



HOLZINDUSTRIE SCHWEIGHOFER THE MAIN CONSUMER OF SOFTWOOD TIMBER ILLEGALLY EXPLOITED IN ROMANIA

The Federation of Forest and Grassland Owners in Romania – NOSTRA SILVA, formulated accessory intervention requests in files 41943/3/2014 and 27730/3/2014 of Bucharest Tribunal, as well as in file 12899/3/2014 of Bucharest Court of Appeal, thereby engaging in actions to stop the timber slaughter houses of Holzindustrie Schweighofer.

The intervention requests were made in the interest of the associations **BANKWATCH ROMANIA** and **NEUER WEG**, who requested the Court, to dispose, in contradiction with SC HOLZINDUSTRIE SCHWEIGHOFER SRL, to RECI LOCAL COUNCIL and COVASNA COUNTY COUNCIL:

- ✓ annulment of decision no. 36/2013 of Reci Local Council regarding the PUZ approval "The Woodworking and Cutting Factory" proposed to be located in Reci Commune, Reci Village, DN11;
- ✓ annulment of building permit no. 220 from 24.12.2013 issued by Covasna County Council for SC Holzindustrie Schweighofer SRL;
- ✓ suspension of these measures until the irrevocable settlement of the annulment requests.

The location of the investment **SC HOLZINDUSTRIE SCHWEIGHOFER SRL** in Reci, Covasna was made **without studies and debates on the availability of timber resources and influence on illegal logging.**

This analysis is essential.

In Romania, there are legally exploited, during a year, 7 million cubic meters of softwood timber, standing timber (according to the National Institute of Statistics).

The result, by applying a yield of 60%, is **a total volume of 4.2 million cubic meters of saw logs.**

Of this volume, due to the high exploitability ages imposed by current forestry laws, **a significant proportion have diameters over 40 cm**, this percentage not being suitable for the industrial processing factories of Holzindustrie Schweighofer.

Considering this volume with a diameter greater than 40 cm in only 30% of saw logs, it results that **all the quantity of timber (saw logs) which can be legally exploited in a year in Romania, available for Schweighofer factories, is less than 3 million cubic meters.**

With the factory authorized for construction in Reci, Covasna, the **processing capacity of the Holzindustrie Schweighofer Group will be approximately 3.4 million cubic meters of softwood timber.**

A quantity of 0.4 million cubic meters is annually imported by the Schweighofer group from Ukraine. **Even so, this simple calculation shows that the companies of the Schweighofer Group, in order to operate at their designed and authorized capacity will have to purchase ALL the softwood timber, between 14 and 40 cm, in the market, i.e. to eliminate any competition.**

The dominant position of Holzindustrie Schweighofer has already been on the softwood timber market, but after commissioning the Reci investment, this dominant position shall tend to a monopoly position, with predictable negative consequences for both the downstream sector (wood exploitation, forest owners) and the furniture industry, whose access to resources will become increasingly more difficult.

Another negative effect of this investment will be **preventing the maintenance and development of local economies related to wood industry.** Wood is one of the few resources of the mountain area and wood processing is among the activities that keep the workforce in rural areas.

For example: in a Commune such as Ilvei Meadow, Bistrita-Nasaud County, with 3400 inhabitants, the existence of a private investment in the local wood processing, offered a job in almost every family which has kept the community alive and allowed the maintenance of traditional activities in rural areas: raising cattle, grazing, manually mowed hay, an essential balance between man and nature, as well as a vibrant community.

Coming back to the negative effects of the new investment of Reci: **Holzindustrie Schweighofer, through the wood slaughter houses from Sebes and Radauti, was and is a catalyst, a determinant factor of ILLEGAL LOGGING in the last 10-12 years in Romania.**

We can see a brief analysis, based on official EUROSTAT figures, of softwood timber production in Romania and of imports and exports of softwood logs.

The figures are as follows:

- the softwood timber production in Romania was 3.6 million cubic meters in 2013, being estimated at 3.6 million cubic meters in 2014;
- softwood log exports, mainly to China, except to Austria and Turkey are of 400.000 cubic meters;
- softwood log imports, exclusively from Ukraine, are still 400.000 cubic meters;
- according to their own communications, Holzindustrie Schweighofer processed 2.9 million cubic meters of softwood logs in 2013;
- from previous statistical reports, the volume of standing softwood timber exploited in Romania in 2013 was of 7 million cubic meters.

In conclusion, the exports of softwood logs are practically equal to imports, therefore we can simplify the equation and determine that **in Romania, from 7 million cubic meters of standing timber we obtain, after processing, 3.6 million cubic meters of softwood timber.**

To note that Holzindustrie Schweighofer processes alone 2.9 million cubic meters of logs and it is known that the average yield for logs/timber conversion of Holzindustrie Schweighofer is around 52-54% - for more than half of the log market.

Calculating for the rest of the industry a yield of 66-68% (timber production for domestic consumption and for Arab countries, timber that has a lower quality) the average yield per industry cannot pass 60%.

In order to produce 3.6 million cubic meters of timber, with a yield of 60%, we need minimum 6 million cubic meters.

Considering that from a lot of standing timber - the national average of main and secondary products - we obtain a percent of 65% logs/standing timber, in order **to obtain 6 million cubic meters of softwood logs, we need at least 9 million cubic meters of standing timber.**

We also mention that the softwood log is used in the production of OSB (Kronospan, Egger) at a level of several hundred thousand cubic meters of logs every year.

No matter how we consider, **at least 2 million cubic meters of softwood standing timber are exploited in addition (ILLEGALLY), compared to the officially registered documents**, i.e. an additional 30% over the legally reported volume.

This is a moderate estimate of the quantity of illegally exploited softwood.

In 2013, for the first time, the Ministry of Forests announced that after controls, an illegally logged volume mass was found of over 900,000 cubic meters.

There are numerous control reports of Territorial Inspectorates for Forestry and Hunting (ITRSV) which found illegal logging and recorded as the final destination of illegal timber the company Holzindustrie Schweighofer.

There are numerous **INDICTMENTS** of the Prosecutors' Offices of the Public Ministry which recorded as **the final destination of illegal timber the company Holzindustrie Schweighofer** and that the *illegal logging was made under the pressure of commercial practices of Holzindustrie Schweighofer.*

In this sense we can observe indictment no. 75/ P/2005 from 03.12.2009 of the Prosecutor's Office near Brezoi Court. In the indictment, the Prosecutor records that the company **"HAS LOGGED ILLEGALLY BECAUSE IT HAD TO HONOR THE CONTRACTS with SC HOLZINDUSTRIE SCHWEIGHOFER SRL"** (page 7, paragraph 6).

Romsilva sells the wood at auction and the average prices per standing timber, main products, reached 200-220 lei/cm, even 250 lei in some directions (Neamt). It is obvious that such prices cannot be paid unless there are sources of illegally logged timber, cheap, that can lead to the average values for logs that we find in the market.

The furniture industry has announced that the prices of timber resources in Romania increased a lot and that they have no access to them. Large buyers such as **IKEA, have relocated their softwood furniture production to other countries.**

The company **HOLZINDUSTRIE SCHWEIGHOFER has maintained and maintains networks of organized crime** dealing with:

- ✓ illegal logging of softwood timber;

- ✓ illegal restitution, followed by the acquisition of forest land by this company.

Schweighofer's commercial policy to grant advances of hundreds of thousands of Euro by pre-contracts in which economic agents are obliged to deliver large quantities of wood, without making a minimal verification on the origin of the timber, determined and amplified the constant phenomenon of illegal logging.

For example: through contract no. 3969 from 30.11.2004, concluded between SC HOLZINDUSTRIE SCHWEIGHOFER and SC SOFICARM SRL, an advance of 420.000 euros was paid to promise the delivery of a quantity of 22.000 cubic meters wood mass.

SC SOFICARM SRL and its associates could not legally operate the wood and illegally logged 6.688 trees (5.222 cubic meters) which they delivered to SC HOLZINDUSTRIE SCHWEIGHOFER. These aspects are recorded in indictment no. 75/P/2005 from 03.12.2009 of the Prosecutor's Office near Brezoi Court.

In addition there are other control reports of ITRSV that record the final destination of large quantities of illegal timber: SC HOLZINDUSTRIE SCHWEIGHOFER SRL (*these reports show that the same companies illegally logged timber continuously during 2005-2014 and delivered it to Schweighofer - see the record of ITRSV Valcea from 13.05.2014*).

SC HOLZINDUSTRIE SCHWEIGHOFER SRL, through SC CASCADE EMPIRE SRL, used intermediaries (which are currently defendants in criminal cases) for the purchase of forest land. The following question is legitimate: has SC HOLZINDUSTRIE SCHWEIGHOFER SRL had organized crime networks, which eventually were sent to trial by the National Anticorruption Directorate?

For example: the case of mountains Galbenu, Puru, Petrimanu, bought by SC CASCADE EMPIRE SRL in Valcea County, after these forest areas have been returned by a procurator who used forged documents and corrupted Romanian state officials. There is an email correspondence with 6 months before the handover, through which Schweighofer's representatives established the sale price of the forest together with the procurator. Specifically: the validation of ownership was made on 13.07.2006. The entering into possession was made on 31.07.2006. The ownerships were issued on 08.08.2006. For other surfaces the entering into possession was made on 27.07.2006, the ownership being issued in the same day. On 23.08.2006, were concluded the sale-purchase contracts with

CASCADE EMPIRE (194 + 111 ha). Also on 23.08.2006, 4500 cubic meters of timber was sold. On 20.03.2008, the area of 344 ha was sold.

There is an email from 11.12.2005 between Lucian Petre (Cascade Empire - Schweighofer) and Mircea Basaraba. In the email they talk about a field visit, about further negotiations, an offer from 08.12.2005, including a version according to which Mr. Basaraba keeps 200 Euro per hectare. Basically, the sale to SC CASCADE EMPIRE SRL was established with at least six months before the handover.

Another example: on 26.11.2007, a service contract (no. 152) is concluded between the company CASCADE EMPIRE SRL and the individual Mircea Basaraba. By this act SC Cascade Empire SRL undertakes to sell 15 hectares of forest land in Mount Puru, Valcea, to Mr. Mircea Basaraba and to give him 114.56 hectares of forest land in Mount Puru, in return for which Mircea Basaraba undertakes to surrender an identical area, located near other properties of the Austrian company. The area of 114.56 hectares would be used to implement a tourist resort. Previously all this land was going to be deforested and removed from the forestry fund, and the timber delivered to SC HOLZINDUSTRIE SCHWEIGHOFER SRL. There is a written correspondence between Mircea Basaraba and SC CASCADE EMPIRE SRL in which he explains the services he provided for Mr. Gerald Schweighofer (including the tenfold or thousandfold increase of forestry land value). Mr. Mircea Basaraba is sent to trial, along with other defendants, for offenses of improper participation in abuse of office with very serious consequences, fraud, active bribery, forgery of official documents, taking bribery, aiding and abetting, etc.

Also, the company Holzindustrie Schweighofer, through SC CASCADE EMPIRE SRL has agreed to buy the properties of local communities (congregation of freeholders, co-owners), although the sale-purchase documents are illegal under Romanian law.

For example: on 25.05.2004, through the sale-purchase contract no. 1758 authenticated by Notary Public Georgeta Fratian, SC CASCADE EMPIRE SRL bought 578 hectares of forest land from the freeholders Obstea Izvorani for the price of 751.920 EURO. Civil sentence no. 810 of 18 April 2007 ruled by Valenii de Munte Court in file 1526/2006, canceled the sale-purchase contract no. 1758 from 25.05.2004. In appeal, the president of the community was convinced to give up the trial. A similar case - an illegal acquisition – in the compossessorate Campul lui Neag, Hunedoara County.

The Court of Auditors' report on the situation of forests in Romania (2012) concluded that there were illegally logged over 80 million cubic meters of

timber, mostly after 2000, and the damage of the state was over 5 billion euros. In reality, because this timber came into the economic circuit, taking into account the multiplier value added by processing, of minimum 5-7, it results a loss of 30-35 billion euros for Romania.

A large part of Holzindustrie Schweighofer's profit, including part of the amount invested in the factory / slaughter house of Reci, Covasna, comes, directly and indirectly, from illegal logging.

In light of this brief analysis, we asked the court to evaluate the summons formulated by the Bankwatch Association Romania and the Neuer Weg Association.

A part of the documents that prove the analysis of SILVA NOSTRA is available in the attached pdf file.

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**THE FEDERATION OF FOREST AND GRASSLAND OWNERS IN
ROMANIA – NOSTRA SILVA**

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