

Chapter 2 of 3: Connecting to growth in Latin America; large projects, new markets

Silvia Pavoni	So I'm here with HSBS's Arturo Recio and Stuart Lea and we're talking about specific individual projects that investors may find of interest across Latin America and obviously we are picking from a very big pool. So which ones would you like to single out?
Arturo Recio	Well first of all you have to start with Brazil. Clearly Brazil has taken the lion's den in terms of the amount of projects, the amount of infrastructure needs in Brazil is actually one of the greatest within the region, you know, maybe 80%, 75% of it, of the whole total. So I think Brazil is a very key market. Within Brazil obviously given the World Cup, given the Olympics, everything that they actually got in their place at the moment, one of the keys is actually the infrastructure behind it and really, obviously construction of stadiums, construction of infrastructure, you know, interconnecting the different cities and everything, but also one of the main ones for example is the airports, right? We saw the phase one of the airport privatisation, actually privatised, you know, assets such as Guarulhos in São Paolo which is actually a very key asset to the whole country and obviously we now see the phase 2 of the airport privatisation, you know, with one of the main assets being, you know, Rio de Janeiro, and I think, you know, clearly these type of assets are going to attract enormous amounts of attention from strategic operators and also financial investors. Clearly one of the things that we have seen is the evolution, you know, of the regulatory framework and also, you know, the way the government is privatising these assets which is actually very important because these assets are now, you know, privatised in a way that actually favour the presence of, you know, internationally recognised operators, you know, and because of airports. So I think, you know, in terms of the concession agreements, you know, pretty much standard of what we see internationally. So I think, you know, we are seeing, for example, in that asset a perfect example of the transparency, the new, you know, wave of...the new mentality towards privatisation in the whole region. So I think it's a very important example...
S.P	Okay, which is a very important point is the same because foreign investors, particularly last year, have been a bit wary of the tender procedures and procurement processes from Brazil as the country has changed some of the rules of the game. But, I know that apparently now the mood is to be a little bit more optimistic and hopeful in how these tenders are going to be put together and...
Arturo Recio	Well yeah, it's actually more of an improvement on the rules of the game because clearly, you know, I think, you know, it's again an evolution of what they have seen in other markets, what they have done in the first phase, and now the second phase benefits a lot from all this experience.
S.P	Okay.
Stuart Lea	I think that there will always be teething problems in the procurement process and I don't think that's peculiar to these countries. We see that closer to home, within Europe, within the UK in procurement processes. So I think investors are looking for a strategic intention to privatise and/or develop assets. They will take the teething problems along the route but I think it's the stability of the rule of law, legislation, competitive process that will generate that interest. And I think these investors are happy with competition. They recognise that there's very rarely going to be bilateral transactions without competition. They can live with that, they need to see the pipeline of deals and the legislative regulatory framework to actually underpin that. And I think they're

	seeing that.
A.R	Yes of course. And I think that's actually a big achievement for many of these countries. Obviously we talked about Brazil but clearly, you know, the other countries of focus could be Mexico, clearly, Mexico pretty much dominated by a very, very strong, you know, local players, you know, very strong financing from the pension fund. Money that they got, but actually increasing activity from international investors to actually take advantage of the greater needs, you know, with the new administration, of a new plan, new economic plan of development with high speed trains, with ports, with airports. So I think it's clearly another very market-focus within Latin America. The other actually markets such as for example Columbia and Peru, they actually bring a lot of fresh ideas and a lot of fresh interests, you know, from people that they thought that these countries, you know, were of a certain way but clearly, you know, the development of the country has shown that there is opportunities in roads, you know, with the new PP programme, in airports, in ports. I think, you know, it's clearly economies that are actually coming into the scene, you know, of previously dominated Brazil/Mexico, you know, territory.
S.P	Very good. So we talked about some projects and we started mentioning the differences between different markets and we'll hear more about the peculiarities of each of these markets in a second.