

Highlight:

Regulator to be ousted

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Insurance: Social security funding changed

- Budget 2008 will be tabled in parliament October 12. Debate and voting in principle are scheduled November 6 - 8 and the final debate and vote on November 23 following the committee stage of the bill. Major changes to this year's budget will include separate accounting for Social Security funding. The total cost of family and unemployment subsidy paid from 2008 onwards will be met from tax revenue and included on-balance sheet and in the Budget. This is set to cost the treasury €1000 million in additional budget expenditure in 2008. Cabinet has approved changes agreed earlier, to the Social Security framework law. This will ensure funding for the social security system is matched to the "nature of expenditure" says Pedro Marques, secretary of state for finance. He said the changes will ensure funding transparency is strengthened for the Social Security system. Going forward all Social Security payments such as pensions and unemployment subsidies will be funded out of contributions made by companies and the workforce and paid to the department of social security.

Distribution: Auchan's €600 million investment plan

- Auchan (France) which operates Jumbo hypermarkets and Pão de Açúcar supermarkets in Portugal has announced an €600 million expansion plan for the next three years. Group priority is to strengthen the penetration of its Pão de Açúcar flagship brand which is currently restricted to just two outlets. Expansion plans for the Jumbo hypermarkets will include adding petrol service stations and pharmaceutical outlets within the hypermarkets. According to Eduardo Igrejas recently appointed chairman of the group in Portugal, Auchan is keen to compete strongly with Sonae group which recently acquired Carrefour another French operator that pulled out of Portugal. Auchan is investing heavily in promoting

its flagship and recently submitted 10 licensing applications for new Pão de Açúcar outlets. Some of these including one in Olhão, Algarve have now been approved. Pão de Açúcar outlets are currently located in Lisbon (Amoreiras) and Santo Tirso in the north. These two compact hypermarket formats each with around 2-3000 m² of retail area, are focused on food. The group which will have 19 Jumbo hypermarkets by year end, plans to extend this number to 23 by 2010 provided licensing applications are granted. By year end 90% of Jumbo hypermarkets will include pharmacies selling liberalized pharmaceutical items as permitted under recent changes to Portuguese law.

Wine: Vinho Verde output set to fall 50%

- The Comissão de Viticultura da Região dos Vinhos Verdes (CVRVV) says production of white Green Wine (Vinho Verde) this year will fall by 50% as a result of rain affecting the early stages of budding, so prices paid farmers for their grapes will rise. CVRVV says for the past five years sales of its wine and particularly exports have expanded consistently. In 2006 sales of white green wine totalled €23 million or 10 million litres and marketing campaigns are in place to ensure double digit growth continues in the US and Canada and to a lesser extent in Germany and the UK, the most popular markets for the product. It is called Green Wine because it is a young wine and its distinct flavour comes from growing the vines waist height above the ground. According to the CVRVV white green wine is second ranked only to port wine in shares of Portuguese wine export markets. It currently also holds 17.8% of the domestic Portuguese market.

Banking: BCP reforming governance?

- Eureka, the pan-European insurance operation which holds 9.96% of milleniumBCP and is the bank's largest shareholder, is keen to avoid any further internal upheavals as the institution considers proposals to reform governance. Teixeira Duarte a civil construction firm, and another major BCP shareholder has submitted a proposal for consideration at a special general meeting. Lorrie Morgan spokesman for the Dutch based Eureka insurance operation, which has had a 15-year association with BCP, said: "BCP is a partner of

longstanding and strategic interest to Eureko. We are involved in common businesses areas such as asset management and insurance in Poland and we continue to examine other possible joint areas of investment." Eureko is a supporter of positions taken by the founder and ex-chairman Jorge Jardim Gonçalves who in turn is a personal friend of Gisjbert Swalef one of Eureko's original shareholders, through Achmea the Dutch insurance company, and also a former executive director at BCP group. According to a September 13 report BCP shares have shed €800 million in market value since the new 61 year old chairman Filipe Pinhal replaced Paulo Teixeira Pinto on August 31. Meanwhile Paulo Teixeira Pinto the ousted chairman has reportedly accepted an invitation from the Champalimaud family to take up a post with Soeicom, a company set up by the family in Brazil in 1976 and which makes Liz cement. He will sit on the consultative committee alongside Daniel Proença de Carvalho (chairman of PTM) and Leonor Beleza (Fundação Champalimaud chairman) Soeicom is managed by Luís Champalimaud, former executive chairman of the Totta, Sotto Mayor and Crédito Predial Português banks (now Santander). According to the report one week before his BCP resignation Paulo Teixeira Pinto told a blog called "Cafe Puro Arábica", he had not given up his membership of the Opus Dei movement and insisted that the internal affairs of the bank which he once led, "had no connection with his spiritual life".

Energy: Homeowners paid to generate power

- Domestic consumers who also produce surplus renewable energy (through solar, wind or photovoltaic systems) and sell it into the national network will be able to save up to €3000/year on domestic electricity bills says a September 14 report. From 2008 and for five years homeowners who install micro-generation systems capable of producing 5.75kW will be paid €650MWh for the energy they supply to the network. Cabinet September 14 approved a new decree law establishing the framework for such mini production and simplified the associated licensing requirements.

Airlines: Fraud allegations against ex-airline exec.

- Paulo Mirpuri, former chairman of Air Luxor, faces some 40 charges of alleged corporate fraud according to a September 13 report. Criminal charges have reportedly been laid against him by Longstock Finance current Air Luxor owners. The Luso-Canadian owners complain of fraudulent management, falsification of invoices, invented debt, company funds diverted for personal use, over invoicing for nonexistent services, decapitalization of the company to own benefit which included sale of subsidiaries for one euro. The latter charge relates to the sale of the Aeroporto de Bissau management company in the former Portuguese colony of Guinea Bissau, for a symbolic one euro. A spokesman for the former chairman refuted the charges

and said they were a smokescreen related to a failure by the new owners to meet successive commitments which had been written into the sales agreement. Longstock Finance is represented by the Lisbon legal firm of João Nabais.

Ports: Chinese shipping operators headed for Sines

- Jorge Almeida, local director for PSA Portugal which has an operating concession on Terminal XXI container terminal at Sines south of Lisbon, says negotiations are well advanced with two major Chinese shipping operators to start regular weekly services between China and Europe using Sines as port of entry to the Iberian peninsula and the EU. China Shipping and COSCO want a deal offering them exclusive access at a new terminal which is due for completion in 2008. Such an agreement would ensure Chinese vessels get priority handling and berthing at the terminal saving them up €200,000 a day in waiting time offshore. The €40 million new terminal is due to come on stream in summer 2008 and will equip Sines with capacity to handle regular shipping services, super container vessels and meet the needs of major operators. Current volume of shipping between China and Portugal is some 100,000 tons/year mostly arriving through other EU ports. The Chinese shipping companies are interested in improving share of traffic and shipping direct to Sines would save importers transshipment costs.

Newswatch: Mateus to be sacrificed as regulator

- Six months before the end of his five year mandate the competition regulator Abel Mateus has reportedly lost the backing of both prime minister Jose Sócrates and head of state Anibal Cavaco Silva and is unlikely to be reappointed to the post, says a September 14 report. Under his leadership Portugal's competition authority – Autoridade da Concorrência – has made many enemies among blue chip companies and powerful sectors such as the telecom and pharmaceuticals industry. The last straw was reportedly a planned move to levy heavy punitive fines in 2008 for "abuse of dominant position" on "3 telecom operators, one airline and on electricity utility". Abel Mateus was especially detested by the telecommunications giant Portugal Telecom on which he imposed an enormous €38 million fine for "restrictions on competitive pricing". Several of his decisions have been overturned in the courts. His raid and seizure of documentation from Portugal Telecom in 2004 was ruled out of order by a court which forced him to restore all the documents to the operator. In 2005 Lisbon courts revoked a €19.3 million fine his authority had imposed on Abbott, Roche, Menarini, Johnson & Johnson and Bayer pharmaceuticals that he alleged had fixed prices on tenders for state hospital contracts. In June 2006 he was overruled by the economy minister Manuel Pinho, on a decision to block the acquisition by Brisa (listed, motorways) of 40% of Auto-estradas do Atlântico (AEA), a move he had ruled would restrict

competition on the A8 motorway and significantly reduce competition on the A1.

[eu2007: Portuguese Presidency of the European Union](#)

•EXCHANGE: Currency rates: Sept 14, 1 EUR-PTE200.482; 1 USD-€ 0.721745, 1 UKP-€ 1.44910

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• An Executive Summary of the tourism business news

Highlight: *Polo resort under way*

Tourism: Charm hotel at Santa Apolónia

•Santa Apolónia railway station, for centuries Lisbon's main international railway terminal and located opposite a new cruise ship terminal under development in Lisbon's eastern docks (due to open 2010) is being refurbished with a charm hotel and shopping precinct. This is part of upgrading and improvement of use of a railway terminal now supplanted by the Oriente station at the former Expo 98 site further east. Lisbon's cruise vessel terminal is designed to strengthen the port's position as a stopover on Western Mediterranean cruises. Lisbon expects to attract more than 300,000 cruise vessel visitors this year and is the 6th most visited in the peninsula attracting 14% of passenger volume. Upgrading the Santa Apolónia passenger terminal would concentrate all operations currently dispersed between Santa Apolónia, Alcântara and Rocha de Conde d'Óbidos and enable Lisbon to handle five cruise vessels simultaneously. The €45 million marine terminal will include a two-storey hotel, office tower, shopping and leisure areas and parking for 1065 vehicles. The north bank of the Tagus river between the new passenger terminal and former Expo 98 residential zone and marina will also be redeveloped and improved and include links to one of the capital's oldest traditional neighbourhoods - Alfama – which clusters on the eastern hill in the shade of St Jorge Castle.

Tourism: Monte Rei an oasis of luxury tourism

• Monte Rei golf near Vila Nova de Cacela, opened June 1, is the first stage of a closed condominium which plans to market itself as an oasis of Algarve luxury tourism according to company spokesman Mário Condeço. The 420ha golf course has taken nineteen years to reach its present phase and will be sold as the high watermark of golfing facilities. These together with other investments including residential tourism villas, retail units, a tennis academy and other leisure structures will cost €300 million once completed. The built up area will cover only 8% of the total resort. Monte Rei golf plans to be the best course on the Iberian peninsula and indeed in Europe and a companion course will be built in 2008. When both come on stream the resort expects to accommodate 20,000 players a year. Monte Rei offers the only courses in the area designed by Jack Nicklaus who himself has acquired 53 villas in a partnership with the Guggenheim Foundation and will set up a Jack Nicklaus community in the resort.

Tourism: Madeira golf rounds up 7.5%

• According to Madeira Marketing Board (Agência de Promoção da Madeira), the number of golf rounds sold on the archipelago's three golf courses in H1 2007 was up 7.5% year-on-year. The total number of golfing rounds was 21,515 excluding rounds played by members of the three clubs. The performance represents an increase of 1499 rounds over the same previous year. The most successful golfing resort was Palheiro Golf which sold 10,814 rounds. Biggest growth was recorded by Clube de Golfe do Santo da Serra which sold 11,070 rounds more than in the same previous year. Madeira is beginning to gain a reputation on the world golfing circuit and a new golf course is planned in 2008, the fourth in the region, at Ponta do Pargo.

Tourism: Pestana planning major expansion

• The Pestana group, one Portugal's largest tourism and resorts operators, is planning a major expansion of its brand opening its 100th hotel over the next three years to give it a total of 10,000 rooms. Its current portfolio comprises 81 hotels and 8200 rooms and the group is currently building 10 new hotels in Brazil, Venezuela, São Tomé, London, Madeira and Porto Santo at a total cost of €206 million. According to Dionísio Pestana chairman and founder of the group: "We are also researching markets in Chile, Panama and Colombia as we would ideally like to have a hotel in each Latin American and European capital." The group is seeking to expand into China and India through current interests in the former Portuguese enclave of Macao.