

# **MSZ** Supplement

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## **NATIONAL NEWS**

### **Sejm Ratifies Lisbon Treaty**

*Gazeta.pl, April 1 2008*

After several days of commotion, Tuesday saw the Sejm ratify the Lisbon Treaty. The ratification was supported by the ruling coalition of the Civic Platform (PO) and the Polish Peasants Party (PSL) as well as the Left and Democrats (LiD) coalition and the majority of Law and Justice (PiS) MPs - in total 384 votes. 56 MPs voted against it, while 12 abstained from voting. Before the vote, both the president and the PM spoke in favour of the ratification. Today morning, the document will be voted over by the Senate and, if the upper chamber passes it, the Ratification Act may be signed by the president on the same day. This, however, is not so obvious, as the PiS leader Jarosław Kaczyński stated: "Work in the Senate should only just be beginning."

### **Foreign Minister on President's Role in NATO Summit**

*Gazeta Wyborcza p. 3, April 2 2008*

In an interview for *Gazeta Wyborcza*, Foreign Minister Radosław Sikorski stated that although the relations with America were very important to Warsaw, it was not as close to consent to the deployment of the US anti-missile shield on Polish territory as the daily had previously reported. "We are ready to speed up the decision making process, but only when we reach an agreement as to the conditions, which I cannot reveal," he said. Sikorski added that the government would not agree to finance the construction of part of the base infrastructure. Concerning the NATO summit in Bucharest, the minister opined that President Lech Kaczyński's position will be strengthened by the fact the Lisbon Treaty has been ratified. His role will be to plead for Ukraine and Georgia to be admitted to the NATO Membership Action Plan (MAP), and for three Balkan countries to obtain an invitation to the organisation.

### **Split Within PiS?**

*Dziennik p. 3, April 2 2008*

Jarosław Kaczyński may see his party, Law and Justice (PiS), ripped apart. In the vote over the ratification of the Lisbon Treaty, one third of the PiS parliamentary caucus did not follow the leader's example. One of the MPs who voted against admitted before the showdown that the group of PiS members objecting to the Ratification Act are just waiting for a signal. The *Dziennik* daily is confident that the signal is to come from Father

Tadeusz Rydzyk. Meanwhile, since the PiS ordered no discipline in yesterday's vote, even members of the strict party leadership decided to vote differently from its head; Krzysztof Jurgiel was against and Jacek Kurski abstained from voting. Although the morning session of the PiS parliamentary caucus proceeded in a calm atmosphere, Kaczyński stated firmly: "The euro-sceptic wing cannot rule in PiS - a party which is in favour of Poland's presence in the EU."

### **Commotion on Left Wing as LiD Coalition Collapses**

*Gazeta Wyborcza p. 5, Rzeczpospolita p. A4 and Dziennik p. 4, April 1 2008*

The Democratic Left Alliance's (SLD) decision to end its partnership with the Polish Social Democracy (SLD), the Democratic Party (PD) and the Labour Union (UP) within the Left and Democrats (LiD) coalition will radically change the situation on the left wing of the domestic political scene. Today, the MPs representing all the aforementioned parties will appear at the extraordinary parliamentary session, the outcome of which should give certain indications as to their future. SdPI representative Andrzej Celiński forecasts that his party will form a new parliamentary group together with PD. Meanwhile one SLD MP predicts that a section of SdPI may decide to go in another direction than its leader Marek Borowski. Analysts have no doubt that the collapse of LiD has strengthened the position of SLD head Wojciech Olejniczak.

### **Radical Right Wing Furious with Kaczyński Brothers**

*Dziennik p. 1, April 1 2008*

The compromise regarding the ratification of the Lisbon Treaty reached by President Lech Kaczyński and PM Donald Tusk has infuriated the representatives of the radical right-wing camp centred around influential Redemptorist Tadeusz Rydzyk. The priest's supporters constitute a relatively strong group in the Law and Justice (PiS) party. According to Rydzyk, those opposing the idea of ratifying the Treaty have been "tricked" by the Kaczyński brothers. Rydzyk has appealed to the listeners of his radical Catholic Radio Maryja radio station to inquire with local PiS MPs whether they intend to vote for or against ratification. While the party's leader Jarosław Kaczyński tried to explain to the radio's audience that the compromise reached by his brother and Tusk does not pose any threat to Poland's independence, his words received very coolly by the host of the show.

## Surprising Q1 Budget Surplus

*Rzeczpospolita online, April 1 2008*

Unexpectedly the budget revenue may exceed spending for a third consecutive month, which raises the chances that the annual budget deficit will be lower than forecast. Deputy Finance Minister Elżbieta Suchocka-Roguska estimates that the budget income may exceed spending by as much as PLN2.5-3bn through to March, a rare occurrence in the same periods in the past. The surplus may result from rapid economic growth, good corporate profits and earlier 2007 income tax payments. The official data will be released in mid-April. Analysts were positively surprised by Suchocka-Roguska's estimates. "This data are better than forecast," said Remigiusz Grudzień, an economist at PKO BP. "A small deficit could have been expected." The information is important for the financial markets as it suggests the annual budget deficit will be below the planned PLN27bn, which would reduce state borrowing and strengthen the zloty.

## Gov't Fails to Fulfil 30 Percent of Quarterly Plan

*Parkiet p. 13, April 1 2008*

Donald Tusk's Ministry has passed almost 30 percent of the bills, regulations and other documents pertaining to the economy for Q1 of 2008. The schedule confirmed in January required the ministers to pass 68 acts, bills and regulations. The calculations presented by the Parkiet daily show that the legislative work was weakest in the Polish Peasants Party (PSL) ministries - the Agriculture and the Economy Ministry. The former is still lacking important regulations regarding the Rural Development Programme without which farmers will not get their long-awaited support, while the latter is struggling with the Public-Private Partnership Act. The Finance Ministry has one serious shortcoming, which is the lengthy amendment of the Excise Act. The Infrastructure Ministry fulfilled almost half of the government plan, while the Regional Development Ministry was the only one to complete it fully.

## Foreign Investment in Poland to Reach EUR15bn in 2008

*Puls Biznesu online, March 31 2008*

President of the Polish Information and Foreign Investment Agency (PAIiZ) Paweł Wojciechowski announced on Monday that according to the agency's estimates, the value of foreign investment in Poland in 2008 may reach EUR15bn. He added that the most attractive sector for foreign investors was - owing to qualified workers and particularly qualified engineers - the automotive industry. Out of 150 projects scheduled for this year, 20 were in the automotive sector. Electronic goods producers have also planned numerous investment projects in the country. Wojciechowski declined to reveal the names of the firms about to enter the Polish market, but said they were representatives of international concerns. The National Bank of Poland (NBP) reported on Monday that direct foreign investment in Poland in 2007 totaled EUR13.7bn.

## Fin Min: Inflation to Reach 5 Percent at End of Q2

*Gazeta.pl, April 1 2008*

According to the estimates of the Finance Ministry, in March inflation rose 4.1 percent year-on-year and 0.3 percent month-on-month. At the same time, its deputy head Stanisław Gomułka forecasts that on the turn of Q2 and Q3 the consumer price index (CPI) in Poland will reach 5 percent, with its growth propelled mainly by the growing gas, electricity and food prices. The CPI is expected to begin to decline in H2 and settle at 4.5 percent at the end of the year. However, Gomułka stresses that these predictions are rather unstable. In his opinion, inflation will only begin to fall if the food production on European markets rises and the unit labour costs in Poland cease to grow. "While in the present circumstances inflation growth is reduced by the continued appreciation of the zloty, one can hardly tell how long this trend will be maintained. That said, it may well be that the salaries will continue to rise in April," says Gomułka.

## Mobile Telecoms Threatened with PLN2.5bn Losses on MTR Cut

*Puls Biznesu p. 4, April 2 2008*

The head of the telecom market regulator UKE Anna Streżyńska has announced a drastic reduction in mobile termination rates, that is the price of wholesale connections to mobile phones. "Currently MTR stands at PLN0.40," Streżyńska said. "The target for May 1, 2010 is PLN0.15, but the reduction will be PLN0.07 larger than planned today," she added. The reduction will decrease the revenues of mobile operators. MTR contributes to over 20 percent of revenues generated by the market's top three, that is some PLN 5.5bn in total. A cut in MTR would, thus, cost the three operators a total of nearly PLN2.5bn. The operators are not too happy about the UKE's idea, to say the least. "The UKE's proposal means a completely unjustified destabilisation of Poland's telecom market, making it completely unpredictable for investors," PTK Centertel's CEO Grażyna Piotrowska-Oliwa said. But Streżyńska is determined.

## Gas Prices Up 15 Percent?

*Gazeta.pl, March 31 2008*

The Energy Regulatory Office (URE) has declared that it has already made its decision concerning the new price list of PGNiG gas concern. The URE tariff department director Teresa Kubacka added that the gas transport tariffs will all be disclosed at the turn of this and next week. Her supervisor Tomasz Kowalak gave the same date, but, according to his words, the URE has not yet concluded its negotiations with PGNiG. In his opinion, PGNiG wholesale gas prices would go up by 10-20 percent, while the URE is considering a 15 percent rise. In February PGNiG applied for a 33.4 percent price rise, then lowered its demands to 29 percent. The concern argues that the current prices are based on gas prices from 2006. In the last two years oil prices, which serve as a basis for calculating gas prices, have gone up by 60 percent.

## No Rival for Juszczak in Battle for PKO BP CEO Job

*Gazeta.pl, March 31 2008*

The supervisory board of Poland's No. 2 lender PKO BP ended yesterday with the submitting of applications for seats on the management board. Unofficially, as many as 40 offers were submitted though no names have been disclosed yet. The only certain candidate is current CEO Rafał Juszczak who declared many times in the past that he will fight to retain his job and complete the development strategy he has implemented. "The priority is to manage the bank in such a way that it can compete with Pekao and foreign banks," he said. The only obstacle is lack of enthusiasm over his candidacy from Treasury Minister Aleksander Grad who has his own plans regarding the state-controlled bank and is sceptical about Juszczak's relations with the formerly ruling Law and Justice (PiS) party. However, Juszczak's achievements speak in his favor as well as lack of serious rivals as no banker from the premium league applied for the job. The results of the selection process will be announced 11 April.

## Polimex-Mostostal Plans Acquisitions and Investment

*Puls Biznesu pp. 8-9, April 2 2008*

Polimex-Mostostal plans to invest PLN400m within two years in Poland. The majority of that amount will be spent on expanding a factory in Siedlce. The construction company is focusing now on developing the production of steel constructions as well as on its galvanizing facilities as its steel products are generating substantial profits. Polimex wants to expand this line of business abroad. That is why it bought a group of companies making steel goods in Romania. Polimex will present an investment strategy for them this year. Separately, the company won a \$5m contract in Ukraine and is set to expand operations there. CEO Konrad Jaskóła said that Polimex bought a factory in Zhytomyr, western Ukraine to build a galvanizing line. Its capacity would be equal 50,000 a year, comparable with the potential of Polimex's unit in Częstochowa. The company is also expanding its capacity in Chervonohrad, also western Ukraine. Separately, Polimex plans to take over medium-sized companies.

## Cyfrowy Polsat to Debut on WSE in April?

*Gazeta.pl, April 1 2008*

According to unofficial information, April may see the WSE debut of Cyfrowy Polsat digital TV broadcaster. Reuters's source says that depending on the size of the stake and the established price its value may exceed EUR250m. Reportedly, the company

is to issue its prospectus on 10 April. Cyfrowy Polsat, which remains the biggest domestic digital TV platform, refused to comment on the issue. While its prospectus was accepted by the Commission for Financial Supervision (KNF) in January, the company decided to postpone the IPO due to the unstable situation on the stock exchange. It is also known that the offering will consist only of existing shares. Meanwhile, on 1 April the National Broadcasting Council (KRRiT) granted Polsat a license for its news channel Polsat 24. According to the company's supervisory board member Józef Birka, the channel may be launched "anytime". Earlier, Press magazine wrote that it could see daylight in May and be headed by Henryk Sobierajski.

## Top Insurer PZU Market Share Down, Sees Shrinking Profits

*Rzeczpospolita p. B8, April 1 2008*

Andrzej Klesyk, who was named last year as CEO of Poland's No. 1 insurance company PZU, some time ago commented on his predecessor's optimistic forecasts: "We should have forgotten about PLN4bn of profit long time ago," he said. "These figures are somewhat unrealistic." And even though PZU's annual results have not been published the unofficial reports seem to confirm Klesyk's scepticism. According to Rzeczpospolita's estimates, PZU's property-insurance unit's net income dropped by PLN300m in 2007 from a year earlier. Also, the life-insurance subsidiary may disappoint as it is losing market share and currently sells less than 30 percent of all life-insurance policies in Poland. The daily cites an unnamed employee of PZU who claims though that in spite of shrinking market share PZU Życie is driving the group's result and probably boosted last year's net income to as much as PLN2.2bn from PLN1.9bn in 2006.

## IT Firms Flooded with State Contracts

*Puls Biznesu pp. 6-7, April 2 2008*

Presumably this week IT firms ABG, Action, NTT, Betacom and Wasko will announce they have won large contracts for supplying schools with IT solutions. The companies are to provide nearly 6,000 computer laboratories at the cost of PLN281m in total. Hardware producers Action and NTT will be the biggest beneficiaries of the contract as their share amounts to at least 70 percent of the total. Action should thus receive a PLN100m boost to its revenues with a double-digit margin, according to Puls Biznesu's information. In the past the margins on contracts ordered by the Education Ministry were not that high. But now the scale of the contracts and the risk attached to short deadlines for carrying them out entitles IT firms to raise them. The huge tender dates back to the era of former Deputy PM and Education Minister Roman Giertych. Mistakes made by state officials then delayed its conclusion. It is the largest tender for providing IT solutions to schools in Poland's history.

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