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NATIONAL NEWS

Row over EU Treaty

Dziennik p. 1, March 15-16 2008

The stalemate over the ratification of the EU reform treaty may lead to early parliamentary elections, stated the Civic Platform's (PO) parliamentary caucus head Zbigniew Chlebowski. The radical scenario cropped up after Law and Justice (PiS) boycotted the meeting of parliamentary caucus leaders proposed by the Sejm Speaker Bronisław Komorowski. The politicians were supposed to discuss the PiS's proposal to add to the Ratification Act a preamble confirming Poland's sovereignty within the EU. The party unexpectedly came forward with the proposal on Wednesday, triggering a storm in the Sejm. Komorowski suggested that PiS's postulates be included in a separate resolution. Chlebowski said that if there is no progress, he will call for early elections. Another PO member said that a referendum was also not being excluded. That idea gained backing from both PiS and the Left and Democrats (LiD).

German Spy in PM's Chancellery?

tvn24.pl, March 16 2008

According to the weekly Wprost, there could have been a German spy operating in the PM's Chancellery for several years - a Government Protection Bureau (BOR) officer is suspected of cooperating with the German intelligence services for years. The Internal Security Agency (ABW) has been investigating the matter since in mid-2007 it unearthed a film of the chancellery's major rooms and the PM's desk with classified information on it. It is the most serious investigation concerning state security in 20 years. Secretary of State in the PM's Chancellery Rafał Grubiński said on Sunday that he was not aware of the case. Also the Sejm Committee for Special Services head and the Left and Democrats (LiD) MP Janusz Zemke denied any knowledge. Wprost's informer said that, judging from the filmed documents, the record dated back to 1997.

Verification Committee's Work Stalled

Gazeta Wyborcza p. 3, March 15-16 2008; Gazeta Wyborcza p. 7, March 17 2008

According to Gazeta Wyborcza findings, members of the Sejm Committee for Verification of former Military Intelligence Services (WSI) are being probed by the Internal Security Agency (ABW) and the Military Counterintelligence Service (SKW) on suspicion of leaking information and corruption. As yet, the services are examining whether the reports concerning irregularities

in the committee's work are true; no investigation has yet been launched. Several members of the committee were denied access to classified information. Its head, Jan Olszewski announced that since the committee could no longer work normally, he would put himself at the PM's disposal. Meanwhile, Donald Tusk commissioned his advisor for special services Jacek Cichocki and the Intelligence Agency head Andrzej Ananicz to draw up a bill enabling the verification of former WSI officers.

Future Education

Dziennik p. 1, March 14 2008

The government is dead serious about its education reform plans. There will be three main pillars of changes. First: end of early retirement for this professional group. Second: correction of the Teacher's Charter, a document which guarantees only an 18-hour working week. Third: radical pay rises. The reform package is indeed revolutionary, although postponed over the span of several years. It would fully come into force no sooner than 2015. In six years the teachers' wages should be more dependent on the quality of their work - now they are fixed and the motivational benefits are minimal. The regulations regarding promotions would also be changed - currently, after 12 years, most teachers reach the highest posts in the hierarchy, which takes away their motivation for further development. They would be able to work longer - up to 27 hours per week. There would be a transitional period in which the teachers could decide themselves how many overtime hours they wanted to work.

Foreign Press Impressed by Tusk's US Achievements

tvn24.pl, March 12 2008; Rzeczpospolita p. A11, March 13 2008

The recent visit of PM Donald Tusk to Washington has been widely reported in other countries. According to Russia's *Rossiskaya Gazeta*, the Polish PM played his cards well, going as far as to blackmail George W. Bush that should the White House not meet Poland's demands regarding the planned establishment of a US anti-missile shield in Poland, Warsaw would forge an alliance with Moscow. "Poland did everything to convince its US partners that it did not care about its military plans and Washington bought it," states the paper. Russian commentators also predict that by adopting such a tough stance, Tusk may have earned the respect of the Kremlin. The Czech press, in turn, complained about the asymmetrical benefits for the two countries involved.

Fin Min for Euro Adoption in 2012

Gazeta.pl, March 12 2008

According to Finance Minister Jacek Rostowski, Poland could access the ERM2 mechanism in 2009 and accept the euro currency in 2012. However, to realise this scenario Poland would have to fulfill the Maastricht criteria even earlier, while the minister fears that Poland can only meet the inflation criteria in the second half of 2009. In his speech at the Banking Forum 2008, he added that there is much risk involved and his statement is not to be treated as a government declaration. "Naming the date for entering the ERM2 without meeting the criteria and then postponing it would not improve our credibility," he said. Rostowski admitted that Poland stopped meeting the inflation criteria in February, but was certain that it could be made up for very quickly. He added that according to the ministry's calculations, the public debt in 2010 will decline to 42.3 percent of GDP (from 44.9 percent in 2007).

Inflation in February Below Expectations

Gazeta.pl, March 13 2008

In February, inflation in Poland fell from 4.3 to 4.2 percent; meanwhile, analysts forecasted that the consumer price index (CPI) would grow to 4.5 percent last month. Moreover, the inflation data from January was corrected from 4.3 to 4 percent. "The lower-than-expected inflation growth in February was caused mainly by revision of inflation in January. Moreover, last month food prices went up only 0.2 percent month-on-month, while fuel prices fell 0.2 percent; that said, the only factor visibly pushing up inflation was energy price growth," explains BGŻ economist Wojciech Matysiak. The latest data on inflation has affected analysts' expectations as to when the Monetary Policy Council (RPP) will next raise interest rates. While none of them believes it has already completed the process of tightening Poland's monetary policy, many experts think that the next rate increase may take place in April, and not in March.

Power Link with Germany

Rzeczpospolita p. B3, March 14 2008

The power link between Poland and Germany might be ready in a couple of years. This connection with Western Europe is crucial, as Poland is suffering a growing power deficit. The other reason is EU law. "The EU wants to create a unified energy market, which will not be possible without new connections," said ex-CEO of PSE Krzysztof Żmijewski. PSE Operator (Poland) and Vattenfall Europe Transmission (Germany) will negotiate the investment. Experts say agreement might be reached in two months - Berlin will hold an energy conference on 15 May; only these two companies are invited. The Economy Ministry and EU regulators will join the Berlin talks. This is where the agreement might be signed. Poland has already established two energy connections with Germany - each of them needs modernisation, which might be ready in two years. The power of the link is still unknown - it depends on building a new power plant in Legnica.

Dispute at NBP Continues

Wall Street Journal Polska p. 1, March 17 2008

The Monetary Policy Council (RPP) may not accept the National Bank of Poland (NBP)'s annual report. This is another stage of the dispute between the central bank chairman Sławomir Skrzypek and the RPP. The council previously sent letters to President Lech Kaczyński and speakers of the Parliament questioning the legality of organisational changes introduced by Skrzypek, but the step had little consequences. Presently, three members of the RPP are not excluding the possibility of the council looking for other ways to direct attention to the problem. Hence the Council may decide to reject this year's financial report from the central bank, which would be an unprecedented event. Yet the outcome of their decision is uncertain. "The Act on the NBP does not specify the consequences of a rejection of the annual report. This is one of the holes in the act," said legal director of Polish Bank Association (ZBP), Jerzy Bańka. He seriously doubted there would be a majority in the Council willing to take such a step.

Power Grid Operator Suspends Electricity Exports

Rzeczpospolita p. B1, March 15-16 2008

State-controlled power grid operator PSE Operator has blocked exports of Polish electric energy to foreign clients. The energy auctions thus affected are to take place in March and April; according to unofficial information, the same scenario will unfold in the following months. Experts believe that the company's decision is fully justified, as in summer Poland may face an energy deficit. "It is a provident move, and a rational reaction to the situation on the market," says Jan Popczyk from the Silesian University of Technology. He points out that the observed coal deficit may result in further energy price rises and stresses that domestic power stations will have to bear considerable expenditure on CO2 emission rights, as the emission limits they were granted by the European Commission (EC) are too low.

Gas Price Rise Postponed?

Gazeta.pl, March 16 2008

If by midnight on Sunday the Energy Regulatory Office (URE) has not accepted PGNiG oil and gas monopoly's new gas tariff, the firm will not be able to implement the price rises it planned as of April. The law stipulates that new tariffs have to be announced two weeks ahead. The company may be facing serious problems. The current tariff has been in force since the beginning of 2007. The concern has been trying to lift prices since the end of last year. When the Economy Ministry passed an ordinance concerning gas tariffs on 20 February, PGNiG motioned for the URE's approval to raise wholesale gas prices by 33.7 percent, starting from April. The scale of the hike was justified a rapid increase in the cost of imports of 40 percent. The concern also wanted the rise to make up for ZŁ300m losses incurred by a price freeze in Q1. A week ago the regulator decided the firm's demands were too high, so PGNiG went down to 29 percent.

Vivendi Claims EUR1.9bn

Gazeta Wyborcza p. 42, March 15-16 2008

French telecom and media group Vivendi is accusing Poland of unequal treatment of investors and failing to protect their investments; it has demanded that the Polish government pay it compensation of EUR1.9bn. The issue concerns Vivendi's stake in Era and Heyah mobile network operator PTC, of which the company was deprived. The history of its dispute with Poland and other PTC shareholder Deutsche Telekom (DT) goes back a long way and is very complicated. In 1999, Vivendi established a company with Elektrim, following which despite objections from DT the latter firm transferred its stake in PTC to it. In 2004, the move was declared illegal by a court of arbitration, which ordered Elektrim to restore the state of affairs to that from before the transaction. In this way, Vivendi lost the chance to take over PTC, in which it had by then invested EUR2bn. The French group claims that the Polish authorities are partially responsible for the situation.

Treasury Denies Plans to Privatise TVP and PR

Gazeta.pl, March 13 2008

The declaration by PM's Chancellery representative Rafał Grupański regarding the planned sale of one of the TV channels of public broadcaster TVP triggered an instant reaction from Treasury Minister Aleksander Grad. According to the latter politician, there are no chances of privatising TVP in this way and the Treasury has no such plans. "The Civic Platform (PO) made it clear before the elections that it had no intention of privatising one of TVP's TV channels, or Polskie Radio (PR) public radio broadcaster, for that matter. While since then various scenarios have been discussed, I share the view of PM Donald Tusk on the issue," he states. On 12 March, Tusk presented himself as an opponent of Grupański's plans. Grad also addressed the audit recently conducted at TVP, which in his opinion reveals that the broadcaster does not have clear rules for concluding contracts with its employees, which results in guaranteeing gigantic severance pay to its top brass.

New BRE CEO a Puppet in Commerzbank's Hands?

Gazeta Wyborcza p. 39, March 15-16 2008

On 14 March, the shareholders of BRE Bank appointed its new supervisory board; as expected, at the request of the institution's main shareholder Commerzbank its hitherto CEO Sławomir Lachowicz was replaced by former BPH Deputy CEO Mariusz Grendowicz. The German bank has also given the post of BRE Deputy CEO to Andre Carls, who at the same time will also become the regional head of Commerzbank holding. The latter de-

cision is seen as particularly controversial by analysts, as in their opinion it will strip Grendowicz of any real influence over the company's management. "It is a most unusual situation. I can imagine Carls reporting to Grendowicz as his deputy on one day and telling him what to do as the head of the holding on the next day," says one expert. In the opinion of former General Inspectorate of Banking Supervision (GINB) head Wojciech Kwaśniak, Commerzbank's decisions may have a negative influence on the quality and stability of BRE's functioning.

PGNiG Names New CEO

Puls Biznesu p. 4, March 13 2008

The supervisory board of national gas monopoly PGNiG has formed a new management board, appointing employee Michał Szubski as CEO. Szubski has worked for PGNiG and its affiliates for 14 years. He was CEO of subsidiary Mazowiecka Spółka Gazownictwa between 2003 and 2007, while as of September 2007 he advised PGNiG's management board. Szubski declined to comment on his vision for PGNiG's future. "I'd like first to look at the company's documents," he said. "As for the projects on diversifying gas deliveries to Poland, which were planned by the former management board, I don't have a negative opinion on them." He set improving relations with the crew as his first priority. The company's unions welcomed the new CEO. Other industry experts also have a good opinion of him. "Szubski is perfectly prepared for this job," said Marcin Buczkowski, CEO of CP Energia. The board also picked Mirosław Dobrut, formerly head of the Commercial Chamber of Gas, as deputy CEO in charge of technology and investments. Sławomir Hinc, formerly CFO at Gaz System, was appointed deputy CEO in charge of finances.

TPSA May Stave Off Division If It Co-operates

Rzeczpospolita p. B1, March 14 2008

"If TPSA fixed-line telephone monopoly does not start to co-operate, it will be divided," warned Office for Electronic Communications (UKE) head Anna Streżyńska. However, if the firm grants its rivals access to 9.5m of its customers and the co-operation with other telecom operators runs smoothly, the Office might withdraw from the plan to divide the giant. The final decision on whether to separate the subscription lines management department from retail service sales will be taken in July. The former would sell access to subscribers to the latter, just as to rival telecoms. This would entail cost transparency and enforce rates that do not discriminate against alternative operators such as Netia, Telefonía Dialog or Tele2. The UKE has been hard on TPSA for lack of co-operation with alternative telecoms for two years now, since Streżyńska took over the reins at the institution. Her activity has resulted in TPSA's loss of customers and revenue.

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