

What's Wrong with This Picture? 24% of Brazil's Cargo Goes by Train.

Contributed by Alexandre Rocha
Saturday, 20 November 2004

The federal government wants to attract private funds for investment in expansion of the Brazilian railway system. The objective is to increase train participation in the country transport matrix so as to provide some relief to the highway system and cheapen freight.

Nowadays 63% of Brazilian cargo is transported on highways, 24% on railways, and 13% by water (rivers and sea).

The country currently has only 29,000 kilometres of railway lines - 97% operated by private companies in a concession system.

According to information supplied by the National Agency for Overland Transport (ANTT), the government is not in conditions to demand that companies currently operating the system be in charge of expansion, as this was not forecasted in the contracts signed in around 1996.

Ever since country railway system privatization, in 1992, it has been kept at more or less the same extension.

According to Bernardo Figueiredo, director of Valec, a state-owned company in the area, a large part of the existing railway system is very old, over 100 years.

The first Brazilian railway was inaugurated exactly 150 years ago, in 1854, designed by the Baron of Mauá. Figueiredo added that only between 10% and 15% of the total railway system may be considered modern and of good standard.

Brazil had a total of 38,000 kilometres of railway lines at the end of the Old Republic (1889-1930). But, by the end of the 1960's, railway lines had already been reduced to 30,000 kilometres.

"From the 19th century to date, the picture has changed, the economy changed. Production and consumer centers have also changed and a large part of the railway system has been dislocated, with complex routes and covering areas that are not economically dynamic," says the Valec executive.

According to ANTT director general Alexandre Resende, public investment of around US\$ 850 million in railways is forecasted for this year and for 2005.

These values, however, will be spent in areas such as maintenance and safety, and not in construction of new lines, which should be left in the hands of the companies interested. Between 1996 and 2003 investment was just around US\$ 1 billion.

Plan

In May last year, President Luiz Inácio Lula da Silva released a national program for railway revitalization, based on a study by the ANTT, so as to solve some of the bottlenecks of the Brazilian railway transport system.

The project includes increasing railway production, connecting railway lines, and inspecting operators.

The plan forecasts total investment of an estimated US\$ 2.7 billion in the recovery of the existing stretches and expansion of the railway system.

The first phase consists of revitalization of critical stretches, with investment of the US\$ 850 million mentioned by Resende.

According to Figueiredo, the initial idea is to eliminate "points of complication." As an example he mentions railways that used to be unobstructed and currently cut cities that grew around them.

"Curitiba (the capital of the southern state of Paraná), for example, has 36 railway crossings. For the train to cross the city, it is necessary to slow down, and there is a risk of accidents. A detour is necessary," he stated.

He also mentions mountain range stretches where the train must zigzag, taking double the time it would take if it simply went around the mountains. Apart from that, according to him, it is very common for the land around railway lines to be invaded, especially near ports, where slums arise.

Expansion

The revitalization program also forecasts two expansion phases, through Public-Private Partnerships (PPP). However, the project that regulates PPP's has not yet been approved by congress.

The government wants around US\$ 1.7 billion to be invested up to the end of President Lula's term in office.

According to Figueiredo, the objective of the program is to increase train participation in Brazilian cargo transport from 24% to 35%.

With this, it is expected that the competitiveness of Brazilian products on the foreign market should rise, through the reduction of transport cost. Transportation Minister Alfredo Nascimento himself believes that the current transport matrix in Brazil is incorrect.

"The return to development of the Brazilian economy is not sustainable in the logistics point of view if highway transport continues as the main system," informs the revitalization plan text.

"The foreseeable increase in the cost of highway freight due to demand will reduce product competitiveness, especially in the agricultural sector, which is expanding in areas distant from ports and consumer centres," added the document.

One of the intentions in the expansion phase, according to Figueiredo, is to increase the existing corridors to the newly opened agricultural frontiers, such as the Midwest, for example.

Railway transport is appropriate for large volumes and heavier products, such as grain, ores, cement, fertilizers, oil derivatives, and coal.

Another example, this time in the Northeast, is the North-South Railway, which started being built during former president José Sarney's term in office, in the second half of the 1980's.

The railway currently connects the cities of Estreito and Açailândia, in the former president's native state of Maranhão. President Lula stated that it is necessary to connect the line to Itaqui port, in the same state. Stretches are already being built in the Northern state of Tocantins, and Midwestern Goiás.

"We must take advantage of the productive capacity of the state of Goiás, of part of the (Northeastern) state of Piauí, and of part of Maranhão state, and make our soy cheaper for export, as we will be paying less for transport," stated the President.

Figueiredo believes that greater highway participation in cargo transport in Brazil should generate a 30% reduction in freight cost when compared to highway transport.

Fleet

Another preoccupation, apart from recuperation and expansion of the lines, is an increase in the train fleet. According to Figueiredo, there are currently around 50,000 wagons in Brazil, and the purchase of another 15,000 is forecasted for the next three years.

Lack of Brazilian wagon and locomotive production is always mentioned by the Brazilian President.

"Our productive capacity does not answer to our demand. For this reason, we are importing wagons and used machinery from China so as to be able to generate jobs here, redoing some of these wagons until our industry can supply our demand," stated the President.

This report is part of a series of articles on transport in Brazil prepared earlier this year by ANBA – Brazil-Arab News Agency - www.anba.com.br