

CAREER  
DETAILS

► **Current role:**  
Co-owner of Porto Montenegro

► **Early experience:**  
Born in Budapest in 1927 to an affluent Jewish family, Munk escaped the Holocaust on the Kasztner train. He was 20-years-old when he arrived in Canada and spoke little English. In 1952 he got a degree in electrical engineering from the University of Toronto. Since then he has co-founded a stereo and TV manufacturing company, created the largest hotel and resort chain in Australasia, and founded the world's largest gold mining company.

Photo: Porto Montenegro



# Peter Munk

Co-founder | Porto Montenegro

WITH A PORTFOLIO RANGING FROM STEREO MANUFACTURING TO GOLD MINING, MUNK HAS PROVEN THAT HE CAN MAKE A SUCCESS OF ANY BUSINESS THAT STRIKES HIS INTEREST

BY FRANCES & MICHAEL HOWARTH

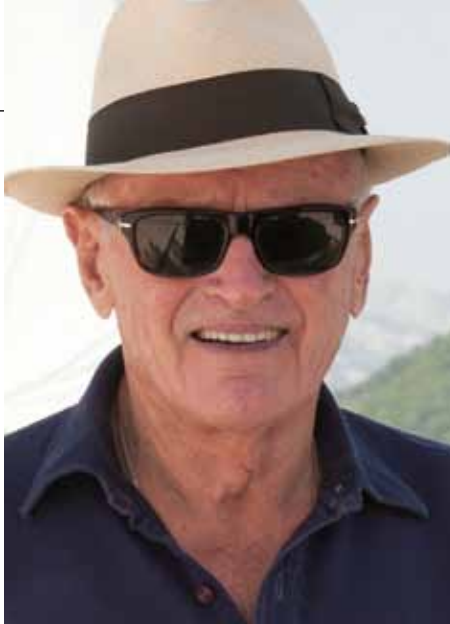
**W**ith the air temperature approaching 40°C we are more than happy to step off the dock in Porto Montenegro onto the stern of *Golden Eagle*, a 43m (141ft) Piccihotti built in 1990.

There to greet us in the cool of the air-conditioned main saloon is her owner, Peter Munk, the man who undoubtedly must take the credit for creating the superyacht marina that is the talk of the Adriatic coast. Age may have added some wrinkles and whitened his hair, but time has done little to dampen the enthusiasm Munk has for life and for the complex he has created out of a former Yugoslavian navy base.

“So what do you think?” he gestures around him, his voice betraying his Hungarian heritage, but now heavily overlaid with a Canadian accent. We have just returned from a tour of the marina and the village that surrounds it, driven around in an electric golf cart by Munk’s on-site managers. “You have no idea how depressing this place was when I first saw it.

“It was suffering from years of neglect and the Balkans conflict had not helped. The harbour was referred to as the arsenal and was a wasteland of scrap metal and toxic material. The docks were lined with rusting hulks and half submerged submarines that no one could afford to maintain. We had to dredge the bottom to get rid of the toxic waste that had





fallen off the hulls of warships and submarines which had docked there over the years.

“There were no restaurants, hotels, bakeries or cafes, at least not the sort you would find by other superyacht harbours. Four enormous concrete piers stretched out several hundred metres from shore. I knew immediately that it was those piers that would form the commercial backbone of the complex.”

### Promoting the idea

“The workers did not know what a superyacht was, never mind the kind of port that they would dock in. Where most people would see desolation, I saw a development opportunity. The only way I could get the senior people to appreciate the potential this place offered was to fly them to see select Mediterranean hotspots, so they could envisage what was possible. I flew the mayor, some officials and two local journalists to Portofino in Italy, and then to Porto Cervo in Sardinia.

“I brought (non-executive chairman of Camper & Nicholson) George Nicholson here before we started. It was pouring with rain and George was soaking wet as we walked the docks. He told me that back in the 1950s St Tropez was not as grand as it is now, and Monaco saw very few yachts moor up inside the harbour. He said Tivat showed the same huge potential and urged me to

### Convincing people of the port's potential was half the battle for Munk

go ahead with my plans.

“I met with the then prime minister and told him that, together with group of investors, I wanted to buy the place. My first pitch to purchase the base wasn't well received. People thought I was

bamboozling them and stealing their pensions. But the fact was that these guys were getting IOUs from the government. No one was really paying them. That was in 2006 and the town, with its population of 14,000, was far from beautiful. Back then 480 of the town's population worked in the navy base and many had not been paid wages for some time.

“Of course there was resistance to the idea locally. Workers on the base who had been employed because their fathers and grandfathers had worked for the navy were worried that turning the dockyard over to foreign private investors would have a negative impact on the labour market. These guys were hungry and they were worried that they would starve without the base. But look at it now. We employ hundreds of locals.”

Munk's team bought the arsenal for a reported €23m, and the total investment made by them so far is just over €100m. Roughly another €100m will be committed over the next year. Porto Developments is now the

Photo: Frances Howarth

## TO THE POINT

### What would you describe as your strongest trait?

Ask my wife! I guess I am straight, not brilliant, not clever and not a financial genius. Anyone who is really successful is also lucky and anyone who says otherwise is either a fool or a liar.

### To what do you attribute your success in business?

I have worked hard all my life. I am a good delegator and have the ability to place my trust in the right people. I have surrounded myself with clever investors who fully understand and appreciate the luxury lifestyle that superyachts bestow.

### What skills have helped you through your business life?

If I have a skill at all it is in choosing the right people to work for me. It's been that way

all my life. If you want success it is essential that you choose the right nanny for your children, the right mechanic for your car, and the right advisor to look after your investments.

### Have you made mistakes in your life that you can divulge?

Of course I have made mistakes, and yes, I have learned the hard way that not all people repay the trust you put into them. You have to learn to be demanding. It is especially important when you have investors' money to look after because they trust you not to lose it.

### Who do you most admire and why are they an inspiration?

Oliver Corlette, the man I chose to be managing director of Porto Montenegro. He has achieved so much without a real background

in yachting. He works so hard I almost have to threaten him to get him to take a holiday.

### How do you describe your management style?

I am good with people and I delegate well. I have been doing business for a long time. I was a refugee and did not know the language when I arrived in Canada but I worked hard. I have been lucky with the people I have hired but also disappointed at times, and have fired quite a few CEOs in my time.

### Did you always believe in the feasibility of this project?

Porto Montenegro could so easily have gone the other way and flopped rather than succeed as it has. Of course we have made mistakes but again luck has played its part.

registered owner, with Munk holding a 54 per cent stake. His team of co-investors consists of Lord Rothschild and his son Nathaniel, Bernard Arnault, the chairman of the luxury conglomerate LVMH, Oleg Deripaska, the owner of *Queen K*, and Sandro Demijan, as well as Munk's own son Anthony.

### Moving on from chartering

"Once I fell in love with the idea of developing my own port I realised I needed my own yacht in place. I bought this one in 2009 when her last owner wanted a quick sale. Again George Nicholson was involved. He told me I had to act quickly. I trust his judgment so I handed over the cash to buy her within the stipulated 24 hours.

"She was called *Royal Eagle* when I brought her, but I changed her name to *Golden Eagle*. It's not just because I was the founder and chairman of a gold mining group, but coincidentally the golden eagle is the symbol of the country of Montenegro and appears on its flag, so I thought it was appropriate. At first she flew the ensign of Montenegro as a mark of respect. But when I learned that as a local yacht I could not benefit from the duty free fuel depot we had installed here, I was reluctantly forced to switch to register in the Isle of Man.

"I have chartered yachts all my life. *Lady Ecosse*, under the command of Robin Ballard, was a particular favourite, and I used to charter her every June. Jimmy Goldsmith, a very good friend, told me before he died that you were better off chartering yachts rather than owning them. I followed that advice for over 25 years. With five children, the only simple way for us to have a

family holiday was to keep everyone confined to a boat. Not that they minded."

Thinking about his family, Munk goes on to say, "I was a refugee in the war, having escaped when Hitler invaded Hungary. My mother, Katharina, did not flee with the rest of the family, having divorced my father some time before. She survived Auschwitz after being liberated by the Americans in 1945 and wrote to me saying 'Go to North America to be a free man. Get a decent, nice job and earn a lot of money'. Later she and I were reunited in Canada where she died in 1988.

"Yes, I have made money, but I have given a lot away. I have an overriding debt to Canada and need to repay the opportunity it gave me when I reached the country

**"I believe my money should go back to society, but in a productive way. When you are rich I think you earn the right to decide what to do with your own money"**

in 1940. I want to recycle my money, not make my kids rich. No one made me rich. Pre-war my parents were wealthy people, but my father became a refugee. I believe my money should go back to society, but in a productive way. When you are rich I think you earn the right to decide what to do with your own money and I consider it a priority to give it back to society."

He continues to muse on the transformations around him, "Of course all that you see here might never have happened. I was horrified by what I saw when I first visited. The way locals treated these beautiful coves, bays and inlets was nothing short of despicable. They thought nothing of throwing rubbish into the water. The surface was covered with the stuff.

"I have an island in Lake Huron, one of Canada's Great Lakes, which I have owned for 52 years. It is 14 miles offshore and in all the time I have owned it I have never yet seen a bottle floating on the water. In Canada there is a culture of not polluting the environment, which Europe does not seem to share. It disturbs me to see rubbish floating on the surface of the water, not just here in the Adriatic, but all over the Mediterranean.

"I bought unseen a special rubbish scooping boat, which I gave to the people of Kotor long before the contracts were signed. It was a gift to show them how much I valued the pristine nature of this coastline and I am really proud of what we have done together to get the place cleaned up."

### Tax incentives

Montenegro as a country has a reputation for corruption, yet despite this it is successful at attracting foreign investors. There is very little tax on yacht fuel or provisions. VAT is capped at seven per cent on marine-related and tourist services, while there is a maximum of nine per cent VAT on capital gains, income and company tax, with residents paying just nine per cent personal income tax. Yachts may remain in Montenegrin waters with no time restrictions or imported tax



### Do you practise philanthropy, and who benefits from it?

I have given £85m to various Canadian institutions in the fields of medicine and education. I also organised a £22m gift to the University of Toronto, and a programme of public debates has been set up in my name.

**Munk feels continually indebted to Canada, his adopted homeland**

requirements. A vignette system also allows for multiple entries and changes to crew and passenger manifests with little fuss.

It is Montenegro's aim to improve the economic environment by attracting foreign investors, cutting red tape, and easing the pain of paying taxes. Incentives and promises have understandably proved seductive to outside investors and for owners of superyachts the financial case for choosing the marina as a homeport is a powerful one. The Golden Fleet owned by Prince Khaled, deputy defence minister of Saudi Arabia, and consisting of three superyachts and a sea plane, is one of several to relocate to new dockage space inside the complex.

## Reviewing the budget

"The global financial crisis has affected the concept for the port, but if anything it has done us more good than harm. I really believe it has improved my original plans. We came into Montenegro as a financially stable group of investors. Originally we planned to bring in the Four Seasons Group to manage a much larger hotel than the one now under construction. We even considered establishing further lines of credit to speed up the rate at which we could build, but the crisis began to loom and the credit disappeared.

"In a way this forced us to rethink. Eventually we decided to carry on anyway, financing what became a smaller, less risky plan that we undertook using just our own equity, without debt or mortgage. If the crisis had developed after we had embarked on a borrowing plan it might have been a very different story.

## Development plans

"The 200m (656ft) main pier is known as Jetty One. Constructed 120 years ago by the Austro-Hungarian military, it is one of the original jetties that we renovated. It is bombproof and wide, with deep-water access in places for vessels with drafts of 20m (66ft). The ability to drive heavy delivery trucks down the jetty gives us the opportunity to deliver supplies and fuel directly to the stern of the superyacht.

"We have kept two of the submarines we acquired and have put them — along with a lot of other dockyard paraphernalia and memorabilia we found — into a special museum that is housed in one of the original base workshops. I think it's fitting that future generations and local school children can see what this place once was, and what it has become.

"Our plan is to increase the marina's capacity from the existing 185 berths to 370 berths for yachts up to 150m (492ft), with more than 50 berths reserved for vessels over 45m (148ft). Work on creating these additional 270 berths will, we hope, be completed in time for winter 2013-14. We have not finished with the development yet. There is a small 80-room boutique hotel under construction, which will be followed by a casino. We have apartments to sell and others to rent, and eventually there will be a golf course.

"The creation of a superyacht refit and maintenance facility is an integral component in our role as a year-round homeport. It's likely to be developed in two phases on a 25,000m<sup>2</sup> site across the water from here.



Our total investment is estimated at €14m, including construction of a concrete platform, offices and concrete piers carrying a travel lift, and the refurbishment of the existing 170m (558ft) concrete pier. The second phase of development will include the purchase of a floating dock, and expansion of the platform."

**Despite the wealth of the investors, running a tight budget has benefited the overall development**

## Successful result

The expansion of the marina is not only a testament to the success of the project, it also confirms what many captains already knew — that the Adriatic has firmly cemented itself as an exciting destination and home port for yachts of all size and class.

**"The global financial crisis has affected the concept for the port, but if anything it has done us more good than harm. It improved my original plans"**

When asked if, in retrospect, he could have done anything different Munk does not hesitate.

"It sounds conceited, but no. I think everything we have done so far is right. My family nearly stopped me doing all of this. They said 'why are you doing this at your age? You don't need the money and you don't need the stress', but it was something I just knew I had to do.

"Our community is happy, the local mayor is happy, and the people of Tivat are happy. Our success is the main reason why other foreign investors are coming to the country. We stongly predict that it will equal other superyacht ports around the world." **SB**