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# Highlight:
# *Most rigid labour laws in the world*



## Indicators: CPI at 3.1% in March

• The year on year change in the Consumer Price Index in March 2008 was 3.1%, two percentage points higher than for February. The month-on-month change was 1.5% and the annual average change was 2.6% says NIS-National Institute of Statistics, April 14. NIS said strongest price rises were in food and non-alcoholic beverages, transport, housing, water and electricity, gas and other fuels and in leisure, recreation and culture. It said the Harmonized Index of Consumer Prices (HICP) – used to compare EU-wide inflation – stood at 3.1% in March 2008 or 0.2 percentage points higher than for February. According to Eurostat the Portuguese HICP showed the second lowest change – 2.9% in February, 2008 level pegging with Germany and four decimals of a percentage point lower than the Eurozone average – 3.3%.

## Health: PPPs for hospitals now in doubt

•Salvador de Mello chairman of Portugal's largest private health services provider says he has serious doubts whether planned public private partnerships for new hospitals will now proceed. According to his figures government's announced plan to exclude the private sector from management of six new PPP hospitals to be built will cost the state €1100 million. He said he had been "caught totally by surprise" when PM José Sócrates announced that he would remove management of the Hospital Amadora-Sintra from government's private sector partner, José de Mello Saúde (JMS). Salvador de Mello said JMS's current management of Amadora-Sintra was saving the state €14 million a year, figures assessed at the time of the award of the management contract and validated by the Audit Court. He said the hospital served 7% of the population resident in Portugal and any transition from private management arrangements to the public sector had to be very carefully planned. He said under present arrangements the majority of medical staff at the hospital worked on individual labour contracts and were not on the government payroll. He was critical of the government's decision over Amadora-Sintra but said the company would cooperate in ensuring transition to public management was achieved without upset. However if government's plan was to impose the same changes on the four PPP contracts currently underway involving other hospitals, the total cost to the state in additional charges would exceed €1100 million. He said government had informed his company its Amadora-Sintra contract would be cancelled December 1, 2008. He said as a result his company "now had the greatest doubt that the state had any further interest in moving ahead on PPP partnerships in the health sector".

## Pharmaceuticals: Exports worth €400mn a year

• The domestic pharmaceutical industry exports some €400 million worth of locally-made medicines each year. Sales are growing at 16% annually against the 7% rise overall reported for Portuguese exports in 2007, says an April 10 report. Medicine exports recently overtook the value of port wine exports which in 2007 were worth €350 million. According to João Almeida Lopes, chairman of the sector association, Apifarma (Associação Portuguesa da Indústria Farmacêutica): "although Portugal is widely regarded as a pharmaceuticals importer we actually produce a range of pharmaceuticals, from antibiotics to cardiovascular products and last year the country manufactured 200 million packets of medicines." Portugal's improving pharmaceutical export trade is due to the efforts of PharmaPortugal – a public private partnership set up by Apifarma, AICEP (Agência Portuguesa para o Investimento e Comércio Externo de Portugal) and Infarmed (the industry regulator). PharmaPortugal promotes Portuguese manufacturing in a sector which includes fourteen national drugs firms: Bial, Basi, Azevedos, Bluepharma, Edol, Iberfar, Jaba, Labesfal, Medinfar, OM Portuguesa, Lusomedicamenta, Tecnimede, Atral Cipan and Vitória. Portuguese companies currently hold a 15% share of the outpatient medicine market. The pharmaceutical industry, which include both national and foreign companies is growing at 4% a year and is worth more than €3 billion according to consultants IMS Health. Five foreign companies currently manufacture medicines in Portugal. They are Labesfal (Germany), Hikma (Jordan), Vitória (Spain), Delta (Italian) and Schering-Plough (US).

## Investment: Agency hopeful about FDI outlook

• Basílio Horta, chairman of the Business Development Agency, Agência para o Investimento e Comércio Externo de Portugal (AICEP) says he believes 2008 will be a "good year" for FDI despite factory closures and migrations already announced by multinationals such as Delphi and Yasaki-Saltano. He said in the motor vehicle components sector, hit by the closures mentioned, "a major new investment" was under negotiation and "should be concluded shortly". He declined further details but said the project was "high tech and would employ a qualified, specialised workforce. He said AICEP's emphasis on high technology was aimed at reinforcing an added value cluster in the motor industry components sector, one of Portugal's biggest exporters. He refuted statements by trade unionists that the Delphi and Yasaki-Saltano investment contracts had not been fulfilled. The conditions and the required periods of investment in the country had been exceeded, he said. Meanwhile the closure of cabling factories is likely to accelerate both in Portugal and elsewhere following advances in vehicle manufacturing. New technology in the industry employs nanotechnology, miniaturisation and computerised technology to replace physical cables in current vehicle designs. These changes will permanently hit the domestic sector over the short to medium term where 26.3% of Portuguese components manufacturers are involved in cabling. Cars of the future will tend to be controlled by buttons, joysticks, sensors, radio-frequency identification (RFID), artificial vision and even voice.

## Labour: Minister admits laws are too rigid

• Minister for Labour and Social Solidarity José António Fonseca Vieira da Silva has agreed with a recent OECD report that describes Portugal's labour legislation as "the most rigid among all OECD member states and thus one of the most inflexible in the world." He was addressing a conference in Lisbon on labour flexibility and security (or Flexicurity, which is a combination of easy hiring and firing, high benefits for the unemployed and a pro-active labour market policy). He noted that in December 2007 at a European level employer and trade union organizations had agreed that properly applied flexibility for employers and security for the labour force could create win-win situations. He said this could be made to work in Portugal provided the environment changed to one of greater dialogue and less conflict between the social partners. He recognised that as a result of current rigid legislation "atypical" contacts in the market place were on the rise while labour law was increasingly ineffective due to weak supervision and the specific nature of the legal framework. He said the rigid form in which the labour force was organized was "clearly prejudicial to Portugal's economic competitiveness". He agreed Portugal needed to adopt the Flexicurity model pioneered by Denmark but to introduce this as a "change process and not a normative one".

## Real estate: Claims start over OTA restrictions

• Property owners and developers whose land in the zone of influence established when Ota (north-east of Lisbon) was chosen for the new international airport 10 years ago, are headed for court with compensation claims against the state. (Ota was subsequently deselected in favour of Alcochete, south-east of Lisbon). The court actions are based on advice that restrictions imposed on property development in the area over more than a decade were "unconstitutional". The first developer to take action is Albino Costa, managing director of Edifoz. He is claiming undisclosed damages from government deriving from restrictions that effectively prevent him from marketing and selling development and housing plots in the Carregado area. His claim has been lodged with the Lisbon Administrative Tribunal backed by a number of legal opinions sustaining his argument that regulations implemented under various Portuguese governments that extended restrictions on land use around Ota airport site contravened the constitution. The first restrictions were published under a 1999 decree by the socialist government of António Guterres. The restriction was extended to 2002. Successive governments produced further laws prolonging the curbs and reportedly in this way revoked existing laws on property and land ownership. Currently restrictions in place at Ota extend until August 2009 unless they are lifted. Albino Costa said: "we want government to pay for the damages incurred as a result". He said his company had lost "many millions of euros" because its core business had been blocked. He said in 1999 Edifoz had acquired 16ha to build more than 200 homes as part of the first phase of the Urbanização das Fontainhas project, for which it held an Alenquer local authority license. "Some 20 homes have been built but our customers have been prevented from living in them". Earlier government announced it would make compensatory investments in the area affected after its decision to move the airport to Alcochete.

## Investment: Ultra-lights at Covilhã

• Aleia (France/Portugal, aeronautics) is planning to build a €10 million aircraft manufacturing plant at Covilhã (north) creating 100 new jobs by 2011. The plant will start by assembling ultra-lights made by Dyn Aero its subsidiary from June, 2009. The plant is due to produce 200 ultra-lights/year primarily for the leisure market. From 2011 it will switch to making 4-6 seat air taxis.

•EXCHANGE: Currency rates: Feb 15, 1 EUR-PTE200.482; 1 USD-€0.636362, 1 UKP-€1.24237