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Massachusetts Office of International Trade & Investment

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# **BRAZILIAN SECURITY INDUSTRY**

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Report prepared by the Massachusetts South America Office

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## **Market Brief: Brazilian Security Industry**

### **Overview**

Security is fast becoming a huge market in Brazil. This conclusion is based on the rising crime rate involving kidnappings, drug trafficking, murders (even of politicians, journalists), etc. The Brazilian market for electronic security equipment is estimated at \$1.6 billion and offers excellent opportunities for U.S. companies. The extensive importation by the public safety & security market in Brazil creates demand for the importation of state-of-the-art technology and equipment. As the country prepares for the 2014 FIFA World Cup and the 2016 Rio Olympic Games there is great potential to export U.S. goods and equipment to Brazil.

### **The Industry**

According to local trade contacts such as the Federation of Industries of Rio de Janeiro (FIRJAN), the Federation of Industries of São Paulo (FIESP) and the Brazilian Association of Electronic Security Systems Companies (ABESE), the market is diversified: today, electronic security equipment is not limited to only banks and commercial or industrial buildings. The increase in residential security monitoring services and security devices is contributing to the rapid expansion of this market. ABESE estimates that there are approximately 650.000 properties monitored by electronic security systems, only 10.5% of the potential market.

Brazil invests approximately \$20 billion per year in safety and security equipment and services. Despite the ups and downs of Brazil's economic performance in the last few years, the safety and security industries has constantly registered an average growth of 10-15 % per year. The 2009 electronic security equipment market is estimated at US\$1.6 billion, including monitoring services and integration. Brazil is currently facing serious social problems due to high drug consumption. These factors have contributed to the increase of crime in large cities. According to "Proteger," a security industry publication, someone is murdered every hour in the State of São Paulo, and kidnapped every few hours. Kidnappers usually carry guns and drive the victim around to make withdrawals from ATM cash machines.

In view of such a dramatic situation, federal, state and municipal governments are implementing new security measures to protect the population. Several cities have installed video cameras on the streets to inhibit criminal activities. Others have passed a law, or are in the process of approving a law, making it mandatory to install cameras or other security devices in residential and commercial buildings with more than four floors. As violence level grows, the market for safety and security equipment also grows.

### **Electronic Security Equipment**

The Brazilian market for electronic security equipment offers excellent opportunities for U.S. companies. To be successful in Brazil, U.S. manufacturers should either be established in the country, or have a local agent or distributor.

## Market Brief: Brazilian Security Industry

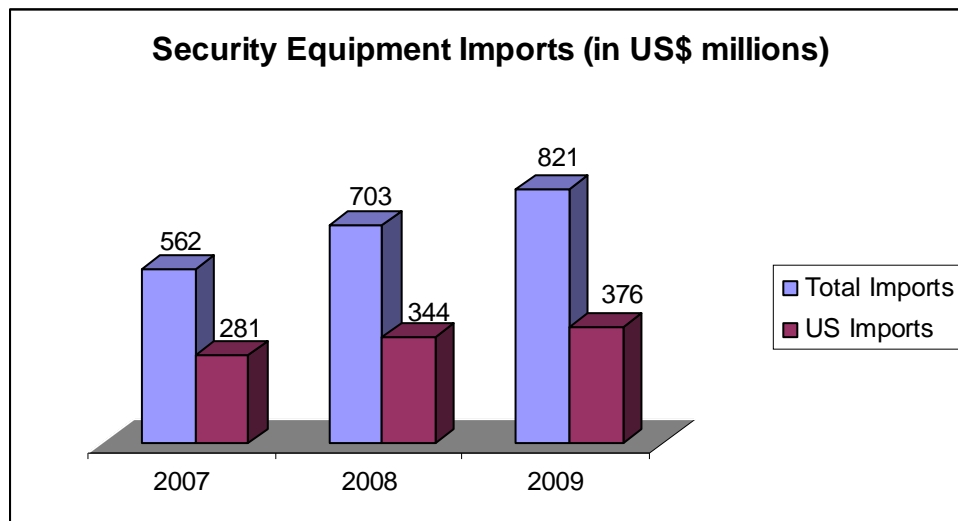
### Statistical Data

US\$ Millions	2007	2008	2009
Market Size	\$1200	\$1400	\$1600
Local Production	\$125	\$157	\$183
Exports	\$13	\$16	\$20

*Exchange rate of R\$1.79/US\$ 1.00*

*Statistical data are estimates from trade sources*

There are opportunities in almost all segments, but it is in the electronic security segment that US firms will find excellent opportunities. Foreign products supply about 50% of the market and US products retain about 40% of the import market share. Major competitors are Israel and Japan, each responsible for about 20% of market share. Institutions are the most important end-users of electronic security equipment, followed by industrial and commercial institutions.



### Market

The market for electronic security equipment is heavily concentrated in the States of São Paulo, Rio de Janeiro, Espírito Santo and Minas Gerais, which together are responsible for 63% of the market. The best prospects in this segment include access control equipment, (especially ones that use biometric technology), CCTVs, home security equipment, alarm systems and vehicle monitoring systems. High levels of urban violence and crime, drug trafficking and murders, as well as stricter security measures adopted for international travelers, and the proliferation of port and maritime security programs, are contributing to the growth of the safety and security market in Brazil, on an average of 13% in the last nine years.

There are approximately 8.000 security companies in Brazil divided as follows:

- 48.63% retailers and installers;

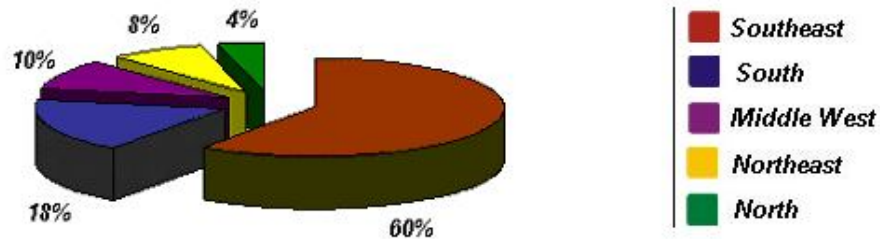
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- 29.85% provider of monitoring services;
- 12.45% distributors;
- 9.07% manufacturers.

Roughly 84 percent of Brazil's electronic security is made up of small and micro businesses, though most revenues are generated by a handful of large players. International companies such as Bosch, Johnson Controls, Tyco, Siemens, Pelco, Samsung, GE, Siemens and many others have already established a strong presence in the country through representatives, distributors, and/or joint-venture partners. These companies enjoy good market receptivity among large Brazilian corporations that demand quality, durability, and state-of-the-art technology.

In the law enforcement segment, there is a huge need for bulletproof vests, ballistic shields and helmets, anti-trauma equipment, non-lethal arms, batons, cuffs, shotguns, super machine guns, night vision goggles, X-ray equipment to detect narcotics and cellular call blockers. Most of these items are manufactured domestically, but several police officials have indicated recently that the quality is not up to the level of those produced in the United States.

### Market Concentration



Source: ABESE



### Public Security Sector

The public safety & security sector in Brazil is divided into three police forces: civil police, military police and federal police. There is also Brazil's so-called "Civil Defense" that includes fire departments and the emergency medical rescue department. (Note: "Military Police" is something of a misnomer in that it is not part of Brazil's Army; rather it is a state level police force that uses a rank system similar to that of a military organization). The Ministry of Justice is responsible for public safety & security in Brazil. The Ministry coordinates the following law enforcement agencies: Military Police who are responsible for crime prevention, Civil Police who are responsible for crime investigation, and Federal Police who are in charge of federal crimes, such as drug trafficking and smuggling. The Federal Police are also responsible for border control and immigration.

The Brazilian Federal Government has invested almost three times more in security from 2003 to 2009. According governmental sources, in 2003 were spent approximately US\$ 500 million while in 2009 were spent US\$ 1.4 billion.

Part of the investments is in Training and Professional background (approximately US\$ 7 million). According to The Ministry of Justice, from 2003 - 2008, the Brazilian Government purchased various types of equipment to modernize the military, civil and federal police forces in a number of states. The list of equipment purchased includes: small and medium sized vehicles, pickup trucks, motorcycles, bulletproof vests, handcuffs, non-lethal weapons such as tear gas, and rubber bullets; portable communication radios, computers, pistols, machineguns, revolvers, amongst others.

<b>Equipment Acquisition 2008 (US\$)</b>	
Transportation Equipment: vehicles, pick-ups, vans, vehicles to transport prisoners, others	14 million
Lethal armaments: pistols, revolvers, Machine-guns, rifles, others.	11 million
Protection equipment: handcuffs, bulletproof vests, others.	13 million
Construction & reform of police stations.	18 million
Non-lethal weapons.	7 million
Communication equipments.	9 million
Eletronic Security Systems	12 million

*Source: Ministry of Justice - Activities Report 2008*

### *The National Security Plan*

In order to combat crime, the Ministry of Justice, invested US\$ 190 million to create and implement the "National Program for Public Security." The main objectives of the program are (1) to modernize and restructure Brazil's various police forces throughout the country and (2) to provide states and municipalities with sufficient financial resources to combat crime. The main objectives highlighted in the National Public Security Program are:

- Fight drug trafficking and organized crime
- Regulate gun ownership
- Suppress cargo robbery and increase highway security

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- Implement a public security intelligence system
- Improve Brazil's witnesses protection program
- Regulate violence in the media
- Reduce urban violence
- Combat gangs and social disorder
- Combat rural violence
- Improve the National Program for Human Rights
- Training and re-equip the police
- Improve the prison system
- Reform the penal code
- Implement the National Public Security Data Bank System

The Brazilian Government has already implemented a number of the above noted tasks. Brazil's Public Security Unique System (SUSP) was recently created. SUSP is a system created to integrate the public security activities of different organizations including the military police, civil police, federal police, highway patrol, the Federal Security Secretariat and state-level security secretariats, without formally merging them. Through SUSP, the federal Government is able to coordinate working plans amongst the different police organizations in order to better prevent and control crime in all Brazilian states. SUSP is based on six fundamentals: Information management, reorganization of the various police forces, professional development, crime prevention, social participation, and programs to reduce violence in the states. The states interested in participating in the SUSP system have to sign an agreement with the Ministry of Justice. Thereafter, the Ministry of Justice creates a special committee to work with each state in order to define a public security project. In order to receive financial resources from the Federal Government, each state needs to present a complete public security project to control, prevent and reduce crime in their state.

The National Secretariat of Public Security (SENASP) is responsible for monitoring the projects, to make sure they are implemented correctly. SENASP is also responsible for distributing the actual funds to each state for the purchase of equipment and services to implement the activities according to the public security project defined with the special committee. The Federal Government believes that SUSP is a clear and transparent process, which guarantees that the states receive financial support according to their needs and to guarantee that the state will spend the funds as stipulated.

### ***The National Penitentiary System***

In 1994 the Brazilian Government created the National Penitentiary Fund to support Brazil's state level penitentiary system. However, the fund's financial resources are insufficient to meet the needs of all states. Many of them need urgent investment to modernize existing prisons, build new prisons, purchase security equipment, and offer education and social programs for prisoners while they are in prison. With the implementation of the National Public Security Program, the Government has been investing approximately US\$ 4 Billion to modernize 52 prisons over the last 5 years. In 2005, the Government spent approximately US\$ 2 Million to purchase security equipment such as X-ray machines, closed-circuit TV (CCTV), metal detectors, computers and others equipment for the federal prisons located in the city of Campo Grande, in the State of Mato

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Grosso do Sul, and Catanduvas in the State of Parana. The State of Parana signed an agreement with the Federal Government of Brazil to receive approximately US\$ 5.4 Million to build a new prison in the state. The Government also plans to invest other US\$ 10 million in constructions in other states.

The State of São Paulo has also requested federal funds to modernize the state's penitentiary system. São Paulo should receive from the Federal Government approximately US\$ 48 million for construction and reform of the prison system. The State of Rio Grande do Sul has received over the last three years, approximately US\$ 35 Million for Public Security. Part of this fund is being used for the modernization of five existing prisons in the state, and the construction of two new prisons.

### **Best Sales Prospects**

Major U.S. suppliers of security equipment include Ademco, Sensormatic, Honeywell, Johnson Controls, Napco, Northern, Pelco, Sentrol, Motorola, Tyco Electronics, Kevlar, and Sun Microsystems. Imported security equipment that involves high technology and offers competitive prices enjoys the highest sales potential in Brazil. Best sales prospects in the public security area include products such as communications devices, bullet proof vests, investigation software, cameras and associated software, GPS systems, and fire protection systems. In the campaign for the 2010 Presidential election, the prison privatization has being a common project for all candidates.

Best prospects in the private security area include vehicle and house armoring, access control systems, burglar alarms, fire sensors and alarms, closed-circuit TV (CCTV) systems, residential security devices and other several types of safety & security equipment.

### ***Public Security Products***

Radio and communication equipment, consultancy service for image control centers, cameras and control centers with digital recording and monitors, software and hardware, localization systems (GPS), such as digital map software and satellite localization system (for police department vehicles and precincts), investigation software, license plate readers, biometry equipment (facial recognition, fingerprint recognition and iris recognition equipment - despite the high price of such devices), cellular phone call blocking systems for prisons, metal detectors, bullet proof vests (grades II and III), pepper spray, fluorescent vests (for highway patrol and firefighters), fire protection equipment, and shooting range simulators.

### ***Cellular phone call blockers for prisons***

Authorities are faced with the problem of dealing with numerous prisoners that illegally use mobile phones operated with prepaid calling cards and whose calls cannot be traced. They have been regularly found by police in the most secure prisons in Brazil. For example, one of the most notorious criminals in Brazil, Fernando Beira-Mar, was recorded using a cell phone from his maximum security prison, to order the assassination of an enemy.

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To combat such illegal phone calls, the Brazilian telecommunications regulatory agency (ANATEL) established a technical standard for certifying blocking systems for radio communication signals. Each blocking system covers the periphery of that specific prison. This system, "BSR", as it is abbreviated in Portuguese, will be installed in prisons countrywide.

### **Brazil 2014 Fifa World Cup and 2016 Rio de Janeiro Olympic Games – US\$ 3.5 billion investments**

The Brazilian federal government has been investing US\$ 3.5 billion in security for the 2014 Fifa World Cup and the 2016 Rio de Janeiro Olympic Games. The investments are part of a National Public Security Program (Pronasci) that aims restructuring the penal system, fighting against corruption and prevents violence. In 2007, the amount invested US\$ 250 million and in the following years, 2008 to 2011, the investments are US\$ 750 million/per year.

Procurement will be organized by GGIM (Integrated Municipal Management Office) that will coordinate civil and police forces and be responsible for the acquisition of a broad variety of products and services. In general, business opportunities for such industry include the distribution of Radio and communication equipment, consultancy service for image control centers, cameras and control centers with digital recording and monitors, software and hardware, localization systems (GPS), such as digital map software and satellite localization system (for police department vehicles and precincts), investigation software, license plate readers, biometry equipment (facial recognition, fingerprint recognition and iris recognition equipment - despite the high price of such devices), metal detectors, bullet proof vests (grades II and III), pepper spray, fluorescent vests (for highway patrol and firefighters), fire protection equipment, and shooting range simulators, ballistic shields and helmets, anti-trauma equipment, non-lethal arms, batons, cuffs, shotguns, super machine guns, night vision goggles, X-ray equipment to detect narcotics and other electronic equipment.

In general, goods and equipment used for public security (police and army) are exempt from duties once the Brazilian Army's Procurement Office for Defense and Security Products approves the product specifications. It is important, however, to note that some state organization (e.g. for example, of the police in the state of São Paulo) do not import directly from foreign suppliers, but instead purchase from Brazilian-based distributors. In this case, US exports would accrue import duties when selling to a distributor.

### **Market Access**

According to local trade contacts, there are no specific technical standards required by the Brazilian government for electronic security equipment. However, U.S. equipment that has certifications issued in the United States is better accepted by high-end clients such as financial institutions and some industrial and commercial establishments. Nevertheless, Brazilian legislation requires Portuguese translation of all technical manuals.

Although there are no official regulations and technical standards for electronic security equipment, ABESE created in 2002 a sector specific certification called "Selo Amarelo de

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Qualidade” (Quality Yellow Stamp). This certification is presently the only quality assurance that consumers may have with regards to electronic security companies. The certification is issued by ABESE to companies in the electronic security sector: producers, distributors, and service companies. The certificate takes into consideration the management of the company and not the products used or produced by it.

In order for a company to qualify for the certificate it needs to: (1) be associated with ABESE; (2) be in the electronic security market for over a year; (3) attend to ABESE’s two-day seminar of professional development; and (4) be audited by the Carlos Alberto Vanzolini Foundation, a renowned certifying organization in Brazil.

All imports in Brazil are subject to a number of taxes and fees, which are usually paid during the customs clearance process. In addition, there are other costs and fees such as the warehousing cost, terminal handling fee, customs brokers’ union fee, customs brokerage fee, transportation and bank costs, that all together usually come to approximately 78 percent of the FOB price.

US companies interested in this market segment will find excellent opportunities if they establish themselves in Brazil, or find a joint venture or technology transfer partner in Brazil. The Brazilian legislation for government tenders provides that the lowest bidder wins the contract. Since Brazil has high import-related costs, it is difficult for foreign suppliers to compete successfully in the market unless they consider local production.

### **What We Can Do for Massachusetts Companies**

Massachusetts companies interested in entering South American markets or attending/visiting local trade shows, please contact the Massachusetts South America Office in Brazil at [massbrazil@massbrazil.com.br](mailto:massbrazil@massbrazil.com.br).  
Phone: +55 11 3051-9080

### **Trade Shows**

#### **FISP – Security and Protection International Fair 2010**

International Fair of Safety & Security (FISP) will showcase the latest products and innovation for safety and security industry. The exhibition will be held from October, 06 – 08, 2010 in conjunction with IX International Fair Fire at the Centro de Exposições Imigrantes Brazil. The event is being organized by Cipa LTDA and will be the biggest trade fair for the related industry.

**Website:** <http://www.fispvirtual.com.br/>

#### **ISC Expo 2011 - Electronic Security Show**

The event will take place from April 26 – 28, 2011 at Expocenter North in São Paulo, Brazil. ISC BRASIL is the most important Brazilian Security Conference & Exposition for the entire security industry. Focusing on the latest product advancements and security solutions, ISC Brazil will provide both exhibitors and visitors with a security event dedicated to one of the fastest growing market places in the world.

**Website:** <http://www.iscexpo.com.br>

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### Exposec 2011

The event will take from May 24 – 26, 2011 at Centro de Exposições Imigrantes in São Paulo, Brazil. Exposec is an international security trade show that brings together major suppliers from around the world, with buyers from all parts of Latin America.

**Website:** <http://www.exposec.tmp.br/>

### Resources

- ABESE [www.abese.org.br](http://www.abese.org.br)
- Ministry of Defense [www.defesa.gov.br](http://www.defesa.gov.br)
- Ministry of Justice [www.mj.gov.br/senasp](http://www.mj.gov.br/senasp)
- USCS: Trade Reports [www.focusbrazil.org.br](http://www.focusbrazil.org.br)
- International Market Research: <http://strategis.ic.gc.ca>