Transport speeding up



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TRANSPORT MINISTER Paulo Sérgio Passos is recognized as a specialist who knows his area well; he was appointed by President Rousseff to "put the house in order." Although he is affiliated with the Republic Party (PR), he gives assurance that when he acts he is motivated not by partisan interests but only by what is best for the government. He estimates that Brazil has to recover from about two decades of stagnation in investments in transport infrastructure. He argues for combining the Growth Acceleration Program (PAC) and the National Plan of Logistics and Transport (PNLT) to promote economic and social development by expanding, improving, and integrating different transport modes through investments in logistics.

***The Brazilian Economy*—Brazil has poor infrastructure to support economic growth. What are the government's immediate priorities?**

Paulo Sérgio Passos—Brazil in fact lacks an infrastructure compatible with either its territorial extension or the complexity of the productive structure of the economy. Countries that have developed followed a common path: they invested heavily in education, worked hard to promote technology and innovation, and have graduated in terms of infrastructure — transport, energy, and telecommunications. The sustained growth of the Brazilian economy has as one of its premises the organization of a modern transport system superior to what we have today . . . . It takes the combination of a large modern infrastructure and efficient logistics to contribute to sustainable growth.

Are we on the right path with the Growth Acceleration Program (PAC)?

After more than 20 years when very little was invested in transport, the country must find room in its fiscal planning to make significant investments in various modes of transport, and these investments are well reflected in the PAC. We have investments for extending highways, like BR-101 in the South and in the Northeast; large investments in construc-

tion and paving of highways, like BR-364 in Acre, Mato Grosso, and Minas Gerais states and BR-163 in Pará state . . . . Today, we are working continuously on more than 50,000 km of federal highways, most of which are transport corridors that move large volumes of cargo. We now have a road network that is well maintained, in which we are continuously investing, and this is an important aspect of the PAC.

How about railways?

Within the PAC, we can mention the North-South Railway. Previous governments completed only 215 km of railways. . . . Yet within two or three years we will have a railway that could allow us to link Santos port in São Paulo state to the Itaqui port in Maranhão state in the north. The government has also built in the state of Bahia a railway that extends from the grain-producing area in the west of the state to the seaside in Aritaguá, near Ilheus city. The government is also working with Transnordestina Logistics to advance work on the 1,728-kilometer highway from Eliseu Martins in Piauí state, the center of a grain-producing area, to the ports of Suape in Pernambuco state and Pecém in Ceará state. The PAC has allowed for a series of actions not only for roads and railways but also for waterways and ports.

What is the role of the private sector?

Government alone does not have the capacity to meet all the demands. We believe that government partnering with the private sector is appropriate, necessary, and has great strategic value. Based on the need to attract the private sector for important investments, the government presented to the public its program in logistics and transportation, focusing on roads and railways. The government will grant concessions for 7,500 km of roads and open up bidding for building 10,000 km of railways. The idea is that we need to accelerate implementation of these projects. Doing it with private enterprise is a good way to ensure that these investments can take place more rapidly.

Is there progress in the National Plan of Logistics and Transport ?

The roads chosen are those that today have high traffic flow. We are working on adding lanes to highway BR-101 in Bahia . . . so that in the medium term, we will be able to travel from Natal city in the north to Porto Alegre in the south. We are also adding lanes to highway BR-262 in Minas Gerais, Espírito Santo, and Mato Grosso do Sul states — a highway of great importance. We can also mention highway BR-153, the Belém-Brasília, which will be upgraded from Goiânia city in Goias state to Las Palmas city in Tocantins state, and highway BR-050, which will go from Uberlândia city in Mato Grosso to Goiás state. Another project will enhance highway BR-163 in Mato Grosso and Mato Grosso do Sul states . . . . These projects will transform Brazil's road infrastructure. Until recently

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we had granted concessions for only about 5,100 km of federal highways. With the new program, we will grant concessions for 7,500 km, of which 5,700 km will be built by private concessionaires within five years of the signing of contracts.

The sustained growth of the Brazilian economy has as one of its premises the organization of a modern transport system that is superior to what we have today.

Why were concessions used for roads and public-private partnerships for railways?

The government uses concessions for roads and PPPs for railways because investments for each type of transport have distinct characteristics. We have no doubt that for road concessions the actual fee charged to users will finance the investment and maintenance of roads during the 25 years of the concession. Railways are different. We believe that investment [in railways] is absolutely strategic and very important for Brazil, but at the same time we need to find a smart way to feasibly construct 10,000 km of railways. We concluded that the best way was to separate the activity of building and maintaining the railways from their operation. Thus, the government first will solicit bids to choose construction companies to build and maintain the railways. . . . For this the winning bidder will receive rent payments for 30 years. The builder will not have risks in terms of demand [for railway transport], it may only have some engineering risk. Once the railway is ready, the government, through the state-owned enterprise Valec, will sell rail transport services to the private sector.

Is the funding sufficient?

The R$133 billion (US$67 billion) for roads and railways involves not only the investments needed to build 5,700 km of highways and 10,000 km of railways but also what will be spent over the years for their maintenance. Of course, we are conducting more detailed studies. These studies, which will be completed early next year, will show more accurately how much we will need to invest.

In recent years the participation of the National Bank for Economic and Social Development (BNDES) in private investment has grown significantly. How can we stimulate private capital to invest in transport?

For each of these projects the government will count on the BNDES to provide the necessary support by offering favorable financing conditions to the private sector. Today, the private sector can issue debentures with tax incentives to fund transportation projects. . . . We have the possibility of . . . attracting foreign capital, so we have a range of options to consider.

Do you think that the low rate of return could derail these private investments?

We understand that the country we live in has changed. Brazil is a stable country, a country that today offers much more secure conditions, and thus can offer lower rates

of return than those of 15 or 20 years ago. However, we need to combine the rate of return that the government is offering with access to financing. In the case of roads, we offer low interest rates, a 30-year grace period, a 20-year amortization period, and the possibility of financing 65% to 80% of the project value. The same applies to railroads.

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When will these actions affect the economy's growth?

The direct effect of such investments over the next five years is 0.4% of GDP. But there are also indirect effects .... When we build large stretches of highway, it stimulates private investment. . . . We want an increase in the supply of transport at a more competitive cost. The goal is to make Brazil converge toward the best international standards in terms of logistics and transportation.

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