

MSZ Supplement

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NATIONAL NEWS

Instrument Landing System Failed

Tvn24.pl, January 24 2008

A spokesperson for air forces lieutenant colonel Wiesław Grzegorzewski confirmed that during the Wednesday crash of the CASA plane the Instrument Landing System (ILS), aiding an accurate and safe approach to landing, was not working. The ILS gives the coordinates of the vertical and horizontal location of the plane, which facilitates landing in bad weather conditions, for instance in thick clouds. Such were the conditions on Wednesday when the accident happened. Grzegorzewski assured that the pilots had already flown in similar conditions and had all the necessary experience. It is known that the plane approached the landing spot twice and crashed during the second attempt. During its second circle the pilot announced that he could see the runway, which automatically means that the sole responsibility for the landing rests on the pilot.

National Mourning in Shadow of Political Quarrel

Gazeta.pl, January 27 2008; Dziennik p. 3, January 28 2008

The national mourning announced following the catastrophe of the CASA military transport aircraft on 23 January was only respected by politicians for one day. On 26 January, Robert Draba from the Chancellery of the President attacked the government for not informing the head of state about the tragedy. His words triggered an instant response from Civic Platform (PO) representatives, including PM Donald Tusk, who stated that the Defence Ministry had tried to reach President Lech Kaczyński several times before his flight to Croatia, but to no avail. Reportedly, the message was eventually received by one of the clerks at the Chancellery at 8 pm; Kaczyński's plane was leaving at 9.15 pm, which in the opinion of the PO left enough time for the news to be broken to the president.

Tusk Determined to Discourage Russia from NEGP Project

Gazeta Wyborcza p. 7, January 24 2008

Foreign Minister Radosław Sikorski reveals that during his nearing visit to Moscow PM Donald Tusk will try to persuade the Russian leaders to abandon the Russian-German North European Gas Pipeline (NEGP) project. Commenting on the slight improvement in relations between Poland and Russia, as

well as the rumours of the Kremlin's growing concern with the cost of NEGP construction, Sikorski suggests that in the present situation Berlin and Moscow could change their minds about the project. He goes on to say that during his stay in Russia Tusk will also try to attract its attention to the Amber pipeline project, which unlike NEGP is to be built on land and therefore be much cheaper.

PM and President Cross Swords over New Special Service Hades

Tvn24.pl, January 23 2008; Rzeczpospolita p. A3, January 24 2008

The recent nominations for special service heads have resulted in yet another conflict between the government and the Presidential Palace. On 22 January, PM Donald Tusk refused to comment on the reservations of President Lech Kaczyński regarding the candidature of Andrzej Ananicz for the head of the Intelligence Agency (AW). His remark that in such situation it was he who had the right to ask questions and not vice versa has irritated the Presidential Palace, whose representative Michał Kamiński denounced Tusk for arrogance and lack of knowledge on the subject. Former Defence Minister Aleksander Szczygło went even further, stating that by neglecting the President's inquiry the PM has violated the law, over which he could be taken to the State Tribunal.

Next Parliamentary Elections Six Months Early?

Tvn24.pl, January 27 2008

During his appearance on the TVN24 news channel, Civic Platform (PO) MP Jarosław Gowin announced that the next parliamentary elections may be held early; instead of in autumn 2011, they would be conducted in the spring of that year. This idea is tied to the fact that H2 of 2011 will see Polish presidency of the EU. Experts have no doubt that during this period the Polish government will have to be very stable, which would hardly be possible on the eve of an election campaign. "The formation of the new government during Poland's EU presidency, which constitutes a great political and organisational challenge, would be an even worse solution," says one of them. Gowin's idea has already been backed by Deputy Sejm Speaker Jarosław Kalinowski, who represents the Polish Peasants Party (PSL). The same approach to the issue was presented by the Left and Democrats (LiD) coalition.

Sejm Passes 2008 Budget Bill

Puls Biznesu online, January 23 2008

On Wednesday the Sejm completed work on the 2008 state budget, after accepting all of the 16 corrections from the Senate. By the end of the week the budget bill will be handed to the president, who has seven days to sign it. The parliamentary work on the budget was completed in the Constitutional time of four months from the tabling of the draft bill in the Sejm. The amendments suggested by the senators included less spending on the Central Anti-Corruption Bureau (CBA) abandoning the ZŁ2,500 rise for MPs and senators. Their budgets will remain at the level of around ZŁ10,000. The money saved (ZŁ16m) will be spent on the national programme increasing reserves of blood and its derivatives. Another correction stipulates ZŁ1.383bn aid to PKP PR, to extinguish the rail carrier's debt. The CBA's budget has been decreased by another ZŁ7.3m to ZŁ116m. Other amendments proposed by the Senate included an additional ZŁ93m for the army to create 2,500 jobs for professional soldiers, ZŁ110m for the justice system and ZŁ6m for the National Labour Inspectorate (PIP).

Central Bank Loses Another Deputy

Gazeta.pl, January 24 2008

The dispute between Polish central bank (NBP) head Sławomir Skrzypek and his deputies continues. 24 January saw the resignation of Jerzy Pruski as NBP Deputy Head and management board member. Three weeks earlier, the central bank lost another deputy head Krzysztof Rybiński. Commenting on his decision, Pruski said that it was due to an "inability to effectively perform his duties". According to the economist, other factors that have led to his departure from the NBP include the decisions reached by Skrzypek regarding currency reserve management strategy, organisational solutions, a strategic benchmark for 2008, the manner in which the 2008 financial plan was adopted and incorrect inflation forecasts. "During my stay at the central bank I have raised reservations about these decisions ... ; however, not only were they ignored, but also my position as NBP deputy head was gradually marginalised," stated Pruski.

Conflict in Central Bank Attracts Sejm's Attention

Gazeta Wyborcza p. 32, January 26-27 2008

"We would like to ask NBP President Skrzypek why the best professionals are leaving the NBP," said Sejm Public Finance Committee head Zbigniew Chlebowski. On Tuesday, the committee is to investigate the matter of Jerzy Pruski resigning from his post as vice-president of the NBP. On his last day, he accused the NBP of underestimating inflation, and Skrzypek - of limiting the powers of his deputies. The board has passed a resolution allowing every person to hold supervision over any number of departments on behalf of the president. Pruski pointed out that though these are currently NBP board members - technically it could be anybody - including persons not employed by the bank. The central bank protested, but refused to disclose the legal opinions the would undermine Pruski's statement.

RPP to Raise Rates Despite Slower Sales Growth in December

Gazeta.pl, January 24 2008

The data collected by the Central Statistical Office (GUS) shows a significant slowdown in retail sales growth. In December 2007, sales were only 12.4-percent higher than in the respective month of 2006; meanwhile, expectations spoke of a 20.8-percent year-on-year increase, which is not surprising given that in November 2007 the respective figure was 19.2 percent. According to BGŻ Chief Economist Dariusz Winek, the situation was caused mainly by a sharp decrease in car sales growth, as well as lower-than-expected pharmaceutical product, clothing and food sales growth. At the same time, he believes that the disappointing sales results from December 2007 will not influence the Monetary Policy Council's (RPP) decision regarding interest rates, which should still go up in January.

3 x 20 Environmental Reform

Gazeta Wyborcza online, January 23 2008

The European Commission (EC) plans to increase the share of renewable energy to 20 percent, lower CO2 emissions by 20 percent and increase energy savings by 20 percent before 2020. According to the 3x20 proposal presented by the EC, 15 percent of energy produced in Poland is to come from renewable sources. Brussels would like all Polish carbon emission permits to be auctioned. Director of climate change department at Economy Ministry, Mikołaj Budzanowski, says the limit is too ambitious and auctioning off permits would be a particularly serious problem for Poland. The EC raised Poland's CO2 emission limits in transport, agriculture and construction. The energy industry supports the proposed changes in the distribution of emissions, saying the present system is arbitrary. The EC proposals have to be accepted by the Council of the European Union and the EU Parliament first; this is due at the end of 2008.

PERN Says No to Lukoil in Port Północny

Wall Street Journal Polska p. 2, January 28 2008

The situation in Port Północny is becoming dramatic. The company hoped Lukoil's plan to build a trans-shipment terminal would help save the port. After the plans were made public, Law and Justice (PiS) leader Jarosław Kaczyński criticised the idea. In his opinion, it is a step towards making Poland dependant on Russian energy supplies. PERN oil pipeline operator also supports the opposition's attacks. The PiS appointed PERN's management during the previous term. Now the management says PERN is getting ready to build its own warehouses, which would increase the use of trans-shipment infrastructure. In this case, PERN Vice-President Marcin Jastrzębski does not see the need for talks with Lukoil. Meanwhile, Port Północny's authorities declared that any plans to build a trans-shipment terminal will take into consideration the interests of the port's business partners: PKN Orlen, Grupa Lotos, PERN, Naftoport and OLPP. There is no mention of Lukoil.

Eureko Demands PLN35.6bn

Gazeta.pl, January 23 2008

Treasury Minister Aleksander Grad revealed on Wednesday that the Dutch insurance group Eureko has filed a case with the Arbitration Tribunal for a whopping ZŁ35.6bn compensation from the Polish state. He added that the amount did not include interest or costs of arbitration. He stressed that he could not imagine Poland should pay the sum, or any damages at all. It exceeds the 2008 budget deficit. The Treasury was supposed to prepare its own valuation of the claim by the end of January, but the deadline has been moved to the end of February. The dispute between the Dutch firm and the ministry has been going on for seven years. Eureko demands that the Treasury fulfills the conditions of the PZU privatisation agreement, according to which a 21-percent shareholding of the Polish insurer was to be sold to the Dutch. Last week the Treasury Ministry and Eureko decided to call up a special team to work on a compromise between the two sides.

WRJ Up for Decisive, Final Bankruptcy

Puls Biznesu p. 10, January 25 2008-01-28

Reaching the ripe old age of 28 years, the Walcownia Rur Jedność (WRJ) steel rolling mill is the longest running investment in the steel sector. Many statements concerning the date of its completion have been made, nonetheless on January 23 the Katowice commercial court declared WRJ bankrupt. "This is a liquidation bankruptcy. I am currently assessing the company's assets. It will take a month or longer before further plans can be made," commented WRJ receiver Jan Czyszczon. WRJ debts amount to an estimated ZŁ0.5bn. The liquidation bankruptcy is good news for investors, as they will be able to buy the WRJ facility without being encumbered by its debts. Two years ago Russia's TMK offered EUR37.5m for the plant, but it is not unlikely it will uphold its offer, as the corporation has ceased to operate. WRJ stakeholders, lead by the state-owned Silesia Financial Association (TFS) with its 40.7 percent, will not be getting any money back.

Vacancies at TPSA Management Worry Investors

Parkiet p. 4, January 26-27 2008

On Thursday, TPSA announced that three out of five management board members will leave the company. As a result, on Friday the telecom's stock dipped into the red. Leaving the board are Iwona Kossmann (in charge of marketing), Pierre Hamon (marketing, sales and customer service) and Benoit Merel (in charge of finance). Merel's resignation a day before financial results were announced worried investors. However, on Friday TPSA stock eventually gained 1.4 percent and closed at

ZŁ21.55. Investors were in better mood when they found out that new management board members should be selected within several weeks. TPSA also tried to convince analysts that changes to the management board have nothing to do with the financial results. However, in a statement TPSA did not say why the managers resigned. The current situation means that TPSA President Maciej Witucki's position is stronger. He may decide to limit the number of board members.

Reliance Industries to Invest In Zielona Góra

Puls Biznesu p. 8, January 24 2008

Reliance Industries Limited (RIL), one of the Fortune Global 500 and India's largest private company, is considering investing in a large-scale project in Zielona Góra; RIL's Trevira is already producing fibers in the Novita factory which employs 60 people. "We will increase our workforce to 600 within the next two years. We want to continue renting Novita facilities. Our plan is to move production from Denmark. The investment is worth EUR50m (ZŁ183m). In the next five years we may spend as much as EUR300-500 (ZŁ1.1-1.8bn) on investment in the oil processing sector, but we need government support. Further development will be based on the success of the first project," says RIL chief of European operations Mohan Murti. "The investor has not submitted any details on the project yet, we will look into it the moment he does," says Polish Foreign Investment and Information Agency (PAIIZ) chairman Paweł Wojciechowski.

Police Looking to Africa

Parkiet pp. 1 and 4, January 28 2008

ZCh Police CEO Ryszard Siwec says the chemical company is considering acquisitions in north Africa, where phosphorite deposits are located. "We focus on supply chain consolidation, as it gives the company greater financial stability in the long-run," explains Siwec. The acquisitions would concern phosphorite producers or intermediaries and would have the objective of obtaining long-term supplies at below-market prices. There are many potential targets and Police has already begun gathering information on the companies. Police also plans to make better use of the sea port it owns - through the acquisition of a logistics company the port could be transformed into a logistics centre. Police has already chosen a list of prospective candidates for acquisition. According to Siwec, Police could also take over a company from an industry which is not directly connected to Police's production. Siwec announced that Police would be ready to spend up to ZŁ500m on acquisitions. He added that forecasts for 2007 may be raised - according to the latest October forecasts of the board, net profits were to amount to ZŁ126m in 2007.

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