The Competition Council makes some recommendations to strengthen competition on the primary timber market

The Competition Council had finalized the study on the primary timber market in Romania and elaborated a series of proposals and recommendations for the development of this sector and of competition in the field.

The competition authority found that there are differences between the data provided by the National Institute of Statistics, Eurostat and the National Forestry Inventory regarding certain indicators needed to carry out an accurate assessment of the area (wooded area, average wood mass per ha, etc.).

Although lately the illegal cuts have been significantly reduced due to both the implementation of the wood tracking programs and the tightening of the sanctions regime, its share remains significant.

The Competition Council recommends the carried out of the forest cadastre as a matter of urgency. It is a database owned by the National Agency for Cadastre and Real Estate Advertising regarding the forest holders / managers that currently covers only a small percentage of the forest cadastre.

The lack of a complete forest cadastre creates difficulties in identifying the forest owners / administrators and especially of those not respecting the forestry regime. At the same time, the lack of an up-dated forest cadastre in Romania has negative consequences in the extension and management of the forestry road network. At present, there are about 480,000 ha of forest fund for which forestry regime is not respected.

Consequently, the Competition Council recommends the amendment of the forestry legislation in the sense that the forestry area for which the forestry regime is not observed to be temporarily entrusted to the RNP - Romsilva administration, any costs occasioned by the administration being borne by the owner of the forestry fund.

These recommendations are part of a set of measures proposed by the Competition Council to intensify the fight against illegal cuts, namely: to pay some social aids, as far as it is available, in the form of the distribution of firewood quantities and to establish a taxation system to fine the non-compliance with the forestry regime.

From the viewpoint of the national forestry fund ownership, in 2015, the Romanian state owned 3,205,217 ha, representing 48.90% of the national forest fund, managed by RNP - Romsilva, the National Research and Development Institute in Forestry "Marin Dracea "and RA APPS.
At the national level, 13 owners have been identified, holding more than 10,000 ha of forest fund, the rest of the forest fund being heavily fragmented.

The analysis revealed a series of malfunctions, especially in the second half of 2016, in supplying the population with firewood for heating their houses. The production of firewood from the national forest fund is estimated by the National Institute of Statistics at approximately 4,130 - 5,060 thousand m³ / year, and the consumption of firewood is 3 times higher.

According to the latest national census, in Romania, 47.43% of all houses use firewood for heating.

Against this background, the population has purchased work wood for heating their houses and it has led to a drop in the quantity of raw materials for the wood industry.

If market conditions persist, and the volume of firewood for population available to RNP - Romsilva falls from approx. 1,200 thousand cubic meters/year to 500 thousand cubic meters/ year, according to the Regulation (of 31 August 2016) on the use of wood from the public property forestry fund, it is very likely these malfunctions to repeat in the next period.

As a result, the Competition Council recommends the carrying out of the studies on the sources and needs for supplying the firewood for heating the houses, as well as some analysis of the possibility of acclimatization of some energetic tree species in Romania.

At the same time, the Competition Council recommends the identification of solutions that allow the supply on the market in advance, in crisis situations, of quantities of wood scheduled to be harvested for the next production year. Also, the Competition Council recommends identifying solutions/tools for the development of wood supply, under conditions of full harvesting of the authorized annual possibility.

Following the Competition Authority’s proposals, the Forest Code and the Regulation on the harness of timber from the public forestry fund have been modified to increase the amount of firewood destined for the population: for Romsilva the amount of firewood will increase from 500,000 cubic meters to 3,000,000 cubic meters.

However, the Competition Council found that, through the modification of the primary and secondary forestry legislation, regarding the marketing by forest managers of public property of the wood products (standing timber), competitive restrictions have been introduced.

These amendments restrict competition in respect of participation in tenders organized by public property forest owners for marketing of standing timber of non-certified companies for logging operations as well as of natural persons with a need for firewood which are not eligible for these tenders.

Thus, the competition authority recommends that these competitive constraints be removed by amending forestry legislation: eliminating the condition of attestation or allowing participation in the tenders organized by public property managers also of companies/individuals who have concluded service contracts with operators certified for forestry activity.

The holding of a dominant position by the Romsilva National Forest Administration on the primary timber market does not in itself constitute a breach of the competition rules.
The Competition Council considers, however, that the Romsilva National Forestry Administration must account the costs of the raw material (wood products) and its processing at the market level, so that it does not subsidize its exploitation activity to the detriment of other operators which process the wood products and do not have access to it for free (at zero cost).

Regarding the way of selection of the wooden partitions (the volume of timber to be sold) which shall be harvested by the National Forestry Administration - Romsilva, the competition authority’s opinion is that this should be done in a non-discretionary manner, based on a distinct internal regulation.

The Competition Council also proposes the setting up of a working group bringing together representatives of the Ministry of Waters and Forests, of the Ministry of Public Finance and of the competition authority, so that the recommendations be discussed and effective ways of implementing them be identified.

It is recalled that the competition authority has two on-going investigations concerning the possible agreements between the active companies on the wood trading market within tenders.

The investigation opened at the beginning of 2016 refers to market and supply sharing as well as to the awarding of wooden partitions at minimal price within tenders organized at national level.

The Competition Council carried ou at that date unannounced inspections to the headquarters of Holzindustrie Schweighofer SRL, Egger Romania SRL, Kronospan Romania SRL, Kronospan Sebeș SA, Silva Logistic Services SRL, Alredia SRL and Lacul Codrilor SRL.

As for the second investigation, the Competition Council suspects possible anticompetitive agreements between the companies Forestar SA, Nico – Paul SRL and Saniral SRL for the acquisition of wood timber/products within the tenders and negotiations organized by the National Forest Administration - Romsilva.

The Report of the Competition Council can be consulted on the institution website for 30 days. The comments and viewpoints can be sent to the e-mail address dir.teritoriu@consiliulconcurentei.ro or by mail to the following address: Consiliul Concurentei, Piața Presei Libere nr. 1, sector 1, București, cod poștal 013701, O.P. nr.33.

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