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NATIONAL NEWS

Polish Policemen Wounded in Kosovo

tvn24.pl, March 17 2008

28 Polish police officers were wounded in the half-Serbian, half-Kosovar town of Mitrovica on Monday. Early in the morning the Polish police force was called in to help protect the UN court building occupied by Serbs on Friday. When the arrested Serbs were escorted out of the building, the Poles were attacked with home-made grenades and explosives. The policemen were injured by shrapnel. NATO spokesman John Appathurai has declared that the organisation will react decisively and in accordance with the UN mandate to the violence. The Polish Interior and Administration Minister Grzegorz Schetyna, together with other ministry representatives, flew to Kosovo on Monday night. Some of the wounded officers will return with him to Poland.

President Takes the Initiative

Gazeta.pl, March 17 2008

President Lech Kaczyński decided to engage in the debate over the ratification of the EU reform treaty. On Monday evening he held a meeting with parliamentary caucus heads to whom he announced that he intended to present his own ratification bill. Later the message was passed on the general public via a previously recorded TV address. Kaczyński chastised the government for having expressed its readiness to pull out of the so-called British protocol, which constitutes an opt-out from the Fundamental Rights Charter. In the president's view, certain paragraphs of the charter may trigger a wave of German claims for property lost after WWII. He also fears that the document may force Poland to accept the institution of gay marriages. The Left and Democrats (LiD) leader Wojciech Olejniczak disclosed that the president intended to veto the ratification act in its present shape.

President to Neither Veto Nor Sign Lisbon Treaty Ratification?

tvn24.pl and Gazeta.pl, March 18 2008

On 18 March, President Lech Kaczyński announced that he would not veto the ratification of the Lisbon Treaty by Poland; at the same time, however, he hinted that he might not sign the Ratification Act, which would result in a stalemate over the issue. According to legal experts, in reality the situation looks quite different as the President cannot simply "not sign" the document. One expert goes on to say that should Kaczyński still

choose such solution, there would be grounds for taking him to the State Tribunal. This possibility was openly confirmed by Civic Platform (PO) MP Stefan Niesiołowski, who believes that by making such a statement the President clearly showed that there is no chance of reaching a compromise over the Treaty. Meanwhile, Law and Justice (PiS) representative Paweł Kowal appealed for launching real dialogue on the issue.

Situation in Tibet Attracts Attention of Polish Politicians

Gazeta Wyborcza p. 9 and Dziennik p. 3, March 19 2008

China's brutal repression against the population of Tibet has attracted the attention of the Polish parliament. Commenting on the issue, PM Donald Tusk stated that if the situation remains unchanged the Polish government may refuse to attend the opening ceremony of the Beijing 2008 Olympic Games. Moreover, the Sejm may adopt a special resolution regarding the situation in Tibet. Most importantly, however, the Polish parliament has invited Dalai Lama Tenzin Gjatso to visit Poland in late spring and deliver a speech in the Sejm. Deputy Sejm Speaker Stefan Niesiołowski reveals that representatives of Chinese authorities have been pressing for the Polish MPs to abandon this idea. Apart from the aforementioned declarations and plans, so far Warsaw's reaction to the situation in Tibet has been moderate; the Polish foreign ministry has requested Chinese Ambassador to Poland Sun Rongmin to present an explanation regarding the issue.

Sejm Passes Media Act Amendment After Heated Debate

Gazeta.pl and tvn24.pl, March 18 2008

On 18 March, the Sejm passed an amendment to the Broadcasting Act transferring most of the competence of the National Broadcasting Council (KRRiT) to the Office of Electronic Communications (UKE). The amendment was prepared by the Civic Platform (PO) and its adoption will make it possible to dismiss the present top brass of public TV and radio broadcasters. The final vote over the issue was preceded by a heated debate in the lower chamber, during which Law and Justice (PiS) protested vividly against PO's plans. The party's leader Jarosław Kaczyński called the amendment a "great scandal", while MP Jacek Kurski suggested that its author Iwona Śledzińska-Katarasińska represents the interests of the private broadcasters. Meanwhile, the Left and Democrats (LiD) coalition complained about the lack of clear rules of financing the public media in the new act.

Salaries Growing Rapidly, Rate Hike in March Probable

Gazeta.pl, March 17 2008

According to the data collected by the Central Statistical Office (GUS), in February the monthly average gross salary in the enterprise sector rose 2.1 percent month-on-month and nearly 12.8 percent year-on-year, reaching PLN3,032.7. The respective figures for employment were 0.4 and 5.9 percent. The observed salary growth was higher than expected by analysts; according to predictions, in February average pay was to be 10.9 percent higher than in the respective month of 2007. According to analysts, the continued high salary growth will neutralise the importance of lower-than-expected inflation in February and thus increase the chances of an interest rate hike in March. The Monetary Policy Council (RPP) will meet to make a decision regarding the rates on 25-26 March.

Fin Min Sees Lower Deficit, Faster Inflation in 2008

Wall Street Journal Polska p. 2, March 18 2008

The Finance Ministry has completed its work updating Poland's euro convergence plan. It will be soon submitted to the Cabinet and then sent to the European Commission (EC). "We expect that the updated program will convince the EC to end its procedures against Poland over an excessive budget deficit," Deputy Finance Minister Stanisław Gomułka said. The procedure is a symbol of no confidence against the finance policy of the European Union's member state if it spends too much, while the EC recommends keeping the public sector deficit below 3 percent of GDP. Poland forecasts 2008's deficit at 2.5 percent of GDP. The higher revenue due to buoyant consumption and rising wages may help narrow this year's budget gap to ZŁ22.1bn from the earlier planned ZŁ27.1bn but inflation will go up to about 4.5 percent from the earlier forecast of 2.3 percent.

Fishy Problem in EU Funds

Parkiet p. 16, March 18 2008

In February the beneficiaries of structural funds have been granted PLN741m. This is less than half of what Poland spent in December, but the Ministry of Regional Development (MRR) is still satisfied. The MRR said that only PLN615m was used in January and if Poland does not want to lose a single euro, it should spend more. The average level of monthly fund expenditure should oscillate around PLN770m. It is said unofficially, that 75 percent of the allocated finance has already been spent, which is much too little - all the sums that have been already consumed amount to PLN23.2bn. The fishing sector is the usual obstacle to the smooth flow of EU funds - the Ministry of Agriculture has not prepared the structure of a new supervising body to be responsible for fishing. Another problem is that local authorities lack approximately EUR2bn for environmental investment. Brussels is leaning towards splitting some projects into phases, so that particular stages would be financed separately.

Brussels Report on Telecoms

Rzeczpospolita p. B1, March 19 2008

Poland is lagging behind in terms of access to broadband Internet, says a European Commission (EC) report. The EC noted that only 8.4 percent of Poles have access to this kind of service. The EC also highlighted the dominant position of TPSA, which controls 58.6 percent of fast Internet lanes, which is far above EU standards for monopolies (36 percent). The situation is even worse in fixed-line telephony, where TPSA holds 98.7 percent of the lines (86.5 in the EU). The mobile communications market seems more competitive - its saturation reaches 97 percent, which is 6 percent better than a year ago - it is around 112 percent in EU countries. The EC approves of the increased investment and the reduction in prices for mobile services. Another point worth noting is the opening of 16 contact points for the Electronic Communication Office (UKE), where consumers may report their complaints and queries.

Strengthening Złoty, Rising Costs Hurt Polish Food Exports

Rzeczpospolita p. B5, March 19 2008

Polish food producers are complaining that their products are becoming less competitive abroad due to the strong złoty and rising production costs, which stop them cutting prices. According to the Agricultural Economy and Food Industry Institute, this year's food sales abroad will total EUR10.6bn, which is only 6 percent more than last year, when Polish food exports soared annually by 18 percent. The boom on the Polish food started after the country joined the EU in 2004. Food sales abroad rose 36 percent in the first year of membership as Polish products could compete on price in the EU. The accelerating wages are, however, boosting costs, which combined with a strong domestic currency, does not allow for successful rivalry. At the same time, the strong złoty helps importers to buy goods at lower prices and boost profits.

Regulator Does Not Allow PGNiG to Raise Gas Tariffs

Parkiet pp. 4-5, March 18 2008

The Energy Regulatory Office (URE) did not approve the gas price rise proposed by PGNiG. Both sides defend their positions and are not willing to make any concessions. The URE vice chairman Marek Woszczyk said that the regulator is willing to accept a 10-20 percent rise. Meanwhile, the concern wants to raise its prices by 29 percent. Earlier the company asked for permission to raise prices even by 33.7 percent. The last gas price rise was on 1 January 2007 and amounted to 9.9 percent. The PGNiG spokesperson Joanna Zakrzewska points out that the company is losing some PLN4m every day because there are no new tariffs. Earlier the management announced PGNiG will lose some PLN300m during the first quarter. However analysts say the PGNiG will probably negotiate for another couple of weeks to get an extra percent or two above the 20 percent which the URE is prepared to allow.

Krauze Not Planning to Quit Polish Investment

Parkiet p. 10-12, March 19 2008

Ryszard Krauze, one of Poland's richest investors, spoke for the first time in a few months since he left the country in the summer of last year after being accused of being the source of a leak in the corruption probe at top government level. Soon after the prosecutor filed an accusation against him Krauze decided, from abroad, to sell Poland's top software maker Prokom Software out of concern the scandal may affect its share price. Since he failed to show up and speak to the public the analysts and investors holding stakes in other companies controlled by Krauze were speculating whether he might sell off stakes in Bioton, Petrolinvest and Polnord. However, in his first comment following a lengthy silence Krauze assures the three companies are a long-term investment for him. He forecasts Bioton's 2008 sales at more than PLN500m and a 30-percent operating margin, while Polnord may post a PLN2-2.5bn profit between 2008 and 2011. Krauze did not rule out new internet initiatives.

GTC to Spend over EUR4bn on Investment over Next Two Years

Parkiet p. 4, March 19 2008

Following a demand by its main shareholder GTC Real Estate, Globe Trade Centre (GTC) property developer was forced to publish information on its investment plans. According to the document, the company is currently carrying out and preparing over 30 office building projects, 14 shopping and entertainment complex projects and 24 housing projects; most of them are to be completed within the next two years. The list includes ventures that so far have not been presented to the general public. In total, all the investments will cost GTC over EUR4bn. Commenting on the issue, analysts point out that by publishing the aforementioned information the company has increased its transparency, which was positively received by investors. Indeed, on 18 March the developer's share price rose 8 percent. On the other hand, however, GTC has disclosed its plans to the competition and contractors, which in the latter case may weaken its position in the negotiations.

KGHM to Double Investment in 2008

Puls Biznesu p. 6, March 18 2008

KGHM wants to boost spending on investment to PLN1.6bn this year from PLN828m in 2007. "The neglect of investment has been very serious," said Ryszard Kurek, a member of KGHM supervisory board, who represents the copper-mining unions. "There are no less or more important projects here as in my opinion each of them is urgent. They must be implemented immediately." He claims that the company's management board

did not stick to the investment schedule last year, for example they declined to start work on building a fluidized-bed furnace. "Also the project to build a power station has been suspended," Kurek said. "The energy projects are locked away in a drawer when they could have been started at least a year ago." Allegedly, the former management board focused on boosting the net income at the cost of investment. Among the projects to be implemented now are building a pit shaft, starting extraction at the Radwanice-Gaworzyce deposit and upgrading machinery.

Kulczyk Starts Property Investment in Dubai

Puls Biznesu p. 6, March 19 2008

Kulczyk Investment House (KIH), a holding set up by one of Poland's richest men, has moved into property development following his investment in the gas and oil sector. The company, which has already set up a unit called Kulczyk Real Estate, earlier announced a plan to build the highest sky-scraper in continental Europe in Warsaw, but will start with a venture in the United Arab Emirates. Kulczyk joined local property developer Al Fajer Properties, a leader on the Emirates' building market, which is constructing a complex of five office buildings in Dubai. The first stage of this investment will cost \$63m. "We split the costs fifty-fifty," said Manoj Narender Madnani, a managing director at Kulczyk Investment House. "Our partner is pursuing an aggressive policy and we will take part in other projects in this country, as its annual return rate on investment is 20 percent." Madnani said that KIH will focus on office-space investment projects in Poland, Ukraine and the Emirates.

Energa Plans Stock Debut in 2009

Rzeczpospolita p. B4, March 18 2008

Grupa Energa first plans to increase initial capital, and then in 2009 to debut on WSE. On Monday the new management presented its strategy. Energa president Mirosław Bieliński assured that the debut procedures follow the Treasury Ministry's plans. The debut is scheduled for the second half of 2009. Before the debut the energy company will increase its initial capital by a maximum of 30 percent. Energa is one of Poland's four largest energy holdings. It has 2.7m customers and net profit in 2007 amounted to some PLN250m. In 2008 it wants to spend about PLN800m on investment. Some 60 percent of this amount will be used for expansion and modernisation of the network. Energa is not the only company in the energy sector getting ready for a stock debut. Enea and PGE are due to debut this year, and then the Tauron group. The deputy Treasury Minister Jan Bury said last week that Western companies interested in Polish energy holdings will have to wait another 3-4 years, because further privatisation will depend on the economic effects of the first stage of privatisation and the situation on global markets.

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