





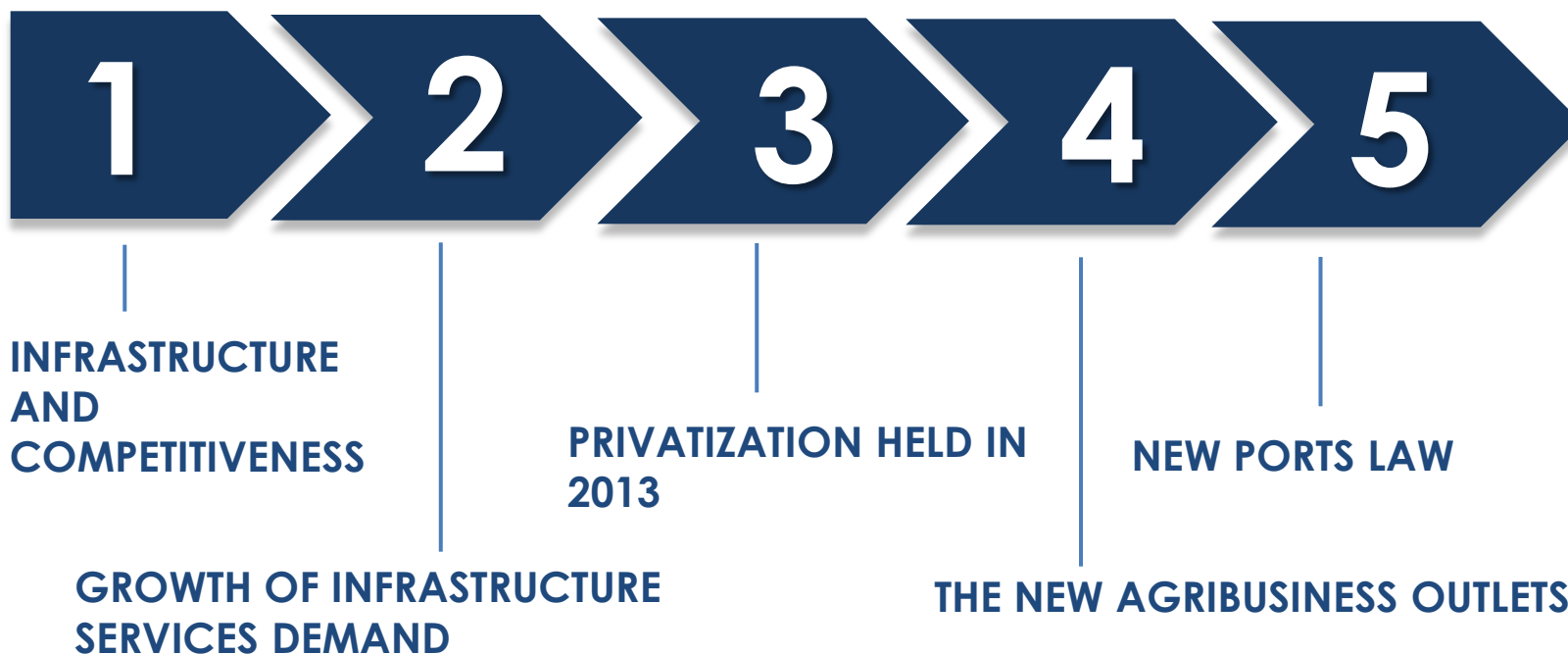
Infrastructure Overview and Ports Regulatory Framework

1st CNI DIPLOMATIC BRIEFING

Wagner Ferreira Cardoso
Executive Secretary of Infrastructure
National Confederation of Industry

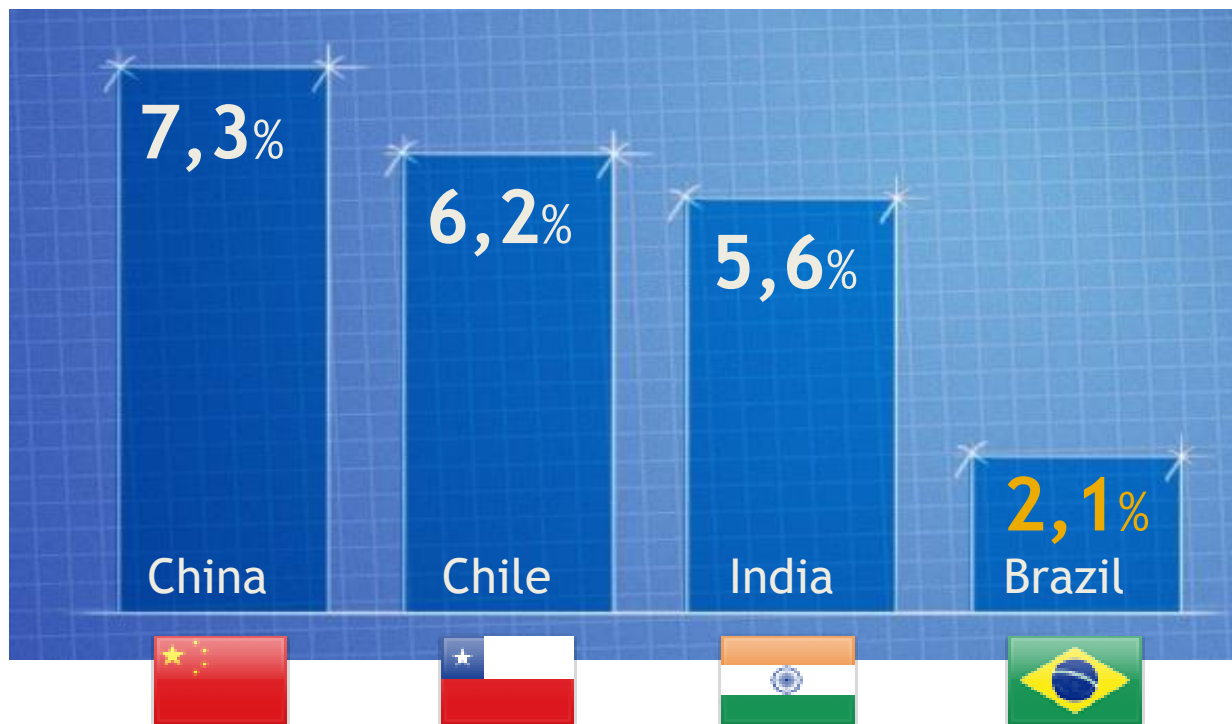


Summary



Brazil's infrastructure debt

Infrastructure Investment as a Percentage of GDP (average value 2000-2010)



Brazil invests
US\$ 46 billion
per year on average in
infrastructure

At least
5% of its GDP
(US\$ 110 billion/year)
should be invested

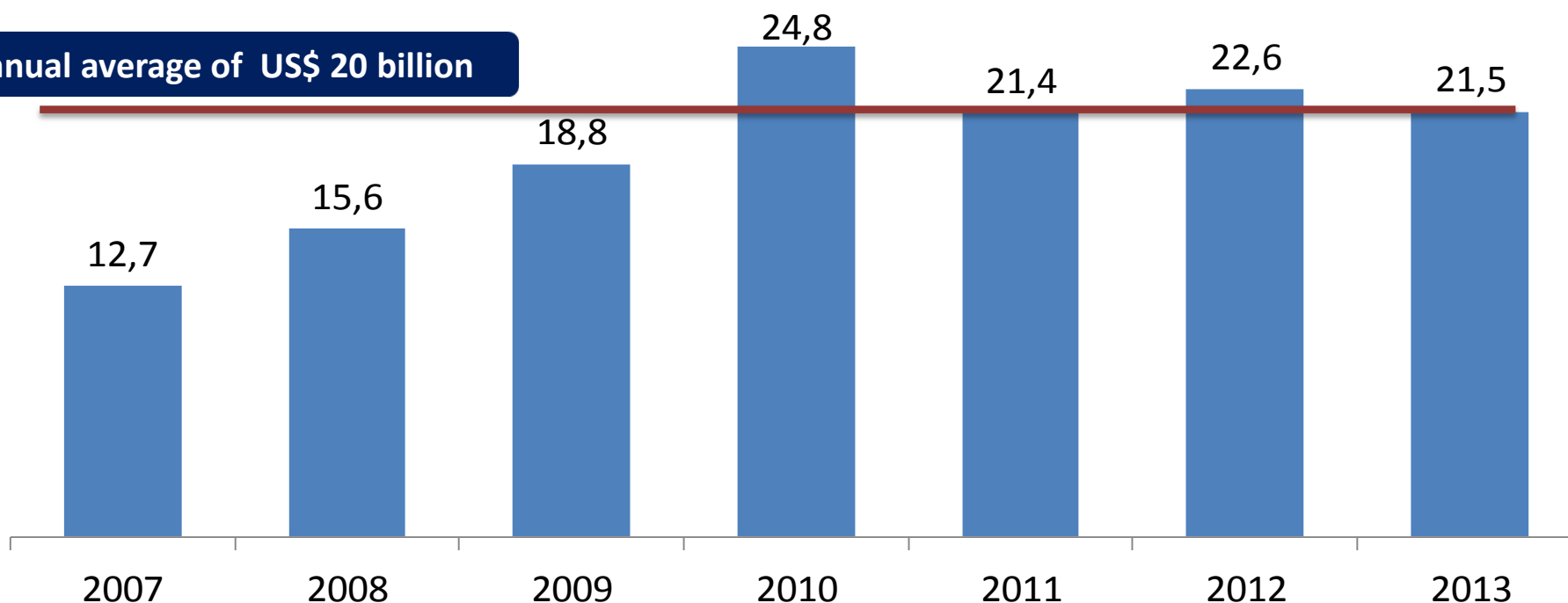
US\$ 64 billion
annual deficit



The average Federal investment in recent years is less than that required to reduce the deficit of infrastructure.

Total investment of the Federal Government - Constant values (US\$ billion)

Annual average of US\$ 20 billion

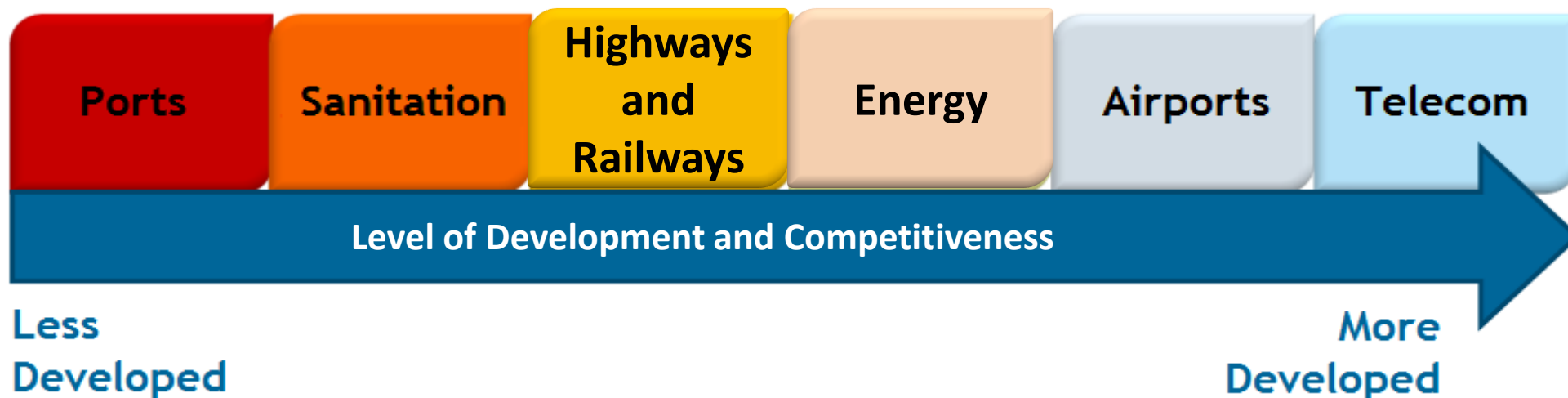


Total payment in fiscal year plus paid unpaid balance. Restatement based on FGV's index IGP-DI

Source: Data base of Contas Abertas

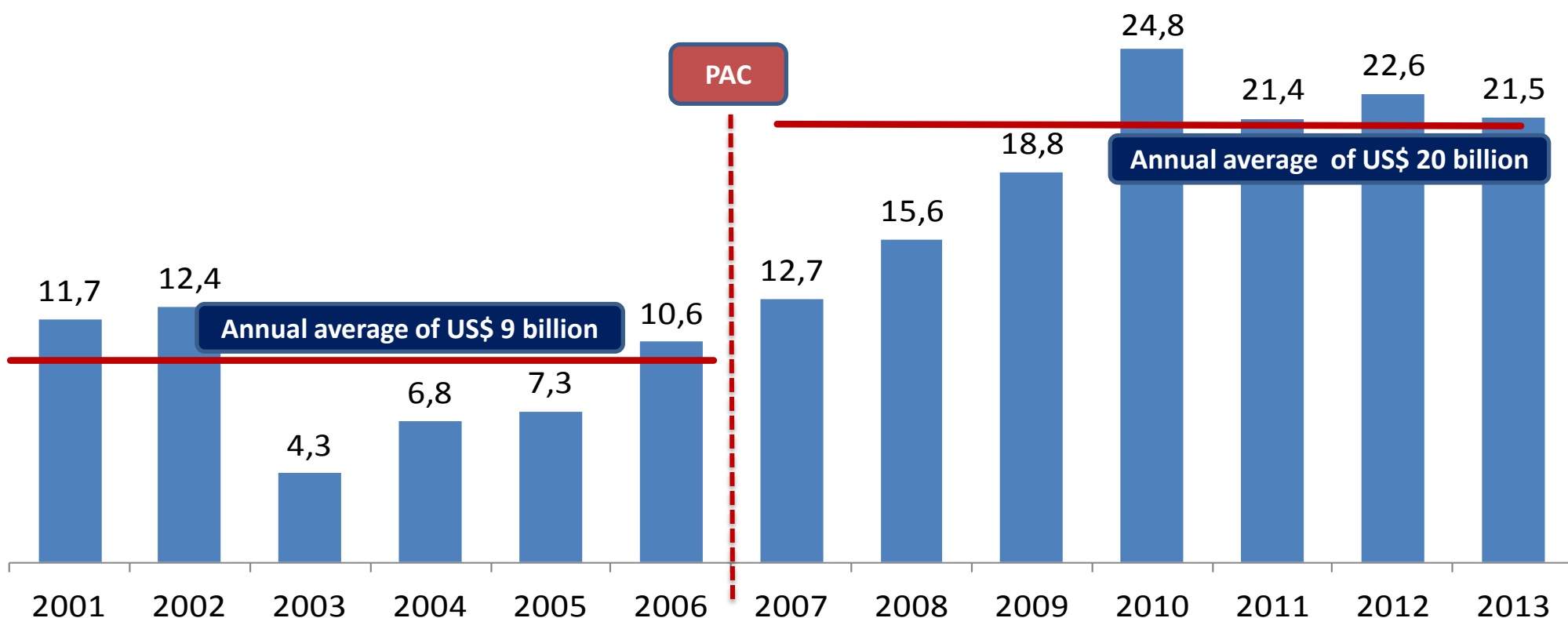
Note: Exchange rate: 2,2 R\$/US\$

How the areas of infrastructure are perceived by Industry:



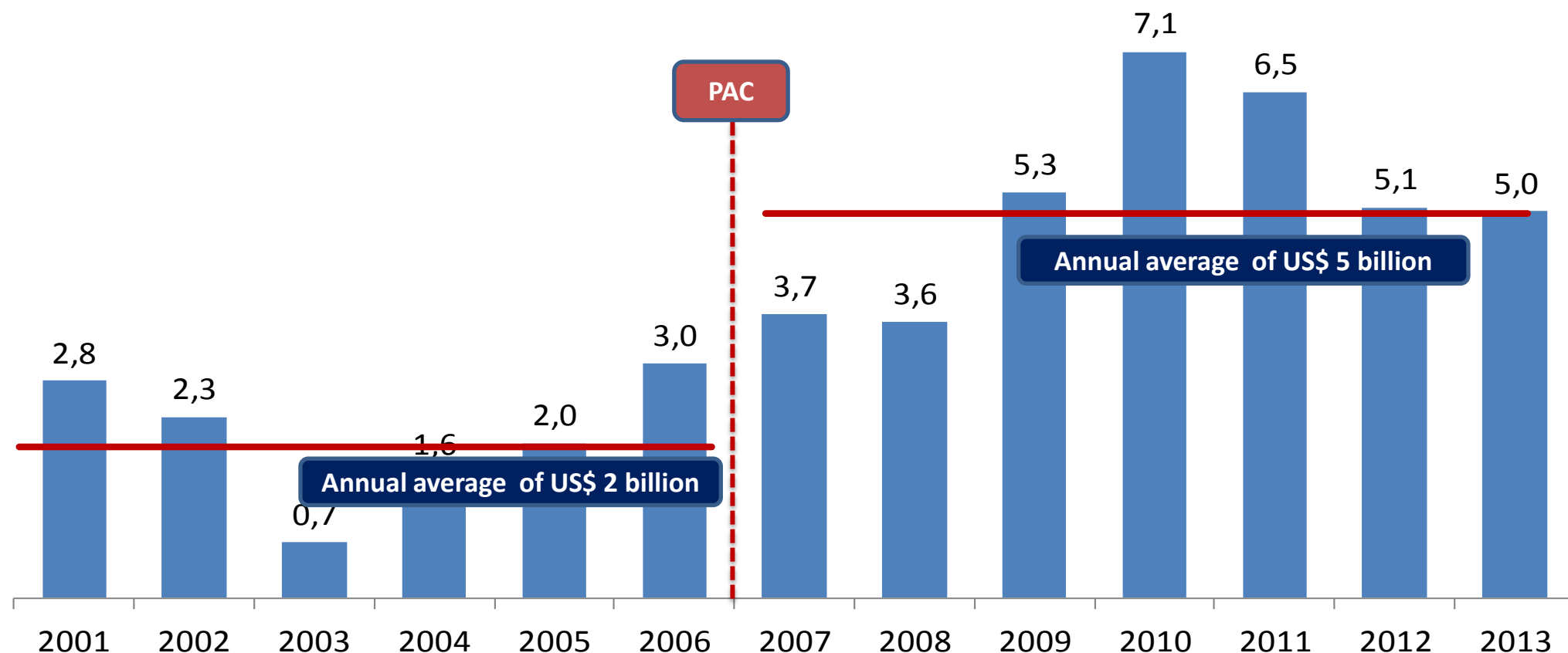
Federal Investments: PAC was an advance and has increased investments.

Total investment of the Federal Government - Constant values (US\$ billion)



Transport: PAC has increased investments.

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

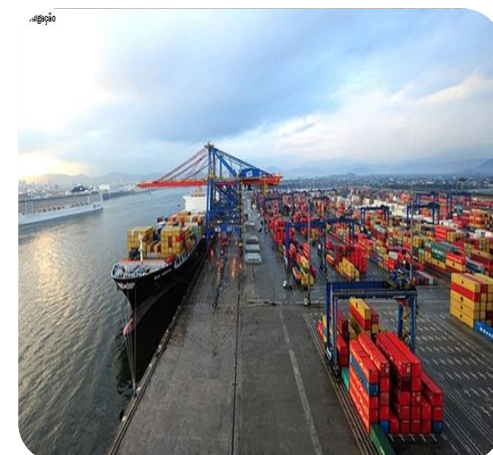
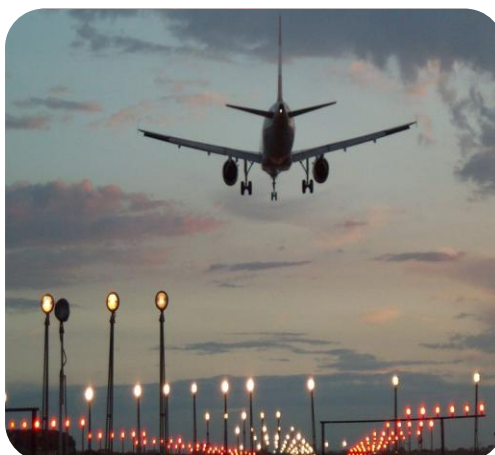


Total payment in fiscal year plus paid unpaid balance. Restatement based on FGV's index IGP-DI

Source: Data base of Contas Abertas









Note: Exchange rate: 2,2 R\$/US\$

Growth in demand for services has made the problem worse

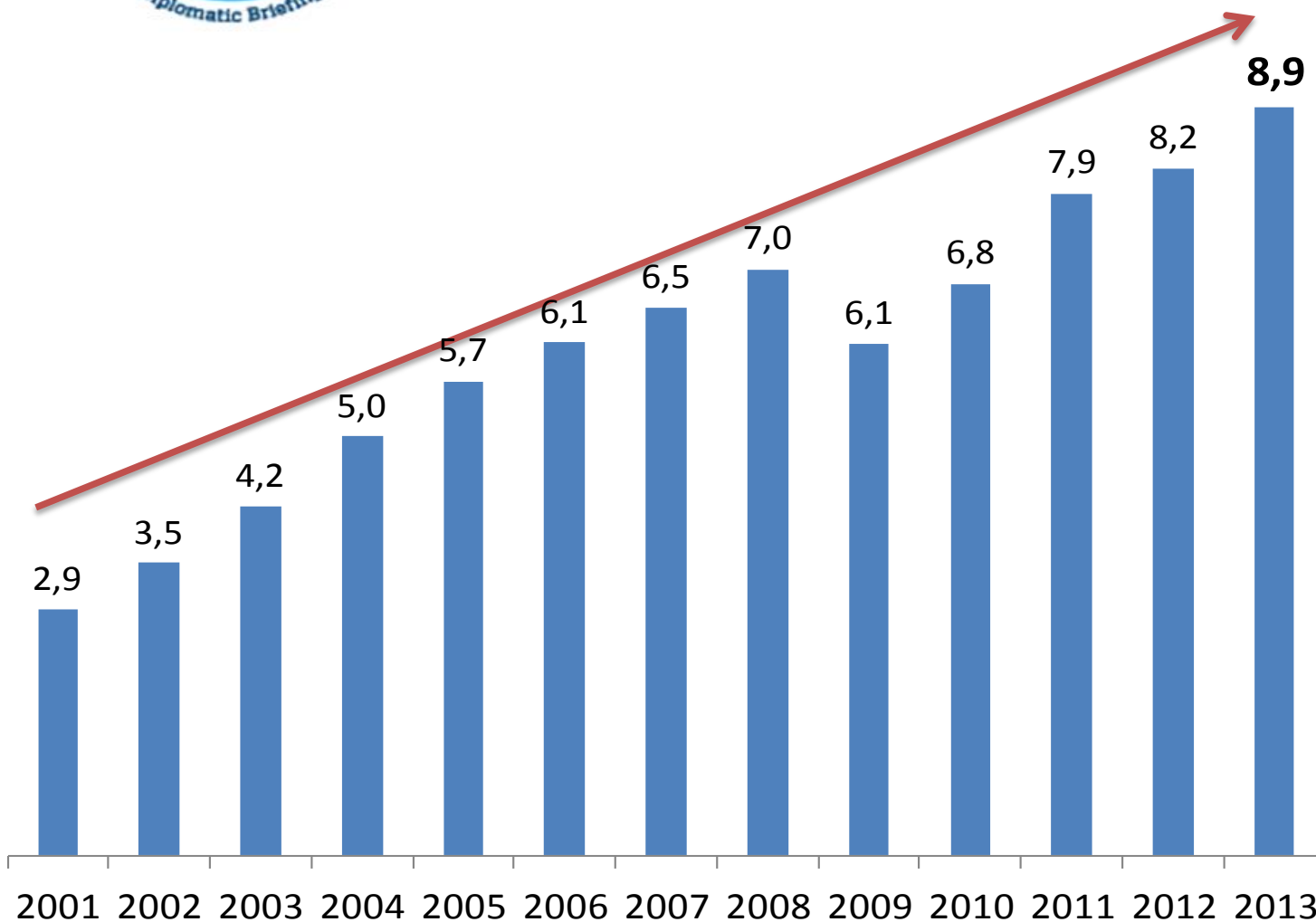


Despite important advances with PAC, the infrastructure services expansion rate has been lower than the growth of demand

Rapid growth of infrastructure services demand:

Infrastructure Demand		Demand 2002	Demand 2012	Average annual growth (2002-2012)
	Air traffic (million passengers yearly)	35,9	101,4	11%
	Road traffic (millions of vehicles per km/year)	56,5	105,5	6%
	Automobile sales (million units per year)	1,5	3,8	10%
	Railway revenues (US\$ billion/year)	168	298	6%
	Ports trade flow (million tonnes/year)	570,8	904	5%
	Containers handling (million TEUs)	3,5	8,2	9%
	Grain production (million tonnes/year)	119,1	166,2	3%
	Trade flow (US\$ billion)	107,7	465,7	16%

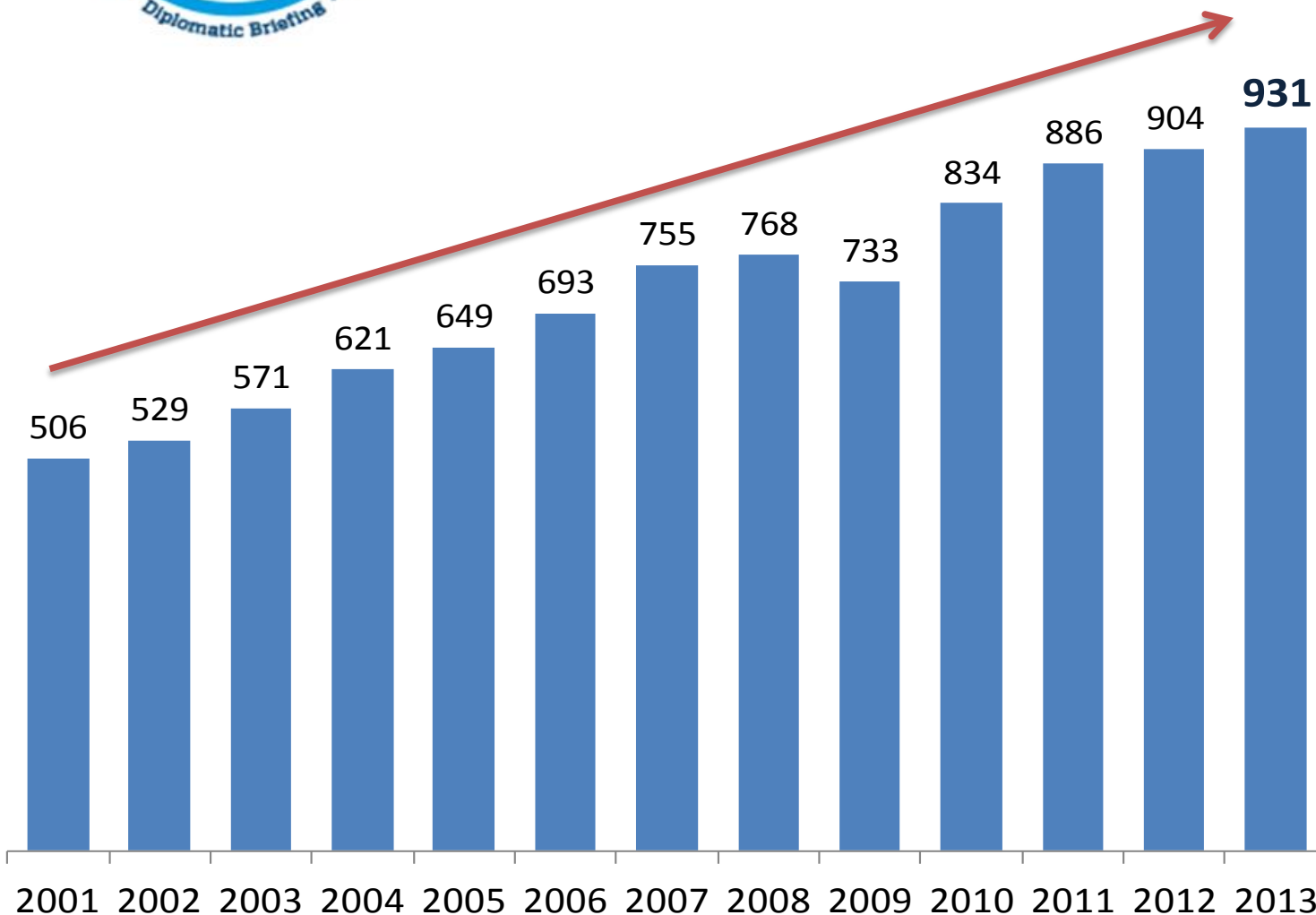
Containers volumes in Brazilian Ports (million TEUs)



Average growth of
10% per year

Total growth of
204%

Total cargo movement in Brazilian ports (million tons)



Average growth of
5% per year

Total growth of
84%



Major privatizations of 2013:

I. Oil and gas:

- Auction of Libra Field (1º pre-salt – contract of R\$ 15 billion),
- 11th Bid Round of Oil and Gas block (first bidding rounds after 4 years)

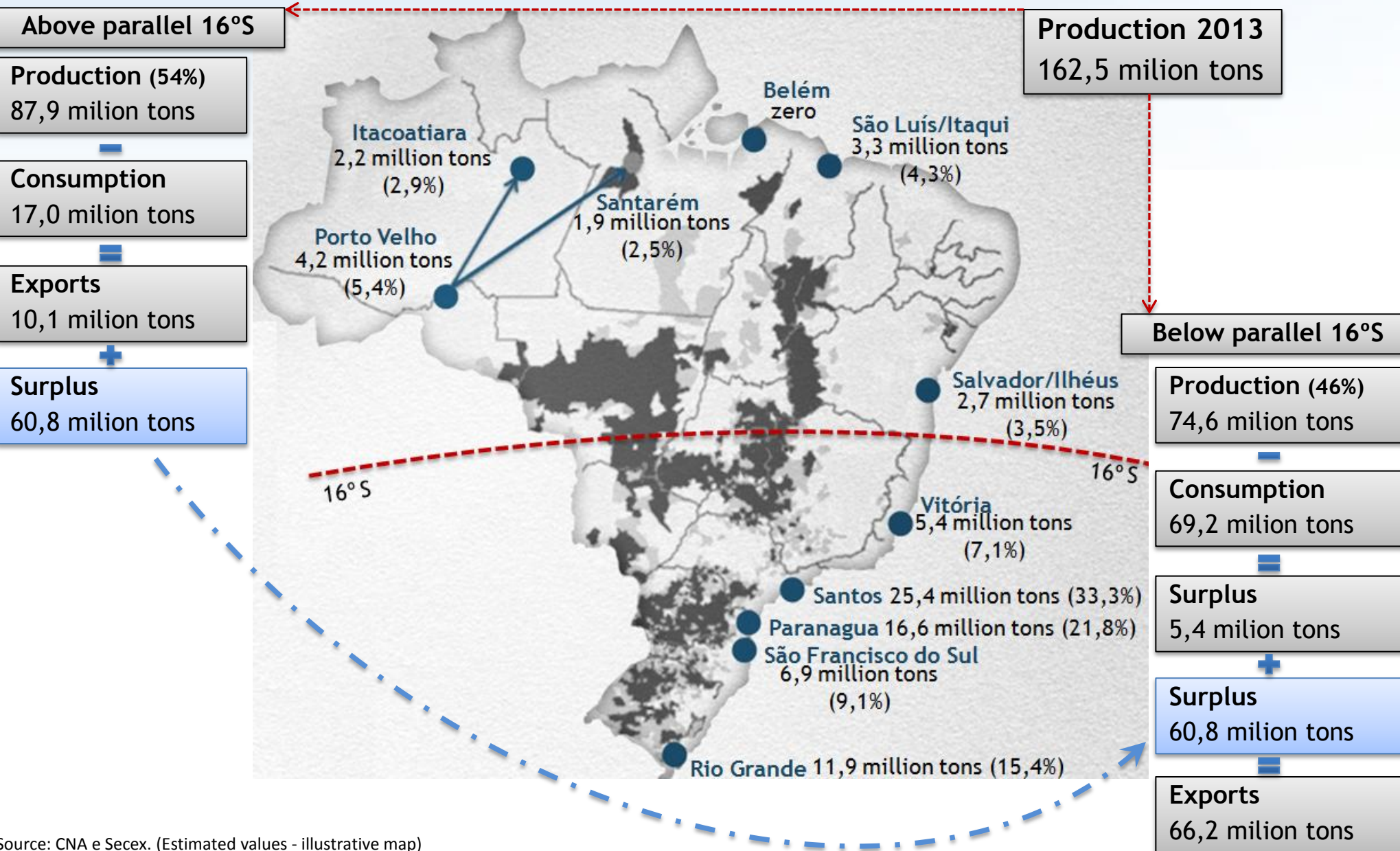
II. Airports: transfer to the private sector of the airports administration of Confins / MG and Galeão / RJ (Brazil's 5 major airports are privatized);

I. Roads: Bidding five road stretches totaling 4,248 km and investments of R\$28 billion. In 2013, road concessions represent 53% of total federal roads granted.

I. Prospects for 2014: Rental of port areas (159 areas) and several rail segments (part of the Investment Program in Logistics - PIL).

The Government realized that the recovery of the deficit of infrastructure depends on the effective participation of the private sector in investment and management

THE NEW AGRIBUSINESS OUTLETS

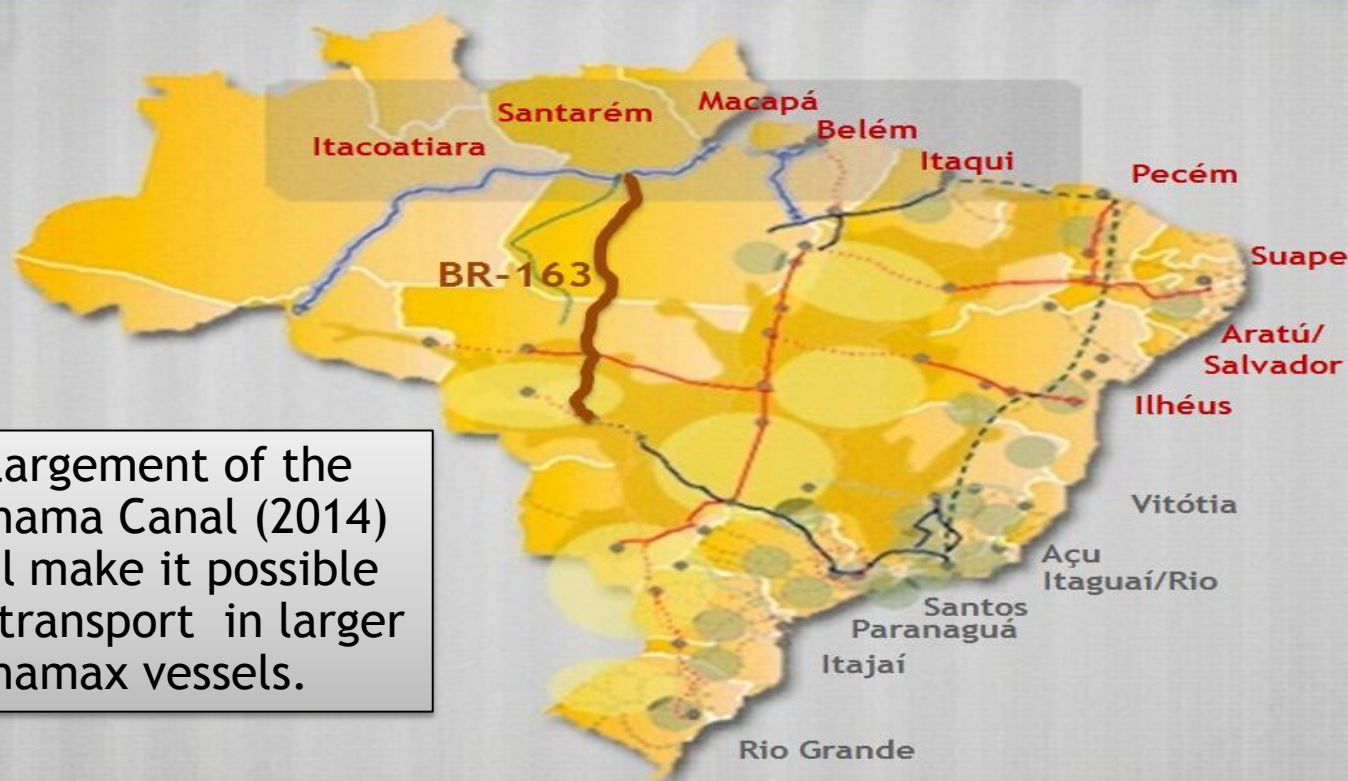


Source: CNA e Secex. (Estimated values - illustrative map)

BR-163: A new cargo route

All ports need huge investments and integration of new areas for load, handling and storage

Enlargement of the Panama Canal (2014) will make it possible to transport in larger Panamax vessels.





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

Before



After



BR 163 Cuiabá-Santarém)



New Ports Law (approved in June 2013)

- ▶ Brazilian ports are the main bottleneck of our supply chain. Its low efficiency and saturation come undermining the competitiveness of the Brazilian economy for several years.
- ▶ The New Law assumed that the expansion of large public ports faced difficulties because they have been surrounded by urban growth along the years;
- ▶ Law removed all barriers to the development of private terminals outside the public port area.

**Increasing load + lack of new areas for cargo handling =
congestion + increased costs**



In Brazil there are several types of port terminals. The main ones are:

Terminal leased within the public port	Private Terminal
✓ Operated by private enterprise	✓ Operated by private enterprise
✓ Need to bid	✓ Need for authorization
✓ The area is owned by the state	✓ The area is private property
✓ 25-year contracts with the same period of renewal	✓ Contracts eligible for successive renewals

New Ports Law: opens the possibility of new private terminals



Private Terminals (TUPs)

REGION	Nº
Southwest	39
North	35
South	29
Northeast	19
Midwest	6
TOTAL	128

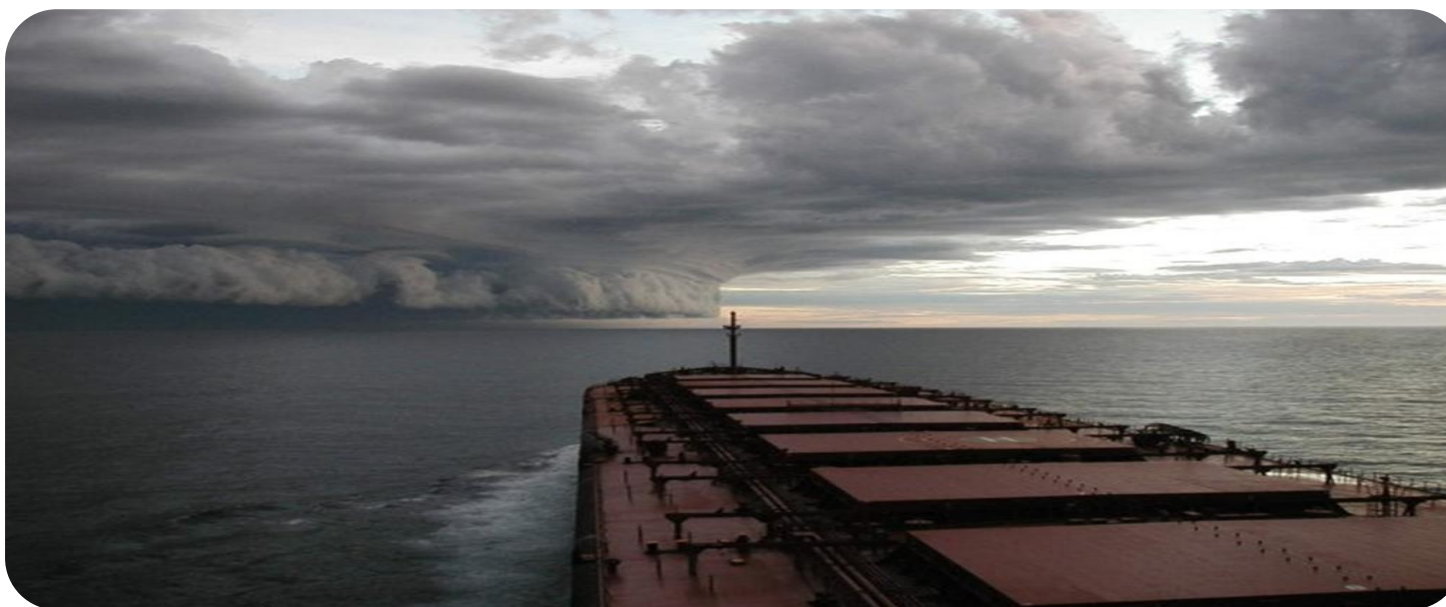
- Since the New Law's approval, **19 new private terminals** had their construction authorized by the government, totalizing R\$ 8,6 billion in investments.

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.

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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