

Investing   
in the Basque Country  
2009

Public Society of the Basque Country

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Alda. de Urquijo, n.º 36, 4.ª Planta  
48011 Bilbao-Bizkaia-España  
Telf.: + 34 94 403 70 00 / 56  
Fax: + 34 94 403 70 22  
E-mail: [info@spri.es](mailto:info@spri.es)  
<http://www.spri.net>



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# ➤ Core Features of the Basque Country: Political, Administrative and Economic Structure

# 1

The Basque Country is a region where the geographical, social, cultural and economic conditions generate highly desirable expectations. The Human Development Index, prepared by the UN, rates the Basque Country as the 3rd region in the world. This index takes a wide range of data into account, such as life expectancy at birth, literacy levels of the adult population, educational level and income levels. If we compare the Basque Country, Spain and Europe, we will observe extremely positive data concerning relevant indicators, such as unemployment, per Capita Income, growth of GDP, investment in R&D and commitment to New Technologies. This, together with a solid financial sector and the greater weight of the industrial sector over the building sector, enables the region to face the current economic situation with more favourable expectations, trying to transform the threat of the world crisis into an opportunity.

## Geography and Climate

The Basque Country covers a surface of 7,235 square kilometres and enjoys a privileged geographical situation in the north of the Spanish State, which allows an immediate access to the main European countries. Due to the closeness to the Bay of Biscay, its climate is Atlantic in the coastal areas and continental in the inner regions.

The temperature is mild, with an annual average of 14.7 degrees and an average of 7.3 in February and 21 in July. Extreme climatic values are not very common, and both winter and summer are very pleasant.

Distance from Bilbao by road		
	Kilometres	Miles
Barcelona	622	377
Brussels	1200	727
Bordeaux	361	219
Lisbon	800	485
London	1200	727
Madrid	400	242
Paris	900	545
Valencia	626	379

General Picture	
Surface	7,235 Km2
Population (*)	2,171,243 (4.7% of the population of Spanish State)
Population Density (*)	300 Inhabitants /Km2
Official Languages	Basque and Spanish
Capitals	Bilbao, San Sebastián-Donostia and Vitoria-Gasteiz
Airports	Loiu, Hondarribia and Foronda
Main Seaports	Bilbao and Pasaia
Technology Parks	Bizkaia, Miramón and Miñano
Licensed Doctors (**)	524.2 per one hundred thousand inhabitants
Sports clubs	3,218 facilities
Students/ Teacher Ratio	Ratio 8.3 (secondary education)
School attendance rates (16 years of age)	90,50%

Source: EUSTAT, INE and Author's own. Data 2009 (\*), 2008 (\*\*) and 2007

Population	Autonomus Community of the Basque Country	Spain
1.900	603.596	18.617.956
1.940	955.764	26.187.899
1.975	2.072.430	36.026.319
1.986	2.133.002	38.818.355
2.004	2.115.279	43.197.684
2.005	2.124.846	44.108.530
2.006	2.133.684	44.708.964
2.007	2.141.860	45.200.737
2.008	2.157.112	46.157.822
2.009	2.171.243	46.661.950

Source: INE

Economic Picture	
Gross Domestic Product – GDP	69,212 million Euros
GDP per inhabitant	32,086 Euros
GDP Growth (2008/2007)	5.00%
Sector distribution of the employed personnel:	
· Farming	12,000
· Industry	247,100
· Construction	81,300
· Services	626,900
Exports non-energy	18,103 million Euros
Imports non-energy	13,002 million Euros
Trade Balance non-energy	5,101 million Euros
Research & Development (% over GDP) (*)	1.65%
R&D performed by companies (% over GDP) (*)	1.34%

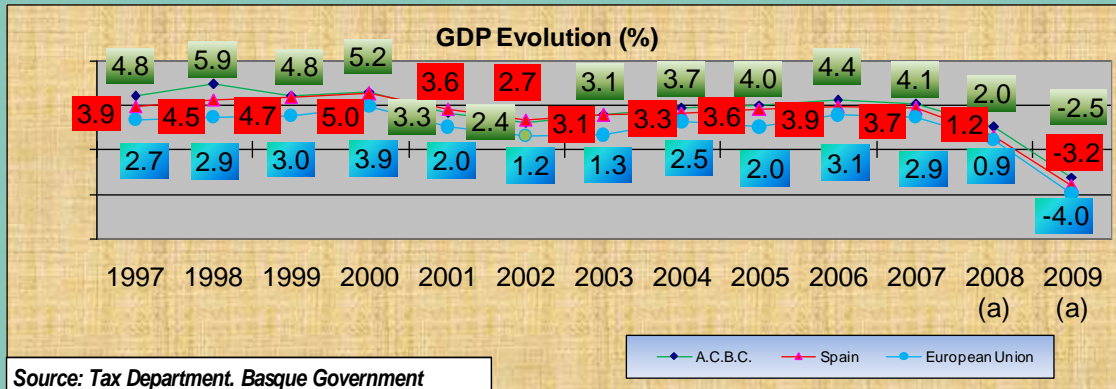
Source: INE, EUSTAT and Author's own. Data 2008 except (\*) 2007

## Population: Size and Density

The Basque Country has a population of 2,171,243 inhabitants and about 42% live in the Gran Bilbao area (Bilbao and the nearby towns that lie on the banks of the Nervión river). The population density is 300 inhabitants per square kilometre, which is above the European average and very similar to the more developed countries. More than 65% of the population is between the age of 16 and 65, and 1,007,000 citizens were working at the end of 2008. The three capitals have over 180,000 inhabitants each. According to the latest data issued, the Basque Country was, together with Madrid and Navarre, the autonomous region with highest disposable income per inhabitant, exceeding by more than 30% the average of the Spanish State.

## Political Organization

The Basque Country has its own Parliament. The three governing bodies of the Historic Provinces of Araba, Bizkaia and Gipuzkoa are in charge of collecting the main taxes and the high level of autonomy allows the direct government and administration regarding matters such as: Treasury and Tax Collection, Industry and Economic Promotion, Transports, Housing, Environment, Education, Public Health, Law and Order, etc. A multiannual economic agreement regulates the financial relations with the Spanish State. The Basque Country has a highly efficient Administrative organization as, according to official data published by the Bank of Spain for Q2 2008, the Basque Country is the Autonomous Region with the lowest level of indebtedness regarding the GDP: 0.7%, lower than the average figure of 5.9%



### Basque Country / Spanish State

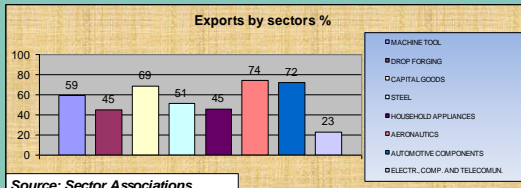
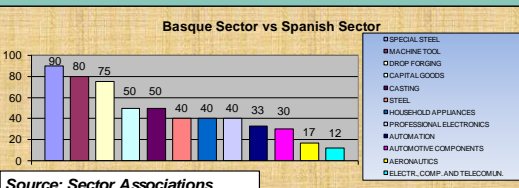
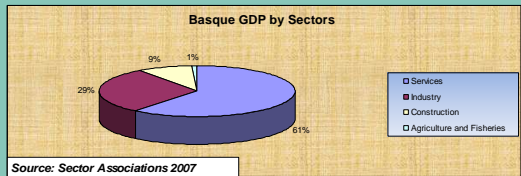
Population	GDP	Exports	Industrial Sector Turnover	R&D Expenses
4.7%	6.3%	10.6%	10.7%	9.1%
2008	2008	2008	2007	2007

Source: INE, EUSTAT and Author's own

### REAL GDP GROWTH

	2001	2002	2003	2004	2005	2006	2007	2008 (a)
Basque Country	1.7	-1.0	2.1	3.7	2.6	4.9	4.4	-0.3
USA	-3.4	-0.1	1.2	2.5	3.3	2.2	1.7	0.0
Japan	-6.6	-1.3	3.0	4.8	1.5	4.2	2.9	0.5
UE-25	0.3	-0.4	0.7	2.4	1.3	3.9	3.3	0.8
Spain	-1.4	0.1	1.4	1.6	0.8	3.9	1.9	-4.0
United Kingdom	-1.5	-1.7	-0.7	0.9	-1.1	0.7	0.4	-0.8
Germany	0.2	-1.1	0.4	3.0	3.3	5.9	6.1	2.7
France	1.3	-1.2	-0.2	1.8	0.3	0.9	1.4	-0.2
Italy	-1.0	-1.4	-0.6	-0.3	-0.9	2.5	-0.1	-2.3

Source: Eurostat, INE (Spain), EUSTAT (Basque Country), Min. Economy (USA, Japan)



AWARDED	NOMINATED
ASLE	Fagor Electrodomésticos S. Coop.
Colegio Ursulinas de Vitoria	Gaiker Centro Tecnológico
Euskalit	Lauaxeta Ikastola S. Coop. (2004)
Fundación Novia de Salcedo	Lauaxeta Ikastola S. Coop. (2006)
Hospital de Zumárraga	NORBOLSA S.V.B.S.A.
Irizar S. Coop.	Fundación Novia de Salcedo (2003)
Microdeco S.A.	
Soc. Coop. De Enseñanza Colegio Vizcaya	

## ► Main Sectors

For over 100 years, the Basque Country constitutes one of the most important industrial concentrations in the Spanish State and represents one of the most significant financial centres in the European Atlantic axis. In 2007, 10.7% of the industrial turnover of the Spanish State was generated in the Basque Country, which is a much higher percentage compared to the figures that would correspond based on criteria of population (4.7%), geographic extension (1.5%), etc.

### Industrial Sector

The industrial production is diverse. Although all the activities derived from metal, such as the production of steel and the machine-tool are very important, other sectors, like the chemical, petrochemical and refineries, must be mentioned as well, since they occupy a very significant position within the Gross Domestic Product. The new technologies and the R& D are becoming very relevant, as well as the technology parks. Basque companies manufacture capital goods, durable goods and other intermediate products, which is a very varied industrial fabrication that allows the Basque economy to generate a relative wealth level higher than the Spanish average, and a higher growth rate per employee in comparison with Spanish State. Furthermore, employment in the Basque Country has grown by over 30% in the last ten years; and employment has fallen from 21.7% in 1995 to 3.5% in 2008, while the average in the Spanish State fell from 18.4% in 1995 to 11.4% in 2008. Thus, together with Madrid and Catalonia, the Basque Country leads the way in terms of employment growth in Europe between 1995 and 2005.

Commercial Establishments		
	ESTABLISHMENTS	EMPLOYMENT
Sale, maintenance and repair of engines and motorbikes	3,907	15,865
Intermediaries	4,306	6,192
Wholesale trade farming and living animals, drinks and tobacco	2,579	12,387
Wholesale trade non-food consumption	2,205	9,039
Wholesale trade semi elaborated non-farming products, scrap, waste production	2,310	11,448
Wholesale of machinery, equipment and others	2,180	11,305
Retail in non-specialised establishments	1,828	16,862
Retail in food, drink and tobacco establishments	8,209	13,704
Retail of pharmaceutical, art, medical, beauty and hygiene products	1,951	5,297
Other retail of new products in specialised establishments	17,942	39,205
Retail of second-hand goods and repairs	3,285	5,537
<b>Total</b>	<b>50,702</b>	<b>146,841</b>

Source: EUSTAT (2007)

Tourism in the Basque Country			
	2008	2007	Variation (%)
<b>Hotels</b>			
· Influx Travellers	2,020,446	2,093,346	-3.5
· Overnight Stays	3,789,563	3,956,867	-4.2
<b>Rural Tourism</b>			
· Influx Travellers	112,341	108,163	3.9
· Overnight Stays	326,158	324,493	0.5

Source: EUSTAT (2009)

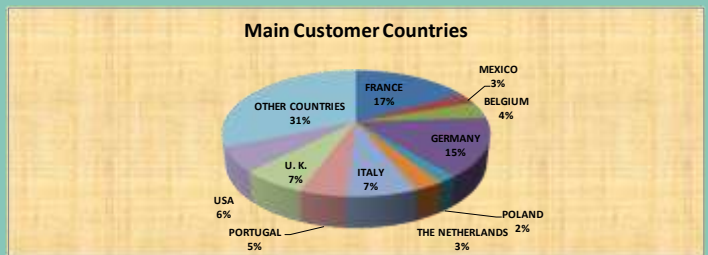
The inhabitants of the Basque Country, good-natured, affable and hard-working people, have been historically known for their ability to assimilate new technologies and innovative production systems, and also for their entrepreneurial and business spirit. The small and medium sized companies constitute an extremely varied and dynamic support industry, highly committed with quality. Today, over 5,500 companies or entities have received ISO 9000 or 14,001 certificates and have been granted 14 European Quality Awards – EFQM. This wide network of small firms, some of them leaders in their sector, offering sub-products for larger companies, constitutes one of the most attractive aspects the Basque Country has as a place for investment.

### Commercial and Touristic Sectors

The Basque economy is essentially industrial, but other sectors are experiencing good levels of development in the last few years. This is the case of the commercial sector, which is very relevant, since it has a density slightly superior to the Spanish average and employs about 150,000 persons. The tourist sector is also becoming more and more solid in the Basque economy. The flow towards the Basque Country is still very positive, making 2007 the best year in the history of tourism in the Basque Country.

Main Exporting Sectors	
Automobile vehicles and components (inc. New tyres)	
Oil and derivatives	
Pipes and hollow profiles (welded and non-welded)	
Bathroom fitting products and the like	
Iron or steel profiles	
Ships dedicated to the transport of passengers and freight	
Air navigation machinery components	
Railway passenger carriages and wagons	
Hand tools equipment	
Paper and cardboard	
Aluminium derivatives	

Source: EUSTAT 2007



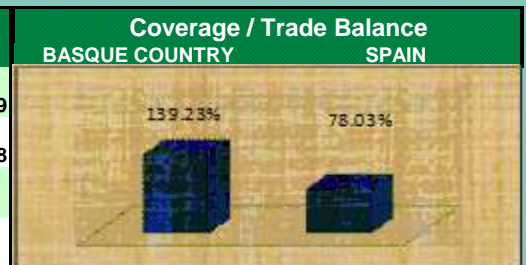
Basque Companies Abroad	
ESTABLISHMENTS	485
PRODUCTIVE	267
FACTORIES ABROAD	1,032
COMERCIAL	70
BASQUE MULTINATIONAL COMPANIES	70

Source: Civex and Eustat 2007



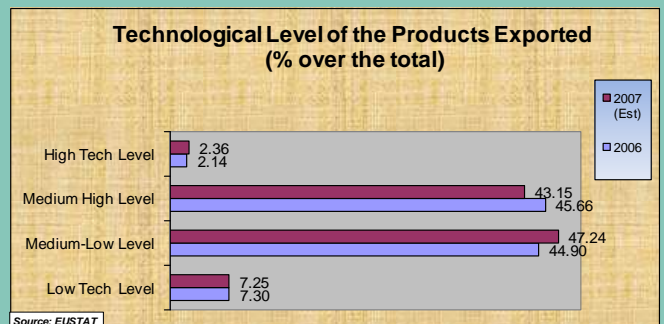
Non Energy Exports - Imports	Coverage / Trade Balance	
	BASQUE COUNTRY	SPAIN
EXPORTS	18,103	176,109
IMPORTS	13,002	225,688

Source: EUSTAT and Ministry of Industry. 2008 (Forecast). Million Euros



Main Exporting Companies	
COMPANY	EMPLOYMENT
ACERIA DE ALAVA	149
ACEROS INOXIDABLES OLARRA, S.A.	455
ALCOA TRANSFORMACIÓN, S.A.	598
ARCELOR BERGARA, S.A.	301
ASTILLEROS BALENCIAGA	98
AYA AGUIRRE Y ARANZABAL, S.A.L.	25
BABCOCK POWER ESPAÑA, S.A.	1,264
BRIDGESTONE HISPANIA, S.A.	1,704
CARBUREIBAR, S.A.	249
CELAYA EMPARANZA Y GALDOS	206
CONSTRUCCIONES NAVALES DEL NORTE S.L.	500
COPRECI S. COOP.	820
DAYMLERCHRYSLER ESPAÑA, S.A.	3,787
GKN DRIVELINE ESPAÑA, S.A.	87
HISPAVISTA	35
INDUSTRIA DE TURBO PROPULSORES, S.A.	750
KAIKU INTERNACIONAL, S.L.	10
MAIER S. COOP.	909
MICHELIN ESPAÑA-PORTUGAL, S.A.	4,860
ORKLI S.C.L.	546
POLIESTER GABIRIA	14
SARRIOPAPEL Y CELULOSA, S.A.	138
SIDENOR INDUSTRIAL, S.L.	2,027
TECNOLOGIA DEL CARTON	48
TUBACEX TUBOS INOXIDABLES, S.A.	541
TUBOS REUNIDOS	943

Source: Catálogo Exportadores País Vasco 2008



## Foreign Trade

# 3.

Basque companies are responding very skilfully to the economic globalization challenge, constantly increasing their presence in the external markets in recent years, and achieving a high spread of the economy, even higher than countries such as Germany, and very superior to Spanish State as a whole. Besides, significant progress is being made in the industrial diversification, with the start of very dynamic new activity sectors and with a higher export potential, such as the aeronautic components and Bio-science sectors, which are increasing the export of medium-high and high technological content products.

### Exporting Companies

The exporting trend of the Basque economy (exports on the GDP), in the last available official analysis, stands at 32.1%, somewhat above most countries in the same economic scope, and at levels similar to Italy and the United Kingdom and only exceeded by the exporting potential of Germany.

### Foreign Investment: Legislation

Legislation on foreign investment could be considered very liberal, although it is regulated in some cases and requires a certain amount of paperwork, since there is an administrative process of “ex – post” declaration of investments, with administrative, economic and statistical aims. Nevertheless, in some cases of investments originating from or destined for territories or countries classified as tax havens, apart from the aforementioned communication, previous administrative notification is required.

## Foreign Companies operating in the Basque Country

COUNTRY	FOREIGN COMPANY	
GERMANY	ATOTECH	MÖLLER GRUPPE
	BOSCH SIEMENS	PFERD
	DAIMLER BENZ	PIERBURG
	DIDIER – WERKE	RWE
	HALBERG GUSS	SEW – EURODRIVE
	KEMPCHEN	WIKUS
	KSB	ZF – LEMFÖRDER
	MANNESMAN	
	MANNESMANN DEMAG	
	METALLGESELLSCHAFT Y BERZELIUS	
AUSTRIA	GRUPO ATB	
	VOEST ALPINE – VAI COSIM	
BRAZIL	GERDAV	
	TAVEX	
CANADA	BOMBARDIER	
SOUTH KOREA	DAEWOO ELECTRONICS	
UNITED STATES	BP	OTIS
	COLLINS & AIKMAN	PEPSICO
	DHL	SILICON GRAPHICS
	DOW CHEMICAL	SNAP ON TOOLS
	FEDERAL MOGUL	SUN CHEMICAL CORP.
	FORMICA	SUNRISE MEDICAL
	GENERAL ELECTRIC	TENNECO
	GUARDIAN GLASS	TYCO
	ITW - ILLINOIS TOOL WORKS	WHIRPOOL INTERNATIONAL
	KIMBERLY CLARK	
FINLAND	OY WARTSILA	
	OUTOKUMPU	
FRANCE	AIR LIQUIDE	LYONNAISE DES EAUX
	ALCATEL	MICHELIN
	ALSTOM	RHONE POULENC, S.A.
	AXA	SAUNIER DUVAL
	CARREFOUR	SEI
	CIE GENERALE DES EAUX	THOMSON CSF
	GEODIS	USF-HPD (Velia Environnement)
	HUTCHINSON	
IRELAND	BRUNNSCHWEILER	JEFFERSON SMURFIT
	ESB	
ITALY	CANDY	METECNO
	COMAU-FIAT	
JAPAN	BRIDGESTONE CORP	OSAKA GAS
	DAINIPPON INK & CHEMICALS	SANKYO
	EBARA CORPORATION	SMC
	MITSUI / KORASAKI	HIROTEC
	NAKAGAWA	
LUXEMBOURG	NIPPON YUSEN KABUSHIKI KAISHA	
	ARBED	
UNITED KINGDOM	CHUBB	ROLLS ROYCE
	GKN	
SWEDEN	IKEA	
SWITZERLAND	ABB	PRECICAST
	NESTLE	

Source: State Agency for the Promotion of Foreign Investment 2007

The operation should comply with the administrative requirement established in the corresponding sector arrangement if external investments require submitting to special regulations, such as aviation, radio, minerals and mineral raw materials of strategic interest and mining rights, television, gambling, telecommunications, private security, manufacturing, trade, weapons and explosives for use by civilians, distribution and activities connected with national defence.

### Investments made by Foreign Firms in Basque Companies

Basque Country is an appealing region to attract foreign investments. The industrial tradition and its know-how are connected to its strategic location, its communications network, the highly specialized subcontracting business infrastructure and its technological and energetic infrastructure network. Years ago, many transnational companies chose to invest in the Basque Country, showing a very high level of satisfaction. Nowadays, they are the best ambassadors of the Country through-out the world.

From the nineties onwards, both trade and the flow of international finance have shown a cyclical development, with years of great expansion and slight setbacks, which have, logically, affected foreign investment in the Basque Country.

Nevertheless, the part played by the Basque Country in gaining foreign investment, stands at between 5% and 10% of the total (5.6% in 2007 according to the INE), only behind Madrid and Catalonia. Most of the investments come from the European Union countries, although in the last years, the USA is becoming relevant in the ranking of investing countries. There are presently more than 700 companies in the Basque Country with a significant, or majority, participation of foreign companies.

# Saretek - Basque Science, Technology and Innovation Network

## MEMBERS

• 5 universities	• 2 Public research institutions
• 1 basic and excellence research centre	• 5 Sectorial research centres
• 19 Research Centres	• 21 R&D units
+ 12 technology centres	• 2 Health R&D units
+ 6 cooperative research centres	• 5 certification institutions and laboratories
+ 1 International development and technology transfer centre	• 22 innovation intermediate institutions
	• 4 technology parks
	• 3 company and innovation centres

## Relevant Data on the Basque Technology Centres affiliated to Saretek (1)

CATEGORY	ORGANISATION	SPECIALISATION
<b>BASIC AND HIGHER RESEARCH CENTRES</b>	FUNDACIÓN DIPC	Scientific research in the basic and applied Physics field
<b>SECTORIAL CENTRES OF RESEARCH</b>	CIDEMCO AZTI CTA FUNDACION ENERLAN SOCIEDAD DE CIENCIAS ARANZADI	Construction Marine resources Aeronautics Energy Cultural and Natural Heritage
<b>CENTRES AND UNITS FOR R&amp;D IN HEALTH</b>	INGEMA - INSTITUTO GERONTOLOGICO MATÍA, S.L. BIOEF-FUND. VASCA DE INNOVAC. E INVEST. SANITARIA	Gerontology Health system
<b>INTERNAL CENTRES FOR DEVELOPMENT AND TRANSFER OF TECHNOLOGY</b>	VICOMTECH	Multimedia
<b>COOPERATIVE RESEARCH CENTRES</b>	CIC BIOGUNE CIC BIOMAGUNE CIC MICROGUNE CIC NANOGUNE CIC MARGUNE CIC TOURGUNE	Biological sciences Biomaterials Nanotechnologies Nano-science and technology High performance manufactures R+D in Tourism
<b>TECHNOLOGICAL CENTRES</b>	CIDETEC FUNDACIÓN LABEIN FUNDACIÓN ROBOTIKER FUNDACIÓN LEIA FUNDACIÓN ESI FUNDACIÓN FATRONIK FUNDACIÓN TEKNIKER FUNDACIÓN GAIKER CEIT IDEKO IKERLAN FUNDACIÓN INASMET	Energy, Surface Treatments and New Materials Automotive, Energy, Construction, Iron and steel industry, Regional development ICTs, Product Development Sustainable Chemistry, Environment, Food and drink, Pharmacy Software Manufacturing processes Mechatronics, surface technologies, microtechnologies, ICTs Plastic and Composites Materials, Environment, Recycling and Valorisation and Industrial Biotechnology Industrial competitiveness Product engineering, Mechanics, Control Integral development of new products Materials
<b>INTERMEDIARY BODIES OF INNOVATION</b>	BAI BERRIKUNTZA AGENTZIA IK4 RESEARCH ALLIANCE ILUNDAIN FUNDAZIOA ITEA ELHUYAR FUNDAZIOA ESCUELA PROFESIONAL LEA ARTIBAI FUNDACIÓN IKERTIA TECNALIA FUNDACIÓN NOVIA SALCEDO FUNDACIÓN LASSOA ASOCIACIÓN CITMA INVEMA EITE FUNDACIÓN EUSKOMEDIA FUNDACIÓN EUSKOIKER EUSKO IKASKUNTZA FUNDACIÓN CENTROS TECNOLÓGICOS ASMOZ FUNDAZIOA INGENIA FUNDAZIOA UZEI FUNDACIÓN C. UNESCO METALINGUA BIZKAIA XEDE	Innovation Innovation and competitive Neurosciences Steel Science, Technology, Basque Language Educational development Promotion of R&D activities Research and Development and Diffusion Integration of young people in the professional and social world Management innovation in SMEs Environment Machine tools Technology Basque culture multimedia diffusion University Enterprise Cooperation Basque Culture Scientific and technology training grants Telematic training Engineering for Research, Technology and Innovation Development Terminology and Lexicography Language preservation and development Qualified personnel

(1) Public Research Agencies, Technology Parks and CEIs, Certification Units and Laboratories, Corporate R+D units and Universities not included.

## ➤ R&D and Technological Infrastructure

# 4.

During the last 25 years the Basque Country, and especially the business sector, has multiplied by 20 its economic effort in R&D activities, standing at about 1.65% of the GDP (2007), well above the Spanish average (1.2%) and with the aim of reaching the European average. In the Spanish R&D system, the Basque Country has a share of about 8.1% of the expenses and 7.3% of the personnel is in Full-Time Equivalence (FTE). The figures are generally higher than the Spanish average and very close to the European Union - in some cases they even go beyond - mainly due to the relevance of the industrial sector and the feeling that exists towards technological innovation.

The Basque Country, according to EUROSTAT data, is the leading European region, ahead of Central London, Brussels and Oslo, concerning HRSTE (Human Resources in Science and Technology - Education in relation to the labour force) and also ahead of other regions, such as Navarre (6th) and Madrid (8th).

Equally, the region holds the 6th position concerning the total Human Resources dedicated to Science and Technology (HRST) behind Central London, Oslo, Stockholm, Prague and the Walloon Region in Belgium, and ahead of other Spanish regions, such as Navarre (20th) and Madrid (25th).

The Basque Science, Technology and Innovation Network, known as Saretek, was founded in 1997, promoted by the Basque Government to combine the efforts of all public and private entities that try to promote the use of Science Technology and Innovation to improve business competitiveness and contribute to the economic and social development of the Basque Country. It is presently made up by more than 90 Entities, Technology and Sectorial Centres, Laboratories, Business Units, Universities, etc. which, working together, provide different enterprises and sectors with technological solutions and work in specific developments.

R&D comparative facts			
	BASQUE COUNTRY	SPANISH STATE	EUROPEAN UNION
GDP Expenditure %	1.65	1.27	1.83
Business Expenditure % GDP (Expenditure on R&D performed by businesses and other private institutions)	1.34	0.71	1.17
FTE personnel / Active population (‰) (FTE = Full-time equivalent personnel)	14.20	9.06	9.25
FTE researchers / Active population (‰)	9.10	5.53	5.56
<i>Source: EUSTAT, INI, Eurostat and own preparation. 2007</i>			

Saretek's members actively collaborate with the Basque and European business industry in the participation in European Technological Research and Development programmes.

The Government of the Basque Country has taken a decisive step towards transforming the Basque Country into an example of innovation in Europe; Innobasque, the Basque Innovation Agency, is a private association, with no profit making motive in mind, created to co-ordinate and promote innovation in the Basque Country in all fields, encouraging an enterprising spirit and creativity. It comprises Saretek, private companies, public Basque institutions, institutional representatives from Basque companies and workers, as well as organisations of all kinds related to innovation. Innobasque wishes to offer a powerful co-operation platform and network for all the above-mentioned agents through the development of activities that promote innovation-related values and attitudes in the Basque society, actions that spread about the image of an innovative Basque Country, of an advanced R+D centre, and contributes to generating innovation in Basque companies and organisations.

The activity of Eurobulegoa, now incorporated in Innobasque, as a coordinating agenda of the Basque presence in European R&D, has signified a step forward, providing the capacity for detailed planning, monitoring and correcting progress, revitalizing European projects and technology agents and developing Europeanization programmes from the R&D programmes themselves. As a result of the constant improvement in this field, during the Sixth Framework Programme of the European Commission, the return obtained by Basque organisations has been 41% higher than in the Fifth Framework Programme, reaching 131 millions euros by means of the participation of 632 projects.

In line with our commitment to Innovation, the Euskadi+Innova initiative is the strategy shared by all the people and entities working on the promotion of Innovation in the Basque Country with a view to making the Basque Country an example to be followed concerning Innovation in Europe. Euskadi+Innova offers a number of initiatives aimed at encouraging the implementation of Innovation related values and culture.

On the other hand, in September 2008, the Basque Government signed an agreement with the Arcelor-Mittal Group, the world leading steel manufacturer, to open an Excellence and Research Centre specialised in Steel in Bizkaia, which will employ 45 professionals and require an investment of 100 million Euros. Furthermore, in November 2008, the Centre for Excellence in Advanced Mathematics was presented. This centre is promoted by Ikerbaske - the Basque Science Foundation - and the University of the Basque Country with a view to becoming a reference centre for the development of careers in research.

Finally, we must mention that ESS-Bilbao has confirmed its candidature as the headquarters for the European Spallation Neutron Source; this possible location of the ESS in Spain has been supported by the central and regional governments, as well as by the main scientific bodies. Furthermore, corporate groups and the largest companies in the country are being informed of the Spanish candidacy with a view to obtaining logistic and financial support to locate the ESS in Bilbao. The ESS – Bilbao candidacy to receive this great centre also includes, apart from the ESS as the main pillar of the project, a number of additional initiatives that, all together, comprise an ambitious project aimed at creating a centre of knowledge at an international level combining science, technology, companies, city, culture and information.

Throughout 2008, the Basque Government signed a co-operation agreement with the Spallation Neutron Source (SNS) in Tennessee, which is considered the most advanced new neutron generation source in the world. On the other hand, after being visited by the European Commission, the region has successfully passed the first selection process and is, together with Lund (Sweden) and Budapest (Hungary), one of the three candidates to host the ESS.

## Technology Parks

The Basque Network has, nowadays, four Technology Parks that offer companies the most advanced services: a communication network involving voice, image and data, conference and videoconference rooms, auditoriums, etc. Their goal is to facilitate, promote and stimulate business initiative and investment. Therefore, the infrastructures that have been generated make possible the implementation of high technology companies, research centres and advanced services, together with highly innovative content that encourage the transfer of technology and knowledge between the University, Technology Centres and the Companies. This participation represents 20% of the state's total.

Two new projects will soon be added to the existing centres: the Left Margin P.T. Technology Centre (P.T. de la Margen Izquierda) in 2010 and the Zorrozaurre Island Centre, Bilbao in 2015, which will be the first urban technology centre in Spain.

## Bizkaia Technology Park

The Technology Park of Bizkaia, founded in 1985 and the first in the Spanish State, was created with the aim of offering the highest quality and the best services for the companies committed to technological innovation. It is strategically located 10 km from Bilbao, the industrial and financial city, 3 km from the International Airport of Loiu, 15 km from the port and 6 km from the main campus of the Basque Country's University, in an area of a high natural and environmental attraction, occupying a surface area of over 200 hectares and 50,000 square metres of rent premises, making growth and development possible for the companies renting out premises to their consolidation in land where they can set up their own buildings there is the possibility to buy a site. The Technology Park has an outstanding R&D structure to support the business innovation, embodied in the Technology Centres located in the Park: Gaiker, Labein, the European Software Institute, Azti, Robotiker and the Aeronautical Technologies Centre. Furthermore, the CIC Biogune, the Cooperative Research Centre in Biosciences and the multidisciplinary research groups of the University of the Basque Country are involved with the Park's science sector. 2008 saw the construction of a new building to house the newly established companies based on an investment worth 30 million Euros, and the 3rd phase of the technology centre, which will increase its total surface by 425,000 m<sup>2</sup>, has been approved. The Technology Park has a high-quality communications infrastructure: all the buildings are connected to the fibre optic network with GIGABIT ETHERNET electronics, and it additionally offers all kinds of support services to business activity.

## Alava Technology Park

The Miñano Technology Park is located in the heart of a big logistic node in the South of Europe, with an excellent access to various European motorway and railway networks, only 7 km away from the airport. It constitutes an area of 117 high-quality environmental hectares located to 5 km from the University campus and Vitoria, the capital of the Basque Country. It has an important technological offer, such as the Aeronautics Technology Centre, Ikerlan Energy, Enerlan Foundation and LEIA Foundation, as well as the Basque Weather Agency, Euskalmet. Among the new projects for 2011, we can mention the opening of a R&D centre on Biopharmaceutical Science and a medicine production plant by the Praxis Pharmaceutical Group, which will require an investment of 40 million Euros and will create 220 jobs. The park is an excellent support for the creation of new technology companies offering high-quality shared services, such as their telematic equipment, which enables the interconnection of the companies through the fibre optic network with GIGABIT ETHERNET electronics, and it additionally offers all kinds of support services to business activity.

### San Sebastián Technology Park

The Miramón Technology Park is located in a beautiful natural area in the park of the same name, yet only 5 minutes away from the centre of San Sebastián and 10 minutes from the French border. The park has excellent aerial, maritime, railway and road communications, since it is located in the central node of the Atlantic axis and in the western part of the Pyrenees. The park hosts outstanding research centres, such as the Aranzadi Study Centre, the Fraunhofer- VICOMTech, Inasmet, Inbiomed, CEIT, CIDETEC, ITEA, Tecnolat, the University of Navarre, and the CIC Biogune Biomaterials Research Centre with its outstanding Molecular Imaging Unit, the tourism R+D, CIC Tourgune, and the agencies for science and technology research, CIC Microgune, CIC Nanogune and CIC Biomagune. The park develops top research projects at international level with such prestigious companies as MIT, European Space Agency, and actively participates in the creation of technology based enterprises. The park has advanced telematic equipment, which includes fibre optic network to the work place, with electronics that allow communication through ATM, Gigabit Ethernet via satellite and IEEE802.11b.

### Mondragón Technology Park - Polo Garaia (Arrasate)

The Mondragon Technology Park, known as the Garaia Innovation Centre, became a reality in 2006 as a project in support of innovation activities. It is sponsored by the private initiative of the Mondragón Co-operative Corporation, the scientific knowledge of Mondragon Unibertsitatea, the investigation resources of the Ikerlan Technology Centre and the backing of a number of public institutions. Its aims at encouraging research and the development of projects, among other tasks, in the following fields and emerging sectors: energy, technology of materials, business and management, corporate organisation and administration, electronics, microelectronics and nanotechnology, ICTs and surface finish machines and processes.

## Telecommunications

The Basque Country offers at present New Generation Lines which fluctuate between 200 bits/second, 64Kbits/second and 34 Mbits/second, suitable for the transfer of data through the Internet, Intranet, fax, etc. There is a wide range of telecommunications operator companies. This reality involves the existence of a good level of competence with reference to the access to the Internet and the services related to cable telecommunications, e.g. the integrated services. The Basque Country, apart from the conventional telephone infrastructure, has fibre optic networks, offers Flat Rate services, and technologies such as RDSI and ADSL are completely integrated in the communication system of the Basque Country. An initiative of the Basque Government called Konekta Zaitetz (get connected), managed by SPRI, has contributed to the fact that the Basque Country is heading, together with Navarre, the list of companies with Internet access (97.2%) and to its being the third Region in the state concerning the number of homes connected (57%).

The Network of Technology Parks in the Basque Country is a member of the I2BASK Network, whose objective is to organise the R+D community, providing telecommunications infrastructures and ICT services to

the agents of the Basque Science and Technology Network. This Network includes Universities, Scientific and Technological Centres, Hospitals and Biomedicine Research Centres as well as R+D institutions. Therefore, the I2BASK network provides the above-mentioned agents with the sufficient capacity to undertake advanced projects in fields such as multimedia communications, virtual reality, improved communications, intensive calculations and other similar issues.

I2BASK provides a first level of broadband connectivity in the Basque Country; a second state level is provided by the IRIS2 Network link and a European level is achieved via the GEANT Network through the IRIS2 Network.

There are many entities working to improve the average speed of current connections (1.2 Mbps) and to improve our international position concerning broadband connections, which is currently headed by Japan (61 Mbps) and Korea (45.6 Mbps).

As part of the European Union initiative to develop Information Technologies, the Basque Country will be, in the year 2010, the European venue of the Information Society Conference, a meeting considered the main forum where European councils, provinces and regions deal with issues connected with the Information Society, the implementation of these Technologies and their development.

## Services Connected to the Industrial Activity 5.-

### Chambers of Commerce

In the Basque Country there are three Chambers of Commerce located in the three provincial capitals. Their mission is to represent, promote and defend the general interests of commerce and the industrial and maritime sectors. They offer technical, legal or financial advice to the companies and they carry out all the necessary activities to promote the economy.

### Sectorial Clusters

Since the beginning of the 1990s, concurring with the launch of the Competitiveness Programme of the Basque Government, the main Basque industrial sectors have been creating specific sectorial organizations that have become agents that promote commercial and technical collaboration among the companies within the sector and between these and third parties. They support their presence in several kinds of international exhibitions and forums and operate as tools of the Basque industrial policy and key elements in the organisation of corporate co-operation.

### Basque Institute for Competitiveness - Orkestra

The mission of the Basque Institute for Competitiveness is to support, by means of research, training, forecasts, technical assistance and assessment, debates and participation in international networks of excellence, the activities of the public administration, socio-economic agents and all the universities of the Basque Country in fields connected with competition, so that, thanks to the strengthening of the competitive advantages of the Basque Country, greater levels of socio-economic growth and life quality can be achieved for its inhabitants. The institute centres on all aspects that affect competition by giving priority to the following areas: Competition and innovation, Clusters and regional development, Strategy, Entrepreneurship and the society of knowledge.

This initiative is promoted by the University of Deusto and the Deusto Foundation, with the initial co-operation of the Basque Government (through the SPRI), Kutxa, Euskaltel, Repsol-Petronor and the Gipuzkoa Regional Council (Diputación Foral de Gipuzkoa)..

Basque Competitiveness Institute is an official member of the world network of Competitiveness Institutes and has signed co-operation agreements with the well-known and prestigious Harvard University Institute for Strategy and Competitiveness directed by Professor Michael E. Porter who is, in turn, the Honorary Chairman of this new Institute. Its activities include courses on Business Competitiveness and Regional Development.

At the World ICT Conference held in October 2008 in South Africa, the successful “Directiv@21 Acción Cluster” initiative was presented. This initiative has been organised by Euskadi+Innova and has led to the training of almost 1200 managers from a number of companies in the Innovation sector. Currently, the chairmanship of the TCI (The Competitiveness Institute) is held by the co-ordinator of Basque Cluster policies.

## Financial and Insurance Sectors

The Basque financial sector has long been considered one of the powerhouses behind business growth and the commercial and financial relationship established with Europe. Relationship favoured by the region’s excellent geographical situation on maritime routes and the traditional iron and steel activities, which lead to the accumulation of capital. Thanks to these factors, the Basque Country experienced a major financial development and the birth of the first banking institutions. Since then, the financial activity has continued to develop and progress, so much so that today the Basque Country remains one of the five leading autonomous regions in the State. The region’s financial system now provides banking, savings’ bank and credit cooperative services. It is also the headquarters of several Spanish leading banking institutions.

In January 2008, it had a total of 1,940 branches, which means one branch for every 1,110 inhabitants. All the major foreign financial institutions operate in the Basque Country: Barclays Bank, Citibank, Lloyds Bank, Credit Lyonnais, Credit Agricole, Fortis Bank, BNP Paribas and Deutsche Bank. Saving banks have been highly regarded in the Basque Country ever since they were created at the end of the 19th century. They have given the right response to the economic growth and have ambitious expansion plans outside the Basque Country. The major Spanish insurance companies also carry out their activities in the Basque Country.

## Bilbao Stock Exchange

The Bilbao Stock Exchange is the second most important in the Spanish State as far as trading volume is concerned. All the values can be negotiated, either as bonds or as trade bills. A large number of highly experienced Intermediation Societies provide companies and individuals with assistance in their operations.

## Subcontracting

The subcontracting sector has been remarkable for its chameleon-like ability to adapt to the changes in the different Basque economic scopes and for the significant growth experimented in several sectors: Casting, Chipless Metal Forming, Chipforming Metal Cutting, Heat Treatments, Surface Treatments, Dies, Moulds and Patterns, Tooling and Tools, Catering and Food Industry, Plastics, Rubber, Energy, Information Technology Supplies, Local net suppliers, Local communication network fitting, such as RDSI and ADSL and Electronics. Further information on every homologated company is available in [www.subcontratistas.com](http://www.subcontratistas.com), including product activities, resources and homologations.

## Conference Centres

The Basque Country offers a wide range of choices where to celebrate conferences, congresses, symposiums, talks and different kinds of meetings. In Bizkaia we could highlight the Bilbao Exhibition Centre, the Technology Park of Zamudio and the Euskalduna Palace, the "Best Conference Centre in the World 2003" according to the jury responsible for the International Association of Conference Centre's Apex Award. Gipuzkoa, and especially San Sebastián, the provincial capital, has become the centre of international events, mainly thanks to the well-known Cinema Festival of San Sebastián – Zinemaldia, the Miramar and Ayete Palaces, the Technology Park of Miramón, as well as the most outstanding and recently inaugurated Kursaal, which has been awarded the "Mies van der Rohe 2001" prize for the best building in the European Union and first Conference Centre in the Spanish State in obtaining the quality certificate ISO 9001:2000. Araba has, among others, the Europa Palace and the Technology Park of Miñano. Besides, the three capitals have a wide offer of high quality hotels, which are especially suitable for the celebration of congresses and business conventions or meetings.

Summary of the History of the Bilbao Stock Exchange	
DATE	MILESTONE
21st July 1890	Constitution of the Stock Exchange of Bilbao
5th February 1891	The first operation is carried out
29th May 1905	Opening ceremony of the building
24th April 1989	Mechanization of contracting systems
26th July 1989	Constitution of the present Bilbao Bourse Management Company
20th November 1991	Inauguration of the renewed building

Source: Bilbao Stock Exchange: <http://www.bolsabilbao.es>

Mutual Guarantee Societies		Venture Capital Societies	
Elkarri, S.G.R.	San Sebastian	Gestión de Capital Riesgo del País Vasco, S.A.	Bilbao
		Ekarpen	Bilbao
Oinarri, S.G.R.	Vitoria	SEED Capital de Bizkaia, S.A.	Bilbao
		SEED Gipuzkoa, SCR	San Sebastian
		Sociedad de Promoción y Desarrollo Talde	Bilbao
		Hazibide, S. A.	Vitoria

Source: Author's Own

BEC - Bilbao Exhibition Centre			
ACTIVITIES			
TENDENCIAS CREATIVAS	February	Craft and Creative Trend Fair	
FERROFORMA / BRICOFORMA	March	International Hardware / DIY Fair	
SINAVAL / EUROFISHING	April	International Naval, Maritime and Port / Fishing Fair	
EXPOCONSUMO/EXPOVACACIONES	April	Consumer goods, consumer / Tourism and Leisure Fair	
CREAMODA	April	22º Fashion Design Contest	
FORO EUROPEO DE ENERGÍA RENOVABLE	June	European Forum for Renewable Energy	
SUBCONTRATACIÓN	September	International Subcontracting and Inter-company Co-operation Fair	
TRASMET / AUTOMATIZACIÓN	September	International metallurgy, machinery and foundry accessory / Automation Fair	
FOCCUS BILBAO-ALIMENT Y GASTRONOMIA	October	Professional Gastronomy and Food Fair	
NAGUSI	October	Leisure, Services and Activities for the Elderly	
EXPONATUR	October	Nature and Adventure Fair	
EXPOBODAS	October	Weddings and Communion Fair	
SALON DE BISUTERIA	October	Cosmetic Jewellery, Gifts and Fashion Accessories	
ALGUSTO	December	Gastronomic and Food Fair	

Source: Bilbao Exhibition Centre 2009

Clusters	
AERONAUTICS	HEGAN – Aeronautics Cluster. <a href="http://www.hegan.com">www.hegan.com</a>
AUTOMOTIVE INDUSTRY	ACICAE – Cluster Association in Basque Automotive Industry and Components. <a href="http://www.acicae.es">www.acicae.es</a>
AUDIOVISUAL	EIKEN – Basque Audiovisual Cluster Association. <a href="http://www.eikencluster.com">www.eikencluster.com</a>
PORT	UNIPORT BILBAO – Port Authority. <a href="http://www.uniportbilbao.es">www.uniportbilbao.es</a>
HOUSEHOLD APPLIANCES	ACEDE – Basque House Appliances Cluster Association. <a href="http://www.acede.es">www.acede.es</a>
ELECTRONICS, COMPUTING AND TELECOMMUNICATIONS	GAIA – Basque Country Business Association of the Information Technologies. <a href="http://www.gaia.es">www.gaia.es</a>
ENERGY	Energy Cluster. <a href="http://www.clusterenergia.com">www.clusterenergia.com</a>
NAVAL	FORO MARÍTIMO VASCO – Basque Maritime Forum, Association for the promotion of the Basque Maritime Industry. <a href="http://www.foromaritimovasco.com">www.foromaritimovasco.com</a>
MACHINE - TOOL	AFM – Association of machine tool manufacturers. <a href="http://www.afm.es">www.afm.es</a>
ENVIRONMENT	ACLIMA – Basque Environmental Industries Cluster Association. <a href="http://www.aclima.net">www.aclima.net</a>
PAPER	CLUSPAP – Basque Paper Cluster Association. <a href="http://www.clusterpapel.com">www.clusterpapel.com</a>

Source: Author's Own

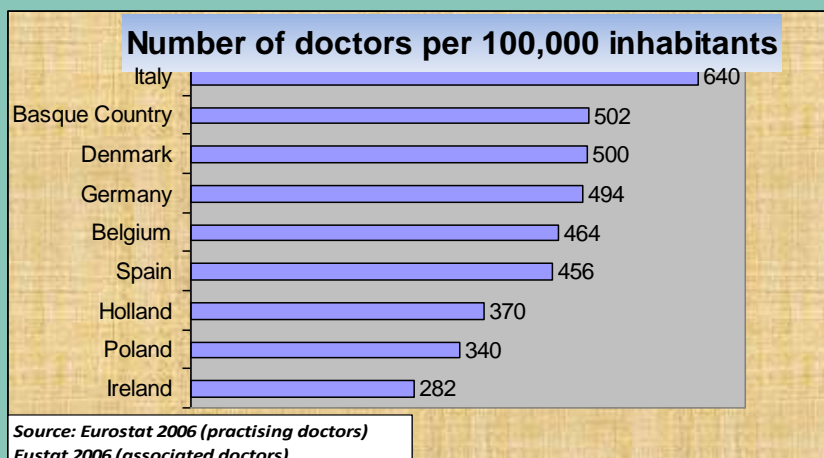
## Bilbao Exhibition Centre

Since April 2004 Bilbao has a new exhibition centre with the world latest technological advances. The privileged location of its premises, make it easily accessible from any point of the international and national geography Every year, almost 25 fairs, exhibitions and conferences take place, some of wich are among the most important in Europe.

Bilbao Exhibition Centre (BEC) General Data	
Exhibition Space:	150,000 m2
Main Entrance Building	
- Interior Access:	6,500 m2
- Conventio centre:	18,000 m2
- Oficce space:	6,500 m2
Common areas:	
- Atrium and restaurants:	41,500 m2
Loading and unloading goods:	
- Truck circulation:	57,000 m2
Open Areas (garden and paved areas):	100,000 m2
Parking for:	4,000 vehicles
Source: BEC. <a href="http://www.bilbaoexhibitioncentre.com">http://www.bilbaoexhibitioncentre.com</a>	

## General View of the Support Prospects to Investments

SPRI, the “Association for the Promotion of Industry” is the development agency of the Basque Country. Its main remit is to promote the country to foreign and Basque firms as an attractive place to invest and set up businesses, field where it has achieved good experience after more than 25 years of work. It is the access to a wide range of financial aids, from the public and private sectors, for the promotion of projects to set up new businesses. These attractive competitive aids are available to interested firms. Indeed, the Basque Country has always offered a broad range of institutional aids for the development or starting up of business projects, which configure a competitive industrial promotion system. These aids, given to the industrial, commercial and tourist sectors, include different types: investment and creation of employment; R&D and the development of technological companies and new products; internationalization; venture capital societies, to set up businesses in industry or technology parks, etc. In order to get further information, contact SPRI in [info@spri.es](mailto:info@spri.es).



### Health Indicators in the Basque Country

Hospitals	45
· Severe illnesses	30
· Long and medium stay	5
· Psychiatric	10
Hospital Beds	8,049
Hospital Beds per 1,000 inhabitants	3.81
Hospital Beds per 100,000 inhabitants	381
Doctors staff per 100,000 inhabitants	502

Source: EUSTAT 2006 and own data

### Cultural picture

Symphonic Orchestra	2
Cultural Activities	
· Museums	95
· Art galleries and permanent show rooms	142
· Libraries	269
· Cinemas	218
· Theaters	17
· Book publications (*)	2,283
Comunicación (share) (*)	
· Radio	57.7%
· Television	84.4%
· Newspaper	50.2%
Sports	
· Sport facilities	3,218
· Federations and sport clubs	6,533

Source: Eustat. Data 2008 and (\*) 2007

### Register of Associations

Cultural general	8,608
· Música, Dancing, Folklore	1,243
· Choirs	325
· Theatre	324
· Cinema and video	148
· Photography	70
· Leisure	700
· Regional Houses	116
Cultural specific	1,087
· Scientific	236
· Technical	110
Socio-economic	2,788
Family and consumption	687
Teaching body	1,385
Junior	510
Neighbours	977
Charity	927

Source: Eustat 2007

## ► Quality of Life

# 6.

The Basque Country has achieved to maintain high-quality natural scenery internationally recognized. It also offers very good life quality parameters with reference to health, housing, leisure, sports, etc. All these features make it an attractive country for its citizens. There are 40 towns that have over 10,000 inhabitants; it has wide housing opportunities, such as beautiful villas, recently constructed detached houses, etc. In October 2003, Bilbao was named "Healthiest city in Spain" at the Annual Meeting of the Pfizer Foundation, with the highest level of satisfaction of its inhabitants of all city dwellers in Spain.

As far as crime is concerned, the situation has remained stable over the last 10 years at around 57 points (number of cases open for every 1000 inhabitants), consolidating the crime ratio far below the average rates of the Spanish State, which was 97 points on average in 2007.

The Basque Country has highly regarded International Educational Centres, among which it is worth mentioning the following: The American School of Bilbao (registered in the State of Delaware), The German School of Bilbao, The French School of Bilbao, The School of the Irish Sisters (Mary Ward), Saint Patrick School and Saint George School.

### Health Services

All the public sanitary resources are managed by the Basque Government through Osakidetza, which is the Basque Health Service. As far as experts are concerned, it offers the best sanitary service in the Spanish State, with 32.3% of the budget in 2008, with an effort never seen before in preventive medicine. The project "Euskadi in the Society of Technology Information" involves an important step, as it is considering the use of an electronic sanitary card with the aim of taking advantage of the new technologies in direct benefit of the patients.

The recent implementation of the ONA Card affords technological solutions aimed at facilitating procedures with the Health Service and with other Basque and State public administrations and even with private companies.

In this innovation-related aspect, a pilot project is being developed with a view to implementing electronic prescriptions.

Life expectancy in the Basque Country is slightly superior to the European average and patients do not have to wait to be operated for longer than 20 days. There are over 2,600 social assistance centres dedicated to specific areas (women, senior citizens, disabled people, childhood, etc.), 458 non-hospital health centres and 45 general hospitals. About 20,700 professionals, affiliated to their respective medical colleges and associations, provide health care at these hospitals and assistance centres. Of this total, 15,744 are health professionals, of which 4,330 are doctors.

## Culture and Customs

The Basque population is tightly connected to the natural resources of the country: the land and the sea have determined a way of being and an idiosyncrasy which are reflected as a characteristic feature in the local customs, culture and sports. Some of these sports have crossed the borders of the Basque Country, such as the Basque "pelota game" in its different modalities (the famous Jai Alai of Manila, Miami, or the unfortunately disappeared Jai Alai of La Havana), the carrying and lifting of stones, trunk chopping and regattas. It is also worth mentioning other relevant cultural events such as music and the active participation of the citizens in choirs, which is a deeply rooted activity. There are two symphonic orchestras where many prestigious singers perform, not forgetting cinema, opera and jazz.....

Dancing also remains alive in the heart of the Basque society as part of its personality. It reflects a ritual sense evocating the daily work, religion, courtesy and love that define this country, conscientious guardian of its culture and folklore. Artists of international renown, such as Ainhoa Arteta, Igor Yebra or Lucia Lacarra, leading ballerina of the New Year's Concert in Vienna 2007, reflect this sensitivity. Besides, the Basque Country has various historical attractions, such as dolmens, cave paintings, cromlechs, and gothic, Romanic and renaissance churches. The innovation of the cultural infrastructures is also permanent: The prestigious and well-known Guggenheim museum, Frank Gehry's avant-garde design, which will be extended to the new Guggenheim Museum planned for 2013 in the Urdaibai reserve; the Kursaal, the venue for the International Cinema Festival of San Sebastián- Zinemaldia and the recently inaugurated Artium in Vitoria. The creative genius is represented by relevant writers such as Samaniego, Pio Baroja, Miguel de Unamuno, Blas de Otero, Gabriel Aresti, Ignacio de Aldekoa, and more recently by Bernardo Atxaga, Unai Elorriaga, Lucía Etxebarria and Espido Freire; painters such as Zuloaga, the Zubiaurre brothers or José M<sup>a</sup> Uzelay; musicians such as Maurice Ravel, Usandizaga, Arriaga, Iradier or Guridi; and contemporary artists such as Chillida, Oteiza and Basterretxea.

## Tourism

The Basque Country offers a broad range of tourist options. In summer the number of tourists increases in the surroundings of the Basque coast and the capitals in order to enjoy the different cultural attractions. As far as nature is concerned, the Basque Country has a varied offer with: 9 natural parks, 1 biosphere reserve, 6 protected biotypes and 44 beaches of different sizes along its 250 kilometre coastline. In September 2008, there were 334 rural hotels or rural guest houses with more than 3,467 vacancies, 410 hotels with 24,857 vacancies and 21 campsites offering 8,745 vacancies.

With over 3,900 restaurants, its exquisite gastronomy is extensively acknowledged, with great and world famous chefs: Pedro Subijana del Akelarre, Juan Mari Arzak and Martín Berasategui, chefs of establishments in their own right that display the maximum culinary award: 3 Michelin stars. Hilario Arbelaitz del Zuberoa, Fernando Canales del Etxanobe, Eneko Atxa del Azurmendi, Daniel García del Zortziko, Roberto Asúa del Andra Mari, Patxi Eceiza del Zaldiaran also have one star, and since December 2008 Javier García from Restaurante Boroa has also joined this group. Apart from them, we have others of great media fame, such as Carlos Argiñano, who are giving way to new generations, including Josean Martinez Alija from Restaurante Guggenheim, Aitor Elizegui from the Gaminiz and Andoni Luis Aduriz from the Mugaritz, among others.

From a culinary point of view, we can also mention that, at the XX World Cheese Awards held in Dublin in October 2008, the Designation of Origin, Idiazabal, obtained a total of 28 medals, which prove the excellent quality of Basque craftsmanship.

Concerning other issues, we can highlight the strong increase in maritime tourism on Luxury Cruise Liners which use the Getxo Docks as a stopover on their routes. In 2008, the marine received 40 ships with 40,000 tourists on board who took advantage of the stopover to visit the nearby areas on guided tours to the Guggenheim Museum, the Urdaibai Reserve or Bodegas Alavesas. Prestigious ships, such as the Queen Elizabeth II, The Black Prince, the Sea Princess or the Millennium have made Bilbao one of their regular stops.

## Leisure and Sports

The Basque Country provides a wide range of opportunities to practise a great number of sports: mountaineering, trekking and climbing; hang-gliding, gliding, surfing, windsurfing, swimming, golf, tennis, handball, rugby, football and basketball. There are also over 6,500 associations and clubs, 3,218 sports facilities, 12 golf courses, 18 marinas offering over 4,100 docking spaces, 322 tennis courts, etc. Mundaka is, each year, one of the venues of the World Surfing Championship (Billabong Pro). Concerning mountaineering, we can mention Juanito Oiarzabal, world record holder concerning the number of 8,000 metre high mountains climbed (22), together with Alberto Iñurrategi, one of the fourteen people who has climbed the fourteen highest mountains in the world, as well as Edurne Pasabán who, with eleven eight-thousand metre climbs is, together with the Austrian Gerlinde Kaltenbrunner and the Italian Nives Meroi the woman with the greatest number of climbs. The Basque pelota and its different varieties are deeply rooted in the tradition of the country: hand pelota, pala, remonte, cesta punta, trinquete, xare, etc. As far as cycling is concerned, we can mention the Euskaltel-Euskadi team, which takes part in international races, and features important cyclists, such as Haimar Zubeldia, Igor Antón, Mikel Astarloza and Samuel Sanchez, the current Olympic Champion, as well as World Champions such as Igor Astarloa who won the world championship in 2003, Abraham Olano – World champion in 1995 and time-trial world champion in 1998, as well as, Joane Somarriba, a member of the female cyclist team that won two Giros in Italy and three Tours de France and, in 2003, became the time trial world champion.

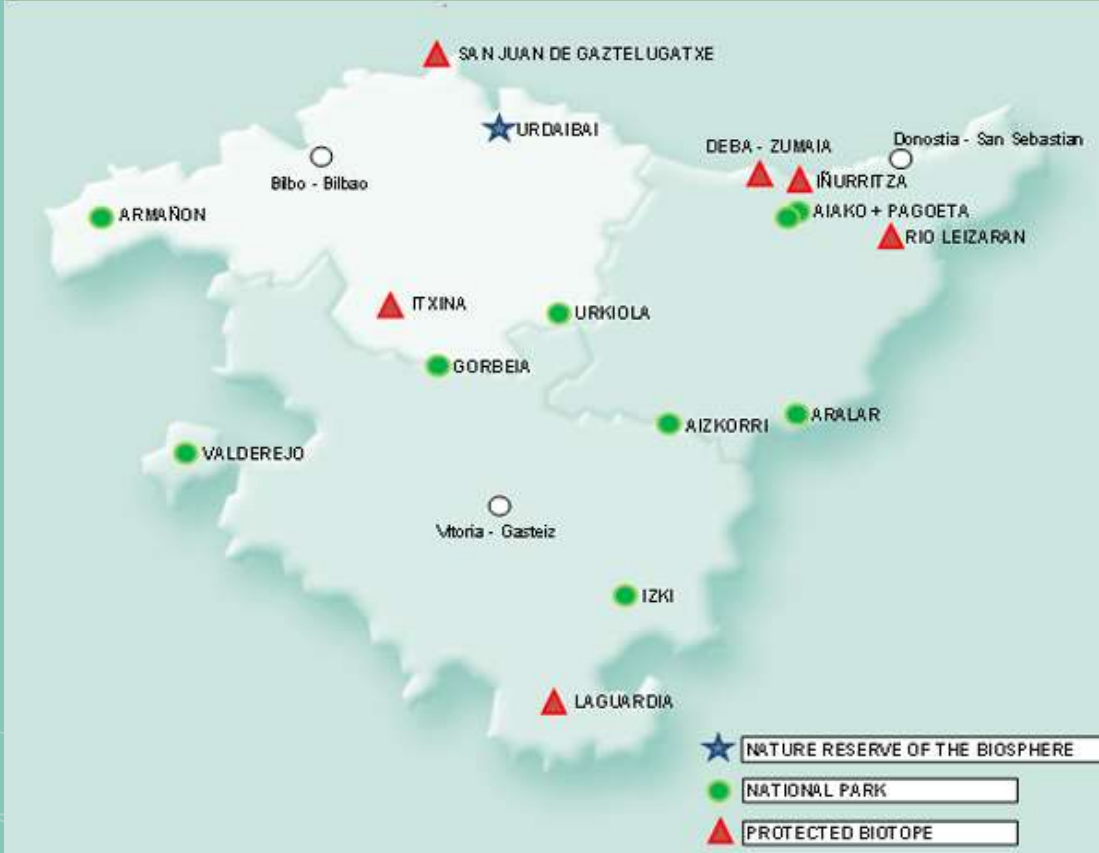
At the last Olympic games – Beijing 2008 – Basque sport won 3 medals (Iker Martinez and Xabi Fernandez in sailing, Leire Olaberria in Cycling and Iker Romero and Jon Belaustegi in Handball), and 10 Olympic diplomas in different sports, among which we must highlight Almudena Cid, who has been the only gymnast that has competed in 4 Olympic finals. On the other hand, Basque paralympic participants won 8 medals and obtained 5 diplomas.



Basque Coastline		Seaports of Bizkaia		Seaports of Gipuzkoa	
Amintza	Lekeitio	Deba	Orio		
Bermeo	Mundaka	Donostia/San Sebastián	Pasajes		
Bilbao	Ondarroa	Getaria	Zumaia		
Ea	Plentzia	Hondarribia			
Elantxobe	Zierbena	Mutriku			
Gernika					

### Basque Country Natural Environment

NATIONAL PARKS	NATURE RESERVE OF THE BIOSPHERE	PROTECTED BIOTOPE
Valderejo	Álava	Urdaibai
Izki	Álava	
Gorbeia	Yizcaya	
Urkiola	Yizcaya	
Pagoeta	Guipúzcoa	
Armañón	Yizcaya	
Aralar	Guipúzcoa	
Aizkorri-Aratz	Guipúzcoa - Álava	
Aiako-Harria	Guipúzcoa	
		Álava
		Guipúzcoa
		Yizcaya
		Yizcaya



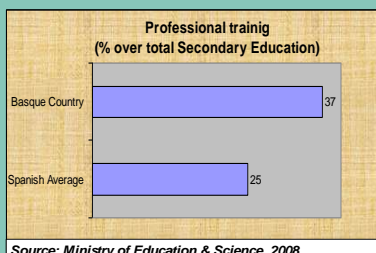
★	NATURE RESERVE OF THE BIOSPHERE
●	NATIONAL PARK
▲	PROTECTED BIOTOPE

## ► Education

The qualification of productive labour is one of the strong pillars of the Basque companies and the training of people one of the priorities of the public policy. The Basque Country is the community that has had the highest percentage of graduates over the last ten years, well above the Spanish average. Education is compulsory for students who are between 5 and 16 years of age. In fact, there is a suitable educational offer, with a special emphasis on professional training, for those students who are over 16 and want to go either for a trade or university studies. Besides, in the Basque Country there are different international educational centres (see Quality of Life).

### Universities

**Higher Education:** In the Basque Country there are 4 Universities with 25 faculties or colleges, 5 Higher Technical Colleges and 22 University Colleges, both public and private. Including Universities, Polytechnics and Engineering Schools, Fine Arts, etc., more than 70,000 students benefit from this offer. They have a wide choice of long and medium term specialities, which are perfectly adapted to the formation needs of the advanced societies and modern companies.



**Schooling rates. By age ( % )**  
(Schooling rate: ratio between students of each age group and population of that age group)

	3 years	17 years	20 years
BASQUE COUNTRY	101	97	73
GERMANY	82	92	54
FINLAND	40	96	50
FRANCE	99	92	52
SPANISH STATE	96	83	51
HOLLAND	0	92	63
ITALY	97	83	44
PORTUGAL	63	73	44
UNITED KINGDOM	80	72	39
SWEDEN	82	98	44
EU27	48	54	32

Source: EUROSTAT 2006

**University Students (Total Number of Students)**  
**Specialities related to companies**

2 Cycles Studies	33,240	1st Cycle Studies	26,632
Architecture	1,541	Business Studies	4,011
Telecommunications Engineering	962	Social Education	1,517
Information technology engineering	1,443	Foreman	5,671
Industrial engineering	3,024	Nurse	1,163
Chemical Engineering	575	Human Diet and Nutrition Science	302
Administration and Business Management	5,161	Labour Relations	478
Biology	731	Tourism	789
Audiovisual Communication	450	Social Work	861
Law	2,797	Other courses	41
Economic Science	987	3-year Architecture course	291
Physics	310	3-year Telecommunications Engineering	589
Geography	106	3-year Industrial Design Engineering	340
Geography and History	12	3-year Computer Management Engineering	1,466
Geology	250	3-year Computer Systems Engineering	841
Mathematics	245	3-year Public Works Engineering	591
Journalism	1,149	33-year Topography Engineering	320
Publicity and Public Relations	570	3-year Industrial Engineering	6,567
Chemical Science	872	3-year Mining Engineering	521
Translation and Interpreting	304	Merchant Marine	273
Other Specialities	11,751		
<b>3rd Cycle Studies (Doctorates)</b>	<b>2,386</b>	<b>Higher education</b>	<b>3,412</b>
		Materials Engineering	86
		Engineering in Robotics and Industrial Electronics	380
		Electronic Engineering	89
		Industrial Organisation Engineering	1,056
		Biochemistry	102
		Food Technology and Science	138
		Audits and Finance Studies	90
<b>TOTAL</b>	<b>65,670</b>	Financial and Actuarial Science	1,471

Source: EUSTAT. Education Statistics. 2006-2007

**Higher Education from the age of 18**

1. Aimed to obtain official qualifications:  
 They are structured in two cycles. For first and second cycle qualifications:  
 -Universities work out and approve study programmes in accordance with general guidelines and those corresponding to each degree. The Faculties, Higher Technical Schools and University Schools organize teaching (the latter only cycles).  
 -The first cycle has duration of 2 or 3 academic years. Passing it involves being qualified as a Graduate, Teacher, Technical Architect or Technical Engineer.  
 -The second cycle has a duration of 2 academic years (three exceptionally). Passing it involves obtaining a degree or being qualified as an architect or engineer.  
 -To enter the third cycle and be qualified as a Doctor it is compulsory to be a Graduate, Architect or Engineer. The candidate must attend a doctorate programme and present a doctoral thesis.

2. Aimed to obtain proper University degrees:  
 The University organizes them freely. The naming of the diplomas and qualifications do not coincide with the official ones. They do not have the same academic value and they lack the authorization given to the official qualifications for the professional practice.

**University of the Basque Country:**

The successor of the University of Bilbao (1936), it is a public university with campuses in the three provincial territories that make up the Basque Country: Bizkaia, Araba and Gipuzkoa. It provides higher education in many fields, ranging from Medicine and the Sciences to Fine Arts, Law, Economics and Business Science or Industrial Engineering.

**University of Mondragón / Mondragón Unibertsitatea:**

It is a private university and it started its educational activity in 1943. It is backed by the industrial group Mondragón Cooperative Corporation (MCC) and it is Europe's first cooperative university. Three faculties: the Higher Polytechnic School, the Business Science Faculty and the Faculty of Humanities and Science, as well as two research centres: Ikerlan and Ideko. It was the first state university that obtained the ISO 9001 quality certificate in 1995.

**University of Deusto:**

It is a private university and it is managed by the religious order of the Society of Jesus. It has campuses in Bilbao, San Sebastián and Vitoria, offering diplomas, degrees, postgraduates and third cycle. The most well-known offer has always been the Faculty of Law, from where many important legislators and jurists have come out. The Faculty of Business Sciences, also known as "La Comercial", is remarkable as well.

**University of Navarra:**

Four additional degree courses are offered by the University of Navarra at the San Sebastián campus: Industrial Engineering, Materials Engineering, Engineering in Robotics, Industrial Electronics and Industrial Organization Engineering, apart from the Higher Institute of Secretarial and Administration Courses.

## Contract Types depending on duration

### 1. INDEFINITE CONTRACT

This contract is arranged without establishing time limits in the service delivery.

### 2. SUBSIDISED INDEFINITE CONTRACTS

They are indefinite contracts, whose workers are registered in one of the following collectives: unemployed women, young people from 16 to 30 years of age, the unemployed with out a break for six months or more, people aged over 45. For each case different subsidies will be applied.

#### 2.1. Intermittent permanent

It will be arranged to carry out jobs considered intermittent permanent and which are not repeated on certain dates within the volume of activity of the company. Contracts whose workers are included in the in the described collectives will be subsidised.

### 3. TRAINING CONTRACTS

#### 3.1. Training contract

This can be arranged with workers over sixteen years of age and Under twenty-one years of age who do not have the necessary Qualifications for a work experience contract. The age limit will be increased to 24 in the case of the contract being arranged with unemployed workers who join as working pupils of the Workshop School and Trade Centre Programmes. The maximum age limit will not Be applied when the contract is arrange with the unemployed who join as working pupils in the Employment Workshop Programmes or are disabled. The duration cannot be under six months or longer than two years, and two extensions can be agreed with a minimum duration of six months. The time dedicated to theoretical training must be at least 15% of the working day foreseen the Collective Labour Agreement. The trial period cannot be longer than 2 months.

#### 3.2. Work experience contract

This contract enables acquiring the necessary experience for workers within the 4 years following the end of the studies, this limit will be extended to 6 years if the worker contracted is disabled. The minimum duration will be 6 months, the maximum 2 years and the trial period can be no longer than 1 month for contracts awarded to workers with a higher education qualification. The retribution will be set in the Collective Labour Agreement and in its absence it cannot be lower than 60% in the first year nor 75% during the second year.

### 4. FIXED TERM DURATION CONTRACTS

#### 4.1. Contract for a specific project or service

This contract is aimed at the carrying out autonomous and substantial work or services in the activity of the company, which is, although limited in time, is in principle of an uncertain duration.

#### 4.2. Casual contract due to production overload or backlog

It is awarded to attend to circumstantial market requirements, task accumulation or excess of order, even though it is the normal activity of the company. The maximum duration is 6 months within a period of 12 months, although this limit can be extended by the Collective Labour Agreement. It includes a severance pay at the end of the contract of 8 days salary per year worked.

#### 4.3. Temporary contract

The object of this contract is the substitution of a worker who is entitled to return to his/her job, in virtue of the regulation, Collective Labour Agreement or individual agreement, or to temporarily cover the job during the selection or promotion process for its definitive covering. If it is awarded to unemployed persons to substitute workers with their work contract suspended during periods of maternity leave risk during pregnancy, adoption or preadoption or permanent fostering, they will receive a subsidy of 100% of the Social Security feed.

### 5. HAND-OVER CONTRACT

It can be awarded simultaneously with the part time contract agreed with the latter. The duration will be indefinite or equal to the time the substituted worker has left to reach the retirement age. If when this age were to arrive, the retired worker were to continue in the company, the hand-over contract awarded for a given duration can be extended by means of the agreement of the two parties in annual periods, expiring in any case, at the end of the period corresponding to the year in which the worker taken over goes into full retirement.

### 6. SUBSTITUTION CONTRACT DUE TO EARLY RETIREMENT

This contract is for contracting unemployed workers to substitute Workers to forward their retirement from 65 to 64 years of age. The minimum duration will be one year.

## ➤ Labour Relations

# 8.

### Contract Types

As it corresponds to a modern economy, the Basque Country has a great variety of contracting methods and aids, depending on the modality chosen. The information in the following lines intends to provide a first contact with the system. Contact SPRI to obtain further information about available public aids, [info@spri.es](mailto:info@spri.es).

### Intermediary Companies

The Basque Government has a series of services in order to facilitate the orientation for employment.

- **EGAILAN, S.A.:** is a Public Association for Training and Employment. Its main commitment is the management of the active policies for training and employment and their diffusion, promotion, implementation and assessment.
- **LANGAI:** on the other hand, is the Employment Service started up by the Basque Government and managed by the above mentioned company. The service is offered to those companies that are interested in covering work positions and to the people who are looking for a job.
- **Lanbide.net:** is managed by Egailan; it is a web site where different services, such as self-employment, job supply and demand, labour consultancy, statistics, training (courses, grants, masters ...) are offered.
- **Hobetuz** is an on going vocational training organization, focusing its special attention on the SMEs and on the

implementation of on- going training. Its mission is to assume the management of ongoing training and the responsibility for promoting it among companies, workers and educational centres with the maximum effectiveness. Besides the above mentioned agents, there are other Temporary Help Contractors operating in the Basque Country, such as Adeco, Alta Gestión, Brok. Tel, B&T Asociados, Denbolan, Ercisa, Flexiplan, Manpower, Laborman, Lan Egin, People, Randstad, Vedior,etc, etc.

### Trade Union Representatives

In the Basque Country there are several trade unions. Some of them participate in all the sectors, and others, on the contrary, only in certain activities.

- **ELA-STV:** operates in all the economic scopes and it is one of the strong unions in the Basque Country.
- **LAB:** is also present in the relevant economic scopes. -
- **CCOO y UGT:** are the strongest unions in the Spanish State and they take part in all activity sectors in the Basque economy. There are also other trade unions rooted in certain areas: EHNE is a union for farmers, SATSE is a union for health professionals, STEE-EILAS, for teachers, ERNE for the Basque autonomous police, etc. The **Labour Relations Council** includes representatives of the different employer's associations and the most significant unions, and being an organ for encounters, it fosters agreements between the parts, both at a general level and in determined collective negotiations. It also draws up unitary proposals on labour matters to the Basque Government.

Transit time by road in the exchange of goods			
ROUTE	DURATION	ROUTE	DURATION
Bilbao – Bayonne	2 hours	Bilbao - Perpignan	6 hours
Bilbao – Bordeaux	4 hours	Bilbao – Paris	11 hours
Bilbao – Frankfurt	17 hours	Bilbao – Milan	12 hours
Bilbao – Madrid	4 hours	Bilbao – Barcelona	6 hours

Source: Uniport Bilbao

Traffic year 2008 - Port of Bilbao (January to September)			
Merchandise breakdown per geographic area (tonnes)	LOADING	UNLOADING	TOTAL
TOTAL SHORT HAUL	1,556,069	421,352	1,977,421
AFRICA ATLANTIC	297,695	1,413,517	1,711,212
AFRICA INDIAN OCEAN	69,977	162,898	232,875
AFRICA MEDITERRANEAN	72,506	362,537	435,043
AMERICA NORTH ATLANTIC	1,510,554	1,386,705	2,897,259
AMERICA SOUTH ATLANTIC	287,107	1,644,693	1,931,800
AMERICA NORTH PACIFIC	48,812	3,289	52,101
AMERICA SOUTH PACIFIC	96,279	218,110	314,389
ASIA INDIAN OCEAN	265,278	2,255,853	2,521,131
ASIA MEDITERRANEAN	117,989	106,958	224,947
ASIA PACIFIC	191,585	1,153,471	1,345,056
CENTRAL AMERICA AND CARIBBEAN	286,685	1,211,539	1,498,224
UNKNOWN	36,727	970	37,697
SCANDINAVIA	35,955	292,370	328,325
EUROPE ATLANTIC	989,158	5,754,966	6,744,124
EUROPE MEDITERRANEAN	583,296	760,895	1,344,191
BRITISH ISLES	1,063,970	1,321,917	2,385,887
BALTIC	151,388	2,947,193	3,098,581
OCEANIA	29,640	48,139	77,779
<b>TOTAL TRAFFIC</b>	<b>7,690,670</b>	<b>21,467,372</b>	<b>29,158,042</b>

Source: Bilbao Port Authority

Transit time from Bilbao to world wide seaport destinations			
ROUTE	DURATION	ROUTE	DURATION
London	1 day	Canada	12 - 14 days
Rotterdam	1 day	United States (Gulf)	16 - 18 days
North África	4 - 5 days	United States (North)	14 - 16 days
South África	17 - 20 days	Central America	12 - 15 days
		South America	12 - 17 days

Source: Uniport Bilbao

### Roads

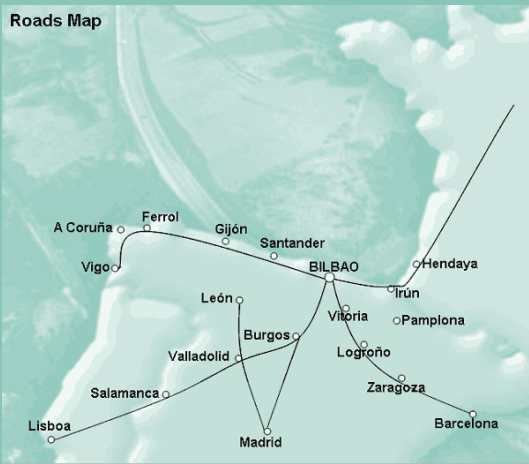
The Basque Country has a modern road, rail and air communications infrastructure, facilitating comfortable and dynamic connections with the Spanish State and with Europe through France. It is located on the international Lisbon-Stockholm axis and communicates with the rest of Europe by means of the E-5, E-70 (A-8) and E-80 (A-68). There are also over 4,250 km of motorways, dual carriageways, main roads and secondary roads, together with up-dated functional access to the cities and towns. The main motorways and dual carriageways of the Country the Bilbao-Behobia (A8) and the Bilbao- Zaragoza (A68) motorways; the Cantabrian and the Leizaran dual carriageways and the N-1.

### Railways

The Basque Country is directly connected with the European high speed rail network, apart from being linked by RENFE (Spanish Rail Network) to all most important Spanish cities. There is a regular daily service to cities such as Lisbon, Porto and Paris and to the major French and European Cities via Irún – Hendaya in connection with the French railway system. The major Basque cities and towns have railway stations. At a more local level, the FEVE railways (narrow gauge system) connects the northern coast and EuskoTren – the railway network transferred to the Basque government – provides the relevant suburban and short-distance services between the main Basque cities.

The Basque railway infrastructure is 600 kilometres long. It is worth mentioning the underground of Bilbao, which is one of the most modern underground systems in the world, permitting the high quality travel of citizens in the metropolitan area of Bilbao, together with the city tram services in Bilbao and Vitoria (opened in 2008).

On the other hand, the Basque Country is currently involved in the most significant railway project to date, the so-called “Y” system; a high-speed corridor that will connect the three major Basque cities in approximately half an hour, using state-of-the-art trains that will also connect with international long-distance lines. These include the present connection at the border town of Irún with the French TGV, which will enable passengers to travel from the Basque Country to Paris in just over five hours and then connect with other European cities.



**International Destinations from Basque Airports**

Bonn
Brussels
Casablanca (cargo)
Cologne
Dublin
Dusseldorf
East Midlands (cargo)
Frankfurt
Lieja (cargo)
Lisbon
London
Luton (cargo)
Milan
Munich
Oslo
Paris
Praga
Stuttgart
Tunez



## Seaports

Bilbao and Pasajes are the two biggest Basque commercial seaports. They have been important entry and exit centres for oil products, general merchandise, vehicles and iron and steel goods. Nowadays, they are facing the XXIst century with deep transformations, both of a physical and managerial nature. The seaports of Bilbao and Pasajes, with a traffic volume that all together accounts for about 44 million tonnes per year, are the centre of most import and export activities and they occupy the first positions among the seaports of the Spanish State. The port of Bilbao offers docking facilities for ships of almost all sizes at its oil terminal, with water depths of up to 32 metres. In the case of container ships, the container terminal offers depths of 21 metres and the general goods docks offer a depth of 14m. The Port Authority, thanks to the extension work performed over the last 15 years, offers a total of 3,390,000 m2 of docks and 17,000 linear metres for berthing lines. The port maritime sector in Bilbao offers maritime connections from Bilbao to over 300 destinations worldwide, transporting all kinds of merchandise, offering all types of complementary logistics services. By land there are daily departures/arrivals of goods by rail to numerous destinations in the Iberian Peninsula and the access for road transport to the port is directly from the motorway. There are another seventeen minor ports which, depending on their size, develop activities with the maritime transport, fishing and sports sectors. Most of them have been enlarged, adapting to the present needs of commercial and leisure traffic. [www.uniportbilbao.es](http://www.uniportbilbao.es).

There are also another seventeen minor ports which, based on their size, offer maritime transport, fishing and leisure activities. Most of them have been extended, offering larger port areas and docking, adapting to present commercial and leisure requirements.

Concerning the Port of Pasajes, there are plans to the significantly extend its present installations by building a new exterior harbour and reorganising access by road and by railway.

In turn, the Ferry 'Pride Of Bilbao' links the Basque Country (Bilbao) with the British Isles (Portsmouth) on a 36 hour route, travelling at a speed of 22 knots carrying up to 2,500 passengers, 600 cars and 62 trucks.

## Airports

The Basque Country has one of the most complete airport infrastructures in Spanish State. Each of the three capitals of the autonomous region has an airport: Loiu in Bilbao, Foronda in Vitoria-Gasteiz and Hondarribia in Donostia-San Sebastián; the three airports offer complementary services. They registered in the year 2007 total traffic figures of 4,927,000 passengers and 88,078 aircraft. The three airports regularly operate with the following airlines: Aer Lingus, Air Berlin, Air Europa, Air France, Alitalia, Brussels Airlines, Clickair, Easyjet, Iberia Lufthansa, Portugalia Airlines, Spanair and Vueling Airlines.

The progressive growth registered in air traffic and the previsions established for the future have determined the development of an important investment programme on expansion and improvement. Bilbao-Loiu airport offers international and domestic passenger flights, and has the highest volume of passengers in the Cantabrian area. Its new terminal was designed by the well-known architect Santiago Calatrava. Foronda airport in Vitoria-Gasteiz, classified as "first special", offers charter and inter-regional flights and has the second best perishable goods terminal in Europe after Frankfurt. This airport is the consolidation centre for DHL air freight for the Iberian Peninsula and North Africa. In 2007, the volume handled totalled 31,400 tonnes.

Integrated Merchandise Centres		
CENTRE	SURFACE (m2)	OPERATING INSTALLATIONS
APARCABISA - Trapaga (Bizkaia)	201,067	Cold store. Ordinary warehouse.
ZIERBENA - Zierbena (Bizkaia)	67,000	Customs. Container berth. Dangerous Goods Area
ZAISA - Irun (Gipuzkoa)	200,000	Cold store. Ordinary warehouse. Offices. Customs. Commercial establishments. Heavy vehicle car park.
CTV-JUNDIZ - Vitoria/Gasteiz (Araba)	715,584	Cold store. Customs. Garage for vehicles. Offices. Services
ARASUR - Rivabellosa (Araba)	2,000,000	Warehouse for Rent or Sale with direct railway access. Hotel. Heavy vehicle parking area.
<b>TOTAL</b>	<b>3,183,651</b>	



Establishing of Trading Corporations	
Year	Number of companies
2003	4,597
2004	4,635
2005	4,891
2006	5,595
2007	5,990
2008 (to September)	3,449

Source: [www.informa.es](http://www.informa.es)

## Logistics Centres

Every day around 400,000 tonnes of goods are transported in and around the Basque Country, 67% of which move by road, 30% by sea and the rest by rail or air. A privileged geographical situation combined with a highly industrialised economy, means that the autonomous region has one of the highest traffic levels in Spanish State. In this context, the goods transportation and distribution centres help to concentrate all the activities in the Spanish and international commercial logistic chain. The Basque Country has three goods interchange centres: Vitoria Transport Centre CTV, Zaisa and Aparcavisa. The three of them provide integrated distribution management combined with optimum administration of storage operations. The recently-built installations provide storage space and load break-up and consolidation services, as well as internal coordination and transport interchange. They also function as goods reception, information and distribution centres. Since January 2006, we must add the ARASUR logistics platform, located in Alava (Rivabellosa) next to the Miranda de Ebro road junction, where the A-68, A-1 and the Madrid-Bilbao Railway Line converge. These four Basque centres are part of the European Group of Transport Platforms, "Europlatforms". To complement the above mentioned logistics centres, the airport of Vitoria, with its facilities for loading, unloading and its perishable goods terminal, offers ideal conditions for the transport and distribution of merchandise, consolidating the Basque Country as a key point for the connection among the European, African, American and Asian markets.

We can stress that the Aquitaine-Euskadi Logistics platform, whose main objective is to promote the logistics fabric of both regions, which over the centuries has become the natural passage to Europe, will also serve to implement joint projects in the fields of research, technology, tourism and successful sectors in the current European socio-economic environment such as the aerospace sector. Built in 2004, the PLAE groups 15 companies directly connected with the Basque-Aquitaine logistics and transport scenario. Among the main actions to be implemented, we can stress the creation of the so-called

Atlantic Railway Motorway, which will aim at reducing lorry transport by providing special trains. This alternative will relieve the Irun – Biriatu border road network that supports around 10,000 heavy vehicles a day. Another Railway commitment of the PLAE is to promote the Basque high-speed network, the "Y". The first line will connect Vitoria and the French cities of Tours and Orleans. But the greatest project is the Short Sea Shipping (SSS) systems. As in the case of railways, the SSS will help alleviate the Basque – Aquitaine border by combining land and sea transport. This strategic project, presently under study, will connect Bilbao and Dunkerque by sea.

The significance of the PLAE in the strategic planning aimed at achieving a sustainable and high-quality transport system can be compared with the importance of the active presence of the ports of Bilbao and Pasajes in the Basque Country and of Bayonne and Bordeaux in Aquitaine. The four intermodal transport centres in the Basque Country are also present in the project, together with the five French centres (Bordeaux-Fret Centre, the Irun-Hendaya railway complex and the Bordeaux, Hourcado and Bayonne-Mouguerre intermodal centres). Finally, Uniport Bilbao and the companies that promote the Bilbao and Vitoria Airports (Bilbaoair and VIA) complete this platform that is open to the participation of new members.

## Industrial Infrastructure

The Basque Economy has seen how its prospects for growth have been going up in the last five years; the figures are above the Spanish and European average. Consequently, new businesses have been set up and employment has increased. In order to respond to this potential development, the Basque Country offers a significant extension of industrial land available in strategic zones of the region, suitable for all kinds of companies. Through its Lurrak programme, Basque public industrial promotion company SPRILUR offers a range of attractive conditions to acquire land, while simplifying red tape for the entrepreneur. All services industrial estate users will need are available on site.

## ► Costs Connected to Investments and Operations

# 10.

### Location Costs

The following lines detail the cost of the land per square metre and installation costs for some economic activities. These are average prices, which can vary depending on the town and on the land available.

### Utility Costs

**Electricity:** Electricity rates have been regulated for the entire country since 1st July 2008. Electricity may be supplied by several utility companies.

**Natural Gas:** The Natural Gas rates are unique and are regulated by law since 10th October 2008. From practically no consumption in 1980, whether for industrial or domestic and commercial use, we have advanced to a share of 22 % in the final consumption of energy and 39% in the total energy demand. The Basque Country features a 3,700 km. basic gas transport and distribution network that covers the entire territory. This network receives its supplies from the

south via the natural gas pipeline that comes from Libya and Algeria, which reaches Araba from Haro, and from the north via the Port of Bilbao from the re-gasification and combined cycle plants belonging to Bahia Bizkaia Gas, the import terminal for liquefied natural gas (LNG) which began operations in 2003 and that has a dock for LNG carriers of up to 40,000 m<sup>3</sup>, 2 150,000 m<sup>3</sup> storage tanks and a re-gasification capacity of 800,000 Nm<sup>3</sup>/h. The connection with the French gas pipelines via Irun is currently under construction. The Basque Government, as part of its energy source diversification policy, intends to connect the Basque Country to the French gas infrastructure and, with this in mind, has entered into talks with all parties involved in the project (Gaz du Sud-Ouest and ELF). The "Gaviota" natural gas field, discovered towards the end of the 1970s off the coast of Bermeo (Bizkaia) is now a strategic reserve, with a total capacity of 2,480 million Nm<sup>3</sup> and a useful volume of 780 million Nm<sup>3</sup> of gas. It is the greatest strategic natural gas reserve system in the country.

**Water:** Depending on the place, fares might vary. The tables below show price figures of the most significant areas in the Basque Country:

## Basque Country. Real Estate Market

Housing		Mortgage	
Total Housing Park	985,847	Average mortgage new house	181,337 €
Ownership	90.61%	<b>Commercial Establishments</b>	
Houses on lease	9.39%	Sale average price	2,932.73 €/ m2 built-up
Population/Housing Park ratio	2.17	Leasing average price	18.33 € / m2/month
Multifamiliar house average size	108 m2	<b>Offices</b>	
Multifamiliar house N. of rooms	3	Sale average price	3,507.53 €/ m2 built-up
Multifamiliar available new house sale price	3,677.74 € / m2 built-up	Leasing average price	14.61 € / m2/month
Multifamiliar available new house leasing price	16.86 € /m2/month	<b>Industrial premises</b>	
Multifamiliar available second-hand house leasing p.	16.55 € /m2/month	Sale average price	860.38 € / m2/built-up
Available house land price	1,903.27 €/m2 shifting	Leasing average price	6.45 € / m2/month
Price of land for Subsidised housing	207.65 €/ m2 useful land		

Source: Anuario Estadístico del Mercado Inmobiliario Español (RR de Acuña & Ass. 2008)

## ADSL Rates

	SPEED	CONNECTION	MONTHLY RATE
ARRAKIS	6 MB	Free	39.00 €
ARSYS	4 MB	Free	99.90 €
	8 MB	Free	129.90 €
JAZZTEL	20 MB	Free	50.00 €
TELEFONICA	6 MB	Free	39.90 €
VODAFONE	6 MB	Free	34.90 €
	12 MB	Free	39.90 €
ONO	6 MB	39 €	40.00 €
	12 MB	39 €	50.00 €
EUSKALTEL	6 MB	Free	39.00 €
	12 MB	Free	49.00 €
	24 MB	Free	75.00 €

Source: Author's Own 2008

## Electricity Rates

LOW VOLTAGE	POWER: /KW & MONTH	POWER: /KWH
Social Rate, power up to 3 kW	0.000000	0.109612
1.0 General, power up to 1 kW	0.388713	0.087373
2.0.1 General, power not over 2.5 kW	1.621373	0.109612
2.0.2 General, power not over 5 kW	1.634089	0.107994
2.0.3 General, power not over 10 kW	1.642355	0.106888
3.0.1 General, power not over 15 kW	1.752513	0.107338
3.0.2 General, power over 15 kW	1.988549	0.101941
HIGH VOLTAGE	POWER: /KW & MONTH	POWER: /KWH
G.4 Large Consumers	13.157700	0.015070
D.1 General not over 36 kV	2.638657	0.066432
D.2 General greater than 36 and less than 72,5 kV	2.490768	0.063374
D.3 General greater than 72,5 and less than 145 kV	2.428498	0.061152
D.4 Greater than 145 kV	2.350662	0.059484

Source: Basque Power Entity. Basque Government 2008

## Natural Gas Rates

APPLICATION LIMITS	FIXED (/customer) month	VARIABLE / kWh
Consumption lower to equal to 5,000 kWh/year	2.56 €	0.059094
Consumption above 5,000 kWh/year and lower or equal to 50,000 kWh/year	5.72 €	0.051455
Consumption above 50,000 kWh/year and lower or equal to 100,000 kWh/year	44.17 €	0.042037
Consumption above 100,000 kWh/year	65.77 €	0.039360

Source: Basque Energy Agency. Basque Government 2008

## Water and Sewage Rates

<b>Bilbao-Bizkaia Water Consortium</b>	
1.- Domestic users, including centralised domestic hot water installations:	
Water supply rates (Quarterly)	
* Fixed rate	4.603 €
* Variable rate on consumption up to 100 m3	0.3946 €/m3
* Variable rate on consumption over 100 m3	0.8632 €/m3
Sewage rates (Quarterly)	
* Fixed rate every 90 days	4.3482 €
* Variable rate on consumption up to 100 m3	0.3728 €/m3
* Variable rate on consumption over 100 m3	0.8154 €/m3
2.- Industry and commercial and service establishments, fire fighting hydrants	
Water supply rates (Quarterly):	
* Minimum of 25 m3, regardless of consumption:	16.9969 €
* per m3 in excess:	0.8632 €/m3
Sewage rates (Quarterly)	
* Minimum of 25 m3, regardless of consumption:	16.0556 €
* per m3 in excess:	0.8154 €/m3
<b>Vitoria Council Water Supply Rates</b>	
A - Fixed rate (based on type of meter)	
Water supply rates (quarterly) + Sewage treatment rates (Quarterly)	from 10 € to 2,250 €
B - Variable rate	
1.- Domestic users, including centralised domestic hot water installations:	
Water supply rates (Quarterly)	
* Variable rate on consumption up to 10 m3	0.200 €/m3
* Variable rate for consumption from 11 to 42 m3	0.375 €/m3
* Variable rate for consumption in excess of 43 m3	0.675 €/m3
Sewage treatment rates (Quarterly)	
* Variable rate on consumption up to 10 m3	0.150 €/m3
* Variable rate for consumption from 11 to 42 m3	0.180 €/m3
* Variable rate for consumption in excess of 43 m3	0.385 €/m3
2.- Industry and commercial and service establishments, fire fighting hydrants	
Water supply rates (Half-year)	
* Variable rate	0.675 €/m3
Sewage treatment rates (Quarterly)	
* Variable rate	0.385 €/m3

Donostia - San Sebastian Council Water Supply Rates

1.- Consumption for domestic use	
Water supply rates (monthly)	
* Fixed rate (based on type of meter)	from 16.06 € to 155.05 €
* Variable rate	0.3115 €/m3
2.- Industry and commercial and service establishments, fire fighting hydrants	
Water supply rates (monthly)	
* Fixed rate (based on type of meter)	from 16.06 € to 155.05 €
* Variable rate	0.6808 €/m3

Source: Donostia Council 2008

Source: AMVISA, rates applicable in 2008

Source: Bilbao Bizkaia Water Consortium, rates applicable in 2008

## Labour Costs

### **Social Security:**

The maximum Spanish company national insurance payment stands, approximately, at 32.10% over the total remuneration (see chart below). The payment for employees accounts for 6.35%, which companies deduce from their monthly wages and pay into the National Social Security System.

### **Deductions from workers:**

The company has to carry out a series of wage deductions based on the annual gross salary and on the number of children the workers have.

### **Wages:**

Average earnings in 2008 stood at about 19.45 euros per hour and 1,992.10 euros a month. On the other hand, the minimum wage for all kinds of activities in farming, industry and services, with no sex and age distinctions, was established, for 2008 at 20.00 euros/day, 600.00 euros/month, not considering, under any circumstances an annual amount below 8,400.00 euros. About 30% of gross wages go on contributions to the social security. The minimum salary includes both salary paid in money and in kind.

## Transport Costs

### **Maritime Fares:**

Prices for the Port of Bilbao for 2008 have been indicated. Other tariffs (supply, storage, buildings...) are available on the web page of the Port of Bilbao ([www.bilbaoport.es](http://www.bilbaoport.es)). The Port of Pasajes offers many of these services as well, and the rates do not differ much from those of the Port of Bilbao.

### **Air Fares:**

The fares corresponding to the airport of Foronda (Vitoria), which belongs to AENA, the Spanish airports network, have been indicated. Those for other airports may vary, but they generally have a similar price structure.

### **Land Transport Fares:**

It is difficult to assess transport costs since they may fluctuate depending on destination (they are different if the destination is inside or outside the Basque Country), fuel prices and types of road - motorway, dual-carriageway, main road, local road.

<b>Social Security</b>			
ITEMS	COMPANY (%)	EMPLOYEE (%)	TOTAL (%)
General eventuality	23.60%	4.70%	28.30%
Unemployment			
· Indefinite contracts	5.50%	1.55%	7.05%
· Fixed-term contracts			
+ Full-Time	6.70%	1.60%	8.30%
+ Part-Time	7.70%	1.60%	9.30%
Wages Guarantee Fund	0.20%		0.20%
Professional Training	0.60%	0.10%	0.70%

Source: Social Security. Ministry of Work and Social Affairs. 2009

<b>Bilbao Seaport Rates. Passengers, Merchandise and Containers Charges</b>		
PASSENGERS AND VEHICLES	€/ Unit	
Passenger		
· Passenger in transport mode, embarking or disembarking		3.50 €
· Cruise ship passenger, embarking or disembarking		4.12 €
Vehicles		
· Passenger vehicle or similar		9.99 €
· Buses or collective transport vehicles		53.68 €
MERCHANDISE	Ton	
Goods Group 1		0.4896 €
Goods Group 2		0.8466 €
Goods Group 3		1.3362 €
Goods Group 4		2.2440 €
Goods Group 5		3.1416 €
CONTAINERS	Loaded	Empty
Container <=20' (including transport platform)	34.58 €	3.12 €
Container > 20' (including transport platform)	56.56 €	6.24 €
Lorry with trailer (roller road gear)	91.14 €	9.36 €
Cabs		1.88 €
· Lorry with trailer or platform < 6 meters	34.58 €	3.12 €
· Lorry with trailer or platform < 12 meters	56.56 €	6.24 €

Source: Autoridad Portuaria. 2008 (<http://www.bilbaoport.es>)

<b>Vitoria Airport Rates. Landing and Parking Charges</b>		
LANDING CHARGES	EU Countries	Other Countries
< 10 Tonnes	3.92 €	4.98 €
Between 10 y 100 Tonnes	4.49 €	5.71 €
> 100 Tonnes	5.05 €	6.41 €
PARKING CHARGES	Ton	
< 2 Tonnes		1.25 €
Between 3 y 10 Tonnes		6.27 €
Between 11 y 100 Tonnes		0.73 €
> 100 Tonnes		0.81 €

Source: Vitoria Airport. 2008 (<http://www.Via-vitoria-airport.com>)

## Tax and Finance System

### Main Features

The tax and financing system in the Basque Country, which is based on the historical rights of the Provincial Territories (Territorios Forales), presents a number of unique features.

This uniqueness, recognised in the First Additional Stipulation of the Constitution, has been included in the Statute of Autonomy which establishes that tax and financial relationships between the State and the Basque Country will be regulated by means of the traditional provincial Economic Agreements.

The present Economic Agreement (Law 12/2002, of 23 May, BOE 24/05/02), includes, in Chapter I, the aspects governing tax relations, while Chapter II is dedicated to financial relationships.

In September 2008, the Luxembourg Court ratified the full validity of the Basque Country Economic Agreement and the region's capacity to establish taxes for the Basque Country, even if they are different from those established for the rest of Spain.

### **The Basque Tax System:**

The Economic Agreement system ensures that the Basque Country has its own tax system with the regulatory and management capacities usually reserved for State Administrations. This does not prevent the Agreement from including relevant tax harmonisation rules to guarantee the controlled development of the different tax systems: those of the Basque Country and those from the rest of the Spanish State.

In the Basque Country, tax issues are linked to the Institutions of its three Historical Territories, Araba, Bizkaia and Gipuzkoa. However, it is the Basque Government which approves regulations governing tax co-ordination, harmonisation and co-operation.

In use of these powers, the Basque Government approved Law 3/1989, that developed these principles and that created the Basque Tax Co-ordination Body which includes representatives from the Provincial Governments and the Basque Government, and which promotes the above-mentioned principles of tax co-ordination, co-operation and harmonisation in the Historical Territories in the Basque Country.

All taxes that form part of the tax system are managed and collected by the Provincial Treasuries based on the distribution included in the Tax Agreement.

From the point of view of regulations, and concerning indirect taxes, the Basque Country has its own Income Taxes, its own Corporate Tax and its own Property Tax and Inheritance Tax.

Furthermore, the Economic Agreement provides the Provincial Treasury Department with the power to collect Income Tax from Non-Residents, applying the same rule as in the rest of the State, except in the case of non-residents permanently established in the Basque Country, in which case they have the same powers and apply the same rules as in the case of Corporate Tax.

Concerning indirect taxes, the level of harmonisation concerning the two major taxes, Value Added Tax and Special Taxes, is practically total, based on the nature of these taxes, which have been harmonised throughout the European Union. Hence, the powers of the Provincial Treasury Departments are limited to specific aspects governing the management of the tax. On the other hand, the third indirect tax system, based on potential collection, the Inheritance and Legal Document Tax, can be regulated autonomously by Basque institutions.

The relevance that the so-called Agreed Taxes have on the tax policy can be seen in the amount collected.

### **The Financing System in the Basque Country:**

The main feature of the Basque financing system is its capacity to collect almost all the taxes that form part of its own tax system, contributing to finance the expenses of the State in connection with services that have not been transferred to Basque Country institutions. This contribution that the Basque Country makes to the State is known as the "Quota".

Chapter II of the Economic Agreement regulates Financial Relationships with State Administrations, which are based on the following main principles:

- 1.-Tax and financial autonomy for Basque Country institutions.
- 2.-Solidarity
- 3.-Co-ordination and co-operation with the State concerning budgetary stability.
- 4.-Contribution by the Basque Country to State expenses not assumed by the Autonomous Region.
- 5.-Financial tutelage of Local Entities. Corresponds to Basque Country institutions.

Concerning how the Quota is calculated, the Economic Agreement states that the method of calculation will be established every five years, by means of a law.

Consequently, Law 13/2002, of 23rd May, approved the method of the Quota for the 2002-2006 period.

## **Corporate Tax**

Regulations governing Corporate Tax in each territory can be viewed in the Provincial Tax Code (Código Foral Vasco), a computer application that integrates the tax regulations of the historical territories of Araba, Bizkaia and Gipuzkoa.

### **Definition and connection points in the Economic Agreement**

Corporate Tax is a direct and personal tax that taxes the income of companies and other legal entities. The Economic Agreement dedicates section three of chapter one (articles 14 to 20) to this tax and classifies it as a tax based on regional regulations. Therefore, the competent institutions in the Historical Territories may regulate this tax without any type of limitation, respecting the harmonisation principles established in the Agreement.

Basque regulations governing this tax apply to entities whose tax address is in the Basque Country. If the total volume of operations of an entity in the previous financial year exceeds 6 million Euros a year, the requirement also demands that the entity should perform over 25% of its operations in the Basque Country, under the terms specified in the Economic Agreement. This point of the regulations obviously implies that an entity will only be subject to one set of regulations, Provincial or Common.

The Agreement also includes a point concerning the levying of the tax. The levying of the tax corresponds entirely to the Provincial Treasury Department when the tax address is in the Basque Country and the total amount of operations for the previous year does not exceed 6 million euros, wherever the operations took place.

In the case of this tax, as in the Value Added Tax, an entity may, applying one single set of regulations, share the results of its liquidation between several Administrations if the operation being taxed has been performed in more than one territory. This circumstance occurs when an entity operates in both territories and the volume of its operations exceeds 6 million euros. In this case, the payment of the tax will be based on the proportion of the operations performed in each territory during the financial year.

### **Corporate Tax Features**

During 2007, Araba and Bizkaia approved relevant Provincial Regulations that partially altered the Provincial Laws governing Corporate Tax. The most relevant measure was a reduction of the general tax from 32.6% to 28%, as well as the rate applied to small enterprises, which is now 24%.

Additional measures included the rationalisation and update of tax incentives with a view to making them as efficient as possible, concentrating tax expenses on activities considered as essential for corporate competitiveness. Among these we can stress those connected with technological research, development and innovation, the maintenance and improvement of the environment and the efficient use of energy sources as well as those that contribute to the employment of groups that have specific difficulties to find jobs.

Finally, new regulations have been issued concerning linked operations, making the valuation at market prices and of asset holding companies mandatory.

However, the three Provincial Laws are still very similar, and it is expected that the certain aspects in which they differ shall be solved in the near future, with a view to achieving the greatest possible level of harmonisation in the three Historical Territories.

Not affecting more detailed information via the Regulations governing Corporate Tax in each Historical Territory, the main features that are generally included in these Regulations are as follows:

**1.- Taxable Item:** It represents the income obtained by the taxable person, irrespective of its source or origin.

**2.- Taxable Amount:** The taxable amount is calculated on the basis of the accounting result and is corrected in accordance with the adjustments provided for in the Provincial Regulations. This may be reduced, if appropriate, by compensating negative taxable amounts from previous tax years.

#### **2.1.- Amortization.**

- Provincial Regulations include a simply and practical amortization table.
- In general, companies are free to amortize tangible or intangible assets not in excess of 600 euros, and new assets acquired with a view to reducing and correcting the contaminating impact of their activities. Also included are those items of tangible and intangible assets that relate to the cleaning of contaminated land.
- Companies will be free to amortize tangible and intangible assets, except buildings, used for R+D, as well as R+D costs as intangible assets.
- Possibility of amortizing Goodwill and other intangible assets with an annual limit of the fifth part of the total amount.

## **2.2.- Valuation rules: corrections:**

A simple system is established to correct capital gains in order to eliminate the effect of inflation on income obtained in the transfer of patrimonial items of tangible and intangible fixed assets.

## **2.3.- Compensation of negative taxable amounts:**

- Negative taxable amounts may be compensated against positive taxable amounts during the fifteen tax periods immediately following.

- Reinvestment in extraordinary profit

- The following may not be integrated in the taxable amount:

Income obtained from the transmission of fixed tangible or intangible assets if these are used for commercial purposes and if the amount transmitted is invested in new fixed assets.

If a securities portfolio is transferred, 60% of the income obtained if the shares transferred granted a participation of at least 5% and had been owned for at least 1 year in advance.

- The reinvestment period will go from the year before the delivery or availability of the items to be reinvested and the 3 following years.

**3.- Tax Basis:** The tax basis is the result from applying reductions included in the Provincial Regulations to the taxable amount, and which may never result in a negative amount.

**4.- Tax Rate:** General rate: 28% (32.6% in Gipuzkoa).

## **5.- Deductions**

### **5.1.- Deductions to provide incentives to invest in tangible fixed assets:**

- Deduction for investments in new material fixed assets: 10% of the amount invested.

- Deduction to promote information and telecommunication technologies: 10% of the amount invested and expenses incurred (only in Gipuzkoa).

- Deduction for actions aimed at protecting and disseminating Cultural Heritage, as well as investments in film productions and the publishing of books:

- Cultural Heritage: 15% of the amount invested or expenses incurred.

- Film productions: 20% for the producer and 5% for the co-producer.

- Publication of books: 5% of the investment needed to publish the books.

### **5.2.- Deductions to provide incentives for financing companies:**

- Reserve for productive investments: 10% deduction on provisions for this special reserve.

- Reserve for the acquisition of equity securities: 5% deduction for the acquisition of variable yield securities (only in Gipuzkoa).

### **5.3.- Deductions to provide incentives to perform certain activities:**

- Deduction for research and development activities:

- 30% on expenses incurred in this concept and 50% for any expenses incurred in excess of the average amount incurred during the previous two years.

- 10% on investments incurred in tangible assets (except property and land exclusively used for these activities).

- Deduction on technological innovation activities:

- 15%/20% of expenses required to obtain quality assurance certificates and projects ordered from Universities or certain institutions.

- 10%/15% of expenses incurred in industrial design, production process engineering and the acquisition of advanced technology.

-Deductions on environmental conservation and improvement activities and on a better use of energy sources:

-30% on investments on equipment included in the Basque Clean Technology List.

-15% on investments in fixed tangible assets used to reduce and correct pollution impacts.

- Deduction on export activities: 25% on investments made in connection with certain export activities (only in Gipuzkoa, although this deduction can be applied in Araba and Bizkaia until 2011 based on percentages that decrease progressively year after year until the said deadline, when it will be abolished).

-Deduction on professional training costs: 10% on professional training costs for company personnel (additional 15% if the costs exceed the average over the previous two years).

-Deduction on local investments and expenses to provide first cycle education for children: 10% on investments and expenses incurred (only in Gipuzkoa).

- Deduction on corporate contributions to employment pension plans, corporate social welfare plans, social friendly societies or voluntary social welfare entities that operate as a corporate social instrument: 10%.

-Deduction due to the creation of employment for groups with special difficulties in this aspect: 3,000 euros for each person/year which implies an average increase in staff concerning the said groups over the previous year, if the said increase is maintained for two years.

-In Gipuzkoa, the said deduction is applicable to the creation of employment in general, and the amounts are:

-3,606.07 Euros for every person/year average increase in staff with an open-ended contract over the previous year, if the said increase is maintained for two years.

-4,507.59 Euros in the case of work sharing agreements.

-3,005.06 Euros, additional to the above-mentioned amounts if the person contracted belongs to a group with specific labour insertion difficulties.

#### **6.- Special regime from small and medium size enterprises:**

The Provincial Regulations promote small and medium size enterprises through the establishment of a special tax regime which consists in:

- Special rates for small enterprises: 24% (in Gipuzkoa the applicable rate is 30% on the taxable basis between 0 and 100,000 euros and 32.5% on other taxable bases).

- Freedom to amortize small enterprises and apply an amortisation that results from multiplying the maximum coefficients established on the tables for medium sized enterprises by 1.5.

- Deduction on investments on renewable energy sources: 15% on investments (only in Gipuzkoa).

## BASIC CORPORATE TAX SYSTEM

### TAXABLE ITEM

Income of any type obtained by the taxpayer (Companies with tax address in the Basque Country and if their operations exceed 6 million euros, that perform at least 25% of them in the Basque Country).

### TAXABLE AMOUNT

The taxable amount is calculated on the basis of the accounting result and is corrected in accordance with the adjustments provided for in the Provincial Regulations. This may be reduced, if appropriate, by compensating negative taxable amounts from previous tax years.

Amortization:

- Provincial Regulations include a simple and practical amortization table.
- Companies are free to amortize tangible or intangible assets not in excess of 600 euros, and new assets acquired with a view to reducing and correcting the contaminating impact of their activities. Also included are those items of tangible and intangible assets that relate to the cleaning of contaminated land.
- Companies will be free to amortize tangible and intangible assets, except buildings, used for R+D, as well as R+D costs as intangible assets.
- Possibility of amortizing Goodwill and other intangible assets with an annual limit of the fifth part of the total amount.

Valuation rules: corrections:

- A simple system is established to correct capital gains in order to eliminate the effect of inflation on income obtained in the transfer of patrimonial items of tangible and intangible fixed assets.

Compensation of Negative Taxable Amounts:

- for the payment of spousal support and maintenance support,
- contributions to social pension systems,
- joint taxation

### TAX BASIS

The tax basis is the result from applying reductions included in the Provincial Regulations to the taxable amount, and which may never result in a negative amount..

General Rate: 28%

Special Rate (SMEs): 24%

### OVERALL QUOTA

Deductions:

- Investments in Fixed Tangible Assets
- Incentives for company Financing
- Certain activities (R+D, Technological Innovation, Environment, Energy Saving, Exports, Training, Employment and Reconciling work and Family Life)
- May vary depending on territories

### FINAL RESULT

## Value Added Tax (VAT)

### Definition and connection points in the Economic Agreement

VAT is an indirect tax on consumption and is levied on three types of operations:

1. Delivery of goods and services performed by businessmen and professionals
2. Intracommunity acquisition of goods
3. Import of goods.

The Economic Agreement classifies this tax as an agreed tax based on common regulations. (see articles 26 to 29 of the Economic Agreement). The features of this tax has implied that in the agreement between the Basque Country and the State, the capacity to levy the tax by each Administration has been shared, as the regulatory capacity of the Basque institutions is limited to the aspects connected with the management of the tax.

In accordance with the Economic Agreement, the Basque VAT is governed by the same basic principles, regulations, levies, exemptions, payments, bases, rates and deductions as those established by the State.

The Historical Territories of Araba, Bizkaia and Gipuzkoa have their own VAT regulations that only differ from those of the State in the payment deadlines and in the approval of statement and payment forms.

Regulations governing VAT in each territory can be viewed in the Provincial Tax Code (Código Fiscal Foral), a computer application that integrates provincial tax regulations.

Concerning the levying of the tax, as in the case of Corporate Tax, it is paid to the Provincial Councils by taxable persons whose tax address is in the Basque Country, if the total volume of operations in the previous year does not exceed 6 million euros, wherever their operations are performed.

Furthermore, an entity may, applying one single set of regulations, share the results of its liquidation between several Administrations if the operation being taxed has been performed in more than one territory. This circumstance occurs when an entity operates in both territories and the volume of operations exceeds 6 million euros. In this case, payments are made in proportion to the volume of operations performed in each territory throughout the financial year.

## Income Tax (IRPF)

Regulations governing INCOME TAX in each territory can be viewed in the Provincial Tax Code (**Código Fiscal Foral**), a computer application that integrates provincial tax regulations of the historical territories of Araba, Bizkaia and Gipuzkoa.

## **Definition and connection points in the Economic Agreement**

Income Tax is a direct, personal and subjective tax levied on individuals' income. The Economic Agreement contemplates this tax as an agreed tax based on autonomous regulations, where the connection point is the regular place of residence of the taxpayer. In other words, it will be levied by the relevant Provincial Council based on the place of residence of taxpayers in the Basque Country. It is regulated by section two of chapter one, articles 6 to 13, both inclusive.

## **Income Tax Features**

This tax has been extensively altered in 2007 with the new regulations that came into force on 1st January. The said modifications have greatly harmonised Income Taxes between the different Historical Territories in the Basque Country.

One of the most innovative aspects of the new tax is the elimination of differences that had existed in the levying of income from savings. They are now granted the same tax treatment and are all levied at the same rate.

Taxpayers' income is based on their salary income, economic activities and shares (tangible and intangible), apart from the gain or loss of property and other income. Furthermore, there are a number of exemptions.

In order to establish the taxable base, income is classified into general income and savings income. The latter includes income from real estate, including homes and other buildings, as well as income from the transmission of assets. The rest comes from general income.

Regularly, income and expenses are calculated for the taxable period when the income is accrued and the expenses incurred.

The calculation of the general taxable basis and of the savings taxable basis is obtained by the quantification of overall income and deductible expenses that correspond to each tax source, together with the application of specific cases (bonuses on labour income, number of years during which they were generated, updating of acquisition values, reinvestment in the regular home, ...) and, then, after the integration and compensation between the different types of income based on whether they belong to one or other type of income (general or savings).

Once the general taxable base has been obtained, which is the result of applying reductions for the payment of pensions and yearly payments on food, contributions to social pension systems and joint payment of taxes. On the other hand, the tax basis that corresponds to savings is obtained by reducing the taxable amount in the remnant, if any, from the reduction for the payment of spousal support and food support.

The Tax table is applied to the general taxable amount to obtain the overall quota, while a fixed levy of 18% is applied to the savings tax basis.

The tax table includes five tranches that go from 23% minimum to 45% maximum for the highest incomes.

Once the overall quota has been calculated, any relevant deductions are applied: general deduction, family and personal deductions (for descendants that require care, payment of food support for children, ascendants who live with the taxpayer due to incapacity, age), deductions on contributions incurred to protect assets belonging to the person suffering from an incapacity, deduction on investments and finance for the acquisition of the regular home, deductions on rent for the regular home, deductions on the promotion of economic activities (investments and other activities, participation of workers in the company, deposits in credit institutions for the investment to commence economic activities), deductions on donations and other deductions (double international payment and fees paid to unions).

Two new aspects concerning deductions are the creation of a general deduction on self-liquidations and, now, the application of deductions for the acquisition of the regular is levied on each taxpayer individually rather than based on each property.

The amount that results from reducing the overall quota after deductions is the payable quota, i.e., the amount to be paid by the taxpayer.

Finally, the result of the calculation will be equal to the difference between the payable quota and the amounts paid in advance.

## BASIC INCOME TAX DIAGRAM

### TAXPAYER INCOME

- salary income,
- income from economic activities,
- income from capital,
- gains and loss on property,
- other income

### TAXABLE AMOUNT

#### General Taxable amount

#### Savings Taxable amount

##### Reductions:

- for the payment of spousal support and maintenance support,
- contributions to social pension systems,
- joint taxation

##### Reductions:

- for the payment of spousal support and maintenance support (if after reducing the general taxable amount any remnant were not applied)

### TAX BASIS

#### General Tax Basis

#### Savings Tax amount

Application of the tax table

Application of the 18%

### OVERALL QUOTA

##### Deductions:

- general deduction,
- family and personal deductions,
- deductions for incapacity,
- deductions for regular home (aquisition or rent),
- Deductions for promoting economic activities,
- Deductions for donatons and
- other deductions: double taxation and unions.

### PAYABLE AMOUNT

Advance payments (deductions at source, advance payments and instalments)

### FINAL RESULT

## ➤ Aids to Foreign Investment

# 11.-

### Aid to Investment

In order to promote industrial development, Basque Institutions offer a wide range of aids, which include the support to investment through returnable advances, low interest loans with good payment conditions, lease and hire contracts in favourable conditions, tax incentives, professional training, company support for job creation, aids for the implementation of research and development projects (R&D), setting up of companies in technology parks, etc.

This aid corresponds to different organizations: the European Union, the Spanish State, the Basque Government and the Provincial Councils of each Historic Territory (Araba, Gipuzkoa and Bizkaia) - a substantial variety of programmes. For further information consult the DELFOS data base, which can be accessed from [www.euskadi.net](http://www.euskadi.net) and [www.spri.net](http://www.spri.net). On the other hand, SPRI, the Basque association for the promotion of industry, offers help to assess the kind of programme that can be applied in each case, depending on the regulations of the different institutions. For further information contact [info@spri.es](mailto:info@spri.es).

### Establishing Companies

In the Basque Country almost 5,000 commercial companies are established each year; most of them are traditional companies, especially in the case of Limited Responsibility companies, but we must stress the continuous increase in the number of companies that adopt other legal forms (Co-operatives and Worker-Owned Companies) where human factors predominate over capital, favouring self-employment. The concern, in the latter, for concepts such as Corporate Social Responsibility (CSR), Sustainability, the Environment, Respect for Workers and Groups of Interest... is to be noted. The institutions support the implementation of models based on CSR as a new strategic axis (Xertatu: aid Programmes).

## Commercial Laws

Commercial Laws governing the creation of a company in the Basque Country is the same as in the rest of the State, except for specific legislation governing co-operative companies; the Companies established may be of two types: civil or mercantile.

Civil Companies – Community of Property –, governed by Civil Law (art. 392 to 406 and art. 1,665 to 1,708), do not have their own legal personality and the partners (two at least) respond to any company debts with their own property, which is clearly a system not currently in us.

Mercantile Companies are classified, based on the level of responsibility of the partners, into:

1. Unlimited Responsibility Companies = Regular Collective Company
2. Mixed Responsibility = Limited Companies
3. Responsibility limited to contributions:
  - a. Private Limited Company
  - b. Public Limited Company
  - c. Worker-Owned Company (Private or Public Ltd.)
  - d. Co-operative company

Unlimited Responsibility Companies or Mixed Companies are not common.

A Private Limited Company (Law 2/1995 of 23rd March) requires a public deed issued by a notary and registered in the Mercantile Register of Companies and must have a capital of at least 3,000 Euros with no limit of partners. It is governed by the General Meeting of Partners and by a Single Administrator, or several administrators or by a Board of Administration. It pays Company Tax at general rates.

A Public Limited Company (Law 1564/1989 of 25th July) requires a public deed before a notary; registered in the Mercantile Register of Companies and must have a capital of at least 60,000 Euros with no limit of partners. It is governed by the General Meeting of Shareholders and by a Single Administrator, or several administrators or by a Board of Administration. It pays Company Tax at general rates.

A Worker-Owned Company (Private Limited or Public Limited) (Law 4/1997 of 24 March) requires a public deed before a notary and registering with the Register of Companies. It also requires registering with the Register of Worker-Owned Companies of the Basque Government; its capital must total at least 3,000 € (Private) or 60,000 € (Public) and must have at least 3 partners, each of which may not hold more than 1/3 of the Company Capital. Furthermore, most of the capital must be owned by the partners-workers with open-ended contracts. There are a number fiscal exemptions (ITP/AJD) as well as special aid packages for social economy companies. In all other concepts, they adapt to legislation governing private or public limited companies.

Co-operative Companies (Law 4/93 of 24th June) require a public deed before a notary, registration in the Euskadi Co-operative Register; at least 3,000 € of capital and at least 3 partners; most of the partners must work in the company. They are governed by a General Assembly and by a Single Administrator or Governing Body . They enjoy a number of Fiscal Exemptions (ITP/AJD) and pay a lower Corporate Tax rate. They may also be entitled to special aid for social economy companies.

The previous law is complemented by the new Law 6/2008 of 25th June on Small Co-operatives in the Basque Country that regulates co-operatives with a minimum of 2 partners and a maximum of 10.

In 2007, the Law on Professional Associations (Law 2/2007 of 15th March on Professional Associations) came into force. This law intends to regulate common professional activities by establishing a special framework to prevent their denaturalisation. The basic aspects of this law are not different from the previous regulations.

## Social Economy Companies

Worker-owned and Co-operative Companies are so-called Social Economy Companies. They are based on the following principles:

democratic decision-making processes, "one person = one vote", they have inherited the co-operative principle, considered by some as the main principle as it introduces democracy in decision making if compared with private sector capitalist systems, where the capitalist principle of "one share = one vote" is used. "

priority of people and work over capital when distributing profit, which implies a distribution of profit that is not linked and that may even contradict each member's participation in the company's capital, as can be seen in principles such as the provision of collective assets, the limited remuneration of capital or even the rule of no distributing profits,

service based purpose of its members or group before profit-making, stressing that the economic activity performed is based on a vocation to help people and not on obtaining profits, which may be made but as an intermediate objective for the final purpose of the company, which is to provide a service and

autonomous management, distinguishing it from public companies.

Industrial activities concentrate the greatest level of employment among social economy companies, followed by those integrated in the services sector, construction and agriculture. All in all, 68,108 Basque workers are co-owners and take part in the management of over 2,500 co-operative and worker-owned companies.

Basque social economy offers employment levels that are higher than average and it is the predominant corporate formula in certain districts, especially in the historical territory of Gipuzkoa. The most important entity, Mondragón Corporación Cooperativa (MCC) , is the largest corporate group in the Basque Country and the most highly diversified throughout Spain.

Basque co-operative companies provide jobs for 54,500 workers; they are represented by the Confederación de Cooperativas de Euskadi (Basque Country Co-operative Company Confederation), with 675 member companies from six federations; ERKIDE groups dedicated to Work Partnerships (511 companies and 33,152 workers, of which 23,134 are members), Credit companies (2 companies, 452 branches and 2,525 employees) and those dedicated to Teaching (76 co-operatives with 5,142 employees, over 4,100 teachers and over 54,500 students); on the other hand, the federation of Agricultural co-operative companies comprises 71 companies and 621 workers, the Transport federation includes 6 companies with 650 employees, 581 of which are members and, finally, the federation of Consumption co-operatives includes 9 companies, 10,233 workers, 7,680 of which are members. The total number of co-operative companies generates a turnover of around 10,460 million euros. This confederation represents almost 95% of all co-operative members in the Basque Country.

Concerning Worker-Owned Limited Companies (SAL), their presence is especially significant in the Basque Country, above all in the industrial sector. The 300 Basque companies that form the Association of Basque Worker-Owned Limited Companies (ASLE) employ almost 9,000 members, which totals 16% of the workforce in this type of company in the entire State.

S.P.R.I.'s International Network



## ➤ SPRI's International Network

# 12.

The SPRI International Network is present in markets where the demand for Basque Companies is greatest and comprises SPRI Agencies, Basque Government Offices abroad and Agents or Consultants that specialise in industrial projects.

### Objective:

Pave the way for Basque companies to access international markets, supporting them in all their activities that lead to the possibility of extending their presence in other markets.

### Actions:

- Identify, assess and contact potential partners in foreign markets.
- Visit the most interesting potential partners and undertake the necessary intermediary actions.
- Assess companies during negotiations aimed at signing agreements

### Aimed at:

All companies that develop or wish to develop their activities in the Basque Autonomous Region.

SPRI's permanent structure abroad (\*), as well as specialised Agents and Consultant that have agreements with the SPRI to work with Basque companies can be found in the following countries, among others:

- Algeria
- Argentina (\*)
- Belgium
- Brazil (\*)
- Chile (\*)
- China (\*)
- Cuba (\*)
- Czech Republic (\*)
- Denmark
- Egypt
- Estonia
- Finland
- France
- Germany
- Holland
- Hungary
- India
- Italy
- Japan
- Latvia
- Lithuania
- Luxembourg
- Mexico (\*)
- Morocco
- Norway
- Poland (\*)
- Portugal
- Rumania
- Russia
- Slovakia (\*)
- South Africa
- South Korea
- Sweden
- Turkey (\*)
- United Arab Emirates
- United Kingdom
- USA
- Venezuela (\*)
- Vietnam

You may consult the updated list of SPRI Agents abroad at the following link: [www.spri.es](http://www.spri.es)

