

Brazilian Port System: The New Regulatory Framework and Investment Programs

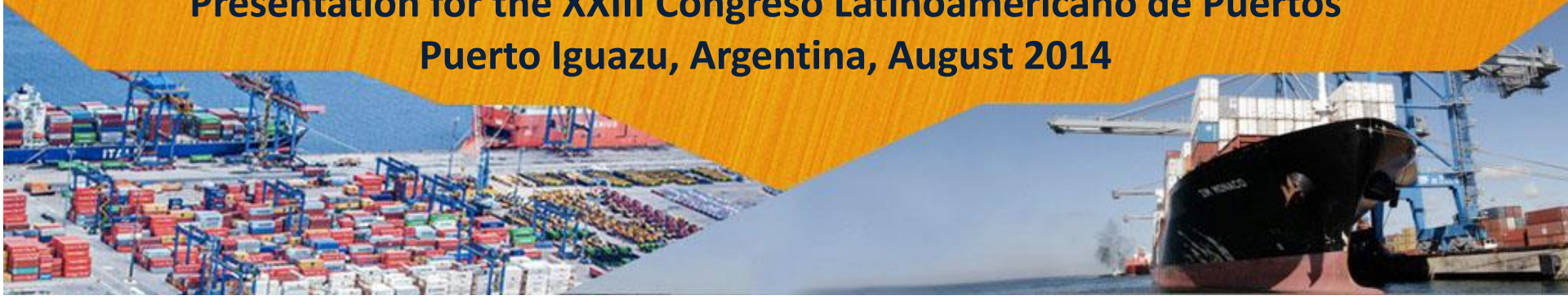
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Executive Secretary

Secretariat of Ports of Brazilian Presidency

Presentation for the XXIII Congreso Latinoamericano de Puertos

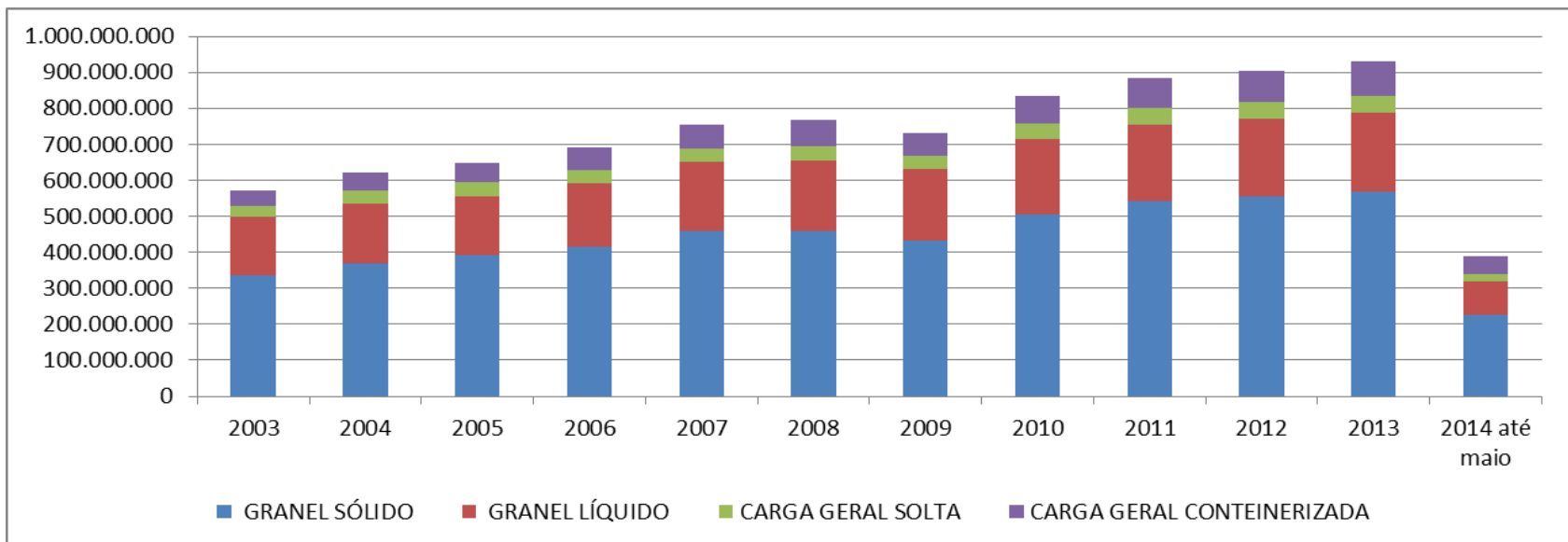
Puerto Iguazu, Argentina, August 2014



Law 12.815 & Decree 8.033 – Main Objectives

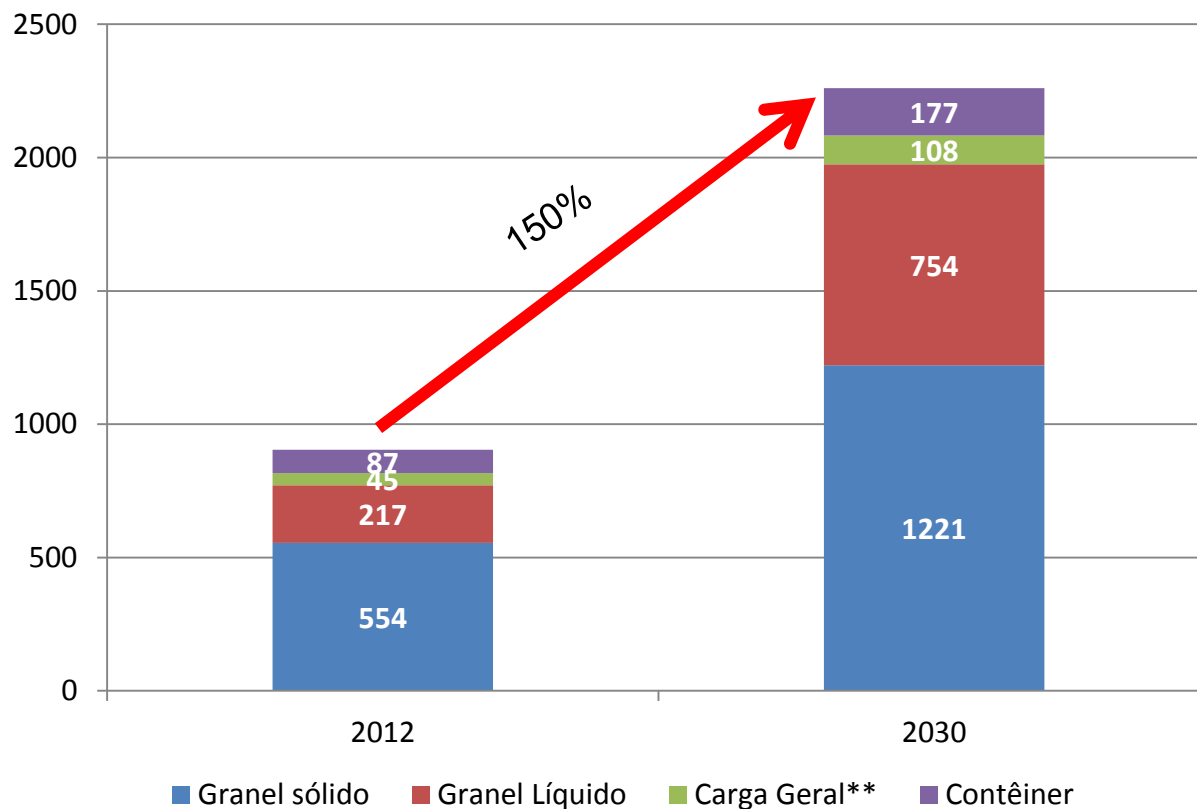
Brief Diagnosis:

- 1990's: growth related to a more efficient use of the existing capacity.
- 2000's+: foreign trade boom shows pitfalls in port infrastructure
 - From 2003 to 2013 Brazil experienced a 63% increase in port activity
 - The previous regulatory framework gave rise to barriers for entry on public ports – usually the Port Authority Councils (CAP) prevented new entries



Law 12.815 e Decree 8.033 – Main Objectives

Prospects on demand growth for port infrastructure



Expected Growth Rates

Per cargo type
(2010-2030)

POR NATUREZA DA CARGA	
Granel Sólido	5.68% ao ano
Granel Líquido	6.81% ao ano
Carga Geral**	3.37% ao ano
Contêiner	6.33% ao ano
Total	5.70% ao ano

Law 12.815 & Decree 8.033 – Main Objectives

Eliminate Barriers for Entry

- Expand port infrastructure: concession of more areas on public ports (both new areas or areas without contract); more authorizations for private terminals.
- No more distinction between own cargo and third party cargo.

Cost Reduction

- Least tariff as bidding criteria, when possible, and incentives for capacity expansion.
- Regulation of other costs – e.g. pilots fee.

More Efficient Terminals

- Reorganization of existing areas on public ports

Improved Port Management

- Simplified procurement rules
- Performance targets for port managers

Port Planning

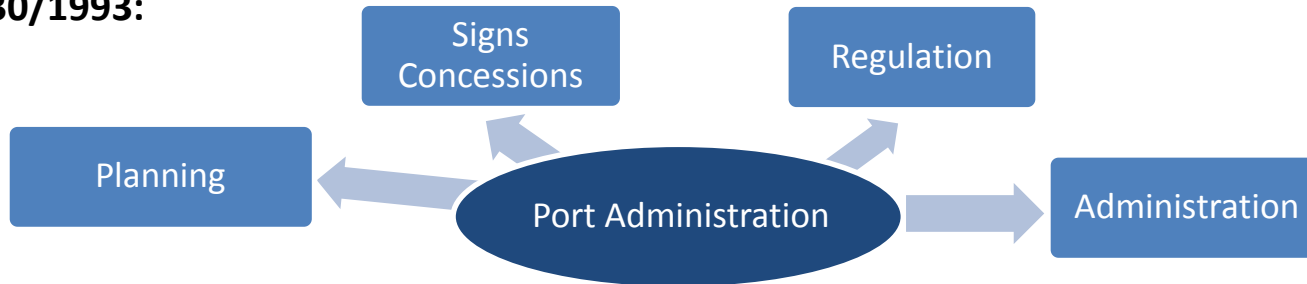
Reestructuring Port Planning System:

- National Port Logistic Plan (PNLP) at Secretariat of Ports
 - At local level each port has a master plan and a operational plan
 - National Plan for Integrated Logistics sets parameters for PNLN
- National Dregeging Plan v.II
- Integration of authorities that act on port system (customs, health, agriculture, security) on a permanent committee - CONAPORTOS

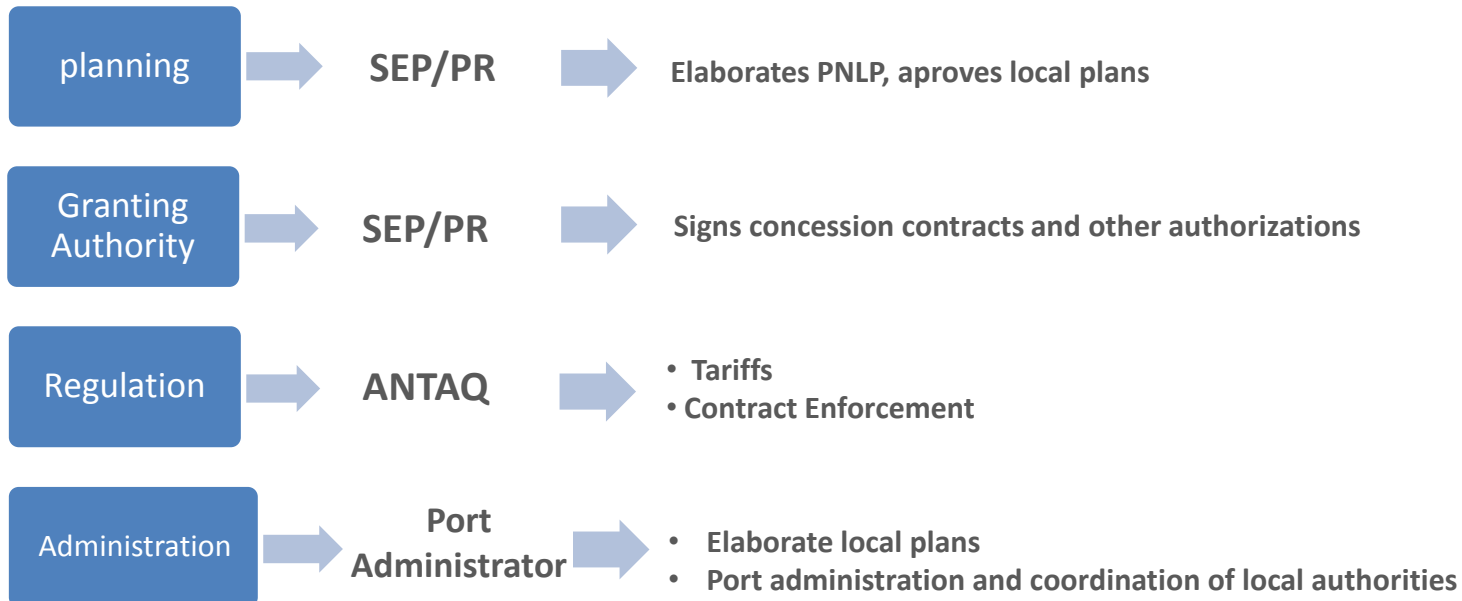
Reorganizing Responsibilities

Institutional Framework

Law nº 8.630/1993:



Law nº 12.815/2013:



Initiatives for Expansion of Port Infrastructure

Three major investment programs:

- Terminal Concession on Public Ports
- Authorization of Private Terminals
- Early renewal of post-1993 contracts

Public Ports – New Concessions

Capacity Expansion

219

**million
ton/year**

Expected
Investment
Value

**R\$ 14,8
billions**

159 areas (42 greenfield + 117 existing) rearranged into 86 new terminals

Public Ports – New Concessions

Santos & Pará

29 terminals

Investments
R\$ 5,7 bi

Capacity Increase
(ton)
47 mi

Studies – OK
Public Hearings – OK
Waiting for TCU's Approval

Paranaguá, São Sebastião & Bahia

22 terminals

Investments
R\$ 5,8 bi

Capacity Increase
(ton)
99 mi

Studies – OK
TCU determined
additional public
hearings

Northeast 17 terminals

Investments
R\$ 1,2 bi

Capacity Increase
(ton)
35 mi

Studies - OK

South, Rio & Espírito Santo

18 terminals

Investments
R\$ 2,1 bi

Capacity Increase
(ton)
38 mi

Studies - OK

86 new terminals
R\$ 14,8 bi in investments
219 million ton/year of additional capacity

Private Terminals – Objectives

- The previous regulations limited the handling of third party cargo on private terminals
 - During the last decade, three private container terminals were authorized; a legal dispute with the terminals on public ports emerged
- The new law removed the restrictions and gave legal support for those terminals, but prevented the authorizations of additional private terminals on the public port area.
 - Additionally, the Decree 8.033 provided a simple and transparent process for awarding new authorizations for private terminals.
 - The rationale is promote investment on new infrastructure and impose a competitive pressure on public ports.

Private Terminals: Public Announcements

Private terminal authorization pipeline: overall position in August, 1st 2014.

		Number	Investment (R\$ billion)	Capacity (million ton/year)			
				Granel sólido	Granel Líquido	Carga geral	Total
Contracts Awarded		24	9,4	75,0	-	53,1	128,1
Proposals on Pipeline	Habilitated	38	4,9	39,3	25,3	5,9	70,5
	On public announcement	8	7,0	-	70,9	0,3	71,2
Total		70	21,3	114,3	96,2	59,4	269,9

Private Terminals – New and Existing

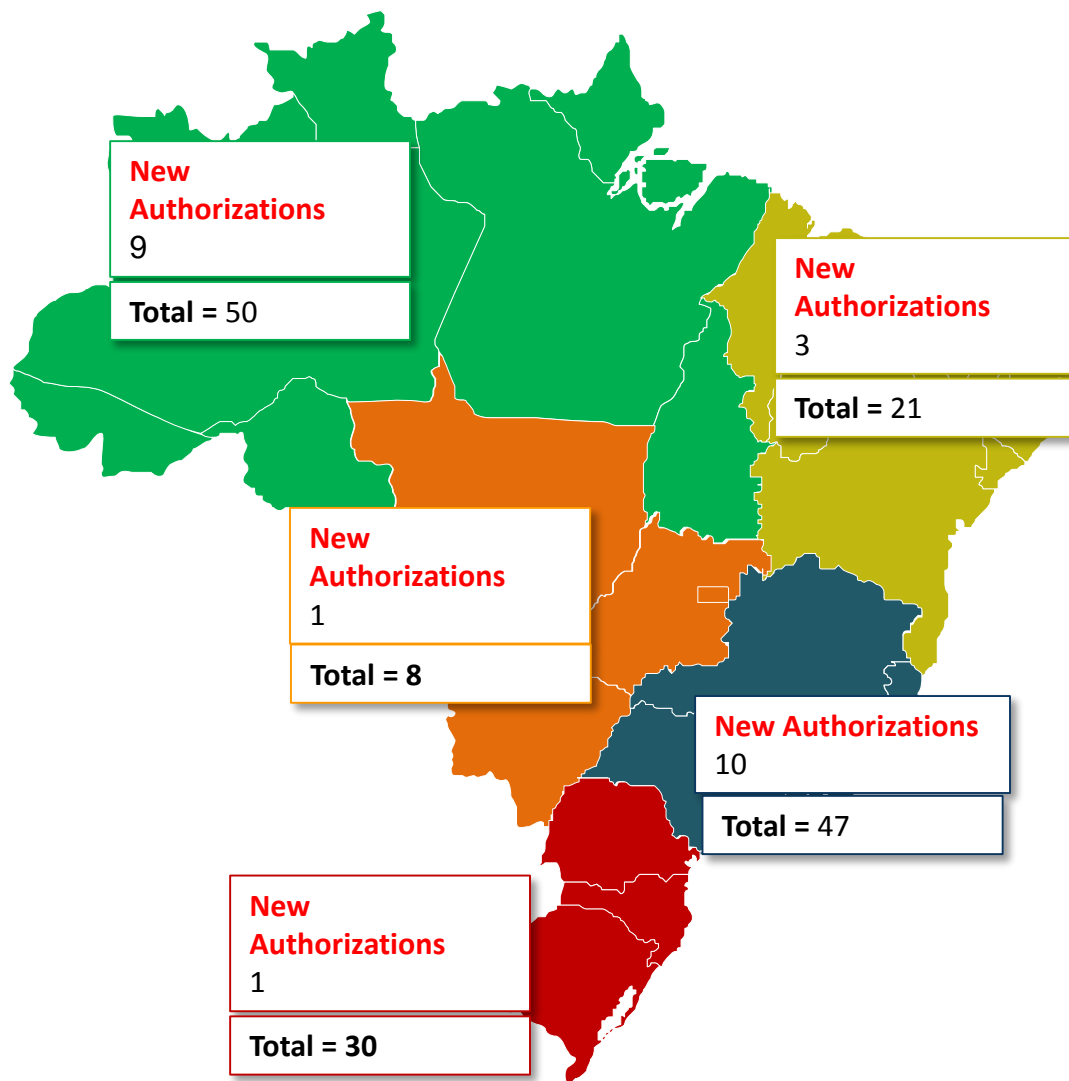
24 Authorizations Awarded since New Law

22 New Terminals R\$ 7.175.072.782,04

2 Expansions of Existing Terminals R\$ 2.257.285.910,51

Total R\$ 9.432.358.692,55

Total (New & Existing) 156 Private Terminals



Early Renewal of post-1993 Concessions

Anticipates investments on major Brazilian ports

- Requirements:
 - Investment plan in accordance with both national and local plans.
 - Pay-back period of new investment requires more than the remaining time of the contract.
 - Positive record of quality of services and compliance with regulations.

22
proposals

Investment:
R\$ 8,3 bi

Investments on
12* ports

* Antonina, Aratu, Itaguaí, Itaqui, Paranaguá, Rio de Janeiro, Rio Grande, Salvador, Santos, São Francisco do Sul, Santarém e Vila do Conde (posição Antaq de mar/14, em revisão)

Thank You!

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