

BRAZIL SERIES - IV.

BONUS REPORT ON
THE "ABCD PAULISTA"

PARANÁ

THE PEARL OF SOUTHERN BRAZIL IS PREPARED TO LEAP AHEAD WITH ITS ADVANCED ECONOMY BASED ON A SOLID EDUCATION

CURITIBA: ADMIRED AROUND THE WORLD

PARANÁ'S STATE CAPITAL IS A MAGNET FOR BRAZILIAN COMPANIES AND MULTINATIONALS

As Brazilians look to the future, a model many would like to emulate is the southern state of Paraná, one of the country's richest and most progressive states.

Not only is it an agricultural powerhouse, leading the country in the production of poultry and also one of the top growers of beans, maize, wheat, oats, barley and soybeans, but is also renowned for its industrial base with major multinational automobile manufacturers there turning out close to half a million vehicles a year.

At the same time, Curitiba, the state capital and Paraná's biggest city with 3 million inhabitants in the greater metropolitan area, is admired around the world for its innova-

tive urban planning, state-of-the-art public transport system, waste recycling programme and the expanse of its parks, forests and other green areas.

Understandably, Paraná has many boosters and among the most vocal is Marco Antonio Candido Barbosa, the chief executive of the Marist religious order which runs schools, universities, health facilities and other social welfare organisations in Paraná and ther four states around the country.

He says that while it is difficult to compare Brazilian states because of the country's diversity, Paraná does have many advantages. "I believe that Paraná has an impressive quality of such services as health, education and social service which are certainly higher on average than the rest of Brazil," he explains.

"This means that we have a better standard of living and quality of life in Paraná than in the rest of the country and that, in turn, attracts qualified manpower to the state."

LURING INVESTMENT

This is just one of the reasons the state is more successful at luring investment than São Paulo and Rio de Janeiro which are wrestling with such problems as chaotic traffic, and perhaps most importantly, violence, Barbosa argues.

"Even the salary level of Curitiba has grown disproportionately compared to the rest of Brazil, but it is still lower than in São

Paulo and Rio de Janeiro, and the unemployment rate is also very low."

Asked to recommend which sectors might be the most attractive for foreign investors, Barbosa suggests agribusiness and the motor vehicle industry which is growing in size and sophistication.

"And technology is also taking off here as we have the TecnoParque Curitiba with the Pontifical Catholic University of Paraná that is part of the Marist educational group, and the park has attracted such companies as Nokia-Siemens Networks and LEGO involved in active research, development and innovation."

These companies and others are lured to the region partly by government tax incentives, and, he says, by the highly-skilled wor-

"THE STATE OF PARANÁ HAS A CERTAIN INCLINATION TOWARDS INNOVATION IN EDUCATION"



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Soybean and wheat seed production in Brazil / Paraná



WALFRIDO VITORINO AVILA
PRESIDENT OF TRADENER

“NEW POWER PROJECTS NEARER THE CONSUMER CENTRES WOULD BE BETTER FOR THE ENVIRONMENT”

kers, technicians and others turned out by the local educational institutions, including those run by the Marist order.

“Most of the Brazilian companies involved in distance education, for example, were established in Paraná and many of these have been bought by other groups.

“The state has a certain inclination towards innovation in education so we do have opportunities here for multinationals wanting to partner with Paraná companies,” Barbosa adds. “There is also the fact that the business environment here has improved a lot and now it is much more open and liberal.”

TRANSPORT CHALLENGE

But it is not all rosy. The state’s main challenge is improving transport infrastructure and he says that the problem is also country-wide. “Another concern for foreign investors in most of Brazil is the bottleneck in qualified labour which impacts on productivity.”

“However, I have a lot of confidence in

Brazil’s macroeconomic fundamentals that will help growth, but there is uncertainty regarding the wider economic crisis, especially in Europe and how that will affect us. That’s the big question mark.”

“There is a consensus amongst economists that the Brazilian economy could grow in a sustainable manner at an average of between 3.5 and 4 per cent per year without the major reforms concerning labour, taxes, administrative practices, etc.

“And if there is the political will to address these issues, then I think Brazil can really take off,” Barbosa says.

One company responsible for powering this development is the Curitiba-based Tradener which trades in electrical energy throughout Brazil and surrounding countries. It was created in 1998 with the joining of integrated power company Copel, Logos Energía and DGW Participações and is now the largest electricity trader the country.

“We ended 2011 with a quite reasonable profit and there was good sales volume, although our export figures were down,” says president Walfrido Victorino Avila. “This year has started very well.”

And all indications are that it can only get better as rapidly-industrialising Brazil will need a huge boost in its electrical energy generating capacity to meet consumer and corporate needs.

According to a recent report by the Brazilian Institute of Economics, a 5 per cent growth in GDP will increase electricity demand by 6,9 per cent and the government is pushing to add 70 GW in generation capacity.

There are plans to install 36,800 kilometres of transmission lines for a total investment of 77 billion pounds.

THE BIGGEST MARKET

Brazil boasts the biggest electricity market in all of South America and its power consumption is more than twice that of the consumption of Argentina, Bolivia, Chile and Uruguay combined.

With the largest capacity for water storage in the world, Brazil is especially dependent on hydroelectricity generation capacity, which meets close to 90 per cent of demand for electrical power.

But, sector experts warn, this makes the country highly vulnerable to power supply shortages and cuts when there are droughts. Energy officials and companies alike are looking at alternative energy sources, some renewable, some not.

“I have participated in a number of planning bodies looking at our future energy needs and resources and I think it will remain mostly hydroelectric. The large projects will continue but perhaps we could use a little more thermal because of the risks from the occasional low reservoir levels,” Avila argues.

“And there is also gas, wind and coal, all of which Brazil has, and these could be opportunities for foreign energy investors.”

The Tradener president points out that the biggest challenge for energy producers, foreign or domestic, is obeying the strict Brazilian regulations concerning the environment for hydro, thermal and eolic power plants and their transmission lines.





RODRIGO C. DA ROCHA LOURES
CHAIRMAN OF NUTRIMENTAL

“FOOD IS CLOSELY LINKED WITH CULTURE AND WE UNDERTAND BRAZILIAN CULTURE BEST”

“With hydroelectric dams, you’ve got major transmission lines. And it’s the same with wind generation in northern Brazil and coal-fired plants in the south. Today, if you transmit electricity, the environment complicates everything and that’s our biggest challenge, so new projects nearer consumer centres would be better” he explains.

Looking ahead, Avila says what he would like to see most is electrical power interconnection throughout Latin America and open energy markets like those he has studied on his frequent travels to Europe and the United States.

SECTOR NEEDS

“The union of Europe is beautiful to see, the fantastic order I witnessed in Norway, France, Germany - and all interconnected! This is what has to happen in Latin America. Europe has an integrated market but the people here have yet to learn how to do this politically so we need the laws, the business structure and the marketing understanding to achieve this,” he says.

“It won’t be easy but it needs to be done.”

Also enjoying growth in an expanding market is the food manufacturing industry with Curitiba-based Nutrimental reporting positive results above the sector average.

“The market for processed food has grown and we have grown more than the market so I can say that our company is doing well,” says chairman of the board of directors Rodrigo C. da Rocha Loures.

Nutrimental produces breakfast cereals, cereal bars, fruit bars, powdered drinks, infant foods and other products for both the consumer, and the institutional markets such as schools.

In addition, the company has a line of prepared meals, beverages and desserts marketed to hotels, hospitals, the armed forces and others under the Nutrimental Food Service line that also assists these clients in developing the ability to cook healthy and economic meals with a consistent standard of quality.

Other company brands include Nutry, Nutrimental Infantojuvenil and Nutrinho.

“We employ around 1,000 people and our annual turnover is around 255 million pounds,” the chairman explains. “Our major market is Brazil, with foreign sales amounting to around 13 million pounds.”

DOMESTIC FOCUS

“In the future, we are more likely to maintain this focus on our domestic market because of several reasons. One is that food is closely linked with culture and we understand Brazilian culture best.

“Also the Brazilian market is so large that we need to maintain our competitiveness. It may be that one day we could further develop some of our products for foreign markets but that would be far in the future. Over the next five to 10 years, the main idea is to serve Brazil.”

Da Rocha Loures predicts company growth over the next four years at between 50 and 100 per cent if all goes according to plan and the Brazilian economy continues to expand.

Founded in 1968, Nutrimental has deve-



loped a philosophy which the chairman says is now hardwired in the company’s DNA and includes an emphasis on teamwork and a set of core values.

“These are truly company values like innovation, integrity, continual learning and encouraging our employees to participate at all levels of company operations. This is possible because we are a medium-sized organisation and all this leads to commitment by our staff and enhanced operational efficiency,” he says.

Innovation, according to the chairman, is especially important in the business world these days and, unfortunately, not an attribute that is common to Brazilian firms, the majority of which are too conservative.

“There was a survey done several years ago of 200,000 Brazilian companies of all sizes and of these only 177 were considered to be innovative in their organisation and business practices,” the chairman recalls. “But among these was Nutrimental.”

The company’s core values are vital to ensuring that Nutrimental stays ahead of the competition which is increasing from Brazilian and international companies which wish to tap into the growing processed food market as wages rise and the country’s middle class expands.

“Multinational and local rivals are just part of the market dynamic. But we are the market leaders in some products and some imported processed foods or imported technologies are not necessarily more competitive,” Da Rocha Loures argues.

A FOREIGN PARTNER?

Asked if a tie up with a foreign partner would be advantageous for the company, the chairman says it is certainly a possibility and that the country is ripe for foreign investment.

“Brazil has enormous potential although there are obstacles here and there like cer-



occupations to cleaning to gardening and many more. We have now trained 16,000 people and recently began a distance learning programme along the same lines.”

“Our aim in this is twofold: skill enhancement and retaining talent,” he adds.

Along with filling vacancies in HigiServ Serviços, new employees also are trained for positions in the group’s HigiServ Limpeza e Conservação outsourcing firm that provides cleaners, maintenance workers, receptionists, waiters, telephone operators and other service personnel to businesses and government.

Others go to work for HigiServ Cargo that operates services at airports.

“Last year our revenue was around 28.5 million pounds from our various business segments. This is a true family business that was founded by my father,” the president says. “My wife is the CFO, my daughter is the general counsel and my son runs the tourism segment.”

“Our forecast for the coming years is to continue sustainable growth and boost our presence in the market. We are open to partnering with foreign companies whether through technology or management,” he says. “I’m very optimistic about the future of the company, the state of Paraná and Brazil.”



ADONAI AIRES DE ARRUDA

PRESIDENT OF HIGISERV GROUP

work site, they eat at the plant and are home by 5:30 p.m. So quality of life is also a factor in attracting employees,” the president says.

TRAINING PROGRAMMES

Another problem is finding skilled workers to fill the company’s ranks and HigiServ has established its own training programmes.

“Five years ago we got together with the trade unions to provide free training courses in a wide range of fields, from professional

“OUR GROWTH LAST YEAR COULD HAVE BEEN HIGHER THAN 13% IF I COULD FIND MORE PEOPLE TO HIRE”

tain bottlenecks in things like infrastructure, public management and the educational system,” he says.

“And the Brazilian government does not work in favour of competitiveness but this is changing on the ground because of demographics, technology, intelligence and social and human capital which are all evolving despite restrictions in the public area.”

A manpower shortage could be added to the list of concerns for growth-minded businesses in Brazil, according to Adonai Aires de Arruda, the president of the HigiServ group of Curitiba which includes HigiServ Limpeza e Conservação, HigiServ Cargo, and HigiServ Serviços, as well as a tourism business.

“Our company has been around since 1977 and these last five years have been very positive with growth last year of almost 13 per cent. But it would have been higher if I could find more people to hire,” he explains.

Competing for workers with booming sectors like construction and industry where wages are very high is a constant concern for companies like HigiServ Serviços which supplies temps to banks, hospitals, offices, hotels, shopping centres and many more businesses.

“But is not only wages. Factory workers, for example, have transportation to their

PARANÁ: DOUBLY BLESSED

SOUTHWESTERN
STATE'S INDUSTRIES
AND LOCATION
MAKE IT A NATURAL
FOR GROWTH-MINDED
BUSINESSES

Economically, southern Brazil is arguably the most dynamic region of this vast and diverse nation. And the state of Paraná is doubly blessed, both for its vibrant services, industrial and agricultural sectors, as well as for its geographical location at the heart of the Mercosur regional trade bloc.

Many of the state's most important companies are headquartered in Londrina, the state's second-largest city, named by the British traders who built the first railroads in the region to carry the region's coffee to Brazil's Atlantic ports.

One company which has its roots in Paraná's agricultural heritage is Itamaraty, a major coffee, biscuits and sweets manufacturer which has customers from Londrina to Los Angeles, California.

"We've been exporting now for 15 or 20 years when we started selling in Argentina," explains vice-president José Angelo Marino. "And now we're in Europe, the Middle East, Africa and China."

Due to the on-going devaluation of the Brazilian Real, he sees further opportunities for growth in foreign markets, although he acknowledges that this also increases the cost of some raw materials and service.

Marino predicts around 5 per cent growth this year in domestic and foreign sales. "However, we feel the market is a little more difficult now than in the recent past because of the world economic situation."

A RANGE OF PRODUCTS

Coffee accounts for around 25 per cent of Itamaraty's business, with the rest from its range of biscuits, chocolates, instant beverages, paper coffee filters and similar products.

And with the country's consumer base expanding as more and more Brazilians grow wealthier and leave poverty behind, new companies are entering the coffee and biscuits markets, increasing competition for



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longer-established firms like Itamaraty.

Another related problem is that with this expansion of the middle class, wages have risen, fuelling the rise in production costs for these companies.

In its bid to stem this increase, boost productivity and remain competitive, the company is restructuring and improving efficiency through increased automation of its production lines and centralising manufacturing operations.

"This should reduce many of our expenses and operating costs to help us become more competitive in the market," the vice-president says.

"We never stop developing our products and our portfolio is constantly expanding so we can create new items for the market. But today our main job is to centralise operations, a process which will continue."

PARTNERS

Another key to future success is partnering with foreign companies. Itamaraty began producing coffee and biscuits for third-party multinationals back in 1986 and the door remains open for further and deeper cooperation.

"We've always had this culture of being open to new business and new types of

business," Marino says. "We've been talking with companies but until now nothing has come along that has been all that positive for us."

Marino argues that Paraná state is a good place to do business, not only for its improving transport infrastructure but also because it is at the centre of Brazil's most prosperous region with easy access to foreign markets, whether just next door in Argentina and Paraguay, or in the rest of the world through the outstanding seaport at Paranaguá.

"International investors interested in coming to Brazil or Paraná must really be dedicated. Despite the day-to-day problems here, Brazil is moving forward with a stable political structure that doesn't bow to populism like in other Latin American nations.

"It is a country that has many resources, will soon have an excellent infrastructure system and I think the future is very clear with investment on the rise," he explains.

Regarding his company's own future, Marino says: "What we want to do over the next several years is improve the company's efficiency and grow, God willing."

Another Londrina-based company in the agribusiness sector is Mauá Sementes, one of the country's leading producers of soy and wheat seeds supplying Brazil's vast number of legume and grain growers.

The company, which employs 70 full-time workers and a dozen agronomists, is also enjoying good times while setting out on an ambitious expansion plan.

"A POSITIVE CYCLE"

"I believe we are entering a very positive business cycle which is benefitting the entire agricultural sector and at the same time our company is consolidating through new seed varieties and enhanced productivity," says Sementes Mauá director Ywao Miyamoto.

Soy beans are a major Brazilian crop and the country is one of the top three producers in the world, along with Argentina and the United States.

In the 2011-2012 season, soy bean growers enjoyed record high prices on the world market for their crop because of a drastic fall in production due to a devastating drought which struck the region.

Analysts predict that global soybean prices are likely to remain high, despite rising production this season and seed prices are also increasing as growers prepare for the next planting - all good news for Sementes Mauá. At the same time, a weaker Brazilian currency is also boosting exports of commodities like soybeans and wheat.

And like its earnings, interest in Brazil's agribusiness sector is growing internationally.

"Just three years ago our entire production was almost all for the domestic market, but now we are getting a lot of foreign business and today if I mention 'Sementes Mauá' the whole world knows about it," the director says.

The company's fame is helped by the fact that Miyamoto is active in international seed sector organisations and this year was the president of the national organising committee of the World Seed Congress held in June in Rio de Janeiro.

Miyamoto has also served several terms as president of the Brazilian Association of Seeds and Seedlings and of the Latin American Federation of Seeds Associations, as well as holding similar positions in other professional organisations.

EXPANDING PRODUCTION

"We are open to partnering with an international company in order to expand and we are prepared professionally to consider any offers," he says. "We are now active in the states of Paraná, Sao Paulo and Goiás and we are looking at expanding our production throughout all of Brazil.

"If we want to expand, we have the four elements vital to such a move: the know-how, the production facilities, the name and the experience.

"Let me remind you that ours was the first company in Brazil to use specialised seed machinery back in 1975 when everyone else was using machinery converted from coffee or wheat production. And we can build on these qualities."



YWAO MIYAMOTO
DIRECTOR OF MAUÁ SEMENTES

"I BELIEVE THAT WE ARE IN VERY POSITIVE BUSINESS CYCLE FOR THE SECTOR AND SEMENTES MAUÁ"

Looking ahead, Miyamoto says Mauá Sementes is preparing for the next decade, helped in the effort by its securing ISO qualifications for every step of soy and wheat production. "We are the only company that has the complete range of ISO qualifications for processing, harvesting, receiving, storage and sales," he boasts.

Agribusiness has been a key sector in Brazil since colonial times but one of the newest industries, telecommunications, is also becoming important as more Brazilians purchase mobile telephones, cable television and other high-tech goods and services.

Londrina-based telecoms Sercomtel provides fixed, mobile and long distance telephony, as well as broadband Internet service. The company employs around 660 people and has an annual turnover of some 95 million pounds.

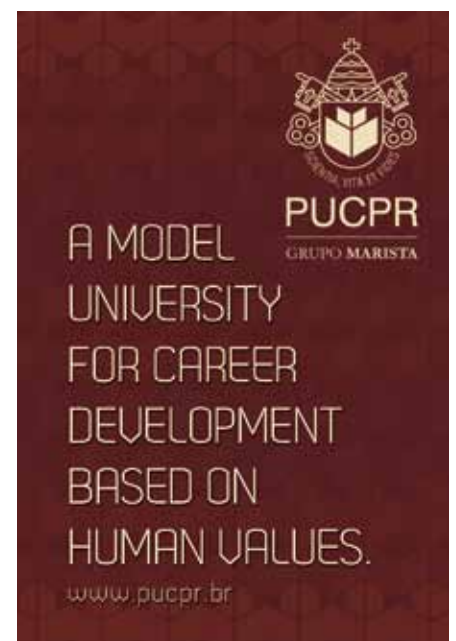
Sercomtel is taking advantage of govern-

ment measures to expand mobile use among the emerging middle class and expanding geographically into neighbouring markets.

A GREEN LIGHT

Four years ago, the company had the concession for servicing Londrina and Tamarana, but three years ago the National Telecommunications Agency, or Anatel, gave the green light for Sercomtel to expand throughout the rest of Paraná state.

"We had been trying to expand into this market and finally the regulatory agency gave us permission," Sercomtel president Régis Márcio Tavares explains. "So we are definitely growing."





RÉGIS MÁRCIO TAVARES

PRESIDENT OF SERCOMTEL

“WE HAVE THE LUXURY OF BEING ABLE TO CHOOSE THOSE MARKETS WITH LESS AGGRESSIVE COMPETITION”

The company’s current market is a tough one with competition, particularly in fixed telephony in and around Londrina, from five rivals. A situation, the president says, unknown in other Brazilian markets which are relatively uncrowded.

“Sercomtel concentrates on having a capillary network, which allows us to reach customers who are seeking value for money, and the big telecoms companies have some difficulty pursuing and managing those” he says.

“Our facilities are 100 per cent digital so we can reach every section of the city at an affordable price and our size allows us to do this. But outside Londrina, we have to fight

on equal terms with the majors. We have the luxury of being able to choose those markets with less aggressive competition and that is our strategy at the moment.”

A year ago, Brazilian communications minister Paulo Bernardo announced a national broadband plan that would provide the service to lower-income users following an agreement hammered out between the government and four operators, including Sercomtel.

The three-year plan calls for 70 per cent broadband coverage by 2014 at a cost of \$130 million with a Chinese company taking part in the manufacture and installation of the necessary fibre optic network.

TELEVISION

Another telecom sector where Sercomtel is active in television. Last January, the company

announced it was planning to launch its first pay-TV service with satellite DTH technology later this year. It also has television operations in the states of Sao Paulo and Santa Catarina, and a microwave facility in Maringá, a city in Paraná state.

“We also have a call centre operation which we believe to be one of the best as far as providing confidentiality and strategic service to our clients,” explains the president.

“There are all these projects going on and I think Londrina still has a lot to offer telecoms companies like ours. In the past, the government did not give much importance to growth in the sector but now there are several official agencies providing support.”

Tavares argues that Paraná and the entire southwest region is a good place to do business, especially for technology companies.

“Brazil’s development is based on the progress that is taking place in the southwest, in other words, in the states of Paraná, São Paulo and Minas Gerais. And Paraná in particular is wealthy enough and is growing quickly enough to see significant investment in the technology sector.”

“THE LOGICAL CHOICE”

“So Paraná is the logical choice for foreign investors. Also Londrina itself enjoys good logistics infrastructure, although it’s a bit far from São Paulo and, of course, it is becoming a centre for technology.”

In addition, Tavares notes that there are several outstanding universities in the region which turn out well-trained professionals and that Paraná does not suffer the labour shortages common to other parts of the country.

“Within five years, I see Sercomtel as having grown by at least 50 per cent, so we’re talking about 10 per cent growth each year, and I believe we’ll have a major presence in Sao Paulo because the synergy between the two states is very extensive,” the president predicts.



As Brazil undergoes an unprecedented multi-billion-pound programme to improve its transport infrastructure to the standards of the developed world, companies in that sector are benefitting, such as Romanelli which manufactures highway asphalting and surfacing equipment.

“Our billing this year will be between 12 and 16 million pounds so we’re looking at around 3 or 4 per cent growth, which is the figure we had in 2011,” says co-CEO and sales director José Carlos Romanelli.

“With this boom in upgrading the existing transport infrastructure and creating new roads and highways, and not all of it because of the World Cup and Olympic Games, we’ve done very well in the first half of the year, although some of our customers are now shying away from investing in new equipment because of the slight downturn in the economy.”

Romanelli itself is investing. Along with its original plant located in the Paraná municipality of Cambé, next to Londrina, the company recently inaugurated a second factory and further expansion is planned through 2012 to help meet both domestic and international demand.

“Last year we also acquired a water treatment and sewage company,” the director says.

“A BRAZILIAN HAS TO BE A DANCER, GOING BACK AND FORTH IN THE MARKET ACCORDING TO THE MUSIC”

FOREIGN INTEREST

Along with Brazil, Romanelli supplies its range of heavy asphalting and road surfacing machinery to foreign customers in Mexico, Chile, Paraguay, Peru, Bolivia, Ecuador and Angola.

Romanelli has recently formed partnerships with U.S. and Chinese companies to bring new technology and innovation to Brazil in a bid to provide a more advanced and competitive product.

“We’re looking for agreements to manufacture our partner’s products here or form joint ventures with foreign companies,” Romanelli explains. “There are many of these now coming to explore opportunities, not only in Brazil but also in the rest of South America in many different sectors.”

According to the director, visiting foreign executives are pleasantly surprised when they see that Brazilian companies can be just as well-run as those they are familiar with back home.

“When they see our factories here, for example, they understand that we are well-established, well-structured and competent,

and can provide stronger competition than what they expected.”


Like many Brazilian business people, Romanelli cautions that foreign companies considering an investment should be aware of the country’s arcane tax system which frightens even local entrepreneurs.

“But even with that problem, foreign executives see that Brazil is filled with opportunities and is a good place to invest,” he adds, urging foreigners to team up with a local partner, likening it to a dance.

“A Brazilian has to be a dancer, going back and forth to make the right moves according to the music, and wise foreign firms will choose a partner who has the knowledge of local laws, taxes and conditions.”

“We know that today we cannot just be the Romanelli of the past and that is why our doors are open to foreign partnerships so that in four or five years we can become a true, business-minded multinational,” the director says.


“That is our goal and that is what we are striving for. Concerning Brazil, I think that people around the world need to discover this country, the real Brazil, and not just the beaches and the tourist sites but learn how productive our industrial, agricultural and other sectors really are.”






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INTERVIEW WITH ADONAI AIRES DE ARRUDA FILHO

Commercial Director of Serra Verde Express

As one of the upcoming Brazilian states in tourism, Paraná and its capital Curitiba are preparing for the spotlight as they get ready for the 2014 World Cup. Blessed with world-class attractions such as the Foz de Iguazu Falls and the Serra Verde Train, Mr. Aires de Arruda Filho discusses the state's bright prospects

Serra Verde is one of the best-known companies in the tourism sector in Paraná. Would you say that Paraná is generally well represented internationally and has the reputation it deserves, or can the image of Paraná still be improved both in Brazil and in the rest of the world?

J.W.- Well... Looking at it from the perspective of tourism, the state of Paraná is extremely well represented by Foz do Iguazu and the waterfalls there, which have even been given awards as a world heritage site, a world beauty spot...

How far are they from Curitiba?

A.A.F.- They're 700 km from Curitiba. The capital Curitiba, and other towns in the state of Paraná are full of potential. There are some incredibly beautiful places, particularly places of natural beauty, which are still not known internationally. Nowadays Curitiba is well-regarded nationally, and it already has a significant level of tourism... In fact, there is more national tourism in Curitiba now than in Foz do Iguazu... However, despite participating in international fairs over the past 10 years and trying to establish the name, it is still common to come across people who have not heard of Curitiba. The city needs further investment in its image.

In your view, which area of tourism do you feel needs to be worked on for the future of Curitiba? Which part do you think has the greatest potential?

A.A.F.- The city itself – especially as Curitiba is made up of so many ethnic groups, we have every ethnicity here... Curitiba is truly multicultural. Additionally the city has received numerous global awards for ecology, recycling, the amount of green space per person... It has countless parks... The biggest attraction in Curitiba though is where Serra Verde is involved, the train ride through the Serra do Mar mountain range, which is generally accepted to be one of the greatest and the most difficult lines to have been laid in the world. This is the largest remaining area of Atlantic forest in Brazil, still untouched by mankind; making it a vibrant natural resource... And there is the coast of Paraná itself, with National Parks like Superagui with its parrot reserve... The parrot reserve is the only place in the world where there are still Red-Tailed Parrots (also known as Red Tailed Amazons) in the wild... There are untouched beaches along which dolphins play... Paraná's coastline is extremely diverse, but it's

not publicised, perhaps because Brazil already has a traditional coastal culture that it has invested in for decades in cities like Rio de Janeiro, Salvador, Maceió, and Recife... There is also the neighbouring state of Santa Catarina, which invests a great deal in tourism, and its beaches in Florianópolis and Camboriú among others. As Paraná is a strongly agricultural and industrial state it has invested relatively little in tourism, and this is why it does not have the same level of recognition, – but its potential is huge and it has astonishing natural beauty.

Would you say that there are good opportunities, significant opportunities for foreign investment in Paraná? If so, where?

A.A.F.- Paraná as a whole is developing, and I see the upcoming World Cup as a great opportunity, because Curitiba is one of the host cities. There are people who say that there are only going to be 9 matches held in the city, but what they don't realise is that images of the city will be seen around the world the year before the cup, and that the name of the city will be publicised worldwide with newspapers and magazines showing the attractions of the host cities...

That's what happened with the host cities in Poland... Nobody had heard of them before, but now everyone talks about them...

A.A.F.- It really will be a great legacy... There are towns like Morretes, which is the destination of our train line here in Curitiba...

How long does the train take to arrive?

A.A.F.- It takes 3 hours; if you were to drive by car it would take 40 minutes... It is a stretch of mountain range...

This is in the day... Can you make the visit in a day or is it necessary to stay over for a night?

A.A.F.- No, you can do the day trip; most people do it in a day. But Morretes, for example, is a huge national park, with stunning scenery, and it's virtually untouched. Our train takes 180 thousand tourists every year, so it's already pretty busy. There are still many regions in Brazil which have not been developed, but that offer opportunities. An example is another region we are involved in, in the city of Vitória in the state of Espírito Santo, which has an incredible beach... The region has stunning landscape, it has mountains, yet it is still undeveloped, firstly because the state has



"I SEE THE UPCOMING 2014 WORLD CUP AS A GREAT OPPORTUNITY, AS CURITIBA IS ONE OF THE HOST CITIES"

not really invested in tourism, and also because it is positioned between Rio de Janeiro and Bahia, both of which invest much more heavily in the sector... It's a small state... It has beaches and warm weather, yet 40 minutes away up in the mountains it gets cold, so they have something unique to offer; and different for example from Mato Grosso...

If we look at Brazil as a whole, there are regions like Rio de Janeiro which are absurdly expensive. Not just foreigners, but Brazilians themselves complain about the prices of hotels and everything else... So, it's a worthwhile alternative to go to Vitória, which has just as beautiful a coastline as Rio de Janeiro, but it is smaller, and offers hotels that are three times cheaper, and it's only a 40 minute flight away. So this starts to encourage other destinations to take advantage of rising costs elsewhere...

To what extent do you think that investment opportunities in Brazil are outside the more well-known, most famous places? New places that have something new to offer... Paraná, Espírito Santo and others...

A.A.F.- There are places that will have bigger returns than others, but they are all certain to be successful. Let's take the Brazilian north-east: is there room for more investment? Of course! But all the places there already have resorts owned by European or other foreign chains, so in a way, they've already been taken. However, if you move inland... Brazil has tremendous natural wealth, and historically has only publicised its coastline. There's such potential in Mato Grosso do Sul, where we also work, you can go into the middle of the Pantanal and you come across foreigners everywhere... Europeans, Chinese, Japanese...

One last question. One which personally interests me...Will tourism opportunities become easier in the Amazon, or will development continue to be complicated?

A.A.F.- I think it will stay very slow. Although tourism in Brazil has come a long way, it's still in its infancy. There is much more infra-structure, security has also greatly improved, the country as a whole is much better off, but there are many things still lacking in certain places, simply because Brazil is the size of a continent. While the state of Amazonas does have a capital city, the rest of it only has small towns that are very much off the beaten track, it's very different from Europe...

How about security?

A.A.F.- Well, how do I see the question of security at the moment? The country has improved so much; what do I see though are petty crimes that are more due to tourists' carelessness – the expression we use here is “dar bandeira”, which means going out without paying attention or being aware of what is going on around you – than to any particular threat... Even Rio de Janeiro, which people say has a reputation... But the danger is in the slums, the favelas – though not even in all of them – as there are already some favelas that are perfectly safe.



People need to find out where it's OK to go, and what time, and how they should behave. Don't go out walking the streets with lots of valuables... It's a question of common-sense. In Amazonas the most difficult thing is the distance...

Do you have any final message for our readers?

A.A.F.- I do think it's time for foreigners to change their perception of Brazil as only having beaches. It is full of wonders and beauty,

and often people come here and visit Salvador, Rio de Janeiro and Manaus and think that they already know Brazil... But they don't...

It's like someone visiting Madrid, Rome and Lisbon thinking they know Europe...

A.A.F.- For example, if a tourist comes to Paraná and stays here for 10 days, he can't possibly know Paraná, because Brazil is a mixture of races from all over the world, and it's very different from region to region.

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INTERVIEW WITH DR FUMITAKA NISHIMURA - PHD
CEO of PROCABLE - Energia e Telecomunicações S/A



As the Brazilian economy jumps ahead, increases in the energy sector follow suit. As the CEO of PROCABLE, an energy company from Diadema, near São Paulo, that serves energy companies all across the country, Dr. Fumitaka is optimistic that the need for an improved infrastructure will provide plenty of work in the next decades, without forgetting foreign opportunities in other nearby markets that will bring about further chances to grow in the future



You're talking about the Brazilian domestic market, but you also have interests in other countries, in Ecuador, Costa Rica... How important are these to you?

F.N.- *It's very important for us to be represented in Latin America as we are keen to be recognized internationally and not only in Brazil. At the moment we send very little of our production abroad, as demand in Brazil is very high, and when demand is high, prices become more attractive, and this means we are investing less abroad sometimes. However, we will always want to have foreign interests, as the market here could potentially fall in 20 years time, it could be less attractive here in Brazil, and so then we would be able to fall back on the foreign market.*

Do you believe that it's possible to enter this emerging sector in Brazil independently or is it better to enter into partnership with a Brazilian company?

F.N.- *Partnerships are always interesting; it's not possible to go into the energy market alone. In order to meet demand partnerships are necessary, we need strong partnerships, partnerships with major multinational groups, and support from big banks such as BNDES, and the China Development Bank... We've positioned ourselves within this context and we want to be increasingly active, however, at the moment here in Brazil, although there is plenty of money something odd has happened!*



Firstly, let me ask how 2011 was for you? It was an interesting year for the Brazilian economy, the first half of the year was good, but the second half was not so great...

F.N.- *For people in the energy and telecommunications sector it was an excellent year. The energy sector is a growing area, and at the moment it involves a great deal of money, as the development of energy generation in the Amazon Basin means that long transmission lines are needed in order to meet demand in the south and in the coastal regions. The Amazon Basin is in north-western Brazil, and therefore very long transmission lines are needed, as well as substations, advanced engineering, extremely high tensions... This hasn't presented any great problems for us. Now the sector has been privatized, it is no longer the government who provides the finance; it's the private companies that are investing! So...that is what we are doing...investing... Not only undertaking work, but also investing. The current situation is that although the market is huge, we also need money for investment, meaning that we need to have plenty of money and to be thinking of long-term returns; we have to think of a 30 year investment in order to achieve a good return. In my opinion, Brazil will develop steadily over the next 15 years in the energy sector... We will have to lay lines throughout the Mercosur, São Paulo – Peru, as Brazil is going to have to find a way to the Pacific, because this is the only way of transporting the agricultural production from*

“BRAZIL WILL DEVELOP STEADILY IN THE ENERGY SECTOR FOR AT LEAST THE NEXT 15 YEARS”

the states of Rondonia and Mato Grosso... This is the only way Brazil can be a major player in the global market. It will have to exchange energy with Venezuela... So I believe our sector will not face any crisis in the coming years, particularly in the way that the energy sector is implemented currently. The sector will continue to grow, and when the economy grows, for example by 4% of GDP, energy grows practically twice fold; it doesn't follow the increase in GDP in a linear fashion, it grows much faster.

We're talking about the next 5 years...

F.N.- *Precisely. Procable should be turning over around € 200 million, as we are bringing major groups and multinationals into the company, we are building a modern cable factory in the state of Rio Grande do Sul and we are extending our reach, so we are confident that by 2017 we should have this kind of turnover. Of course, Procable can't do this on its own, but together with the big multinational groups... One will probably be Japanese. We are currently also working with the Chinese, our projects are being financed by the China Development Bank, and we are keen to continue to increase our involvement with the Chinese.*

In the 1980s we had plenty of engineers, but nowadays there are only a few electrical engineers, and this is hindering the fulfilment of projects in Brazil. What we are lacking at the moment is not money, it's people.

What other challenges do you foresee in developing the electricity network in the future in Brazil?

F.N.- I foresee administrative problems, as because demand is so high, it is hard to administrate it very well. There is a lack of qualified people, and so it will be difficult to administrate all these projects for the government, for the banks... I believe that in terms of energy Brazil is now a place to watch. I think that any international group will be succesful here, as if they have the staff, they can make money.

In your case, you mentioned that you already have some partnerships and that you are open to others... Who are you particularly interested in?

F.N.- I'm looking for partners who want to invest with us in the energy sector, and I'm interested in forming partnerships that bring together both professionals and financial investment. These are the kind of partners we're looking for. They could be European, Asian, African, or Latin American... All nationalities are welcome.

From a general point of view would you say these opportunities within the energy sector will continue for at least another 15 years? Do you believe that within the next 15 years energy production will have reached a satisfactory level?

F.N.- It will be much better than now, but even then it will constantly need improving. In the 1970s at the time of the Brazilian economic miracle, extensive transmission lines were laid and there was tremendous investment, but now the lines laid at the time are out of date because the projects were only meant to last 30 years. They need to be rebuilt or restored. There is now a huge market for line restoration,



"I'M INTERESTED IN PARTNERSHIPS THAT BRING TOGETHER PROFESSIONALS AND FINANCIAL INVESTMENT"

for substations to be brought up to date, so this energy sector, as long as there is private investment, because government spending is limited,

as it would involve government expenses and the government can't spend... So, providing there is private investment, it is a fantastic area, because the energy sector then grows a little, "Boom!", if you weaken the economy, the energy sector will also weaken as a consequence. I believe that we have at least another 15 years as each project lasts for at least 3 years.

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INTERVIEW WITH MARCOS LIRON
CEO and Founder of Quantum Tecnologia



Based in the city of São Bernardo near São Paulo, Quantum Tecnologia is a case in point of how technological innovations can lead to a successful business, linked in this case with the automotive industry. Despite the human resources high costs that are common to Brazil's industrial powerhouse, Mr. Liron believes that demand will keep on being strong and hopes to grow while minimizing the risks



"I SEE A LOTS OF INTEREST IN THE SÃO BERNARDO AREA WITH A NEW TECHNOLOGY CENTER BEING PLANNED"

everything with our own resources. We built up the company, and now we supply Nissan, Renault, and we are working on a project for MAN.

How many staff do you have now in 2012 and what's your turnover?

M.L.- We currently have 90 members of staff in the area of circuit electronics, and last year we had a turnover of 10 million dollars. That's our company. We could grow more, but working for assembly plants requires a lot of care; it can be good business, but can equally be bad business... just think of product recalls, or prices with very tight margins... All of these things need to be very carefully analyzed... We could grow very quickly! However, we would run too many risks...

Have you seen an increase in demand by assembly plants for your services?

M.L.- Yes, but we have to be careful not to take on more than we can deliver. It's one thing to produce sheet metal that only needs to be checked for size and shape, but it's another thing to design the hardware and software as well as all the assembly. We have to guarantee the quality and the logistics of components imported from Asia and the U.S.A. as we are producing a high-technology product. We are determined not to become a high-risk company; we want to remain structured as we are.

Have you considered any kind of partnership, joint-venture, development or using foreign technology?

M.L.- Of course! For example, I have been going to China since 2003, and we have some parts and products that we designed but that are manufactured in China; one example is our vehicle door locks, which are used by MAN and Nissan.

Another example is our connectors. We designed connectors for Nissan in Taiwan, because the parts were not available here. I go to Asia every year, and two engineers from Asia have arrived here to take part in the industry fairs, and we already have a good reputation

How was Quantum Technologies founded?

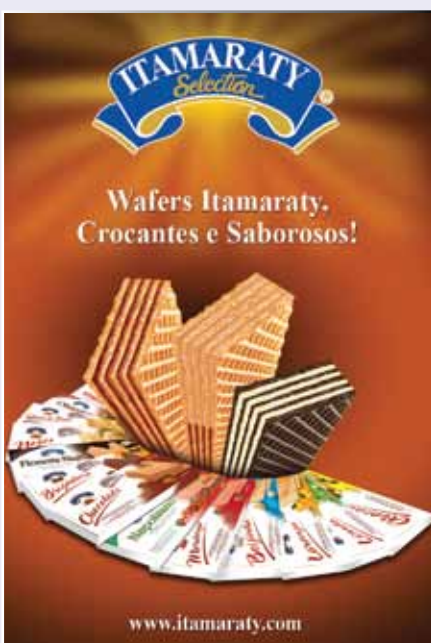
M.L.- My company commemorated its 25th anniversary in May this year. I used to work in a different area and then an opportunity with Ford Brazil came up, as they were having technical problems with the equipment that tested the cars' electrical systems. I was asked by one of the directors to help find a solution to the problem... This came about as I had worked for Philips, and we'd built up a good working relationship. I went there; saw what the problem was... It was a serious problem as one of the computers was out of date,

and so it was necessary to adapt to a more modern framework, and I offered my services. I joined forces with an engineer from Embratel, and another from Philips, both of whom were friends of mine and together we managed to get the job done.

With this as a starting point we began to design testing systems for assembly plants: tail light tests to check water resistance, headlight tests to check compliant light-bulb power and focus, we made equipment to test ignition switch, to test light-bulbs... We even made a test for magnetic mantle. We spent 10 years working in the field...

With changes in the economy, the Brazilian real became more valuable than the dollar, and this meant it was more viable for car parts companies to import testing systems rather than to buy them on the Brazilian market. We suddenly found ourselves without a market. However, we had developed a vehicle alarm system for another company, and so we moved into this market with them for a while. However, this company then decided to concentrate on vehicle wiring and so we decided to focus on vehicle security and comfort, developing and manufacturing vehicle alarms, electric window automatic systems, door locks, etc. We specialised in the after-market.... As we grew the company became more structured.

Today the company is completely solvent: it has its own buildings, equipment... We have no debts, we don't take out loans, we buy



there... We don't buy technology from them, we design it here and we manufacture it there when convenient...

Would you say that Brazilian technology is in sufficient demand by assembly plants?

M.L.- It depends on the area, but I believe that in what we are doing with circuit electronics, we have all the technology required. The things that are hard for us to design, due to the speed of change and the technology involved, are things like electronic injection, air-bags, all those are very complex. This area is dominated by the major companies who have already spent a long time creating this technology and are excellent at what they do... In order to be involved in that area one would have to form partnerships with companies that are already in the market.

Quantum Technology is based in the greater São Paulo. What do you think of it as a location?

M.L.- There used to be a concentration of vehicle manufacturers here, but they are now spread throughout the country, with some in the south, some in the north-east, and there are a few around the state of Goiás. What happens is for example that some of my clients are based in Paraná, and so I on occasion have to visit Paraná for business, etc. Nissan is about to move to Resende, in Rio de Janeiro, for example. The reason we are in São Bernardo is that we started up in São Bernardo, we have built up good relations with other industries in São Bernardo; I am a consultant for CIESP and for SESI/SENAI and I am very involved with the industry here. I believe that at the moment it is right for us to stay here.

Do you think that the ABC Region in São Paulo is still a good place for investment?

M.L.- I think so, yes, and I am seeing a lot of interest in our present government, particularly because Lula worked in São Bernardo and because our mayor – Luiz Marinho – is from the same party as the president and ex-president... They are planning to build a technology centre here, and to involve the universities, and I continue to seek to form agreements with the regional colleges to find engineers.

This of course is a key area for growth. Do you find that the Human Resources are satisfactory?

M.L.- Well, yes, but it is not easy, one has to really look hard... Clearly, nowadays the cost of labour in the so-called ABCD is one of most expensive in Brazil, I have people who are earning 15% to 20% more than they would in other states, depending on their area of expertise. Engineers can even earn up to 50% more than



the general average... Of course, it's natural given that it's a competitive market; this region is built around industry.

If I had the opportunity to talk to you again in the next 4 or 5 years, what position would you like to be in?

M.L.- Well, I think that we are going in the right direction... I believe that we will be able to expand another area of the factory, and we should get to the end of this year with a 50% to 60% greater turnover than last year...

So you feel optimistic about the future?

M.L.- Yes, very much so. If Brazil continues to have the same focus as it currently has; it's not easy to sort our infra-structure problems, but the

good intentions are there... For example: I benefit greatly from the law that is in place to support research and development. There are several things that I am exempt from, for example, here in the state of São Paulo I pay a reduced rate of ICMS -State Tax for Circulation of Products and Services- and I have a 100% reduction on the IPI -Federal Tax for Industrialised Products-, and I only have to pay the IPI and state ICMS tax when I sell rather than when I buy... I believe that these kinds of incentives will become more common now as Brazil is starting to want to protect Brazilian industry, and demand companies to manufacture here, within the Mercosur. I think that this will automatically generate growth in the domestic market and will benefit those who manufacture here.

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