

## New Round of Airport Concessions

The Minister of Transport, Ports and Civil Aviation has just announced a proposal to include in the Federal Government Program of Investment Partnerships (PPI) three additional groups of airport concessions. The Minister announced the upcoming concessions in a public hearing carried out at the Brazilian Federal Senate. The estimated investments are around US\$ 2.13 billion. The concessions are to be confirmed during a PPI conference in late August. The public procurement proceedings are expected to begin in the first half of 2018.

The new round will mark the beginning of a different structure for airport concessions. The groups of airports will be formed by more profitable airports and other assets with lower passenger demand. Infraero (the Brazilian state-owned company established to manage airports) will not be a mandatory shareholder of the concessionaire, as it has already happened in the last round of airport concessions.

The information disclosed so far indicates that the following airport groups will be up for bid: Cuiabá (in the State of Mato Grosso, Central East of Brazil), Recife (in the State of Pernambuco, Northeast of Brazil) and the Santos Dumont Airport, in Rio de Janeiro.

The main feature of the new round is the concession of the Santos Dumont Airport, one of the most valuable assets under Infraero management and the Brazil's 7<sup>th</sup> busiest airport by passenger traffic. Santos Dumont will be the centerpiece of the airports located in the Southeast of Brazil, including the airport of Vitória (state capital of Espírito Santo) and four other terminals located in Rio de Janeiro and Minas Gerais, according to Government representatives. Preliminary reports anticipate that the minimum bid is estimated at US\$ 540 million for a 30-year concession.

The Recife Airport is the main asset of the Northeast, which will also comprise the airports of six state capitals (Recife, Maceió, São Luís, João Pessoa, Teresina and Aracaju) and five other terminals. The minimum bid is estimated at US\$ 700 billion.

The third group of airports will be composed by Cuiabá Airport and small terminals located in the State of Mato Grosso. The minimum bid is estimated at US\$ 63 million.

The Viracopos Airport (Campinas, State of Sao Paulo) will be up for a new public procurement proceeding. The consortium that currently operates the airport has already announced that it will voluntarily return the concession to the Government, pursuant to a legal mechanism recently created by Law n° 13,448/2017. The Brazilian Civil Aviation Agency's (ANAC) activated the performance bond due to the concessionaire delays in paying the granting fee, starting rumors about the voluntary return of the concession and about a new public procurement proceeding.

The return of the concession depends on the Government approval and the signing of an amendment to the concession agreement. The amendment will ensure indemnification to the concessionaire, discounted late payments. Additional information is yet to be released, but the Viracopos Airport is also expected to be included in the upcoming round of concessions.

The RSMC team will remain attentive to the unfolding of the new concession round. We will keep our business partners and clients informed on the forthcoming opportunities for the Brazilian airport sector.

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