

**REPUBLIC OF PERU**

**ROAD NETWORK N° 4 CONCESSION**

**EXECUTIVE SUMMARY**

**PRIVATE INVESTMENT  
PROMOTION AGENCY**



**ProInversión**

**PROINVERSION COMMITTEE FOR  
INFRASTRUCTURE AND UTILITIES PROJECTS**

**MINISTRY OF TRANSPORTATION  
AND COMMUNICATIONS**



**TRANSPORTATION SECTOR**

November 2007


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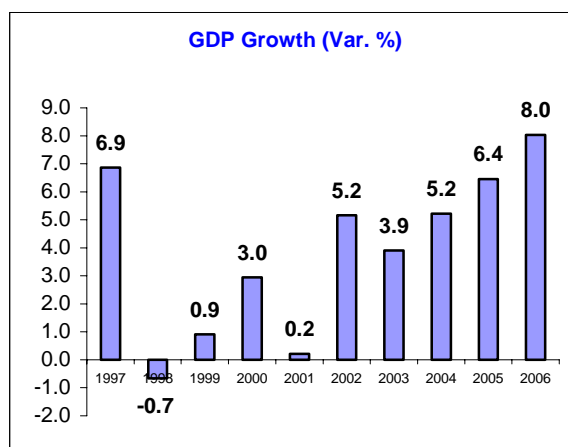
# 1. Peru

Peru is the third largest country in South America after Brazil and Argentina. It has an area of 1.28 million km<sup>2</sup> and a population of 27 million people with an approximate population density of 21 inhabitants per square kilometer. It is located in the central area of the South America west coast and it is becoming a regional productive and trade hub due to port, airport and road infrastructure consolidation which permits it to serve as the connection bridge between South America, United States and Asia markets, as well as to encompass a commercial influence area going from the Pacific Ocean to the Brazilian West.



In the economic sphere, Peru has shown sustained growth of its GDP as from 3Q 2001, approaching US\$ 93 billion in 2006 and an 8% growth as compared with the year before. GDP per capita is US\$ 3.379 per year.

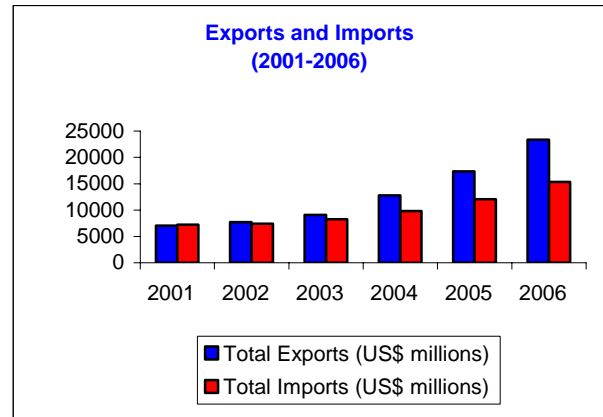
The exchange rate has been relatively stable and has tended to decrease along the last 8 years. At year close 2006, it was S/. 3.275 in average and it has been around S/. 3.2 per US dollar along 2007. Inflation reached 1.1% in 2006 and has been 1.77% in 1Q 2007.



Source: BCR

The Trade Balance has been positive since 2002 and has attained US\$ 8.93 million in 2006 as a result of a constant increase in exports as shown in the second graph. The level of exports is expected to continue showing an increasing pace this year.

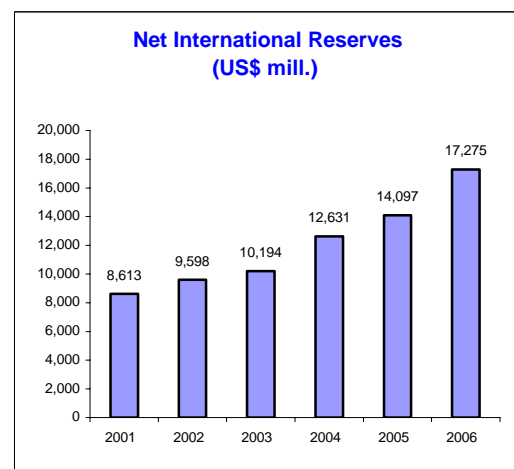
The Camisea Gas Project and the Free Trade Agreement with the United States will have a positive impact, driving economic growth in the country.



Source: BCR

Net International Reserves reached US\$ 17.27 million in December 2006, while Foreign Debt is 23.6% of GDP.

Peru has an active capital market. In 2006 the Lima Stock Exchange Index reached a profitability of 168.3%, the highest profitability among the main markets in the world. Transactions for US\$ 6.308 million took place along the same period.



Source: BCR

## 2. The Road Network in Peru

The Road Network in Peru is made up by three large longitudinal road axis and close to 20 transversal roads that go through our national territory aiming at articulating the three natural regions of the country, the Coast, the Highlands and the Jungle.

**Coastal Longitudinal Road or Pan-American Highway (Route 001)**.- This road is approximately 2.4 thousand kilometers long (3.5 thousand kilometers including its variants.) It connects the Pacific ports with the main country cities such as Piura, Chiclayo, Trujillo, Lima - Callao, Ica, Arequipa and Tacna.

**Highland Longitudinal Road or Inca Road (Route 003)**.- Approximately 3.5 thousand kilometers long (3.7 thousand kilometers considering its variants and branches), it connects by the north with Vado Grande at the border with Ecuador, by the south-east with Desaguadero, at the border with Bolivia.

**Jungle Longitudinal Road or Jungle Marginal (Route 005)**.- It is approximately 2.5 thousand kilometers long (3.1 thousand kilometers considering its branches.) It connects the Canchis River at the border with Ecuador, with Pardo Port/Heath River at the border with Bolivia.

**Transversal Routes**.- There are 20 transversal routes connecting important cities in the country. Some of them make part of the so-called IIRSA (Initiative for the South American Regional Integration Axes), the North Amazon Multimodal Axes – North IIRSA, the Peru-Brazil South Inter-Ocean Road Corridor and the Center Amazon Multimodal Axis.

### 3. Road Network N° 4

The Road Network N° 4 Project comprises a number of interventions to be carried out in the departments of Lima, Ancash and La Libertad, such as:

- (i) Construction of the Carrizales (Casma River), Sechín (Sechín River), Huambacho (Huambacho River) and Lacramarca (Lacramarca River) Bridges. (Grantor)
- (ii) Construction of Chimbote's Beltway.
- (iii) Construction of the second road between Pativilca and Trujillo (part the Concessionaire, part the Grantor)
- (iv) Fixing of approximately 356 Kilometers in the following Stretches: Pativilca – Santa – Trujillo and Salaverry – R01N Junction. (Grantor)
- (v) Operation and conservation of the following Substretches made by the Concessionaire and others received after been executed by the Grantor.

Operation and conservation of the existing road between Pativilca-Santa-Trujillo including the four ports mentioned and the second road stretch will be made after completion of works and delivery of the stretches to the Concessionaire by the Ministry of Transportation and Communications.

#### Concession Roadmap



Pativilca-Santa-Trujillo

Road Network N° 4

This project is within the Private Investment Promotion framework and it is included in the following State's fundamental objectives:

- Country integration by joining its different regions.
- Regional competitive improvement by infrastructure development to allow for developing and consolidating new markets and developing poles.

## 4. Main Concession Characteristics

- **Modality under which the concession will be granted:** Comprehensive Project Bid
- **Self sustainable:** Co-funding is not required
- **Extension:** Approx. 356 Km.
- **Referential Investment:** Approx. US \$ 80 million (Including Sales Tax- IGV)  
The Referential Investment does not include the operation and conservation costs.
- **Work:**
  - Construction of the second road between Pativilca-Santa-Trujillo until it is feasible
  - Construction: 31.2 Km. of Chimbote Beltway
- **Concession Operation and Conservation**  
It comprises the operation and conservation of Chimbote Beltway and the second road stretch to be built by the Concessionaire.  
Likewise, the operation and conservation of the stretches Pativilca – Santa – Trujillo and Salaverry – R01N Junction and the second road (stretch to be built by the Grantor) after completion of works and delivery of the stretches to the Concessionaire by the Ministry of Transportation and Communications.
- **Works Execution**  
Approx. 3 years
- **Concession Term**  
25 years

## 5. Regional Economic Potential

The greatest contribution in the regional GDP comes from farming and agribusiness with an average of 20 important crops among which rice, potatoes and hard yellow corn, amilaceous corn, wheat, rye, beans, cotton and sugar cane.

Likewise, the Chimbote port is on its coast. This is the core of an important fishing industry, which contributes highly to the national production of fish meal and oil.

There is also important steel manufacturing activity by Siderperu (acquired in 2006 by the Brazilian Group Gerdau). Another important economic activity is mining, represented by companies such as Antamina, main copper producer in the country and Barrick Misquichilca, the second gold producer.

## 6. Process Requirements and Schedule

### Prequalification Requirements

The concession scheme characteristics for each road make it possible to grant them to an operator whose profile points at a corporation complying with the minimum technical-operational, legal and economic-financial requirements as shown in the Tender Documents.

### Competition Factor

- Determination of the amount of additional kilometers agreed to be built by the Concessionaire above the minimum determined by the State of the Republic of Peru)
- Domestic Component Percentage
- The combination of both competence factors will permit to determine the most convenient economic proposal for the State.

### State Obligations

The Grantor guarantees the Concessionaire:

- That it is duly authorized as per the Applicable Laws to act as such.
- That the subscription, delivery and compliance with the commitments included in the Contract are comprised within its powers, agree with the Applicable Laws and has been duly authorized by the Governmental Authority.
- That it will lead the procedures towards issuing the Supreme Decree by which the State will grant a guarantee to back up the Grantor's obligations, representations and guarantees as set forth in the Contract.

### Investor's Obligations

No later than ten (10) months as from the Contract Subscription Date, the Concessionaire shall have carried out the financial closure.

In case funding is made with the Concessionaire's own resources, it shall submit the Public Deed Writ, where the corporate capital increase is mentioned, on the Date of Contract Subscription.

### SCHEDULE

Activity	Date/Period(*)
Submission of Envelope N° 1	It will be notified by Circular Letter.
Submission of Envelopes N° 2 and 3	2Q 2008
Opening of Envelope N° 3 and Contract Award	2Q 2008
Closing Date	It will be notified by Circular Letter.

(\*)Term extension to be defined