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# Infrastructure: Investments, Reforms and the new Concessions Program

Wagner Cardoso

Executive Secretary of Infrastructure

National Confederation of Industry

Brasília, June 16th, 2015



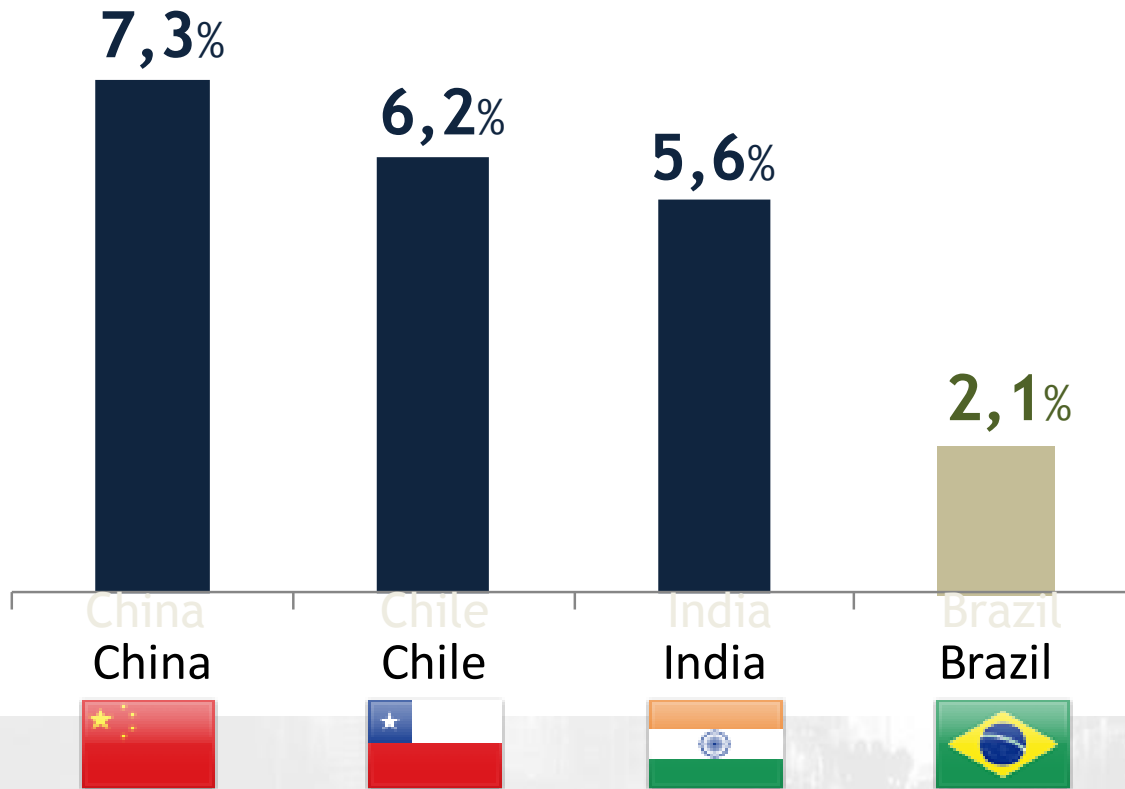
# Summary

PIL = Logistic Investment Program



# Brazil's infrastructure debt

Infrastructure Investment as a Percentage of GDP  
(average value 2000-2013)



Brazil invests  
**US\$ 44 billion**  
per year on average in  
infrastructure

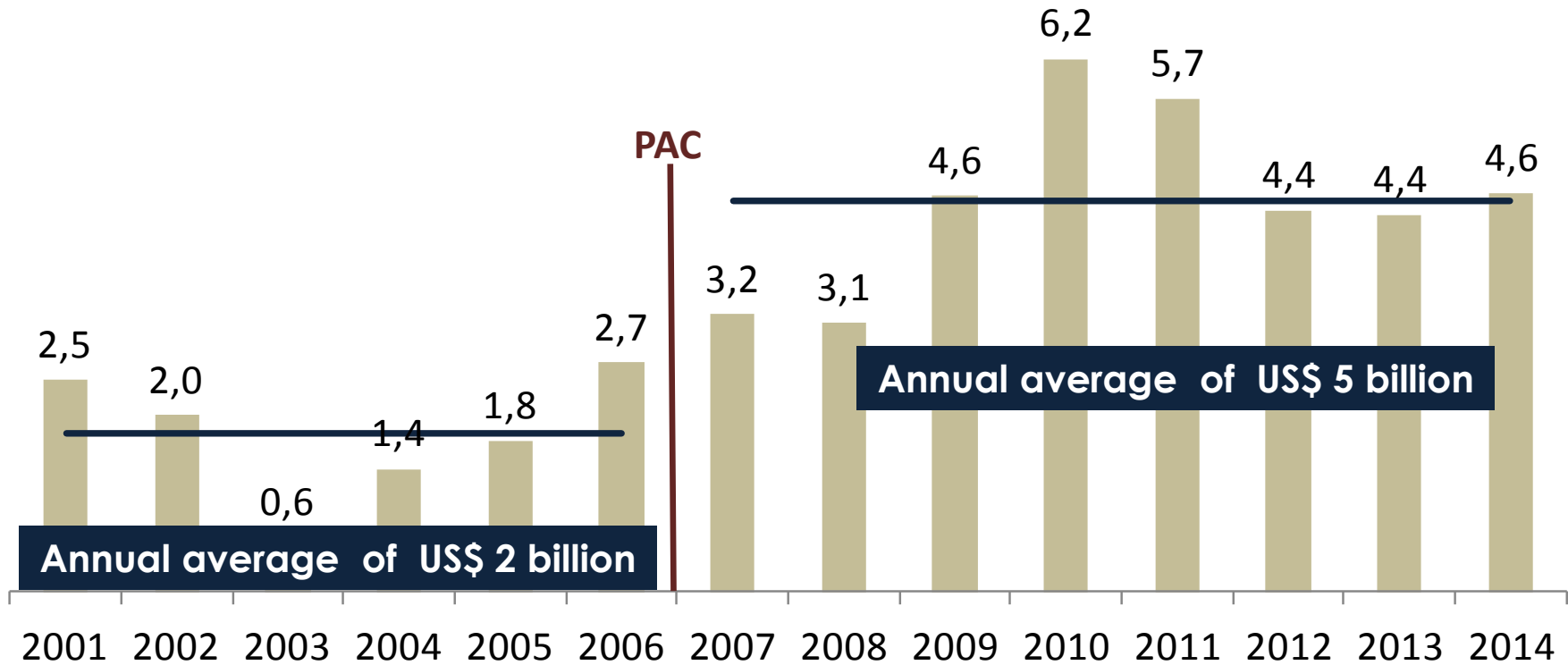
At least  
**5% of its GDP**  
(US\$ 104 billion/year)  
should be invested

**US\$ 60 billion**  
annual deficit

Source: CASTELAR, Armando . "Desafios e oportunidades na infraestrutura" (2011)

# Transport: PAC has increased investments

Total investments of Ministry of Transport  
Constant Value (US\$ billion)



Total payment in fiscal year plus paid unpaid balance. Restatement based on FGV's index IGP-DI  
Source: Data base of Contas Abertas









# Growth in demand for services has made the problem worse



Despite important advances with PAC, the infrastructure services expansion rate has been lower than the growth of demand



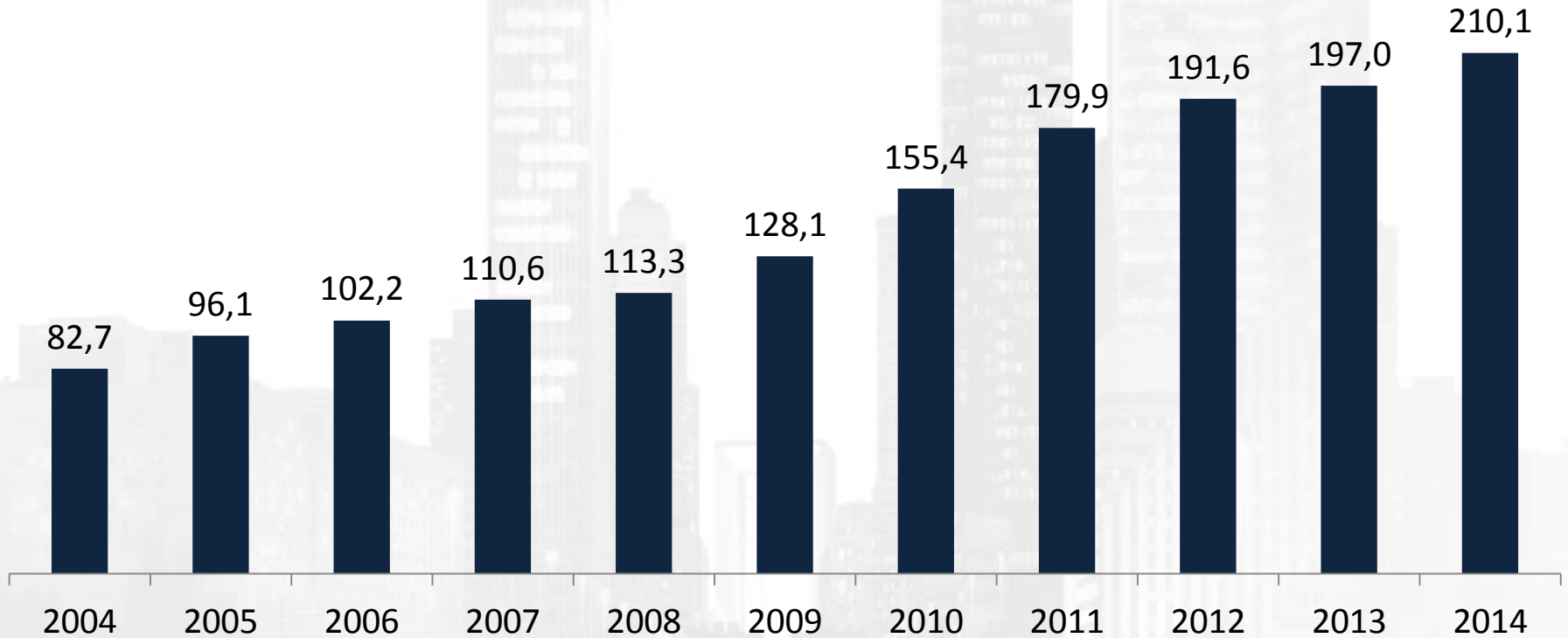
# Rapid growth of infrastructure services demand

| Infrastructure Demand   |   | 2004  | 2014    | Average annual growth (2004-2014) |
|---|---|-------|---------|-----------------------------------|
|   | Air traffic (million passengers yearly)         | 82,7  | 210,1   | 10%                               |
|   | Road traffic (millions of vehicles per km/year) | 602,9 | 1.676,4 | 11%                               |
|   | Ports trade flow (million tonnes/year)          | 620,7 | 969,6   | 5%                                |
|   | Containers handling (million TEUs)              | 5,0   | 9,3     | 6%                                |
|   | Grain production (million tonnes/year)          | 119,1 | 193,4   | 5%                                |
|  | Trade flow (US\$ billion)                       | 159,5 | 454,2   | 10%                               |

Source: MDIC, CONAB, EPL, ANAC, ANFAVEA e ANTAQ

# Air traffic: 10% per year increase

Air traffic demand growth (million passengers yearly)



Source: Infraero and private administrations.



# Logistic Investment Program – PIL

Launched in 2012

## POSITIVE ASPECTS:

- I. **Airports:** Transfer to the private sector the airports administration. Brazil's 5 major airports are now privatized;
- II. **Roads:** Bidding five road stretches totaling 4,248 km and investments of R\$28 billion. In 2013, road concessions represented 53% of total federal roads granted;
- II. **Ports (new legislation):** permitted authorization for use of 36 new private terminals.

# Logistic Investment Program – PIL

Launched in 2012

## NEGATIVE ASPECTS:

- I. **Railways:** the proposed exploration model was not accepted by private sector and the technical studies, including those related to geology, were not complete;
- II. **Port terminals in public areas:** After remaining almost two years in evaluation by Government Control Departments, the bidding was finally approved in may 2015.

# Logistic Investment Program – PIL

Launched in 2015

## POSITIVE ASPECTS:

- I. **Roads and Airports:** Continuity of the concessions program. Successful models accepted by private sector.
- II. **Railways:** New model, with right of way, to increase system competitiveness;
- III. **Ports:** New legislation simplifies bidding of port terminals in public areas.

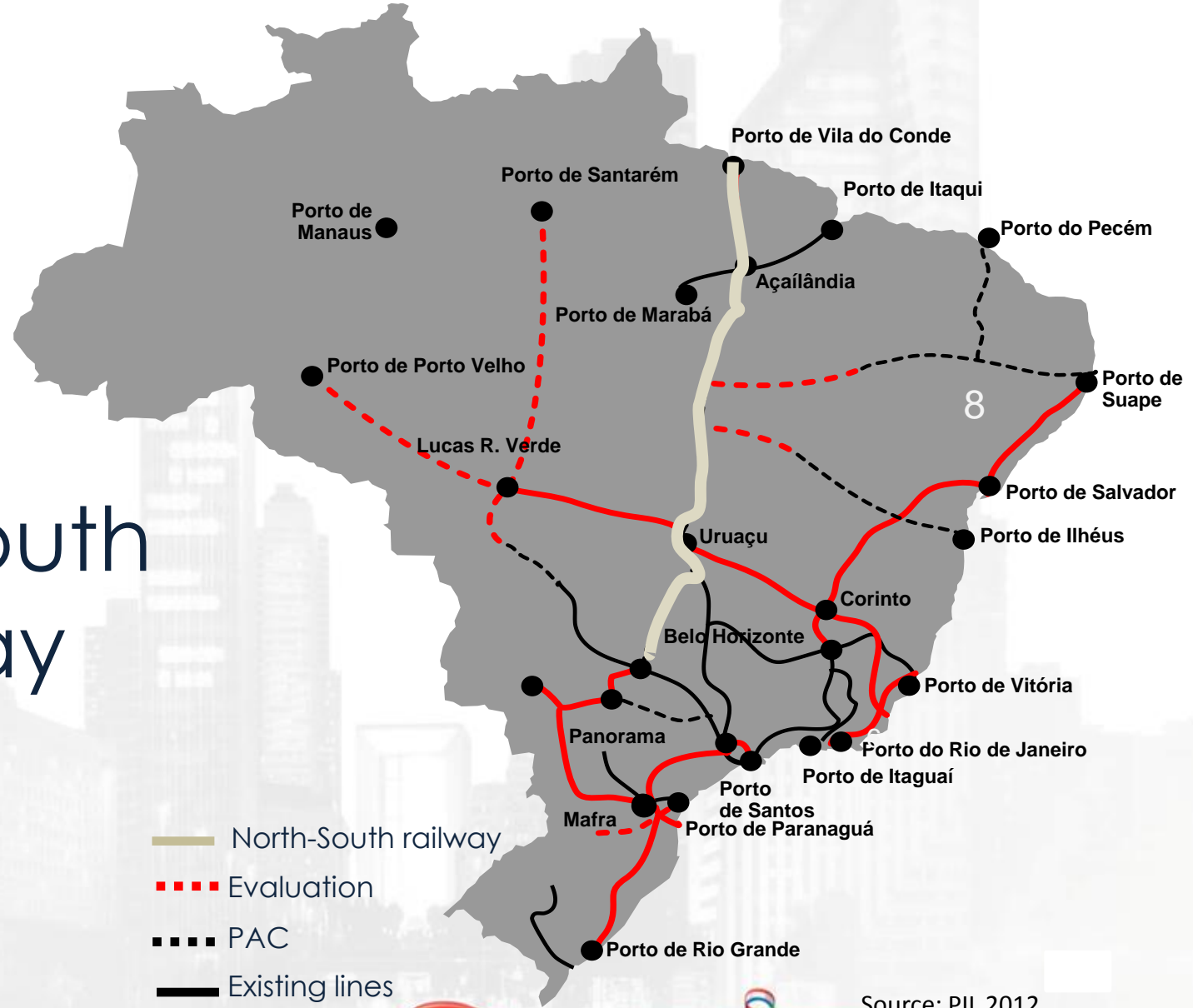
# Logistic Investment Program – PIL

Launched in 2015

## MAIN WORRY:

- I. **Railways:** the success of the new model and the total railway system integration depend upon negotiations involving right of way with previous concessionaires.

# North-South Railway



- North-South railway
- - - Evaluation
- . . . PAC
- Existing lines

Source: PIL 2012



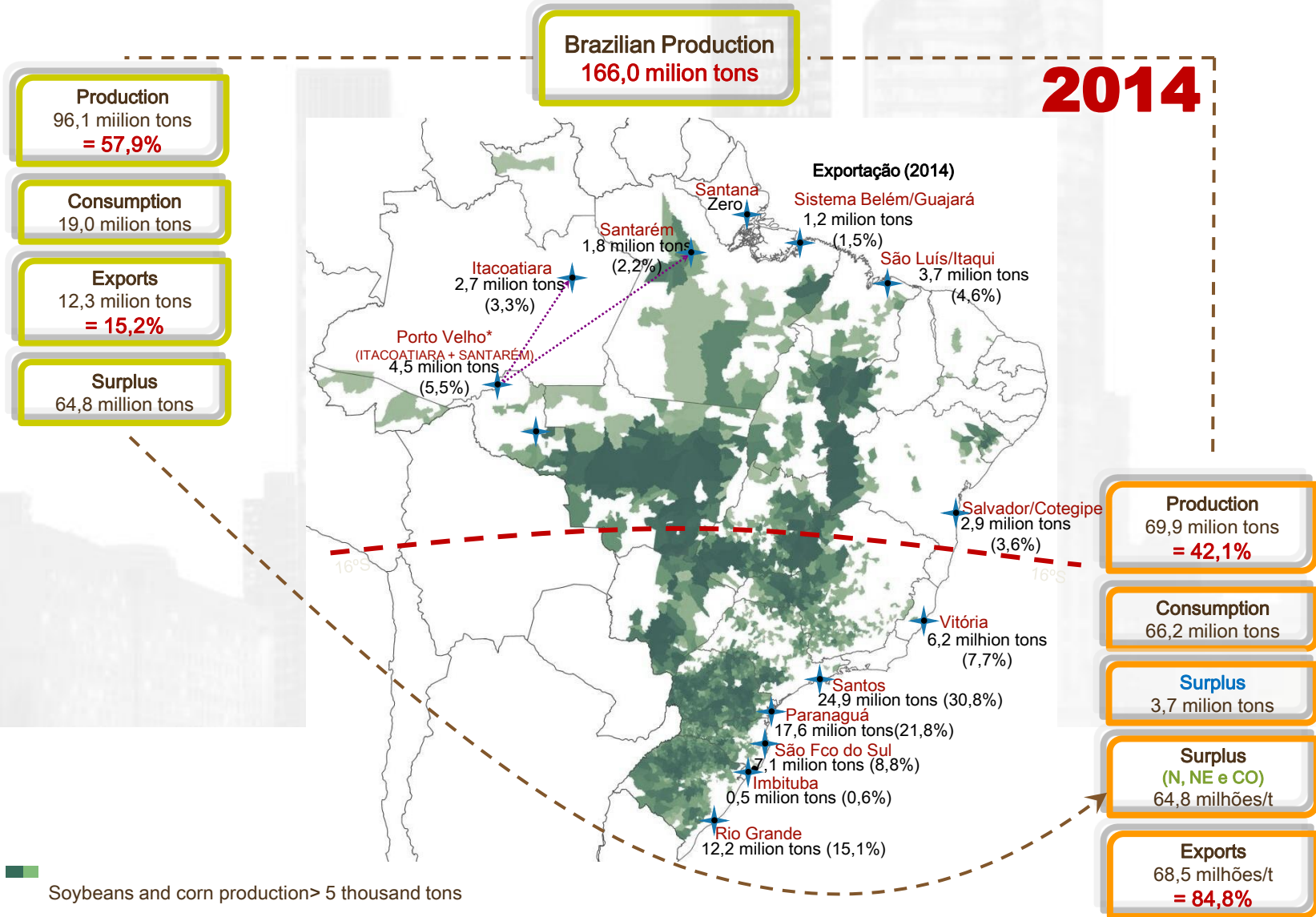


# BR-163: A new cargo route

Crème de la Crème: Sinop – Miritituba (976 km)



# The new agribusiness outlets



Source: CNA e Secex. (Estimated values - illustrative map)

BR-163: still missing the paving of 200km to Miritituba and 300km more to Santarém.

Before

After





# PIL 2015: Increasing private sector infrastructure participation in the administration is the right path

## WHAT IS LEFT TO BE DONE ?

1. Privatization of public port administration (as set out in the actual legislation);
2. Reduction of port bureaucracy;
3. Reduction of delays in the environmental licensing processes. The long period for obtaining environmental licensing affects all infrastructure sectors.

# What does Industry want? What is the goal?



That ships of this size can berth, load or unload at Brazilian ports, whether in public or private use terminals.

Container-ship with capacity to carry 15 thousand containers and able to travel from China to California in four days. Currently in Brazil the maximum ship capacity is 7400 containers.



In Brazil, after the New Ports Law, all legal infrastructure framework was modernized



It now remains to overcome old obstacles: bureaucracy and low efficiency of public administration.

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