



CEA Trade Mission to Brazil

8-16 August 2011

Report on Mission Visits



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British
Consulate-General
São Paulo

Executive Summary

The CEA ran a very successful Trade Mission to Brazil (8-16 August). Supported by UKTI Advanced Engineering and run with the assistance of the excellent Advanced Engineering team at the British Consulate in Sao Paulo, headed by Erika Azevedo, the mission saw nine UK manufacturers and service providers visit three cities during the eight-day mission.

The mission, led by Joanna Oliver MBE, was timed to coincide with the new M&T Expo Parts and Services exhibition in Sao Paulo where the CEA had an information centre for the use of the Missioners.

Starting off in Sao Paulo with meetings that included a briefing from the Consul General, KPMG and HSBC, World Cup Delivery Authority, Invest Sao Paulo, Anglo American Mining, Odebrecht (Brazil's largest contractor), the Brazilian Railways Association and the Brazilian Army, the group then moved on to Rio de Janeiro.

In Rio Missioners met with the procurement team at Vale Mining, had a briefing on the opportunities around the 2016 Rio Olympics and met with the EMOP – the department of the Rio State Government tasked with implementing all infrastructure projects in the State including the 2014 World Cup and 2016 Olympics. One of EMOP's current projects is the renovation of the legendary Maracana Stadium in Rio. The Missioners were fortunate enough to be taken on a tour of this iconic stadium which will host the World Cup final in 2014.

The mission ended in the far south of Brazil in Porto Alegre in the State of Rio Grande do Sul with visits to Brazil's only domestic backhoe manufacturer and major trailer and accessory manufacturer, Randon and Agco, also manufacturing backhoes in addition to their extensive agricultural lines.

Feedback from the Missioners was excellent and a larger follow-up mission is planned for June 2012 to coincide with the M&T Expo exhibition. The CEA has already been invited for repeat visits with the Brazilian Army Procurement division in Brasilia and Anglo American and Vale - all major consumers of construction equipment.

The mission was supported by the UKTI Advanced Engineering Sector and our thanks go to the Head of the UKTI Automotive Sector, Ian Lockhart for making the mission possible.

The following pages contain reports of the individual meetings held during the mission. Other useful documents pertaining to the construction equipment sector, Doing Business in Brazil, World Cup Brazil 2014 and the Rio Olympic Games 2016 can be found on the CEA web site www.coneq.org.uk. Further information can be obtained from the CEA – cea@admin.co.uk.

Joanna Oliver MBE
CEA Director of Global Programmes

The Brazilian Construction Equipment Sector

Manufacturers

Brazil has a large manufacturing base for construction equipment thanks to the 60% localised content rule - FINAME. With the exception of Randon, Brazil has no domestic manufacturers, only global OEMs with a plant in market. Established global players like Caterpillar, Terex, JCB, Komatsu, Agco, John Deere, Volvo, Schwing Stetter, Liebherr, Iveco, Palfinger, Scania, Atlas Copco and Proton Primus are now being joined by Chinese manufacturers like Sany.

Importers include Hyundai, SDLG, JLG, Doosan, XCMG, Zoomlion and Liugong.

On the supply chain both Perkins and Cummins manufacture in Brazil along with many component manufacturers in the automotive supply chain.

PAC-2: The Brazilian Government's new Faster Growth Program

Major areas – US\$ billions

Area	2011-14	After 2014	Total	Share
Energy	232.75	313.55	546.30	68.70%
Housing	139.100	0	139.10	17.49%
Transportation	52.25	2.25	54.50	6.85%
Better Cities	28.55 0	0	28.55	3.59%
Water and Power for All	15.30 0	0	15.30	1.92%
Citizen Community	11.50 0	0	11.50	1.45%
TOTAL	\$479.45	\$315.80	\$795.25	100.0%
Distribution	60.3%	39.7%		100.0%

PAC-2: Transportation – US\$ billions

Area	2011-14	After 2014	Total
Highways	24.20	1.00	25.20
Railways	21.95	1.05	23.00
Ports	2.40	0.15	2.55
Waterways	1.30	0.05	1.35
Airports	1.50	0	1.50
Local highways	0.90	0	0.90
TOTAL	\$52.25	\$2.25	\$54.50

PAC-2: Transportation – major expenditures

- Highways: 7,917 km new + upgrading; 55,000 km maintenance; 12,536km under study; total US\$25.2 billion.
- Railways – total US\$23 billion (95% 2011-14):
Conventional: 4,696 km construction; 2,985 km under study
High speed rail: total 1,991 km:
- Construction: Campinas-SP-Rio de Janeiro
- Feasibility studies: SP-Curitiba; SP-BH, SP-Uberlândia.
- Airports: 22 projects at 14 airports, US\$1.5 billion.
- Ports: 48 projects at 21 ports; US\$2.55 billion (94% 2011-14)
Dredging, port infrastructure, passenger terminals (2014 World Cup).

PAC-2: Housing – US\$ billions 2011-14

Popular housing (Minha Casa, Minha Vida)	\$35.85
Financing via the SBPE*	\$88.00
<u>Urbanization of areas that lack basic amenities</u>	<u>\$15.25</u>

TOTAL **\$139.10**

* Brazilian Savings and Loans System (Sistema Brasileiro de Poupança e Empréstimo)

PAC-2: Better Cities Urban improvement – US\$ billions - 2011-14

Water + sewage	11.05
Prevention in areas of risk	5.50
Urban mobility	9.00
<u>Paving</u>	<u>3.00</u>

TOTAL **\$28.55**

Source: Sobratema

Economy

October 2011

Brazil's economic activity slowdown and difficult external scenario saw the Central Bank cut interest rate by 50bps to 11.5% by the second successive meeting. More cuts are expected, even with inflation reaching 7.31% against the 4.5% +/- 2pps target. The Brazilian Government continues to focus on protecting the domestic industrial sector.

The decision followed the announcement of weak economic figures for August. The Brazilian Central Bank Economic Activity Index was down 0.53% from July to August and industrial production dropped by 0.2%. Inventories increased, while retail sales decreased 0.4% and the demand for consumer credit dropped by 10.7%. This suggests that demand from the new middle class, who account for 60% of consumption, may be beginning to wane.

This sector is most susceptible to any softening of the labour market, which makes the Government's focus on growth understandable. Following constant downward revisions the Central Bank is now predicting annual GDP growth of about 3.5%. Most analysts expect Q3 quarter-on-quarter GDP will be weaker than expected, and might even be negative.

While the government focused on growth, inflation climbed to 7.31% at the end of September against a target of 4.5% +/- 2pps. Since then, we have seen a slight easing, with 0.42% October fortnight consumer prices index being lower than previous months. The Central Bank has told us that this reflects the lag in impact of monetary tightening earlier in the year, as well as the external environment.

Despite this, the labour market remains extremely tight, illustrated by recent strikes of bank and postal services. Against this backdrop, it is far from clear that the Government will meet the target in 2011. 2012 offers its own challenges as the Bank will depend on the government meeting its fiscal surplus targets when they will be required to pay a 13% increase in the minimum wage.

Source: Foreign Office

World Cup and Olympics



- Between US\$30 and US\$55 billion – stadia, hotels, transportation
- Matches in 12 cities nationwide
- 9 Public and 3 privately run stadia



- US\$2.8 billion direct cost of Games
- US\$11 billion investment in stadiums, urban transport systems
- Rio State Industry Federation (Firjan) estimates Rio could receive total investment of US\$120 billion through 2016

Issues

Brazil faces the challenge of hosting two major sporting events over the next 5 years - the 2014 World Cup and the 2016 Rio Olympics. It is the chance for Brazil to show the world how far it has come - it has the world's 7th largest economy, predicted to rise to 4th by 2030 - but there are risks as well as opportunities.

FIFA has publicly raised its concerns on progress in the 12 World Cup host cities and whilst the IOC is supportive in public it is privately concerned that Rio has made relatively little progress since it won the Rio Olympic bid in September 2009.

For the World Cup, there is no Brazil-wide strategy to benefit from hosting the tournament. Implementation is devolved to the 12 host cities, who are struggling to deliver stadia and infrastructure. From 51 World Cup projects, 42 are yet to start. Most stadia are behind schedule. There is real concern about airports (federal responsibility) and urban mobility (state/city responsibility). The biggest risks, though, are not that Brazil won't be able to stage these events but that the legacy will be white elephants and inflated costs.

President Dilma is trying to impose discipline - for example, a Secretariat to coordinate World Cup security has been set up and she is calling Governors to account. But strikes and delays are the headlines, rather than a confident Brazil on target to deliver.

For the Olympics, the story is better but there are still frustrations. There is no real central federal body with responsibility for delivery. There is no functioning Olympic Board, just a President (the highly respected, Henrique Meirelles, ex Central Bank Governor). The Public Olympic Authority (APO) has a President (Marcio Fortes) but he has not yet formally taken office or appointed Directors and he is talking of a reduced role for the APO.

With this power vacuum in Brasília, the Rio authorities are asserting themselves on the Olympics. Rio Mayor Paes is passionate about the Olympics and has appointed Maria Silvia Bastos, a powerful force, to head up his City Olympic Authority (the 'AOM'). They have made most of the running, awarding the Olympic Port and Olympic Park master

plan competitions (the latter won by AECOM UK), starting on urban mobility projects and communicating progress.

Rio State Governor Cabral is closely aligned with Paes and State have also made progress in their areas of responsibility - security and the popular and successful favela pacification policies, metro/train extensions and water/waste projects. They are planning project management and the venue competitions (although the federal level may need to fund the venues).

The UK, through the DCMS agreement and host-to-host, has been co-operating with the Brazilians at all government levels, with the Rio 2016 Organising committee and with key construction companies. We have provided governance, policy and commercial advice. There have been inward and outward Olympic missions, including with the Deputy Prime Minister and Secretary of State for Culture, Media and Sport. There have been security, accessibility and sustainability workshops and the UK's Government Olympic Executive and ODA have provided excellent support to their Brazilian government counterparts.

The private sector will be key in paying for and delivering the Rio Olympics. Brazil has a strong construction sector, with 5 or so giants, and many major projects are delivered through a form of Public Private Partnership. PPPs have been awarded for the Olympic Port and the Olympic Village and are envisaged for the Olympic Park.

These companies are keen to understand the complexity of Olympic delivery and learn from UK experience on, for example, project management, urban regeneration, sustainability and accessibility. UK infrastructure companies wanting to work in Brazil will work for these companies and need to build up partnerships and relationships.

The ODA are also hosting visits from Brazilian companies such as Embratel, who will deliver the telecommunications infrastructure and are learning from BT and the construction company, Carvalho Hosken, who will be key in delivering both the Olympic Village and the Olympic Park.

Source: UKTI / FCO

Market for Construction Equipment

Demand for equipment is mainly from private sector, but driven by public sector investments, mainly in infrastructure. Significant and continued highway investment.

National plant park of 80,000 plus earth moving machines

110,000 construction companies

12,000 parts and service shops.

The Domestic market for Earthmoving equipment was :

2008 18,580 (a record year)

2009 13,440

2010 15,870 (growth 18%)

Total Brazil per annum construction equipment market (including trucks, handling + paving equipment):

2010 38,670

2014 82,000 (forecast)

Construction equipment in Brazil has seen record sales in 2010

The total domestic sales of construction equipment grew by 70.5% in 2010 compared to 2009, from 41,360 units sold to 70,530 units

Mario Humberto Marques, vice president of SOBRATEMA the Brazilian manufacturers association said "this strong growth in the period 2009-2010 is due mainly to two factors. The first was the good management of the economy in previous years that allowed the federal government the tools to operate effectively against the global financial crisis. The second is the increasing investments in infrastructure, primarily due to the PAC Growth Acceleration Program I and II, World Cup and the Olympics."

According to Marques, the trend of investment in major works can be exemplified by the above-average growth of equipment sales such as hydraulic excavators (up 90%), loaders (up 80%) and dozers (up 109%).

"These three types of equipment added to the dump trucks, skid steer loaders, motor graders, backhoes and rollers make up the "yellow line", will present a domestic sales increase 71.4% this year, reached 24,940 units sold against 14,550 units sold in 2009. The emphasis in this sector is on account of off-road trucks, which have a 200% growth in units sold in 2010 compared to 2009." He noted sales of aerial work platforms had increased by 233%, reaching 3,000 units sold. The industry is relatively new in Brazil and is benefiting from the momentum experienced by the construction sector in the country".

Source: Sobratema, Mechanics of Communication - Media Relations

Mission Programme

Monday, 8th August

All Day **Briefing for the delegation at the British Consulate-General São Paulo.**

Mr John Doddrell, Consul General and Director of UK Trade & Investment
Subject: Opening & Brazil Briefing

Ms Paula Lippi, Castelli & Castelli
Subject: Legal aspects of Doing Business in Brazil

Mr Paulo Cabral, BBC Brazil
Subject: Political and Media Overview

Mr David Bunce, President South America KPMG
Subject: Overview

Mr Marianne Coutinho & Stephen Rimmer, Partners KPMG
Subject: Taxation

Mr Ennio Crispino, President of ABIMEI – Industrial Imported Machinery and Equipment Trade Association (Tel: +55 11 5506 6053 - Email: ennio.crispino@abimei.org.br)

ABIFER – Association of Brazilian Railroad Industries

Brasport – Brazilin Freight Company

Tuesday, 9th August

AM Meeting Supply Chain Manager and Purchasing Manager

Anglo American

Av. Paulista, 2300 - 10 andar
01310-300 - São Paulo - SP
Tel: +55 11 2125 7600 / 7602 / 7608 / 7615
Website: www.angloamerican.com.br
Email: wdesimoni@angloamerican.com.br
(Valéria, Assistant – Email: valeria@angloamerican.com.br / Cristina, Assistant – Email: fcristina@angloamerican.com.br)

AM Meeting with Mr Sérgio Costa, Director

Investe São Paulo Agency

R. Bela Cintra, 847 – 6 andar
Tel: +55 11 3218 5771
Website: www.investe.sp.gov.br
(Ms Thaís Leal Piffer, Executive Assistant - Email: tpiffer@investesp.org.br)

PM **Meeting with Brazil World Cup Delivery authority**

SECOPA – SP (Secretary for Articulation of World Cup in São Paulo)

Rua São Bento, 405 – 24 andar - Sala 244 – Centro, 01011-100 – São Paulo - SP

Tel: +55 11 3397 3430, Website:

www.prefeitura.sp.gov.br/cidade/secretarias/copa/quem_somos/index.php?p=29398

19:30 Mission dinner at a Churrascaria

Wednesday, 10th August

AM Meeting with Brazilian Army Military Equipment Procurement Military Cooperation Work Board of Directors

Colonel Mario Pedroza da Silveira Pinheiro, Cooperation Work Director

Email: pedroza@dec.eb.mil.br

Tel: +55 61 3415 5097

PM Visit to M&T Expo Parts and Services Exhibition

Time: 13:00 – 20:00

Website: www.mtexpops.com.br (available in English)

Thursday, 11th August

AM Odebrecht - with Mr Paulo Oscar Auler Neto, Equipment Trading Superintendent

Email: poaneto@odebrecht.com

Tel: +55 11 3096 8000

Fax: +55 11 3096 2500

Website: www.odebrecht.com.br

PM Visit to M&T Expo Parts and Services Exhibition

Friday, 12th August

CHOICE OF PROGRAMME:

AM Vale (South America's largest mining company and owners of 8 seaports in Brazil)

Av. Graça Aranha, 26

20030-900 - Rio de Janeiro – RJ

Tel: +55 21 3814 4477

Meeting Global Procurement Development General Manager and Senior Supply Development Analyst Global Strategic Procurement.

Briefing at British Consulate Rio de Janeiro on Olympic Projects with UKTI Sports Team experts and Mr Roberto Ainbinder Instituto Rio 2014-2016,

- PM** **EMOP – Company of Public Works of Rio de Janeiro State –**
responsible for World Cup Maracana Stadium and Infrastructure
redevelopment with possible Maracana Stadium visit
Rio de Janeiro - RJ
Tel: +55 21 2332 4482
Mobile: +55 21 8596 5406
Email: josecarlosemop@gmail.com
Mr José Carlos Pinto, Maracana Project
- OR** **Remain in Sao Paulo**
- AM** **Own meetings**
- PM** Visit M&T Expo Parts and Services or own meetings
Time: 13:00 – 20:00

Saturday, 13 August

Free Day in Rio de Janeiro

- Or Remain in Sao Paulo
Visit M&T Expo Parts and Services
Time: 09.00- 17.00

Sunday, 14 August

Free in morning. Fly Rio to Porto Alegre in afternoon.

Monday, 15th August

Randon

Av. Abramo Randon, 770
95055-010 - Caxias do Sul – RS
Tel: +55 54 3209 2000 / 2513 (direct)
Fax: +55 54 3209 2511
Website: www.randon.com.br
Mr David Abramo Randon, Vice-Chairman – Email: david@randon.com.br
(Ms Patricia, Assistant)

Tuesday, 16th August

AGCO do Brasil Comércio e Indústria Ltda

Av. Guilherme Schell, 10260
92420-000 – Canoas – RS
Tel: +55 51 3462 8000 / 8419 (direct)
Website: www.agco.com.br (available in English)
Email: gustavo.mallmann@sa.agcocorp.com
Mr Gustavo Mallmann, Purchasing Dept.

End of Mission

Mission Visit Reports

Company Name	ABIFER – Brazilian Association of Railroad Industry
Name and position of contact(s):	Vicente Abate - President
Address:	Av. Paulista, 1313 - 8º andar Cj. 801 – CEP. 01311-923 São Paulo – SP – Brazil
Phone:	+55 11 3289 1667
Fax:	+55 11 3289 1667
E-mail:	vicenteabate@abifer.org.br
Website:	www.abifer.org.br
Meeting Report:	<p>ABIFER is the Brazilian Association of the Railroad Industry. Members include Progress Rail – a Caterpillar company, Randon who produce rail carriages, GE Locos and companies involved in the remanufacture of rolling stock.</p> <p>The Brazilian government has invested 1.6 billion Reals in replacing rolling stock between 2003 and 2010. This was made up of 12,000 freight cars, 900 passenger cars and 150 locomotives. The loading of freight cars has gone up from 80 tonnes to 100 tonnes. In this period it was forecast that 5,000 new freight cars per year would be the production target from 2011.</p> <p>São Paulo state was currently in the process of building two monorails for mass transport out of the city of São Paulo. A number of companies involved in other sectors were also operating in the rail sector. For example, VALE the major mining company, own many freight cars and a stretch of railroad. VALE also run a social transportation project in the north of Brazil, while Odebrecht own the SuperVia metro in Rio de Janeiro.</p> <p>The Brazilian government is planning to invest US\$30 billion building</p>

	<p>20,000 kilometres of rail track in the next 20 years. This would be used to transport iron ore, soya beans, sugar, coffee and potash from the point of production to the port of export.</p> <p>The transcontinental railroad from Peru to ports on the Atlantic coast would be completed using meter gauge and broad gauge. The government were trying to increase the rail share of freight moved around the country from the current 25% to 35%. It was hoped that Brazil would have 50,000 kilometres of track by 2025.</p> <p>A tender had recently been put out for companies to bid to build and run the high speed network – the TAV – running from São Paulo to Rio de Janeiro. However no companies have bid for this tender and the government were reissuing it in the first quarter of 2012.</p> <p>The government agency responsible for the high speed train project is ITRAFI. The first tender will be for the construction and operation of the track, stations and infrastructure of the railway. This will be financed by the national bank of Brazil for up to 33 billion Reals. The second tender auction will be in the fourth quarter of 2012.</p>
<p>Opportunities for the UK:</p>	<p>Components for rolling stock, consultancy in planning and building rail roads, joint ventures in construction of new track.</p>

Company Name	ABIMEI – Industrial Imported Machinery and Equipment Trade Association
Name and position of contact(s):	Ennio Crispino (also works for Doosan Infra Cora)
Address:	Av. Eng. Luiz Carlos Berrini, 1500 Cj. 43 Brooklin - São Paulo - SP - CEP:04571-010
Phone:	+55 11 5506 6053
E-mail:	Ennio.Crispino@abimei.org.br
Website:	www.abimei.org.br
Meeting Report:	<p>ABIMEI have distributor members with specific categories of membership for construction equipment distributors and manufacturers. They have 84 members and were established in 2003. Their aims are to make imported machinery more competitive and to create new business opportunities for their members.</p> <p>Mr Crispino noted that ABIMAQ, the Brazilian Manufacturers' Association, treated global OEMS who were their members such as Caterpillar, Case and Komatsu as Brazilian companies as long as they had a manufacturing plant in Brazil thus allowing them to benefit from the Brazilian tax structure. He noted that a company is not allowed to be a member of ABIMAQ if they are a member of ABIMEI and were trying to find a way to resolve this.</p> <p>ABIMEI can help its members through the compilation of a statistical database of the Brazilian market, resolving customer issues, looking at import pressures and typical product requirements. They also strive to improve the image of imports by promoting high quality products with strong aftersales service and international warranties. They are launching an ABIMEI "seal of approval" scheme and give advice on best practice for acquisitions. Some Brazilian companies prefer to buy capital goods FOB as they prefer to organise their own freight and customs costs. Manufacturers usually do not like this method of shipping as it means that machines are manufactured but not shipped due to long waits for freight quotations. He stressed that a good freight forwarder and logistics are critical to the success of any UK company wishing to export to Brazil.</p>

Import Duty

Most capital goods attract an import tariff of 14%, there are some exceptions for equipment not produced in Brazil, for example cranes over 70 tonnes or some components which reduce the tariff to only 2%. For a product to receive the 2% exemption, goods must be evaluated by the government Ministry for Development, Industry and Commerce (MDIC) and ABIMAQ. Only the purchaser can apply for an exemption not the manufacturer and this can take three to six months. The UK Brazilian JETCO is looking at resolving vested interests in Brazil and why such exemption applications take a very long time to process.

Additional taxes for import include:

- IPI tax which is 0% for imported machines. ICMS which is similar to the UK VAT.
- The ICMS is different in each state in Brazil and varies from 12% to 18%. For example, São Paulo is 8.8%.
- PIS tax is 1.65%
- COFINS adds a further 7.6%.
- Port expenses are 25% of the cost of sea freight and cover charges for keeping goods in the bonded warehouse and also for handling.
- Brokers for Brazilian customs charge around US\$200.
- The Union and Brokers fees are 1% of the value.

Payment includes wire expenses for payments made through the central bank, through which all payments must be processed.

Importers often keep goods in a bonded warehouse until they are sold meaning taxes are not payable until the goods leave the warehouse.

FOB plus costs equals \pm 50% of the total value of the goods.

Reclaiming Brazilian VAT – ICMS can take up to 4 years to receive a refund.

The sales tax for imports depends on where the final destination of the equipment is.

If a distributor is also the importer an additional 10% tax is payable. It is better that the manufacturer is the importer.

However even after all these taxes and duties are applied the selling price should still be more attractive than locally produced equipment. This is due to higher production costs, labour shortages, wage inflation and high social costs for employment.

Mr Crispino noted that Doosan have only one distributor for Brazil who then employs a team of sales agents to cover the country.

Company Name	Bras Port
Name and position of contact(s):	Renato Zimbres Carli José Roberto Sasso
Address:	Rua Texas, 211 CEP 04557-000 Brooklin Novo São Paulo SP Brazil
Phone:	Renato Zimbres Carli +55 11 2162 1631 José Roberto Sasso +55 11 2162 1605
Fax:	+55 11 5041 2640
E-mail:	Renato.carli@brasport-online.com.br jrs@brasport-online.com.br
Website:	www.brasport-online.com.br
Meeting Report:	<p>The speaker noted that the Brazilian government produced a book listing all tariff numbers for companies wishing to export into Brazil. This was known as the NCM book. Each product must be given an eight digit number to allow customs officials to calculate import duties.</p> <p>Exemption codes for goods exempt from the full import duty would be given an extra number which would be generated on a case by case basis, if it could be proved that no similar product was manufactured in Brazil. The exemption took between 90 and 120 days to generate and would then last for up to two years. It was hoped that in 2012 a joint agreement for exemption numbers would come into force covering the whole of the Mercosul area. This meant that tax would only be paid once on import not when it was moved across the borders of other Mercosul countries. At present such re exporting from Brazil would attract double taxation.</p> <p>Companies wishing to benefit from lower import duties by importing parts to be assembled in Brazil still had to abide by the FINAME rule meaning 60% localisation of parts. However this rule appeared to be open to interpretation depending on who one spoke to as to what comprised the 60%. Some manufacturers cited the 60% was by volume,</p>

	<p>some by value and some by weight. Goods could be temporarily imported into Brazil at 1% of the total tax payable per month, up to 60% of the total tax over 5 years.</p> <p>Used equipment could only be imported for temporary use unless there was no national equivalent.</p> <p>There were no specific requirements of specification of goods on import but goods to be used in Brazil must be certified to the standard of domestic operators using the ANSI or CE standards.</p> <p>Even the import of manufacturers catalogues for an exhibition attracts tax and there is a harmonised tariff code in place for catalogues even if they have no commercial value. However if the brochure contains only technical information rather than sales then no tariff is payable. If the catalogue is purely for sales of products and promotion then it is taxable.</p>
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Company Name	AGCO do Brasil Comércio e Indústria Ltda
Name and position of contact(s):	Alexandre Udo Milke – Purchasing Manager – New Product Introduction – South America Melissa Scossi – Purchasing Manager – South America Paul Fairchild Adriano Liuz
Address:	AV. Guilherme Schell, 10260 92420-910 – Canoas – RS – Brazil
Phone:	Alexandre Udo Milke +55 51 3462 8499 Melissa Scossi +55 51 3462 8101
Fax:	+55 51 3477 1515
E-mail:	Alexandre.milke@sa.agcocorp.com Melissa.scossi@sa.agcocorp.com Paul.fairchild@sa.agcocorp.com Adriano.liuz@sa.agcocorp.com
Website:	www.agco.com.br
Meeting Report:	<p>AGCO has four manufacturing plants in Brazil, employing a total of circa 4,000 people. Most of their output is agricultural in Ag tractors and sprayers but AGCO does manufacture around 1,000 backhoe loaders per year. They are not planning any new projects for construction equipment despite sales of backhoe loaders reaching record levels in 2010.</p> <p>Other AGCO plants in Brazil manufacture planters, implements, combine harvesters and sugar cane combines under the Voltra and Massey marques. AGCO is building a factory in Argentina to comply with government legislation in that market. AGCO also have manufacturing plants in the USA (3 plants), France - manufacturing Massey Ferguson and Voltra, Finland - manufacturing Voltra, the UK in Coventry, Germany, Italy and a joint venture with TAFF in India. They are considering constructing a new plant in China. It was noted that Voltra equipment is CESAR marked.</p> <p>Four years ago AGCO exported 70% of its output from Brazil, however, due to higher exchange rates and production costs, this has now dropped to only 20% and 80% of output is sold into the domestic</p>

	<p>market. AGCO grows by acquisition and is trying to centralise its supply chain across all of the group companies. They noted that the market for agricultural equipment is getting more sophisticated requiring higher horse power engines and more sophisticated electronics and controls. Combine harvesters are getting larger and more sophisticated.</p> <p>The price of steel in Brazil is higher than anywhere else in the world. It is cheaper for AGCO to import steel from North America than to buy locally. The cost is still 10% cheaper even after all import tariffs than purchasing domestic steel. Labour costs increased by 10% per annum. AGCO have a purchasing philosophy of BCC (best cost country).</p>
<p>Opportunities for the UK:</p>	<p>Components – but mainly for agricultural equipment as backhoes are not being updated.</p>

Company Name	AngloAmerican
Name and position of contact(s):	Dimas Andrade – Marketing & Sales Analyst Luiz Alberto Roselli de Souza – Purchasing Manager Osnir R. Montin – Supply Chain Manager
Address:	Av. Paulista 2300, 10 th Floor Cerqueira César, São Paulo Brazil 01310 300
Phone:	Dimas Andrade +55 11 3468 7310 Luiz Alberto Roselli de Souza + 55 11 2125 7629 Osnir R. Montin + 55 11 2125 7684
Fax:	Dimas Andrade +55 11 2125 7500 Luiz Alberto Roselli de Souza/Osnir R. Montin + 55 11 2125 7601
E-mail:	dandrade@angloamerican.com.br luizalberto@angloamerican.com.br osnir.montin@angloamerican.com.br
Website:	www.angloamerican.com.br
Meeting Report:	<p>AngloAmerican in Brazil is split into two business units, nickel and phosphate and iron ore. The nickel produced in Brazil is a ferronickel which is mined in Brazil and Venezuela. Anglo American is also involved in the extraction of copper in Chile. All ferronickel produced in Brazil goes to the production of stainless steel mainly in Europe and Asia. Ferro-nickel is extracted by open cast mining and so has a requirement for construction equipment, wheel loaders, dump trucks etc.</p> <p>AngloAmerican is one of the largest mining companies of natural resources in the world. It has operations in Africa, Europe, South and North America, Australia and Asia, and generates about 107,000 jobs across the globe.</p> <p>Core commodities:</p> <ul style="list-style-type: none"> • Platinum group metals • Diamonds • Copper • Nickel • Iron ore and Manganese

	<ul style="list-style-type: none"> • Metallurgical coal • Thermal coal <p>AngloAmerican involvement in South America began in the 1970s and now has operations in Chile, Brazil, Colombia and Venezuela, as well as two major copper projects under consideration in Peru. Copper operations in Chile and ferronickel and iron ore operations in Brazil are supported by corporate offices in Santiago, Rio de Janeiro and Sao Paulo. In Colombia they have a 33% share of the world's largest open pit coal mining operation, Cerrejón, while in Venezuela; they own 91.4% of ferronickel operation Loma de Niquel.</p> <p>AngloAmerican spend about US\$10 billion annually with suppliers globally. They believe it is essential that they establish and maintain reciprocal, commercial and ethical relationships with suppliers. They procure a broad range of capital equipment, goods and services. Supply Chain Sustainable Development (SCSD) is a core aspect of the way AngloAmerican's Supply Chain operates and supports the concept of becoming a 'Partner of Choice'. The aim of SCSD is to buy from suppliers that are committed to the sound principles and practices outlined in the SCSD policy and code. This can be found on the web site - http://www.angloamerican.com/development/approach-and-policies/policies-standards-commitments/sustainable-development</p>
Opportunities for the UK:	Anglo American has a policy of pre-qualifying equipment suppliers. To be considered for selection to its purchasing list contact Luiz de Souza.

Company Name	Meeting with Brazilian Army military equipment procurement
Name and position of contact(s):	Military Cooperation Work Board of Directors General Jorge Ernesto Pinto Fraxe Colonel Mario Pedroza da Silveira Pinheiro, Cooperation Work Subdirector Colonel Osmar de Lima de Araújo, Chief of the Board
Phone:	+55 61 3415 5097
E-mail:	pedroza@dec.eb.mil.br
Meeting Report:	<p>Colonel Mario Pedroza is a Colonel in the Engineering division for equipment procurement, with responsibilities in co-operation between the Brazilian army and the government. His division is responsible for purchasing construction equipment for the different projects that the army carries out. There is a 50 year tradition of co-operation between the government and the army in construction projects which also includes some infrastructure co-operation with state companies such as Petro Bras, airports and railways. For example the Brazilian army have built and operated some stretches of railway. They construct roads, airports, ports, harbours and locks. The Army train engineers from the Brazilian infrastructure sector to a high standard so that they can work on some of the army projects and be available to the army in case Brazil ever went to war.</p> <p>There are 12 battalions of engineers in Brazil who are funded and supported by the work that the army does for the government and the private sector. The battalions purchase equipment through the head office in Brazil run by Colonel Pedroza. Colonel Pedroza was actively seeking new suppliers and innovative equipment to assist his construction projects. He noted that Terex was already working with the Brazilian army and has a well established relationship supply in asphalt pavers and dump trucks.</p> <p>The army is responsible for the extension and renovation of Guarulhos Airport. Colonel Pedroza seemed very open to meeting more UK companies and invited us to visit him at his head-quarters in Brazilia when we returned in 2012. The CEA also invited Colonel Pedroza to visit the Plantworx exhibition as part of an inward mission from Brazil.</p>
Opportunities for the UK:	Supply of equipment attachments and spare parts.

Company Name	British Consulate – Rio de Janeiro
Name and position of contact(s):	Marcelo Tavares – Sector Manager, Sports & Infrastructure
Address:	Praia do Flamengo, 284 – 2 nd Floor Rio de Janeiro, RJ – 22210-030 Brazil
Phone:	+55 21 2555 9655
Fax:	+55 21 2555 9670
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Website:	www.ukti.gov.uk
Meeting Report:	<p>Marcelo reported that the North East of Brazil was growing very quickly particularly in the tourism sector due to its relative proximity to Portugal making it a popular holiday destination. A growing number of Portuguese own holiday homes in the North East of Brazil.</p> <p>He said that the Brazilian development bank (BNDS) was five times bigger than the World Bank. BNDS finances every major infrastructure project in Brazil.</p> <p>Marcelo went on to outline the opportunities surrounding the 2014 World Cup and 2016 Rio Olympics. He noted that a major challenge for both these sporting events in Brazil was the current infrastructure. Neither the airports nor the road system were presently capable of handling the additional traffic generated by these events. He said that an infrastructure investment of US\$59.8 billion would be made to try and bring the infrastructure up to the required standard. He noted that all Brazilian airports are all part of the Brazilian Ministry of Defence.</p> <p>To facilitate the organisation of the Word Cup, FIFA have an office in Rio de Janeiro. Currently the public sector will manage 9 out of the 12 stadia to be used in the World Cup but to date no plans have been made for the management of these stadia post event. The Maracana stadium in Rio de Janeiro will host the World Cup final and closing ceremony. The cost of redeveloping the stadium had already doubled in price to US\$800 million. As the Maracana stadium was a listed building it could not be demolished but be renovated around the existing structure.</p>

	<p>2016 Olympics</p> <p>The urban legacy of the Olympics was the main driver in the Rio bid. The bid was made by all three levels of government i.e. federal, state and city working together. A local organising committee for the Rio 2016 Olympics was now in place and the city had an “Olympics Mayor” as well as the City Mayor, as the work generated by the Olympics was deemed to be too great for one person.</p> <p>The Olympic investment in Rio 2016 was estimated to be US\$11 billion. To benefit from the opportunities surrounding both the World Cup and Rio Olympics. UK manufacturers would need to work with the companies who had been successful in bidding for tenders for the construction of those stadia and infrastructure projects.</p>
<p>Opportunities for the UK:</p>	<p>UK manufacturers to identify contractors and approach them. Odebrecht is likely to be a major player in the construction of the Olympic Park and other venues together with the infrastructure improvements.</p>

Company Name	Carioca Engenharia
Name and position of contact(s):	Mr João Pedro Backheuser, Partner
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Website:	www.blac.com.br
Meeting Report:	<p>Carioca Engenharia is a firm of architects who had recently been successful in their bid for the design of the redevelopment of the Olympic port in Rio.</p> <p>Mr Backheuser noted that the Olympic Port in Rio would be a Public Private Partnership (PPP). The construction and maintenance of the port and elevated highway would involve an investment of 8 billion Real. This would be made up of private funding and some public money from the building rights expected to be 3.5 billion Real.</p> <p>The project would encompass 6 million square meters of new building construction together with much new construction infrastructure involved. The media village and press accreditation for the Rio Olympics would be located in the port. A total of 5,000 new apartments, a hotel and conference centre and offices would also form part of the project.</p> <p>Construction would start in September 2011. Infrastructure improvements would include a new light rail system for Rio comprising five lines which would connect all of the Olympic sites. There would be new roads and express ways specifically for buses. This would involve an investment of 1 billion Real.</p> <p>Rio was likely to face a severe hotel room shortage for the Olympics, the current level of hotel bedroom availability, around 25,000 rooms was only enough to house the press corps for the Olympic games. Although new hotels would be built, the Olympic organising committee were planning to bring in cruise ships to house many of the visitors.</p> <p>Unusually, the main Olympic stadium would not be in the Olympic park but in a separate part of Rio.</p>

40% of the Olympic park will remain as sports facilities and 60% will be used to build new neighbourhoods after removing the temporary Olympic structures.

In the Olympic year a total of 10,000 new dwelling units will become available as part of the PPP. However some uncertainty remains as to how 10,000 houses all coming onto the housing market at the same time would work economically. In 2010 only 16,000 dwelling units were sold in the entire year. At present house price inflation is running at 60% per year but it was felt that the addition of 10,000 new units was likely to result in a price crash.

It was noted that issues were likely to arise around the timing of construction of the Olympic Park as Brazil was being forced to work to a tight time schedule and quality control was becoming an issue. Detail of companies who had won tenders for the Olympics and a regular report know as the "Olympic City Report" could be found on the internet: www.rio2016.com.br and www.cidadeolimpica.com. This would monitor the progress and transparency of the Olympic project.

Company Name	British Consulate – São Paulo
Name and position of contact(s):	John Doddrell – HM Consul - General, Director Trade & Investment Richard Turner – Deputy Consul General, Deputy Director Trade & Investment Filipe M. Gotardi – Advanced Engineering
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Fax:	John Doddrell +55 11 3094 2717 Richard Turner +55 11 3094 2717 Filipe M. Gotardi +55 11 3094 2750
E-mail:	John.doddrell@fco.gov.uk Richard.turner@fco.gov.uk Filipe.gotardi@fco.gov.uk
Website:	www.ukinbrazil.fco.gov.uk
Meeting Report:	<p>Mission Briefing</p> <p>The Consul General, John Doddrell, noted that while Brazil was an excellent market and gave great opportunities for British manufacturers, they should be aware of some protectionist measures and tax breaks in existence which favoured domestic manufacturers.</p> <p>He said that high tariffs still favoured Brazilian manufacturers and so if the UK wanted to be successful, choosing a good Brazilian partner was essential.</p> <p>Infrastructure investment was fairly flat up to 2009 and still not as high as it should be. Most investment was in infrastructure for the oil and gas sector. 3.5% of DGP was spent on the Brazilian national health service compared with the global requirement of 7%, so there were good opportunities for any companies involved in the health care sector.</p> <p>He noted that corruption in government at all levels was still a problem,</p>

	but President Dilma was trying very hard to keep this under control and the situation was improving.
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Company Name	BBC in Brazil
Name and position of contact(s):	Paulo Cabral - Correspondent
E-mail:	Paulo.cabral@bbc.co.uk
Meeting Report:	<p>Paulo Cabral from the BBC in Brazil said that there was huge shift in the Brazilian socio economic demographic in the last 8 years under President Lula with the C-Class moving away from subsistence level into wage earning.</p> <p>This meant that a huge section of the population now had disposable income to spend on consumer goods. One of the effects of this was to further increase traffic congestion as more people move into car ownership and also fill aircraft to capacity. People were moving away from bus travel for long distance journeys in Brazil and onto air travel.</p>

Company Name	Castelli & Castelli Sociedade de Advogados
Name and position of contact(s):	Thais Castelli
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Website:	www.castellicastelli.com.br
Meeting Report:	<p>Thais Castelli from Castelli and Castelli Lawyers noted that there were two ways of doing business in Brazil if you wanted to import goods. One was to find a distributor and one to find a local partner.</p> <p>She stressed the importance of checking on taxation issues as there were few double tax treaties in place between Brazil and other countries. The Brazilian currency, the Real, was strong and free floating.</p> <p>She noted that Brazil is still a bureaucratic country and any form of official applications take more time than in Europe, for example, trade mark registration and tax planning.</p> <p>If a UK company wanted to set up a Brazilian subsidiary they could look at either limited liability companies or setting up as a corporation which both had the same tax structure. There are three levels of tax levied in Brazil, federal, state and municipal. It can take up to 30 months to register as a company and have a trade mark registered. Technology transfer may be a more efficient way to start business in Brazil.</p>

Company Name	HSBC Bank Brasil SA – Banco Múltiplo
Name and position of contact(s):	Mr Thierry François-Marsal, Head of the International Banking Centre for South America
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Website:	www.hsbc.com.br
Meeting Report:	<p>The speaker from HSBC, Mr Thierry François-Marsal noted that Brazilian interest rates are around 12.5% at market rate but in reality can reach as high as 14% to 15%. Credit card default can lead to an interest rate of 400% to 450% per annum.</p> <p>Credit was difficult to finance for capital goods.</p> <p>The Brazilian investment bank, BNDS, provided saving and finance for capital equipment but not for imported equipment thus favouring Brazilian manufacturers.</p> <p>Two thirds of the Brazilian GDP is generated in the south east of the country, largely in São Paulo state and Rio state and the industrial areas of the south. To open a Brazilian bank account, the UK company should make the initial approach through a UK bank and then be introduced through the international banking centre of their own bank.</p> <p>There are no international electronic banking transfers allowed in Brazil.</p>

Company Name	KPMG
Name and position of contact(s):	Mr David Bunce, President/Partner Ms Marianne Coutinho, Lead Partner of the International Corporate Tax & Transfer Pricing Services - Co-leader of the Global Business Group
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E-mail:	dbunce@kpmg.com.br / Sserikako@kpmg.com.br mmcouthinho@kpmg.com.br
Meeting Report:	The speaker from KPMG global business group, Mr David Bunce, noted that Brazilian inflation in 2011 was currently running at 6.23% per annum but was set to drop. The UK company must understand the structure of Mercosul/Mercosur (the south American free trade area) and the origin of product when considering sales in Brazil. Brazil is not part of the OECD. International import codes are harmonised in Brazil.

Company Name	EMOP
Name and position of contact(s):	Mr Ícaro Moreno Júnior, President-Director
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E-mail:	isacbf@globo.com
Website:	www.emop.rj.gov.br
Meeting Report:	<p>EMOP are part of the Rio state government, responsible for carrying out all the public works in the state of Rio de Janeiro. This includes infrastructure, schools, houses, improving the Favellas, roads, sewers, electricity and also preparing for the Olympic games.</p> <p>For the 2014 World Cup they are responsible for restoring the Maracana stadium and also for preparing the city to meet the FIFA standards and regulations. The city of Rio will be spending 705 million Reals refurbishing the Maracana stadium which will have 76,525 seats and 110 private boxes for entertainment.</p> <p>As well as the Maracana, EMOP are presently working on 12 other projects in Rio state. A major project for EMOP is the regeneration of the Favellas - the slums in Rio. Around 2 billion Real will be spent in regenerating the Favellas which will benefit 100,000 people. At present over 1 million people live in 1,000 Favellas in Rio city. These are grouped into 13 mega-slums. Some groupings are very complex, there are 50 very large Favellas in Rio.</p> <p>7 million people live in Rio and around 20% live in these slums. As well as the work carried out by EMOP on the Favellas the Rio state government is in the process of preparing tenders to appoint contractors to carry out the work in the Favellas. EMOP does not actually employ any one directly itself to carry out actual construction work, but works with the contractors appointed by the state government to ensure that the projects are implemented.</p> <p>EMOP also work with the health and education sectors. They noted that they were looking for high-tech instruments and systems because they felt that Brazilian hospitals were lagging behind the standards found in Europe (400 million Reals are being spent on new hospitals). EMOP are</p>

also involved in the restoration of the Rio Opera House. 100 million Reals is being spent on schools, libraries, the Opera House restoration and other cultural projects. 150 million Reals is being spent on other infrastructure projects. This investment runs to the term of the state government, which is 3 years.

With the forthcoming World Cup and Olympic games, Rio city is looking at a new ethos and given its previous problems with violent crime, muggings and murders. The name of the policy is "Police City" and they are investing 200 million Real in allowing the police to take back control of the city.

EMOP are looking to urbanise the Favellas and make them more community based and less ad-hoc. They are looking for companies who can supply techniques to build houses quickly also to improve the transportation technology within the Favellas. Transportation in the Favellas is difficult as most are built on near vertical slopes. The only access other than foot, is at present, by cable car.

Company Name	Investe São Paulo
Name and position of contact(s):	Hans A. Schaeffer – Director Renato de Barros Silva – Business Development Manager Raquel Kibrit - Advisor
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Website:	www.investe.sp.gov.br
Meeting Report:	<p>Investe São Paulo is a government agency which was started to attract investment from manufacturers to set up plants in São Paulo state. Mr Schaeffer, Director, reiterated that to get the best possible taxation benefit a company manufacturing in Brazil must abide by the FINAME rule - meaning 60% localisation of components. Investe São Paulo could negotiate preferable taxation, meaning a company would have a one and a half year tax break by investing in São Paulo state. Companies requiring a loan could apply to the Brazilian investment bank (BNDS) and pay only 1% over base rate for a loan.</p> <p>São Paulo state has a large base of component suppliers including castings, assemblies and sub-assemblies. Mr Schaeffer noted that SANY, a major Chinese manufacturer, had recently signed an agreement to start manufacturing in São Paulo. Brazilian labour laws are very strict. There are also many issues around environmental standards which must be taken into account when starting production. For employment standards, manufacturers should consult the Brazilian Labour Ministry.</p> <p>For advice on Brazilian standards and Norms, the ABNT is the Brazilian standards institute. The ABNT will edit ISO standards to fit with Brazilian Norms. Industry can participate in the localising of the ISO Norms which</p>

normally takes about two years. The self-propelled Norms of the automotive industry are usually adapted to fit the off highway sector. CE marked equipment does not necessarily comply with the Brazilian Norms. Brazil has its own Road Regs which apply to construction equipment used on highways. There is a proposal presently going through government which states that if there is a Brazilian Norm then any imported equipment must match it.

Mr Schaeffer then went on to list a number of projects which were presently either in the planning stages or underway in São Paulo state. These include an ethanol pipeline which will be implemented when production increases so that the surplus can be exported, a waterway through São Paulo state to Buenos Aires, 30 new airports to be developed plus infrastructure improvements in the major cities of São Paulo state. He noted that 24% of all Brazil's colleges for further education are located in São Paulo state.

Investe São Paulo can assist UK companies in finding the right location for a new factory, with the purchase of land, transport and education of workers. They can also help with the "tropicalisation" - local improvements to make the equipment suitable for the geographical and climatic requirements of Brazil. They would also help make any changes in the equipment necessary to fit with the (Green Operating Environment) required in Brazil. The Brazilian government have the stated aim of reducing carbon emissions by 20% by 2020. They were also offering incentives for renewable energy products and those companies involved in the green economy. They would offer a preferential line of finance for "Green Companies".

Municipalities within the state of São Paulo also have their own restrictions and incentives and can block any potential investment projects if they deem them to be unsuitable. São Paulo state is developing a number of themed technology parks which provide industry sector clusters and R and D bases. They can offer a grant known as a SPTEC which can fund 70% of the R and D costs of a new project to be located in São Paulo state.

Foreign workers wishing to work in São Paulo state can obtain a two year initial work permit which can be renewed for another two years. After this they must apply for residency.

A major opportunity for investors is the Santos Basin Pre-Salt oil project. Petrobras, the Brazilian oil company, are investing US\$250 billion in the Pre Salt oil project. However the Brazilian government has stipulated that companies supplying such a project must be local.

Recycling opportunities are growing as the consumer demand grows thanks to the expansion of the socio-economic C Class.

There has been a 90% population growth in the last 30 years in the state of São Paulo. It is likely that the city of São Paulo will host the opening

game of the World Cup, and that a legacy would remain in the improvement of not only the stadium but of the city infrastructure after the World Cup.

Waterways - São Paulo state has a total of 2,400 kilometres of waterways and is planning an 800 kilometre extension to link five important agricultural states.

Roads – a further 44.2 kilometres of new motorway to complete the São Paulo ring road costing US\$3.2 billion is in progress. This will be final stretch of the São Paulo ring road and has been left until last due to the difficult geographical terrain which will necessitate the construction of many bridges and tunnels through the mountains to the north of São Paulo. A new north - south coast highways to support tourism and the oil and gas projects are planned.

A new Airport Express train from Guarulhos airport to the city costing US\$1.3 billion is planned.

The US\$2 billion high speed train projects linking São Paulo to Rio de Janeiro will be up for auction again in the first quarter of 2012. The tender has already been postponed 3 times.

30 airports in São Paulo state will be upgraded at a cost of US\$180 million. US\$1.8 billion will be invested in the improvement of sanitation in São Paulo. However it is estimated that it would take 200 years to fully improve the infrastructure of the city of São Paulo at the current rate of investment!

Investe São Paulo employs 40 people at present but is shortly expanding to 60 people due to the high level of investment in the state.

São Paulo is the number one city in the world for the use of private helicopters – due to the appalling traffic congestion - which is only going to get worse.

UK manufacturer wishing to manufacture under licence in Brazil may encounter a problem whereby, under Brazilian law, they can manufacture under licence for five years, which may be extended to seven on appeal, and then the intellectual property reverts to the local licenced company and not the UK company.

In response to the question, “what is the minimum wage in the São Paulo state”, it was estimated that a skilled worker would receive around 1,000 Real per month whereas an engineer would receive around 2,500 Real per month. However social costs add up to 2.5 times the initial employment costs to the total wage bill. This dropped to 1.8 times the wage in executive and highly skilled labour. This meant that wages are now comparable to those in Europe.

Company Name	ODEBRECHT
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Website:	www.odebrecht.com
Meeting Report:	<p>The mission group met with Odebrecht and were given an updated presentation on the wide range of projects that Odebrecht work on around the world. A copy of this presentation is available from the CEA. Odebrecht have a construction equipment inventory in excess of US\$1 billion. They are open to the purchase of new products from the UK and are currently working with some UK manufacturers.</p> <p>History Odebrecht is active globally in engineering and construction, oil and gas, water and sewage, infrastructure investments, real estate development and construction, ethanol, sugar and energy.</p> <p>Odebrecht employs over 70,000 people in its construction division alone. The company has experienced year on year growth of 25%, with 72% of its contracts being overseas – and currently has (June 2009) a US\$18 billion backlog of contracts.</p> <p>25% of the company profits are shared with the employees – but the job site must be profitable, with no fatal accidents or environmental problems to qualify for a share of the bonus. The company philosophy is “survive, grow and perpetuate and to invest in the young”. To ensure this is fulfilled all managers must have a younger junior working under them to take over as the manager progresses upwards in the company.</p>

It has offices in:

Angola – Odebrecht Angola Projectos e Serviços Ltda.
Argentina – Constructora Norberto Odebrecht S.A.
Bolivia – Constructora Norberto Odebrecht Bolívia S.A.
Brazil – Construtora Norberto Odebrecht S.A.
Chile – Constructora Odebrecht Chile S.A.
Colombia – Constructora Norberto Odebrecht de Colombia Ltda.
Djibouti – Odebrecht Djibouti SAZF
Dominican Republic – Construtora Norberto Odebrecht S.A.
Ecuador – Constructora Norberto Odebrecht del Ecuador S.A.
Iraq – Dhawahi Al-Madina for Construction Contracting LCC
Mexico – Construtora Norberto Odebrecht S.A.
Peru – Odebrecht Perú Ingeniería y Construcción S.A.C.
Portugal – Bento Pedroso Construções, S.A.
United Arab Emirates – Construtora Norberto Odebrecht S.A.
United States – Odebrecht Construction, Inc.
Uruguay – Constructora Odebrecht Uruguay S.A.
Venezuela – CBPO Ingeniería de Venezuela S.A

See Odebrecht's PowerPoint presentation annexed to this report for full company details.

Purchasing Policy

Odebrecht currently has a plant inventory worth over US \$900 million with over 5,000 units of heavy equipment – 40% of which are on highway trucks. Odebrecht owns around 300 cranes, including tower, hydraulic and crawler. They invest in equipment and then sell on at the end of a project or before it reaches the end of its working life, ie still in its first life. They report a good market for used equipment.

Some smaller equipment (backhoes, skid steers, site dumpers under 1 tonne, access platforms, hydraulic breakers, etc) is rented or owned by subcontractors. Rented equipment is supplied without an operator with the exception of on road trucks, which are supplied with licensed drivers. Odebrecht is looking reduce the size of its inventory and to move more to rental by offering one year contracts with an option to buy after 12 months.

Odebrecht prefers to work with existing proven suppliers and believes that price is not as important as good quality products and excellent aftersales service.

Large equipment such as cranes, crushing and screening and tunnel boring are usually purchased on a buy back option.

Engine emission requirements depend on the operating market. In some countries, eg Angola, the fuel quality is not high enough for more sophisticated engines.

Operator safety and comfort is a factor with all equipment having closed cabs, ROBS and FOPS and air conditioning.

	<p>Odebrecht has a strict environmental policy for the disposal of oils, fluids, etc, which exceeds the current required standards.</p> <p>Currently there is no Chinese manufactured equipment in the main fleet, but several marques have been purchased and are being inspected by company engineers. Presently the company feels that the machines offer lower performance and poor aftersales service – but expect this to improve rapidly as Chinese OEMs develop. Odebrecht does, however, own 210 Chinese manufactured buses for its projects in Libya and Angola.</p> <p>Odebrecht expects excellent aftersales service and all documentation must be supplied in Brazilian Portuguese. Service engineers must also be fluent in Portuguese.</p> <p>Machine Operation, Service and Repair Odebrecht has a team of service engineers for regular servicing of equipment and only uses manufacturers engineers for larger repairs – engines, transmissions, etc.</p> <p>Machines are serviced both on job sites and also brought back to HQ for major work. Manufacturers are encouraged to work with Odebrecht to develop and improve equipment. For example, during my visit a team of Scania engineers were modifying on highway trucks to suit the environmental conditions.</p> <p>Over 800 on highway trucks are fitted with telematics to monitors operatorskills and operating times. Operators are ranked by their telematics results with bonuses paid to the best and additional training given to the worst. The telematics overview is located at the Guarulhos HQ. Scania trucks are fitted with iris recognition software in a hybrid Scania / Odebrecht system. Komatsu and Cat equipment is fitted with their own systems and Volvo uses Matrix telematics.</p> <p>Theft of equipment is becoming a bigger problem, but Odebrecht do not take out insurance but self-insure against loss. Load indicators are used to measure weight and reduce fuel consumption.</p>
<p>Opportunities for the UK:</p>	<p>OEM finished equipment supply – must meet all Odebrecht requirements for supply and be prepared to meet demanding price and aftersales request. Aftermarket and spares opportunities.</p>
<p>Other opportunities/ comments:</p>	<p>Note: If visiting Odebrecht ensure your driver has exact details of the location of the plant and a map as it is very hard to find despite being on a service road running parallel to one of Sao Paulo’s main motorways.</p>

Company Name	Randon S.A. Implementos E Participações
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E-mail:	Norberto.fabris@randon.com.br
Website:	www.randon.com.br
Meeting Report:	<p>Randon is a large publically owned and family controlled company with 25% direct foreign investment including a major stake from the UK. Randon manufacture primarily trailers but also have some mining interests, dump trucks, railway wagons and backhoe loaders. Part of the group manufactures friction products for commercial vehicles. Another company in the group manufacturers hitches, axels, couplings, articulation and fifth-wheels for trailers. The group also includes an in-house bank for financing of the equipment. Randon have a joint venture with MERITOR in Brazil.</p> <p>The company has an assembly plant for trailers in Algeria. Randon presently have a 32.9% share of the world trailer market and 85% of the domestic trailer market, this makes Randon the fourth largest trailer manufacturer in the world. Around 15% of production is exported.</p> <p>Randon has a gross revenue of 6 billion Reals per annum. The company employs around 12,000 people in Brazil and has gross revenue increased by 17.9% over the last 15 years. Randon is currently investigating a joint venture with Perlini in Italy to manufacture ridged-haulers and off road dump trucks up to 100 tonnes. Randon has a 10% share of the domestic market for backhoe loaders and is producing between 800 and 1,000 machines per year. They are also considering manufacturing larger dump trucks, excavators and site dumpers. Randon currently import</p>

	<p>between 6% and 7% of their supply chain. They noted that the trailer market is difficult to service and provide after sales for in a country the size of Brazil as the equipment, by its nature, moves around a large geographical area.</p> <p>Randon were open to new products from the UK and Mr Fabris visited the UK regularly to meet with their investors and indicated an interest in visiting other UK manufacturers in the supply chain when he was next in the UK. He also expressed an interest in visiting Plantworx 2013.</p>
<p>Opportunities for the UK:</p>	<p>Supply chain opportunities.</p>

Company Name	SECOPA - São Paulo World Cup Delivery Authority
Address:	Rua São Bento, 405 – 24º andar - Sala 244 - Centro 01011-100 – São Paulo – SP
Phone:	+55 11 3397 3430
Website:	http://goo.gl/gTScI
Meeting Report:	<p>It was hoped that the opening game of the 2014 World Cup would be held in São Paulo. Although originally it was planned to use the Morumbi stadium in São Paulo. Issues with FIFA meant that a new stadium had to be constructed. This would be used by the Corinthians team after the World Cup. The stadium would be built by Odebrecht who would also be responsible for the safety and operating of the stadium.</p> <p>The total of 12 stadia would be built in Brazil for the World Cup in cities around the country. Nine of these would be publically funded and three privately. The privately funded stadia were; Corinthians in São Paulo, the stadium in Porto Alegre and the stadium in Curitiba. Although the Corinthians stadium is privately funded the Brazilian Investment Bank – BNDS – would top up the total investment in the stadium by a further 420 million Reals due to the FIFA requirements to increase seating capacity from 40,000 to 60,000 seats. The São Paulo state government and city governments were also investing in the Legacy development of restoration and renovation of infrastructure.</p> <p>It was noted that a further 5 docks would be built in the port of Santos funded by the federal government. The government has just appointed a Secretary of State for Major Events. Each city also has a Secretary who speaks for the City Mayor on major events. The Ministry of Sport has several divisions including Tourism, Education, Environment and Transport to cover these areas in conjunction with major sporting events.</p>

Company Name	VALE
Name and position of contact(s):	Marcus Vinicius Pedrozo – Global Procurement Development General Manager Bruno Betencourt – Senior Supplier Development Analyst/Global Strategic Procurement Miranda Braga – Supplier Development and Innovation Manager
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Website:	
Meeting Report:	VALE is one of the world’s largest mining companies. In Brazil, 72% of its operating revenue comes from the extraction of ferrous metals. VALE has a US\$29.4 billion spend a year on procurement. Part of this budget includes purchasing construction equipment. 63% of the purchasing budget is spent on high value equipment. VALE is very concerned that they have the quality of the equipment that will not stop all operations if it breaks down. VALE’s purchasing forecast spend for procurement for 2011 is US\$29 billion. All new suppliers have to be evaluated through VALE headquarters in

	<p>Rio. If a company passes pre qualification then they will be included on a preferred suppliers list. VALE said that they were always open to new ideas and new products. They said they would be interested in joining a Brazilian visitor group to Plantworx 2013.</p>
<p>Opportunities for the UK:</p>	<p>Supply-chain pre qualification. Contact Vale for details of supplier evaluation.</p>

CONTACT DETAILS FOR COMPANIES WHO ATTENDED THE MISSION

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Brigade – Reversing alarms and motion sensors

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Webtec – Hydraulic testing equipment

Lothar Franciso Finke

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