

PROJECT ABSTRACT

Project number	BR-0296
Project name	Castello-Raposo Toll Road Project
Country	Brazil
Total project cost	US\$478 million
IDB participation	IDB A-Loan: US\$75 million IDB B-Loan: US\$55 million
Department	Private Sector Department
Status	Approved by the Board of Executive Directors
Date	December 8, 1998

I. THE PROJECT

- 1.1 In 1996, the State of São Paulo launched a toll road concession program to privatize its highway system, consisting of 22 sections or "Lots. This project, constituting Lot Number 12 of the State Toll Road Concession Program, encompasses one of the most important and congested highways in the São Paulo Metropolitan Area.
- 1.2 The project consists of a concession for the construction, rehabilitation, upgrade, operations and maintenance of the approximately 156 km of State highways that link the city of São Paulo with Sorocaba and Araçoiaba de Serra. After the concession period, the project will be transferred back to the State Government under a Build-Operate-Transfer (BOT) scheme. There is no significant competition from other existing roads and the State Government will provide no traffic guarantee. VIAOESTE is entitled to charge a toll on the highways in the concession area before project completion, allowing toll revenues to build even in early stages.
- 1.3 The highways in this concession have three major sections: (i) SP-270 (Raposo Tavares Highway: 74.9 km), which connects São Paulo with Araçoiaba de Serra; (ii) SP-280 (Presidente Castello Branco Highway: 65.7 km), which links São Paulo with the western part of the State of São Paulo; and (iii) SP-075 (Senador Jose Ermirio de Moraes: 15.0 km), which links the western region with SP-280. The DER-SP will be responsible for constructing the access roads between SP-270 and SP-075 and the two by-passes near São Roque and Brigadeiro Tobias areas on SP-270. Those by-pass sections are excluded from the scope of this concession.
- 1.4 The project should alleviate congestion by reducing travel time from 50 to 80%, improving safety, providing better emergency and medical services, and improving the general quality of service significantly.

II. THE SPONSORS AND THE COMPANY

- 2.1 The sponsors of this project are: Construtora Queiroz Galvão S.A. (Queiroz Galvão), Construtora Cowan Ltda. (Cowan), EIT - Empresa Industrial Técnica S.A. (EIT), Carioca Christiani-Nielsen Engenharia

S.A. (Carioca), and Camargo Campos S.A. Engenharia e Comercio (Camargo Campos). All of them are Brazilian construction firms with experience in toll road projects.

- 2.2 Prior to the competitive bidding process for the project concession, the sponsors established a special purpose company called Concessionária de Rodovias do Oeste de São Paulo (VIAOESTE S.A.), which is the concessionaire and the borrower for the proposed loan. With the exception of Camargo Campos, which has a 5.0% share, all of the sponsors have an equal 23.75% share in VIAOESTE. The sponsors have assigned their own staffs to key management positions in VIAOESTE and share management responsibility.

III. THE CONCESSION

- 3.1 The DER-SP granted a 20 year concession to VIAOESTE for this project on March 30, 1998. Each year, VIAOESTE will pay the DER-SP concession payments consisting of a component fixed in the concession contract and a variable component dependent on toll revenues. The DER-SP will not provide a traffic guarantee associated with this concession.
- 3.2 The concession itself is not assignable. However, the revenues from the project can be assigned with the approval of the DER-SP. The Concession Contract outlines several conditions under which the contract may be terminated.

IV. TRAFFIC

- 4.1 In general, the highways in this project serve heavy traffic to and from the western region of the State of São Paulo. Current traffic is heaviest on SP-280, slightly lighter on SP-075, and lightest on SP-270. At present, approximately 25,000 vehicles pay a toll daily at the existing toll plaza. Between 1985 and 1995, the traffic grew on average 7.1% per annum on SP-280 (at km 33), and 5.2% on SP-270 (km 82). Although traffic may not continue to increase at the same robust pace, general traffic growth should continue unabated. Even the most conservative projections indicate that once the highways in this project are fully operational and tolled, traffic levels will increase by at least 3% annually. After project completion (in the year 2002), projections indicate that approximately 153,000 vehicles will pay tolls daily on SP-280, 20,000 vehicles on SP-075, and 17,000 on SP-270.
- 4.2 Traffic demand in the corridor is quite price inelastic, especially along SP-280, even after the implementation of a tariff. This is because the highway system is heavily traveled, and alternative toll-free roadways are limited or non-existent at key locations.

V. ENVIRONMENTAL AND SOCIAL IMPACT

- 5.1 The potential environmental and social impacts of this project have been thoroughly reviewed by the concessionaire and an independent consulting firm retained by the IDB. The project is environmentally sound and all mitigation measures defined in the Environmental and Social Impact Report, approved by the Technical Review Group (TRG) of the Committee on Environmental and Social Impact (CESI) of the Bank on November 2, 1998, meet or exceed established international and IDB standards.