

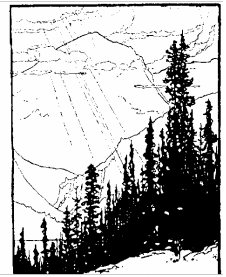


International Club of Andorra

NEWS MONTHLY

FOR MEMBERS ONLY

Editor: John Pinnell



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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 2009

If you like this newsletter you may also be interested in the additional news and articles on the International Club Andorra website. It is easy to access - just click here to enter www.international-club-andorra.com

There have been some delays in getting this newsletter e mailed out – simply because the two members with the distribution lists are enjoying a well deserved break away from their computers. Have a Happy New Year even if the good wishes come just a little bit late.

John Pinnell

MAIN NEWS

Where do we stand as Andorra enters 2010?

There are clearly still some major issues open as we enter 2010. The 2010 budget seems nowhere near being agreed as both CR and ApC have voted against it and neither shows any signs of changing their opinions. Meanwhile, the process appears to mean that the 2009 budget is carried over into 2010 – which means that nothing too dramatic occurs for the time being.

In his New Year statement JB indicated that he anticipated that the fiscal reforms would get through as they were so necessary. He indicated that the PS would accept modifications to achieve this. However, this will not be a quick thing – the committee has agreed to delay reporting back to the Consell General until March, 2010.

On the tax information exchange agreement front, at the end of the year 9 agreements had been signed – including two of the key ones (with France and Portugal) and the Spanish one is agreed but pending signature. The agreements with the Nordic countries were also close to being ready. It does seem as though Andorra will indeed get off the OECD grey list of tax havens.

As to the economy, which is so dependent on those of France and Spain, the latest data still show that things are worse – than 2008 – but not still getting worse compared to earlier months of 2009. The outlook for the French economy in 2010 is relatively positive; the outlook for Spain is worse – with a possibility of a tiny recovery in 2010 but a near certainty that unemployment will continue to rise. The recent declines in visitors have been more concentrated in Spanish than French visitors – so that seems likely to continue.

Tax revenues at both Government and Comu level are unlikely to recover in 2010. The Comus in general have been trimming their budgets in anticipation of this. The budget proposed by the Government does this too – but not by nearly enough unless there are some changes in taxes.

CASS has forecast losses on its health services for 2010. It has also been actively seeking to reduce costs. Some passive residents have found that CASS has been trying to eliminate their benefits. The medical profession in general is concerned at the prospect of strict controls over tests that will be allowed for reimbursement.

ATV has major financial problems and has adopted a very restrictive 2010 budget – but that alone is not enough to solve the basic problem that revenues are far too low ever to cover costs and that a major Government grant will always be needed to support the cost of local services. There are rumours that a special Government advance will be needed to meet minimum payments due in January.

None of all this is really either new or news. It just shows that the evidence being accumulated is that Andorra has overspent at all levels in the good times and has not yet worked out how to deal with the bad times. By the way – nobody has been predicting a

return of the good times – only a need to change things so that Andorra remains attractive to visitors and so that there is a long-term future. The strategic vision of Andorra 2020 has been abandoned – but there is still a real need for change and “more of the same” is not a realistic proposition. The Finance Minister indicated that the revised investment law has not stimulated foreign investment. There are no obvious major change initiatives on the table for 2010.

NEWS IN BRIEF

CASS made headlines again in December with news that projections showed a deficit on the pensions fund after 2022 – and without the recent changes in contribution levels that would have started in 2017. The main cause of the projected deficit is the increase in the number of pensioners – which could increase from the current level of 6,500 to around 15,000. Naturally there are only two ideas for resolving this potential problem – raise the retirement age or limit the maximum pension level.

The 2010 budget has a big reduction in planned investment in new school buildings – down from €5.5 million to €1.7 million. The possible new buildings in Canillo and Escaldes have been dropped. A strategic plan for future needs is being drawn up. Total spending on education is now running at over €60 million per annum.

The Consell General formally approved the national accounts for 2007 and 2008 with only ApC voting against (of course).

Work was allowed on the exit from the Túnel again – but the work was limited to the minimum needed to make the site stable and lock it down for the winter. The Government has required an independent report and a technical audit (which will have to be paid for by the joint venture building the bridge) before work will be allowed to restart. Rumours indicated that the collapse of the bridge was caused by the central supporting pier collapsing – which implies either a design fault or a construction fault.

A report on European ski areas shows Andorra as being the only region that has not grown in volumes since 200/01 – in that year 2.3 million ski passes were sold and the figure was almost exactly the same in 2008/9. Overall the European market surveyed grew from 150 million to 210 million ski pass days. Andorra is also not cheap – at an average cost of €20 per ski day it is level with Spain, France and Austria but 15% above Switzerland.

One report (from a Spanish source) stated that apartments close to the ski slopes in Andorra had risen in price by around 9% to reach €3,700 per square metre.

An entity called Blue Mil.lenium sold timeshares in Andorra, Salou, etc. – but then behind that entity, there was another called Club la Dorada with its office supposedly in Andorra. The whole thing seems to have been a scam – at least in Mallorca where 72 local people who complained about the scheme have had their claims upheld by the court.

BIBM got the prize from ‘The Banker’ for the best bank in Andorra in 2009 for the first time. Crèdit Andorrà had been winning this prize for several years.

Hopes for business from the Spanish public holidays of December 6 and 8 were much reduced. The first ski day was nearly ruined by bad weather with snow and high winds significantly reducing the number of skiers. There were no major traffic jams coming into Andorra over the weekend. However, despite fewer visitors than hoped for, there were still queues 11 km long to get out of the country at the end of the Spanish holiday.

There have been further (minor) rock slides caused by persistent rain. One temporarily closed the main road at the Túnel Sant Antoni after a large rock fell across the entrance in the late afternoon. At Encamp, there was a rock slide near where the new tunnel exit would be. Canillo had yet another one near El Racons.

Arantxa Sanchez was one of the Catalan sports stars who maintained that they resided in Andorra to avoid Spanish taxes – many years ago. This former tennis star has seen her sentence to pay €3.5 million in back Spanish taxes confirmed by the Spanish Supreme Court. Some years ago, a number of Catalan sports and entertainment personalities regularly claimed that they were resident in Andorra as they certainly did not spend 183 days/year in Spain. However, the Spanish authorities rejected all claims that they were resident in Andorra as they clearly did not spend that amount of time in Andorra either.

The Supreme Court ruled against the appeal against extradition by Gitte Mechlenberg. The main arguments made in her defence were simply brushed aside (namely that the case is time expired and that she was defenceless when she was arrested as she had no interpreter). She was ordered to pay the cost of the appeal. It is rumoured that she may appeal to the Constitutional Court. However, it does appear

that this was not a well thought out appeal in the circumstances.

The Valira case has arrived at the Constitutional Court. Certain depositors just will not accept the decisions made by the liquidators and the three levels of court already consulted. It is even rumoured that they may take their case to Strasbourg if the judgment is now not changed in their favour.

The list of people under suspicion in a major case of municipal corruption in Catalunya includes Macia Alavedra (a very prominent politician in the 1980s whose Andorran bank accounts have surfaced as an issue) and an Andorran resident called Philip McMahan (about whom nothing relevant has yet been published).

A series of robberies from hotel rooms over the Spanish public holidays in early December was attributed to a gang of foreigners by representatives of the hoteliers. No arrests have been reported and no other news about the robbers has been located.

CASS has had its proposal for how much should be reimbursed for travel and lodging for medical treatments outside Andorra agreed by the government. The first key requirement is that the medical treatment concerned must only be available outside Andorra. CASS will then reimburse 90% of the cost of an ambulance or 75% of other transport costs, and required overnight stays at a set per diem rate. An additional requirement is that a doctor has to certify that the medical treatment outside Andorra is necessary.

The medical profession is worried about the renegotiation with CASS. Firstly, under the new CASS rules, doctors and other professionals have to pay full CASS contributions as self-employed persons when before, under a 1968 agreement, they were paying considerably less and obtaining free medical cover. Secondly, they expect that CASS will significantly restrict the medical services and tests that are automatically covered and reimbursed to patients.

The banks have told the government that they cannot lend any more money. The association of banks indicated that the €700 million that they have lent already is just too big a concentration of risk. The government is apparently trying to negotiate loans with certain foreign entities and may also try to issue debt in the market. However, the cost of either option will be much higher because the risk premium that will be assigned will be significant.

The government has approved the issue of €260 million of debt with a maturity date of December 31, 2013. This seems a large amount of money – but merely replaces a similar value of debt issued exactly four years ago and currently held by the Andorran banks.

Domestic electricity prices will not go up in 2010.

Hotel reservations across the Christmas and New Year holidays were said (immediately before Christmas) to look positive. The weather has not been good and it is quite likely that the final results will be less than positive.

At the reception offered by the Bishop of La Seu d' Urgell, the Bishop called for solidarity in facing up to the challenges confronting the country – and all three party representatives reacted positively. At the last session of the Consell General held on December 30, each of the three parties maintained their individual positions and the 2010 budget continues to be deadlocked.

JB, in his end of year address, assures us that there will be no early elections in 2010 whatever happens with the budget.

The French group, Leclerc, will take over management of Punt de Trobada and Hiper Andorra as the self-made owner retires after a long and successful business career.

A government visit to the new airport at Lleida was used to show that Andorra supports the new airport and will help promote its use. It is now proposed that an Andorran tourist office be opened at the airport.

The use of mobile phones is dropping, apparently due to the economy and to people using their free calls from their fixed lines. Also, the number of mobile phones using prepaid cards is dropping compared to those using full accounts – although this is really due to Andorra Telecom doing a cleanup of numbers not being used. Hopes for growth in the future now come from selling optical fibre combined contracts to households rather than from further growth in mobile phone usage.

The government has set out a new regulation about opening hours for pubs and discos, which currently have to shut at 03.00, except for weekends at 04.00 and a few special holidays at 05.00. The aim is to prevent a new group of “after hours” venues appearing (i.e., places that open at 06.00 for example when normal places have shut at 04.00). The new rule requires all pubs and discos to stay shut for a minimum number of hours (usually 12).

The Government would like to see the creation of a Technology Park – but the first budget for it would be in 2011.

AROUND THE PARISHES

Canillo – Back in the 1950's, the Comu agreed with the old licensees of the ski area at Soldeu, that among other things, they would each have the right to build a private ski chalet on a plot of land of a defined size but at an undefined location. Until 2007, nothing happened – now one of the heirs wants to build and there has been a total silence from the Comu as (among other things) the law about what one can do on communal land changed 18 years ago to prohibit private building. Another unsolved minor mystery results.

Sant Julia – The private capital needed to develop Naturlandia is simply not forthcoming and so the various projects there are effectively on standby. One of the issues being discussed is a lack of hotel capacity in Sant Julia itself, which means that few people would be able to stay close to the park. Another alleged issue is that there is a lack of water which would prevent filling the nature park with animals typical of the Pyrenees. The day after this news was published, local shopkeepers said that it was really as if Naturlandia did not exist.

Andorra la Vella – The 2010 budget needs about €1.5 million of new bank loans to make it balance.

Canillo – The 2010 budget anticipates 14% less income and 26% less investment and, as a result, does not show a deficit.

Sant Julia – The Comu has adopted a 2010 budget that envisages reduced income and matches that with reduced expenditures – mainly by cutting investments – and so anticipates a year without a deficit.

La Massana – The much enlarged water treatment plant at Anyos should enter service at the end of January. All is going well according to the Minister.

Andorra la Vella – The Comu apparently decided to put up parking prices by 25% for 2010. Then somebody decided that the new prices should be applied as soon as they were published at the BOPA – i.e., just before Christmas. Then lots of people complained. Then somebody decided to withdraw the price increases. Now, none of the parking machines work because they have been unable to change the prices back to the original prices and

parking on the streets is temporarily free. An interesting game of pass the blame is now in progress.

CLUB NEWS

The Club continues to have activities. Are you as a member aware of them and taking part?

The weekly coffee morning is held at the Hotel Ibis, each Wednesday between 11.00 and 13.00. Please come and join us there.

Virginia Adam will be organizing the annual New Year lunch just across the border in Spain at Can Pauet on January 28. The price will be €21 for members. Please contact Virginia at theothervtadam@hotmail.com or call her on 842 210.