Machado Meyer

INFRASTRUCTURE AND ENERGY

NEW OPPORTUNITIES IN THE FEDERAL INFRASTRUCTURE SECTOR

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AUTHORS

JOSÉ R. PRADO JR.
PARTNER / SÃO PAULO

LUCAS SANT'ANNA
PARTNER / SÃO PAULO

The new stage of the Investment Program in Logistics (PIL), launched by the Federal Government on June 9, has brought opportunities to the infrastructure sector. With the new roadway, railway, port and airport concessions, as well as extensions of existing concessions, the Government foresees an injection of approximately R$198.4 billion in domestic infrastructure.

The funds will come from the private sector, since the calculation of the R$198.4 billion takes into account only the investments to be made by the concessionaires in the granted infrastructure. Thus, Dilma Rousseff?s government consolidates the option for partnerships as an efficient way to carry out essential investments in public infrastructure.

The road sector is the one with a more aggressive timeline for the start of the new concessions. Four lots of highways must already be tendered in 2015, while eleven will be postponed to 2016. This relative speed in highway concession can be attributed to the fact that it is the most mature sector among those involved in this PIL step. The long experience in Brazilian highway concessions leads us to believe that even though nothing has been announced so far, the concession model should be maintained. That is, the winner of the bid will be the bidder submitting the lowest toll rate.

If in the road sector, the expectation is to maintain the model already known, the concession model to be adopted by the railway sector, which shall receive the bulk of investments, still awaits a definition. The Government talks about adopting specific solutions in view of the characteristics and peculiarities of each of the railroads. In any case, it seems that the current vertical model is discarded. In the non-vertical model, it will be up to the concessionaires to explore the infrastructure, and to the independent railway operators, to provide transport services.

As for the ports, as the Brazilian Federal Court of Auditors recently approved the studies of these bids, they are expected to occur already in 2015. The Government separated the port terminal leases (public ports) into two blocks. Also in this segment, the issuance of 63 permits for the implementation of private use terminals is expected.

With regard to airports, the Federal Government began the process for expression of interest, by which the private sector may submit studies for modeling the next concessions handled by Infraero in the Cities of Fortaleza, Salvador, Florianópolis, and Porto Alegre. The deadline for expressing an intention to submit studies ends on June 30 this year. Those who are allowed to submit studies will have 90 days to prepare and then deliver them to ANAC for consideration. PIL also provides for the concession of seven regional airports in São Paulo, and one in Goiás.

It is also expected that BNDES will continue to play an important role in financing the federal infrastructure. In any event, the Federal Government intends to increase the participation of capital markets, through measures encouraging the issuance of infrastructure debentures. Thus, the higher the percentage of investment financed with the use of these mechanisms, the greater the percentage of financing with BNDES, indexed by TJLP, which means lower interest rates to investors.

In this scenario, it is expected that the new stage of the PIL and the Government incentive measures shall create a more conducive environment for resumption of private investments in the country?s infrastructure.