



# PPP OF THE NEW MILITARY SCHOOL IN MANAUS

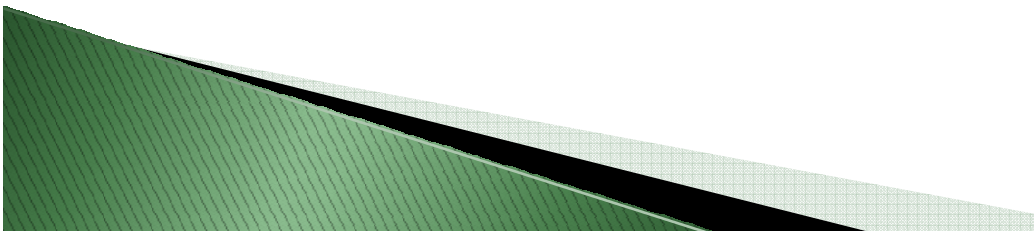
## Public Hearing

São Paulo – Aug. 20<sup>th</sup> 2014



# Summary

- **Brazilian Military School System**
- **Military School in Manaus**
- **PPP of the New Military School in Manaus**
- **Premise and Expected Results**
- **Characteristics of the PPP-CMM**
- **The Bidding**
- **Highlights from the Contract**
- **Schedule**



# Brazilian Military School System

- ✓ The **Brazilian Military School System** is subordinated to the **Department of Education and Culture of the Army (DECEX)**.
- ✓ This system is one of the educational subsystems in the Army and it is responsible for offering basic education from elementary school (grades 6<sup>th</sup> to 9<sup>th</sup>) to high school.



# Brazilian Military School System

✓ The 12 (twelve) Military Schools spread throughout the country offer high quality education to over **14.800 youngsters**, **37%** come from the civil population integrated into the systems by means of **federal public contest**.



# The Military School in Manaus (MSM)

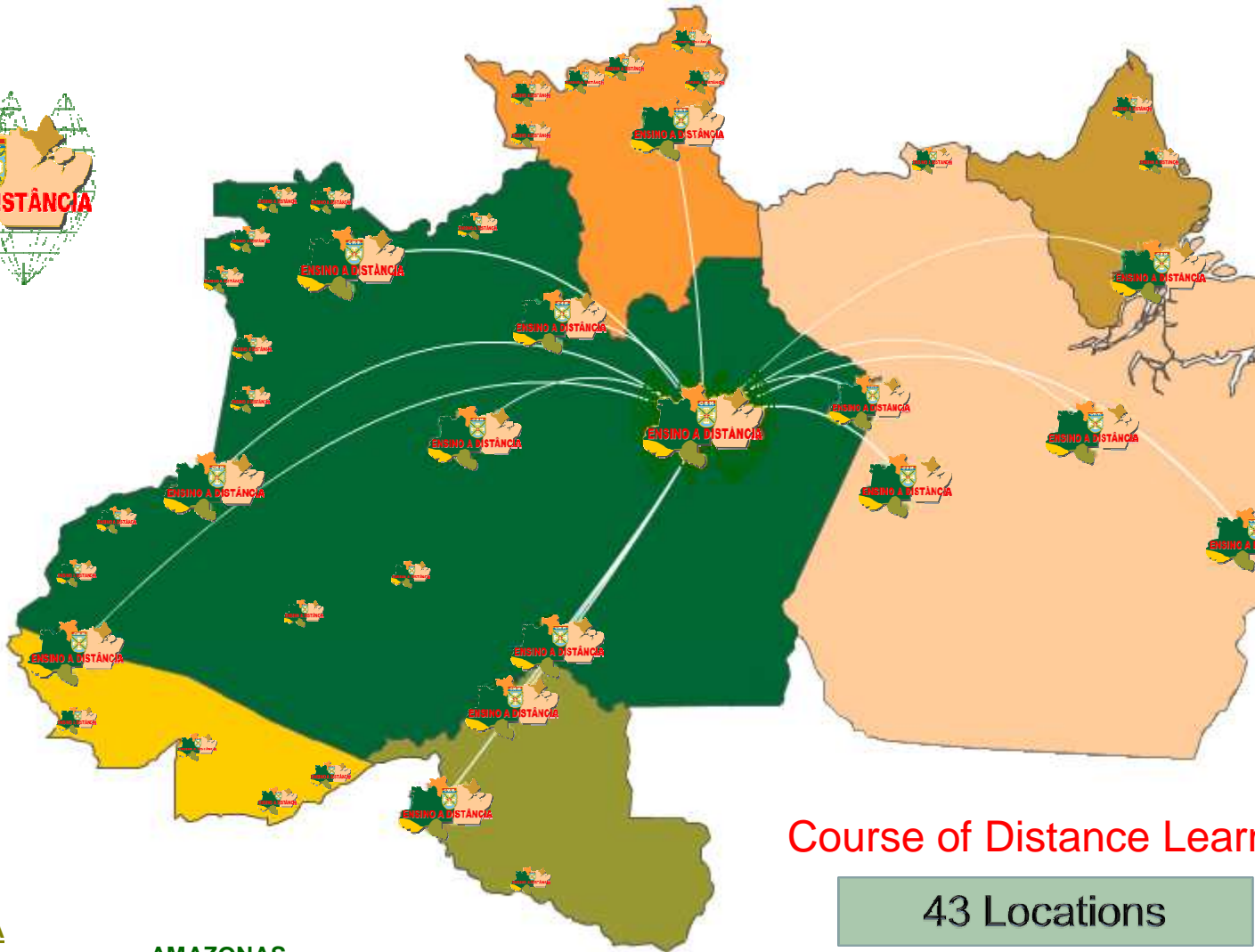
- ✓ The MSM was founded during the government of President Medici in 1971.
- ✓ Part of the current facilities of the MSM were built in 1863 - 151 years.
- ✓ The Regular Course of Distance Learning is a model of quality and it has won many international awards.
- ✓ Excellent results:
  - ENEM<sup>1</sup> – 1<sup>st</sup> place for Public School and 4<sup>th</sup> for the whole State of Amazonas (2012); 2<sup>nd</sup> place in IDEB<sup>2</sup> (2011).
  - Between 2012 and 2013, 66% of the students enrolled to “vestibular”<sup>3</sup> for public universities were approved, 100% for private universities and 67% for military schools.
  - Highlights in national competitions in Mathematics, Chemistry, Biology, Robotics, Astronomy and Literary contests (Spelling).

Cation:

1 - Corresponds to the SATs

2 - Basic Education Development Index

3 - Exam to access university level



Course of Distance Learning

43 Locations

**RONDÔNIA**

- G. MIRIM
- P. DA BARRA

**ACRE**

- C. DO SUL
- MAL TAUMATURGO
- STA ROSA DO
- PURUS
- ASSIS BRASIL
- P. DE CASTRO
- BRASILÉIA

**AMAZONAS**

- CARAUARI
- CUCUÍ
- EIRUNEPÉ
- ESTIRÃO DO
- EQUADOR
- HUMAITÁ
- IPIRANGA
- MATURACÁ
- P. DO JAVARI
- P. CACHOEIRA

**AMAZONAS**

- PARINTINS
- QUERARI
- S. G. CACH
- S. JOAQUIM
- TABATINGA
- TEFÉ
- TUNUÍ
- V. BITTENCOURT
- YAUARETÊ

**RORAIMA**

- BOA VISTA
- SURUCURU
- AUARI
- PACARAIMA
- BONFIM
- UIRAMATÃ
- NORMANDIA

**PARÁ**

- MARABÁ
- TUCURUÍ
- BREVES
- ITAITUBA
- SANTARÉM

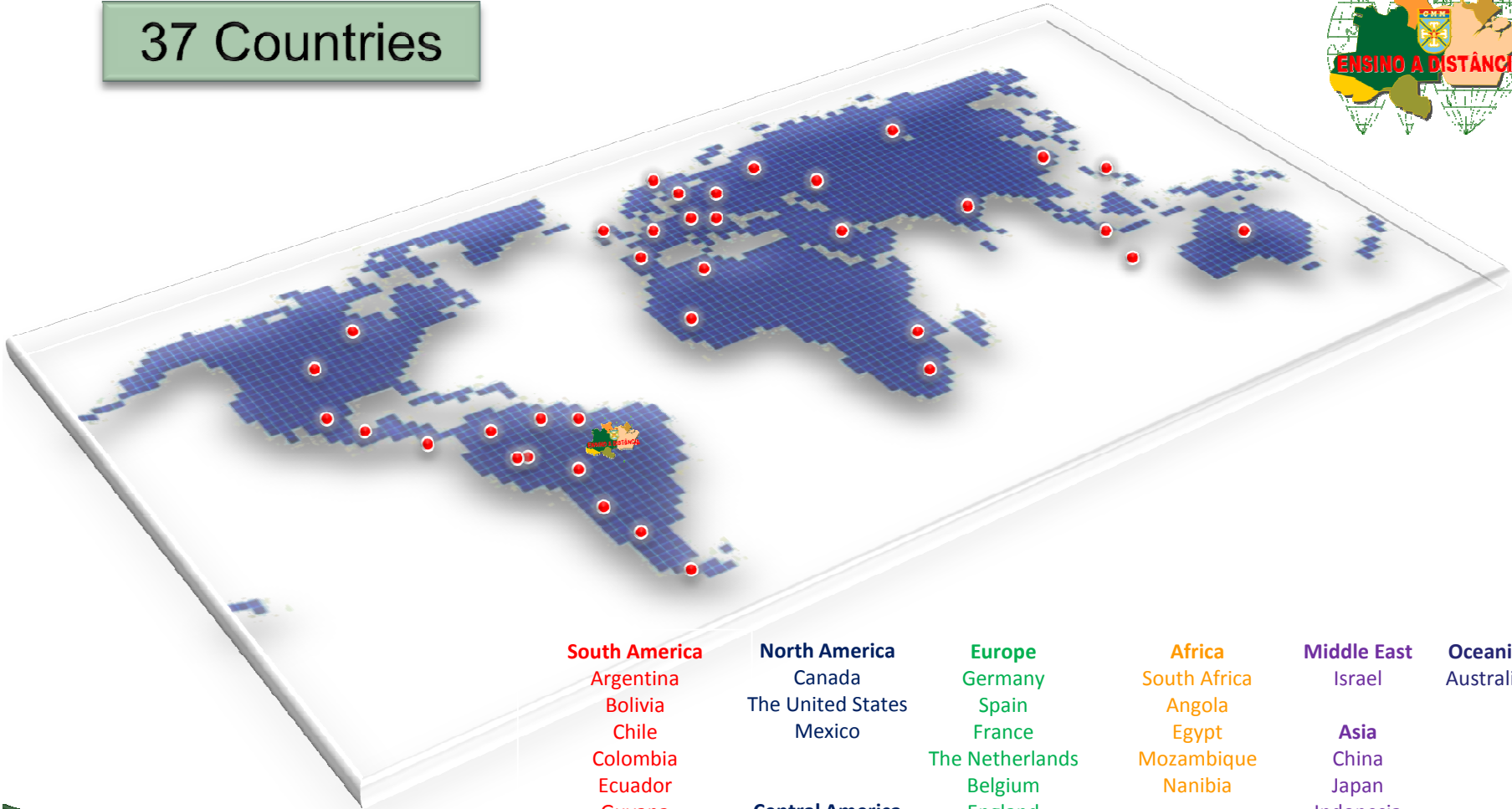
**AMAPÁ**

- CREVELÂNDIA
- OIAPOQUE
- TIRIÓS



# Course of Distance Learning

37 Countries



- |   |  |   |  |  |  |
|---|--|---|--|--|--|
| <p><b>South America</b><br/>         Argentina<br/>         Bolivia<br/>         Chile<br/>         Colombia<br/>         Ecuador<br/>         Guyana<br/>         Paraguay<br/>         Peru<br/>         Uruguay<br/>         Venezuela<br/>         Suriname</p> | <p><b>North America</b><br/>         Canada<br/>         The United States<br/>         Mexico</p> <p><b>Central America</b><br/>         El Salvador<br/>         Guatemala</p> | <p><b>Europe</b><br/>         Germany<br/>         Spain<br/>         France<br/>         The Netherlands<br/>         Belgium<br/>         England<br/>         Italy<br/>         Poland<br/>         Switzerland<br/>         Russia</p> | <p><b>Africa</b><br/>         South Africa<br/>         Angola<br/>         Egypt<br/>         Mozambique<br/>         Nanibia</p> | <p><b>Middle East</b><br/>         Israel</p> <p><b>Asia</b><br/>         China<br/>         Japan<br/>         Indonesia<br/>         India</p> | <p><b>Oceania</b><br/>         Australia</p> |
|---|--|---|--|--|--|

# PPP for the New Military School in Manaus

- ✓ Project of construction, operation and maintenance of the **non pedagogical services** of the New Military School of Manaus.
- ✓ **1<sup>st</sup> educational PPP** of the Federal Government.
- ✓ It is **innovative** and a new reference to the quality of public departments.
- ✓ **Green School**: reduction of environmental impact and increase of comfort and well-being for people (LEED *School*<sup>1</sup> – *Silver*<sup>2</sup>).
- ✓ **Return** of the facilities and goods to the Army.

Cation- <sup>1</sup> Leadership in Energy and Environmental Design – School category.

<sup>2</sup> Silver Certificate – from 50 to 59 points.





# Premise and Expected Results

## Premise

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- ✓ Establishing a new paradigm of quality in providing non pedagogical services.
- ✓ The School must be planned considering its inclusion in the Brazilian Military School System.
- ✓ Integral educational system.
- ✓ Deal with the demand for the next 25 years.
- ✓ Performance indicators and a payment system with incentive to achieve the desired level of service and quality.

## Expected Results

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- ✓ Infrastructure and excellent services.
- ✓ Fair price for the stipulated level of quality.
- ✓ Maximization of the efficiency income for the government and for the user.
- ✓ Attracting and selecting high quality private partners who are able to provide the service meeting the stipulated quality level with LEED and ISO 9001:2008 and 22000 certifications.

# Characteristics of the PPP-CMM: Location



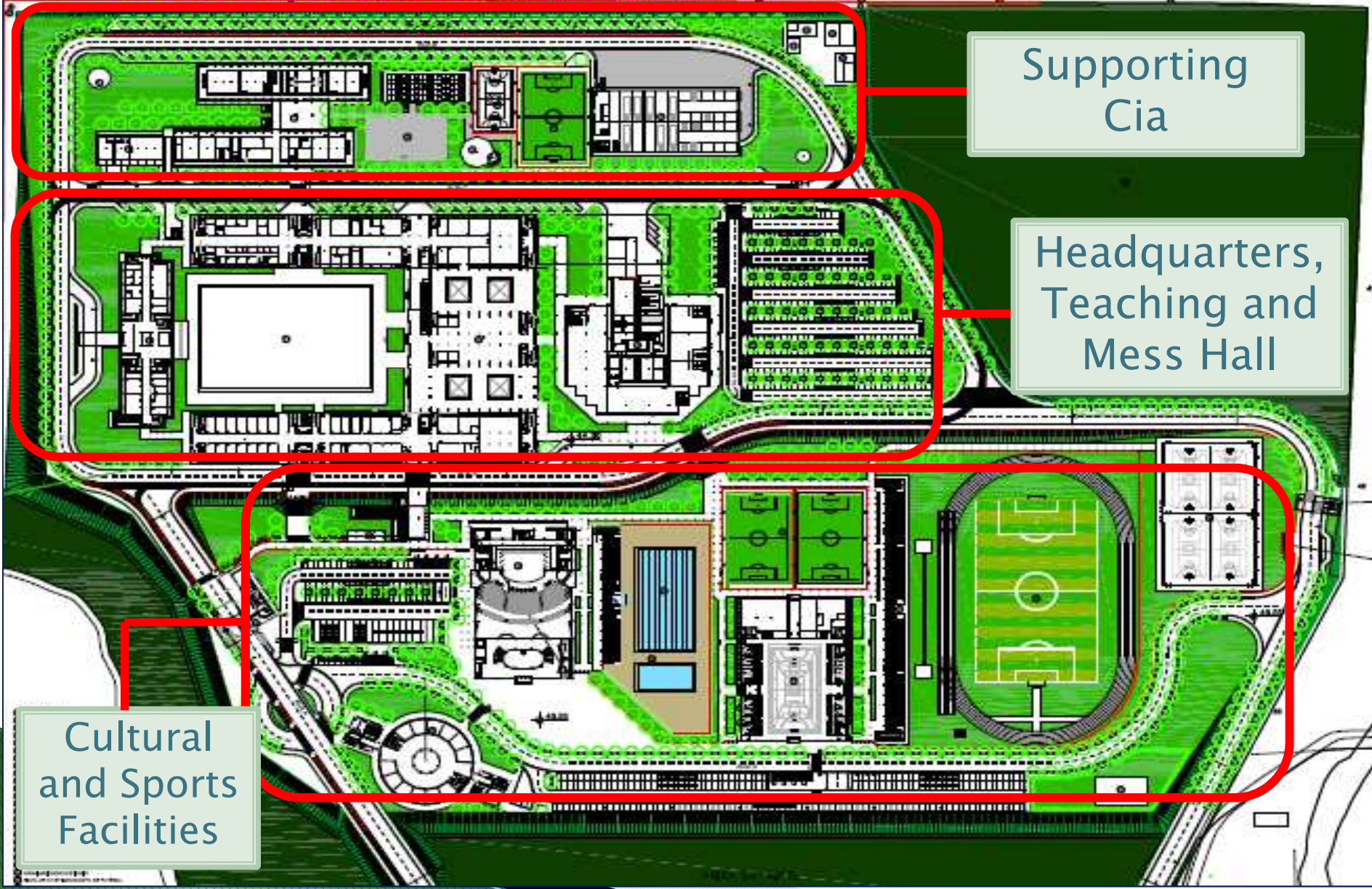
# Characteristics of the PPP- CMM: Construction

Buildings	Built Area	Equivalent Area
Main buildings	59.260	59.260
Sports facilities	22.487	12.079
External facilities	15.512	4.942
Tessellations	129.282	15.754
Suport facilities	538	538
<b>Total</b>	<b>227.079 m<sup>2</sup></b>	<b>92.572 m<sup>2</sup></b>

## ✓ Elementary and High School:

- CCSv: **accommodations**, military position patio, warehouse, garages, **sports and recreational areas**.
- Commanding and Teaching Pavilions (**49 classrooms**), cafeteria, parking lot and bike rack.
- Sports and cultural facilities with an **auditorium**, soccer fields, **covered gymnasium**, fitness center, swimming pools, indoor multi-sports courts, parking lots, etc.
- Option to **extend in 2022**.
- **227.079 m<sup>2</sup>** of built area and **92.572 m<sup>2</sup>** of equivalent area.

# Characteristics of the PPP-CMM:Construction



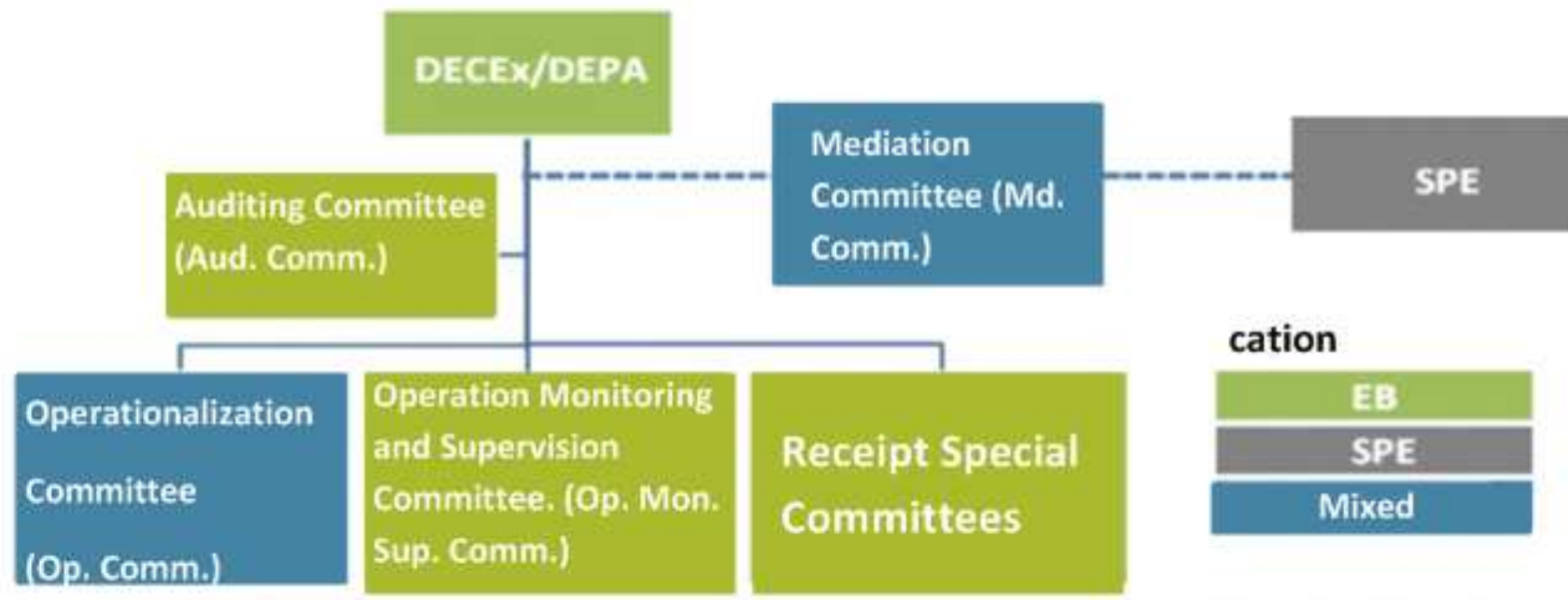
# Characteristics of the PPP- CMM: Services

Construction	TIC
<b>Structure Maintenance</b>	<b>Service Center</b>
Civil	Microcomputers
Electrical	Communication Network and Internet Connection
Hydraulics	Information Safety
Gas Structure	<b>Communication Services</b>
Fire Protection	Telephony
Sports Facilities	<b>TV closed system</b>
Air Conditioning	Sound System
Lightening Arresters	<b>Administrative Services</b>
<b>Permanent Goods</b>	<b>Control of Reversible Goods and Consumable Material</b>
Furniture and Equipment	
Teaching Material	<b>General Services</b>
<b>Security Services</b>	Cleaning
<b>Access Control</b>	<b>Catering</b>
Closed TV – CFTV Circuit	<b>Vehicles and Transportation</b>
<b>Utilities</b>	<b>Support Services</b>
Energy	Graphic Services
Sanitation	<b>Electronic document management</b>
<b>Other Services</b>	Orders mailing
<b>Extracurricular activities</b>	Laundry

# Characteristics of PPP-CMM

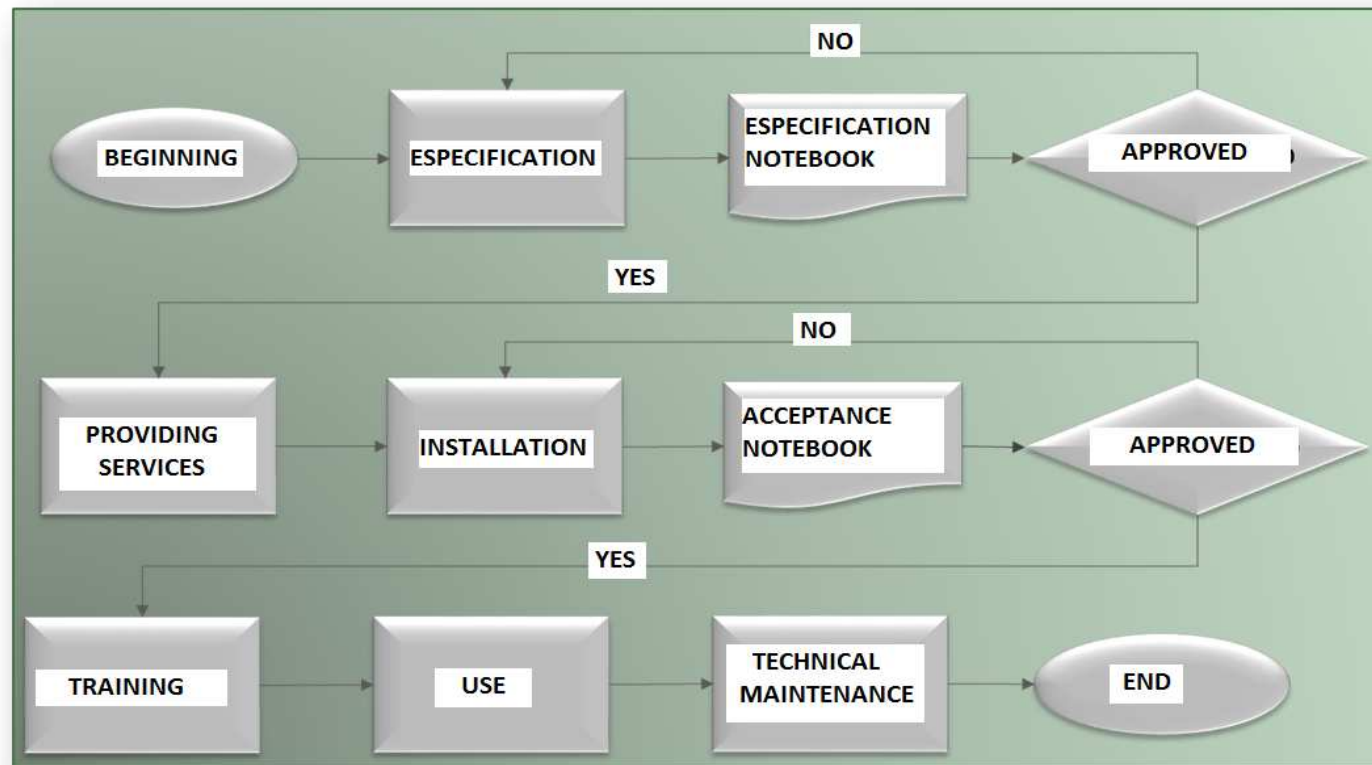
## Corporate Governance

To **coordinate, integrate, control, monitorate and supervise** the Administrative Concession Contract. Besides, it's aim is defining clear and objectively, **the structure of relationship among POWER GRANTOR AND DEALERS**



# Characteristics of PPP-CMM Acquisition Procedures

Orientations about the **acquisition procedure** of furniture, equipament and others permanent material.



# Characteristics of PPP-CMM

## Payment Possibilities

**EFFECTIVE MONTHLY CHARGE  
(EMC)**

**FIXED PARCEL (X %)**

**+**

**VARIABLE PARCEL (X %)**

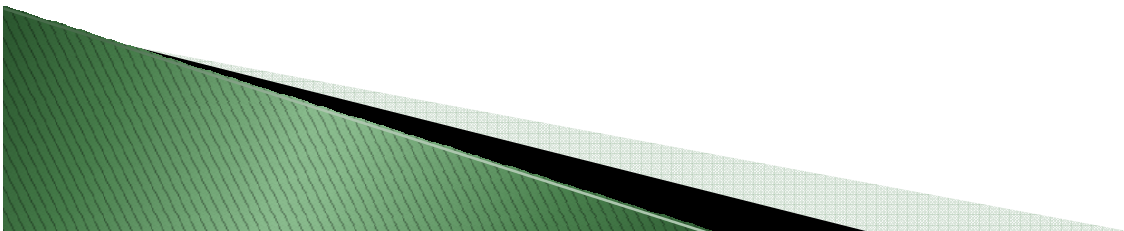
- ✓ Effective monthly Charge (EMC)
- ✓  $EMC = (X \% * CMX + (FD * X \% * CMX)) - \text{Additional Income Shared} - \text{Additional Income with Leasing}$ .
- ✓ Fixed Parcel (FP).
  - FP:  $X \% * \text{Máximum Monthly Charge}(MCX)$
- ✓ Variable Parcel (VP).
  - VP:  $\text{Factor Performance (FP)} * X \% * MCX$ .
  - FP constitutes an indice of performance,  $FD = f(ID)$
- ✓ Discount over VP, because of not succeeding in goals and indicators.



# Characteristics of PPP-CMM

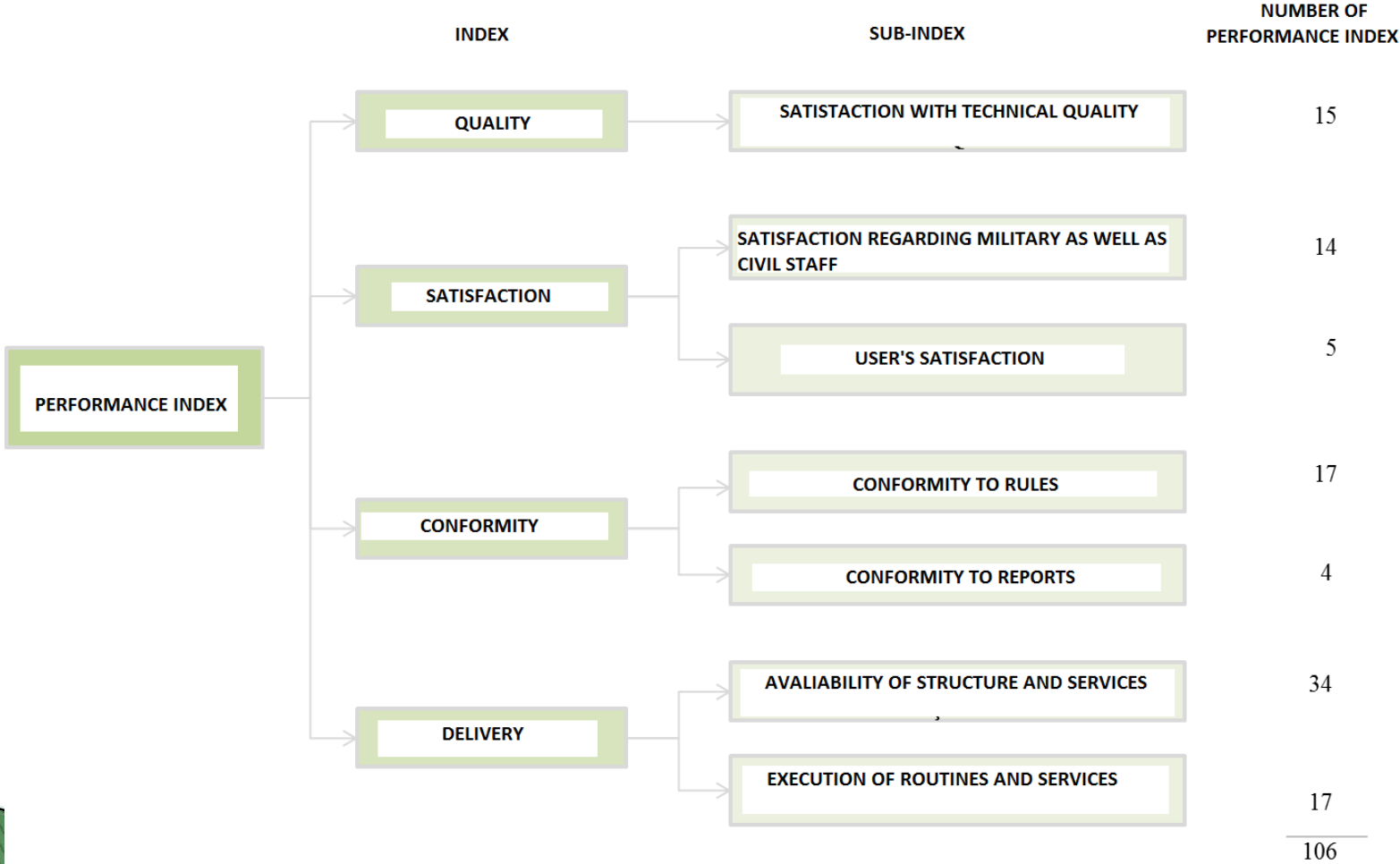
## Additional income and Leasing

- ✓ **20% (twenty percent)** of the gross revenue earned by the Concessionaire from the exploitation of Additional Revenue when this exploitation comes from using facilities provided in item 4 of Annex Descriptive Memorandum of Agreement;
- ✓ **5% (five percent)** of the gross revenue earned by the Concessionaire from the exploitation of Additional Revenue when it is exploited through the use **of facilities not provided** as in item 4 of Annex Descriptive Memorandum of Agreement;
- ✓ **Value corresponding to the lease** areas available by CMM; and
- ✓ **2.5% (two point five percent)** of the gross revenue earned by the Concessionaire **from the operation of the properties leased asset.**



# Characteristics of PPP- CMM

## Composition of PI



# Characteristics of PPP- CMM Index Weight (IDC)

- ✓ The weight of each IDC shows **variation over the first three (3) year grant**, due to the necessity of obtaining LEED certification, ISO 9001-2008 and ISO 22,000 by the end of the second year of operation.
- ✓ The weights of the three years will be maintained **during the remaining years of the contract**. If there is no certification renewal, the criterion weights to be applied will be 2 year. Occurring renewal, the weights remain in effect for the year 3 again.

IDC	Weight		
	Year 1	Year 2	Year 3 onwards*
Quality	26,70%	23,34%	30,00%
Satisfaction	26,60%	23,33%	30,00%
Accordance	20,00%	30,00%	10,00%
Delivery	26,70%	23,33%	30,00%

# Characteristics of PPP-CMM

## BASE VALUE OF ANNUAL COUNTERPART AND PREMISSES

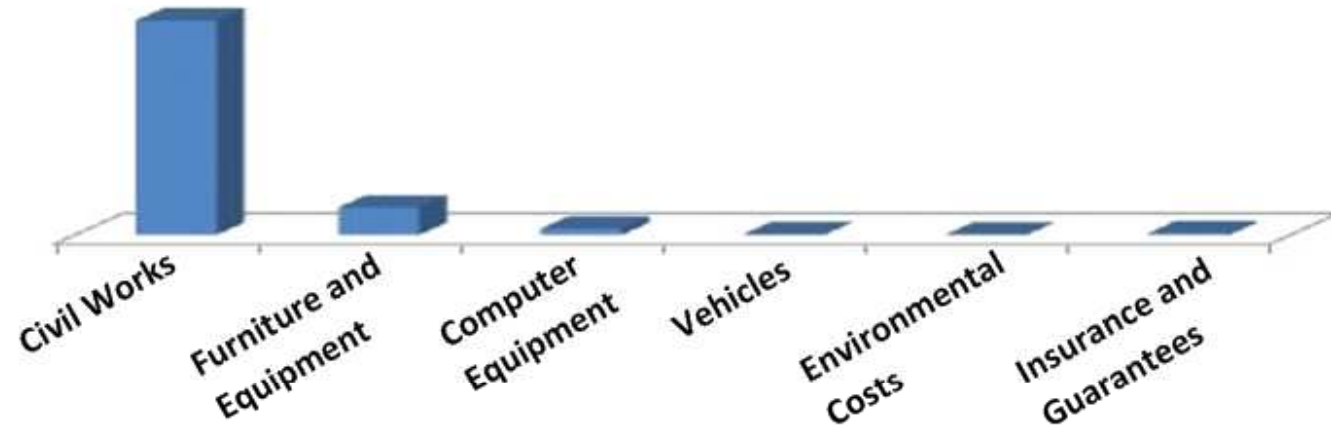
- ✓ R\$ 1,100.05 million.
- ✓ Concession period of 25 years (2.5 years for construction and operation of 22.5 years), with a possible extension of 10 years at the discretion of the Grantor
- ✓ The financial modeling follows the methodology of free cash flow.
- ✓ The values of reinvestments (life cycle) are included in the Project.



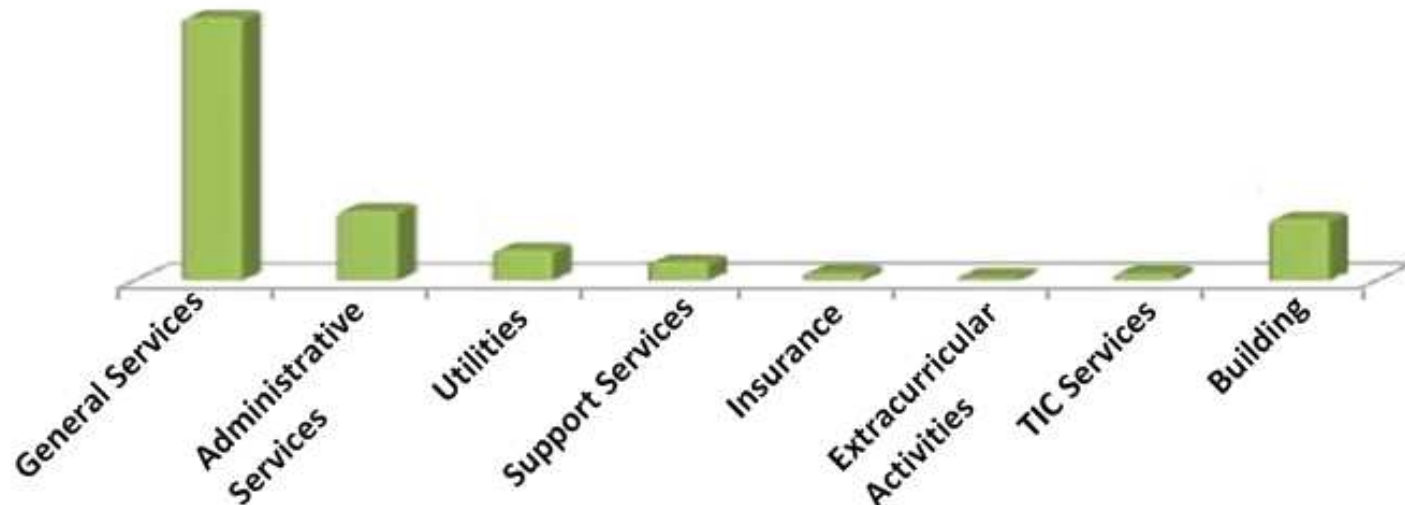
# Characteristics of PPP-CMM

## OPEX and CAPEX

✓ CAPEX



✓ OPEX



# Public Tender

- ✓ Auction at **BM&FBOVESPA**.
- ✓ Kind of public tender: **international competition**.
- ✓ Contract type: **administrative** consession.
- ✓ Selection criteria: **lowest maximum counterpart**.
- ✓ Participation of **Brazilian companies, foreign companies, financial institutions, investment funds and institutions of complementary welfare**.
- ✓ Partnership will be allowed, **however, limited to 3 participants**.
- ✓ Subhiring **will not be possible for technical qualification**.
- ✓ Proposal garanty: **1% from the value of investments** expected when hiring.



# Contract's Highlights

- ✓ Conditions before hiring services:
  - Presentation of **Business Plan**.
  - Presentation of **Execution Garanty** regarding contract.
  - Proof of **constitution of "SPE"**, through presentation of registration certificate and of CNPJ<sup>1</sup>.
  - **Confirmation of integralization of social capital**.
  - Presentation of **insurance documents**.
  - Confirmation of fees' proper payments to *BM&FBOVESPA*.
  - Description of **stock structure and of administration** considered for SPE<sup>3</sup>, right in the terms of the Public Notice.

Codes : <sup>1</sup> - Cadastro Nacional da Pessoa Jurídica.  
<sup>2</sup> - Sociedade de Propósito Específico.

# Contract's highlights

- ✓ Performance aspects: reviewed **after 12 months of operation**, every **5 years** or at the **extraordinary reviews** (Conceding Power and/or the Concessionaire).
- ✓ Performance index: **checked every 3 months**.
- ✓ **Regular Reviews** (every 60 months) and **Extraordinary reviews as well**.
- ✓ Annual adjustment following **IPCA<sup>1</sup>**.
- ✓ **The investors** can take control of the processes if properly allowed (**“step-in rights”**).

Legenda: <sup>1</sup> - Índice de Preços ao Consumidor Amplo.



# Contract's highlights

- ✓ Transference of the control of the Concessionaire or of the Administrative Concession: through previous authorization of the Conceding Power.
- ✓ Conflict solution through Administrative mediation.
- ✓ Property reversion and indenization: in the terms of the Federal Law n.º 8.987/95<sup>1</sup>.

# Contract highlights: Risks

CONCESSIONAIRE	
✓ Obtention of <b>licenses and authorizations</b> .	✓ <b>Lack of maintenance</b> of generators.
✓ <b>Exceding costs</b> regarding building maintenance and services.	✓ Exceding costs due to <b>weather risks that can be foreseen</b> .
✓ <b>Demand's decrease</b> due to <b>low quality of services</b> .	✓ <b>Not meeting the minimum levels</b> of quality.
✓ <b>Technology applied</b> in building maintenance and services.	✓ Variation in <b>exchange taxes</b> .
✓ <b>Delays</b> in general.	✓ <b>Financial capacity</b> from the stockers.
✓ <b>Damage, destruction, stealing or loss of any kind</b> from the Administrative Consession.	✓ Spending money in <b>hidden problems</b> with the consession's property.
✓ Risks <b>covered by</b> insurance.	✓ <b>Inflation</b> superior to the readjustment index.
✓ <b>Increase of capital cost</b> , including those resulting from the increase of interest taxes.	✓ <b>Not obtaining the necessary financing</b> to the exploration of the Consession.
✓ <b>Unexpected issues</b> that can be covered by insurance.	✓ <b>Loss of money due to strikes</b> of its employees.
✓ Recovery, prevention, fixing e management of <b>environmental passives</b> .	✓ <b>Exceding costs</b> due to <b>incorrect preview</b> of investments.
✓ <b>Exceding costs</b> due to superposition from unexpected issues.	✓ <b>Social or public demonstrations</b> that may affect any kind of execution of the building maintenance or services for up to <b>15 days</b> .
✓ Civil administrative and criminal responsibility for	✓ <b>Exceding costs</b> due to <b>problems in the</b>

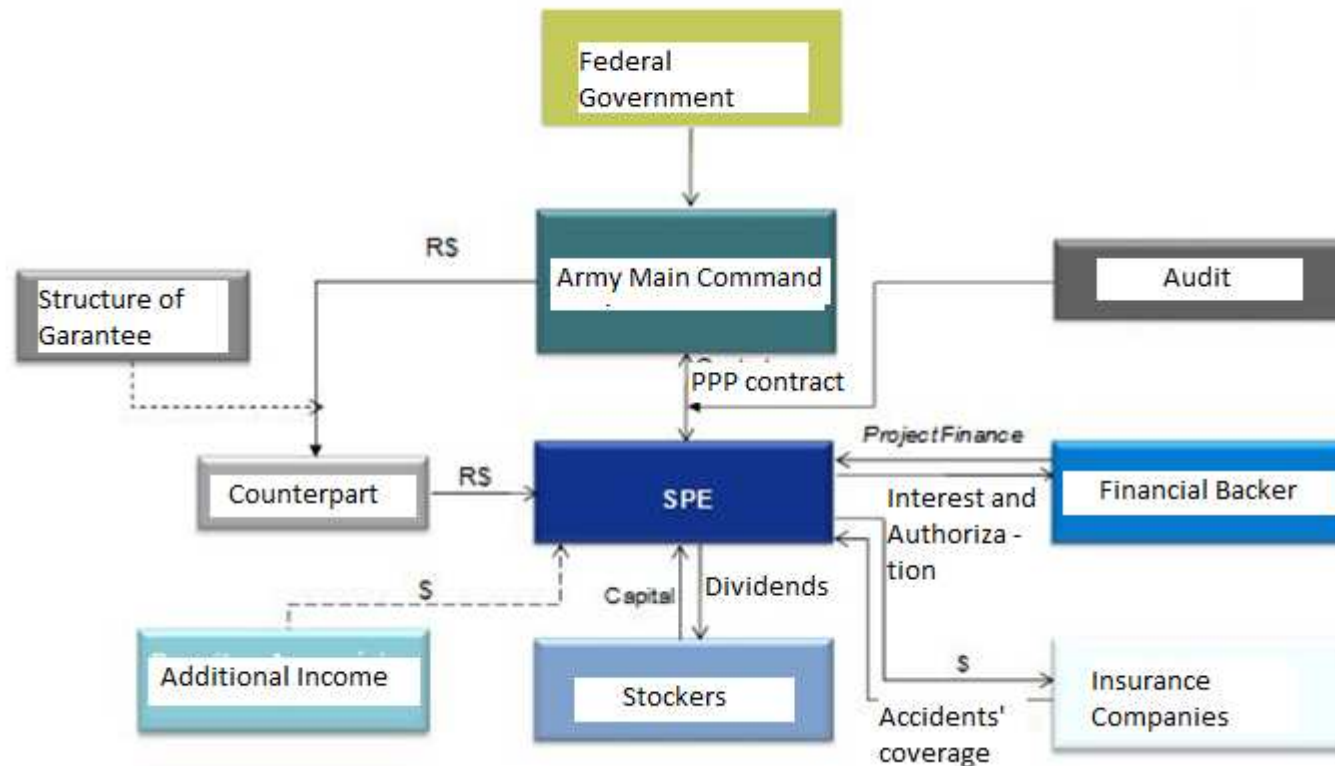
# Contract Highlights: Risks

## CONCEDING POWER

- ✓ **Social of public demonstrations** that may affect any kind of execution in the building maintenance or services regarding the Contract, when such events **last more than 15 days**.
- ✓ Non-fulfillment, by the Conceding Power, **regarding its contractual or regular obligations**, which may cause problems to the Concessionaire.
- ✓ **Unexpected issues** that are not covered by insurances.
- ✓ **Delays of any kind** due to modifications carried out by the Conceding Power in building maintenance or services.
- ✓ **Criation, modification or extinction of any legal taxes** after the Proposal's presentation, except the taxes over income .
- ✓ **Costs due to pollution** in the surrounding areas without **the Concessionaire having caused the problem**.
- ✓ **Educational services** at Colégio Militar de Manaus, **not covered by this Contract**.
- ✓ **Delays or stops of any kind** in the services covered by this Contract due to delay in the **obtention of federal, state or city licenses**, when the analysis' deadlines from the organs responsible for its emission **surpass the legal previews reagarding deadlines**, except if due to circumstances caused by the Concessionaire .
- ✓ **Issues external to the Contract**, unavoidable or unexpected, causing excessive costs properly confirmed to the Concessionaire .

# Contract Highlights Payments' scheme

- ✓ Mechanism that mitigates credit risks for the Government.



# Deadlines

Event	Dates
Beginning of Public Consult	Aug 4 <sup>th</sup> , 14
Presentation of investors at <i>BM&amp;FBOVESPA</i>	Aug 20 <sup>th</sup> , 14
Public Audience	
End of Public Consult	Sept 2 <sup>nd</sup> , 14
Suggestions Report of Public Consult	Sept 30 <sup>th</sup> , 14
Edital Publication	To be confirmed ( Mar, 15)
Auction	To be confirmed ( Mar, 15)

# BEST REGARDS!

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