

Brazilian Government launches new measures and concession projects with the purpose of leveraging its national infrastructure

In order to resume Brazilian economic growth, last Tuesday (2016/07/03), Brazilian government announced a new package consisting of 55 concessions which will become part of the Investment Partnerships Program IPP (*Programa de Parcerias de Investimentos - PPI*).

Among the announced measures, the IPP Board intends to rebid and promote early contract renewals as a way to enable new investments and develop the infrastructure sector.

The electric power sector leads the current package with the possibility of investments reaching R\$ 12.7 billion. Such investments correspond to 35 batches of transmission lines, with a total of 7,358 kilometers of power grid.

For the road and highways segment, the government will suggest the early termination of some bids, indemnifying the current concessionaires and promote studies that may make it easier for them to win the new bidding. Another outstanding project is the auction of a section of highway BR-101, in Santa Catarina, with bidding forecast for the first half of 2018.

For the port area, bids for four port terminals were also included in the list of measures, foresaw for the first half of 2018, as well on the possibility of early renewal of seven terminal contracts.

With regards to investments in the railway sector, which could reach up to R\$ 25 billion, the government announced it will promote the early contract renewal of the current concessionaires, as well as the concrete possibility of anticipating the concession process of Ferrogrão, which is only expected to occur in the second half of 2017. These measures aim to increase the capacity of five Brazilian railway networks.

The list also includes projects on privatization of 15 state sanitation companies, whose objective is to alleviate the financial crisis installed in the Brazilian states, but which will depend on the approval of the local legislative bodies.

The following are information on the concessions and measures issued by the PPI Council:

Transportation

Road and Highways' Sector:

- Bidding of one section of BR- 101, between Paulo Lopes and São João do Sul (SC);
- Rebid of one section of BR-116, between Rio and São Paulo (Nova Dutra);
- Rebid of one section of BR-116, in Rio de Janeiro (CRT);



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- Rebid of one section of BR-040, between Rio and Minas Gerais (Concer).

The Minister of Transport, Ports and Civil Aviation, Mauricio Quintela, assured the government will promote studies on the modeling of these highways biddings and will seek to adapt them so that there is no impediment of participation of the current concessionaires.

Railways' Sector:

- Renewal of America Latina Logistics' (ALL) concession agreement. Railway networks: São Paulo;
- Renewal of the MRS concession agreement. Railway networks: Minas Gerais, Rio de Janeiro and São Paulo;
- Renewal of the FCA concession agreement. Railway networks: Federal District, Goiás, Minas Gerais, São Paulo and Rio de Janeiro;
- Renewal of the EFC concession agreement. Railway networks: Pará and Maranhão;
- Renewal of the EFVM concession agreement. Railway networks: Minas Gerais and Espírito Santo;

The aforementioned five railway networks operate approximately 457 million tons a year and account for more than 90% of the total railway cargoes flow in Brazil. The government will promote the early renewal of concessionaire contracts, which in turn must invest about R \$ 25 billion to remain with the control of the concessions.

Ports' Sector:

- Consolidation of the Decal port terminal in Suape: R\$ 282.9 million in investments;
- Extension of the contract of the Terminal XXXIX of Santos – Caramuru Contract for 25 years: R\$ 252 million in investments; Contract ends on October 16, 2025;
- Extension of the contract for the Aratu S.A chemical terminal in the Port of Itaqui (MA): R \$ 145.7 million in investments;
- Extension of the contract for the Port of Santa Catarina terminal in São Francisco do Sul for 25 years: R \$ 138 million in investments;
- Public bid for the implementation of a new terminal for pulp handling in the Port of Itaqui: R \$ 221 million in investments; Forecasted for the first quarter of 2018;
- Public Bid for the implantation of the port terminal for vehicle movement in the Port of Paranaguá (PR): R \$ 72 million in investments; Forecasted for the first quarter of 2018;



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- Public bid for the implementation of the port terminal for pulp handling in the Port of Paranaguá;
- Contract extension of Container Termination Contract of Vila do Conde S.A. – Convicon for 10 years: R\$ 68.4 millions of investments;
- Rebid on the contract for the handling of wood chips in the Port of Santana (AP): R\$ 61 million in investments; Auction expected for the first quarter of 2018;
- Extension of the contract of the Nitshore Serviços Portuários S.A. terminal, not Port of Niterói , for 10 years: R\$ 40 millions in investments;
- Extension of the contract of the Nitport Serviços Portuários terminal in the Port of Niterói for 10 years: R\$ 23 millions in investments.

The most recent government-launched package contains leases of cargo handling areas at four port terminals, one in Amapá, one in Maranhão and two in Paraná, with a forecast for them to occur in the first half of 2018.

In addition, the government mentioned that among the measures to be adopted for the Ports' sector, that the government intends to carry out the early renewal of lease agreements for seven other port terminals, with a forecast of signing the contract additive for the second half of 2017.

Energy Sector:

There is a forecast to launch auctions for 35 lots of electric power transmission lines, which will cover a total of 7,358 kilometers of network grids, passing through the states of Alagoas, Bahia, Ceará, Maranhão, Mato Grosso do Sul, Pará, Paraíba , Paraná, Pernambuco, Piauí, Rio de Janeiro, Rio Grande do Norte, Rio Grande do Sul, Santa Catarina, São Paulo and Sergipe.

Considering the relevance of the subject and the possibilities of investment, Mattos Engelberg Attorneys at Law follows the development of these projects and is available to provide advice and clarify any doubts.

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