

**Associação Brasileira da
Infra-estrutura e Indústrias de Base
(Brazilian Association of Infrastructure
and Basic Industries)**

**“NEW INVESTMENT OPPORTUNITIES
IN INFRASTRUCTURE”**

**Paulo Godoy
President**



**XII Joint Meeting: Brazil – Japan Economic Cooperation Committee
(March 2007)**



PRESENTATION SUMMARY

- ✓ **ABDIB AND INFRASTRUCTURE**
- ✓ **SECTOR CHALLENGES AND OPPORTUNITIES**
- ✓ **SECTOR DEMANDS**
- ✓ **PAC**



ABDIB AND INFRASTRUCTURE



ABDIB AND INFRASTRUCTURE

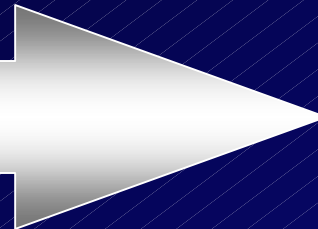
- ➔ **FOUNDED IN 1955 IN SÃO PAULO.**
- ➔ **DURING THE 60, 70 and 80's : PROMOTED THE FIRST LARGE PROJECTS IN THE SECTOR .**
- ➔ **DURING THE 90's : HELPED TO START PRIVATE INITIATIVE INVESTMENT IN INFRASTRUCTURE.**
- ➔ **TODAY : CONTRIBUTING TO IMPROVE CURRENT BUSINESS ENVIRONMENT AND TO ATTRACT INVESTMENT FROM ALL PARTNER COUNTRIES.**



ABDIB PROFILE



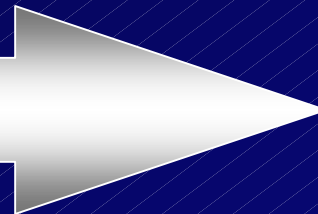
MEMBERS



160



REVENUE 2005



138

**US\$ BILLION
(17% GDP)**

EMPLOYEES

305,000



ABDIB's POSITIVE AGENDA

- RATIFY IMPORTANCE OF PRIVATE CAPITAL PARTICIPATION IN INFRASTRUCTURE**
- ESTABLISH CLEAR AND STABLE INSTITUTIONAL RULES**
- CONSOLIDATE REGULATORY AGENCIES WITH AUTONOMY AND INDEPENDENCE**
- DEFINE A SET OF STRUCTURING PROJECTS**
- CREATE ALTERNATIVE MECHANISMS FOR FINANCING**



SECTOR CHALLENGES AND OPPORTUNITIES



INVESTMENT DEMAND FOR INFRASTRUCTURE

ELECTRIC POWER	US\$ 7.6 B
OIL & GAS	US\$ 14.5 B
TRANSPORTATION/ LOGISTICS	US\$ 7.8 B
BASIC SANITATION	US\$ 4.4 B
TELECOMMUNICATION	US\$ 6.1 B
TOTAL	US\$ 40.4 B /year

US\$ = R\$ 2,17



INVESTMENT IN INFRASTRUCTURE IN 2006 *

ELECTRIC POWER	US\$ 5.4 B
OIL & GAS	US\$ 13.8 B
TRANSPORTATION/ LOGISTICS	US\$ 3.0 B
BASIC SANITATION	US\$ 1.7 B
TELECOMMUNICATION	US\$ 6.4 B
TOTAL	US\$ 30.3 B

* Last estimate



INVESTMENT EVOLUTION

INVESTMENT IN INFRASTRUCTURE
IS STILL FAR FROM NECESSITY





SECTOR CHALLENGES AND OPPORTUNITIES

→ ELECTRIC POWER

DEMAND FOR INVESTMENT NEXT YEARS	
SEGMENT	US\$ B/year
Generation	4.2
Transmission	1.4
Distribution	2.0
TOTAL	7.6



SECTOR CHALLENGES AND OPPORTUNITIES

→ OIL & GAS

INVESTMENT DEMAND FOR E&P, DOWNSTREAM, GAS and POWER (2007-2011)

Petrobrás	US\$ 60.0 B
Private investors	US\$ 12.5 B
Total	US\$ 72.5 B



SECTOR CHALLENGES AND OPPORTUNITIES

→ TRANSPORTATION

YEARLY DEMAND FOR INVESTMENT

SEGMENT	US\$ B/year
ROADWAYS	6.0
RAILWAYS	1.3
PORTS	0.3
HYDROWAYS	0.2
TOTAL	7.8



SECTOR CHALLENGES AND OPPORTUNITIES

→ BASIC SANITATION

➤ Reality versus demand for resources

- Investment required to universalize services in 20 years

(US\$ billion)

▪ water	33.2
▪ sewage collection	38.7
▪ sewage treatment	16.6
▪ Total	88.5

- Represents around US\$ 4.4 billion/year or 0.63% GDP

- Average Investment:

- 1991-94 → 0.13% GDP
- 1995-00 → 0.25% GDP
- 2001-04 → 0.18 % GDP



SECTOR DEMANDS



SECTOR DEMANDS

→ FINANCING SOURCES

- ▶▶ NAT'L & INT'L BANKS / PROJECT FINANCE
- ▶▶ EQUITY FUNDS: SPECIAL INVESTMENT FUNDS
- ▶▶ CONCESSIONS
- ▶▶ PPP's



SECTOR DEMANDS

→ **PPP – PUBLIC PRIVATE PARTNERSHIPS**

- ▶ **LEGISLATION : Available at Federal and State levels**
- ▶ **CONTRACTS WITH LONG TERM LIABILITY : reliability**
- ▶ **GUARANTEE FUND: R\$ 6 billion, with quality assets, managed by B. Brazil**



PAC

GROWTH ACCELERATION

PROGRAM



PAC IN SUMMARY

SET OF NEW MEASURES FOR:

- ❑ REDUCTION OF TAX BURDEN (Ex. PIS/COFINS = zero on goods and services for infrastructure projects)
- ❑ IMPROVEMENT OF TAX SYSTEM (Ex. extended due dates for collection of some taxes)
- ❑ IMPROVEMENT OF INVESTMENT ENVIRONMENT (Ex. law bill to regulate public competences on environmental matters)
- ❑ INCENTIVE TO CREDIT AND FINANCING (Ex. reduction of BNDES interest rates, new investment fund)
- ❑ PAC PROGRAM MANAGEMENT (3 Ministries: Planning, Finance and Civil Cabinet)

OVER 1,000 IDENTIFIED PROJECTS



EXPECTED INVESTMENT (2007 – 2010)

	Sector	(R\$ Million)
TRANSPORTATION		47,700
NAVAL INDUSTRY		10,580
POWER	ELECTRIC	78,470
“	OIL & GAS	178,950
“	BIO FUEL	17,404
SOCIAL & URBAN	SANITATION	40,000
“	SUBWAYS	3,127
“	HOUSING	106,300
“	OTHERS	21,358
TOTAL		503,889*

* ABDIB first estimate: 40% private, 60% public



KEY PROJECTS BY SECTOR

FEDERAL ROADWAY CONCESSION PLAN (2nd PHASE)

Project	Roadway	Section	Extension (Km)	Estimated Investment (US\$ million)
1	BR-153/SP	Div.MG/SP-Div.SP/PR	322	213.8
2	BR-116/PR/SC	Curitiba – Div. SC/RS	413	220.7
3	BR-393/RJ	Div.MG/RJ-Entr.BR-116 (Via Dutra)	200	158.3
4	BR-101/RJ	Pte.Pres.Costa e Silva – Div. RJ/ES	320	360.5
5	BR-381/MG/SP	Belo Horizonte – São Paulo	562	569.7
6	BR-116/SP/PR	São Paulo – Curitiba	402	636.4
7	BR-116/376/PR BR-101/SC	Curitiba – Joinville – Florianópolis	382	533.8
Total			2,601	2,693.2



KEY PROJECTS BY SECTOR

TRANSPORTATION

- ✓ **Railway Projects (for concessions):**
 - **North - South (Tocantins State, Goias State)**
 - **New Trans-northeast**
 - **Ferronorte (Mato Grosso State)**

- ✓ **Airport Modernization and Expansion Program:**
 - **22 locations (total BR\$ 3 billion)**

- ✓ **PPP Projects:**
 - **BR 116 – BR 324 Federal Roads**
 - **Rio de Janeiro Roadway Ring**
 - **Sao Paulo Railway Ring**



KEY PROJECTS BY SECTOR

PORTS PROGRAM

estimated US\$ million

□ Santos (São Paulo State)	120
□ Sepetiba (Rio State)	13
□ Rio de Janeiro (Rio State)	20
□ Itajaí (Santa Catarina State)	20
□ São Francisco do Sul (Santa Catarina State)	13



KEY PROJECTS BY SECTOR

ELECTRIC POWER

- ✓ **Generation Projects (total = 12,386 MW; BR\$ 65.9):**
 - Rio Madeira (Jirau = 3,300 MW, Santo Antonio = 3,150 MW)
 - Estreito = 1,087 MW
 - Belo Monte (1st phase) = 5,681 MW (total = 11,000 MW)

- ✓ **Transmission Projects (total = 13,826 km; BR\$12.5):**
 - North – South III
 - Interconnection Madeira project x Sao Paulo State
 - Interconnection North – Northeast
 - Santa Cruz (Rio Grande do Sul State)



KEY PROJECTS BY SECTOR

OIL & GAS

✓ E & P Projects:

- 7 fields = 1,180,000 barrels/day

✓ Oil transportation:

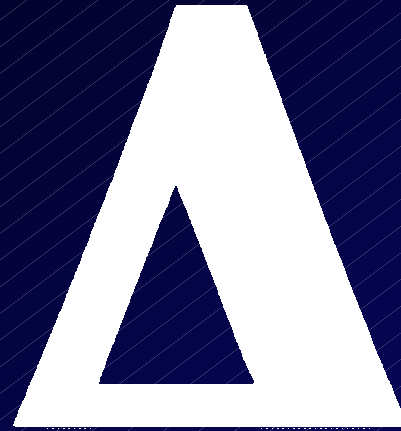
- 42 new ships

✓ Natural Gas Projects:

- Santos Field = 15 MM m³/day
- Espirito Santo State Field = 3.5 MM m³/day

✓ Gas Pipelines:

- Southeast – Northeast = 1,371 km (“Gasene”)



ABDIB

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