

Highlight:

Wine exports enjoying mini boom

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Energy: Make Portugal a natural gas entry point

• António Costa e Silva, chairman of Partex (investment arm of Lisbon-based Gulbenkian Foundation) says Portugal should take steps to become an entry point for natural gas supply to Europe. He said Europe would likely face a 70 billion m³ shortfall in natural gas between 2010 and 2011. Quoting the International Energy Agency he said this was the equivalent of the current total natural gas consumption of France and Spain and around one-third of total European demand for imported gas in the period. The expected shortfall he said, was due to failure to invest in gas infrastructure which is now 20% below what is required. Partex is calling on government to negotiate funding from Brussels to add capacity to the gas pipeline network between the Iberian Peninsula and the rest of Europe. He said: "Portugal is well placed to become a platform for European natural gas delivery, an approach that would be boosted by a tie up with Spain". Portugal is linked to the Maghreb gas pipeline network by land link which delivers 60% of current natural gas supply to the national market secured by a long-term contract signed between Transgás (Galp group) and Sonatrach (Algeria). The remaining 40% comes from Nigeria and the spot market and is delivered to the GNL liquefied natural gas terminal at Sines. Partex says improving delivery through the Iberian peninsula would help offset Europe's 30% dependency on Russian supply. Partex concerns were recently shared by the chairman of ENI (Italy) a Galp Energia strategic partner. Paulo Scaroni said there was the possibility of a shortfall in natural gas supplies at the beginning of the next decade.

Trade: Trade and investment agencies merged

• The merger of API (Invest in Portugal) and ICEP (investment, trade and tourism agency) into Agência

para o Investimento, Comércio e Exportações de Portugal (AICEP), The Investment, Trade and Export Agency of Portugal, is complete and the new agency will officially launch in October says a September 9 report. New Chairman of AICEP will be Basílio Horta present head of API. Members of the Board will be Vital Morgado, ICEP representative in Madrid, Rui Marques, (ICEP Berlin), Cubal de Almeida an ICEP director, and Renato Homem of API. Current ICEP president, João Marques da Cruz will become chairman of API Capital, a seed capital operation involved in attracting foreign investment. AICEP head office will remain in Oporto. **Comment:** Since the return of democracy to Portugal 30 years ago, successive governments have expended enormous energy and wasted much time in merging and demerging a wide range of government agencies and quangos. Under the previous government but one, ICEP turned embassies into trade missions, previously it had kept this function to itself. Other administrations have spun off only later to reintegrate ICEP functions such as trade promotion and inward investment. The current merger is perhaps the 4th to have hit trade and investment agencies in the past eight years. And meanwhile important work gets sidetracked. The Audit Court last year reported that some investment projects have taken more than 44 months to complete the approval process. No surprise. This constant reshaping of key agencies has a cost and sows confusion among foreign investors and trading partners. Surely the time has come for tax payers and the business community to make it clear that it is unacceptable to waste further time on immensely unproductive restructuring. Resource should rather be directed to getting the agencies working.

Real Estate: €250 million Costa da Caparica plan

• API (Invest in Portugal) agency has included a real estate development south of Lisbon – "Aldeia dos Capuchos" – into its PIN — Projecto de Potencial Interesse Nacional (Project of Potential National Interest) programme. Vítor Costa, chairman of developers Cantial said the planned investment covering 30 ha at Costa da Caparica, would be worth €250 million. 10ha of the site are classified green zone and total construction area will cover 150,000 m². The project provides for 100 new low density/low occupation

homes to be built on site. Each plot is between 700 and 1000 m2 with a restricted construction area of 300 m2, says a September 11 report.

Wine: Carrefour's €8.3mn port wine sale in France

- Port wine exports to France through the Carrefour chain (distribution) totalled €8.3 million in 2005, up 96% over 2004 says a September 10 report. Maria Sousa Silva of Carrefour in Portugal said the chain also sold €800,000 worth of port wine through its Spanish outlets in 2005 together with €1.5 million worth of traditional Portuguese Christmas cake (bolo-rei). Carrefour has adopted a policy of promoting high grade Portuguese food and wine products in its outlets across Europe. Port accounts for 60% of Portuguese wine exports and some 20% of total food sector exports. For the second consecutive year and following a 4-year downturn, the port wine industry expects to report a positive sales performance end 2006. This trend is set to be followed by other producers of Douro wines. Port companies in the Douro sold 10.4 million 9-litre boxes of wine in 2005 1% up over the previous year and worth €405 million (+1.2%). The average price per litre of wine sold rose to €4.32, up 0.3%. Douro wine producers expect wine sales will have increased by 0.1% by year-end and turnover by 0.9% while average price per litre will be up by 0.8%. The high-end high-value port reserve, special vintages, LBV and aged branded wines continue to show improved market share. In 2005 Premium Port accounted for 18.3% of all port wine sales with the average price, up 0.8% over the previous year.

Industry: €3 million 525 kV transformer for the US

- EFACEC (engineering) at Matosinhos (north) has spent three years and €10 million in winning a US contract to build and deliver a transformer generating 525 kV of power. The success of the contract places the Portuguese company in the ranks of a small group of 5 engineering companies in the world with technical skill and capacity in this area. According to Artur Fuchs, director of Efacec Energia, (EFACEC group) the 525 kV single phase autotransformer designed to operate on very high energy power grids over long distances, could in in order of magnitude be compared to building a 10 lane motorway from one end of Portugal to the other. The €3 million transformer is to be delivered by 2007 to Progress Energy, a leading power generation and supply company in North Carolina. The company says its first order in North America is part of an ambitious growth programme under scored by a €10 million investment subsidy through the Invest in Portugal (API) agency. The company says its entry into the Rolls-Royce of power transmission sectors represents a quantitative leap in its expansion. EFACEC group has interests in 60 countries around the globe. Its turnover in 2005 was €140 million from sales in

Portugal, US, UK, Spain and Algeria. The group plans to double this performance by 2009.

Health: Nova Saúde takes PPP tender to court

- The recently awarded private-public partnership tender for the new Hospital de Braga is under challenge in the local courts. The Nova Saúde group says it tendered the second best price but was classified in third place. The jury that awarded the tender selected a proposal by GES/Mota and Mello/Somague says a September 10 report Nova Saúde says if its complaint is not upheld in the local court it will take the matter to a higher court. The tender is one of the largest on offer under PPP initiatives at this time. It has been hit by several unusual events. When the tenders were first opened the GES papers failed to state if the price stated was Nett of VAT with the company eventually clarifying that VAT was included in the €889 million bid price – among the lowest offered by the six competitors. (Nova Saúde's bid was €995 million). It was then found that the Mello proposal did not indicate any price for radiotherapy services. When queried the group said radiotherapy was included at zero cost. Nova Saúde is a consortium comprising CESPU - Serviços de Saúde (10 clinics and hospitals), the Policlínica La Rosaleda in Galicia the Botelho Moniz Group and the Soares da Costa, J. Gomes and Sopol civil construction companies. The group has also competed for a tender – in which it ranked with the second best price– for the Vila Franca de Xira hospital, The group is to launch a co-branded health credit card through Santander Bank (Spain).

Banking: BPI Bank core told to disperse

- The closed core of shareholders who currently control more than 50% of BPI Bank could be forced to launch a takeover bid for all listed capital according to a September 10 report. This follows amendments to Stock Exchange Regulations. The Bank will be forced to launch a takeover if within six months of the date of the published amendments, the signatories to the BPI preferential shareholder agreement fail to cancel their agreement, sell their shares or demonstrate that there is no possible shareholder collusion emerging from the dominant position under their control. The new trading framework announced by the stock market introduces EU transparency and corporate governance directives. The major BPI shareholders La Caixa, Itaú, Allianz, and a group of northern Portugal companies which together control more than 51% of the bank shares, signed a preferential pact which guarantees that if any of the core wishes to dispose of their shares they will do so within the core only.

•EXCHANGE: Currency rates: Sep 13, 1 EUR-PTE200.482; 1 USD = €0.787825, 1 UKP-€1.47868

