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NATIONAL NEWS

President Signs Lisbon Treaty Ratification Bill

Gazeta.pl, April 10 2008

On 10 April, President Lech Kaczyński signed the Lisbon Treaty ratification bill; he still needs to sign another ratification document for the procedure to be completed, for which he has until the end of the year; all EU member states have agreed that the ratification process should be completed by the end of 2008. Kaczyński has recently stressed that he would not sign the final document before the Sejm adopts a special bill making it much more difficult for the future authorities to withdraw from the Ioannina mechanism and UK protocol by increasing the president's competence in this area. At present, three versions of this bill are being drafted: the presidential version, the government version and a separate version prepared by the Law and Justice (PiS) party.

PM Promises Compensation During Israel Visit

Dziennik p. 1, April 10 2008

Following his arrival in Israel, PM Donald Tusk visited Jerusalem, where he prayed at the Wailing Wall in the Old City. At a press conference held earlier, he stated that out of all European countries, Poland was the most concerned about Israel's security. Tusk also announced that by the end of the year, the Polish government will compensate around two million Polish citizens and their descendants for the property they lost during World War II or during the post-war period. According to estimates, every fifth person eligible for the compensation is of Jewish origin and is usually a Holocaust survivor or their descendant. At the same time, the Polish PM made it clear that the value of the compensation will not be subject to negotiation, that it will be very limited and that the payout will take many years. The estimated value of the property lost during WWII (with Warsaw not included in the calculation) is around EUR16bn.

WWII Restitution Not for Germans?

Dziennik p. 1, April 14 2008

During his recent visit to Israel, PM Donald Tusk has confirmed the Polish government's plan to solve the problem of restitution of the property lost by owners in Poland during and after World War II (WWII) by the end of the year. However, *Dziennik* daily claims that the restitution bill that is currently being prepared by

the Treasury does not take into account German citizens owning property in Poland during this period or their descendants. This is confirmed by Deputy Treasury Minister Hubert Łaskiewicz, who is responsible for the project. Meanwhile, off the record one representative of the German Foreign Ministry states that such a situation would be a case of pure discrimination. Nonetheless, the former head of Polish diplomacy is confident that potential tension over the issue will not jeopardise the recent rapprochement between Warsaw and Berlin. He stresses that the German authorities have already announced that they will not claim compensation for WWII property.

SdPI Calls for LiD Ressurrection, SLD and PD Unmoved

Rzeczpospolita p. A4, April 14 2008

The recent decision of the Left Democratic Alliance (SLD) to terminate its partnership with the Democratic Party (PD) within the Left and Democrats (LiD) coalition has seriously upset one of its two other members - the Polish Social Democrats (SdPI). During the weekend, SdPI's board member Marek Balicki announced that LiD's parliamentary caucus will not survive in its present shape unless SLD takes back its words and relaunches a partnership with PD. However, most of the party's members are sceptical about the outcome of his appeal. They seem to be right, given that the SLD's representatives have already expressed their surprise at Balicki's warning. "We never take steps that have not been well thought through," says the Alliance's deputy head Joanna Senyszyn. Meanwhile, PD has announced that the collapse of LiD was a blessing in disguise as it will enable it to form a real alternative to the right-wing.

Free Textbooks from Ministry

Rzeczpospolita p. A7, April 11 2008

Education Minister Katarzyna Hall has just announced a revolutionary project. Every child who begins their education in 2009, following education reform, will get free textbooks. "We do not want the parents of the first children to start learning the new programme to bear additional costs," said the minister. To fulfill this plan, the government would have to cover the costs of textbooks for the million students every subsequent year, which would be an enormous strain on the budget. In the first year of reform alone the idea would take up over PLN337m. The textbooks are to become school property - the ministry wants the books to be used by younger students, as they could not count on free books. The textbook market is worth PLN900m, so publishers are not happy to hear about the ministry's idea.

Flat Tax as of 2009?

Rzeczpospolita p. B1, April 10 2008

The ruling party Civic Platform (PO) is considering whether to replace the existing PIT rates with a flat-rate tax as of next year. According to the schedule worked out by the previous government, the current three PIT rates are supposed to be replaced next year with 18- and 32-percent rates. "The two tax rates to be implemented at a high level of the tax bracket, reaching PLN85,000, means that as many as 99 percent of the tax payers would pay the flat-rate tax anyway," said Zbigniew Chlebowski, head of the PO parliamentary club. "It's better then to implement immediately one rate." The flat tax was the main promise of the PO during the election campaign, but the then party chairman Donald Tusk, the current premier, said at the time that 2012 is the earliest realistic date to fulfil it. Chlebowski declined to specify the plan, but said that the PIT rate would surely be below 18 percent.

NBP: Inflation Below 3.5 Percent

Gazeta.pl, April 10 2008

In the opinion of central bank (NBP) head Sławomir Skrzypek, inflation in Poland will return to below the upper limit of the inflation target, i.e. 3.5 percent, sooner than predicted. While according to the forecast from February this goal was to be reached in 2010, Skrzypek believes that it is more likely to take place in H1 of 2009. He goes on to say that inflation should drop to 3 percent "slightly later than in Q1 2009." The NBP head has also announced that the central bank is more concerned with inflation in the medium term than in the short term. Meanwhile, Monetary Policy Council (RPP) member Andrzej Sławiński believes that Poland will have to tighten its monetary policy. "The reason for this is the smaller-than-expected influence of the recession in the US and the slowdown in the euro zone on the Polish economy," he says.

Gas Prices Rise in a Fortnight

Wall Street Journal Polska p. 1, April 12-13 2008

The price of gas is going up - yesterday the president of the Energy Regulatory Office (URE) Mariusz Swora officially disclosed the new tariffs for both individual receivers and industry. Gas used for heating will be 14.4 percent higher on average, and the gas used by industrial sites will go up by 16.6 percent. It will be the first rise in gas prices in two years, but thanks to the relentless efforts of the regulator, it is much lower than the market had expected. In its application submitted at the end of February, PGNiG oil and gas monopoly requested a 33.7 percent price rise. The final rise is 60 percent lower than the company's initial expectations. "If gas prices were raised by as much as PGNiG demanded, it would be a catastrophe both for households and for industry," says the URE president curtly. The price rises will be especially painful for individual receivers. Moreover, apart from utility bills, consumers can expect growth in prices of chemical products, which are mostly determined by gas prices, and refinery products.

Poland May Use Nabucco Natural Gas

Parkiet pp. 2-3, April 14 2008

PGNiG will consider the possibility of constructing a link allowing the Polish oil and gas giant to tap into the energy transport route built using EU support. Connecting the Polish gas network to Nabucco is one of the options for diversification of gas supplies, said the PGNiG supervisory board chairman Stanisław Rychlicki. Nabucco managing director Reinhard Mitschek claims connecting Poland to the gas transport system will be possible. Preliminary talks on the matter first took place in the autumn of 2005. Fuel market experts point out that Poland stands alone as far as the energy battle is concerned. Countries are fighting to seize control of the gas market. Demand for this resource in Europe is expected to grow from 507bn cubic metres in 2005 to an estimated 720bn cubic metres in 2015. Should Russia control supplies of gas, it will have a powerful tool for pressurising the EU. The idea of a Polish link to the Nabucco pipeline meets with a mixed response from the experts.

Regulator Finds Method for Fast TV Digitalization

Puls Biznesu pp. 4-5, April 10 2008

The Office for Electronic Communication (UKE) wants to force TVP to switch to digital broadcasting, offering it a multiplex. Private broadcasters are concerned. The digitalisation process is something of a novelty on the Polish market. Viewers are supposed to receive more channels, and better picture quality. However, for the time being the revolution is purely virtual. UKE head Anna Streżyńska says Poland cannot wait any longer. Television is supposed to be switched from analogue to digital by mid-2015. For the time being, the standard offer includes just three public television channels, as well as TVN, Polsat, TV Puls and TV4. After the transformation, there may be several dozen channels, and some of them may broadcast in high definition.

April Fool?

Puls Biznesu p. 6, April 11 2008

Employees of the tax office feel discriminated against and are demanding tax relief. "Some professional groups are allowed not to pay income tax. Why don't we, the poorly paid fiscal workers, have such a privilege? Farmers do not pay income tax, although their living conditions are improving. Other professions also have some benefits, such as free travel, allowances, cheaper or free electrical energy," said Tomasz Ludwiński, head of the biggest trade union in the financial sector. Unionists feel inspired by the promise of tax abolition for Poles returning from abroad. Finance Minister Jacek Rostowski, who received the motion for tax allowance, is absolutely not going to accept it. Constitutional demand to pay taxes equally throughout society would be breached and other social groups would follow, if the minister agreed. "It must be an April Fool's joke. No sane person would have thought of such an idea," said Andrzej Arendarski, CEO of the National Chamber of Commerce.

Jerzy Pruski Appointed PKO BP CEO

Wall Street Journal Polska p. 1, April 12-13 2008

One of the most exciting selection processes in State-Treasury-owned companies has just been resolved. The former vice-president of the National Bank of Poland (NBP) Jerzy Pruski was appointed as PKO BP president by the supervisory board on Friday. The choice came as no surprise - his candidature was approved by the Civic Platform (PO) and the Polish Peasant's Party (PSL). At the end of January Pruski resigned from his post as first vice-president of NBP, arguing that he was unable to co-operate with NBP president Skrzypek. Among the reasons for his resignation, he listed the president's decisions regarding inventory management and lowering inflation risk forecasts. Jerzy Pruski is 49 years old, he graduated from Łódź University, and in 1989 got a Ph.D. in economics. He specialises in macroeconomics, macroeconomic political theory, banking and finance. He had been an NBP vice-president for four years, and in 1998-2004 he sat on the Polish Monetary Policy Council.

Solorz Joins WSE Sharks

Gazeta.pl, April 10 2008

Zygmunt Solorz decided to sell a package of Cyfrowy Polsat shares worth PLN1bn. The stock market debut of the largest satellite platform is planned for 6 May. It is the largest offer drawn up by a private company in the WSE's 17-year history. Solorz, who is one of the richest Poles, has long considered whether to submit his issue prospectus to the Commission for Financial Supervision (KNF), as he became a target of vicious attacks during the Sejm's previous term. The offer of Cyfrowy Polsat will be somewhat unusual, as investors would only be able to buy existing shares. According to the company's president, Dominik Libnicki, the company does not need to offer a new issue, as it can afford to finance its own development. The Polaris Finance company, controlled by Solorz, will sell up to 75 million E-series shares, priced at PLN10.8-13.8. If there are enough buyers, the share of Polaris will decrease from 93 to 65 percent, which means Solorz will still control the company.

PGNiG Wants New Formula for Baltic Pipe

Puls Biznesu p. 13, April 10 2008

PGNiG wants to convince its partners to engage more in the Baltic Pipe project. The oil and gas giant's management wants to talk to Denmark's Energinet, as well as Poland's GazSystem. The Baltic Pipe is supposed to join Polish and Danish gas pipeline systems with the Skanled gas pipeline. By 2013, the latter will deliver gas from the North Sea first to Denmark, and then to Poland. PGNiG's management is analysing the terms and conditions of the agreement signed with the Danes. In

2007, PGNiG estimated that the pipeline would cost EUR210-240m. Denmark promised to modernise its pipelines. Since Danish gas deposits are running out, in the future gas may be transported either way. An EU directive forbids PGNiG from being a direct owner of transport networks. According to the PGNiG, a better solution would be for GazSystem to engage more in the project. There were also suggestions to create a company in which all three partners in the Baltic Pipe project would have shares.

Warsaw Stock Exchange to Outpace Vienna Bourse

Rzeczpospolita p. B9, April 10 2008

Ludwik Sobolewski, head of the Warsaw Stock Exchange (WSE), estimates that the bourse's capitalisation will exceed this year that of the Vienna bourse. The Polish stock market has already outpaced its rival in terms of the number of foreign companies trading on its floor, as 24 of them are listed in Warsaw, with half debuting in the last 10 months or so. Sobolewski is aware that competitors are also expanding, but while foreign bourses are slowing down, the 17-year-old WSE is speeding up its efforts to be the leader in the region. It opened a WSE office in Ukraine to co-operate with the Kiev-based bourse, as it wants to attract companies from the East. Sobolewski said that the WSE will focus now on developing new instruments, such as short sales, and expanding the alternative NewConnect market. He added that if the Treasury Ministry carries out its privatisation plans, listing energy giants, the WIG20 Index may become the WIG30 in 2009.

Police and Puławy Plan Strategic Partnership

Parkiet p. 3, April 12-13 2008

Poland's largest fertilizers Z.Ch. Police and Z.A. Puławy may sign a letter of intention on a strategic partnership early next month. "Our cooperation is possible in many fields, starting from using the same distribution channels for our products, through logistics to joint purchasing and procuring raw materials," said Police CEO Ryszard Siwiec. Puławy would see a synergy in sales and product distribution to begin with. The largest nitrogen-fertilizer maker in Europe would like to supplement its range of products with Police products and vice versa. "Our products are similar but are also complementary to a large extent," Siwiec said. He added that Police could share its markets with Puławy. "We are settled quite well in Latin America: Mexico, Venezuela and Argentina as well as in Germany," CEO said. Additionally, Siwiec estimates that jointly procuring natural gas and sulphur could limit costs by 5-10 percent.

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