Infrastructure Investment Opportunities in Croatia, the EU's New Member State

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After 10 years working towards EU membership, on 1 July 2013 Croatia joined the European Union. On 1 April 2009 Croatia achieved full NATO membership and became a WTO member in 2000. Whilst economic conditions have changed substantially in the EU since Croatia embarked on EU membership 10 years ago, the Government of Croatia remains determined to use its newly acquired EU membership to undertake an ambitious infrastructure investment plan.

As with many Eastern European countries, Croatia has suffered from underinvestment in infrastructure during communism. However, the Croatian Government envisages that EU entry will attract investors to upgrade its infrastructure. Since the Yugoslav wars of the 1990s, Croatia has completed what is regarded as the first step in the process, the construction of a modern motorway network (completed in part by Public Private Partnership) which provides a foundation to further develop Croatia's infrastructure to enhance the Croatian tourism industry (which is a major contributor to Croatian GDP), and continue to develop the Government's vision of making Croatia a European transit country.

During our recent meeting with Mr Siniša Hajdaš Dončić, Minister of Maritime Affairs, Transport and Infrastructure, the Minister outlined to us the Government's immediate plans to attract investment to develop Croatia's infrastructure. He named the following key projects:

**Motorway Infrastructure**

First, although the motorway network of Croatia has been upgraded, the Croatian Government aims to privatise the majority of the existing motorways that remain under state control. The Minister of Transport has hired a transaction consultant (Erste Bank) which recently announced plans to advertise a tender which will offer a 40-50 year concession to a motorway operator and investors who are interested in operating all of Croatia's publicly owned toll motorways. This tender is due to be advertised in Q3/Q4 2013 and the expected value of the concession is between €2.5 and €3.5 billion.
Airport Infrastructure

The recent successful closing of the Zagreb Airport upgrade project (€350 million, April 2013) by investors Bouygues and Airport de Paris shows that there is significant international interest in investing in Croatian Infrastructure. Korean Airports developer Incheon and Strabag also showed interest in the project. Other Airport projects the Minister aims to develop include:

Osijek – Cargo Airport

The Minister plans to advertise a PPP tender for a concession to develop Osijek Airport into a cargo hub. Currently Osijek Airport is a small operating passenger and cargo airport in the North of Croatia, owned by the Government. The Cargo terminal is located on 1500m² and allows separate access for trucks to the apron and coolers. The passenger terminal is 1500m² and has 200-400 pax per hour. The runway length is 2500m with a width of 45m and the fire fighting category is CAT IV on request up to CAT VII. The main platform capacity is 18,000 kg lift and transfer and the front platform is 18,000kg transfer capacity on 20 ft pallet/container and the lifting range for the main platform is 508mm to 5,518mm.

Rijeka – Passenger Airport Upgrade

In addition to the Osijek Airport, the Minister aims to advertise a tender to upgrade the Rijeka passenger terminal to increase tourism and tourist development in the Rijeka region. Currently Rijeka Airport is an operating airport which attracts 200,000 passengers annually. Rijeka Airport is located close to Slovenia, Italy and Austria and provides incoming tourists to surrounding summer holiday destinations on the Croatian Adriatic coast. Rijeka Airport is in the vicinity of the Port of Rijeka container terminal and is nearby to the Rijeka to Zagreb Motorway.

Port Infrastructure, Cruise Terminals

Croatia was voted by Lonely Planet as the world’s top tourist destination of 2005 and the Croatian Adriatic is one of the most popular tourist destinations in the world. Since Croatian independence the tourism industry has seen remarkable yearly growth. The Government of Croatia aims to further develop the tourist industry by seeking a strategic partner to invest in the following projects:

New Passenger, Bus and Cruise Terminal – Dubrovnik

Dubrovnik is one of Croatia's most popular tourist destinations and the Minister is aiming to offer a concession to a strategic investor interested in developing a new 1350m cruise terminal in a location alongside a wharf depth of 8-11 metres. The passenger operative area to be provided will be 88,000m². The Minister aims to see the new Dubrovnik passenger terminal become the main passenger, shopping and transport facility in Dubrovnik, which will be able to accommodate approximately 12,000 passengers, customers and service users.

New Passenger Ferry and Cruise Terminal – Zadar
In addition to the Dubrovnik passenger terminal the Minister also aims to develop a new passenger terminal in the central part of the Croatian Adriatic at the Port of Gaženica, Zadar. Presently the Port of Zadar has an operating cargo and passenger terminal. Because of growth in the existing Port of Zadar Passenger terminal, the Government aims to advertise a concession to obtain a strategic partner to develop a passenger terminal 3.5km south of Zadar at Gaženica. The existing Port of Zadar has seen considerable tourist passenger growth since Croatian independence. Domestic passenger numbers for passenger terminal in 2012 were 2,321,836 and vehicles were 312,908. International passenger numbers for 2012 were 47,434 and vehicles 9,623.

**Port Infrastructure, Cargo Terminals**

The increasing cost of oil has affected the price of shipping Asian goods to Hamburg and Rotterdam resulting in port operators seeking alternative cargo access to Europe via the Croatian Adriatic coast. The Government of Croatia aims to capitalise on the opportunities it offers port operators to bring goods into Europe through Croatian Adriatic ports using Croatia's modern motorway network which is well connected to central Europe. The Minister aims to obtain strategic investors to develop the following cargo ports by way of concession:

**New Container and Dry Bulk Cargo Terminal – Port of Ploce**

The Minister aims to advertise a tender to obtain a strategic partner to develop a new cargo terminal in the south of Croatia, at the Port of Ploce. The Port of Ploce is destined to be an important European Port due to its eventual connection to Hungary by way of the Pan-European VC Motorway Corridor. Construction of this motorway is underway in Bosnia Herzegovina and in Northern Croatia. To capitalise on the future growth of the Port of Ploce, the Minister of Transport aims to offer a concession to a strategic partner to develop 500,000m² of space to build a further dry bulk cargo terminal and container terminal, which will have an annual capacity of 500,000 TEU and will operate adjacent to the current terminal.

**New Container Terminal Zagreb – Rijeka**

In addition to the new cargo and bulk terminal in Ploce in the South of Croatia, the Minister aims to further develop the Port of Rijeka in the North. The Port of Rijeka is the most developed port in Croatia, with excellent transport connections to neighbouring Italy, Slovenia and Austria. The Port of Rijeka is also serviced by a railway which the Government aims to upgrade by way of EU cohesion funds. The Minister aims to advertise a concession for a strategic partner to further extend Rijeka’s Brajdica container terminal by 328 metres to 628 metres, increasing Brajdica’s capacity by 200 kTEU from the present 150 kTEU. The operating part of the Brajdica terminal has a depth of 14.5 metres and the strategic partner will be given 14 ha. of land of which 3.4 ha. will need to be reclaimed from the sea.
As the ambitious goals outlined above show, Croatia has significant plans for infrastructure development in the coming months and years. With the country’s newly confirmed EU membership, Croatia is well placed to meet these targets and is neatly poised to begin attracting increased foreign investment. Whilst EU membership in and of itself will not guarantee project development or investment, the association augers well for a country whose fortunes seem to be on an inexorable rise.

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