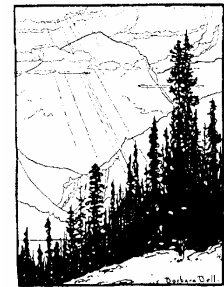




International Club of Andorra NEWS MONTHLY

FOR MEMBERS ONLY

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The News Monthly is a selection from the main items in the local press, information of general interest and Club news. It would be appreciated if any factual errors could be brought to the attention of the editor. Please note that any opinions expressed are not necessarily those of the C.I.A. Board.

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News for December 2007

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Happy New Year! The skies are bright blue (luckily that means it is cold enough to make artificial snow), the local politicians are tying themselves up in knots, the construction and property boom is definitely history, inflation is up and the previews on 2008 do not read well for many local businesses. Maybe the answer is to be retired.

John Pinnell

MAIN NEWS

Local elections – now what?

First, the PLA, which has been the “mainline” party both nationally and in most parishes, has had some serious internal splits – in Ordino, in Escaldes and (a little later) with the resignation of its Secretary (Pere Canturri). These splits appear to have their roots in individual personal disagreements rather than in basic political views – but the party has recognised a need to do something about itself if it wishes to retain power nationally. Albert Pintat initially stressed that the PLA was the “most voted” party overall (7,735 total votes across 7 parishes) – but then also allowed that there was a need for change in the party.

The actual results of the elections were interesting in three parishes – Escaldes, Ordino and Sant Julia. In Escaldes a “personal” ticket swept the board (the result of a local split in the PLA ranks). In Ordino an “independent” activist ticket swept the board (a result of the bitter personal disputes that have been surfacing over the months in the parish). In Sant Julia the PLA was returned to power with a larger majority than ever despite the protest groups that mounted opposition based on Naturlandia and the much discussed by pass.

Only three of the parishes held over approval of the 2008 budget until the newly elected members of the Comus take their seats – Canillo, Escaldes and Sant Julia. Given that there are no changes in the leaders in Canillo or Sant Julia that does not mean any political surprises. In Escaldes, where Antoni Marti won the election on a strong personal vote, it may (or may not). On the other hand, in Ordino the approval of the 2008 budget by the outgoing leadership should lead to sparks flying in 2008 with the new Consols in charge. Given continuity in Andorra la Vella (a change of leader from the same party), Encamp and La Massana there should be no political issues there.

An article and editorial in “El Diari” did remark that the Comus seem to have got themselves into an economic or financial mess – given that for all of them regular local income is now insufficient to pay for regular annual services – “one off” income such as the construction tax being needed to balance the books. One specific feature – new investments (financed from income or from borrowings) lead to permanent increases in annual costs (eg for running kindergartens, leisure centres, dining rooms for old age pensioners, etc) which seem not to be factored in to the thinking at the time that the new investments are made. Nobody has mentioned increasing local taxes – but will it turn out to be necessary?

The 2008 Budget:

The Government had been advised by CDA + Segle 21 that its members would not be voting in favour of the budget so long as the “sleight of hand” regarding the treatment of past expenditure on investment projects is part of it. Immediately after the elections an incomprehensible compromise was agreed:

 **Servissim**
ARINSAL • CANILLO • LA MASSANA
IMMOBILIÀRIA • LLOGUERS • GESTORIA

1. The budget will still show the “recovery” of investment made in prior years in the Túnel dels Dos Valires as “other income” – the very “sleight of hand” that enables the budget to “appear” balanced.
2. There will be use of “pay as you go” financing for the Túnel, the associated viaduct, the La Massana by pass and the Sant Julia by pass.
3. The Túnel Del Sola (which would link the Túnel dels Dos Valires exit at La Massana with La Margineda) would be indefinitely postponed.
4. The National Museum planned for a site in Santa Coloma (and previously a key project for the Government) will appear on the same site as the National Archives in La Massana (which will not be the proposed site at Sispony).

Based on all this, CDA + Segle 21 will vote for the budget in January 2008.

The results of this were (among other things), the resignation of the Minister of Tourism, the resignation of the Secretary of the PLA, strong criticism from Andorra la Vella (which got promised an unidentified additional national project in return) and significant criticism for Juli Minoves (as the Minister responsible for the original National Museum proposal and now apparently busy permanently eating his own words).

Other items:

Well – how about starting with the announcement that both Frank Gehry and Norman Foster were among the finalists for the design of the National Museum (before the project was abandoned). Now it is generally assumed that Frank Gehry will design the National Archives (an award already made) and the National Museum on the new joint site. One hopes he has been talked to about all this.

Then the announcement that the viaduct leading from the Túnel dels Dos Valires will cost €27 million and that it has been awarded as a contract to a new joint venture. Later in the month it was announced that there will be a single concession to cover the tunnel, the viaduct and the entry at the Encamp end – and all will be financed under the “pay as you go method” over 30 years of concession. Again, one can only hope that the consortiums which already were awarded the works for the tunnel and the viaduct have been consulted.

All in all the results of the political moves needed to get the 2008 budget voted in January 2008 seem only to show a Government without any sense of direction and without any ability to stick to what it says from one month to another.

Finally of course there is the running farce of the Sant Julia by pass – where the same Minister who insisted that the first section was about to go out to bidding and then said the Government was halting all work (just before the election) is once more back where he started with the original plan – or is he?

He announced a major series of proposed public works using a model that cost €60,000 to build (and which is on display at the Government building). This includes the Sant Julia by pass as originally planned and the Túnel del Sola (what did the Government promise about that in the compromise with CDA + Segle 21?).

This is Andorra 2008 where Albert Pintat in his new year interview seems incapable of appreciating the spectacle his Government is making of itself. What has been shown instead of strength is that a couple of votes from the centrists are capable of making the Government dance so long as the Socialist opposition stays firm against any Government proposal.

NEWS IN BRIEF

Education has been causing headlines – or rather the attempts to introduce an Andorran baccalaureate without having agreed its recognition by Spain for university entrance purposes. Initially the new baccalaureate was announced (after term had started). Then parents protested when it was found that no agreement had been made with Spain for its recognition. Then talks with Spain were announced.

Pupils (but not teachers) started to take strong action about the fact that course work only accounted for 50% of the credits required, with the examinations to count for 50% (demonstrations were organized, a meeting with the Minister, threats of strikes by pupils). They made the Minister sound ill prepared and possibly bad tempered (or was this just the way the news was reported?).

Then it was agreed that students would take the Spanish selectivity examination for foreigners at least this coming year (and next) while the Spanish authorities worked their way round to finding time to approve the proposed Andorran baccalaureate. It really does seem that initiatives get taken and announced without due process – and without

allowing for the bureaucracy in at least one of our neighbours.

The first weekend in December (with two Spanish and one French public holidays) brought lots of traffic, blocked the centre of Andorra la Vella, created queues in from La Seu d'Urgell of 7 km and then long queues out again (with another 16 km between La Seu d'Urgell and Organya after they crossed the frontier) and long queues to get back into France.

Both Grandvalira and Vallnord reported more skiers than they had expected – with 25,000 ski days in Grandvalira and 20,000 in Vallnord. Central hotels reported up to 90% occupancy as shoppers came in droves (although they spent less than last year).

The first (and so far last) snow dropped between 30 and 40 cm on the main ski slopes. Inevitably the Envalira pass was closed (but not the pay tunnel of course).

The last weekend of the year brought out lots of skiers again (comments sounded like more skiers than snow – but a much better situation than last year anyway).

However, the Government reports that only 65% of the quota for seasonal workers has been taken up by the ski stations while the hotel sector has only taken up 46% of their quota.

Forecasts for 2008 have been coming in – with spokesmen for the construction sector talking of a drop of up to 20% in employment and the Chamber of Commerce calling on the Government for measures to stimulate the economy, and particularly for more investment in infrastructure and opening up the economy “prudently” to foreign investment.

The last meeting of the Consols before the end of the year called for measures to replace the totally manual systems used for chasing up non payment of unpaid bills between the Comus and the Batlle (and between STA and the Batlle). The legal authorities also called for a way of returning the paperwork accumulated over the last thirty years to the Comus (it seems to be just “piling up” now).

Vehicle sales were down 28% in November and the total for the year seems unlikely to reach 3,000 – which would make sales in 2007 the lowest for 10 years. In the second hand market dealers estimate that sales are running at 50% below last year.

A serious bus accident on the route that links Andorra and Portugal – on the C-14 – apparently due

to driver error as the vehicle simply lost control, left the road and fell down a four metre bank. Three people were killed and 13 injured – all were Portuguese.

The Government has indicated an intention to introduce VAT in 2008 with an initial rate of 4%. This would eliminate all the indirect taxes introduced with so much effort only a year ago – as well as requiring substantial changes to all businesses selling goods rather than services. Doubtless there will be long debates, late released regulations and much confusion before anything finally happens.

Inflation reached 4% on an annual basis in November with the outlook for the calendar year 2007 also being almost 4% (as against predictions originally of 2.7%). The main causes of the excess are fuel prices (directly and as part of transport costs for almost all goods) and food prices.

Domestic electricity prices will go up 3.5% for 2008.

The Andorran song for Eurovision (which will be sung in English by a Catalan singer – Gisela – and is written by a Catalan) has continued to cause issues for ATV and for the Government as nobody is quite clear what Andorra gains from this (except that ATV will have no costs from it).

The new geriatric centre at Santa Coloma will be built over the next two years at a cost of €9.8 million.

A new quota for domestic employees has been approved – 300 available positions of which 225 can be filled from outside the EU. Is this (as it sounds) a special quota for the well off to indulge themselves?

The new ambulance service (privately run) has been in operation since December 1 as planned. There is already a call from its manager for an increase in charges to up to €350 to enable it to cover all its costs. CASS picks up most of the bills for those affiliated with CASS – all other users have to pay the full fees.

Crèdit Andorrà has formed a new entity in Madrid called Valira Capital Asset Management of which it will own 60% and with €2,000 million of funds (ie client monies) to work with family offices, private investment companies and well heeled individuals on investment strategies.

A Belgian ex resident went to the French school in Encamp and took away his eight year old Andorran son. There is an issue as the school had been warned about the possibility of this happening. An alert was sent out and the man and boy were arrested as they

tried to board a flight from Barcelona to Greece (where the man now lives). The boy was returned to Andorra (and to his mother). The Spanish court released the man – but Andorra has still got a warrant open for his arrest for attempted kidnapping.

AROUND THE PARISHES

Andorra la Vella – the Santa Lucia fair was able to return this year to the new Plaza del Poble.

Encamp – the 2008 budget was approved with a significant reduction in new investments but an increase of €2 million in current services costs due to new activities such as more kindergartens and the old people's cafeteria. Over the last four years current services costs have grown by almost 48%.

Encamp – the construction tax is fixed as €40 per metre at a coefficient of 1.3 (note that this is much lower than – for instance – that approved by Ordino last month).

Encamp – the company which won the concession to build and run the animal park has asked for an extension to the deadline for starting work – it seems that they have still not found a backer willing to finance them properly.

Pas de la Casa - the Andros ice racing trophy was competed for in good conditions and a request was made by the organizer to extend the arrangements for another four years. The Automobile Club is considering this but wants to avoid long term commitments that might involve losses.

Andorra la Vella – the 2008 budget shows a deficit of €5 million even after assuming that the income from construction taxes will be almost the same as in 2007. Personnel costs are up 8% and there are significant investments of €13.6 million (possibly some of those could be cut if income does not appear as planned).

La Massana - the 2008 budget includes expenses of €20 million but no new major investments and a “conservative” estimate of income from construction taxes.

Sant Julia – the Comu approved the accounts of its operating companies which each show accumulated losses so far. The Consol Menor indicated that the (now infamous) Turbofronc is counted on to produce revenues to help offset these past losses. He also announced that Turbofronc would not open before the end of January.

Ordino – the proposed new law on Comu indebtedness initiated by Ordino has failed to get approval – so there is no way for the Comu itself to finance the plans for developing Arcalis. Back to the drawing board while the ski station (presumably) heads for another year of losses.

Canillo – the tax on new construction has been fixed at €30 per metre but with a coefficient of 2 (ie the effective rate is €60 per metre).

Canillo – the Comu discussed the results through to September 30 and found that income was well below budget (€7.4 million out of a total planned for the year of €17 million) – but there are hopes that it will recover in the last quarter of the year and maybe reach €16 million.

Sant Julia – up to 13 cases of unauthorised earth moving have been detected by the Government – most of which appear to be related to cutting down trees and building retaining walls to allow for earth to be tipped and new agricultural land to be created.

CLUB NEWS

The annual Xmas dinner and dance just happened to take place on the evening the snow came. Only one couple failed to arrive but several couples elected to stay the night at the Hotel Coma.

The International Singers report that their concerts have raised about €1,100 for Infants del Mon. The Club itself can report on the attendance at the Ordino concert and discerns more locals in the audience – on the grounds that more food was eaten more quickly when the refreshments were offered but only half as much wine was drunk (both compared to last year).

The EGM called for December 19 approved the motion to change the registered address of the Club and also approved a motion that should have the effect of reducing membership fees for single members. The proposed change in fees for 2008 will be put to the AGM for confirmation. The Board can confirm that no increase in fees will be proposed – the issue is whether any reduction should take place.