



# World Cup and Olympic Events: Mass Transportation Projects and Opportunities in Brazil

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# Summary



- Why Brazil
- Barriers to Business - “Custo Brazil”
- World Cup 2014 & the Olympics 2016
- Opportunities for U.S. Companies





# Why Brazil



*As large as the Continental U.S.A.*



# President Dilma Rousseff

- Took office on January 1<sup>st</sup>, 2011.
- Labor Party- PT
- President Lula's successor
- Second round - 56% of vote



# Brazil at a Glance

- Size: 3.3 million sq miles
- Population: 194 million
- GDP (PPP) \$2.2 trillion
  - 6<sup>th</sup> largest economy,
  - 5<sup>th</sup> largest by 2020
- GDP per capita (PPP) \$10,427 almost 2x China



# Why Brazil

- US\$57 billion FDI in 2009
- 188 million consumers with increased purchasing power
- Faced financial crisis better than other world markets
- Agricultural sector rivals U.S.
- Goods trade between the US and Brazil was US\$59 billion in 2010.
- In 2010 US exports to Brazil totaled US\$35.4 billion
  - an increase of 35.5% from 2009.



# Brazil 's future is today

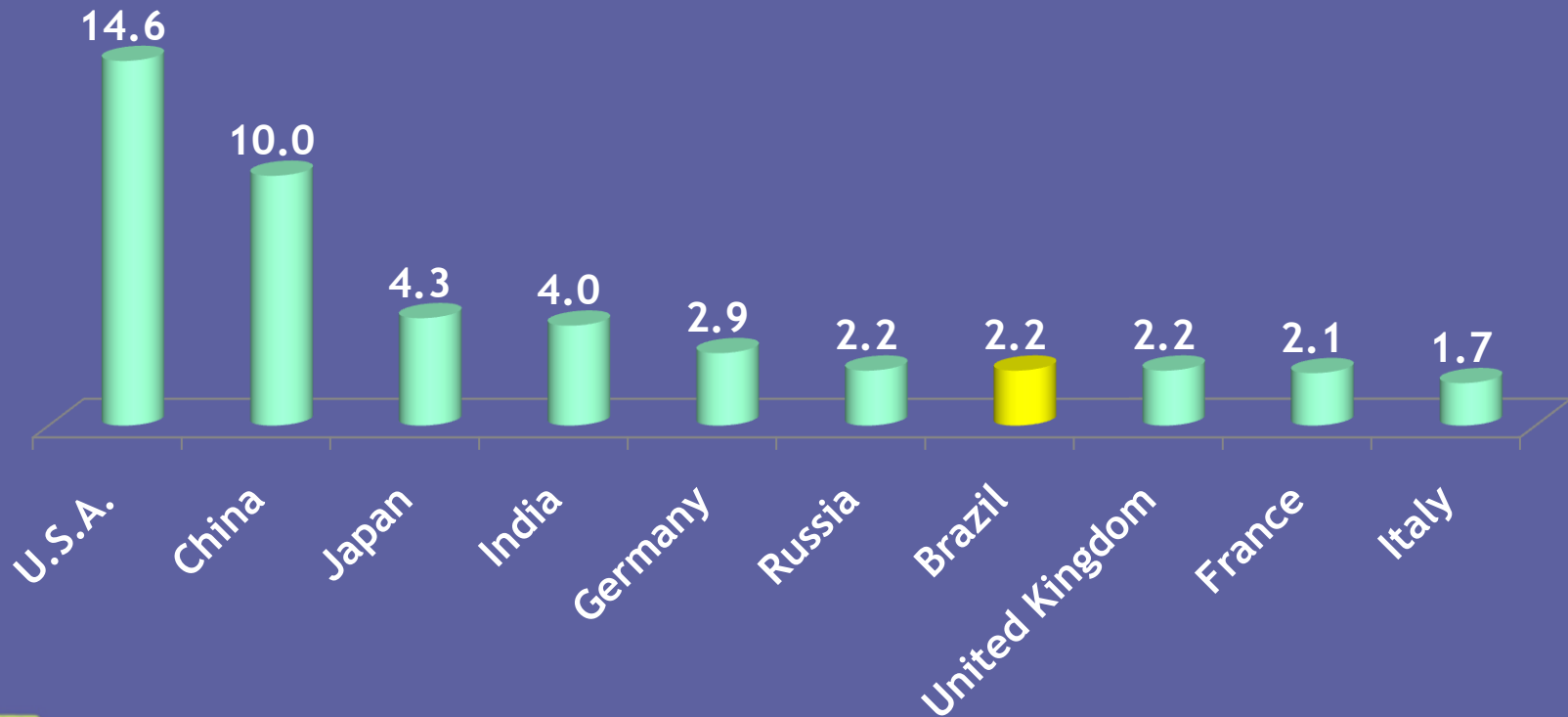
- Inflation control - 5.9% in Dec. 2010
- From 1980 to 2010, the average inflation rate was 446% reaching an historical high of 6821% in April of 1990
- Development of policies focused on social assistance
- Increase in investments
- Informal economy reduction / Formal job positions increase
- Wages increase
- Credit and consumption expansion
- Purchasing power



*Source: Estadao Newspaper August 2011*

# Brazil - Record GDP - 7<sup>th</sup> on ranking

US\$ trillion





# Barriers to Business:

“Custo Brazil”



# Doing Business In Brazil

IS COMPLEX!

Requires an intimate knowledge of the local environment, including “Custo Brasil”.

Best done for SMEs through a local agent or distributor.

This is valid whether your company is a bank, a realtor, an engineering firm or any type of industry or service provider.



# Import Costs

- Import Duty / I.P.I. / ICMS
- Value-added cascading tax system
- The average tariff rate under Mercosur's
- Common External Tariff (CET) is 15%
- Average overall taxes & tariffs is 46%
- Brazilian Government may consider tariff reductions for non-existing similar



# Hypothetical Cost Buildup for an Imported Machine in US Dollars

<b>FOB price of Product</b>	<b>100,000</b>
<b>Freight</b>	<b>2,400</b>
<b>Insurance (1%)</b>	<b>1,000</b>
<b>CIF Price of Product</b>	<b>103,400</b>
<b>Import Duty Rate: 19% -- applied to CIF</b>	<b>19,646</b>
<b>IPI: 5% -- applied to CIF + import duty</b>	<b>6,152</b>
<b>ICMS: 18% -- applied to CIF + import duty + IPI</b>	<b>23,256</b>
<b>Merchant Marine Tax: 25% of ocean freight cost</b>	<b>600</b>
<b>Warehouse: 0.65% of CIF; or min. US\$ 170, max US\$ 235</b>	<b>235</b>
<b>Terminal Handling Charges: average US\$ 100 per container</b>	<b>100</b>
<b>Contribution to Custom Broker's union 2.2% CIF; or min of US\$ 71, max US\$ 160</b>	<b>160</b>
<b>Custom Brokerage Fee: average 0.65% of CIF or min US\$ 170, max US\$ 450</b>	<b>450</b>
<b>SISCOMEX Fee</b>	<b>30</b>
<b>Typical Cargo Transportation charge</b>	<b>35</b>
<b>Typical Bank Costs: 2% of FOB</b>	<b>2,000</b>
<b>FINAL COST</b>	<b>156,064</b>

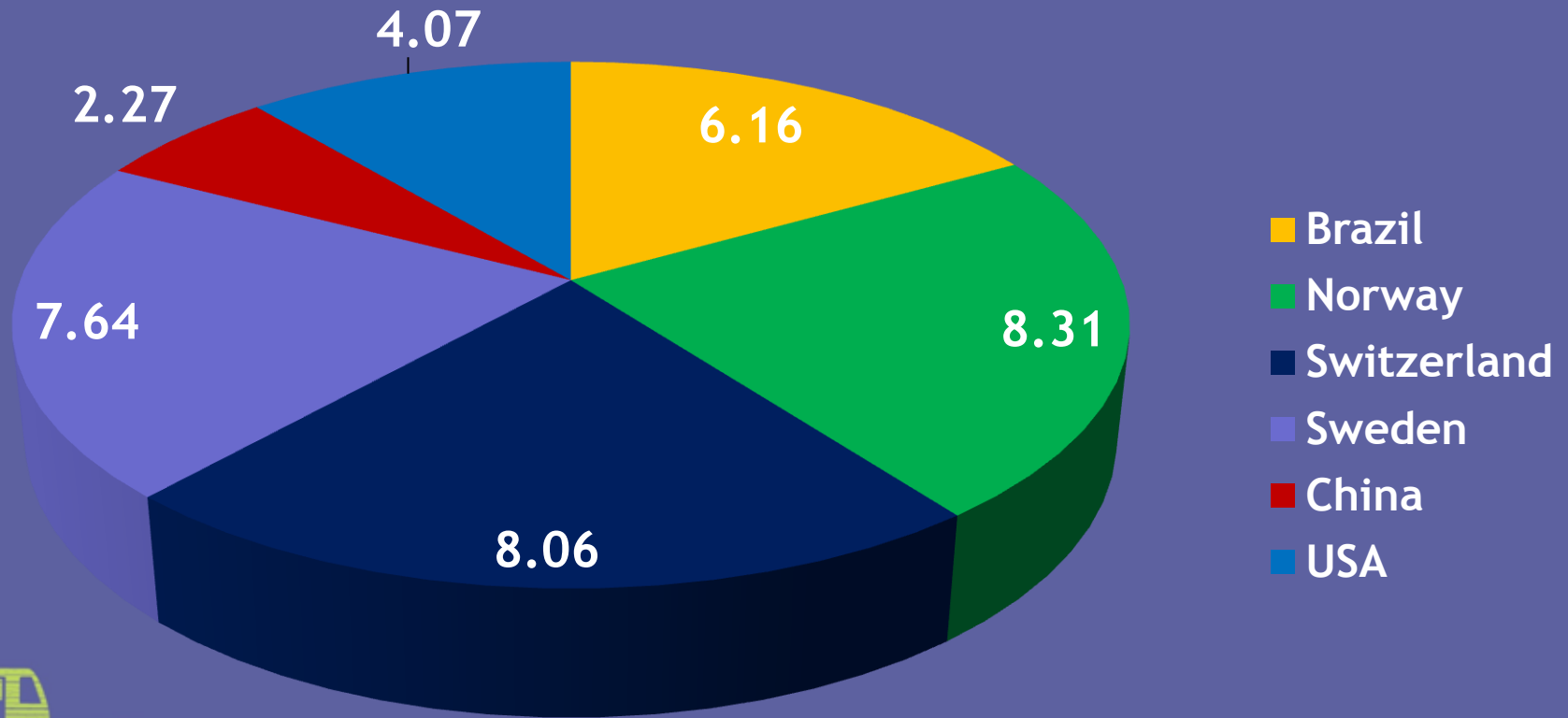




# Big Mac Index

## R\$ is the world's most expensive currency

Big Mac Price (US\$)



Source: Folha de Sao Paulo Newspaper



# The World Cup 2014 & the Olympics in Rio de Janeiro 2016

## Estimated Investments



World Cup	US\$ 14.4 billion
Olympics	US\$ 37.9 billion

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<b>Total</b>	<b>US\$ 53.2 billion</b>
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Does not include High Speed Train Rio/Sao Paulo, which might not be ready by 2014, and which is valued at US\$20 billion)





# Rio de Janeiro Olympic Games

## US\$ 37.9 billion investments

### Private Sector

- Hotels
- Sports Arena
- Stadiums (Built or Renovated)
- Training Centers
- Telecommunications Infrastructure

### Public Sector

- Stadiums (Built or Renovated)
- Seaports
- Airports
- Roads
- Transportation
- Hospitality Services
- Public Security Services
- Urbanistic Infrastructure

Most of those investments will occur through Public-Private Partnerships (PPPs) under Brazil's Growth Acceleration Program (PAC).

*Source: Secretaria Especial Copa 2014 e Rio 2016*



# Opportunities

Preparation for the World Cup will take place in 12 host cities spread around a country with continental dimensions

## Challenges:

- Airport improvement
- Construction/renovation of 12 stadiums
- Urban mass transportation improvement
- Hotel infrastructure

Brazilian contractors are very experienced in delivering building works and dealing with complex tender law requirements





# Brazil transportation infrastructure faces many challenges

- Roads and ports need to be upgraded.
- Trucks hauling cargo on roads are the most used method of transportation
- Use of trains for long distance transportation of passengers restricted to a few urban tourist routes
- Cargo transportation is mostly restricted to minerals.



# 4 main problems affecting the Brazilian competitiveness

- Qualified labor force / education
- Infrastructure
- Bureaucracy
  - Labor laws
  - Customs
  - Regulations
- Taxes, Fees and Duties



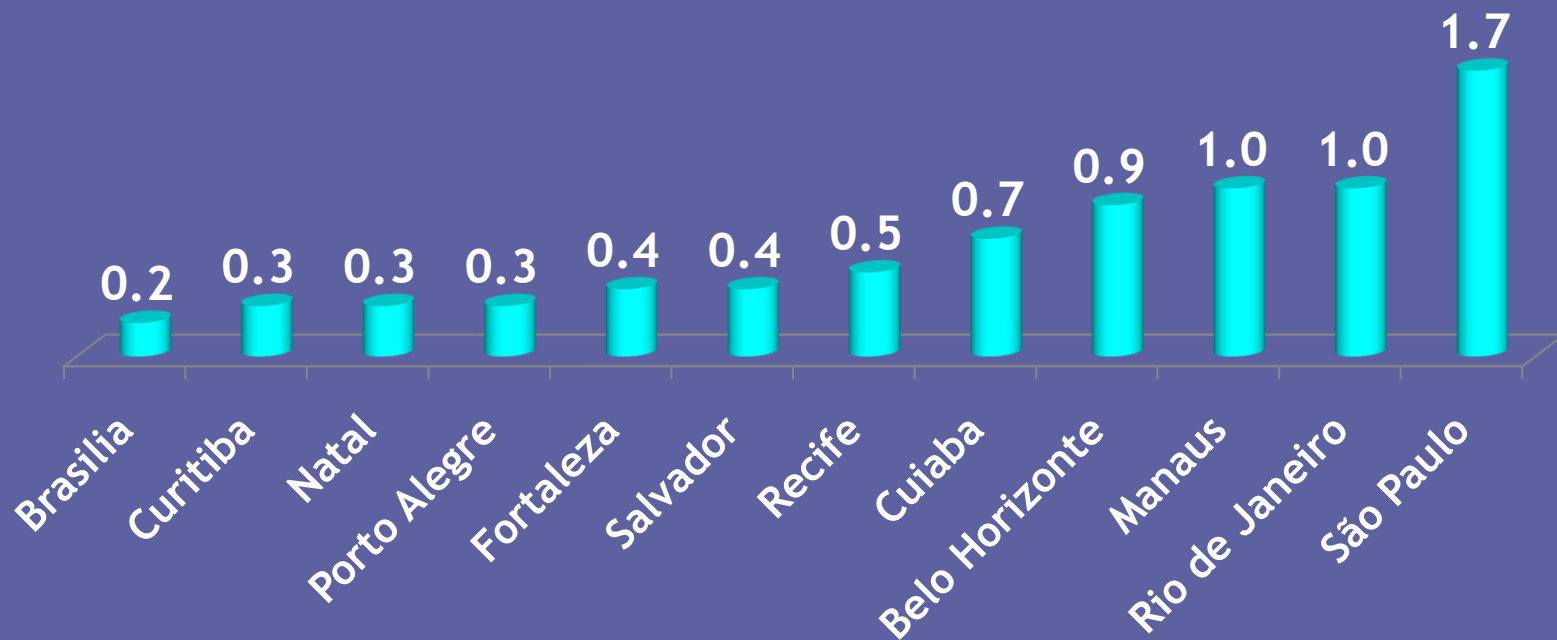
# 2014 World Cup - 12 Host Cities



# Urban Mobility

## Public Investments for the 2014 World Cup

Total: US\$ 7.7 billion



Source: Ministerio das Cidades - June 2011

# Belo Horizonte: Public Investments Urban Transportation



US\$888 million

BRT







Expressways



*Source: Information provided by the Host Cities*

# Belo Horizonte: Urban Mobility Projects - \$888 million

## 8 Projects - Municipality

Project Name	Current Situation	Beginning Mont/Year	Conclusion Month/Year
Central de Controle do Tráfego	Ongoing 	6/10	3/13
BRT Antônio Carlos / Pedro I	Ongoing 	6/10	5/13
BRT Cristiano Machado	Ongoing 	9/11	3/13
BRT Área Central	Bid ongoing - to be concluded until 11/11 	3/12	3/13
Bvd Arrudas - Tereza Cristina	Ongoing 	6/10	3/13
Via 210	Ongoing 	9/11	11/12
Via 710	Project ready - Bid process to start 9/11	3/13	11/13
Corredor Pedro II	Project ready - Bid process to start 9/11	3/12	11/13



*Already Started*

*Source: Information provided by the Host Cities*



# Cuiabá: Public Investments Urban Transportation



US\$718 million

VLT (Light Rail Transit)


Expressways



*Source: Information provided by the Host Cities*

# Cuiabá: Urban Mobility Projects US\$718 million

## 2 Projects - State Government

Project Name	Current Situation	Beginning Month/Year	Conclusion Month / Year
VLT - Cuiaba- Várzea Grande	Project to be concluded until 10/11- Bid in 12/11	3/12	12/13
Corredor Mario Andreazza	Ongoing project 	5/11	12/13



*Already Started*

*Source: Information provided by the Host Cities*



# Curitiba:

## Public Investments Urban Transportation



US\$290 million

BRT improvement  
Expressways



Source: Information provided by the Host Cities

# Curitiba :

## Urban Mobility Projects - US\$ 290 million\*

9 Projects -State Gov & Municipality

Project Name	Current Situation	Beginning Mont/Year	Conclusion Month/Year
Corredor Aeroporto/ Rodoferrov.	Bid in Place until 11/11	3/12	6/13
Sist.Integrado de monitoramento	Bid in Place until 11/11	3/12	5/13
Bus Lane-Candido Abreu	Bid in place until 4/12	9/11	3/13
Requalif. Rodoferrovias	Bid in place until 12/11	3/12	6/13
Extensao Linha Verde Sul	Bid to be concluded 1/11	12/11	11/12
Requalif. do Term. Sta Candida	Bid to be concluded 10/11	01/12	6/13
Requalif. Corredor Mal. Floriano	Bid Process to start 10/11	2/12	12/13
Corredor Metropolitano	Bid to be concluded 11/11	2/12	4/14
Vias de Integração Radial Metropolitanas	Bid to be concluded 11/11	2/12	3/13

(\*)Total Investments

Source: Information provided by the Host Cities



# Fortaleza: Public Investments Urban Transportation



US\$359 million

VLT (Light Rail Transit)  
BRTs

Source: Information provided by the Host Cities



# Fortaleza: Urban Mobility Projects US\$359 million

6 Projects -State Gov & Municipality

Project Name	Current Situation	Beginning Mont/Year	Conclusion Month/Year
VLT Parangaba/Mucuripe	Bid in Place until 9/11	12/11	6/13
BRT - Dedé Brasil	Bid in Place until 9/11	12/11	8/14
BRT - Alberto Craveiro	Bid in Place until 9/11	12/11	8/13
BRT - Paulino Rocha	Bid in Place until 9/11	12/11	6/13
BRT - Raul Barbosa - Eixo Corr. Norte/Sul	Bid in Place until 9/11	12/11	8/13
Estac. Pdre Cicero e Montese	Bid in Place until 9/11	12/11	6/13



*Source: Information provided by the Host Cities*

# Manaus: Public Investments Urban Transportation



US\$1,114 million

Monorail

BRT



*Source: Information provided by the Host Cities*



# Manaus: Urban Mobility Projects - US\$1,114 million

2 Projects -State Gov & Municipality

Project Name	Current Situation	Beginning Mont/Year	Conclusion Month/Year
Monorail - Norte/Centro	Contact to be signed until early 10/11	11/11	5/14
BRT - Eixo Leste/Centro	Bid in Place until 9/11	12/11	3/14



*Source: Information provided by the Host Cities*

# Natal:

## Public Investments Urban Transportation



US\$267 million

Bus Lanes



Source: Information provided by the Host Cities

# Natal:

## Urban Mobility Projects - US\$267 million

2 Projects -State Government & Municipality

Project Name	Current Situation	Beginning Mont/Year	Conclusion Month/Year
Eixo 1 - Integração novo Aeroporto / Arena Dunas / Setor Hoteleiro	Project still being evaluated	11/11	8/13
Eixo 2 - Implantação da Via Prudente de Moraes	Project still being evaluated	11/11	10/13



*Source: Information provided by the Host Cities*



# Porto Alegre

## Public Investments Urban Transportation



US\$324 million

BRTs


Expressways



Source: Information provided by the Host Cities

# Porto Alegre: Urban Mobility Projects - US\$324 million

9 Projects -State Government

Project Name	Current Situation	Beginning Mont/Year	Conclusion Month/Year
BRT - Protasio Alves	Bid in Place until 9/11	1/12	10/13
BRT - B.Gonçal./ Aezenha / Carvalho	Bid in Place until 9/11	1/12	6/13
BRT - Joao Pessoa (Assis Brasil)	Bid in Place until 9/11	1/12	10/13
Corredor Avenida Tronco	Bid in Place until 9/11	1/12	12/13
3ª. Perimetral	Bid in Place until 9/11	1/12	12/13
Corredor Pe.Cacique/Beira Rio	Bid in Place until 9/11	1/12	9/13
Monitoramento dos Corredores	Bid in Place until 9/11	1/12	12/13
C. Voluntarios e T. São Pedro	Bid in Place until 9/11	1/12	12/13
Av. Severo Dullius	Ongoing 	9/11	10/13
Complexo da Rodoviaria	Bid in Place until 9/11	3/12	9/13



*Already Started*

*Source: Information provided by the Host Cities*

# Recife: Public Investments Urban Transportation



US\$536 million

BRTs


Expressways



Source: Information provided by the Host Cities

# Recife: Urban Mobility Projects - US\$ 536 million

5 Projects - Munic/State Government

Project Name	Current Situation	Beginning Mont/Year	Conclusion Month/Year
Corredor Leste/Oeste	To be contracted until 11/11	11/11	5/13
BRT Norte / Sul	To be contracted until 11/11	11/11	5/13
BRT Ramal Cidade da Copa	To be contracted until 11/11	11/11	5/13
Corredor Via Mangue	Ongoing 	5/11	9/13
Terminal Cosme e Damião	To be contracted until 11/11	11/11	11/12



*Already Started*

*Source: Information provided by the Host Cities*

# Rio de Janeiro: Public Investments Urban Transportation



US\$1,142 million


BRT



Source: Information provided by the Host Cities

# Rio De Janeiro: Urban Mobility Projects - US\$1,142 million

1 Project - Municipality /State Government

Project Name	Current Situation	Beginning Mont/Year	Conclusion Month/Year
BRT Corredor Transcarioca	Ongoing 	3/11	11/13



*Already Started*

*Source: Information provided by the Host Cities*



# São Paulo: Public Investments Urban Transportation



US\$1,733 billion

Monorail

State Government also investing US\$20 billion to build new subway lines and to modernize current subway system.



*Source: Information provided by the Host Cities*

# São Paulo: Urban Mobility Projects - US\$1,733 million

## 1 Project -State Government

Project Name	Current Situation	Beginning Mont/Year	Conclusion Month/Year
Monorail – Linha 17 – Ouro	Already Contracted – License to be obtained until 10/11	3/11	11/13



*Source: Information provided by the Host Cities*



# Brasília & Salvador

## Public Investments Urban Transportation



Brasília US\$230 million  
VLT (Light Rail Transit)  
Expressways

Salvador US\$ 346million  
Subway



*Source: Information provided by the Host Cities*

# Brasilia and Salvador Urban Mobility Projects

## Brasilia - 2 Projects - Municipality US\$ 230 million

Project Name	Current Situation	Beginning Month/Year	Conclusion Month / Year
VLT - Linha 1/ Trecho 1 Aeroporto/Terminal Asa Sul	Project concluded - Bid to be launched 9/11	12/11	12/13
Ampliação DF-047	Bid suspended pending Supreme Court decision	12/11	12/13

## Salvador - 1 Project - State Government - US\$346 million

Project Name	Current Situation	Beginning Month/Year	Conclusion Month / Year
Subway	No information when the bid will be in place so far	?	?



Source: Information provided by the Host Cities

# Ready for Brazil?

## Here are the Opportunities

Intelligent Transportation Systems

Automated Transit / Passenger Information Systems

Fleet Management / Fare Collection Systems

Information Technology Systems

Rail Vehicles and Rail Car Components

Safety/Security Equipment

Communications and Tracking Equipment

Signaling systems



# Market Access

- Brazil “is not for beginners”
- U.S. companies will need to invest time and do some homework to understand the market
- Need local presence to participate in projects with GOB
- Establish a company x local representative
- Joint ventures / partnership





# Contact Us!

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