

# CENTRAL EUROPE AUTOMOTIVE REPORT

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CENTRAL EUROPEAN AUTOMOTIVE INDUSTRY

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## FEATURE COUNTRY

# POLAND

## MARKET HIGHLIGHTS

### Summary

- VW Bratislava starts new Passat production
- Dana's Wix invests in Poland
- Goodyear joint ventures in Slovenia
- Ford expands manufacturing program in Hungary
- MAN building new bus factory in Poland
- Skoda's first quarter sales & production figures
- Ford Distribution's sales in Poland
- Revoz/Renault sales and production figures
- Daewoo Motor Poland prepares for new models

### Poland

#### Dana Corporation's Wix Filtration

Products has formed a joint venture with the Polish company **Przedsiębiorstwo Filtron**. Filtron manufactures automotive fuel, oil, and air filters and is a supplier to **Fiat Auto Poland**, **Daewoo FSO**, and **Daewoo-Lublin**. The new

company will operate under the name **Wix-Filtron**.

According to Richard M. Celer, European Development Manager for Wix, the joint venture is expected to be formally closed in June. "We're very optimistic about Poland," Celer told the **CEAR**. "For Dana, it's a very good move." [for more on Wix-Filtron, see Celer interview on p. 14]

\*\*\*

**Ford Distribution** in Poland reports first quarter 1997 sales of 7,283 vehicles. Of this number, locally assembled Escorts and Transits accounted for 2,779 units and 641 units respectively, and imported Ford vehicles numbered 3,863. In April 1997, a total of 2,240 Ford vehicles were sold in Poland.

Ford is reorganizing its current KD parts shipment procedure, opened a purchasing representation office in Warsaw in April, and recently introduced new Escort and Transit derivatives to the Polish market.

\*\*\*

On March 25, 1997, **MAN Pojazdy Uzytkowe Polska** (MNP), laid the foundation stone for a new bus factory in Poland. The company's initial investment into the factory is DM 20 million (USD 11.56 million).

MNP President Hans Gunter Heitzer told the **CEAR** that they decided to build the factory in Poland because of the "tremendous demand" for buses in Poland. "We expect production to begin in 1998," he said. During the new factory's first stage, capacity will be 150 city buses per year, primarily for the local market. "Depending on the market, final stage capacity may be 600 buses per year," said Mr. Heitzer.

Continued on page 2

### Poland

## PROFILE

### TC Debica's CEO on Marketing & Restructuring in the Polish Tire Industry

*Tire-maker TC Debica is positioning itself to become a power not only in Central & Eastern Europe, but in Western Europe. With Goodyear as a partner, the company is well equipped to achieve this goal. In December 1995, an agree-*



Zdzislaw Chabowski

*ment was signed between the Polish government and Goodyear that gave Goodyear a 32.5% stake in Debica. In April 1996, Goodyear increased its share to 50.7% of Debica's stock, bringing Goodyear's total investment in*

*Debica to over USD 100 million.*

*Zdzislaw Chabowski is President of the Management Board and General Director of TC Debica. Mr. Chabowski has been with the company since 1978 and took over the post President in April 1991. He graduated from the Polytechnic of Krakow and studied at the London School of Economics and the Thunderbird School of International Management. Mr. Chabowski has received numerous awards for his business activities, and has been named Outstanding Business Leader three times by the Business Centre Club. The **CEAR** spoke with him in Warsaw about Debica's past and its plans for the future.*

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*Feature Country Continued From page 1*

Buses produced at the Poland factory will eventually be exported to other Eastern European countries. In addition to producing buses, the plant will manufacture bus components for MAN factories in Germany. Component production has already begun in a rented hall.

Since April 1995, MAN has assembled truck tractors in Poznan, Poland, and in 1996 started assembling chassis. "The market for chassis looks very bright because of the obsolete technology of locally produced vehicles," said Mr. Heitzer.

To coordinate its activities in Poland, MNP has started construction of a new headquarters in Warsaw. The company plans to invest DM 7 million in the facility, which will also include a spare parts stock and service center. Construction will be completed in late 1997.

\*\*\*

**Daewoo Motor Poland** is preparing to begin sales of new commercial vehicle models through its Polish distribution network, Daewoo's Tomasz Kalinowski told the **CEAR**. In May the company planned to start selling **Daewoo Avia** trucks manufactured in the Czech Republic (a consortium consisting of **Daewoo Heavy Industries Ltd.** and **Steyr-Daimler-Puch AG** owns 50.2% of Daewoo Avia). In June or July, sales of the U.K.-based **LDV's** Convoy Furgon will begin in Poland. The commercial vehicle is equipped with engines assembled in Poland by **Andoria**.

Daewoo Motor Poland is also gearing up for full-scale sales of the four-wheel-drive Honker model. "We'll start full production of the Honker model at the Lublin factory in June or July," said Kalinowski. Sales of the vehicle will be primarily in Poland, with some export sales.

Back in March, Daewoo Motor Poland introduced its new commercial vehicle, the Lublin II, an updated version of the Lublin model. The Lublin II is available in van, microbus, combi-van, container, platform truck, and chassis cab versions.

Daewoo Motor Poland has a network of 100 dealers in Poland. According to Mr. Kalinowski, by the end of 1997 the company expects that all of its dealers will offer service and sales, have showrooms, and will be recognizable by a common system of identification.

**Slovak Republic**

On May 30, 1997, **Volkswagen Bratislava** started production of VW's new Passat model (B5). Prior to this change, the Bratislava factory was producing only the Golf model, with a stable production of about 130 cars a day. High demand for the Passat, however, has created the need for more manufacturing capacity. "We didn't plan to produce the Passat but the whole production in Germany is sold out," VW Bratislava's Public Relations Manager Dusan Marusak told the **CEAR**.

The company expects to produce 4,000 Passats this year; production figures for 1998 are not yet known. VW Bratislava also recently started production of the Golf A4 model. Planned total Golf production in 1997 is 34,000 units. The factory will also produce 281,000 gearboxes in 1997.

\*\*\*

**Porsche Slovakia, a Volkswagen and Audi** importer, will introduce the new Audi A6 to the Slovak market on June 17, 1997. In 1996, Porsche Slovakia sold 209 A6 models in Slovakia.

**Hungary**

**Ford Hungaria's** Alba plant in Szekesfehervar is expanding its manufacturing program. Starting in June 1997, the company will add air-fuel charging assemblies to its production mix, which currently includes ignition coils, fuel pumps, and starters. In December 1997, Series V ignition coils will be added to the program, and in June 1998 production of modular fuel pumps will begin. Ford will invest over USD 36 million in the new production plan, bringing its total investment in the Alba plant to over USD 146 million.

By the end of this year, the company expects to expand the factory size to 25,400 sq. meters, and by the year 2000 to 37,900 sq. meters. Ford's investment into this building expansion program amounts to USD 14 million. By the year 2000, the company expects to employ 1500 workers at the factory, up from 1,340 in 1997.

**Czech Republic**

In the first four months of 1997, **Skoda, automobilova a.s.** produced a total of 113,513 vehicles, up 22.2% from first quarter 1996. This figure includes 9,136 Skoda Octavias. In April, Skoda produced 32,868 passenger and utility vehicles.



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Skoda's first quarter worldwide sales were 99,340, up 25% from last year. April sales of 10,901 units were a record for the company. Skoda's biggest market is the Czech Republic, where 30,080 vehicles were sold from January to April, up 10% over last year's first quarter sales.

Sales in Slovakia, Skoda's second most important market, totaled 8,699, up 73.9%. German sales amounted to 8,412, up 26.4%. Sales were up a healthy 51.2% in Poland where 6,829 cars were sold; a Skoda subsidiary in Poznan, Poland assembles Skoda cars.

### Slovenia

**Goodyear Tire & Rubber Company** has agreed with the **Sava Group** in Slovenia to purchase 60% of Sava's tire business and 75% of its engineered products business. A letter of intent to form two joint ventures was signed on May 16, 1997. The joint venture agreements are expected to be signed by mid-summer, and the purchase price will be announced at that time.

Sava reported total sales revenue of USD 245 million in 1996, with USD 177 million coming from car and commercial truck tire sales. The company employs approximately 3,600 workers.

The engineered products joint venture will include production of transmission belts, air springs, and hoses, giving Goodyear a European-based manufacturing center to supply its existing customers in the region.

\*\*\*

**Renault's Revoz** plant in Slovenia produced 31,120 Clio models during the first quarter 1997. During the first quarter of 1996, the Revoz plant produced 20,720 Clios and 10,254 Renault 5 models. Production of the Renault 5 was discontinued in July 1996; Revoz was the last plant to produce this model. Revoz is owned by Renault (54%), **Holding IMV d.o.o.** (30.28%), **Nova Ljubljanska Banka** (12.68%), and **Republic of Slovenia** (3%).

\*\*\*

In the first quarter of 1997, **Hyundai Avto Trade** sold 1,730 Hyundais in Slovenia. The top selling Hyundai model is the Accent (available with 1.3 and 1.5-liter engines), with 1,024 units sold in the first quarter 1997. In 1996,

Hyundai Avto Trade sold a total of 4,643 cars in Slovenia.

### Romania

On April 18, 1997, the **Romanian-American Investment Fund** announced that the Fund's **Major Transaction Program, S.A., Muller Machines, Petrotrans S.A., and Connecticut Manufacturing Company International Inc.** had jointly invested in a new Romanian joint-stock company named the **Connecticut Manufacturing Company S.A. (CMC)** based in Bacau, Romania.

Joel Hayes, Senior Investment Officer with the Fund told the **CEAR** that CMC is targeting the "3-micron precision" segment of the hydraulic parts and assemblies market. The project is based on on-going relationships with global players in the market such as **Vickers UK, Vickers USA, Caterpillar Belgium, and Bosch USA.** ■



# LEGAL ADVISOR

## NEW POLISH REGULATIONS AFFECT SPARE PARTS DEALER'S OPERATIONS

The recently introduced changes to the Polish Civil Code and new Law on Registered Pledges and Pledge Registry are of major importance to companies operating in the automotive industry. In particular, these regulations could have a substantial impact on the current operations of spare parts dealers in Poland.

The amendment to the Civil Code was introduced by the Act of August 23, 1996 on Amendments to the Civil Code. Among other provisions of the Civil Code, the regulation of warranties and guarantees of a seller of goods has been substantially modified.

### The Situation Prior to the Amendment

Before this amendment came into force, based on a warranty, a seller of goods was held liable to its customer if goods which the seller sold proved to be physically defective. A seller was also liable if goods sold did not have promised features, or if the goods were delivered to a customer incomplete. In such cases, a customer was entitled to terminate the sales agreement or demand that the seller decrease the product price. If a seller decided to repair the defective goods, a customer could not terminate the sale agreement. Such warranty was binding on a seller for a year from the date of delivery.

Unlike a warranty, a guarantee was not compulsory for a seller. A seller could grant a guarantee to a buyer, but it was at the seller's sole discretion. If, however, a guarantee was granted to a customer it was binding for a year (or a longer period, as determined by the seller) from the delivery date. Based on a guarantee, a seller was obliged to deliver to a customer goods free of defects or repair the goods. A customer had to use the guarantee as a first remedy and then, after lapse of the guarantee period, he might seek redress under warranty.

**This situation substantially changed when an amendment to the Civil Code was introduced.** The amended regulations allow a customer to choose between a warranty or a guarantee. Selection of one option excludes the other. In addition, two major defects detected in purchased goods entitle a customer to demand that new goods be provided to the customer,

instead of having the seller attempt to repair the defects. If goods have a single defect and the seller decides to repair them, a customer may not terminate the sales contract. But if a second repair is required, this gives the customer the right to demand that the seller provide non-defective goods.

### Undefined Words Create Difficulties

Many interpretation problems may arise out of this amendment to the Civil Code because the new regulation uses undefined words like "substantial defect". Such words will need to be defined by the Supreme Court if any warranty cases are filed for its opinion. Since the amended warranty and guarantee regulations came into force on December 28, 1996, no Supreme Court judgments have resolved any of the substantial interpretation problems.

Nevertheless, all commentaries to the amended Civil Code emphasize that this regulation creates a so-called "customer's market" as opposed to the former "producer's and seller's market". Undoubtedly, this new regulation will have a substantial impact on spare parts dealers' operations.

### New Regulations on Pledging

Another new regulation which has already been adopted by the Parliament and which will come into force on January 1, 1998 is connected with the financing of spare parts dealers' operations. This new Law on Registered Pledges and Pledge Registry regulates issues which may be important for spare parts dealers who wish to expand their activities and seek financial support request loans from banks.

In actual banking practice, a pledge is used as a security based on general Civil Code provisions. Under these provisions, a special bank pledge allows a debtor to retain possession of its collateral. Each pledge agreement must be

entered into a bank's internal pledge register. The new Pledge Law specifies features of this security so that banks may use it with more comfort than before.

The new regulations establish a centralized pledge registration system which will be used to alert other creditors about the existence of a creditor's lien on a particular piece of collateral. A computerized central register of pledges will constitute the heart of the system created by the new Pledge Law. The pledge registry, maintained by district courts, will be accessible to the public.

The new regulation stipulates that a pledgor may be prohibited from selling or encumbering the pledged property. Under the current regulation such prohibition may not be imposed on a pledgor. However, since the pledge register is accessible to the public a creditor is not released from its duty to check whether a particular asset is already pledged as collateral under another agreement. The same regulation also changes the provisions for execution proceedings, and introduced new methods for creditor's to satisfy pledge agreements.

The new regulations discussed above change the character of some legal instruments which have been used in economic activities by many entities. Although changing the warranty and guarantee law, as well as introducing a new pledge system is expected to impact the business operations of all enterprises, spare parts dealers, running small and medium-sized businesses, may find them particularly interesting.

*This article was prepared by Lech Najbauer, an attorney with the law office of Hogan & Hartson in Warsaw. ■*

**“ All commentaries to the amended Civil Code emphasize that this regulation creates a so-called ‘customer’s market’ as opposed to the former ‘producer’s and seller’s market’ . ”**

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## ITT Industries Concentrates Its Activities in Europe

In April, ITT Industries, Inc., based in White Plains, New York, announced that it has restructured its European activities and set up a European holding company, ITT Industries Europe GmbH with its head office in Frankfurt. The new company has holdings in the companies of ITT Industries, Inc., and the most important affiliated companies are ITT Automotive Europe GmbH, ITT Flygt AB, ITT Components & Instruments SA, and Koni BV. The companies in the group achieved total turnover of DM 4941 million in 1995. ■

## Poland Facts & Figures

**Form of Government:** Democratic State

**President:** Aleksander Kwasniewski

**Capital:** Warsaw

**Population:** 39 million

**Labor Force:** 17 million

**Land Area:** 312,680 sq. km.

**Borders:** Czech Republic, Slovakia, Ukraine, Belarus, Lithuania, Russia

**Ports:** Gdansk, Gdynia, Gliwice, Kolobrzeg, Szczecin, Swinoujscie, Ustka, Warsaw, Wroclaw

**Highways:** 367,000 km.

**Railways:** 25,528 km.

**Major Industrial Branches:** Chemicals, food processing, textiles, machine building, iron & steel, mining, shipbuilding, glass, beverages

**Main Imports:** Machinery & transport equipment, intermediate goods, miscellaneous manufactured goods, chemicals, fuels

**Main Exports:** Machinery & transport equipment, intermediate goods, fuels, miscellaneous manufactured goods, foodstuffs

**Currency:** Zloty (USD 1 = PZL 3.15)

# CENTRAL EUROPE AUTOMOTIVE REPORT

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# TIPS FOR SUCCESS IN CENTRAL EUROPE

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Ronald F. Suponic, Jr.  
Publisher

I recently attended a conference in Lansing, Michigan organized by the State of Michigan Jobs Commission entitled, "The Czech Republic: An Emerging Market." The conference was attended by about one hundred Michigan companies, mostly automotive related, who were in search of information about and opportunities in Central Europe. Only about four or five of those present were already doing business in Central Europe, so as the speakers spoke and the attendees listened and questioned about the "why" and "how" to do business in the Czech Republic, I began writing my own notes about why I thought a company should consider doing business in Central Europe and how they should go about doing it. In spending the last two years starting our own operations in Central Europe, attending seminars on Central Europe, and covering the stories of foreign companies who have successfully or not so successfully entered Central Europe, I have made a number of observations which may help foreign companies plan their entry into the region, and help Central European companies find partners. Here are a few of those observations, others will follow in future issues:

1. Greenfield operations are a huge commitment. Unless you are a major manufacturer, Joint Venture is the right answer. JVs give you market expertise and customers. Develop contacts. Start with your best customer and ask for leads, then use each country's investment development office, then approach local investment funds for more contacts and assistance. Know all the regional players in your business, the CEAR can produce Competitive

Intelligence Reports specific to your industry. Foreign and Central European companies should solicit inquiries from potential partners. You can do this by listing your company and your intentions on the CEAR Automotive Industry Internet Directories at <http://www.pear.com> or <http://www.autoindustry.com>, or by advertising in the CEAR or other regional publications.

2. In terms of sales, individual country market sizes don't matter very much. Your company's emphasis should be on producing in a Central European country in order to sell first to the Central Europe region and Western Europe, and second, to Russia and for export to other unique former Eastern European contacts in places like India and Africa. This gives you a much better idea of the size of the opportunity.

3. In terms of operations, if you are considering any one Central European country, you should consider them all. Opportunities change rapidly as the result of new projects, new legislation, changing labor situations, and other factors. Consider these factors and make your decision based on how they relate to your specific business and your or your partner's current customers at the time you are ready to commit.

*Continued in Future Issues*

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Hungary

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US \$750

May 97

Czech Republic

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12.59 x 12.06

US \$400

June 97

Slovak Republic

Directory: 1/4 Page

3.70 x 4.75

9.39 x 12.06

US \$320

July 97

Poland

Directory: Business Card

2.41 x 4.75

6.13 x 12.06

US \$100

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Poland

2 - 5x = 5%

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# INTERVIEW WITH THE POLISH AGENCY FOR FOREIGN INVESTMENT

## AUTOMOTIVE SECTOR INVESTORS FIND HELP AT PAIZ

*The Polish Agency for Foreign Investment (PAIZ) is a non-profit agency organized to support foreign investors during the first step of their investment in Poland. PAIZ helps foreign companies find Polish partners for joint ventures, provides information about economic conditions in each industrial sector such as local taxes, legal regulations, and salary levels, and notifies investors about investment incentives. If contact must be made with local authorities, PAIZ can arrange meetings, as well as make any special arrangements that are needed with any governmental political body.*

*The CEAR spoke with the PAIZ's Daniel Zbytek, a Project Manager who assists potential investors in the automotive sector.*

### **CEAR: What's your role at PAIZ?**

**Zbytek:** My personal job as project manager is to assist foreign investors when they travel to Poland. Usually I receive from foreign investors a list of inquiries, so I contact different people in Poland to find replies to all the questions. When we meet with local authorities, I'm there to try and explain the investor's intentions and to explain to the investor the specific local requirements or local situation. I cannot influence [the decision] of the authorities.

### **CEAR: What types of companies involved in the automotive sector have you helped find partners in Poland?**

**Zbytek:** [We helped] a number of such investors, including companies involved in the production of textiles and materials for seats, different plastic equipment for cars, aluminum truck boxes, low voltage cables, and ignition cables. There were a number of companies interested in the ignition cable sector in Poland.

### **CEAR: Is the ignition cable company you helped now operating in Poland?**

**Zbytek:** Yes, they already established a joint stock company and the company has started operations. They supply cables mainly to Fiat and they are in discussions with Daewoo. And they're not just delivering to

Polish Fiat but also to Italy and other Fiat factories in Europe. The foreign partner had about 30 employees, one of the smallest companies I've worked with. Usually the companies are medium-sized, about 300 workers.

We teamed [the foreign cable company] up with a Polish company that was similar in size. There are a number of producers of such cables in Poland that are bigger, but the company told me they didn't want to be overwhelmed by the Polish company. They were looking for a similar partner, a family business. They wanted someone who knows how to cooperate. So I proceeded to find such a company.

I have some knowledge about the industry, so I know who's producing what. I made a list of different companies and the foreign company visited all of them and decided who was the best, who had the best technology and best organization. For the Polish partner, they told me they had no problem with technology, but they [needed] new markets. They were suppliers mainly to FSO — taken over by Daewoo — and they are still keeping this contract but they are afraid of Daewoo's [supplies purchasing] policy. So for the Polish partner, the new partner means sales to Fiat in Poland and Italy. For the Polish partner, it's a good solution.

### **CEAR: How long did this deal take, from the day the foreign company came to you to the day the contract was signed?**

**Zbytek:** Half a year. It was quite quick. That was unusual. Usually people are not so quick with their decisions. Foreign investors come here, collect information, visit would-be partners, look at special economic zones, and make contact with local authorities. Usually they have in mind other countries like Hungary or the Czech Republic so they are just testing the possibilities here.

If they do decide to go ahead with Poland, the next stage is to find the proper partner, visit the partner, check out the financials, and find out if the company is managed by a national investment fund. Then they must visit

the fund or Ministry of Privatization, or local authorities if [the company is] state-owned and controlled by local authorities. The procedure is quite long.

If a foreign investor is decisive, he can proceed very quickly. I have a number of inquiries from suppliers of components to GM. They know that next year GM will start with production so they must be here by the end of this year to start production and organize their supplies. They can't be just anywhere in Europe. They must be here and within a short distance from GM. So with these people, all the procedures are going quickly. They must.

### **CEAR: How many such inquiries have you received?**

**Zbytek:** I've been contacted by about 20-25 suppliers. But I know that a number of them have not contacted me because they already have partners in Poland with whom they've contacted in the past. I'm not needed.

### **CEAR: Any other interesting projects?**

**Zbytek:** We are also involved in big projects like the General Motors project in Gliwice. That was such a big project that it overloaded the capacity of PAIZ. It was so huge that the Polish government was involved. We prepared calculations for the Polish business plan to determine which location was most suitable for us. Silesia was obviously suggested due to its high unemployment and [availability] of skilled workers. So we recommended Silesia as the best choice. All regions in Poland were very interested in getting this factory.

GM's decision to invest in Poland helped speed up the procedures for the special economic zone program. All the authorities in the central and local government had to work hard to be on time with all the paperwork and regulations for the special economic zone in which GM's investment was made. ■

## New Registrations in Slovenia by Manufacturer

Manufacturer	Jan.	Feb.	Mar.	Apr.	May	% May	Jan.-May	% Jan.-May
Renault	556	1,293	1,400	1,694	1,430	21.82	6,373	20.91
Volkswagen	412	720	754	1,075	897	13.69	3,858	12.66
Fiat	329	685	582	684	574	8.76	2,854	9.36
Hyundai	253	426	433	517	362	5.52	1,991	6.53
Skoda	285	355	426	564	356	5.43	1,986	6.52
Ford	137	257	369	544	403	6.15	1,710	5.61
Opel	141	241	345	527	321	4.90	1,575	5.17
Citroen	48	307	366	471	342	5.22	1,534	5.03
Daewoo	77	153	268	343	267	4.07	1,108	3.64
Seat	101	180	209	320	271	4.13	1,081	3.55
Peugeot	55	102	223	293	123	1.88	796	2.61
Audi	81	117	176	183	176	2.69	733	2.40
Suzuki	79	130	145	207	142	2.17	703	2.31
Rover	68	86	119	182	139	2.12	594	1.95
Honda	64	90	140	175	91	1.39	560	1.84
Kia	38	75	57	173	152	2.32	495	1.62
Lada	68	77	93	124	96	1.46	458	1.50
Nissan	32	66	85	150	68	1.04	401	1.32
Mazda	23	78	57	82	54	0.82	294	0.96
BMW	27	31	51	80	53	0.81	242	0.79
Alfa Romeo	22	56	37	39	36	0.55	190	0.62
Mercedes Benz	13	27	46	48	34	0.52	168	0.55
Volvo	11	39	26	50	33	0.50	159	0.52
Mitsubishi	18	22	21	48	35	0.53	144	0.47
Toyota	14	15	25	48	21	0.32	123	0.40
Subaru	15	16	15	45	23	0.35	114	0.37
Proton	6	24	18	23	24	0.37	95	0.31
Maruti	11	7	12	4	1	0.02	35	0.11
Jeep	9	12	1	9	3	0.05	34	0.11
Chrysler	1	0	1	8	6	0.09	16	0.05
Lancia	4	3	3	2	4	0.06	16	0.05
Ssangyong	0	1	2	1	5	0.08	9	0.03
MG	0	0	1	2	3	0.05	6	0.02
Chevrolet	1	0	0	0	4	0.06	5	0.02
Porsche	0	1	0	2	2	0.03	5	0.02
Daihatsu	1	1	1	1	0	0.00	4	0.01
Pontiac	0	0	2	0	2	0.03	4	0.01
Dodge	0	0	1	1	0	0.00	2	0.01
Jaguar	0	1	0	1	0	0.00	2	0.01
ARO	0	0	1	0	0	0.00	1	0.00
Ferrari	0	0	0	0	1	0.02	1	0.00
Puch	0	0	0	1	0	0.00	1	0.00
Saab	0	0	1	0	0	0.00	1	0.00
<b>Total</b>	<b>3,000</b>	<b>5,694</b>	<b>6,512</b>	<b>8,721</b>	<b>6,554</b>	<b>100.0</b>	<b>30,481</b>	<b>100.0</b>

Source: Revoz d.d.; Hyundai Avto Trade



## Top Selling Passenger Car Models in Slovenia in 1997

Manufacturer/Model	Jan.	Feb.	Mar.	Apr.	May	% May	Jan.-May	% Jan.-May
Renault Clio	231	444	649	763	482	7.35	2,569	8.43
Renault Megane	180	506	448	526	482	7.35	2,142	7.03
Volkswagen Polo	228	435	416	563	459	7.00	2,101	6.89
Skoda Felicia	285	355	426	561	340	5.19	1,967	6.45
Fiat Punto	176	261	215	357	303	4.62	1,312	4.30
Hyundai Accent	152	283	301	278	179	2.73	1,193	3.91
Volkswagen Golf	112	179	211	332	318	4.85	1,152	3.78
Renault Twingo	51	194	195	236	276	4.21	952	3.12
Ford Fiesta	58	149	204	277	181	2.76	869	2.85
Citroen Ax	26	206	164	218	133	2.03	747	2.45
Daewoo Nexia	44	88	175	241	191	2.91	739	2.42
Opel Astra	63	102	172	241	134	2.04	712	2.34
Citroen Saxo	16	62	146	214	167	2.55	605	1.98
Hyundai Lantra	79	111	95	176	140	2.14	601	1.97
Fiat Uno	66	219	193	92	28	0.43	598	1.96
Seat Cordoba	60	103	112	132	116	1.77	523	1.72
Renault Laguna	41	103	76	126	159	2.43	505	1.66
Peugaeot 106	4	43	162	223	69	1.05	501	1.64
Honda Civic	56	87	124	148	71	1.08	486	1.59
Volkswagen Passat	58	84	105	134	87	1.33	468	1.54
<b>Total</b>	<b>1,014</b>	<b>1,680</b>	<b>1,923</b>	<b>2,883</b>	<b>2,239</b>	<b>34.16</b>	<b>9,739</b>	<b>31.95</b>

Source: Revoz d.d.

### 1997 Production of Clios at the Revoz/Renault Plant in Slovenia

Month	Units	Exports	Domestic Sales* (local production)	Domestic Sales* (imported cars and LCVs)
1/97	6,841	6,466	375	684
2/97	6,644	6,295	349	1,290
3/97	7,639	7,212	427	953
4/97	9,996	9,418	578	1,009
<b>Total</b>	<b>31,120</b>	<b>29,391</b>	<b>1,729</b>	<b>3,936</b>

\*Domestic Sales include sales in the states on the territory of the former Yugoslavia.

Source: Revoz d.d.

### Car Parc Growth in Central Europe (Millions)

Country	1996	2006	% Change
Bulgaria	1.3	1.6	23.0
Croatia	0.7	1.1	57.1
Czech Republic	3.2	4.3	34.3
Hungary	2.2	2.6	18.2
Poland	7.4	9.9	33.7
Romania	2.2	3.0	36.3
Slovak Republic	1.0	1.4	40.0
Slovenia	0.7	0.9	28.5
<b>Total</b>	<b>18.7</b>	<b>24.8</b>	<b>32.6</b>

Source: Knibb, Gormezano & Partners

### Top 10 Commercial Vehicle Sellers in Poland (YTD April 1997)

	Make	Volume	Market Share	Volume	Market Share
		1997	%	1996	%
1	DAEWOO	4,697	26.26	5,298	39.15
2	DAEWOO MOTOR POLSKA	4,484	25.07	3,296	24.35
3	FIAT	2,282	12.76	1,981	14.64
4	CITROEN	1,511	8.45	636	4.70
5	FORD	987	5.52	438	3.24
6	MERCEDES	838	4.69	437	3.23
7	VW	553	3.09	374	2.76
8	PEUGEOT	547	3.06	24	0.18
9	SKODA	452	2.53	0	0.00
10	RENAULT	431	2.41	248	1.83

Source: SAMAR s.c.

### Ford Hungaria's 1997 First Quarter Passenger & Commercial Vehicle Sales

Model	Jan.	Feb.	Mar.	Apr.	Total
Ka			48	101	149
Fiesta	65	210	165	57	497
Escort	211	212	194	335	952
Mondeo	72	80	86	98	336
Scorpio	1	5	0	1	7
<b>Passenger Total</b>	<b>349</b>	<b>507</b>	<b>493</b>	<b>592</b>	<b>1941</b>
Fiesta Van	0	4	4	0	8
Courier	7	6	8	6	27
Escort Van	1	1	0	1	3
Transit	65	62	81	101	309
<b>Commercial Total</b>	<b>73</b>	<b>73</b>	<b>93</b>	<b>108</b>	<b>347</b>
<b>TOTAL</b>	<b>422</b>	<b>580</b>	<b>586</b>	<b>700</b>	<b>2288</b>

Source: Ford Hungaria

# OPPORTUNITY SPOTLIGHT

*This month's Opportunity Spotlight features the distribution arm of a large western engine component manufacturer, and a Polish manufacturer of frictional linings. Representatives from these companies spoke with the CEAR about their businesses, future plans, and observations about the Polish market.*

**Company: Perfect Circle Distribution**

**Europe (Dana)**

**Contact: Mirek Staniszewski**

**Business: Distribution of Dana Products**

To take advantage of Poland's booming auto market, Perfect Circle Distribution Europe (PCDE), based in France, is building up its parts distribution network in Poland. Perfect Circle, owned by the massive Dana Corporation, produces piston rings, piston pins, camshafts, cylinder sleeves, and valve sleeves.

For now, PCDE's plan is to distribute piston rings, piston liners, and valve cells in Poland. PCDE is also working in Poland with Victor Reinz, another Dana company, who produces gaskets, sealing products, and heat shields.

According to Mirek Staniszewski, PCDE's Eastern European Sales Manager, Poland is the first country in the region where the Perfect Circle distribution network was activated. Other countries covered by the network include the Czech Republic, Slovakia, Hungary, Slovenia, Bulgaria, Romania, Croatia, Serbia, Albania, Estonia, Latvia, and Lithuania.

**Choosing Distributors** Perfect Circle has established agreements with distributors throughout Poland. "We've chosen the big companies who are financially well established and who are not dealing with competitors' products," said Staniszewski. "They must be able to sell our whole range."

**Major Trends in Auto Parts Sector** "The major trends in Poland are the rapid development, the emphasis on quality, and the strong competition," said Staniszewski. "There's not much room for a relaxed way of selling - it's becoming a westernized jungle."

Another trend noted by Maurice Cognacq, Sales Director for PCDE, is that distributors in

Poland are becoming more sophisticated.

"They're using modern western marketing tools but at Eastern European prices," he said.

"They're very clever people - they have money, they know the products, and they know the suppliers." Polish distributors know all the tricks of the trade and cannot be underestimated, he added.

"You can see the constant progress, an increase in investment, and see the emphasis being put on marketing and advertising and gaining market share," said Staniszewski. "People are getting more professional."

**Outlook for the Future** In the engine parts market, professionalism and specialization is the key to survival in Poland. "In our narrow market, there are people who are already great specialists and only the very few professional ones will survive," said Staniszewski. "It's not only the big companies, but [companies with] clear specialization and professionalism." Also important is studying and increasing your knowledge of the market. "It's very easy to miss something," said Staniszewski. "You have to keep your finger on the pulse all the time."

**Company: Fomar S.A.**

**Contact: Jan Kieszkowski, Trading Manager**

**Business: Brake linings and clutches**

"We're the biggest manufacturer in Poland, and one of the ten biggest in Europe," said Fomar's Jan Kieszkowski, referring to the company's capacity for making frictional linings for vehicles. Fomar produces asbestos-free brake linings and clutches for motor vehicles, trains, and agricultural machines. "We produce each month 1.5 million pieces," he added. The company employs about 700 workers, with 450 of them employed directly in production and the remainder in research and development, technical, construction, and office positions.

**Markets** About 35% of Fomar's production of frictional linings is supplied to OEMs in Poland, including Fiat and Daewoo FSO. The remainder is supplied to the aftermarket and exported. Exports account for 15% of Fomar's sales, and markets reached include the Czech

Republic, Slovakia, Hungary, Germany, Lithuania, Italy, and Jordan.

**New Production Plans** According to Kieszkowski, Fomar has plans to increase its production capacity. "We plan to develop our CV linings production and make changes to our brake pad production," he said. "Two years ago we built a new line for brake pads and now we plan to increase [production]."

Fomar must increase its CV linings production because demand is higher than current capacity. Fomar's share of the Polish CV linings market is 40%. "We must increase our share," said Kieszkowski.

He added that the company also has plans to implement lines geared toward production of frictional linings for western cars and trucks. "Last year there was a big increase in car sales in Poland," he said. "We expect in 1-2 years demand here [for our products] will increase so we must prepare the company."

**Sales Increasing** "Each year from 1992 to 1996, our sales increased 7-10%," said Kieszkowski. "Our sales are seasonal, with a decrease at the end of the year and an increase at the beginning, and we expect the same trend for the next year." According to Kieszkowski, there are about 30 brake pad producers in Poland who together control about 30-35% of the market. "For us, it is important to take this market for our company."

**Research & Development** "We have a big research and development department and we have and can produce for customers new product formulas and modernized materials," said Kieszkowski. The R&D department also performs product testing services.

**Privatization** Fomar is currently undergoing the privatization process. "We expect a good result for us," said Kieszkowski. About 75% of the company will be purchased by a western company from the friction lining sector. "Privatization will give us more access to western markets, give us a broader product range, and modernize our machinery."

**Goals** Fomar plans to keep supplying OEMs and to increase its CV linings production. "We have a plan [to increase our market share in Poland], and after privatization it will be much easier to [implement]," said Kieszkowski. ■

## Top 10 Best Selling Models in Poland (YTD April 1997)

<u>Passenger Cars</u>		<u>Commercial Vehicles</u>			
		<u>Light Commercial</u>		<u>Medium Commercial</u>	
Fiat Cinquecento	20,852	FSO Polonez Truck	4,568	FSC - Lublin	3,455
PF 126	18,737	Fiat Cinquecento Van	1,323	FSC - uk	1,029
FSO - Polonez	18,254	Citroen C15	1,289	Ford Transit	740
Daewoo Tico	9,727	Fiat Uno Van	523	Mercedes Sprinter	433
Fiat Uno	9,488	Skoda Pick up	452	Fiat Ducato	416
Daewoo Nexia	8,466	Peugeot Partner	398	VW Transporter	381
Fiat Punto	6,614	GM - Opel Combo	328	Mercedes Vito	375
Skoda Felicia	6,376	Ford Courier Van	214	Iveco Daily	198
Opel Astra	6,285	Renault Express	170	Peugeot Boxer	138
Renault Megane	6,017	FSO Polonez Cargo	129	Kia Ceres	136

Source: SAMAR s.c.

## New Car Sales in Poland: 1992 - 1997

	Ytd 1992	April 1993	Ytd 1994	April 1995	1996	1997	% Change
<b>Passenger Cars</b>							
Local Production	144,748	170,549	199,724	206,284	76,287	112,516	47.49
Import	54,531	71,059	50,558	58,754	57,806	61,708	6.75
Total	199,279	241,608	250,282	265,038	134,093	174,224	29.93
<b>Commercial Vehicles</b>							
Local Production	19,665	18,475	21,413	27,984	11,966	14,156	18.30
Import	3,250	5,497	2,542	3,962	1,568	3,730	137.88
Total	22,915	23,972	23,955	31,946	13,534	17,886	32.16

Source: SAMAR s.c.

## Car Registrations in Poland Compared to Western Europe (YTD April 1997)

Country	1997	1996	% Change
1 Sweden	74,700	55,600	34.35
2 Poland*	174,224	134,093	29.93
3 Italy**	857,000	689,700	24.26
4 Greece**	56,800	51,300	10.72
5 Spain**	329,000	299,800	9.74
6 Finland	41,000	38,700	5.94
7 U.K.	732,300	693,700	5.56
8 Ireland**	63,200	60,500	4.46
9 Netherlands**	203,800	197,200	3.35
10 Denmark**	52,800	51,200	3.13
11 Luxembourg	13,200	13,000	1.54
12 Norway	42,200	43,000	-1.86
13 Switzerland**	100,600	103,200	-2.52
14 Portugal**	74,600	77,100	-3.24
15 Germany**	1,213,100	1,254,200	-3.28
16 Belgium	163,700	172,600	-5.16
17 Austria**	107,100	122,800	-12.79
18 France	570,900	737,100	-22.55

\* - Grey Import not included

\*\* - The figures for these countries are provisional

Source: SAMAR s.c.

## Top 10 Car Sellers in Poland (YTD April 1997)

Make	Volume	Market Share	Volume	Market Share
	1997	%	1996	%
1 FIAT	60,742	34.86	54,721	40.81
2 DAEWOO	40,134	23.04	27,248	20.32
3 GM - OPEL	14,020	8.05	9,389	7.00
4 RENAULT	10,920	6.27	9,072	6.77
5 FORD	6,797	3.90	3,976	2.97
6 SKODA	6,376	3.66	4,517	3.37
7 SEAT	5,954	3.42	3,715	2.77
8 VW	5,667	3.25	5,381	4.01
9 CITROEN	5,144	2.95	2,861	2.13
10 PEUGEOT	4,679	2.69	3,900	2.91

Source: SAMAR s.c.

**CEAR: How has Debica's marketing strategy changed over the last few years?**

**Chabowski:** In the past, all marketing was provided by the Polish Foreign Trade Company CIECH. Everything was centralized and it was impossible [for the factory to do any marketing]. After our privatization in 1994, we started our [own marketing].

**CEAR: How is your marketing organization structured for the Western European markets?**

**Chabowski:** We have direct contact with our Western European dealers. In the British market, we've had very good relationships for more than 15 years with two big customers - Kwik-Fit, who has more than 900 service stations in Great Britain and 50 in Holland, and King Road Tires who owns independent service stations in the British market.

**“ We've started to change our strategy by looking for other dealers. We don't want just one dealer in each market, we want to expand our activities. We're looking for other big customers. ”**

In France we've had a good relationship for five years with the big independent dealer there who purchases our tires for the whole country. We have the same [arrangement] in the German and Italian markets. In each market we have one or more customers. And just now we've started to change our strategy by looking for other dealers. [We don't want] just one dealer in each market, we want to expand our activities.

**CEAR: What kinds of partners are you looking for in these markets?**

**Chabowski:** We're looking for other big customers. For example, in Spain we have our sales office which covers Spain and Portugal with more than 5 dependent dealers in these countries. We have the same policy in Central and Eastern Europe. In 1996, we opened two sales offices in Kiev and in Budapest. Of course, these markets are not the same as [those in the West] because of the taxes and duties. The Eastern Europe market is especially a problem. Ukraine has an 85% duty tax. Russia and the Ukraine are very tough markets. In 1997 we will open a couple additional sales offices in Central and Eastern Europe, but [the locations] are not public information right now.

**CEAR: How extensive is your use of Goodyear's distribution channels?**

**Chabowski:** We export more than 42% of our sales and, of course, our exports are sold through Goodyear channels; we are a part of Goodyear. Goodyear has started to produce in the Debica factory some Goodyear products and then sells these products through Goodyear channels. Our tires for export are being sold through our trade as well as Goodyear channels.

**CEAR: What is Debica doing to keep up with the rapid growth in the Central European tire market?**

**Chabowski:** Most important is changing the mentality of our people.  
**CEAR: That's a difficult task. How are you doing it?**  
**Chabowski:** It's very difficult, but when I started in my position in 1991, first I changed the top management. In three months, I changed 80% of the top fifty managers. That's a big change. Huge change. I worked with independent psychologists and sociologists to test almost 200 people, and from this group I invited some to be managers. And, of course, we started special training programs for them. From my point of view, it was essential to our success. Select the right people for the top management positions and educate them.

**CEAR: What are some of the specific ways you are training your people?**

**Chabowski:** One-on-one training, special seminars, and a lot of business and semi-business trips to make contact with other tire producers, raw materials producers, and machinery makers.

**CEAR: Are you happy with the results?**

**Chabowski:** Yes, of course. When we started with our strategy, we divided the process into two steps. The first step was the recovery and restructuring process. The essential changes needed to

adapt to a free market. [Changing] from a production mentality to market mentality.

What that means is that each of our workers, not only from sales and marketing but from all departments, had to think about the customer. Outside customers - our clients - and inside customers. For instance, for the R&D people their inside customers are the production and sales and marketing departments. For production, their inside customer is sales and marketing and logistics. Of course, this is clear for Western people, but it wasn't clear in Poland and in Central Europe.

The introduction of this idea - the inside customer - was very important. The most difficult thing was finding the right people to be the leaders of this program, because one to two years is not enough time to teach them. Because of this, I had to [enlist] the help of psychologists and sociologists [to find potential leaders]. It was essential, from my point of view.

And, of course, the job of establishing the right cooperation with the unions was very important. We spent a lot of time in discussions with union people and union leaders. The point of this was to show the union that [the proposed changes were essential] and how [we were going] to do it. Very simple. And what was the important issue for unions? Money. The average salary in our company in 1991 was about 80% the average salary in Poland. And over the next three years, our salaries were 125% of the average. This was a simple fact for the union.

We showed them the USD 90 million in total sales in 1991, and how it would be USD 190 million in three years, and USD 230 million in 5 years. Because of this, our strategy was [accepted]. The union leaders believed us after we [provided] facts. That is the right way.

**“ There was no other way to win in the emerging markets. Build the right strategy. Hire the right people. And work together with the unions. ”**

In the beginning, however, it was terrible. When after one or two years they saw that everything was all right, that [our strategy was working as we said it would], from the [rising]

salaries, to new investments, new products, and new markets, they were happy. They accepted everything. Of course, at the begin-



ning it was important to sell to them the strategy. There was no other way to win in the emerging markets.

Build the right strategy. Hire the right people. And work together with the unions.

Of course, behind all of this is people. And it's much easier to find money than to find the right people.

**CEAR: What's the most important leadership skill to have in this market?**

**“ The most important thing is to make the company a learning organization. And to find the right people and put them into top management positions. People with open minds. Give them the right amount of responsibility and authority, and establish an atmosphere of teamwork on each level of management. ”**

**Chabowski:**

The most important thing is to make the company a learning organization. Learning is a never-ending process. And to [find the right people] and invite them into top management positions. People with open minds. Find the right people, give them the right [amount] of responsibility and authority, and establish an atmosphere of teamwork on each level of management.

Everything is leadership. How to practice it. How to find it. How to give employees authority and responsibility. But, of course, it's impossible to do everything alone. That's why the top management team must create [a sense of] teamwork. It's very important. Everyone must understand that the process of change in our country and in our region is very fast. And so we have to understand how fast customer behavior is changing, and recognize the ways in which we [can adapt to] these market changes.

The most [successful companies] are those which create change and create possibilities. It's important to be the leader of change and to create the market. Not just to wait and react. [For instance], we started in 1993 with our franchise ser-

vice station system. Our assumption [underlying the establishment of this system] was that the Polish customer quickly [adopted the characteristics] of a Western customer. That

means they want to buy immediately and they expect professional service. The challenge was how to go to the customer and give them this service. Thus, we started our Decart franchise service station system in 1995. We had 50 franchisees in 1994 and by the end of 1996 almost 300. The network covered all of Poland. Maybe in the future we'll cover other countries.

**CEAR: What is**

**Debica's biggest advantage over its competitors?**

**Chabowski:** In Central Europe, our quality and sales network. We have 300 Decart stations and an additional 600 authorized service stations. We have a better developed distribution network. Our goal for the region is a 20-25% market share in each country in each product.

**CEAR: What special programs do you have for improving your quality?**

**Chabowski:** We call our program Total Quality Culture. We are working together with the best specialists from Goodyear. In the next year, our goal is to be on the same quality level as our partner Goodyear, in areas such as endurance, appearance, and waste reduction. We have detailed goals in the Total Quality Culture program. Not just ideas, but ideas [backed by] numbers.

**CEAR: What's your biggest challenge in the future?**

**Chabowski:** To be a leader in Central Europe. And to be the best in the Goodyear family in Europe. In each area, not only in the cost, but in products, finance, goals, and so on. But essential is to be a leader in Central and Eastern Europe.

**CEAR: What's the key to achieving this status?**

**Chabowski:** To be the best. If you have the right goals and if you can find the right way to achieve those goals, that's all [you need]. But, of course, it's important that we have at present a strategic investor. We can use the resources of the strategic investor, their knowledge in research and development, their management and marketing skills, and their production techniques. That's very important. We have a very good relationship in each area with our partners from Goodyear. And, of course, we have very good, success oriented people. ■

CENTRAL  
EUROPE  
AUTOMOTIVE  
REPORT



**First Quarter 1997 Sales by Ford Distribution in Poland**

	Jan. 97	Feb. 97	March 97	April 97	TOTAL
Locally Assembled Escorts	253	516	908	1102	2779
Locally Assembled Transit vans	44	158	249	190	641
Imports	284	1402	1229	948	3863
<b>TOTAL</b>	<b>581</b>	<b>2076</b>	<b>2386</b>	<b>2240</b>	<b>7283</b>

Source: Ford Distribution

# FOCUS ON INVESTMENT

## WIX FINDS PARTNER IN THE POLISH FILTER SECTOR

*Looking to establish a vehicle filter manufacturing base in Central Europe, Wix Filtration Products came to Poland. Wix, a Dana company, found a partner in the Polish company Filtron. Filtron manufactures and supplies fuel, oil, and air filter replacement elements to the major OEMs in Poland. The agreement between the two companies was expected to be finalized in June. The CEAR spoke with Wix's Richard Celer, European Development Manager, about the company's purchase of Filtron.*

### How was the purchase of Filtron unlike investments Wix has made in other parts of the world?

I guess the difference was the type of negotiation we had in Poland. We were dealing directly with the sole proprietor. The negotiations went very well, really because of the relationship we had with the owner. As soon as I walked through the door of Filtron, I recognized that the company was [run] in a Dana style - they're very open and they operate as a team. It's not a typical Eastern European company, and I've visited a few. Immediately, we were on first name terms and the president was very open about everything. He involved his whole team.

We approached the negotiations from the point of view that we wanted these people to be our partners. It wasn't a them and us situation. I asked our attorneys if they could compare our negotiation style with the styles of other companies who've done deals in Poland and they remarked that we totally involved the Polish partners and they immediately felt like they were a part of the team. We were very open and as a consequence they were very open. There was no walking out of rooms or anything like that, which apparently happens in Poland. It was a joint effort. Both of us were working towards a common goal and I think that was apparent from the beginning.

### What are you looking for when you review potential investment candidates?

Certainly, someone who can manufacture filters who has a good market presence, good technology, and an open style of management.

And someone with a vision. We found this with [Filtron].

Filtron is unique. As I said, as soon as I walked through the door I could sense their style. Other companies tend to be very rigid. If you look at [Filtron's] management structure, it is very flat, which is reflective of our organization. Other companies are very top heavy. With [Filtron], the important thing is to manufacture and sell a good filter. That's number one.

We're not experts in this marketplace, so we want someone we can rely on. Someone who knows where they're going. The Filtron people are fully aware of what's happening in Poland, in the neighboring countries, and in the CIS countries. They have a lot of export business - 50% of what they manufacture is exported. So we're looking to them to develop business. We will support them from an investment standpoint. We're looking to invest significantly in the company.

We also expect an exchange of engineering knowledge. And it's not just a one-way exchange. There are two-way benefits. And I think that is reflective of our style. We're not going in as the owner and that's it. We don't tell these guys you have to do it this way. It's really a joint program. They're partners. That's the way we look at it. If you look at the operations of Filtron, we're not putting in any Dana people, as such. The only new person we'll put in is a controller. And that's it.

### What was your biggest challenge during the Filtron purchase?

Knowing that we found a good partner and trying to close the deal quickly. Each time I visit Poland things are moving forward at such a dramatic pace that we're losing time. So time was critical.

Filtron had talks with large European filter manufacturers and it's really an honor for us that they chose us. I asked the owner why us

and not a European manufacturer and he said it was our style, the fact that we were so open. The European companies were more dictatorial, whereas we said to them, you're the expert in the area and we look to you to develop it with us. So it's a different style.

### What kinds of changes have you seen in Poland?

My first visit was about a year ago. I'm very focused on automotive and just the growth in the car parc has been amazing. And the interest from the OEMs. There's been a dramatic interest from the manufacturers. You have to be where they are. That's our philosophy. It's important that we're in the domestic market, ready to supply the OEMs as a domestic supplier.

### What's the biggest obstacle to foreign investment in Poland?

Very definitely, the bureaucracy. Dealing with the people at Filtron at any level was easy and things were done immediately. Outside of that, getting things done in the country is still difficult. Something like sending product to Poland and dealing with the customs system. There's lots of paperwork. If you miss dotting an "i" you have to re-send the invoice. It's not that easy. It should be automatic and yet it isn't.

### Do you plan to use Filtron as a base to reach markets further to the east, like Russia?

Filtron already exports significant amounts to the CIS countries so we're looking at developing that further. And, yes, we see Russia as a significant future market.

### Are you still looking for other partners in Central Europe?

At Dana, we're very interested in Central Europe. Filters are just one of our key products. We're certainly [looking for other possibilities]. We've crossed the first bridge and with the Polish expertise we now have we can use their resources to develop not only fil-

**“I'm very optimistic about Central Europe. Not only Wix-Filtron but the automotive industry in Poland. That's why we're here. I feel we're going to see spectacular results in Poland.”**

*Continued on page 18*

# ACCOUNTING & FINANCE

POLAND'S NEW CUSTOM LAW... WHERE IS IT?

Where is this new law? Here we are in July, well May at the time of writing, and there is no sign of the new Customs Law. What has happened? The politicians and customs officials were all saying it will be implemented in January 1996, then January 1997, but without a doubt in force in July 1997. What happened? Does this piece of legislation actually exist?

Are we glad that it hasn't been implemented yet? What impact will it have? When will it now be implemented?

Lots of questions. Have we the answers? To some yes. To others, it's still wait and see.

## What is it?

The new "Customs Code" has been drafted in order to help Poland facilitate trade with its international partners, and to make economic investment administratively much easier and less costly.

It is the first major piece of Polish tax legislation designed to harmonize Polish legislation and practices with European Union legislation.

## Where is it?

We now must wait until January 1998 for implementation of the customs code, even though it has passed through the legislative process and been signed by the President.

The main reason for the delay is that the code cannot be implemented without amending existing and drafting completely new legislation. Despite all of the lead time for drafting the new customs code, certain ministries were unable to draft and amend regulations which would have enabled the new law to function and be effective.

**However, will it actually be implemented in January 1998?** The Polish parliamentary elections in Autumn, public holidays, and fes-

ivities will all lead to a short parliamentary session which could result in further delays.

## Do we want this piece of legislation?

Yes. We need the new customs code to replace the present laws. There must be a level playing field which can create easier and smoother trade with Poland's partners. In addition, Poland needs to show that it is serious about EU membership and that it can enact and implement EU Legislation.

The positive aspect of this delay is extra time. Time for legislators to amend some of the nuances in the proposed law. Time for customs officers to be better trained and to understand the function of the legislation. Time for customs to implement the IT network that will be crucial for the new code to function properly.

## How will it impact my business?

The Customs Code introduces many administrative processes and procedures which are new to Poland, but which are familiar to businesses operating in the EU.

For those companies that have

established contract manufacturing or processing operations in Poland, new procedures such as inward and outward processing reliefs will reduce the duty burden on goods, as well as simplify and speed up logistics operations.

**These inward and outward processing reliefs allow goods to be imported and exported exempt from duty, and subsequently released for free circulation with a total or partial exemption from customs duty.**

**Temporary imports will also be affected and will not be as attractive as they once were.** A temporary import under the new code will only have partial relief from import duties and will be restricted to two years. In addition,

any duties due on the goods will have to be paid proportionally on a monthly basis, and even when the goods are subsequently exported the duty paid will not be refunded.

## So will anything change from 1 July 1997?

Although the Customs Code will not be implemented, there are a number of other legislative changes that will take effect.

An amended Protocol 4 of the European Agreement will be applicable which will change the originating status of certain goods from being Polish to EU and vice versa. In short, the country with the largest processing percentage amount will have originating status. The change brings Poland in line with other countries concerning multilateral cumulation or pan-european cumulation.

In addition, there are changes to the so-called no-drawback rule (the return of customs duty collected on non-originating components). From July 1 a full refund of customs duty collected on goods exported within the so-called free zones (i.e. based on the treaties with the European Union, EFTA, and CEFTA countries) will be possible for raw materials and semi-products regarded as originating from these areas. Where goods are coming from third countries, the refund of the customs duty will be restricted to 5 or 10%, depending on the type of goods. Presently, a full refund of customs duty is made on all imported raw materials and semi-products.

## Amendments to Car Assembly Regulations on Hold

**The 1996 regulations on the assembly of cars in Poland imposed some limitations on plant assemblies in Poland, such as requiring permits for the duty free import of car components for industrial assembly.** The permits are granted only to companies which in the period 1995-1996 performed assembly and met the requirements of industrial assembly.

**The Polish government originally planned to amend the regulations in July, but our understanding now is that it will prolong the existing provisions until the end of this year.** However, it is unclear what will happen next year because of the EU protest against the Polish plan to license companies for industrial assembly of cars. The Polish

*Continued on page 18*

# Polish Automotive Parts and Components Suppliers

<u>Company</u>	<u>Product</u>	<u>Contact</u>	<u>Phone/Fax</u>
ZSM Ostrow/Delphi	Radiators, heat exchangers, heater cores, oil coolers	Janusz Wojtowicz	tel: 48-64-360-485 fax: 48-64-364-910
ZPP Siedlce	front suspensions, accelerator pedals, mounting brackets, sheet metal parts	Krzysztof Budek	tel: 48-25-284-51 fax: 48-25-392-56
Tonsil	loudspeakers, speaker systems	Piotr Parchanowicz	tel: 48-66-369-220 fax: 48-66-361-488
ZEM Elk	harnesses, headlamps, tail lamps	Piotr Marciniak	tel: 48-87-102-452 fax: 48-87-102-386
Zem Rzeszow	instrument panel switches, fans, brake fluid reservoir, air filters	Andrzej Oliwa	tel: 48-17-621-786 fax: 48-17-621-876
Elmot	relays, DC engine starters, regulators, alternators	Zdzislaw Urbanski	tel: 48-74-523-521 fax: 48-74-525-606
Stomil Olsztyn	tires	Zbigniew Kosacki	tel: 48-89-394-913 fax: 48-89-346-301
Lear Seating Poland	seats	Marek Pietrzak	tel: 48-32-122-2076 fax: 48-32-122-2077
TRW Polska	seat belts, air bags	Mr. Pascho	tel: 48-34-438-55 fax: 48-34-438-65
Mazzer Poland	fuel pipes	n/a	tel: 48-30-514-882
HSO Kunice	glass	Zbigniew Kepka	tel: 48-68-743-061
PPG Industries	chilled glass, paints	Andrzej Golab	tel: 48-32-157-2616 fax: 48-32-157-2606
Szot International	rubber-metal parts, flexible couplings, steering column tube & supports, rubber pistons	Andrzej Szot	tel: 48-90-235-004 fax: 48-90-235-004
Stomil Sanok	door & boot lid gaskets, windscreen & side window gaskets, rubber & metal joints	Henryk Pelczar	tel: 48-13-732-505 fax: 48-13-731-696
Intergroclin	seat sets, seat covers	Zbigniew Drzymala	tel: 48-66-627-09 fax: 48-66-645-757
FSO ZSM Annapol	loudspeaker covers, ventilation inserts, radiator air ducts	Bogdan Cieslinski	tel: 48-22-112-170 fax: 48-39-123-085
FSO Plast	plastic parts for cooling/heating system	Wladyslaw Nazarewicz	tel: 48-81-512-431 fax: 48-81-512-087
Uranium	plastic processing by injection molding press, extruding press, hot plate welding	Maria Janowska	tel: 48-42-484-172 fax: 48-42-484-258
Lys Fusion Poland	small molded parts, corks, pegs	Zbigniew Sikora	tel: 48-30-140-302 fax: 48-90-307-127
Ersi Poland	bumpers, instrument panels & covers, loudspeaker covers	Pent Ercole	tel: 48-31-631-306 fax: 48-31-630-908
Pol-Disc	brake discs	Jan Wiesniak	tel: 48-34-655-547 fax: 48-34-655-647
Guss-Ex	brake discs	Wieslaw Jagaciak	tel: 48-22-638-9240 fax: 48-22-638-2610
FA Krosno	gas springs, steering rods, ball joints	Zbigniew Skora	tel: 48-13-163-511 fax: 48-13-121-567
Pionier	sheet metal parts	Joachim Mazur	tel: 48-79-362-539 fax: 48-79-362-539

*The information contained in the above list was obtained from the best available sources. Omissions, typographical errors, and number changes, however, may occur. Please send any corrections to CEAR at the address listed on page 2.*



# INVESTMENT OPPORTUNITIES

To submit opportunities for publication write to Trade Leads, CEAR at:  
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**Boulder, Colorado 80303 USA**  
 or E-Mail to cetmllc@ibm.net

Opportunity	Investment Sought	Contact	Telephone/Fax
Manufacturer of driving shafts, steering shafts, steering gears, and spare parts seeks foreign investor	n/a	Wieslaw Kosieradzki	tel: 48-22-827-8700 fax: 48-22-826-7341 Poland
Manufacturer of centrifugal oil separators, heaters, water and oil coolers for cars & trucks, water pumps for vans, trucks, and ships seeks foreign investor	n/a	Wieslaw Kosieradzki	tel: 48-22-827-8700 fax: 48-22-826-7341 Poland
Manufacturer of fuel supply systems for car & van engines, compressors for pneumatic braking systems for cars, buses, & farm tractors, compressor units & pneumatic fittings, & spare parts for compressors seeks foreign investor	n/a	Wieslaw Kosieradzki	tel: 48-22-827-8700 fax: 48-22-826-7341 Poland
Manufacturer of hydraulic cylinders, up to 32 bars pressure, 25-160 piston diameter, up to 4,000 mm length, seeks Slovak Republic commercial cooperation, offers production to order	n/a	Viktor Tegelhof re: STR 1258	tel: 421-7-5335-175 fax: 421-7-5335-022 Slovak Republic
Manufacturer of exhaust flanges, light welded steel constructions, agricultural machines, and hydraulic components under Sauer Co. license seeks joint venture partner	n/a	Viktor Tegelhof re: STR 0224	tel: 421-7-5335-175 fax: 421-7-5335-022 Slovak Republic
Manufacturer of car & truck air and oil filters seeks joint venture partner for production, financial, and distribution cooperation. Monthly air filter capacity for cars of 60,000, and 6,000 for trucks	n/a	Viktor Tegelhof re: Sandrik a.s.	tel: 421-7-5335-175 fax: 421-7-5335-022 Slovak Republic
Manufacturer of pressed parts for cars, press units, electric carriages, and machine tools seeks commercial or production cooperation	n/a	Viktor Tegelhof re: STR1263	tel: 421-7-5335-175 fax: 421-7-5335-022 Slovak Republic
U.S. partner sought for Czech producer of crankshafts . (various sizes up to 2500 mm lengths) for purpose of contract manufacturing. Company is supplier to producers of engines for trucks, tractors, ships, & stationary aggregates. 1996 turnover expected to be USD 20 million	n/a	Jan Vesely IESC	tel: 420-2-2499-3170 fax: 420-2-2499-3176 Czech Republic
Partner sought for producer of diesel injection equipment for development, production, & sale of single and multi-cylinder in-line injection pumps for all types of diesel engines, as well as for injection systems, testing, measuring, & adjustment equipment. 1995 turnover was USD 40 million.	n/a	Jan Vesely IESC	tel: 420-2-2499-3170 fax: 420-2-2499-3176 Czech Republic
Producer of shock absorbers under Showa license seeks foreign partner to co-finance expansion program involving increase of annual capacity from 180,000 units to 400,000 units by 1999.	USD .5 million	Csaba Kilian re: Berva	tel: 36-1-118-0051 fax: 36-1-118-3732 Hungary
Manufacturer of plastic parts for Opel, Mercedes, VW, & Suzuki seeks equity partner who is engaged in plastic processing business	USD 5 million	Csaba Kilian re: Pemu	tel: 36-1-118-0051 fax: 36-1-118-3732 Hungary
Supplier of seats for Suzuki cars & spare parts for Ikarus seeks joint venture partner, technology transfer, joint manufacturing	USD 1.5 million	Csaba Kilian re: 02/Aut/96	tel: 36-1-118-0051 fax: 36-1-118-3732 Hungary
Battery manufacturer seeks joint venture partner for processing used vehicle starter batteries	USD 2.1 million	Csaba Kilian re: Perion	tel: 36-1-118-0051 fax: 36-1-118-3732 Hungary

## Central & Western Europe In 1997

### 1997

August 1	<b>Hellerudsletta, Norway</b> Autofair	Oct. 17-22	<b>Kortrijk, Belgium</b> Car & Bus Show
Sept. 1	<b>Milan, Italy</b> Autopromotec	Nov.	<b>Moscow, Russia</b> EuroForum Automotive Conference
Sept. 1	<b>Lyon, France</b> Salon Int'l de l'Auto	Nov. 1	<b>Valencia, Spain</b> Salon del Automovil
Sept. 3-7	<b>Nitra, Slovakia</b> Int'l Exhib. of Passenger Cars, Trucks, Utility Cars, & Accessories	Nov. 15-23	<b>Athens, Greece</b> Auto Show
Sept. 11-21	<b>Frankfurt, Germany</b> Autotechnica	Nov. 18-22	<b>Sofia, Bulgaria</b> Auto Expo
Sept. 23-27	<b>Sarajevo, Bosnia</b> Auto Show	Nov. 26-30	<b>Madrid, Spain</b> Industrial Vehicle Trade Fair
Oct. 1	<b>Katowice, Poland</b> Autosalon	Dec. 6-14	<b>Bologna, Italy</b> Motorshow
Oct. 1-5	<b>Budapest, Hungary</b> Budapest Motor Show		
Oct. 2	<b>Bucharest, Romania</b> OICA General Assembly	<b>1998</b>	
Oct. 2-3	<b>Waraw, Poland</b> IBC Automotive Components Industry in Eastern Europe & Russia	Mar. 5-15	<b>Geneva, Switzerland</b> International Motor Show
Oct. 3	<b>Bucharest, Romania</b> Romanian Automotive Development Forum	April 24- May3	<b>Turin, Italy</b> International Auto Show
Oct. 2-12	<b>Bucharest, Romania</b> 5th Int'l Bucharest Motor Show	Sept. 15-20	<b>Frankfurt, Germany</b> Automechanika
Oct. 14-19	<b>Bucharest, Romania</b> Int'l Technical Fair (incl. automotive companies)		

For more information, please contact the Central Europe Automotive Report.

government is presently discussing this hot topic with EU authorities.

**New CEFTA Members**

From 1 July 1997, CEFTA has two new members - Latvia and Romania. Because these countries have their own harmonization schedules, the Polish customs tariff will gain two new columns with specific customs rates for these countries.


*This article was prepared by Senior Manager Antoni Turczynowicz and Customs Consultant Roman Rosiak, both from the Warsaw office of Coopers & Lybrand. ■*

tration products but other product groups and brands. I work for a newly created group based in Germany. [Dana] also has a gasket manufacturer, a plastic injection company, and an aftermarket company. There's a lot of synergy we can make use of within the group. So we're going to make full use of that.

I'm very optimistic about Central Europe. Not only Wix-Filtron but the automotive industry in Poland. That's why we're here. For Dana, it's a very good move, and I feel we're going to see spectacular results here. ■

# FUTURE ISSUES

- Dacia's Strategy For Survival
- Romania Sales & Production Statistics
- Car Transport and Logistics Special
- Poland Sales and Production Statistics
- Regional Vehicle Leasing Review
- Romanian Tax & Customs Update
- Raw Material Suppliers Review
- Q&A with Central European Purchasing Managers
- Romanian Legal Regulations Update



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**CENTRAL EUROPE AUTOMOTIVE REPORT**



TM

## 1997 Minivan (Monospace) Sales in Slovenia

Manufacturer/Model	Jan.	Feb.	Mar.	Apr.	May	% May	Jan.-May	% Jan.-May
Volkswagen Sharan	10	19	21	41	23	39.66	114	47.30
Seat Alhambra	2	3	4	11	12	20.69	32	13.28
Renault Espace	0	0	1	17	8	13.79	26	10.79
Honda Shuttle	1	1	2	16	3	5.17	23	9.54
Chrysler Voyager	0	0	0	8	5	8.62	13	5.39
Toyota Picnic	2	0	2	4	1	1.72	9	3.73
Citroen Evasion	2	1	2	1	1	1.72	7	2.90
Fiat Ulysse	1	1	0	2	1	1.72	5	2.07
Ford Galaxy	0	1	0	1	1	1.72	3	1.24
Others	0	1	2	3	3	5.17	9	3.73
<b>Total</b>	<b>18</b>	<b>27</b>	<b>34</b>	<b>104</b>	<b>58</b>	<b>100.00</b>	<b>241</b>	<b>100.00</b>

Source: Revoz d.d.

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#### CENTRAL EUROPE



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