



# CCE-R Newsletter

## (No.09 / October 2005)

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### Editorial of the month

#### Health Protection in Romania

The 3<sup>rd</sup> article of the Charter of Fundamental Rights of the European Union and also the Romanian Constitution (Art. 22, Art. 33) guarantee the physical and mental soundness of each person. Thus every Romanian citizen has the right to health care and appropriate medical supply.

The present situation in Romania is as follows:

In the context of the general changing efforts in Romania, in 1997, the law introducing a mandatory health insurance was implemented, which guarantees that each Romanian citizen has the right to an appropriate basic medical supply. The insurance is financed by average contributions from the wage, paid by both employers and employees: employees (6.5%) and employers (7%), altogether 13.5%, which makes it one of the highest insurance taxes in Europe.

When an insured worker asks for medical service (in a hospital, private hospital or at a family's physician), he sees himself, in most cases, constrained to pay the medical intervention and the medication from personal money, because of the fact that medical personnel is not being paid enough or at all by the health insurance company, and therefore hospitals have no medication or the financial achievements of the health insurance company are not used accordingly to the budget. This leads to a chronically inadequate medical care and to a fast deterioration of life expectancy value (which are today already smaller than in many North African states), especially for people with low income.

This development also implies a high hazard potential for the enterprises/ investors, particularly by rising rates of sickness level, respectively sickness days, increasing turnovers due to diseases and rising costs, because the enterprises have to organize their own health services, etc.

This development must be changed by measures taken by the companies, through clear and unmistakable demands to the political and administrative instances: the industrial and economic restructuring in the last years, which was partly socially painful, must be also introduced in the health service by reducing the number of acute beds

in favour of decentralized ambulatories. The role of the hospital administration and management must be redefined. The requirement profile to the hospital will fundamentally change, based on the financing system of lump compensation. The supplier must orientate itself towards the patient (customer), the market demand, as well as to the quality of the medical services it offers. The hospitals will therefore operate increasingly as independent enterprises with full profit and exposure to loss in competition with each other, situation that leads indirectly to the benefit of the patient.

In addition, these demands must be submitted to the National Health Insurance Company: the insurance premiums carried out by employees and employers have to be supplied without temporal delay and not diminishing the rights of suppliers in the Romanian health service. A misuse of these funds leads to a direct and serious endangerment of human lives. The use of the premium funds by the suppliers has to be verified in accordance with an objective quality and efficiency controlling system. The relationship between health insurance and insured persons must be thus so simply administratively arranged, that insured persons benefit from the medical treatment without large bureaucratic expenditure. And, last but not least, private health insurers should be allowed to compete without restrictions.

According to press releases, there is a set of law projects which follow this direction. There is still the hope that the Romanian Parliament and the Government should conceive and carry out pragmatic and concise solutions on these vital issues as fast as possible.

Peter Bayard

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## **The CCE-R Board informs**

### **CCE-R Board Meeting – October 20, 2005**

The previous CCE-R Board meeting took place on October 20 at CCE-R's head-office in Bucharest. The meeting was chaired by Paul Nuber, CCE-R President.

The Board discussed the proposals for the next CCE-R Business Clubs and analyzed the activity of the Chamber in October.



**The next CCE-R Board Meeting will take place on November 14, 2005, 17:30, at GEA's head-office.**

## CCE-R Business Clubs – October 2005

### Cocktail organized by the Swiss Embassy - October 05, 2005

The Swiss Embassy offered to CCE-R members and other Swiss companies present in Romania the traditional cocktail during TIB. The event took place at the Crowne Plaza Hotel, Primavera Room, on October 5, 2005, 19:00 and gathered about 30 companies.

### Business Club at CB Richard Ellis - October 20, 2005

The CCE-R Business Club in October was kindly organized by *CB Richard Ellis* ([www.cbre.com](http://www.cbre.com)) in its showroom in 5, C.A. Rosetti Str., Bucharest, on October 20, 2005, at 19:00.

The members of the Chamber had the opportunity to find details on Baneasa IT Business Park, an important project that began being developed in the northern part of the city. It will include office premises, residential areas, supermarkets, a hospital, parks, lakes etc. *CB Richard Ellis* is the seller and consultant for this project.

- ✚ The next CCE-R Business Club will take place on November 14, 2005, 19:00, at GEA's head-office. GEA is the Group of Applied Economics ([www.gea.org.ro](http://www.gea.org.ro))

## News

### TIB 2005



The Chamber of Commerce Switzerland – Romania was present at **TIB 2005** during October 4-8, Romexpo Exhibition Centre, Hall no. 21, Stand no.13.

CCE-R members contributed to the stand construction and offered displaying materials. *Nestlé* offered a coffee machine, *Swisspor* a polystyrene table for the plasma screen on which an animation with all CCE-R members' logos played. *Holcim* offered displaying devices and bar chairs, *eNsight* offered a water machine, *Swiss International Air Lines* and *Syngenta* offered flyers and posters, as well as other promotional materials. *Mica Elvetie* and *Fine-Consulting* helped with the logistics.

**SEC – Chamber of Commerce Switzerland - Central Europe, SIPPO, osec** and **Switzerland Tourism** were also represented in the CCE-R stand.

The contacts we made targeted mainly technical Romanian companies that are potential partners for companies in Switzerland.





**SIPPO** consultant visited Romanian producers of medicinal plants and derived products. During October 10-13, Klaus Dürbeck, a SIPPO consultant for biological products, visited Romanian companies located in Transilvania. His visit was organized by the Chamber of Commerce Switzerland – Romania, SIPPO's representative in Romania.

The Chamber organized the **visit of the Swiss company Buechler Werkzeugbau** to Romania, during October 10-13, 2005. The Swiss colleagues met with representatives of ten Romanian companies in the field of moulds for plastic injection.

The restaurant **Mica Elvetie** organized a **Swiss Week** during October 17 – 23, 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](mailto:ccer@ccer.ro).**

### Swiss International Air Lines

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Winter Timetable 2005 - 2006; 30 October 2005 - 25 March 2006

Daily		Daily
LX 1885 A-319		LX 1884 A-319
14:30	Bucharest	13:05
16:00	Zürich	09:50

All local times

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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 of the minimum share capital for public limited companies and partnerships limited by shares

The Romanian Lawmaker has enacted the Law no. 302/2005 regarding the amendment and supplementation of the Company Law no. 31/1990 (hereinafter referred to as "**the Law**"). The Law was published in the Official Gazette no. 953/27.10.2005 and has in its scope to adapt the Romanian company law legislation to the European law provisions, i.e. the Second Company Law Directive 77/91/EEC. Accordingly, the Law requires public limited companies and partnerships limited by shares a new minimum share capital and specifies the sanctions in case of non-compliance with these provisions.

Pursuant to the new legal provisions, every new public limited company and partnership limited by shares have to subscribe, starting with 30<sup>th</sup> of October 2005, the RON equivalent of the minimum capital of EUR 25.000,-- at the exchange rate RON/ EUR set by the National Bank of Romania for the day when the capital is subscribed.

Within one year from enacting the new provisions, i.e. 30<sup>th</sup> of October 2006, all existing public limited companies and partnerships limited by shares are obliged to increase the minimum share capital up to the level provided herein. It is to be noted that - as above mentioned - the exchange rate RON/ EUR set by the National Bank of Romania for the day when the capital is increased must be as well taken into consideration.

Non-compliance with the obligation to increase the share capital up to the legally prescribed minimum value entails the dissolution of the company. Every interested person is may request the law court to pronounce the dissolution of the company. Moreover, the Trade Register has the duty to request the law courts to order the dissolution of all public limited companies and partnerships limited by shares, which do not increase their minimum share capital by 30<sup>th</sup> of October 2006. This will lead to the opening of the liquidation procedure. The dissolution ordered by the court shall be communicated to all responsible public authorities and shall be registered with the Trade Register.

Zsolt Karl Radnoczy - NÖRR STIEFENHOFER LUTZ  
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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 new finance minister Vladescu has definitely well started his mandate. Next to the various press conferences and meetings with business Associations, the Ministry of Finance published a draft with proposed amendments to the Fiscal Code for 2006 on its website, and, furthermore, opened the dialogue on them.

Even though several specialists and business opinion leaders “screamed and shouted” to the some of the proposals, the simple fact to issue a draft for public discussion is perceived as an important step for dialogue with the business community.

It has been well understood that this new procedure was more “to test the water”, especially given that some proposed tax, like the 0.5% fixed assets tax, was obviously not acceptable ... and the proposal has officially been withdrawn.

Among the other proposed adjustments of the draft, two others were withdrawn:

- deductibility of marketing expenses ;
- length of depreciation period;

The main element which is and will be highlighted as key modification with a major impact is the raise up to 3% of the property tax on commercial buildings. Although the Ministry cut its original proposal (at 4.5%) down to 3%, it constitutes a rather high increase from the current situation. Further more it creates discrimination between corporations and individuals, who are not paying anything (or very little) neither on dwellings, nor as VAT or profit tax on sales. Some real estate projects currently on the market already switched from a Company project to a personal project.

The dialogue is still open on the draft amendments and several meetings with authorities are already scheduled. The proposed amendments already are and still will be modified before official publishing and validity from January 1<sup>st</sup>, 2006. We shall most likely keep you informed in the next tax column.

Beside the proposed amendments to the fiscal code, we have been pushing at the highest levels to have modifications of the Fiscal Procedural Code. This Code, highly used by the professionals, is detailing items such as the definition of the tax payer, the way taxes are collected and, last but not least, the way to oppose, contest and challenge Authorities' decisions.

The main issues challenged in the Fiscal Procedures Code are the joint liability of sister companies, the suspensive effect of court case and the possibility for the tax payer to go directly in front of the court instead of having to go through the whole lengthy administrative process.

Within the other issues to be discussed is a relation with the labour ministry to reinstate, in order, not only to push harder any social security substantial decrease, but especially to obtain the capping of these social contributions, like it is done all over the world, including in all Central and Eastern European Countries.

Any comments or questions are welcome at [serge.gonvers@audiconsult.ro](mailto:serge.gonvers@audiconsult.ro)

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## Business News

### **LaDorna to exceed 100m Euros in 2007**

*LaDorna Group*, one of the major players in the dairy industry, owned by businessman Jean Valvis, estimates it will reach turnover worth 100 million euros in 2007, as it plans to tackle new market segments and to expand its raw material collecting system.

"The only hurdle in the way of our expansion is the lack of raw materials, but the collecting system has now expanded to Dobrogea and the north of Transylvania, allowing us to grow our business and to diversify the supply of products targeting final consumers," said Jean Valvis, chairman and the majority stakeholder in *LaDorna Group*.

According to Valvis, the group is already in the final testing phase for yoghurt and telemea (Romanian cheese specialty) and is to launch these products in early November. "We've entered a new stage in the development of our business, in which we will invest to conquer new segments of the dairy industry," the *LaDorna* chairman also said.

This year, in the wake of investments worth more than 5 million euros, the group started operating two new production facilities, *LaDorna Agri*, producing yoghurt and cheese, and *Lactate Dobrogene*, focused on feta cheese and pressed cheese. Through the investment in *LaDorna Agri*, the company entered the segment of yoghurts, deemed as of the main growth engines for the following period.

*LaDorna Group*, owning nine production units in Moldova and Dobrogea, this year expects turnover worth 45 million euros, 32% higher than in 2004. "So far, we have registered a 15% growth pace, but the last months of the year largely influence the consolidated turnover of the group," Valvis added.

The expansion of the milk collecting system started in 2001, when *LaDorna* was buying the raw materials only from Suceava county. At the end of 2004, the collecting area covered another three counties in the north of Moldova, and this year milk collecting units in the group expanded to four counties in the north of Transylvania, as well as in Dobrogea, in Tulcea and Constanta.

*LaDorna* also completed investments worth more than 14 million euros in the implementation of 120 euro-farms, with 50% of the investment covered from Sapard funds. The 120 units joined another 50 farms finalised in 2004.

Net benefits for a farmer joining the euro-farms programme initiated by *LaDorna* stand at 500 euros/month and these will get to 1,400 euros per month when the farm is amortised after an average period of 6 years.

Romania negotiated with Europe an annual milk production rate of 3 billion litres, but, at this moment, the milk industry only processes about 1.2 billion litres. *LaDorna* also started exports of bio products this year, mainly to Greece and the Netherlands.

*(by Ziarul Financiar, 17.10.2005)*

### **Holcim to invest 100m Euros by 2008**

Construction supplies manufacturer *Holcim Romania*, the domestic branch of the Swiss group, will invest 150 million Swiss francs (100 million euros) between 2005-2008 in order to upgrade and expand its production facilities, company officials say. It will build the largest cement drying line in Romania in Campulung Muscel with a capacity of 1.5 million tonnes a year.

This year has seen *Holcim* invest 28 million euros in upgrading its cement plants and 4 million euros on its concrete preparation facilities. The Swiss group has so far invested more than 300 million euros on the cement, concrete and aggregate markets in Romania, the latest data show.

Its most extensive investment - put at tens of millions of euros - was the large-scale reconstruction of the factory in Alesd acquired from French firm *Lafarge* in 2000. *Holcim's* main competitors on the international market and in Romania are French group *Lafarge* and German group *HeidelbergCement*. *Holcim* entered the local market in 1997 and now owns three cement plants in Turda, Alesd (Bihar County) and Campulung through acquisitions made starting in 2000.

Representatives of the Swiss group estimate the domestic cement market will grow by 5% this year. The

demand for cement has risen constantly over the last few years, although it stagnated in the first half of 2005, even falling slightly, the Association of Employers in the Cement Industry says.

The floods that hit Romania this summer have given new impetus to orders on the cement market, which is a business worth up to 300 million euros. Representatives of the Employers' Association in September said cement consumption would go up by some 30% in the second half, measured against the corresponding period in 2004.

Besides the three factories, *Holcim* owns 12 concrete mixing stations and 4 aggregate facilities. *Holcim Romania* has around 1,300 employees. Turnover on the Romanian market amounted to about 130 million euros in 2004. The company management said this May that they were expecting turnover to increase by 8-10% this year.

(by *Ziarul Financiar*, 12.10.2005)

#### **Raiffeisen: With or without CEC, we will move to lower-income customers**

*Raiffeisen Bank*, the third leading player in the Romanian banking system, is planning to reach an almost 12% market share by the end of the year. Halfway through the year it was facing a shrinking of its market share, which had fallen to 8.8%.

"We will come close to 11.5-12% in terms of market share by assets by the end of the year. We are now close to 10%," said Herbert Stepic, CEO of *Raiffeisen International* and member of the board at *Raiffeisen Bank Romania*, the local branch of the Austrian group.

He says the bank will continue to grow aggressively, by diversifying its product range and expanding its network of branches, which should win it new clients. *Raiffeisen Group* is also involved in the privatisation of *Casa de Economii si Consemnatiuni (CEC: Romanian Savings Bank)*. If it wins the privatisation, it would gain access to a network of 1,400 branches. Stepic says *Raiffeisen* is ready to make a competitive bid, having the advantage over other competitors that it is already present on the Romanian market.

"We stand out from the other competitors through complementary advantages. We know the market and the risks and, more importantly, we already own a major bank here. We could operate them together, using the same platforms for payments and other operations," Stepic added. The same goes for *Société Générale*, which owns the second leading player on the market and is a contender for CEC and Greece's *Eurobank*, which already owns *Bancpost*. After all, out of eight contenders for CEC, six are already operating in Romania. The state is expecting to receive the final bids for CEC by the end of this month.

Stepic says *CEC's* large network would allow the group to access the lower segment (in terms of income) of the banking retail market, while *Raiffeisen Bank* is currently focusing on the upper segment. If they win CEC, the Austrian bank would keep most of its network, which would allow them to penetrate rural areas.

*Raiffeisen* will anyway start to access the lower retail segment, owing to competition driving players to attract new customers. Stepic says that *Raiffeisen* will approach rural clients either through CEC or through its own network in order to grant them small loans, with the low value per loan offset by the large number of clients.

"If we don't win the tender for CEC, we will focus on organic development. We will expand the network by 30-40 branches every year, as this is the most we can integrate, logistically. This expansion would put us in the same position as the CEC winner, who will have to streamline," Stepic said.

(by *Ziarul Financiar*, 13.10.2005)

#### **Raiffeisen Leasing to double growth in 2006**

*Raiffeisen Leasing*, a member of the *Raiffeisen group*, estimates it will double the growth in its financing in 2006, as a result of introducing new products and an increased importance of equipment leasing as a proportion of total financing.

For this year the company is expecting contracts with a total value of 130-135 million euros, 10-15% more than last year. For 2006, *Raiffeisen Leasing* is looking to a 22-27% surge in financing volumes to 165 million euros.

"Next year we will increase financing for equipment and real estate leasing, since we don't think the car

market will see the same growth as in 2005. By the end of the year, we will add real estate leasing to our portfolio, aimed at big industrial projects and office buildings," said Mihaela Mateescu, the company's marketing manager.

In the first nine months of the year the company sealed 5,500 contracts worth 95 million euros. Of this value, 83% represents car financing, with the remaining 17% destined to equipment leasing contracts.

"One of the reasons equipment leasing is not very well developed in Romania is the lack of a secondary market for equipment," says Mateescu. "On the other hand, most leasing firms are reluctant to grant financing because the risk calculation procedure is much more complex and takes into account a high number of factors - from analysis of the business plan, to the liquidity of the goods at the moment the contract is signed."

In 2006, the company plans to boost equipment leasing to 20% of its total financing. The average duration of contracts in the company's portfolio is 38-42 months, while in the car segment there is a tendency to extend this to 5 years, says the *Raiffeisen Leasing* representative.

The company does not include any operational leasing products in its portfolio, since it only operates in the domain of financial leasing. The company mainly secures financing from *Raiffeisen Bank*.  
*(by Ziarul Financiar, 19.10.2005)*

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## The CCE-R Events Calendar

### Next events to be organized by the Chamber of Commerce Switzerland – Romania

Month	Day	Action	Place
November 2005	November 14 17:30	CCE-R Board Meeting	CCE-R head-office Bucharest
	November 14 19:00	Business Club hosted by GEA (Group of Applied Economics)	GEA's head-office Bucharest
December 2005	December 07 17:30	CCE-R Board Meeting	CCE-R office
	December 07 19:00	CCE-R Christmas Party	"Mica Elvetie"



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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