foreign direct investment (FDI). GDP growth has been driven by the tourism and real estate sectors, with industrial output remaining at low levels. Weak competitiveness of local products – combined with the volatile price of aluminium, which accounts for almost half of the country's total exports – results in low exports. Trade is a pillar of the national economy, especially because a large share of it concerns transit trade to and from neighbouring countries.

Map of the Montenegrin railway network

The share of the transport sector in the GDP for the last years is shown in the table below:

Year	2004	2005	2006	2007	2008
Share of transport sector in total GDP	12,34 %	11,44 %	11,88 %	11,19 %	11,66 %

Source: Monstat – Statistical Office of Montenegro

Montenegro signed its *Stabilisation and Association Agreement (SAA)* with the EU on 15 October 2007. The SAA will enter into force once the process of ratification by all EU Member States is completed. The process of ratification is progressing apace. In the meantime, the *Interim Agreement on Trade and Trade-related Matters* – signed on 01 January 2008 – continues to be implemented smoothly.

## 2. MONTECARGO: The Company for sale

### 2.1. History

Montenegro's railway operation began in 1908 in the context of the first railway track Bar - Virpazar been built. The former Željeznice Crne Gore (ŽCG), Montenegro's railway company was transformed into a public company in 1989. It was incorporated and partly privatised through voucher privatisation in June 2002 and was given a monopoly position in the railway transport market, with infrastructure and train operations vertically integrated.

In accordance with the Law on Railways (adopted and in force since 2004, fully implemented since 01 January 2005) ŽCG has adopted resolutions which came into force on 31 December 2008 and resulted in ŽCG ceasing to exist and being replaced by the following two newly established joint stock companies:

- Railway Infrastructure of Montenegro (ŽICG), and
- Railway Transport of Montenegro (ŽPCG).

In June 2009, ŽPCG was further restructured by spinning off its cargo division and establishing it as:

- MONTECARGO, a fully independent joint stock company.

These three companies are fully independent from one another.



### 2.2. Market and Performance

The Joint Stock Company MONTECARGO, established on 01 July 2009, is the railway freight operator of Montenegro. As a result of the spin-off process MONTECARGO started its operations with 17 locomotives and 713 cargo wagons as its main tangible assets, an experienced and motivated staff (209) in an efficient number (i.e. not overstaffed) and free of long term debts.

The company's main source of cargo is the Port of Bar, the country's main seaport and key gate to Southeast Europe. Besides a narrow and winding road over the mountainous North of Montenegro the railway is the only alternative to transport goods from and into the country's hinterland and the neighbouring larger economies, among other Serbia and Hungary.

The Aluminium factory KAP near Podgorica, the steel mill Zeljezara in Nikšić and the Bauxite Mines in Nikšić are three of the main national industries relying on regular and high capacity rail cargo which are being served by MONTECARGO.

Furthermore, over the last few years the transit cargo from and to Albania, whose one and only international railway line connects via Shkoder in Albania to Podgorica in Montenegro, has notably increased, thus becoming an important part of MONTECARGO's operational revenues.

MONTECARGO's transported cargo and revenues have been steadily increasing over the last years as shown in the table below. In 2009 however, this positive trend experienced a sudden downturn when above mentioned clients were affected by the global financial and metal market crisis. By moderately raising the transport tariffs MONTECARGO managed to partly compensate the resulting decrease in operational revenues.

In view of the affected markets beginning to recover, the main clients and business partners announced an increase of cargo for the years to come.

*Development of cargo and revenues:*

	2005	2006	2007	2008	2009
<b>Cargo (t)</b>	1,182,459	1,661,553	1,760,332	1,749,027	844,104
<b>Revenues (€)</b>	6,110,885	8,763,431	8,654,981	8,847,411	5,737,000

Source: MONTECARGO

### 2.3. Development Potential

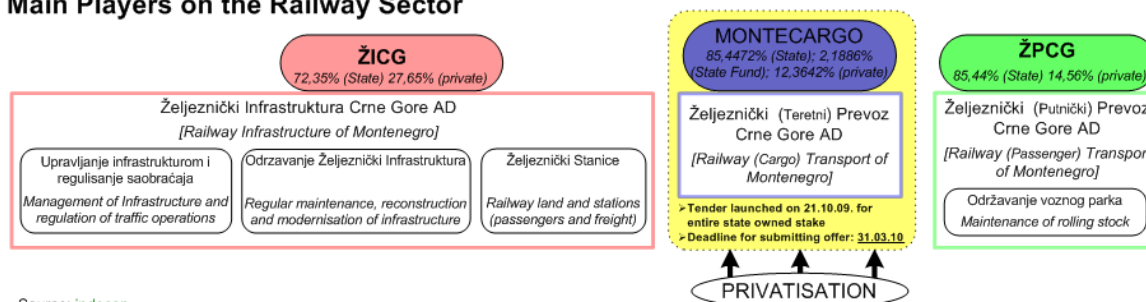
Great development potential for the rail freight operations of MONTECARGO lie in the existence and growth path of large industries with export oriented products traditionally transported by rail and in the strategic location of the Port of Bar, the country's main seaport. Furthermore, as a result of the rail infrastructure being rehabilitated with funds made available by various international financial institutions a further increase of rail bound traffic is expected.

Additional development potential for the rail freight is expected as a direct outcome from the ongoing privatisation of the port company operating the container and general cargo terminals in the Port of Bar. New ownership and much-needed investments into modern port equipment will certainly increase the quality of port services boosting the cargo throughput and thus leading to a higher demand for rail bound transport. Both tender procedures, i.e. for the Container and General Cargo Terminal (port operator) and for MONTECARGO (rail freight operator) are deliberately being driven simultaneously in order to provide investors an encouraging framework to strengthen the logistic chain and thus improve conditions for a multimodal distribution center in Bar.

### 2.4. Railway Sector

The company operates on the national rail network in accordance with the Law on Railway and the rules stipulated in the National Network Statement, including the infrastructure charges. Furthermore, an independent Regulator (Railway Directorate) is being set up and will follow EU regulations providing for the possibility of appeals. MONTECARGO has been issued an operating license and is in the process of being issued the railway operations safety certificate.

#### Main Players on the Railway Sector



Source: indecon

### 3. Contact Details

No confidential information will be made available to any potential investor until the Seller has received the payment for the tender documents and the duly signed statement of confidentiality. For further information on the procedure please contact any of below mentioned persons:

#### **Tender Commission:**

Secretary of the Tender Commission:

Mrs. Snezana Šljukić  
Jovana Tomasevica bb,  
81000 Podgorica,  
Montenegro  
☎. +382 20 202 195  
Fax: +382 20 242 629  
[snezana.sljukic@gov.me](mailto:snezana.sljukic@gov.me)

Tender Commission for the privatisation of  
the Railways of Montenegro and Port of  
Bar JSC Bar  
<http://www.savjetzprivatizaciju.me/en>

**MONTECARCO AD, Podgorica**  
[www.montecargo.me](http://www.montecargo.me)

#### **The Network Statement 2009**

<http://www.zicg.me/mrezna%20izjava/lzjava%20o%20mrezi%202009%20eng.pdf>

#### **Privatisation Advisor:**

indecon consulting GmbH  
Grosse Präsidentenstr. 10  
10178 Berlin, Germany  
[www.indecon.de](http://www.indecon.de)

#### **Berlin office:**

Mathias Nehm  
☎ +49 (30) 308741 20  
Fax: +49 (30) 308741 29  
[mathias.nehm@indecon.de](mailto:mathias.nehm@indecon.de)

#### **Podgorica office:**

Aleksandar Ćorsović  
☎ +382 (67) 500 549  
Fax: +49 (30) 308741 29  
[a.corsovic@gmail.com](mailto:a.corsovic@gmail.com)