

Construction and Engineering Industry

Overview

This report on the Construction and Engineering sectors and on opportunities related to it, focusing on the upcoming mega sport events: the 2014 World Cup and the 2016 Olympic Games.

The Federal Government launched, in 2007, the “Growth Acceleration Plan” (*Programa de Aceleração do Crescimento - PAC*), a national program that is designed to boost the country’s economy and its growth rate to five percent a year.

In 2010, the Government launched the second phase of this program, “PAC 2”, which forecasts investments of up to US\$550 billion in infrastructure (including energy, transport and housing) between 2010 and 2014 and investments of about US\$360 billion from 2014 on.

Part of this investment will be related to the construction and engineering sectors, as:

- Urban renewal projects: US\$13 billion
- Low income Housing (“Minha Casa Minha Vida” program): US\$158 billion
- Water, sanitation and electrification: US\$17 billion
- Rail and Road Transportation: US\$60 billion (out of which US\$18 billion for projects related to mass transportation in the largest Brazilian cities)

Part of this amount will be spent in preparation for the upcoming mega sporting events to be hosted by Brazil. In 2014, the World Cup will take place in 12 cities throughout Brazil, including Rio de Janeiro where, in August and September of 2016, the Summer Olympic Games will take place. These events will generate numerous investment opportunities for U.S. companies in several sectors.

The Government of the State of Rio de Janeiro estimates that investments in the state from 2010-2016 will reach US\$50 billion, in sectors including infrastructure, construction, transportation and others. Most of these investments will be done with both public and private moneys under Public-Private Partnerships (PPPs).

The procurement process for tenders related to the mega events is complex. Tenders are issued by the city and state of Rio de Janeiro, for example, for local transportation and infrastructure upgrades, while others, such as those related to public safety and security may be issued by the federal government in Brasilia. The Rio de Janeiro-based Olympic Committee will begin its procurement process related to the Olympic venues, such as the arenas, the Olympic Village and the broadcasting center, only after the conclusion of the London Olympic Games.

Market Data

According to local press and government sources, the forecasted investments for the mega-events include the following:

a) For the 2014 World Cup (across Brazil):

Stadiums: US\$ 3.2 billion

Urban Transportation:	US\$ 6.6 billion*
Airport and Port renewals:	US\$ 3.1 billion
Hotels:	US\$ 1 billion
Total: US\$	US\$13.9 billion

(This figure does not include the proposed High Speed Train to connect the cities of Rio de Janeiro and São Paulo. The project is valued at US\$20 billion, but is experiencing delays)

b) Investments in Sport Facilities for Summer Olympic Games

More than half of Rio de Janeiro's 2016 Olympic venues are already in place because the city hosted the 2007 Pan American Olympic Games. Additionally, about 20 new facilities will be built, including:

Aquatic sports stadium	US\$ 40 million
Olympic Park (gymnastics, cycling, etc.)	US\$200 million
Olympic Village	US\$450 million
Olympic Tennis Center	US\$ 45 million
Rowing stadium at Rodrigo de Freitas Lagoon	US\$ 2 million
Copacabana Beach Volleyball Arena	US\$ 7 million
Maracanã Stadium renovation	US\$400 million before 2014

Maracanã Stadium will be used for the opening and closing ceremonies of the Summer Olympic Games, and for Olympic soccer matches; as well as for the 2014 World Cup closing ceremony.

c) Investments in Hotel/Hospital Facilities

According to sources in the hospitality industry, there are 120 new hotels with about 30,000 rooms planned to open countrywide between 2012 and 2014, 30 of which are in Rio, to handle increasing numbers of visitors both during and after the World Cup and Olympic Games. Of these planned hotels, 17 are already licensed to begin construction. In addition to the new hotels, several hotels are also being refurbished and upgraded. Tax incentives will create opportunities for refurbishing, building, acquiring or operating hotels.

Investments have also been confirmed in the health-care sector. Several public hospitals are being built throughout the country, as well as several private projects. Virtually all major cities, as well as all state governments Secretariats of Health have projects to build new or renew existing hospitals. Several private hospitals throughout the country are being built or planned, though there are no statistics readily available. Specifically for the Olympic Games, there will be an Olympic Village Medical Clinic built and 3 new state-of-the art hospitals Rio before the Games.

d) Investments in Infrastructure

As mentioned above, the investment in infrastructure forecasted by the Federal Government for Brazil in the next few years is over US\$800 billion (US\$550 billion between 2010 and 2014). The investment in infrastructure for the World Cup and the Olympic Games is projected to reach US\$50 billion, with US\$5 billion of that to be invested in upgrades for seaports and airports.

The main projects include:

- Modernizing and enlarging airport terminals

- The widening of highways to accommodate “Olympic lanes”
- The Port of Rio revitalization to include a new 30,000 square meter leisure area featuring bars, restaurants, an amphitheater, museum, aquarium, a multi-use space and parking (R\$4billion)
- Port dredging
- Two new subway lines (R\$4billion)
- Bus Rapid Transit (BRT) systems in several cities, including the 12 World Cup venues
- Housing projects (including low income housing)
- Water sanitation projects.

e) Olympic Committee investments

The Brazilian Olympic Committee will have a budget of approximately US\$2.5 billion. This amount will serve for the organization and the management of the Olympic Games.

This budget will be used for, among other things, the athletes’ food, rental of sports equipment, temporary sports venues (such as Beach Volleyball venues), athletes and delegations accommodations and security and access controls.

Tenders for these projects will only be issued after the conclusion of the London Olympic Games. As such, it is expected that no announcements on tenders will be issued by the Olympic Committee before mid – 2012.

Market Entry

The Olympic Public Authority (“APO” acronym in Portuguese) in Brazil will be based on the London 2012 model. The APO will be in charge of the procurement for the Games.

In most cases the projects for the World Cup and for the Olympic Games are expected to be awarded to large Brazilian contractors, which will choose their sub contractors and suppliers. This is where we believe opportunities are strongest for U.S. companies. U.S. firms that have previous experience working with Olympic Committees or with large sports events will be the most competitive.

The Brazilian Constitution provides that all governmental purchases (at Federal, State and Municipal levels) should be contracted through public tenders. This is regulated by the Brazilian Bid Law (Law # 8,666, introduced in 1993). Sales to the private sector are not subject to this Law.

This law forbids different treatment of Brazilian and foreign companies offerings. However, when local and foreign competitors offer equivalent conditions in terms of price, quality and delivery time, the Law ensures preference for goods produced or supplied by Brazilian firms

As most of the sporting facilities and urban infrastructure-related equipment and services will be acquired through government, Bid Law 8,666 applies. Also, please note that foreign companies must have a local representative (commercial and legal) in order to participate in Brazilian government procurement processes.

In most cases, the U.S. Commercial Service recommends hiring a local representative, and a local agent or distributor for the company's products and services. It is up to the U.S. firm and its local agent or distributor to negotiate the type of representation; however, we suggest consulting with a Brazilian law firm before signing any type of agreement.

Best Prospects

Best prospects for US companies include the following areas:

- Engineering/Construction products and services related to: stadiums, hotels, airports, ports, housing, museums: for both new buildings and renewal of existing facilities.

Opportunities

Sectors that present opportunities in Construction and Engineering include:

- HVAC
- Flooring
- Roofing
- Lighting
- Insulation Systems
- Paving Technologies
- Residential/Commercial Automation
- Scaffolding Equipment
- Water Sanitation
- Sports Facilities Providers
- Realtors
- Hotel Chains
- Irrigation
- Solar Energy
- Innovative Technologies

Web Resources

- Rio 2016 Organizing Committee: <http://www.rio2016.com.br/en/home>
- Rio promotion agency – Rio Negócios: <http://www.rio-negocios.com/site/> (only in Portuguese)
- The Brazilian Architecture and Engineering Association (SINAENCO)'s link to the World Cup 2014: <http://www.copa2014.org.br/> (also only in Portuguese so far)
- Brazilian Ministry of Sports (Ministério do Esporte: www.esporte.gov.br)
- FIFA World Cup 2014: www.fifa.com/worldcup
- The U.S. Commercial Service Brazil World Cup and Olympics reports at: <http://www.focusbrazil.org.br/siteUSA/index.htm>.
 - Click at "Highlights" and at "World Cup and Olympic Games in Brazil".

For more market research reports, please visit: <http://export.gov/mrktresearch/index.asp>

- For more information about export opportunities in this sector, please contact US Commercial Service Industry Specialist: Patrick.levy@trade.gov