

Long-Run Effects of the Rail Freight Sector Tariff Review Policy in Minas Gerais State, Brazil

Topic: CGE & Transport

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This study has as main objective to analyze the effects of the recent rail freight sector tariff review policy in Minas Gerais State (Brazil). This policy may affect the sectors related with soybeans, mining, steel, and construction since these activities are the largest demanders of rail transportation service in Minas Gerais State as well as in other Brazilian regions. Regions with more diversified and integrated productive structure, and with significant participation in those sectors intensive in the rail transportation can be the most benefited by the new tariff policy. On one hand, by consequence, the competitiveness of some Brazilian regions can be reinforced, which may bring implications for regional inequality in the country. On the other hand, by complementarity, such policy can lead to a reallocation of some productive activities across the regions.

In order to analyze these effects, we have calibrated a dynamic inter-regional computable general equilibrium (CGE) model for 2010 which recognizes the 12 mesoregions of Minas Gerais State and 26 Brazilian states. The dynamic CGE model has been used to project the long-run effects. The main results indicate that the Brazilian economy would grow with the tariff review policy. The more traditional and exporting regions in production of iron ore, soybeans, corn, and food and beverages were the most benefited regions while the rail sector, in general, has presented some losses. In this sense, our results may contribute to the ongoing debate related with the second cycle of tariff review, planned for 2018 by the ANTT. Furthermore, the results may contribute to the ongoing debate on the Brazilian trade since they pointed out the effects in terms of foreign sales and, consequently, in terms of the Brazilian's insertion in international trade.