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NATIONAL NEWS

Meeting Between PM and President Postponed

Gazeta.pl and tvn24.pl, March 25 2008

Contrary to expectations, President Lech Kaczyński and PM Donald Tusk will probably not meet today to discuss problems related to the ratification of the Lisbon Treaty. During his visit to Hungary, the former stated that there was no conflict over the issue in Poland and expressed hope that he would hold a meeting with Tusk on Wednesday. Meanwhile, government spokesperson Agnieszka Liszka announced that so far the date of the meeting has not been set and admitted that it may not take place on the day mentioned by Kaczyński. She went on to say that difficulties in establishing the date of the meeting were a consequence of the president's recent foreign trips and the PM's busy schedule. Commenting on the issue, Kaczyński did not rule out that the meeting may be postponed until Thursday, which he described as a "sad affair."

Press: Compromise over Treaty a Matter of Time

Gazeta Wyborcza p. 1, Rzeczpospolita p. A3 and Dziennik p. 3, March 26 2008

The leading press titles in Poland are confident that when they finally meet, President Lech Kaczyński and PM Donald Tusk will reach a compromise regarding ratification of the Lisbon Treaty. According to *Dziennik* daily, the president managed to persuade his brother Jarosław, who is also the leader of Law and Justice (PiS), to adopt a more consensual approach to the issue. The newspaper writes that there was a short-term conflict between the twins over the matter and that Lech Kaczyński was not happy with the way in which his televised message to the public was edited by the party's spin-doctors. As a consequence, on 25 March the party's parliamentary caucus head Przemysław Gosiewski announced that it was willing to accept any solution ensuring the validity of the Treaty's provisions.

Poland to Take Control over Afgan Province of Ghazni

Gazeta Wyborcza p. 1, March 22-24 2008

According to unofficial information, the Polish army operating in Afghanistan will take control over the Ghazni province. For the decision to be officially announced by the Defence Ministry, President Lech Kaczyński must first sign a relevant ordinance.

In the opinion of the ministry's representatives, taking responsibility for the Afghan province will increase Poland's role in the operation. Poland will be fully responsible for the situation in Ghazni; while US soldiers will serve there too, they will usually be under Polish command. Ghazni has a reputation as one of the safer Afghan provinces. Nonetheless, it is of considerable strategic importance, as it is crossed by the road linking Kabul and Kandahar. The Taliban have been constantly trying to block it and attack the convoys using it. Polish troops operating in Afghanistan will no longer patrol the dangerous Afghan-Pakistani borderland.

Polish Troops to Serve Only in NATO and EU Operations

Dziennik p. 1, March 26 2008

In an interview for *Dziennik* daily, Defence Minister Bogdan Klich reveals that the government is planning to change Poland's defence doctrine. Bearing in mind the experience from the war in Iraq, Poland intends to send its troops only on military missions organised by NATO or the EU, as its security depends directly only on these two organisations. This, however, does not mean that the Defence Ministry is planning to reduce Poland's involvement in foreign military operations. On the contrary, in the next few years at least 3,000 Polish soldiers will be serving abroad; the ministry's ambition is to send every twelfth infantryman on such missions. Warsaw's new plan has already resulted in the decision to increase the involvement of Polish troops serving in Afghanistan to 1,600 soldiers, as well as in Poland gaining control over the Afghan province of Ghazni.

Last Call for Compromise over Media Act Amendment

Rzeczpospolita p. A3, March 25 2008

Despite its haste in pushing the amendment to the Media Act through the Sejm, the Civic Platform (PO) will not be able to get it equally quickly through the Senate. According to *Rzeczpospolita* daily, the upper chamber will not tackle the issue at this week's session because of the PO's failure to reach a final agreement with the Left and Democrats (LiD) regarding the matter. A representative of the ruling party, Waldy Dzikowski, stresses that with the amendment already submitted to the Senate, it is the last call for the PO and LiD to reach a compromise. Meanwhile, LiD parliamentary caucus head Wojciech Olejniczak warns that if the PO does not make a concrete proposal, it will not have his party's backing and without this it will not be able to reject the presidential veto.

NBP: Base Inflation Index Up

Wall Street Journal Polska p. 2, March 22-24 2008

According to the National Bank of Poland (NBP), in the first two months of 2008 the net growth of the base inflation index (calculated with the exemption of food and fuel prices) amounted to 1.9 percent in January and 2.5 percent in February. Economists, on the other hand, were expecting 2.7-percent growth. The growth in the base inflation index, especially in February, was an effect of changes in regulated prices, namely electricity prices. Moreover, a rise in gas prices amounting to several percent is almost certain, as well as transport ticket prices. According to ING Bank Śląski economists, the base inflation index will keep growing and could exceed 4 percent in H2 and exceed the consumer goods and services index measured by the Central Statistical Office. Such a prospect could encourage the Polish Monetary Council to continue its policy of raising interest rates.

Bridge Too Far with Russia

Gazeta.pl, March 25 2008

Russia wants to build an energy bridge between Poland and Kaliningrad Oblast. This project is not new, but the political climate now seems to be favorable. The ambitious plans are contained in a strategic government document called "Plans for Electro-Energy Development in 2020," accepted in February 2008. A connection of 120km might be constructed in 2016-2020 and each of its two cables would have 1,140 MW power. Neither Jantarenergo (energy distributor) nor FSK (power grid manager) have shared any details of this project. Russia has been trying to negotiate this connection with Poland since early 2003. Today, the Polish government is willing to discuss the investment: the Polish strategy for energy policy allows such a connection, provided it would be economically efficient and partially financed by EU subsidies (EUR250m cost). Yet, experts say that the project might not be realised, as Kaliningrad may not have enough power and transportation systems are overloaded.

Gov't Adopts Updated Convergence Programme

Gazeta.pl, March 25 2008

On 25 March, the government adopted the updated version of the convergence programme foreseeing the lowering of the public finance deficit to one percent of GDP in 2011. According to the Finance Ministry, despite the considerable costs tied to the reduction of the tax wedge, in the years 2006-2010 the deficit will be brought down from 3.8 to 1.5 percent. The ministry stresses that 2009 is to see the introduction of 18- and 32-percent tax rates, with the tax threshold established at PLN84,426, which together with the reduction of the disability premium rate by 7 percent may result in temporary growth of the deficit in 2008. Finance Ministry experts also forecast that the inflation rate will gradually decrease this year to settle at 3.5 percent for the whole of 2008. At the end of the year, the GDP growth rate of the Polish economy is to reach 5.5 percent, while household consumption is to increase 6 percent year-on-year.

Ukraine Threatens to Turn Off Gas

Gazeta Wyborcza p. 15, March 22-24 2008

Poland may experience problems with gas supplies from Ukraine as of April. PM Yulia Tymoshenko's government wants to block the transit of gas from RosUkrEnergo (RUE), which supplies a sixth of the gas used in Poland. The Ukrainian government has forbidden the state-owned Naftohaz from sending gas for RUE. As of 1 April, it can supply gas only on the Ukrainian market. RUE is the second largest gas exporter to Poland. PGNiG signed a contract with RUE for supplies of 2.3bn cubic metres of gas annually, which abides until the end of 2009. In 2007, Ukrainian gas pipelines delivered 11.6bn cubic metres for RUE. However, the Polish government is of the opinion that Ukraine guarantees stable gas supplies, as stated in a document on economic co-operation signed by Polish and Ukrainian deputy prime ministers. Meanwhile, PGNiG is waiting for RUE and Naftohaz to explain the situation.

Streżyńska: No Revolution in Granting Broadcasting Licences

Gazeta.pl, March 24 2008

The fate of the amendment to the media bill is uncertain. However, if the amendment went through, it would seriously limit the scope of duties of the National Broadcasting Council (KRRiT). Instead of the Council, the Office for Electronic Communications (UKE) would be in charge of granting broadcasting licenses. The head of the UKE is to be appointed by the Sejm at the PM's request. UKE head Anna Streżyńska is of the opinion that the amendment is not revolutionary. She says that despite many shuffles, everything stays the same. The KRRiT had to ask the UKE whether a frequency was available. The UKE will still have to verify the frequency, and the KRRiT will still inspect the programme content. Streżyńska also claims it would be best to merge the UKE and KRRiT.

Treasury Sued for PLN20bn

Puls Biznesu p. 4, march 26 2008

In the last two years, Polish citizens and companies have sued the Treasury for over PLN20bn, according to the General State Attorney Office (PG), which is designed to defend the Treasury in court cases. In 2007, courts received claims for PLN12.1bn - this sum does not include the demands of Eureko for remuneration in the PZU dispute filed with the International Court of Arbitration in London - and it means that citizens' demands have doubled (PLN7.2bn in 2006). One record-breaking case involves a private person who demands PLN1bn, but PG refuses to reveal any further details. Another major case involves PLN213m demanded by Elektrim Megadex and a PLN100m motion by Centrozap Katowice. "The sharply growing tendency in the number of motions filed is a result of implementing clear rules, which define the ST's responsibilities and liabilities for the decisions of its administrative bodies," said PG President Marcin Dziurda. PG won 586 of 1,046 closed cases. Citizens won only 50 cases and PLN33.7m - other cases ended in agreement or discontinuation of the trial.

Coal Mines to Invest PLN2.5bn

Rzeczpospolita p. B6, March 25 2008

This year, mining companies plan to invest PLN2.5bn in the construction of new seams and new equipment. The funds will come from retained profits and from credit. The National Environment Protection Fund (NFOŚ) will spend PLN8.5m on water protection programmes of mining company Kompania Węglowa (KW). Compared to 2007, KW will increase its investment spending by PLN250m this year. Katowicka Grupa Kapitałowa will boost investment spending even more, up to PLN730m in 2008, from PLN418m in 2007. In turn, mining company Jastrzębska Spółka Węglowa (JSW) plans to construct the deepest seam in Poland, at 1,290 metres below ground level, in the Budryk mine. "Modernisation and extension of the coal processing plant in the Budryk mine alone will cost PLN35m," says Katarzyna Jabłońska-Bayer, spokeswoman for JSW. The main investment of Węgiel Bogdanka will allow it to double its coal extraction to over 10 million tonnes in 2008.

Tauron to Debut on WSE in 2009

Puls Biznesu p. 10, March 25 2008

Dariusz Lubera, new CEO of energy group Tauron Polska Energia (TPE), has set a clear goal. "We will concentrate on preparing the company for the stock market debut in 2009," he says. The group, which includes the Katowice-based energy company Południowy Koncern Energetyczny, Enion, EnergaPro and the power station Elektrownia Stalowa Wola, still does not have a strategy. Lubera announced that the document will be ready after the summer holidays. He has already discussed the introduction of TPE to the WSE with Deputy Treasury Minister Jan Bury. The company is to issue new shares, but it remains unknown how large a stake would be offered. The Treasury wants to keep control of the company, however. "We intend to spend the money from the bourse on investment," says Lubera. He also does not exclude a bond issue. The new board is to create a new organisational structure for the company. "In the future, the present portfolio of companies will be transformed into an operational holding. Such an entity will be introduced to the stock exchange," adds TPE's chief executive.

Poczta Polska to Become Joint Stock Company in 12 Months

Gazeta.pl, March 25 2008

On 25 March, the government adopted the National Mail Commercialisation Bill, according to which Poczta Polska national mail is to be transformed into a joint stock company in which the Treasury will be the sole shareholder. While the cabinet of Jarosław Kaczyński passed a similar bill in the previous parliamentary term, it never became effective as an act of law. The

commercialisation is expected to improve the enterprise's functioning on the services market and increase its chances in rivalry with the competition. The work and pay terms for Poczta Polska's employees are to remain unchanged. The bill also states that the operation is to be conducted by the ministry in charge of communications and is to last 12 months. As a commercial enterprise, Poczta Polska will have to cover all its potential losses, and will be eligible for state aid only in the case of losses incurred as a result of its obligation to provide mail services to the public.

Indar Snatched from Bioton, Investigation to Follow

Puls Biznesu pp. 6-7, March 26 2008

A mysterious company called Gerist Invest has snatched Indar from Bioton. On Tuesday, the stock of the company controlled by Ryszard Krauze plummeted, instead of surging, and in the end Bioton closed at the same level as before Easter. All this because a majority stake in Indar, a Ukrainian insulin manufacturer, changed hands in dubious circumstances just a few days before the GSA, during which Bioton, owner of 29.29 percent of shares, was supposed to adopt a resolution about increasing Indar's capital. As a result, it was supposed to become the Ukrainian company's majority shareholder. In a statement, Bioton announced the remaining 70.7 percent of Indar shares, which used to be controlled by the Ukrainian Health Ministry, had suddenly ended up in the hands of British company Gerist Invest Limited. Bioton suspects the transaction was illegal. The Ukrainian Health Ministry is launching an enquiry into the matter.

Aurelian Oil and Gas May Spend Several Hundred Million Zlotys

Parkiet p. 8, March 25 2008

British company Aurelian Oil & Gas may spend several hundred million zlotys on extraction of natural gas in Skiekierki near Poznań. At the beginning of March, the London-AIM-listed Aurelian estimated the deposit in Skiekierki at over 5bn cubic metres. If these estimates are confirmed, Aurelian has a chance to become Poland's second-largest natural gas producer after PGNiG, which has 100bn cu m gas deposits. British brokerage house Fox Davies Capital forecasts exploration will begin in mid 2009, but Aurelian has already announced a tender for the installation needed to extract the gas. Fox Davies Capital further estimates that Aurelian will spend EUR300m on exploration of the deposits. Aurelian says, in turn, that it will be able to give precise figures six months after it makes the first trial drill in Q4 2009. Construction company PBG may profit on the construction of a gas extraction installation.

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