







# Weekly Briefing

**Serbia Economy briefing:**  
**Belgrade Airport Nikola Tesla concession**  
**IIPE**

## China-CEE Institute

Kiadó: Kína-KKE Intézet Nonprofit Kft.  
Szerkesztésért felelős személy: Chen Xin  
Kiadásért felelős személy: Huang Ping

 1052 Budapest Petőfi Sándor utca 11.  
 +36 1 5858 690  
 [office@china-cee.eu](mailto:office@china-cee.eu)  
 [china-cee.eu](http://china-cee.eu)

## **Belgrade Airport Nikola Tesla concession**

### *Abstract*

*The concession contract for 25 years of the Belgrade airport Nikola Tesla was signed with the French company Vinci Airports. The contract will start from September after the one-time payment of the French partner. Then the contract will become available to the public, except for parts that are considered to be business secrets. But media leaked information about a clause restricting competition from neighboring airport in Nis, and protests were held against transferring management from local to central Government.*

The concession contract of the Belgrade airport Nikola Tesla for 25 years was signed on March 22, 2018 with the French company Vinci Airports. The total nominal value of this transaction is around EUR 1.46 billion (EUR 1,461,508,000), which includes one-off fee, minimum annual concession fees and capital investments. The international tender was conducted on February 10, 2017 through the prequalification phase, the stage of non-binding offers and the stage of binding bids, and the decision was made on January 5, 2018. Vinci Airports was selected as best bidder for the Belgrade airport.

The concession contract for 25 years includes the financing, management, maintenance, expansion and upgrading of the existing airport terminal and the summer-runway (reconstruction of the main runway, construction of the inserted summer-slopes, auxiliary slopes and fast exits from the runway). The development of the terminal space, the increase in the number of gates and the further development of cargo stocks is expected. The Serbian government holds an 83.1 percent stake in Belgrade airport and small shareholders own the rest. Financial closing of a transaction will be in September with a EUR 501 million one-time concession fee. The payment will be made through a dividend as follows: to the Republic of Serbia EUR 417 million and to small shareholders 84

million EUR. The annual concession fee will be paid during the duration of the concession. The minimum concession fee per year ranges from EUR 4.4 million to EUR 15.1 million. Financial closure of the transaction, transfer of the airport operator's certificate and start of operation of Vinci Airports Serbia, company with limited liability, as an airport operator is not expected before September 2018, and a one-off concession fee payment.

The significance to the signing of this contract is given by the presence of Serbian Prime Minister Ana Brnabić and the French Ambassador to Serbia Frederik Mondoloni. The concession contract will be made public after the financial closing of the transaction in September, except for parts containing business secret, know-how and commercial terms of business during the 25 year concession.

The President of Vinci Airports Nicolas Notebaert, after signing the contract, expressed desire of his company to make this airport a "hub and center" in the region of Southeast Europe, a geographical area in which Vinci has not operated so far. He emphasized that the company will invest money in the airport and that the emphasis will be on quality and favorable prices, as Vinci is already known for, as well as that it will work on opening new Belgrade connections with other destinations.

The goals of the Government of Serbia for increasing private sector involvement in Nikola Tesla Airport are to improve the Serbian aviation market in accordance with the best international practice, developing Belgrade as one of the key regional air traffic centers, improving Serbia's connection with the international market and accelerating the economic development of Serbia and value Serbian taxpayers get for their money. Traffic at Belgrade airport has increased since 2013 when Abu Dhabi's Etihad bought a 49 percent stake in indebted Serbian flag carrier JAT, rebranding it as Air Serbia and introducing new routes.

The controversy in the public caused part of the contract leaked to media, that within a radius of 230 kilometers from Belgrade (for example, in Novi Sad,

Niš, Subotica or Sombor), other airports in Serbia are limited on a million passengers, until the moment Nikola Tesla reaches 12 million passengers. Airport Nikola Tesla handled more than five million passengers last year. In practice, this means that Konstantin Veliki airport in Niš is limited to one million passengers by the time the Nikola Tesla reach 12 million passengers. At the moment when, for example, Niš breaches the limit of one million passengers, the state will pay Vinci penalties or will instead extend the concession as compensation. Konstantin Veliki International Airport in Niš is the second largest international airport in Serbia.

At its session on March 29, the Government of Serbia issued a resolution recommending the City of Niš to transfer the entire property of the airport Konstantin Veliki to the Government, meaning to transfer the founding rights, to transfer the certificate and to transfer all contracts related to the airport business. More than 1,000 inhabitants of Niš protested on April 10, 2018 in front of the building of the City Assembly of Niš because of the intention of the city council's councilors to transfer without charge ownership of the basic rights and property of the airport, Konstantin Veliki from local level to the Republic level. By symbolic voting - raising the leaflets on "Against the Donation of the Niš Airport", the gathered protesters declared that they disagreed with this intention of the city authorities. Given that the protestors are against, the session of the city council was postponed. The argument of the gathered citizens is that the Republic does not have the capacity to monitor developments in local communities so that could bring solutions that are healthy for the economy of the local community. Centralized models never work and always lose sight of the interest of the local community. Protestants have delivered a message that they will be "citizens on guard", will monitor developments and will gather again when needed.

Protests and adjournment of the City Assembly of Niš session prompted the reaction of the Deputy Prime Minister in the Government of Serbia and the President of Serbia.

Serbian Deputy Prime Minister and Minister of Construction, Transport and Infrastructure Zorana Mihajlović visited Niš on April 12, 2018 and stated that the reason why the Government made a recommendation to the City is not to close Niš airport but to develop it further. Airport will remain in Niš, the flights will continue, the airport employees will remain. The state wants to further invest in airport. Government has invested EUR 3.6 million in period 2014 to 2017. According to her, analyzes and studies say that if there is no investment until 2020, airport will stay on 350,000 passengers, but if Serbian Government invests, it will have 650,000 passengers. The city of Niš according to her is not able to manage the airport itself and its possible future development. Transfer to state ownership will not be damaging and the state will invest about 20 million euros in its improvement, says Serbian President Aleksandar Vučić. As he said, the forecast is that in 2027, Niš airport will have more than 700,000 passengers, but not one million passengers.

### *Conclusion*

*Dilemma remains - whether it is better for Niš airport to stay within local authorities or to transfer over to the republican government. Belgrade Airport linked its destiny to the French partner, and the airport in Niš will see potential advantages and disadvantages of centralized administration. Whether there is another controversial part of the concession contract remains to be seen when it becomes available to the public in September 2018.*