



STRATEGIC ACTION PLAN FOR UIC LATIN AMERICA REGION



INTERNATIONAL UNION
OF RAILWAYS

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INTERNATIONAL UNION
OF RAILWAYS

INTRODUCTION

As a global association of railways, UIC is focused on the development of railways as well railway association activities in the Latin American Region. Historically, only two members, from Chile and Peru, have belonged to the UIC as Associate Members. Sporadic contact with other railway and public transport associations has made it possible to come into contact with the reality of Latin American railway companies.

For the past several years, more regular action has been carried out, basically by Brazil. Today, ADIFSE, Ferrocarriles Argentinos Sociedad del Estado (Argentina), ANTT, Agencia Nacional de Transporte Terrestre (Brazil), EDLP, Estacao da Luz Participacoes Ltda (Brazil) are members of UIC. More companies, from both passenger and freight, are in the process of becoming UIC members in the near future.

UIC can play an important role in Latin America, with, among others, the following main objectives:

- Assist in building awareness of the advantages of rail in Latin American countries and the region as a whole
- Establish and improve cooperation between railway companies in Latin America
- Improve cooperation between railways and industry - Promote interoperability. The ultimate objective of this Latin America Regional Assembly can be summarised as the “creation of a professional environment that maximises the potential in available competencies, guaranteeing value for money for our members”.

The main results expected from this cooperation included:

- Sharing information on rail technology
- Promoting technological development and know-how
- Encouraging members to adopt best practices - Maximising the benefits to the environment of rail.

Several important facts represent excellent opportunities to develop UIC activities in Brazil and in the Region.

- The development of big projects on urban, suburban and regional transport systems (for example the project “Intercidades”).
- The participation in the debate engaged by ANTT to change Brazilian Railroad Regulation, in order to improve Brazilian Freight Railroad Concession Model and increase competitiveness.

Strategic objectives are to be defined in coherence with the actions of the other UIC Regions.

In cooperation with the different financing actors of the Americas (World Bank, BIRD, Corporación Andina de Fomento-CAF, BNDES, etc.) several actions are expected, in order to help UIC members (present and futures) to develop their transport concept and their business, and in order to promote more sustainable transport in the Region through the development of a modern concept of the railway system.



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FACTS & FIGURES

On railways in the Latin America Region

- Diverse economic, political, social and industrial conditions in the different countries and over time
- Difficulties in bringing production into certain regions
- Differences in railway design
- Seven different track gauges
- Very little electrification and double track
- Very few international connections and no concept of a continental network (except in Mexico)

Privatisation, concessions

In the 1990s Argentina began privatising its railways in a process whose basic principles inspired the transformation of the European railways in accordance with Directive 91/440.

Other countries are following more or less similar processes, each according to its own historical specificities, market characteristics, political context and administrative methods.

Some countries (such as Venezuela) have started developing railways. Others (such as Paraguay) have allowed them to disappear almost entirely.

Privatisation process

Twenty years on, this process and the private sector's involvement have had very mixed results, but some conclusions can be drawn:

→ Freight:

- Positive result, a priori
- The idea of international traffic or of a continental network is still absent
- Limited development of intermodal freight

→ Passenger:

- Mainline transport all but abandoned
- Development of urban and suburban services

→ Weak railway industry

Future development

Concessions will require revision (and potentially renovation) in the years to come.

Stronger involvement will be sought by governments in countries such as Venezuela, Ecuador and Bolivia.

Argentina is distinguished by the creation of ADIF (infrastructure manager) and ORF (national operator).

In Brazil the debate is focused on the business model of the railway system.

LATIN AMERICAN CONTEXT AND PROJECTS

Latin America represents a huge share of the world's land area and is composed of 33 countries (UIC definition and including islands). The concept of a network is not present in the total list of lines in operation and among the listed countries, 18 countries have some kind of railway infrastructure in operation, with notable operation in only 10 of them.

Latin America has no continuous and well-developed railway infrastructure which can be accommodated into carrying freight or passengers across the entire continent, east-west or north-south.

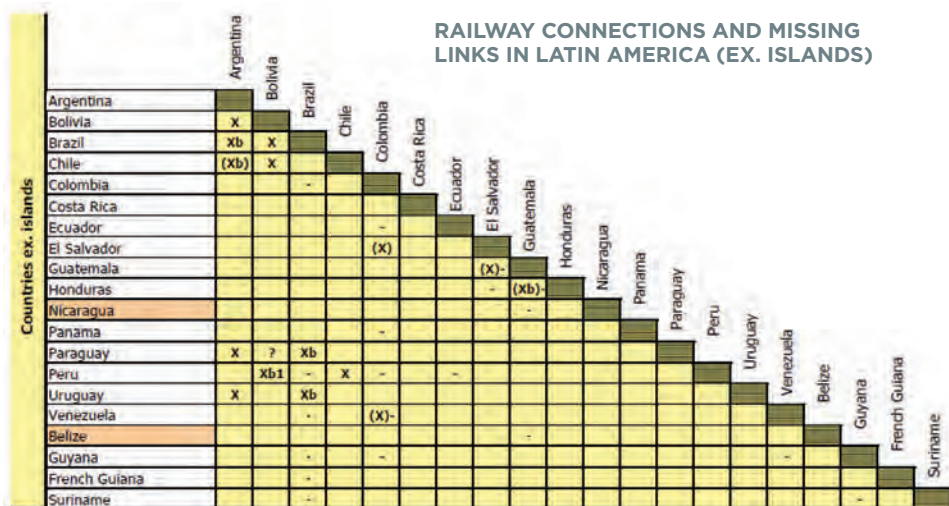
Many regional links are often missing. If they exist, some are deteriorated, outdated or closed due to various reasons. Regulations, infrastructure, rolling stock and procedures in Latin America are not homogenous, all contributing to more complex border crossings in regions where the infrastructure exists. This discontinuity has severe impact on effective logistical chains, time consumption as well as costs.

The most "promoted" obstacle is the lack of a common railway gauge. The Latin American gauges are more challenging than in many other regions of the world. The main gauge is 1.000 mm, 1.676 mm, 1.600 mm and 1.435 mm. However, other gauges also exist.

Furthermore, there might be missing links due to geographical conditions, national conflicts, damage or economic reasons (not considered commercially viable to build the link). And in addition to these physical discontinuities, there are political and administrative barriers like tariffs, border crossing permissions, customs, change of crew, safety inspections, bureaucratic administration procedures and various other impediments. These non-physical challenges can be considered as more important than the physical.

All these physical and non-physical barriers interrupt movement of goods and passengers, which again cause additional costs and thus affect the future Latin American Railways, as well as the rail's connection to intermodal freight centres (like ports) and the international market.

RAILWAY COUNTRIES	
1	Argentina
2	Bolivia
3	Brazil
4	Chile
5	Costa Rica
7	Cuba
8	Dominican Republic
9	Ecuador
10	El Salvador
11	Guatemala
12	Honduras
13	Nicaragua
14	Panama
15	Paraguay
16	Peru
17	Uruguay
18	Venezuela



X: shows direct connections, not connections through third country, which is possible for many route.
 (X): plan, project or partly operational
 b: break of gauge
 (X)-: connection probably damaged, closed etc
 1 Includes a railway ferry across lake Titicaca from Puno (Peru) to Guagui (Bolivia)

BRAZILIAN PROJECTS

LOGISTIC INVESTMENT PROGRAM

On August 15, 2012, the Brazilian Federal Government launched the Logistics Investment Program. The program includes a set of projects which will contribute to the development of a modern and efficient transport system and will be carried out through strategic partnerships with the private sector, taking into account synergies between road and rail networks, waterways, ports, and airports.

In the railway sector, the program foresees investments worth US\$ 49.8 billion in construction and/or upgrading of over 11,000 km of rail lines. The railway program has three main guidelines: the provision of a wide, modern and integrated rail network; efficient and competitive supply chains; and lower tariffs.

The program comprises railway concessions due 35 years of broad gauge (1,600 mm) railways, with high load carrying capacity, and geometric design optimized to allow higher speeds (80 km/h).

Logistic Investment Program

Railway Section	Km	Investment (R\$ B)
São Paulo - Mafra - Rio Grande	1.800	28,10
Uruaçu - Corinto - Campos	1.730	23,50
Belo Horizonte - Salvador	1.651	12,60
Maracaju - Eng. Bley - Paranaguá	1.012	10,30
Salvador - Recife	1.200	8,80
Lucas do Rio Verde - Uruaçu - Palmas - Anápolis	1.920	7,80
Anápolis - Panorama - Dourados	1.294	5,10
Rio de Janeiro - Campos - Vitória	634	4,20
Açailândia - Vila do Conde	480	3,10
Ferrovial SP (Norte/Sul/acesso porto de Santos)	245	Indefinite

The program introduces a new railway concession model, in which concessionaires will be in charge of the infrastructure, signalling and traffic control.

“TRENS INTERCIDADES” (REGIONAL EXPRESS TRAIN SERVICES)

As the most populous and economically important state of Brazil, São Paulo has the first (and major) rail intercity state project of the country. This initiative has been started by São Paulo

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NEW RAILWAY

The Brazilian Federal Government launched the Logistics Investment Program. The program foresees investments of US\$ 49.8 billion in construction and the concession of over 10,000 km of rail lines. The objective is to balance the Brazilian matrix of transport, providing a competitive environment in rail transport, reducing the costs and avoiding logistics waste of around US\$ 100 billion per year. For this reason, the Government has created a mixed model for operation of the current railroads (vertical) and the future ones (horizontal). The plan represents the largest effort of expansion of the national railway network already done by Brazil. The objective of the Government is to reduce the Brazilian logistics cost by 30% and increase the competitiveness.

LOGISTIC COST
 In 1000 TRU (Ton per Km)
 Waterway: US\$ 12
 Railway: US\$ 18
 Highway: US\$ 45

CURRENT MATRIX
 17% Waterway
 25% Railway
 58% Highway

LOGISTICAL COSTS COMPARED
 World average: 10%
 Brazilian average: 15%
 * 5% of the GDP represents a waste of US\$ 100 billion per year
 * The Brazilian target is to reduce the logistic cost by 30%

VERTICAL MODEL
 * The concessionaire provides the transport services
 * The concessionaire is also the infrastructure manager

HORIZONTAL MODEL
 1 Separates the operator of trains of the manager of infrastructure
 2 Creates the figure of the Independent Railway Operator (OFI)
 They are:
 - Current operators of infrastructure of the former Federal Railway
 - New railway operators independent
 - Divides of cargo
 3 Creates de figure of the Manager of Railway Infrastructure
 They are:
 - The manager will be responsible for building, maintaining, and administering the railroad (not being able to transport cargo)
 - Sets the capacity of the track for the EBF

OFI
 - Purchase low capacity of the Brazilian Railway Company (EBF)
 - Buy cars and locomotives
 - Operate the compositions
 - Commercialize the transport service

GIF
 - Dispute the concessions of new railroads
 - Build and maintains the permanent way
 - manage the Operations Center
 - Sets the capacity of the track for the EBF

BRAZILIAN RAILWAY COMPANY (EBF)
 - Purchase 100% of the capacity of the manager (GIF) with 15% in advance
 - Sells the capacity to the Independent Operators
 - Should guarantee the track rights to the OFI in all railroads (horizontal and vertical)

FINANCING CONDITION
 - Interest: TJP + 1.0%
 - Shortage: up to 5 years
 - Amortization: up to 25 years
 - Leverage: 65% (up to 85%)

CONCESSIONAIRE'S REMUNERATION
 * The concessionaire will have two rates: one called Tariff for the Operational Capacity Availability and the other called Efficiency Tariff

Railway Section

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State Government and private companies became interested on creating a whole network. Indeed, EDLP (UIC Member) and BTG Pactual have launched unsolicited proposal to structure a PPP model for a rail network covering, firstly, the Macrometropolis. A link among these cities, with only a few stops, will be created in the railway network: Santos, Mauá, São Caetano, Santo André, Jundiaí, Campinas, Americana, São Jose dos Campos, Taubaté, Pindamonhangaba, Sorocaba and São Paulo. The central station will probably be in a neighbourhood called Água Branca, but certainly in São Paulo (city). The average speed is 120 km/h, with a maximum of 180 km/h. The whole network will be 430 km in length.

Published by: UIC Communications Department

- Director of Publication: Jean-Pierre Loubinoux, UIC Director-General
- Publisher: Marie Plaud, UIC Communications Department
- English version: Helen Slaney
- Design: Marc Desmoulin/La Belle Equipe
- Photographs: Dreamstime - Corbis- UIC - DR
- Printer: Acinnov

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ISBN: 978-2-7461-2825-5



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