

# UNDERSECRETARIAT FOR PARTNERSHIPS STATE GOVERNMENT OF SÃO PAULO

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## WITH BROAD PARTICIPATION, CONTRACTUAL INNOVATIONS ENSURED SUCCESS IN THE AUCTION OF CPTM LINES 8 AND 9

After two years of intense work dedicated to structuring the concession for Lines 8 and 9, nothing is more rewarding than a competitive and diverse auction, with the presence of four bidders, among new entrants, already consolidated international and national participants.

If it wasn't sufficiently complex to structure a concession of two urban rail lines that transport over 1.1 million passengers daily, with more than R\$ 3 billion in investments, the pandemic with consequences that were never seen before and the brutal economic downturn made this an even harder challenge.

In spite of this reality, it was possible to model a technical, legal and financially robust project, with independent studies carried out by the International Finance Corporation (IFC), a contractual arrangement capable of providing investor security and expanding the spectrum of interested agents. The objective of increasing competition and benefiting from all its positive externalities has been achieved.

Among these efforts, it is worth mentioning the protection provided by a narrower demand band in the first year of operation of the concession, which provides greater comfort to the operator in a scenario of uncertainties about the user's behavior due to the pandemic and social distance. In addition, the contract brought rules to level the conditions for the acquisition of rolling stock from domestic and foreign suppliers, which increased competition between manufacturers. More robust rules regarding contractual extinction, an eventual indemnity, as well as the introduction of an independent verifier and a binding dispute resolution commission are examples of concrete advances, which guide the project towards greater legal certainty and regulatory stability.

Even with the adversities faced, the solidity of the project's modeling was proven in several

stages. From the market survey rounds that brought more than 30 interested parties, through the public consultation that collected more than 1600 contributions from various operators, financiers, consultants, investors, among other players in the industry, until the successful auction. The fixed grant of R\$ 980 million, due as a condition for signing the contract, with a premium of 202% over the minimum grant, demonstrates the confidence that the market has in the project portfolio of the State of São Paulo and its regulatory environment.

The project leaves as a legacy, not only the R\$ 3.2 billion of investments in mass transportation in the largest state in the country and improvements in the operation that benefit users, but also contractual innovations that provide greater health to the concession process, paving the way for the participation of new players in each round of concessions of the State Privatization Program.

### Gabriela Engler

Executive Secretary for Partnerships

LL.M at Columbia University

### Roberto Longman

Advisor at Unit of PPPs

Bachelor in Management

### Arthur Mundim

Advisor at Unit of PPPs

Bachelor in Law

### Eduardo Schutt

Advisor at Unit of PPPs

Bachelor in Public Management

## Latest News

## Release of the Public Notice for the concession of regional airports sets the deadline for the submission of proposals

Having its final modeling approved by the Directing Council of the State Privatization Program (CDPED), on April 15<sup>th</sup> of 2021, the International Competition Notice No. 01/2021 was published, referring to the concession of 22 regional airports in the State of São Paulo, which are currently managed by the São Paulo State Air Department - DAESP. The concession, which will be divided into Northwest and Southeast Blocks, will have a 30-year term and will include not only operation but also investments in the expansion and improvement of the existing infrastructure, which are estimated in R\$ 181 million and R\$ 266 million for each of the blocks, respectively. Among the various investments planned for airports, are included the reform of runways, expansion of passenger terminals and the implantation and / or renovation of parking lot. In addition to representing an improvement in the quality of airport infrastructure for the local population and encouraging regional development, the project will result in significant savings in State spending on the operation of the airports to be granted. Find documents at: <http://www.artesp.sp.gov.br/Style%20Library/externet/transparencia/licitacoes.aspx>



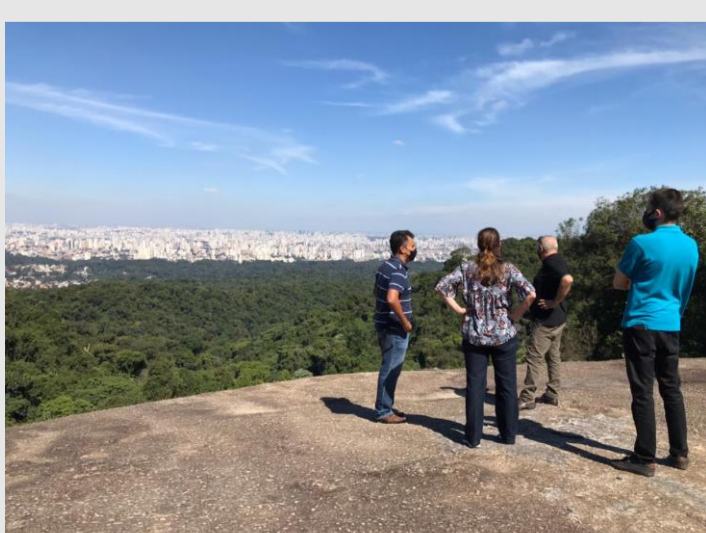
In the picture, hall of São José do Rio Preto's airport.

## State Park Concession Program moves forward with on-site visits and the release of a data room

The São Paulo State Government promoted a round of market sounding for the concession project of the State Parks of Cantareira and Alberto Löfgren, throughout the month of March, with six interested parties. After the reopening of the parks, three companies made on-site visits to the Horto Florestal and the Pedra Grande and Águas Claras Nuclei, on the 3rd and 4th of May. The purpose of this round was to discuss the main aspects of the final modeling, as well as to present the assets to be granted so that it was possible to better view the proposal for the joint concession project.

The publication of the bidding notice is scheduled for the end of May 2021. In the meantime, those interested can start their studies by requesting access to the project's data room. The data room has supporting documents and information about the parks and the concession project, which can be complemented until the date of publication of the bid.

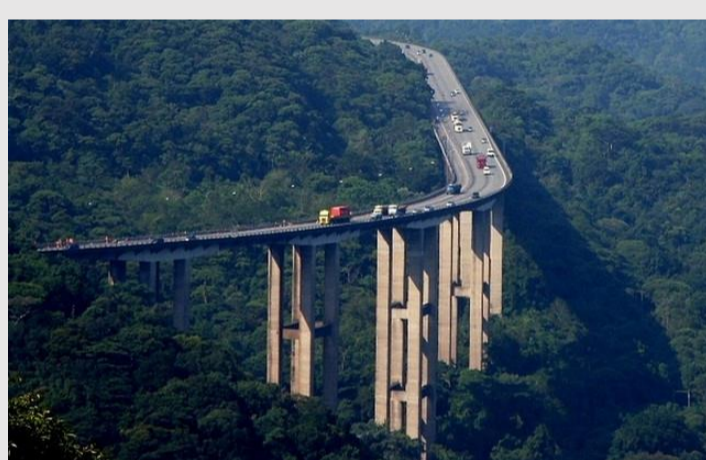
To access the data room, interested parties should send an email to [dataroom.parcerias@sp.gov.br](mailto:dataroom.parcerias@sp.gov.br), with the title / subject: "Request for Access to the Data Room | PEC / PEAL Concession", containing in the message the applicant's name, company / entity and e-mail address. Applicants will receive confirmation by email for registration and access.



In the Picture, a view of Cantareira State Park.

## GESP resolves liabilities of the Sistema Anchieta Imigrantes Concession and advances in regulatory quality

After two years of intense work by several governmental actors and representatives of Concessionaire Ecorodovias S.A., on April 30<sup>th</sup> the Modifying and Amending Term ("TAM") 18/2021 was signed, addressing the liabilities generated during the concession of the Sistema Anchieta Imigrantes. The resolution of these liabilities is an important milestone for the São Paulo regulatory environment, as it puts an end to legal disputes, resolves contractual imbalances and disciplines new premises and conditions for future rebalancing processes. With TAM's signature, all parties win. On the concessionaire's side, expectations are predictable for financiers and shareholders, on the State's side, it ends a growing debt and society benefits from new investments estimated at R\$ 1.1 billion and the generation of jobs. With the pursuit of a common objective and the capacity of the actors involved, it is also expected to conclude other ongoing negotiations, always prioritizing legal security and the regulatory stability necessary for the expansion of the São Paulo State Partnership Program.



In the picture, Imigrantes' Highway.

## Public call for studies of the Green Line Project is open

In March, a notice was published to receive studies necessary to structure the concession of the logistics infrastructure for the connection between the Planalto and the Baixada Santista (Green Line Project), aiming at its economic exploitation. Individuals and legal entities, national or foreign, can participate in the call procedure, individually or in groups. Interested parties should request authorization for the development of the studies until June 21, 2021 through the Digital Partnership Platform: <http://www.parcerias.sp.gov.br/Parcerias/>.

## Market sounding of urban parks reveals good impression of the sector

The Undersecretariat for Partnerships, together with the Secretariat for Infrastructure and the Environment, promoted, between May 5th and May 11th, another round of market sounding. This time, the government sought contributions from market players about the concession project for the urban parks Villa-Lobos, Candido Portinari and Dr. Fernando Costa (Água Branca), which are among the most visited and well-evaluated parks in the capital. These received a total of 14.3 million visits in 2019, with more than 132 thousand people on an average weekend. Participants showed great interest in the initiative, placing their trust in the already consolidated state program for the concession of parks and environmental assets. The topics discussed covered aspects such as the structure of the bidding process, modeling, surmounting investments, the diversity of assets in question, among others. The structuring of the project is in its initial stage and the inputs collected will subsidize the next steps in the modeling of the parks, which have their public consultation scheduled for the beginning of the second half of 2021.

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