



CCE-R Newsletter

(No.01 / January 2006)

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Editorial of the month

Dear all,

Here we are again at the beginning of an expectedly interesting year. So for those of whom I have not been able to talk to over the past weeks, I wish you a year 2006 full of joy and happiness, and great successes.

We are already started and are all striving to get ever "readier" through the last year before Romania's EU entry in 2007 (?). On this point, we shall have to wait for the next EU assessment (due in April) to know if we might see it happen only in 2008.

2005 was an interesting year in regard of our Chamber's activities. We have launched the Internet site, after some teething issues and now have an easy way to communicate and be found/contacted. I encourage all to visit the site and promote it.

Our members have expanded, though we admittedly remain a relatively small Chamber of Commerce, if one uses some economic powerhouses as the benchmark (USA, UK, France...). However, one can be satisfied by the fact that we represent well the "Swissy-Swiss" approach, being bigger than we appear to be and within a certain spirit, of sharing experiences and promoting business in a professional, ethical and constructive way.

Our regular monthly meetings, together with the Swiss Club, have brought a variety of events together, from Members' presentations to Real Estate projects (Baneasa IT Business Park) to a discussion with a NGO (GEA - *Group of Applied Economics*). We ambition to continue widening the scope of issues we address during those events.

A warm thank you to all present at the Christmas Dinner, to Jakob Hausmann for hosting it, to *Helvetansa* and all "donators" for the tombola and to the *Swiss Foundation for Organs in*

Romania (Harman, Brasov) and Mr. Ferdinand Stemmer and his team for what they do to bring know-how and a future to willing young Romanians.

We have also pursued and obtained for 2006 financial assistance from OSEC Business Network Switzerland in order to provide more input to the "Swiss Business Network". This will be an advantage and bring further interested Swiss companies to the Chamber. I would like here to heartfully thank the Swiss Embassy, and in particular Dominique Petter for making this possible.

Finally, I would like to express my gratitude to all involved in the running of our Chamber and wish you again lots of success in 2006.

Looking forward to meeting you all at our Business Clubs as well as at other events in the coming months,

Yours sincerely,

Paul Nuber

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The CCE-R Board informs

CCE-R Board Meeting – January 24, 2006

The first CCE-R Board meeting in 2006 took place on January 24 at Dominique Petter's residence in Bucharest. The meeting was chaired by Paul Nuber, CCE-R President.

The Board approved the contract of co-operation between the Chamber and osec. Details on this contract will be available after its signing by osec's representatives, the Swiss Ambassador in Romania and the CCE-R President.

The Board also discussed the budget proposal for 2006 and the draft schedule of the future Chamber's monthly meetings.

🚩 **The next CCE-R Board Meeting will take place at the Chamber's head-office on February 16, 2006, 18:00.**

🚩 **The next CCE-R Business Club will be organized by *Liechtensteinische Landesbank AG*, at *Hilton Athénée Palace*, Bucharest on February 16, 2006, 19:30.**

New Member

LIECHTENSTEINISCHE LANDESBANK AG entered the Chamber of Commerce Switzerland – Romania in December 2005.

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This month's member / News and Company Profile

This column gives our members the possibility to present themselves to the other companies and to highlight important aspects of their activity. Our initiative goes together with the invitation for subscribing to this facility: **if you want to present your company to the other members in one of the next issues of the Newsletter, please contact us at ccer@ccer.ro.**

An excellent mixture of tradition and innovation **Private banking at **LIECHTENSTEINISCHE LANDESBANK AG****

The relationship between a client and his/ her bank is based on trust, discretion and safety. In private banking, in particular, the goal is to establish a long-term partnership characterized by a very high quality of professional advice. The Liechtensteinische Landesbank (LLB) offers its clients comprehensive wealth management services.

In a constantly changing market environment stable financial relations are especially important. Choosing a personal financial partner is therefore a very significant decision. "The trust of our clients is an obligation and a motivation for us to give them our best performance every day", says Rolf P. Frehner, Head of Private Banking CEE of the Liechtensteinische Landesbank. "We are well aware of the responsibility we bear, and we look after the assets entrusted to us with the greatest consideration and sensibility. This is because every portfolio is unique and demands individual care and attention, taking into consideration the personal goals and requirements of our clients."

Financially strong Liechtensteiner Bank

The Liechtensteinische Landesbank is the longest established financial institute in the Principality of Liechtenstein. Stability, security and profitability together with partnership and fairness are the values that have distinguished the LLB for 145 years. The LLB owes its widely admired level of stability and security to its solid equity capital base, and to the fact that its majority shareholder is the Principality of Liechtenstein. Furthermore, with client assets of about CHF 40 billion (USD 31.7 billion), the LLB is one of the leading wealth managers in the Swiss / Liechtenstein currency area.

The Liechtensteinische Landesbank is the parent company of the LLB Group, which has business bases in Vaduz, Zurich, Basel, Geneva, Lugano, on the Cayman Islands and in Abu Dhabi (United Arab Emirates). In conjunction with a total of seven Group companies, the LLB offers a broad spectrum of first-class wealth management services.

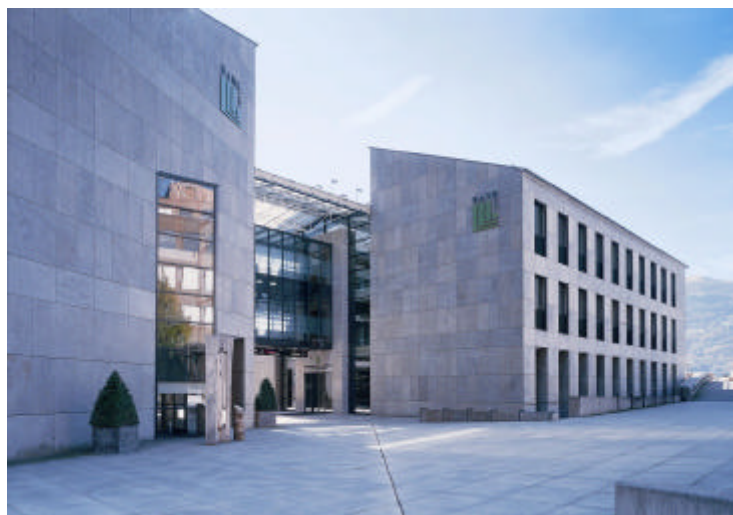


Photo:
The Liechtensteinische Landesbank (LLB) in Vaduz, Principality of Liechtenstein

Balance between tradition and innovation

Proud of its traditions and yet modern, small but outward-looking, these attributes define not just the Liechtensteinische Landesbank, but also the Principality of Liechtenstein itself. It is their immense variety and individuality that distinguish the Principality as well as its bank, and highlight their uniqueness.

Liechtenstein is situated between Switzerland and Austria at the heart of Europe. With an area of 160 square kilometres, Liechtenstein is compact and familiar, but still large enough to be a diverse and thriving business, industry and financial services centre.

Talking of trust

The LLB's special advantages guarantee many benefits for its clients including stability and safety, majority ownership by the Principality of Liechtenstein, extensive experience and reliability, as well as proven financial expertise and innovative services. These attributes generate trust. Trust in the LLB. And trust in Liechtenstein and in its financial centre – politically stable and economically sound.

Infobox:

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Legal&Financial issues

All CCE-R members acting in the legal and financial fields are invited to contribute to this column.

Legal Focus

by "Zsolt Karl Radnoczy - NÖRR STIEFENHOFER LUTZ"

Increase in the number of work permits for foreign nationals

On 20 January 2006 the Romanian Government published the **Decision no. 20** regarding the number of work permits to be released to foreign nationals in the year 2006. Accordingly, the number of work permits was set up at 10.000, amid with the possibility of increasing this number upon request by Decision of the Government.

Giving the fact that the prior maximum number of work permits put forward in 2005 was set up at 2,500, being easily exceeded at the end of November 2005, it is undeniably that the present Decision will be saluted by foreign nationals who intend to work in Romania.

It is to be remembered, that the **Law no. 203/1999** on work permits defines the work permit as the official document issued according to the provisions of this law, on the basis of which the foreigners may be employed in Romania. The Law on work permits also mentions some categories of people, who can take up any lawful employment in Romania without having the need of a work permit, like for instance:

- ✂ nationals of EEA (European Economic Area) countries (starting with the date when Romania joins the EU)
- ✂ those whose access on the Romanian labour market was established by conventions or agreements Romania is a party to, or
- ✂ those who are deployed as managers of a Romanian subsidiary or representative office by the parent foreign company.

All the same, please note that due to the lack of appropriate methodological norms the latter exemption find little if no application in practice. It follows that, until further regulation, foreign nationals should apply for a work permit before commencing a new job in Romania.

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Tax Column

by Serge R. Gonvers, Senior Partner, "Audiconsult" SRL

The purpose of this "tax column" is not only to highlight major recent changes in the field of taxation but, as well, to give some updated trends and opinions prevailing in the business community.

The big surprise and big change of the beginning of the year is... that there is no change! The well advertised planned modifications of the fiscal code debated and discussed in details during 2005 shall only take place as of January 1st, 2007.

The official reason for this postponement is the respect of the law requiring any modifications to be announced and voted at least six months before its effective validity.

The unofficial reason is that apparently the State budget is doing well and additional resources are not as critical as they used to be.

Another rumor mentions the powerful lobbying of cigarette producers not to increase taxes on tobacco...

What is real is the increase of taxes perceived by the State in 2005 due to introduction of the flat tax. This increase is not due to the taxpayer becoming suddenly a better payer, but simply to the fact that the revenue increase of employees generated by the flat tax introduction has been almost entirely dedicated to consumption, thus increasing the VAT income of the State, as well as excise and custom duties to a lower extent.

Predictions for inflation in 2006 is rather high (higher than 2005) while GDP growth should be lower than in 2005, all that added to the uncertainty as to the effective adhesion date to the European Union.

Some analysts are forecasting a 2% increase of the VAT rate at middle term to handle the slowing economy.

Main objectives for tax specialists and lobbyists in 2006 are still:

- ✂ the improvement of the consultation process with Authorities;
- ✂ the increase of deductibility criteria, including bad debts issues;
- ✂ simplification in tax returns filling and filing;
- ✂ reduction (capping) of social security contributions (for health especially).

Any comments or questions are welcome at serge.gonvers@audiconsult.ro

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Business News

Holcim turns 11th plant green

Following an investment of some EUR 2 million, Holcim Romania last week opened its 11th environmentally friendly concrete plant (EFCP) in Targu Mures. It has a capacity of 120 cubic meters of concrete per hour and is fully automated.

One of the features of this type of plant is all-year-round operation, as it is equipped with a heating system for hot water and hot air, allowing concrete production in cold weather. "We opened our first environmentally friendly concrete plant in Pitesti in 2001 and we will continue this project as part of our environment protection strategy," said Markus Wirth, general manager of Holcim.

With the new opening, the company now operates 14 EFCPs. Out of these, 11 are greenfield plants based on a modular concept, and the others have been refurbished. The company's investment program in Romania was estimated at some EUR 32 million for this year. "Around EUR 28 million was used upgrading our existing cement plants and the other EUR 4 million went into building two new environmentally friendly concrete plants and refurbishing a third," Wirth said earlier in the year.

He added that any further expansion of production facilities will depend on the growth of the local market, which is still at a low level. Currently, cement consumption per capita is 200 kg. It is expected to see a 15 percent increase over the medium to long term. The firm posted EUR 130 million in turnover in 2004, an increase of 30 percent compared to 2003. Holcim's overall investments in Romania amount to EUR 300 million so far. *(by Business Review, 15.12.2005)*

Nestlé takes over Delta Ice Cream producer

The Swiss company Nestlé has bought the Greek ice cream producer Delta Ice Cream, which owns a plant in Romania, located in Bucharest. The deal, worth 240m euros (287 million dollars) directly propels Nestlé into leading position on the Romanian ice cream market.

The acquisition sealed by the Swiss group is part of the company's strategy to expand activities on the Greek and Balkan markets. The Greek producer Delta Ice Cream carries out operations in Romania through Delta Romania, which is the biggest producer on the domestic market.

Delta Romania's financial results have followed a declining trend during the last two years. In line with data from the Ministry of Public Finances, last year Delta Romania registered more

than 30% lower turnover, down to 8.3 million euros (33.7 million RON), and racked up losses standing at 3.6 million euros in 2004. The company's representatives had made no comments on this deal by the time of going to press.

This year, the domestic branch of Delta Ice Cream also decided to change the management of the company, with the general manager position now being held by Victor Peter Helas, who replaced Dimitris Giannakopoulos. The ice cream market is put at around 35 million euros per year, with the top two positions being held by Delta Romania and Napolact, a company that is a member of the Friesland Romania group, each with annual sales of 7-8 million euros. Other major players are Betty Ice, Amicii (Kubo Ice Cream) and Alpin.

For the other market players, Nestlé's entrance on this segment is a sign that guarantees market growth. "Nestlé is a global player and is likely to attempt to bring the domestic branch of Delta back on an ascending trend. This move will add to the professionalism of the Romanian market, which is still characterised by cheap ice cream and by an extremely low level of promotional activities," says Gerbrant De Boer, Friesland Romania general manager.

Delta Romania owns an ice cream factory in Bucharest, with an annual production capacity of 7,000 tonnes. The main brands sold by Delta on the Romanian market are Top Gun, Best and Aloma. Nestlé entered the Romanian market as early as 1995, and in 2000 purchased Timisoara-based wafer producer, Joe. Last year, the company logged turnover worth 62 million euros.

Beside wafers, in Romania Nestlé also sells culinary products (Maggi), cereals (Nesquick, Fitness), baby food (Nan) and dog and cat food (Purina, Friskies). The company has not brought any of its ice cream brands onto the market so far, though these are traded through some independent importers. The main ice cream brands Nestlé manufactures are Scholler, Savory, Frisco and Frigor, as well as Mövenpick. *(by Ziarul Financiar, 21.12.2005)*

Raiffeisen, BRD and BCR to offer 24/7 services

The "self-banking" service model introduced by ING Bank on the market in mid 2004 and received with suspicion by the competition at the time is now being adopted by other banks, as well. BRD is preparing to launch specialised locations bearing the "24h BRD" logo, while Raiffeisen has already opened two offices using the same concept, though only experimental at the moment.

The first "Cafe Bank" that BCR is going to open on the location of the former beer house Turist in Piata Romana will include banking machines, which will allow conducting operations without the intervention of a bank employee. The same service model was introduced by ABN Amro this autumn, though this particular bank is not seen as an operator on the retail market yet.

Purely symbolic, Citibank introduced the first "intelligent" machines a few years back that allowed payment of bills with cash, but the programme was not expanded. Therefore even though the major retail banks keep saying the needs of the customers require the presence of an employee to provide advice, the viability of the business model that entails expansion of the standard operations programme to 24 hours is gaining acknowledgement.

Actually, this service category is widespread on the Western markets, and Central Europe also, as an addition to the traditional business hours. It is mainly about the possibility offered to customers to no longer be tied to a relatively tight schedule for making simple operations such as feeding cash into accounts, paying bills, transferring money from one account to another or viewing card transaction history over a specific period of time.

Such operations cannot be performed at most of the traditional cash dispensers and the machines facilitating them have to be placed in secure locations, unlike ATMs, which most of the times are very exposed. The first to import the model on the domestic market was ING Bank. *(by Ziarul Financiar, 12.12.2005)*

Holcim ups investments by 55 Million Euros

Construction supplies manufacturer Holcim has revised its investment plan for 2006-2008, an operation that will see the amounts allocated increase by 52%. The local branch of the Swiss Holcim Group announced that the investments it is set to make until 2008 will exceed 160 million euros, compared with the initial estimate of 105 million euros.

According to the management, the current volume of investments will cover every area of development, not just the manufacture of cement. The areas targeted are manufacturing technologies upgrades, boosting working capacities and environmental protection projects.

Holcim Romania's management estimates turnover to have gone up by approximately 12% in 2005 from 2004, when this indicator stood at 130 million euros. As for this year, estimates from the company's officials point to the same growth rate being held as last year. In theory, this would mean turnover of more than 165 million euros.

"Cement consumption in Romania, although lower than in the European countries, is going up, and this proves that the Romanian economy is constantly rising. The growth pace of the domestic cement market stood at 8% in 2005, a trend we estimate will hold in 2006," Markus Wirth, Holcim Romania general manager told ZF Transilvania. He added this trend depended upon weather conditions, however, as well as on the implementation of some major infrastructure projects.

The investments made by the construction supplies manufacturer in the factories it owns in Romania have exceed 300 million euros. Holcim's biggest investment project, estimated at tens of millions of euros, was the reconstruction of the factory in Alesd, which it bought from the France-based firm Lafarge in 2000.

The company will build the biggest cement drying line in Romania, in Campulung Muscel, whose annual capacity will stand at more than 1.5 million tonnes. *(by Ziarul Financiar, 17.01.2006)*

Raiffeisen seeks bigger market share

Raiffeisen sees the year 2006 as an opportunity for furthering its growth, given that the biggest bank on the market, BCR (Romanian Commercial Bank) will focus on its internal issues, linked to reorganisation and restructuring after privatisation, and the new contender, UniCredit/HVB/Tiriac will also become more involved in the integration and consolidation of its operations, Steven van Groningen, chairman of Raiffeisen, told Ziarul Financiar.

"Tactically, I see in this context an opportunity to expand our market share. We have no more huge projects, we are a healthy bank, and we are not entering any consolidation stage, either. We want to keep being dynamic in the future," says Van Groningen.

Considering his expertise in bank restructuring, Van Groningen believes that Erste Bank will need at least one year to thoroughly become acquainted with and control BCR, and another year to optimise the bank's activities. In his opinion, the Austrians will seek, for the position of BCR chairman, a banker with solid expertise in retail and restructuring, thought highly of in the financial sector, most likely an expat.

"I know only of 2 or 3 Romanian bankers who would have the necessary skills. Moreover, an expat does not need to remain friends with anybody after the 3 years of mandate he will serve," says Steven van Groningen. The banking chief admits that Raiffeisen has not met its target of reaching a 10% market share of the banking system assets in 2005.

Last autumn, Herbert Stepic, chairman of Raiffeisen International, the majority stakeholder in Raiffeisen Bank Romania, even mentioned a 12% target, though in the first half of the year the bank registered a decline in its market share, to 8.8%. After the first nine months of 2005, Raiffeisen Bank had total assets worth 2.887 billion euros, 38.5% higher than at the end of 2004.

Van Groningen says that, beyond the unquestionable supremacy of BCR and BRD, the situation is much more ambiguous in the case of positions 3, 4 and 5 on the market, which are very close to one another and can be distorted by moves at the level of assets, partly determined by NBR restrictions on foreign currency lending. For instance, Raiffeisen Bank in December sold assets worth almost 300 million euros, which damaged its market share at the very end of the year. *(by Ziarul Financiar, 17.01.2006)*

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The CCE-R Events Calendar

Next events organized by the Chamber of Commerce Switzerland – Romania

Month	Day	Action	Place
February 2006	February 16 18:00	CCE-R Board Meeting	CCE-R office Bucharest
	February 16 19:30	Business Club Liechtensteinische Landesbank AG	Hilton Athénée Palace, Bucharest
March 2006	March 15 18:00	CCE-R Board Meeting	CCE-R office Bucharest
	March 23 18:00	CCE-R General Assembly	tbd



Board Meetings are only for the Board Members.

This is a monthly Newsletter, released at the end of each month. Should you have any suggestions concerning it or should you want to contribute to its realization, please send us your proposals at:

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Become a CCE-R Member

If you want to help our Association grow, one of the best ways is to make it known and accessible. Invite interested companies to become members of CCE-R. They may fill in this form and return it to the head-office of the CCE-R.

MEMBERSHIP APPLICATION FORM

You are kindly requested to fill in the application form in block letters

COMPANY DATA		
Full Name		
Scope of Activity		
Registered Address		
Mailing Address (if different from above)		
Phones	#1	#2
Fax	#1	#2
E-mail	Website	
Reg. Com. No.	Fiscal Code	
Bank		
Account No.		
REPRESENTATIVE OF THE COMPANY		
Full Name	<input type="checkbox"/> Mr.	<input type="checkbox"/> Mrs.
Position		
Direct Phone	Direct Fax	
Mobile Phone (optional)	E-mail	
ADDITIONAL INFORMATION (optional)		
Links with Switzerland		
Specific interests within the CCER		
Any other relevant information		

Signature and stamp

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