Brazil's ports face trade demand pressures

For one thing, the country needs to open up bottlenecks and gets ready for a future increase

Brazil's ports are spending more on infrastructure to increase trade with China, and there is a lot at stake both for the ports, their operators and the country.

Some observers have pointed out that, if international trade continues to grow at today's rate, the country's ports may not be able to handle the load in two years.

The country has 7,491 kilometers of coastline and its ports are the entry and exit point for more than 80 percent of the goods traded.

In 2010, they handled almost 800 million tons of freight. In 2015, the volume is expected to reach more than a billion tons, and a staggering 1.7 billion tons by 2022. So plans now call for increased investment, opening up of bottlenecks, and getting ready for an increase in trade.

Around $17 billion in spending is planned, with $14 billion of that coming from the private sector, and $3 billion from the state. This is expected to be completed by 2015.

This investment may seem to be heavily weighted toward the private sector but, when we consider that Brazil has 34 public maritime ports and 129 private ones, we can begin to appreciate the importance of private sector investment.

Deepwater

One thing the new investment will mean is that deepwater ports are being built as far north and as far inland as Manaus, in the state of Amazonas, and as far south as Espirito Santo in the far southeast. This reflects both the changing nature of Brazil's economy and its preparations for the future.

In addition, more than $700 million is being spent on dredging at a number of ports. This will allow access for larger ships, but according to industry experts an additional $700 million will still be needed in the near future.

One example of the forward thinking for the next shipping era can be found at the Port of Imbituba, in the state of Santa Catarina.

A private operator, Santos Brasil recently bought two Chinese cranes to serve ultra-large container ships.

The port's chief commercial officer, Mauro Salgado, explained that "Shipping now really needs to cater both to current needs and to those of the future."

Santos Brasil has already spent more than $1 billion on infrastructure and, with further capital injections, may be able to triple its capacity within seven years.

PHOTOS PROVIDED TO CHINA DAILY

Santos Brasil takes receipt of two new cranes manufactured by China's ZPMC.

New "Portainers"— Santos Brasil's latest investment.

Already, in the first four months of this year, Brazil's trade with China has increased 45 percent, compared with the same last year period, meaning that any investment aimed at handling large vessels from China is a clear priority.

In all this infrastructure improvement, Brazil's goal is not simply to increase trade and competitiveness, but also to prepare for the two major global events it will be hosting in the next five years.

One of these is the 2014 World Cup, for which it is spending almost $500 million on passenger terminal expansions to prepare for the expected visitors.

With all this revitalization and the potential in profiting from cargo handling on the rise, there is no short supply of investors.

The port of Santos, which is the country's busiest by value of goods shipped, is looking for funds to help it cut the delays and change the terminal into a high-tech example of efficiency, to better serve bilateral trade with Asia.

Earlier this year the port announced that it had secured a $679-million loan, arranged by the International Finance Corporation (IFC), to build a new container terminal. This is the biggest investment IFC has ever made in port development and shows the confidence in Brazil and in the port's future.

Both Brazilian and Chinese companies have shown an eagerness to inject capital into these projects so they can transport goods more efficiently and more cost-effectively.

One such Brazilian company is Asia Shipping, which has specialized in freight forwarding. This young but highly successful company is already a leading trader between Asia and South America, with 20 offices worldwide, seven of them in China.

Its commercial director, Alexandre Pimenta, has commented, "Ever since we began operations, our main market segment has been trade between China and Brazil."

This forward-looking company is building on its reputation as a leading agent for cargo handling in Asia-Brazil trade and has invested in high-tech solutions to improve logistics and customer services.

Investment in transport has become a serious business

Due to a more urbanized, growing middle class and consumer appetite

Brazil, the world's fifth largest country, will have to do something about its incredible traffic growth and the burden it places on the transport infrastructure, if it wants to capitalize on its growing trade opportunities.

The country has more than 1.5 million kilometers of roads, but only 212,618 km of them paved. Meanwhile, 60 percent of its trade goes via this vast road network and 95 percent of its people rely on it to get around, while the economy is growing at a rapid pace.

Also, its increasingly wealthy and urbanized population is buying more motor vehicles for leisure and business purposes. Obviously, this poses a challenge, similar in fact to the one China has faced.

In 2010, Brazil sold a national record of 5,444,387 vehicles, and over the next eight years estimates show that a million additional trucks will go into use on the country's roads.

It is these figures that are prompting truck companies, private owners, and business leaders to clamor for more spending on the nation's transport system.

According to one recent survey, Brazil will need as much as $110 billion to improve its roads and highways, with 80 percent of that needed for repairs, upgrading, and widening of roads.

The remainder is needed for building new roads and paving stretches of federal highways.

Meanwhile, the tonnage of transported goods is expected to rise, with an accompanying increase in the movement of laborers, and the country has seen that the investment has to come immediately.

The responsibility for maintaining and restoring these highways, waterways and railways, falls on the shoulders of the transport infrastructure department (DNIT), which has a budget of approximately $10 billion for projects in 2011.

Obviously, more investment will be needed in 2012 to deal with economic growth pressures, coupled with two biggest sporting events -- the FIFA World Cup, in 2014, and the Olympic Games in 2016.

Road freight is not the only movement of goods that has been showing record growth. Thanks to the increase in regional and international trade all across the country, air-freight is expected to grow six percent this year, and rail freight by 11 percent.

These two modes of transport pose their own problems that investors are eager to address, even though the most pressing issue is the condition of the country's roads. Capital is becoming more readily available and the country has more than $275 billion worth of international reserves, so, investment in the network should come quickly.

Nonetheless, Antonio Roberto Cortes, president and CEO of MAN Latin America, thinks the investment cannot come soon enough. His company has 144 dealerships across the country and handles 98 percent of Volkswagen truck and bus after-sales needs and building a better road network could bring considerable returns.

MAN Latin America is also the number one truck maker in the country with almost 31 percent of all truck sales and 36 percent of bus sales. In a country where the people rely heavily on public transport, this is a good sign. MAN Latin America is Brazil's second bus producer.

As investment nationwide takes off, more trucks will be needed to move construction materials and equipment. With the addition and improvement of roads, more buses will be needed and MAN Latin America says that it is ready for the challenge.

Cortes commented, "There are many opportunities from infrastructure construction. There are major projects to build power plants, hydroelectric plants, and with the World Cup and Olympics on the horizon, the momentum will build. There are more than 10,000 construction projects going on and this is great news for MAN Latin America."

With the new infrastructure projects in the works and the MAN Latin America-Volkswagen Truck & Bus cooperation, everything seems to be coming together at just the right moment for Cortes and his team.

"Starting next year we'll be selling MAN brands here in Brazil and adding even more value to the brand."

Antonio Roberto Cortes, president and CEO of MAN Latin America

> **There are many opportunities. With more than 10,000 construction projects going on, this is great news for MAN."**
>
> ANTONIO ROBERTO CORTES
> PRESIDENT AND CEO OF MAN LATIN AMERICA