

Airport Industry

Overview

(US\$ million)	2011	2012	2013 (estimated)	2014 (estimated)
Total Market Size	\$2,000	\$2,500	\$ 3,500	\$ 4,000
Total Local Production	\$ 1,700	\$ 2,200	\$ 3,000	\$ 3,400
Total Exports	N/A	\$ 0	\$ 0	\$ 0
Total Imports	\$ 300	\$ 300	\$500	\$600
Imports from the U.S.	\$150	\$150	\$250	\$300

- *Statistical data are unofficial estimates from trade sources*

Brazil's airports are operating above their capacity limits. From 2003 until 2012, the number of passengers at Brazilian airports more than doubled (+136%). Investments made by Infraero, the federal agency in charge of airport operations, have not come close to matching the ever-increasing passenger numbers. Almost all major airports in Brazil are regarded as having reached a critical level in terms of occupation capacity, and both government and the private sector agree that large amounts of capital need to be invested quickly.

The government of Brazil estimates that investments of R\$7.8 billion (approximately US\$3.9 billion) are needed to upgrade the 13 most relevant airports. This investment would far exceed the average annual investments made during the entire previous decade. Given the size of the challenge, the federal government is looking at the private sector to provide the needed resources and expertise, thus presenting opportunities for U.S. firms.

On February 6, 2012, long-term concessions for three important airports were granted to private investors: contracts for Guarulhos (São Paulo), Viracopos (in Campinas, São Paulo state), and Brasília (Federal District) were signed in June 2012. The federal government, through Infraero, will still hold a 49% share in each of the airport concessions. Other Brazil airports will see an array of improvements in infrastructure and services in the near future, thanks to the Logistics Investment Program: Airports, launched on Dec. 20, 2012 by President Rousseff.

Sub-Sector Best Prospects

In December 2012, the federal government announced its plans to concession two additional major hub airports, Galeão in Rio de Janeiro (RJ) and Confins in Belo Horizonte (MG). Bids are currently scheduled to take place around September 2013. These concessions should generate investments of US\$3.8 billion and US\$2.9 billion respectively. Viracopos in Campinas (SP), Guarulhos (SP), and Brasília (DF) had concession contracts signed in June 2012.

The Logistics Investment Program will also target 270 regional airports, with US\$3.8 billion in federal funds to be invested for better service, more flights and other improvements. The government aims at having 94% of Brazil's population within a 100-kilometer range of an airport with regular flights.

Improvements will include the repair and construction of ramps and runways, upgrades in terminals and more. Resources will come from the National Civil Aviation Fund (FNAC), with project and investment management by Banco do Brasil.

The Northeast will receive the highest investment: US\$1 billion in 64 regional airports; US\$900 million are allotted for 67 airports in the North; US\$800 million in 65 airports in the Southeast; US\$450 million in 43 airports in the South; and US\$460 million in 31 airports in the Center-West.

Aside from the concession efforts underway, Infraero has already begun making substantial improvements to major airports throughout the country. The following provides a summary of the some of the major improvements underway independent of private sector investment.

Planned and ongoing investment projects at Infraero-administered airports

AIRPORT	ACTION	INVESTMENT UNTIL 2014 (PAC2) – in millions of reais	START FORECAST	COMPLETION FORECAST
Belo Horizonte/Confins	Renewal of PST and road system	236.7	Sep 2011	Dec 2013
Belo Horizonte/Confins	Runway and apron	169.0	Jan 2013	Dec 2013
Belo Horizonte/Confins	PST 3	100.0	Mar 2013	Dec 2013
Brasília	Renewal of PST	5.5	Apr 2011	Dec 2012
Brasília	TOM 2	4.6	Aug 2011	Jun 2012
Curitiba	PST, access roads	41.3	May 2013	Dec 2013
Curitiba	Apron enlargement	24.6	Jul 2011	Feb 2013
Curitiba	Enlargement of cargo terminal	17.8	Dec 2010	Dec 2012
Curitiba	Renewal of runway	17.8	Sep 2011	Jun 2012
Fortaleza	TPS – phase 1, access roads	347.8	Jun 2012	Dec 2013
Manaus	TPS – phase 1, road system	393.5	Nov 2011	Dec 2013
Natal/São Gonçalo	Runway and apron - Phase 2	98.3	May 2011	Nov 2013
Porto Alegre	PST 1 expansion, apron and taxiways	345.8	Jan 2013	Dec 2013
Porto Alegre	Runway extension	223.2	Apr 2013	Oct 2014
Porto Alegre	New Cargo Terminal	137.2	Apr 2013	Apr 2014
Porto Alegre	Temp. operational module	5.2	May 2011	Jan 2012
Recife	Control tower	18.5	Jan 2013	Dec 2013
Recife	Connector	6.1	May 2011	Jan 2012
Rio de Janeiro/Galeão	PST 1 renewal	254.1	Aug 2012	Dec 2013
Rio de Janeiro/Galeão	PST 2 renewal	316.5	Aug 2012	Jul 2014
Rio de Janeiro/Galeão	Runways and apron improvements	103.4	Oct 2011	Oct 2013
Rio de Janeiro/Galeão	Export cargo terminal renewal	23.2	Jun 2013	Mar 2014
Salvador	TPS Renewal	15.4	Dec 2012	Dec 2013
Salvador	Apron extension	17.0	Sep 2012	Sep 2013
Salvador	Control Tower	15.4	Jun 2012	Dec 2013
São Paulo/Guarulhos	PST 3 earthmoving	417.0	May 2011	Dec 2012

Source: Infraero 2012

Brazil's airport infrastructure upgrades present significant business opportunities for U.S. companies to provide products such as passenger bridges, baggage handling systems, handling equipment, check-in conveyors, x-ray integration, baggage claim carousels, X-ray machines and other safety and security equipment. Also companies with expertise and experience in the areas of airport management and operations may wish to establish partnerships with major Brazilian entities that plan to participate in future privatization auctions. Infraero has announced that security improvements like modern X-ray machines for baggage screening, metal and explosives detectors, surveillance cameras as well as fire-fighting and rescue vehicles will be acquired through public tenders at a total cost of US\$200 million.

Opportunities

The implementation of many airport programs and projects depend on the work articulated among various public and private institutions in the "Terms of Reference" period. Both public and private sector can influence the process and specifications that will be eventually announced in an official public tender. Accordingly, the U.S. Commercial Service advises firms to become proactive in the process as early as possible, including collaborating with Brazilians entities that may evolve into a partner for a bidding consortium in the tender process.

To be successful in Brazil, U.S. firms must either be established in the country or have a well-informed local representative; or alternatively, partner with a large well established prime contractor. It is also important to have a distributor or system integrator that can offer after sales and maintenance services, replacement parts and repairs.

The next Brazilian airport auction bidding documents should be published in August 2013; the terms will be similar to the first round of auctions with fixed and variable concession fees where Infraero holds 49% of the shares. However, the Brazilian government will set higher minimum standards for international partners, including a requirement that these partners have experience in operating at least one airport with 35 million passengers per year.

Prospective Buyers

Company	
Infraero	Brazilian Airport Management Authority
Aeroporto Internacional de Guarulhos	The consortium is formed by the Brazilian infrastructure investment company Invepar (set up by the pension funds Previ, Funcef and Petros) with the construction firm OAS and the South African airport operator ACSA
Aeroportos Brasil Viracopos	The consortium is formed by Brazilian companies Triunfo Participações e Investimentos and UTC Participações in partnership with the French group Egis Airport
Inframérica Aeroportos	The consortium is a joint venture of the Brazilian engineering and construction company Infravix - Engevix Participações SA and the Argentine Corporación America

Web Resources

INFRAERO: www.infraero.gov.br

ANAC - National Agency of Civil Aviation: www.anac.gov.br

Ministry of Defense www.defesa.gov.br

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