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• An Executive Summary of the business news since 1991 •

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Highlight:

Banks in a quandary in Angola

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Banking: Angola demands a 50% share

• Angola, once a Cuban-backed Marxist fiefdom but now a nominally multiparty democracy, appears to be pushing for a takeover of Portuguese banks in the oil-rich territory. Expresso newspaper June 16 says one in five Portuguese banks incorporated in the former colony is under pressure from Luanda to sell up to 50% of issued capital to Angolan investors. The report says the Portuguese banks have been taken by surprise at the size of equity share being demanded. BCP and BPI banks have both earlier considered floating portions of the capital of local operations on the Angolan stock market. 20% of BES equity is already in Angolan hands. CGD-Caixa Geral de Depositos has been waiting for the past twelve months for central bank authorisation to acquire that portion of equity held by Santander in its bank in Angola. Luanda has said authorisation will depend on the sale of 49% of CGD (Portugal, state owned) to Angolan investors. Officially all Portuguese banks are playing down the pressure, but some have admitted they will pull out if the Angolan government insists on this level of control. Finibanco announced the establishment of a bank in Angola which is 60%-held by Portuguese investors and 31.5% by Angolan partners much of this with the Gema Group. Finibanco has refused to bow to Luanda's pressure and said that it was its own decision to invite Angolan partners to join the business. Portuguese sources believe that the demands for opening up capital of banking operations in Angola reflect the increased financial capacity among local private investors seeking to diversify, rather than a measure specifically aimed at damaging Portuguese interests in the country. Among the four largest banks in the Angolan financial system only one, Banco de Fomento de Angola (BFA) controlled by Portugal's BPI has no Angolan investors. Among BIC's stakeholders are Américo Amorim (Portugal, cork) and Isabel dos Santos, daughter of Angolan president Eduardo dos Santos. BPC is a state bank and BAI has private local investors. Among the mid-range five banks only BCP and Totta have not sold any of their capital to local interests. 20% of BESA (Banco Espírito Santo de Angola) capital is in Angolan hands. BCI is Angolan state-owned and BCA is a Barclays/local investor joint venture. BCP chairman Paulo Teixeira Pinto said his bank would be the first to be quoted on the planned Angolan stockmarket and open up capital to local investors. However all Portuguese banks are reluctant to accept that 50% of their equity should be in Angolan hands. One Portuguese bank chairman speaking anonymously said: "We must have at the very minimum 50% + 1 share in our Angola operations less is of no interest and we would withdraw from the market". The chairman of another Portuguese bank in Angola said: "the initial intention is neither sensible nor balanced but the final outcome will be both sensible and balanced". The bankers seem to believe that the 50% demand is not a diktat but a negotiating position by the Angolan authorities. Fernando Ulrich, chairman of BPI, said he had been in Angolan early in June and had discussions with the authorities. "This is a story that will end well for all," he insisted. The Angolan ruling elite is however mired in corruption. According to the International Monetary Fund, some £3 billion of oil revenues have disappeared in the last five years into a "Bermuda Triangle" operated by the presidency, the state bank and the state oil company. Seller beware.

Investment: Chinese interest in Beja airport site

• The Beja municipality and Empresa de Desenvolvimento do Aeroporto de Beja, the company developing Beja airport, say they have had an initial approach from the Associação da Indústria e do Comércio de China em Portugal (AICCP), the China-Portugal chamber of commerce, about a possible Chinese investment in a 50ha site for an assembly line near the airport. The project would be for the assembly of Chinese manufactured motorcycles and white goods for export to European markets. According to Miguel Quaresma of Beja local authority, nothing concrete has yet surfaced apart from an expression of interest which is being pursued. AICCP said Chinese interest lies in setting up in a business park which could develop into a logistics platform to assemble and adapt Chinese goods – incorporating some local R&D – for the EU market. Similar developments have occurred in Madrid and Barcelona. Miguel Quaresma warns that assembly plants would only be authorized if they employed local rather than imported Chinese labour.

Technology: Virtual reality opportunity for SMEs

• The Visionarium, Europarque in northern Portugal could be turned into a virtual reality plant hosting the first Portuguese Interactive Technology Complex, an investment of some €8 million, says a June 16 report. The complex will be developed by Insize, a venture that partners with an international consortium led by EON Reality (US). EON is world software leader in managing interactive visual content installed in universities and research centres. The unique selling point of the planned investment is that it makes available to small and medium sized enterprise a facility currently the expensive domain of big multinationals. Manufacturers such as BMW have for instance abandoned crash testing in favour of immersive virtual reality for validating their safety criteria. Insize will make these outsourced tools available to SMEs for 5-dimensional testing and development helping upgrade the value chain for these firms. João Vieira, driving force behind Insize says: "This is a pioneering initiative which will allow for the physical experience of any project or environment before it is actually created". João Vieira, an immersive environments architect, has just returned from California where he finalized the US partnership. Three years ago his idea won a prize from the Portuguese Innovation Agency. It was also selected by IAPMEI (the SME support agency) for the Empreenda-Projectofive programme under the Portuguese Technology Plan. The investors have attracted funding and support after identifying Visionarium as the ideal environment for the project.

Agriculture: Frulact aims to be European player

• Frulact (Tortosendo, Covilhã , north) has opened a €12.5 million fruit processing plant with a 40 ton annual capacity, doubling current output to meet growing export demand, particularly in France where it supplies the milk food, ice cream and pastry processing markets. Frulact established in 1987, aims to become a European player in the fruit processing industry, says João Miranda, its managing director. The company currently ranks as Iberian leader in its market and has set up manufacturing plants in Morocco, Tunisia and France and currently exports fruit-based preparations under 800 different brands to Libya, Egypt, Iran and the United Arab Emirates. The new plant at Parkurbis Technology Park will be followed by further investments of €5 million in Morocco and Algeria. From its base in France where acquired Granger Bouguet Pau at Vichy, the company is driving its European expansion into Italy, Belgium and Switzerland. It plans to extend sales into Eastern Europe from Vichy. But the core of its operations remains Portugal-based. João Miranda says the life cycle of products is getting shorter and today lasts no longer than two years. He said brands at the end of their life account for sales losses of 10-12%. "Our biggest challenge is to influence and anticipate market trends and create added value through innovation," he said. Frulact imports 90% of its raw material from Spain, Morocco, Poland, Chile, India, South Africa and Thailand. He said a kilo of pitted, frozen cherries from Serbia including transport cost is still cheaper than acquiring fresh cherries in Portugal. Profile: Fruit based preparations for the food industry; Turnover: €40 million/year; 90% exported; Head office: Tortosendo, Covilhã; New products: 150 in 3 years; Investment in R&D: 3.5% of sales; Capacity: 65 tonnes; Annual average growth: 20%.

Labour: White Paper ready for consultations

•According to a June 13 report, the committee responsible for drawing up the White Paper on Labour Relations has delivered its findings to Jose Vieira da Silva, Minister for Labour and Social Solidarity who will shortly put the document up for public consultation. Guidelines in the White Paper could result in substantial labour law changes along the lines of a model that appeals for closer relationships between the business world and trades unions. The White Paper will attempt to ensure that working hours, contract regulations and hiring and firing are decided on a bilateral basis – a practice already in place in companies such as AutoEuropa. The White Paper fails to discuss the "flexigurança" option a Danish inspired model which combines greater hiring and firing flexibility with improved unemployment protection. "Flexigurança" is very expensive to run. According to José Carlos Pinto Coelho of Confederação do Turismo, the tourism confederation: " Among EU member states, Portugal is far and away the country with the least flexible labour regulations. The tourism sector needs more staff but companies are afraid to hire", he said. He urged more contract flexibility. "A receptionist should be allowed and able to work behind the bar and vice versa depending on the seasons. We also believe that any incompatibility between management and staff should lead to individual not collective dismissals".

• EXCHANGE: Currency rates: June 18, 1 EUR-PTE200.482; 1 USD-€0.745926, 1 UKP-€1.47853

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• An Executive Summary of the tourism business news

Highlight:

No need for new airport says CTP

Tourism: Officials oppose Ota, prefer Lisbon+1

• The existing Portela Airport in Lisbon will serve tourism needs for the next 10-15 years if low-cost air traffic is rerouted to a backup airport says the Portuguese Tourism Confederation (CTP). CTP says the planned six month reprieve period announced while government reassesses its options, should be used for market research into the number of tourists likely to arrive in Lisbon by air over the short-medium term. According to José Carlos Pinto Coelho, chairman of Confederação do Turismo Português (CTP) any investment of the magnitude of a new international airport should be backed by market research that analyses external competition and specifics such as who the consumers are. In the case of the Ota proposal he claimed no such research has been made "there are only extrapolations of existing data". "We CTP are not interested in discussions about Ota or Alcochete, for us the existing Portela Airport now being extended is sufficient. He said the figures were clear Portela can expand to handle 18 million passengers a year and along with a specific low cost facility handling 4 million passengers a year this totals 22 million passengers a year – double current capacity". The CTP is urging government to establish a low cost airline handling facility at the existing Montijo military airbase. CTP notes that Spain already has 5-10 such low cost airline airports. "Low cost operators are critical for growing Portuguese tourism and Portela is not currently serving them nor helping develop this market", he said. He said that Alcochete, the suggested alternative to Ota, could be a "brilliant solution" as a low cost alternative facility subsequently expanding to become complementary to Portela. He said the 22 million annual passenger traffic forecast for the joint Lisbon Airports would be more than sufficient to carry the country through to 2020. Meanwhile Unihsnor–União das Associações de Hotelaria e Restauração do Norte de Portugal also chimed in to oppose Ota. According to a Jun 12 report Unihsnor, which represents the hotel and restaurant industry in northern Portugal, says "domestic tourism does not require an airport city or a mega-airport". It says the core issue is not where a new airport should be built but the proposed size and nature of Ota. It says this "giant" cannot be justified and "could compromise tourism sector development overall". It claims the most optimistic scenario suggests that Lisbon tourism growth for the next 10 years means that the city will need an facility offering 50% of Portela's current maximum capacity. Government forecasts are for annual growth tourist arrivals Lisbon of 5% a year meaning Lisbon will need an Airport with a handling capacity in 2017 of 8 million passengers. Unihsnor says the preferred solution is Portela + 1 i.e. the existing airport with Montijo as backup. Unihsnor says its worry is that the current project of building Ota and tying that to the privatisation of the airport authority ANA will inevitably shift the focus onto the financial and economic feasibility of Ota to the detriment of the other domestic airports Specifically Unihsnor is concerned with Ota's impact on Francisco Sá Carneiro Airport, Oporto, which it claims covers one of the largest areas in the country – the north, parts of the centre and Galiza in Spain.

Tourism: New Quinta da Marinha hotel

• Quinta da Marinha, Cascais is to be the base for a second hotel operated by the José Carlos Pinto Coelho Onyria group holding. The Hotel Quinta da Marinha Golf will come on stream in 2010 and be geared to a individual luxury clientele that enjoys "expensive environments". It will include a Thalssotherapy centre, saltwater swimming pools fed by the Atlantic, a pitch and putt area for golfers, a clubhouse, tennis courts etc. José Carlos Pinto Coelho claims people no longer choose destinations for single activities such as golf but rather for a range of destinations offered by such localities. He said health tourism and personalized service offered by the new 5-star hotel aim to attract more Nordic tourists – currently one of the most important Quinta da Marinha markets. He said in 2006 Quinta da Marinha generated €15 million in revenue drawing visitors from UK, Germany, Scandinavia and Spain. It sold 53,000 bed nights while the associated golf course sold 59,000 rounds.

Tourism: Casino on São Miguel soon

• The first casino at São Miguel island on the mid Atlantic Azores is to open in 2008/2009 according to June 16 report. José Martins Mota, of ASTA Atlântida - Sociedade de Turismo e Animação says the casino will include a 5-star hotel and should open in time for New Year 2008. He said the Hotel SPA at Furnas (São Miguel), one of the developments used as an offset for the gambling concession will come on stream in May, 2008.