PARTICULAR ASPECTS ABOUT THE ROMANIEN BALNEOLOGY’S PRIVATISATION. CASE STUDY: SOVATA RESORT

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Abstract:
Romania balneology has face the transition towards the free market, which meant important loses in turn over, services and quality. The privatization of establishments, ether by restitution or by transfer in private property use to be regarded as the common cause of today regression. We argue that the lack of a real and professional national politics for balneology might be the main cause.

There are also some exceptions: Sovata resort is one of them, as the local manager of the former state company has well handled the privatization process, and has early involved an international capital: the Danubius hotel chain. It has taken long to modernize the facilities and some more time is still necessary to add new services, as spa or meetings, offered at a global standard. The paper highlight the whole process and some of the actions in progress.

The paper highlight some proposal for a quickly issue from the actual state of facts. The main one reply on local forces, highlighting the resources and the tools which can be used by local actors in order to turn their resorts into a balneal destinations.

Key words: balneology privatization, Sovata resort, Danubius hotels

JELClassification: I10, M10, M14, M19

1. About some particular aspects concerning the Romanian balneology’s privatization

Romania balneology has face the transition towards the free market, which meant important loses in turn over, services and quality, even if, Romania has near 30% of natural water factors of Europe, and before 1989 the domestic activity was well developed and the international one was well known, even by brand products, as Gerovital.

The privatization of establishments, ether by restitution or by transfer in private property use to be regarded as the common cause of today regression. An in-depth analyze during a Bulgarian Romanian POSDRU project during 2012-2013 has shown that the privatization of the establishments is only the effect, the tool which has led her. We argue that the lack of a real and professional national politics for balneology might be the main cause.

We just mention three of the topics we highlight in our presentation:

- Social financing: the former domestic balneal organization does not intended to get profit, but was used as a tool to demonstrate to the Romanian people the advantages and benefits of the socialist society. By contrary, the international one, focused only on profit. After 1989 the public budget funds allowed to recover work or health capacity using balneology was cut drastically without a coordination with the managers in the resorts, so that they are now in the situation to close the resorts for 4-5 months, during winter season.

- Licensing: new rules and bodies were charged to regulate, control and license the medical units in Romanian resorts. There are resorts which have had multiplied their health units even if they has a smaller accommodation capacity, or resorts without official license, which mean that they cannot benefit of the qualified medical services of public units.

- Staff training: the Romanian teaching system allow to get an official spa therapist diploma after a five year training or a 5 weeks (!) training, and the professional schools for qualifying serving staff are located faraway of resorts, generating a housing problem

2. Particular privatization of Sovata by selling on stock exchange

There are also some exceptions: Sovata resort is one of them, as the local manager of the former state company has well handled the privatization process, and has early involved an international capital: the Danubius hotel chain. It has taken long to modernize the facilities and some more time is still necessary to add new services, as spa or meetings faciliteis, offered at a global standard. The paper highlight the whole process and some of the actions in progress.
A short history of Sovata resort will highlight the complexity of the field situation at the time of starting the privatization process. Almost all the Romanian resorts were in a similar position. Sovata was born as modern resort between the two WW having at the time 2 hotels with 52 places and 72 villas with 218 places and offered facility for mud therapy, 2 restaurants, cafeteria, reading room, 130 cabins solarium, dancing saloon, tennis yard, etc. Almost of the establishments were private property built by rich people from Transylvania. Only few were designed to a commercial exploitation. Once the communists took the power all facilities were nationalized in order to prove to the Romanian working class the superiority of their regime and their power to assure good and cheap health recovery.

The socialist regime has started a large building campaign on treatments resort in order to add a shift for the economy but also to develop some areas which were short in resources but rich in natural treatment factors and create working places for local people. In Sovata were built 5 modern hotels (at the time offering condition of top in Europe and even in the world) with 1250 places for the Ministry of Tourism. One hotel with 150 places was built by CASCOM (The Cooperation Union). The villas arrived at 110 houses with 2400 places (22 place in media) and 3 treatment facilities well fitted according the last world technique.

The privatization started in 1990 from this complex situation. According to Romanian Privatization Law the state enterprises were turn into join stock companies with one third of them in public property by State Property Fond, one third by Private Property Fond (Which later on will turn into a Real Estate Investment Fond) and one third was distributed free, equal to all Romanian by coupons. This last action has last long and for 7-10 years the management and the control of the assets was disastrous mainly because of quick changes of the authorized representatives of the public owners because of rapid changes of the governments. This lack of control and interest have led to the ruin of the buildings mainly in villas areas.

Villas were almost all claimed by their previous owners but the process was long, carried on by justice; meantime no one took care of the villas. In Sovata there was a special and favorable situation. The former County Tourism Office was spited into several new companies, one of them was Sovata SA which took all the tourism properties in Sovata.

There were some exception, as CASCOM hotel which was and still is the property of CASCOM and a public treatment facility near the Ursu Lake even today in the property of Health Ministry but rented now to Danubius hotel. The new nominated director was the former engineer in charge with the natural balneology resources of the former state company, a person who had knowledge of a spa management but also solid juridical information. He has not opposed over limits to return legally the villas claimed by former owners which has simplified the privatization process and enabled their maintenance and modernization.

We highlight the fact that the land the buildings lay on was and still is the property of the state. This was used as a political intervention by many governments that have succeeded. We also have to point out an important move made by Sovata SA’s manager: the concession of mineral waters for 50 years according to the Romanian law on natural reserves exploitation. This early strategic move has allow the Sovata SA the “monopole” on natural factors versus all other treatment suppliers of the resort.

Short after 1990 the tenancy management contracts were imposed by the workers of the hotels and restaurants. They were enacted as a form of transit until the real transfer of property by privatization. The privatization could be carried on, according the Romanian privatization law by several methods: auctions, direct negotiations, open offers, listing on stock exchanges etc. Hotel Alunis was sold directly to a private company, at the time a good decision of its owner. The villas arrived at 110 houses with 2400 places (22 place in media) and 3 treatment facilities well fitted according the last world technique.

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During the last years a new governmental measure has get the situation worse: the usually journey for treatment of 21 days was cut at 18 days and the 18 days one to 14-16 days but only 12 days of cure. More, the funds were allocated only in March and the distribution necessary time led to the start of the season only end March first part of April and have left discovered the period from November to April with all implications which come from here: staff dismissal (and we talk about high qualified staff as therapist, cooker, waiters etc.), damages due to the temporary closure of units mainly for the small units, transformation of the profile of the resort. An example will be self-evident even if it is a different case, in some ways. The resort Hajduszoboszlo in Hungary has developed a water complex for summer, focusing in tourists for neighboring towns from Romania and Poland. The secondary effect, besides the jump of income from leisure activities was that the weekend tourism start to replace the traditional cure tourism, and the resort start to change its profile and to lose its medical staff. A similar effect might be possible in Sovata as qualified medical staff will migrate to Western countries where they could win more during the same period of the year.

And the future is not bright as long as the two classes of the local high school have less and less students, because of the decreasing birth and the decrease children's interest in specific trades’ spa tourism. For high specialists as medical doctors or nurses there is no solution to help them to settle in Sovata because of the tensions between Mayer House and Danubius hotels because of the concession of cure factors which, the Mayor considers to be under his control in order to facilitate the access for every local actor at lower prices.

3. Conclusions:

We may conclude that the privatization of Romanian balneology was a complex but unsuccessful process. The main cause was the political mismanagement relying on two pillars: the state property on the land the buildings lay on and the long process of returning the properties to the former owners.

Sovata might be an exception for selling the spa’ facilities if we do not take into consideration the fact that Sovata is not yet a tourist destination organized according global rules, and except the Danubius complex all the others remain eccentric. More, de relations with the local authorities lack in consistence.

The paper has highlighted some proposal for a quickly issue from the actual state of facts. The main one reply on local forces, highlighting the resources and the tools which can be used by local actors in order to turn their resorts into a balneal destinations.

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