

Brazilian Concessions Are Back!

The Brazilian Government has just announced a new phase of the Logistics Investment Program, which will grant long-term concessions to the private sector aiming at the operation of highways, railways, ports and airports. The investment amounts approximately US\$ **64 billion**: US\$ 21 billion for highways, US\$ 28 billion for railways, US\$ 12 billion for ports and US\$ 3 billion for airports.

Expected since 2014, when President Dilma Rousseff started her second mandate, the new phase of the Logistics Investment Program has been announced as one of the alternatives to recover Brazil from its economic malaise, as well as to improve the country's infrastructure.

Part of the bidding processes are scheduled to start in 2015, especially the highway projects. The Government intends to intensify the use of a procedure named "Expression of Interest" to carry out the bidding processes. Through the Expression of Interest, companies intending to participate in the ventures will be able to submit projects and feasibility studies to the Government. These projects and studies may be used in the upcoming public procurement proceedings.

Though the Brazilian National Economic and Social Development Bank - BNDES will still have an important role in the project financing, the participation of banks and the capital markets is expected to increase. BNDES will foster the issuance of infrastructure bonds.

The Government is intending to attract foreign operators, since domestic companies will not be able to meet the service demand.

Bellow there is a summary of the announced investment:

Highways - US\$ 21 billion

2015

- 2,603 km of highways in 7 States
- Investment at US\$ 6,4 billion to improve the highway infrastructure: enlargement of highways, signaling, etc.
- Projects with feasibility studies concluded will be actioned in the second half of 2015
- BNDES will lead the financing, but banks and the capital markets will also have a role

2016

- 4,371 km of highways in 10 States
- Investment at US\$ 10 billion to improve the highway infrastructure: enlargement of highways, signaling, etc.
- Integration with the highways to be actioned in 2015

- Investment at US\$ 5 billion in current highway concessions

Railways - US\$ 28 billion

- 4,037 km of 4 railways, in 10 States, plus the Bi-Oceanic Railway Brazilian stretch and existing concessions. The Bi-Oceanic Railway will connect ports in the southeast of Brazil to ports in Peru.
- Investment at US\$ 13 billion to construct the Brazilian stretch of the Bi-Oceanic Railway
- Investment at US\$ 2,5 billion to conclude the north stretch of the North-South Railway
- Investment at US\$ 1,6 billion to conclude the south stretch of the North-South Railway, integrating the agricultural zone of Três Lagoas, located in the central region of Brazil.
- Investment at US\$ 3,2 billion to improve the flow of agricultural production of the Center-West of Brazil in the Lucas do Rio Verde - Miritituba Railway, connecting the central region to the Amazon Hydroways in the north of Brazil.
- Investment at US\$ 2,5 billion to integrate the Rio de Janeiro Port to the Vitória and Tubarão Ports through the Rio de Janeiro - Vitória Railway, in the southeast of Brazil.
- Investments at US\$ 5,1 billion to improve the infrastructure of the current concessions, being negotiated with the concessionaires.

Ports - US\$ 12 billion

2015

- Investment at US\$ 1,5 billion in 29 new terminals, 9 in the Port of Santos and 20 in the State of Pará, respectively in the southeast and north of Brazil.
- Bidding process divided in two stages; 9 ports in the first and 20 in the second, split according to the type of cargo.
- Authorization of 63 new Private Terminals in 16 States, investment at US\$ 4,7 billion.
- Investment at US\$ 3,4 billion to renew lease contracts of 24 terminals in 9 States.

2016

- Investment at US\$ 2,3 billion in 21 new terminals, in 9 States, located in the north, northeast, southeast and south regions of Brazil.
- Bidding process expected to occur in the first half of 2016.

Airports - US\$ 3 billion

- Long-term concessions for the operation of the Fortaleza, Salvador, Florianopolis and Porto Alegre Airports. Fortaleza and Salvador airports are located in the northeast of Brazil. Florianopolis and Porto Alegre are located in south region of the country.
- The procedure of “Express of Interest” regarding the feasibility studies of these airports will start in the second half of 2015. The actions are scheduled for the first half of 2016.
- Investment at US\$ 25 million for regional airports located in the central and south regions of Brazil.

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