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Construction companies pressure for credit and low interest rate

By **Raymundo Costa and Andrea Jubé** | Brasília

Negotiations between construction companies involved in the Petrobras corruption scandal and the government about the Investment Partnerships Program (PPI) have stalled. Valor has learned that the companies started talks as if nothing had happened in the last two years, when the investigations of Operation Car Wash upended the industry's relations with the government, and were sharply rebuked by PPI Secretary Moreira Franco.

The companies made an extensive list of requests, but the main one is aimed at the Brazilian Development Bank (BNDES). Shut out of bank loans, the companies want subsidized credit from the development bank. They also want to renegotiate contracts signed when Dilma Rousseff was still president, due to the recession's effects. The government responded by asking them to forfeit their concessions if they are unable to pay.

Companies pretended they didn't understand the initial message and redoubled efforts in the last few days, resorting to patriotic arguments – “Brazil is in crisis,” the “nation” must start investing again and other similar claims. During one such talk, Mr. Franco, who is also under investigation by Car Wash, responded by saying the companies apparently had not understood that Brazil changed and the usual practices of before have become unacceptable now.

The construction companies even said they may not bid in the PPI auctions under current conditions. They blame high interest rates. The government interpreted that as a threat: companies cannot bid on the auctions with interest rates as high as they are now.

As PPI secretary, Mr. Franco is the government's main interlocutor with companies, but not the only channel they resort to. The secretary has been at war with Odebrecht, which he called a “criminal organization,” after one of its executives accused him in an informant deal.

Back from a trip to Portugal, President Michel Temer meets Wednesday with his government's infrastructure group, formed by Mr. Franco, Chief of Staff Eliseu Padilha and ministers Dyogo Oliveira (Planning), Maurício Quintella (Transports), Bruno Araújo (Cities), Hélder Barbalho (National Integration), and Sarney Filho (Environment). In the afternoon, Mr. Temer considers gathering his economic team.

It will be the first meeting of the infrastructure team since the government sent to Congress the provisional measure that regulates concessions, in order to unleash investments in airports, highways and railways that were privatized in the last few years. The rule brings proposals to early renewals or re-auctioning of troubled contracts. The special committee that analyzes the provisional measure was installed in December and awaits the report of Deputy Sérgio Souza (Brazilian Democratic Movement Party, PMDB, of Paraná).

The rule paved the way for the “friendly” cancellation of contracts by companies that demonstrated their incapacity to fulfill the contractual or financial obligations originally assumed, as well as for the early renewal of highway concessions, as long as they had already carried out at least 80% of the work established in contract. The rule also allowed the government to make “cross investment” among several railway concessions.

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